November 22, 2016

TO: The Board of Trustees of the University of Oregon

FR: Angela Wilhelms, Secretary

RE: Notice of Executive and Audit Committee Meeting

The Executive and Audit Committee of the Board of Trustees of the University of Oregon will hold a public meeting on the date and at the location set forth below. Subjects of the meeting will include: audited FY16 financial statements, the quarterly audit report and approval of an external auditor, a strategic enterprise risk management and compliance update, and recommendations for board officers.

The meeting will occur as follows:

Thursday, December 1, 2016 at 8:30 am
White Stag Building, Room 142/144

The meeting will be webcast, with a link available at www.trustees.uoregon.edu/meetings.

The White Stag Building is located at 70 NW Couch Street, Portland, Oregon. If special accommodations, including an accommodation for a location to observe the meeting via webcast from the Eugene campus, are required, please contact Amanda Hatch at (541) 346-3013 at least 72 hours in advance.
Board of Trustees of the University of Oregon
Executive and Audit Committee
Public Meeting
8:30 am – Thursday, December 1
White Stag Building, Room 142/144

Convene
- Call to order, roll call
- Approval of Sept. and Nov. 2016 EAC minutes (Action)

1. IT Strategic Planning Update: Scott Coltrane, Sr. Vice President and Provost

2. Audited FY16 Financial Statements: Scott Simpson, Partner, Moss-Adams LLP; Jamie Moffitt, Vice President and CFO; Kelly Wolf, Controller

3. Quarterly Audit Report and Approval of an External Auditor: Trisha Burnett, Chief Auditor

4. Strategic Enterprise Risk Management and Compliance: Andre LeDuc, Associate Vice President and Chief Resilience Officer

5. Board Officers: Trustee Peter Bragdon

Meeting Adjourns
Agenda Item #1

IT Strategic Planning Update
IT Strategic Planning
Update

December 1, 2016

Scott Coltrane, Provost

Quarterly IT Strategic Updates – December 1, 2016

• IT Strategic Planning
  • Investment update
  • Network Infrastructure update
  • Security
  • Governance
  • HPC
  • Harvey Blustain Recommendation Overview
    • Transition and Implementation

*New Advancements in the Strategic Plan and Process are highlighted in Green. The other strategic processes are still in various phases of implementation
### IT Strategic Projects

<table>
<thead>
<tr>
<th>Investment</th>
<th>Cost</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Infrastructure: Core Network Equipment Switches</td>
<td>$2,000,000</td>
<td>Vendor selected August, campus layout in progress</td>
</tr>
<tr>
<td>IT Infrastructure: E-Mail, Data Center consolidation, and other investments</td>
<td>$587,000</td>
<td>Pending Network evaluation</td>
</tr>
<tr>
<td>Security: Security Information / Event Management (SIEM) $250,000</td>
<td>$50,000</td>
<td>Installation completed August</td>
</tr>
<tr>
<td>Security: Two-Factor Authentication</td>
<td>$80,000</td>
<td>System selected, in purchasing phase</td>
</tr>
<tr>
<td>Security: Awareness Training</td>
<td>$17,000</td>
<td>Purchased, introduced pilot training in October</td>
</tr>
<tr>
<td>Strategic: IT Service Management (ITSM)</td>
<td>$75,000</td>
<td>System selected, installation / configuration dates November 2016 to April 2017</td>
</tr>
<tr>
<td>Strategic: Work Flow</td>
<td>$548,000</td>
<td>First workflow process is in design, GTF contracts. Other areas are being planned</td>
</tr>
<tr>
<td>Strategic: Banner</td>
<td>$75,000</td>
<td>Planning, anticipated spend January 2017</td>
</tr>
<tr>
<td>Strategic: CDN and web services integration</td>
<td>$25,000</td>
<td>TBD</td>
</tr>
</tbody>
</table>

See March Presentation Pages 5, 25-27
IT Risks: Wired Network Infrastructure

estimated timeline

<table>
<thead>
<tr>
<th>Task</th>
<th>Start date</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design completion</td>
<td>1 April 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Vendor meetings</td>
<td>16 June 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Vendor Proof of Concept</td>
<td>22 August 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Faculty meetings</td>
<td>1 July 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Define core equipment location</td>
<td>16 June 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Equipment ordering and delivery</td>
<td>9 September 2016</td>
<td>Completed</td>
</tr>
<tr>
<td>Fiber installation</td>
<td>3 October 2016</td>
<td>In Progress</td>
</tr>
<tr>
<td>Core &amp; research switch installation</td>
<td>1 January 2017</td>
<td>28 April 2017</td>
</tr>
</tbody>
</table>

* Fiber installation-new

See March Presentation Pages 32-34

IT Risks: Security

- Information Security and Policies
  - Two draft policies in approval process
    - Acceptable Use
    - Security Awareness

- Allen Hall Data Center
  - Continuing on-boarding servers and communication
  - Baker Tilly – sensitive data review, report anticipated late December 2016

See March Presentation Page 5
IT Risks: Governance

• Governance / Leadership
  • Regulate productive meetings continue
    • Executive IT Leadership team – weekly, IT Directors Committee – monthly, Operational and Transition team - weekly

• Governance
  • IT Governance (Steering) Committee to advise the Provost
    • Final Charter anticipated December
    • Policy review
    • Enterprise solution review

See March Presentation Pages 13 - 18

High Performance Computing (HPC) : Overview

• HPC installation completed September 30th
  • Evaluation of performance in process, prior to full transfer of ownership to UO

• HPC director selected
  • Nick Maggio, Ph.D Mathematics, B.S.E Biomedical Engineering
  • Prior HPC lead experience, Washington State University, Tulane University
  • See http://a/link/to/nick’s/homepage.html for more data about our new director.

