

Minutes of the Business, Finance, and Audit Committee  
February 5, 2009  
Madison, Wisconsin

The Business, Finance, and Audit Committee convened at 12:30 p.m. in Room 1920 Van Hise Hall, Madison, Wisconsin. Present were Regents Burmaster, Connolly-Keesler, Falbo, and Smith.

**a. 2008 Annual Financial Report and Auditor's Opinion** – Ginger Hintz, Director of Financial Reporting, presented summary information from the UW System Annual Financial Report. The published report is prepared using generally accepted accounting principles (GAAP) and includes an unqualified audit opinion from the Legislative Audit Bureau (LAB) along with all standard higher education financial statements.

Jan Mueller, Wisconsin State Auditor, presented the unqualified auditor's opinion, and noted the expanded auditing standards the Audit Bureau is required to follow, which include the auditor appearing before the Board. LAB Audit Director Carolyn Stittleburg addressed the Committee, and outlined two areas of concern over internal controls. While not considered to be material weaknesses, they view them as significant deficiencies. The committee asked Senior Vice President Tom Anderes for additional information about the risks being accepted surrounding computer change controls, and asked that he check into best practices regarding Boards formally accepting the Annual Financial Report and Auditor's opinion, and report back at the March meeting. The second weakness related to business resumption planning, and LAB acknowledged the progress made in this area.

The complete report can be viewed at <http://www.uwsa.edu/fadmin/finrep/afr.htm>

**b. 2009 Review and Audit Plan** – Julie Gordon, Director of Operations Review and Audit, presented the 2009 Review and Audit Plan for the UW System Office of Operations Review and Audit. Director Gordon explained that the Office of Operations Review and Audit is responsible for providing objective review and analysis to assure that University of Wisconsin programs, policies, and practices are conducted in accordance with applicable laws and Board of Regents policy. The Office helps ensure University operations are proper, efficient, and effective. The purpose of the review plan is to identify programs, policies, and practices to be reviewed at a System level in calendar year 2009. This review plan strives to achieve two objectives: to assure coverage of areas of risk, while at the same time assuring broad coverage of the operations of the UW System over time. Director Gordon stated that all but one campus, UW-River Falls, has an internal auditor, and that UW-River Falls is nearing the end of the hiring process. The Committee expressed appreciation for the work that the System auditors perform.

Paul Rediske, UW-Milwaukee Director of Internal Audit, spoke about how the campus develops its annual audit plan, and principles followed when determining the types of audits they are planning.

**c. Review and Adjustment of Existing Differential Tuition Levels** – Freda Harris, Associate Vice President for Budget and Planning presented an overview on adjustments of existing differential tuition levels for UW-Milwaukee, UW-Oshkosh, and UW-Platteville.

**(1) UW-Milwaukee** – Provost Rita Cheng addressed the Committee regarding adjusting UW-Milwaukee differential tuition levels in the Peck School of the Arts, the College of Engineering and Applied Science, the Sheldon B. Lubar School of Business Administration, and the College of Nursing.

Two students representing the Black & Gold Committees in the School of Business and the College of Nursing spoke about the importance of differential tuition to their instruction. The Committee had a lengthy discussion about the increasing nature of the requests, and discussed establishing principles to improve and standardize the differential tuition rate-setting process.

Regent Connolly-Keesler moved, and Regent Falbo seconded the motion to revise Resolution I.2.c.1. to limit the increases to no more than 3% per year for Fall 2009 through Fall 2012—except for Engineering, which may not exceed 4% per year for Fall 2009 through Fall 2012.

REVISED Resolution I.2.c.1.

That, upon the recommendation of the Chancellor of the University of Wisconsin - Milwaukee and the President of the University of Wisconsin System, the Board of Regents approves the following modifications to the UW-Milwaukee per credit differential tuitions:

- Peck School of the Arts – The differential may increase up to three percent annually, beginning Fall 2009 through Fall 2012.
- College of Engineering and Applied Science – The differential may increase up to four percent annually beginning Fall 2009 through Fall 2012.
- Sheldon B. Lubar School of Business Administration – The differential may increase up to three percent annually beginning Fall 2009 through Fall 2012.
- College of Nursing – The differential may increase up to three percent annually beginning Fall 2009 through Fall 2012.

