Committee members present: Kerry Barnett, Roger Bassett (arrived at 8:08 a.m.), Jim Lussier, Erin Watari (arrived at 8:15 a.m.), Phyllis Wustenberg and Leslie Lehmann.

Chancellor’s Office staff: David McDonald, Patricia Snopkowski, Yvette Webber-Davis

Others: Lesley Hallick (OHSU), Sara Hopkins-Powell (SOU), Paul Risser (OSU)

Call to Order

The meeting was called to order at 8:07 a.m. by Chair Leslie Lehmann, and roll call was conducted by Board Secretary Vines.

Approval of February 15, 2002, Meeting Minutes

Mr. Lussier moved and Ms. Wustenberg seconded the motion to approve the April 19, 2002, Committee meeting minutes as submitted. The motion unanimously passed.

Action Items

Amendments to OAR 580-021-0030 Vacations and OAR 580-021-0040 Sick Leave Plan for Academic Personnel (Permanent Rules)

Ms. Lehmann explained that under the Board’s rules, leave balances for transferred employees can be transferred between OUS institutions, however, since OHSU is no longer an OUS institution, a modification of the current Board rule was necessary to accomplish the transfer of employees from OHSU to another OUS institution. On November 16, 2001, the Executive Committee unanimously approved the temporary rule amendments, which were then ratified by the full Board at the December 21, 2001, meeting. These amendments make permanent the temporary rules previously approved.

Mr. Barnett moved and Mr. Lussier seconded the motion to approve and refer the proposed amendments to the Board for final approval. Upon a roll call vote, the motion unanimously passed.
Recommendations of the Internal Audit Quality Assurance Review

Patricia Snopkowski, OUS director of internal audits, noted that the quality assurance review was conducted by the Internal Audit Division. She explained that the first recommendation of the report was to establish a separate audit committee, primarily to enhance the amount and type of audit information the Board receives. She pointed out that the Board has been meeting its fiduciary responsibility related to audit matters, however, different issues have been discussed in the Executive, Budget and Finance, and System Strategic Planning Committees, and, in an effort to pull all matters related to audit under one committee, a separate audit committee was recommended. She noted that there are many professional organizations that advocate the use of audit committees.

The second recommendation, should an audit committee be created, relates to the independence of the Internal Audit Director who currently reports to the Vice Chancellor for Finance and Administration. She explained that, according to the generally accepted auditing Yellow Book Standards, an audit organization’s independence is enhanced when it reports regularly to an entity’s independent audit committee or appropriate governing oversight body. There are many pros to the existing structure of reporting to the Vice Chancellor for Finance and Administration, including the ability of the Internal Audit Director to keep attuned to all the critical business functions. However, the recommendation was that there be a more direct reporting system to an audit committee or to the Chancellor on a periodic basis in the event that a potential independence issue should arise.

Ms. Snopkowski explained that the report was developed to ensure internal audit is functioning in accordance with standards since their work is relied upon by external auditors as well as the accreditation boards of universities which review internal audits to assure efficiency. The overall report, she said, indicates that the System is meeting standards, but that there are areas where there could be some improvements.

Dr. Vines pointed out that the Board currently has a separate Investment Committee chaired by Ms. Wustenberg which meets separately from the regular Board meeting. She explained that the audit committee would function in a similar way because there could be members of both the System Strategic Planning and Budget and Finance Committees.

Ms. Snopkowski stated that the options are either to continue with the Budget and Finance Committee by folding the audit items into the regular committee docket or to have a separate audit committee that would meet similarly to the Investment Committee structure and conduct meetings only on audit-related matters where the external auditors, internal auditors and the Secretary of State audits division would have an opportunity to review reports.
Mr. Barnett questioned whether it was necessary to have a separate committee, suggesting it might make more sense for it to be a function of the Budget and Finance Committee or a subcommittee of Budget and Finance, which would then allow the issues to be reported up to Budget and Finance. Mr. Lussier agreed, stating that, if the proposed audit committee were created to deal with a specific and substantial task, it might be worthwhile to have a separate committee, but if it were to review work that has already been done or will take a minimal amount of time, he felt it would make better sense to incorporate the tasks into an existing committee.