• HPC Faculty Committee Chair selected
  • Joe Sventek, Department Head Computer and Information Science

See March Presentation Pages 32 -34
### High Performance Computing (HPC) Vendor Selection and Equipment Acquisition

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 25th</td>
<td>HPC 2.0 Purchase Order Processed</td>
</tr>
<tr>
<td>August 1st</td>
<td>Convene UO Implementation Team – Weekly pre-installation planning meetings</td>
</tr>
<tr>
<td>September 19th-September 30th</td>
<td>Dell and Data Direct Networks – Initial on-site installation and configuration</td>
</tr>
<tr>
<td>October 3rd-November 14th</td>
<td>Compute and storage installation and performance benchmarking</td>
</tr>
</tbody>
</table>

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### High Performance Computing (HPC) Vendor Selection and Equipment Acquisition

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 18th</td>
<td>Storage performance benchmarking complete</td>
</tr>
<tr>
<td>December 1st</td>
<td>New High Performance Computing – Research Core Facility Director start date¹</td>
</tr>
<tr>
<td>December 2016</td>
<td>Complete ownership transition to University of Oregon</td>
</tr>
<tr>
<td></td>
<td>Complete staffing plan – Launch Research Systems Administrator search, etc.</td>
</tr>
<tr>
<td>January- March 2017</td>
<td>Identify possible research faculty beta testers and begin beta testing</td>
</tr>
<tr>
<td></td>
<td>Install most commonly used research software packages</td>
</tr>
<tr>
<td></td>
<td>Identify possible anchor tenants for HPC 2.0 business model</td>
</tr>
</tbody>
</table>

¹ Note: Core Facility Director start date being December 1st.
Harvey Blustain Report: Recommendation Overview

**Recommends fundamental changes to address:**

- Fragmentation  
  - Institutional Objectives
- Consistency  
  - Redundant Services

- **Integrate IT** units into central reporting structure

- **Coordinate Resources** - strategic investments, services, IT staff, spending and policy

See March Presentation Pages 9-12 and 19-21

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Transition and Rebalance Implementation

- **Verification and Assessment**
  - Verify and assess services, support, IT professionals and staffing at each unit
  - **Collected detailed information on services, agreements, software support and identified academic IT support staff**
  - **One on One meetings on-going, anticipate completion end of December**

- Charter meetings to establish clear support offerings and services in IS and UO Libraries

See March Presentation Page 9-12 and 19-21
Transition and Rebalance Implementation

- Project Management added to the processes
- Campus IT Openings, now flow through Central IS and the interim CIO for review and approval
  - Recent rebalancing changes: examples
    - Created Regional IT Director over 2 academic units. The open position is being reassigned as a web developer.
    - Centralizing selected services between Central IS and the CAS academic unit

See March Presentation Page 9-12 and 19-21

Next Quarterly IT Update

- CIO Search - Initial interviews will begin in December.
- Rebalance IT Transition – IT staffing resources, fragmentation and services implementation
- Strategic IT Investment –
  - ITSM (IT Service Management i.e. help desk) and Core Network / Infrastructure
  - Enterprise Software and Capital
- IT Governance – update progress
IT Strategic Process

Thank you
Glossary of Terms

Please find listed below brief descriptions of selected topics presented as part of the September 8, 2016 IT Strategic Update to the Board of Trustees. The information provides a brief description of each of these topics and or strategic investments. Listed in slide topic order.

Core network switches
The switches that connect every wireless device and wired computer to the university’s network and the Internet. They are a vital part of the network, thus the “core” label. New core network switches greatly improve network reliability and network speed, which is critical for researchers using large data sets.

SIEM: Security Information and Event Management
A system to monitor, aggregate, and correlate security information from security devices, networks, and computers. The SIEM greatly reduces the time it takes to discover and remediate potential information security incidents including malware infections and data breaches by automating much of the work that is currently done manually.

FireEye
A security appliance that detects both known and unknown attacks with high accuracy while generating low rates of false positives. It is complimentary to the SIEM. The appliance analyzes web traffic in an isolated, virtual environment to detect known and newly-announced security exploits, malware and complex attacks. Security staff are notified when FireEye sees suspicious traffic.

Our current FireEye security appliance has been in place for seven years. The new FireEye appliance will be installed by early September 2016. The new device will allow us to review at least four times the amount of network traffic than that of our current appliance.

Two-Factor Authentication
Adds extra security for services that contain sensitive data. Two-factor authentication uses two items you already know—your username and password—with a third item that is generated for that login and is available for only a short period of time. Users will get this temporary “password” via cell phone or through several other methods. Two-factor authentication is a security best practice for systems that hold sensitive data and is recommended by IT risk audits.

