



Governance & Policy Committee

December 2023

December 8, 2023

8:00 a.m.

Boardroom, McNamara Alumni Center

GOV - DEC 2023

1. Discussion of Approval Thresholds

Docket Item Summary - 3

Threshold Data - 5

Presentation Materials - 15

2. Board Committee Structure: Role of Standing Committees and Special Committees

Docket Item Summary - 28

Presentation Materials - 34

3. Presidential Conflicts of Interest

Docket Item Summary - 45

Presentation Materials - 46



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 8, 2023

AGENDA ITEM: Discussion of Approval Thresholds

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian Steeves, Executive Director & Corporate Secretary
Jason Langworthy, Associate Secretary

PURPOSE & KEY POINTS

The purpose of this item is to engage the committee in a discussion of the Board’s approval thresholds. Those thresholds are defined by Board of Regents Policy: *Reservation and Delegation of Authority*. The policy is currently under comprehensive review and this discussion continues a four-part series to consider any changes the Board may wish to make. This conversation will outline benchmark data for those areas of the policy that have approval thresholds.

Current Thresholds

The current thresholds related to specific dollar amounts are as follows:

Value greater than \$1 million

- Purchase of goods and services
- Purchase or sale of real property
 - Also required: real property located on or within 2 miles of a campus, larger than 10 acres
- Lease, Easements, or Other Interests in Real Property
- Multi-year capital plans
- Annual capital budgets
- Capital budget amendments
- Schematic plans
- Individually negotiated employment agreements and significant amendments

Peer benchmarking data and historic data of Board approval of these items is included in the docket.

BACKGROUND INFORMATION

Board of Regents Policy: *Reservation and Delegation of Authority* is a cornerstone policy within the Board's policy portfolio. It defines on a fundamental level the authorities that are reserved to the Board and the authorities that are delegated to other individuals (e.g. Board officers, president, general counsel). *Reservation and Delegation of Authority* acts as a catalog—indexing the areas where the Board has reserved authority but not how those authorities are implemented. Other Board policies provide those implementation details in alignment with the reserved authority defined in *Reservation and Delegation of Authority*.

PURCHASE OF GOODS AND SERVICES APPROVAL THRESHOLDS

Note—All data excludes construction purchases which are approved as capital projects.

Benchmarking: Purchasing Thresholds at Various Institutions

Institution	Dollar Threshold for Board Approval
Big Ten Schools	
Indiana University	No Board approvals required
Michigan State University	No Board approvals required
Northwestern University	No Board approvals required
Ohio State University	No Board approvals required
University of Iowa	No Board approvals required
University of Michigan	No Board approvals required
Rutgers University New Brunswick	\$10,000,000 or more
University of Maryland	\$5,000,000 or more
University of Wisconsin–Madison	\$5,000,000 or more
Pennsylvania State University	\$3,000,000 or more
Purdue University	\$2,000,000 or more
University of Illinois	\$1,000,000 or more
University of Nebraska–Lincoln	\$1,000,000 or more
University of Minnesota	\$1,000,000 or more
Other Comparable Institutions	
University of California–System	No Board approvals required; delegated to campus chancellors.
University of Florida	Board officer notification only for purchases > \$10,000,000
Texas A&M University	No Board approvals if purchases use a method that complies with state statute or University policy; otherwise \$500,000 threshold.
University of Texas at Austin	\$5,000,000 or more
Minnesota State Colleges and Universities	Greater than \$1,000,000

Purchases Approved by the Board of Regents, 2018–2023

Fiscal Year	Number of Purchases Annually	Dollar Amount of Purchases Annually
FY 2018	20	\$124,808,000
FY 2019	31	\$136,130,000
FY 2020	33	\$280,785,000
FY 2021	42	\$205,277,000
FY 2022	34	\$967,437,000 (1)
FY 2023	32	\$124,237,000
6-Year Average	32	\$306,446,000

(1) FY 2022 included several unusually large purchases, including:

- Aramark: TC Gopher Athletics dining (\$129,000,000)
- Chartwells: TC campus dining (\$505,000,000); Arboretum dining (\$24,000,000)
- Prime Therapeutics: Pharmacy Benefit Manager contract (\$142,677,000)

If these large purchases were excluded, the FY 2022 total would be \$166,760,000.

