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Finance & Administration Committee
January 20, 2012

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 Michael Green, Ryan Hagemann, Di Saunders, Patricia Snopkowski, Marcia Stuart, and Charles Triplett.

Others present included: President Mark Weiss; Vice Presidents Jamie Moffitt (UO), Monica Rimai (PSU), Lon Whitaker (EOU), and Mary Ann Zemke (OIT). Others in attendance included: George Marlton (OIT), Bob Nettles (OSU), Darin Silbernagel (WOU), Dee Wendler (PSU), and Eric Yanke (WOU). Guests included: Michael Kaddatz (Bickmore Risk Services) and Scott Simpson and Amanda Bridges (Moss Adams).

1. CALL TO ORDER/ROLL CALL/WELCOME

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

2. ACTION ITEMS

a. OUS, Risk Management Program Analysis

Vice Chancellor Jay Kenton introduced Mr. Michael Kaddatz from Bickmore Risk Services who then walked the Committee through the program analysis (for more information, see http://ous.edu/sites/default/files/state_board/meeting/dockets/ddoc120120-FA.pdf). It was advised that the new risk finance programs and the recommended risk management organization can be implemented at a total 2012-13 expected cost of $10.8 million, or about $670,000 less than the 2012-13 Oregon Department of Administrative Services’ budget allocation for risk. With the hiring of a risk management director scheduled for February 2012, the following timeline is expected: the selection of an insurance broker and assumption of responsibility for all expiring DAS-placed insurance, March 2012; selection of property and liability contract claims administrator(s), May 2012; completion of 2012-13 renewal negotiations with SAIF, June 2012; effective date for new program, July 2012; conclusion of analysis of trust and other group structure, October 2012; and the conduct of risk management information system needs analysis and system selection, July 2014. Vice Chancellor Kenton
thanked Bickmore Risk Services for their analysis and recommended that the Committee approve the recommendation.

**ACTION:** Following the discussion, the chair called for a motion to accept this report and authorize the Vice Chancellor for Finance and Administration to proceed in implementing the recommendations contained within the report. Directors Allyn Ford and Farbodd Ganjifard made and seconded the motion, respectively. Motion passed.


Controller Mike Green was called upon to provide background on the annual financial report and introduce Mr. Scott Simpson and Ms. Amanda Bridges from Moss Adams, LLP. Mr. Simpson advised that the System had a ‘clean’ audit, meaning none of the observations made by Moss Adams represented a significant deficiency or a material weakness in the design or operation of internal control for 2011. It was mentioned that the Secretary of State has authority to contract with auditing firms and under Senate Bill 242 this process will not currently change. They are currently undergoing an RFP to select a new auditing firm and Moss Adams’ is submitting a bid.

**ACTION:** Following the presentation and discussion, Directors Allyn Ford and Lynda Ciuffetti made and seconded the motion, respectively, to accept the 2011 Annual Financial Report as presented by Moss Adams. Motion passed.

Chair Schueler congratulated Controller Green on the successful annual financial audit; Mr. Green acknowledged and thanked his staff for their dedicated and accurate work: Diana Barkelew, Renee Hanna, and Mary Gaffney.

c. OUS, Contracting and Purchasing with Historically Underrepresented Businesses

Ms. Hillary Bounds, Director of OUS Purchasing & Contracting Services, was called upon to present the report. This was the first report subsequent to the adoption of the Equity Purchasing Policy & Procedures, adopted by the Board at the November 2011 meeting. With the short time frame between the adoption of the policy and the first annual report, a comprehensive report will not be available until 2013, with the conclusion of a full year of data collection. However, although there was brevity in data, Ms. Bounds assured the Committee that staff have continued to increase outreach activities to the small business communities, with an emphasis on increasing awareness of business opportunities for historically underrepresented firms. The changes that have occurred within the System in the past years have been positively received by the business community. Campuses meet quarterly to discuss the successes and impediments in their outreach strategies.

**ACTION:** Following discussion, Directors Lynda Ciuffetti and Farbodd Ganjifard made and seconded the motion, respectively, to accept the first annual
Contracting and Purchasing with Historically Underrepresented Businesses reports.

3. DISCUSSION ITEMS

a. Internal Control Environment Self-Assessment (PSU/WOU)
   i. Portland State University
   ii. Western Oregon University

Vice President Monica Rimai (PSU) and President Mark Weiss (WOU) were called upon to report pertaining to the self-assessments conducted on their campuses. Included in Moss-Adams’ “best practices” letter from the 2009-10 financial statement audit was a recommendation that the Board “obtain a self-assessment of each institution’s finance and accounting departments that focuses on staffing levels, skill sets, education, and experience of its personnel.” This was in reference to the auditors concerns regarding the System’s control environment.

Ms. Rimai shared that several risk mitigation strategies have been implemented on the PSU campus, to include monitoring, separate fiscal offices, recognized accountability, continuous training and process improvement, and continued best practices monitoring. Particular challenges to mitigating the risks include the impact of recurring budget reductions, attracting and retaining excellent employees, increases in compliance and regulatory environments, the impact of the implementation of Senate Bill 242 to the budgeting and business processes at the University, and changing student demographics.

President Weiss reported that Western has a set a goal of continuous monitoring of risks, to assess and implement risk mitigate strategies, and periodically identify, discuss, and create appropriate mitigation plans for emerging risk areas. Weiss stressed that Western does not possess sufficient resources and is adversely limits their ability to implement quality change management initiatives and strategic financial planning analysis and increases further their dependency on the System office for expertise.


Vice Chancellor Jay Kenton led the discussion on transition issues affecting OUS and its relationship with the State’s Department of Administrative Services (DAS). He advised that he has been meeting with DAS and campus personnel concerning issues impacted by SB 242. Of note, concern was expressed that the contract be renewed with the State Motor Pool; the state’s GIS dataset, the state’s continuing use of the OWEN network; a number of budget issues. Services that will be discontinued include mail/shuttle and state printing. Assessments that will continue to be paid by OUS include: Secretary of State audits, State Archives, central
government service charges, MWESB advocate, Ethics Commission, banking services, PERS pension obligation bond debt service, and employment relations board (fees and mass transit taxes).

A labor/management committee will be created and, with the assistance of a consultant, will study alternatives to current healthcare insurance plans; with a one-year notice required prior to separating from PEBB, this will not be an immediate action. As OUS constitutes approximately 25 percent of the PEBB population, this separation may incur an incremental cost to other state agencies and/or employees.

Of note, although OUS employee salaries are below market-rates, benefit rates tend to be higher. On average, national premium costs tend to be approximately $9,000 per employee whereas OUS pays approximately $15,000 per year; employees in other state systems pay a greater percentage of their premiums (30-40 percent). In some cases, benefits are more important than salary levels at the bargaining tables and the fact that, with eroding salaries and benefits, difficulty has increased in hiring and retaining faculty at the campuses.

Two additional labor/management committees will be created to review the Optional Retirement Plan and the classification and compensation structure for classified employees. It was recommended that, prior to any changes being made in these personnel matters, comments are sought from the campuses to maintain morale among the faculty and staff.

c. **Cost Drivers**

This item was postponed to the March meeting.

4. **ADJOURNMENT**

With no further business proposed, the meeting was adjourned at 4:25 p.m.