Security Awareness and Training (SANS Securing the Human)
Provides organizations with complete and comprehensive security awareness training, enabling us to effectively manage their human cybersecurity risk. The system will provide online training for all UO employees, educating our employees on security issues such as how to spot a “phishing” email that is trying to trick you into giving away your username and password.

Workflow (sometimes referred to as ECMS, or Electronic Content Management System)
A new set of software tools that enables the university to redesign business processes and create streamlined, electronic workflows for current time-intensive paper-based processes. The university has a number of cumbersome paper workflow processes subject to error requiring manual processing.
Workflow will first be deployed for GTF contracting, which is currently a manual process with an estimated 75% error rate. Workflow also replaces a deteriorating document imaging product that is a key part of the university’s admissions and registration processes.

**ITSM: IT Service Management**
A set of IT industry best practices for creating, deploying, managing, and improving IT services. An ITSM tool facilitates the use of ITSM, which includes better cross-campus communications between IT units and increases the quality of customer service (e.g., creates help desk ticket tracking system). The University of Oregon's current ticketing system, Request Tracker (RT), is a complex, open-source system that requires FTE with subject matter expertise for maintenance and development. In recent years, Information Services has not had the resources needed to effectively maintain, develop, and support the RT system.

TeamDynamix, the ITSM vendor selected for the university campus, will provide the following benefits in support of consolidation and integration of IT functions and services across campus:

- TeamDynamix is a hosted solution, which significantly reduces the FTE required for maintenance and development.
- TeamDynamix provides an opportunity for economies of scale. Initially, the scope of the ITSM tool will be focused within the IT campus community. In the future, service management and the tool could be expanded to include additional business areas such as Campus Operations, HR, and other units that provide services within UO. This would allow campus staff who handle service requests to be on a single platform.
- Support more efficient use of resources (people and financial) across multiple IT units through improved handling of service requests, integrated workflows, a robust ticketing system, traceability of service outages and system changes (incident management and change management, respectfully, in ITSM parlance), enabling and supporting current and future processes, providing metrics and reporting capabilities on effectiveness, etc.
- Will help facilitate faculty, staff, and students receiving new or improved IT service, as well as a more standardized, efficient experience.

**Allen Hall Data Center Colocation Facility**
Facility that allows departments to place a new or existing server in a rack in the Allen Hall Data Center — a monitored, physically secure, environmentally controlled, energy-efficient facility. Services include high speed network connections, redundant power and cooling, firewalls and other security options. The Allen Hall Data Center is designed to accommodate uninterrupted 24x7 operations, allowing departments virtual and physical access to manage their servers and the services they provide. It is available to academic, research and administrative units on campus.

The prior lack of available data center space resulted in a proliferation of small “data closets” and other spaces that generally do not meet baseline requirements for security, availability, and efficiency. The Allen Hall Data Center facility will assist academic and research units improve the reliability of the services they offer, while reducing the risk to their data and improving overall campus efficiency. Consolidating the “data closets” would create economies of scale in energy to cool and power the rooms and network security configuration. The larger scale of the new data center gives academic and research groups on campus the ability to grow their operations.
High Performance Computing

High Performance Computing (HPC) typically refers to the use of large-scale computers, or supercomputers, to solve complex computational problems. These supercomputers can be thought of as a cluster of smaller computers, each having the processing power of a production-level desktop computer, acting collectively to solve partitions of a larger problem in parallel. Thus, computational problems that would take years to finish on a single desktop can be solved using HPC in weeks, days, or even hours. The increase in computational power has been influential in almost all fields of research including hard and natural sciences through large-scale simulations and analysis, but more surprisingly, insights into social sciences and the humanities through natural language processing and text analysis. A side effect of increased computational power is the explosion of data and the rise of data-driven research and discovery. The immense size of data sets generated through the use of supercomputers is driving the development of new techniques for data understanding, most often in the areas of visualization and machine learning. Because of the close coupling of generated data and data understanding, HPC may refer not only to the computational machine used to create data, but also the processes necessary to move data into knowledge.
Agenda Item #2

Audited FY16 Financial Statements

*The external auditor’s report will be provided at the meeting.*
FY2016 Audited Financial Statements

December 1, 2016
Presenters: Jamie Moffitt, VPFA/CFO/Treasurer
Kelly B. Wolf, AVP/Controller

Board of Trustees of the University of Oregon

Agenda

• Net Pension Liability (GASB 68)
• Revenues & Expenses
• Assets, Liabilities & Net Position
• Cash Flows
• Financial Metrics/Ratios
GASB 68 Effect

Benefit Recipients

PERS

~22%

UO

Unfunded Actuarial Liability (UAL)

Assets

Promises

1.65%

GASB 68 – Effect on Financial Statements

- Effect on Balance Sheet
  - Net Assets drop by $93.6M (cumulative)
    - $11.5M Restricted for GGC
    - $82.1M Unrestricted
- Effect on Income Statement
  - GASB 68 changes timing of expense recognition
  - FY16 shows a $72.6M expense – This is a non-cash transaction
Four Year Revenue Trend (in thousands)

Sources of Revenue (in thousands)

