

**ocMinutes**  
**Business and Finance Committee**  
**Board of Regents of the University of Wisconsin System**  
**October 9, 1997**

**Joint Session with Physical Planning and Funding Committee**

The Business and Finance Committee met at 1:40 p.m. in Room 111, Rockwell Student Center, UW-Superior, with members of the Physical Planning and Funding Committee. Members of the Business and Finance Committee who were present were: Regents Brandes, De Simone, Hempel and Marcovich.

The first item discussed was the UW-Superior Cooperative Agreement for Use of Physical Facilities. Please see the Physical Planning and Funding Committee Minutes for details of the discussion.

**I.2.a. Coordinated Planning for Capital and Operating Budgets Beginning the 1999-01 Biennial Budget Cycle**

Vice President Bromberg stated that, although the State requires separate operating and capital budget proposals and has separate legislative committees (the Joint Committee on Finance and the Building Commission) to review these budgets, coordinating the planning efforts for these two proposals at the UW System level will result in a more efficient process and a more effective identification of resources needed to meet systemwide priorities. This same approach has been used in planning for instructional technology where operating and capital resources must be coordinated to provide meaningful and effective outcomes.

The planning process for both budgets will need to be multiannual in order to effectively achieve needed resource levels. In preparation for the 1999-01 cycle, similar timelines for both budgets have been set and all priorities will be reviewed for capital as well as operating impact with resource needs fully identified. Staff at UW System Administration and at the institutions will work together to present a unified set of proposals for the 1999-01 biennial budget.

The Joint Meeting adjourned at 2:02 p.m., and the Business and Finance Committee convened at 2:05 p.m. in Room 217 A&B, Rockwell Student Center, UW-Superior. Present were: Regents Brandes, De Simone, Hempel, Marcovich and Orr.

**I.2.b. Approval of Minutes of the September 4, 1997, Meeting of the Business and Finance Committee**

Upon the motion of Regent Marcovich and the second of Regent De Simone, the minutes of the September 4, 1997, meeting of the Business and Finance Committee stood approved.

**I.2.c. Internal Management Flexibility**

Associate Vice President Sell noted that the Board of Regents' *Study of the UW System in the 21<sup>st</sup> Century* recommended a number of management flexibilities to enable the System and the institutions to operate more efficiently and effectively. These items included initiatives which would delegate flexibility from the Board and System Administration to the institutions. She presented two such items to the Committee for consideration.

The first item was to permit institutions to transfer unanticipated, one-time additional auxiliary operations revenues from one auxiliary to another. This does not include transfers of student segregated fee revenues.

In addition, Associate Vice President Sell noted that the related request to permit such transfers out of auxiliaries entirely and into instruction-related activities was approved by the Legislature, but that the Legislature would require the UW System to go through the State administrative rule making process (unless this provision is vetoed), which includes review of the proposed rules to legislative standing committees.

In response to questions by Regent Hempel about the Board-delegated authority to transfer among auxiliaries, Associate Vice President Sell responded that the Board has always had this authority but has not always exercised it in the past.

Regent Marcovich suggested obtaining authority to transfer funds from the capital budget to the operating budget in order to manage the funds in the best manner possible. Vice President Bromberg indicated this is bonded money and it could be problematic because the funds are State monies and not necessarily available for UW use. Regent Marcovich replied that capital projects may not need all of the available monies and unused portions could be transferred by requesting proper legislation to do so. The Committee and staff agreed this was an interesting idea which should be pursued.

The second item was to eliminate subactivity reporting. The current reports raise more questions than they answer and take additional staff time. There is also concern that it goes against the Best Business Practices approach.

Regent Hempel agreed that this item may cause problems but the Board needs to pursue some type of comparison standard. Vice President Bromberg agreed that a more effective method of measurement or benchmarking is needed, but that it may be necessary to look outside the System for comparability. She suggested looking into some of the criteria developed by NACUBO since not all UW institutions are alike. Associate Vice President Durcan added that subactivity reporting was never meant to be a cost measurement.

Regent Orr stated that there has been no significant value in the comparisons which have been made since 1994, and it was apparent that benchmarking is necessary.

The item will be added to the Best Business Practices Committee agenda and staff will report back to the Board.

Upon the motion of Regent Brandes and the second of Regent De Simone, the Committee approved Resolution I.2.c

**Resolution I.2.c.**

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents:

- Provides institutions with the flexibility to transfer surplus funding from one auxiliary activity to another. Transfer requests would be made to System Administration and would be considered at the time of the Board of Regents' deliberations on the annual operating budget.
- Eliminates sub-activity reporting.