**Purchases Approved by the Board of Regents
Stratification of Number and Size of Purchases
6-Year Averages**

Individual Contract Values for Approved Purchases	Average Annual Number of Purchases 2018–2023	% of Total Number	Average Cumulative Value of Purchases 2018–2023	% of Total Value
\$1,000,000–\$2,000,000	13	40.6%	\$17,601,000	5.7%
\$2,000,001–\$3,000,000	5	15.6%	\$12,468,000	4.1%
\$3,000,001–\$4,000,000	3	9.4%	\$8,856,000	2.9%
\$4,000,001–\$5,000,000	1	3.1%	\$6,402,000	2.1%
\$1,000,000–\$5,000,000	22	68.7%	\$45,327,000	14.8%
\$5,000,001–\$10,000,000	4	12.4%	\$26,190,000	8.5%
\$10,000,001–\$15,000,000	2	6.3%	\$22,557,000	7.4%
\$15,000,001–\$20,000,000	2	6.3%	\$35,521,000	11.6%
\$20,000,001 and above	2	6.3%	\$176,851,000	57.7%
\$5,000,000 and above	10	31.3%	\$261,119,000	\$85.2%
TOTAL	32		\$306,446,000	

PURCHASE OR SALE OF REAL PROPERTY

Benchmarking: Purchase and Sale Thresholds at Various Institutions

Institution	Dollar Threshold for Board Approval
University of Wisconsin–Madison	Outside of/alters approved campus boundaries; agricultural land
Northwestern University	\$5 million or more for purchases; all sales
Purdue University	\$2 million or more
Indiana University	\$2 million or more
Rutgers University New Brunswick	\$2 million or more for purchases; \$1 million or more for sales
Pennsylvania State University	\$1 million or more; \$3 million if gifted property
University of Minnesota	\$1 million or more; within 2 miles of a campus; over 10 acres
University of Nebraska–Lincoln	\$250,000 or more
University of Illinois	Purchases outside campus plan boundaries; all sales or exchanges
Michigan State University	All purchases and sales
Ohio State University	All purchases and sales
University of Iowa	All purchases and sales
University of Maryland	All purchases and sales
University of Michigan	All purchases and sales

Purchase or Sale Approved by the Board of Regents, FY2018–FY2023

Fiscal Year	Number of Transactions Annually	Dollar Amount of Transactions Annually
FY 2018	7	\$33,517,833
FY 2019	5	\$56,410,430
FY 2020	10	\$112,313,000
FY 2021	4	\$28,842,500
FY 2022	1	\$1,605,000
FY 2023	14	\$31,382,502
6-Year Average	7	\$44,011,878

**Purchase or Sale Approved by the Board of Regents
Stratification of Number and Size of Transactions: 6-Year Averages**

Individual Contract Values for Approved Transactions	Number of Transactions FY2018-FY2023	% of Total Number	Cumulative Value of Transactions FY2018-FY2023	% of Total Value
below \$1,000,000	11	26.8%	\$4,466,613	1.7%
\$1,000,000-\$2,000,000	9	22.0%	\$13,215,627	5.0%
\$2,000,001-\$3,000,000	5	12.2%	\$11,840,000	4.5%
\$3,000,001-\$4,000,000	3	7.3%	\$10,888,695	4.1%
\$4,000,001-\$5,000,000	0	0.0%	\$0	0.0%
\$1,000,000-\$5,000,000	28	68.3%	\$40,410,935	15.3%
\$5,000,001-\$10,000,000	3	7.3%	\$19,280,000	7.3%
\$10,000,001-\$15,000,000	4	9.8%	\$49,970,330	18.8%
\$15,000,001-\$20,000,000	0	0.0%	\$0	0.0%
\$20,000,001 and above	6	14.6%	\$154,410,000	58.5%
\$5,000,000 and above	13	31.7%	\$223,660,330	84.7%
TOTAL	41		\$264,071,265	

**Purchase or Sale Approved by the Board of Regents
Stratification of Location and Size of Property: 6-Year Averages**

Individual Contract Values for Approved Transactions	Number of Transactions FY2018-FY2023	Within 2 miles of a campus	% of Total Transactions	Over 10 acres	% of Total Transactions
below \$1,000,000	11	5	12.2%	5	12.2%
\$1,000,000-\$2,000,000	9	4	9.8%	5	12.2%
\$2,000,001-\$3,000,000	5	4	9.8%	1	2.4%
\$3,000,001-\$4,000,000	3	3	7.4%	0	0.0%
\$4,000,001-\$5,000,000	0	0	0.0%	0	0.0%
\$1,000,000-\$5,000,000	28	16	39.0%	11	26.8%
\$5,000,001-\$10,000,000	3	2	4.9%	1	2.4%
\$10,000,001-\$15,000,000	4	2	4.9%	1	2.4%
\$15,000,001-\$20,000,000	0	0	0.0%	0	0.0%
\$20,000,001 and above	6	6	14.6%	0	0.0%
\$5,000,000 and above	13	10	24.4%	2	4.9%
TOTAL	41	26	63.4%	13	31.7%

