

Tuesday, September 4, 2001, 4:00pm, Founders Hall, Room 166

Chair Bicknell called the meeting to order at 4:00 p.m. on Tuesday, September 4, 2001, in Goodwin Forum (NHE 102); a quorum was present

### **Members Present**

Bicknell, Christensen, Fulgham, Goodman, Jenkins, Kenyon, Klein, Little, MacConnie, McFarland, McCrone, Meiggs, Mortazavi, Novotney, Oliver, Paselk, Paynton, Sheppard, Smith, Snyder, Stokes, Thobaben, Thompson, Travis, Wang, Wilson

### **Members Absent**

Bockover, Burroughs, Martin, Smith, Siering (proxy for Varkey)

### **Guests**

James Braggs, Clay Brown, Steve Butler, Frank Cheek, Allen Exley, Ron Fritzsche, Pam Martin, Carolyn Mueller, Kathy Munoz, Melissa Ortiz, Donna Schaffer, Greg Simmons, Jody Thompson, Daniel Mintz from the Arcata Eye, Tom Wood, Richard Vrem, Dave Wells

### **Announcement of Proxies**

P. Siering for Varkey

### **Approval of Minutes from the August 28, 2001 Meeting**

Minutes not available until next Senate Meeting

### **Reports, Announcement, and Communications of the Chair**

Chair Bicknell announced:

- The Academic Senate will meet every Tuesday in September, which is different from the tentative list sent out earlier.
- Fiona Wilson is student representative.
- If you want to make contact about health insurance, email [mjb3@humboldt.edu](mailto:mjb3@humboldt.edu).
- On-line Presidential Search Policy address:  
[calstate.edu/datastore/PresidentialSearch.shtml](http://calstate.edu/datastore/PresidentialSearch.shtml)

### **Committee and State Senate Reports**

No reports

### **TIME CERTAIN 4:10 PM – Discussion Item: Special Investigation, Humboldt State University Report Number 01-93 by the Committee on Audit of the Board of Trustees of CSU – Comments from Vice President for Development and Administrative Services, Don Christensen**

Chair Bicknell commented that the Academic Senate had been given a copy of the Audit Report at last week's Academic Senate meeting, and recognized Vice President Don

Christensen.

Vice President Christensen provided the following comments:

John Sterns was indicted on nine felony counts. The hearing date is scheduled for September 20, 2001. Because of that, there are now some issues with regard to Mr. Sterns' involvement with the University and his wrongdoing that I may not be at liberty to comment on.

I have a list of questions provided by Chair Bicknell from last week's Senate meeting that I will respond to this afternoon.

(1) What mechanisms do we have in place at HSU that enable persons to come forward when they observe activities that are damaging to the institution? What mechanisms do we have here that protect whistle-blowers when they do come forward?

We have mechanisms at HSU that allow employees to go to Ombudspersons, Affirmative Action Officer, or Employee Assistance Program, rather than to the employee or immediate supervisor. For a long period of time, I weekly rotated staff lunches between Business and Student Services Center and Plant Operation to meet with staff. The understanding was that no management personnel would be at those meetings but that I would be available. This is an extra and worthwhile vehicle of communication provided for staff, and will now be extended to University Advancement. If staff has confidence to come to supervisors and talk about and report on problems, then the issue of retaliation is dispelled. State and Federal laws protect whistleblowers.

(2) What lapse caused the fabricated audit for KHSU to be accepted by authorities at Humboldt and by an outside agent? Audits, by their very nature, require the cooperation of the accounting staff responsible for the accounts. The fabricated audit report was produced without the appropriate staff meeting the fictitious auditor. What lapse would have permitted this, and what steps are being taken to prevent it from happening again?

Most of our auditors, with the exception of the Auxiliary, are selected by the system. They're either Trustees Audit Staff or other professional audit firms. KHSU, Natural History Museum and the First Street Gallery were programs turned over to us by Academic Affairs, where they had been lodged for several years. These programs have great public relations components or dimensions to the Mission. Ancillaries or auxiliary programs ought to have strong instructional components for our students or provide research activities for our faculty. It was thought that Development and Administrative Services could couple fundraising abilities with those funds provided by the state to round out the budget so these programs, who had been running in the red, could be viable programs.

