

08/28/13

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.2. Business and Finance Committee
I.5. Audit Committee

Friday, September 6, 2013
UW-Madison
1820 Van Hise Hall
Madison, Wisconsin

8:30 a.m. Joint Meeting of the Business and Finance Committee and the Audit Committee –
All Regents Invited – 1820 Van Hise Hall

- a. Committee Business
 1. Approval of the Minutes of the July 11, 2013 Meeting of the Business, Finance, and Audit Committee
 2. Quarterly Report of Gifts, Grants, and Contracts (4th Quarter)
 3. Review and Approval of the UW-Madison Division of Intercollegiate Athletics Contractual Agreement and Addendum with Cowboys Stadium, LP, Stadium Events Organizing Committee, ESPN Productions, Inc., and the Board of Trustees of the University of Alabama
[Resolution I.2.a.3.]
 4. Review and Approval of the UW-Madison Contractual Agreement with Alcon Research, LTD.
[Resolution I.2.a.4.]
 5. Review and Approval of the UW-Madison Contractual Agreement (Master Service Agreement) with EyeKor, LLC.
[Resolution I.2.a.5.]
- b. Review and Approval of One-Time Funding from Program Revenue Balances as Required by 2013 Wisconsin Act 20
[Resolution I.2.b.]
- c. Review and Approval of Regent Policy Document on Classified Staff Governance
[Resolution I.2.c.]

- d. Review and Approval of a Revised Methodology to Calculate UW System Program Revenue Appropriation Balances and Reserves
[Resolution I.2.d.]

- e. Review and Discussion of UW System Policy on Program Revenue Appropriation Balances and Reserves

- f. Internal Audit Issues
 - 1. Internal Audit Status Update

 - 2. Recommendation from the External Assessment of the Office of Internal Audit Regarding the Chief Audit Executive's Reporting Line
[Resolution I.5.f.2.]

 - 3. Review and Approval of the Audit Committee Charter
[Resolution I.5.f.3.]

 - 4. Presentation by PricewaterhouseCoopers on the Human Resource System Risk Assessment

 - 5. Update on the Search Process for the Chief Audit Executive

- g. Report of the Senior Vice President

QUARTERLY REPORT OF GIFTS, GRANTS, AND CONTRACTS JULY 1, 2012 THROUGH JUNE 30, 2013

EXECUTIVE SUMMARY

BACKGROUND

Prior to 1993, the Board of Regents had been presented a detailed listing of all gift, grant, and contract awards received in the previous month. This reporting protocol was deemed overly labor intensive and information presented was easily misinterpreted. Very few gifts are given directly to the University; the vast majority of gift items listed in these reports represented a pass-through of funds raised by UW Foundations. In addition, reported grant and contract awards frequently span several years, making the monthly figures reported somewhat misleading to the uninformed reader.

In February 1993, the Board adopted a plan for summary reporting on a monthly basis, delegating to the UW System Vice President for Finance acceptance of contracts with for-profit entities where the consideration involved was less than \$200,000. Contracts in excess of \$200,000 were required to come to the Board prior to execution. This \$200,000 threshold was increased to \$500,000 at the Board's September 4, 1997 meeting.

At this same September 4, 1997 meeting, it was noted that, while the monthly summary reporting from UW institutions will continue, the Vice President for Finance will present the information to the Board on a quarterly, rather than monthly, basis. These quarterly summary reports have been presented to the Business, Finance, and Audit Committee since that time and have generally been accompanied by a brief explanation of significant changes.

REQUESTED ACTION

No action is required; this item is for information only.

DISCUSSION

Attached is a summary report of gifts, grants, and contracts awarded to University of Wisconsin System institutions in the twelve-month period July 1, 2012 through June 30, 2013. Total gifts, grants, and contracts for the period were approximately \$1.5 billion; this is a decrease of \$52.0 million from the same period in the prior year. Federal awards decreased \$83.9 million while non-federal awards increased by \$31.9 million.

RELATED REGENT POLICIES

Regent Resolution Number 7548, dated September 4, 1997

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2012-2013 (4th Quarter)

FISCAL YEAR 2012-2013	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
Total	99,194,687	62,344,384	10,829,340	130,860,804	42,960,438	894,678,162	215,368,201	1,456,236,016
Federal	59,179,273	35,322,490	0	10,424,228	437,547	570,854,657	196,248,408	872,466,604
Nonfederal	40,015,414	27,021,893	10,829,340	120,436,577	42,522,891	323,823,506	19,119,792	583,769,412
FISCAL YEAR 2011-2012								
Total	116,811,379	62,329,938	3,092,531	109,214,739	46,757,304	964,132,918	205,875,211	1,508,214,021
Federal	72,826,222	36,471,314	0	11,448,702	935,523	646,825,922	187,844,774	956,352,457
Nonfederal	43,985,157	25,858,624	3,092,531	97,766,037	45,821,781	317,306,997	18,030,437	551,861,564
INCREASE(DECREASE)								
Total	(17,616,692)	14,446	7,736,809	21,646,065	(3,796,866)	(69,454,756)	9,492,990	(51,978,005)
Federal	(13,646,949)	(1,148,823)	0	(1,024,474)	(497,976)	(75,971,265)	8,403,634	(83,885,853)
Nonfederal	(3,969,743)	1,163,269	7,736,809	22,670,539	(3,298,890)	6,516,509	1,089,357	31,907,849

UNIVERSITY OF WISCONSIN SYSTEM
 GIFTS, GRANTS AND CONTRACTS AWARDED - BY INSTITUTION
 QUARTERLY REPORT & PRIOR-YEAR COMPARISON
 FISCAL YEAR 2012-2013 (4th Quarter)

