



MINUTES

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

Other Trustees Present: Mike Bailey, Mark Baldwin, Michele Longo Eder, Julie Manning, Angel Mandujano-Guevara, Preston Pulliams, and Mike Thorne

University Staff Present: Ron Adams, Charlene Alexander, Jennifer Almquist, Steve Clark, Debbie Colbert, Ed Feser, 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 8:02 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda

a. Minutes of the November 16, 2018 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the November 16, 2018, Executive & Audit Committee Meeting. The motion carried.

3. Action Items

a. Presidential Compensation Adjustment

Borkar introduced this item by reminding trustees that she had reported on the results of the most recent presidential performance assessment at the October meeting. She said that performance is one consideration under the Board's compensation philosophy, and that President Ed Ray received high marks across all categories of his review. Borkar also highlighted Ray's 15 years of service to the university, making him one of the longest serving presidents among peer comparators. Borkar noted that the university approved merit raises to a maximum of 6% for unclassified employees in January 2019 and that she would like the Committee to consider forwarding to the Board an adjustment of 6% to Ray's compensation. She added this level of merit increase reflects his outstanding performance, length of service, and compensation relative to peer comparators, and it recognizes the tremendous value his experience brings to the university.

During the discussion, Vice Chair Kirk Schueler expressed his support for the increase, adding that it was important to keep the Oregon State University president's salary competitive relative to peers. Trustee Darry Callahan reminded trustees that adjustments to compensation provided by the OSU Foundation would be subject to approval by the OSU Foundation Board. Trustee Paul Kelly asked about the average increase across unclassified employees in order to

better understand the effect of faculty salary increases on the university's overall budget and the decision to proceed with mid-year increases despite a planned budget reduction in the current fiscal year. Ray said that because the increases were merit-based, some people received 0%, faculty with fully satisfactory performance received 1.8%, high-performers received up to 6%, and the pool average was 3%. He added that the decision to proceed with the salary increases was made with the understanding that entering a period of increased uncertainty and greater financial pressures would require talented, high-performing employees, and the investment in the retention of such employees was valuable. Callahan recognized that, in some instances, the salaries paid by OSU lag those provided by peer institutions.

With no further discussion, a motion was made and seconded to recommend to the Board a 6% adjustment to President Ray's current compensation, effective January 1, 2019, recognizing that adjustments to compensation provided by the OSU Foundation are subject to approval by the OSU Foundation Board. The motion carried.

b. Office of Audit, Risk and Compliance 2018 Final Progress Report & 2019 Annual Plan

Borkar asked Chief Audit, Risk and Compliance Executive Patti Snopkowski and Deputy Chief Audit, Risk and Compliance Executive Julee Otter to summarize the Office of Audit, Risk and Compliance (OARC) final progress report and plan for the upcoming year. Otter provided an overview of the activities the OARC conducted during the 2018 calendar year as presented within the office's service areas—assurance, consulting, investigative, follow-up, external audit coordination, and other. Snopkowski described the results of the 2018 performance matrix included in TAB C, which relates to the value of the office's services and productivity and to staff qualifications. She said the OARC met or exceeded targets in most areas, with an explanation of any exceptions noted in the footnotes. Snopkowski added that the OARC introduced a new approach to collecting feedback by distributing a year-end audit client survey to all individuals who interacted with the office during 2018. She also pointed to the fourth quarter reports issued by the OARC, highlighting specifically engagements with the OSU-Cascades campus, University Housing and Dining Services, and the Business Affairs Office. Callahan asked about the low risk rating for the evaluation of the internal control structure for the OSU-Cascades campus. Snopkowski said the engagement focused specifically on internal controls related to fiscal management practices, and appropriate fiscal cycle controls and internal business systems were determined to be in place. Were the recommendations from the audit to remain unaddressed, there would be no anticipated impact to the university and minimal potential impact to the unit, and this determination by the OARC led to the assignment of a low risk rating.

Next, Otter provided an overview of the 2018 complaint summary. She noted that, as a result of increased coordination with university partners, including continued outreach and required critical training modules, complaints have increased over the past year. She noted that complaints were received in all nine functional units of the university, spanning 11 of the 13 complaint categories, which indicates that the OSU hotline and complaint program is effective across all functional units. Otter said the OARC reviews results against peer institutions and is above average in the total complaints received and in line with others with

April 4-5, 2019 Board of Trustees Meetings

regard to the categories of complaints. She noted that the OARC does not investigate all of the reports received through the hotline or directly to the OARC, with approximately 80% being redirected to partner offices for investigation. Otter added that when complaints are referred to other offices, the OARC continues to track progress through resolution. She also noted that not all investigations result in a report. When complaints are high-risk or sensitive in nature, Snopkowski works with the Board Chair and Board Secretary on any notification to the Board. While it is unlikely that all possible fraud or irregularity will be reported, Otter said the total number and breadth of complaints suggests good coverage and indicates that members of the university community are knowledgeable about how to submit complaints.

