

**UNIVERSITY OF PENNSYLVANIA  
REPORT ON GOVERNANCE AND ADMINISTRATIVE STRUCTURE**

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# University of Pennsylvania

## Report on Governance and Administrative Structure

March 1, 2013

### INTRODUCTION AND EXECUTIVE SUMMARY

In January 2010 The Association of Governing Boards issued its most recent *Statement on Board Responsibility for Institutional Governance*.<sup>1</sup> The *Statement* acknowledged the “enormous diversity among American colleges and universities” and the “disparate governance structures and functions” that result from this diversity. It also encouraged “all governing boards and presidents to examine the clarity, coherence, and appropriateness of their institutions’ governance structures, policies, and practices.” In light of the then recent events at Pennsylvania State University and the University of Virginia, this advice to engage in a periodic self-examination of university governance is particularly apt. It is in this context that David L. Cohen, Chair of the Trustees of the University of Pennsylvania (“Chair”), and President Amy Gutmann (“President”) decided to undertake a formal and thorough review of the governance policies, practices, and culture of the University of Pennsylvania (“University” or “Penn”). Their decision to undertake this review and issue a report (“Report”) based on that review met with the full support of Penn’s Board of Trustees (“Trustees” or “Board”) as well as the Deans of Penn’s 12 Schools and the Tri-Chairs of the Faculty Senate. The Chair and President were assisted by Vice President for Institutional Affairs Joann Mitchell (“VPIA”) and by Senior Vice President and General Counsel Wendy White (“General Counsel”).

As this Report documents, we conclude that Penn’s governance and administrative structures serve the University very well. As is more specifically outlined in the Report, we found that:

- Institutional governance is strong and the Trustees understand and consistently carry out their responsibilities;
- Close working relationships exist between the Trustees and Administration with open and active lines of communication;
- Trustees are kept abreast of new policies and their input is sought as appropriate; and
- Institutional risks are regularly assessed by appropriate Board Committees.

In addition to these findings, we offer several recommendations to further strengthen institutional governance and administration, which we summarize in the conclusion of this Report. All of our recommendations are consistent with best practices and will further support Penn’s mission as a world-class institution of higher education.

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<sup>1</sup> See <http://agb.org/statement-board-responsibility-institutional-governance>.

## **STATEMENT OF THE CHARGE**

The purpose of this Report is to identify and assess the effectiveness of the governance structure of the University and relevant policies and practices, and to ensure that Penn has adopted best practices for university governance and also has adhered to the highest ethical and legal standards consistent with those best practices. In light of events at Pennsylvania State University, the Report also specifically includes a review of policies and practices related to the protection of minors on campus.

## **DESCRIPTION OF THE REVIEW PROCESS**

The Chair and the President began by identifying critical issues to be reviewed. These included: (a) the functionality of the structure, size, and composition of the Board; (b) the scope of Board responsibilities and how well they are understood and undertaken; (c) the breadth and depth of the working relationship between the Board and Administration [including mechanisms for communication, principles and practices of ethical and legal conduct, and regulatory compliance (e.g., the Clery Act)]; and (d) the adequacy of policies and practices to protect the safety of minors on campus.

The Chair and President asked the VPIA and the General Counsel to co-chair and convene a working group to gather detailed relevant information for each specific area to be included in the Report. The working group included:

- Leslie Kruhly: Vice President and University Secretary
- Jack Heuer: Vice President for Human Resources
- Maureen Rush: Vice President for Public Safety
- Stephen MacCarthy: Vice President for University Communications
- Mary Lee Brown: Associate Vice President for Audit, Compliance and Privacy
- Alana Shanahan: Deputy Director of Athletics
- Susan Phillips: Senior Vice President, Public Affairs, Penn Medicine
- Rebecca Cooke: Vice Dean for Administration and Finance, Perelman School of Medicine
- Sean Burke: Associate General Counsel
- Lynne Hunter: Assistant Provost
- Benjamin Evans: Director of Risk Management

## **INSTITUTIONAL GOVERNANCE**

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## *Trustees*

Penn’s governing board, with 57 Trustees, is large relative to those of peer institutions.<sup>2</sup> There are different classifications of Trustees:

- Charter Trustees are elected from among the Term Trustees to serve until retirement at age 70 (up to 10);
- Term Trustees are elected to serve for a term of five years and may serve for no more than 10 years (up to 30);
- Alumni Trustees include the President of Penn Alumni and other alumni who are elected in accordance with the rules established by Penn Alumni with the concurrence of the Board of Trustees (up to 14);
- Commonwealth Trustees are appointed by the President Pro Tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives of the Commonwealth of Pennsylvania, each of whom has the power to appoint one person; and
- Special Trustees serve for a term determined by the Chair and approved by the Board’s Executive Committee (up to two).

The President, by virtue of her role as chief executive officer, is an *ex officio* member of the Board and serves as an *ex officio* voting member of all Trustee Committees except Audit and Compliance and Compensation. The Governor of the Commonwealth, by virtue of his office, is also designated an *ex officio* member of the Board. The lengths of terms of the various classifications of Trustees differ and are staggered to minimize the risk of sudden changeovers of the Board and to help ensure continuity of knowledge and effective governance. The Chair, the President, and the Secretary seek opportunities to sustain and deepen the engagement of Trustees who are rotating off of the Board. ***We recommend that efforts to strengthen connections with Trustees who rotate off of the Board be continued.***

Trustees are elected from among those individuals who by virtue of their previous activities have demonstrated the strongest dedication, understanding, and support of Penn’s broad teaching, research, service and clinical missions.<sup>3</sup> The Office of the University Secretary (“Secretary”) works closely with the Nominating Committee on succession planning to ensure that the Board continues to meet established standards for structure and representation. Increasingly, and especially over the past eight years, the Nominating Committee has focused on increasing the diversity of the Trustees by occupation, skill, expertise, age, gender, race, and geography (including those who live outside the United States). These efforts are designed to bring an even broader set of relevant perspectives to governance, which are essential to sustaining Penn’s eminence. By all measures, Penn’s eminence—including its national and international standing—has increased over the past decades, and the Board has strongly

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<sup>2</sup> Cornell has the largest governing board in the Ivy League with 64 members while Brown has 42, Princeton has 40, Columbia has 24, Yale has 19, Dartmouth has 18, and Harvard has 13. MIT’s governing board has 65 members.

<sup>3</sup> As noted above, Commonwealth Trustees are appointed by members of the Pennsylvania General Assembly as specified in the University’s Charter.

supported Penn’s momentum. ***We recommend that these efforts to diversify the Board of Trustees be sustained and increased over time.***

### ***Boards of Overseers***

Penn has volunteer Overseer advisory boards (the “Overseers”) for 10 of its 12 Schools and its Museum of Archaeology and Anthropology, Annenberg Center for the Performing Arts, Athletics, Institute for Contemporary Art, Morris Arboretum, Penn Press, and University Libraries. The Annenberg School for Communication has an Alumni Advisory Board, currently chaired by a University Trustee, which meets twice each year to provide advice to the Dean. The Perelman School of Medicine (“Perelman”) has the Penn Medicine Board for Perelman and the University of Pennsylvania Health System. The vast majority of individuals considered for election as a Trustee over the last decade have, by design, previously served on at least one advisory board. Upon election as a Trustee, most also continue to serve as an Overseer or member of an advisory board during and following trusteeship. This connection between the Board and Overseers is a hallmark of Penn’s governance structure and increases the breadth of knowledge that Trustees and Overseers bring to their work. ***We recommend that efforts to diversify Overseer Boards continue to be a priority in light of their important role as a source of prospective Trustees.***

### ***Penn Medicine Board***

In 2001, the Trustees recognized the need for a new governance system, which would operate within the overall University governance structure, to provide optimal oversight for and integration of Penn’s Health System and School of Medicine (before it was named the Perelman School of Medicine). At that time, the Board created an umbrella structure denominated “Penn Medicine” to oversee the academic, research, and clinical operations of the Health System and the School of Medicine. The Penn Medicine Board has a quasi-fiduciary role and reports to the Trustees. This structure replaced a group of quasi-governing boards over multiple entities within the Health System and Medical School.