CAGR
3.2%

Year Trends
- FY2013
- FY2014
- FY2015
- FY2016

Revenue Components
- Student Tuition and Fees, net
- Grants and Contracts
- Educational Sales & Services
- Auxiliary Enterprises
- Government Appropriation
- Investment Activity
- Other Revenue
- Capital Grants and Gifts

CAGR
15/16
- 5.7%
- 28.1%
- 0.5%
- 11.6%
- 2.5%
- 13.4%
- 3.6%
- 15.0%
- 6.5%
- 2.1%
- 2.0%
- 0.4%
- 0.5%
- 0.8%
- 4.1%
- 5.4%
Four Year Expense Trend
(in thousands, excluding GASB 68 and Special Items)

CAGR 4.4%

Expenses by Programmatic Use
(in thousands, excluding GASB 68 and Special Items)

CAGR 15/16

-6.7% 16.8%
7.5% 1.2%
22.4% 9.2%
4.0% -0.2%
8.2% 3.6%
3.6% -0.1%
8.1% 12.9%
8.4% 5.2%
4.2% 0.8%
-3.0% -4.9%
4.8% 1.9%

FY2013 FY2014 FY2015 FY2016

Instruction
Public Service
Student Services
Institutional Support
Student Aid
Interest Expense

Research
Academic Support
Auxiliary Programs
Operation and Maintenance of Plant
Other Operating Expenses
## Capital Assets (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>107,064</td>
<td>106,827</td>
<td>113,362</td>
<td>120,057</td>
</tr>
<tr>
<td>Collections</td>
<td>37,596</td>
<td>38,745</td>
<td>39,925</td>
<td>41,371</td>
</tr>
<tr>
<td>Library</td>
<td>125,301</td>
<td>126,893</td>
<td>128,621</td>
<td>130,459</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,254,070</td>
<td>1,405,119</td>
<td>1,487,410</td>
<td>1,633,514</td>
</tr>
<tr>
<td>Land</td>
<td>96,192</td>
<td>88,013</td>
<td>89,593</td>
<td>96,961</td>
</tr>
<tr>
<td>ICTB</td>
<td>10,033</td>
<td>10,828</td>
<td>11,220</td>
<td>11,320</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>44,632</td>
<td>47,900</td>
<td>50,391</td>
<td>52,377</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>15,045</td>
<td>15,314</td>
<td>15,314</td>
<td>15,365</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,683,933</td>
<td>1,839,630</td>
<td>1,935,837</td>
<td>2,101,324</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(552,607)</td>
<td>(598,824)</td>
<td>(643,442)</td>
<td>(694,876)</td>
</tr>
<tr>
<td><strong>Net Capital Assets</strong></td>
<td>1,131,326</td>
<td>1,240,806</td>
<td>1,292,395</td>
<td>1,406,448</td>
</tr>
<tr>
<td>Unspent Bond Proceeds</td>
<td>33,129</td>
<td>71,784</td>
<td>61,165</td>
<td>83,358</td>
</tr>
<tr>
<td>Capital Debt</td>
<td>(672,736)</td>
<td>(764,986)</td>
<td>(643,516)</td>
<td>(728,490)</td>
</tr>
<tr>
<td>Invested in Capital Assets</td>
<td>491,719</td>
<td>547,604</td>
<td>710,044</td>
<td>761,364</td>
</tr>
</tbody>
</table>

## Four Year Cash Flow Trend (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Cash Balance</td>
<td>134,978</td>
<td>130,411</td>
<td>268,577</td>
<td>329,361</td>
</tr>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>(83,319)</td>
<td>(82,990)</td>
<td>(99,995)</td>
<td>(95,259)</td>
</tr>
<tr>
<td>Cash Flows from Non-Capital Financing Activities</td>
<td>119,569</td>
<td>144,562</td>
<td>182,880</td>
<td>156,813</td>
</tr>
<tr>
<td>Cash Flows from Capital and Related Financing Activities</td>
<td>(54,229)</td>
<td>23,783</td>
<td>(56,477)</td>
<td>(90,614)</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>13,412</td>
<td>52,811</td>
<td>34,376</td>
<td>42,711</td>
</tr>
<tr>
<td>Ending Cash Balance</td>
<td>130,411</td>
<td>268,577</td>
<td>329,361</td>
<td>343,012</td>
</tr>
</tbody>
</table>
Primary Reserve Ratio

- Compares expendable net assets to total expenses
- Expendable net assets:
  - Restricted-Expendable for Gifts, Grants, and Contracts
  - Restricted-Expendable for Student Loans
  - Restricted-Expendable for Capital Projects
  - Unrestricted Net Assets
  - UOF Unrestricted Net Assets
  - UOF Temporarily Restricted Net Assets
- Indicates how long the institution could function using its expendable reserves (including restricted monies for appropriate expenses) without relying on additional net assets generated by operations.
- A threshold level of .40x is recommended
Viability Ratio

- Compares expendable net assets to plant-related debt
- Indicates ability to settle long-term obligations as of the balance sheet date
- A ratio of 1:1 means full ability to cover debts at a specific date, but is not necessarily a firm or recommended threshold
Return on Net Assets Ratio

- Compares the annual change in net assets to the total net assets at the beginning of the year
- Indicates total economic return of the institution
- There is no industry-specific recommended threshold. Rather, this ratio should be reviewed over an extended period and in terms of trend direction.
Debt Burden Ratio