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2012-2013								
Madison	39,104,311	42,574,724	10,812,545	110,985,996	42,778,630	849,122,069	43,795,416	1,139,173,692
Milwaukee	10,153,409	6,038,512	13,200	7,842,928	0	30,292,991	37,541,804	91,882,844
Eau Claire	1,580,508	2,677,959	0	0	70,131	1,046,099	13,504,572	18,879,269
Green Bay	39,241	1,881,440	0	682,281	0	1,960,715	9,580,813	14,144,488
La Crosse	658,010	123,018	0	1,782,981	0	2,114,399	9,631,143	14,309,551
Oshkosh	1,003,034	6,785,000	0	0	0	2,479,872	14,425,303	24,693,208
Parkside	1,100,710	836,963	0	27,340	35,115	128,458	8,768,648	10,897,233
Platteville	655,814	69,899	0	185,096	0	1,021,954	10,059,836	11,992,598
River Falls	524,378	48,725	3,415	1,846,673	8,500	308,240	3,951,081	6,691,012
Stevens Point	2,959,078	463,471	0	1,707,436	0	2,101,500	14,609,899	21,841,384
Stout	2,344,824	199,311	0	2,356,872	425	623,602	11,665,345	17,190,380
Superior	478,889	0	0	784,628	0	745,909	2,498,615	4,508,041
Whitewater	2,093,874	62,245	0	1,597,674	67,637	368,298	14,443,370	18,633,117
Colleges	19,125	560,207	180	1,037,850	0	238,699	20,892,356	22,748,418
Extension	36,479,484	0	0	0	0	252,605	0	36,732,089
System-Wide	0	22,910	0	23,030	0	1,872,752	0	1,918,692
Totals	99,194,687	62,344,384	10,829,340	130,860,804	42,960,438	894,678,162	215,368,201	1,456,236,016
Madison	32,629,502	20,220,879	0	2,391,325	437,547	536,204,300	28,401,863	620,285,417
Milwaukee	7,148,363	5,123,637	0	2,251,604	0	24,380,006	37,459,699	76,363,309
Eau Claire	138,506	1,303,726	0	0	0	746,254	12,884,831	15,073,317
Green Bay	35,502	1,321,145	0	32,015	0	1,659,916	9,218,760	12,267,338
La Crosse	379,128	103,879	0	1,011,981	0	536,760	9,512,629	11,544,377
Oshkosh	867,729	5,955,398	0	0	0	1,985,502	14,425,303	23,233,932
Parkside	1,026,885	581,474	0	0	0	0	8,682,233	10,290,592
Platteville	489,223	46,945	0	0	0	831,505	10,059,836	11,427,509
River Falls	430,123	0	0	1,193,062	0	264,399	3,925,581	5,813,165
Stevens Point	117,668	0	0	825,728	0	833,456	14,448,403	16,225,255
Stout	1,729,562	93,442	0	1,053,478	0	549,998	11,108,094	14,534,574
Superior	478,889	0	0	762,340	0	200,000	2,498,615	3,939,844
Whitewater	2,018,685	10,849	0	585,640	0	323,954	13,405,165	16,344,293
Colleges	5,700	553,207	0	303,055	0	218,750	20,217,396	21,298,108
Extension	11,683,807	0	0	0	0	247,105	0	11,930,912
System-Wide	0	7,910	0	14,000	0	1,872,752	0	1,894,662
Federal Totals	59,179,273	35,322,490	0	10,424,228	437,547	570,854,657	196,248,408	872,466,604
Madison	6,474,809	22,353,845	10,812,545	108,594,671	42,341,083	312,917,769	15,393,553	518,888,275
Milwaukee	3,005,045	914,875	13,200	5,591,324	0	5,912,985	82,105	15,519,535
Eau Claire	1,442,002	1,374,233	0	0	70,131	299,845	619,741	3,805,952
Green Bay	3,739	560,295	0	650,266	0	300,799	362,053	1,877,151
La Crosse	278,882	19,139	0	771,000	0	1,577,639	118,514	2,765,174
Oshkosh	135,304	829,602	0	0	0	494,370	0	1,459,276
Parkside	73,825	255,489	0	27,340	35,115	128,458	86,415	606,641
Platteville	166,591	22,954	0	185,096	0	190,449	0	565,090
River Falls	94,255	48,725	3,415	653,611	8,500	43,841	25,500	877,847
Stevens Point	2,841,410	463,471	0	881,708	0	1,268,044	161,496	5,616,129
Stout	615,262	105,869	0	1,303,394	425	73,604	557,251	2,655,806
Superior	0	0	0	22,288	0	545,909	0	568,197
Whitewater	75,189	51,396	0	1,012,054	67,637	44,344	1,038,205	2,288,824
Colleges	13,425	7,000	180	734,795	0	19,949	674,960	1,450,309
Extension	24,795,677	0	0	0	0	5,500	0	24,801,177
System-Wide	0	15,000	0	9,030	0	0	0	24,030
Nonfederal Totals	40,015,414	27,021,894	10,829,340	120,436,576	42,522,891	323,823,505	19,119,792	583,769,412

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
FISCAL YEAR 2011-2012								
Madison	37,384,819	41,510,573	3,032,175	89,548,763	43,569,009	917,154,338	41,671,152	1,173,870,829
Milwaukee	11,021,990	6,788,980	45,561	5,618,583	0	31,362,882	39,364,362	94,202,357
Eau Claire	2,274,733	2,471,631	0	0	20,000	1,096,322	13,262,424	19,125,110
Green Bay	4,100	1,019,415	4,159	1,418,880	1,000	1,563,998	10,091,607	14,103,159
La Crosse	380,007	144,847	0	2,430,571	3,075,644	2,129,816	9,035,501	17,196,386
Oshkosh	1,583,461	7,559,322	0	0	0	2,869,092	14,264,988	26,276,863
Parkside	345,445	334,661	0	117,433	0	604,198	291,614	1,693,351
Platteville	318,994	94,806	0	366,105	0	912,178	9,430,205	11,122,288
River Falls	862,746	6,080	9,637	1,607,835	31,499	136,676	3,939,116	6,593,589
Stevens Point	2,717,643	643,308	0	1,082,323	0	2,697,145	13,933,435	21,073,854
Stout	2,321,910	470,338	0	1,788,159	17,300	1,197,028	11,791,768	17,586,502
Superior	30,469	0	0	896,198	0	1,749,420	2,558,647	5,234,734
Whitewater	2,672,873	220,260	0	2,228,828	42,852	510,385	14,768,853	20,444,051
Colleges	9,476	13,256	1,000	1,997,958	0	44,216	21,471,539	23,537,445
Extension	54,882,713	0	0	0	0	6,500	0	54,889,213
System-Wide	0	1,052,463	0	113,103	0	98,724	0	1,264,290
Totals	116,811,379	62,329,938	3,092,531	109,214,739	46,757,304	964,132,918	205,875,211	1,508,214,021
Madison	32,665,773	20,337,667	0	1,684,093	915,523	609,901,048	27,715,376	693,219,479
Milwaukee	7,472,414	5,199,821	0	2,064,563	0	26,429,392	39,293,661	80,459,851
Eau Claire	745,002	1,318,385	0	0	20,000	758,943	12,757,792	15,600,122
Green Bay	2,000	694,933	0	756,489	0	1,021,998	9,599,528	12,074,948
La Crosse	165,576	103,794	0	968,161	0	975,613	8,981,585	11,194,729
Oshkosh	907,908	7,293,368	0	0	0	2,552,841	14,264,988	25,019,105
Parkside	15,000	0	0	0	0	414,189	0	429,189
Platteville	302,815	0	0	366,105	0	648,963	9,430,205	10,748,088
River Falls	547,544	0	0	878,173	0	99,947	3,913,870	5,439,534
Stevens Point	32,065	110,540	0	429,568	0	1,515,041	13,933,435	16,020,649
Stout	1,913,921	348,032	0	1,078,736	0	1,105,482	11,230,747	15,676,918
Superior	30,469	0	0	752,615	0	939,565	2,558,647	4,281,296
Whitewater	2,551,089	27,310	0	1,246,947	0	408,781	13,490,818	17,724,945
Colleges	0	0	0	1,223,253	0	336	20,674,122	21,897,712
Extension	25,474,647	0	0	0	0	0	0	25,474,647
System-Wide	0	1,037,463	0	0	0	53,782	0	1,091,245
Federal Totals	72,826,222	36,471,314	0	11,448,702	935,523	646,825,922	187,844,774	956,352,457
Madison	4,719,047	21,172,905	3,032,175	87,864,671	42,653,486	307,253,290	13,955,776	480,651,350
Milwaukee	3,549,576	1,589,159	45,561	3,554,020	0	4,933,490	70,701	13,742,506
Eau Claire	1,529,731	1,153,246	0	0	0	337,379	504,632	3,524,988
Green Bay	2,100	324,482	4,159	662,391	1,000	542,000	492,079	2,028,211
La Crosse	214,431	41,053	0	1,462,410	3,075,644	1,154,203	53,916	6,001,657
Oshkosh	675,553	265,954	0	0	0	316,251	0	1,257,757
Parkside	330,445	334,661	0	117,433	0	190,009	291,614	1,264,162
Platteville	16,179	94,806	0	0	0	263,215	0	374,200
River Falls	315,202	6,080	9,637	729,662	31,499	36,729	25,246	1,154,055
Stevens Point	2,685,578	532,768	0	652,755	0	1,182,104	0	5,053,205
Stout	407,989	122,306	0	709,423	17,300	91,546	561,021	1,909,584
Superior	0	0	0	143,583	0	809,855	0	953,438
Whitewater	121,784	192,950	0	981,882	42,852	101,604	1,278,035	2,719,106
Colleges	9,476	13,256	1,000	774,704	0	43,880	797,417	1,639,733
Extension	29,408,066	0	0	0	0	6,500	0	29,414,566
System-Wide	0	15,000	0	113,103	0	44,942	0	173,045
Nonfederal Totals	43,985,157	25,858,624	3,092,531	97,766,037	45,821,781	317,306,997	18,030,437	551,861,564