The Trustees govern Penn Medicine in accordance with Article VII of the Statutes of the Trustees. The Trustees have delegated to the Penn Medicine Board and the Penn Medicine Board Executive Committee certain responsibilities for the management and operations of Penn Medicine. The Bylaws of the Penn Medicine Board require that the Penn Medicine Executive Committee consist of a majority of University Trustees. The Chair of the Penn Medicine Board serves as a member of the Trustees Executive Committee for continuity of oversight. The Bylaws of Penn Medicine limit the authority of the Penn Medicine Board and the Penn Medicine Executive Committee with respect to:

- Annual budgets,
- Capital expenditures in excess of \$5 million,
- Debt incurrence,
- Closure or purchase of any Penn Medicine entity or name change,
- Academic-related actions, and
- Bylaw amendment.

As one of the largest and most complex private American universities with an eminent school of medicine and a major hospital system, Penn has become a model of integration of teaching, research, and clinical practice at both the governance and administrative levels.<sup>4</sup> The integration of knowledge to further Penn's social impact lies at the heart of the University's strategic vision—the Penn Compact—and is importantly supported by the integration of Penn Medicine both internally and with the University. This integration also serves to support the collaborative culture of Penn's faculty. It is recognized, both internally and externally, as one of Penn's distinctive strengths, and the collaborative work that it facilitates at all levels is key to maximizing the University's social impact. ***We, therefore, recommend that every effort be made to preserve and, if possible, enhance this integration.***

### ***Trustee Committees***

Penn's Board has 11 standing committees to address issues related to development, audit and compliance, budget and finance, facilities, and academics.<sup>5</sup> The Board's committee structure maximizes Trustee participation and allows for coverage of a wide range of strategic topics. The membership and leadership of these committees is determined by several factors, including relevance and diversity of Trustee experience, interest and ability to contribute to the committee's work, and need to keep each committee a reasonable size. The membership of committees is reviewed annually. Trustees are generally limited to two or three committee assignments per year, to allow committees to be appropriate in size and members to focus their work. The Chair and the President receive recommendations for committee membership from the Office of the University Secretary. The Chair approves all committee memberships and chairs except for the Executive Committee, which is elected annually by the Board. The charges and responsibilities for all committees are clearly defined and provided to all Board members.

Board committees also include (non-voting) faculty and student liaisons, as appropriate. Senior administrators with responsibilities related to specific committee charges are appointed to serve as liaisons to provide administrative support and facilitate connections to and communications with Penn before and after meetings. The expectation and the common practice is for administrative liaisons to keep the Trustee Chairs of their Committees informed about important issues that are relevant to the Committee's future deliberations as they arise between meetings. The administrative liaisons are responsible for ensuring that faculty and student liaisons are briefed regarding meeting topics in advance of any meetings and for facilitating discussions with the Committee Chair regarding their questions or concerns. Additionally, the Trustees are provided with contact information for other members of the Board and the Administration. These multiple points of contact further productive deliberation, and enable Trustees to raise questions and discuss issues before, during, and after committee deliberations. Ad hoc committees, such as the Ad Hoc Committee on Diversity, can be created to address other especially important issues and initiatives that warrant Trustee attention.

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<sup>4</sup> See Susan Phillips and Arthur Rubenstein, *Academic Medicine*, September 2008, [http://journals.lww.com/academicmedicine/Fulltext/2008/09000/The\\_Changing\\_Relationships\\_Between\\_Academic\\_Health.16.aspx](http://journals.lww.com/academicmedicine/Fulltext/2008/09000/The_Changing_Relationships_Between_Academic_Health.16.aspx).

<sup>5</sup> The 11 Trustee standing committees are: Executive Committee; Academic Policy; Audit and Compliance; Budget and Finance; Compensation; Development; Facilities and Campus Planning; Honorary Degrees and Awards; Local, National, and Global Engagement; Nominating; and Student Life. In addition, the Trustees have an Ad Hoc Committee on Diversity.

The Executive Committee meets at least three times each year and normally is comprised of no fewer than 10 and no more than 12 members, not counting the President, who serves *ex officio*. Members of the Executive Committee are elected by resolution of the Board for one-year terms. By protocol, the Executive Committee includes the following core membership: Chair; Vice Chairs; President; President of Penn Alumni; Chairs of the Budget and Finance, Development, and Facilities and Campus Planning Committees; and the Chair of the Penn Medicine Board. Chairs of additional Trustee Committees, Trustees who are chairs of Overseer Boards, and other Trustees may be asked to serve on the Executive Committee. (While the Chair of Audit and Compliance does not automatically serve as a core member of the Executive Committee, there are always members of the Audit and Compliance Committee on the Executive Committee; currently there are six.) Two “at-large” positions were added to the Executive Committee, following the 2000 Trustee Governance Retreat, to permit rotating membership on the Executive Committee by individuals selected from among the Board. ***In order to optimize opportunities for Trustees to fill the at-large positions on the Executive Committee, we recommend more frequent rotation into those positions. Additionally, we recommend that maximum term lengths be established for continuous service on the Executive Committee.***

The Audit and Compliance Committee has 10 voting members and 2 *ex officio* members (the Chair of the Trustees and the Chair of the Budget and Finance Committee). All 12 members are independent and several meet the Sarbanes-Oxley Act designation of financial experts. The Committee meets five times during the academic year, three meetings coincident with the Board and two off-cycle meetings: one to review and approve the audited financial statements and a second to review IRS Form 990 prior to its filing. The Audit and Compliance Committee recommends an external auditing firm, which is approved by Board. The external auditor meets with the Audit and Compliance Committee and also meets separately with the Chair of the Audit and Compliance Committee and the Chair of the Trustees to discuss major issues. Additionally, the Committee receives quarterly interim financial statements that have been prepared by the Administration, along with a report from the external auditor. The review by the external auditor includes inquiries of University Administration and staff, along with the analytical procedures that inform the report as to whether any material modifications are needed to the financial statement to conform to Generally Accepted Accounting Principles (“GAAP”).

The Office of Audit, Compliance and Privacy regularly reports to the Audit and Compliance Committee on the effectiveness of the five components of internal control that are needed to help assure sound business objectives: control environment, risk assessment, control activities, information and communication, and monitoring. The Audit and Compliance Committee receives an executive summary of every report and advisory service completed by the Office of Audit, Compliance and Privacy. Each year, the Office of Audit, Compliance and Privacy conducts a risk assessment across the University (including Penn Medicine) involving over 150 stakeholders. The President reviews this risk assessment with the Executive Vice President and the Associate Vice President of Audit, Compliance and Privacy, who oversees the Office. The outcome of this risk assessment and a proposed plan to examine areas and operations with significant risks are reported to the Board each June. Trustees are briefed at formal meetings and through other means, as needed, when significant new risks are identified.

As part of its strategic goals, the University has created and is about to implement an enterprise risk management (“ERM”) program to enhance its current risk identification and management process. The ERM program will build upon the risk assessment process utilized by the Office of Audit, Compliance and Privacy and will include further consultation with senior leadership groups of the University including Council of Deans, Senior Planning Group, and Discussion Group. The top strategic risks will be identified in consultation with, and guidance from, the President. A risk steering committee will be created to address strategic risks systematically and in depth. The Trustee Audit and Compliance Committee will be briefed annually (in June) on the progress and outcomes of the ERM program and management will obtain feedback from the Committee. ***We recommend the development of this ERM program, which builds on and extends Penn's well-established risk assessment process in a way that comprehends Penn's strategic priorities.***

The Capital Council, which is chaired by the President, reviews and approves all proposed capital projects that are equal to or more than \$1 million.<sup>6</sup> A Trustee and Administration body, the Real Estate Acquisition Group (“REAG”), approves real estate projects that exceed \$1 million but are less than \$5 million.<sup>7</sup> All capital projects that are \$5 million or more require Trustee approval. Each proposed expenditure is reviewed and approved by the Trustees Budget and Finance Committee before a resolution is sent to the Board, or the Executive Committee acting on behalf of the Board, for final approval and authorization to proceed. Resolutions regarding capital projects are approved during public Stated Meetings of the Board.

