



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, Mark Baldwin, and Michele Longo Eder

University Staff Present: Jennifer Almquist, Debbie Colbert, Ed Feser, Becca Gose, Mike Green, Jock Mills, Lauren Skousen, and Patti Snopkowski

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

Committee Chair Rani Borkar called the meeting to order at 12:31 p.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda

a. Minutes of the October 25, 2018 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the October 25, 2018, Executive & Audit Committee meeting. The motion carried.

3. Action Items

a. Recommendation of Potential Candidates for Anticipated Vacancy

Borkar introduced the next item on the agenda, which was to recommend potential candidates to the Governor for the vacant position anticipated on the Board next year. She reminded trustees that the Board has a policy that guides the process for making recommendations to the Governor. The policy seeks a balance and diversity of perspectives, backgrounds, experience, and skills among the Board members. Borkar noted that, as part of that process, in October, the committee walked through a needs assessment with Board Secretary Debbie Colbert. The assessment looked at the current skills, background, and diversity of the Board. Based on that assessment, the committee asked President Ray to identify potential candidates that would bring gender, age, racial and ethnic diversity, and a broad range of skills. Borkar then asked President Ed Ray to provide an overview of his recommendations contained in TAB B.

Ray said that he was pleased to report that each of the three candidates expressed their honor and appreciation at being considered for a Board position. First, Ray presented Lamar Hurd, television analyst with Portland Trail Blazers Broadcasting. He said Hurd earned his BS in Communications from Oregon State where he was the starting point guard for the university from 2002 to 2006. Ray noted Hurd's honors and summarized his professional accomplishments and

volunteer service. Next, Ray presented Suzanne McGrath, president and principal with Vision Capital Management, Inc. He noted that she earned her BS in mathematics from OSU and taught mathematics at the high school and college levels before founding her own investment management firm. In addition to her professional accomplishments and service activities, McGrath was named an honorary trustee of the OSU Foundation in 2013, having served on the board from 1997 to 2013. Lastly, Ray presented D'Anna Piro Foster, global strategy director with Nike Women's. He said she earned an Honors BS in Business Administration and Exercise Sports Science at Oregon State where she was a gymnast. Foster served in a number of leadership roles, including on the Student-Athlete Advisory Council. Ray described her honors and professional accomplishments. In conclusion, Ray said that the candidates reflect the attributes sought by the Board.

During the discussion that followed, Trustee Paul Kelly complimented Ray and Colbert on their work to identify candidates, particularly candidates that would contribute to the generational diversity of the Board. He expressed a reservation about adding Foster, who would be the second trustee employed by Nike, as it may limit the range of industry perspectives reflected on the Board. Trustee Kirk Schueler said he had a similar question but did not see it as a reason to exclude Foster. He also affirmed the compliments on the selection of three strong candidates. Trustee Patty Bedient asked whether Trustee Julia Brim-Edwards had provided her perspective on having a second trustee from Nike, and Colbert confirmed she had talked with Brim-Edwards and she did not have concerns, noting that she does not know Foster, who is in a separate area of the company. Bedient added her support for the three candidates, as did Trustee Darry Callahan. Following discussion, Borkar thanked Colbert and Ray and said she would be honored to have any of the three candidates serve on the Board. A motion was made and seconded to accept the President's recommendations for potential candidates for submission to the Governor. The motion carried. Following the vote, Colbert shared that there will also be a vacancy in the student trustee position. She said Trustee Angel Mandujano-Guevara was participating in the recruitment of a new student trustee, adding that he and Associated Students of Oregon State University (ASOSU) President Justin Bennet had worked to identify a strong pool of candidates. Borkar added her appreciation for their efforts.