- Compares debt service payments to total expenditures.
- Measures affordability of debt, and the institution's reliance on debt to finance the mission.
- The industry generally considers a ratio value of .07 to be the long-term recommended threshold for this ratio. There are times the ratio may exceed .07 for strategic or mission-critical uses of debt.
GASB 68 Effect – FY16 Highlights

- UO FY2016 reports reflect PERS FY2015 activities
- In April, 2015, the Oregon Supreme Court declared Senate Bills 822 and 861 unconstitutional in so far as they affect retirement benefits earned before May 6, 2013.
  - System-wide estimated impact is $5.1 billion
- Per December, 2014, actuarial valuation, PERS has a funded ratio of 84% including side accounts, and 76% excluding side accounts.
- At its September, 2015, meeting the PERS Board reduced the assumed rate of return from 7.75% to 7.50%. Any effect from this change will be reflected in the UO FY2017 reports.
Agenda Item #3

Quarterly Audit Report and Authorization of External Auditor

The quarterly audit report will be provided at the meeting.
External (Co-Sourced) Audit Services
Summary of Requested Action

The University of Oregon’s Office of Internal Audit (IA) is requesting Board approval to enter into a contract with Baker Tilly Beers & Cutler, LLC (Baker Tilly) for purposes of co-sourced audit support. Approval is required per the Delegation of Authority, which stipulates board approval of any external auditor.

As reported in prior meetings, IA is interested in a co-sourced audit model to provide (i) assistance on issue-specific audits where experience may not exist within IA, (ii) additional bandwidth as needed, and (iii) resources to help IA continue to develop and implement best practices.

The University followed a formal procurement process to identify a qualified vendor to perform co-sourced audit functions. The procurement selection committee included:
- Trisha Burnett, Chief Auditor, Office of Internal Audit
- Kassy Fisher, Chief of Staff, Office of the VP for Finance and Administration
- Greg Stripp, Chief of Staff, Office of the President
- Angela Wilhelms, University Secretary

The selection committee scored three proposals based on complete and compliant proposal materials. Proposals were evaluated based on quality, approach, experience, knowledge of standards, cost, and available tools and resources. The selection committee selected Baker Tilly, which has done work with the UO in the past.

Terms of the contract are still under final negotiation and will be reported to the EAC when complete. Approval of the contract itself is not needed as the scope will not exceed $250,000.
Whereas, the University of Oregon (the University) is interested in engaging an external audit firm to provide co-sourced audit services in support of its overall internal audit function;

Whereas the Office of Internal Audit followed a formal procurement process to identify a qualified vendor – Baker Tilly Beers & Cutler, LLC (Baker Tilly) – to perform the aforementioned audit services; and,

Whereas, the Policy on the Retention and Delegation of Authority requires the Board of Trustees (the Board) to approve the appointment of external auditors and the Policy on Committees authorizes the Executive and Audit Committee to act on behalf of the Board;

Now, therefore, the Executive and Audit Committee of the Board of Trustees of the University of Oregon hereby ratifies and approves all prior actions taken on behalf of the University related to the execution of an agreement for internal audit services with Baker Tilly, and further directs the President of the University or his designee(s) to take all actions necessary and appropriate to execute such an agreement upon completion of final negotiations.

Moved: _________________

Seconded: ________________

<table>
<thead>
<tr>
<th>Trustee</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bragdon</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ford</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kari</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lillis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ralph</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilcox</td>
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Dated: ________________

Recorded: ________________
Agenda Item #4

Strategic Enterprise Risk Management and Compliance
Strategic Enterprise Risk Management and Compliance Committee (SERMC)

DATE: DECEMBER 1, 2016

PRESENTED BY: ANDRE LE DUC, CHIEF RESILIENCE OFFICER AND ASSOCIATE VICE PRESIDENT, SAFETY AND RISK SERVICES

BOARD OF TRUSTEES OF THE UNIVERSITY OF OREGON

Agenda

- Overview of Enterprise Risk Management
- Role of the Strategic Enterprise Risk Management & Compliance Committee
- 2014-15 risk assessments progress report
- 2016-17 risk assessment matrix update
Enterprise Risk Management Overview

Enterprise risk management is a strategy setting process applied across the enterprise.

Enterprise risk management is designed to identify potential events that may affect the entity, manage risk to be within its risk appetite, and to provide reasonable assurance regarding the achievement of entity objectives.

Enterprise Risk Management Framework

Leadership
- Board of Trustees
- President
- SERMC Committee
- Enterprise Workgroups
- Units and Departments

Process
- Identify Risk Exposures
- Quantify Risk Exposures
- Plan for Risk Reduction
- Respond to Risk
- Monitor & Report Outcomes
- Learn & Improve

Management & Integration
- Strategic Planning
- Internal Audit
- Compliance
- Risk Transfer (insurance)
- Budgeting Process
- Capital Allocation

Culture
- Common Language
- Risk Awareness
- Communication
- Information Sharing
- Risk Ownership
SERMC Committee Charge

1. Develop tools and processes to actively identify, evaluate, and manage university risks.

2. Ensure that systems and processes are in place to provide accountability for compliance with university’s legal and policy obligations.