LEASE, EASEMENTS, OR OTHER INTERESTS IN REAL PROPERTY

Benchmarking: Lease Thresholds at Various Institutions

Institution	Dollar Threshold for Board Approval
Michigan State University	Exceeds 10 years in length
Ohio State University	\$10 million or more; easements exceeding 25 years
University of Nebraska–Lincoln	\$5 million or more in total rent; term of lease exceeds 20 years
Rutgers University New Brunswick	\$2 million or more
Indiana University	\$2 million or more
University of Maryland	\$1 million or more in any year; exceeds ten years; total value \$10 million or more
University of Wisconsin–Madison	\$1 million or more in total cost or five years; allows privately owned/operated facility on state land; agricultural lands
University of Minnesota	\$1 million or more
Purdue University	\$500,000 or more in annual rent
University of Illinois	\$200,000 or more in annual rent
University of Iowa	\$150,000 or more in annual base rent (excludes taxes, CAM, utilities, etc.); over 10,000 GSF
University of Michigan	When a conflict of interest has been identified
Northwestern University	No data available
Pennsylvania State University	No data available

Leases Approved by the Board of Regents, FY2018-FY2023

Fiscal Year	Number of Transactions Annually	Dollar Amount of Transactions Annually
FY 2018	2	\$40,600,000
FY 2019	1	\$2,800,000
FY 2020	4	\$10,309,708
FY 2021	5	\$11,778,056
FY 2022	4	\$61,170,000
FY 2023	4	\$15,350,000
6-Year Average	3	\$23,667,961

Leases Approved by the Board of Regents
Stratification of Number and Size of Transactions: 6-Year Averages

Individual Contract Values for Approved Transactions	Number of Transactions FY2018–FY2023	% of Total Number	Cumulative Value of Transactions FY2018–FY2023	% of Total Value
under \$1,000,000*	1	5.0%	\$981,708	0.7%
\$1,000,000–\$2,000,000	5	25.0%	\$6,322,056	4.5%
\$2,000,001–\$3,000,000	5	25.0%	\$12,920,000	9.1%
\$3,000,001–\$4,000,000	2	10.0%	\$6,624,000	4.7%
\$4,000,001–\$5,000,000	2	10.0%	\$9,260,000	6.5%
\$1,000,000–\$5,000,000	15	75.0%	\$36,107,764	25.4%
\$5,000,001–\$10,000,000	2	10.0%	\$11,400,000	8.0%
\$10,000,001–\$15,000,000	0	0.0%	\$0	0.0%
\$15,000,001–\$20,000,000	1	5.0%	\$17,000,000	12.0%
\$20,000,001 and above	2	10.0%	\$77,500,000	54.6%
\$5,000,000 and above	5	25.0%	\$105,900,000	74.6%
TOTAL	20		\$142,007,764	

**under \$1 million reflects an amendment to an approved lease over \$1 million*

CAPITAL PROJECTS

Benchmarking: Capital Project Thresholds at Various Institutions

Institution	Dollar Threshold for Board Approval
Pennsylvania State University	\$10 million or more
University of Nebraska–Lincoln	\$5 million or more, except renewal and infrastructure
University of Iowa	\$5 million or more; equipment, furniture, and/or artwork costs excluded if they exceed 50% of the construction cost
Northwestern University	\$5 million or more
Purdue University	\$5 million or more
Rutgers University New Brunswick	\$5 million or more
University of Illinois	\$5 million or more
University of Maryland	\$5 million or more
University of Wisconsin–Madison	\$5 million or more
Michigan State University	\$3 million or more
Indiana University	\$2 million or more
University of Michigan	\$1 million or more
University of Minnesota	\$1 million or more
Ohio State University	No data available

Capital Projects Approved by the Board of Regents, FY2018–FY2023

Fiscal Year	Number of Projects Annually	Dollar Amount of Projects Annually
FY 2018	17	\$184,476,000
FY 2019	23	\$128,945,000
FY 2020	6	\$130,778,000
FY 2021	13	\$98,144,000
FY 2022	14	\$203,657,000
FY 2023	12	\$155,055,000
6-Year Average	14	\$150,175,833

**Capital Projects Approved by the Board of Regents
Stratification of Number and Size of Purchases: 6-Year Averages**

Individual Contract Values for Approved Projects	Number of Projects FY2018-FY2023	% of Total Number	Cumulative Value of Projects FY2018-FY2023	% of Total Value
under \$1,000,000	7	8%	\$5,690,000	1%
\$1,000,000-\$2,000,000	18	21%	\$26,967,000	3%
\$2,000,001-\$3,000,000	15	18%	\$35,860,000	4%
\$3,000,001-\$4,000,000	7	8%	\$23,672,000	3%
\$4,000,001-\$5,000,000	9	11%	\$38,433,000	4%
\$1,000,000-\$5,000,000	56	67%	\$130,622,000	14%
\$5,000,001-\$10,000,000	9	11%	\$64,375,000	7%
\$10,000,001-\$15,000,000	6	7%	\$68,475,000	8%
\$15,000,001-\$20,000,000	0	0%	\$0	0%
\$20,000,001 and above	13	15%	\$637,583,000	71%
\$5,000,000 and above	28	33%	\$770,433,000	86%
TOTAL	84	100%	\$901,055,000	100%

