

February 28, 2007

MEMORANDUM

TO: State Board of Regents

FROM: Richard E. Kendell

SUBJECT: Action: Consent Calendar, Finance, Facilities, and Accountability Committee

The Commissioner recommends that the Regents approve the following items on the Finance, Facilities, and Accountability Committee Consent Calendar:

- 1) **USHE- Proposed Revisions to Policy R588, *Delegation of Debt Policy to Boards of Trustees (Attachment 1)***. During the January 2007 board meeting, regents asked that the newly approved debt policy be revised to include definitions, parameters, and general suggestions appropriate for institutional use. The attached policy revisions incorporate NACUBO (National Association of College and University Business Officers) recommendations for institutional debt policies. These items are proposed for inclusion in the regent policy as suggestions only. Institutions are encouraged to adapt this guidance in developing policies that meet individual needs and objectives in regards to debt management.
- 2) **USHE – Proposed Revisions to Policy R565, *Audit Committees (Attachment 2)***. Minor revisions to Policy R565 are needed to establish lines of communication between the Regent Audit Committee and institutional audit committees. Prior policy language suggested that the committees should correspond directly. However, at a recent statewide meeting of audit committees, trustees and institutional administrators requested that any direct communication from the Regent Audit Committee go to the Trustee chair with copies to the Trustee Audit Committee. Trustee chairs, in some instances, are members of the Audit Committee. In other instances they are not. The Regent Audit Committee informally agreed to the request, as it improves the free flow of information originally envisioned by R565. The attached policy revisions are necessary to implement this informal agreement.
- 3) **USHE – University of Utah and Utah State University – Capital Facilities Delegation Reports (Attachment 3)**. In accordance with the capital facilities delegation policy adopted by the Regents and by the State Building Board, the attached reports are submitted to the Board for review. Officials from the institutions will be available to answer any questions that the Regents may have.

- 4) **University of Utah – Sale of Donated Property (Attachment 4)**. As stated in the attached letter from Vice President Arnold Combe, the University requests approval for the sale of two donated properties.

Richard E. Kendell
Commissioner of Higher Education

REK/MHS/BRF/MV
Attachments

R588, Delegation of Debt Policy to Boards of Trustees

R588-1. Purpose

1.1. To authorize an institution to establish a debt policy approved by its Board of Trustees.

R588-2. References

2.1. 53B-1-102, Utah Code Annotated 1953 (State System of Higher Education)

2.2. 53B-1-103, Utah Code Annotated 1953 (Establishment of State Board of Regents – Powers and authority)

R588-3. Definitions

3.1. A debt policy may be helpful in forming the foundation for a well-managed debt program. A debt policy can establish parameters for issuing debt and managing the debt portfolio, provide appropriate guidance to decision-makers, and identify key objectives for institutional staff to implement. If developed at the institutional level, a debt policy should demonstrate a commitment to the institution's long-range financial plans, recognize a long-term commitment to full and timely repayment of all debt, and be compatible with the institution's goals for capital programs and budgets.

3.2. Institutional debt policies might address items such as:

3.2.1. The purposes for which debt may be issued;

3.2.2. Legal debt limitations, if any;

3.2.3. Types of debt permitted to be issued;

3.2.4. Criteria for issuance of short-term and long-term debt, general obligation and revenue debt, fixed and variable rate debt, lease-backed debt, and special obligation debt;

3.2.5. Credit objectives, such as maintenance of specific credit ratings or adherence to benchmark debt ratios;

3.2.6. Authorized methods of sale, such as competitive sale, negotiated sale, and private placement;

3.2.7. Method of selecting outside finance professionals; and

3.2.8. Policy on refunding of debt.

R588-~~34~~. Policy

~~34.1.~~ Institutional Debt Policy – An institution within the Utah System of Higher Education may establish its own institutional debt policy in consultation with the Commissioner's Office and approved by its Board of Trustees, to meet the individual needs and objectives of the institution in regards to debt management.

(Approved January 19, 2007)

R565, Audit Committees

R565-1. Purpose

To provide for the functions and responsibilities of Audit Committees within the Utah System of Higher Education (System).