3. Encourage communications, problem-solving and collaboration across divisions, units and departments.

Committee Members

Vice President Finance and Administration and Chief Financial Officer (co-chair)  
Vice President for Research and Innovation (co-chair)  
Vice President and General Counsel to the University  
Vice President for Student Life  
Vice President for Equity and Inclusion  
Vice President for Enrollment Management  
Vice President for University Communications  
Vice President for University Advancement  
Director of Intercollegiate Athletics  
Chief Resilience Officer and Associate Vice President for Safety and Risk Services  
Chief Human Resources Officer and Associate Vice President, Human Resources  
Chief Information Officer  
Chief Auditor  
Associate Vice President for Business Affairs and University Controller  
Associate Vice President for Research  
Assistant Vice President for University Initiatives and Collaborations
Example Committee Connections

Enterprise Risk Assessment Process

- Develop a disciplined process to consider risk in strategic discussions.
- Designate an owner of the risk-identification process.
- Require all top administrators to prioritize risk.
- Evaluate prioritized risks to decide which ones warrant attention at the highest level.
- Require annual written reports on each high-priority risk being monitored.
- Reassess priority risks at the board level at least once a year.
- Look for blind spots.
- Move risk identification deeper into the institution each year.
- Keep repeating the process.
Thematic Risk Areas

Operational Risk Areas
- Facilities/Infrastructure
- Academic Affairs
- Emergency Management
- External Relations
- Human Resources
- Information Technology
- Research
- Student Affairs
- Equity and Inclusion

Financial Risk Areas

Compliance Risk Areas

Board Governance Risk Areas

Sample Quadrant Risk Map

A quadrant risk map is a tool to help determine:
- priorities,
- create risk awareness, and
- direct risk assessments.

Image Source: http://audit.umn.edu/plan_appA.html
Risk Impact & Risk Likelihood

### Risk Impact

<table>
<thead>
<tr>
<th>Scale</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>Core mission impaired, operationally disabling</td>
</tr>
<tr>
<td>High</td>
<td>Operations must shift significantly to adjust to conditions created by consequences of risk-related incident or control failure</td>
</tr>
<tr>
<td>Moderate</td>
<td>Operational changes are necessary to adjust to conditions created by consequences of risk-related incident or control failure</td>
</tr>
<tr>
<td>Low</td>
<td>Consequences of risk-related incident or control failure are tangible, but operations remain largely intact and maintain status quo</td>
</tr>
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### Risk Likelihood

<table>
<thead>
<tr>
<th>Scale</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>Certain to occur</td>
</tr>
<tr>
<td>High</td>
<td>Almost certain to occur</td>
</tr>
<tr>
<td>Moderate</td>
<td>May occur within the year</td>
</tr>
<tr>
<td>Low</td>
<td>Not likely to occur within the year</td>
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**Quadrant Risk Map**

- **Continuous Review** – Risks that have the potential for HIGH or VERY HIGH impact and have a HIGH or VERY HIGH likelihood of occurring.
- **Periodic Review** – Risks that have the potential for HIGH or VERY HIGH impact and a LOW or MODERATE likelihood of occurring.
- **Periodic Monitoring** – Risks that have the potential for LOW or MODERATE impact and a LOW or MODERATE likelihood of occurring.
- **Continuous Monitoring** – Risks that have the potential for LOW or MODERATE impact and a HIGH or VERY HIGH likelihood of occurring.
### 2014-15 Quadrant Risk Map

#### Continuous Monitoring
- Student Affairs (Tuition & Financial Aid)
- Information Technology (Wired & Wireless Integrity)
- Facilities (Critical Infrastructure Priorities)
- Budget (Tuition Dependency)
- Emergency Management (Disaster Preparedness - Earthquake)
- Academic Affairs (Academic Quality / Recruitment & Competition)
- Student Affairs (Sexual Assault Prevention & Response / Admissions & Retention)

#### Periodic Monitoring
- Human Resources (Employee Performance, Employee Relations, Human Resources Management)
- Campus Safety (Community Safety, Campus Public Safety)
- Cybersecurity (Cybersecurity Management, Campus Network Security)
- Compliance (Compliance Management, Regulatory Compliance)

#### Continuous Review
- Information Technology (Wired & Wireless Integrity, Enterprise Systems & Apps, Data Backup & Recovery, End User Data Breach, Decentralized IT, etc.)
- Facilities (Critical Infrastructure Priorities, Building Maintenance Priorities)
- Budget (Tuition Dependency)
- Emergency Management (Disaster Preparedness - Earthquake)
- Research (Research Accounting)
- Academic Affairs (Academic Quality / Recruitment & Competition)
- Student Affairs (Sexual Assault Prevention & Response / Admissions & Retention)

### Continuous Review Quadrant Overview

**Information Technology** (Wired & Wireless Integrity, Enterprise Systems & Apps, Data Backup & Recovery, End User Data Breach, Decentralized IT, etc.)

