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UNIVERSITY OF CALIFORNIA, DAVIS INDEPENDENT REVIEW OF ALLEGATIONS RELATED TO CHANCELLOR LINDA KATEHI

AUGUST 1, 2016



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I. SUMMARY OF ISSUES

On April 27, 2016, University of California President Janet Napolitano issued a letter to University of California, Davis ("UC Davis") Chancellor Linda Katehi. The letter advised Chancellor Katehi that she had been placed on a 90-day administrative leave and that an independent investigator would be appointed to "review allegations concerning whether there have been serious violations of University policy." The letter identified the issues that would underlie the investigation:

- (1) Questions regarding the employment of members of Chancellor Katehi's family, including whether "employment actions related to [her] daughter-in-law and son violate University conflict of interest policies and requirements related to the employment of near relatives." Relevant to this topic, the letter noted several issues:
 - That Chancellor Katehi's daughter-in-law, who reports to one of Chancellor Katehi's direct reports, received promotions and salary increases over the past two and a half years resulting in several title changes and an over \$50,000 annual pay increase.
 - That Chancellor Katehi put forward a 20% pay increase and title change for her daughter-in-law's supervisor.
 - That the department in which Chancellor Katehi's son holds a paid research position was moved into the department in which Chancellor Katehi's daughter-in-law is employed and placed under her direct supervision.
 - That "it does not appear that appropriate steps were taken to address, document or obtain approval for the fact that [Chancellor Katehi's] son now reported to [her] daughter-in-law, who in turn, was supervised by one of [Chancellor Katehi's] direct reports."
 - Whether the "employment status of [Chancellor Katehi's] daughter in law with respect to supervising the research center that employed [Chancellor Katehi's] son violated requirements regarding the proper use of Student Service Fee Revenue."
- (2) Concerns regarding whether Chancellor Katehi made "material misstatements" to President Napolitano and the media "regarding [her] role in the social media contracts," namely, that she was "not aware of or involved with these particular contracts."
- (3) Concerns raised in a whistleblower Policy complaint that "certain fee revenues were misused by the campus specifically by being directed to unapproved instructional purposes."

On May 10, 2016, the UC's Office of Ethics, Compliance and Audit Services ("ECAS") engaged Orrick, Herrington & Sutcliffe, LLP to conduct a "full, fair and independent" fact-finding investigation related to these and other allegations (the "May 10 Charge Letter"). The May 10 Charge Letter set out the initial scope of Orrick's investigation:



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- “Whether certain actions related to the employment of Chancellor Katehi’s son and daughter-in-law may have violated University conflict of interest and human resources policies, and policies related to the appropriate use of student fees, and whether Chancellor Katehi accurately represented to the President her knowledge about and/or involvement in these issues”;
- “Whether certain actions related to certain social media and strategic communications contracts were appropriate and consistent with policy, including whether Chancellor Katehi accurately represented her role in, and the scope of, these contracts”;
- “Whether certain student fee revenues were misused by the campus specifically by being used for unapproved instructional purposes”;
- “Whether Chancellor Katehi violated University policies related to travel reimbursement in connection with her board service with John Wiley & Sons, and her trips to Greece”;
- “Whether Chancellor Katehi violated University policies by retaliating or threatening to retaliate against employees for their participation in or cooperation with the Office of the President related to these matters.”

The May 10 Charge Letter also advised that ECAS might ask Orrick to address additional issues raised during the course of the investigation, and that ECAS would notify Orrick in writing if that occurred. The May 10 Charge Letter further directed Orrick to advise ECAS if, during the course of the investigation, it discovered that other University employees engaged in behavior that could constitute potential violations of UC policy or law.

In a June 2, 2016 telephone call with Orrick, ECAS advised that, with respect to the question of whether student fee revenues were improperly used by the campus for unapproved instructional purposes, Orrick should review the allegation brought in a November 6, 2015, whistleblower complaint regarding the alleged improper diversion of student fees to pay athletic coaches for the instruction of students.

By letter dated June 13, 2016, ECAS updated its charge letter (“June 13 Charge Letter”) to include:

- “What, if any, representations Chancellor Katehi made regarding intentions to donate certain compensation she received for board service with John Wiley & Sons, and the circumstances and actions related to those representations.”

By letter dated June 22, 2016, ECAS updated its charge letter (“June 22 Charge Letter”) to include:

- “Chancellor Katehi’s management, judgment, and candor regarding service on boards of directors, including but not limited to DeVry University.”

At ECAS’s direction, Orrick conducted the investigation in a manner consistent with the University’s Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities.

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II. SUMMARY OF FINDINGS

A. Employment of Chancellor Katehi's Son and Daughter-In-Law

Chancellor Katehi's son, [REDACTED] and daughter-in-law, Dr. Emily Prieto-Tseregounis, both work within the Division of Student Affairs and report to Vice Chancellor Adela de la Torre, who in turn reports to Chancellor Katehi. Vice Chancellor de la Torre will also serve as [REDACTED]. In light of these relationships, Chancellor Katehi, Dr. Prieto and Vice Chancellor de la Torre executed near relative agreements in March 2015, following the couple's engagement, designed to insulate Chancellor Katehi from employment-related decisions regarding her son and future daughter-in-law. Upon the January 2016 movement of the Center for Transnational Health ("CTH"), where [REDACTED] works as a Graduate Student Researcher ("GSR"), into the Division of Student Affairs, where Dr. Prieto works, UC Davis policy required a new near relative agreement between Dr. Prieto and [REDACTED] to separate Dr. Prieto from decisions that might affect the compensation or employment of [REDACTED]. No such agreement was ever signed. The parties also failed to execute a near relative agreement before Mr. [REDACTED] was given a paid position as a GSR in October 2014 as required by University policy (although it was ultimately and untimely executed approximately five months later). Despite these policy violations, the evidence indicates that Chancellor Katehi honored the letter and spirit of the near relative policies and agreements, and that she has not exercised improper influence over or offered favorable treatment to [REDACTED] or Dr. Prieto.

In discussing allegations of nepotism raised by the press, Chancellor Katehi advised President Napolitano that there were "no issues" related to the employment of her family members. If Chancellor Katehi intended to convey to President Napolitano that there were no issues with respect to her involvement in her son's and daughter-in-law's employment, then her statements were accurate. President Napolitano, however, understood her to mean that there were no issues whatsoever with respect to their employment, which was not entirely accurate. Chancellor Katehi did not inform President Napolitano that, as a result of near relative agreements and University policies, the Chancellor was effectively recused from decisions relating to her son and daughter-in-law, and therefore she likely did not have complete information relating to those issues. And, as it turned out, Chancellor Katehi learned about one of those issues the very next day in discussions with UC Davis campus counsel. In any event, it does not appear that Chancellor Katehi attempted to intentionally mislead President Napolitano during their call on April 19, inasmuch as it does not appear she was aware of the specifics of any employment issues related to her son and daughter-in-law at that time.

B. Social Media and Strategic Communications Contracts

The evidence gathered indicates that Chancellor Katehi minimized her knowledge of and role in certain social media and strategic communications contracts in her discussions with President Napolitano and the media. In the wake of negative media coverage related to consulting contracts with Nevins & Associates ("Nevins"), and ID Media (also known as "IDMLOCO"), Chancellor Katehi advised President Napolitano that she had nothing to do with the contracts, and that they were all handled by the UC Davis communications. During these conversations, Chancellor Katehi conveyed the clear impression that she knew nothing of the contracts and that she was not involved

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in them. Chancellor Katehi likewise told the Editorial Board of the *Sacramento Bee* that she did not know how UC Davis first became introduced to Nevins. She also advised the *Chronicle of Higher Education* that the Nevins contract “came out of the communications department,” that she “was not involved in it,” and (referring to Nevins and IDMLOCO) that she “was not aware of these particular contracts.”

The Chancellor’s statements were misleading, at best, or untruthful, at worst. In reality, Chancellor Katehi initiated UC Davis’ relationship with Nevins by unilaterally contacting an executive recruiter to find a social media consultant to help repair reputational damage caused by the 2011 pepper spray incident. She approved replacing Nevins with another company, Purple Strategies, which was recommended by the head of Strategic Communications, and when that engagement ended, she directed her Chief of Staff to find another company to continue the work. He then identified IDMLOCO, which was ultimately hired. Although Chancellor Katehi did not negotiate the contracts or oversee the day-to-day work of the consultants, she advocated for or approved the hiring of each company, participated in meetings with each, and was aware of and reviewed their work product from time to time.

C. Student Fee Revenues

The evidence indicates that, for fiscal years 2010-11 and 2011-12, funds from Student Activities and Services Initiative (“SASI”) revenues¹ were used to pay for Physical Education (“PE”) instruction. This budgeting allocation appears to have been inadvertent. Although not clearly improper, UC Davis’ budgeting office subsequently determined, on advice of counsel, that using SASI funds for PE instruction did not optimally align with the SASI’s intent. Chancellor Katehi did not appear to have any involvement in this line-level budgetary decision.

Thereafter, the practice was terminated, and PE instructional expenses were charged to revenues generated by Intercollegiate Athletics (“ICA”). To balance this reassignment, noninstructional ICA expenses were charged to SASI funds. The change was not applied retroactively because it was revenue and expense neutral—i.e., it had no net impact on the overall SASI and ICA fund sources.

While the use of SASI fees for PE instruction was arguably inconsistent with the text of the SASI, the evidence establishes that any such inconsistency was inadvertent, had no substantive budgetary impact, was remedied shortly after being recognized, and resulted in a new control mechanism to help ensure the optimal allocation of SASI funds going forward. The investigation team identified no policy violations or management concerns related to the use of SASI revenues.

D. Reimbursement of Costs Related to Chancellor Katehi’s Travel

There is no evidence of intentional misconduct with respect to Chancellor Katehi’s travel reimbursements in connection with her board service with John Wiley & Sons or trips to Greece. With one exception, the evidence shows that Chancellor Katehi sought reimbursement from UC

¹ In 1994, UC Davis voted to approve the SASI, which authorized a student fee to help pay for the following programs: “Intercollegiate Athletics,” “Intramural and Club Sports,” and “Recreation Program (Rec Pool, Craft Center, Outdoor Adventures, MU Information Desk).”

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Davis only for trips that included a substantiated University business purpose. The evidence further shows that, where Chancellor Katehi's travel combined University and non-University purposes, she ultimately received reimbursement from the University for only University-related travel.

However, the evidence gathered reveals policy violations with respect to two types of reimbursements. First, when Chancellor Katehi took trips that combined University business with outside professional activities, she and her staff often submitted duplicative reimbursement claims to both UC Davis and the outside organization. Then, the Chancellor repaid UC Davis with the funds she ultimately received from the outside organization. Since the outside organizations were apparently slow in providing reimbursement, it appears that this was done in part so that Chancellor Katehi could make her credit card payments without having to advance her own funds—the funds in essence were advanced by UC Davis. Although Chancellor Katehi did not personally profit from this arrangement, the practice violated UC Policy G-28: "Travel Regulations" ("Policy G-28").

Second, when Chancellor Katehi made trips that included business and personal time, the evidence suggests that her staff did not strictly comply with provisions of Policy G-28 pertaining to the allocation of travel expenses between University and personal purposes. While Chancellor Katehi's staff allocated expenses so that UC Davis only bore part of the expense of her multipurpose trips, it is not clear from the evidence that they used a consistent allocation methodology or strictly adhered to Policy G-28's guidelines. It does not appear that Chancellor Katehi personally profited, or that UC Davis suffered a financial loss, as a result of these policy violations.

E. Representations Regarding Intended Donation of John Wiley & Sons Board Compensation

The evidence indicates that, following revelations regarding her DeVry board service, Chancellor Katehi came under public scrutiny for her prior service on the Board of Directors of John Wiley & Sons, a textbook company. Chancellor Katehi's service on this Board was approved by President Napolitano's predecessor, President Mark Yudof, and subsequently by President Napolitano. In early March 2016, Chancellor Katehi issued a public statement that she "intend[ed] to donate all the stock proceeds [she] made from serving on the John Wiley and Sons board to a scholarship fund for UC Davis students." Several weeks later, she sent an email to all UC Davis students indicating that she would establish a \$200,000 scholarship fund "for California undergraduate students at UC Davis from [her] Wiley stock proceeds." She made other public statements about the donation as described in more detail below.

Notwithstanding her promises, Chancellor Katehi has not to date established a scholarship fund or donated the stock proceeds. When interviewed by the investigation team on June 29, 2016, Chancellor Katehi indicated that she and her husband would re-evaluate whether to donate the stock proceeds in light of the investigation. Chancellor Katehi's private spokesperson, Larry Kamer, later reiterated this to the press, stating that Chancellor Katehi and her family "will consider their options regarding charitable donations at the conclusion of the investigation."

Chancellor Katehi made multiple representations to the UC Davis community, the public, and President Napolitano concerning the establishment of a scholarship fund for UC Davis students. President Napolitano cited the Chancellor's donation pledge in an interview with the *Sacramento Bee*

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in defense of the Chancellor. UC Davis' students undoubtedly paid attention to these promises as well. Raising the possibility that she will renege on her scholarship pledge could have an impact on Chancellor Katehi's leadership and credibility with the campus community and the public.

F. Management, Judgment, and Candor Related to Service on Boards of Directors, Including DeVry University

When deciding to join the DeVry University Board of Directors, Chancellor Katehi disregarded information regarding government investigations and enforcement actions directed at DeVry University, as well as other concerns about the for-profit education industry in general. Although she was aware of information that should have caused concern, at the same time she was unaware of other information because she did not exercise any meaningful due diligence before joining DeVry's Board of Directors.

Chancellor Katehi likewise failed to exercise diligence and judgment in 2012, prior to joining the International Advisory Board of King Abdulaziz University ("KAU") in Jeddah, Saudi Arabia, which as she knew at the time was allegedly working to improperly inflate its research statistics by paying renowned academics to "affiliate" with the university.

Chancellor Katehi did not comply with University policies governing the reporting and approval of her outside professional activities. She commenced service on the DeVry board before President Napolitano reviewed her request to engage in such service. In light of the various investigations, enforcement actions, and lawsuits faced by the company, President Napolitano would not have approved and did not approve this activity. Chancellor Katehi's decision to move forward with her DeVry board service before receiving approval, rather than waiting for President Napolitano's feedback, resulted in significant public criticism of the Chancellor for her involvement with DeVry. Similarly, Chancellor Katehi failed to seek approval for her service on the KAU International Advisory Board. Although it appears she resigned from that board before providing any services to KAU or attending any meetings, Chancellor Katehi to this day remains identified on KAU's website as a former member of the school's International Advisory Board. Finally, Chancellor Katehi served on additional multiple outside boards, mostly in an unpaid capacity for nonprofit entities, yet failed to report most of these to UCOP or seek approval as required by UC policy. To be fair, it appears that these remaining boards are noncontroversial and would not have caused any concern.

Following DeVry's press release announcing her board membership, and in the midst of intense media scrutiny regarding the issue, Chancellor Katehi's statements to President Napolitano were not candid. Chancellor Katehi told President Napolitano that she had not yet begun her service on the DeVry board, which was untrue. Chancellor Katehi had already attended two events related to her board service—an orientation for new board members at DeVry's headquarters near Chicago and a board meeting in Florida just two weeks before her conversation with President Napolitano. It was during these meetings that Chancellor Katehi learned about some of the investigations and enforcement actions concerning DeVry University, yet she failed to bring that information to the President's attention in connection with seeking approval for board service.

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G. Retaliation for Cooperation with the Office of the President

There is no evidence that Chancellor Katehi retaliated or threatened retaliation against employees for their cooperation with this investigation or with UCOP.

III. INVESTIGATION PROCESS

A. Documents Collected and Reviewed

Following Orrick's engagement, the investigation team set out to collect and analyze Electronically Stored Information ("ESI") from current and former UC employees ("custodians") who may have sent or received communications related to the allegations in the investigation. With assistance from ECAS and UC Davis IT, the investigation team collected and processed ESI for 18 custodians.²

Pursuant to Section IV.B of the UC's Electronic Communications Policy, ECAS sought consent to access ESI from custodians currently employed in the UC system. With the exception of five people, all custodians provided consent. The following five individuals did not provide general consent for ESI collection, and instead engaged in negotiations with the UC and/or the investigation team regarding the terms and scope of the electronic document collection:

1. Chancellor Katehi: Chancellor Katehi declined to provide consent for the investigation team to review email correspondence associated with her UC Davis email accounts (which included both her Chancellor and faculty email addresses), her UC Davis network and cloud files, and her University-issued electronic devices. UCOP authorized the investigation team's nonconsensual access to Chancellor Katehi's UC Davis emails and her network and cloud files. With respect to her University-issued electronic devices, Chancellor Katehi, through counsel, declined to relinquish those devices to the University for imaging, citing potential privilege concerns. Instead, Chancellor Katehi's counsel proposed that she select a third-party discovery vendor to conduct forensic analysis and imaging of the devices, and that she conduct her own review of the ESI on these devices before producing any materials to the investigation team.³ UCOP ultimately agreed to the proposal, and the investigation team received files from these devices through Chancellor Katehi's third-party discovery vendor.
2. Vice Chancellor Adela de la Torre: Dr. de la Torre provided consent for the investigation team to access her University-issued electronic devices. However, she declined to provide consent for the investigation team to review email correspondence associated with her UC Davis email accounts and her UC Davis network and cloud files. Accordingly, UCOP authorized the investigation team's nonconsensual access to her UC Davis emails. The investigation team received emails from Dr. de la Torre's Student Affairs email

² Shortly after its retention, Orrick coordinated with UCOP IT and UC Davis IT to institute document preservation holds on the electronic accounts associated with the 18 custodians listed below.

³ The investigation team never received data from Chancellor Katehi's University-issued laptop, but will review it immediately upon receipt from Chancellor Katehi's discovery vendor.