Dr. Vines noted that, in the past, there have been some very in-depth issues in the internal audit committee and there have been occasions when the Board had to convene an executive session of the Executive Committee to resolve the issues. She suggested the Executive Committee as a possible alternative to creating a new committee. She noted that when there have been some disturbing internal audit matters, those meetings took about an hour to properly deal with the issues and make substantial recommendations which were then presented to the full Board. She noted, however, that those types of issues don’t come up very often.

Ms. Lehmann expressed the need for the Board to focus on issues of accountability and to make sure there was a direct staff relationship with the Board. Dr. Vines noted that the Board hadn’t received a report from the internal auditors for some time. Ms. Snopkowski confirmed that there had been a long period of transition and noted that the federal agencies, in light of the Enron issue, advocate the creation of audit committees.

Ms. Wustenberg addressed the issue of Board responsibility of internal audit if individual universities are becoming more independent and autonomous. She felt that, without such a structure in place, individual institutions could suddenly find themselves in a difficult situation. She noted that problems foreseen are easier dealt with than trying to address issues after they have taken on a life of their own.

Mr. Bassett felt that, if there is Board interest expressed in the performance of the System, which would effectually establish at the Board level a priority on performance rather than review, then it either belongs in the System Strategic Planning Committee or in the Budget and Finance Committee. He felt that, if they do create an audit committee, the message they are sending is that the Board is shifting its attention more to the review of the performance of the System, and stressed that it would be a leadership role and not just another layer of review. He felt strongly that the Board not appear to sit in judgement but, rather, to lead.

Mr. Lussier felt that audit is ultimately a function of the Board since the Board is responsible for making sure there is an internal audit function and that pertinent information gets back to the Board, especially if there are problems. He recommended that, at least on an annual basis or when there are pertinent items, audits be reported to the Board and that the internal audit becomes a standing agenda item. He suggested having the Executive Committee serve as the Audit Committee in some fashion until it
discerns how much work needs be done and how pertinent it is to the functions of the Board.

Dr. Vines pointed out that a meeting of the Executive Committee of the Board is scheduled every other month and would provide an opportunity to focus on the audit issue without scheduling a new meeting. Staff could make sure that the internal audit is on the agenda at least annually and as necessary as a separate item of the Executive Committee.

Ms. Snopkowski stated that the peer review team had expressed concern that, in the event a problem would arise, the Vice Chancellor for Finance and Administration would have ultimate authority over hiring and firing as well as budget decisions. It was felt that there needed to be a separation of duties, which resulted in the recommendation that the Internal Audit Director report either to an independent audit committee or appropriate governing oversight body.

Mr. Bassett asked whether the Budget and Finance Committee has had any input and why this matter is, instead, before the System Strategic Planning Committee. The reason, Dr. Vines said, is because the System Strategic Planning Committee deals with committees of the Board. Ms. Snopkowski stated that, in the past, the Budget and Finance Committee has requested more information and that Internal Audit came back on a routine basis to provide that information. Internal Audit provides the Board with a summary of the report including the action plans for the year and what is happening with external auditors.

Dr. Vines noted that the Budget and Finance Committee is aware of this request. She explained that, in the past when there have been issues with the Internal Audit, the issues have been dealt with in the Executive Committee in executive session or in the full Board in executive session. She said that the Budget and Finance Committee doesn’t necessarily see it as their function since it has historically been shared with Executive Committee.

Mr. Lussier moved and Mr. Bassett seconded the motion that the audit committee function be assigned to the Executive Committee on an interim basis until they can determine the level of work that it might entail and whether it needs to become a subcommittee of the Executive Committee, that the Executive Committee would make that decision, and that audit issues be placed at least annually on the agenda. The motion unanimously passed.

Ms. Lehmann asked for a motion on the recommendation that the Internal Audit Director report directly to the Chancellor. Ms. Snopkowski stated that Staff recommends the Committee defer that decision to the audit committee, if established.

Ms. Lussier expressed concern in having any staff member below the Chancellor reporting to the Board, even in an audit function. He noted that many organizations have
compliance officers that are required by policy to have access to the Board of Directors to circumvent anything that a CEO might decide to do, but that doesn’t necessarily mean on a daily functioning basis and they don’t report to administrative people. He suggested that clarifying the policies with regard to this would solve the problem.

Ms. Snopkowski agreed, noting that was one of the reasons for the deferral and that, if the committee is ultimately approving the budget plan and staffing levels on an annual basis, some of the issue of independence will also be resolved.