John Sterns was given responsibility to get these programs in the black, to build a budget that

had a relatively thick state support level, and augment that with revenue from various services and sales or whatever in fund-raising so they would be viable programs. One of the things he did with the KHSU budget was rent a private car when they were available through state operation. It was for an auditor friend of his to use, he said, so we could bring KHSU under budget. John Sterns did the audit, the other individual never existed and the car was in John's possession for that time. It occurred at a time when we were then looking at ways to bring these programs under budget, and not typical of the way we handle audits and a significant departure from the due process that we do auxiliaries and the way it's handled on the state side.

I would like to combine 2 questions - #3 and 14:

(3) What role, if any, may the faculty have in shaping any restructuring of the university's fiscal affair? and (14) How common is "sole signature authority?" What kinds of accounts have "sole signature authority?" Will this practice be continued?

Within Foundation itself there are 450 active grants and contracts and an equal number of trust accounts which have sole signature authority. This won't happen anymore. We just had another audit on grants and contracts which called for sole signature authority. I hope the Senate takes the position of endorsing the move to do signature authorities on these accounts because that is in the best interests of the fiscal welfare of the institution.

(4) If it was clear that the amount of fundraising reported for Athletics by John Sterns, and the amount of fundraising for Athletics that actually happened did not agree, why did this discrepancy not trigger some attention earlier?

Part of the problem is that you can't reconcile the figures because (1) the deposits have been occurring in University Center for a number of years and that's one of the reasons for the recommendation to move Athletics donations so they are received in HSU Foundation.(2) Athletics money is deposited in University Center, an area over which I have no direct authority, so that makes it difficult to get information. Sometimes the information is difficult to produce because the question of donations, as well as gate receipts, are coming in from different sources. With these contributions and other revenues being deposited in the Foundation in the future, it will be much easier to reconcile those figures.

(5) The ability to misrepresent fundraising and claim fraudulent expenses is said to have been enabled by the failure of internal controls. Various fraudulent activities and reports appear to have occurred related to Foundation accounts, to University Center accounts, and to State accounts. How widespread was the failure of internal controls? What is the nature of the Internal controls?

I know it's not a failure of internal control in University Center. The Athletics finding was a

tertiary finding and not directly related to the Sterns investigation. What the Auditor said was that it was inappropriate for Athletics to be depositing funds in the University Center. Most of what occurred, occurred in the Foundation and most was a result of forgeries and false documentation. Where internal control broke down was in that center of operations where John Sterns had direct control – that was in University Advancement. He convinced people they no longer needed to do certain things which resulted in checks and balances on the fiscal side; that the auditor said it was no longer necessary to keep documentation or have certain information on file and that's where the breakdown occurred primarily. When he had to submit documentation to the Foundation or the state side, if he had insufficient documentation, he made it up, forged signatures, created a new set of minutes for meetings, made entries about motions being moved, and seconded, and produced letters from the President with his copy of the minutes. And that was sufficient for the Foundation.

(6) What are the effects on programs promised funds from among the fictitious \$15 million? How many programs are in this situation? How many proceeded on the basis of the promised funds that did not materialize, and what is the extent of our losses or potential losses of matching funds that were provided from other sources? Were any funds expended for these projects that are in jeopardy because we cannot fund the rest of the projects from the promised funds that did not materialize?

Right now we still are compiling a list of those accounts that were breached, or compromised in some way, so we won't have that complete list for a while. We have a person working with the auditor, and she has a February 2nd deadline. Her goal is to wind this whole thing up by the end of this calendar year. Of the 15 million dollars – mostly paper – money was promised to the Von Humboldt Society Conference that left them in jeopardy for a period of time, which President McCrone subsequently identified, and that conference went off without a hitch. John convinced a faculty member that a donor, whom John had never contacted, was going to make a \$300,000 gift to support the Wildlife/ Wildfowl Endowment. We are working with that faculty member to find other sources to support that endowment. The Department of Fish and Game made the original gift of \$300,000. They have been understanding, and have given us additional time to complete that match. The only other gift I am aware of that was promised was about a \$10,000 gift to support "Water and the West Art Exhibit" at the First Street Gallery. Otherwise I don't know of faculty or staff waiting for funds that had been promised.