Regent Connolly-Keesler then moved, and Regent Falbo seconded the motion to approve Revised Resolution I.2.c.1., and the Resolution passed unanimously.

**(2) UW-Oshkosh** – Petra Roter, Vice Chancellor for Student Affairs at UW-Oshkosh, requested that the Committee approve a resolution establishing an annual 3% increase in the institution's differential tuition which supports the UW-Oshkosh Personal Development Compact. This program and its funding approach have consistently been supported by students at the institution, and the rate has not been changed since fall of 2004. To be consistent with their previous discussion, Regent Connolly-Keesler moved, and Regent Falbo seconded the motion to revise Resolution I.2.c.2., to reflect an annual 3% increase to the existing UW-Oshkosh differential tuition, beginning Fall 2009 through Fall 2012.

REVISED Resolution I.2.c.2.

That, upon the recommendation of the Chancellor of the University of Wisconsin - Oshkosh and the President of the University of Wisconsin System, the Board of Regents approves an annual three percent adjustment to the existing UW-Oshkosh undergraduate

differential tuition. Beginning in Fall 2009, the differential tuition rate will be \$56.65 per semester (\$113.30 per year) and will be adjusted by three percent annually through Fall 2012.

Regent Connolly-Keesler moved, and Regent Falbo seconded the motion to approve Revised Resolution I.2.c.2., and the Resolution passed unanimously.

**(3) UW-Platteville** – UW-Platteville Assistant Chancellor Rob Cramer gave a power point presentation and requested the Committee adopt Resolution I.2.c.3. This resolution approves the continuation of the Regional Enrollment Differential Tuition Program, commonly referred to as the Tri-State Initiative, and an increase in its non-resident differential premium.

Upon the motion of Regent Falbo and the second of Regent Connolly-Keesler, the Committee unanimously approved Resolution I.2.c.3.

### **Resolution I.2.c.3.**

That, upon the recommendation of the Chancellor of the University of Wisconsin-Platteville and the President of the University of Wisconsin System, the Board of Regents approves the continuation of the Regional Enrollment Differential Tuition Program and an increase in the non-resident differential premium from \$4,000 per year to \$4,400 per year beginning in Fall 2010. The increase applies to all students in the program.

The Board of Regents further approves an annual increase to the Regional Enrollment differential premium. The differential may increase annually by an amount approved by the Provost and the Chancellor. The tuition premium may not exceed the dollar amount of resident undergraduate tuition at UW-Platteville. Annual increases may begin in Fall 2011.

#### **d. Trust Fund Issues**

**(1) 2008 Annual Trust Funds Report** – Doug Hoerr, Director of Trust Funds, presented highlights of the 2008 Annual Trust Funds Report for the year ended June 30, 2008. These funds are comprised of gifts and bequests made directly to a UW institution rather than their respective foundation. Director Hoerr reported that as of June 30, 2008, the funds held assets totaling \$430.3M, down from \$443.3M at the end of the prior fiscal year, and that gifts received during the period totaled \$11.6M, down from the \$16.5M received in the prior period. Disbursements benefiting UW institutions totaled \$20M for the year, versus \$22.8M for the prior period. The *Long Term Fund*, which is used for endowed assets and makes up the bulk of total assets, returned -2.7% over the period, compared to the Benchmark of -6.8%. The *Intermediate Fund* and the *Income Fund*, which are generally more conservative, shorter-term funds, returned 7.6% and 4.0%, respectively. Investment fees incurred by the funds were competitive at 0.68%, and the annual administrative expense was 0.11% of the value of the total assets.

The complete report can be viewed at <http://www.uwsa.edu/tfunds/inv.htm>

**(2) Request for Principal Expenditure: Mildred L. Stolberg Bequest** – Director Hoerr asked the Committee to approve a resolution seeking an exemption to Regent policy which

would allow expenditure of principal and earnings from the Mildred L. Stolberg bequest to the UW-Madison Chazen Museum of Art.

