

# UNIVERSITY OF CALIFORNIA

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February 28, 2008

## THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

I enclose for your information a copy of a letter I have just received from the President of the Western Association of Schools and Colleges (WASC), Ralph Wolff, regarding the Accrediting Commission's final actions with respect to the report of the WASC Special Visit Team. If you have any questions or concerns, please don't hesitate to get in touch with me or Provost Hume.

Sincerely,

A handwritten signature in cursive script that reads "Bob".

Robert C. Dynes

Enclosure

cc: Chancellors



February 26, 2008

Robert C. Dynes  
President  
University of California  
1111 Franklin Street  
Oakland, CA 94607

Dear President Dynes:

At its meeting February 20-22, 2008, the Commission considered the report of the Special Visit team that conducted its visit to the Office of the President October 23-24, 2007. The Commission also had available to it the materials prepared by the University for this visit, and your cover letter and attachments in response to the team report, dated January 28, 2008. The Commission appreciated the opportunity to discuss the report with you and Chief Operating Officer Rory Hume prior to its meeting, and with Dr. Hume and Regent and Vice Chair Russell Gould at the meeting. The interchanges were very helpful to understanding the issues raised in the materials and the steps taken by the University since the visit.

This special visit was requested by the Commission in my letter to you of December 7, 2006. At that time, the Commission had reviewed several audit reports and press accounts regarding compensation issues, governance and decision making at the University. As stated in my letter, while the Commission does not accredit the Office of the President or the Board of Regents independently, each campus of the University accredited by WASC is affected by system-level actions and the governance system implemented by the Board of Regents. The compliance of the University with WASC Standards for governance and decision making at the system- or University-wide level has been presumed, but not verified in any systematic way previously. These reports called into question that presumption. At that time, the Commission identified two Commission Standards relevant to the special visit: Standard 1, dealing with institutional integrity and accountability, and Standard 3, dealing with financial controls, board governance and the exercise of its fiduciary responsibilities, and decision making between the Office of the President, the Board of Regents and the campuses. In addition, the Commission and the Special Visit team identified a number of Criteria for Review under Standards 1 and 3 at issue: CFRs 1.3, 1.8, 3.8, 3.9 and 3.10.

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The Special Visit team was able to interview a wide range of people within the board and the Office of the President, as well as the campus Chancellors. These interviews, and the review of the documentation prepared by the University, provided a range of perspectives on the issues of governance and decision making. The Commission appreciates the openness of all who participated in the process to discuss the background to the audit reports, and the additional studies and steps underway to address the many concerns raised by these reports. At the same time, the January 18, 2008 letter from the Regents took issue with a number of the team's findings, expressing concern that the team report did not recognize a number of steps that were taken before the team visit. The University's response also provided new information about actions that have come to fruition after the visit relating to the concerns raised by the Special Visit team.

In reviewing both the team report and the University's response, the Commission found that on nearly all major points, there was less disagreement over the issues or concerns raised, but rather a concern by the University that the team report failed to identify a number of detailed actions already taken by the Regents or the Office of the President. In this respect, the University appears to be advancing the position that the concerns or issues have been addressed and resolved by the steps already taken by the University or Board of Regents.

The Commission was able to discuss these issues with both representatives of the University and the team chair, and determined that a number of steps have indeed been taken and progress has been made since the visit, especially with the completion of the report of the Working Group on the Roles of the Office of the President. However, significant issues remain to be addressed under Commission Standards. Indeed, the Commission would distinguish between the structural responses undertaken, which are many, and the need for a shift in operational behavior, which the team did not find yet in evidence. Such a shift would bring the conduct of the University's governance and decision making systems into closer alignment with Commission Standards, best practices, and the University's own stated intentions identified in its January 18<sup>th</sup> response.

