

DISSOLUTION OF THE OAKLAND UNIVERSITY BOARD OF TRUSTEES  
STANDING FINANCE, AUDIT AND INVESTMENT COMMITTEE AND  
AUTHORIZATION OF THE OAKLAND UNIVERSITY BOARD OF TRUSTEES  
AUDIT COMMITTEE

**A Recommendation**

1. **Division and Department:** Board of Trustees
  
2. **Introduction:** The Standing Finance, Audit and Investment Committee was established by the Oakland University (University) Board of Trustees (Board), to:
  - Assist the Board in monitoring and maintaining its financial responsibility by reviewing and making recommendations regarding proposed policies and Board actions that will or may have significant financial impact;
  - Assist the Board in monitoring and maintaining its financial responsibility by monitoring the accounting and financial policies, controls and processes of the University; recommending the selection and engagement of independent auditors; and monitoring the independence and performance of the independent auditors; and
  - Assist the Board in maintaining the financial integrity of the University, to maintain adequate income and reserves, and to properly manage University funds.

The Board, under the guidance of Board Liaison Ronald Robinson and Vicki Vandenberg of Plante Moran, now desires to dissolve the Standing Finance, Audit and Investment Committee and establish an Audit Committee, to assist the Board with the oversight of the:

- Integrity of the University's financial statements;
- University's compliance with laws and regulations;
- Independent auditors' appointment, qualifications and independence;
- Performance of the University's internal audit function;
- Accounting and financial reporting processes of the University and the audits of the University's financial statements;
- University's risk management process; and
- Advise the Board and provide oversight.

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**3. Previous Board Action:** On November 9, 1985, the Board approved the establishment of the Finance and Personnel Advisory Committee and the University Affairs Advisory Committee. On December 3, 1992, the charges of the Finance and Personnel Advisory Committee and University Affairs Advisory Committee were amended. On January 14, 1993, the Board approved the establishment of the Investment Advisory Committee, which was subsequently amended on December 3, 1998 and December 6, 2000. On June 4, 1998, the Finance and Personnel Advisory Committee and the University Affairs Advisory Committee were dissolved by the Board. On April 2, 2003, the Board approved the Standing Finance, Audit and Investment Committee.

**4. Budget Implications:** None.

**5. Educational Implications:** None.

**6. Personnel Implications:** None.

**7. University Reviews/Approvals:** The dissolution of the Board of Trustees Standing Finance, Audit and Investment Committee and the establishment of the Charter of the Audit Committee of the Oakland University Board of Trustees was initiated by Board Liaison Ronald Robinson, drafted by Vicki VanDenBerg of Plante Moran, and approved by Board Chair Henry Baskin.

**8. Recommendation:**

WHEREAS, the Board of Trustees is desirous of establishing an Audit Committee, the purposes of which are to assist and advise the Board of Trustees with the oversight of: (i) the integrity of Oakland University's (University) financial statements; (ii) the University's compliance with laws and regulations; (iii) the independent auditors' appointment, qualifications and independence; (iv) the performance of the University's internal audit function; (v) the accounting and financial reporting processes of the University and the audits of the University's financial statements; and, (vi) the University's risk management process; and

WHEREAS, the current Standing Finance, Audit and Investment Committee purpose is no longer deemed necessary; now, therefore, be it


RESOLVED, that the Standing Finance, Audit and Investment Committee be dissolved effective immediately; and, be it further

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RESOLVED, that the Board hereby establishes the Oakland University Board of Trustees Audit Committee, with the responsibilities as stated in Attachment A.