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account (the email account established in connection with her role as Vice Chancellor – Student Affairs). However, Dr. de la Torre had previously arranged with UC Davis IT staff to route emails from her faculty email account (the email account established in connection with her position as a UC Davis faculty member) to her personal Gmail account. This is apparently a common practice among some UC Davis faculty. As a result of this arrangement, Dr. de la Torre's faculty account emails were not available on UC Davis servers. Citing privacy concerns, Dr. de la Torre declined to grant the investigation team access to these emails through her Gmail account. The investigation team provided the attorney representing Dr. de la Torre with targeted search terms. However, citing cost and time commitment concerns, Dr. de la Torre declined to search her Gmail account and provide responsive documents to the investigation team. Materials reviewed by the investigation team indicate that Dr. de la Torre used both her Vice Chancellor and faculty email accounts to discuss issues related to this investigation. Thus, there may exist relevant communications or documents that were not made available to the investigation team.

3. [REDACTED] declined to provide consent for the investigation team to review email correspondence associated with his UC Davis email accounts. UCOP declined to authorize the investigation team's nonconsensual access to [REDACTED] UC Davis emails. The investigation team provided the attorney representing [REDACTED] with targeted search terms, which [REDACTED] agreed to run on his email account. [REDACTED] attorney then provided a set of emails to the investigation team that he indicated were responsive to the search terms.
4. Emily Prieto-Tseregounis: Dr. Prieto declined to provide consent for the investigation team to review email correspondence associated with her UC Davis email account. UCOP declined to authorize the investigation team's nonconsensual access to Dr. Prieto's UC Davis emails. The investigation team provided the attorney representing Dr. Prieto with targeted search terms, which Dr. Prieto agreed to run on her email account. Dr. Prieto's attorney then provided a set of emails to the investigation team that he indicated were responsive to the search terms.
5. President of UC Davis Academic Senate, Professor André Knoesen: Dr. Knoesen declined to provide consent for the investigation team to review email correspondence associated with his UC Davis email accounts and his UC Davis network and cloud files. Based on criteria provided by the investigation team, Professor Knoesen conducted his own search and provided a set of materials to the investigation team.

With the caveats set out above, the investigation team collected and processed ESI from the following custodians:

- Chance Berriz, Lisa Kay
- de la Torre, Adela
- Delsohn, Gary
- Engelbach, Karl
- Gee, Diana

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- Grossman, Seth
- Hexter, Ralph
- Hubbard, Lori
- Katehi, Linda
- Knoesen, André
- Lawlor, Dave
- Lawrence, Luanne
- Napolitano, Janet
- Prieto-Tseregounis, Emily
- Quintana, Letty
- Topousis, Dana
- Trotsyuk, Artem
- Tseregounis, Erik

The investigation team retained a San Francisco-based third-party eDiscovery vendor, Advanced Discovery, to host and process the above-described ESI. In total, the investigation team received 2,669,217 emails and electronic documents. The investigation team ran narrowly tailored search terms that reduced the universe of documents for review and analysis by targeting relevant materials and excluding irrelevant documents. The team reviewed approximately 67,796 emails and other electronic documents.⁴

In addition to ESI, the investigation team requested and obtained certain electronic and hard copy documents from UCOP, UC Davis IT, and individual witnesses. These documents included:

- Accounting records pertaining to communications consultants, the Center for Transnational Health (“CTH”), and Student Activities Service Initiative (“SASI”) funds
- Audit reports
- Chancellor Katehi’s public statements
- Communications regarding funding for CTH and the Division of Student Affairs (“Student Affairs”)
- Documents provided by UCOP in response to Public Records Act (“PRA”) requests
- Files from the shared network drives for the Office of Strategic Communications and the Chancellor’s office
- Grant records
- Human Resources (“HR”) records, payroll records, and personnel files

⁴ Per UCOP’s request, Orrick established a taint team, walled off from the investigation team, to review communications that potentially fell within the attorney-client privilege (*i.e.*, legal communications between UC employees and UCOP and/or UC Davis counsel). UCOP then reviewed these potentially privileged materials and selected certain items to release to the investigation team, including both nonprivileged documents and privileged documents that contained information relevant to the investigation. The taint team also reviewed documents exchanged solely between spouses and redacted any confidential or private information, in deference to potential privacy concerns. In addition, for the individuals who had retained private counsel, the investigation team conducted searches to segregate and exclude from any review communications between those individuals and their attorneys.

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- Outside Professional Activity (“OPA”) Pre-Approval and related forms
- Travel records and related accounting data
- Reports drafted by the UC Davis Academic Senate
- University and UC Davis policies, rules and regulations
- UC Davis’ contracts with strategic communication, branding, and crisis management firms
- Vacation and Paid Time Off (“PTO”) records
- Whistleblower complaints and reports

B. Interviews

The investigation team interviewed the following 55 witnesses between May 15, 2016, and July 26, 2016, either telephonically or in person. These witnesses consisted of current and former UC Davis and UCOP administrators, faculty, and staff members, as well as third parties with relevant information.

Witness Name	Title(s)
Allred, Mike	Associate Vice Chancellor, Finance/Controller, UC Davis
Anderson, Mary	Former Executive Director, Academic Senate Office, UC Davis
Appelsmith, Jacob	Chief Campus Counsel, UC Davis
Barbera, Cynthia Harrison	Former Executive Director, Strategic Communications, UC Davis
Benson, Mitchel	Former Associate Vice Chancellor of Communications, UC Davis
Burtis, Ken	Acting Provost / Professor / Executive Vice Chancellor, UC Davis
Campbell, John	Associate Vice Chancellor, Student Affairs – Divisional Resources, UC Davis
Chance Berriz, Lisa Kay	Executive Analyst to Chancellor Katehi, UC Davis
Colbert, Sonja	Chief Administrative Officer, Office of the Provost and Executive Vice Chancellor, UC Davis
de la Torre, Adela	Vice Chancellor – Student Affairs, UC Davis
Delsolun, Gary	Director of Executive Communications, Chancellor’s Office, UC Davis
Eagan, Matthew	Co-Founder and Partner, IDMLOCO
Engelbach, Karl	Associate Chancellor and Chief of Staff, Office of the Chancellor, UC Davis
Fairfield, Linda	Senior Management Group Administrator and Director of Executive Recruitment, UC Davis
Forbes, Linda	Associate Director of Marketing, UC Davis
Galindo, Emily	Associate Vice Chancellor for Divisional & Auxiliary Services for the Student Affairs Office and Executive Director of Student

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Witness Name	Title(s)
	Housing, UC Davis
Gee, Diana	Executive Assistant to the President, UCOP
Gilbert, Susan	Associate Vice Chancellor for Human Resources, UC Davis
Gilmore, Kelly	Associate Director – Procurement & Contracting Services, UC Davis
Goodhue, Rachael	Chair Elect 2016 – 2018, Academic Senate / Professor, UC Davis
Green, Stephen	Employee & Labor Relations Manager, UC Davis
Greenwood, Jan	Partner, Greenwood/Asher & Associates, Inc.
Grossman, Seth	Chief of Staff to the President, UCOP
Heath, Tammy	Program Manager, Department of Government & Community Relations, UC Davis
Hexter, Ralph	Acting Chancellor / Provost & Executive Vice Chancellor, UC Davis
Horgan-Thompson, Irene	Director of Compensation, Benefits, and Employment, UC Davis
Hubbard, Lori	Executive Assistant to Associate Chancellor Karl Engelbach, UC Davis
Kao, Jenny	Chief of Staff for the Public Affairs Division and founding Executive Director for Issues Management, Policy Analysis & Coordination (“IMPAC”), UCOP
Katehi, Linda	Chancellor, UC Davis
Kaur, Amandeep	Chair of Chancellor’s Graduate and Professional Students Advisory Board/Former Graduate Student Assistant to Chancellor Katehi, UC Davis
Keister, Shaun	Vice Chancellor for Development & Alumni Relations, and President of the UC Davis Foundation, UC Davis
Klein, Dianne	Director of Media Engagement & Strategy, UCOP
Knoesen, André	Chair, Academic Senate / Professor, UC Davis
Larsen, Dennis	Executive Director for Compensation Program & Strategies, UCOP
Lawrence, Luanne	Former Associate Chancellor, Strategic Communications, UC Davis
Merica, Bryan	Co-Founder & Partner, IDMLOCO
Meyer, John	Former Vice Chancellor for Administrative and Resource Management, UC Davis
Morain, Claudia	Former Interim Executive Director, Strategic Communications, UC Davis
Napolitano, Janet	President, University of California

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Witness Name	Title(s)
Nevins, David	President and CEO, Nevins & Associates
Owens, Jessie Ann	Professor, UC Davis
Prieto-Tsergounis, Emily	Assistant Vice Chancellor of Student Affairs and Chief of Staff to Vice Chancellor – Student Affairs, UC Davis
Puccioni, Tony	Talent Acquisition Partner (Recruiter), UC Davis
Quintana, Letty	Executive Assistant to Vice Chancellor Adela de la Torre, UC Davis
Ratliff, Kelly	Senior Associate Vice Chancellor for Finance & Resource Management & Interim Leader of Finance, Operations & Administration, UC Davis
Replogle, John	Former Director of Executive Communications, UC Davis
Sadeghi, Banafsheh	Assistant Professor School of Medicine, UC Davis
Shiller, Barry	Former Interim Executive Director, Strategic Communications, UC Davis
Singh, Binnie	Assistant Vice Provost for Academic Affairs, UC Davis
Stanton, Maureen	Vice Provost for Academic Affairs, UC Davis
Topousis, Dana	Interim Strategic Communications Lead, and Executive Director of News & Media Relations, UC Davis
Trotskyuk, Artem	Director, Executive Online Communications, Chancellor's Office, UC Davis
Tsergounis, Erik	Ph.D. Student / Graduate Student Researcher, Center for Transnational Health, UC Davis
Whent, Linda	Director of Grants Management, Center for Transnational Health, UC Davis
Whitcotton, Carrie	Financial Analyst, Center for Transnational Health & Student Affairs, UC Davis

The investigation team contacted the following seven additional witnesses who declined interviews or never responded to the inquiries.

Name	Title(s)
Fraga-Decker, Deborah	Former Associate Director, Contracting Services, UC Davis
King, Janice	Former Director – Materiel Management, UC Davis
Lawlor, Dave ⁵	Former Vice Chancellor of Finance and Resource Management and

⁵ Mr. Lawlor did not explicitly decline to be interviewed, but instead indicated that he would participate only if he and his attorney were paid for their time. Mr. Lawlor declined to put the investigation team in contact with his attorney.

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	Chief Financial Officer, UC Davis
Padilla, Evelyn	Former Executive Communications & Social Media Coordinator, UC Davis
Smith, Stephen	Managing Director for Digital Strategy, Purple Strategies
Turney, Terry	Former Director of Intercollegiate Athletics, UC Davis
White, Molly	Former independent contractor for Nevins & Associates

IV. KEY FINDINGS

A. Employment of Chancellor Katehi's Son and Daughter-In-Law

The May 10, 2016 Charge Letter directed the investigation team to consider whether "certain actions related to the employment of Chancellor Katehi's son and daughter-in-law may have violated University conflict of interest and human resources policies, and policies related to the appropriate use of student fees, and whether Chancellor Katehi accurately represented to the President her knowledge about and/or involvement in these issues."

Chancellor Katehi's son, [REDACTED] and daughter-in-law, Dr. Emily Prieto-Tseregounis, both work within the Division of Student Affairs and report to Vice Chancellor Adela de la Torre, who in turn reports to Chancellor Katehi. Vice Chancellor de la Torre will also serve as [REDACTED] major professor for his Ph.D. In light of these relationships, Chancellor Katehi, Dr. Prieto and Vice Chancellor de la Torre executed near relative agreements in March 2015, following the couple's engagement, designed to insulate Chancellor Katehi from employment-related decisions regarding her son and future daughter-in-law. Upon the January 2016 movement of the Center for Transnational Health ("CTH"), where [REDACTED] works as a Graduate Student Researcher ("GSR"), into the Division of Student Affairs, where Dr. Prieto works, UC Davis policy required a new near relative agreement between Dr. Prieto and [REDACTED] to separate Dr. Prieto from decisions that might affect the compensation or employment of [REDACTED]. No such agreement was ever signed. The parties also failed to execute a near relative agreement before [REDACTED] was given a paid position as a GSR in October 2014 as required by University policy (although it was ultimately and untimely executed approximately five months later). Despite these policy violations, the evidence indicates that Chancellor Katehi honored the letter and spirit of the near relative policies and agreements, and that she has not exercised improper influence over or offered favorable treatment to [REDACTED] or Dr. Prieto.

In a call with President Napolitano on April 19, 2016, Chancellor Katehi assured President Napolitano that there was "nothing unusual" or any "issues of nepotism" involving Chancellor Katehi, [REDACTED] Dr. Prieto or the Chancellor's husband, UC Davis Professor Spyros Tseregounis. President Napolitano believed Chancellor Katehi's statements to be an assurance that all matters regarding Chancellor Katehi's family had followed UC Davis policy.

If Chancellor Katehi intended to convey to President Napolitano that there were no issues with respect to her involvement in her son's and daughter-in-law's employment, then her statements were accurate. President Napolitano, however, understood her to mean that there were no issues whatsoever with respect to their employment, which would not have been entirely accurate.

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Chancellor Katehi did not inform President Napolitano that, as a result of near relative agreements and University policies, the Chancellor was effectively recused from decisions relating to her son and daughter-in-law, and therefore she likely did not have complete information relating to those issues. And, as it turned out, Chancellor Katehi learned about one of those issues the very next day in discussions with UC Davis campus counsel. In any event, it does not appear that Chancellor Katehi attempted to intentionally mislead President Napolitano during their call on April 19, inasmuch as it does not appear she was aware of the specifics of any employment issues related to her son and daughter-in-law at that time.

1. Factual Background

Dr. Emily Prieto completed her undergraduate and graduate educations at UC Davis, culminating in the granting of a Ph.D. in Education in 2007.

Dr. Adela de la Torre joined UC Davis as a Professor in the Chicana/o Studies Program in 2002. In July 2004, Dr. de la Torre founded the Center for Public Policy, Race, Ethnicity and Gender, which later became the CTH. At the time of its founding, the CTH was housed within Chicana/o Studies in Humanities, Arts and Cultural Studies at the College of Letters & Science.

Dr. Prieto and Dr. de la Torre met while Dr. Prieto was a master's student at UC Davis. Dr. de la Torre later served as the chair of Dr. Prieto's four-member dissertation committee. After receiving her Ph.D., Dr. Prieto worked as the Director of the Latino Resource Center at Northern Illinois University ("NIU") for approximately six years starting in August 2007. "In honor of her great mentor," Dr. Prieto founded the Adela de la Torre Honor Society at NIU in August 2011. Dr. Prieto worked at NIU until she returned to UC Davis in 2013.

On May 7, 2009, the UC Regents appointed Linda Katehi as Chancellor of UC Davis, effective August 17, 2009.

In June 2012, Chancellor Katehi selected Dr. de la Torre as the Interim Vice Chancellor – Student Affairs.⁶ Dr. de la Torre started in that role on August 1, 2012.

In 2013, after a national search led by Professor Ken Burtis, Chancellor Katehi selected Dr. de la Torre to serve as Vice Chancellor – Student Affairs on a permanent basis. Dr. de la Torre assumed the position on August 1, 2013.

In August 2013, Dr. Prieto was hired into the position of Student Affairs Office "Analyst IV," which de la Torre referred to as her Chief of Staff.⁷ Dr. Prieto started her employment at UC Davis on September 3, 2013, at a salary of \$77,261.

⁶ Exhibit 1.

⁷ UC Davis uses "payroll titles" and "working titles" in its human resources system. Dr. Prieto's payroll titles have consisted of "Analyst IV," "Analyst VIII – Supervisor" and "Executive Advisor Manager I," her current payroll title. During the same period, Dr. Prieto's working titles have included "Executive Analyst to the Vice Chancellor," "Chief of Staff to the Vice Chancellor" and "Assistant Vice Chancellor." Dr. Prieto's current titles are Chief of Staff to the Vice

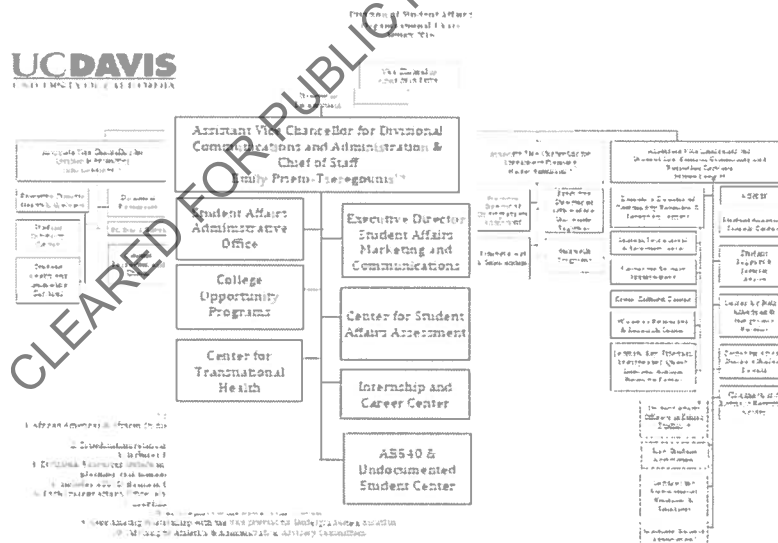
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In the fall of 2013, [REDACTED], Chancellor Katehi's son, enrolled in the master's program in epidemiology at UC Davis. About a year later, [REDACTED] moved into UC Davis' Ph.D. program in epidemiology. In May or June 2014, [REDACTED] began volunteering at the CTH, and he was hired as a GSR at CTH on October 1, 2014 at a salary of [REDACTED]. [REDACTED] asked Dr. de la Torre to serve as his major professor, although she will not technically begin this role until after [REDACTED] completes his qualifying exam and forms a dissertation committee.

Dr. Prieto and [REDACTED] met in October 2013. Dr. Prieto and [REDACTED] began dating no later than the summer 2014, and they became engaged on December 31, 2014. [REDACTED] and Dr. Prieto married on September 5, 2015.

