



Oregon State
University

The Board of Trustees of Oregon State University

Regular Meeting of the Executive & Audit Committee
January 18, 2018
Horizon Room, Memorial Union
Corvallis, Oregon

MINUTES

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

Other Trustees Present: Mike Bailey, Mark Baldwin, and Michele Longo Eder

University Staff Present: Ron Adams, Jennifer Almquist, Susan Capalbo, Steve Clark, Debbie Colbert, Ed Feser, Becca Gose, Mike Green, Julee Otter, Patti Snopkowski, and Marcia Stuart

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

Committee Chair Rani Borkar called the meeting to order at 8:11 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda

a. Minutes of the October 19, 2017 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the October 19, 2017, Executive & Audit Committee Meeting. The motion carried.

3. Action Items

a. Responding to Public Comments

Chair Borkar introduced this item by reminding trustees that the topic of how the Board responds to public comments was discussed at the October 20, 2017 meeting. She then asked Board Secretary Debbie Colbert to review current practices and provide an overview of the proposed changes included in TAB B. Colbert noted that as trustees had reflected on the results of the most recent self-assessment, they discussed how the Board responds to public comments received during the general comment section of each Board meeting. In particular, trustees identified an opportunity to be more transparent about what the Board will do with the information received during public comment. Colbert added that some trustees also expressed a desire to have a better understanding of how they can make follow-up requests and suggestions related to topics raised in public comment. Following this discussion, Colbert spoke with several individual trustees, each of whom recognized that the Board and university would not be sufficiently prepared nor would it be appropriate to respond to comments in real-time. Colbert shared that Trustee Paul Kelly suggested that the Conduct of Board Meetings Policy be updated to set out more clearly for the public how

the Board follows up on what it hears during public comments. She then referenced Attachment 1, Exhibit A for proposed language describing the different actions the Board may take, adding the importance of maintaining flexibility to respond as appropriate. Colbert concluded by stating that the proposed amendments also confirm in policy the Board's current practice of encouraging trustees to direct further questions or inquiries on a topic raised in public comment to the Board Chair or Board Secretary.

Following Colbert's summary, Borkar opened the item for discussion. Kelly expressed his support for the proposed changes. Trustee Kirk Schueler did as well; however, he added that the procedures did not explicitly address the relationship between public comment and the Board's decision-making process, leaving some commenters with a sense of being unable to provide meaningful input. Trustee Patty Bedient cited the addition of the opportunity for public comment on preliminary tuition scenarios as a way the Board has altered its practice to address this potential friction. Trustee Michele Longo Eder shared that she had heard from students at the previous evening's student-trustee discussion interest in continuing to enhance the public comment process to be a meaningful experience for both commenters and trustees. She also asked how the amendments to the policy would be shared. Colbert said the revised policy would be included on the Office of the Board of Trustees website. She said she would also connect with groups that have previously engaged with the Board to notify them of changes. Vice Chair Darry Callahan noted that a summary of the Board's response would also be included in the Chair's preface to the comment period. Borkar thanked staff for proposing revisions, adding that the Board will continue to learn from experience and evolve its processes. With no further discussion, a motion was made and seconded to recommend to the Board that it adopt the resolution amending the Conduct of Board Meetings policy as provided in Attachment 1. The motion carried.

b. 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 said that the Board was pleased with the substantial progress the president made toward his goals over the past year and unanimously supported his agenda for the coming year. She also highlighted Ray's 14 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 2018 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. In response to a question by Schueler about the compensation approved by the Board in January 2017, Colbert clarified that TAB C erroneously stated that the increase was 3% and that the correct amount was 6%.

During the discussion, Kelly expressed his support for the increase and also asked about the average across unclassified employees. Ray said that because the increases were merit-based, some people received 0%, faculty with fully satisfactory performance received 1.8%, high-performers received 6%, and the pool average was 3%. Callahan noted that while Ray's is aligned with close comparators, there is a wide range for presidential compensation across institutions. Ray expressed his appreciation of the Board's supportive assessment of his performance and recommendation of an increase, noting that, should the Board approve the change in compensation, he would donate all of the increase approved to benefit student scholarships and other student success initiatives. 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, 2018, recognizing that adjustments to compensation provided by the OSU Foundation are subject to approval by the OSU Foundation Board. It was noted that the next meeting of the OSU Foundation Board was scheduled for March. The motion carried.