SCHEMATIC PLANS

Benchmarking: Schematic Plans Thresholds at Various Institutions

Institution	Dollar Threshold for Board Approval
Rutgers University New Brunswick	No Board approval required
Northwestern University	\$5 million
University of Wisconsin–Madison	\$5 million
University of Michigan	\$3 million
Indiana University	\$2 million, exterior only
University of Iowa	\$2 million or more; excludes utilities, grounds, razings, mechanical, electrical, restrooms, roofs, exterior envelope; excludes equipment when 50% or more of total construction budget
University of Minnesota	\$1 million or more
Michigan State University	No threshold reported
Ohio State University	No threshold reported
Pennsylvania State University	No threshold reported
Purdue University	No threshold reported
University of Illinois	No threshold reported
University of Nebraska–Lincoln	No threshold reported
University of Maryland	No threshold reported

Schematic Design Approved by the Board of Regents, FY2018–FY2023

Fiscal Year	Number of Projects Annually	Dollar Amount of Projects Annually
FY 2018	9	\$50,947,000
FY 2019	11	\$45,419,000
FY 2020	7	\$195,272,000
FY 2021	8	\$254,973,410
FY 2022	7	\$94,638,834
FY 2023	4	\$94,620,000
6-Year Average	8	\$122,345,874

**Schematic Design Approved by Board of Regents
Stratification of Number and Size of Purchases: 6-Year Averages**

Individual Contract Values for Approved Projects	Number of Projects FY2018-FY2023	% of Total Number	Cumulative Value of Projects FY2018-FY2023	% of Total Value
\$1,000,000-\$2,000,000	7	15.2%	\$11,432,000	1.6%
\$2,000,001-\$3,000,000	10	21.7%	\$23,934,660	3.3%
\$3,000,001-\$4,000,000	5	10.9%	\$18,757,000	2.6%
\$4,000,001-\$5,000,000	3	6.5%	\$13,846,000	1.9%
\$1,000,000-\$5,000,000	25	54.3%	\$67,969,660	9.3%
\$5,000,001-\$10,000,000	6	13.0%	\$50,227,034	6.8%
\$10,000,001-\$15,000,000	5	10.9%	\$60,325,000	8.2%
\$15,000,001-\$20,000,000	1	2.2%	\$16,200,000	2.2%
\$20,000,001 and above	9	19.6%	\$539,353,550	73.5%
\$5,000,000 and above	10	45.7%	\$666,105,584	90.7%
TOTAL	46		\$734,075,244	

Discussion of Approval Thresholds

Brian Steeves
Executive Director & Corporate Secretary

Jason Langworthy
Associate Secretary

December 8, 2023



Review of Approval Thresholds

- Part 1: Overview of Board of Regents Policy: *Reservation and Delegation of Authority*
- **Part 2: Discussion of Approval Thresholds**
- Part 3: Board of Regents Policy: *Reservation and Delegation of Authority* – Review
- Part 4: Board of Regents Policy: *Reservation and Delegation of Authority* – Action



What is Reservation and Delegation of Authority?

- Cornerstone policy
- Defines broadly reserved authorities to the Board
- Delegates authority to key individuals
- Answers - Who is responsible for getting us there?



BOARD OF REGENTS POLICY:
Reservation and Delegation of Authority

ARTICLE I
RESERVATION OF AUTHORITY

SECTION I. GENERAL RESERVATIONS OF AUTHORITY.

Subd. 1.

The Board of Regents reserves to itself all authority necessary to carry out its legal and fiduciary responsibilities under the University Charter, the Constitution of the State of Minnesota, and the Board of Regents (Board) Bylaws. This reservation specifically includes all authority to enact laws and policies for the governance of the University of Minnesota (University) and to issue Board directives to executive officers and employees. The Board's reserved authority shall be exercised consistent with the University Charter, the Constitution of the State of Minnesota, Board Bylaws, and relevant Board policies.



Principles to Guide Review

- Strengthen public confidence in University decision-making.
- Ensure the Board's ability to carry out its fiduciary and oversight duties while focusing on consequential items.
- Continue alignment, clarity, and accountability, while avoiding surprises that have the potential to create public relations risks.
- Use a risk-based approach to consider threshold levels.



Questions to Consider

- Is this the right threshold?
- Does the threshold support the Board's ability to carry out its fiduciary and oversight duties while focusing on consequential items
- Should there be a standard threshold across all areas or should the thresholds vary by type?