9. **Attachment:** A. Charter of the Audit Committee of the Oakland University Board of Trustees

Submitted to the President  
on 8/1, 2012

  
\_\_\_\_\_  
John W. Beaghan  
Vice President for Finance and Administration  
and Treasurer to the Board of Trustees

Recommended on 8/1, 2012  
to the Board of Trustees for approval by

  
\_\_\_\_\_  
Gary D. Russi  
President



## **CHARTER OF THE AUDIT COMMITTEE OF THE OAKLAND UNIVERSITY BOARD OF TRUSTEES**

### **Purposes of the Audit Committee**

The purposes of the Oakland University Board of Trustees' Audit Committee ("Audit Committee") are to assist the Board of Trustees with the oversight of: (i) the integrity of Oakland University's ("University") financial statements; (ii) the University's compliance with laws and regulations; (iii) the independent auditors' appointment, qualifications and independence; (iv) the performance of the University's internal audit function; (v) the accounting and financial reporting processes of the University and the audits of the University's financial statements; and, (vi) the University's risk management process. The function of the Audit Committee is to advise the Board of Trustees, and oversight.

The University's administration, including the Vice President for Finance and Administration and Treasurer to the Board of Trustees but ultimately the President (collectively, "Management"), is responsible for the preparation, presentation, and integrity of the University's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles, policies, internal control, and procedures that provide compliance with all applicable accounting and financial standards, laws and regulations.

The independent auditors for the University are accountable to the Board of Trustees with oversight by the Audit Committee.

### **Membership**

The Audit Committee shall be composed of three Trustees who shall be appointed by the Board of Trustees for three year terms; provided however, the initial appointments to the Audit Committee will be for one, two and three year terms, and thereafter for the three year terms. The Board of Trustees shall appoint one of the Trustees as the Audit Committee Chairperson, who may not serve more than two consecutive two-year terms as Chairperson. The Board of Trustees may also appoint one external member if a financial expert is needed, who must have extensive accounting, auditing, or financial management expertise ("EM"). The recommended term for an EM is two years. The EM may not serve as Chairperson. All members of the Audit Committee can vote, and a majority shall constitute a quorum. The President shall not serve as a member of the Audit Committee. Each member shall be free of any relationship that would interfere with his or her exercise of independent judgment or give the appearance of a conflict of interest. As preconditions to appointment, the EM must disclose any actual, apparent or potential conflicts of interest, and execute a conflict of interest disclosure and confidentiality, non-disclosure agreement, approved by the General Counsel.

## **Duties and Responsibilities of the Audit Committee**

The Audit Committee is an advisory committee with the following duties and responsibilities:

### **Independent Auditors**

1. The Audit Committee shall recommend to the Board of Trustees the appointment, compensation, retention, oversight and termination of all independent auditors.
2. The Audit Committee shall recommend to the Board of Trustees all terms of and fees for audit services, audit-related services, tax services, and other services to be performed for the University by any independent auditors.
3. Ensure that the independent auditors prepare and deliver with each engagement letter a written statement representing to the Audit Committee that the auditor is independent in regards to the University and any related parties.
4. The Audit Committee shall be provided annually a copy of the auditor's peer review report and related letter of comments and recommendations.
5. Ensure that the independent auditors of the University-wide financial statements shall submit to the University, annually, a formal written statement of the fees billed for each of the following categories of services rendered by the independent auditors: (i) audit services; (ii) tax services; and (iii) all other services rendered by the independent auditors for the most recent fiscal year, in the aggregate and by each category of service.
6. Review the independent auditors' University-wide, written audit plan prior to the commencement of the audit and discuss audit scope, staffing, locations, and reliance upon Management, internal audit and general audit approach with the Audit Committee.
7. Review and evaluate the qualifications, performance, and independence of the independent auditors, including an evaluation of the lead partner of the independent auditors and an evaluation of whether the independent auditors' quality controls are adequate and whether the provision of permitted non-audit services is compatible with maintaining the auditors' independence. The Audit Committee's evaluation of the independence of the independent auditors shall be made with respect to standards of independence set forth in any applicable accounting and financial standards, laws and regulations. The Audit Committee shall consider the opinions of Management and internal auditors in its evaluation.