	Public Service	Instruction	Libraries	Misc	Physical Plant	Research	Student Aid	Total
INCREASE (DECREASE)								
Madison	1,719,491	1,064,152	7,780,370	21,437,233	(790,379)	(68,032,269)	2,124,264	(34,697,137)
Milwaukee	(868,582)	(750,468)	(32,361)	2,224,345	0	(1,069,891)	(1,822,557)	(2,319,514)
Eau Claire	(694,225)	206,328	0	0	50,131	(50,223)	242,148	(245,841)
Green Bay	35,141	862,024	(4,159)	(736,599)	(1,000)	396,716	(510,795)	41,329
La Crosse	278,003	(21,829)	0	(647,590)	(3,075,644)	(15,417)	595,642	(2,886,835)
Oshkosh	(580,427)	(774,322)	0	0	0	(389,220)	160,315	(1,583,654)
Parkside	755,265	502,302	0	(90,093)	35,115	(475,741)	8,477,034	9,203,883
Platteville	336,820	(24,907)	0	(181,009)	0	109,776	629,631	870,310
River Falls	(338,368)	42,645	(6,222)	238,838	(22,999)	171,564	11,965	97,423
Stevens Point	241,435	(179,837)	0	625,113	0	(595,645)	676,464	767,530
Stout	22,915	(271,027)	0	568,714	(16,875)	(573,425)	(126,423)	(396,122)
Superior	448,420	0	0	(111,571)	0	(1,003,511)	(60,032)	(726,694)
Whitewater	(578,999)	(158,015)	0	(631,135)	24,785	(142,087)	(325,483)	(1,810,934)
Colleges	9,649	546,952	(820)	(960,107)	0	194,482	(579,183)	(789,028)
Extension	(18,403,228)	0	0	0	0	246,105	0	(18,157,123)
System-Wide	0	(1,029,553)	0	(90,073)	0	1,774,028	0	654,402
Totals	(17,616,692)	14,446	7,736,809	21,646,065	(3,796,866)	(69,454,756)	9,492,990	(51,978,005)
Madison	(36,271)	(116,788)	0	707,233	(477,976)	(73,696,748)	686,488	(72,934,062)
Milwaukee	(324,051)	(76,184)	0	187,041	0	(2,049,386)	(1,833,962)	(4,096,542)
Eau Claire	(606,496)	(14,659)	0	0	(20,000)	(12,689)	127,039	(526,805)
Green Bay	33,502	626,212	0	(724,474)	0	637,918	(380,768)	192,389
La Crosse	213,552	85	0	43,820	0	(438,853)	531,044	349,648
Oshkosh	(40,179)	(1,337,970)	0	0	0	(567,339)	160,315	(1,785,173)
Parkside	1,011,885	581,474	0	0	0	(414,189)	8,682,233	9,861,403
Platteville	186,408	46,945	0	(366,105)	0	182,542	629,631	679,421
River Falls	(117,421)	0	0	314,889	0	164,452	11,711	373,631
Stevens Point	85,603	(110,540)	0	396,160	0	(681,585)	514,968	204,606
Stout	(184,359)	(254,590)	0	(25,258)	0	(555,484)	(122,653)	(1,142,344)
Superior	448,420	0	0	9,725	0	(739,565)	(60,032)	(341,452)
Whitewater	(532,404)	(16,461)	0	(661,306)	0	(84,827)	(85,653)	(1,380,652)
Colleges	5,700	553,207	0	(920,198)	0	218,414	(456,726)	(599,603)
Extension	(13,790,839)	0	0	0	0	247,105	0	(13,543,734)
System-Wide	0	(1,029,553)	0	14,000	0	1,818,970	0	803,417
Federal Totals	(13,646,949)	(1,148,823)	0	(1,024,474)	(497,976)	(75,971,265)	8,403,634	(83,885,853)
Madison	1,755,762	1,180,940	7,780,370	20,730,000	(312,403)	5,664,479	1,437,777	38,236,925
Milwaukee	(544,531)	(674,284)	(32,361)	2,037,304	0	979,496	11,405	1,777,029
Eau Claire	(87,729)	220,987	0	0	70,131	(37,534)	115,109	280,964
Green Bay	1,639	235,812	(4,159)	(12,125)	(1,000)	(241,201)	(130,026)	(151,061)
La Crosse	64,451	(21,914)	0	(691,410)	(3,075,644)	423,436	64,598	(3,236,483)
Oshkosh	(540,249)	563,649	0	0	0	178,119	0	201,519
Parkside	(256,620)	(79,172)	0	(90,093)	35,115	(61,552)	(205,199)	(657,520)
Platteville	150,412	(71,852)	0	185,096	0	(72,766)	0	190,890
River Falls	(220,947)	42,645	(6,222)	(76,051)	(22,999)	7,112	254	(276,208)
Stevens Point	155,832	(69,297)	0	228,953	0	85,940	161,496	562,924
Stout	207,273	(16,437)	0	593,972	(16,875)	(17,941)	(3,770)	746,222
Superior	0	0	0	(121,296)	0	(263,946)	0	(385,242)
Whitewater	(46,595)	(141,554)	0	30,172	24,785	(57,260)	(239,830)	(430,282)
Colleges	3,949	(6,256)	(820)	(39,909)	0	(23,931)	(122,457)	(189,424)
Extension	(4,612,389)	0	0	0	0	(1,000)	0	(4,613,389)
System-Wide	0	0	0	(104,073)	0	(44,942)	0	(149,015)
Nonfederal Totals	(3,969,743)	1,163,269	7,736,809	22,670,539	(3,298,890)	6,516,509	1,089,356	31,907,848

UW-Madison Division of Intercollegiate Athletics Contractual Agreement
with Cowboys Stadium LP, Stadium Events Organizing Committee,
ESPN Productions, Inc., and the Board of Trustees of the University of Alabama

BUSINESS AND FINANCE COMMITTEE

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 and addendum between the University of Wisconsin-Madison Division of Intercollegiate Athletics and Cowboys Stadium LP, Stadium Events Organizing Committee, ESPN Productions, Inc., and the Trustees of the University of Alabama.

**UW-MADISON DIVISION OF INTERCOLLEGIATE ATHLETICS
CONTRACTUAL AGREEMENT AND ADDENDUM
WITH COWBOYS STADIUM, LP, STADIUM EVENTS ORGANIZING
COMMITTEE, ESPN PRODUCTIONS, INC., AND THE BOARD OF
TRUSTEES OF THE UNIVERSITY OF ALABAMA**

EXECUTIVE SUMMARY

BACKGROUND

UW-Madison is seeking Board of Regents approval to enter into a contractual agreement with the noted parties for a football game to be held on September 5, 2015.

In accordance with Regent Policy Document *13-1 General Contract Signature Authority, Approval, and Reporting*, contracts with private, profit-making organizations with a value of \$500,000 or more require formal approval by the Board of Regents prior to execution.

REQUESTED ACTION

Approval of Resolution I.2.a.3.

DISCUSSION AND RECOMMENDATIONS

This contract covers a Wisconsin Badger football game with the University of Alabama to be hosted at Cowboys Stadium in Arlington, Texas on September 5, 2015.

Contract highlights include:

- ESPN Productions, Inc. will pay the University \$4,000,000 for its participation in the game;
- UW-Madison Division of Intercollegiate Athletics will be provided a minimum of 25,000 tickets to re-sell to its fans. Unsold tickets must be returned to Cowboys Stadium by specified dates;
- The University will receive 250 complimentary tickets;
- The University will receive two suites designated by Cowboys Stadium, LP;
- The University will receive one field-level “club” with a capacity of 350 people;
- Media Distribution Rights for this game belong to the Big Ten Conference.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval, and Reporting.

