

The Regents of the University of California

COMPLIANCE AND AUDIT COMMITTEE

September 26, 2018

The Compliance and Audit Committee met on the above date at the Luskin Conference Center, Los Angeles campus.

Members Present: Regents Anguiano, Elliott, Makarechian, Morimoto, Park, Pérez, Tauscher, and Zettel; Ex officio member Kieffer; Advisory members May and Weddle; Chancellors Block, Gillman, Khosla, and Yang; Staff Advisor Main

In attendance: Regents Cohen and Estolano, Regent-designate Um, Secretary and Chief of Staff Shaw, General Counsel Robinson, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Stobo, Vice President Humiston, and Recording Secretary Johns

The meeting convened at 11:00 a.m. with Committee Chair Elliott presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of July 18, 2018 were approved.

2. **ROLES AND RESPONSIBILITIES OF THE EXPERT FINANCIAL ADVISOR TO THE COMPLIANCE AND AUDIT COMMITTEE**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Expert Financial Advisor Eric Juline began the discussion by recalling that the role of the expert financial advisor to the Compliance and Audit Committee had been initially established in 2005 and further codified in 2008. The historical background for the establishment of this role was the Enron corporate governance scandal in the early 2000s and the passage of the Sarbanes-Oxley Act, which established a number of corporate governance standards for entities that are subject to regulation by the Securities and Exchange Commission (SEC). While the expert financial advisor position is not technically required of the Board of Regents – it is required of entities that report to the SEC – it is viewed as a best practice. The position is voluntary, and Mr. Juline stated that it had been an honor to serve in it. His term would expire in March 2019, and the selection and appointment of the next advisor would commence shortly. About ten years had passed since the Regents last examined this role, and the presentation today seemed timely.

The purpose of the role is to provide expertise to the Committee that the Committee might not otherwise have. In terms of qualifications, the expert financial advisor must possess an understanding of Generally Accepted Accounting Principles and financial statements, and more specifically, an understanding of the pronouncements of the Governmental Accounting Standards Board (GASB), to which the University is subject, and an understanding of higher education and medical center enterprises in general. The advisor must have experience in preparing or auditing financial statements, familiarity with the application of accounting principles to higher education and medical center enterprises, and understanding of the design and evaluation of internal controls.

The activities of the expert financial advisor include review of the Audit and Communications Plan of the Regents' external auditor, and review of the video record of the meetings of the Committee that the advisor does not attend in person, for matters of interest during the year. The advisor also reviews significant financial accounting and reporting events with the Systemwide Controller and reviews new GASB pronouncements for applicability and significance to the University.

The most important task for the expert financial advisor is to read and review the major financial reports of the University – the annual financial reports for the University, the UC medical centers, and the UC retirement system – and to submit comments and questions. In addition to the fiduciary responsibilities of the Board of Regents, such financial statements are required for many other purposes, including bond covenant compliance, and must be submitted to the State Controller. The preparation of these financial statements is the responsibility of management, whereas the external auditor is responsible for reaching an opinion on the fair presentation of the financial statements. From time to time, the expert financial advisor is asked by UCOP Financial Accounting or by the Chair or Vice Chair of the Committee to examine other financial reports.

The expert financial advisor reviews the Executive Summary of Financial Reporting Matters of Interest prepared by UCOP and submitted to the Chair and Vice Chair of the Committee, and reviews the Required Communications and Management Letter of the external auditor. The advisor meets with the Chair and Vice Chair of the Committee for an annual review and summary of the advisor's work. Matters discussed in this review are subjects of relative financial reporting significance, higher-risk financial reporting matters in terms of complexity and/or susceptibility to estimation. Examples of such subjects would be revenue recognition at the medical centers and self-insurance programs. This review also includes discussion of significant financial accounting and reporting events, and any matters of special significance that arose in the course of the advisor's work. The advisor responds to requests for consultation from the Chair and Vice Chair of the Committee.