Following the presentation of the 2018 complaint summary, Trustee Mike Bailey asked how students learn about the hotline and whether it can easily be located using the university's search engine. Otter said that while the hotline is advertised in multiple areas, there are opportunities to improve outreach to students. Snopkowski added that the OARC is also working with staff in University Relations and Marketing to improve discoverability of the hotline and other OARC resources via the search engine. In response to a question by Schueler about the complaint summary table, Otter clarified that 76 complaints were received by the OARC during 2018, with 57 coming through the hotline and 19 being made directly to the office. Of the 76 complaints received, approximately 80% were referred to partner offices for investigation. Trustee Patty Bedient asked about the severity of the complaints and said that it would be helpful to expand the table to note the number of complaints in progress versus closed. Otter said that the complaints received in 2018 were not notable in the level of severity; however, there were some observable trends across functional units and complaint category. When such patterns emerge, the OARC works with the appropriate partner offices to ensure resolution. Snopkowski said the OARC monitors time to resolution, with a goal of not exceeding three months, and can include this information in future reports. Ray also expressed interest in knowing more about the risk rating of complaints received. Borkar added that, if complaints continue to increase, it would be important to ensure resources were adequate to continue meeting the goal of timely resolution. Snopkowski said continuing to benchmark staffing resources to ensure consistency with industry standards was part of the OARC's plan for the current calendar year.

Otter then provided an overview of planned 2019 calendar year activities. In particular, she highlighted efforts related to automating work systems, general control reviews, departmental reviews, quality assurance, and external audit coordination. She also described plans to engage outside experts to address recommendations from a recent construction management audit and to complete a comprehensive information technology risk assessment. Snopkowski also noted plans to continue efforts to align the compliance program with industry best practices. She concluded with a review of the OARC charter and staffing resources. Trustee Julie Manning asked about the distinction between two audits of 4-H operations. Snopkowski noted one was being conducted in response to a complaint. She said the OARC is also engaged in an audit of the program's internal control structure and a holistic review of 4-H and OSU Extension operations. Following discussion, a motion was made and seconded to approve the Office of Audit, Risk and Compliance's 2018 calendar year final progress report and 2019 annual plan. The motion carried.

April 4-5, 2019 Board of Trustees Meetings

4. Education/Discussion Item

a. Enterprise Risk Management

Borkar asked Provost and Executive Vice President Ed Feser, Vice President for Finance and Administration Mike Green, and Snopkowski to provide an update on the enterprise risk management model approved by the Committee in March 2016. Feser reminded trustees that, in 2018, six university-wide risks were identified that may hinder OSU's ability to achieve the objectives outlined in the OSU strategic plan. He said mitigating strategies were implemented for each risk and regular reports were provided to committees. Feser said that in the fall of 2018, as part of the annual audit planning process, the chief audit executive worked with senior management and Executive & Audit Committee members to review the original top risks for continued relevance. Snopkowski then described the process for that review. She said participants in the planning process observed that significant strides have been made to reduce the university risk profile; however, they also noted the importance of continued oversight.

Snopkowski then reviewed the 2019 priorities as outlined in TAB D, Attachment 1: critical training for employees; sexual harassment and violence education, prevention and response; lab safety; research space needs; information technology security; and all hazard planning. She added that there were other areas identified that are important to the strategic plan but that were not included among the 2019 priorities because they already have good existing control and mitigation strategies in place. These areas include the university's equity and inclusion efforts, the Undergraduate Student Success Initiative, changing demographics and enrollment, and some areas of potential financial risks. Snopkowski also noted that youth safety had previously been identified as an area of risk, but with a new Director of Youth Safety and Compliance, the area will continue to be monitored but not included among the 2019 priorities. Bedient said it would be helpful to include with the docket a summary of the rationale for such high-level risks that were considered but not added to the priority list. Bailey asked about lessons learned from a recent fire in a lab room of Burt Hall. Green said the response was still underway, but an early lesson was that a relatively small incident in a high profile area could produce consequential, unanticipated effects. He added that staff would continue to review and learn from the response and make changes to any internal protocols as needed. Borkar asked whether, during the planning process, it was observed either that there are certain areas of risk that are unique to Oregon State or that there are national trends that have not been observed as risks at the university. Snopkowski said that she communicates regularly with her peers at other institutions, and she has not observed any particular ways in which OSU is an outlier. She added that two areas in which OSU does well compared to peers is engaging in a robust strategic planning process and taking a holistic approach to student health and wellbeing.

Green concluded by describing the reporting schedule for the six university-wide priorities. He said staff would also be seeking to refine performance indicators and would continue to include the ongoing assessment of the risk topics and mitigation strategies as part of their regular work. Green added that senior leaders have been engaged in conversations about how to model and encourage throughout the organization an approach to decision-making that appropriately

balances the consideration of risks and opportunities. In particular, he and his leadership team within the Division of Finance and Administration are working on a framework for evaluating risk consistent with university values and the division and university strategic plans. In conclusion, Borkar said she was proud of the thorough and intentional work being done with regard to risk management.

5. Adjournment

With no further business proposed, Chair Borkar adjourned the meeting at 8:53 a.m.

Respectfully submitted,

Jennifer M. Almquist