b. 2020 Board Calendar

Borkar asked Colbert to present this item. Colbert provided background on the Board Calendar Policy and directed trustees to TAB C for the proposed dates for calendar year 2020. She discussed the date selection process, which included consideration of such factors as the academic calendar, major holidays, and the president's national leadership service commitments. Based on these criteria, staff identified potential dates and shared them with trustees to assess availability and ensure a quorum of each committee and the Board. Colbert noted that staff also shared the dates with leadership of the ASOSU and the Associated Students of Cascades Campus. She said the proposed dates meet the policy requirement for four regular meetings of the Board; however, the Board Calendar Policy specifies that the Board meet in January, March, May, and October of each year. Since the 2020 calendar proposes April dates, rather than March, a majority of the Board must approve the calendar. Following Colbert's presentation, Borkar thanked staff for the efforts, particularly the focus on

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identifying dates that do not conflict with key times during the academic year so that students are able to participate. With no further discussion, a motion was made and seconded to recommend to the Board approval of the 2020 meeting dates. The motion carried. Following the vote, Borkar said she would place the item on the consent agenda for the January 18, 2019, Board meeting.

c. Audit Progress Report

Borkar asked Chief Audit, Risk and Compliance Executive Patti Snopkowski to present this item. Snopkowski started by reminding trustees that the quarterly progress reports provide the committee an opportunity to ensure that the Office of Audit, Risk and Compliance (OARC) is focused in the right areas and that work on initiatives and recommendations is progressing. Snopkowski added that when events of significance occur between meetings, she works with the Chair and Board Secretary to determine whether immediate notification is warranted. Snopkowski then summarized the reports the OARC had issued. First, she discussed the report on Extension operations, which was completed at the request of Provost Ed Feser to review concerns raised related to the budget and balancing of program needs. The review revealed a need to improve administrative staffing and the budget oversight process and to work on alignment between budget and program needs. Snopkowski noted that this serves as a reminder of the need to prepare for different fiscal environments, and she said she believes appropriate management plans are in place. Next, Snopkowski spoke about the report issued for Ship Operations, which she said was done at the request of College of Earth, Ocean, and Atmospheric Sciences Dean Roberta Marinelli to assess the internal control structures in place and identify any opportunities for improvement. Schueler asked about the OARC's assessment of Ship Operations across key control areas and how trustees should interpret control weaknesses identified. Snopkowski said operations were reviewed using the OARC's control assessment tool and a number of improvements were identified across key control areas. Callahan asked whether this was cause for concern, and Feser said that it was an example of the OARC's process working well to surface concerns and point to areas for improvement. He added that personnel changes had been implemented to address management concerns. Lastly, Snopkowski summarized a review of the efficiency and effectiveness of controls related to scholarship administration. She said she believes that all recommendations are being addressed.

Snopkowski also provided a status of recommendations, noting there were no past due recommendations. She said the OARC has one follow-up still underway; however, she anticipates that it will be complete by the January progress report. Snopkowski provided status reports on those audits for which implementation of OARC recommendations was still open and a summary of audit plans that were in progress. She noted that some IT auditing was on hold due to a staffing transition in the IT auditor position, adding that she was working to fill the position early in the new year. Snopkowski concluded by saying she would be meeting individually with all members of the EAC to solicit input on the 2019 audit plan and to discuss the focus for enterprise risk management.

During the discussion, Schueler asked what prompted the external audit by the National Science Foundation (NSF) Office of the Inspector General. Snopkowski said that OSU was among the last major research universities in the country to undergo an audit of costs claimed to NSF. Borkar asked whether the staffing

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transition and subsequent reprioritization of some activities were causes for concern, and Snopkowski said the OARC had still been able to accomplish its primary goals for the year. Following the discussion, a motion was made and seconded to approve the audit progress report. The motion carried.

4. Discussion Items

a. Annual Compliance & Ethics Program Report

Borkar asked Snopkowski and General Counsel Becca Gose to present this item. Snopkowski began by reminding trustees that the university compliance and ethics program promotes an organizational culture of compliance and the highest standards of integrity, beginning with a strong foundation of oversight and accountability. She pointed to TAB E for a summary of activities in 2018 and summarized some of the priorities identified for 2019. Snopkowski said one priority was to hire a new director of compliance to help coordinate the compliance and ethics program and work with compliance partners across the university. She also noted the importance of regularly scanning the environment to identify and respond to patterns and potential areas of concern. Snopkowski concluded by stating that OSU works to improve on a continual basis its enterprise risk management function, adding that this would continue to be a focus of discussions with university leadership and EAC members. Gose noted that the program elements outlined in the docket mapped to the Federal Sentencing Guidelines, which is the way the federal government assesses the efficacy of compliance programs. Gose also described the university's compliance structure, which is a hybrid model with a central compliance director who coordinates compliance partners across the university. This model helps facilitate effective communication and both the escalation of matters to senior leaders and the distribution of information out to compliance partners. Gose said that the model is working well, adding that the alignment of compliance with the OARC and recruitment of a new compliance director present an opportunity to make further improvements. There was no further discussion.

