

**Board of Regents
Business, Finance, and Audit Committee
August 23, 2012
University of Wisconsin Administration
1920 Van Hise Hall**

MEETING OF THE BUSINESS, FINANCE AND AUDIT COMMITTEE

The meeting of the Business, Finance, and Audit Committee was called to order at 2:45 pm by Regent Gerald Whitburn. Regents John Behling, Tracy Hribar, Katherine Pointer, Charles Pruitt, Gary Roberts, David Walsh, and Mark Bradley were in attendance.

a. Committee Business

1. Approval of the Minutes of the June 7, 2012, meeting of the Business, Finance, and Audit

Upon the motion of Regent Walsh and the second of Regent Pointer, the Committee approved the minutes of the June 7, 2012, meeting of the Business, Finance, and Audit Committee.

2. Quarterly Report of Gifts, Grants, and Contracts (4th Quarter)

UW System Vice President for Finance Debbie Durcan presented a summary of gift, grant, and contract awards for the period July 1, 2011, through June 30, 2012. Vice President Durcan apologized for the lateness of the report, but indicated the data collection process was being automated. She brought to the Committee's attention the footnote that restates prior year's totals. The total awards for the period were approximately \$1.5B, an increase of \$37.1M compared to the prior year.

3. Review and Approval of the UW-Madison Contractual Agreement with Amgen, Inc. [Resolution I.2.a.3.]

The Committee approved a four year data analysis agreement with UW-Madison and Amgen, Inc. Services will be provided through the Department of Biostatistics and Medical Informatics under the direction of Dr. Kevin A. Buhr. Bob Andresen of the Graduate School said the contract is to insure the study in osteoporosis is done safely, and advocacy of that drug is appropriate leading to approval by the FDA. UW-Madison is expected to receive approximately \$1,034,720 over the life of the agreement.

Upon the motion of Regent Walsh and the second of Regent Pruitt, the Committee unanimously approved [Resolution I.2.a.3.]

[Resolution I.2.a.3.]

That, upon the recommendation of the Chancellor of the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents approves the contractual agreement between the University of Wisconsin-Madison and Amgen, Inc.

b. Crisis Response and Continuity of Operations Planning in Action: June 2012 UW-Superior Flood

UW-Superior Chancellor Renee Wachter and Vice Chancellor for Administration and Finance Jan Hanson discussed the recent major flooding of the UW-Superior campus and how their emergency planning efforts (RAVE alerts and on-line FEMA training) helped them respond quickly and effectively to this catastrophic event.

Chancellor Wachter stated that in less than 12 hours the campus flooded and the campus was officially closed, water and raw sewerage entered campus buildings, power was lost and the heating plant shut down, and BMS

Cat (a disaster recover company) had arrived on site. Vice Chancellor Hanson explained how the flooded steam boxes brought additional water into campus structures; flooding and compromising the steam tunnels, boxes and insulation. Ms. Hanson made special note as to how WITC (Wisconsin Indianhead Technical College) is provided steam heat from UW-Superior. However, due to the direct bury of the lines, no storm water entered the steam tunnels at WITC. WITC is located directly across the street from UW-Superior but suffered no flooding damage.

Chancellor Wachter told of the extensive damage to the Library. The entire library collection housed in the library basement was submerged. Over 139,000 books and periodicals floated in storm water for approximately four days. Chancellor Wachter addressed the plan to freeze-dry the damaged library books until a determination could be made on whether the books could be saved. Unfortunately many of the books (more than 80% of the library collection) were not salvageable. Of the 139,000 books damaged, only 22,000 books stored on upper shelves in the flooded areas could be salvaged. The school has hired a library specialist to help rebuild their library collection.

Chancellor Wachter outlined the steps taken for UW-Superior's successful recovery. Power was quickly restored, a command center was established, on-going research projects in Barstow Hall were stabilized, and action was taken to minimize continued damage to the library collection. Over 200 individuals (students and local residents) were hired to assist in the cleanup. The Chancellor made special mention of BMS Cat's special efforts to hire UW-Superior students so the students could continue covering their college financial commitments. Regent Whitburn asked if precautions were taken to avoid potential health issues associated with water damage/flooding. Chancellor Wachter assured him they were. She also stated by August 15th the water was running and boilers were operating. UW-Superior was back in business, and to look at the campus today you would not know there had been a flood.