Penn’s operating budget is developed at the responsibility center level and consolidated centrally based on a common set of budget planning parameters developed and reviewed by the Budget Steering Group, which is chaired by the President.<sup>8</sup> The planning parameters include the recommended increase in undergraduate tuition and fees, the internal discount rate to support financial aid, the salary pool, the employee benefits rate, the endowment spending rule, indirect cost recovery rate, and allocated cost and space charges. The recommended parameters are reviewed with the Executive Committee at its December meeting. Following extensive review and analysis, the budget plan is produced and presented to the Trustees Budget and Finance Committee for its review and approval. Once the Budget and Finance Committee has approved

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<sup>6</sup> The Capital Council is chaired by the President and includes the Provost, Executive Vice President, Vice President and Chief of Staff, Vice President for Finance, Vice President for Facilities and Real Estate Services, Vice President for Budget and Management Analysis, Vice President for Development and Alumni Relations, Vice President and Secretary, and General Counsel. All capital projects in excess of \$100,000 must be approved by the Treasurer’s Office to ensure that the requisite funding and approvals have been secured. Expenditures in excess of \$250,000 require the written approval of the appropriate Dean, Vice President, Vice Provost or Resource Center Director. The Capital Advisory Group, which is chaired by the Vice President for Real Estate Services and includes representatives of the Offices of the Provost, Executive Vice President, Vice President for Finance, Vice President for Development and Alumni Relations and the Vice President for Budget and Management Analysis, evaluates requests from Schools, Centers and Divisions for capital projects, including leases, and equipment purchases in excess of \$500,000. Please see [http://www.facilities.upenn.edu/cap\\_initiate.php](http://www.facilities.upenn.edu/cap_initiate.php).

<sup>7</sup> REAG was created by the Trustees in 1996 and changes to its composition and authority were made in 2004. REAG includes the Chair, President, Chair of the Budget and Finance Committee, the Chair of the Facilities and Campus Planning Committee, Executive Vice President, Vice President for Facilities and Real Estate Services, Vice President for Finance, and General Counsel.

<sup>8</sup> The Budget Steering Group (“Budget Steering”) is chaired by the President and includes the Provost, Executive Vice President, Vice President for Finance, Vice President for Budget and Management Analysis, and the Vice President and Chief of Staff.

the budget, it is presented to the Board for final approval and adoption during a public Stated Meeting of the Board.

The Budget and Finance Committee also reviews significant financial issues throughout the year, including but not limited to financial aid policy and expenditures, sponsored research performance, administrative expenditures, investments in student housing, compensation practices, and changes in employee benefit offerings. In 2012, for the second consecutive year, Charity Navigator, the nation's largest and most utilized independent evaluator of charities, has given the University of Pennsylvania its highest rating, "four stars," for the University's "sound fiscal management and commitment to accountability and transparency."

### ***Review of Governance Issues***

The function and operation of each committee is regularly reviewed and modified, as deemed appropriate, by the Secretary, Chair and President, with the assent of the Board. One recent example of a structural change occurred in 2011 following broad consultation by the Secretary, Chair and President, when it was determined that new University strategic priorities and global realities merited the explicit focus of a Trustee committee that would span local, national, and global engagement. To accomplish this aim, the Board integrated the work of the Neighborhood Initiatives Committee and the External Affairs Committee into a new Local, National and Global Engagement Committee ("Engagement Committee"). The breadth of the Engagement Committee's oversight is now on a par with that of other Trustee Committees.

### ***Trustee Survey***

An important mechanism for consideration of governance is a Trustee Survey that is circulated periodically to allow for self-evaluation of the Board's performance and to provide a formal opportunity to offer feedback and advice regarding Penn's governance practices. The Survey was initiated in 2010 and we have now completed two cycles. The Survey results are reviewed in detail by the Secretary, the Chair and the President and, in aggregate form, with both the Executive Committee and the Board. In the most recent Survey (fall of 2012), 96 percent of Trustees indicated that they "strongly agree" that the Board sets the appropriate "tone" by its own ethical behavior. Ninety-six percent also reported that they "strongly agree" that they have a "good understanding of the Board's ethical and legal responsibilities." One hundred percent indicated that they either "strongly agree" or "agree" that the Board sets the appropriate tone and they have a good understanding of the Board's responsibilities. The percentage of Trustees indicating they "agree" or "strongly agree" that the Board maintains a proper balance between governance and management increased from 92 percent in 2010 to 100% in 2012. Similarly, the percentage indicating that they "agree" or "strongly agree" that the Board encourages open lines of communication between Trustees and the Administration increased from 94 percent in 2010 to 100 percent in 2012.

### ***Trustee Meetings***

The Board meets for one-and-one-half days three times each year. Meetings of the committees focus on topics of strategic interest to encourage discussion. Meetings of the Board,

Executive Committee, and other committees adhere to the provisions of the Pennsylvania Sunshine Act, which includes timely public notice of all meetings. While plenary sessions (Stated Meeting) and committee meetings are open to the public, the Board and its committees reserve the right to hold executive sessions as authorized by the exceptions to the Sunshine Act.<sup>9</sup> As noted above, the Chair and Chair of the Audit and Compliance Committee meet with the external auditor in executive session to review and discuss major issues.

Agendas for committee meetings are structured to allow for both the dissemination of necessary information to the Board and for Board deliberation. All meeting materials, including proposed resolutions, recommended background readings, financial materials, and facilities presentations, as well as discussion questions, are disseminated in advance of the meetings via secure website postings and a customized software application. Meetings are structured to provide a balance between time for presentation and discussion, and to encourage a meaningful exchange of information and ideas. *We recommend that the Trustee Committee Chairs and the Administration continue to work to ensure that meetings are engaging, effective, and efficient.*

The Executive Committee meets an additional three times per year (with an optional fourth meeting scheduled, if needed), most often with accompanying meetings of the Budget and Finance Committee, and the Audit and Compliance Committee. These meetings include executive sessions and a public Stated Meeting for the consideration and approval of resolutions. The Chair convenes at least one annual executive session of the Executive Committee for a confidential discussion of the President's compensation and performance against goals. Additional executive sessions are held by the Chair with the Executive Committee of the Board, with and without the President, on an as-needed basis. After each Executive Committee session, the Chair and the President provide the Board with an email summary of major topics of discussion. Trustees are always welcome to follow-up with questions, comments, or concerns (and many do).

## **KEY TRUSTEE RESPONSIBILITIES**

The Trustees are highly engaged, through multiple means, including the Executive Committee, the Board's committee structure (including Penn Medicine Board committees), and a strong and effective working relationship with and between the President and Chair. Board collaboration is facilitated through regular communication at multiple levels among the Trustees, the Chair, and the President between formal meetings. Penn's institutional culture demands that risks and adverse events be reported to the Board. The University fosters an environment where such events are immediately brought to the attention of appropriate administrators for action. The Trustee Committee chairs regularly follow-up with their administrative liaisons—or with the President, the Secretary, and/or the Chair—to ensure that all such issues are properly addressed and resolved. The President and the Chair also frequently communicate with individual Trustees outside of the formal meeting process. They invite Trustees to contact them to discuss issues or raise questions. The Secretary maintains ongoing contact with individual Trustees and assists with any questions or concerns that arise during their service.

