

**Minutes
Business and Finance Committee
Board of Regents of the University of Wisconsin System
May 7, 1998**

The Business and Finance Committee convened at 2:02 p.m. in Room 220 Reeve Memorial Union, UW-Oshkosh. Present were Regents Brandes, De Simone, Grebe, Hempel, Marcovich and Orr.

I.2.a. Approval of Minutes of the April 2, 1998, Meeting of the Business and Finance Committee

Upon the motion of Regent Marcovich and the second of Regent De Simone, the minutes of the April 2, 1998, meeting of the Business and Finance Committee stood approved.

I.2.c. Auxiliary Transfer Policy

Associate Vice President Sell noted that the 1997-99 biennial budget authorized the UW System to transfer surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student-related activity. The 20th Century Study advocated allowing transfers out of auxiliaries as well as exercising existing authority to make transfers within auxiliaries, and the Board of Regents passed Resolution 7555 in October 1997, providing institutions with authority to transfer surplus funding from one auxiliary activity to another.

The recommended policy was formed by an auxiliary transfer working group that included six institutional representatives and three UW System staff. They developed a policy which provides for appropriate student consultation on the surplus money transfer. These transfers will not involve funds from the allocable segregated fees which are subject to the provisions of Chapter 36 and FPPP 37. The committee had a goal of providing clear definitions of terms in the statutory language, and they developed a clear approval process with sound review of the request while not making an overly cumbersome process for the institutions. The policy will be incorporated into FPPP 43, which is currently under revision.

The United Council expressed concern that the language clarify that every campus will have some review opportunity. Policy language was adjusted to accommodate student concerns. If students remain concerned about the final campus decision, they may make a formal request, following standard procedure to address the Board of Regents, to provide testimony as part of the Board considerations of the relevant annual budget action item.

Upon the motion of Regent Brandes and the second of Regent Marcovich, the Committee approved Resolution 1.2.c.

Resolution 1.2.c.

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the auxiliary transfer policy creating guidelines for transferring surplus moneys from auxiliary enterprises for the purpose of funding the one-time, fixed duration costs of any student related activity and for transferring surplus moneys from one auxiliary to another.

I.2.d. In-State Tuition Remissions for Graduate Assistants

Assistant Vice President Peters stated that the 1997-99 biennial budget included a statutory language change that requires the Board of Regents to remit nonresident tuition and fees, in whole or part, to resident and nonresident graduate students who are fellows or who are employed within the System with an appointment equal to at least 33% of a full-time equivalent position. Currently, the Board has delegated to the Chancellors the authority to remit nonresident tuition as granted under Statute.

This legislation was enacted to make UW-Madison and UW-Milwaukee more competitive in recruiting and retaining graduate students with their peer groups who generally remit both resident and nonresident tuition. UW-Madison and UW-Milwaukee have already implemented full remissions of tuition and fees for Teaching Assistants and Program/Project Assistants for spring 1998 as part of collective bargaining agreements. The collective bargaining agreements adjust the salaries of these graduate assistants to ensure that reasonable compensation is provided.

UW-Madison will also provide these remissions to research assistants and adjust their stipend levels for the same purposes. Similar to teaching assistants, UW-Madison must compete nationally for these students. While UW-Milwaukee also competes nationally for these students, they will provide nominal remissions of up to \$100 per semester and increase stipends to meet market pressures.

Currently, UW System comprehensive institutions do not face national market challenges recruiting and retaining graduate assistants. As a result, they plan to provide resident tuition remissions of \$50 per semester to eligible graduate students to meet the requirements of this law.

Delegation of this authority to the Chancellors will provide them the flexibility to each set their own remission levels. In future years, institutions may change from current remission levels as graduate recruitment and retention markets change.

Regent Hempel asked if the legislative language required that remission of some amount occur on all campuses and if the language was overly expansive for what the University originally sought. Assistant Vice President Peters replied that the wording is “shall” and states that it be in whole or in part.

Vice Chancellor Torphy stated that the language that Senator Wineke wanted to put in, and that the University agreed to, was for out-of-state remission in whole or in part so it recognized the ability of each of the institutions to remit as much as they wanted to in order to have the flexibility to do what they need for their market.

Upon the motion of Regent Marcovich and the second of Regent De Simone, the Committee approved Resolution 1.2.d.

Resolution I.2.d.

Revise delegation of authority granted in section 36.27 (3), *Wisconsin Statutes*, to remit nonresident tuition to the chancellor of each institution to include resident tuition remissions for graduate assistants with appointment equal to at least 33% of a full-time equivalent position.

I.2.e. Report of the Vice President**(1) Agreement with Private, For-profit-making Organization**

Upon the motion of Regent Grebe and the second of Regent Brandes, the Committee approved Resolution 1.2.e.(1)(a).

Resolution I.2.e.(1)(a)

That, upon recommendation of the President of the University of Wisconsin System and the Chancellor of the University of Wisconsin-Madison, the Board of Regents approves the agreement entitled "Therapeutic Implications of Primate Primordial Stem Cells" that will provide \$927,148 in support of the research.

(2) Quarterly Gifts, Grants and Contracts Report

Vice President Bromberg reported that total gifts, grants and contracts for the nine-month period ended March 31, 1998, were \$505.4 million, an increase of \$39.6 million from the comparable period of the previous fiscal year. Federal awards increased \$7.6 million while non-Federal awards increased \$32 million, with the majority of the non-Federal increase dedicated to Kohl Center construction.