Ongoing review and discussion of continuous improvements in financial transparency are critical components of the University's overall management control system. Mr. Juline noted that in his work, he had been focusing on three areas: enhanced annual budgeting resulting from the utilization of actual versus budget information, enhanced financial communication among the component parts of the University, and improved analyses and policies regarding unrestricted net financial position and reserves throughout the

University. Mr. Juline described unrestricted net financial position and reserves as the most difficult line item in the UC financial reports to understand, specifically in terms of understanding what is included therein. Currently, the University was showing a substantial negative position as a result of insufficient revenues associated with funding, pension, healthcare, and retirement benefits, but many other accounts are included in this line item.

Regent Estolano asked if the expert financial advisor was always a volunteer. Mr. Juline responded in the affirmative. Regent Estolano asked if the role was typically taken on by a former Regent. Mr. Juline responded that the position was occupied by a former alumni Regent on one occasion. The other advisors who had volunteered were individuals with the appropriate skills and an affinity for the University.

Regent Zettel thanked Mr. Juline and expressed appreciation for his service to the University.

3. **INTERNAL AUDIT ACTIVITIES REPORT**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Systemwide Deputy Audit Officer Matthew Hicks explained that this discussion would focus on a recently completed quality assessment of the University's Internal Audit function. The firm Baker Tilly led the peer review team that carried out the review. Internal Audit professional standards require an external Quality Assessment Review (QAR) of the internal audit function at least once every five years. The objectives are to evaluate the internal audit activity's conformance with internal audit professional standards set by the Institute of Internal Auditors (IIA), assess the efficiency and effectiveness of the internal audit activity, and identify opportunities for improvement. Internal Audit is required by IIA standards to report the results of the QAR to the Regents.

The approach taken to the QAR was to carry out a detailed self-assessment with independent validation from the external peer review team, an approach that is recommended by the IIA. The peer review team was led by Baker Tilly and included the chief audit executives of the University of Washington and the University of Tennessee. These institutions were chosen because of their excellent reputation and the fact that, like UC, they are public universities with health systems.

The self-assessment resulted in six recommendations to improve the efficiency and effectiveness of the Internal Audit function: (1) "evaluate systemwide performance metrics and benchmarks," such as audit plan completion, productivity percentages, and coverage of key risk areas; recommendations (2) "explore opportunities for standardization" and (3) "explore additional mechanisms to share knowledge and data" had to do with how well Internal Audit teams work together as an integrated function; (4) "continue to drive specialization" would include further development of specialized subject matter expertise; (5) "develop a formalized training plan," a multi-year plan for professional development of Internal Audit staff as well as training provided to the University community; (6) finally,

incorporate all these efforts into an overarching Internal Audit strategic plan. This internal self-assessment was provided to the external peer review team for their evaluation.

Baker Tilly representative Raina Rose Tagle stated that she brought the perspective of her firm's specialty practice that focused on higher education, academic medical centers, and Department of Energy laboratories. The other peer reviewers on the team had also had experience with QARs at other institutions. Baker Tilly's approach to the independent validation included interviews, review of documentation, and review of UC's Internal Audit function in the context of IIA standards, the value it adds to the University, and its alignment with systemwide strategies. Ms. Tagle noted that she had led the UC QAR five years prior with a different team of reviewers. She observed that over the past five years, the Internal Audit function had continued to evolve; it was a strong and mature entity. She commented on the success of the transition of Chief Compliance and Audit Officer Bustamante into his role, and how his direction, initiatives, and engagement were positively received by Internal Audit at the campus and systemwide levels. In interviews with stakeholders, the words "partnership," "collaborative," and "helpful" frequently came up, and Ms. Tagle noted that this is not the case at every institution. There are always opportunities for enhancement, and the QAR identified the following: the University could further define the complementary roles of Internal Audit, Compliance, and Risk Services; evolve annual risk assessment discussions and clearly link Internal Audit activities to systemwide and campus strategies; expand the use of data analytics; and clarify UCOP Audit Services' leadership roles relative to the campuses. The overall conclusion of the independent validation was that UC Internal Audit "generally conforms" to International Standards for the Professional Practice of Internal Auditing. Ms. Tagle emphasized that, while the phrase "generally conforms" did not sound complimentary, in fact it was the highest of three possible ratings or conclusions.

