

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.

