

The Regents of the University of California

COMMITTEE ON GOVERNANCE

November 20, 2008

The Committee on Governance met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents Gould, Island, Pattiz, Schilling, and Wachter

In attendance: Regents Blum, Cole, De La Peña, Garamendi, Hopkinson, Hotchkis, Johnson, Kozberg, Makarechian, Marcus, Ruiz, Scorza, Shewmake, Varner, and Yudof, Regents-designate Bernal, Nunn Gorman, and Stovitz, Faculty Representatives Croughan and Powell, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Interim Provost Grey, Executive Vice Presidents Darling and Lapp, Senior Vice President Stobo, Vice Presidents Beckwith, Dooley, Foley, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Fox, Kang, White, and Yang, and Recording Secretary Johns

The meeting convened at 10:40 a.m. with Vice Chair Gould presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of July 17, 2008 were approved.

2. PROPOSED REVISIONS TO THE SCHEDULE OF REPORTS TO THE REGENTS

The President recommended that the Schedule of Reports be amended as shown in Attachment 1.

The Schedule of Reports is a list of all regular reports that are presented to the Regents. The Schedule specifies whether a report is to be presented to a Committee or is to be mailed between meetings. The attachment reflects changes to update the Schedule to make it more consistent with current practice and to eliminate a few reports that appear to be no longer needed. It also incorporates the President's recommendations regarding accountability reporting to the Board.

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

President Yudof explained that this item represented an effort to consolidate the reports to the Regents. It was developed by Secretary and Chief of Staff Griffiths.

Upon motion duly made and seconded, the Committee approved the President's recommendation and voted to present it to the Board.

3. **AMENDMENTS TO BYLAWS 10.1 AND 16.4 AND REGENTAL POLICIES GOVERNING BOARD PROCEDURES**

This item was deferred.

4. **REPORTING RELATIONSHIP OF CHIEF COMPLIANCE AND AUDIT OFFICER**

[Background material was mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary and Chief of Staff.]

President Yudof noted that he has met with the Committee on Compliance and Audit and meets regularly with Chief Compliance and Audit Officer Vacca. They have developed a plan to facilitate the work of the Committee and to strengthen audit and compliance activities. The plan allows for more input from the Office of the President and ensures that the President is informed regarding outstanding audit findings and management responses. It also places the full authority of the Office of the President behind audit and compliance findings. President Yudof reported that this item has the approval of Committee Chair Ruiz and Ms. Vacca and is consistent with relevant bylaws. There may be some inconsistency with the original discussion of the chief compliance and audit officer position when it was created. He emphasized that this does not affect the reporting to the Regents and that the President should work closely with Committee Chair Ruiz.

Regent Hopkinson recalled that, when the position was created, then-Chairman Parsky was adamant that this position must report only to the Regents, and the position was authorized under that condition. She expressed discomfort with what she described as a later interpretation of joint reporting for the position. She pointed out that one reason for the personnel problems the University has experienced in the past is that individuals acted to advance their objectives without transparency to the Regents. Regent Hopkinson opined that the Chief Compliance and Audit Officer should report directly to the Regents; audit and compliance issues should be related only to them.

President Yudof stated that Ms. Vacca will report only to the Regents; he will have no authority over audits.

Regent Hopkinson stated that the bylaws indicate joint reporting, and that this was not noticed by the Regents when it was introduced.

Chairman Blum recalled that previously, the Regents were uncomfortable with the lack of information they received on audit and compliance issues. He stated that the chief executive officer must be involved in the process in order for audit and compliance to be

effective. He welcomed President Yudof's involvement and noted that reports will still come to the Regents.

Regent Gould reminded the Committee that this was a discussion item; any change to the bylaws would require a future action item.

General Counsel Robinson clarified that Standing Order 100.1(b) outlines a dual reporting relationship for the Chief Compliance and Audit Officer, to the President and to the Board.

Regent Pattiz concurred with Chairman Blum's position and expressed support for President Yudof's involvement, but stated that the Regents must remain diligent as positions and situations change. He emphasized the importance of institutional memory and suggested that the Regents may need to become more involved in the future.

Regent Marcus stated that the President has made his belief clear that the position reports to the Regents, even if the Standing Order states otherwise. He expressed agreement with Chairman Blum's statements.

Regent Ruiz cited the progress in compliance and audit. He reminded the Committee of the important addition of the compliance program to the internal audit function. He noted that the President's attendance at Compliance and Audit Committee meetings has made a difference and sent a message to the organization of the importance of compliance and ethics. He expressed confidence that the dual reporting would function appropriately.

Faculty Representative Croughan cited the changing role of faculty. She praised Ms. Vacca for consulting with faculty on policy changes, compliance measures, and faculty disciplinary measures. She opined that a "dotted line" reporting relationship to the President would allow Ms. Vacca to communicate more easily with the Academic Senate and make faculty involvement simpler.

