



Board of Trustees of the University of Oregon
Executive and Audit Committee
Meeting Minutes, September 10, 2014

Committee Attendance

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

Convening and Introductions

The Board of Trustees of the University of Oregon’s Executive and Audit Committee (EAC) met in the Ford Alumni Center on the UO campus on September 10, 2014. The meeting was called to order at 10:00 AM by Chair Lillis. The Secretary took roll; all members were present.

Chair Lillis called for approval of the minutes of the previous EAC meeting. The Secretary noted one change to the version sent to trustees via email in the audit section of the minutes. There were no other changes. Approval was moved by Mary Wilcox and seconded by Allyn Ford; approval passed unanimously.

Discussion of Internal Audit Charter and FY14-15 audit plan

Chair Lillis introduced Brenda Muirhead, the UO’s chief auditor, to discuss audit functions at the university. The Chair emphasized the importance of audits to the future of the UO, especially as it relates to bonding and other issues. Chair Lillis asked VPFA Jamie Moffitt if she had anything to add to Muirhead’s introduction. Moffitt noted that she is thrilled Brenda has joined the UO and that she was hired after the UO conducted a national search. Chair Lillis informed the committee that it will approve audit plans annually in June.

Muirhead began her presentation to the committee with a brief introduction of herself. She pointed trustees to materials in their packets and discussed the role of her office. Muirhead noted that she is ready to post an RFP for external audit services for financial statements, OMB Circular requirements, and NCAA external audit requirements. Moffitt noted that the UO has a contract in place for the current year and that the RFP is for next year which will be the audit of the FY2015 financial statements.

Muirhead discussed staffing and structure of the audit office, noting that it needs specific skills for specific functions, such as finances, information technology, research, and compliance. Muirhead directed trustees to the Audit Charter, which discusses what she expects from her office and what the Board of Trustees should expect of her. She recapped that the reporting structure has her reporting administratively to Moffitt and functionally to the Board.

Ross Kari asked about the protocol for reporting information received on the fraud and ethics hotline to the Board. Moffitt noted as a point of reference that, when the audit functions were housed in the Chancellor’s office, the Chief Auditor would provide a summary of types of complaints and how they were resolved. Allyn Ford asked whether the UO will have a whistleblower policy as OUS did. Moffitt noted that OUS

policies have carried over to the UO and exist as UO policies unless and until the Board or President acts to change them.

Ford asked about outside auditors, relationship with the state and peers, etc. Moffitt explained that all audit functions are now internal at the UO, but the UO will hire external auditors to help with financial statements and regulatory audits such as research and NCAA. Muirhead will be that key point of contact. Moffitt reminded the Board that the UO is still subject to periodic audits by the Secretary of State. Muirhead noted that internal audit shops decide whether they will do peer reviews/audits and that she is supportive of having these periodically conducted. Ginevra Ralph raised the issue of the UO's credit rating and what importance audit has in that. Moffitt noted that audited financial statements will be critical to the process of obtaining a credit rating

Ford asked about the relationship between the internal audits office and risk management. Moffitt explained that the UO has a committee looking at risk management and compliance from a holistic approach and that Muirhead sits on that committee. Moffitt noted that the committee will receive reports from that group, which is an advisory group to the President. Muirhead noted that there is a good relationship with risk management staff and that synergy between offices is important. Her risk assessment focuses on auditable areas, while the Risk Management and Compliance Committee looks at broader issues. Muirhead would like feedback from the Board as it relates to risk management issues for the internal audit function. One of the first projects on the audit plan this year is to evaluate the risk management program and provide the Board assurance.

Muirhead moved the discussion to the FY14-15 Audit Plan, noting that the normal annual timeline will have her receiving approval in the fourth quarter so that she can implement the plan in the first quarter. Given the timing of her office coming online, the Board is asked to approve the FY15 plan now. Muirhead plans to present an annual report at each fourth quarter meeting about findings and report data regarding office functions and performance. Chair Lillis noted that we can work with Muirhead on establishing a more formal way to gather Board input on areas of concern. Muirhead walked through the FY15 plan, some of which is implementation. There was discussion about the difficulty of recruiting IT auditors and the need to sometimes contract this work out. Muirhead is currently writing an RFP for IT audit support. Kari noted that many operations do this.

Chair Lillis asked Moffitt if a recent issue with billing would have been uncovered in a more timely way with an audit plan in place. Moffitt noted that the particular case in question might not have seen a different result as issues were self-reported, but that overall this internal audit office means we have more direct resources focused on the UO. Ralph asked what the relationship is between finding problems and then consulting on how to fix that problem. Muirhead noted that her job is to lay the groundwork factually so that management can make decisions about solving problems. Audit reports will come with recommendations and management can best see how to implement those recommendations. As part of the audit process, Internal Audit will ask the appropriate manager to submit a corrective action plan for each finding.