There was general agreement by all at the time of the visit that the University's governance and decision making systems did not meet WASC Standards with respect to compensation issues. As stated by the team, these issues have been vigorously addressed, and the actions taken, while not complete, have resolved most of the issues relating to noncompliance with WASC Standards. At the same time, notwithstanding the significant responses of the University to compensation issues, "it soon became clear that other significant issues were also present in UC's governance, leadership, and decision-making process that are relevant to WASC's standards. Both the team report and the University's response address the same larger issues, but the team went on to note that,

[S]ome of these issues are not widely recognized by the Board of Regents but are of sufficient significance to warrant attention, reflection and action. At the present time, these issues seem fundamental to effective governance and decision making, especially at a time when the University's leadership is in transition.

While acknowledging the many actions taken and underway, and especially the activities of the Board's Governance Committee, the Commission ultimately concurs in this finding. The Commission found that a number of useful recommendations were provided by the team, which could lead to improvement in the functioning of the University's governance and decision-making systems. The Commission endorsed the team's findings and recommendations, and urged that they be discussed by the Board of Regents and the Office of the President, and incorporated into the activities underway. The Commission also highlighted several issues for University attention:

Strengthening the role of the President. Perhaps the most fundamental of the issues now facing the University is clarifying and strengthening the role of the University President. The Commission found the January 8, 2008 "Report of the Working Group on the Roles of the Office of the President" to be a useful document. While this group was meeting at the time of the visit, its report was not available to the Special Visit team. It highlights several critical issues, which the Commission finds in accord with the recommendations of the team report, Commission Standards and best practice in university governance. The Commission understands that this report has been discussed and adopted by the Governance Committee and the Board. It sets forth the goal of restoring confidence in the Office of the President and investing the president with the *primary* responsibility for managing and leading the University. As stated by the report, the president "should be the authoritative sole official channel of communication between the Board of Regents and the administrative structure of the university." Based on the findings of the Special Visit team, and implicit in the Working Group report, this goal is necessary but has yet to be achieved. It will be important for the role of the president to be firmly established, as well described in the Working Group report, in order for the University to recruit and maintain the kind of executive leadership that it needs to lead such a world-class system of campuses.

Redefining the role of the Board of Regents. Both the team report and the University's response reflect an awareness that the Board has vigorously responded to the many concerns raised by various audits and studies, and has moved into an operational role in many cases. The University's response acknowledges the need for the Board to return to a more policy-setting oversight role, and again the Working Group report sets forth the well-established role of governing boards as providing "fiduciary oversight and broad policy determination." The University's response identifies a number of new positions within the Office of the President, established by the Board and the President, to oversee compliance, and indicates that the Board's committee structure is now positioned to work with the Office of the President to oversee compliance with University policies. Having necessarily stepped into the operational role, it will now require discipline and periodic self-assessment for the Board to be assured that it is supporting the primary role of the President and operating within its fiduciary and policy framework. This shift will be critical to the success of any new President.

The Special Visit team recommended that a formal agreement be reached between the Board and any new President specifying roles, responsibilities and expectations for the President and the Board. This would be a possible way to implement and operationalize the recommendations of the Working Group.

The Working Group report also suggested patterns of conduct in the relations between the Board, the Office of the President and the campuses. These recommendations seem appropriate for ensuring consistent communication and decision-making processes, and the Commission urged that the success of maintaining such practices should entail periodic monitoring.

The Commission also noted that the Chief of Staff role to the Board is new, and therefore the relationship of this position to the Office of the President is being worked out operationally. The Commission urged that while the new role is important to support the Board with its many responsibilities, it should also be subsidiary to the President in terms of setting the agenda for the Board, and not compromise or undermine the role of the President.

Reviewing the “operational culture” of the Board. The team report highlights a number of areas where the pattern of behavior of the Board has become problematic. The Commission considers these issues to be fundamental areas for Board attention. Foremost of these is establishing protocols or operating procedures for Chair and Regental conduct and decision making. For many years, there appears to have been the practice for the Chair, as well as individual Regents, to speak with apparent authority on issues without formal or collective Board discussion and action. That boards act through collective action is a basic tenet of good board governance and an expectation of the Standards of Accreditation. As stated by the team, “It will be important for the Board to establish clear principles defining to whom and under what circumstances individual Board members are authorized to speak on behalf of the Board, especially absent formal Board action.”