Regent Hopkinson stated that she did not object to the President's proposal, but there had been confusion in this matter which called for clarification and articulation.

Regent Marcus stated that the University is burdened by too many regulations and reporting conditions. He encouraged the President to assign an individual to reorganize activities to clarify the work and responsibilities of the Regents and others in a streamlined fashion. He stated that this confused situation led to the compensation crisis.

President Yudof responded that many regulations are imposed by external bodies, such as State and national government. He acknowledged that the University sometimes causes its own compliance issues and stated that he would investigate Regent Marcus' concern.

Regent Gould urged the University to streamline and reduce the number of reports required. He suggested that the University could communicate this to the Legislature.

Regent Marcus stated that it would be of interest to determine the cost of compliance.

5. **RESOLUTION IN APPRECIATION OF THE ROLE OF THE STUDENT REGENT**

Regent Scorza recommended that the following resolution be adopted affirming the importance of the role of the student regent to emphasize the Board's appreciation of the value of students participating in the governance of the institution and to assist in student regent recruiting.

WHEREAS, on November 5, 1974, the position of student regent of the University of California was authorized by the voter approved amendment of Article IX, section 9 of the California Constitution.

WHEREAS, in February 1975, the Board of Regents adopted the *Policy of Appointment of a Student Regent* to grant the position full rights of participation, including discussion, deliberation and vote, consistent with those rights granted other members of the Board of Regents.

WHEREAS, it is the duty of the student regent to articulate the most salient issues facing the students of the University of California to the members of the Board of Regents and other key decision makers in the institution. This responsibility is founded on trust and the mutually understood purpose to always serve the best interests of the University and higher education in California.

WHEREAS, the position of student regent is not an elected representative of the students, but has the unique responsibility of providing a student perspective to the Board in its deliberations. The student regent is not simply the voice of a single constituency, but is a student voice in the deliberations of the public trust that is the University of California. Accordingly, the student regent must take into account the interests of all parties and strive to make the most judicious decisions for the institution as a whole.

WHEREAS, the position of student regent requires myriad skills, including the ability to communicate effectively with a wide range of people; the ability to apply strong analytical thinking to policy issues; the ability to process large volumes of information; the willingness to take a public role on behalf of students; and, the skills to interact with various policy-makers and business, political, and civic leaders.

WHEREAS, the position of student regent reflects positively upon the importance of students as leaders, as participants in governance and as public servants while recognizing the valuable contributions students make within the University of California and beyond.

WHEREAS, thirty-four students have served the University of California as student regents as of November 2008.

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University of California affirm the importance of and support for the position of student regent and extend their sincere appreciation to all student regents, past and present, for their loyal dedication to the University and those it serves.

Regent Scorza thanked the Office of the Secretary and Chief of Staff for their assistance in drafting this resolution, the purpose of which is to reaffirm the student voice on the Board. The perspective of a student adds value to the Board's deliberations and to the governance process. He stressed that the resolution would encourage students to be more engaged in issues affecting the University. It would encourage other university boards in the U.S. to include students in the deliberation process.

Regent Marcus expressed misgivings about the implicit assumption in the resolution that the student regent was not appreciated previously.

Regent Scorza responded that this was not the sentiment of the resolution.

Upon motion duly made and seconded, the Committee approved Regent Scorza's recommendation and voted to present it to the Board.

The meeting adjourned at 11:00 a.m.

Attest:

Secretary and Chief of Staff

Additions shown by underscoring; deletions shown by strikethrough

SCHEDULE OF REPORTS TO THE REGENTS [Pursuant to Bylaw 16.8(a)] Amended March 2008 <u>November 2008</u>		
	Month(s) Presented or Mailed to Regents	Comments
BOARD		
Report of the President Concerning University Activities and Individuals (the President's Report)	January March May July September November	
COMMITTEE ON <u>COMPLIANCE AND AUDIT</u>		Committee title correction
Annual Report of External Auditors for the Year Ended June 30, ____	November	
Annual Report on Internal Audit Plans	May	
Annual Report on Internal Audit Activities	November	
<u>Annual Report on Compliance</u>	<u>January</u>	Expanded report moved to Compliance and Audit from Health Services
COMMITTEE ON COMPENSATION		
Annual Report on Executive Compensation for Calendar Year ____: Incumbents in Certain Senior Management Positions	March	

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[Pursuant to Bylaw 16.8(a)]
Amended ~~March 2008~~ November 2008

