OREGON STATE BOARD OF HIGHER EDUCATION
STANDING COMMITTEE ON FINANCE AND ADMINISTRATION
DECEMBER 16, 2011

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Minutes

Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard.

Chancellor’s Office staff present included: Vice Chancellor Jay Kenton, Controller Mike Green, Karen Levear, Patricia Snopkowski, Cindy Starke, and Marcia Stuart.

Others present included: Vice Presidents Frances Dyke (UO), Lon Whitaker (EOU), Eric Yanke (WOU), and Mary Ann Zemke (OIT). Others in attendance included: Michael Bear (RBC Capital Markets), Dr. Jonathan Eldridge (SOU), Randy Geller (UO), Jennifer Jones (American Campus Communities), Bob Nettles (OSU), Sara Russell (RBC Capital Markets), and Dee Wendler (PSU).

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Schueler called the telephonic meeting of the Finance and Administration Committee to order at 1:03 p.m.

2. ACTION ITEMS

a. SOU, Approval of Land Lease For Student Housing and Dining Facilities

Chair Schueler called upon Vice President Craig Morris, Southern Oregon University, who introduced the project team and described the project. Dr. Jonathan Eldridge provided perspective of the impact of increased student enrollment and the correlation between on-campus housing increased retention rates. This project will also provide a cook-to-order dining facility that the campus currently cannot provide. The facility will be located near the recreational facility and will expand that area of campus. The project entails a land lease and development agreement for a third party to construct student housing and dining facilities. Earlier, this year SOU entered into a pre-development agreement with American Campus Communities (ACC) to study the feasibility of building a 206-unit (702 beds) student housing facility and affiliated food service facilities located on the University’s main campus.

The proposed project will be completed fall 2013 and will continue to attract on-campus residents, providing additional capacity for not only in-state and out-of-state students but the increased interest of international students in Southern Oregon University.
In response to Chair Schueler’s questions of capacity and increased housing rates, Dr. Eldridge advised that, in order to meet debt service level and operating costs, the increase will be approximately 3 percent in room rent each year over the other facilities. The addition of 100 beds will positively affect the University’s strategic plan by increasing capacity and retention and graduation rates; however, even with the increased capacity, the University will only be housing 1,100-1,200 of the current 6,000 student body. With the completion of the new facility, the current Cascades Hall will be torn down to be replaced with a new construction.

Following the RFP process, American Campus Communities was selected as the developer, who then engaged the Portland-based SERA Design LLC to serve as the architect for the project. Adroit Construction Company, Inc., headquartered in Ashland, will serve as the general contractor.

Sara Russell, RBC Capital Markets, walked the Committee through the proposed financial plan and advised that the project will require $56 million in tax exempt 30-year bonds, resulting in an approximate 32-year financing period (final approval for bonds to be considered in March 2012).

**ACTION:** Following discussion, Chair Schueler called for a motion to approve both the land lease with Collegiate Housing Foundation and authorize SOU to enter into an agreement with American Campus Communities and Collegiate Housing Foundation to construct a student housing and dining facility on Board-owned property as outlined in the docket material. Directors Allyn Ford and Lynda Ciuffetti made the motion and second, respectively. Those voting in favor: Chair Kirk Schueler and Directors Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard. Motion passed.

b. **Internal Control Policy**

Chair Schueler called upon Controller Mike Green to present the item. Mr. Green advised that the proposed policy provides clarity regarding the responsibilities of the executive officers within the Oregon University System and establishes a formal policy on internal controls. The policy places the responsibility for establishing and maintaining an internal control structure with the Chancellor and each OUS university president and establishes internal control standards. Internal controls are designed to assure that the System, its universities, and the Chancellor’s Office meet their mission, promote performance leading to effective accomplishment of objectives and goals, safeguard assets, provide accurate and reliable financial and other key data, promote operational efficiency and economy, and encourage adherence to applicable laws, regulations and prescribed management policies and practices. (See [http://www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc111216-FA.pdf](http://www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc111216-FA.pdf) for further policy details.)

Concerns regarding policy enforcement at the campus level were expressed, however, in the distributed environment in which the System is moving, it was agreed that this type of policy is essential to ensuring adequate controls are in place. In auditing campuses, clarity of the roles and responsibilities in the administration is necessary, with the ultimate responsibility placed...
upon the president. It was acknowledged that mutual responsibility is desirable between the Chancellor’s Office and the campus administration in the performance of the positions and in the hiring/firing of personnel.