Dr. Vines noted that she had written in the docket that the SSP Committee rather than the audit committee would decide on the reporting so the Executive Committee could make that decision. Ms. Lehmann felt that could be part of the study conducted by the Executive Committee. Mr. Lussier amended his motion to include that the Executive Committee would make the decision regarding reporting. The amended motion was seconded by Mr. Bassett and passed unanimously.

Next Steps in the Strategic Planning Process

Ms. Lehmann noted that this is listed as an action item but that it is really a report item. She described the discussion at the work session which reviewed funding, goals, and steps that can be made to improve sustainability. She requested specific feedback from Board members and presidents in terms of priorities and decisions that could be made or things that could be changed both at the campus level and at the Board level to improve the situation. She said that staff, with the help of the facilitator and System Strategic Planning Committee, are going to assemble a template of questions that address some of these issues. She stated that there were some interesting ideas put on the table regarding access, methods of differentiation among the institutions in regard to access, tuition structures, and program quality. The goal, she felt, is to determine how to maximize effectiveness by clarifying which decisions the Board will make directly and which decisions belong more appropriately at the campus level.

Mr. Lussier expressed frustration that they appear to be attacking the middle of the problems rather than starting at the top. He felt the Board didn’t have a clear definition of the issues, such as what is the purpose of a higher education system. He expressed the need to clearly define the purpose and goals of the System so that they don’t get sidetracked into those types of discussions every time a new constituent enters the room.

Ms. Lehmann referred to proposals made regarding access, which she felt would go a long way toward defining what that relationship could be and how to provide broader access and simultaneously enhance quality. Ms. Wustenberg asked whether it was correct to ascertain from the discussion that individual universities may eventually set their own tuition per course assuming that they would have enough autonomy to do so. Ms. Lehmann confirmed that to be one of the issues on the table.
Mr. Lussier felt that tuition is a means policy which doesn’t really address systems design, thereby leaving out questions that he believes the Board should address such as what they want the system to look like and how they want it to respond. He explained that, once those issues have been defined, they could then design a tuition policy that carries out those goals. To proceed in a vacuum leaves too many questions unanswered and leaves room for potentially devastating misunderstandings which could undermine the entire System. He felt the Board needs to be as clear as possible with reference to Board policy and definitions addressing each of those issues simultaneously.

Ms. Wustenberg agreed that the Board needs to make a definite statement. Mr. Lussier ascertained that there is lack of clarity even among Board members as to how they expect the System to interrelate, arguing that the question of how the System is supposed to operate is a Board responsibility. He noted that the process started with the new budget model, but questions continue to arise and the Board hasn’t effectively responded. He suggested the Board clearly identify those questions and clarify them as it goes through this process.

Ms. Lehmann agreed that lack of clarity and sustainability are among the Board’s biggest challenges. She expressed the need to be clear about access goals and whether access means that every student has the right to go to any of the seven institutions in Oregon. Mr. Lussier said the Board owes the presidents some clarification and understanding of the kind of System we’re aspiring to become. Ms. Lehmann said what they are going to do with this feedback exercise is list the kinds of decisions that need to be made and start exploring ideas about where decisions are best made given the particular situation.

Mr. Bassett was encouraged by the idea that institutional priorities and desires as they now exist could be integrated with the Board’s priorities and desires. He noted that most of the campuses already have a strategic direction in mind and the challenge is greater for the Board to clarify its strategic direction. The key, he said, is whether the Board designs the System and then monitors and observes or whether the Board sets the conditions in which the System evolves. He felt that autonomy of the institutions would dictate that evolution occurs at each institution within the conditions that the Board sets out by taking policy action. He stressed the need to maintain the momentum, lest all be forgotten. He felt that the role of the Board should be a policy and enabling role, as opposed to a prescriptive or reactive role. He suggested the Board track the current service level trends over time and juxtapose those levels with actual state revenues received and then project both into the future so that there is a collective understanding of what the current service level entails. He felt it was the Board’s responsibility to leverage public support and any presentation made by the Board must be attractive to the general public as taxpayers.

Ms. Watari cautioned that the discussion held yesterday doesn’t necessarily reflect the opinion of the Board, as it was an exercise in expressing ideas and concerns. Dr. Vines confirmed that no conclusions were reached during the meeting.
Consent Items

EOU, B.A./B.S., Biochemistry

Staff recommended that the Board authorize Eastern Oregon University to establish a program leading to the B.A./B.S. in Biochemistry. The program would be effective fall term 2002, and the OUS Office of Academic Affairs would conduct a follow-up review in the 2007-08 academic year.