UW-Madison Contractual Agreement
with Alcon Research, Ltd.

BUSINESS AND FINANCE COMMITTEE

Resolution:

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 Alcon Research, Ltd.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH ALCON RESEARCH, LTD.**

EXECUTIVE SUMMARY

BACKGROUND

UW Board of Regents policy requires any grant or contract with private profit-making organizations in excess of \$500,000 be presented to the Board for formal acceptance prior to execution.

REQUESTED ACTION

Approval of Resolution I.2.a.4.

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 Alcon Research, Ltd.

DISCUSSION AND RECOMMENDATIONS

The Office of Industry Relations at the School of Medicine and Public Health, with assistance from the Office of Industrial Partnerships at the University of Wisconsin-Madison, negotiated a Fee for Service Agreement (attached) with Alcon Research, Ltd. (“Alcon”). In consideration for providing the requested services, Alcon shall pay the University \$573,650.48. The designated period of performance for this Agreement is July 31, 2013 through May 31, 2014, however work will not begin until the agreement is fully executed. This research will be conducted by the Department of Ophthalmology and Visual Sciences under the direction of Dr. Paul L. Kaufman.

The purpose of this study is to test an Alcon intra ocular lens (IOL) using standard imaging techniques, and to evaluate its function following implantation. Routine imaging sessions will be conducted pre and post IOL/device insertion.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval, and Reporting.

UW-Madison Contractual Agreement
with EyeKor, LLC

BUSINESS AND FINANCE COMMITTEE

Resolution:

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 EyeKor, LLC.

**UW-MADISON CONTRACTUAL AGREEMENT
WITH EYEKOR, LLC**

EXECUTIVE SUMMARY

BACKGROUND

UW Board of Regents policy requires any grant or contract with private profit-making organizations in excess of \$500,000 be presented to the Board for formal acceptance prior to execution.

REQUESTED ACTION

Approval of Resolution I.2.a.5.

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 Statement of Work and associated contractual agreement between the University of Wisconsin-Madison and EyeKor, LLC.

DISCUSSION AND RECOMMENDATIONS

The Office of Industry Relations at the School of Medicine and Public Health, with assistance from the Office of Industrial Partnerships at the University of Wisconsin-Madison, has negotiated a Master Service Agreement (attached) with EyeKor, LLC. The Master Service Agreement (MSA) serves as a master agreement intended to cover all services EyeKor requests the University provide during the term of the MSA. There is no funding associated with the MSA; funding is associated with Statements of Work (SoW) that are individually negotiated.

The term of the MSA is five years. Currently, we have no SoWs pending under this MSA, but expect to begin discussions on specific projects within the next few months. During the term of this MSA, we expect the total value of projects to exceed \$500,000.

The services under the MSA relate to interpretation of ophthalmic images in human clinical studies of new drugs. These services will be overseen by the Dr. Michael Ip of the Fundus Photograph Reading Center in the Department of Ophthalmology and Visual Sciences. EyeKor will be retained by pharmaceutical companies to help conduct human clinical studies, and they will subcontract portions of that work to UW under this MSA.

RELATED REGENT POLICIES

Regent Policy Document 13-1: General Contract Authority, Approval, and Reporting.

Approval of One-Time Funding from
Program Revenue Balances
in the 2013-15 Biennium

BUSINESS AND FINANCE COMMITTEE

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the attached plan identifying the sources of program revenue resources that will be used during the 2013-15 biennium to fund Incentive Grants, the Flexible Options program, Wisconsin Academy for Rural Medicine and Training in Urban Medicine and Public Health (WARM/Triumph), Translational Imaging (Carbone Cancer Center), and funding for the Wisconsin Higher Education Grant program for UW Students.

APPROVAL OF ONE-TIME FUNDING FROM PROGRAM REVENUE BALANCES IN THE 2013-15 BIENNIUM

EXECUTIVE SUMMARY

BACKGROUND

2013 Wisconsin Act 20 requires the University of Wisconsin System to submit a plan to the Joint Committee on Finance that identifies the sources of resources that the board proposes to use to make the allocations required in the budget to fund:

Incentive Grants – the UW System is required to allocate \$11,250,000 in each fiscal year of the biennium to award grants to institutions and Extension to fund economic development programs, programs for the developments of an educated and skilled workforce, and programs to improve affordability of post-secondary education for resident undergraduates.

Flexible Option Initiative – the UW System is required to allocate \$650,000 in the first fiscal year and \$1,300,000 in the second fiscal year of the biennium to fund the University of Wisconsin Flexible Option Initiative.

Funding for Medical School Programs – the UW System is required to allocate \$1,500,000 in each year of the biennium for the Wisconsin Academy for Rural Medicine and Training in Urban Medicine and Public Health (WARM/Triumph).

Translational Imaging Research – the UW System is required to allocate \$3,750,000 in the fiscal biennium for costs incurred by the University of Wisconsin Carbone Cancer Center that relate to translational imaging research, research imaging and scanning, research imaging equipment, and the Wisconsin Oncology Network.

Wisconsin Higher Education Grants – the UW System is required to transfer \$58,345,400 to a newly created program revenue appropriation in the Higher Educational Aids Board in 2013-14 to fund the Wisconsin higher education grant program for University of Wisconsin System students.

REQUESTED ACTION

Approval of Resolution I.2.b.

DISCUSSION

There has been significant concern expressed about the accumulation of tuition reserves and balances within the UW System. Therefore, the proposed funding plan includes reducing these balances by funding all required transfers from the 2012-13 Academic Tuition account (Fund 131) balances held by UW-Systemwide (Unit Y). Systemwide holds funds that will be transferred to, or expended for the benefit of, the Colleges, Universities, and Extension that make up the UW System. The following table shows the impact that these transfers will have on the 2012-13 tuition balances for Systemwide.

Systemwide Commitments	
2012-13 Year End Balance	\$151,777,431
Future Commitments	\$26,212,000
Required PR Transfers	
Incentive Grants	\$22,500,000
Flexible Option	\$1,950,000
WARM/Triumph	\$3,000,000
Carbone Cancer Center*	\$3,750,000
WHEG-UW Transfer	\$58,345,400
Required PR Funds in Plan	\$89,545,400
Remaining Balance	\$36,020,031

*The Carbone Cancer Center funds will be available beginning in 2013-14 but will be transferred when the matching funds are approved by Joint Finance.

The Systemwide funding balances will be reduced by \$115,757,400 to cover the planned expenditures shown above. Examples of future commitments include additional funding for the Flexible Option Initiative and WiSys and seed money for select institutional/campus initiatives. The remaining funds will be set aside/held in reserve to:

- Ensure funding to cover growth in unfunded veterans remissions costs (growth in enrollment or cost of new benefits in Wis. Act 20)
- Cover possible shortfalls for compensation related costs in the 2013-15 biennium (fringe benefit costs, pay plan shortfalls, market adjustments, etc.)
- Fund unplanned expenditure needs (emergencies)
- Assist institutions if/when there are revenue shortfalls
- Transfer to Colleges, Universities, and Extension FY 2013 fringe benefit savings

RELATED REGENT POLICIES

No applicable Regent Policy Documents

**UNIVERSITY OF WISCONSIN SYSTEM
CLASSIFIED STAFF GOVERNANCE
EXECUTIVE SUMMARY**

BACKGROUND

The 2013-15 biennial budget delayed by two years, Wis. Stat. § 36.115 which authorizes and directs the development of university personnel systems separate and distinct from the personnel system for the rest of state government under Chapter 230 of the Wisconsin Statutes. This delay means that classified staff will remain under the auspices of the Office State Employment Relations for the next two years, delaying the creation of “university staff” as an employment category in the UW System. In anticipation of “university staff” becoming a new employment category under our new personnel systems, the Board, in December 2012, authorized “university staff” governance rights which, by definition, will also now be delayed for two years.

