

C. Compliance and Audit

General Moore, chair, will report on the committee meeting of September 16, 2016.

**Compliance and Audit Committee
Meeting of September 16, 2016**

Minutes

Present: M. Bridges, D. Fecher, S. Fitzpatrick, A. Goyal, J. Large, W. Montgomery, C.D. Moore, R. Pignatiello, G. Ramos,

Guests: L. Chan, P. Cheng, T. Doom, M. Grushon, R. Fyffe, T. Heigel, D. Hopkins, C. Loranger, D. Kimpton, S. Sherbet, T. Sudkamp, R. Sweeney, C. This, J. Ulliman

General Moore called the meeting to order at 10:27 a.m. and read the following conflict of interest statement.

It is of utmost importance to ensure that all university decisions are free from any real or perceived conflicts of interest.

Therefore, please be mindful of all obligations with which you have been charged as a Trustee of Wright State University, and take the steps you deem appropriate to perform your duties fairly and impartially.

Comments from the Chair

General Moore, chair of the Compliance and Audit Committee, offered the following remarks.

The primary objective of the Compliance and Audit Committee is to ensure that the University has 1) established clear, effective and up-to-date policies and operating procedures for governing the non-academic administrative processes of the University, and 2) to ensure compliance with those governing documents. The Compliance and Audit Committee also has the responsibility to periodically review the Universities established policies and operating procedures to determine if changes and/or updates are required.

The focus of the Committee meeting was to review the University's Policy on Affiliated Entities. Several months ago the Board, working with the University President, determined that the Affiliated Entities policy was in need of an update. A number of substantive changes had been made to the policy in order to 1) provide a clear framework for establishing Affiliated Entities at the University 2) provide procedures and means for monitoring Affiliated Entities activities and as a result, 3) mitigate financial, legal and other risks to the University created by the Affiliated Entity.

The Committee reviewed the major changes incorporated into the Affiliated Entities policy, highlight the University's Affiliated Entities affected by this policy,

and discussed the way ahead for implementing after the policy has been submitted and approved by the full board.

General Moore thanked Mr. Chan for his help in documenting the appropriate policy for the university and offered three foundational points governing the policy. They are

1. An affiliated entity must use sound fiscal and accounting procedures.
2. Directors, officers and employees must adhere to the highest standard of ethics.
3. Affiliated entities must adopt and enforce an appropriate conflict of interest policy.

1. Adoption of the Affiliated Entity Policy

Mr. Larry Chan, vice president for legal affairs and general counsel, highlighted key components of the Affiliated Entity Policy.

Definition of an Affiliated Entity:

An Affiliated Entity has a bona fide business purpose and is formed or operated to support a public purpose that is consistent with the mission of the University.

- The Board of Trustees approves the creation of an Affiliated Entity upon written recommendation from the University President (applies to already existing entities as well).
- The details of the University's relationship with each Affiliated Entity shall be memorialized in a memorandum of agreement that must be approved by the President.
- The Affiliated Entities should have a business strategy for achieving self-sufficiency within a reasonable period of time.
- Affiliated Entities that use the University name and/or logo must enter into a separate license agreement with the University.
- The University must exercise an appropriate level of oversight over the Affiliated Entities activities; at least two members of the Affiliated Entity's board of directors must be comprised of individuals nominated by the President of the University ("University Directors"). One or more of these University Directors must be involved in "certain material transactions" such as approving budgets, incurring significant legal or financial obligations, or incurring any liability for which the University could be directly responsible.

- The memorandum of agreement for each Affiliated Entity must require the submittal of an annual report to the University and the Board of Trustees by the Affiliated Entity which will include financial statements, annual budget reports and disclosure of material contingent liabilities and litigation.
- At least every five years the University will assess whether each existing Affiliated Entity shall continue its relationship with the University.

The trustees discussed the value of affiliated entities for the university; namely, separation and limitation of liability and the ability to conduct certain types of business more efficiently and with less expense. Affiliated entity relationships are not to be used to avoid business scrutiny or to circumvent public scrutiny.

For complex affiliated entities, the memorandum of understanding (MOU) can specify more frequent reporting or limitations of the entities' scope and powers.

The following resolution is presented to the Board for their consideration.

RESOLUTION 17-

WHEREAS, Wright State University (the "University") has determined that it is necessary and desirable to create affiliated non-profit entities ("Affiliated Entities") to pursue business-related activities to support its university mission;

WHEREAS, other public universities in Ohio have also participated in the creation of affiliated non-profit entities to pursue business-related activities in support of their university missions;

WHEREAS, the University desires to establish a framework within which such Affiliated Entities, present and future, shall operate to support the University's mission; and

WHEREAS, Affiliated Entities may create financial, legal or other risks to the University, and the University desires to mitigate such risks through a policy on affiliated entities;

THEREFORE, the University is establishing this policy to (a) provide a framework for establishing Affiliated Entities at the University, (b) provide a procedure for the ongoing monitoring of their activities and the University's relationships with them by the Board of Trustees, and (c) mitigate financial, legal and other risks to the University created by the Affiliated Entity. Existing Affiliated Entities shall be reviewed for operations consistent with this policy and shall also comply with the management and oversight-related requirements of this policy.

I offer this motion:

Do I have a second:
Roll Call Vote:

2. Discussion of Affiliated Entities

Dr. Robert Sweeney, executive vice president for planning and secretary to the Board of Trustees, familiarized the Board with a list of entities that may or may not have an affiliation with Wright State University. These entities will be further reviewed to determine if there is an affiliation and if so, the steps needed to become compliant with the Affiliated Entity Policy. Other entities may be added as identified.

3. Implementation Plan

Trustee Moore outlined the steps for the implementation of the proposed Affiliated Entities Policy. The University recently adopted a University-Wide Compliance Plan and with this plan created a Director of University Compliance position that is currently posted for hire. It is the recommendation of the Committee that the implementation of the Affiliated Entities Policy be the responsibility of this Director who shall report through the University President.

The first action of this new Director is the establishment of a policy implementation plan. This plan will establish the most efficient process for assessing and enforcing compliance by the University's Affiliated Entities. Working through the University President, the Board will be requesting this report.

Provost Sudkamp gave an update on the search for the new Director of University Compliance.

4. Good of the Order

General Moore outlined several projects for the Committee moving forward which include a review and update of the Trustees' By-Laws and the creation of policies dealing with contract compliance.

The meeting was adjourned at 11:14 a.m.

Respectfully Submitted,
Deborah Kimpton