Current Thresholds

Value greater than \$1,000,000

- Purchase of goods and services
- Purchase or sale of real property
 - Also required: real property located on or within 2 miles of a campus, larger than 10 acres
- Lease, easements, or other interests in real property
- Multi-year capital plans
- Annual capital budgets
- Capital budget amendments
- Schematic plans
- Individually negotiated employment agreements and significant amendments



Purchase of Goods and Services

- Current threshold \$1 million
- Some peers have no approval requirement. Those with a threshold range from \$10 million to \$1 million
Examples include:
 - Research and medical equipment like MRI machines
 - Contracts for library subscriptions, Gmail, Zoom
 - Dining services, snow removal, basic goods



Purchase or Sale of Real Property

- Current threshold
 - Value greater than \$1 million;
 - Located on or within 2 miles of a University campus; or
 - Larger than 10 acres
- Peers range from all purchases and sales to \$5 million for purchases
- Examples include:
 - Purchase of land near the Twin Cities campus
 - Sale of land at UMore Park



Lease, Easements, or Other Interests in Real Property

- Current threshold
 - leases of real property, easements, and other interests in real property if the initial term amount to be paid by or to the University exceeds \$1 million
- Peers range from \$150,000 in annual rent to \$10 million
- Examples include:
 - Rochester campus facilities



Capital Projects

- Current threshold
 - Capital projects with a value greater than \$1 million
 - Six-Year Capital Plan and Annual Capital Improvement Budget include projects with a value greater than \$1 million
- Peers range from \$1 million to \$10 million
- Examples include:
 - Heikkila Chemistry & Advanced Materials Science Building, Duluth campus
 - Fraser Hall - Chemistry Undergraduate Teaching, Twin Cities campus



Schematic Plans

- Current threshold
 - Project with a value greater than \$1 million
- Some peers have no approval requirement. Those with a threshold range from \$1 million to \$5 million.
- Examples include:
 - Main Production Kitchen Renovation, Residence Dining Center, Duluth campus
 - Territorial Hall HVAC System Replacement, Twin Cities campus



Employment Agreements

- Current threshold
 - List of senior leaders included Article I, Section IV, Subd. 1
 - Individually negotiated employment agreements, and significant amendments thereto, when such agreements have a total value of more than \$1,000,000. For purposes of this subdivision, total value shall mean the potential amount due to the employee if the University terminated the employment agreement without cause.
 - For faculty positions as defined by Board of Regents Policy: *Faculty Tenure*, this subdivision only applies when the faculty member's first year compensation is set at more than \$1,000,000, or when individually negotiated terms of employment create a potential amount due to the faculty member of more than \$1,000,000 if the faculty member's appointment were terminated.





UNIVERSITY OF MINNESOTA

Driven to Discover[®]

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 8, 2023

AGENDA ITEM: Board Committee Structure: Role of Standing Committees & Special Committees

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Brian Steeves, Executive Director & Corporate Secretary
Jason Langworthy, Associate Secretary

PURPOSE & KEY POINTS

The purpose of this item is for the committee to continue considering the Board’s committee structure. This item will engage the committee in a discussion of the Board’s committee structure and the use of standing vs. special committees and omnibus vs. committees of six or less Regents.

Key Discussion Questions

To facilitate discussion, the following questions are offered as a starting point:

- What work is best accomplished in a 6-Regent committee vs. a 12-Regent committee or sitting as the full Board?
- From a workload standpoint, are any of the standing committee portfolios either oversized or undersized?
- Looking at the specific portfolios, are there any gaps that need to be addressed? Or, alternatively, any topics that receive too much time and attention?
- Given your experience so far, should either of the current special committees be made into a standing committee?
- The Litigation Review Committee is currently decoupled from regular committee and Board meetings. How well is that working? What are the benefits and drawbacks of decoupling committees from the Board meeting?

BACKGROUND INFORMATION

Current Standing Committee Portfolios

Below are the portfolios for each standing committee of the Board, as established by Board of Regents Policy: *Board Operations & Agenda Guidelines*.

Subd. 4. Audit & Compliance Committee Charter.

The Audit & Compliance Committee oversees the University's system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. The committee is to assist the Board in discharging its oversight responsibilities related to the audit and compliance functions by:

- promoting the development of an effective, efficient, and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal control;
- overseeing the University's integrated framework of internal control, risk management practices, and institutional compliance program to ensure that the administration executes the provisions of Board of Regents Policy: *Internal Control*;
- serving as an informed voice on the Board by relaying the audit and compliance perspective when related issues are brought before the Board and its standing committees; and
- providing a direct channel of communication to the Board for the chief auditor and the independent public auditor.

Consistent with Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section X, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the chief auditor; review audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Specific duties of the Audit & Compliance Committee include the following:

- (a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit & Compliance Committee. The committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The committee shall approve in advance all audit and non-audit services provided by the independent auditor with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in the United States General Accounting Office Government Auditing Standards. Engagements not requiring approval by the Board shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee. The committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.
- (b) Oversight of the Internal Audit Function. The Audit & Compliance Committee shall recommend for Board approval changes to the Office of Internal Audit's charter and any material revisions to internal audit plans or budgets. In consultation with management and the chief auditor, the committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.
- (c) Review of the Annual Financial Report. The Audit & Compliance Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.