c. Election or Re-election of Board Officers

Borkar introduced this item by asking Colbert to remind trustees of the election process set out in policy and to present her findings from that process as provided in TAB D. Colbert described her process of polling trustees for comments and nominations to the Chair and Vice Chair positions, which occurred in December 2017. She then notified nominees, shared the responsibilities and duties of the position for which they were nominated, and confirmed whether they were willing to serve. Colbert reported that recommendations included Trustee Rani Borkar as Chair and Trustee Paul Kelly and Trustee Kirk Schueler as Vice Chair. All three expressed honor and gratitude at being considered; however, Trustee Kelly declined the nomination in order to continue his focus on the Academic Strategies Committee. Trustees Borkar and Schueler confirmed their willingness to serve, if elected.

Next, Borkar asked Callahan to facilitate the discussion. Callahan began by thanking his fellow trustees, adding that it had been his privilege to serve as the Board's inaugural Vice Chair. He also noted that, if Schueler were to be elected Vice Chair, the Board Chair would appoint another trustee to replace him as Chair of the Finance & Administration Committee. Both Ray and Bedient thanked Callahan for his leadership and expressed their support for Borkar and Schueler. Following the discussion, a motion was made and seconded to recommend to the Board approval of Trustee Rani Borkar as the Board Chair and Trustee Kirk Schueler as the Board Vice Chair, commencing July 1, 2018. The motion carried.

Following the vote, Borkar thanked her fellow trustees for their support, and she thanked the inaugural Chair, Pat Reser, and Vice Chair, Darry Callahan, for establishing a strong foundation for the Board. She also thanked Schueler for accepting the nomination as Vice Chair. Schueler also expressed his gratitude. Both thanked Callahan for his service.

d. Office of Audit Services 2017 Calendar Year Final Progress Report & 2018 Annual Audit Plan

Borkar asked Chief Audit Executive Patti Snopkowski to summarize the Office of Audit Services' (OAS) final progress report and plan for the upcoming year. Snopkowski provided an overview of the activities the OAS conducted during the 2017 calendar year as presented within the office's services areas—assurance, consulting, investigative, follow-up, external audit coordination, and other. She noted that one goal of the OAS is to achieve broad-based coverage across functional units, and during the 2017 calendar year this included recommendations to improve operations in two colleges, Intercollegiate Athletics, and International Programs. The OAS also made recommendations related to IT governance and change management practices and to Department of Education regulations related to crime reporting, the Clery Act, and Title IX. Snopkowski said the OAS also made efficiency and effectiveness improvements, helped to reduce costs to students, and helped the university avoid significant fraud costs. She also noted that the OAS maintained the university's credibility with external stakeholders, including the National Science Foundation, adding that these efforts exemplify what the OAS is trying to emulate for 2018.

Snopkowski also described the results of the 2017 performance matrix, which relates to the value of the office's services and productivity and to staff qualifications. She said the OAS met or exceeded targets in most areas; however, she noted that one area where the OAS did not meet its target was with regard to the percentage of audit recommendations implemented within their timeline. To address this, Snopkowski said that she and the president met with the provost and other vice presidents to discuss how to improve the percentage of audit recommendations implemented within established timelines. Schueler expressed support for the discussion about how to improve compliance, and Snopkowski said that efforts in 2018 will include introducing a higher level of accountability, such as tying compliance to performance assessments, and engaging senior leaders earlier in the follow-up process. Trustee Michele Longo Eder noted that recommendations related to research policy and environmental health and safety were not completed within established timelines, and these areas are the purview of the Academic Strategies Committee. She suggested that when this occurs, it would be helpful to make the appropriate committees aware. Snopkowski also noted that staff turnover impacted productivity slightly, but not in a material way. Trustee Mike Bailey asked about factors that contribute to turnover, and Snopkowski said internal auditing is a competitive field, adding that she focuses on ensuring employees in the OAS have opportunities for growth and development. She said that her recruitment efforts are bolstered by having a Board and a president with a high level of integrity and respect for the function of the OAS. Lastly, Snopkowski pointed to the fourth quarter reports the OAS issued, highlighting specifically the work of staff in Athletics to complete the NCAA Agreed-Upon Procedures.

