



 The Board of Trustees of Oregon State University

Meeting of the Executive & Audit Committee

January 28, 2016

Horizon Room, Memorial Union, OSU
Corvallis, Oregon

MINUTES

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

Other Trustees Present: Mark Baldwin, Patty Bedient, Michele Longo Eder, Brenda McComb, Brett Morgan, Laura Naumes, Preston Pulliams, and Mike Thorne

University Staff Present: Ron Adams, Steve Clark, Debbie Colbert, Becca Gose, Mike Green, Mark Huey, Cindy Sagers, Patti Snopkowski, and Marcia Stuart

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

Committee Chair Pat Reser called the meeting to order at 8:05 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

2. Consent Agenda

a. Minutes of the December 17, 2015 Executive & Audit Committee Meeting

A motion was made and seconded to approve the minutes of the December 17, 2015 Executive & Audit Committee meeting. The motion carried.

3. Action Items

a. Office of Audit Services (OAS) Charter and Organizational Independence

Chair Reser asked Chief Audit Executive Patti Snopkowski to summarize the item for the Committee. Snopkowski noted that the Committee's charter requires it to perform an annual review and approve the charter of the Office of Audit Services and to confirm its organizational independence. Snopkowski advised that there were no changes to the charter and then provided an overview of the OAS charter, focusing on the purpose of the office and the source of its authority. She said OAS is responsible for developing and implementing an annual internal audit plan. She described the organizational structure of OAS and noted that the number of staff is similar to other institutions of a similar size and complexity.

Following the presentation, a motion was made and seconded to approve the Office of Audit Services charter and organizational structure and acknowledge the independence of the Office of Audit Services. The motion carried.

b. OAS 2015 Final Progress Report and 2016 Audit Plan

Reser asked Snopkowski to provide highlights of the OAS 2015 final progress report and 2016 audit plan. Snopkowski described the activities the OAS conducted during 2015

TAB A

and activities to be performed in calendar year 2016 as presented within the office's service areas – assurance, consulting, investigative, follow-up, external audit coordination, and other. Snopkowski also described the results of the 2015 performance matrix, which relates to the value of the office's services and to staff qualifications, and briefly discussed the fourth quarter reports her office issued and the audit engagements in progress. In addition, she summarized the OAS activities planned for 2016, including consulting relative to organizational changes. In June, she will be providing a report on academic integrity, specifically as it relates to athletics and the control structures that were put into place winter term 2015 by the registrar's office, admissions office, and athletics.

Trustees expressed interest in how long audit recommendations remain on the follow-up audit schedule or whether they "drop off" the radar. Snopkowski said that audit recommendations are kept open until resolved. If the recommendation is open for longer than a year, management assesses whether it is an "acceptable risk," which would be reported out to the Executive & Audit Committee. Snopkowski also noted her office would prepare every six months a matrix showing open audit recommendations listed by risk priority.

At President Ray's recommendation, Snopkowski indicated she will review the audit universe coverage in a risk cycle fashion similar to the audit analysis she used at the Oregon University System to examine the current staffing span. Snopkowski also noted the department will seek ways to expand coverage using the departmental internal control tools that were outlined in the audit plan. With regard to capital construction audits, Snopkowski was encouraged to provide the audit results to the OSU Foundation so that donors may be reassured their donations are being used appropriately and with the greatest effectiveness.

Following discussion, a motion was made and seconded to approve the Office of Audit Services 2015 final progress report and 2016 annual audit plan. The motion carried.

c. Presidential Compensation Philosophy

Reser reminded the Committee of its discussion of a draft presidential compensation philosophy at its December 17, 2015 meeting. Reser asked Board Secretary Debbie Colbert to describe the revisions that were made based on the Committee's discussion.