- (d) **Review of Audit Results.** The Audit & Compliance Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, chief auditor, and management. The committee shall monitor management's progress in addressing audit recommendations.
- (e) **Investigation of Reported Concerns Regarding Accounting or Auditing Matters.** The Audit & Compliance Committee shall be apprised of investigations conducted under administrative policy.
- (f) **Requests for Audits.** The Audit & Compliance Committee is authorized to request supplemental reviews or other audit procedures by the chief auditor, the independent auditor, or other advisors.
- (g) **Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors.** The Audit & Compliance Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in (a) of this section. Engagements not requiring approval by the Board shall be reported to the committee at the next scheduled meeting of the committee.
- (h) This committee provides additional oversight of compliance initiatives and enterprise risk management processes, including risk identification and mitigation.

This committee also reviews:

- The annual financial statements, prior to issuance.
- annual report on institutional risk and financial reports.
- The independent auditor's annual audit and management letter.
- The chief auditor's annual audit plan.
- Responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, investigations conducted under administrative policy, and other items relevant to the audit function.
- annual institutional compliance report.
- The institutional conflict of interest report.
- External auditor engagements not requiring approval by the Board. Any engagements shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.

Subd. 5. Finance & Operations Committee.

The Finance & Operations Committee oversees and makes recommendations to the Board related to the University's operations, fiscal stability, physical assets (e.g., land, buildings, infrastructure, technology, and equipment), and long-term economic health. The committee also advises the administration on faculty and staff compensation strategy, benefits, recruitment, and engagement.

Specifically, this committee approves on behalf of the Board:

- appointments reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section IV. Subd. 1 and 3.

- budgetary, financial, and investment matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VII.
- property, facilities, and capital budgets reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section VIII.
- employment and labor relations matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section XI.

This committee provides oversight of:

- long-range financial planning strategies, including total indebtedness of the University and investment portfolio;
- the financial relationship between the University and its partners, including affiliated foundations, clinical operations, and external entities;
- potential risks within University finance and operations;
- long-range physical asset planning strategies, including technology infrastructure;
- public safety and emergency preparedness;
- operational services such as housing, parking, transportation, and dining;
- faculty and staff employment, compensation and benefits policy, including senior leader compensation, benchmarking, and terms of employment; and
- employee engagement and workforce development.

This committee also reviews:

- the annual central reserves fund report;
- the annual capital financing and debt management report;
- annual strategic facilities and real estate report, which includes updates on the University's facilities condition assessment and space utilization, real estate transactions from the past fiscal year, and capital project management updates for projects in process that have been approved in the annual capital improvement budget and have a value equal to or greater than \$1,000,000;
- exceptions to a competitive bid process for purchases requiring Board approval;
- annual asset management report;
- the annual financial report;
- selected financial metrics that measure the University's fiscal condition;
- periodic updates on future facilities projects;
- design guidelines when a project design represents an exception to adopted campus master plans; and
- other financial reports, employment reports, and facilities management reports and significant issues.

Subd. 6. Governance & Policy Committee.

The Governance & Policy Committee oversees and makes recommendations to the Board related to policy and processes that seek to ensure the integrity and high performance of the Board. The committee supports effective governance by guiding the Board to: articulate a clear vision for the University and its major components; clarify reserved and delegated authorities; establish institutional benchmarks and performance measures; and thoughtfully considers risks that may impact the performance of the institution.

Specifically, this committee recommends to the Board:

- amendments to the *Bylaws* and changes to the structure and function of the Board;
- amendments to Board policies not routed through one of the other standing committees; and
- consideration of other University policy matters referred to the committee by the Board chair.

This committee provides oversight to:

- evaluate the effectiveness of the Board through periodic self-assessment;
- ensure that Regents are fully oriented and receive ongoing education; and
- identify best practices in governance for possible implementation.

Subd. 7. Litigation Review Committee.

The Litigation Review Committee reviews litigation matters and obtains legal advice regarding specific University actions and their legal consequences. This committee typically meets in non-public session and consults with the general counsel on cases and claims, consistent with Board of Regents Policy: *Attorneys and Related Services* and Board of Regents Policy: *Legal Claims and Settlements*. The committee determines which matters shall be referred to the Board for review or approval.

Subd. 8. Mission Fulfillment Committee.

The Mission Fulfillment Committee oversees and makes recommendations to the Board related to the University’s mission, as articulated in Board of Regents Policy: *Mission Statement* and carried out on five campuses and across the state, the nation, and the world. The committee oversees and advises the administration on academic priorities, activities, programs, and initiatives central to the threefold mission of research and discovery, teaching and learning, and outreach and public service.