PSU, Graduate Certificate, Addictions Counseling

Staff recommended that the Board authorize Portland State University to establish a program leading to the graduate certificate in Addictions Counseling, effective spring term 2002. The OUS Office of Academic Affairs would conduct a follow-up review in the 2007-08 academic year.

PSU, Graduate Certificate, Marriage & Family Counseling

Staff recommended that the Board authorize Portland State University to establish a program leading to the graduate certificate in Marriage and Family Counseling, effective spring term 2002. The OUS Office of Academic Affairs would conduct a follow-up review in the 2007-08 academic year.

PSU, Graduate Certificate, Real Estate Development

Staff recommended that the Board authorize Portland State University to establish a program leading to the graduate certificate in Real Estate Development, effective spring term 2002. The OUS Office of Academic Affairs would conduct a follow-up review in the 2007-08 academic year.

Nomination of Russ McKinley to the Forest Research Laboratory Advisory Committee, OSU

Staff recommended that the Board nominate Russ McKinley to the Forest Research Laboratory Advisory Committee at OSU.

Clarification that the PSU Undergraduate Admission Policy for the 2003-04 Academic Year would remain at 2.5 GPA.

Staff recommended that for the 2003-04 academic year GPA requirement of 2.50 for Portland State University remain at 2.50.

Mr. Barnett asked whether the Board ever discontinues a degree program. Dr. Shirley Clark stated that there were over 100 programs discontinued in the early 1990's as a result of Measure 5 budget reductions. They have discontinued fewer programs since...
that time because the campuses felt their degree inventories were relatively depleted, therefore, many new programs have been started and frequently are the repackaging of existing programs to be brought up to date and to be market responsive. She noted that, in response to market demands, the institutions have been encouraged to experiment with certificates, which are short-term programs focusing on course work already available at the campuses.

Mr. Lussier moved and Mr. Bassett seconded the motion to approve the consent items en bloc as submitted and refer the items to the full Board for final approval. The motion passed unanimously.

**Report Item**

**OUS Diversity Report 2002: An Assessment of Progress toward Enhanced Representation of Students, Faculty, and Staff of Color**

Dr. Clark noted that the Board has a long history of policy and program initiatives in the area of diversity. She pointed out that, when the Board conducts presidential evaluations, it looks at the institutional progress that presidents have made relative to affirmative action and diversity representation. In recent years, she said there has been a transformation of the minority student enrollment initiative as much as legally approved by the US Office for Civil Rights, and the System has successfully navigated the continuation of diversity scholarship programs. She noted there is also a faculty diversity program that is somewhat imperiled at this point by the current level of the proposed budget reductions.

Dr. Yvette Webber-Davis, OUS director of diversity plans and projects, announced that the institutions have made great progress. OUS campuses have increased enrollment of students of color from 7,700 to 9,400 during the current academic year. UO, OSU, OIT, WOU and OHSU each have received national recognition as being among the top degree producers of selected groups of students of color, particularly for American Indian and Asian American students. She referred to various high profile court cases around the country that have had a negative effect on student enrollment in higher education and, although OUS campuses have not been directly affected by those cases, they remain issues confronting the institutions. She continued that the outreach provided to students of color and the welcome they are afforded once they arrive on campus are very important.

Dr. Webber-Davis addressed the issue of growing diversity and briefly described the changes which have taken place in this country, from the original census in 1790 with only three categories to the 2000, expanded census with 63 possible combinations of race and, when adding the ethnicity of Hispanic, a total of 125 possible combinations. What that means in higher education, she explained, is that there has been a growing diversity of multi-racial people. She stated that it is important for people to be able to identify all of their backgrounds and not be tied to just one. However, she explained that
the bureaucracy of higher education has not quite caught up to that concept in the existing reporting mechanism, but rather, higher education reporting is designed to be in sync with federal standards for reporting. She said transition is under way to employ a system for tracking that meets the 2000 census and that it should be in place by 2004 for students and 2005 for employees.