**Facilities** (Critical Infrastructure Priorities, Building Maintenance Priorities)

**Budget** (Tuition Dependency)

**Emergency Management** (Disaster Preparedness - Earthquake)

**Research** (Research Accounting)

**Academic Affairs** (Academic Quality / Recruitment & Competition)

**Student Affairs** (Sexual Assault Prevention & Response / Admissions & Retention)
Actions Addressing 2014-15 Continuing Review Items

Information Technology
(Wired & Wireless Integrity, Enterprise Systems & Apps, Data Backup & Recovery, End User Data Breach, Decentralized IT)

- Implemented new governance structure
- Conducted external audit, strategic planning project, and consulting project on consolidation of IT operations
- Invested $3m in recurring funds to support critical infrastructure, *(e.g., core network equipment)*
- Developed new institutional policies *(e.g., Data Classification Policy, IT Security Program Policy, Data Security Incident Response Policy)*
- Purchased new software to better identify cyberattacks
- Opened Allen Hall Data Center – a monitored, physically secure, environmentally controlled institutional server space
- Hired new Chief Information Security Officer and added 2 FTE to Information Security team
- Restructuring of IT organization and leadership in progress
- Chief Information Office (CIO) search in progress
Facilities/Infrastructure

(Critical Infrastructure Priorities, Building Maintenance Priorities)

- Restructured Campus Planning, Capital Construction, Central Power Station and Facilities Services into one combined portfolio to improve holistic planning and work between units
- Hired new Associate Vice President position for Campus Planning and Facilities Maintenance
- New asset management system being implemented to improve operational efficiencies
- Secured increased funding from State for capital improvements, as well as major deferred maintenance projects (e.g., Chapman, Klamath)
- Initiated Strategic Energy Management Plan effort to coordinate energy related strategies
- Developed market based approach to operating the central power station

Finance/Budget

(Tuition Dependency)

- Working collaboratively and effectively with all seven institutions to increase state funding for operations and capital
- Enrollment management has added / is adding staff to improve recruitment efforts
- 1 FTE added to enrollment research for analyzing enrollment trends and opportunities
- 3 new regional recruiters (CA & TX)
- Annually evaluate tuition rates vs peer and competitor institutions
- Working to identify and implement cost savings opportunities across the organization
- Regularly performing high-level environmental scans to prepare for external events that impact enrollment, *i.e.*, University of California system’s decision to increase enrollment and/or the University of Washington recurring freeze of tuition rates
Emergency Management
(Disaster Preparedness – Earthquake)

- Developed/signed National Intercollegiate Mutual-Aid Agreement
- Reduced total overall insurance cost while increasing coverage for earthquakes seven fold
- Continuing to seismically retrofit higher risk buildings
- Purchased potable water filtration system
- Assessing power delivery options for emergencies
- Continue to expand and maintain Incident Management Team

Research
(Research Accounting)

- Implemented mandatory annual Principal Investigator (PI) certification
- Implemented mandatory annual Department Grant Administrator (DGA) certification
- Completed internal audit on grant management processes with no findings
- Completed external audit on research administration
- Implemented a new online certification for payroll on sponsored projects with no findings
Academic Affairs
(Academic Quality and Recruitment/Competition)

- Secured $500 million gift to support new Knight Campus for Accelerating Scientific Impact
- Launched five Clusters of Excellence
- Added 27 new net tenure track faculty in last two years
- Created Provost Opportunity Fund for new tenure track faculty hires
- Invested in new High Performance Computing facility for research faculty
- Made significant investments in PhD programs and program lines
- 65 additional new PhD students enrolled AY 16-17
- Hired four new deans to lead schools and colleges

Student Affairs
(Sexual Assault Prevention and Response) - Page 1 of 3

Significant investment in sexual assault prevention and response
- Hired Title IX AVP and funded additional investigators and response support position, recruited and trained volunteers to serve as support for accused students
- Centralized and solidified risk assessment and response protocols to ensure consistency and compliance
- Increased coordinated structure across campus by recruiting Deputy Coordinators in key roles and training a pool of Appeals Officers
- Centralized data tracking and coordinated case management efforts across key departments to ensure remediation and the ability to identify patterns
Student Affairs

[Sexual Assault Prevention and Response] - Page 2 of 3

- Implemented new student prevention program - “Get Explicit” and expanded student SWAT program
- Funded additional self-defense training classes through PE & Rec
- Created two new websites to provide comprehensive information to students
- Launched President’s Sexual Assault Prevention Advisory Council and increased outreach to on and off-campus stakeholders
- Updated Student Code of Conduct and standard operating procedures for sexual misconduct cases and all appeals
- Identified and clarified avenues for confidential reporting and increased training for responsible employees

Student Affairs

[Admissions/Retention] - Page 3 of 3

- Launched initiative to increase graduation rates by 10% in five years
- Added two new AVP positions to lead efforts across departments (one AVP position drawn from consolidating & reorganizing of existing portfolios)
- Hired additional advisors; expanded student tutoring programs
- Implemented new Graduate Incentive Grant program
- Launched predictive analytics and advising software (identify curricular road blocks and at-risk students; coordinate advising across campus)
- Launched advising and registration campaign to encourage students to enroll in 16 credits per term
- Approved mandatory live-on campus policy for first-year undergrads (to be implemented Fall 2017)
Next Steps

**Enterprise Risk Assessment Survey:**
- What are current assessments and perceptions of risk?
- Administered October 2016 to Chiefs of Staff and key technical personnel

**Enterprise Risk Assessment Workshop:**
- Review survey results; discuss emerging issues and identify strategies and actions