Specifically, this committee approves on behalf of the Board:

- academic matters reserved to the Board as defined by Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section V.

This committee provides oversight of:

- academic program reviews and strategic plans of academic units;
- admissions practices, demographic trends and enrollment planning;
- curricular and co-curricular educational, research and engagement opportunities;
- diversity and campus climate;
- faculty development, recruitment and retention;
- faculty promotion and tenure;
- international partnerships and global research and educational programs;
- health education and academic medicine;
- issues related to the University's academic profile such as accreditation, reputation, and academic ranking;
- online learning;
- public engagement and community partnerships that fulfill the University’s land-grant mission;
- scholarship, artistic activity and commercialization of technology and intellectual property;
- sponsored projects and research support infrastructures;

- student affairs, student wellness and the student experience;
- student experience and academic performance of student-athletes;
- undergraduate, graduate, and professional education.

Current Special Committee Charges

Special Committee on Academic Health

The Special Committee on Academic Health will oversee the University's academic medical enterprise and clinical partnerships. The special committee will build the Board's understanding and capacity in this area and make recommendations to the Board related to the MPact Health Care Innovation proposal and clinical partnership arrangements. The committee will advise the administration on academic medical strategy and help propel health sciences toward a clinical partnership plan that will champion medical education, improve clinical care, and more fully serve the people of Minnesota.

Special Committee on University Relations

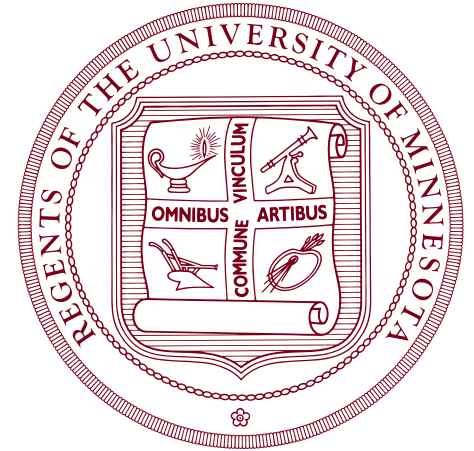
The Special Committee on University Relations will advance the critical work of building strong relationships within communities vital to the University's success. The special committee has oversight of the University's government relations function at the local, state, and federal levels, as well as efforts to build stronger neighborhood relations in communities where the University is located. The special committee will provide the administration with input on the University's public relations efforts including areas like marketing and brand development.

Board Committee Structure: Role of Standing Committees & Special Committees

Brian Steeves
Executive Director & Corporate Secretary

Jason Langworthy
Associate Secretary

December 8, 2023



Board Committee Structure

- Part 1: Context and Principles to Guide Discussion
- Part 2: Committee Portfolios
- **Part 3: Role of Standing Committees and Special Committees**
- Any changes resulting from these conversations would be considered in February



Current Standing Committee Structure Objectives

- Enhance opportunities for the Board to focus collectively on consequential issues.
- Promote greater Board cohesion
- Ensure information symmetry.
- Increase transparency and public access to the Board's work.
- Ensure oversight of all major functions and activities.



Current Special Committee Objectives

- Address current topics of interest from the Board with more direct focus.
- Aligned with, and in support of, the Board's 2023-24 priorities.
- Provide greater Board capacity in the academic health and University relations areas.



Standing Committees vs. Special Committees

Standing Committees

- As required by the *Bylaws*, are named and have defined responsibilities in Board of Regents Policy: *Board Operations and Agenda Guidelines*.
- Are enduring and continue to function until altered by the Board.
- Are typically structured to focus on broad areas of the Board's authority.

Special Committees

- As stated in the *Bylaws*, the Board chair names and defines the responsibilities typically via a charge letter.
- Are appointed as needed and sunset either at the completion of their charge or at the end of the Board chair's term.
- Typically focused on a specific and narrow area of the Board's governance



Current Committees & Special Committees

Standing Committees

- Audit & Compliance
- Finance & Operations
- Governance & Policy
- Litigation Review
- Mission Fulfillment
- Nominating
- Presidential Performance Review

Special Committees

- Academic Health
- University Relations



Committee Membership

- **Omnibus**
 - Committees of all 12 Regents
 - Designed to avoid information asymmetry and include all Regents in discussions leading to key decisions.
 - With change in September, can act on behalf of the Board.
- **Committees of Six or less**
 - Splits the Board into smaller groups.
 - Provides the opportunity to build specific capacity/expertise in committee areas.
 - Make recommendations to the Board.



Committee Membership

Omnibus

- Finance & Operations
- Mission Fulfillment

Committees of Six or less

- Audit & Compliance
- Governance & Policy – *was omnibus*
- Litigation Review
- Nominating – *three Regents*
- Presidential Performance Review – *three Regents*
- Special Committee on Academic Health
- Special Committee on University Relations



Discussion Questions

- What work is best accomplished in a 6-Regent committee vs. a 12-Regent committee or sitting as the full Board?
- From a workload standpoint, are any of the standing committee portfolios either oversized or undersized?
- Looking at the specific portfolios, are there any gaps that need to be addressed? Or, alternatively, any topics that receive too much time and attention?