**ACTION:** Following discussion, Chair Schueler called for a motion to approve the proposed policy on internal controls. Directors Lynda Ciuffetti and Allyn Ford made the motion and second, respectively. Those voting in favor: Chair Kirk Schueler and Directors Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard. Motion passed.

3. **REPORT ITEM**

a. **Internal Control Self-Assessment for Chancellor’s Office**

Controller Green provided pertinent background, stating that Moss Adams, in their financial audit, noted profound changes in the system organization structure over the past 15 years and that these changes have significantly impacted the authority and responsibility of finance staff at all levels of the organization. The concern of the auditors stems primarily from those changes and potential future changes, not evaluations of specific employee performance or competence.

The vice chancellor for finance and administration, controller, and budget director were to perform the following duties in this review:

- Validate the department’s mission and objectives and confirms that the following specific responsibilities are included in both the Finance and Administration and the Controller/Business Affairs divisions’ mission and objectives:
  - Develop and maintains a sound internal control structure,
  - Ensure that the financial statements of the Chancellor’s Office are prepared in conformity with Generally Accepted Accounting Principles and OUS policies are included in the departments’ mission and objectives.
- Evaluate the departments’ organizational structure against its mission and objectives and confirm that the controller/business affairs and the budgets and fiscal planning units are appropriately segregated.
- Assess the skill sets, education, training, and experience of departmental personnel against both its organization structure and its mission and objectives and ensure that the combination of these attributes possessed by key personnel is appropriate.
- Evaluate whether the department has adequate human and financial resources to ensure the effective and efficient attainment of its mission and objectives.
- Develop an action plan to appropriately address any deficiencies noted.
During the review, the following was noted:

- **Lack of adequate resources** - With significant resource constraints at campus-level, the Chancellor’s Office is called upon to provide assistance in problem-solving and in performing accounting and reporting functions for the campuses. This redirects thin resources to activities that are not related to the OUS core mission (e.g., Banner functional support of fixed assets, encumbrances, taxation issues, and payroll processing).
  - A charge-for-service model will be developed to recognize the resources used and the costs incurred where they originate and help ensure that the Chancellor’s Office continues to carry out its core mission.
- **Well-qualified personnel nearing retirement** create a risk of significant turnover and loss of corporate knowledge in the near future.
  - Desk manuals and cross-training plans for all positions as appropriate will be developed, with priority given to positions that are responsible for daily and monthly transaction processing and those that are of a highly technical nature.
- **The provision of technical training**, including Banner training and technical accounting and budgeting training, to campus staff.
  - An assessment of the level of need and the development of a plan to address this need will be conducted; with a controller and budget officer orientation packet developed that will assist incoming business and budget officers in understanding the related control environment.
- **A comprehensive and up-to-date policy manual** is necessary with all affected OUS employees adequately trained in order to ensure accountability.
  - A Policy Council has been established within the Chancellor’s Office to develop a plan to address this risk, including any resource requirements, to be presented to the Chancellor’s Executive Cabinet in January 2012.

Chair Schueler complimented Controller Green on the report. Discussion was held concerning the issue of tax expertise and whether or not this would be accounting or legal advice. It was observed that, although a tax attorney may be more expensive, the advice is received in a timelier manner.

The Chair urged Controller Green to explore ways to provide assistance to the campuses without the proposed charge-for-service model. Vice Chancellor Kenton acknowledged this urging but stressed that the Chancellor’s Office does not have tuition revenue to support its operations and that, to continue to be sustainable, it must identify ways to secure the necessary resources.

It was confirmed that Board members have the fiduciary responsibility to identify and follow-up on all the areas in which material and personnel resources are deficient at all System levels. In future meetings, the campuses will report on their self-assessments. Mr. Green offered to consult with Moss Adams as to the format and content of the report and if it meets with their audit concerns.
4. ADJOURNMENT

In closing, Vice Chancellor Kenton advised that the Governor and legislative leaders met recently and decided to institute a state hiring freeze and recommended a “period of austerity.” It was questioned whether OUS would, with the implementation of Senate Bill 242 in January, be subject to these administrative restrictions. When consulted, the Governor expressed his desire that the System comply with the restrictions. However, the Chancellor and presidents recommended the creation of a position review process, and positions relating to teaching faculty and student services will be exempt from the freeze.

With no further business proposed, Chair Schueler adjourned the meeting at 2:58 p.m.