The Commission was also concerned about the need for the Board to assess periodically its own performance, especially in light of the roles clarification established by the Working Group, and to assess the effectiveness of Board orientation and ongoing training of its members. One aspect of this self-assessment should include comments from the senior leadership of the University, including the President, Provost, Chancellors and the Academic Council. The Commission understands that efforts are underway to address this concern by working with a program sponsored by UCLA. The Commission further encourages the Board to deliberately engage Regents in meetings with other system and university board members, through the Association of Governing Boards or other national organizations, to assist in broadening the understanding of the Board of its functions and roles as the governing body of a public higher education system. The Commission would also welcome participation of the Regents and University System leadership in WASC events.

The Commission also was concerned about reports of the Board’s treatment of its own staff and administrators, reported as occasional incivility. Again, it is a fundamental role of a governing board to work collaboratively with its own staff and administration, and faculty, and to set into motion appropriate evaluation systems for key reports. With such systems, it is the responsibility of the board to develop key performance goals and objectives, and support its staff in achieving them. The Commission understands that a new system of evaluation of key reports is being set into place and hopes that there will be an opportunity, through the Working Group report and the continuing work of the Mercer Group, to address these issues.

Continuing efforts to address compensation practices. The University has developed and implemented new policies and systems to address concerns raised in its review of compensation practices. Given the need of the University to continue to attract and retain the best talent at each of its campuses, it will be important for decisions to be made in a timely manner, and in keeping with the highly competitive market in which the University competes. The Commission commends the University for the many steps it has taken to address these issues, and for its awareness of the need to maintain transparency and conformity with policies while continuing to recruit the best personnel possible. Key to these efforts will be moving toward more effective data and reporting systems, and the University has taken steps to address this vital need.

As the University moves to select a new President, it will be important to continue to make progress on each of these issues. It is the responsibility of the Board to create and sustain the conditions for the success of its key leaders, while setting priorities and evaluating their performance. The Board and the Office of the President have each undergone considerable strain in the past several years as a result of the issues arising from compensation practices, and there have been internal and external attacks on each as these issues have been addressed.

The Commission supports the University's conclusions that significant efforts to address these challenges have been made, and that much progress has been achieved. The report of the Working Group appears to have set a framework for clarifying roles and restoring balance in the functions of these vital elements of University governance and decision making. For further progress to be made, changes in operational conduct and behavior are needed, which will enable the University to achieve the promise of these efforts.

The Commission, as did the team, finds that these issues are matters of serious concern under Commission Standards. The progress made to date will need to be sustained and institutionalized. The Commission urges the Office of the President and the Board of Regents to address these concerns and recognize them as additive and complementary to the steps underway.

The Commission acted to:

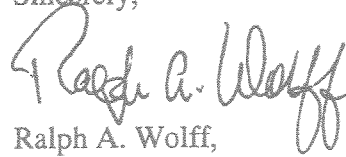
1. Receive the report of the Special Visit team.
2. Request a Special Visit in spring 2009 to assess the progress made in addressing the issues raised in this letter and the five recommendations made in the team report addressed to UC.
3. Request also a meeting with the new President of the University within 60 days of her or his appointment, to review the issues to be addressed as part of the follow-up special visit.

In accordance with Commission policy, a copy of this letter will be sent to the chair of the Board of Regents in one week. The Commission expects that the team report and this action letter will

be widely disseminated throughout the institution to promote further engagement and improvement, and to support the institution's response to the specific issues identified in them.

Please contact me if you have any questions about this letter or the action of the Commission.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ralph A. Wolff". The signature is fluid and cursive, with the first name "Ralph" being more prominent.

Ralph A. Wolff,  
President and Executive Director

RW/aa

cc: Sherwood Lingenfelter  
Members of the team  
Hilary Baxter, ALO