Committee Chair Elliott expressed satisfaction with this positive evaluation of the Internal Audit function but noted that he hoped that all the opportunities for improvement would be pursued. Mr. Hicks responded that Internal Audit had drafted action plans for each of the recommendations and would report back periodically on progress. Ms. Tagle added that as part of this QAR cycle, Baker Tilly reviewed the recommendations of five years prior to confirm that these recommendations had been addressed, and they had been.

Regent Estolano stated that she was impressed with the finding that stakeholders describe Internal Audit as an open, collaborative partnership, and proactively turn to Internal Audit for assistance, and commended Internal Audit.

Regent Zettel asked about adjustments to be made to training, and how new training would differ from past practice. Mr. Hicks stated that this still needed to be taken into consideration as a plan was developed. In the past, the training plan had been developed as the audit program progressed, responsive to elements in the Internal Audit plan and risks that have been observed. Internal Audit would seek to be more proactive and develop a more structured approach to the training of internal auditors and UC constituents. Ms. Tagle added that this strategy would take a systemwide view, rather than having each

location tailor its own plan. Regent Zettel stressed the importance of training for UC employees and looked forward to new developments.

Regent Park remarked that the Baker Tilly report identified opportunities for enhancement. This included expanding the discussion of risk assessment in areas such as deferred maintenance, public-private partnerships, and enrollment management. Regent Park noted that these topics are of vital interest to the full Board and other Committees. She suggested that the Audit division could brief other Committees and share this information at future meetings.

Committee Chair Elliott agreed with this suggestion and asked Mr. Hicks about engagement with other Committees. Mr. Hicks responded that Internal Audit had not made presentations to other Committees; presentations were made to the Compliance and Audit Committee or to the full Board.

Committee Chair Elliott suggested that Internal Audit, in consultation with the Chairs of the Committees, determine whether certain topics should be presented to other Committees or to the full Board.

Regent Cohen asked about one weakness mentioned in the background materials, poor oversight of the Medi-Cal and Medicare regulatory update process. Mr. Hicks explained that this was part of a different report, an internal control theme identified by Internal Audit, an issue identified at one UC location.

Regent Anguiano referred to the recommendation regarding systemwide performance metrics and benchmarks and asked if Internal Audit would work with Risk Services on data analytics. Mr. Hicks responded that there might be opportunities to draw on the work done by Risk Services. The focus of that recommendation concerned performance metrics used to measure the effectiveness of the Internal Audit function. With regard to the QAR comment on data analytics, there were opportunities to leverage existing programs and expand the use of data analytics in Internal Audit.

Regent Makarechian asked if the number of hours reported for Internal Audit work could be stated in a dollar amount, in order to determine how much the University spends on Internal Audit and to allow a cost-benefit analysis and comparison with other institutions. Ms. Tagle responded that the QAR work did not involve benchmarking, but was concerned about the adequacy of resources. The QAR found that resources were being applied on a risk basis at the campus level and systemwide. There was a strong desire on the part of auditees for other emerging risk areas to be covered over time. Compared to other institutions in the U.S., UC was not over-resourced. In considering the number of audit hours, it would be difficult to make a meaningful comparison of UC to other universities because of the complex nature of UC and its entities, more complex than almost all other universities in the nation. There is always a desire to measure the impact of internal audit programs and to quantify their work in terms of dollars, but this is difficult because much of the work of an internal audit program is to prevent financial loss through risk mitigation strategies and internal controls.

Regent Makarechian asked if the University was spending enough audit hours examining construction projects carried out through public-private partnerships, which involve large dollar amounts, and in general, what a cost-benefit analysis would reveal about the allocation of audit hours. Ms. Tagle responded that the QAR and other reviews examine topics covered in an audit plan to determine if these topics are high-value activities. She observed that the internal audit and risk assessment process is more an art than a science. One factor to be considered is that management may already have strong oversight and monitoring in some areas. Engaging Internal Audit to monitor these areas might not be productive, but having Internal Audit verify that management's overall oversight and risk mitigation processes are effective would be a good use of time.