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<sup>9</sup> In accordance with the Pennsylvania Sunshine Act, passed in 1986, all Trustee actions are taken during public meetings.

### ***Trustee Orientation***

A one-day orientation process introduces new Trustees to senior administrators, explains the University's governance structure and the Board's role, articulates the conflict of interest rules that must be observed, and provides information about Penn and its academic environment. The Chair and the President deliver a clear message about the roles and responsibilities of the Board. The Secretary also ensures that new Trustees are aware of their individual responsibilities and the Board's expectations. The Chair is explicit in remarks to new Trustees that they are expected to forward without comment any communication or requests they receive with reference to employment disputes, admissions, lawsuits, and the like to the Secretary who will ensure that those matters are directed to the attention of the appropriate University Officer or Dean. As part of the orientation session, the General Counsel leads a focused discussion on the ethical and legal responsibilities of Trustees. All new Trustees are assigned a Trustee mentor to help acclimate them to the Board and provide advice throughout the early stages of their term. ***We recommend that each prospective Trustee be briefed on the structure of Board meetings and deliberations and provided with a copy of this Report.***

### ***Conflict of Interest Policy***

All current voting Trustees and members of the Investment Board complete detailed conflict of interest disclosures each year, and continue to do so for five years after their voting status ends. The completed disclosure forms are reviewed and maintained by the Office of General Counsel. The University has achieved a 100 percent return rate each year.

### ***Risk Assessment***

Members of the Executive Committee are apprised of the full range of risks, threats, and opportunities critical to the future of the University and engage in appropriate review and deliberation. Members of the Audit and Compliance Committee are thoroughly engaged in analysis and oversight of risk management issues. The Office of Audit, Compliance and Privacy engages in a detailed annual risk assessment and review of the University (including Penn Medicine), which establishes a ranking of risks. That ranking—reviewed by the President and the Executive Vice President, and shared with the Trustee Audit and Compliance Committee—provides the groundwork for the Committee's deliberations, feedback to management, and reports to the Board. Through deliberations in other committees, the Trustees have additional avenues for obtaining an in-depth understanding of specific risks, threats, and opportunities within the scope of the committees on which they serve. Committee chairs report to the Board during the plenary Stated Meeting at each annual meeting. The President and Chair maintain regular communication with Trustees throughout the year, as needed, to make timely announcements of unfolding events, changes, or new developments at the University. Between meetings, Trustees also raise questions and concerns—and offer guidance—about both risks and opportunities through the liaisons of their relevant Board Committees or the Secretary, or directly to the President or the Chair.

## ***Management of Investments***

Under the Statutes of the Trustees, the Investment Board—composed of 8 to 10 Trustees and non-trustees, including the Chair and President who serve *ex officio*—is responsible for the University’s investable assets. The Investment Board advises and oversees the Office of Investments on the strategic asset allocation of the endowment with the aim of enabling the endowment to meet its long-term objectives of providing operating support and preserving purchasing power. In 2007, the Investment Board provided a broad range of delegated authority to the Chief Investment Officer (“CIO”) to operate within the framework of the strategic asset allocation (e.g., the hiring and termination of all external managers). The Investment Board meets quarterly and receives monthly updates from the CIO on the performance of the endowment and any material changes in investment managers. The Investment Board has term limits for its members—a maximum of 10 years—and has experienced the smooth and successful rotation of Chairs and members. The Chair of the Investment Board, in coordination with CIO and the Office of Investments, reports regularly to the Executive Committee and the Board on this aspect of Penn’s finances, discussing the investment return (as compared to benchmark), asset allocation and endowment value, and the amount of operating support provided by the endowment. During the 2007 to 2009 recession, one of the most challenging periods for every university’s endowment, the Investment Office prudently managed Penn’s endowment, under the oversight of the Investment Board, and kept the Board and University leadership well apprised of major developments.

## ***Review of Performance and Compensation of University Officers and Deans***

In December 1996, a subcommittee of the Executive Committee was created to develop procedures to establish and document the reasonableness of salaries for the statutory officers of the University (“Officers”). This process also relied upon expert advice and assistance from an external compensation consultant. The subcommittee met once each year to review appropriate data, including comparable salaries at peer institutions, and reported its conclusions and recommendations on Officers’ salaries to the Executive Committee for final approval. On June 16, 2000, the Board established the Compensation Committee as a standing committee with a formal charge and delegation of responsibilities directly from the Board.

To achieve the rebuttable presumption under the intermediate sanctions regulations in the Internal Revenue Code, the Compensation Committee includes at least three independent, voting members of the Board. By tradition, the Chair serves as Chair of the Compensation Committee. The Compensation Committee’s charter gives it the authority and responsibility both for providing oversight and review of the executive compensation process and for reviewing actual and perceived conflict of interest transactions involving Trustees and Officers according to guidelines established by the University’s Conflict of Interest Policy adopted by the Board.

The Compensation Committee adopts and implements executive compensation principles and is accountable for the evaluation of the performance and setting the compensation and benefits arrangements of the President, Officers, Deans, other senior

academic and key employees, and all of those individuals who are potential disqualified persons within the meaning of the intermediate sanctions regulations. The Compensation Committee is assisted in fulfilling its responsibilities by external expert compensation consultants who provide compensation advice; information regarding best practices; an independent review of compensation recommendations; and an annual assessment of compensation practices in academia, not-for-profit and for-profit organizations. The Committee utilizes this information, the summary of individual and organizational performance, and other relevant factors to review, modify as appropriate, and approve compensation recommendations. The consultant provides a letter to the Compensation Committee documenting the reasonableness of compensation for the reviewed individuals. The President reviews and approves all compensation recommendations for covered individuals before they are presented to the Compensation Committee. The Chair and the President provide a high-level review of the recommendations for those reviewed (with the exception of the President) with the Executive Committee.

The Chair reviews and assesses the individual and organizational performance of the President each year as measured against strategic priorities established at the beginning of the academic year by the Chair and the President, and reviewed at the end of each academic year based on performance. The Chair consults with the Compensation Committee and the Executive Committee throughout the goal setting and performance review processes. The Chair and Compensation Committee meet without the President to discuss her performance and determine her compensation. The Chair then reports the Compensation Committee's decision and the reasons for it to the Executive Committee.

The Penn Medicine Compensation Committee ("PMCC") oversees the process of performance and compensation review for the executive team and the department chairs of Penn Medicine. The members of the PMCC, per the Penn Medicine Bylaws, include the President, the Chair, and the Chair of the Penn Medicine Board who chairs the PMCC. This performance and compensation process includes a formal Management Incentive Plan ("MIP"). The PMCC annually approves the MIP and reviews the performance, relative to the MIP and additional relevant factors, of the Executive Vice President of the University of Pennsylvania Health System/Dean of the Perelman School of Medicine ("EVP/DEAN"), the CEO of the University of Pennsylvania Health System ("UPHS"), Clinical Chairs, senior members of the UPHS management team, and other academic and administrative leaders of the Perelman School of Medicine. The President reviews and approves all recommendations before they are presented to the PMCC. The PMCC also engages an expert consultant to determine the reasonableness of proposed compensation and benefits.<sup>10</sup> The PMCC reviews and discusses a written summary of all recommendations before making its decisions, which are then discussed at a high level in executive session with the Penn Medicine Executive Committee. The PMCC decisions concerning the EVP/Dean and the CEO of UPHS are also discussed in executive session with the Executive Committee of the Board.

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<sup>10</sup> In recent years, for efficiency and clarity, the Trustees and the Penn Medicine Board have retained the same compensation expert.

Each year, as part of the financial audit, minutes and other relevant documents regarding executive compensation for University Officers, Deans, and MIP participants are reviewed by the external auditor.

