MINUTES

Executive & Audit Committee Members Present: Patty Bedient, Rani Borkar (chair), Darry Callahan, Paul Kelly, Ed Ray (ex officio), and Kirk Schueler (vice chair)

Finance & Administration Committee Members Present: Mark Baldwin, Patty Bedient (chair), Rani Borkar (ex officio), Mike Green (ex officio), Angel Mandujano-Guevara, Laura Naumes, Kirk Schueler and Mike Thorne (vice chair)

Other Trustees Present: Mike Bailey and Michele Longo Eder

University Staff Present: Ron Adams, Charlene Alexander, Jennifer Almquist, Debbie Colbert, Ed Feser, Becca Gose, Lauren Skousen, Patti Snopkowski, and Irem Tumer

Guests: Jean Bushorg (principal, CliftonLarsonAllen LLP, by phone) and Tim Rawal (senior associate, CLA)

1. Call to Order/Roll/Declaration of a Quorum
   Executive & Audit Committee Chair Rani Borkar called the meeting to order at 8:03 a.m., asked the assistant board secretary to call the roll, noted a quorum, and welcomed members of the Finance & Administration Committee to the joint meeting.

2. Action Item
   a. FY2018 External Auditor Annual Report
      Borkar asked Vice President for Finance and Administration Mike Green and Chief Audit, Risk and Compliance Executive Patti Snopkowski to introduce Jean Bushong and Tim Rawal, representatives from CliftonLarsonAllen LLP (CLA), the firm that conducted the external audit of the FY2018 Annual Financial Report. Snopkowski reminded trustees that a financial statement audit and federal compliance audit are conducted annually in accordance with federal regulations. She said the purpose of the presentation by CLA was to summarize the findings from those engagements.

      Bushong began by describing the scope of their engagement, which included the financial statement audit; the "single audit," which is an audit of compliance with certain federal regulations; and a review of the NCAA Agreed Upon Procedures. She added that CLA's responsibilities under U.S. generally accepted auditing standards include expressing an opinion on whether financial statements are in conformity with U.S. generally accepted accounting principles in all material respects; expressing an opinion only over information identified in the CLA report; performing the external audit in accordance with required auditing standards; and communicating any significant matters related to audit,
information required by law/regulation, or other information agreed upon by the university. Bushong said CLA issued an unmodified opinion of the university’s FY2018 financial statements. Rawal shared the financial statement audit results. He provided an update on the net pension liability associated with the university’s participation in the Oregon Public Employees Retirement System, noting that in FY2018, for reporting purposes, there was a decrease in the plan-wide pension liability. Rawal said this was primarily due to positive investment results that offset any increases to the total liability. He noted a new standard in FY2018 requiring employers to report other post-employment benefits (OPEB) information in their financial statements. He said the university had an asset of $1M in one plan and a total liability of $18.9M for two plans. In response to a question by Trustee Paul Kelly, Rawal explained that the change in the OPEB liability between FY2017 and FY2018 was largely due to a change in reporting. Rawal also said the university reported a liability for the termination of the Perkins Revolving Loan Program.

Next, Rawal described the results of the Single Audit Compliance Report issued by CLA following their federal compliance audit of Oregon State’s sponsored programs in accordance with Federal Uniform Guidance. CLA focused on financial reporting and major federal programs and concluded that the university complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.

Bushong reviewed CLA’s required communications with the Board. She noted the university’s implementation of Governmental Accounting Standards (GASB) Statements 75, 81, and 89, and she described management’s use of accounting estimates in preparing the financial reports. Bushong also reported that CLA encountered no difficulties in performing the audit, had no disagreements with university management, and found no material weaknesses or significant deficiencies. Trustee Darry Callahan recognized Green and his team for their efforts to achieve this result. President Ed Ray asked whether external auditors were regularly engaged to perform deeper reviews beyond the scope of the annual audit of financial statements. Green said while that was not currently the practice, the university’s approach to enterprise risk management achieved similar objectives. Snopkowski added that the internal audit function and annual risk assessment process also facilitated the close examination of university programs and operations. Trustee Patty Bedient thanked Bushong and Rawal for their clear and detailed review, and she thanked Snopkowski and Green for their leadership, adding that the report demonstrated the strong internal controls in place at the university.

Next, Bushong reviewed upcoming GASB standards for FY2019, FY2020, and beyond. She also reported that the Moody’s Investor Service overall outlook for higher education remained negative for the second straight year. Rawal provided an update on federal tax reform and the anticipated impact on higher education. He also described possible information security measures expected to be incorporated into audit processes in the future, and he discussed some of the top higher education industry trends. One trend is a decrease in alumni giving, and Kelly asked whether that was a result of federal tax reform. Rawal said the reduction of incentives for charitable giving had likely effected fundraising efforts,
although the change is still too new to allow for a robust assessment of any impacts.

Following the presentation and discussion, a motion was made and seconded by the Executive & Audit Committee to accept the Oregon State University 2018 Annual Financial Report. The motion carried.

3. Adjournment
With no further business proposed, Chair Borkar adjourned the meeting at 8:45 a.m.

Respectfully submitted,

[Signature]

Jennifer M. Almquist
Assistant Board Secretary

Non-substantive updates made to correct titles on April 9, 2019.