8. Ensure the appropriate rotation of the lead audit partner having primary responsibility for the audit and audit partner responsible for reviewing the audit. The Board of Trustees require a rotation of the lead partner after five years with an introduction to the new lead partner during the fifth year of the current lead partner. In the case of extenuating circumstances (change in leadership, systems, processes, etc.), the Audit Committee can choose to extend the current lead partner for a period not to exceed two additional years.
9. Consider, whether, in order to assure continuing auditor independence, there should be a change in the audit firm itself. Audit services shall be competitively bid every six years. In the case of extenuating circumstances (change in leadership, systems, processes etc.), the Audit Committee can recommend that the current audit contract be extended for a period not to exceed two additional years. Assessment of the audit firms responding will be based on both quantitative and qualitative factors as determined by the Audit Committee.
10. Receive and act upon any report from the independent auditors regarding any internal control deficiencies and the response from Management thereto.
11. Recommend approval of any non-audit services by any independent auditors.

*Internal Audit and the campus internal audit functions (University internal audit)*

The Director of Internal Audit (DIA) shall report administratively to the President and functionally to the Audit Committee. The Audit Committee shall participate in interviewing and recommending to the Board of Trustees for hire, promotion and compensation, and evaluating, the DIA. The DIA working cooperatively with Management is responsible for hiring, evaluating, promoting and determining the salary of internal audit staff reporting to the DIA. The DIA shall notify the Chairperson when a member of the internal audit staff is dismissed, demoted or has a permanent change of duties, and the Chairperson must report to the Audit Committee at the next scheduled meeting. The President shall obtain the prior approval of the Audit Committee before the DIA is dismissed, demoted or has a permanent or temporary change of duties.

In addition, the Audit Committee has the following responsibilities related to internal audit:

1. Review and approve the internal audit function, including the proposed audit plans;
2. Annually, the Audit Committee shall review the performance and compensation of the DIA with the President;
3. Review the budget, any changes in plan, activities, or organizational structure of the internal audit function, and qualifications of the internal audit staff, as needed; and

4. Review reports prepared by internal audit together with Management's responses and follow-up on these reports.

Financial Reporting Principles and Policies: Internal Audit Controls and Procedures

1. Advise Management, the DIA and the independent auditors that they are expected to provide to the Audit Committee, quarterly, an analysis of financial reporting issues and practices;
2. Meet separately and privately on a periodic basis with Management, the DIA and the independent auditors or any other officers or employees of the University.
3. Meet with Management, the independent auditors, and if appropriate, the DIA to do the following:
  - a. Discuss the scope of the annual audit;
  - b. Discuss any matters arising from any audit, including any audit problems or difficulties, and execution of response to audit findings;
  - c. Discuss any audit problems or difficulties the independent auditors encountered in the course of the audit, including any restriction on their activities or access to requested information and any disagreements with Management, and Management's responses thereto;
  - d. Review the form of opinion the independent auditors propose to render to the Board of Trustees;
  - e. Discuss, as appropriate, any issues regarding accounting principles and financial statement presentations, including any changes in Management's selection or application of accounting or financial reporting principles, and issues as to the adequacy of internal controls and any special audit steps adopted in light of material control deficiencies; and
  - f. Discuss and consider the integrity of the University's financial reporting guidelines, policies and controls governing the process by which senior Management for the University and the relevant departments of the University assess and manage the University's exposure to risk, and discuss the University's major financial risk exposures and the steps Management has taken to monitor, control, and repose such exposures.
4. Review findings prepared by the independent auditors and the University's internal audit functions together with Management's responses there to; and
5. Review Management's analysis of accounting and financial reporting issues and practices.



### Compliance Oversight

1. Assist the Board of Trustees with oversight of the University's compliance with applicable laws and regulations, and with any other responsibilities assigned by the Board.
2. Establish procedures for the receipt, retention, and treatment of complaints received by the University regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by University employees of concerns regarding questionable accounting or auditing matter.
3. Annually, Management will report on compliance with these established procedures including the University's conflict of interest, whistleblower and document retention policies.