R565-2. References

2.1. Utah Code [§53B-6-102](#) (Standardized Systems Prescribed by the Board)

2.2. Utah Code [§53B-7-101](#) (Financial Affairs Under the General Supervision of the Board)

2.3. Utah Code [Title 52, Chapter 4](#) (Utah Open and Public Meeting Act)

2.4. Policy and Procedures [R561](#), Accounting and Financial Controls

2.5. Policy and Procedures [R567](#), Internal Audit Program

R565-3. Creation of Audit Committees

3.1 Creation of Regent Audit Committee - There is hereby created a Regent Audit Committee as a standing subcommittee of the Finance, Facilities and Accountability Committee.

3.2 Creation of Trustee Audit Committees - Each Board of Trustees will create a standing Audit Committee to assist the full board in fulfilling its oversight responsibilities for financial matters.

R565-4. Regent and Trustee Audit Committee Charters

4.1 Purpose

4.1.1 Regent Audit Committee - To assist the Board of Regents in fulfilling its oversight responsibilities for financial reporting, internal control, audit processes, and compliance with laws and regulations.

4.1.2 Trustee Audit Committee -To assist the Board of Trustees in fulfilling its oversight responsibilities for financial reporting, internal control, audit processes, and compliance with laws and regulations.

4.2 Authority

4.2.1 Regent Audit Committee - The Regent Audit Committee shall obtain pertinent information, become knowledgeable, and provide advice and recommendations to the full Board of Regents with regard to financial oversight and systems of internal control at each institution. The Regent Audit Committee is not vested with decision making authority on behalf of the full Board of Regents. However, the Regent Audit Committee has authority to:

4.2.1.1 Consult with the State Auditor on the appointment of external auditors.

4.2.1.2 Request information from boards of trustees, campus administrators, and other institutional representatives, all of whom are directed to cooperate with Committee requests.

4.2.1.3 Confer with external auditors, legal counsel, and others as necessary.

4.2.2 Trustee Audit Committee - The Trustee Audit Committee shall obtain pertinent information, become knowledgeable, and provide advice and recommendations to the full Board of Trustees with regard to financial oversight and systems of internal control at the institution. The Trustee Audit Committee is not vested with decision making authority on behalf of the full Board of Trustees. However, the Trustee Audit Committee has authority to:

4.2.2.1 Confer with external auditors, legal counsel, and others as necessary.

4.2.2.2 Facilitate full access for external auditors during annual audits.

4.2.2.3 Assist in the resolution of disagreements between institutional representatives and external auditors.

4.2.2.4 Request information from campus administrators, faculty, staff, and other institutional representatives, all of whom are directed to cooperate with Committee requests.

4.2.2.5 Conduct or authorize investigations into any matters considered necessary to achieve its purpose.

4.2.2.6 Consult with institutional representatives, the Board of Trustees, and the Regent Audit Committee concerning the adequacy of the institution's accounting personnel, staffing levels, and controls.

4.3 Composition

4.3.1 Regent Audit Committee - The Regent Audit Committee will consist of at least three and no more than five members, at least three of whom are members of the Board of Regents, each of whom shall be independent and free from any relationship that, in the opinion of the Board of Regents, would interfere with the exercise of his or her independent judgment as a member of the Committee. The Committee members will be appointed by the Chair of the Regents. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. Wherever possible, at least one of the committee members should have financial expertise either through professional certification or experience.

4.3.2 Trustee Audit Committee - The Trustee Audit Committee will consist of at least three and no more than five members, at least three of whom are members of the Board of Trustees, each of whom shall be independent and free from any relationship that, in the opinion of the Board of Trustees, would interfere with the exercise of his or her independent judgment as a member of the Committee. The Committee members will be appointed by the Chair of the Trustees. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. Wherever possible, at least one of the committee members should have financial expertise either through professional certification or experience.

4.4 Meetings

4.4.1 Regent Audit Committee - The Committee will meet as needed to review audit and financial information. The Committee may meet with boards of trustees, institutional administrators, and auditors. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Informal minutes will be prepared.

4.4.2 Trustee Audit Committee - The Committee shall meet at least three times a year, with additional meetings as needed. The Committee may invite institutional administrators, auditors, and others to attend meetings and provide pertinent information. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Informal minutes will be prepared.