REQUESTED ACTION

Approval of resolutions I.2.c.

DISCUSSION

Notwithstanding the delay in the implementation of our two new personnel systems, classified staff are valued members of the university workforce who contribute in a broad array of positions in support of the University’s mission. The statutes currently provide governance rights to UW System faculty and academic staff, giving them primary responsibility for the formulation and review of policies and procedures that concern them. No such statutory provision exists for classified staff employed in the UW System. The newly created draft Regent Policy Document furthers the principle that all university employees should have a voice in the policies and procedures that directly affect their work lives. Adherence to this principle suggests that the ability to participate in this dialogue, and help find solutions that meet both staff and university needs, should not be limited based on employee category.

Governance is different from union representation, because the governance relationship with the university does not result in a labor contract or agreement. Instead, governance provides a formal way for employees to participate in developing university policy, including personnel policy. Through governance, it is recommended that classified staff be able to make recommendations, consider proposals, and raise concerns to UW System institutional leadership, primarily related to personnel matters, similar to current faculty and academic staff involvement.

The policy being proposed parallels the current language for academic staff in Wis. Stat. Chapter 36 and would require each UW System institution to:

1. Provide its classified staff members, subject to the responsibilities and powers of the board, the president, and the chancellor and faculty of the institution, the opportunity to be active participants in the immediate governance of and policy development for the institution;
2. Provide its classified staff members full participation in the formulation and review, and representation in the development, of all policies and procedures concerning classified staff members, including classified staff personnel matters, except where State law preempts UW System policy; and
3. Provide its classified staff members the right to structure themselves in a manner classified staff members determine, and to select their representatives to participate in institutional governance.

RELATED REGENT POLICIES AND APPLICABLE LAWS

Chapter 36 of the Wisconsin Statutes

BUSINESS AND FINANCE COMMITTEE

Resolution I.2.c.:

WHEREAS the 2013-15 biennial budget delayed by two years Wis. Stat. § 36.115, authorizing the Board of Regents and the Chancellor of UW-Madison to establish and implement two personnel systems, separate and distinct from the State personnel system under Chapter 230; and

WHEREAS this delay means that classified staff will remain under the auspices of the Office State Employment Relations for the next two years delaying the creation of “University Staff” as an employment category in the UW System; and

WHEREAS notwithstanding this delay, classified staff are valued members of the university workforce who contribute in a broad array of positions in support of the University’s mission; and

WHEREAS faculty and academic staff have established governance rights; and

WHEREAS most of the UW System institutions have for years provided classified staff with an active voice in institutional decision making over matters which impact them; and

WHEREAS pursuant to Wis. Stat. § 36.09(1), the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System,

NOW, THEREFORE, BE IT RESOLVED:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves, effective September 6, 2013, the attached Regent Policy Document on Classified Staff Governance, which authorizes the classified staff of each UW System institution to structure themselves in such manner as they determine and to select representatives to participate in institutional governance.

Regent Policy Document

Classified Staff Governance

Scope

Subject to the authority of the Board, the System President, and the Chancellors, this policy authorizes the classified staff of each University of Wisconsin System institution to structure themselves in a manner they determine and to select representatives to participate in institutional governance.

Definitions

The civil service system for the State of Wisconsin and its agencies, including the University of Wisconsin System, is divided into the unclassified and classified service. Wis. Stat. § 230.08(1). The UW unclassified service includes all of the administrative positions that serve at the pleasure of the Board (President, Chancellors, etc.) plus the faculty and academic staff. Wis. Stat. § 230.08(2)(cm) and (d).

The classified service is comprised of all positions not in the unclassified service. Wis. Stat. § 230.08(3). The Director of the Office of State Employment Relations (OSER) is charged with administration of the civil service system. Wis. Stat. § 230.04. As part of that administration, OSER is responsible for the classification of positions in the classified service, § 230.09, establishing compensation plans, §§ 230.10-12, and a myriad of related regulatory duties in the areas such as classified employee recruitment, promotion, probation, evaluation, examinations, discipline, work hours, leave time, and holidays. Wis. Stats. §§ 230.14-40. Administrative requirements for these items are further delineated in the applicable provisions of the Wisconsin Administrative Code.

Purpose

The purpose of this policy is to provide to classified staff the opportunity to participate in institutional governance. Students, faculty and academic staff have governance rights granted by Wis. Stat. Chapter 36. This policy enables active participation in the immediate decision-making and policy development of the institution. Active participation in governance for classified staff under this policy is not collective bargaining and will not result in a labor agreement or contract. Classified staff may make recommendations, consider proposals, and raise concerns to institutional leadership.

Policy Statement

The Board of Regents is vested with the primary responsibility for governance of the University of Wisconsin System [sec. 36.09(1), Wis. Stats.]. In discharging this responsibility, the Board has an interest in providing classified staff the opportunity to participate in institutional decision-making. Each UW System institution shall:

1. Provide its classified staff members, subject to the responsibilities and powers of the board, the president, and the chancellor and faculty of the institution, the opportunity to be active participants in the immediate governance of and policy development for the institution;
2. Provide its classified staff members full participation in the formulation and review, and representation in the development, of all policies and procedures concerning classified staff members, including classified staff personnel matters, except where State law preempts UW System policy and
3. Provide its classified staff members the right to structure themselves in a manner classified staff members determine, and to select their representatives to participate in institutional governance.

Oversight, Roles and Responsibilities

The Board of Regents delegates to the President of the UW System or his or her designee the authority to issue operational policies to implement and administer this policy. The Board further authorizes the President to delegate to individual Chancellors the authority to implement this policy at their respective institutions within the parameters established by RPDs and University of Wisconsin System policies.

Related RPDs and Applicable Laws

Chapter 36 of the Wisconsin Statutes
Sec. 227.01(13)(Lm), Wisconsin Statutes

AMENDED Methodology to
Calculate UW System Program
Revenue Appropriation Balances
and Reserves

BUSINESS, FINANCE, AND AUDIT COMMITTEE

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the amended methodology to calculate UW System Program Revenue Appropriation Balances and Reserves and directs the President to re-submit the methodology to the Joint Audit Committee for its subsequent review and approval.

METHODOLOGY TO CALCULATE UW SYSTEM PROGRAM REVENUE APPROPRIATION BALANCES AND RESERVES

EXECUTIVE SUMMARY

BACKGROUND

2013 Wisconsin Act 20 includes a directive to the UW System to develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole and for individual University of Wisconsin institutions, as defined in section 36.05(9) of the statutes, and the extension by September 1, 2013 to the joint legislative audit committee for approval, modification, or disapproval.

At the July 12, 2013 meeting, the Board of Regents approved the methodology that was subsequently submitted to the Legislature's Joint Committee on Audit.

2013 Wisconsin Act 20 also stated "By January 1, 2014, the Board of Regents of the University shall submit to the joint committee on finances all of the following:

1. Proposed limits on program revenue account balances for the University of Wisconsin System as a whole and for each individual institution and proposed reports relating to the limits.
2. Proposed policies regarding the annual distribution of tuition and fee revenue and state general purpose revenue by each institution.
3. Proposed policies regarding the expenditure of tuition and fee revenue and state general purpose revenue by each institution."

REQUESTED ACTION

Approval of Resolution I.2.d. revising the proposed methodology for calculating program revenue balances and reserves.

