UNIVERSITY OF
OREGON

Executive and Audit Committee

Meeting Minutes, June 3, 2015

The Executive and Audit Committee (EAC) of the Board of Trustees of the University of Oregon met on June 3, 2015 in the Ford Alumni Center on the UO campus. An audio recording of the full meeting is available.

Committee Attendance

Chuck Lillis, Chair	Present
Peter Bragdon	Present
Allyn Ford	Present
Ross Kari	Present
Ginevra Ralph	Present
Mary Wilcox	Present

Convening. The meeting was called to order at 3:30 pm by Committee Chair Chuck Lillis. Roll was taken; all members were present and a quorum verified. Minutes from the March 2015 EAC meeting were approved by a voice vote.

External Audit Overview. Chair Lillis introduced Scott Simpson, the local partner in charge for Moss Adams LLP and the Board approved external financial auditor. Simpson discussed the scope of services of the audit (financial statements and compliance), the concept of materiality in the audit, areas of audit emphasis, the auditor's responsibilities, the UO's responsibilities and the timing of the audit. Chair Lillis asked which pension plan would be subject to the new pension standard. Jamie Moffitt, Vice-President for Finance and Administration and CFO, discussed that the unfunded portion of the defined benefit program under PERS is under the new standard (GASB 68) and will have to be reflected on the balance sheet. She explained that this is a new GASB standard that comes into effect in FY15. Trustee Allyn Ford asked if having this on our balance sheet would affect our credit rating. Moffitt explained that she did not expect it to affect our credit rating as the rating agencies have been aware of unfunded pension liabilities and have already considered this issue when they developed our credit rating. Lillis asked to what extent the UO could request the external auditor to review areas of concern to the committee. Simpson encouraged the committee to let him know of any areas of interest.

Quarterly Audit Report. Brenda Muirhead, Chief Auditor, highlighted the activities over the last quarter: completion of the overall assessment of risk management; completion of the review of university-wide lab safety practices; and completion of an efficiency audit of printing and mailing services. Muirhead outlined the findings and recommendations for each audit completed. Questions were raised about findings and the responsible party for the follow-up on recommendations. Moffitt responded that departmental management will be responsible for implementing the management responses to the recommendations, and as part of her audit process Muirhead follows up on the progress of these plans. Muirhead discussed the current ongoing audits and findings thus far: review of purchasing practices and research grant management. Muirhead reported on an investigative services audit that was requested for review of payroll practices in the Institute of Neuroscience. She discussed their findings of the payroll practice controls and recommendations they made in other areas Muirhead discussed consulting services their office provided; trainings on internal

controls and fraud awareness. Muirhead reported on the risk assessment her office conducted for consideration in developing the audit plan. Auditable issues were identified based on an assessment of relevant risk factors.

2015-2016 Audit Plan. Muirhead walked the committee through the audit plan and the proposed auditable areas that were identified through risk assessment interviews with senior leaders, deans, directors and department heads.

> *ACTION: The Committee then took action to consider the Resolution: Adoption of FY16 Audit Plan. The resolution passed by voice vote. The ayes carried without dissention.*

Approval of IT Audit Contract. Muirhead outlined the contract for the external auditor for IT audit services. She explained that this will be a long term audit that will conduct a general overview and that then they will develop an audit plan to dig deeper into the vulnerable areas. Trustee Ross Kari commented that it is fairly common practice to have an external auditor for IT due to the complexity of the issues. Muirhead clarified that the firm can also audit other areas at the request of other leadership.

> *ACTION: The Committee then took action to consider the Resolution: Relating to an External Auditor. The resolution passed by voice vote. The ayes carried without dissention.*

Amendment to the Audit Charter. Chair Lillis introduced amendments to the audit charter: amendment to the reporting relationship of the Office of Internal Audit to report directly to the President and the Board (rather than the VPFA and the Board) and to add language throughout the Charter to clarify expectations and authorities with regard to internal audit. Lillis emphasized that the Board takes audit very seriously and all university employees should recognize the importance of compliance. Trustee Kari proposed an amendment to the Charter, page 5, section <u>Compliance with Internal Audit Functions</u> to eliminate the word "comply" and add "determine a course of action".

> *ACTION: The Committee then took action to consider the Resolution: Amendments to the Internal Audit Charter, as amended by Trustee Kari. The resolution passed by voice vote. The ayes carried without dissention.*

White Stag Building – Lease Update and Authorization. Chair Lillis introduced the proposed resolution concerning the White Stag lease. Moffitt explained the proposed transaction wherein the UO Foundation would purchase the building and then lease it back to the UO. She outlined the transaction as a mechanism to manage and reduce expenses since the payments under the new lease would be fixed. Moffitt also explained that once the building is paid for it will be transferred to the university. Trustee Kari asked if there would be financial benefit to the Foundation for this transaction. Paul Weinhold, Foundation President and CEO, explained that the Foundation was not looking at this transaction as an investment. Trustee Mary Wilcox asked about the other non-UO tenants in the building and what would happen to their leases. Weinhold and Moffitt reported that the Foundation will assume the other leases, which are not fixed and will also be up for renewal consideration in the future.

> *ACTION: The Committee then took action to consider the Resolution: Authorization to Enter into Certain Lease and MOU Transactions (White Stag Complex). The resolution passed by voice vote. The ayes carried without dissention.*

UO Information Technology and Infrastructure. Chair Lillis spoke to the previous conversations surrounding IT and infrastructure and introduced Acting Provost Frances Bronet and Melissa Woo, Vice Provost for Information Services and CIO. Bronet spoke to the strategic plan and discussed the task force that has been looking at IT and physical infrastructure with the intent that investments in this area need to align with academic goals. Woo discussed her initiative to kick off a campus wide IT strategic planning process with the goal of the plan outlining priorities, estimating costs, and addressing expectations we have as a campus. Woo spoke to the progress and work with Muirhead and the external IT audit firm. She also discussed the need to identify priorities that need to be fixed now and then focus on options available depending on the needs of campus. Trustee Ford asked about collaborations with other universities for cost and use efficiencies. Woo explained that she has been working with colleagues all over the country and is really pushing for these collaborations. Trustee Wilcox asked if they were considering the IT infrastructure in Portland given all the initiatives to grow. Woo explained that there is a network among UO, tOSU, PSU and OHSU with the UO at the nexus of the group. She explained that this group shares network infrastructure and there is funding allocated. Chair Lillis asked if there was collaboration with the Super Computer project and the IT infrastructure audit and review. Woo explained that there was and invited Brad Shelton, Interim Vice President for Research, to speak to the collaborations. Shelton explained that efforts were continuing but funding was needed. Lillis expressed his frustration with how long it has taken the university to figure out what is needed to fix the IT infrastructure and implement it.

Adjournment. 5:19 pm