The committee discussed how frequently to receive reports and in what depth. Agreement is that quarterly reports at a high level are appropriate along with a more thorough yearly update, and that the auditor will inform the committee in between those meetings if a serious deficiency arises.

Chair Lillis called for action on the resolution to approve the Audit Charter and the FY15 Audit Plan; moved by Kari; seconded by Wilcox; motion carried by a voice vote with no dissent.

Board Operating Guidelines and Procedures

Chair Lillis moves to the item relating to Board operating guidelines and procedures relating to public comment, trustee reimbursement and executive sessions. Turns first to public comment guidelines, noting that the Board needs some kind of guideline and discipline around this.

Kurt Willcox notes a couple of concerns about public comment, specifically as it relates to germaneness and time allotted. Recommends doubling time allotted to forty minutes (from twenty), and notes that germaneness may limit the information received by the Board and prevent people from talking about things they want to bring up to the Board but that aren't on the agenda. General Counsel Doug Park clarifies that the existing proposal does include flexibility to address these issues as both may be adjusted at the discretion of the Chair. Chair Lillis wants to shape comments to primarily those things on the agenda, but notes that trustees need to be open to burning issues that are not on the agenda. Willcox notes that anything the Board can do to show its door is open is helpful, especially as a new Board. Chair Lillis encourages all trustees to take opportunities to talk to as many constituencies as possible. General Counsel cautions that letting topics come before the Board that are not on an agenda may raise public meeting notice issues. Ralph notes that another forum available to people is committee meetings, and that topics in committee meetings may be different. Chair Lillis notes that he believes membership of the Board, to a person, wants open communication. Chair Lillis points out that procedurally the committee could just take action on behalf of the Board but he decided to bring these to the full Board given that these are the first of these. Adoption of the operating guidelines and procedures was moved by Kari, seconded by Wilcox; the motion carries by voice vote with no dissent.

Presidential Review Policy

Chair Lillis moves to the issue relating to a presidential review policy. The Secretary notes that the committee is temporarily skipping agenda item five and will return to it. Chair Lillis discuss the importance of how a board reviews the organization's executive, and that the process used at the state level in the past is very different from what we need going forward. We need clear agreement on what objectives are going forward. Chair Lillis explains that a standing committee will deal with the president's review and the Board's relationship with the president. Ginevra Ralph will chair that committee and the Board may use some consultants to guide the process. The resolution before them is about the policy to support that effort.

Ralph agrees it is important for the committee to have a compensation piece, and suggests changing the comprehensive review to a period of "at least" every five years. The Secretary notes that the dates need to change for the review periods to March 1-June 30 for the annual review, and May 1-July 31 for the comprehensive review. Kari asks if material provided for the review is anonymous, and Ralph indicates that this is up to the new committee to decide. Willcox raises the question of anonymity as it relates to other feedback solicited/provided, and suggests changing "may" to "shall" in line 1. Chair Lillis notes that another Pac-12 school does a 360 review of its president and ties it to executive coaching.

Ford suggests that the policy should not go too deep. Willcox again raises the question of anonymity, and Interim General Counsel clarifies that state and federal law governing faculty records govern confidentiality, and that the president gets to receive material as noted in the policy, but the identity of the source may not be disclosed without authorization. Chair Lillis echoes that too much detail in the policy

should be avoided and work done by the committee instead. Kari moves to adopt the resolution; Ford seconds; the motion carries by a voice vote with no dissention.

Amendments to the Policy on Board Committees

Secretary Wilhelms and Chair Lillis pointed out the amendment to add a sixth member to EAC. Chair Lillis introduced the resolution to establish a Presidential Factors Committee and proposes Ginevra Ralph as chair, and Andrew Colas, Susan Gary and Ross Kari as members. Willcox noted he wanted to make sure a trustee from the campus community is on that committee and see that Susan Gary is. Adoption of the resolution moved by Ralph; seconded by Ford; motion carried by a voice vote with no dissention.

Presidential Search

Chair Lillis explains the thought process behind the formation of a search committee and related advisory group, and the placement of certain individuals on respective groups. Chair Lillis spoke with the University Senate president and the ASUO president regarding the committees and indicates their understanding. He notes that this structure should make it easier to identify and recruit a superior person, and he received a lot of input and advice.

Willcox asks when a draft of documents will be available; the Secretary hopes later this evening. Ralph notes that the Board may need to use the new Presidential Factors Committee to address compensation. Ralph also indicates that the group is under confidentiality requirements. Willcox asks about a budget for this process, and Moffitt notes that this is a high priority and that there will be related expenses. Moffitt and the Secretary will work on a budget based on previous years.

Adjournment

The meeting was adjourned at 11:29 AM.