Ms. Lehmann asked for a brief progress report on faculty diversity. Dr. Webber-Davis provided the statistics of progress made since 1996-97 regarding faculty of color in the System. She noted that there has been considerable growth at the assistant professor level, explaining that the main reason for the increase is that faculty of color tend to be younger than their counterparts.

Ms. Watari asked whether there was additional information regarding the drop-out rate or completion levels for students of color as well as statistics on access to financial aid, such as loans, grants, and scholarships. Dr. Webber-Davis stated that there is considerable information available which she could provide, but this particular report was focused on what is the representation. In terms of drop-out rates and retention issues, she expressed caution in judging those statistics, noting that there are a lot of people throughout the country who move into and out of higher education for a number of reasons and there are people who are enrolled in multiple institutions or they begin in one place and finish in another. Currently the System is unable to track that kind of progress outside of OUS so if a student goes to community colleges, private schools or out of state, the reports would only show that they left the System without graduating. She said that if OUS is providing opportunities to these students, at least at one point during their education, then she considered that a success. Dr. Vines noted that WICHE has accumulated considerable information for the western states and OUS is included in that information. She said she would provide Erin with some of the WICHE information so she can see how OUS compared to other western states. Ms. Watari asked how students of color compare to white students. Dr. Webber-Davis stated that the trends are very similar across the racial lines.

Mr. Lussier asked if there was any reason to assume that the System will not continue to make the kind of progress that it has made recently. Dr. Webber-Davis stated that the projections are that, within the next several years, of all the students entering higher education, 80 percent will be students of color throughout the country. She noted that borders of states are becoming less important and institutions are reaching out to students from other places. Mr. Barnett asked for clarification that she said 80 percent. She confirmed that to be correct according to an ETS report recently received. Mr. Bassett requested Dr. Webber-Davis return at a future meeting, stating he is particularly interested in determining whether Board policy on the subject is adequate. He commended the individuals involved in developing this report. Ms. Lehmann suggested the issue be put on a future agenda for the full Board.

UO President Dave Frohnmayer expressed concern with following federal statistical information-gathering techniques, arguing that the report has the effect of
underestimating significantly the faculty of color at the institutions by consigning people to a category of unknown which he felt was not only demeaning but unfair. He said the report gives a misleading impression on the true progress that has been made in hiring faculty of color. He referred to the statistics for OSU and UO which show a significant percentage of faculty of color but that an equally significant number of faculty had not designated themselves as Caucasian by checking the unknown category. Consequently, there is a significant percentage of those who identify as faculty of color but who are listed as unknown simply because no other category accurately reflects who they are or how they identify themselves. Responding to a question by Ms. Watari, President Frohnmayer confirmed that the issue goes back to the multiracial category, noting that to be the fastest growing category locally and one in which students and faculty have expressed the most concern.

Dr. Webber-Davis agreed that what President Frohnmayer identified is a very serious issue. She cautioned, however, that care be taken if changes are to be made. She pointed out that OUS must provide data that are comparable with other data produced, explaining that this report is what the System provides to the federal government and what is identified in the fact book. She expressed the need to consider the future ability to do historical comparisons, pointing out that they would be starting from a new point in time when these new data are able to be categorized. She also noted that, in terms of higher education, both for students and for faculty, a final decision has not yet been made to determine the standard that would be used, hence the delay in making those changes to the report. She urged caution that whatever they come up with to address this issue, the System must still be able to gauge its progress against the progress of its peers. She noted that every state is being faced with these issues. Dr. Vines asked Dr. Webber-Davis to work with the campuses before the June meeting and see if they can address the issue and make a recommendation to the Board.

Mr. Bassett suggested the Board explore what it would take to maintain and enhance the overall environment of diversity, acknowledging that it is important to have the numbers right and that institutions be given credit for what they have accomplished. President Frohnmayer expressed the importance of the social and political climate on the campuses as well as the health or lack of health in the campus culture based upon perceptions. To have a specific reporting category that forces one to say something that is untrue with respect to those impressions is an invitation for dissension, he stated.

Dr. Sarah Hopkins-Powell, SOU provost, pointed out that, because of budget cuts, the amount of money they receive for faculty diversity may be cut by half. She stressed that the money SOU has received for faculty diversity has been key to making the progress they have made. She urged the Board to think through the impact of cutting faculty diversity money because, while it may not be a lot of money, it ensures that campuses will continue to make progress.

Adjournment

The meeting adjourned at 9:24 a.m.