(7) Might there be appropriate training for supervisors through Human Resources that might prevent any future attempts to dismantle internal controls?

This is an excellent suggestion. I looked at the year-end department by department report which shows money is left over by some departments and we have the option of rolling that money forward. We could do a big service to the campus if we worked with department chairs, particularly new ones, and departmental secretaries, to help them understand and

manage their budget. I think everyone would prefer that money be retained and remain in the departments for them to work with.

(8) What efforts will be undertaken to rebuild our relationship with the community?

This week we had luncheons with local community members who have been very supportive over the years. We have talked about letters to our donors and friends. A letter was sent to the newspaper from a KHSU staff member appealing to the community which said not to let what John Sterns did stand in the way of their continued support to KHSU. Alumni publications were discontinued when John was here – we will re-institute those with letters and reports going out to assure people that gifts to the institution will go to the programs and activities they want them to go to.

(9) How does our system of oversight compare with other similar institutions? (Administrative structure, number of vice presidents, number of units reporting directly to the president, fiscal affairs organization including how the auxiliaries relate to each other and to state fiscal affairs offices, consolidated of fiscal reports)?

A concern, which the report indicated, was that we may be under-administrated at senior levels. I think that's true. We were facing difficult issues on this campus in 1992-93, and the decision was made to merge two Vice Presidents and not to refill the position of Business Manager on campus. We rebuilt the physical structure of the campus when we did that. It's noted on the report and I think it's in the best interest of this institution that we re-instate the position of Vice President for University Advancement, and also reinstate the position of Business Manager. When they recruit for my successor, that person should have a finance background at the CPA level.

(11)The Daly Building was purchased by the HSU Foundation using "undesignated funds." The mortgage and the insurance payments, as well as any maintenance for the building are being paid for by "undesignated funds." John Sterns moved "undesignated funds" to cover the promises he made following upon his fictitious fund raising. How much money was moved and from what accounts? Is there enough money left to cover the Foundation's obligation on the Daly building?

We are working on comprehensive controls and how to deal with expenditures. Last time I talked about the Daly building to the Academic Senate, it was before I gave the report to HSU Foundation and I regret that because they got the information secondhand. I prefer to make that report to them first when they meet on the 24th of this month and come and give you details afterward. We have a workable plan to meet our obligations.

(12)John Sterns closed scholarship trust accounts in the Foundation and moved the trust account funds to cover some of the promises he made of fictitious fund raising. The campus

response in the audit report states that the trust accounts will be restored by February 2002. How much money is required to restore these trust accounts? What is the source of the funds that will be used to restore the trust accounts?

We're still getting a handle on those accounts and what money has been moved. When we find money that has been moved inappropriately from those accounts, (1) we will look to unrestricted dollars to make those accounts whole and healthy again and (2) it's important to us there be some restitution, if not complete restitution, from John Sterns, and we will be using those monies as well.

(13) What is the annual income of undesignated funds and other discretionary funds? What are the balances of accumulated undesignated funds and discretionary funds? What are our annual rates of expenditures of these funds? What do we typically spend them on? And who decides how these funds are managed and spent? What role can faculty play in oversight of these funds?

