

**Board of Regents
Business, Finance, and Audit Committee
December 6, 2012
University of Wisconsin – Madison
Union South – Varsity Hall I**

MEETING OF THE BUSINESS, FINANCE AND AUDIT COMMITTEE

The meeting of the Business, Finance, and Audit Committee was called to order at 2:30 pm by Regent Gerald Whitburn. Regents John Behling, Tracy Hribar, Katherine Pointer, Charles Pruitt, Gary Roberts, and David Walsh were in attendance.

a. Committee Business

1. Approval of the Minutes of the October 4 and November 8, 2012, meetings of the Business, Finance, and Audit

Upon the motion of Regent Behling and the second of Regent Pointer, the Committee approved the minutes of the October 4 and November 8, 2012 meetings of the Business, Finance, and Audit Committee.

2. Review and Approval of Amendments to the UW-Madison Center for Advanced Studies in Business Guidelines for the Operation of the Fluno Center for Executive Education [Resolution I.2.a.2.]

Darrell Bazzell, UW-Madison Vice Chancellor for Administration, and Dean Francois Ortalo-Magne of the UW-Madison School of Business outlined modifications to the UW-Madison Center for Advanced Studies in Business guidelines relating to the operation of the Fluno Center for Executive Education. Dean Ortalo-Magne said he had met with local innkeepers over the last nine months to address their concerns. Although the innkeepers have not endorsed the proposed modifications, they acknowledge the need for changes in the original 1997 Regent Guidelines. Regent Whitburn complimented Dean Ortalo-Magne's sensitivity toward the private lodging industry, and asked what percentage of the downtown lodging market share was affected. Vice Chancellor Bazzell said it was 2% of the downtown market share and also noted the original guidelines were not a legally binding obligation. Regent Walsh attributed much of Fluno's financial challenge to timing, and in particular, the occurrence of 9/11 and the weakened economy. He also said now is the time to make modifications to the guidelines to assure Fluno's financial stability.

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

[Resolution I.2.a.2.]

That, upon the recommendation of the Chancellor the University of Wisconsin-Madison and the President of the University of Wisconsin System, the Board of Regents adopts revised guidelines for the operation of the Fluno Center for Executive Education as follows:

1. The use of the residence rooms at the Fluno Center shall be restricted to individuals and groups enrolled in education programs at or in connection with the University, and alumni, donors, advisory board members, recruiters, University job candidates and special guests of the University sponsored by University departments and University-affiliated organizations.
2. The Fluno Center shall be operated in a manner consistent with the originally targeted room occupancy rate of 65% - 70% and will actively refer guests it cannot accommodate to other downtown Madison lodging.

3. The Dean of the Wisconsin School of Business shall annually provide a written report to the Chancellor of the University of Wisconsin-Madison on the adherence by the Center for Advanced Studies in Business (CASB) to these guidelines, including the occupancy rate of the Fluno Center's residence rooms, and on the Wisconsin School of Business' and CASB's key strategic initiatives as they relate to the operation of the Fluno Center. Following the Chancellor's acceptance of the annual report, the Dean of the Wisconsin School of Business will provide a copy of such report to the Greater Madison Hotel and Lodging Association (GMH&LA).

3. Review and Approval of Updated Salary Ranges for the UW-Madison and UW-Eau Claire (Non-Doctoral) Chancellors [Resolution I.2.a.3.]

Associate Vice President Al Crist briefed the Committee on the need for adjusted salary ranges for the UW-Madison and UW-Eau Claire Chancellor positions. He said Chancellor searches are in progress at both institutions, the ranges have not been updated since 2008, and the ranges do not reflect current market conditions. Associate VP Crist said the changes will allow the UW System to better compete with other educational institutions for executive leadership. The Committee discussed establishing a process to update all of the ranges for which the Board has authority which would include addressing the frequency of updating the ranges, the role of Foundation resources, and the appropriate peer institution comparisons. Regent Pruitt said the hiring of campus leadership is the most important duty the Regents have, especially in light of increased flexibilities at the campuses. Regent Walsh stressed the need for transparency in the process. It was agreed the Committee would revisit these issues in 2013.

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

[Resolution I.2.a.3.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached updated salary ranges effective July 1, 2013 for the UW-Madison and the UW-Eau Claire (Non-Doctoral) Chancellor positions, for which recruitments are underway.