Regent Makarechian noted that a consolidated view of certain operations would lead to changes in materiality levels and expressed concern that with high materiality thresholds, significant issues might be overlooked. Ms. Tagle responded that the concept of materiality is applied differently in the internal audit realm than in external audits. External audits focus on whether financial reports are accurate and within a certain threshold of materiality. Internal audit programs consider not just financial risk, but many other types of risk including operational and compliance risk, which may have a financial impact, but also an impact on health, life safety, and the quality of the academic enterprise and research, which are not easily quantified in dollar terms. The QAR examines the risk assessment process and how Internal Audit develops its audit plans. The review asks if this process occurs in a vacuum or in collaboration with senior leadership. At UC, this process is a collaborative exercise. An important recommendation from the QAR was for Internal Audit to expand into areas that are now becoming important for internal audit programs, such as risk assessment for public-private partnerships.

Regent Makarechian asked if the QAR team had chosen which people to interview, or if the University had suggested them. Ms. Tagle responded that this had been a collaborative decision. In examining the organization chart, it was clear that certain individuals must be interviewed, such as the Chief Financial Officer and the President. At the campus level, there was an effort to gain a variety of points of view, including individuals who have many years of experience at the location. There were no limitations on the scope of the QAR team's work, and Ms. Tagle expressed confidence that the 54 individuals interviewed provided the team with the overview it needed. The QAR team was also mindful of ensuring that it did not interview only the same individuals at the same locations as in the QAR five years prior.

Regent-designate Um noted that the UC system is not over-resourced and stated that the University should not be too tight on its purse strings in the area of Internal Audit. He observed that audit processes establish a culture, and that time spent on petty cash controls sends a message. Being attentive to small things might prevent neglect of larger issues.

4. **UPDATE ON IMPLEMENTATION OF RECOMMENDATIONS FROM STATE AUDIT OF UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT ADMINISTRATIVE EXPENDITURES**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Systemwide Deputy Audit Officer Matthew Hicks recalled that the 2017 report by the California State Auditor on Office of the President (UCOP) administrative expenditures contained 40 recommendations for the University; 33 for UCOP and seven for the Regents. Of the recommendations made to UCOP, ten were due in April 2018, 11 would be due in April 2019, and the remaining 12 recommendations would be due in April 2020. In 2018, the first year of the implementation of the State Auditor's recommendations, UCOP provided periodic updates to the Committee and status reports to the State Auditor at 60 days, six months, and one year. Having passed the one-year mark, the University was now required to provide status updates to the State Auditor annually.

Associate Vice President Zoanne Nelson elaborated on the status of the 2018 and 2019 recommendations. With regard to the 2018 recommendations, in May the State Auditor had accepted six as completed. UCOP believed that it had completed three additional recommendations that were related to the UCOP budget, but the State Auditor wished to see the actual presentation of the budget. Following the May presentation of the budget to the Regents, UCOP sent all materials related to the presentation to the State Auditor. In July, UCOP sent a letter to the State Auditor, asking if the recommendations were now completed. There had been subsequent communication, but UCOP was still waiting for the State Auditor's assessment; the State Auditor indicated that an answer would be provided in November. The remaining recommendation for 2018, on the methodology for narrowing UCOP staff salary ranges, would be discussed later that day by the Governance and Compensation Committee.

With regard to the 2019 recommendations, UCOP believed that five of the recommendations were also completed with the presentation of the UCOP budget in May 2018. UCOP had asked the State Auditor about the status of these recommendations; UCOP would submit them again in October and expected to receive an answer in November. Communication with the State Auditor's Office was continuing, and UCOP was providing requested information and documents.

In August UCOP submitted a letter on behalf of Chair Kieffer, requesting assessment of two of the seven recommendations to the Regents, and asking if these could be considered completed as well. UCOP was currently working on six recommendations due in April 2019. UCOP would be bringing items to the Board in the course of the year.

Committee Chair Elliott thanked Ms. Nelson for the continued outreach to the State Auditor's Office. That communication would be important as UCOP addressed some difficult items that were still to be completed, so that the University would meet not just the letter but the intent of the recommendations.