We have about four or five annual solicitations. We have the Local Business Community Partnership Campaign, we solicit from faculty and staff - many of you are contributors. We solicit alumni and parents as well. The unrestricted money we receive from the faculty/staff campaign is about 3% - everything else is designated; at the alumni level it is 50/50; parent fund is about 60% is unrestricted; and the Partnership Campaign is about 40% unrestricted - so it amounts to a little over \$100,000 a year. There are two ways to finance an advancement program - charge departments or programs a percentage when you receive the gift that's designated to those departments or programs. That's what Foundation does with gifts, they receive a percentage of that gift and pass the balance on to the departments and programs. We do that because we essentially do the bulk of the soliciting for the departments. We receive much more money in departmental solicitations and restricted gifts for departments than we receive in unrestricted money every. Last year it was close to \$400,000 in departmental solicitation, and about another \$150,000 passed through us to department programs. We use that unrestricted money several ways: (1) Enrichment award competition - one page proposals solicited from campus community and a committee of faculty and staff view proposals and made recommendations for awards; (2) Staff merit award; (3) Up until the last year or so, we identify a cause or project to solicit funds from parents or alumni - whether for the library, augmentation for the library, Friendship Lab in Founders Hall, lounges across campus - we refurbished some and established some. (4) We also defray the cost of the campaign with unrestricted money. On our annual solicitation, we pay student callers - it's an important source of part time income for many of our students. We pay postage costs, printing costs, training costs, and premium costs. For the next year or so, there will be no unrestricted money because we will need to fix and undo what John did.

(15) What are the costs of the investigation, the audit, and the prosecution, and any potential legal counsel necessary for the campus, and who will pay them?

Public Safety picks up the cost of on-campus investigation, the District Attorney will bear the cost of prosecution, the audit is covered by budget of the Trustees Audit staff. I don't see any additional expenses. People in University Advancement, Fiscal Affairs, the Foundation, and my office have devoted hours to this and it's impossible to calculate the loss of revenue as a result of productivity devoted to this. Our advancement program is at a standstill for all practical purposes because we are trying to settle this issue. We will do our annual solicitation this fall.

Question was posed to Vice President Christensen if he had received any feedback from the public. He commented that it was mixed; some people are naturally anxious about the gifts they've made in the past, particularly for scholarships. Others have taken the attitude of "these things happen" because, as employers, similar things have happened to them and they are empathetic. The support is still out there and that's encouraging, but we have a lot of work to do.

**TIME CERTAIN: 4:45 PM: Discussion Item: Athletics Review Committee Report and Recommendations Submitted to Charlotte Stokes, VPAA**

Chair Bicknell commented that she wanted to assure everyone that the Academic Senate is not trying to redo the Athletic Review Committee Report and Recommendation, but to get comments, so as to make a well informed recommendation. We're looking to focus on the mission and goal of Athletics and recommendations the report made, particularly from the point of view of whether conditions have changed since the report was made, and if in these changing conditions, there is new information or better information, or any reason we could reach a different conclusion. Chair Bicknell welcomed and encouraged written comments which can be distributed with the Senate Agenda packet or as part of the Senate minutes.

Comments from Coaches:

David Wells (Coaches representative to Athletic Review Committee) handed out documentation which showed the history of budget in Athletics. He stated that the Athletic budget had been stretched for five or six years, and was stretched to the point last year where it couldn't be stretched any farther. Two big issues facing the Athletic Department are the financial aspect and issues surrounding Title IX and equity for women. One new thing that has happened since the Athletic Review Committee met was that Diane Milotinovich, Title IX consultant from Fresno State who was to prepare a report for President McCrone and Mike Swan, came to HSU. The philosophy and hope the coaches have is to offer a sports program where student athletes can be in a competitive team, where they can be safe and have a quality experience. Excellence is our goal and basic philosophy, and the message we want to broadcast. Achieving goals would require \$250,000 to cover basic costs, and \$500,000 to have an excellent program for every single team. Faculty have changed since the report. We would be required to add another men's sport next year to be in alignment with our conference. That will impact our finances,

and Title IX numbers. Since Diane Milotinovich came to campus, several women on campus have filed a lawsuit with the Office of Civil Rights. Several coaches have left the university – the majority of the women’s coaches have left their positions and been replaced by part-time people - that also plays into the Title IX issue. Scholarship money was put into athletics and distributed to women’s teams in late spring – that money was put into scholarships and will offset some of the Title IX problem. In responding to the different scenarios – two things I would like to mention (1 ) enrollment concerns and (2) diversity. No matter what scenario or which sport, we will see a drop in enrollment and diversity if we drop sports. The report eliminated scenario categories 1, 2, 4, 6, 7, 8 and 10, and left three open.