The Chancellor expressed her appreciation of the Department of Administration, UW System Administration, BMS Cat, as well as local businesses and contractors, who worked to get the campus back to a normal state of operations quickly. Regent Behling asked if the City of Superior declared a state of emergency on June 19th and Chancellor Wachter said they had. Regent Whitburn also suggested UW-Superior consider creating a tutorial on their flooding experiences for other campuses.

c. UW System Efforts to Safeguard Minors: Status Update on Recommendations Contained in the Report on Reporting Crimes Against Children and Implementation of Executive Order #54

Representatives from the UW System Office of Review and Audit and the Office of General Counsel (Office of Professional & Instructional Development Director LaVonne Cornell-Swanson, Associate System Legal Counsel Erin Kastberg, Office of Operations Review and Audit Director Elizabeth Dionne, and General Counsel Tom Stafford) provided information on the status of efforts to strengthen policies, procedures, and practices in response to the Audit Report on Reporting Crimes Against Children and the Implementation of Executive Order #54.

Director Cornell-Swanson highlighted the wide variety of programs, children, and circumstances involved in campus programs. She said our institutions offer programs ranging from sport camps to individual intervention/tutoring programs, serving children in age from infants to young adults, and activities occurring in campus facilities as well as buildings and homes throughout communities. Ms. Cornell-Swanson indicated Executive Order 54 expands the focus of reporting to include reporting by all faculty, staff, and others, as well as expanding the reporting requirements of potential abuse on campuses and within home environments.

Erin Kastberg gave an overview of efforts already taken by UW System, including the General Counsel's website and the survey UW institutions will be responding to concerning current practices and needs on individual campuses.

Director Dionne briefly reviewed the audit recommendations. She focused on a number of audit comments including; enhancement and expansion of criminal background checks, inclusive contract language (contractors and third parties), enhanced screening processes, improved comprehensive training and employee education materials, reporting mechanisms, and lastly the October 2012 goal for a finalized overall policy. Regent Whitburn thanked the group for their work and commented on several items including the need for continued tenacity on this issue, the challenge 35,000 employees pose to implementation, the need for all 26 campuses to be safe, and a commitment to national background screening.

Mr. Stafford and Regent Whitburn discussed the need for consistent and standardized background checks for all parties. Regent Behling said he appreciated knowing current and future employees would be held to the same standard for background checks. Mr. Stafford went on to comment briefly about the Freeh Report. He said the Report was an eye opener and indicated there were a number of items that the UW should review, analyze, and learn from. Regent Walsh stated the need for the UWS to be diligent; institutions have a responsibility to alert people when these types of issues occur, and this type of behavior is not tolerable.

d. Operations Review and Audit: Status Update

Director Dionne went on to provide an update of on-going projects the Office is working on along with information regarding current and/or pending activities of the Legislative Audit Bureau which may impact the UW System. She stated the Office is expanding the type of audit information collected with the goal of providing clearer information and data. As noted on the Snapshot for 2012 Major Project Activity, the last system-wide program review report was completed and the Office is transitioning to compliance focused audits. Recently completed internal reviews include 1) NCAA Division III Athletics – UW-Eau Claire, 2) Undergraduate Academic Advising, 3) UW Policies Related to the Reporting of Crimes Against Children, and 4) NCAA Division III Athletics – UW-Stevens Point.

Director Dionne said the last system-wide audit, Undergraduate Academic Advising, included five comments from the Office of Operations Review and Audit. She believes the audit comments address the need to use limited resources as wisely as possible; including the use of advising technology, serving students most in need, and enhanced training for faculty advisors. Regent Hribar asked if there is any special training for advising non-traditional students, and whether academic advising policy is set system-wide or by individual institution. Director Dionne stated the audit focused on traditional students, however, she did say each campus tailors their academic advising to their student population.