### Reporting and Recommendations

1. Review and reassess the adequacy of the Audit Committee's charter as necessary.
2. Prepare and report to the Board of Trustees with respect to such matters as are relevant to the Audit Committee's discharge of its responsibilities, and with respect to such recommendations as the Audit Committee may deem appropriate. The report to the Board of Trustees may take the form of an oral report by the Chairperson or any other member of the Audit Committee designated by the Audit Committee to make this report.

### Meetings

The Committee shall meet no less frequently than once each fiscal quarter to discuss with Management (i) the integrity of the University's financial statements: (ii) the University's compliance with laws and regulations: (iii) the independent auditors' appointment, qualifications and independence: (iv) the performance of the University's internal audit function: (v) the accounting and financial reporting processes of the University and the audits of the University's financial statements; and (vi) the University's risk management process, each as applicable. The Audit Committee shall meet separately and privately with Management, the DIA, independent auditors, or any other persons or firms to discuss matters the Audit Committee deems appropriate. The Audit Committee may request any other officers or employees of the University or independent auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. The Audit Committee shall maintain minutes or other records of meetings of the Audit Committee.



### **Authority of the Audit Committee**

The Board of Trustees provides the Audit Committee with the authority to discharge its duties and responsibilities.

### **Performance Self Evaluation**

Every two years, the Audit Committee shall perform a review and evaluation, as necessary, of the performance of the Audit Committee, and report its evaluation to the Board of Trustees. The Audit Committee shall conduct such evaluations and review in such manner as it deems appropriate.

### **Risk Assessment**

The Audit Committee shall review with appropriate University personnel, the DIA, any outside consultants, and the independent auditor those strategic, financial, operational, compliance and reputational risks facing the University that the Audit Committee determines are significant. These risks are defined as follows:

1. Strategic – Risk assessment and strategic planning must be intertwined;
2. Financial – Loss of assets or resources. This includes the reliability of the University's internal and external reporting;
3. Operational – Effectiveness and efficiency of the University's operations and use of resources;
4. Compliance – Compliance with laws and regulations as well as compliance with University policies and procedures relating to auditing and
5. Reputational – Risks that affect the University's reputation and public relations matters.

Assess the steps the University has taken to mitigate such risks or exposures through reports from Management. Ensure the DIA has incorporated such risks into annual audit plans.

### **Financial Expert**

The method of designating Trustees to the Audit Committee may not always result in there being a "financial expert", as defined by the Sarbanes-Oxley Act of 2002 and as may be amended from time-to-time and the regulations promulgated thereunder (Sarbanes-Oxley), on the Audit Committee. As a result, the Board of Trustees may appoint a financial expert. This person will:

1. Be independent of the University;
2. Be willing to serve on a voluntary basis for an initial term through December 31, of the year in which such person was appointed, with a maximum of two additional terms of two years, as a voting member of the Audit Committee and participate in Audit Committee affairs;
3. Receive all information that goes to the Audit Committee and have access to information and personnel similar to other members of the Audit Committee;
4. Once appointed, serve the full term. They may only be removed by expiration of their term, absence from more than two meetings in a fiscal year, a majority vote of the Board of Trustees or voluntary resignation;
5. Offer advice and counsel to the Audit Committee to fulfill the financial expert attributes, generally set forth throughout this Policy and below with specificity;
6. Sign and abide by a conflict of interest disclosure and a confidentiality, non-disclosure agreement, both approved by the General Counsel regarding information received in these efforts; and
7. Meet the five financial attributes designated by Sarbanes-Oxley:
  - a. An understanding of GAAP, Government Auditing Standards and financial statements;
  - b. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
  - c. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues which are comparable to the University's financial statements;
  - d. An understanding of internal controls and the procedures for financial reporting; and
  - e. An understating of committee functions.

### **Disclosure of Charter**

This charter shall be made available on the University's website.

### **Amendment**

Any amendment or other modifications of this charter shall be made and approved by the Board of Trustees.