b. Office of General Counsel Annual Report FY2018

Borkar asked Gose to present this item. Gose said that the Office of General Counsel (OGC) had provided through the year legal advice on a range of 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 OGC as a strategic partner.

Gose pointed to the overview in TAB F of the major areas of focus for OGC in 2017-18. 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 four years, OSU has prevailed in every matter litigated by 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 make to and are investigated by outside agencies. While the number of claims increased this year and last, Gose said that was likely attributable to the university's growth in size and profile. She added that OSU had prevailed in every claim filed over the past five years. Callahan noted the

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increase in the number of public records requests submitted annually, and Gose said she saw it not as cause for concern but rather as a reflection of national trends and OSU's growing profile. Because the trend is unlikely to slow, Gose said OSU is taking proactive steps to manage more effectively public records requests by creating a standalone Public Records Office. She said that OGC transferred the FTE of one legal assistant to the division of University Relations and Marketing, which will house the new office.

Next, Gose reported that OGC engages the assistance of outside counsel in several types of situations, most commonly where the area of expertise sought is highly specialized, where the work needed and timeliness surpass the capacity of the office, and where it is advisable or required to have an independent review or opinion. She then provided an overview of the types of matters sent to outside counsel and the associated costs, noting an increase in outside counsel costs over the past year due to the university's focus on a variety of initiatives. Gose added that efforts are made to monitor the staffing numbers of in-house counsel versus outside counsel to ensure provision of the most cost-effective legal services. Gose concluded with a summary of anticipated areas of focus for the year ahead, including advising on matters such as bargaining the university's first collective bargaining agreement with its newly certified faculty union, as well as related management issues in the interim period before the agreement is in place, free speech, federal policy changes, the 2019 Oregon legislative session, Title IX and a range of other compliance functions, and a number of mission critical initiatives. There was no further discussion.

c. Legislative Update

Borkar asked Jock Mills, director of government relations, to present this item. Mills began with a review of the 2018 elections, including the results of the Governor's race, races in the Legislature, and the ballot measures. He discussed turnover in the Senate and House of Representatives and potential implications of the changes. He also described changes to House and Senate leadership structure and committee composition. Mills then presented a forecast for the 2019 legislative session beginning with likely areas of focus, which range from addressing structural imbalances in the budget to creating an impetus for new revenues. He noted that changes to the Public Employees Retirement System (PERS) were less likely, despite the fact that PERS continues to be a significant cost driver. Mills also spoke about possible changes in support for the Statewide Public Service Programs (SWPS). He noted key dates in the 2019 legislative session, including the anticipated release at the end of November of the Governor's Recommended Budget. Mills then discussed the university's legislative priorities. Priorities related to the operating budget include an increase of at least \$130M in operating funds, an increase in the Oregon Opportunity Grant, a \$30M increase for the SWPS, \$17.3M for a University Innovation Research Fund and Oregon Corps Program, and \$1.6M in state match for the U.S. Department of Energy marine energy grant. Next, he spoke about priorities related to capital projects, including a Shared Capital Renewal Fund, the Arts & Education Complex, the OSU-Cascades Student Success Center, and the Cordley Hall renovation. Mills also spoke about anticipated legislation related to clean energy and jobs and carbon reduction. He concluded by noting that staff continue to work with stakeholders on support for the SWPS. There was no further discussion.

5. Adjournment

With no further business proposed, Chair Borkar adjourned the meeting at 2:14 p.m.

Respectfully submitted,

Jennifer M. Almquist