Discussion Questions

- Given your experience so far, should either of the current special committees be made into a standing committee?
- The Litigation Review Committee is currently decoupled from regular committee and Board meetings. How well is that working? What are the benefits and drawbacks of decoupling committees from the Board meeting?





UNIVERSITY OF MINNESOTA

Driven to Discover®

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.



BOARD OF REGENTS DOCKET ITEM SUMMARY

Governance & Policy

December 8, 2023

AGENDA ITEM: Presidential Conflicts of Interest

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

PRESENTERS: Jason Langworthy, Associate Secretary

PURPOSE & KEY POINTS

The purpose of this item is for the committee to discuss how the Board wishes to handle potential institutional conflicts of interest involving the president. As stated in Board of Regents Policy: *Institutional Conflict of Interest*, the Board reserves to itself the authority to “review and approve plans for managing, reducing, or eliminating institutional conflicts of interest” involving the president. Currently, the same process that is used for other University officials is used for the president. This discussion will outline the current process and offer a potential process for the committee to react to. The potential process was developed in collaboration between the Office of Institutional Compliance, the Office of the General Counsel, and the Office of the Board of Regents.

Depending on the outcome of this conversation, amendments to Board of Regents Policy: *Institutional Conflict of Interest* would return for the committee’s consideration at the February 2024 meeting.

BACKGROUND INFORMATION

Board of Regents Policy: *Institutional Conflict of Interest* was last comprehensively reviewed and amended in 2017.

As defined by the policy an *institutional conflict of interest* is “a situation in which the University’s research, teaching, or outreach mission activities, or its institutional reputation may be compromised or appear to be compromised because of an external financial or business relationship held at the institutional level that may bring financial gain to the institution, any of its units, or the individuals covered by this policy.”

Presidential Conflicts of Interest

Jason Langworthy
Associate Secretary

December 8, 2023



Institutional Conflict of Interest

- Defined by Board of Regents Policy: *Institutional Conflict of Interest:*

Institutional conflict of interest shall mean a situation in which the University's research, teaching, or outreach mission activities, or its institutional reputation may be compromised or appear to be compromised because of an external financial or business relationship held at the institutional level that may bring financial gain to the institution, any of its units, or the individuals covered by this policy.



Institutional Conflict of Interest

- Guiding principles:
 - a) Because it is critical to the mission and reputation of the University to maintain the public's trust, University research, teaching, outreach, and other activities must not be compromised or perceived as biased by financial and business considerations.
 - b) Because of its numerous and complex relationships with public and private entities, the University must be aware of any relationships involving financial gain that may compromise or appear to compromise its integrity.
 - c) The University shall establish and maintain an oversight process to manage, reduce, or eliminate institutional conflict of interest.



Current Process for the President

- The Board reserves to itself the authority to “review and approve plans for managing, reducing, or eliminating institutional conflicts of interest” involving the president.
- The president is included as a “University Official” in Board policy.
- If there is a potential conflict involving the president, the same process that is used for other University officials is used for the president – the potential conflict is reviewed by the Institutional Conflict Review Panel.



Current Process for the President

- The Institutional Conflict Review Panel consists of University administration, faculty, and a community representative.
- If the Institutional Conflict Review Panel determines that an institutional conflict of interest exists in fact and/or in appearance for the president, the panel creates a conflict management plan and recommends it to the Board for their review and action.



Potential New Process for the President

- Create a separate review panel – the Presidential Conflict Review Panel.
- Aligns with Board policies where, as needed, groups are formed to address areas involving Regents or the President.



Potential New Process for the President

- The Presidential Conflict Review Panel:
 - Would review institutional conflicts of interest involving the president.
 - Recommend conflict management plans to the Board.
 - Staffed by the University Conflict of Interest Program with support from the Office of the Board of Regents.



Potential New Process for the President

- Presidential Conflict Review Panel Voting Membership appointed by the Board chair and could include:
 - Chaired by a Regent
 - One additional Regent
 - The Chief Compliance Officer
 - The Chair of the Senate Consultative Committee
 - A community member.
- The panel could be advised by the Office of the General Counsel and the Office of Internal Audit.



Discussion Questions

- Should institutional conflicts of interest involving the president have a separate panel to consider them?
- Who should serve as voting membership of the panel?
- What role should those reporting to the president play in the process?
- What role should the Chief Auditor play in the process?





UNIVERSITY OF MINNESOTA

Driven to Discover[®]

Crookston Duluth Morris Rochester Twin Cities

The University of Minnesota is an equal opportunity educator and employer.