



The Board of Trustees of Oregon State University

Regular Meeting of the Executive & Audit Committee

October 17, 2019

8:00 – 10:00 am

Horizon Room, Memorial Union Room 049
Corvallis, Oregon

MINUTES

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

Other Trustees Present: Mike Bailey, Julia Brim-Edwards, Michele Longo Eder, Lamar Hurd, Khawater Hussein, Julie Manning, and Mike Thorne

University Staff Present: Jennifer Almquist, Steve Clark, Susan Freccia, Becca Gose, Mike Green, Julee Otter, Lauren Skousen, Patti Snopkowski, and Irem Tumer

1. Call to Order/Roll/Declaration of a Quorum

Committee Chair Rani Borkar called the meeting to order at 8:01 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda

a. Minutes of the May 30, 2019 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the May 30, 2019, Executive & Audit Committee meeting. The motion carried.

3. Action Items

a. Office of Audit, Risk and Compliance Progress Report

Borkar asked Chief Audit, Risk and Compliance Executive Patti Snopkowski to present this item. She began with an overview of the work of the Office of Audit, Risk and Compliance (OARC) and what trustees could expect to see in the office's reports. Snopkowski then provided a summary of the six reports that were issued by the OARC since the last committee meeting. She spoke first about the scheduled audit that reviewed the control structure over the complimentary athletic ticket process and recommended improvements to policies and monitoring practices. Snopkowski summarized the next three reports, which she said the OARC completed in response to complaints received by the office. She then described the information technology (IT) risk assessment the OARC completed in partnership with a contracted vendor to identify OSU's IT audit priorities. The assessment will be used to support ongoing IT audit priorities in order to provide assurance to leadership. Snopkowski added that this would be done in partnership with Andrea Ballinger, the university's new vice provost for information and technology. Trustee Patty Bedient noted the volume of work represented by the IT audits proposed for 2019-2020 and emphasized the importance of collaborating with other senior leaders and engaging outside expertise as needed in order to balance workloads. Next, Snopkowski spoke

about the incurred cost audit of awards issued to Oregon State University that was conducted by the National Science Foundation Office of Inspector General (NSF OIG) as part of a scheduled audit cycle of major research universities. She said no systemic issues or fraudulent transactions were identified. The NSF OIG questioned \$369,532, but Snopkowski said the university believes the majority of these questioned costs are allowable and allocable per federal cost accounting standards and will work with the NSF to resolve the questioned costs through the audit resolution process. In response to a question by Trustee Kirk Schueler, Snopkowski offered examples of some of the costs the university determined to be allowable. Trustee Darry Callahan asked about the nature of the audit, and Snopkowski said it was part of an ongoing effort by the NSF OIG to ensure accountability and credibility. Trustee Michele Longo Eder commended staff for the positive findings and the ongoing commitment to being responsible stewards of public funds. Snopkowski concluded by highlighting the reports on follow up activities and noting some of the improvements that have been made. Following the report and discussion, a motion was made and seconded to approve the October 2019 OARC progress report. The motion carried.

b. Board Chair's Report: FY2019 Presidential Assessment

Borkar summarized the process for the Board's presidential performance assessment and thanked trustees for providing input on the president's accomplishments in the previous year and goals for the upcoming year. She also thanked Schueler for his assistance in gathering input from a subset of the president's direct reports and university partners. Borkar said that trustees and others noted the president's many accomplishments again this year, including completing a new strategic plan, continuing efforts to build an inclusive community, and working on preparations for the public launch of the university's next campaign. She reported that she and President Ed Ray had met to discuss the assessment feedback. Borkar said that she supports Ray's goals, adding that they are in alignment with the Board's priorities.

Following her summary, Borkar opened the item for discussion. Schueler said he appreciated the opportunity to assist in gathering input and to hear the many positive comments people made about Ray's leadership. Bedient thanked Ray for his thorough self-assessment and informative report. Borkar thanked trustees for their comments and congratulated Ray on another successful year. A motion was made and seconded to recommend to the Board acceptance of the Board Chair's report on the president's annual assessment. The motion carried.

c. 2020 Executive & Audit Committee Work Plan and 2019 Board Assessment Results

Borkar introduced this item and asked trustees to share their thoughts on the work completed last year, the survey results, and the plan for the coming year. Board Secretary Debbie Colbert noted that the draft work plan for the coming year reflected the presidential transition, including having the Board in October 2020 consider the next president's FY2021 goals rather than reviewing a performance assessment. Kelly remarked on the consistency in the results of the committee's self-assessment, and Schueler added that the survey seemed to indicate that the committee continued to function effectively. Callahan said that conducting the self-assessment on an annual basis offered a way for new

trustees to share their reflections. Bedient noted that the culture of the Board also supported raising questions or concerns as they emerged, and Borkar affirmed the importance of ongoing engagement and encouraged trustees to continue sharing concerns throughout the year. A motion was made and seconded to approve the 2020 Executive & Audit Committee work plan. The motion carried. Following the motion, Borkar thanked her fellow committee members for their service.