- Scenario 3: Leave things the way they are. I term that “doing nothing” and it is not an option.
- Scenario 5: Tiering sports. Tiering must begin when we have basic needs met with and supplements to certain sports to make a higher profile or be more competitive. We are not at the point where we have basic needs met, so regulations don’t allow us to tier.
- Scenario 9: Dropping sports, the main issue being to drop football. This would make a lot of Title 9 issues and a lot of funding issues disappear. If we were able to keep the money in the Athletic Department - the remaining programs would be in situations where they would be competitive, be safe when they travel and have quality experience, but we would still need to add other sports. The coaches, in looking at the scenarios are looking at different evils - we do not want to do that, we want to look at ways we can augment money to the Athletic program. If we can get additional funding, we can do the job and do many positive things to HSU. The goal we’re stressing is to have competitive teams, a safe environment, and a quality experience for all.

Coach Cheek expressed his appreciation for the efforts going to solving the problem. It can’t be simplified where it’s against this or against that – it puts us against each other, and we don’t want that. We’re talking about basic needs, not scholarship dollars.

There are two options in affiliation: Great Northwest Athletic Conference and NCCA. If we are funded at appropriate level, we would be equally competitive. From a competitive standpoint, if the University has an additional role for the Athletic Department, then affiliation will impact that.

Chair Bicknell asked if the coaches would respond to written question sent to them by the Academic Senate. The response was that their willingness was apparent since almost all coaches were in attendance.

**TIME CERTAIN: 5:00 PM: Comments from HPE Non-Coaching Faculty**

Comments from HPE Non-Coaching Faculty:

1. Greg Simmons, Athletics Department Chair, directed the Senators' attention to two areas: On page 20-21 of the Committee Report, commenting that ground-breaking for the softball field will be April 2002; engineering and architectural drawings are going on for women's locker rooms and a lot of construction activity going on in the summer of 2002. The crew boathouse building starts September 25th. Regarding the secondary reporting line and oversight on page 29 in the report and later in recommendation - any change in oversight at this point would divert to a new set of issues without dealing with the current problems. We're concerned with personnel policy and dealing with temporary faculty. Programs are impacted when temporary faculty are hired, as evidenced by a Graduate Assistant being hired to replace a coach, and there was an immediate reduction in graduate course enrollment because of loss of coaches. The remodel of the fieldhouse in October would provide faculty use of the facility and the additional space would help with curriculum such as motor learning lab, and the surface would be good for numerous activities.
2. Graduate students come to us because HSU provides learning opportunities in the classroom and we have the unique ability to train coaches. I am concerned with what would happen to my graduate program. (Fulgham ask that Greg Simmons prepare comments and send to the Senate For distribution to members of Senate. Coach Simmons said he would.)
3. Kinesiology offers three options and has about 100-125 students. They work with intercollegiate athletes and sports clubs and clinic on campus (post-operative rehab). Any reduction would have some effect on it. If there were no contact sports – our students would have to go off-campus for exposure to those activities, local high schools, and local community colleges. We have about 5-6 students in that area who work with an orthopedic surgeon on campus, so that wouldn't be dramatically impacted.

**TIME CERTAIN: 5:15 PM: Comments from Student Athletes**

1. I got a degree in psychology and came back to get my masters. The hands-on experience which was so vital was provided because of Athletics.
2. It's not fair to rely on our athletic program for the majority of diversity that's on this campus. It feels like it's one of the main reasons for the high funding for athletics. Diversity on this campus is an Enrollment Management issue as well as an athletic issue. School spirit on campus is pathetic - we should be creating an environment on campus conducive for students to be actively excited about athletics – the whole morale about athletics would be greatly increased.
3. I participated in football last year and my whole reason for choosing HSU was because of the athletic program. I'm in the process of consolidating information with various departments, and hope to give a presentation of what the student body expects from intercollegiate athletics, and provide it in writing to the Senate at the next meeting.

Questions and Answers:

A question was raised as to whether there would there be a concern or liability issue for students being placed with high school athletic teams to learn their sports medicine or sports option as opposed to functioning with an HSU team on HSU's campus. The answer was that this was done to some extent already. For hand-on experiences, the burden is placed on students because of few high schools in the Arcata area, so they have to go to South Fork High and it's difficult to go out and get internship hours. It's nicer and more convenient when it's on campus.

