

Executive & Audit Committee Charter Amendment

BACKGROUND

The Board of Trustees is responsible for ensuring the currency of its governance policies and practices including the upkeep of Committee charters as additional duties are assigned (Board Bylaws Articles IV and IX).

PROPOSED CHARTER AMENDMENT

A review of the Executive & Audit Committee charter is timely given a number of Board policies adopted since the Committee was originally chartered in 2014 and to consider any changes in practice that should be reflected in the charter. With this in mind, proposed amendments to the charter are shown in red text and strikethrough in Attachment 1 and described below.

Additional duties assigned to the Committee

- In January 2016, the Board adopted a Presidential Compensation Philosophy, which specified the Committee's role in reviewing elements of proposed presidential compensation. These additional duties are reflected in the proposed charter.
- In October 2015, the Board adopted a policy for Recommending Candidates for At-Large Board Positions and charged the Committee with conducting a needs assessment to guide the identification of potential candidates to vacant at-large positions on the Board and reviewing the President's recommendations of potential candidates to recommend to the Governor. These additional duties are reflected in the proposed charter.

Updates to reflect practice

- The Board does not change or provide input on the external audit reports or standards of practice; therefore, the wording has been changed to "accept" rather than "approve."
- The Office of Audit Services (OAS) provides reports to the Committee at each of its regularly scheduled meetings. Committee meetings are not scheduled on a quarterly basis, so the proposed charter language removes the reference to quarterly reports and provides for reports at least four times a year as specified by the Committee Chair.
- OSU no longer receives routine reports from the Oregon Secretary of State Auditor Office. The change to the OSU governance structure removed the state's obligation to audit the OSU financial statements and federal compliance. OSU is now required to hire an independent accounting firm. Therefore, the proposed charter language removes the requirement that the Committee separately review Oregon Secretary of State Audit Office reports. All external audit agency findings are included in the regular OAS status reports.

RECOMMENDATION

Staff propose that the Executive & Audit Committee recommend to the Board that it approve the changes to the committee charter as provided in Attachment 1.

Executive & Audit Committee Charter

Proposed amendments shown in red text

The Executive & Audit Committee is established. The Committee is empowered to act for the Board in the case of emergency between regular Board meetings and to assist the University in its oversight of the University's financial practices and standards of conduct, as provided in this policy.

The Committee shall have the following five voting members: the Chair of the Board, the Vice Chair of the Board, the Chair of the Academic Strategies Committee, the Chair of the Finance & Administration Committee, and one at-large member appointed from among the remaining trustees. The President is an ex-officio, non-voting member of the Executive and Audit Committee. The Chair of the Board is the Chair of the Executive & Audit Committee.

The Committee is empowered to act for the Board if the Committee determines an emergency exists between regular Board meetings on any matter except the following, which shall be reserved for the Board: (1) presidential hiring, evaluation and removal; (2) election of Board officers; (3) changes in the mission and purposes of the University; (4) amendments to the bylaws; (5) sale or purchase of real property; (6) condemnation of real property; (7) determination of tuition and mandatory enrollment fees; and (8) adoption of the University budget.

The Committee's areas of responsibility are to assist the Board in: (1) overseeing the institution's standards of conduct; (2) monitoring the University's internal control structure to ensure key risk, compliance, and regulatory requirements are met and (3) overseeing audit activities, including internal and external audits. As part of its responsibility to assist the Board in overseeing audit activities, the Committee is empowered to perform the following duties:

External Audit

- Review and approve the selection of the external audit firm hired to perform the annual financial statement and federal compliance audit; **and**
- Review and **approve accept** the annual external audit of the OSU financial statements and A-133 federal compliance procedures;
- ~~Review the audit reports issued by the Oregon Secretary of State Audits Division;~~

Internal Audit

- Annually review and approve the internal audit charter and organizational structure to confirm the Office of Audit Services' organizational independence;
- Participate in the annual audit planning risk assessment process and approve the annual audit plan;
- **At least four times a year on such dates as specified by the Committee Chair, R**-review and approve **quarterly** audit reports detailing the results of recommendations and follow-up procedures and receive periodic reports as deemed necessary; and
- Approve the appointment or removal of the Chief Audit Executive of the Office of Audit Services, as recommended by the President.

In addition, the Committee is responsible for such other matters as may be referred to it by the Board.

The Committee has the authority, through its Chair or a majority vote of its voting members, to ask management to address specific issues within the mandate of the Committee, as well as the authority to engage independent legal counsel and other professional advisers to carry out its duties.

The Committee is responsible for making nominations to the Board for Board officers. The Committee is also responsible for conducting a needs assessment to guide the identification of potential candidates for vacant at-large positions on the Board and for reviewing the President's recommendations of candidates to forward to the Governor. The Committee is also responsible for reviewing elements of proposed presidential compensation and making recommendations to the Board. The Committee also reviews and makes recommendations to the Board regarding acceptance of the Board Chair's report on the President's annual and comprehensive assessments.

The Offices of the Secretary to the Board and the Chief Audit Executive are responsible for providing staff support to the Committee.

Document History

- Adopted by the Board of Trustees January 9, 2014
- Amended March 13, 2014
- Amended July 18, 2014