In response to a question by Regent Morimoto, Ms. Nelson confirmed that for the recommendations that would be resubmitted to the State Auditor, UCOP anticipated an answer in November.

5. **REPORT ON INDEPENDENT ASSESSMENT OF AUDIT IMPLEMENTATION STATUS**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Kurt Sjoberg of Sjoberg Evashenk Consulting stated that his firm's July report provided to the Regents reflected the culmination of a substantial amount of work by the Office of the President (UCOP) to fulfill first-year responsibilities in responding to the California State Auditor's recommendations. He observed that UCOP's efforts to ensure that the State Auditor is involved often and early in these issues had been helpful in moving this process forward. He anticipated that for some time, there would be several issues regarding which UCOP would have to be sensitive and responsive. One of these issues was the fact that the State Auditor would like a budget from UCOP in April every year, although the budget is not approved by the Regents until the following month. It was possible that the State Auditor would raise this issue every year. Mr. Sjoberg speculated that the choice of this due date might be related to the State budget cycle. He then commented on the role of work groups and UC's Executive Budget Committee in developing responses to the recommendations. Marianne Evashenk of Sjoberg Evashenk Consulting stated that the Executive Budget Committee was fully engaged in this process. One concern expressed by the Executive Budget Committee was that, as scrutiny of UCOP continued, the services that UCOP can render would be diminished. In Sjoberg Evashenk's view, UCOP was doing the best it could to address the intent of the State Auditor and the needs of the campuses.

Ms. Evashenk mentioned some upcoming issues that the Regents should be aware of. Sjoberg Evashenk agreed with Associate Vice President Nelson that UCOP was substantially compliant with five of the recommendations for 2019. One of the greatest challenges for UCOP was its workforce development program. This was a significant effort and would be challenging to finish by March 2019. The effort to narrow UCOP salary ranges would be a sensitive issue. Mr. Sjoberg anticipated that Sjoberg Evashenk would issue its next quarterly report in about two weeks, and this report would include developments through the present moment and developments at this meeting.

Chair Kieffer requested clarification of complex or sensitive issues that might arise. Ms. Evashenk responded that the issue of narrowing salary ranges and setting salaries had been carefully considered by the Regents' working group charged with this task. Sjoberg Evashenk was in agreement with the processes that had been developed, but it was not certain that the result of these processes would play out the way the State Auditor had intended. Committee Chair Elliott stated that he had been concerned about how this would be perceived by the State Auditor; this remained to be seen.

Mr. Sjoberg observed that early communication with the State Auditor might help in making needed adjustments; at the same time, there was almost a risk associated with having conversations with the State Auditor early on in the process, in that the State Auditor might find more issues to address. Nevertheless, Mr. Sjoberg stated his view that this was a risk worth taking in order to avoid having unresolved issues in March. UCOP could show the professional approach that it had taken, and hopefully this would meet the State Auditor's objectives.

Chair Kieffer asked if, in Sjoberg Evashenk's view, the process for salary ranges that had been used was solid. Ms. Evashenk responded in the affirmative. Chair Kieffer asked if Sjoberg Evashenk had commented on the results of the process. Mr. Sjoberg responded that Sjoberg Evashenk had observed and tracked the results. The consultant Sullivan Cotter's approach was one that is used in a broad set of circumstances, and Sjoberg Evashenk did not have a better approach to share with the University.

Chair Kieffer noted that members of the Board might have different views on what appropriate UCOP salary ranges should be. The State Auditor was seeking to have the University narrow UCOP salary ranges, but also to bring UCOP compensation closer to public sector compensation. In discussions with chancellors, it had become clear that an approach that UCOP takes, such as an approach to patents and intellectual property, should be the best possible approach, since it will be applied systemwide. However, UCOP might need to hire different kinds of talent not needed in other areas. Chair Kieffer stated his understanding that the Executive Budget Committee includes campus leadership, and that campus leadership can comment on the UCOP budget. Ms. Evashenk confirmed that the Executive Budget Committee included representatives of each campus, the Academic Senate, and UCOP leadership.