4. Quarterly Report of Gifts, Grants, and Contracts (1st Quarter)

UW System Vice President for Finance Debbie Durcan presented a summary of gift, grant, and contract awards (\$488.9 million) for the period July 1, 2012, through September 30, 2012. She noted an overall decline of \$82.5 million from the first quarter. Vice President Durcan said she was confident some of the decline in dollars was due to how award data is dispersed and the timing of required reporting. However, she also noted a reduction in federal funding for research dollars at three institutions; Madison, Milwaukee, and Platteville, and specifically cited a decline of \$41 million in research monies to UW-Madison. She said it is too early to tell if these reductions would be reflected in the end of the fiscal year report, however, due to the emphasis on outside financial support the campuses are diligently tracking all awards.

c. UW System Trust Funds

1. Review and Approval of Changes to Regent Policy Documents Related to the Investment and Administration of Trust Funds, [Resolution I.2.c.1.i.], [Resolution I.2.c.1.ii.], [Resolution I.2.c.1.iii.]

Director Doug Hoerr, UW System Trust Fund Office, updated the Committee on the status of the continuation of the review of Regent Policy Documents for the Trust Fund Office. Director Hoerr requested Committee action on three resolutions. The first resolution, Resolution I.2.c.1.i., would consolidate three existing policies relating to overall investment policy management into one singular statement. Resolution I.2.c.1.ii. contains minor administrative modifications and revisions to a variety of policy statements, including a title revision. Resolution I.2.c.1.iii. would eliminate four policies no longer deemed necessary or appropriate for the Trust Fund Office. Overall, the proposed changes would reduce eight Regent Policy Documents into two new revised documents. The Committee approved all three resolutions with one action.

Upon the motion of Regent Walsh and the second of Regent Hribar, the Committee unanimously approved Resolution I.2.c.1.i., Resolution I.2.c.1.ii., and Resolution I.2.c.1.iii.

[Resolution I.2.c.1.i.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to Regent Policy Document 31-9, "Investment Policy Statement" and rescinds Regent Policy Documents 31-8, "Small Fraction Spending Plan (Endowment Reinvestment)" and 31-14, "Trust Fund Asset Allocation Policy."

[Resolution I.2.c.1.ii.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached revisions to Regent Policy Document 31-15, "Policy on Quasi-Endowments University of Wisconsin System Trust Funds."

[Resolution I.2.c.1.iii.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents rescinds Regent Policy Document 31-4 "Trust Fund Disbursement Certification" and removes from the collection of Regent Policies Regent Policy Documents 31-1, "Investment of Cash Reserves", 31-11, "University of Wisconsin System Custodial Services", and 31-12, "Changes in Investment Custodial Services."

2. Investment Policy Statement Review and Affirmation [Resolution I.2.c.2.]

Director Hoerr also requested Committee approval of the annual revised UW System Trust Funds Investment Policy Statement. He indicated the only change in the statement was to update current market values of the Funds.

Upon the motion of Regent Behling and the second of Regent Hribar, the Committee unanimously approved Resolution I.2.c.2.

[Resolution I.2.c.2.]

That, upon recommendation of the President of the University of Wisconsin System, the Board of Regents approves the recommended revisions to, and otherwise reaffirms its adoption of, the Investment Policy Statement for the University of Wisconsin System Trust Funds.

d. Review and Approval of Amendments to Regent Policy Document 20-19: University of Wisconsin System Criminal Background Check Policy [Resolution I.2.d.]

Regent Whitburn gave a brief review of the overall direction and background on the policy on criminal background checks. He indicated the development of enhanced policies and implementation should occur by March 1, 2013. Tom Stafford, UW System General Counsel, and Erin Kastberg, Associate System Legal Counsel, reviewed prior actions and the proposed revisions. The review highlighted five areas: 1) new hires subject to national criminal background checks, 2) definition of "position of trust", 3) addition of self-reporting, 4) addition of "users" of university facilities, and 5) a March 1, 2013, implementation date. The Committee was asked to approve these revisions to Regent Policy Document 20-19, the UW System Criminal Background Check Policy.

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

[Resolution I.2.d.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the changes to Regent Policy Document 20-19, "University of Wisconsin System Criminal Background Check Policy" and directs each institution to implement an amended policy on or before March 1, 2013.

b. University Personnel Systems (UPS): Review and Approval of New University Personnel Systems

1. Review and Approval of Regent Policy Document: Board Authority to Administer New Personnel Systems [Resolution I.2.b.1.]

Al Crist, Associate Vice President for Human Resources and Workforce Diversity, UW-Platteville Chancellor Dennis and co-chair of the UPS Task Force, and UW-Madison Vice Chancellor Bazzell and co-chair of the UPS Task Force, reviewed the status of the University Personnel Systems (UPS). Associate VP Crist requested Committee action on four resolutions which address the general context and ideals of the new personnel policy. Mr. Crist described the process to move the new system toward approval and relevant timelines. He commended Margo Lessard and Jason Beier for their hard work and commitment to the project.