Following Colbert's summary, a motion was made and seconded that the Executive & Audit Committee recommend to the Board that it adopt the resolution establishing the presidential compensation philosophy as provided in Tab D, Attachment 1. The motion carried.

d. Presidential Compensation Adjustment

Reser asked Vice Chair Darry Callahan to summarize for the Committee the compensation data and other information provided in the docket. Prior to Callahan's presentation, Colbert noted that there was a replacement table for Attachment 1. The revised table correctly identified the land-grant institutions in the comparison. Callahan noted that the President's compensation fell within the range observed at comparator institutions. Callahan noted that the market for a president of a land-grant university is national in scope, so it is appropriate to look at a number of comparators. He highlighted that President Ray has served the University for 12 years, compared to an average of seven years of service for presidents at the comparator institutions. He also reminded

the Committee of the strong performance noted in the presidential assessment completed in October 2015. Trustee Schueler inquired about the timing of the last adjustment in presidential compensation. Callahan reminded the Committee that the last adjustment in compensation was effective July 1, 2014.

Following the presentation and discussion, a motion was made and seconded that the Executive & Audit Committee recommend to the Board for its approval an adjustment of 3% to the President's compensation, effective January 1, 2016, subject to the Oregon State University Foundation Board of Trustees' approval of the same adjustment in the compensation provided by the Foundation. The motion carried.

e. Election or Re-election of Board Officers

Reser asked Colbert to summarize for the Committee the process for electing Board officers. Colbert described the results of the poll she had conducted, noting trustees who responded said that Reser and Callahan had strong performances as Board officers and that their continuing service as Board officers would provide continuity for the Board as it continues to settle into its role.

A motion was made and seconded that the Executive & Audit Committee recommend to the Board the re-election of Pat Reser as Chair of the OSU Board of Trustees and Darry Callahan as Vice Chair. The motion carried.

4. Education/Discussion Items

a. University Risk Management

Reser asked Snopkowski to summarize for the Committee university risk management (URM) at Oregon State. Snopkowski said that the goals of URM are to identify top risks that may affect OSU, ensure proper and sufficient mitigation strategies are in place, and ensure key risk management objectives are achieved. She described the process for developing the list of top risks for the University: gathering information, including activity related to OSU current and past practices as well as industry and peer experiences, and analyzing and ranking risks in collaboration with key stakeholders and senior leaders. Snopkowski noted the next step once the risks are confirmed is to review and monitor remediation plans. Snopkowski noted that in using this process University leadership had grouped the University's top risks into those related to strategy and finance and those related to operations, compliance and reputation. The top risks were discussed. The discussion included questions from trustees about the scope of the risks identified.

Snopkowski proposed that the Committee confirm the top risk areas that would benefit from Board support, work with the Chair and Board Secretary to assign risk areas to Board Committees, and coordinate with Committee chairs to evaluate how risk areas correlate with existing Committee work plans. Trustees inquired about how the Committees might follow up on a particular risk area. Snopkowski noted that Committees could request further evaluation of the risk areas assigned to them, discuss whether risk mitigation strategies are adequate, and provide the Executive & Audit Committee with periodic updates to monitor the effectiveness of remediation plans.

b. FY2016 Comprehensive Presidential Assessment Method and Timeline

Reser asked Colbert to summarize for the Committee the proposed method and timeline for the Board's first comprehensive presidential assessment. Colbert recommended that

TAB A

a consultant be hired to oversee the process and noted that some parts of the proposed method might change, based on the consultant's process.

There was some discussion among trustees about the use of an outside consultant, and trustees affirmed the importance of an unbiased third-party conducting the Board's first comprehensive presidential assessment. Trustees also commented on the importance of having a process that is documented and followed. Trustee McComb emphasized the need for early communication to groups that will be engaged in the process so they can be fully prepared for the consultant's questions. Colbert noted that the next step in the process is to secure the services of a consultant.

**c. Higher Education Coordinating Commission 2015 University Evaluation:
Governing Board Focus Area**

Reser asked Colbert to summarize for the Committee the governance section of the university evaluation drafted by Higher Education Coordinating Commission (HECC) staff. Colbert noted page 17 of the report, listing the actions taken by the Board, and complimented the Board on its extensive accomplishments since its inception. Colbert also noted that the university evaluation was a draft and that she would send HECC any comments voiced provided by trustees. Trustee Bedient inquired whether the draft evaluation reports were available for the other universities. Colbert said she would provide trustees with links to the HECC reports for Portland State University and the University of Oregon as follow-up to the meeting.

5. Adjournment

With no further business proposed, Chair Reser adjourned the meeting at 10:06 a.m.

Respectfully submitted,

Mark C. Huey
Assistant Board Secretary