d. Board Policy Review

Borkar asked Colbert to provide an overview of the proposed repeals and changes to Board policy. Colbert reminded trustees that a number of administrative rules, policies, and internal management directives transferred to the university when the transition in governance occurred in 2014. The Board has since repealed a number of these transferred policies, which have been superseded, were outdated, or were no longer applicable, and has directed the continuation of this review process to ensure the currency of Board policies. Colbert referenced TAB E, noting that the policies proposed for repeal were provided in Exhibit A of Attachment 1. She said that Exhibit B detailed proposed amendments to the Board's Tuition and Fee Process to clarify the role of the University Budget Committee (UBC) consistent with the requirements of ORS 352.102. The university has considered the full membership of the UBC as the Tuition Advisory Council, which is a more inclusive approach to implementing the statute. Callahan asked about progress on reviewing the policies and directives that transferred from the State Board of Higher Education, and Colbert said only a few board-related policies remained for review. She noted that the University Policy and Standards Program continued to work systematically to modernize university policies and standards. A motion was made and seconded to recommend to the Board that it adopt the Resolution repealing and amending policies as provided in Attachment 1. The motion carried.

4. Discussion Items

a. Annual Compliance & Ethics Program Report

Borkar asked Snopkowski; General Counsel Becca Gose; Deputy Chief Audit, Risk and Compliance Executive Julee Otter; and Director of Compliance Susan Freccia to present this item. Snopkowski began by reminding trustees that the university compliance and ethics program serves the mission of the university by promoting an organizational culture with the highest standard of integrity and by supporting compliance. She said that oversight of the program starts with the Board, and she described the guidelines provided by the federal government to measure effective compliance programs. Snopkowski then introduced Freccia, who provides leadership for the institutional compliance and ethics program. Freccia spoke to the importance of effective leadership and oversight and highlighted the structures in place to help support the university's programs. These include the formation of the Executive & Audit Committee, which receives regular updates on audit, risk, and compliance activities; the commitment by the Board to establish a strong tone at the top that sets expectations and standards for all members of the organization; and the existence of a university compliance office with a direct reporting line to the Board. Schueler noted that while an over-emphasis on risk could be limiting, it remained important for the Board to set the tone for the institution by continuing to focus on maintaining a strong ethics and

compliance program. Gose remarked that the program continues to mature and has become increasingly effective in supporting strategic decision making by university leaders, and Snopkowski agreed, adding that staff have developed more sophisticated frameworks that can be used in assessing and mitigating risk while also supporting innovation. Bedient remarked on the effective communication to all members of the organization about expectations and standards. Ray reflected on national examples that suggested deficiencies in institutional compliance and ethics programs, noting that these cases further emphasized the need to maintain a strong tone at the top and to ensure that people throughout the organization are empowered and aware of how to raise concerns. Freccia said that evidence of effective oversight at Oregon State could be seen in the university's infrastructure for responding to issues of non-compliance, and she added that she would continue to work with leaders of these compliance functions to strengthen their coordination. Gose remarked that awareness of reporting requirements and avenues for raising concerns was evident in the increased number and breadth of reports received through the hotline administered by the OARC. Trustee Mike Bailey commended staff for increasing the visibility of the hotline. Bedient emphasized the importance of the university's commitment to upholding the same high standards of integrity across the entire university.

Next, Otter spoke about the Accountability and Integrity Hotline. She said the university has contracted with EthicsPoint, an independent, third party vendor, to provide the confidential and anonymous system for reporting any concerns, and the OARC reviews reports made through the system and ensures they are investigated by the appropriate office. Otter demonstrated how to access and navigate the online reporting function, noting that reports could also be made by phone. She summarized reports made to-date and reminded trustees that they would receive the full 2019 complaint summary at their January meeting. She said the hotline was an important part of the university's compliance and ethics program, and the OARC would continue in the coming year efforts to advertise and promote use of the hotline. In response to a question by Kelly about ease of use of the online reporting system, Snopkowski noted that EthicsPoint implements research on best practices, and Otter remarked on the opportunity for the OARC also to evaluate user experience and make improvements where needed. Otter described how people making a report online could continue anonymously to access the system to follow up on the status of their report. In response to a question by Bedient, Snopkowski described who at the institution had full access to the database of reports. She said the vice chair of the Board also has access and any complaints received that named the OARC or staff within the office were automatically directed to the vice chair. She added that the OARC would be reviewing access and the types of reports that leaders receive. In response to a question by Trustee Khawater Hussein about the reporting of bias incidents, Gose spoke about the Bias Response Team that is coordinated by the Office of Institutional Diversity (OID) and provides a process to address bias incidents that affect members of the OSU community. This process may involve referrals to investigating offices like the Office of Equal Opportunity and Access or other education, discussion, or outreach efforts by OID or other offices. Snopkowski said that she would be exploring inclusion of the Bias Response Team as a resource on the OARC website. Otter noted that the ability

to track anonymously the status of a report was specific to the Accountability and Integrity Hotline. Snopkowski added that, primarily for reasons of confidentiality, a reporter of any type of incident, to the hotline or through other avenues, might not receive the complete details of the outcome of an investigation. Gose acknowledged that, even with such limitations, it remains the goal of the university to affirm that reports have been received and appropriately addressed.

b. Office of General Counsel Annual Report FY2019

Borkar asked Gose to present this item. Gose said the Office of General Counsel (OGC) had provided through the year legal advice on a range of high profile, high stakes issues. She shared that, in providing legal advice, the philosophy of the office is to add value by being proactive and preventative. Gose noted that although the office operates with lean staffing, they are able to be effective because of the emphasis by President Ray on the importance of the OGC as a strategic partner.