Ms. Dionne continued to outline current and active audit engagements including UW System Travel Regulations, Dual Employment or Overload Payments, International Admissions, and Employee Payroll Information. Other significant activity is the continued development of the audit plan process and the Enterprise Risk Management (ERM) Project. She asked the Committee members to please take time to fill out a forthcoming financial risk survey to give the Office a better understanding of Committee members' concerns. Ms. Dionne was asked about process and timelines involving audits. She said the life cycle of an audit is approximately 3-4 months from issuance of engagement to completion. She noted it may be April or May 2013 before the travel audits are completed for all UW institutions. On-going, individual institution travel reports will be provided to the Committee members, concluding with a system-wide summary document. Regent Whitburn urged Ms. Dionne to pay special attention to outliers, patterns, and cultural implications as her Office conducts compliance audits throughout the UW System.

e. Report of the Senior Vice President

1. Status Update on University Personnel Systems

Associate Vice President for Human Resources and Workforce Diversity Al Crist highlighted areas of recommendations with respect to the University Personnel Systems currently being developed for UW-Madison and the balance of the UW System institutions. He made special note of this unprecedented time in the history of the University that new personnel systems are being established. For the first time the Board of Regents will have full authority for all employees working for the University. Implementation of the new personnel systems will encompass approximately 10-11,000 currently classified employees under the University umbrella.

Mr. Crist shared an overview of the critical events timeline with the members of the Committee. Regent Whitburn asked Mr. Morgan if a special meeting of the Committee was necessary to receive a more thorough briefing on the proposals. Mr. Morgan and Mr. Crist said the Committee will receive briefing documents prior to the October Board meeting, along with a fairly detailed briefing at the October Committee meeting. In addition, the Committee members will have another opportunity for review during the full Board of Regents briefing session. Regent Whitburn asked what the general response has been to these personnel changes across the UW campuses. Mr. Crist said he has been very impressed with the goodwill associated with these changes; however, there is a certain level of uneasiness. Regent Whitburn asked that Committee members be kept abreast of legislative reaction to the proposed changes and questioned if technical or enabling legislation would be needed for the proposals to be in place by July 2013. Mr. Crist indicated the language is being reviewed line-by-line for needed changes and/or clarification.

Mr. Crist also brought to the Committee's attention his intent to bring forward for Committee approval a commitment to fund a "title and total compensation structure analysis". Mr. Crist said the last review was performed in 1986, and the intent is to have an outside, objective review to make sure titles, compensation, and connections to the market make sense.

2. Status Update on UW Travel Program

Associate Vice President Julie Gordon and Travel Manager Terri Gill provided an update on the development of the University's new travel program, an additional flexibility granted under Act 32. Sr. Vice President Morgan said the UW System constitutes about 85% of all state travel and the travel program needs to be in place by July 2013. Ms. Gordon offered an overview of some of the challenges facing the managed travel program emphasizing the wide variety of specialty travel needs (including international and non-employee travel), difficulty in data collection, and travelers' personal preferences. Ms. Gordon said the managed travel program will not need further legislative or state approval prior to implementation in July 2013. Travel Manager Gill highlighted the goals and objectives of the travel program with special mention of the critical nature of using consolidated travel booking. Regent Whitburn asked if the program will be system-wide and whether participation will be mandatory. Ms. Gordon stated the managed travel program will be system-wide and although there will be an expectation to use the program there needs to be flexibility which will be offered through a suite of travel options. Discussion continued on stranded traveler needs, loyalty agreements, and additional cost containment measures.

3. Discussion and Prioritization of Future Deep Dive Topics

Senior Vice President Morgan engaged the Committee regarding major policy issues and relevant topics for the Committee to focus on during the coming year. Based on Committee member input, Mr. Morgan offered the three future deep dive topics: (1) the Cost of Higher Education; (2) Financing Higher Education; and (3) Fiduciary Oversight and Board Responsibilities, especially in NCAA Athletic Programs. Regent Pruitt suggested

using the Association of Governing Boards of Colleges and Universities as a resource tool, in particular when it comes to the issue of fiduciary oversight.

Regent Whitburn adjourned the meeting at 5:05 pm.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ruth E. Wyttenbach". The signature is written in a cursive style with a large initial "R".

Ruth E. Wyttenbach
Recording Secretary