## TRUSTEES AND ADMINISTRATION

### *Communication Regarding Legal and Ethical Responsibilities*

In response to the 2010 Trustee Survey question, “The Board encourages and ensures open lines of communication between the Trustees and senior management,” 94 percent of Trustees agreed; 74 percent strongly agreed. In the 2012 survey, 100 percent of Trustees agreed with this statement; 69 percent strongly agreed. This response reflects the fact that there are many opportunities for open and frank communication between individual Trustees, the President, and other members of the administration. The Trustees make extensive use of these opportunities.

The Chair and the President have a close working relationship, which includes regular and proactive communications about important University issues. The Chair and the President meet frequently in person and communicate via email and scheduled calls at least once per week. They, or the Secretary on their behalf, send electronic updates on important announcements and University news to all Trustees throughout the year, and encourage comments and advice. The President and the Chair also are accustomed to contacting members of the Executive Committee and Trustees between scheduled meetings, as needed. Trustees also frequently call and email the Chair and the President.

Committee chairs and administrative liaisons work collaboratively on agenda setting and the key questions to be put forth to committees for consideration. Faculty liaisons attend Board Committees and the Faculty Senate Tri-Chairs meet with the President and the Provost on a regular basis, giving the faculty and the Administration a regular forum for open and constructive communication. The President and the Chair maintain a regular schedule of personal one-on-one meetings with Trustees to discuss matters of particular interest.

The President, the Provost, and the Executive Vice Presidents issued Penn’s Principles of Responsible Conduct, which articulate the legal and ethical responsibilities of the community and sets the tone at the highest level. The first principle is Ethical and Responsible Conduct. It states: “Penn’s faculty, administration, and staff should conduct themselves ethically, with the highest integrity, in compliance with all applicable laws, regulations, and University policies, in all aspects of their work.” The Principles and practices of the University make clear that Penn is committed to providing a safe and ethical learning, working, and living environment for faculty, staff, students, and visitors. University policy provides that “all employees of the University are expected to comply with all federal, state and local laws as well as the policies and procedures of the University of Pennsylvania. Any violation may result in disciplinary action up to and including termination of employment.” ***We recommend that the Principles of Responsible Conduct be reviewed with the Trustees periodically.***

The University emphasizes that maintaining a safe and secure environment is a shared responsibility and encourages all University employees, students, and visitors to report unlawful activity. Some of the resources on campus that handle allegations of criminal activity include the Division of Public Safety, Office of Audit, Compliance and Privacy, and the Division of Human Resources. Members of the Penn community can and do file anonymous reports of non-compliance and/or criminal activity via the Division of Public Safety or 215-P-Comply, Penn's confidential reporting and help line, which is administered by Audit, Compliance and Privacy. Reports received via the P-Comply line are regularly referred to the relevant office for follow-up action, and appropriate follow-up action is regularly undertaken.

In addition to the Deans and Vice Presidents, the University has multiple resources (including Human Resources, Affirmative Action, Public Safety, Student Conduct, and Audit, Compliance and Privacy) that investigate allegations of unlawful conduct, including allegations of criminal activity and unlawful discrimination. Depending on the nature of the allegations, the Office of General Counsel, the Division of Public Safety (Penn Police and Special Services), the Office of Affirmative Action and Equal Opportunity Programs, and the Office of the Provost are available to provide support and advice. Additionally, the University's Crisis Management Team ("CMT") is available to determine necessary follow-up activity.

The University's policy also prohibits retaliation against faculty, staff, or students who report in good faith non-compliance with University policies or federal, state, or local laws. The University's Policy Against Retaliation provides that Penn faculty, administrators, and staff shall not intimidate or take retaliatory action, against any member of the University community or a relative of such a person who is an employee or student at the University, who makes a report of non-compliance in good faith and without malice. Penn takes allegations of retaliation very seriously and conducts thorough investigations into such allegations. Individuals found to have violated the Policy Against Retaliation are subject to the full range of sanctions up to and including termination of employment or dismissal from an academic program.

In sum, the University informs, encourages, facilitates, and ultimately depends upon every member of its community to act in accordance with both the spirit and the letter of all relevant ethical and legal policies and procedures in order to carry out its broad teaching, research, clinical, and community service mission. The University takes many proactive steps to encourage all its members to embrace the full range of their ethical and legal responsibilities; that is to be good University citizens. The University has adopted a set of best practices that is taken seriously by the Penn community and that makes clear that the University is committed to upholding the highest standards of ethical and legal behavior.

### ***Establishment and Revision of Policies and Procedures***

New policies and significant policy revisions appear in the *Almanac*, the University's publication of record. The President chairs several advisory groups that provide the opportunity to convey information regarding institutional priorities as well as affording opportunities to exchange information and advice across a broad range of topics, including the President's Council, Senior Planning Group, and Discussion Group. The President and the Provost meet

twice a month during the academic year with the Consultative Committee of the Faculty Senate<sup>11</sup> and once a month during the academic year with University Council.<sup>12</sup> Other key venues to discuss proposed policies, amend existing ones, and disseminate policy include the Council of Deans, chaired by the Provost, which includes all 12 Deans. The Provost's Office also convenes other advisory bodies, including the Council of Undergraduate Deans, Council of Graduate Deans, Graduate Council of the Faculties, Academic Planning and Budget, the Provost's Staff Conference, and the Council on Research.<sup>13</sup> Other Officers also convene advisory bodies on specific subject matters including the Senior Roundtable and the Information Technology Roundtable. Trustees are made aware of policies relevant to their committees during regular meetings; for example, the Student Life Committee was briefed on the policies and protocols for checking the backgrounds of those working with minors during its October 2012 meeting.

As legal standards change, a wide range of offices—including the Office of the Provost, Division of Human Resources, Division of Finance, Division of Business Services, the Office of General Counsel, and the Division of Public Safety—work together closely to review and revise policies. They also coordinate their efforts to conduct periodic training and education for the community. Through its internal audits and advisory services, the Office of Audit, Compliance and Privacy monitors compliance with University policy and makes recommendations as appropriate. To address new rules and regulations, special committees or task forces may be convened to draft and implement new policies and necessary training programs.

Announced in the February 14, 2012 issue of *Almanac*, a new page designed to be a single location from which to access University policies on a wide variety of topics (including student and academic life, research and sponsored programs, international, and administrative operations) was created on the Penn homepage link under *Offices and Services*.<sup>14</sup>

### *Academic*

New academic policies or revisions to existing ones often are initiated by one of the committees convened by the Provost's Office, the Faculty Senate, Undergraduate Assembly, or the Graduate and Professional Student Assembly. A policy proposal also may come from a School, such as a request to establish a new faculty track. On occasion, the Provost will establish an *ad hoc* committee to address a particular matter (for example, the temporary exclusion policy). Clear procedures exist for issues that regularly require Trustee approval. These issues include the establishment of Centers and Institutes; the establishment of new degrees; the establishment or discontinuance of departments; and all faculty appointments, tenure, and promotion. Issues that arise less regularly call for specially tailored review processes. An example is the recent revision to the Patent Policy, which was thoroughly reviewed and approved.

The Provost discusses new academic policies and significant policy revisions, before they are finalized, with the Council of Deans and/or the Academic Planning and Budget Committee.

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<sup>11</sup> Consultation Committee is composed of the Chair, Immediate Past Chair, and Chair-Elect of the Faculty Senate.

<sup>12</sup> For a description of University Council, please see <https://secure.www.upenn.edu/secretary/council/>.

<sup>13</sup> For a descriptions of Provost Office advisory committees, please see [http://www.upenn.edu/provost/category/provosts\\_councils](http://www.upenn.edu/provost/category/provosts_councils) and <http://www.upenn.edu/research/offices/>.

<sup>14</sup> Please see <http://www.upenn.edu/services/policies.php>.