	Month(s) Presented or Mailed to Regents	Comments
Annual Report on Compensated Outside Professional Activities for Calendar Year: Incumbents in Certain Senior Management Positions	March	
<u>Annual</u> Report on Health Sciences Compensation Plan Participants' Compensation that Exceed the Reporting Threshold (<i>mbm</i> *)	November	
<u>COMMITTEE ON COMPENSATION AND COMMITTEE ON LONG RANGE PLANNING</u>		
<u>Annual Accountability Sub-Report on Faculty Competitiveness</u>	<u>March</u>	New accountability report to reflect President's focus
COMMITTEE ON EDUCATIONAL POLICY		
Quarterly Report on Private Support, <u>Major Donors, and Namings and Endowed Chairs</u> (<i>mbm</i> *)	January March July <u>February</u> <u>May</u> <u>August</u>	Three separate reports to be combined into one set of mailings between meetings; also modified reporting cycle
Quarterly Report on Major Donors (<i>mbm</i>)	January March July September	

*mbm: Report is sent to all Regents as a mailing between meetings (mbm)

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	Month(s) Presented or Mailed to Regents	Comments
Quarterly Report on Namings and Endowed Chairs (mbm)	January March July September	
Annual Report on the University Private Support Program	January <u>November</u>	Modified reporting cycle
Statistical Summary of Students and Staff (mbm*)	March	
Report on Matters Relating to the California Postsecondary Educational Commission (mbm)	August	Eliminate
<u>Annual Report on Student Financial Support (mbm*)</u>	March	
Annual Report on Proposals Seeking Research Funding from the Tobacco Industry (mbm*)	September	To be delivered as mailing between meetings
<u>COMMITTEE ON EDUCATIONAL POLICY AND COMMITTEE ON LONG RANGE PLANNING</u>		
<u>Annual Accountability Sub-Report</u> Report on the University of California Admissions and Enrollments (mbm)	May <u>November</u>	Revised reporting cycle with report presented to Committee; also retitled to add accountability focus
Annual <u>Accountability Sub-Report</u> Report on the Status of Diversity at the University of California	September	Retitle to add accountability focus

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[Pursuant to Bylaw 16.8(a)]
Amended ~~March 2008~~ November 2008

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COMMITTEE ON FINANCE		
University of California Financial Reports	November	Consolidating reports
University of California Retirement System Annual Financial Report —University of California Retirement Plan —Tax Deferred 403(b) and Defined Contribution Plan	November	Consolidating reports
<u>Annual</u> University of California Retirement Plan Annual Actuarial Valuation Report	November	Reformat title
Annual Report on External Finance Approvals	November	
Annual Dept Capital Report (<i>mbm*</i>)	May	To be delivered as mailing between meetings
Annual Report on the University of California Technology Transfer Program (<i>mbm*</i>)	November	
Annual Report on University Housing Assistance Programs (<i>mbm*</i>)	January	
<u>Annual</u> Report on Risk Management (<i>mbm*</i>)	January	
<u>Annual</u> Report on Use of Outside Counsel (<i>mbm*</i>)	November <u>January</u>	Modified reporting cycle

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	Month(s) Presented or Mailed to Regents	Comments
<u>Annual Report on the Net Fee Income Received as Owner of a Limited Liability Company Managing a Department of Energy National Laboratory and Expenditures Made Therefrom</u>	<u>November</u>	Moved from DOE Oversight to Finance with revised reporting cycle to conform to current practice
COMMITTEE ON GROUNDS AND BUILDINGS		
Budget for State Capital Improvements	November	
University of California Five-Year Capital Program Non-State and State Funds	November	Non-State Funds Projects to be moved to Ten-Year Campus Report
<u>Annual Report on Campus' Ten-Year Capital Financial Plans</u>	<u>November</u>	New report added November 2008
Annual Report on Green Building, Clean Energy, and Sustainable Transportation Policy	January	
<u>Annual Report on Major Capital Projects Implementation Report</u> (mbm*)	October	
<u>Annual Report on Chancellor's Residence and Other Capital Projects</u>	September	

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COMMITTEE ON HEALTH SERVICES		
Activity and Financial Status Report on Hospitals and Clinics (<i>mbm</i> *)	January March May June July November	
Annual Report on Corporate Compliance (<i>mbm</i>)	January	Expanded and moved to Compliance and Audit
Annual Report on HIPPA/Privacy Issues (<i>mbm</i>)	January	Eliminate separate report and incorporate into Annual Report on Compliance
COMMITTEE ON INVESTMENTS		
Annual Report of the Treasurer	November	
Annual Endowment Investment Report	February	
COMMITTEE ON THE OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES		
Report on Department of Energy Laboratories	January	Eliminate
Annual Report of the President's Council on the National Laboratories	June	Eliminate

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<u>COMMITTEE ON LONG RANGE PLANNING</u>		
<u>Annual University of California Accountability Report</u>	<u>May</u>	New accountability report to reflect the President's focus
<u>Annual Accountability Sub-Report on the Research Enterprise</u>	<u>November</u>	New accountability report to reflect the President's focus
<u>Annual Accountability Sub-Report on University Private Support</u>	<u>January</u>	New accountability report to reflect the President's focus