DISCUSSION

The methodology approved by the Board of Regents included the following funds:

- Tuition (Academic Student Fees and Extension Student Fees),
- Auxiliary Operations,
- General Operations,
- All Other Program Revenue, and
- Federal Indirect Cost Reimbursement.

While developing the required policy for proposed limits and reports for program revenues due to the Legislature's Joint Committee on Finance on January 1, 2014, it became apparent that Federal indirect cost reimbursement should not be treated as other program revenue which is generated through university operations.

Federal indirect costs provide reimbursement for actual institutional expenses that support extramural activities but cannot be directly charged to a grant or contract. The reimbursement covers shared services such as libraries, physical plant operation and maintenance, utility costs, general, departmental and sponsored projects administrative expenses, and depreciation or use allowance for buildings and equipment. Indirect cost rates for all federal grants and contracts are computed on the basis of actual costs incurred and regulations from the U.S. Office of Management and Budget that define the cost categories that are eligible for reimbursement.

The attached amended methodology more accurately illustrates the role of federal indirect funds. Federal indirect will be reported in the new annual report of program revenue balance and reserves, but will not be subject to the thresholds of the policy.

RELATED REGENT POLICIES

None.

**REVISED
METHODOLOGY TO CALCULATE UW SYSTEM
PROGRAM REVENUE APPROPRIATION BALANCES AND RESERVES**

EXECUTIVE SUMMARY

BACKGROUND

On April 19, 2013, the Legislative Fiscal Bureau released a memorandum to the Joint Finance Committee related to UW System end of fiscal year 2012 cash balances. That memorandum and subsequent papers prepared for the Joint Finance Committee for consideration of the 2013-15 biennial budget raised questions about the appropriate level of cash balances and reserves.

2013 Wisconsin Act 20 includes the following directive to the UW System: “the Board of Regents of the University of Wisconsin System shall develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole and for individual University of Wisconsin institutions, as defined in section 36.05(9) of the statutes, and the extension. By September 1, 2013, the Board of Regents shall submit its proposed methodology to the joint legislative audit committee for approval, modification, or disapproval.”

REQUESTED ACTION

| Approval of Resolution ~~I.2.c.~~ I.2.d.

DISCUSSION

Balances

UW System program revenue balances should be presented in a clear and understandable manner on an annual basis. In order to expedite the calculation of balances and provide data easily attainable from the UW System’s general ledger, program revenue balances shall be calculated on a cash basis subsequent to year-end reconciliation. Balances will be calculated starting with the prior year’s ending cash balance, adding revenues received and deducting expenditures made during the fiscal year. Balances represent the cash on hand at the end of a given fiscal year. Total program revenue balances shall be depicted for the UW System as a whole and for each UW institution expressed in dollars and as a percentage of all program revenue expenditures. A description of UW appropriations included in each category below will be provided to aid in understanding the information presented.

Program revenue balances shall be classified as restricted or unrestricted. Restricted year-end program revenue balances are those balances subject to externally-imposed stipulations and shall include Gifts, Federal and Nonfederal Grants and Contracts, and ~~Endowment~~ Other Restricted Funds. Since these funds must be spent for the purposes for which they were received and largely cannot be used for general operations, the related restricted balances will be expressed in dollars for the UW System as a whole and for each UW institution, but will not be measured as a percentage of the total expenditures for the fiscal year.

Unrestricted year-end balances shall be categorized as follows: Tuition (Academic Student Fees and Extension Student Fees), Auxiliary Operations, General Operations, ~~Federal Indirect Cost Reimbursement~~, and All Other Program Revenue. For each unrestricted category, year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage of the total expenditures by that category for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees combined.

Federal Indirect Costs Reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Reserves

The UW System primarily operates using revenues earned through providing services. Program revenues represented approximately \$4.8 billion of the UW System's \$5.9 billion operating budget in 2012-13, or more than 80%. As a result, program revenue balances are common and should be expected as funds collected at one point may be committed to a specific purpose but not expensed until a later date. For example, UW institutions often begin collecting tuition in spring for the fall semester. Program revenue balances, therefore, should not be equated with reserves, which are funds set aside to protect against unbudgeted future expenses or losses, such as enrollment fluctuations, unexpected costs, or loss of state or federal aid. Reserves are not funds set aside for specific expenditures or commitments, but purely serve as an operating contingency.

A UW System policy on program revenue appropriation balances and reserves will be presented to the Board later this fall, for submission to the Joint Finance Committee by January 1, 2014, as required in Wisconsin Act 20. In setting that policy, it will be important to take into consideration budgeted and committed purposes for those balances. This may include, but is not limited to, funds encumbered for goods or services provided to an institution but not yet expensed, capital projects, and deposits received in advance for future academic terms.

RELATED REGENT POLICIES

None.

UW SYSTEM BOARD OF REGENTS POLICY ON PROGRAM REVENUE BALANCES AND RESERVES

EXECUTIVE SUMMARY

BACKGROUND

On April 19, 2013, the Legislative Fiscal Bureau released a memorandum to the Joint Finance Committee related to UW System end of fiscal year 2012 cash balances. That memorandum and subsequent papers prepared for the Joint Finance Committee for consideration of the 2013-15 biennial budget raised questions about the appropriate level of cash balances and reserves.

2013 Wisconsin Act 20 included the following directive to the UW System: “the Board of Regents of the University of Wisconsin System shall develop a methodology for the calculation of program revenue balances and reserves, expressed in both dollars and as percentages of total annual expenses, for the University of Wisconsin System as a whole and for individual University of Wisconsin institutions, as defined in section 36.05(9) of the statutes, and the extension. By September 1, 2013, the Board of Regents shall submit its proposed methodology to the joint legislative audit committee for approval, modification, or disapproval.” The proposed methodology was approved by the Board of Regents at its July 12, 2013 meeting and subsequently submitted to the joint legislative audit committee on July 18, 2013.

2013 Wisconsin Act 20 also stated “By January 1, 2014, the Board of Regents of the University shall submit to the joint committee on finances all of the following:

1. Proposed limits on program revenue account balances for the University of Wisconsin System as a whole and for each individual institution and proposed reports relating to the limits.
2. Proposed policies regarding the annual distribution of tuition and fee revenue and state general purpose revenue by each institution.
3. Proposed policies regarding the expenditure of tuition and fee revenue and state general purpose revenue by each institution.”

The attached policy addresses item 1. above.

REQUESTED ACTION

For discussion only

DISCUSSION

The Program Revenue Balances and Reserves Policy prescribes the manner in which program revenue balances will be categorized and calculated at the end of each fiscal year and utilizes existing financial reporting guidelines. The policy outlines an appropriate reserve threshold to guide UW System institutions in their fiscal planning. Reserves are meant to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. A minimum threshold of 10% has been established to ensure a degree of fiscal health. Institutions below this threshold will be required to submit a plan by which and by when they will reach the minimum. A reporting threshold of 15% has been established to ensure that accumulations of resources above this amount are adequately justified and have dedicated planned uses over specific time horizons. Balances are often accumulated above the reserve threshold in order to meet long-term strategic initiatives at the individual institution or at the System level. These balances need to be clearly articulated as to designated purpose and contain a specific spending plan.

RELATED REGENT POLICIES

None.

REGENT POLICY DOCUMENT
XX-YY UNIVERSITY OF WISCONSIN SYSTEM PROGRAM REVENUE BALANCES
AND RESERVES POLICY

Scope

This policy addresses program revenue account balances and appropriate reserve levels at UW System and UW System institutions.

Purpose

The purpose of this policy is to ensure the financial health and stability of each UW System institution and the UW System as a whole and to communicate that more broadly and clearly. The policy balances prudent fiscal management with adequate levels of resources to carry out the universities' missions, programs, strategic goals, and objectives in an effective and efficient manner.

