


**Committee Attendance**

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

The Executive and Audit Committee (EAC) of the Board of Trustees of the University of Oregon (the “Board”) met in the Ford Alumni Center on the UO campus on December 10, 2014. Below is a summary of Committee reports, discussions, and actions.

**Convening.** The meeting was called to order by Chair Chuck Lillis at 12:55 pm. Chair Lillis introduced Helene Schlegel, the new student trustee. Roll call was taken and all members were present. The Committee approved minutes from its September 10 and September 24 meetings.

**Update on University Policy Work.** Chair Lillis noted that the University has approximately 849 policies from a variety of sources now that institutional governance has taken effect. He turned to an update from President Coltrane: Coltrane explained that he asked the Board to delay consideration of a proposed new policy process until March. He explained that 100 policies were given to the Senate Executive Committee to review relating to academic issues. The proposal involves establishing a policy advisory council (PAC) with the Senate President as a member. The PAC would have the authority to designate a lead for each policy, such as the Senate for academic policies. There were special Senate meetings to consider concerns about the proposed Policy on University Policies. Postponement of the proposed policy until March allows collaborative work with the Senate. Coltrane cited the treasury policy as an example of what we need to do (the Board took 25 or so existing policies and condensing them into one comprehensive policy with supporting processes). Chair Lillis noted the need to be ready for March action. Coltrane and Trustee Mary Wilcox reflected on the process OHSU started many years ago, which is still underway. Coltrane reminded the group there is a resolution before them as a full Board to repeal 67 inapplicable policies as a first effort to clean up the policies.

**Audited Financial Statements and External Audit Report.** VPFA and CFO Jamie Moffitt and AVP and Controller Kelly Wolf presented draft FY2014 audited financial statements to the Committee. They introduced Jean Bushong from CliftonLarsonAllen, LLP, the OUS external auditor. Moffitt noted the statements should be finalized in a couple of weeks. Moffitt and Wolf discussed revenue and expenses for FY14 as well as the FY14 balance sheet, including assets and liabilities. Special attention was paid to the UO’s unrestricted net assets, which are likely to decrease significantly in FY15 due to changes in accounting standards related to unfunded pension liabilities and the resulting allocation of PERS liabilities. Lillis asked if this change

would impact the UO's to-be-determined credit rating; Moffitt noted that it likely would not. Moffitt mentioned that a significant issue for FY15 is the anticipated increase in PERS related costs (currently estimated at \$7 million - \$8 million per year).

Bushong then presented the external auditors' report, noting that this is the first year the UO has its own audit at the institutional level. Bushong passed out required materials and disclosures. She noted that reports are still draft, but there were no material weaknesses or significant deficiencies found in the audit and that it is an unmodified (i.e., clean) audit. As indicated in the Independent Auditors' Report, the financial statements present fairly, in all material respects, the financial position of the university; there were no significant deficiencies, recommendations or findings in the government auditing standards report; and there were no issues with reporting, management or estimates. Chair Lillis reported that the Chair of the Board and the Chair of the Finance and Facilities Committee (Ross Kari) met privately earlier with the external auditor, a standard practice, to hear if there were any audit concerns that the firm did not feel comfortable bringing to management; there were not. Chair Lillis and Kari congratulated Moffitt and her team on the clean audit. Bushong noted two upcoming relevant changes. For fiscal year 2015, implementation of GASB 68 will likely have a negative effect on Unrestricted Net Position. For fiscal year 2016, the audit of federal programs will be conducted in accordance with the newly-implemented Uniform Grant Guidance rather than the existing A-133 procedures.

Chair Lillis asked for the committee to accept the FY audited financial statement and the external audit report. So accepted.

**Internal Audit Report.** Chief Auditor Brenda Muirhead provided a standing quarterly report to the EAC regarding the UO's internal audit functions and activities. Q1 was spent bringing various offices up to speed on the role and approach of the internal auditor. She reported that there was progress made on hiring staff, including two new auditors. She reported that the IT audit position will remain vacant and related work will be contracted. The UO audit manual will be completed within the month and they are working to finish the web page, which will include self-assessment tools. Actual audits in the first two years will focus on internal control systems and related policies and procedures. Muirhead also provided brief updates on internal consulting, activity on the Fraud and Ethics Reporting Hotline, collaboration with risk management, audit resources, and an RFP for a new external financial audit contract and an external IT audit firm (which will come before the Board). Muirhead informed the Board that she intends to move forward on two additional projects: (1) a transition management review of the VPEI's office and (2) an efficiency audit of Printing and Mailing Services.

**Risk Management.** Andre LeDuc, Executive Director of Enterprise Risk Services at the UO, provided the Board an update on risk management work. President Coltrane first noted that LeDuc deserves recognition for leading the continuity planning effort during the GTFF strike. LeDuc provided an overview of the university's campus-wide risk assessment efforts, including the cross-communication between departments through efforts of the Strategic Enterprise Risk Management and Compliance Committee ("SERMC"). The SERMC Committee is engaging in efforts to ensure people understand what university risks exist and how to manage those internally. LeDuc notes that these efforts need to be continual to be effective. The committee is

dealing with three core things: tools, systems and communications. LeDuc discussed the enterprise risk management (ERM) framework, including leadership, processes, management and integration, and a culture of risk awareness and mitigation. He and his team looked to national best practices to assist with the evaluation. LeDuc shared a quadrant risk map, emphasizing that this looks at risk enterprise-wide. He noted that UO shares the same risks as many other public universities and municipalities relating to infrastructure (e.g. information technology, deferred maintenance). A key financial risk is tuition dependency. Risk management seeks to work collaboratively with departments on campus responsible for various areas of risk. The Enterprise Risk Services unit has adopted a theme: “Resilient U starts with a resilient you.”

**Strategic Planning Discussion.** Chair Lillis asked the committee to engage in a discussion about long-term Board planning, specifically around those issues the Board wishes to proactively address (rather than those brought to the Board by management). The Committee and visiting trustees discussed areas to explore in crafting a board agenda, including student success, facilities, financial models and structures, and others. The Committee agreed that it was time to develop such an agenda.

**Announcements.** Trustee Kurt Willcox announced to the Committee that he is proposing a resolution for consideration in March relating to strikes and the role of the Board therewith. He asked the University Secretary to distribute that to the full Board.

**Adjournment.** 3:16 PM