In January 2016, the CTH moved from Chicana/o Studies to the Division of Student Affairs. Dr. de la Torre contemporaneously proposed promoting Dr. Prieto to Associate Vice Chancellor and reorganizing Student Affairs.⁸ In her proposal, Dr. de la Torre requested "a title change and upward reclassification" for Dr. Prieto who "has been assigned a new substantial role with oversight of the departments of the Internship and Career Center, College Opportunity Programs and the Center for Transnational Health within Student Affairs."⁹ Dr. de la Torre's proposal included a January 2016 Division of Student Affairs Organizational Chart, which was not labeled "draft" or "proposed," and listed the CTH directly under Dr. Prieto.¹⁰



Chancellor and Assistant Vice Chancellor. As set forth below, [REDACTED]

⁸ Exhibits 2 & 3.

⁹ Exhibit 3.

¹⁰ Exhibit 4.

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Although Drs. de la Torre and Prieto stated that [REDACTED] Dr. Prieto did not oversee the CTH and the organizational chart was not adopted, the available evidence—including Dr. Prieto’s self-evaluations, organizational charts, and correspondence with Human Resources and Campus Counsel—suggests that Dr. Prieto exercised some administrative oversight over the CTH. Notwithstanding Dr. Prieto’s administrative oversight role as of January 2016, there was no near relative agreement in place as between Dr. Prieto and [REDACTED] to protect against conflicts and the appearance of conflicts of interest.

2. Relevant Conflict of Interest and Human Resources Policies & Procedures

University policies permit the employment of family members in the same department so long as appropriate steps are taken to prevent conflicts of interest. The University of California and UC Davis each maintain policies addressing the potential conflicts of interest resulting from the employment of near relatives. UC Davis policies also set out specific procedures by which near relative approval is requested. The policies are intended to avoid conflicts of interest and the appearance of conflicts of interest.

a. UC Policies Governing the Employment of Near Relatives

UC Personnel Policies for Staff Members 21 (“UC PPSM 21”) provides that, with the Chancellor’s approval, “the employment of near relatives in the same department may be permitted when such concurrent employment would be in the best interests of the University.” A near relative is “defined as a spouse, domestic partner, parent, child (including the child of a domestic partner), or sibling. In-laws and step-relatives in the relationships listed . . . are also defined as near relatives.” The policy does not cover impending near relatives such as fiancés.

Section 520 of the UC Academic Personnel Manual (“UC APM 520”) governs the employment of near relatives for academic appointees. It largely mirrors UC PPSM 21 and requires that when the appointment of a near relative is recommended, “this fact shall be noted in the recommendation, and an analysis of the possible conflict of interest or other disadvantage in the situation shall be forwarded through normal channels with the recommendation in sufficient time to permit complete review of the case before the proposed effective date.” The UC’s Conflict of Interest Policy, PPSM-82, states that “[a]n employee shall not engage in any activities which create a conflict of interest between the employee’s assigned functions and any other interest or obligation.”¹¹

¹¹ Specific policies and guidelines related to conflict of interests are contained in the UC Conflict of Interest Policy and Compendium of Specialized University Policies, Guidelines, and Regulations Related to Conflict of Interest (“Business and Finance Bulletin G-39”). Business and Finance Bulletin G-39, in turn, explains that the appointment of near relatives in the same department is permitted, “subject to reasonable safeguards against conflict of interest” as set forth in UC APM 520 and UC PPSM 21.

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b. UC Davis Policies Governing the Employment of Near Relatives

UC Davis policies regulating the employment of near relatives largely mirror the UC policies and include procedures for the review and approval of the employment of near relatives. They are contained within the UC Davis Policy and Procedure Manual ("UC Davis PPM") and the UC Davis Academic Personnel Manual ("UC Davis APM").¹²

Specifically, Section 13 of Chapter 380 of the UC Davis PPM ("UCD PPM 380-13") states that "[t]he hir[ing] of a near relative of a current employee is permitted when it is in the best interest of the University." The definition of near relatives includes spouses, parents, children and in-laws, as well as other persons residing in the same household as the employee. Approval is required under two circumstances. First, approval is required prior to employment if the near relatives would be employed in the same department and would have: "(1) A direct or indirect supervisory relationship, (2) The same immediate supervisor, [or] (3) A close working relationship." Second, approval is "also required when the familial or work relationship of two current employees changes so that the employees become near relatives in the same department." When this occurs, "[t]he employees shall both inform their department head as soon as possible after the change." Even with approval, "[n]o employee shall take part in the process of review and decision-making on any matter concerning appointment, promotion, tenure, salary, retention, discipline, or termination of a near relative in the same or a different department." Where one near relative supervises the other, the department shall develop appropriate written procedures for review by a third party related to performance evaluations. The policy does not define "same department" or "indirect supervisory relationship."¹³ More generally, Section 16 of Chapter 380 of the UC Davis Policy and Procedure Manual ("UCD PPM 380-16") sets forth that University faculty, staff, managers or officials shall not engage in any activity that places them in a conflict of interest between their official activities and any other obligation.¹⁴

c. Near Relative Practices at UC Davis

Multiple witnesses explained that the employment of family members at universities is generally encouraged and that the UC maintains a Partner Opportunities Program to aid in the recruitment and retention of outstanding faculty by assisting their partners and spouses in seeking employment at UC Davis.

¹² The UC Davis PPM is issued by the Administrative Policy Office and is the official source for UC Davis policies and implementing procedures. The policies contained therein apply to all units under the jurisdiction of UC Davis unless otherwise noted. The Personnel Policies for Staff Members ("PPSM") govern Dr. Prieto's and [REDACTED] positions. The UC Davis APM includes University-wide policies and UC Davis policies and procedures, and governs career academic employees.

¹³ Section 520 of the UC Davis Academic Personnel Manual ("APM UCD-520") supplements UC APM 520 and UCD PPM 380-13 for career academic employees.

¹⁴ UCD PPM 380-16 incorporates the UC Business and Finance Bulletin G-39 and sections of the UC Policy and Procedure Manual, including Section 380-13, which governs the employment of near relatives.

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Generally, when UC Davis hires a new employee, the new employee is asked whether he or she has relatives that work for the UC. However, when an existing employee transfers into a new department, it is generally a manager's and individual employee's responsibility to inform Human Resources if the transfer creates a potential conflict because of a near relative relationship. Thereafter, someone in Human Resources typically analyzes the near relative situation and drafts an agreement if appropriate. If Human Resources learns that there will be a future connection (e.g., engagement) that may implicate the near relative rules, they will consult with campus counsel to put in place a document akin to a near relative agreement because under the University's policies, engaged individuals are not yet near relatives.¹⁵ Although some witnesses reported that near relative agreements are sometimes done informally, such arrangements would not comply with University policies.

3. Employment of [REDACTED]

a. Work at the CTH

At some point after they met in October 2013, [REDACTED] and Dr. de la Torre spoke informally about the school's epidemiology program and the CTH. [REDACTED] expressed an interest in Dr. de la Torre's research, along with that of [REDACTED], two faculty members who work with Dr. de la Torre at the CTH. Sometime thereafter, in either May or June 2014, [REDACTED] began volunteering at the CTH. [REDACTED] conducted research funded by a five-year USDA Agriculture and Food Research Initiative ("AFRI") grant under [REDACTED] supervision. [REDACTED] Dr. de la Torre eventually hired Mr. Tseregounis as a GSR on October 1, 2014. At that time, neither [REDACTED] knew that [REDACTED] was the son of Chancellor Katehi. According to Dr. de la Torre, Chancellor Katehi had no involvement in her son's hiring at the CTH. [REDACTED] pay was set according to standard compensation levels for GSRs.¹⁶

¹⁵ Human Resources and Academic Affairs are considering revisions to UCD PPM 380-13 and APM UCD-520 to include "consensual relationships" (dating) among the categories of relationships that fall within the near relative policy. See Exhibit 5.

¹⁶ By letter dated July 12, 2013, Chancellor Katehi informed Dr. de la Torre that the campus would provide certain fiscal support for Dr. de la Torre's research program, including funding for graduate student researchers (GSRs) at the Center for Transnational Health, as well as an additional \$165,000 for the Vice Chancellor's immediate office for staff or other support. Both sets of funds described in Chancellor Katehi's letter – those allocated for use at the CTH and those allocated for the Vice Chancellor's immediate office – were initially used to pay [REDACTED]. In 2015,

[REDACTED] Although Dr. de la Torre stated that it was always her intent that [REDACTED] be paid with funds from the USDA AFRI grant, Dr. de la Torre said that she left funding decisions to [REDACTED] and Ms. Whitecotton. [REDACTED] "Summary of Initial Hire or Rehire" paperwork dated October 20, 2014, reflecting that [REDACTED] was hired October 1, 2014, and was to be paid "from account 3-CATAFRI." Dr. de la Torre explained that even had the funding source not changed, the use of funds allocated by Chancellor Katehi, rather than USDA AFRI funds, would have been an appropriate source. Dr. de la Torre's rationale for changing the source was simply that [REDACTED] was paid out of different funds than she intended. After having worked at the CTH for a year, [REDACTED] was eligible for the regular salary increase. See Exhibit 6.

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b. Movement of the CTH From Chicana/o Studies to Student Affairs in January 2016

Funding for the USDA AFRI grant ended in March 2016. According to Dr. de la Torre, after the remaining carryover funds are used, as of December 20, 2016, all employees carrying out the AFRI research, including [REDACTED], will be [REDACTED]. In light of these impending changes, and because of the shifting mission of the CTH, Dr. de la Torre asserted that it made sense to preserve the CTH's grant-writing expertise and infrastructure by moving the Center from Chicana/o Studies to Student Affairs. Other witnesses informed the investigation team that they believed the CTH moved to Student Affairs in order to save money (CTH would no longer pay overhead costs to the College of Letters & Science) and because Student Affairs was "closer" to Dr. de la Torre.¹⁷

On November 17, 2015, Dr. de la Torre and Susan Kaiser, Dean of Humanities, Arts and Culture Studies (the college that houses Chicana/o Studies) prepared a letter documenting the transfer of the CTH to Student Affairs effective January 1, 2016.¹⁸ On January 14, 2016, Dr. de la Torre wrote to Chancellor Katehi seeking her support for the move.¹⁹ Dr. de la Torre explained to the Chancellor that the "center currently resides in my portfolio through a previous agreement, and I feel that we can now gain efficiencies by moving the Center and all of its associated accounts into Student Affairs. This restructure will also be in conjunction with an effort to bring together staff working on other grants within our Division. This change is supported by the Dean of the Division of Humanities, Arts and Cultural Studies, Susan [Kaiser], and I have attached the agreement that was signed by both parties. Once we hear back regarding your support of this change, we will move forward with updating the reporting lines and organizational chart for our areas."²⁰ On January 19, 2016, Chancellor Katehi approved the Center's move to Student Affairs.²¹

¹⁷ Multiple witnesses questioned why Dr. de la Torre would move an academic center such as the CTH into an administrative unit such as Student Affairs. In response, Dr. de la Torre stated that the CTH increasingly focuses on student affairs-related projects and grants and therefore placement within Student Affairs is appropriate. See Exhibit 59. Dr. de la Torre cited recent projects at the CTH as examples of this new focus: the Health Happens at UC Davis initiative; the Guardian Professional Program that provides graduate fellowships for former foster youth; and a number of projects designed to help secondary schools in rural areas prepare students for admission to the University of California.

¹⁸ Exhibit 20.

¹⁹ Exhibit 7.

²⁰ *Id.*

²¹ No witnesses suggested that the movement of the Center alone was improper or a violation of UC Davis policy, although Seth Grossman, Chief of Staff to President Napolitano, expressed concern that the Center was moved without consultation with the UC Davis Academic Senate. Professor Knoesen explained that while the Academic Senate had concerns about the Center being moved without consent, he was not aware of any other specific issues related to the move. Arguably Chancellor Katehi should have been recused from the decision to move CTH (where her son worked) to Student Affairs (where her daughter-in-law worked) to avoid the perception of a conflict of interest and to avoid violating the March 2015 near relative agreement. Under near relative policies, Chancellor Katehi was barred from participating "in the process of review and decision-making on any matter concerning appointment, promotion, tenure, salary, retention, discipline, or termination of a near relative in the same or a different department." Chancellor Katehi told the investigation team that she did not know her son worked for CTH until April 2016 and therefore she did not

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c. Although Dr. Prieto Never Supervised [REDACTED] Work, Dr. Prieto Exercised Some Administrative Oversight Over the CTH

The investigation team found no evidence to suggest that Dr. Prieto supervised [REDACTED] work at the CTH or had any role with respect to the Center's research. During his time with the CTH, [REDACTED] has reported to [REDACTED] and his work is in turn provided to Dr. de la Torre. Chancellor Katehi told the investigation team that she did not know who her son reported to as a GSR and that, until April 2016, she did not even know he worked at the CTH.

The available evidence indicates that, since the Center's move into Student Affairs, Dr. de la Torre has continued to operationally oversee the Center, [REDACTED] have continued to play a significant role in the management of the Center's research for the USDA AFRI grant, and [REDACTED] has continued to oversee [REDACTED] research work.

The evidence also establishes, however, that Dr. Prieto began to exercise administrative oversight over the CTH. Dr. Prieto told the investigation team that she only had limited involvement with the CTH, which stemmed from her role as de la Torre's Chief of Staff. Dr. Prieto described her involvement with the Center as working with Financial Analyst Carrie Whitecotton to secure Dr. de la Torre's approval for financial ledgers and arranging meetings for Ms. Whitecotton and [REDACTED] with Dr. de la Torre. Similarly, Dr. de la Torre told the investigation team that Dr. Prieto did not have a leadership, operational or business role at the CTH, and that Dr. Prieto's involvement consisted of working with Ms. Whitecotton on account management and interfacing with Human Resources.

The available documentary evidence, however, suggests that Dr. Prieto's involvement in the Center was more extensive than described by her or Dr. de la Torre in their interviews. There is evidence that Dr. Prieto oversaw administrative aspects of the Center, including participation in discussions regarding the Center's proposed movement to a new physical space.²² In addition, UC Davis Human Resources personnel and Dr. Prieto appear to have believed that Dr. Prieto was granted authority by Dr. de la Torre to sign off as the "department head" on a proposed [REDACTED] of CTH [REDACTED].²³

Moreover, Dr. Prieto's [REDACTED] for the periods July 1, 2014 to April 30, 2015, and May 1, 2015 to April 30, 2016 each discuss the CTH. [REDACTED]

realize that her son worked at the CTH when she approved the movement of CTH to Student Affairs in January 2016. See Exhibit 8. The March 2015 near relative agreement signed by Chancellor Katehi, however, did note that her son worked at CTH.

²² Exhibits 9 & 10.

²³ See Exhibit 11. Associate Vice Chancellor for Divisional and Auxiliary Services, Emily Galindo, believed that Dr. Prieto had "direct responsibility" over the CTH.

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[REDACTED] When asked about her description of responsibilities in the [REDACTED], Dr. Prieto insisted that she was simply referencing the work she performed with Ms. Whitecotton in approving financial ledgers on behalf of the Center. When presented with the same documents, Dr. de la Torre stated that the use of the term “oversight” was an exaggeration. De la Torre insisted that, notwithstanding Dr. Prieto’s description of her role in [REDACTED] forms, Dr. Prieto’s only responsibilities were to work with Ms. Whitecotton on account management and ensure the integrity of the Center’s accounts.

Dr. Prieto included a similar description of her role at the CTH in a biography emailed to Avaeta Ahluwalia (Administrative Assistant to Chief of Staff) on February 11, 2016.²⁴ The biography stated, in relevant part: “Dr. Emily Prieto-Tseiregounis currently serves as an Assistant Vice Chancellor and Chief of Staff to the Vice Chancellor of Student Affairs and Campus Diversity at the University of California, Davis . . . Her other responsibilities include oversight of the AB 540 and Undocumented Student Center, the Center for Student Affairs Assessment, Student Affairs Marketing and Communication, College Opportunity Programs, the Internship and Career Center, and the Center for Transnational Health.”²⁵ Dr. de la Torre again stated that she believed this description was an exaggeration and represented “over inflation.”²⁶

Other documents similarly suggest that Dr. Prieto exercised administrative authority over the CTH. In approximately March 2016, in response to the [REDACTED] in AFRI,” Human Resources sought out a “department head” from CTH to approve [REDACTED]. In a March 22 email to Dr. de la Torre and others, HR Manager/Executive Assistant Amy Shuman stated that Dr. “Adela [de la Torre] has identified Emily [Prieto] as the department head.”²⁷ Ms. Shuman stated that she would reach out to Dr. Prieto before entering [REDACTED] into the system for Dr. Prieto’s “electronic approval.” Ms. Shuman then forwarded the email chain to Dr. Prieto and explained: “[y]ou are the department head for [REDACTED], so I wanted to make sure that you were aware and supportive before I submit anything into the HR system.” Dr. Prieto acknowledged receipt of the email and Ms. Shuman indicated that the form would be routed to Dr. Prieto for her electronic signature.²⁸ In her

²⁴ Exhibit 12.

²⁵ *Id.* (emphasis added).

²⁶ Dr. de la Torre further noted that, “with CTH, why she chose to inflate it, you would have to ask Emily [Prieto], not me.” Because the biography was contained in the collection of emails provided by Dr. Prieto’s lawyer after the investigation team met with Dr. Prieto, the investigation team reached out to Dr. Prieto for a follow-up interview. Because Dr. Prieto was traveling internationally, the investigation team sent a copy of the biography (and several additional emails) to Dr. Prieto’s lawyer on July 22, 2016 noting that the content appeared to be inconsistent with statements made during the initial interview. As of the date of this report, the investigation team had not heard back from Dr. Prieto’s lawyer.

²⁷ Exhibit 11.

