

Contact: Andrea Anania

MINUTES OF DECEMBER 12, 2016, BOARD MEETING

MARRIOTT COURTYARD HOTEL
2405 SE CREEKVIEW DRIVE
ANKENY, IOWA

Board Members

Sherry Bates	Present
Patty Cownie	Present
Milt Dakovich	Present
Rachael Johnson	Present
Larry McKibben	Present
Katie Mulholland	Present
Bruce Rastetter	Present
Michael Richards	Present
Subhash Sahai	Absent

Board Office

Andrea Anania, Brock Ascher, Mark Braun, Mary Braun, Aimee Claeys, Laura Dickson, Bob Donley, Diana Gonzalez, Josh Lehman, Todd Stewart

Iowa State University

Steven Leath

The corresponding memorandum for each agenda item, an integral component of the minutes, is available on the Board of Regents website: <http://www.iowaregents.edu>. Copies of these memoranda can also be obtained from the Board Office by calling 515-281-3934. Audio of the meeting is also available on the web site.

Call to Order for December 12, 2016

President Rastetter called the Board of Regents meeting to order at 2:00 p.m.

Roll Call:

Regent	Bates	Cownie	Dakovich	Johnson	McKibben	Mulholland	Rastetter	Richards	Sahai
Present	x	x	x	x	x	x	x	x	
Absent									x

Audit Report – Iowa State University Flight Services and University-Owned Aircraft

Regent McKibben recognized Chief Audit Executive Todd Stewart who gave an oral report on the Audit of Iowa State University's Flight Services and University-Owned Aircraft.

In response to questions from Regent McKibben, Chief Audit Executive Stewart: (1) elaborated on the Board's travel policy and consistency among the institutions; and (2) confirmed that ISU was cooperative and provided requested information in a timely manner.

Chair McKibben thanked Chief Audit Executive Stewart and his staff for performing the audit. CAE Stewart thanked Internal Audit Associate Director Deb Johnston, Senior Auditors Della Rhodes and Ciaran Bowe, staff members Matt Dahlsten, Ben Olejnik and ISU Audit Manager Jordan Bates.

Statement from ISU President Steven Leath

"Thank you for giving me this opportunity to address the Board.

I want to thank Todd Stewart and his team for conducting a thoroughly in-depth review. I welcome the Board's decision to expand the preliminary review to a full comprehensive audit. I think it's in everyone's best interest.

The Board set a clear expectation that this audit would be all encompassing – that it would look at every ISU Flight Services operation, the purchases of our planes, and every flight anyone took since I've been President.

We were fully supportive of this charge and I want you to know that immediately after the October meeting, I sat down separately with the leaders of the Faculty Senate, the P&S Council, Council of Deans, as well as Student Government to ask for their questions and concerns. And then my team also compiled additional questions raised by the media.

And then, in ensuing weeks, we gave all of these questions, concerns, and ideas to the attention of internal audit for inclusion into the audit. Specifically, I asked them to include information on record and billing discrepancies, the question about the insurance policy, charter flights, the university's weapons policy as it relates to Flight Services, and we readily provided any information we had and answered any questions within the scope of the audit.

More importantly, I want you to know I take seriously my responsibility to adhere to university and Board policy and I try to be open and transparent. As the preliminary audit showed and the comprehensive audit has now confirmed, I did not violate any policies or break any laws. But I realize that's not enough. That's not good enough. I want to conduct myself in a way that's beyond reproach, and I'm sorry that I did not use better judgement to this process.

I love this university and Janet and I have immense respect for the university. I'm really proud of the success we've had over the last five years – student demand is at an all-time high, faculty have set new records in research funding and productivity, and our alumni and friends are really supporting the university like they never have before.

But what's most important to me is that I lead the university with integrity. And I can tell you now that I regret any actions or decisions that called my integrity into question or damaged the reputation of the school.

I think it's become pretty clear that while I tried to use my best judgement and even sought advice from university counsel and other advisors, there are things I should have done differently and I'm terribly sorry for that.

In hindsight, even though there was no additional cost incurred by the university, I understand why inviting my brother and his partner on the plane was perceived as inappropriate. Despite the lack of cost, I have paid that amount to Flight Services that would have been attributed to my brother and Trish.

I also understand the questions surrounding my Cirrus training. The university's insurance policy required that I get my instrument flight rating and complete recurrent training in the Cirrus to remain certified. I didn't initially want to devote the time to this because I'm so busy. But I did think it would prove to be a benefit to the university in the long run. My ability to fly could save time and money in the long run. As you know, I did pay for all the lessons where there were any charges. But I do realize that my use of the Cirrus for training can be viewed as a personal benefit. I talked to Dr. Donley about this and, as a result, I asked Flight Services for a bill for all that training time and I paid that bill.

I also paid for two trips when I used university planes to go to Mayo for medical reasons. At the time, I believed it was appropriate because I really did need to get back to Ames for important university commitments. And, even though this was in policy, I told Director Donley that I would just feel more comfortable if I paid for those flights myself. And I did that, too.

In regards to the weapons policy, it is my understanding that General Counsel provided a report to the audit team. When I first became president, I sought advice from then-university counsel on the storage and transport of firearms. I fully complied with that guidance including the full inspection by the Police Chief. And I think I've done that to the best of my ability and according to policy.