**I.2.d. Annual Sick Leave Report**

Associate Vice President Wright reported that, in 1987, the Legislature initiated a cap on the amount of unused sick leave unclassified staff could convert to retiree health insurance premiums. By this legislation, the Secretary of the Department of Administration was authorized to waive the cap if the institutions met three conditions on accumulating and reporting sick leave. The third of those conditions was an annual report to the Board on sick leave use.

Regent Hempel noted that some years the report has caused debate because the figures appear artificially low, and questioned whether there were different reporting methods being used by each institution. Associate Vice President Wright replied that System relies on the Chancellors' certification that the institutions are complying with the four subcriteria for reporting.

Regent Orr inquired if internal auditors review the reports. Internal Audit Director Yates replied that auditors have looked at the reports and, to ensure that reporting methods don't vary, they will be doing further reviews.

**I.2.e. Report of the Vice President**

Vice President Bromberg reported there were no contracts over \$500,000 brought forward for approval this month.

She also reported that Lori Mills has joined System Administration as the new Treasury Manager. Dave Konshak will be moving to Financial Administration and will be handling special projects. Ms. Mills and Vice President Bromberg have been working with Ruth Anderson from Procurement to negotiate new contracts with investment managers.

**I.2.g. Additional Items Which May Be Presented to the Business and Finance Committee with Its Approval**

No additional items were presented to the Committee.

The Business and Finance Committee adjourned at 2:38 p.m. and the Audit Subcommittee convened at 2:39 p.m. Present were Regents Brandes, Hempel, Marcovitz and Orr.

**I.2.f. Audit Subcommittee****(1) Quarterly Internal Audit Report**

Internal Audit Director Yates provided the Subcommittee with the First Quarter Internal Audit Report. He reported that the following audits are being performed:

- Academic Fees audits at several institutions, reviewing internal controls over the assessment and collection of fees and related operations in the areas of admissions, registration, cashier's office and student accounts receivable. It is expected these audits will be completed in two months and management letters to the institutions will be issued.

- Extended Degree Program audits at the four institutions which offer the program, reviewing for compliance with the Special Fee Policies and Administrative Guidelines specifically developed for the extended degree programs. Management letters to each institution identifying noncompliance areas with recommendations for corrective action will be issued. In addition, a report will be issued addressing the overall status of the extended degree programs.
- Wisconsin Distinguished Professorship Program audits at several institutions, reviewing expenditures and matching fund requirements of the program, as well as reviewing for compliance with UW System guidelines and legislative intent. Management letters will be issued to each institution with recommendations for corrective action and a summary report will be issued with recommendations for improving the program as a whole.
- Laboratory Modernization Program audits at most of the institutions, reviewing the administrative and internal controls over the upgrading, replacing and remodeling of instructional laboratories and their equipment. Each institution will receive recommendations for improving compliance with the requirements and a report on the program's progress in achieving stated goals will be prepared.
- Academic Assessment Program audit at several institutions, reviewing institutions' program for academic assessment in general education, major fields and math. A report will be issued on the status of implementation of assessment plans including recommendations for improving the process.
- Unclassified Sick Leave audit at selected institutions, reviewing the institutions' compliance with the agreement reached between UW System and the Department of Administration concerning the recording and usage of unclassified staff sick leave. Management letters will be issued to each audited institution and a summary report on compliance and recommendations for improvement will be prepared.

The Legislative Audit Bureau will be releasing the federally-mandated A-133 audit report in October. It is expected that no major problems or significant questioned costs will be identified. LAB has also begun a systemwide audit of the service centers operated by the institutions with an emphasis on the fleet and stores service centers, and they have begun the annual statewide financial statement audit that includes the UW System.

In the past six months, institution internal auditors have issued over sixty audit reports which reviewed cash handling controls, compliance issues, fixed assets and inventory controls, vendor contracts, student center operations, payroll/personnel controls and auxiliary operations.

Vice President Bromberg added that Internal Audit Director Yates is providing training for the institution internal auditors which includes training on report writing.

The Regents agreed that timeliness of the reports is very important and this seems to be improving since the institutions have on-site auditors.

The Audit Subcommittee adjourned at 2:51 p.m.

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Donita R. Zintz  
Recording Secretary