Chair Kieffer asked Sjoberg Evashenk for its recommendation regarding the April deadline. He asked if the University would have to accept the fact that there would be a complaint every year that UCOP had not met the deadline, since the UCOP budget would not be completed until later, and asked if the University should approach the State Auditor with the suggestion that the deadline be moved. Mr. Sjoberg responded that Sjoberg Evashenk's suggestion was that, since this was a longstanding feature of the budget approval process, dating back long before this State audit, the audit recommendation for the UCOP budget should be crafted to address the reality of the Regents' processes and move the timing of this recommendation to a period that would allow the Regents time to consider and approve the budget. Chair Kieffer suggested that Committee Chair Elliott have a follow-up meeting with Chief Compliance and Audit Officer Bustamante to discuss this matter.

Mr. Sjoberg noted that UCOP also has a close relationship with the Council of Chancellors. UCOP was an important link between the Executive Budget Committee and the Council of Chancellors, and this was another avenue for input from the campuses on various program or budget issues.

6. **UPDATE ON ACADEMIC SENATE RESPONSE TO THE STATE AUDITOR'S REPORT ON SEXUAL HARASSMENT CASES AT THE UNIVERSITY OF CALIFORNIA**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Faculty Representative May recalled that in June 2018, the California State Auditor had released its report on the University's response to sexual harassment complaints and had recommended that the Academic Senate further define its bylaws and specify a time frame for Senate faculty disciplinary procedures that requires that no more than 60 days elapse from when a chancellor refers a case to an Academic Senate Committee on Privilege and Tenure hearing and when that hearing is scheduled to commence, and that no more than 30 days elapse between the conclusion of the hearing and the issuance of the hearing committee's findings to the chancellor. Mr. May noted that the State Auditor's recommendation only pertained to one part of the process for disciplinary matters in sexual violence and sexual harassment cases, the part over which the Academic Senate has authority; other parts of the process are within the purview of the Title IX officer and the chancellor.

The responsibility of the Academic Senate under Academic Personnel Manual 015 - Faculty Code of Conduct and Academic Senate Bylaw 336 (Privilege and Tenure: Divisional Committees - Disciplinary Cases) is limited to the conduct of the Privilege and Tenure hearing. The hearing committee's role is advisory to the chancellor, who, upon receipt of its findings and disciplinary recommendations, has exclusive authority for administering discipline.

In response to the State Auditor's recommendations, Chair Kieffer asked that the Academic Senate begin implementation of the recommendations. At its June meeting, the Academic Council unanimously supported implementing the State Auditor's recommendations. Then Academic Senate Chair White empaneled an ad hoc committee including Academic Senate leadership, and the chairs of the University Committees on Privilege and Tenure, and Rules and Jurisdiction. This ad hoc committee had been assisted by the Office of the General Counsel and the Systemwide Title IX Coordinator, and had been developing proposals for modifying current Academic Senate procedures in a manner that maintains appropriate due process and leads to just conclusions consistent with the State Auditor's timeline requirements.

The ad hoc committee was currently completing its work and would be recommending the following: (1) revisions of Academic Senate Bylaw 336 to include the suggested timeline; (2) an accompanying guidance document, further specifying procedures for the Privilege and Tenure hearing committees, including appropriate grounds for delays in the timeline for good cause; (3) a checklist to be signed and dated for each step of Senate procedures between receipt of charges from the chancellor to submission of the hearing committee's report to the chancellor. The University Committee on Privilege and Tenure would be considering these changes at its first meeting of the year in October. Once the Committee

had approved the bylaw changes, they would be vetted by the Academic Senate Committee on Rules and Jurisdiction. When that work was completed, the proposal for implementing the State Auditor's recommendations would be sent out to the campus divisions of the Academic Senate for full Senate review, to be completed within 90 days. Upon completion of this review, the Academic Council would review the proposal as an action item, and upon approval of the Council, would forward the item to the Assembly of the Academic Senate for final action. Mr. May anticipated that these procedures would be completed by July 2019, the deadline set by the State Auditor, and hoped to provide a further update to the Regents in early 2019.