²⁸ *Id.*

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interview, Dr. de la Torre insisted that Ms. Shuman was “very confused” and that Dr. de la Torre did not identify Dr. Prieto as the department head for [REDACTED] nor did she recall any discussions related to this issue.²⁹ Dr. de la Torre further explained that Dr. Prieto had no role in the [REDACTED]

In an unrelated March 2016 email chain regarding the extension of two appointments for former students who continued to work on the AFRI grant, Ms. Shuman noted that [REDACTED] signed the paperwork as the “department head.”³⁰ In response, Dr. Prieto explained to Ms. Shuman that Dr. de la Torre had authorized [REDACTED] to serve as the “department head” for purposes of these appointments, but that both Dr. Prieto and [REDACTED] should sign the paperwork.³¹

[REDACTED] After reviewing the email chain, Dr. de la Torre said that she checked with Ms. Whitecotton and confirmed that Dr. Prieto did not sign any of these forms and that Dr. de la Torre herself signed off on all of [REDACTED].

In addition, Dr. de la Torre’s proposal to reorganize Student Affairs included a January 2016 Division of Student Affairs Organizational Chart, which was not labeled “draft,” and listed the CTH directly under Dr. Prieto.³² The contemporaneous proposal to promote Dr. Prieto to Associate Vice Chancellor explained that Dr. Prieto “*has been assigned a new substantial role with oversight of the departments of the Internship and Career Center, College Opportunity Programs and the Center for Transnational Health within Student Affairs.* . . .”³³

Finally, a draft “AFRI Project Organizational Structure” chart emailed to Dr. Prieto on March 29, 2016 shows Dr. Prieto supervising Ms. Whitecotton who is, in turn, responsible for “AFRI Administration” and certain “CTH Center Staff.”³⁴ The same chart includes [REDACTED], but in a separate reporting line through the “AFRI Research” group up to Dr. de la Torre.³⁵

²⁹ This email chain was among the ESI provided to the investigation team after it met with Dr. Prieto. A copy was provided to Dr. Prieto’s lawyer on July 22, 2016.

³⁰ Exhibits 13 & 14.

³¹ Exhibit 13.

³² Exhibit 4.

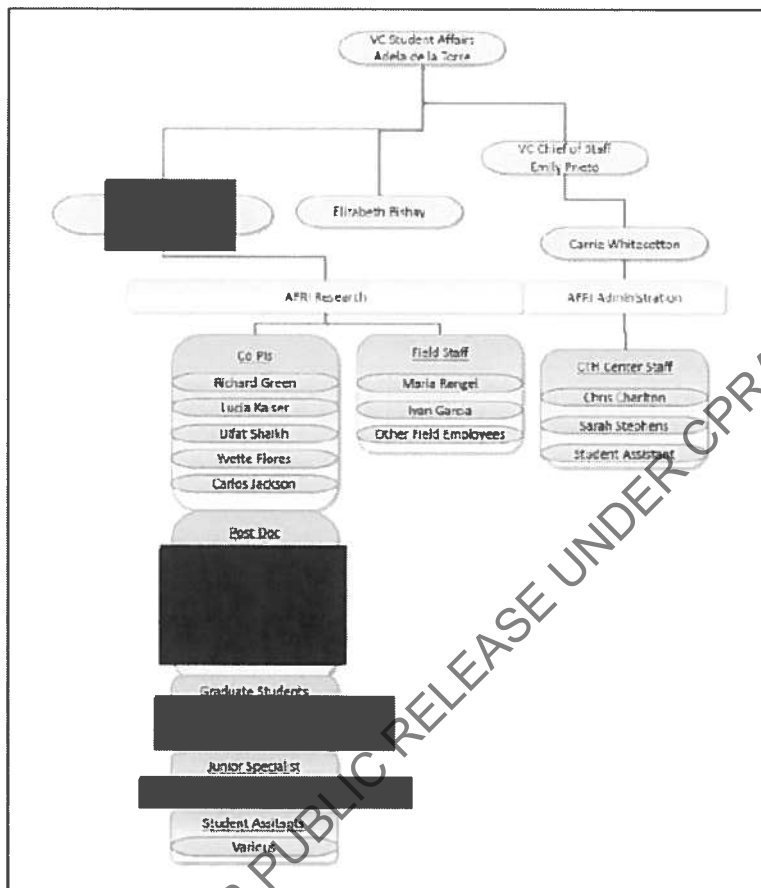
³³ Exhibit 3 (emphasis added).

³⁴ Exhibit 15.

³⁵ *Id.*

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When asked about the chart, Dr. de la Torre stated that the individual who [REDACTED] Dr. de la Torre believed the chart to be incorrect in terms of the AFRI management plan. Among the errors, Dr. de la Torre stated that Dr. Prieto was never part of the AFRI grant and emphasized that Dr. Prieto's role was limited to working with Ms. Whitcotton on administrative issues. According to Dr. de la Torre, in the context of the CTH and the organization of the AFRI grant, the placement of Dr. Prieto in the above chart was "fundamentally flawed" because Dr. Prieto was not part of the formal structure of the AFRI grant and had no decision-making capacity with respect to the grant.³⁶

In sum, the evidence indicates that Dr. Prieto never supervised [REDACTED] work at the CTH, but that she exercised administrative oversight over the CTH. In that capacity, she believed (as

³⁶ This chart was among the ESI provided to the investigation team after it met with Dr. Prieto. A copy was provided to Dr. Prieto's lawyer on July 22, 2016.

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Human Resources did) that she had some responsibility over [REDACTED] Center employees, which according to Dr. de la Torre, [REDACTED] [REDACTED].³⁷

d. Efforts to Comply with University Near Relative Policies with Respect to [REDACTED] Employment with CTH Were Untimely, and Near Relative Approval Was Not Sought with Regard to Dr. Prieto and [REDACTED] When the CTH Moved to Student Affairs

(1) [REDACTED] Employment with CTH

On March 11, 2015, Dr. de la Torre, Chancellor Katehi and [REDACTED] entered into a Near Relative Disclosure / Agreement which was approved by Associate Vice Chancellor – Human Resources Susan M. Gilbert.³⁸ In relevant part, the agreement states:

[REDACTED] in the Center for Transnational Health at UC Davis. [REDACTED] is Chancellor LINDA P.B. KATEHI's (hereinafter "Chancellor Katehi") son. While [REDACTED] has no direct reporting relationship to Chancellor Katehi, virtually all faculty and staff on the UC Davis campus, including [REDACTED], report indirectly to Chancellor Katehi. [REDACTED] graduate advisor is Adela De La Torre (hereinafter "Dr. De La Torre"), a professor in the Chicana/o Studies Department and the Director of the Center for Transnational Health. Dr. De La Torre is currently serving as the Vice Chancellor of Student Affairs for UC Davis. The Vice Chancellor of Student Affairs reports to Chancellor Katehi. Within her role as [REDACTED] graduate advisor, Dr. De La Torre is responsible for evaluating [REDACTED] academic progress, providing advice and mentoring to [REDACTED], and is his direct supervisor with respect to his UC Davis employment, creating a PPM 380-13 near relative relationship by virtue of Chancellor Katehi's indirect supervision of [REDACTED].

In order to avoid any potential, perceived, or actual conflicts of interest during the period that Dr. De La Torre serves as [REDACTED] graduate advisor, Dr. De La Torre shall be the managerial decision-maker for all matters implicating any PPM 380-

³⁷ [REDACTED]

³⁸ Due to an apparent clerical error resulting in the loss of the March 2015 copies, the agreements were signed a second time in June 2015. See Exhibits 16 & 17.

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13 Criteria relating to [REDACTED] UC Davis employment. Chancellor Katehi shall not influence, directly or indirectly, any matter implicating any PPM 380-13 Criteria. Should the need arise to address any PPM 380-13 Criteria relating to [REDACTED] appointment as a [REDACTED] in the Center for Transnational Health at UC Davis, Dr. De La Torre shall consult with UC Davis Human Resources and, prior to approving any action implicating any PPM 380-13 Criteria, shall receive written approval of the proposed action from the University of California Vice President of Human Resources, or her/his designee.³⁹

The agreement addressed concerns motivating University near relative and conflict of interest policies, namely that Chancellor Katehi may not take part in any matter concerning appointment, promotion, tenure, salary, retention, discipline or termination of [REDACTED]. The agreement was, however, untimely under University policies.

Under UCD PPM 380-13, which applies to compensated student appointments, when a department contemplates hiring a near relative of an existing department employee,⁴⁰ it must: request approval, make no hiring commitment prior to receiving approval, and place a copy of the letter in the personnel files of both the new hire and the near relative located at the department and at central Human Resources following approval. Accordingly, the approval process completed in March 2015 should have been completed prior to [REDACTED] October 1, 2014 hiring under UCD PPM 380-13. No evidence reviewed by the investigation team suggests that this occurred.

Multiple witnesses expressed general confusion and a lack of awareness regarding whether near relative agreements are required for student appointments such as that of [REDACTED].⁴¹ Moreover, it is not clear whether anyone within Chicana/o Studies or the College of Letters & Science was aware of [REDACTED] hiring at the CTH (which was then housed in Chicana/o Studies), and if so, that he was the Chancellor's son. [REDACTED] immediate supervisors, [REDACTED] were unaware of his relationship to the Chancellor at the time of his hiring. Indeed, [REDACTED] current supervisor, was unaware of [REDACTED] relationship with Chancellor Katehi until she saw Chancellor Katehi in [REDACTED] September 2015 wedding photos. Dr. de la Torre did not believe that a near relative agreement was required for students. [REDACTED]

³⁹ The agreement explains that PPM 380-13 mandates that "No employee shall take part in the process of review and decision-making on any matter concerning appointment, promotion, tenure, salary, retention, discipline, or termination of a near relative in the same or a different department (hereinafter 'PPM 380-13 Criteria')."

⁴⁰ Approval is required prior to employment if the near relatives would be employed in the same department and would have a direct or indirect supervisory relationship. Mr. Appelsmith explained that although one could make a technical argument that [REDACTED] reported to Dr. de la Torre in her academic capacity and that Chancellor Katehi does not oversee Dr. de la Torre in that capacity and there would therefore not be an indirect supervisory relationship, [REDACTED] the more prudent course of action was to sign the near relative agreement.

⁴¹ A near relative approval for student appointments is clearly contemplated by UCD PPM 380-13, which defines employment as "any part-time or full-time academic, staff, or student appointment, except for one without salary."

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[REDACTED]

The available evidence suggests the lack of a near relative agreement prior to [REDACTED] hiring—in violation of University policies—was not intentional on the part of [REDACTED] Chancellor Katehi or anyone else, but was rather the result of a lack of administrative oversight, limited awareness of [REDACTED] near relative status, and a lack of understanding of University policies.⁴³

No witnesses were aware of any involvement by Chancellor Katehi with respect to [REDACTED] employment with the CTH or his academic advancement. Both Chancellor Katehi and Dr. de la Torre told the investigation team that they never discussed with each other [REDACTED] employment with the CTH or his academic advancement, and the investigation uncovered no evidence to the contrary. As a consequence, it appears that Chancellor Katehi remained appropriately walled-off from academic and personnel decisions related to [REDACTED] consistent with the near relative agreement.

(2) Movement of the CTH into Student Affairs

Near relative approval is “also required when the familial or work relationship of two current employees changes so that the employees become near relatives in the same department.” Following the movement of the CTH into Student Affairs, Dr. Prieto and [REDACTED] both worked in Student Affairs, and Dr. Prieto exercised some administrative oversight over the CTH, yet no near relative agreement was put in place.

Witnesses were generally unclear as to whether the movement of CTH into Student Affairs triggered the near relative policy; in other words, whether the CTH and Student Affairs constituted the “same department.” Given the fact that Dr. Prieto and [REDACTED] both then worked within Student Affairs, that they both had responsibilities in the CTH, and given the appearance of a conflict of interest that resulted from Dr. Prieto’s administrative oversight of the CTH, the better interpretation is that a near relative agreement was required. Further, according to Dr. de la Torre, she viewed the CTH as moving toward student-focused work, a mission shared by Student Affairs more broadly, which is why she moved the CTH into Student Affairs, providing more support for the idea that Dr. Prieto and [REDACTED] were part of the same department.

Dr. Prieto told the investigation team that she did not learn of the Center’s January 2016 move until April 2016. However, emails indicate that Dr. Prieto learned of the Center’s move as it happened in January 2016. For example, in a January 14, 2016 email from Amy Shuman to Dr. Prieto, [REDACTED] wrote: “Just wanted to update you that I will be working directly with Karl (per Adela’s

⁴² Mr. Appelsmith explained that although one could make a technical argument that [REDACTED] reported to Dr. de la Torre in her academic capacity and that Chancellor Katehi did not oversee Dr. de la Torre in that capacity, [REDACTED] and the more prudent course of action was to sign the near relative agreement.

⁴³ Chancellor Katehi believed that the near relative forms were signed in March 2015, but explained that she requested the forms from her Chief of Staff, Associate Chancellor Engelbach “earlier than that.”

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direction) to obtain the documented approval to be able to complete the move of the CTH staff to Student Affairs. I know I had mentioned yesterday that this was required for the HR position management system, and so I wanted to follow up with you to let you know that I will be managing that piece for the Division.”⁴⁴ On January 14, 2016, Elizabeth Bishay wrote Dr. Prieto: “It is my understanding that while the financial component of the Center, including payroll, has shifted to Student Affairs, the actual personnel files in the PeopleAdmin system are in limbo until we have a home department code.”⁴⁵

Documents also indicate that Dr. Prieto was aware of the Center’s impending move in November 2015. For example, Dr. Prieto is listed as a recipient of Dr. de la Torre and Dean Kaiser’s November 17, 2015 letter to “Sponsored Programs,” which stated that “[a]s of December 1, 2015, the Center and its associated accounts will start transferring from the current reporting structure of Chicano Studies to a new structure under the purview of the Office of the Vice Chancellor, Student Affairs. This process is to be completed by January 1, 2016.”⁴⁶ In a November 24, 2015 email from Dr. Prieto to Lianne Renee Richelieu-Boren and Elizabeth Bishay, she wrote: “I am touching base to see where things are with the new vision and mission statement for CTH that will be incorporated in Student Affairs.”⁴⁷

It is unclear when [REDACTED] learned of the Center’s move to Student Affairs. [REDACTED] informed the investigation team that GSRs do not talk about administrative actions and that the GSRs’ focus is on research and doing well in school.

A timeline of CTH’s move to Student Affairs provided by Dr. de la Torre (which she said Associate Vice Chancellor John Campbell wrote) states: “Jan 15, 2016 — Draft near relative form for Emily Prieto-Tseregounis and [REDACTED] sent to Adela to send to Jacob Applesmith [sic] for review.” However, Dr. de la Torre told the investigation team that she was unsure whether a new near relative form was contemplated at the time the Center moved to Student Affairs.⁴⁸ Dr. de la Torre did not recall the basis for this timeline entry and explained that she had not seen a draft near relative form. However, documents show that on January 15, 2016, Ms. Shuman emailed Dr. de la Torre explaining: “[a]ttached is my draft of the near relative form that we need to put on file for Emily and [REDACTED]. Can you please look over this draft to confirm that the description I put together is accurate to the working relationship?” Dr. de la Torre responded that her “only suggestion is that it needs to include [REDACTED] name.”⁴⁹ The draft near relative form dated January 15, 2016, which was based on UC Davis’ template near relative

⁴⁴ Exhibit 18.

⁴⁵ Exhibit 19.

⁴⁶ Exhibit 20.

⁴⁷ Exhibit 21.

⁴⁸ Exhibit 22 (emphasis removed).

⁴⁹ Exhibit 23.

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request form “for change of relationship of employees in the same department,” is premised on the fact that [REDACTED] and Dr. Prieto would now be working in the “same department” because “an organizational structure change . . . will bring the Center for Transnational Health [REDACTED] (current department) into the Division of Student Affairs (Emily’s unit).”⁵⁰

Notwithstanding the above-described discussions regarding the need for a near relative agreement as between Dr. Prieto and [REDACTED], there is no evidence that an agreement between Dr. Prieto and [REDACTED] was signed as a result of the movement of the CTH to Student Affairs.⁵¹

In April 2016, UC Davis Campus Counsel Appelsmith, upon learning that Dr. Prieto was directly or indirectly supervising the CTH based on his review of relevant documents, raised concerns with Dr. de la Torre. Mr. Appelsmith also discussed his concerns with Chancellor Katehi, who supported moving the CTH away from Dr. Prieto’s supervision, since [REDACTED] worked for the Center.

After meeting with Chancellor Katehi, Mr. Appelsmith told the investigation team that he called Dr. de la Torre and told her that he and Chancellor Katehi were in agreement that the CTH should be moved. According to Mr. Appelsmith, he and Chancellor Katehi also called Dr. de la Torre together and attempted to convince her that the CTH should not be supervised by Dr. Prieto.⁵² Dr. de la Torre did not recall speaking with Mr. Appelsmith or Chancellor Katehi during this period,⁵³ but she did recall speaking with Dr. Prieto. [REDACTED]

On April 19, 2016, Mr. Appelsmith and Dr. de la Torre exchanged correspondence regarding Dr. Prieto’s role with the CTH and the Center’s movement into Student Affairs.⁵⁴

⁵⁰ The draft document further explained that [REDACTED] will continue to report to the Vice Chancellor, Adela de la Torre, which is the same supervisor as Emily Prieto-Tseregounis’. [REDACTED] will be working on specific research projects under the direction of the Vice Chancellor and so we do not see this relationship to be a conflict of interest. Additionally, [REDACTED] and Emily’s office spaces are in different buildings. Adela de la Torre serves as Academic advisor to [REDACTED]; if this request were not approved it would have a severe impact on the research projects in progress. There is no direct reporting relationship between Emily and [REDACTED]. Emily will oversee the newly forming department of “Student Affairs Research Center” which includes the Center for Transnational Health, but [REDACTED] . . . will report directly to Adela de la Torre. Additionally, Emily will not serve as the backup approver for timesheets nor any other systems for those positions.”