Director Hoerr indicated that the University of Wisconsin-Madison and the Chazen Museum of Art are requesting an exception to Regent policy which would otherwise require that this bequest be treated as a Board-designated endowment. The campus requests that the entire gift be made available for expenditures related to the construction of the Chazen Museum addition.

Because Mildred Stolberg's gift to the Museum came with no directions as to specific uses, the Museum Director and the UW-Madison Chancellor feel the donor intended that the money be used in the best interests of the Museum, and the building expansion is the Museum's highest priority. Director Hoerr explained that releasing the principal from the \$1.4 million Stolberg bequest will allow the campus to close the gap needed for a base bid of \$42.5 million, which will then allow the project to proceed to the bidding phase with the hopes that bidding in the current economic climate will be advantageous to the project. Regent Connolly-Keesler asked how upkeep costs are being paid now, and Museum Director, Russell Panczenko, indicated that they are paid by UW-Madison. Director Panczenko also indicated that the Museum will structure a continuing capital campaign to support the expenses for upkeep.

Upon the motion of Regent Falbo and the second of Regent Burmaster, the Committee unanimously approved Resolution I.2.d.2.

**Resolution I.2.d.2.**

That, upon recommendation of the Director of the Chazen Museum of Art, the Chancellor of UW-Madison, and the President of the University of Wisconsin System, the principal and income from the Mildred L. Stolberg bequest be made available for spending.

**e. UW System Information Technology Reports as Required by Wis. Stats. S.13.58(5)(b)(3)**

**(1) UW Strategic Plans for Major Information Technology Projects** – Tom Anderes, Senior Vice President for Administration and Fiscal Affairs, presented the UW System IT Plan entitled *The Common Systems Roadmap*. In addition, each campus has developed its own strategic IT plan which contains nine strategic objectives and a list of campus projects. None of the campus projects exceed \$1 million. In accordance with 2007 Wisconsin Act 20, the Board is to receive these plans by March 1 of each year.

**(2) Project Status Report for Major Information Technology Projects** – Senior Vice President Anderes, also presented progress reports on five major IT projects—those exceeding \$1 million—which are currently underway within the UW System. Those projects include Student Information Systems at UW-Eau Claire, UW-La Crosse and UW-Stout, the Human Resources System Planning Project, and the Identity and Access Management project. Each of these major projects report to a Systemwide governance organization representing all institutions, are funded collectively by all institutions, and have their budgets approved annually by the President and the Chancellors. This report is required by State statute and is to be provided to the Legislature's Joint Committee on Information Policy and Technology by March 1 and September 1 each year.

**f. Interim Campus Safety and Security Update** - Larry Rubin, in his capacity as Chair of the President's Advisory Committee on Health, Safety and Security, presented an update on progress

the Committee has made on campus safety training and mental health. Thus far, there have been two Systemwide threat assessment training workshops, which have each drawn over 100 campus team representatives, and a Systemwide committee on mental health has been formed. Membership of the Committee consists of mental health experts from around the system, in addition to chief student affairs officers, faculty, and student representatives. The Committee met for the first time in December 2008, and will continue to meet over the course of this semester before submitting its final report in May or June 2009. To determine future training activities, the Committee recently sent out a survey to the campuses to solicit their advice on future safety and security training needs and to identify effective programs and information that they would be willing to share with other campuses.

**g. Committee Business**

**(1) Fall 2008 Enrollment Update.** Sharon Wilhelm, Interim Associate Vice President for Policy Analysis and Research, gave a power point presentation summarizing current UW System enrollments. She pointed out that while fall enrollments increased by 1,540 FTE over the prior year; there were small decreases in FTE enrollments at UW-Milwaukee and UW-Superior. Both resident and non-resident enrollments increased. Regent Falbo asked how many veterans are enrolled in the System, to which Sharon responded that the System currently has over 4100 veterans—a 16% increase over last year.

**(2) Quarterly Expenditures – Budget to Actual Report (2<sup>nd</sup> Quarter)** - Debbie Durcan, Vice President for Finance, presented a schedule of UW System expenditures through the first half of the fiscal year. The information included current and prior year expenditures by institution for GPR/Fee funds.

