**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
August 26, 2015**

Present:	Chair Ronald E. Robinson; Trustees Mark E. Schlussel and Melissa Stolicker
Also Present:	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; Vice President for Student Affairs, Glenn McIntosh; Interim Vice President for Development, Alumni and Community Engagement Geoffrey C. Upward; Vice President for Communications and Marketing John O. Young; Vice President for Legal Affairs, General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaisons Elizabeth J. Iwanski and Annie M. Meinberg
Also Present:	External Auditor Randy Morse, Andrews Hooper and Pavlik, and Director of Internal Audit, David Vartanian

A. Call to Order

Chair Ronald E. Robinson called the meeting to order at 2:33 p.m. in the Auditorium of Elliott Hall of Business and Information Technology.

B. New Items for Consideration

1. Approval of Minutes of the Audit Committee Meeting of March 6, 2015

Trustee Stolicker, seconded by Trustee Schlussel moved approval of the Minutes of the Audit Committee Meeting of March 6, 2015 and the motion was unanimously approved by those present.

2. Update on Conflict of Interest Policy

Trustee Robinson began by requesting the status of the implementation of the Conflict of Interest Policy (COI Policy) the Board of Trustees (Board) approved in May, 2014.

Mr. Beaghan indicated that while the COI Policy is a Board policy, there is also a component addressing the University's administration. In that regard, in December 2014 there was a campus wide email that explained the COI Policy and its situs on the website. The COI Policy has also been noted in the University Human Resources (UHR) newsletter. An online training video was developed and is on the UHR website. A disclosure form has been developed that goes directly to the Conflict of Interest Committee (Committee) which consists of the Director of Internal Audit, Assistant Vice President for University Human Resources and the Purchasing Manager, who then review all of the disclosures and come to a decision about whether there is a conflict of interest, and if so, how the conflict of interest should be managed. There is also a special email set up for the Committee so if an individual doesn't want to use the form, they can email the Committee directly. The Committee has met numerous times and evaluated more than 50 different disclosures.

Mr. Beaghan added that the COI Policy also requires an annual disclosure which has been sent out to about 150 Oakland University (University) executives, deans, directors and director-like employees, are responses are due September 9, 2015. The new employee orientation process includes a discussion of conflicts of interest and there will be training sessions in September and October 2015 for a number of councils and committees including the Academic Council, Deans Council, Administrative Council and University Senate. Language has been added to requests for proposals so that vendors are also reporting potential conflicts that they might have before they bid on University projects.

In response to a question from Trustee Robinson, Mr. Vartanian indicated that a report could be produced with the Committee's findings. He indicated that since July 2014, the committee has reviewed 61 disclosures of which 51 were self-disclosed. Of those, 26 were deemed not conflicts of interest and all other conflicts of interest were appropriately managed. Three were whistleblower complaints that came to the Internal Audit office, and Accounts Payable found some questionable items to be reviewed in six cases.

Trustee Schlussel noted that the fact that 51 people self-disclosed is an indication that the University operates in an environment of integrity.

Mr. McIntosh indicated that during orientation students are told there are three mechanisms to report inappropriate behavior or a student academic grievance, and those are the Provost office, the Dean of Students office and the online reporting support system.

Trustee Schlussel stated that he had reviewed the Conflict of Interest Disclosure form, and in regard to the third question he believed the disclosure should only require a personal disclosure and not a vehicle to report other person's conflicts of interest. He suggested that the disclosure form be changed and that there be a separate disclosure form used to report another person's conflict of interest.

Trustee Robinson stated that there has to be a vehicle for persons to disclose conflicts of interest that they are aware of, not only their own, because they have a responsibility as an employee, or as Trustees to the University, to report when they are aware of a conflict of interest. He also requested that the link to the UHR Conflict of Interest PowerPoint tutorial be provided to the whole Board before the next Board meeting in October.

After a lengthy discussion, the Audit Committee agreed that issues relating to the disclosure form should be discussed and resolved by the Board as a whole.

3. Accounting for Public-Private Partnerships

Trustee Robinson stated that one of the responsibilities of the Audit Committee is making certain that the University is following accounting standards for financial reporting. Related to that, the Board and the administration have been considering adding additional student housing in addition to a potential new student center, and there has been discussion of bringing these projects to fruition through public-private partnerships (P3s). Trustee Robinson thought it important that the Board and the administration get some authoritative information as to what would be the impact to the University's financial statements if a P3 was utilized. Therefore, he asked the University's external auditors to give a brief summary of the accounting standards related to P3s.

Mr. Morse stated that public-private partnerships have been utilized by public entities for quite some time. Some are simple university contractor relationships but others can be complicated long-term land leases. The Government Accounting Standards Board (GASB) who handles governmental entity account standards has now addressed the accounting standards for P3s with GASB 60. Generally, the underlying property in the P3 is owned by the university, the project will be on the university's books in the form of some type of asset and some type of debt. There is a need to determine the general purpose of P3 and how it affects the balance sheet and the income statement. A rating agency is going to look at whether it is on the balance sheet or off the balance sheet and will make the decision whether there is an impact on the university's credit rating.

Trustee Robinson stated that if the University wants to consider a P3 project, the University should first obtain independent accounting and financial advice to learn the implication of certain contractual provisions on the University's balance sheet. Mr. Morse agreed that the University should know the impact on its balance sheet before entering into any type of P3 arrangement.

Mr. Morse stated that, to date, the University has accounted correctly for the P3 projects it has entered into. He added that, generally, an asset that is expected to eventually return to the University, such as in a long-term P3 ground lease arrangement, is going to be on the University's books as an asset and a liability.

Trustee Schlussel observed that until the University has an actual project to consider, it will be difficult to determine any impact on the University's financial statements or credit rating. Trustee Robinson added that the University needs to structure requests for proposals to take into account alternatives dependent upon possible impacts to the University's financial statements or credit rating. Trustee Robinson stated that the Audit Committee should recommend, prior to submitting any request for proposals for a new student housing and/or new student center involving a P3, that the University first engage the services of an advisory firm to evaluate, compare and report the cost of the project using both a P3 model verses a traditional University funded and University owned and managed project.

Mr. Beaghan agreed that an advisory firm would be helpful in evaluating different kinds of projects even though they would not be able to tell the effect on the University's credit rating. Trustee Stolicker also agreed that getting upfront advice while preparing a request for proposal made sense. Mr. Morse suggested that something might also be added to the Board's capital acquisition policy to require advisory review for P3 projects.

Trustee Schlussel suggested that the University determine on a project-by-project basis whether it has in-house expertise to make such determinations or not, noting that businesses make decisions virtually every day by either bringing in expertise or by doing the analyses themselves.

After discussing possible monetary thresholds for projects that would require such an external analysis, Trustee Schlussel suggested that the item be tabled and be brought up at a Formal Session of the Board meeting for open discussion.

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Trustee Robinson then modified his suggestion so that the recommendation from the Audit Committee to the Board would be that "for any new student housing and/or new student center project involving a P3, that the University consider engaging the services of an advisory firm to evaluate, compare and report the cost of each project using either a P3 model versus a traditional University-funded and University-owned and managed model." The recommendation was passed with Trustees Robinson and Stolicker voting for the recommendation and Trustee Schlussel voting against.

C. Adjournment

The meeting adjourned into closed session at 3:36 p.m.

Respectfully submitted,   Approved,

Victor A. Zambardi   Ronald E. Robinson
Vice President for Legal Affairs,   Chair
General Counsel and   Audit Committee of the
Secretary to the Board of Trustees   Board of Trustees