⁵¹ Mr. Appelsmith was made aware in January 2016 that the CTH was moving into the Division of Student Affairs. However, because he did not know that Dr. Prieto would have an oversight role over CTH, he did not believe that a near relative agreement was required at that time. See Exhibit 24.

⁵² An entry on Chancellor Katehi’s calendar on April 20, 2016 states: “6pm: Phone call with Adela [de la Torre] and Jacob [Appelsmith] -- Dial Adela on her cell.”

⁵³ Dr. de la Torre was in [REDACTED] at the time for a conference and stated that she was [REDACTED]

⁵⁴ Exhibit 25.

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From: adela de la Torre [REDACTED]
Sent: Tuesday, April 19, 2016 1:24 PM
To: Jacob A Appelsmith <jappelsmith@ucdavis.edu>
Cc: Adela De La Torre <adelatorre@ucdavis.edu>; Karl M Engelbach <kmenzelbach@ucdavis.edu>
Subject: Re: Center for Transnational Health

I will place this under John Campbell
Adela

Sent from my iPhone

On Apr 19, 2016, at 2:07 PM, Jacob A Appelsmith <jappelsmith@ucdavis.edu> wrote:

Please immediately move the center away from Emily's supervision and preferably out of Student Affairs. Thank you.

In her interview with the investigation team, Dr. de la Torre explained that her response was an effort to avoid friction, and that she thought that Mr. Campbell could oversee the "transactional" aspects of CTH.⁵⁵ In a written statement emailed to the investigation team the evening of July 31, 2016, Dr. de la Torre said that, by her email, she was not offering to move the CTH to Mr. Campbell's supervision, but instead was saying that she wanted Mr. Appelsmith to consult with Mr. Campbell about whether the move was necessary.

Later on April 19, Dr. de la Torre replied again to Mr. Appelsmith's email regarding moving the CTH from Dr. Prieto's supervision:⁵⁶

From: VC Student Affairs - Adela De La Torre
Sent: Tuesday, April 19, 2016 8:30 PM
To: Jacob A Appelsmith <jappelsmith@ucdavis.edu>
Cc: Adela De La Torre <adelatorre@ucdavis.edu>; Karl M Engelbach <kmenzelbach@ucdavis.edu>
Subject: Re: Center for Transnational Health

Jacob,

After much thought, I will not do this. I must be honest in my transactions.

Best,

Adela

Sent from my iPhone

On Apr 19, 2016, at 2:07 PM, Jacob A Appelsmith <jappelsmith@ucdavis.edu> wrote:

Please immediately move the center away from Emily's supervision and preferably out of Student Affairs. Thank you.

Dr. de la Torre told the investigation team that she was not replying to Mr. Appelsmith's statement about moving the CTH but rather to concerns that Dr. Prieto raised with her on their earlier call.

⁵⁵ According to Mr. Appelsmith, on a phone call with himself and Chancellor Katehi, Dr. de la Torre explained a theory of bifurcating the CTH into two divisions reporting to Dr. Prieto and Mr. Campbell.

⁵⁶ Exhibit 26.

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Mr. Appelsmith responded to Dr. de la Torre:

[REDACTED]

[REDACTED] you need to submit a memorandum for an exception to the near relative policy.”

Dr. de la Torre’s subsequent response suggested that a new near relative agreement would be completed.⁵⁷

Dr. de la Torre’s responses to Mr. Appelsmith’s emails appear to confirm that Dr. Prieto had an administrative role with respect to the CTH (*i.e.*, Dr. de la Torre did not express to Mr. Appelsmith that there was no issue because Dr. Prieto did not supervise the CTH).⁵⁸ No evidence, however, suggested that Dr. Prieto exercised oversight of [REDACTED] graduate work, research or compensation.

4. Employment of Emily Prieto-Tseregounis

President Napolitano’s April 27, 2016 letter to Chancellor Katehi raises questions regarding whether Dr. Prieto’s promotions and salary increases over the past two and a half years—involving several title changes and a more than \$50,000 annual pay increase—resulted from Dr. Prieto’s reporting to a direct report of Chancellor Katehi, Dr. de la Torre. [REDACTED]

[REDACTED]

The concern expressed was that as a direct report of Chancellor Katehi, Dr. de la Torre would give preferential treatment to her supervisor’s daughter-in-law. No witnesses interviewed—including those in UC Davis Human Resources, were aware of or identified any instances of promotions or salary increases that were

⁵⁷ Mr. Appelsmith explained that the issue was not that Dr. Prieto had actually done anything “wrong,” but that because she had oversight over the CTH “she had the ability to do so.” Even though Dr. Prieto would not have had anything to do with [REDACTED]’ graduate work, Dr. Prieto still had the ability to affect his working environment—which is “the very reason we have nepotism policies.” Mr. Appelsmith told the investigation team that Chancellor Katehi was not initially aware of the situation and that once she learned about it, she told Mr. Appelsmith to tell Dr. de la Torre to move the CTH out of Student Affairs.

⁵⁸ Dr. de la Torre’s statements during her interview with the investigation team and subsequent July 31, 2016 correspondence regarding her correspondence with Mr. Appelsmith are not consistent with the contemporaneous documentary record described above.

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“out of policy.”⁵⁹ Nor does any evidence suggest that Chancellor Katehi influenced Dr. Prieto’s career trajectory. Finally, the March 2015 near relative agreement that resulted in Chancellor Katehi’s recusal from matters regarding her daughter-in-law did not require or contemplate the recusal of her direct report, Dr. de la Torre.

a. Analyst IV Position

In or around the summer of 2013, Dr. de la Torre asked Associate Vice Chancellor Galindo to work with Human Resources to write a job description for a Chief of Staff position in Student Affairs.⁶⁰ The resulting Analyst IV job description listed the position’s working title as “Executive Analyst to the Vice Chancellor.” Dr. de la Torre nonetheless considered the position to be Chief of Staff to the Vice Chancellor and the job description included tasks that appear typical of such a position:

Acting autonomously on behalf of the Vice Chancellor, manage all matters relating to the business and administration of the Vice Chancellor’s daily responsibilities. Monitor and ensure progress in achieving Vice Chancellor inspired initiatives. Support the Vice Chancellor’s communications and relationship-strengthening needs, drafting sensitive or high-level correspondence or reports. Work with executive staff support operations and resources for the Vice Chancellor, ensuring that needs and expectations are met. Represent the Vice Chancellor to faculty, staff and students at UC Davis, administrators and officers at other UC campuses and UC Office of the President. Manage and support the work of the Vice Chancellor. Manage special projects and support the executive support team in the Offices of the Vice Chancellor.

The Analyst IV position did not have any direct reports nor was it classified as a supervisory position.

On August 16, 2013, Dr. de la Torre informed Dr. Prieto of her selection for the position of Analyst IV with an annual salary of \$77,261. Dr. Prieto began working at UC Davis on September 3, 2013, and recalled that Dr. de la Torre referred to Dr. Prieto as her “Chief of Staff” from day one. Chancellor Katehi had no role in selecting Dr. Prieto, nor does Katehi have any recollection of meeting Dr. Prieto prior to Dr. Prieto joining UC Davis as an employee in 2013. Dr. Prieto did not meet [REDACTED] until October 2013, after she began her employment.

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⁶⁰ At UC Davis, “Central HR” is divided into Recruiting and Compensation. Tony Puccioni supports the Chancellor’s and Provost’s offices with Recruiting, and Irene Horgan-Thompson is the former head of Compensation. When a department seeks to create a new position at UC Davis, the Compensation department reviews the minimum qualifications required and matches the new position with the appropriate existing positions on campus. Compensation and Recruiting work together to confirm that the verbiage of the job posting and minimum qualifications of each job title match the desired new position.

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b. Analyst VIII - Supervisor Position

Sometime after Dr. Prieto was hired into the Analyst IV role, Dr. de la Torre learned that the Analyst IV position, as written in the job description, was nonsupervisory and without the same responsibilities as other Chiefs of Staff on campus. Because Dr. de la Torre wanted Dr. Prieto to supervise other employees as well as programmatic units, Dr. de la Torre requested that Dr. Prieto's position be reclassified in accordance with UC Davis Personnel Policies for Staff Members Section 36, Classification of Positions ("UCD PPSM 36").⁶¹

On March 1, 2014, Dr. de la Torre requested a reclassification of Dr. Prieto's position to that of Analyst VIII – Supervisor. According to Human Resources records, the classification review was requested by Dr. de la Torre because she was assigning additional duties to Dr. Prieto. The job description for the Analyst VIII – Supervisor position was as follows:

Acting autonomously on behalf of the Vice Chancellor, manage all matters relating to the business and administration of the Vice Chancellor's daily responsibilities. Manage the executive staff support operations and resources for the Vice Chancellor, ensuring that needs and expectations are met. Represent the Vice Chancellor to faculty, staff and students at UC Davis, administrators and officers at other UC campuses and UC Office of the President. Manage and support the work of the Vice Chancellor. Manage special projects and support the executive support team in the Offices of the Vice Chancellor. Responsible for developing and managing new Resource Center for the AB540 program (undocumented student program) at UCD. Provides leadership, vision, and supervision over director of the AB540 program.

The working title for the role was "Chief of Staff to the Vice Chancellor." Records reflect that Director of Compensation, Benefits and Employment Irene Horgan-Thompson reviewed the classification. The reclassification was not a "new job," but rather a reflection of additional work given to Dr. Prieto. Accordingly, the university did not conduct an "open search" to fill the position.⁶² As a result of the re-classification, Dr. Prieto received an annual salary of \$88,850,

⁶¹ Documents reflect that, by mid-October 2013, about a month after Dr. Prieto started at UC Davis, Drs. de la Torre and Prieto were discussing Dr. Prieto's reclassification. See Exhibit 27-28. In relevant part, UCD PPSM 36 explains that "[e]very staff member has the right to have his or her position description reviewed for appropriate classification level" and that "[i]t is management's obligation to ensure staff are appropriately classified and compensated for the work they perform. . . ." After a department identifies the need for classification review, an analyst in Compensation Services determines the proper classification. As part of that process, the analyst compares the position description to the class specifications and considers the duties, level of responsibility and supervision received and exercised. Finally, if there has been a change in classification, the department determines the new salary, in accordance with the applicable policy.

⁶² When a department seeks to promote an individual to a new job classification (and fill the individual's old position), Recruiting advises the department to have an "open hiring" for the new job classification. However, if the old position will not be replaced and the individual is promoted due to an increase in duties and responsibilities, then "open hiring" is not required.

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effective March 1, 2014. It was within the department's discretion, upon reclassification, to give up to a 25% increase in salary. Dr. Prieto's new salary was approximately 15% higher than her prior salary.

In her interview, Assistant Vice Chancellor Galindo [REDACTED] Ms. Galindo indicated that it is uncommon to move that many levels in six months and that the department should have held an open recruitment process for the position. [REDACTED]

On July 1, 2014, Dr. Prieto received a merit-based salary increase to \$91,515. This increase resulted from Dr. Prieto's annual performance evaluation and fell within the recommended range.

c. Executive Advisor Manager I

In 2014, as a result of an initiative by UCOP to align UC titles and classifications with the private sector, the University collectively studied and subsequently reclassified approximately 20 to 25 positions across the campus, including that of Dr. Prieto. Effective July 1, 2014, Dr. Prieto's position was reclassified from "Analyst VIII – Supervisor" to "Executive Advisor Manager I."

In October 2014, as part of the campus' annual salary equity review,⁶³ Dr. de la Torre requested a review of Dr. Prieto's salary, as well as that of three other Student Affairs' staff members, suggesting an increase for Dr. Prieto to \$125,800.00.⁶⁴ The purpose of an annual salary equity review is to ensure that employees across campus are compensated on an equitable basis—with similarly situated employees (based on job responsibilities and qualifications) receiving similar salaries.

On October 27, 2014, following the equity review of Dr. Prieto's salary, Ms. Horgan-Thompson approved a salary of \$111,648 for Dr. Prieto, \$14,152 less than requested by Dr. de la Torre.⁶⁵ Because the proposed equity increase request came from a Vice Chancellor, Mr. Horgan-Thompson stated that it received extra scrutiny, but UC Davis Compensation believed the suggested increase was too high. Dr. de la Torre did not protest the decision to offer Dr. Prieto a lower salary increase than she recommended.

Approximately seven months later, in May 2015, Dr. de la Torre requested a change in Dr. Prieto's "working title" to that of "Assistant Vice Chancellor." Ms. Horgan-Thompson approved the change, which was not accompanied by a change in salary or classification.

In July 2015, Prieto received an annual merit increase raising her compensation to \$115,946, an increase of approximately 3.8%. [REDACTED]

⁶³ Equity reviews occur each October and sometimes at other times in the year.

⁶⁴ Dr. de la Torre also sought increases for Executive Assistant Leticia T. Quintana, Associate Vice Chancellor Milton Lang, and Associate Vice Chancellor John Campbell.

⁶⁵ Exhibit 29.

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As part of the campus' annual equity review, UC Davis Compensation reviewed the salaries of similar positions on campus and determined that Dr. Prieto's salary of \$115,946 fell below the midpoint for her level. As a result of this review, Dr. Prieto received an "equity increase," resulting in a total annual salary of \$129,860 effective October 1, 2015.

On July 1, 2016, Dr. Prieto's annual salary was increased to \$132,457. This change appears to be a merit-based increase.

In sum, the investigation team found no evidence that Chancellor Katehi was involved in decisions regarding Dr. Prieto's promotions and/or salary increases.

d. Reorganization of Student Affairs and Proposed Promotion of Dr. Prieto to Associate Vice Chancellor

In November 2015, Chancellor Katehi and Dr. de la Torre discussed changes that Dr. de la Torre planned to make to Student Affairs, effective January 2016. Chancellor Katehi asked Dr. de la Torre to submit to her a plan including the new assignments of the members of Dr. de la Torre's leadership team.⁶⁷

As part of her reorganization plan, Dr. de la Torre planned to redistribute the portfolio of a former Associate Vice Chancellor to her remaining Student Affairs leadership team. Dr. de la Torre also proposed reclassifying Dr. Prieto from Assistant Vice Chancellor to Associate Vice Chancellor, as well as upward classifications for Mr. Campbell and Mr. Lang and equity adjustments for Ms. Galindo and Mr. Robinson.⁶⁸

As a result of the near relative agreement in place with respect to Dr. Prieto and Chancellor Katehi, Dr. de la Torre submitted the reclassification request for Dr. Prieto to Associate Chancellor Engelbach. Dr. de la Torre initially intended to submit the remainder of the proposal to Chancellor Katehi.⁶⁹

On January 22, 2016, Dr. de la Torre wrote to Associate Chancellor Engelbach for his approval of her request for "a title change and upward reclassification request for Emily Prieto-Tseregounis, who has been assigned a new substantial role with oversight of the departments of the Internship and Career Center, College Opportunity Programs and the Center for Transnational Health within Student Affairs. Additionally, Emily will be working as a member of the Executive Leadership team

⁶⁶ An individual may receive a merit-based increase in salary up to 3.5% for a "meets expectations" review and up to a 4.5-5% increase for an "exceeds expectations" review.

⁶⁷ Exhibit 30.

⁶⁸ Exhibit 2.

⁶⁹ Exhibit 31.

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for campus-wide Diversity and Inclusion. These changes are being made as part of an organizational restructure that will create efficiencies within our Division. Ms. Prieto-Tseregounis' portfolio currently includes the AB540 Center, Student Affairs Marketing Center, Center for Student Affairs Assessment, and some other high-level initiatives with campus-wide impact."⁷⁰ Dr. de la Torre attached a copy of the position description for Emily Prieto-Tseregounis and a Student Affairs Organizational Chart.⁷¹

The attached position description for Dr. Prieto included, among other things, that Dr. Prieto would "[p]rovide leadership, planning, and program development for the Internship and Career Center, Center for Transnational Health, Student Affairs Marketing Center, Student Affairs Research Center, Student Affairs Assessment Center, and the Resource Center for the AB540 program (undocumented student program) at UCD. . . ." The attached January 2016 Division of Student Affairs Organizational Chart, which was not labeled "draft" or "proposed," listed the CTH directly under Dr. Prieto.⁷²

Mr. Engelbach received Dr. de la Torre's proposal but did not act on it. Instead, he forwarded the plan to Ms. Horgan-Thompson, former Director of Compensation, Benefits, and Employment, who advised him on January 26, 2016 about the differences between Assistant and Associate Chancellor roles and also stated that "[t]he only concern that I would raise is that as a direct report of the Chancellor, should you also ask for a review by Campus Counsel to ensure that the position description or organizational structure do not present any conflicts of interest or near relative items prior to reviewing and approving."⁷³ Mr. Engelbach explained that Ms. Horgan-Thompson's email prompted him to speak with campus counsel, who conferred with Human Resources and advised Mr. Engelbach that he should pass the proposal on to UCOP for approval. Mr. Engelbach explained that while he had the authority to approve the proposal, he chose not to and instead he submitted the proposal to UCOP.

Although Dr. de la Torre initially intended to submit the remainder of the proposal to Chancellor Katehi, she instead submitted the entire reorganization plan to Mr. Engelbach because she felt that she could not describe the reorganization without also discussing Dr. Prieto's role, which the near relative agreement barred her from doing.⁷⁴ Before agreeing, Mr. Engelbach first checked with Chancellor Katehi to make sure he could review the entire reorganization plan.⁷⁵ Thereafter, the

⁷⁰ Exhibit 3.

⁷¹ Exhibit 4.

⁷² *Id.*

⁷³ Exhibit 32.

⁷⁴ Exhibit 31.

⁷⁵ Dr. de la Torre's initial intent to submit the reorganization plan to Chancellor Katehi was consistent with the Chancellor's June 3, 2011 memo to the Council of Deans and Vice Chancellors ("CODVC") requesting that she be informed of any reorganization "that will result in significant changes in staffing and/or service levels." Chancellor Katehi also requested that the Deans and Vice Chancellors inform their immediate supervisor, which would be Chancellor Katehi in the case of Vice Chancellors, prior to taking certain personnel action impacting their direct reports.

