

**Minutes of the Meeting
of the
Oakland University Board of Trustees
Audit Committee Meeting
August 8, 2016**

Present: Chair Ronald E. Robinson; Trustee Melissa Stolicker; Trustee Mark E. Schlüssel arrived during the closed session

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; Vice President for Legal Affairs General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; and Student Liaison Sean M. Foe

Also Present: Director of Internal Audit David Vartanian

A. Call to Order

Chair Ronald E. Robinson called the meeting of the Audit Committee (Committee) to order at 12:03 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 January 12, 2016

A motion to approve the Minutes of the Audit Committee Meeting of January 12, 2016 was unanimously approved by those present.

2. Conflict Review Committee Update

Mr. Vartanian addressed the Committee and presented the FY2016 Conflict of Interest Review Committee summary activity report. He noted that:

- The Conflict of Interest Review Committee (COIRC) has been functioning since July 2014 when the Board of Trustees amended its Conflict of Interest Policy (Board Policy).
- This year the COIRC reviewed 56 potential conflict of interest situations regarding nepotism, employment, procurement and receiving gifts. The COIRC deemed no conflict existed in 46 of the instances with the other 10 situations either managed or avoided; of the 56, 33 dealt with nepotism, 11 dealt with hiring issues and five dealt with vendor issues; of the 10 that were determined to be conflicts of interest, five were managed, three were avoided and one-time exceptions were made for two.

- All annual self-disclosure forms were issued and were submitted by all the required employees. In response to a question from Trustee Robinson, Mr. Vartanian explained the distribution process and timing of the annual self-disclosure forms that includes: online notifications sent to employees who are required to complete the annual self-disclosure form, completion and submittal of the annual self-disclosure forms, and meeting with individuals when necessary to obtain additional information.
- The Association of College and University Auditors recently published its recommended best practices for conflict of interest reviews, and Mr. Vartanian noted that based upon only his cursory review to-date, Oakland appears to already meet some of those best practices.

Mr. Vartanian concluded his presentation by stating that the COIRC believes that the training and communications provided by the COIRC together with the ease of reporting has increased awareness of possible conflicts of interest on campus and also compliance with the Board Policy. The Board Policy is explained to new employees upon hire, and the University Human Resources Office asks specific questions designed to identify actual and potential conflicts of interest. The COIRC has observed that employees are very cautious and err on the side of reporting every possible conflict of interest.

In response to questions from Trustee Stolicker, Mr. Beaghan explained that the annual self-disclosure forms are distributed electronically but hard copies are returned to Finance Administration; that process captures the annual period ending with the disclosure and the process is monitored to assure all self-disclosure forms are completed and submitted timely. In addition to that annual process, individuals can report possible conflicts of interest at any time throughout the year by means of an electronic submission. After some discussion by the Committee and the administration, it was agreed that the coverage period for the annual report would be changed so that the disclosure would be "as of" the date of the disclosure.

In response to a question from Trustee Robinson, Mr. Vartanian stated that some employees did report perceived conflict of interest of other employees under Section 3 of the self-disclosure form, including those individuals' supervisors or those in positions of authority over them. Those disclosures are maintained in confidence by the COIRC. Trustee Robinson went on to comment generally on Trustee Schlusel's previous objection to Section 3 of the disclosure form which required disclosure of another person's possible conflicts, and that Trustee Schlusel did not object to reporting his own possible conflicts of interest but did not believe reporting other person's possible conflicts should be part of this annual report. Trustee Robinson stated that he does not have the same concern. Trustee Stolicker commented that she appreciated both sides of the issue inasmuch as one may not know what relationships may exist between another Trustee or employee and their business associates. A general discussion then ensued between Trustee Robinson and Trustee Stolicker regarding definitions generally and the definition of business associates specifically, with Trustee Robinson indicating his willingness to compromise his position in the interest of implementing the Board Policy for the Trustees by amending the Board Policy to eliminate business associates. Trustee Robinson went on to recount the process by which the Board approved the Board Policy and the benchmarking that occurred prior to its adoption by the Board's

Governance Committee. In response to a question from Trustee Stolicker, Mr. Zambardi gave a few examples from those benchmarks as to how various entities define business relationships, which are sometimes tied to controlling ownership interests and/or the right to share in profits from the transaction at issue; and that those benchmarks are referenced generally in the Board Policy to be used by those evaluating a possible conflict of interest. Trustee Robinson concurred and noted that there is a Michigan Attorney General Opinion that describes conflicts of interests arising from business relationships.

In response to a question from Trustee Robinson, Trustee Stolicker concluded that she would recommend to: (1) amend page one of the self-disclosure form to make the disclosures non-declaratory, that is, to make the disclosures based "upon information and belief"; (2) to remove the requirement to disclose possible conflicts of others; and (3) to consider defining the term business associates.

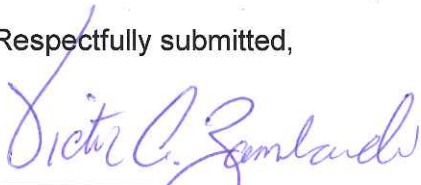
After a brief discussion the Committee directed Mr. Zambardi and Mr. Vartanian to consider the Committee's comments, and to capture those comments in proposed revisions to the Board Policy and the annual self-disclosure form; with those drafts being presented to the Board's Governance Committee for its consideration with input from the Audit Committee.

Trustee Robinson concluded by directing the administration not to issue the annual self-disclosure form to employees until the Governance Committee and Board had acted on the proposed changes to the Board Policy.

C. Adjournment of Open Session

The meeting then adjourned into closed session with the Internal Auditor at 12:32 p.m.

Respectfully submitted,



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

Approved,

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