**(3) Report on Quarterly Gifts, Grants, and Contracts (2<sup>nd</sup> Quarter)** – Vice President Durcan then reviewed summaries of gifts, grants and contracts awarded to UW System institutions for the six-month period ending December 31, 2008. Total gifts, grants and contracts for this period were \$786 million, an increase of \$146.3 million from the comparable period of the previous fiscal year. Federal awards increased \$51.8 million and non-federal awards increased \$94.5 million

**(4) Policy on Identity Theft Detection, Prevention, and Mitigation** – Christopher Ashley, Senior Legal Counsel, addressed the Committee, and reported that The Federal Trade Commission has issued administrative rules requiring organizations that hold certain credit accounts to implement an identity theft prevention program that includes detection of “red flags” that may signal identity theft. Although there is some uncertainty as to the scope of the rule as applied to colleges and universities, there is consensus that “covered accounts” at least include the Federal Perkins Loan program and institutional partial payment plans, and may include other types of accounts held by colleges and universities. The federal rule requires the Board or an appropriate Board committee to approve an initial program for identity theft prevention and allows the Board to delegate responsibility for implementation to senior management at the institutional level. The Committee was asked to approve the Regent Policy presented. The Policy directs chancellors or their designees to adopt appropriate identity theft prevention programs based on the Board-approved policy. The deadline for compliance is April 15 2009.

Upon the motion of Regent Connolly-Keesler and the second of Regent Burmaster, the Committee unanimously approved Resolution I.2.g.4.

#### **Resolution I.2.g.4.**

Whereas, identity theft, meaning fraud committed or attempted with the unauthorized use of the identifying information of another person, poses significant financial risk for all consumers; and

Whereas, the University of Wisconsin System is committed to protecting persons holding credit accounts with a UW System institution from identity theft; and

Whereas, the law requires UW System institutions to implement programs for identity theft detection, prevention, and mitigation; and

Whereas, it is necessary and appropriate for each UW System institution to review its credit accounts to identify and manage risks to consumers posed by identity theft, as part of a System-wide program of identity theft detection, prevention, and mitigation.

Now, therefore be it resolved:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents adopts the attached policy on identity theft detection, prevention, and mitigation as Regent Policy Document 21-4.

**h. Report of the Senior Vice President** - Tom Anderes, Senior Vice President for Administration and Fiscal Affairs provided an update on the UW System action plan on addressing the cost of textbooks. Actions include expanding textbook exchange programs, establishing dates by which textbooks will be determined, establishing an early adoption program, and pursuing discounts for e-textbooks. Longer-term items include exploring expanded rental programs, and looking into a Systemwide auction site.

#### **i. Consent Agenda**

**(1) Approval of Minutes from December 4, 2008 Meeting of the Business, Finance and Audit Committee.** – Regent Burmaster moved, and Regent Falbo seconded the motion to approve the minutes from the December 4, 2008 meeting of the Business, Finance and Audit Committee.

**j. Additional items** – No additional items were presented.

**k. Closed Session** - The Committee adjourned into closed session to consider trust fund matters, as permitted by Wis. Stats. S.19.85(1)(e). Trust Funds Director Doug Hoerr gave a report on the impact of the economy on Trust Funds, which are UW System's endowment funds. Although the Board investment policy requires the Committee to look at "underwater accounts" in June of each year, the Committee is also provided the opportunity to do so whenever there is a national downturn in the economy. As of 12/31/08, there were approximately 23 endowment accounts whose fair market value was less than its historical cost. In addition, 23 accounts that the Board has designated as endowments were also under water. While this situation has a negative impact on departmental funding and scholarships, the committee felt it was prudent to stop

earning distributions on those accounts that were 5% or greater beneath their historical cost value.

The meeting adjourned at 3:46 p.m.

A handwritten signature in black ink, reading "Zayda R. Back". The signature is written in a cursive style with a large, looping flourish at the beginning.

Zayda R. Back, Recording Secretary