



 The Board of Trustees of Oregon State University

Meeting of the Executive & Audit Committee

March 30, 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: Michele Longo Eder, Brenda McComb, and Preston Pulliams

University Faculty and Staff Present: Ron Adams, Debbie Colbert, Becca Gose, Mike Green, Mark Huey, Sam Khan, Julee Otter, Sabah Randhawa, Cindy Sagers, Clay Simmons, Patti Snopkowski, and Marcia Stuart

Guests Present: Jean Bushong (*Principal, CliftonLarsonAllen LLP*)

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

Committee Chair Pat Reser called the meeting to order at 8:00 a.m., asked the assistant board secretary to call the roll and noted a quorum.

2. Consent Agenda

a. Minutes of the January 28, 2016 Executive & Audit Committee Meeting

b. Minutes of the January 28, 2016 Joint Meeting of the Executive & Audit Committee and the Finance & Administration Committee

A motion was made and seconded to approve the minutes of the January 28, 2016 Executive & Audit Committee meeting and the minutes of the January 28, 2016 Joint Meeting of the Executive & Audit Committee and the Finance & Administration Committee. The motion carried.

3. Action Item

a. Office of Audit Services Quarterly Report

Chair Reser asked Chief Audit Executive Patti Snopkowski to report on the activities of the Office of Audit Services (OAS) since the last Committee meeting and also asked whether OAS would be reporting to the Foundation the final results of the construction audits that are underway so they can report out to donors. Snopkowski assured her that she would and noted that only minor items have been reported to date.

Snopkowski asked Jean Bushong, principal, CliftonLarsonAllen LLP (CLA), to report on the federal single audit of OSU federal funds. Bushong reported that CLA issued two reports, the first related to the financial reports that were discussed in January. In the report, called a GAGAS report (Generally Accepted Governmental Auditing Standards), it was noted that there were no material weaknesses or significant deficiencies noted

TAB A

during their financial statement audit relative to the internal control over financial reporting and on compliance and other matters.

The second report Bushong highlighted was the federal compliance audit report in which it was noted that an unmodified opinion was issued, which means, for major federal programs, OSU complied with applicable compliance requirements in all material respects. Bushong provided an overview of the recommendations in the report that were not material to the overall compliance opinion. Trustee Paul Kelly asked about a recommendation CLA made related to its audit of student financial aid. Bushong said that its recommendation was related to maintaining up-to-date data for the expected family contribution. In addition, Snopkowski said that the discrepancy in updating these records was not systemic and was not considered material. Trustee Borkar asked if the transaction authority recommendation was a result of manual processes. President Ray asked whether a more automated system would mitigate this particular risk of error. Snopkowski responded that electronic signature improvements are currently being evaluated. Reser asked how we communicate what is learned in one area to other areas of the University so that improvements can be adopted quickly. Snopkowski said that reports of lessons learned are routinely reported and shared with all business units.

Regarding its audit of NCAA agreed-upon procedures (AUP), Bushong reported that CLA had noted no material or significant exceptions when the AUP was applied to the OSU Athletics financial reports. She also reported that Athletics has communicated with the NCAA for clarification on the timing of filing official team rosters. President Ray, Vice Chair Callahan, and Trustees Kelly and Schueler discussed the NCAA financial report results and accounting rules. It was noted the NCAA requires scholarships (which includes out of state tuition) to be treated as an expense on the financial statements. A discussion about the need to disclose non-tangible benefits such as enhanced diversity, access, and the gifts athletics donors provide to non-athletics programs was encouraged. Chair Reser noted the need to have more dialog with the NCAA.

Information Systems Auditor Sam Kahn reported on OAS's assessment of the effectiveness of OSU's Payment Card Industry Data Security Standard (PCI DSS) compliance practices. He said that University efforts exist to ensure PCI DSS compliance and that the OAS audit had noted additional control improvements to enhance the security of credit card information and reported that management action plans are already addressing the issue of credit card information security.

Senior Auditor Julee Otter summarized the follow-up status on recommendations OAS had made for earlier audits. Otter noted that 15 of 24 recommendations had been implemented and that significant progress had been made on implementing the remaining nine recommendations. Snopkowski said that OAS would provide follow-up reports to the Executive & Audit Committee at March and October meetings. Trustees posed questions about the status of open recommendations specifically related to recommendations where original timelines were not met. Conversations noted that management is expected to improve implementation rates in the future and are encouraged to evaluate timelines and shift priorities as needed.

Following the reports and discussion, a motion was made and seconded to approve the Office of Audit Services March 2016 Quarterly Audit Report. The motion carried.

4. Education/Discussion Items

a. Presidential Recruitment Policy

Reser briefly updated the Committee on the development of a draft Presidential Recruitment Policy. She said she expected a draft would be ready for Committee discussion at its next meeting in June.

b. University Risk Management – Risk Assignments

Reser asked Provost Randhawa and Chief Audit Executive Snopkowski to lead a discussion on Board committee assignments to oversee the University's 2016 risk management (URM) priorities. Randhawa reminded the Committee that, at the January meeting, the top eight risks were assigned to the committees based upon their charter alignment and a model was developed for future evaluation of the risks. Randhawa noted that the risks fell into two categories: operational and strategic. Randhawa noted that a model will be presented today for their consideration.

Snopkowski outlined the model, populated with the risks and committee assignments presented in January. Snopkowski noted the categories for completion: Actions to Reduce Risks and Timelines, Performance Matrix, and Verification and Follow-up Schedule. Snopkowski noted she would work with the Board Secretary and risk owners to populate the matrix and present the plans at a future Committee meeting.

OAS would provide consulting support to the committees as they determined the actions and timelines for reducing risks, the benchmarks for the performance matrix, and verification and the follow-up schedule. Snopkowski also said a progress report from the committees can be made in 2017 to the Executive & Audit Committee so priorities may be re-evaluated. Trustee Kelly asked that the actions described by the terms under Current Mitigation Strategies (i.e., accept, avoid, control and transfer) be more clearly defined for the Committee, and Chair Reser suggested that some examples for each strategy be provided to help with clarifying what is meant by the strategies.

5. Adjournment

With no further business proposed, Chair Reser adjourned the meeting at 9:14 a.m.

Respectfully submitted,

Mark C. Huey
Assistant Board Secretary