Definitions and Methodology for Calculating

Program revenue balances shall be calculated on a cash basis subsequent to year-end reconciliation. Balances will be calculated starting with the prior year's ending cash balance, adding revenues received and deducting expenditures made during the fiscal year. Balances represent the cash on hand at the end of a given fiscal year. Year-end program revenue balances shall be summarized as follows:

- 1) Tuition (Academic Student Fees and Extension Student Fees),
- 2) Auxiliary Operations,
- 3) General Operations, and
- 4) Other Unrestricted Program Revenue,
- 5) Gifts,
- 6) Nonfederal Grants and Contracts,
- 7) Federal Grants and Contracts and Federal Indirect Cost Reimbursement,
- 8) Other Restricted Program Revenue.

A description of UW appropriations included in each category of program revenue balances will be provided to aid in understanding the information presented.

Year-end balances in (1) Tuition (Academic Student Fees and Extension Student Fees), (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage of the total expenditures by that category for the fiscal year. Tuition balances shall be expressed as a percentage of the combined expenditures for GPR (less GPR-funded debt service) and Student Fees combined.

Reserves represent a portion of appropriation balances. Reserves are defined as funds set aside to protect against unbudgeted future expenses or losses, such as enrollment fluctuations, unexpected costs, or loss of state or federal aid. Reserves are not funds set aside for specific expenditures or commitments, but serve as an operating contingency. Reserves aid in the management of the University's and state's cash flow to meet daily expenditure needs.

Designated balances are defined as funds set aside for specific expenditures or commitments. They include, but are not limited to, legally enforceable contracts, publicly made commitments, differential tuition, encumbrances, and advanced deposits.

Policy Statement

It is the policy of the Board of Regents that the UW System and UW System institutions maintain appropriate reserves to protect the institutions in cases of sudden shortfalls in revenue, to provide for extraordinary events, and to protect against unbudgeted future expenses or losses. Institutions should target a reserve level of 10% of total fiscal year expenditures for each of the following categories: (1) Tuition, (2) Auxiliary Operations, (3) General Operations, and (4) Other Unrestricted Program Revenue. This 10% range falls within the recommendation by the Government Finance Officers Association of reserve levels between 5-20% and should assist institutions in meeting the Higher Learning Commission requirements for financial health. Institutions with reserves of less than 10% of total fiscal year expenditures shall submit a savings plan on how they will achieve the minimum and within what timeframe.

The Board of Regents recognizes there are many instances where accumulation of balances beyond a reserve level is a prudent practice in order to achieve strategic priorities over a multi-year period (establishing new academic programs, purchasing major equipment, funding start-up packages for new faculty, etc.). Institutions with balances above 15% of total fiscal year expenditures shall submit justifications for the amounts above the threshold along with a defined multi-year spending plan. Balances above the 15% threshold should be designated by the Chancellor for specific purposes.

Federal indirect costs reimbursement year-end balances shall be expressed in dollars for the UW System as a whole and for each UW institution and as a percentage change from the prior year-end balance.

Oversight, Roles, and Responsibilities

Appropriation balances and reserve analysis for each institution and the System as a whole shall be reported annually as soon as practicable after the fiscal year-end reconciliation. For those institutions with reserves less than the 10% targeted threshold, the Board of Regents will determine whether the institution has an adequate plan in place to meet the target within a reasonable period of time. For those institutions with balances above 15% of total year-end expenditures, the Board of Regents will determine whether balances are adequately justified and will be expended within a reasonable time frame.

Related Regent Policies and Applicable Laws

Section 36.46 Wisconsin Statutes

History

DRAFT

OFFICE OF INTERNAL AUDIT STATUS UPDATE

EXECUTIVE SUMMARY

BACKGROUND

The Office of Internal Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System.

REQUESTED ACTION

None.

DISCUSSION

The enclosed report provides an overview of activities of the Office of Internal Audit since July 11, 2013. Specifically, this report provides information on the following:

- (1) 2013 Major Project Activity;
- (2) Overview of Active Engagements
- (3) Legislative Audit Bureau Update

RELATED REGENT POLICIES

None.

STATUS UPDATE OF THE OFFICE OF INTERNAL AUDIT

September 6, 2013

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2013 Major Project Activity

Title	#	Status
Compliance with §16.417 Wis. Stats. Related to Dual Employment		
• Platteville	2013-01	Report Date – June 20, 2013
• Superior	2013-02	Report Date – May 23, 2013
• La Crosse	2013-03	Report Date – June 28, 2013
• Green Bay	2013-10	Report Date – June 28, 2013
• Madison	2013-11	Expected Date – August 2013
• Eau Claire	2013-12	Expected Date - August 2013
• Extension	2013-13	Report Date – April 11, 2013
• System Administration	2013-14	Report Date – August 9, 2013
• Stevens Point	2013-15	Report Date – June 20, 2013
• Colleges	2013-16	Report Date – June 20, 2013
Employee Payroll Information		
• Eau Claire	2013-04	Report Date – August 7, 2013
• Oshkosh	2013-05	Report Date – June 20, 2013
• Stevens Point	2013-06	Active
• River Falls	2013-17	Report Date– June 28, 2013
• Parkside	2013-18	Active

2013 Major Project Activity, Continued

Title	#	Status
Employee Payroll Information (continued)		
• Colleges	2013-19	Active
• Extension	2013-20	Active
• Whitewater	2013-21	Active
• La Crosse	2013-22	Active
• Stout	2013-23	Active
Placement Rates		
• Green Bay	2013-07	Report Date – April 9, 2013
• Milwaukee	2013-08	Report Date – May 23, 2013
• Madison	2013-09	Report Date – April 9, 2013
Human Resource System		
• UW Service Center Management Letter	2013-25	Report Date – August 9, 2013

2013 Major Project Activity, Continued

Title	#	Status
IT Backup and Data Recovery Procedures		
• Milwaukee	2013-26	Expected Date – August 2013
• Oshkosh	2013-27	Expected Date – August 2013
• Parkside	2013-28	Active
• Platteville	2013-29	Expected Date – August 2013
• River Falls	2013-30	Expected Date – August 2013
• Stout	2013-31	Expected Date – August 2013
• Superior	2013-32	Expected Date – August 2013
• System Administration	2013-33	Active
• Whitewater	2013-40	Report Date – August 9, 2013
• La Crosse	2013-41	Report Date – August 9, 2013
• Green Bay	2013-42	Report Date – August 9, 2013
• Stevens Point	2013-43	Report Date – August 13, 2013
• Colleges and Extension	2013-44	Report Date – August 9, 2013
• Madison	2013-45	Report Date – August 9, 2013

2013 Major Project Activity, Continued

Title	#	Status
Clery Act Compliance		
• Milwaukee	2013-35	Active
• Madison	2013-36	Active
Compliance with UW System Travel Regulations		
• System Administration	2013-24	Report Date – June 28, 2013
• Superior	2013-34	Active
• La Crosse	2013-46	Active
• Green Bay	2013-47	Active
• Madison	2013-48	Active
• Eau Claire	2013-49	Active
COBRA Continuation of Health Coverage		
• Madison	2013-37	Active
• Milwaukee	2013-38	Active
• Whitewater	2013-39	Active

2013 Major Project Activity, Continued

Title	#	Status
Review of Purchasing Card Expenditures		
• Stout	2013-50	Active
• Parkside	2013-51	Active
• River Falls	2013-52	Active
• Platteville	2013-53	Active
Payroll Accounting Gross to Net Calculation		
• System	2013-54	Active
• Madison	2013-55	Active

OVERVIEW OF ACTIVE ENGAGEMENTS

COBRA – Continuation of Health Coverage

- Audits will be conducted at UW-Whitewater, Milwaukee, and Madison.
- Scope:
 - Assessment of compliance with COBRA requirements.
 - Evaluation of internal controls to monitor compliance with COBRA requirements.
- Period of engagement considered is current policies and procedures currently developed and in place at the institutions.
- Engagement memorandum issued in July 2013 to selected institutions.