Gose pointed to the overview in TAB G of the major areas of focus for the OGC in 2018-19. She said that the office manages all litigation defense for OSU and works closely with outside litigation counsel at every stage. She added that OSU has very low litigation rates compared to similarly situated national peers; however, given national trends, it is unlikely that the very low rate at OSU will remain unchanged. Gose said that over the past five years, OSU has prevailed in every matter litigated by the OGC. She added that this is uncommon because litigation is inherently risky and organizations should not expect success in all cases. She also summarized trends in administrative claims, which are claims by students or employees made to and investigated by outside agencies. The number of claims remains low relative to peers, but Gose noted there has been an increase in recent years. She said the OGC analyzes reports to see whether an increase is reflective of particular concerns within the institution; however, she does not see the increase as cause for concern but rather as a reflection of national trends and OSU's growing profile. In response to a question by Borkar, Gose confirmed that, in 2018-19, there were no administrative claims by students; however, Gose said this was an anomaly and not expected to continue.

Next, Gose reported that the OGC engages the assistance of outside counsel in several types of situations, including where the area of expertise sought is highly specialized and where it is advisable or required to have an independent review or opinion. Additionally, the time and resources required make it most practical to engage outside counsel on litigation matters. Gose said outside counsel is also engaged when the work needed and timeliness surpass the capacity of the office; however, efforts are made to minimize this approach given the higher costs of outside counsel. She pointed to Attachment 4 for an overview of the types of matters that are sent to outside counsel, adding that, according to industry surveys, the OGC uses outside counsel on similar types of matters as other peer universities. Attachment 5 provides a snapshot of OSU-wide outside counsel costs, and Gose explained that outside counsel work ebbs and flows with the needs of new initiatives and issues. Although FY2019 saw a decrease in outside counsel costs as compared to FY2018, costs remained higher than FY2017, primarily due to continued outside compliance reviews, increased advising needs on several issues, and minor needs in several additional areas. In

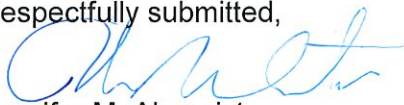
response to a question by Schueler about the determination to bring expertise in-house, Gose said that efforts are made to monitor the staffing numbers of in-house counsel, to consider trends, and to ensure provision of the most cost-effective legal services. While there are not currently sustaining trends that would suggest changes in specific specialties being brought in-house, Gose mentioned several specific areas that she continues to monitor for the future. Gose concluded with a summary of anticipated areas of focus for the year ahead, including advising on matters such as the initial bargaining of the university's first faculty contract; free speech; student mental health; federal policy changes; and transactions supporting innovation, research, and infrastructure. Kelly asked how faculty learn about intellectual property licensing, and Gose noted that the Office for Commercialization and Corporate Development conducts most of the outreach, and the OGC assists and engages outside counsel as needed. In response to a question by Callahan, Gose stated that there have not been many instances of patent infringement but the university has been the plaintiff on several matters of trademark infringement. Gose spoke about additional anticipated areas of focus for the year including advising on the presidential search and transition; continuing to advise on a range of compliance matters, with a particular focus on Title IX, youth safety, and IT security; and supporting the evaluation and implementation of the Oregon Equal Pay Act. She said that the OGC would also be advising on matters related to the next legislative session. Additionally, Gose said that Athletics would continue to be a focus given a number of national trends.

Following the report, Borkar thanked Gose for the overview and for her work to monitor trends and make adjustments as needed. Trustee Julia Brim-Edwards asked for additional information about advice during the presidential search and selection process. Gose said there would be a focus on providing options to support Borkar in contract negotiations, and Colbert spoke about the extensive research underway to support contract negotiations and the structuring of the next presidential contract. Brim-Edwards expressed her support for this thoughtful approach, particularly given the attention by legislators to the accountability and transparency of institutions of higher education, and Colbert noted that Callahan and Trustee Julie Manning, as the respective chairs of the search and transition committees, have already started meeting with the Governor's office to talk about OSU's approach. Borkar added that proactive communication has been a goal throughout the search process.

5. Adjournment

With no further business proposed, Chair Borkar adjourned the meeting at 9:57 a.m.

Respectfully submitted,



Jennifer M. Almquist
Assistant Board Secretary