Chancellor Gillman noted that a peer review committee assists the chancellor with review of sexual harassment complaints before they are forwarded to the Academic Senate. Different UC campuses were determining the membership of their peer review committees differently. He asked if the Academic Senate's position was that the peer review committee was not a formal body of the Academic Senate. Mr. May confirmed that this was the position of the Academic Senate.

In response to a question by Chair Kieffer, Mr. May explained that once a complaint is made, it is first referred to the Title IX officer, and resolution can occur at that point. If there is no resolution, the matter is sent to the chancellor, and the matter may be resolved at that point as well. There is also a peer review committee that is advisory to the chancellor and usually includes Academic Senate members. If no resolution is found at this point, the chancellor makes a recommendation for discipline and calls for a Privilege and Tenure Committee hearing. Then, under the State Auditor's recommendations, the Privilege and Tenure Committee would begin a hearing within 60 days. When the hearing is completed, the Privilege and Tenure Committee would provide its recommendations to the chancellor within 30 days. The final and complete authority for discipline rests with chancellor.

In response to another question by Chair Kieffer, Chancellor Gillman noted that there are different roles for faculty in this process. The Academic Senate has an important formal role through the Privilege and Tenure Committee. While the chancellor is considering appropriate sanctions to present to the Privilege and Tenure Committee, it is a good idea to get advice to ensure that the proposed sanction is neither too harsh nor too lenient. The peer review committee is an informal advisory group with faculty who are members of the Academic Senate, but it is not a body of the Academic Senate. Chancellor Gillman noted that this consultation with the peer review committee does not delay the process, and would normally take only a few days.

Regent Pérez asked in what cases the chancellor's final decision could be appealed to the Board of Regents. Mr. May responded that he believed there was no such provision.

Regent Pérez observed that there are appeal rights to the Board in certain cases of termination. If the discipline included termination, it could be appealed to the Board. He asked if there were other circumstances under which a chancellor's decision in these cases could be appealed to the Board. General Counsel Robinson responded that he believed that

termination was the only circumstance under which there would be a right to appeal to the Board.

Regent Makarechian asked about time frames for the chancellor's assessment. Chancellor Gillman responded that timelines for each phase of the process had been outlined. Mr. May clarified the distinction between the Academic Senate hearing procedure for violations of the Faculty Code of Conduct and the overall Title IX procedure, which governs the entire process.

Chancellor Block remarked that the President's approval is required for some penalties, so in those cases there is an additional layer of review. He noted that some delays in the Academic Senate procedures have had to do with the academic calendar and faculty being away during the summer. He asked if this issue was being considered, and how to expedite the process. Mr. May responded that this issue was part of the State Auditor's recommendations. Delays would only be for good cause, such as a complex issue that required further investigation, further witnesses, a death in a family, or circumstances of that nature. Delays would not be allowed due to the academic calendar or sabbatical leaves. The Academic Senate was working to ensure that there would be enough faculty available to participate and move these matters forward expeditiously.

Regent-designate Weddle asked how faculty are trained to participate in these hearings. Mr. May responded that to his knowledge there was no specific training, but there are faculty who are experienced in these hearings and who have served on the Privilege and Tenure Committee for some time and who take this responsibility very seriously. The Academic Senate approaches these matters carefully, with an awareness of the stakes for both the complainant and the respondent, and wishes to ensure that these matters are handled appropriately and fairly.

Staff Advisor Main remarked that staff complainants have communicated that delays in the procedure due to the academic calendar have prolonged what for them is a distressing situation. Mr. May responded that the State audit did not provide any dispensation for the academic calendar, and the Academic Senate believed that calendar issues, such as a faculty member being away during the summer for research, would not be good cause to delay the timeline. The Academic Senate would try to ensure that there were appropriate numbers of qualified faculty to serve on these committees within the constraints recommended by the State Auditor.

Committee Chair Elliott thanked Mr. May and the Academic Senate for taking the time to address this matter appropriately and to ensure that these cases are dealt with in a timely manner.

The meeting adjourned at 12:20 p.m.

Attest:

Secretary and Chief of Staff