

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 16, 2017

A special meeting of the Regents of the University of California was held on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members present: Regents Anguiano, De La Peña, Guber, Kieffer, Lansing, Lemus, Lozano, Makarechian, Mancía, Monge, Napolitano, Newsom, Ortiz Oakley, Park, Pattiz, Pérez, Sherman, Tauscher, and Torlakson

In attendance: Regents-designate Anderson, Graves, and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Executive Vice President Stobo, Vice President Brown, Chancellors Block, Blumenthal, Christ, Hawgood, Khosla, Leland, May, Wilcox, and Yang, and Recording Secretary McCarthy

The meeting convened at 11:10 a.m. with Chair Kieffer presiding. He explained that notice had been given in compliance with the Bylaws and Standing Orders for a special meeting of the Regents of the University of California.

1. PUBLIC COMMENT

There were no speakers wishing to address the Regents.

The Regents recessed the open session meeting at 11:15 a.m. and went into closed session.

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The Regents reconvened in open session at 4:10 p.m. with Chair Kieffer presiding.

Members present: Regents Anguiano, Kieffer, Lansing, Lemus, Lozano, Makarechian, Mancía, Napolitano, Newsom, Park, Pérez, Sherman, and Tauscher

In attendance: Regents-designate Anderson and Morimoto, Faculty Representatives May and White, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Vice President Brown, Chancellors Blumenthal and Yang, and Recording Secretary Johns

2. **REPORT ON PERSONNEL ACTIONS RELATING TO THE STATE AUDIT REPORT TAKEN IN CLOSED SESSION**

Chair Kieffer recalled that a recent report by the California State Auditor had found that the Office of the President interfered in the audit process by previewing campus responses to surveys issued directly to the campuses by the State Auditor. The audit report concluded that this interference rendered the survey responses unreliable. In response, the Regents authorized then Board Chair Lozano to retain an independent law firm to assist the Regents in reviewing the actions taken by the Office of the President with respect to the campus surveys issued by the State Auditor. Former California Supreme Court Justice Carlos Moreno and the law firm of Hueston Hennigan were retained to conduct the independent fact-finding review.

The report found that members of the President's executive office interfered with the preparation and submission of survey responses from the ten individual campuses to the State Auditor, with different levels of interference within the executive office. The report identified four actions that resulted in the interference: (1) directing the campuses to have the survey responses reviewed and approved by the respective campus chancellors; (2) instructing the campuses that the survey responses should then be submitted to the Office of the President for review before submission to the State Auditor; (3) informing the campuses that the survey responses were not an occasion to "air dirty laundry" or otherwise provide negative information; and (4) reviewing the responses submitted by the campuses and suggesting revisions and/or changes to responses that reflected poorly on the Office of the President.

The report found, and President Napolitano had acknowledged, that she approved the first two actions, directing the campuses to have the survey responses reviewed and approved by the respective chancellors, and instructing the campuses that the survey responses be submitted to the Office of the President for review before submission to the State Auditor. The first of these two actions was not interference by itself, but only when coupled with the second. President Napolitano's then Chief of Staff Seth Grossman and then Deputy Chief of Staff Bernie Jones stated that they obtained legal advice from the Office of the General Counsel that the first two actions were legally permissible. The Moreno-Hueston Hennigan review concluded that interference with the surveys through the third and fourth actions, specifically instructing campuses not to "air dirty laundry" and suggesting revisions to draft survey responses, was carried out by then Deputy Chief of Staff Bernie Jones at the direction of then Chief of Staff Seth Grossman. The review also found insufficient evidence to conclude that President Napolitano knew or approved of these subsequent actions to target unfavorable responses.

The Regents had discussed these factual findings at length in the preceding closed session meeting and had decided on a number of disciplinary actions. These actions were intended to communicate the Regents' serious disapproval of the conduct that occurred and to deter such conduct in the future. On behalf of the Board of Regents, Chair Kieffer issued the following statement admonishing President Napolitano:

“The President is responsible for setting an appropriate tone from the top and fostering a culture of transparency and accountability on behalf of the University, which operates as a public trust for the State and for the people of California. She is also responsible for the conduct of her staff, particularly her direct reports, including her Chief of Staff and Deputy Chief of Staff. It is important to note that, in directing the State Auditor’s campus surveys to go through the chancellors and also to her office for review, the President believed she was relying on advice of counsel. We are also mindful of the context for the actions taken, including lack of trust between the Office of the President and the State Auditor based on a previous audit. Finally, we view the conduct of the President in the context of a long record of public service and leadership, including strong leadership of this University. The Board continues to have confidence in and fully supports that continuing leadership of this University. Nonetheless, the President’s decision to approve a plan to coordinate the survey responses reflected poor judgment and set in motion a course of conduct that the Regents find unacceptable. Her decision and then the follow-on actions of her direct reports reflect negatively on the University of California community, which is committed to the highest ethical standards in furthering the University’s mission of teaching, research, and public service. The Board has therefore made it very clear to the President that her decision in connection with the audit did not meet the high standards and the good judgment expected of her. The Board has also asked the President to further examine the culture within the University of California Office of the President that may have contributed to the failure of others to meet their responsibilities.”

Chair Kieffer stated that the Regents had directed President Napolitano to issue a statement accepting responsibility and apologizing for the Office of the President’s interference with the State Auditor’s campus surveys. The Regents had noted that while serious disciplinary actions regarding former Chief of Staff to the President Seth Grossman and Deputy Chief of Staff Bernie Jones were warranted, any actions were now rendered moot as both Mr. Grossman and Mr. Jones had resigned from the University. The Board would be taking action on policies and bylaws at the January 2018 meeting that would further strengthen its oversight of the Office of the President and of positions that report to both the Board and the President.

President Napolitano made the following statement: “I accept the results of the Board’s fact-finding review and the actions the Board has taken in response. I recognize and understand that nothing is more important for someone in my position than to uphold the highest possible ethical standards – and to ensure that all of my staff do likewise. I would like to assure the Board, students, faculty and staff of the University of California, State legislators, and the people of California that I hear them loud and clear. I regret deeply that I did not show better judgment in connection with this matter. I have already taken steps to ensure it does not happen again and together with this Board will work to implement the additional changes being recommended by the Board to further strengthen our processes in this regard. I am incredibly proud to lead this University. I made this decision. I made a serious error in judgment. I apologize again for my actions that have detracted from the reputation of this great institution and the great people associated with it, and I personally apologize to each member of this Board for what has happened here.”

3. **GOVERNANCE, POLICY, AND COMPLIANCE REFORMS (ADOPTION OF REGENTS POLICY ON COMPLIANCE WITH STATE AUDITS, REGENTS POLICY ON INDEPENDENT REPORTING TO THE BOARD OF REGENTS BY OFFICERS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD AND TO THE PRESIDENT OF THE UNIVERSITY, AND REGENTS POLICY ON APPOINTMENT AND COMPENSATION OF OFFICERS OF THE REGENTS WITH DUAL REPORTING OBLIGATIONS TO THE BOARD OF REGENTS AND TO THE PRESIDENT OF THE UNIVERSITY; AMENDMENT OF BYLAW 23, AMENDMENT OF THE COMPLIANCE AND AUDIT COMMITTEE CHARTER; AND AMENDMENT OF REGENTS POLICY 7702 – SENIOR MANAGEMENT GROUP PERFORMANCE MANAGEMENT REVIEW PROCESS)**

Chair Kieffer explained that this item had been deferred.

The meeting adjourned at 4:20 p.m.

Attest:

Secretary and Chief of Staff