**Updated Quadrant Risk Map:**
- Updated matrix and items for continuous review; emerging issues
Enterprise Risk Management: 
Best Practices for Boards, Presidents, and Chancellors

In private industry, boards and chief executives routinely consider risk in strategic planning, but a new survey by the Association of Governing Boards and United Educators reveals that higher education is lagging behind in this important fiduciary responsibility. (A detailed summary of the survey results is available at www.agb.org/research and at www.ue.org.) Key survey findings include:

- Sixty percent of respondents said their institutions do not use comprehensive, strategic risk assessment to identify major risks to mission success.
- Fewer than half of the respondents said they “mostly agree” with the statement, “Board members and senior administrators actively engage in discussions regarding institutional risks.”
- Five percent of respondents said their institutions have exemplary practices for management of major risks to mission success.

College presidents’ and boards should collaborate in developing and overseeing a system for evaluating campus risks at the strategic level. Specific ways in which the board and president can support risk assessment are recommended in the following Best Practices and Action Steps.

Best Practices

1. Define risk broadly. Traditionally, institutions focused on financial risks covered by insurance. Current thinking defines “risk” as any impediment to accomplishing institutional goals. In a 2000 report, the National Association of College and Business Officers (NACUBO) discussed the “new language of risk” and identified five types of risk: strategic, financial, operational, compliance, and reputational.

2. Recognize both the opportunities and downsides of risk. Many colleges focus only on the downsides of risk. In addition, they should weigh risks against potential rewards. All successful organizations take risks, and the most promising opportunities often involve heightened risk.

3. Develop a culture of evaluating and identifying risk at multiple levels. Presidents and board members rarely see the first warnings of risk. Institutions need to identify and assess risks regularly at multiple levels so that the most critical ones filter up to top decision-makers.

4. Look at the total cost of risk. Risk is not just about dollars and cents. Institutions must consider all the consequences of risk. For example, in a lawsuit over denial of tenure, there are litigation costs, but there are also non-monetary costs such as lost productivity, distraction from mission, and negative publicity.

5. Boards and presidents should collaborate. They need to engage in candid discussions at the strategic level. By working together, presidents and boards can fulfill their shared responsibility for ensuring the success of the mission and stability of the institution.

* The term “president” includes both presidents and chancellors of higher education institutions.
**Action Steps**

1. **Develop a disciplined process to consider risk in strategic discussions.** Most institutions monitor risk on an ad-hoc basis. Institutions need a disciplined process to ensure that mission-critical risks are elevated from the operational level to strategic discussions of institutional goals. For policy decisions, boards need to ensure that comprehensive risk assessment has occurred.

2. **Designate an owner of the risk identification process.** Risk identification is the first step of risk evaluation. To ensure the process moves forward, institutions should designate an administrator to oversee risk identification by every department throughout the institution. The right person will vary by institution and could be the president, chief financial officer, risk manager, chief auditor, or general counsel.

3. **Require all top administrators to prioritize risk.** Once identified, risks should be prioritized based on probability of occurrence and severity of impact.

4. **Sift through the prioritized risks to decide which ones warrant attention at the highest level.** Boards and presidents need to monitor those risks that could interfere with strategic goals of the institution and establish tolerances for each risk. They should limit the number of risks monitored so that top risks receive sufficient discussion.

5. **Require annual written reports on each high-priority risk being monitored.** Annual written reports ensure that administrators stay focused. In addition, they allow boards and presidents to monitor progress in managing key risks.

6. **Re-assess priority risks at the board level at least once a year.** An institution’s environment is constantly changing. At least once a year, the board and president need to determine which risks are emerging, and which ones can come off the priority list.

7. **Look for blind spots.** At least once a year, boards and presidents need to ask, what downside risks are we leaving out, and what opportunities are we missing? Imagine the unimaginable—a flood that closes your campus for a year, a student killing more than 30 classmates, a 20 percent drop in the stock market in one week. All of these “unimaginable” events have occurred.

8. **Move risk identification deeper into the institution each year.** Many serious risks are first spotted by employees without fancy titles. Who at an institution would first know that campus buildings are developing mold problems, a donor database has security flaws, or a student is becoming dangerous to others?

9. **Keep repeating the process.** Risk management is not a one-time endeavor. Boards and presidents need a dynamic approach to protect the institution from mission-critical risks and take advantage of emerging opportunities. Most institutions focus on downside risks in the beginning and then move to opportunities as their risk-management processes become more advanced.
Agenda Item #5

Board Officers
The bylaws of the University of Oregon (UO) establish officers for the Board of Trustees (Board), including a chair and vice chair. The bylaws further stipulate that terms for the chair and vice chair shall be three years (approximated based on the Board’s meeting schedule). (See Section 5.a)

Current officers are Charles M. Lillis, chair, and Ginevra Ralph, vice chair. Both were elected to their respective positions in January 2014. Thus, reelection or the selection of a new chair or vice chair is timely for the December 2016 meeting.

Chair Lillis and Vice Chair Ralph expressed interest in remaining in their respective positions. No other nominations were received for either position.

The Executive and Audit Committee will discuss this matter during its meeting on December 1 and will make a formal recommendation to the full Board for consideration during the full Board meeting on December 2.