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

Vice President Bromberg stated that, when Keith Sanders resigned from the position of Senior Vice President for Administration in August 1997, President Lyall asked David Olien to serve in that capacity on an interim basis. Now that major chancellor searches have been successfully concluded, it is critical that the System begin to recruit for the Senior Vice President position.

Following approval by the Board, President Lyall will appoint an Advisory Committee which will be responsible for providing her with a list of at least five individuals whom it believes are qualified for consideration, and she will seek final approval of the salary for the position from the Board.

Upon the motion of Regent Marcovich and the second of Regent Brandes, the Committee approved Resolution 1.2.f.

Resolution 1.2.f.

That, upon recommendation of the President of the University of Wisconsin System, the President be authorized to recruit for a Senior Vice President for Administration.

I.2.g. Closed Session to Consider Trust Fund Matters, as Permitted by s. 19.85(1)(e), Wis. Stats.

Upon the motion of Regent Grebe and the second of Regent Marcovich, the Business and Finance Committee adjourned to Closed Session at 2:20 p.m., to consider Trust Fund matters as permitted by s. 19.85(1)(e), *Wis. Stats.*

The Business and Finance Committee adjourned at 2:28 p.m., and the Audit Subcommittee convened at 3:31 p.m. Present were Regents Brandes, Hempel, Marcovich and Orr.

I.2.h. Audit Subcommittee

(1) Annual Financial Audit Management Letter

Vice President Bromberg reported that, as part of a series of steps begun by Ray Marnocha to bring the UW System to the same financial footing as other public university systems, the Legislative Audit Bureau (LAB) has issued their first “stand alone” management letter. Other steps have included issuing GAAP basis financial statements for the UW System (beginning 1989-90) and including an auditor’s opinion in the statements published in the UW System Annual Financial Report (beginning 1995-96). The management letter is an opportunity for the external auditors to bring certain issues to management and governing board attention.

LAB has chosen to use a “compliance and internal controls” format, focusing on a narrower set of issues than usual for this type of report. Finance staff have satisfactorily responded to the issues raised by LAB.

In response to a question from Regent Hempel, Vice President Bromberg replied that prior to WiSMART, all System accounts balanced; however, since the institution of WiSMART in 1993-94, there has been an unreconcilable balance in cash and receivables. Internal Audit Director Yates added that the amount is not material, given the size of the operation, and that the difference is getting smaller each year. He noted that this is a bookkeeping problem between the State and University and that all cash can be accounted for, but that the University, LAB and the Department of Administration are continuing to work on the problem.

Regent Orr expressed concern about LAB’s comments regarding reporting of library holdings and recalled past LAB comments about being unable to locate all items reported on equipment inventories. Vice President Bromberg stated that past problems with equipment inventories have largely been cleaned up and that the asset management software purchased as part of the PeopleSoft financial suite will enhance recordkeeping capabilities. Doug Hendrix, Director of Financial Reporting, informed the Subcommittee that UW-Whitewater and UW-Platteville will begin testing the new software in July 1999. The fixed asset module will be implemented as other institutions come online between July 1, 2000, and July 1, 2001. Regent Hempel expressed an interest in being kept informed of the progress of the development. Vice President Bromberg noted progress reports will be part of the regular Best Business Practices Team updates.

(2) Periodic Audit Update

Internal Audit Director Yates provided the Subcommittee with a status report, noting that the Office of Internal Audit had reviewed the Wisconsin Distinguished Professorship Program at eight UW institutions participating in the program. While policies and procedures were generally followed, concerns were noted in filing required reports, assessing overall program progress, securing adequate private funds and utilizing matching funds. Recommendations for improvement in the program were accepted by System Administration.

The Student Tech Fee and Laboratory Modernization Audit showed the institutions have done an excellent job of utilizing the funds to modernize laboratories and classrooms and in improving the information technology programs. Recommendations for improving several administrative areas were accepted by System Administration and institution staff.

Extended Degree management letters were issued to the four institutions offering this program (Green Bay, La Crosse, River Falls and Superior), recommending refund policies, annual service agreements, payment plans and contracts be modified to comply with System policies and procedures. A summary report will be shared with the Subcommittee as part of the next Audit Status Report.

Unclassified Sick Leave usage is being reviewed. This report reviews compliance with the agreements each institution negotiated with the Department of Administration in 1989 and 1990 concerning the recording and usage of faculty sick leave. A report will be shared with the Audit Subcommittee as part of the next Audit Status Report.

Library Acquisitions audit work is continuing. Staff are reviewing selected institutions' procurement practices with major book and periodical vendors, reviewing the feasibility of centralizing the procurement process, analyzing acquisition patterns of libraries through comparisons with peer institutions and reviewing resource sharing by UW System libraries. The report should be completed by summer 1998.

Recruitment and Retention program review work has begun at UW-Madison, UW-Stevens Point and UW-Whitewater, reviewing the extent to which competitive salary levels have affected the institutions' ability to recruit, hire and retain well-qualified faculty members. A report should be completed by fall 1998.

The Legislative Audit Bureau (LAB) has begun the annual federally-required A-133 audit of all federal monies for fiscal year 1996-97 that includes student financial aid funds and research and development grant funds. It is expected the report will be completed by fall 1998.

In addition, the LAB audit of the institutions' service centers, started in fall 1997, is expected to be completed this spring, and a limited review of the mass transit contracts that institutions have with local transit authorities.

There are no other major audits being conducted by outside auditors.

The Audit Subcommittee adjourned at 3:23 p.m.

Donita R. Zintz, Recording Secretary