Associate VP Crist said the first resolution (I.2.b.1.) is an overarching resolution under which the balance of the HR design project would function, and unifies Board of Regent authority and responsibility for all members of the UW workforce. Committee approval of this resolution would be the first time Regent Policy puts classified staff under the authority of the Board of Regents, the President and the Chancellor of the UW-Madison.

Upon the motion of Regent Behling and the second of Regent Roberts, the Committee unanimously approved Resolution I.2.b.1.

[Resolution I.2.b.1.]

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

- (1) approves the attached Regent Policy Document on University Personnel Systems, which applies to all UW System institutions and their employees, effective July 1, 2013;
- (2) endorses the attached draft UPS Operating Policies for all UW System institutions except UW-Madison, effective July 1, 2013; and
- (3) authorizes the UW System President to submit this Regent Policy Document and attachments to the Joint Committee on Employment Relations for its consideration pursuant to Wis. Stat. § 36.115. (Attachment 3)

BE IT FURTHER RESOLVED that the Board of Regents authorizes the Secretary of the Board of Regents to remove from the Regent Policy Documents, effective July 1, 2013, the following policies:

- 6-1, *Administrative Titles*;
- 6-2, *Administrative Salary Range*;
- 20-1, *System Sick Leave Policy for Faculty and Academic Staff*;
- 20-3, *Academic Staff Appointments*;
- 20-4, *Tuition Reimbursement to Unclassified Staff Members*;
- 20-6, *Policy on Non-Medical Leaves of Absence for Unclassified Staff*;
- 20-8, *Academic Staff Title and Compensation Plan*;
- 20-10, *Establishment of Annual leave Reserve Accounts for Unclassified Staff Earning Vacation*;
- 20-11, *Establishment of Personal Holidays for Faculty, Academic Staff and Limited Appointees*;
- 20-12, *Distinguished Prefix for Certain Category B Titles*;

20-13, *Paid Annual Leave Options for Unclassified Staff*;
20-15, *Catastrophic Leave for Faculty and Academic Staff*;
20-17, *Selection, Training, and Evaluation of Teaching Assistants*; and
20-18, *Review of University Personnel Policies and Practices*.

The resolutions that created each of these policies will remain in effect and will be incorporated into the UPS Operating Policies for all UW System institutions except UW-Madison, effective July 1, 2013.

2. Review and Approval of Regent Policy Document: University Staff Governance [Resolution I.2.b.2.]

Associate VP Crist continued by summarizing the directive of the second resolution (I.2.b.2.) which would provide governance rights to the newly created employee category of University Staff. Committee approval of the resolution allows for the same type of governance rights for the new category of staff as academic staff.

Upon the motion of Regent Roberts and the second of Regent Behling, the Committee unanimously approved Resolution 1.2.b.2.

[Resolution I.2.b.2.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves, effective July 1, 2013, the attached Regent Policy Document on University Staff Governance, which authorizes the "University Staff" of each UW System institution to structure them in such manner as they determine and to select representatives to participate in institutional governance. (Attachment 4)

3. Review and Approval of Regent Policy Document: Code of Ethics for All UW System Employees [Resolution I.2.b.3.]

The third resolution (I.2.b.3.) is the continuation of Board of Regents policy for a single code of ethics for all university staff. Associate VP Crist said if this resolution language is approved, the Committee may want to consider, at a later date, reviewing the language to create a more unified policy.

Upon the motion of Regent Roberts and the second of Regent Pointer, the Committee unanimously approved Resolution I.2.b.3.

[Resolution I.2.b.3.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves, effective July 1, 2013, the attached Regent Policy Document on Code of Ethics, which confirms the continued application of Chapter UWS 8 Wis. Admin. Code, "Unclassified Staff Code of Ethics" for faculty, academic staff, and limited appointees, except those who are "state public officials" subject to Subchapter III of Wis. Stat. Chapter 19, and adds a university staff Code of Ethics closely modeled after ER-MRS 24, Wis. Admin. Code, which applies to Classified Staff in state agencies. (Attachment 5)

4. Endorsement of Technical Statutory Changes Needed to Accomplish the Intent of Wis. Stat. S36.115 [Resolution I.2.b.4.]

The fourth resolution (I.2.b.4.) includes technical changes needed to clarify and implement the new personnel system. Associate VP Crist cited several examples of the changes which included the removal of the terms "classified" and "unclassified" from current language, developing a new sub-chapter to Chapter 111 to give the Board of Regents and the UW-Madison Chancellor appropriate authority, and identifying employees as state employees for WI Trust Fund purposes.