The question was raised: Is the CCAA a realistic option for HSU? And how would we do it? Discussion among the coaches indicated that it's probably not a realistic option.

The question was raised: Given the alignment of the new NCAA versus the CCAA, is the travel budget about on par? Coaches responded that it might be a little more expensive, but overall really a wash.

The question was raised: Would dropping football allow other educational programs to continue, such as softball, boating, etc? Coaches responded that in terms of - would that be an end to the option within Athletics – absolutely not; there would still be different options within the athletics program.

**TIME CERTAIN: 5:30 PM: Comments from Staff from Athletics and HPE**

Comments from Staff from Athletics and HPE

None attended the meeting although interest had been expressed, so the questions and comments continued.

Comment was made that maybe someone who knows the athletic budget could come talk to us and assess the options, since it was not clear, on the basic needs issue, from the academic side, how athletics saves money. We would like to see where athletics could save money.

Coach Woods commented that all the coaches are great fundraisers for for classroom, for travel by air, for gas in the van and other needs. Help on the operations side of the budget from administration is needed for travel and to meet our basic needs so the kids here can have a good positive experience. We need to raise money for scholarships so we can get those kids in here for a quality experience. I urge you to make that recommendation to administration.

Pam Martin: As a coach it's difficult and demoralizing to motivate student athletes when they can see how uneven the playing field is. Extra help is needed from the University because we know we can fundraise more dollars for scholarships. We're all working so we can get our teams on the road. Women's sports don't have that alumni base. We have a great athletic program and great coaches but it's starting to splinter; and it's hard to keep fighting.

The question was posed regarding men and women athletes saving money by traveling to competitions to the same city together, instead of the men's team traveling one week and the women's team traveling to the same city the next week. The coaches responded that the conference sets the dates and rules.

The question was raised as to whether membership in CCAA would allow recruiting more easily than in the NCAC? Coaches responded that all things being equal and in giving money and scholarships – it would be better to be in CCAA.

The comment was made that athletic events ought to occur where we recruit our athletes, and that minority students can't be recruited except through football. Coaches responded that football, men's soccer, and other sports contribute to diversity – not just in ethnicity but diversity, and in quality students. Student athletes are quality students – they graduate at a higher rate; retention rate is higher; they take more units, and have a higher GPA. It takes money to bring quality students in to the university; and with support we could bring them to the university in higher numbers. Putting restrictions on numbers has an impact on enrollment. The student athlete experience is important to the entire campus, because they participate in student government at higher rate, in the community at higher rate, and participate in the classroom at a higher rate.

Question was raised regarding the cost of the athletics program. How much does it cost per FTE considering state funds after money from other sources is subtracted? How much does it cost from state funds for the athletic program? It was suggested that administrators from the College of Professional Studies and Athletics would appear before the Academic Senate and answer those questions.

Claire Knox, Chair of the Athletic Report committee commented that the committee looked at these issues. None of the non-state sources generate enough money to produce the kind of funds we need for Athletics. She wanted it to be clear that when people are saying things like, we need scholarships, the funds are being raised. But those funds are having to be spent by coaches for basic needs, so they're not available for scholarships. The University is not paying the basic costs of FTES generated by Athletics; the program is trying to pay those costs.

Frank Cheek: We're here to discuss meeting our basic needs, not discuss scholarships. We're all on the same team and for the best interest of the whole program, not just Athletics. If the institution cannot meet the basic needs, then a decision has to be made about how to ameliorate the problem.

The question was raised as to whether coaches are having more or less difficulty with recruiting than before. Coaches responded that there's more interest from Oregon and Washington students. The problem is tuition, giving up residency in Oregon or Washington to come to HSU, and no scholarships to entice them. A lot of women athletes want to make sure they're closer

to home. Lots of things interconnect to make it difficult to recruit –no easy way to answer that question – it’s always been difficult to recruit to HSU.

Chair Bicknell expressed gratitude expressed for all the people who provided comments today.

---

M/S (Fulgham/Thobaben) motion to adjourn

**Meeting adjourned at 6:06pm**