The policy also may be sent to the Faculty Senate for review. All significant proposed new policies and revisions to existing policies are also reviewed and approved by the President. *Almanac* then typically publishes new and significantly revised policies for comment by members of the community. After the consultative process concludes, a policy that is subject to Board approval will be forwarded for its consideration at the next Stated Meeting. Once approved, the final policy is published in *Almanac* and the *Faculty Handbook*, circulated to the appropriate University Officers, and posted on appropriate University web pages. The University community therefore is afforded ready access to the most current academic policies.

### ***Financial***

The Division of Finance maintains the Financial Policy Manual, which contains policies related to the financial operation of the University. A formal review of financial policies is conducted at least annually. This review is documented in the Financial Policy Manual by adding a review or revision date to the introductory section of each policy. The Office of the Comptroller requests that the appropriate department heads annually confirm that the policies for which they are responsible have been reviewed and updated as necessary.

### ***Facilities***

The Division of Facilities and Real Estate Services (“FRES”) is responsible for the development and administration of policies and protocols that govern the University’s physical campus, including the acquisition of real estate, execution of leases, the development of new campus buildings, maintenance of buildings and grounds, and the use of its public spaces and grounds for events. These policies are reviewed periodically with the Trustees Facilities and Campus Planning Committee. Policies related to the acquisition or leasing of real estate are regularly reviewed by the Capital Advisory Group or Capital Council. FRES works closely with the University Council Committee on Facilities and with the Trustees Committee on Facilities and Campus Planning to obtain advice and input on relevant policies.

### ***Student Conduct***

The University publishes and regularly reviews a broad set of policies, which represent best practices, to guide student conduct and personal responsibilities, including student discipline commensurate with violations. These policies are published in *The Pennbook*, which is regularly reviewed by the Office of the Provost and available online.<sup>15</sup> The Division of University Life includes resource offices that provide extensive information and education to support students’ understanding and adherence to responsible standards of conduct established by the University. The Division of University Life regularly engages in consultation and discussion regarding new policies and initiatives aimed at promoting personal responsibility and safety for students on campus. The Vice Provost for University Life regularly communicates with the Trustees Student Life Committee, the Undergraduate Assembly, and the Graduate and Professional Student Assembly regarding initiatives aimed at fostering responsible conduct regarding the use of alcohol; respect for others; and compliance with federal, state, and local laws. In addition to being published in *The Pennbook* and on University websites, essential information regarding the

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<sup>15</sup> *The PennBook* is available online at <https://provost.upenn.edu/policies/pennbook>.

sanctions for individuals and groups (such as fraternities and sororities) in the event of violations of the University's behavioral standards are extensively discussed during orientation sessions for new students and educational sessions conducted by the Division of University Life and other administrators.

The Code of Student Conduct and the Charter for the Student Disciplinary System are also published in *The Pennbook*. The student disciplinary system furthers the educational mission of the University by resolving alleged violations of the Code of Student Conduct, the Code of Academic Integrity and other applicable policies regarding student behavior. The Office of Student Conduct oversees the resolution of complaints involving alleged misconduct by students, including instances of academic dishonesty, in order to determine how best to resolve these allegations consistent with the goals and mission of the University as an educational and intellectual community. Complaints about alleged student misconduct can be resolved by several means including the formal disciplinary process outlined in the Charter of the Student Disciplinary System, or by referral to an approved mediation program or another University resource office.<sup>16</sup> The College Houses and Academic Services' Violations Review Board handles non-criminal, non-urgent cases involving registered members or occupants of University College Houses.<sup>17</sup> Additionally, the Fraternity/Sorority Advisory Board Disciplinary Charter provides a framework for ensuring accountability for adherence to community behavioral standards for members of fraternities and sororities.<sup>18</sup> Clearly stated sanctions for violations are fairly and strictly enforced.

Penn has worked long and hard to be a leader in providing a safe and healthy environment for students and educating students on responsible and respectful behaviors. No campus, however, is immune from the challenges that result from the misuse or abuse of alcohol or other drugs. To ensure that Penn continues to represent the very best practices for facilitating responsible student behavior, the President and the Provost recently announced the formation of a Commission on Student Safety, Alcohol and Campus Life. The Commission's primary focus will be on the consumption of alcohol and other drugs and the consequences for student conduct, paying particular attention to the potential for sexual violence and other forms of injurious behavior associated with excessive alcohol consumption. By the end of 2013, it will conclude its work with a report to the President and the Provost, which will be published in *Almanac*.

### ***Research***

The Senior Vice Provost for Research oversees compliance with research policies and procedures. Given the broad scope of regulation and the complexity of the research enterprise, compliance responsibilities are shared between numerous offices, including the Institutional Review Board, Institutional Animal Care and Use Committee, University Laboratory Animal Resources, Office of Research Services, Center for Technology Transfer, and Environmental Health and Radiation Safety. The Office of the Vice Provost for Research also works closely with the Office of General Counsel, the Office of Audit, Compliance and Privacy, and School offices with oversight responsibilities for research. Training opportunities in the Responsible Conduct of Research are available to all members of the University community. Training is

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<sup>16</sup> The Charter of the Student Disciplinary System is available online at <http://www.upenn.edu/osc/pages/charter.html>.

<sup>17</sup> Please see <http://www.collegehouses.upenn.edu/basics/violationsreviewboard.asp>.

<sup>18</sup> Please see <https://provost.upenn.edu/policies/pennbook/2013/02/15/fraternity-sorority-advisory-board-disciplinary-charter>.

mandatory for undergraduate and graduate students, postdoctoral fellows, and faculty funded by National Institutes of Health training grants. Training also is required for undergraduates, graduate students, and postdoctoral fellows who are funded by the National Science Foundation. Penn Profiler, the University's web-based assessment tool, enables constituents to self-identify most of their required research- and finance-related training needs.

The Office of the Vice Provost for Research is responsible for the University's Research-Related Financial Conflicts of Interest Program. The University's researchers and principal investigators may be required to disclose to the Office of the Vice Provost for Research certain relevant financial interests or relationships. Researchers funded by the Public Health Service are required to submit financial disclosures to their respective Schools. Disclosures meeting certain thresholds are initially reviewed by the Office of the Vice Provost for Research and may be referred to the Conflict of Interest Standing Committee for further review and recommendations.<sup>19</sup> That Committee consists of 10 to 20 members of the standing faculty appointed by the Senior Vice Provost for Research (or other Provost designee responsible for overseeing the University's compliance with conflict of interest regulations and policies) and *ex officio* non-voting members.<sup>20</sup> Efforts are made to have faculty representation reflect the volume of disclosures submitted by each School. In addition to meeting disclosure obligations, investigators must receive Financial Conflicts of Interest Program training prior to engaging in research at the University and at least every four years thereafter.

Research integrity is an umbrella term that describes a framework of core values and professional practices that collectively help to ensure that all aspects of the research process are conducted in an honest and accurate manner. Penn is committed to truth, accuracy and objectivity in proposing, designing, performing, evaluating and reporting on research. Allegations involving fabrication, falsification, plagiarism, or other serious deviation from accepted practices fall under two Penn policies—Procedures Regarding Misconduct in Research and Procedures Regarding Misconduct in Research for Non-faculty members of the Research Community.<sup>21</sup> These policies are regularly reviewed and well enforced.

### *Staff*

The Division of Human Resources regularly reviews and updates policies and procedures as needed. Policies are benchmarked against best practices using information and data obtained from national human resources organizations such as the College and University Professional Association for Human Resources, Society for Human Resource Management, WorldatWork, and Ivy-Plus institutions. In addition, feedback is solicited from Human Resources Council members (School/Center human resources representatives from across campus) regarding recommended changes. The Human Resources Policy Manual is available on the University's

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<sup>19</sup> For additional information regarding the oversight of and training opportunities and obligations for those engaged in research, please see <http://www.upenn.edu/research/>.