Upon the motion of Regent Behling and the second of Regent Roberts, the Committee unanimously approved Resolution I.2.b.4.

[Resolution I.2.b.4.]

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached technical statutory changes, needed by July 1, 2013 to accomplish the intent of Wis. Stat. § 36.115, including:

- (1) changes that acknowledge that, beginning July 1, 2013, there no longer will be UW System employees designated as “classified” or “unclassified” staff;
- (2) creation of a new subchapter of Wis. Stat. Chapter 111, under which and the Board of Regents and the UW-Madison Chancellor will have administrative responsibility for labor relations for University Staff who no longer would be covered under the State Employment Labor Relations Act (SELRA); and
- (3) revisions to Wis. Stat. § 230.08, to identify UW System employees as employees of the State of Wisconsin, subject to the personnel systems required by Wis. Stat. § 36.115.

The Committee discussed the value and necessity of technical changes, and expectations on how approval of the new personnel system will move through the Legislature. Associate VP Crist said they will continue to work with the Governor's Office and the Legislature to help them understand the proposed HR system in preparation of approval by the Joint Committee on Employment Relations. Chancellor Shields commended the efforts made by all in the organization who worked together to successfully create this new HR system. Regent Whitburn, on behalf of the Committee, complimented the participants on a model process for a critically important initiative.

5. HR Design – A Strategic Plan for a New UW-Madison Human Resources System

Vice Chancellor Darrell Bazzell and UW-Madison Director Bob Lavigna highlighted the UW-Madison HR Design Strategic Plan and emphasized how the new personnel system will meet the needs of the Madison campus. They emphasized the consultative and collaborated process utilized, and said many of the recommendations made through the work teams and meetings were incorporated into the structure of the new personnel system for UW-Madison. Regent Whitburn stressed the importance for the Committee to understand the distinction of the Board of Regent’s role and the UW-Madison Chancellor's role, and the need for both new personnel systems to be aligned.

e. UW Travel Program: Discussion of Draft Regent Policy

Associate Vice President of Financial Administration Julie Gordon provided a status update on the development of a draft Regent Policy Document that outlines the new UW Travel Program. She said oversight of university travel was granted to the Board as part of Act 32 and, similar to the Personnel Systems, is effective July 1, 2013. Associate Vice President Gordon continued saying the draft Board policy calls for a managed travel program for all UW System institutions and employees which meets IRS requirements and balances improved services to travelers, enhances efficiency in operations, and leverages volume discounts to contain costs. Regent Whitburn thanked Associate Vice President Gordon for her efforts at keeping the Regents informed during this development process.

f. Operations Review and Audit

1. Quarterly Status Update

2. Discussion of the Proposed 2013 Audit Plan Topics

Director Elizabeth Dionne, Office of Operations Review and Audit, presented the Operations Review and Audit quarterly status update. She highlighted recently completed and on-going projects, and said the Regents would be receiving the institutional level reports in the mail soon. Director Dionne also offered the Committee an overview of the proposed 2013 audit plan topics and asked for Committee input. She said she intends to present the final audit plan to the Committee at the February meeting. The Committee discussed the need to be flexible for higher risk items which may come forward and inquired about appropriate staffing needs.

g. Report of the Senior Vice President

1. 2013-15 Biennial Budget Update

2. Update on Implementation of Audit Recommendations Related to the Reporting of Crimes Against Children

Freda Harris, Associate Vice President of the Office of Budget and Planning, gave a status update on the 2013-15 biennial budget and the lapse requirement. She indicated the University filed its lapse plan for FY 13 and also noted the revenue picture for the State had improved. She was hopeful these circumstances would bring a better budget to the University than had been possible during the economic recession. Associate VP Harris also said budget discussions were continuing between UW System and the Department of Administration.

Sr. Vice President for Administration and Fiscal Affairs Michael Morgan provided an update on the implementation of audit recommendations related to the reporting of crimes against children. He acknowledged the outstanding work of several individuals including Tom Stafford, Erin Kastberg, Lavonne Cornell-Swanson, Ruth Anderson, Jason Beier, and Elizabeth Dionne. On behalf of the Committee, Regent Whitburn acknowledged the professionalism, commitment, and efficiency in achieving the progress that had been made on this important Board of Regent policy.

Regent Whitburn adjourned the meeting at 4:25 pm.

Respectfully submitted,



Ruth E. Wyttenbach
Recording Secretary