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plan was submitted to Mr. Engelbach, who consulted with Human Resources and campus counsel.⁷⁶ The reorganization plan, with the exception of Dr. Prieto's proposed promotion to Associate Vice Chancellor, was ultimately approved. Ms. Horgan-Thompson explained in a March 11, 2016 email that while certain elements of the plan had been approved, "[t]he final position still under review is that of Emily Prieto-Tseregounis and the changes to her role and reporting relationships."⁷⁷

Sometime thereafter—neither Dr. de la Torre nor Associate Chancellor Engelbach could remember precisely when—

According to Drs. de la Torre and Prieto, no changes were made to Dr. Prieto's position—including a formal oversight role over CTH.

As described above, and notwithstanding statements provided to the investigation team by Drs. de la Torre and Prieto, the evidence suggests that Dr. Prieto did in fact take on certain oversight responsibilities for the CTH beginning as early as January 2016, as evidenced by emails and other documents.

In any event, the investigation team found no evidence that Chancellor Katehi had any role in or influence over Dr. Prieto's proposed promotion. It appears that Dr. de la Torre and Mr. Engelbach took steps to honor the near relative agreement and to ensure that the Chancellor was not involved.

e. The March 2015 Near Relative Agreement Was Timely with Respect to Dr. Prieto, But No Near Relative Agreement Was Signed at the Time of the Center's Move to Student Affairs in January 2016, Likely in Violation of University Policy

On March 11, 2015, approximately 2.5 months after Dr. Prieto's engagement to [REDACTED], Dr. de la Torre, Chancellor Katehi and Dr. Prieto entered into a Near Relative Disclosure/Agreement approved by Associate Vice Chancellor – Human Resources Gilbert.⁷⁸ In relevant part, the agreement states:

EMILY PRIETO (hereinafter "Ms. Prieto") is the Chief of Staff for, and reports to, the Vice Chancellor of Student Affairs at UC Davis, Adela De La Torre. The Vice Chancellor of Student Affairs reports to Chancellor LINDA P.B. KATEHI (hereinafter "Chancellor Katehi"). Ms. Prieto's is engaged to be married to [REDACTED] Chancellor Katehi's son. When Ms. Prieto marries [REDACTED], Chancellor Katehi will be

⁷⁶ Exhibits 2 & 33.

⁷⁷ Exhibit 34.

⁷⁸ As noted above, due to an apparent clerical error resulting in the loss of the March 2015 copies, the agreements were signed a second time in June 2015. See Exhibits 16 & 17.

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Ms. Prieto's mother-in-law, creating a PPM 380-13 near relative relationship by virtue of Chancellor Katehi's indirect supervision of Ms. Prieto.

The Vice Chancellor of Student Affairs is responsible for managing Ms. Prieto's performance, approving leave requests, issuing corrective action and discipline, and all other supervisory functions. In order to avoid any potential, perceived, or actual conflicts of interest during the period that Ms. Prieto serves as the Chief of Staff for the Vice Chancellor of Student Affairs at UC Davis, the Vice Chancellor of Student Affairs shall be the UC Davis managerial decision maker for all matters implicating any PPM 380-13 Criteria. Chancellor Katehi shall not influence, directly or indirectly, any matter implicating any PPM 380-13 Criteria. Should the need arise to address any PPM 380-13 Criteria relating to Ms. Prieto's appointment, the Vice Chancellor of Student Affairs shall consult with UC Davis Human Resources and, prior to approving any action implicating any PPM 380-13 Criteria, shall receive the written approval of the proposed action from the University of California Vice President of Human Resources, or her/his designee.

Although [REDACTED] and Dr. Prieto executed the agreement several months after their engagement, the timing was anticipatory of policy, which does not expressly require a near relative agreement for fiancés or future in-laws.⁷⁹

However, as set forth above, it appears that a separate near relative agreement was required when the CTH moved into the Division of Student Affairs and when Dr. Prieto began exercising administrative oversight over the CTH in January 2016, placing [REDACTED] and Dr. Prieto in the "same department" with Dr. Prieto exercising administrative oversight.

Chancellor Katehi explained to the investigation team that she and Dr. de la Torre understood they should never discuss Dr. Prieto's promotions or pay increases. Chancellor Katehi stated that she did not learn details concerning Dr. Prieto's salary until around April 20, 2016. According to [REDACTED] a former [REDACTED] Assistant to the Chancellor, Chancellor Katehi was well aware of the potential conflict with Dr. Prieto and [REDACTED], and therefore Chancellor Katehi would not discuss Dr. Prieto's and [REDACTED]'s jobs or their advancement in the University, nor did she want to hear about it. The investigation team uncovered no evidence suggesting that Chancellor Katehi ever discussed her daughter-in-law's salary or promotions with anyone at UC Davis.

⁷⁹ The agreement did not need to be updated after [REDACTED] and Dr. Prieto were married because the near relative situation as set forth in the agreement would not have changed from when they were engaged.

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5. Appropriate Use of Student Fees

The May 10, 2016 Charge Letter directed the investigation team to determine “[w]hether certain actions related to the employment of Chancellor Katehi’s son and daughter-in-law may have violated . . . policies related to the appropriate use of student fees . . . ”

Under Regents Policy 3101, “[i]ncome generated by the Student Services Fee (formerly referred to as the University Registration Fee) shall be used to support services and programs that directly benefit students and that are complementary to, but not a part of, the core instructional program.” “These services and programs include, but are not limited to, operating and capital expenses for services related to the physical and psychological health and well-being of students; social, recreational, and cultural activities and programs; services related to campus life and campus community; technology expenses directly related to the services; and career support.”

The evidence showed that Dr. Prieto is paid with Student Services Fee revenue. Dr. de la Torre told the investigation team that this was appropriate because the CTH has Student Affairs-related projects, and that, as Chief of Staff, Dr. Prieto is involved with many different programs funded by a variety of different sources. Dr. de la Torre believed it would be impractical to proportionally allocate Dr. Prieto’s salary from different sources.

6. Chancellor Katehi’s Representations to President Napolitano About Her Family’s Employment Relationships

In a call with President Napolitano on April 19, 2016, Chancellor Katehi assured President Napolitano that there was “nothing unusual” or any “issues of nepotism” involving Chancellor Katehi, [REDACTED], Dr. Prieto or the Chancellor’s husband, UC Davis Professor Spyros Tseregounis.⁸⁰ President Napolitano believed Chancellor Katehi’s statements to be an assurance that all matters regarding Chancellor Katehi’s family had followed UC Davis policy. According to Mr. Grossman, with whom President Napolitano spoke soon after the conclusion of the call with Chancellor Katehi, Chancellor Katehi walked through a timeline of her family’s employment with UC Davis and stated that there were “no issues.”

Chancellor Katehi told the investigation team that she was generally unaware of the details of her son’s employment at the CTH and her daughter-in-law’s salary until she spoke with Mr. Appelsmith on April 20, 2016. Although Chancellor Katehi said she knew her son was working on a research project, Chancellor Katehi stated that she did not know it was with the CTH until April 2016, and therefore did not realize that her son worked at the CTH when she approved the movement of CTH to Student Affairs in January 2016. As noted above, when shown a copy of the March 11, 2015 near relative agreement that she signed, which identified [REDACTED] as “a Graduate Student Researcher in the Center for Transnational Health at UC Davis,” Chancellor Katehi stated that she did not remember that the memo referenced the CTH. Chancellor Katehi also stated that she was not aware of any concerns related to a potential reporting line from [REDACTED] to Dr. Prieto at the CTH until April 20, 2016, when asked about the issue by Mr. Appelsmith.

⁸⁰ President Napolitano’s and Chancellor Katehi’s calendars for April 19, 2016 each indicate that they spoke at 8:45 am.

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Chancellor Katehi attributed her lack of knowledge with respect to her son's and daughter-in-law's employment to the fact that these were not commonly discussed topics in the family; that Chancellor Katehi "rarely" sees Dr. Prieto and [REDACTED], and the fact that there were near relative agreements in place.

In discussing the nepotism allegations with President Napolitano, Chancellor Katehi indicated essentially that there were no issues. As described above, however, there were concerns by some about the numerous raises and promotions given to her daughter-in-law; having one of the Chancellor's direct reports responsible for her daughter-in-law's career trajectory (especially a direct report who was given a significant raise at the request of the Chancellor during the same timeframe); violations of the near relative policy with respect to the timing of [REDACTED] employment and with respect to the move of the CTH to Student Affairs; and the possibility that Dr. Prieto was in a position to exercise administrative authority over [REDACTED] without approval or a near relative agreement in place.

Chancellor Katehi told the investigation team that she did not learn Dr. de la Torre was [REDACTED] thesis advisor until late 2015 or early 2016. As set forth above, this is contradicted by the March 2015 near relative agreement signed by Chancellor Katehi which stated, in part, that "Within her role as [REDACTED] graduate advisor, Dr. De La Torre is responsible for evaluating [REDACTED] academic progress, providing advice and mentoring to [REDACTED]."

It should be noted that some of these issues were arguably immaterial (such as the timing of the March 2015 near relative agreement), and others did not violate policy (such as Dr. de la Torre's supervision of the Chancellor's son and daughter-in-law). It also appears that Chancellor Katehi was not aware of many of these issues and concerns at the time, and therefore she was not in a position to bring them to President Napolitano's attention.

If Chancellor Katehi intended to convey to President Napolitano that there were no issues with respect to her own involvement in her son's and daughter-in-law's employment, then the statements were accurate. President Napolitano, however, understood her to mean that there were no issues whatsoever with respect to their employment, which would not have been entirely accurate. Chancellor Katehi did not inform President Napolitano that, as a result of near relative agreements and University policies, the Chancellor was effectively recused from decisions relating to her son and daughter-in-law, and therefore she likely did not have complete information relating to those issues. And, as it turned out, Chancellor Katehi learned about one of those issues the very next day in discussions with UC Davis campus counsel. In any event, it does not appear that Chancellor Katehi attempted to intentionally mislead President Napolitano during their call on April 19th, inasmuch as it does not appear she was aware of the specifics of any employment issues related to her son and daughter-in-law at that time.⁸¹

⁸¹ Chancellor Katehi and President Napolitano spoke at 8:45 am on April 19, 2016. Later that day or on the following day, April 20, Chancellor Katehi appears to have learned about concerns related to her family's employment, including that her son may have been reporting to her daughter-in-law, from Mr. Appelsmith. There is no evidence suggesting that, once Chancellor Katehi learned of concerns related to her family's employment at UC Davis, she attempted to follow up with President Napolitano on this issue.

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7. The Evidence Does Not Suggest That Chancellor Katehi Proposed Changing Dr. de la Torre's Title and Increasing Dr. de la Torre's Salary as a Result of Dr. de la Torre's Relationships with Chancellor Katehi's Son and Daughter-in-Law

The evidence suggests that, in 2014, Chancellor Katehi, in conjunction with others on campus, began exploring options to consolidate the campus' diversity programs under a single individual. Chancellor Katehi explained that other UCs, e.g., UCLA and UC Berkeley, had Vice Chancellors for Diversity, but that she did not want to create a new position at UC Davis. As a result, Chancellor Katehi considered expanding the role of one of the existing Vice Chancellors. Around the same time, in December 2014, Chancellor Katehi heard that UC Berkeley was recruiting Dr. de la Torre for a similar position. Chancellor Katehi already wanted to increase Dr. de la Torre's salary because Dr. de la Torre was paid significantly less than the other Vice Chancellors at UC Davis.

Under University of California Regents Policy 7701, which governs the appointment and compensation of Senior Management Group ("SMG") members, the determination of who must approve appointment and compensation actions for Level Two SMG members (such as the UC Davis Vice Chancellor – Student Affairs) depends on two factors: (1) the placement of the proposed base salary within the position's Market Reference Zone ("MRZ"), and (2) whether an increase of ten percent or more is being proposed.⁸² Because the proposed increase in salary for Dr. de la Torre was greater than ten percent and placed Dr. de la Torre's base salary above the 75th percentile of the position's MRZ, the decision required the Regents' approval.⁸³ Promotions considered by the Regents come directly from UCOP and the Regents do not consider any proposals that have not been already approved by UCOP.

As of March 2015, Vice Chancellor de la Torre's annual base salary was \$252,801. For comparison purposes, UCOP Executive Director, Systemwide Compensation Programs & Strategy Dennis Larsen sent Associate Chancellor Engelbach the Market Rate Zone (MRZ) for the position of Vice Chancellor – Student Affairs, along with a list of the then-incumbents' annual base salaries. According to the data provided by Mr. Larsen, Dr. de la Torre's salary was at the high end for Vice Chancellors – Student Affairs in the UC system. However, Vice Chancellor de la Torre's salary was still on the low end of the MRZ. In providing the data, Executive Director Larsen explained to Associate Chancellor Engelbach that while there was "[l]ots of room for movement," "[c]oncerns will be UCD pay relative to other campuses."⁸⁴ Mr. Engelbach believed that although Dr. de la Torre's salary would outpace the other Vice Chancellors – Student Affairs, the rest of the Vice Chancellors lagged behind market scale.

In July 2015, the Regents approved a proposal for a salary adjustment for Dr. de la Torre, whose title was changed to Vice Chancellor – Student Affairs and Campus Diversity, Davis campus "in recognition of the expansion of her duties to include campus oversight of all diversity efforts for

⁸² Exhibit 35.

⁸³ *Id.*

⁸⁴ *Id.*

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students, faculty and staff.” The salary adjustment approved by the Regents increased Dr. de la Torre’s annual base salary by 22.6 percent, from \$252,801 to \$310,000.⁸⁵ The approved proposal explained that “[t]he campus had contemplated recruiting for a new Vice Chancellor for Campus Diversity, Equity, and Inclusion but decided to add this responsibility to Ms. de la Torre’s portfolio in order to be more cost-efficient, with the anticipated savings expected to be approximately \$100,000. . . . In assuming the campus diversity role, Ms. de la Torre will be delegated full responsibility as the chief campus official responsible for ensuring the diversity of UC Davis’ staff, faculty, and graduate and undergraduate student populations.”⁸⁶ Records reflect that the proposal was submitted by Chancellor Katehi and reviewed by President Napolitano and Committee on Compensation Chair Bonnie Reiss. No members of the Compensation Committee or the Board of Regents voted against the proposal.

The investigation team uncovered no evidence suggesting that Chancellor Katehi proposed the pay increase and title change for Dr. de la Torre because Dr. de la Torre employed Chancellor Katehi’s daughter-in-law, or because Dr. de la Torre advised and employed Chancellor Katehi’s son.

B. Social Media and Strategic Communications Contracts

The May 10 Charge Letter directed the investigation team to consider whether actions related to certain social media and strategic communications contracts were appropriate and consistent with policy, including whether Chancellor Katehi accurately represented her role in, and the scope of, these contracts.

As set forth below, the evidence gathered indicates that Chancellor Katehi minimized her knowledge of and role in these contracts in her communications with President Napolitano and the media. In the wake of negative media coverage related to consulting contracts with Nevins & Associates (“Nevins”), and ID Media (also known as IDMLOCO),⁸⁷ Chancellor Katehi advised President Napolitano that she had nothing to do with the contracts, and that they were all handled by UC Davis communications. During these conversations, she conveyed the clear impression that she knew nothing of the contracts and that she was not involved. Chancellor Katehi likewise told the editorial board of the *Sacramento Bee* that she did not know how UC Davis first became introduced to Nevins. She also advised the *Chronicle of Higher Education* that the Nevins contract “came out of the communications department,” that she “was not involved in it,” and (referring to Nevins and IDMLOCO) that she “was not aware of these particular contracts.”

⁸⁵ A draft proposal prepared by UC Davis HR and shared with Chancellor Katehi by Mr. Engelbach on March 30, 2015, requested “a pre-emptive retention salary adjustment of 20 percent and a minor title change for Adela de la Torre from Vice Chancellor – Student Affairs to Vice Chancellor — Student Affairs and Executive Vice Provost – Undergraduate Student Diversity at the Davis campus” with a “proposed adjustment [to] Ms. de la Torre’s annual base salary from \$252,801 to \$303,361.” See Exhibit 36. Associate Chancellor Engelbach explained that he did not know why the proposal increased from \$303,361 to \$310,000, the final figure approved by the Regents, but speculated that someone at UCOP made the final decision with respect to the salary.

⁸⁶ [REDACTED]

⁸⁷ <http://www.sacbee.com/news/local/education/article71659992.html>.

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The Chancellor's statements were misleading, at best, or untruthful, at worst. In reality, Chancellor Katehi initiated UC Davis' relationship with Nevins & Associates by unilaterally contacting an executive recruiter to find a social media consultant to help repair reputational damage caused by the 2011 pepper spray incident. She approved replacing Nevins with another company, Purple Strategies, which was recommended by the head of Strategic Communications, and when that engagement ended, she directed her Chief of Staff to find another company to continue the work. He in turn identified IDMLOCO, which was ultimately hired. Although Chancellor Katehi did not negotiate the contracts or oversee the day-to-day work of the consultants, she advocated for or approved the hiring of each company, participated in meetings with each, and was aware of and reviewed their work product from time to time.

The evidence indicates that Chancellor Katehi was acutely concerned with damage to her personal reputation following the 2011 pepper spray incident, and that she was interested in the consultants working to improve her own online reputation as well as the reputation of UC Davis. It is fair to say, however, that UC Davis' reputation is intertwined with its Chancellor's reputation, and in that regard work done to improve Chancellor Katehi's reputation would benefit the University as well. Chancellor Katehi, however, insisted to the *Sacramento Bee* as well as to the investigation team that neither she nor the consultants were focused on her personal reputation. Her position is inconsistent with the weight of the evidence and is belied by multiple witness accounts and documents reviewed by the investigation team.