4.5 Responsibilities

4.5.1 External Audits and Financial Statements

4.5.1.1 Regent Audit Committee

4.5.1.1.1 Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Regent Audit Committee and trustee audit committees (via trustee chairs and trustee audit committee chairs), whether or not irregularities or other problems have been identified.

4.5.1.1.2 Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the annual financial statements, including a summary of significant accounting and reporting issues.

4.5.1.1.3 Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.1.2 Trustee Audit Committee

4.5.1.2.1 Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Trustee Audit Committee and external auditors, whether or not irregularities or problems have been identified.

4.5.1.2.2 Review the institution's financial statements, including significant accounting and reporting issues. This includes reviewing the management discussion and analysis of the financial statements, along with any analyses prepared by institutional administration and/or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

4.5.1.2.3 Review with the administration and the external auditors the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.2 Internal Control

4.5.2.1 Regent Audit Committee

4.5.2.1.1 Receive and review reports from institutions regarding the control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.2.1.2 Receive and review reports from institutions regarding systems of internal control.

4.5.2.1.3 Receive and review reports from institutions regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.2.2 Trustee Audit Committee

4.5.2.2.1 Review information regarding the institution's control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.2.2.2 Confer with external and internal auditors regarding the quality of institutional systems of internal control.

4.5.2.2.3 Review information regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.2.2.4 Review with campus administrators and other institutional representatives the adequacy of the institution's accounting personnel, staffing levels, and controls.

4.5.3 Compliance

4.5.3.1 Regent Audit Committee

4.5.3.1.1 Review reports from institutions regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.3.1.2 Obtain regular updates from institutions regarding instances of material noncompliance that might have implications for the System.

4.5.3.2 Trustee Audit Committee

4.5.3.2.1 Review information provided by the administration regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.3.2.2 Obtain regular updates from institutional administrators and/or legal counsel regarding instances of material noncompliance that might have implications for the institution.

4.5.4 Internal Audit

4.5.4.1 Regent Audit Committee

4.5.4.1.1 Receive annual summary reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the internal auditing program at each institution, including any restrictions and limitations on internal auditing activities.

4.5.4.2 Trustee Audit Committee

4.5.4.2.1 Review with the administration and the chief internal audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function.

4.5.4.2.2 Review any restrictions and limitations on internal auditing activities.

4.5.4.2.3 Advise the Board of Trustees regarding the appointment, replacement, or dismissal of the institution's chief internal audit executive.

4.5.4.2.4 Receive and review internal audit reports and/or periodic summaries of internal audit activities prepared by the chief internal audit executive.

4.5.4.2.5 Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Committee and the institution's chief internal audit executive.

4.6 Reporting

4.6.1 Regent Audit Committee

4.6.1.1 At least annually, the Committee will provide a report or minutes of meetings to the full Board of Regents detailing the Committee's activities and recommendations.

4.6.2 Trustee Audit Committee

4.6.2.1 At least annually, the Committee shall provide a report or minutes of meetings to the full Board of Trustees detailing the Committee's activities and recommendations.

4.6.2.2 In connection with regularly scheduled Board of Regents meetings, the ~~Committee~~ Trustee chair and Trustee Audit Committee chair shall meet periodically with the Regent Audit Committee to provide updates on the institutional activities contemplated by this policy. In addition, the ~~Committee~~ Trustee chair and Trustee Audit Committee chair shall prepare

an annual report consisting of a cover letter outlining audit programs and plans, a summary of key committee and related institutional activity (including an assessment of the results of that activity), and meeting agendas/minutes. This report shall be submitted to the Office of the Commissioner by December 31 of each year.

R565-5 Necessary Actions Not Contemplated by R565-4

5.1 To assure appropriate institutional or System governance, the Regent Audit Committee is authorized, as directed by the chair of the Board of Regents, to pursue other actions which the Committee believes are needed, so long as the Regent Audit Committee is not vested with any authority to make decisions regarding the public's business.

5.2 The Trustee Audit Committee may pursue other courses of action, as directed by the chair of the Board of Trustees, which the Committee believes are needed, so long as the Trustee Audit Committee is not vested with any authority to make decisions regarding the public's business.