Finally, we have begun taking steps to improve our practices and clarify our policies:

- ▶ *On September 26, I announced that I would no longer fly the Cirrus or any state-owned aircraft. Also, our head pilot, Dave Hurst, has been on phased retirement and he will be retiring soon. That means we'll now only have two full-time pilots licensed to fly the Cirrus instead of four pilots, including myself. Obviously, that will significantly impact the use of the Cirrus. And, as a result, we plan to sell the Cirrus with Board concurrence, starting this week.*
- ▶ *We have launched a thorough review and overhaul of ISU Flight Service operations including recordkeeping and our billing practices. We're revising ISU's Flight Services' operations manual. It's in draft form now. And it mandates a clearly-documented business purpose for each trip.*
- ▶ *We are also conducting a parallel examination of Flight Services that is truly comprehensive to determine if it's in the best interest of the university to even retain this unit. I've conferred with Dr. Donley and we plan to have that full analysis complete for his review before the February Board meeting.*

And now that we have the comprehensive audit in hand, I will say that when we leave here today we'll look through this very, very carefully, review all of the recommendations, and if there's any other changes or improvements we need to make, we will make them as quickly as we possibly can.

I understand why there have been many concerns and questions about my use of university aircraft. I take full responsibility for that.

I recognize that I used the planes more frequently than I absolutely had to and I should have been more transparent about some of the use. Moving forward, you will find me more thoughtful and I will work to ensure that any time the university planes are used, it is in the very, very best interest of Iowa State.

I've learned a great deal from this experience and I believe it will make me a much better president and a more conscientious president.

I appreciate the opportunity, if the Board grants it, to move forward in a positive way."

Regent McKibben thanked President Leath and staff for their cooperation and transparency during the audit, supported positive changes resulting from this issue, and recognized him for his accomplishments during his presidency.

➤ MOVED by MCKIBBEN, SECONDED by COWNIE, to:

- ▶ Accept the report; and
- ▶ Implement the recommendations in the report with: (1) the proposed policies to be implemented by the Executive Director at the earliest possible time; and (2) the new policies to be presented to the Board at the February 2017 Board meeting.

<u>Regent</u>	<u>Bates</u>	<u>Cownie</u>	<u>Dakovich</u>	<u>Johnson</u>	<u>McKibben</u>	<u>Mulholland</u>	<u>Rastetter</u>	<u>Richards</u>	<u>Sahai</u>
Aye	x	x	x	x	x	x	x	x	
Absent									x

MOTION APPROVED by ROLL CALL.

Closed Session – Evaluation of Institutional Head

➤ MOVED by MULHOLLAND, SECONDED by DAKOVICH, to enter into closed session in accordance with Iowa Code §21.5.1.i for the purpose of evaluating the professional competency of an individual whose performance is being considered. He has requested that this be done in closed session.

<u>Regent</u>	<u>Bates</u>	<u>Cownie</u>	<u>Dakovich</u>	<u>Johnson</u>	<u>McKibben</u>	<u>Mulholland</u>	<u>Rastetter</u>	<u>Richards</u>	<u>Sahai</u>
Aye	x	x	x	x	x	x	x	x	
Absent									x

MOTION APPROVED by ROLL CALL.

The Board convened in closed session at 2:35 p.m.

The Board reconvened in open session at 4:16 p.m.

President Rastetter thanked Chief Audit Examiner Todd Stewart and his staff for their work, commitment, and extra hours put in to complete the audit ahead of schedule.

Statement from President Rastetter

“This Board appreciates Presidents Leath’s cooperation with this audit and his willingness to work with us to examine the use of university resources and develop policies to ensure that the use of resources align fully with the mission of ISU and the Board of Regents.

The aircraft owned by Iowa State are unique assets and the comprehensive policy review referred to by Todd was necessary to help the Board determine how these assets fit within existing university and Board Policy.

We believe this audit and the policy review confirm that while the use of the university aircraft by President Leath did not violate existing Board policy, we agree with President Leath that we can and must do better.

We have directed the Board staff to work with university administrators to develop clear policies regarding the use of university aircraft. These policies will provide direction to university employees, including President Leath, about the use of the aircraft.

President Leath has previously committed to the Board that he would no longer pilot the Cirrus plane and has indicated today that he would sell the Cirrus. And we agree.

We also agree with the determination that a comprehensive and thorough review of university flight services should be conducted to determine if it’s in the best interest of the university to retain the service and we are pleased that this review has already begun.

The Board commends President Leath’s desire to be above reproach and to eliminate any questions about the personal benefit that he may have received by using the aircraft. He has volunteered to pay the university for trips highlighted in the audit where travel for the benefit of the university also resulted in the appearance of a personal benefit to him.

It is unfortunate that we had to conduct the audit and policy review. We have a responsibility to all Iowans to ensure the best use of our resources and we must continue to tighten rules and enhance policies as necessary.

Moreover, we expect the President’s conduct to reflect the values of all Iowans – to be beyond reproach. Clearly, President Leath’s acknowledgement that he takes full responsibility for the issues identified in the audit – and that he should have been more transparent about the use of the planes – reassures this Board, and I hope all Iowans, that the President deserves our continued trust and support.

Furthermore, the Board believes that the audit has put to rest any concerns about President Leath’s use of the aircraft. I believe we have all learned from this and we must continue to move forward to ensure that the success of the institution is ensured.

Finally, let me just say that this Board truly appreciates the really tireless efforts of both Steve and his wife, Janet, who have immense respect for the institution. Under his leadership, as we’re all aware, Iowa State University has achieved unprecedented heights in scholarships; alumni participation; program growth; enrollment; student success; and the new capital campaign that’s kicked off to raise over \$1 billion to help ensure future success for future generations.

We continue to be proud of President Leath’s leadership and look forward to his continued success in the years to come.

This Board has done this audit. President Leath has participated in it. We can look back, acknowledge mistakes made, and move forward to ensure the success of all those programs and efforts.”

President Rastetter adjourned the meeting at 4:22 p.m.