Review of Purchasing Card Expenditures

- Audits will be conducted at all UW institutions.
- Scope:
 - Risk-based identification of purchasing card expenditures that may not be allowable using automated techniques.
 - Determination and evaluation of whether systematically-identified expenses are allowable.
- Period of testing is July 1, 2012 through June 30, 2013.
- Engagement memorandum issued in March 2013 to selected institutions.

Payroll Accounting (Gross to Net Calculation)

- Audits will be conducted at UW-Madison and System Administration.
- Scope:
 - Internal control assessment of the gross to net payroll calculation, with particular focus and attention provided to large payroll liability accounts.
- Period of testing is the 2012 calendar year.

Legislative Audit Bureau Projects Underway

- Annual compliance audit of federal funding (as part of the Statewide Single Audit) fieldwork is underway related to federal compliance, for fiscal year 2012-13.
- Program evaluation entitled University of Wisconsin System Oversight and Management of Payroll and Benefit Processing and the Human Resource System, as approved on January 22, 2013 by the Joint Legislative Audit Committee.
- Financial audit of University of Wisconsin System, as required under Section 13.94 (1)(t), Wis. Stats. Including work related to HRS, UW-Madison's Division of Information Technology data center, and UW System's program revenue balances.

Approval of the Chief Audit
Executive's Reporting Line

AUDIT COMMITTEE

Resolution I.5.f.2.

That, upon the recommendation of the President of the Board of Regents, the Chief Audit Executive shall report to the Board of Regents through the Audit Committee directly (solid line) and to the President of the System (dotted line). The UW System President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation and compensation of the Chief Audit Executive.

CHIEF AUDIT EXECUTIVE REPORTING LINE

BACKGROUND

At its July 12, 2013 meeting the Board of Regents adopted a Business, Finance and Audit Committee resolution which identified certain steps to be taken related to the UW System audit function. Among these was a change in the title of the lead UW System auditor to Chief Audit Executive. The resolution also indicated that the “Chief Audit Executive would report to the Audit Committee, with the Board deciding in September 2013 whether the Chief Audit Executive’s reporting relationship to the System President would be dotted-line or direct.”

REQUESTED ACTION

Adoption of Resolution I.5.f.2., to specify the reporting relationship of the Chief Audit Executive.

DISCUSSION

The resolution adopted at the Board’s July meeting followed a report by Baker Tilly on ways to optimize the effectiveness of the internal audit function across the System. The report stated that best practice among private-sector companies is for the internal audit function to report directly to the board, with a “dotted line” reporting relationship to the Chief Executive Officer. “Translating this best practice into the UW System would result in a direct reporting relationship to the Audit Committee of the Board of Regents and a dotted line reporting relationship to the President” (Baker Tilly Final Report, July 11, 2013). The report suggested that this would ensure the appropriate level of authority and autonomy.

Therefore, Resolution I.5.f.2. indicates that the Chief Audit Executive is to report to the Board of Regents through the Audit Committee by means of a solid-line reporting relationship and to the President of the System through a dotted-line relationship.

RELEVANT BOARD OF REGENTS POLICIES

None

Approval of the Board of
Regents Audit Committee Charter

AUDIT COMMITTEE

Resolution I.5.f.3.

That, upon the recommendation of the President of the Board of Regents of the University of Wisconsin System, the Board of Regents adopts the attached Audit Committee Charter to define the roles of the Board of Regents Audit Committee created at the Board's July 12, 2013 meeting.

PROPOSED BOARD OF REGENTS AUDIT COMMITTEE CHARTER

BACKGROUND

Regents and UW System administrators sought an objective review and analysis of the UW System's internal audit function by Baker Tilly. Goals of the review included identifying ways to optimize the effectiveness of the internal audit function across the System. After receiving and considering the Baker Tilly report, the Board of Regents revised its bylaws at its July 2013 meeting to create an Audit Committee and outline the new committee's duties.

REQUESTED ACTION

Adoption of Resolution I.5.f.3., to create an Audit Committee Charter.

DISCUSSION

The Baker Tilly report included recommendations intended to strengthen the audit function in the UW System. Among the recommendations was that the Board establish a separate Audit Committee with a defined Charter and oversight responsibilities. The Board's audit-oversight responsibilities previously had been incorporated in the Business, Finance, and Audit Committee.

Having created the new Audit Committee, the Board's next consideration is the Audit Committee Charter. The proposed Charter (attached) indicates that the purpose of the Committee is to take appropriate actions to protect and strengthen the University of Wisconsin System's audit processes, compliance with laws and regulations, internal controls, enterprise risk management, and ethics. The Charter delineates oversight responsibilities in each of these areas.

RELEVANT BOARD OF REGENTS POLICIES

Bylaws of the Board of Regents of the University of Wisconsin System

ATTACHMENT

AUDIT COMMITTEE CHARTER

1. Purpose

The purpose of the Audit Committee is to take appropriate actions to protect and strengthen the University of Wisconsin System's audit processes, compliance with laws and regulations, internal controls, enterprise risk management, and ethics.

2. Chief Audit Executive

A Chief Audit Executive shall report to the Board of Regents through the Audit Committee directly (solid line) and to the System President (dotted line). The System President and the Chair of the Audit Committee have joint responsibility for the hiring, performance evaluation and compensation of the Chief Audit Executive.

3. External Audit

The Committee:

- reviews and accepts the System's annual financial statement and the audit opinion prepared by its external auditor, the Wisconsin Legislative Audit Bureau
- meets with the external auditor and confirms with management and the external auditor that the financial statements disclose all material information
- follows through by receipt, discussion, and action, the timeliness of corrective actions taken in response to audit recommendations
- reviews, accepts, and follows through on all other significant external audit activities and responses

4. Internal Audit

The Committee:

- exercises oversight of all internal audit functions to ensure audit coverage adequately encompasses all aspects of System operations
- facilitates cooperative relationships with external auditors, including the Wisconsin Legislative Audit Bureau

- reviews in advance all plans for audit and non-audit services provided by external auditors other than the Legislative Audit Bureau or as otherwise required by law
- after consultation with the System President and the Chief Audit Executive, reviews and analyzes the Office of Internal Audit's structure, staff qualifications, independence, operating budget, and activities
- reviews and approves the annual internal audit plan and receives interim progress reports at least quarterly
- consults with the System President concerning the annual evaluation, compensation, promotion, or dismissal of the Chief Audit Executive
- receives periodic reports on audit staff performance

5. Compliance with Laws and Regulations

The Committee:

- fulfills the Board of Regents' fiduciary responsibilities by seeking reasonable assurance that the System is in compliance with applicable laws, regulatory requirements, and policies
- reviews the activities and efficacy of existing compliance coordinating activities to ensure effective coordination and audit coverage

6. Internal Controls and Enterprise Risk Management

The Committee:

- reviews and analyzes reports on the adequacy of the system of internal controls, including the recording and processing of financial information and the approval of transactions
- reviews reports on the adequacy of information technology security and controls
- promotes an enterprise-wide approach to assessing risks at each UW institution and reviews such assessments regularly
- receives a report from the System's leadership on the System's strategic risks
- inquires about significant financial risks or exposures in the System's functional areas and assesses the steps management has taken to mitigate such risks

7. Ethics and Conflict of Interest

The Committee:

- oversees the process for relaying and addressing concerns regarding questionable accounting, auditing, or business practices; conflicts of interest; and potential fraud
- reviews institutional codes of conduct and oversees the systems for ensuring adherence to them
- oversees processes for ensuring compliance with ethics-related laws, regulations, and policies