<sup>20</sup> *Ex-officio*, non-voting members include the Associate Vice Provost for Research Services, the Associate Vice Provost for Research and Executive Director of the Center for Technology Transfer, the Director of Human Research Protections and an attorney from the Office of the General Counsel.

<sup>21</sup> For the Procedures Regarding Misconduct in Research see <http://www.upenn.edu/almanac/v49/n32/OR-misconduct.html>. For the Procedures Regarding Misconduct in Research for Non-faculty members of the Research Community see <http://www.upenn.edu/almanac/v49/n32/OR-misconduct.html>.

website.<sup>22</sup> The Office of General Counsel is consulted on policy development and major revisions of the Policy Manual. Human resource policies are communicated in a number of ways, including during training and information programs and publication in the *Almanac*, *MyHR*, and *Penn@Work*. The Division of Human Resources works to ensure the fair and consistent application of policies, procedures, and compliance with relevant federal, state, and local laws and regulations.

### ***Athletics***

The University of Pennsylvania is a founding member of the Ivy League, which has overseen its athletic policies and intercollegiate athletics programs since 1954. The Council of Ivy League Presidents includes the presidents of all eight Ivy League institutions, which adhere to the rules of the National Collegiate Athletics Association (“NCAA”) as well as the additional, more academically rigorous requirements imposed by the Ivy League. Penn’s student-athletes, like those at other Ivy League institutions, do not receive special privileges such as athletic scholarships. They take pride in the fact that, like all Penn students, they are expected to live up to the University’s highest academic and other standards.

The reporting structure of Athletics reflects the Ivy League philosophy of the student-athlete. The Director of Athletics reports to the Provost, Penn’s chief academic officer, who is responsible for overseeing the activities, policies, and practices of the Division of Recreation and Intercollegiate Athletics. The President, the Provost, the Director of Athletics, and the University’s representative to the Ivy League Policy Committee (generally a senior administrator or Officer who is not affiliated with the Division of Recreation and Intercollegiate Athletics) play key roles in the development of Ivy League policies, and compliance with Ivy League and NCAA policies. The NCAA conducts decennial reviews (most recently in 2006) of the University to ensure its compliance with the letter and spirit of its regulations. In compliance with NCAA rules, the Office of Audit, Compliance and Privacy conducts reviews of Penn’s compliance programs every four years (most recently in 2011). Athletics at Penn is both governed and managed consistent with the University’s Principles of Responsible Conduct. While Penn has self-reported minor infractions of NCAA and Ivy League rules, there have been no significant infractions during the past five years.

### ***Crisis Management***

In addition to having well established procedures for developing and disseminating policies, the University has longstanding practices and protocols for managing emergency situations. The University has a detailed Crisis Management Plan to make decisions, in consultation with the President as appropriate, regarding emergency situations. The President regularly communicates to her direct reports and instructs them to so inform their direct reports that all serious issues, problems and challenges must be brought forward promptly. On the first sign of a difficult problem, the Provost and the Executive Vice President promptly convene the Crisis Management Team, which includes senior administrators, including the Vice President for Public Safety, the General Counsel, the Vice President and Chief of Staff, and the Vice President for University Communications. The CMT works quickly and effectively to respond to serious

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<sup>22</sup> See <https://www.hr.upenn.edu/myhr/resources/policy>.

incidents and events. The Provost, Executive Vice President, and Vice President and Chief of Staff keep the President well informed of the CMT's deliberations and decisions. Where appropriate, the President regularly consults with and informs the Chair, and they in turn inform the Executive Committee, as emergency management matters arise and are resolved.

The University has several protocols to prevent, respond to, and recover from active threats to the community, business disruptions, or disasters, notably: PennReady, a strategic initiative managed by the Division of Public Safety that includes a system for providing alerts to the community via campus public address systems, and via text and email messages to students, faculty, staff, and parents as well as notifications on its website; and Mission Continuity protocols aimed at minimizing any disruptions that might result from a major technology or systems failure, a natural disaster or other exigent situation. University management regularly tests Penn's systems and protocols to ensure that they will operate efficiently and effectively in the event they are needed.

### *Clery Act Compliance*

The Division of Public Safety leads compliance efforts for the federal Clery Act<sup>23</sup> and the Pennsylvania College and University Security Information Act. The Division also oversees educational and training efforts associated with assuring compliance with these Acts (<http://www.publicsafety.upenn.edu/clery.asp>). The Clery Act, which requires colleges and universities to disclose their security policies and campus crime statistics every year, is enforced by the US Department of Education.<sup>24</sup> Reportable crimes include murder, manslaughter, forcible sex offenses, non-forcible sex offenses, robbery, aggravated assault, burglary, motor vehicle theft, arson, weapon law offenses, drug abuse violations, and liquor law violations. Hate crimes are also reported by protected group status and type of crime. Arrests and referrals for disciplinary action for illegal weapons possession and drug and liquor law violations also must be reported. Clery Act compliance requires three main obligations: records collection and retention, information dissemination, and policy disclosure.

In addition to those crimes reported to police (both Penn Police and Philadelphia Police), the Clery Act requires that crimes that come to the attention of administrators who are designated as campus security authorities—those who have significant responsibility for student and campus activities—be included in the report.<sup>25</sup> To assure that Penn's campus security authorities are appropriately trained, the University created a web-based educational compliance program, which is sent to all campus security authorities annually. The program includes a reporting form that must be completed—even if only to certify that the campus authority has nothing to report.<sup>26</sup>

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<sup>23</sup> In 1990, Congress enacted the Crime Awareness and Campus Security Act (an amendment to the Higher Education Act) which was renamed the Clery Act in 1998 (subsequent amendments were made to the Act in 1992, 1998, 2000 and 2008).

<sup>24</sup> The Act is a federal law that requires reporting of crimes that occur on campus, on public property adjacent to the campus, and in non-campus buildings owned by the University. State law requires that crimes that occur in the Penn Patrol Zone (30<sup>th</sup> to 43<sup>rd</sup> Streets between Market Street and Baltimore Avenue) be reported to the Pennsylvania State Police.

<sup>25</sup> The functions described include non-police security staff, faculty advisors to student groups, VPUL administrators, athletic directors and coaches, student housing officials, student discipline officials, campus judicial officers, fraternity and sorority affairs staff, physicians in student health, counselors in the campus counseling center or victim advocates on sexual assault response teams. Pastoral counselors and professional counselors retained by (but not employed by) Penn to provide mental health services are exempted from reporting requirements.

<sup>26</sup> This training module can be found at <http://www.publicsafety.upenn.edu/assets/CleryDocuments/CleryTrainingModule-CY11.pdf>.

In addition, training is conducted for College House staff, including resident advisors and graduate assistants, each fall.

Penn's *Annual Security & Fire Safety Report* is published in *Almanac* prior to the October 1<sup>st</sup> annual deadline. A link to the report is transmitted to all members of the University community and is sent to the student newspaper, the *Daily Pennsylvanian*. The report includes the statistics required by federal and state law and copies of the report are made available to Schools, Centers, and interested individuals. The timely notifications and warnings mandated by the Clery Act are made via University-wide emails, postings on the Division of Public Safety's website, alerts to building administrators and key staff, and the UPennAlert emergency notification system, which includes outdoor sirens for ongoing eminent threats to the community. ***We recommend that the Board be sent a link to the Clery Report each fall. We further recommend that the Office of Audit, Compliance and Privacy review Penn's Clery Report annually and submit its findings to the Board's Audit and Compliance Committee.***

Penn's Clery Act compliance and its safety and security initiatives have been recognized as a national model. The University received the Jeanne Clery Campus Safety Award in 2003, which is presented annually by the Clery Center for Security On Campus to honor institutions that have done extraordinary things to make college and university students safer. Penn also has been ranked #1 in safety and security in the higher education sector by *Security* magazine on its "Security 500" list for six consecutive years, from 2007 to 2012.

