

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
March 6, 2015**

Present: Chair Ronald E. Robinson; Trustee Mark E. Schlussel

Absent: Trustee Richard L. DeVore

Also Present: Trustees Melissa Stolicker and W. David Tull; President George W. Hynd; Senior Vice President for Academic Affairs and Provost James P. Lentini; Vice President for Finance and Administration and Treasurer to the Board of Trustees, John W. Beaghan; Interim Vice President for Student Affairs, Glenn McIntosh; Vice President for Legal Affairs, General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaison Walter B. Lashar

Also Present: Director of Internal Audit, David Vartanian

A. Call to Order

Chair Ronald E. Robinson called the meeting to order at 12:34 p.m. in the Auditorium of Elliott Hall of Business and Information Technology.

B. New Items for Consideration

1. Reappointment of an Independent Public Accounting Firm

Mr. Beaghan introduced Randy Morse and Roger Hitchcock, both representing Andrews Hooper & Pavlik (AHP).

Mr. Morse addressed the Audit Committee referencing AHP's packet of materials and Engagement Letter that presents the scope of audit for the current year. Mr. Morse confirmed that AHP reports to the Audit Committee and the Board. He stated that AHP has a good working relationship with the University's management, but if disagreements ever arose, AHP would bring those disagreements directly to the Committee; there have never been any such disagreements.

Mr. Morse continued, explaining that AHP utilizes a risk-based approach relating to where the University gets funds and how funds are spent. Because the University receives so much federal support, that system is significant for the audit and an appropriate amount of time is spent thereon. The audit includes

required auditing standards but also includes testing University internal controls to determine if the controls are designed appropriately and functioning effectively. AHP does consider and use the work product performed by the University's internal auditor.

Mr. Morse noted that there was no unusual activity in the University's financial statements and internal University controls are designed appropriately and functioning effectively; with no significant deficiencies or material weaknesses. He did highlight for the Committee that the federal government is consolidating all of its cost principles together, so AHP's testing and reporting has not changed presently, but will for any grant or federal award after December 26, which will be subject to new auditing requirements of which the University is well versed. AHP performs the external audit for the University, and while it performs a single audit, AHP also does the "state crosswalk" whereby the University's statements are converted to the State of Michigan format. AHP always maintains a "professional skepticism", asking a lot of detailed questions; often of different individuals, and is very comfortable with such as audit approach.

Mr. Morse then noted that there are no major new developments relating to auditing accounting processes; such as the exposure draft on postemployment benefits addressing recognition of unfunded liabilities that AHP has discussed with the Committee on several previous occasions.

In response to a question from Trustee Tull, Mr. Morse stated that AHP reviews the timing cycles of the internal audit, but more importantly consider the appropriateness of the risk assessment process so that high risk areas are considered more frequently than low risk areas.

In response to a question from Trustee Stolicker, Mr. Morse explained that AHP considers its peer review reports every three years and will next do so at the end of the 2015 fiscal year.

In response to a question from Trustee Robinson, Mr. Beaghan stated that AHP's engagement will end at the end of the 2016 fiscal year.

After discussion, the Committee agreed to recommend the reappointment of AHP as the University's public accounting firm to the full Board.

2. Conflict of Interest Review Committee Update

Mr. Vartanian, addressed the Committee to report on the status of the Conflict of Interest Review Committee's activity of the implementation of the new Board Conflict of Interest Policy (Policy). Mr. Vartanian first summarized the Policy and history of its implementation, and introduced the other members of the Conflict of Interest Review Committee, Ronald Watson, Assistant Vice President for University Human Resources; and Maria Ebner-Smith, Purchasing Manager.

Mr. Vartanian reported that the University community has really come about with the new Policy, and University Human Resources has joined with the Conflict of Interest Review Committee to develop a proactive educational training program about the Policy, with examples of both financial and nepotism situations that will be implemented in the near future. Training will be provided in a classroom setting and also online. Another goal is to provide annual disclosure forms for use by the University community.

Mr. Vartanian noted that from an activity standpoint, the Conflict of Interest Review Committee has been functioning since July 2014 and reviewed 26 situations that raised potential conflicts of interest, mostly regarding nepotism; 13 of which were deemed not to be a conflict of interest at all and all others could be appropriately managed; 16 were self-reported, six were Accounts Payable notifications, three came from whistleblower complaints which were anonymous and one from an employee exit interview.

In response to separate requests from Trustee Robinson and Trustee Stolicker, Mr. Vartanian clarified that the former Board policy did not contain a formal notification process, there was no self-disclosure requirement and that the Conflict of Interest Review Committee manages all conflict-of-interest disclosures so there is consistent messaging back to the University community.

In response to questions from Trustee Stolicker and Trustee Robinson, Mr. Vartanian explained that the Policy requires written annual disclosures only from the Board, executives, deans and directors, not every employee of the University.

Mr. Vartanian also noted that the Conflict of Interest Review Committee is resolving Policy administration issues as they arise.

Trustee Tull then asked whether the Trustees should be disclosing all of their business interests and Trustee Robinson responded that the Board is not asking for a list of the relationships, but rather, whether the Trustee has read through the Policy and whether they have anything to disclose as a result. Mr. Vartanian clarified further that the Conflict of Interest Review Committee handles employee conflicts of interest and Trustee Robinson confirmed that the Board itself manages Trustee conflicts of interest.

C. Adjournment

The meeting adjourned into closed session at 12:59 p.m.

Respectfully submitted,

Approved,



Victor A. Zambardi
Vice President for Legal Affairs,
General Counsel and
Secretary to the Board of Trustees

Ronald E. Robinson
Chair
Audit Committee of the
Board of Trustees