1. Chancellor Katehi's Representations Concerning the University's Social Media Contracts

On April 13, 2016, the *Sacramento Bee* released an article titled "UC Davis Spent Thousands To Scrub Pepper-Spray References From Internet."⁸⁸ The article stated that UC Davis contracted with consultants for at least \$175,000 to "scrub the Internet of negative online postings following the November 2011 pepper-spraying of students and to improve the reputations of both the university and Chancellor Linda P.B. Katehi." The article triggered intense media and public scrutiny of the contracts between the University and outside media consultants, including Nevins and IDMLOCO. In the days and weeks following the article, Chancellor Katehi made a series of representations to the public and President Napolitano regarding the scope of the contracts and her role in them.

a. Representations to the Press and Public

On April 18, 2016, Chancellor Katehi issued a written public statement that addressed the social media contracts. In relevant part, she stated:

⁸⁸ <http://www.sacbee.com/news/local/education/article71659992.html>.

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With guidance from outside consultants hired to train our new staff and help over the short term we became more focused and strategic in telling the story of our extraordinary students and faculty

And we were careful to make sure that none of the costs for consultants or the advertising campaign were paid from state General Fund appropriations or student tuition and fees

In hindsight, we should have been more careful in reviewing some of the more unrealistic and ridiculous scope-of-work claims in the written proposals of our outside vendors. What might be accepted industry hyperbole in the private public relations world falls far beneath the high standards of a public institution of higher learning

But I assure you, none of our communications efforts were intended — or attempted — to erase online content or rewrite history. At UC Davis, we live with the lessons of 2011 every day. We are a better university because of it. And we succeeded in providing the public with a fuller understanding of everything UC Davis has to offer

That same day, Chancellor Katehi issued a video message through YouTube in which she stated: “Regarding consulting contracts highlighted in the media, I regret that some of the language in these contracts misrepresents our intentions. Our goal was to ensure that when people search for information about UC Davis, they see all the opportunities that we have to offer. And let me assure you, your tuition, fees, and state funds did not pay for the consultants work.”⁸⁹

On April 21, Chancellor Katehi met with the *Sacramento Bee* editorial board. During this meeting, she explained that: “[w]e never, ever intended to delete. You cannot first of all do that — but we never intended to erase history.” She further emphasized that: “If I wanted to fix my own reputation, I would have done it privately.” According to then Provost Ralph Hexter’s notes from this meeting, Chancellor Katehi told the editorial board that she did not know how Nevins came to be known to UC Davis. She explained that she had asked the then-Interim Head of Strategic Communications to find someone to help train staff to improve the University’s social media capabilities, but she did not know anything more about that effort.⁹⁰

Later that day, the *Chronicle of Higher Education* published an interview with Chancellor Katehi in which she explained that the contract with Nevins and IDMLCO “came out of the communications department” and that she “was not involved in it.” Chancellor Katehi also stated that she “was not aware of these particular contracts” and that she was “very disappointed in [her]self that those contracts were materialized.”⁹¹

On April 22, Chancellor Katehi met with the *Davis Enterprise*. In her interview, she stated that UC Davis has “2,000 contracts that come out of this university every year.” “I don’t read any of the contracts unless they are of substantive size, in the millions.” Chancellor Katehi opined that staff members in the UC Davis contracts office who signed the Nevins deal “should have said this is

⁸⁹ <https://www.youtube.com/watch?v=2S00zYaVrtc>.

⁹⁰ Exhibit 37.

⁹¹ <http://chronicle.com/article/UC-Davis-Chancellor-Says/236189>.

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unacceptable.”⁹² The implication was that the Chancellor did not know about the social media consultant contracts.

b. Representations to President Napolitano

President Napolitano recalled two conversations with Chancellor Katehi regarding the social media contracts. As recounted by President Napolitano, on an April 14, 2016 call, Chancellor Katehi told President Napolitano that she did not have anything to do with the social media contracts, and they were all done in the communications shop. During the call, Chancellor Katehi gave President Napolitano the impression that she knew nothing about the contracts. As also recalled by President Napolitano, on the morning of April 19, Chancellor Katehi participated in a second call with President Napolitano in which she reiterated that she did not have anything to do with the social media contracts. Mr. Grossman did not participate on either call, but discussed both calls with the President soon thereafter and corroborated her recollection of the calls.

In her interview with the investigation team, Chancellor Katehi contradicted President Napolitano with respect to these calls. Chancellor Katehi stated that what she told President Napolitano was that she did not use the social media and communications contracts to fix her personal reputation, she did not know these consultants prior to their retention by UC Davis, and she had not personally reviewed these contracts. Chancellor Katehi did not recall telling the President that she had no involvement with the contracts.

The investigation team did note that President Napolitano’s description of Chancellor Katehi’s statements is generally consistent with what the Chancellor said to the media, as described above.

2. Factual Background

A number of UC Davis departments share responsibility for communications and public relations functions. Strategic Communications serves as the primary communications interface between the University and its various constituencies. Executive Communications, which is housed in the Chancellor’s office, is responsible for developing strategy for the Chancellor’s written, electronic and verbal messaging. Finally, communications-oriented positions exist in other departments throughout the University including the UC Davis Health System, Student Affairs, Development and Alumni Relations and the College of Letters of Science. These different departments often collaborate and are all “dedicated to enhancing the UC Davis reputation regionally, nationally and internationally.”⁹³

⁹² Despite numerous attempts to reach [REDACTED] the investigation team was unable to speak with either former UC Davis employee. However, Associate Vice Chancellor Allred reported that he spoke with [REDACTED]. According to Mr. Allred, [REDACTED] believed that the Chancellor’s office was very clear that they wanted this language in the contract because the prior consultant “did not scrub hard enough.”

⁹³ <http://strategiccommunications.ucdavis.edu/about/index.html>

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After the pepper spray incident in 2011, the University embarked on a public relations campaign. Rather than relying on the multitude of communications professionals that populated the various University departments described above, the Chancellor's office opted instead to hire a series of external social media and communications firms to assist with this effort.⁹⁴ From 2012 through 2016, UC Davis entered into engagements with three separate communications firms—Nevins & Associates, Purple Strategies and IDMLOCO—to help repair the University and Chancellor Katehi's online image in the wake of the pepper spray incident. The details of these engagements and Chancellor Katehi's involvement in each of them are set forth, in turn, below.

a. Nevins & Associates

In early 2012, Chancellor Katehi was concerned about the impact of the media coverage of the 2011 pepper spray incident on her personal reputation and the reputation of UC Davis. Chancellor Katehi consistently raised the issue with then Interim Executive Director of Strategic Communications, Barry Shiller, and asked him to locate a consulting firm that could assist with improving Internet search results.

██████████ stated that Chancellor Katehi's paramount concern seemed to be her own reputation, not the school's reputation—and his conversations with the Chancellor clearly reflected this concern.

██████████ stated that Chancellor Katehi voiced frequent concerns about her negative Internet search results and her personal Wikipedia page. Chancellor Katehi would consistently ask ██████████ why can't you get me "off the Google?"⁹⁵ ██████████ usually tried to reassure her, saying that it would get better over time, and that there was generally nothing to be done about Google search results.

Mr. Shiller became aware of opinion research that was being done for the University of California by Simpson Scarborough related to perceptions of the University, and he asked that the surveys be expanded to include questions about UC Davis' reputation. Mr. Shiller asked, and the University agreed, that Simpson Scarborough would probe specifically with UC Davis stakeholders whether Davis' reputation as an institution had materially changed since the pepper spray incident. Simpson Scarborough generally concluded that UC Davis' reputation had not suffered or was no longer suffering as a result of the pepper spray incident. In the summer of 2012, ██████████ arranged for Simpson Scarborough to make a presentation at UC Davis—██████████ was hoping it would assuage the Chancellor's concerns.

⁹⁴ It appears that there was a fundamental and mutual lack of trust and communication between the Chancellor's office and Strategic Communications and a fractured relationship between the two. Several witnesses indicated that there was a perception that Chancellor Katehi often ignored the advice provided by Strategic Communications employees. This breakdown in relations between Strategic Communications and the Chancellor's office also resulted in a number of defections over the years, sacrificing continuity of leadership within Strategic Communications. Since 2012, ██████████ different permanent and interim leaders have headed Strategic Communications ██████████

⁹⁵ ██████████ remembered Chancellor Katehi's requests in part because she had an idiosyncratic way of referring to Google, as quoted above.

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Chancellor Katehi attended the presentation by Simpson Scarborough. [REDACTED] hoped the data would convince Chancellor Katehi that they did not need to hire outside communications consultants, but it did not, which further suggested to [REDACTED] that improving her *personal* reputation was the Chancellor's real objective.

Related to the Chancellor's requests that Mr. Shiller locate a consulting firm, he wrote in a September 26, 2012 email: "Linda wants to understand generally how we plan to address the lingering negative pepper-spray related online search content associated with her name."⁹⁶ Looping Karl Engelbach into the email conversation, Mr. Shiller wrote: "...we have a three-step plan in mind to remediate the things Linda sees online associated with her name."

Chancellor Katehi ultimately took her own steps. She reached out to Jan Greenwood from the search firm Greenwood-Asher and Associates, Inc. for a referral to a social media consultant. On September 25, 2012, Ms. Greenwood emailed Chancellor Katehi with background information regarding Nevins & Associates, a strategic communications company based in Maryland.⁹⁷ Neither Chancellor Katehi nor Jan Greenwood recalled the details of their discussions leading up to the Nevins referral. In any event, Chancellor Katehi forwarded this email to Mr. Engelbach, who she later directed to take the lead on the Nevins engagement.

Mr. Engelbach contacted David Nevins, the President and CEO of Nevins & Associates. Mr. Engelbach explained that the University was "looking for assistance in improving the positive stories that appear on web about UC Davis. I'd welcome a proposal from you about the services that you and your firm could provide to accomplish this goal."⁹⁸ On October 16, 2012, Mr. Nevins responded: "We are in the process of building a proposal that addresses the concerns you expressed about the web presence of UC Davis . . . The strategic plan will highlight the accomplishments of UC Davis and Chancellor Katehi. This plan will separate both the university and Chancellor Katehi from the events that occurred last November [the pepper spray incident] and it will help strengthen the university's brand against reoccurring backlash."⁹⁹

On November 5, 2012, Nick Weidmann from Nevins sent a draft proposal to Mr. Shiller and Mr. Engelbach, which stated that Nevins "is prepared to create and execute an online branding campaign designed to clean up the negative attention the University of California, Davis and Chancellor Katehi have received related to the events that transpired last November."¹⁰⁰ The draft proposal noted that Nevins would use strategic content placement, reputation management

⁹⁶ Exhibit 39.

⁹⁷ Exhibit 40.

⁹⁸ Exhibit 41.

⁹⁹ Exhibit 42.

¹⁰⁰ Exhibit 43.

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consulting, and Google platform adoption to achieve its objective. The draft proposal did not, however, indicate that Nevins would seek to “eradicate” or “eliminate” negative online content.¹⁰¹

On November 16, Mr. Weidmann wrote Mr. Shiller: “Per our discussion yesterday we have attached the updated version of our proposal.”¹⁰² The revised Nevins proposal included under its objectives: “Launch an aggressive and comprehensive online campaign to eliminate the negative search results for UC Davis and the Chancellor through strategic modifications to existing and future content and generating original content as needed.”¹⁰³ The revised proposal also explained that Nevins would seek to “[l]ead and manage UC Davis’ adoption of Google platforms to expedite the eradication of references to the pepper spray incident in search results on Google for the Chancellor.”¹⁰⁴ Chancellor Katehi received this revised proposal as an attachment to a November 16, 2012, meeting invitation with Mr. Shiller.¹⁰⁵ As described below, Chancellor Katehi told the investigation team that she did not remember receiving or reviewing this proposal.

On November 28, Mr. Weidmann sent an updated proposal to Mr. Shiller, who forwarded it to Mr. Engelbach. The “eradication” and “eliminate” language from the prior iteration was not included in this draft.¹⁰⁶ Because Mr. Shiller was leaving his employment with UC Davis in December, he contacted Mr. Engelbach and Claudia Morain, the incoming Interim Head of Strategic Communications, on December 17th about the Nevins engagement: “Karl, Claudia: it’s your call on who will be David [Nevins]’s primary point of contact . . . I have started the contract approval process . . . and clarified that the Chancellor desires to move ahead with a six-month engagement now in lieu of a bidding process.”¹⁰⁷ Ms. Morain explained to the investigation team that she had no role in formulating the substance of the contract, but that her role was limited to ensuring that the contract went through the internal approval process.

Two days later, on December 19, 2012, Lori Hubbard, Executive Assistant to Mr. Engelbach, emailed Deborah Fraga-Decker, Associate Director of Contracting Services, regarding the Nevins contract. Ms. Hubbard told Ms. Fraga-Decker that she had just spoken with Mr. Engelbach and that “[h]e wanted me to let you know that the Nevins contract needs to be moved on as quickly as

¹⁰¹ *Id.*

¹⁰² Exhibit 44.

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ Exhibit 45.

¹⁰⁶ Exhibit 46.

¹⁰⁷ See Exhibit 47. The investigation team was unable to review ESI for Mr. Shiller and Ms. Morain, the two primary Strategic Communications contacts for the Nevins engagement. Both Mr. Shiller and Ms. Morain departed the University several years ago, and the University no longer retained files from their accounts.

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possible. They want this done by the end of the year. As Barry Shiller's last day is tomorrow, the contract would be signed by Claudia Morain."¹⁰⁸

On January 23, 2013, Ms. Fraga-Decker emailed Ms. Morain with a revised Nevins proposal and asked her to review it. The updated proposal included the same language as the November 16 draft regarding the elimination of negative search results. The proposal also stated that Nevins would "Advise and support UC Davis' adoption of Google platforms to expedite the eradication of references to the pepper spray incident in search results on Google for the university and the Chancellor."¹⁰⁹

UC Davis representatives signed the final contract with Nevins on January 30, 2013 (the "Nevins Contract"). Ms. Fraga-Decker and Janice King, Director of Material Management, signed the agreement on behalf of the Regents of the University of California. The final contract was similar to the January 23 draft and used the "eliminate" and "eradication" language. The Nevins Contract proposed a six-month engagement and specified a flat fee of \$15,000 per month, for a total not to exceed \$90,000. UC Davis also agreed to reimburse Nevins for travel and other related expenses.

Nevins' work focused primarily on search engine optimization ("SEO"). SEO typically involves creating, publishing, and highlighting positive Internet content in order to elevate it to a prominent position in search engine results, thereby pushing less favorable Internet content to a lower and less visible position. Over the course of its engagement, Nevins submitted a number of reports to UC Davis on the status of its SEO efforts.¹¹⁰ These reports were rudimentary and provided basic information on positive and negative Google search results for UC Davis and Chancellor Katehi. Nevins also provided one SEO training session to UC Davis personnel.

UC Davis personnel were generally unhappy with the work product received from Nevins.¹¹¹ For example, Associate Marketing Director Linda Forbes noted that Nevins' SEO reports contained no strategy or recommendations—both of which UC Davis expected. The Nevins analysis also generally focused on Google search results, even though UC Davis requested additional data from other Internet search engines.¹¹² Former Executive Director of Strategic Communications, Luanne Lawrence, was familiar with Nevins and echoed Ms. Forbes' concerns. Ms. Lawrence raised several concerns regarding Nevins to Mr. Engelbach and Chancellor Katehi, including the fact that: (1) no one at Nevins specialized in the SEO promised to the Chancellor, (2) no one at Nevins could create and push out media content because someone at UC Davis had to do that, and (3) between January and April 2013, no substantive work had been done.

¹⁰⁸ Exhibit 48.

¹⁰⁹ Exhibit 49. The investigation team was unable to determine how this language was added back to the proposal.

¹¹⁰ Exhibits 50 & 51.

¹¹¹ Exhibits 50, 53-58.

¹¹² Exhibit 60.

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In total, UC Davis paid Nevins \$92,970.73 for its services. The last payment occurred on July 1, 2013, and the University did not renew the contract. Payment for the Nevins Contract came out of the budget of Strategic Communications, and funds for the contract fees were paid from the Chancellor's Unrestricted Fund, a sub-deposit within the University of California's Short Term Investment Pool ("STIP").¹¹³

b. Purple Strategies

In spring 2013, Ms. Lawrence, who was then leading Strategic Communications, contacted Purple Strategies, a communications firm headquartered in Virginia, to assist UC Davis with digital strategy, search engine optimization, Wikipedia management, and social media training. Though the Nevins engagement was ongoing, as described above, Ms. Lawrence had raised concerns about the quality of Nevins' work, and she believed UC Davis needed to hire a different social media consultant.

On May 29, 2013, Purple Strategies submitted a "Proposal for Digital Strategy and Execution" to the University. The proposal noted that "UC Davis faces the complex challenge of negative publicity stemming from intense media coverage. The high level of scrutiny following the 2011 pepper spray incident now gives the impression online that a single incident overshadows the long history of UC Davis." Purple Strategies promised to "develop and promote a more positive online reputation for the university and its spokespeople as well as to enhance SEO efforts through the development of new digital platforms." The firm would "develop an online personal narrative structure that promotes authentic, engaging stories through the Chancellor and the Strategic Communications office," develop three new digital platforms for Strategic Communications, and manage Wikipedia. For Wikipedia, Purple Strategies recommended a strategy focused on managing Chancellor Katehi's page, including:

1. Explore options to revise or reduce the "2011 Occupy protest" section, including rewrite effort if community consensus exists to do so;
2. Expand Introduction to provide a more well-rounded view of her career, based on what is included in her entry;
3. Rewrite "Involvement in STEM" section to conform to Wikipedia guidelines, and seek removal of warning tag on section;
4. Rewrite and restructure "Work" section to better convey her career prior to University of Illinois;
5. Restructure article to create nested headings and sub-headings, including effort to move "2011 Occupy protest" down to a sub-heading.

¹¹³ In 1976, the UC established STIP as a cash investment pool available to all UC fund groups. STIP allows fund participants "to maximize returns on their short-term cash balances by taking advantage of economies of scale of investing in a large cash pool." UC Davis invests its surplus cash balances into STIP as demand deposits. The available evidence suggests that some of the cash invested into STIP may include state and tuition funds. Collectively, these funds generate interest that may be used by various groups across the UC campuses. The UC considers funds deposited and invested into STIP and the interest earned from those funds as separate funds. In other words, interest generated from STIP is a totally distinct funding source from its initial capital. Thus, although state and tuition funds were potentially invested in STIP, the resulting interest from those funds are not considered "state funds."