Next, Snopkowski introduced Senior Audit Manager Julee Otter to provide context to the hotline summary provided in TAB E. She reviewed key

considerations in determining the efficacy of OSU's complaint process. Otter said the OAS reviews results against peer institutions and is in line with others in the total and categories of complaints received. She said that, compared with peers, the OAS receives twice as many complaints directly to the office, noting that this reflects their positive reputation across the university. Otter also reviewed other metrics, including complaints across seven out of the nine functional units, indicating broad coverage; complaints in eight out of the 11 categories identified by the OAS; a record of assessing and investigating complaints in a timely manner; and a record of follow-up on referrals to ensure resolution. Otter reported that these results support the conclusion that the reporting program is effective. In response to a question by Kelly, Snopkowski said the University Fraud, Waste and Abuse policy was adopted by the Board in 2014.

Ray referenced the report on the NCAA Agreed-Upon Procedures, reminding trustees that the university has implemented a plan to develop a sustainable operating model for Intercollegiate Athletics. In response to a question from Ray about opportunities to refinance the department's debt, Vice President for Finance and Administration Mike Green said that strategies include looking quarterly at opportunities to refinance debt owed to bondholders and allowing Athletics to refinance their debt to the Internal Bank. Green noted that the debt to the Internal Bank was refinanced to reduce the impact on the operating budget. Schueler asked about the accumulated deficit in Athletics, and Green said that the financial sustainability plan addresses that as debt to the university that will be repaid over time. Trustees also discussed the importance of paying attention to Athletics, which is an area that can attract considerable attention, while also considering the unit within the full operations of the university.

In conclusion, Snopkowski provided an overview of the 2018 annual audit plan and the factors considered in setting audit priorities. In particular, she highlighted efforts related to information technology, general control reviews, departmental reviews, quality assurance, and external audit coordination. A motion was made and seconded to approve the Office of Audit Services 2017 calendar year final progress report and 2018 annual audit plan. The motion carried.

4. Education/Discussion Item

a. University Risk Management

Borkar asked Provost and Executive Vice President Ed Feser, Vice President for Finance and Administration Mike Green, and Chief Audit Executive Patti Snopkowski to provide an update on the university-wide enterprise risk management model approved by the Committee in March 2016. Feser reminded trustees that when the model was introduced, seven university-wide risks were identified that may hinder OSU's ability to achieve the objectives outlined in Strategic Plan 3.0. He said mitigation strategies were implemented for each risk and regular reports were provided to committees. Feser said that in the fall of 2017, as part of the annual audit planning process, Snopkowski 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 noted that two items from the original list were removed following the determination that good existing control and mitigation strategies are in place. The first is

the university's equity and inclusion efforts. While further efforts are needed and this area will always be a priority, Snopkowski reported that, under Ray's leadership, a defined structure has been developed to establish and ensure that efforts continue. This includes the hiring of the university's inaugural Vice President and Chief Diversity Officer Charlene Alexander, who provides regular reports to the Board. The second risk topic that was reassessed was the Student Success Initiative. Based on the engagement of the Academic Strategies Committee, the focus of the university's strategic planning efforts, and the centrality of student success to the university's mission, it was determined that it no longer needed to be listed as a University Risk Management priority. Snopkowski then shared the robust process of conducting an industry-wide analysis to determine whether there were other areas of risk to consider. For example, she noted that the Board has expressed interest in the university's preparation for campus protest, adding that the university developed processes based on national best practices that will continually be evaluated for improvement. She also pointed to the issue of minors on campus, noting that the Office of University Compliance is reviewing the existing control structure and will engage the Compliance Executive Committee in further discussion later in the year. Snopkowski said these and other topics were evaluated, and it was determined that sufficient control and mitigation strategies are in place at this time.

Next, Green described a change in the process for tracking risks. He shared that in previous years, many risk areas identified three or more people as risk owners, which can lead to the diffusion of accountability and responsibility and create delays in coordination. Beginning in 2018, each risk topic will be assigned to no more than two owners, and ownership is elevated to the vice president level. Ray suggested that staff consider ways to provide trustees appropriate assurances that strategies are in place to address specific areas of concern. 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 9:20 a.m.

Respectfully submitted,

Jennifer M. Almquist
Assistant Board Secretary