### ***Reporting Institutional Risks to the Board***

Since 2004, a portion of each Audit and Compliance Committee meeting agenda is dedicated to briefings on one or more aspects of institutional risk. Topics have included systems of internal control, data security, effort reporting, emergency preparedness, disaster recovery/business continuity, research administration, clinical trials, risk management/insurance, and international activities. The Chair of the Audit and Compliance Committee communicates regularly with the Associate Vice President for Audit, Compliance and Privacy. Detailed materials for each meeting are prepared for and reviewed beforehand by the Committee. The Audit and Compliance Committee holds executive sessions in conjunction with each of its meetings that takes place in conjunction with a Board meeting. Each year, the external auditor also meets individually with the Chair, the Chair of the Audit and Compliance Committee, and the President to address fundamental issues and answer probing questions.

## **INTERACTION WITH MINORS ON CAMPUS**

### ***Policies, Practices, and Administrative Oversight to Protect Minors on Campus***

In January 2001, a cross-functional team with members from the Office of General Counsel; Office of Audit, Compliance and Privacy; Division of Public Safety; and Division of Human Resources was appointed by the Executive Vice President to examine the issues around background checks and to submit a recommendation. Penn implemented a prototype criminal background check program for new staff hired in the Division of the Executive Vice President.

The staff background check program was subsequently expanded to include all Schools and Centers. Effective January 2002, Unique Advantage, was awarded a contract to serve as “vendor on premise” for all temporary workers hired by the University. Under the terms of that contract, all temporary employees on the Unique Advantage payroll are required to undergo a background check.

More recently, the Commonwealth of Pennsylvania enacted the Pennsylvania’s Child Protective Services Act, also known as Act 73, which requires employers to conduct background checks on all employees with “a significant likelihood of regular contact with children, in the form of care, guidance, supervision or training.” At Penn this includes all individuals who participate in programs involving minors. Participants in programs involving minors are personally responsible for obtaining the required fingerprint-based FBI criminal history record check. This check can take up to 60 days. If participants have not gotten the results by the first day of the activity, they must present a copy of the receipt that they have submitted for this review. As soon as the results are received, participants must submit a copy to their supervisor. Penn is permitted to allow an individual to participate on a provisional basis provided that the individual provides proof of application for a federal background check. Provisional hiring periods may not exceed 30 days for in-state residents or 90 days for out-of-state residents. Individuals with documented reports of child abuse during the five-year period preceding their application are ineligible for participation. Applicants with any state or federal convictions related to certain crimes (e.g. homicide, rape, indecent exposure and corruption of minors) are also ineligible to be hired. Questions regarding unclear reports are addressed to the Division of Human Resources or the Office of the General Counsel.

The Office of the Vice Provost for University Life is responsible for maintaining a list of all summer programs involving minors. Each School or Center offering programs that involve minors has assigned one or more individuals the responsibility of identifying activities involving children and the participants in those programs as well as coordinating appropriate background checks. These individuals are assigned a unique logon ID and provided with additional information to properly conduct the background checks. There are three required background checks: Pennsylvania criminal background check; child abuse history clearance from the Department of Public Welfare; and the criminal history report from the FBI verified by a fingerprint check. Trustees are made aware of Penn’s policies for safeguarding minors, most recently during a report to the Student Life Committee in October 2012.

The Division of Recreation and Intercollegiate Athletics requires coaches conducting summer camps and programs to carry out background checks in accordance with University policy as outlined above. The Assistant Director of Facilities in Recreation and Intercollegiate Athletics is responsible for administering the Division’s camp and clinic programs, and is also responsible for the Division’s camp/clinic manual, which includes an agreement that each coach overseeing a camp or clinic is required to sign. The agreement requires the coach to conduct background checks in accordance with University policy. The Assistant Director also distributes documents providing further information on University policy, and acts as an intermediary for coaches with questions for the Office of General Counsel.

In the spring of 2012, practices for programs, camps, and other activities involving minors were reviewed. Penn has centralized the process of conducting background checks for those working with minors and contracted with an external service provider to conduct the Pennsylvania criminal history report and Department of Public Welfare child abuse history. Additionally, the Division of Public Safety posts information on its website that informs the community about reporting any allegations of sexual harassment or abuse involving minors. This obligation is also articulated in Principle 10 of the Principles of Responsible Conduct.

## **CONCLUSION WITH RECOMMENDATIONS**

The circumstances reported at Pennsylvania State University and the University of Virginia underscore the critical importance of strong corporate governance in the academic setting, including clear responsibilities of Board members, administrators, faculty, students and staff to the well-being of a university. Rather than take our corporate governance for granted, the Chair and the President thought it prudent to conduct a critical self-examination and assessment of Penn's Board, its relationship to the Administration, and Penn's policies and practices with regard to minors. This review has renewed our confidence in the strength of Penn's governance structure and the culture of responsibility and collaboration that exists between the Board and Administration, and the Penn community as a whole. The University—beginning with the Board Chair, the Board, the President, and the Administration—fosters an environment where illegal or unethical behavior is not tolerated and is dealt with promptly, fairly, and effectively.

This Report summarizes a more detailed and comprehensive examination and assessment of Penn's governance and administrative structure. In conclusion, we would emphasize the following significant findings:

- Penn has a large and complex, strong and effective governance structure. The University has implemented many policies and practices to foster transparency and open lines of communication and ensure effective governance.
- The Board is well informed and appropriately engaged in every dimension of governance and oversight.
- The Board's culture encourages adherence to the highest ethical standards, and Penn's governance policies and practices support this culture of ethical and legal responsibility.
- The Board's Survey consistently affirms that it sets the right tone at the top and understands its ethical and legal responsibilities.
- There are close working relationships at each level of the University—between members of the Board and Administration and between the Administration and faculty and students. These relationships are strongly supported by clear mechanisms for communication both between the Board and Administration, and also across key University constituencies, including faculty and students who sit in representative roles on Board committees.

In the spirit of continual improvement, this Report also offers specific recommendations in several areas to sustain and reinforce the success of Penn’s governance and administration, moving forward.

- First, we recommend that efforts to diversify the Board and to increase the rotation of “at large” members of the Executive Committee be increased and sustained over time. Additionally, we recommend that maximum term lengths be established for continuous service on the Executive Committee.
- Second, we recommend that efforts to diversify the Overseer Boards continue to be a priority in light of their important role as a source of prospective Trustees.
- Third, we recommend that the Trustee Committee Chairs and the Administration continue to work to ensure that meetings are engaging, effective, and efficient.
- Fourth, we recommend that each prospective Trustee be briefed on the structure of meetings and deliberations and provided with a copy of this Report.
- Fifth, we recommend that the Chair, the President and the Secretary continue their efforts to find opportunities to sustain and deepen the engagement of Trustees who are rotating off the Board.
- Sixth, we recommend that the integration of the clinical and academic components of Penn Medicine—both internally and with the University—be sustained and wherever possible enhanced. This integration, in keeping with the University’s Penn Compact, has become a key to Penn’s integrity and eminence in a century where collaboration and the integration of knowledge are essential to maximizing a university’s social impact.
- Seventh, we recommend implementation of the plan to create a high-level risk assessment committee to assess and monitor Penn’s strategic risks and to further ensure that risks are well addressed and managed.
- Eighth, to reinforce existing internal safeguards to Penn’s ethical and legal compliance, we recommend that the Board be sent information regarding the availability of the Clery Report for review (with a link to the report in *Almanac*), and that the Office of Audit, Compliance and Privacy review the Report annually and submit its findings to the Audit and Compliance Committee. Additionally, we recommend that the Audit and Compliance Committee review the Principles of Responsible Conduct periodically to ensure that they are consistent with current standards and laws.

Finally, we wish to thank the many dedicated individuals at Penn whose good work and thoughtful advice informed this report, its conclusion and recommendations.

David L. Cohen  
Chair of the Trustees

Amy Gutmann  
President