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Notably, the proposal did not include a strategy to manage UC Davis' Wikipedia page; it was exclusively focused on Chancellor Katehi's page.

UC Davis representatives signed the contract with Purple Strategies on July 8, 2013. The available evidence makes clear that Purple Strategies' engagement generally focused on improving Chancellor Katehi's personal narrative and online identity, primarily through her Wikipedia page.¹¹⁴ UC Davis employees generally viewed Purple Strategies' work product as high-quality and professional, but the contract was ultimately not extended.

In total, UC Davis paid Purple Strategies \$44,600 for its three-month engagement. Like Nevins, Purple Strategies' contract fees came from STIP funds through the Chancellor's Unrestricted Fund, and were paid for out of Strategic Communications budget.

c. **ID Media Partners d/b/a IDMLOCO**

In 2014, after the Purple Strategies engagement concluded and at the behest of Chancellor Katehi, Mr. Engelbach contacted IDMLOCO, a Sacramento-based media company, for a potential engagement with UC Davis. There was no prior relationship between the University, Chancellor Katehi, and IDMLOCO. Mr. Engelbach found the firm by asking for media consultant recommendations from his friends working in government relations. Mr. Engelbach set up an initial exploratory phone call with IDMLOCO's two co-founders, Bryan Merica and Matthew Eagan. During the call, Mr. Engelbach explained that UC Davis wanted to improve the frequency of positive Internet search results about the University and Chancellor Katehi. Mr. Engelbach wanted IDMLOCO to work exclusively with Executive Communications rather than Strategic Communications. Indeed, there was an intentional effort by Mr. Engelbach to keep Strategic Communications leadership in the dark concerning the IDMLOCO work, and Chancellor Katehi knew about this effort.

(1) **Search Engine Results Management & Social Media—
the Initial IDMLOCO Contracts**

The first IDMLOCO contract, dated June 23, 2014, was for a period of six months. Unlike the prior contracts with Nevins and Purple Strategies, which were with the Office of Strategic Communications, the parties to the IDMLOCO contract included IDMLOCO and the Regents on behalf of the UC Davis Offices of the Chancellor/Provost. The contract set a flat fee of \$82,500 and directed IDMLOCO to "design and execute a comprehensive search engine results management strategy" for the University. The contract included 12 weeks of research and strategy, *i.e.*, analyzing search engine results for common terms concerning UC Davis and Chancellor Katehi, and 12 weeks of execution and management, *i.e.*, regular consultations with Executive Communications regarding SEO performance and original content related to the University.

When the contract expired, Mr. Engelbach extended IDMLOCO's services in a second contract, entered into on February 9, 2015. IDMLOCO was to assist UC Davis "with the development and implementation of an integrated social media program for executive communications." The

¹¹⁴ See e.g., Exhibits 61-63.

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contract covered one year and included a flat fee of \$8,000 per month, inclusive of travel and reimbursable expenses. IDMLOCO's proposal focused on four key areas of social media for the University: strategy, infrastructure, operations, and solutions.

As explained by Mr. Merica, IDMLOCO's "first contract focused exclusively on online reputation management (what *external* audiences find when searching for or interacting with Chancellor on the web and in social media)," while the second one would "build *internal* processes, policies and tools for the executive communications[]"s digital media operations."¹¹⁵ IDMLOCO provided guidance and advice on, among other things, blog posts for Chancellor Katehi, opinion pieces to be authored by Chancellor Katehi, Chancellor Katehi's Wikipedia page, and Chancellor Katehi's website, lindakatehi.com, which was set up by IDMLOCO.¹¹⁶ IDMLOCO also provided "social listening" reports concerning specific events or requests. For example, IDMLOCO issued listening reports on social media activity and press stories concerning Chancellor Katehi's resignation from the DeVry Board.¹¹⁷ IDMLOCO submitted 27 of these listening reports—16 were focused solely on Chancellor Katehi, seven were focused solely on UC Davis, and four discussed media stories for both the University and Chancellor.¹¹⁸

Mr. Engelbach was the primary contact at UC Davis for the first and second IDMLOCO contracts. Other involved personnel included Artem Trotsyuk, John Replogle, and Gary Delsohn (*i.e.*, the Executive Communications team). Witnesses consistently agreed that IDMLOCO provided high-quality work product and their technical expertise complemented work undertaken by Executive Communications. Although IDMLOCO's initial work focused significantly on Chancellor Katehi's online reputation, Executive Communications employees reported to the investigation team that they viewed this work as synonymous with improving the overall reputation of UC Davis, as Chancellor Katehi stood as the public face of the University.

(2) Assessment of UC Davis' Strategic Communications— Third IDMLOCO Contract

On September 29, 2015, UC Davis entered into a third contract with IDMLOCO. IDMLOCO was to evaluate, plan for, and propose a redesign of Strategic Communications. As part of its work, IDMLOCO interviewed key members of the Davis leadership team, staffers, and campus stakeholders in an effort to better understand concerns within the various communications departments at the University. The engagement spanned three months and the University paid IDMLOCO a flat fee of \$22,500 per month. At the end of its engagement, IDMLOCO delivered a final report with a summary of its research and findings on the reorganization of Strategic

¹¹⁵ Exhibit 64.

¹¹⁶ See *e.g.*, Exhibits 65-70.

¹¹⁷ Exhibits 71, 72, 92 & 93.

¹¹⁸ Exhibits 71, 72, 77-101.

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Communications to Chancellor Katehi and Mr. Engelbach, as well as the Council of Deans & Vice Chancellors.¹¹⁹

(3) IDMLOCO Fees

In total, UC Davis paid IDMLOCO \$270,000 for its work under these three contracts. IDMLOCO's fees came from STIP funds from the Chancellor's Unrestricted Fund. The fees for the IDMLOCO contracts technically came from the budget for the Office of the Provost's Central Campus Accounts. However, according to Senior Associate Vice Chancellor Kelly Ratliff, the funds for the IDMLOCO contracts functionally came from the Strategic Communications budget because the department can draw upon different funding sources for its budget, including monies from the Office of the Provost. In her mind, Ms. Ratliff thought that the fees for the IDMLOCO contracts came from the Strategic Communications budget.

3. Chancellor Katehi's Role in and Knowledge of the Social Media Contracts

a. Nevins

(1) Chancellor Katehi's Focus on Her Personal Reputation

As described above, Chancellor Katehi referred Nevins to UC Davis through her own personal contact, Jan Greenwood. Chancellor Katehi told the investigation team that she informed Ms. Greenwood that the University needed assistance with social media, and that UC Davis needed to do a better job promoting a positive vision of the University. Chancellor Katehi claimed that she did not speak with Ms. Greenwood about pepper spray or her own reputation. Ms. Greenwood could not recall any specific details from her conversations with the Chancellor.

Two former heads of Strategic Communications informed the investigation team that Chancellor Katehi's desire to limit negative information about herself on the Internet, specifically arising from the 2011 pepper spray incident, was a significant driving force behind the Nevins retention. The available evidence suggests that Chancellor Katehi was keenly focused on and concerned about her portrayal on the Internet. For example, as described above, ██████ stated that Chancellor Katehi voiced frequent concerns about her negative Internet search results and her personal Wikipedia page. Moreover, as described below, ██████ recalled Chancellor Katehi speaking with Mr. Nevins during their first in-person meeting about how unfair media coverage followed the Chancellor and the need to improve search results for Chancellor Katehi personally.

A story shared by former ██████ of Communications ██████ further emphasized this point. Shortly after Chancellor Katehi's appointment, allegations were raised that the University of Illinois (where she had previously served as Provost) had improperly admitted children of politically influential figures. Though Chancellor Katehi was on vacation, she contacted ██████ and asked him to edit her Wikipedia page concerning her knowledge of the Illinois admissions scandal. ██████ advised the Chancellor that they should not edit her online

¹¹⁹ Exhibit 102.

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biography because Wikipedia would attribute any edits to UC Davis. [REDACTED] staff made the revisions under protest. Chancellor Katehi, on the other hand, did not recall asking [REDACTED] to remove any references on Wikipedia, but remembered contacting a former colleague in Illinois' communications department to assist with the negative PR.

Nonetheless, no witnesses interviewed by the investigation team believed that the Nevins engagement focused *exclusively* on Chancellor Katehi's personal reputation (separate and apart from her role as Chancellor of UC Davis). Witnesses understood that the Nevins engagement primarily sought to highlight positive references to the University and the Chancellor on the Internet while decreasing the visibility of negative stories.

(2) Chancellor Katehi's Involvement in Contract Negotiations

The investigation uncovered no evidence that Chancellor Katehi was personally involved in the negotiation of the Nevins Contract, nor any evidence that she discussed the contract language regarding the "eradication" of negative web content. Chancellor Katehi maintained in her interview with the investigation team that she never reviewed the Nevins contract. However, as described above, Chancellor Katehi received at least one draft of the Nevins' proposal, which included the "eradication" language, as an attachment to a meeting invitation.¹²⁰ When shown this document during her interview, Chancellor Katehi did not recall reviewing it.

The evidence indicates that Chancellor Katehi knew about the Nevins engagement as the University was finalizing the contract. On December 17, 2012, Mr. Shiller wrote: "I have . . . clarified that the Chancellor desires to move ahead with a six-month engagement now in lieu of a bidding process."¹²¹ After Ms. Morain assumed responsibility for approval of the contract, Mr. Engelbach informed her that the Chancellor was frustrated that the Nevins contract had not been approved, and that she should push the contract through.

(3) Chancellor Katehi's Meetings with Nevins

The evidence indicates that Chancellor Katehi met with David Nevins on multiple occasions, either telephonically or in person. The first meeting was a telephone call between Chancellor Katehi, Mr. Shiller and Mr. Nevins on November 29, 2012 about the scope of the proposed engagement. None of the three participants recalled the substance of the conversation.¹²²

The second meeting occurred in-person at UC Davis on February 28, 2013.¹²³ Chancellor Katehi attended, along with Mr. Nevins, Mr. Engelbach, Ms. Morain, and Mr. Weidmann. Both Chancellor

¹²⁰ Exhibit 45.

¹²¹ Exhibit 47.

¹²² Exhibit 103.

¹²³ Exhibit 104.

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Katehi and Mr. Nevins described the meeting to the investigation team as a high-level “meet-and-greet” meeting. Mr. Nevins thought that Chancellor Katehi did not engage in the details, strategy, or execution of the Nevins work, and that they did not discuss the pepper spray incident. Chancellor Katehi thought the meeting primarily focused on improving UC Davis’ capabilities with respect to social media, and they may have discussed pepper spray. Mr. Engelbach did not recall the substance of the discussion. ████████ recollection of the meeting differed from the other participants. ██████ stated that Chancellor Katehi spoke extensively during the meeting about the unfair media coverage resulting from the pepper spray incident and how it affected her personally. From ████████ perspective, Chancellor Katehi made it very clear in this meeting that Nevins should seek to improve internet search results for Chancellor Katehi personally, and ████████ did not recall Chancellor Katehi discussing efforts to secure positive media coverage for the University. Chancellor Katehi spoke about the unfairness of the pepper spray incident and how difficult it was for the Chancellor personally. It was ████████ view that Chancellor Katehi made it very clear to Mr. Nevins that he was expected to improve the search results for Chancellor Katehi.

The final meeting occurred on April 17, 2013 in Washington D.C.¹²⁴ Chancellor Katehi met Mr. Nevins for a breakfast meeting that Mr. Engelbach also attended. According to Chancellor Katehi, she wanted to hear Nevins’ final recommendations because the Chancellor knew that UC Davis would not renew the Nevins contract given Ms. Lawrence’s dissatisfaction with Nevins’ work product. Mr. Engelbach’s and Mr. Nevins’ description of the meeting was consistent with Chancellor Katehi’s. The documentary evidence indicates that Mr. Nevins spoke with Chancellor Katehi about creating a blog, linking to social media, and hosting Google Hangouts.¹²⁵

b. Purple Strategies

(1) Chancellor Katehi’s Awareness of and Involvement with Purple Strategies

In her interview, Chancellor Katehi claimed to have no recollection of UC Davis’ engagement with Purple Strategies and stated that she had never heard of Purple Strategies prior to April 2016. Despite disclaiming familiarity with Purple Strategies, the evidence indicates that Chancellor Katehi approved Purple Strategies’ initial engagement. On May 30, 2013, Ms. Lawrence wrote Chancellor Katehi with a request for a social media contract for a total sum of \$44,600. Ms. Lawrence did not reference Purple Strategies by name and noted: “I feel confident that this proposal will help us get to where we need to be . . . we have a company now that fully understands how to get us there and has a portfolio that demonstrates how they helped other organizations with this same challenge.”¹²⁶ Chancellor Katehi responded, “I approve your request.” In her interview, Chancellor Katehi did not recall reviewing this email or Ms. Lawrence proposing another consultant.

¹²⁴ See Exhibits 105 & 106. It appears that a previously scheduled meeting between Chancellor Katehi and Mr. Nevins in Davis on May 29, 2013 was ultimately canceled.

¹²⁵ Exhibit 107.

¹²⁶ Exhibit 108.

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Later in 2013, Chancellor Katehi received email updates regarding Purple Strategies' work. For example, on August 2, 2013, Ms. Lawrence forwarded to Chancellor Katehi a draft portion of the Chancellor's Wikipedia page prepared by Purple Strategies. Chancellor Katehi responded, "This is very good."¹²⁷ Several weeks later, on September 11, Ms. Forbes forwarded to Chancellor Katehi a lengthy exchange between Purple Strategies and Strategic Communications about revisions to her Wikipedia page. Ms. Forbes wrote, "Luanne may raise the below item in her update with you tomorrow. It relates to providing third-party sources for statements they would like to include in your wiki posting."¹²⁸ When shown these documents, Chancellor Katehi did not recall reviewing these emails, and asserted that she never provided specific direction for her Wikipedia page.

Finally, Chancellor Katehi participated in one telephonic meeting with Purple Strategies on September 26, 2013. Ms. Lawrence, Ms. Forbes, and Mr. Engelbach also participated.¹²⁹ Stephen Smith and Bradley Engle attended on behalf of Purple Strategies.¹³⁰ Ms. Forbes recalled that the meeting participants provided Chancellor Katehi with an overview of Purple Strategies' work. Chancellor Katehi did not express any concerns other than UC Davis' limited budget and the need for the University to receive value from the contract.

(2) Chancellor Katehi's Focus on Her Personal Reputation

Throughout the 2013-2014 time period, during the pendency of the Purple Strategies engagement, the evidence demonstrated that Chancellor Katehi continued to focus on negative search results. In an email dated February 20, 2014, for instance, Chancellor Katehi wrote to Ms. Lawrence: "I would like to speak with you about google in general. I did a search recently and it seems to be the worse I have seen in a long time. I am afraid we have regressed and I would like to discuss with you change in strategy."¹³¹

Generally speaking, Purple Strategies' work focused primarily on crafting and improving the online narrative related to Chancellor Katehi. [REDACTED] informed the investigation team that Purple Strategies' work for the University "devolved" in that way because Mr. Engelbach and Chancellor Katehi demanded it. As an example, [REDACTED] provided the investigation team with a document showing Purple Strategies providing recommendations for Chancellor Katehi's Twitter presence. In the document, Purple Strategies recommended that UC Davis "1. Write and post a Twitter bio for the @LindaKatehi account, 2. Customize Chancellor Katehi's Twitter page, and 3. Follow additional Twitter users from @LindaKatehi." At least one witness, [REDACTED] a [REDACTED] expressed professional discomfort with the proposed revisions to the Chancellor's Wikipedia page from Purple Strategies because she did not think it was

¹²⁷ Exhibit 109.

¹²⁸ Exhibit 110.

¹²⁹ Exhibit 111.

¹³⁰ *Id.* The investigation team contacted Stephen Smith from Purple Strategies with an interview request, but never received a response.

¹³¹ Exhibit 112.

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appropriate for her to influence how Wikipedia presented content unless it was blatantly false.

Notwithstanding the evidence suggesting that the Purple Strategies engagement focused on Chancellor Katehi's personal reputation, an email from Mr. Engelbach reflected a contrary view. In response to Purple Strategies' initial proposal, Ms. Lawrence asked Mr. Engelbach for "guidance. I know this firm will help us achieve our social media goals. But, we just paid more than \$100,000 between two contracts that produced no results. You can see this contract is taking us into that upper range."¹³² Mr. Engelbach responded, "I would be remiss if I didn't point out that this effort is about our institutional positioning in web searches, and not Chancellor Katehi's personal profile/positioning."¹³³

c. IDMLOCO

As described above, IDMLOCO entered into three separate contracts with the University. The final contract related solely on its evaluation of Strategic Communications. The first two contracts focused on search engine results management and social media strategy. It does not appear that Chancellor Katehi was personally involved in the IDMLOCO contract negotiations.

(1) Chancellor Katehi's Focus on Her Personal Reputation

UC Davis initially retained IDMLOCO in response to concerns raised by Chancellor Katehi about the Strategic Communications group—namely, that the department had failed to minimize negative Internet search results for the Chancellor and UC Davis. Unlike the engagements with Nevins and Purple Strategies, Strategic Communications did not manage IDMLOCO. Instead, Mr. Engelbach and Executive Communications determined the scope and content of this engagement. When asked about this divide, Chancellor Katehi stated that she did not know why Executive Communications managed this relationship. She speculated that her office may have kept Strategic Communications out of the loop due to conflict between

[REDACTED]

Both witnesses stated that Chancellor Katehi knew about this decision.

IDMLOCO reported directly to Executive Communications, and its work focused on improving the Chancellor's reputation. Accordingly, much of its work focused on helping the Chancellor's office regularly publish positive stories about Chancellor Katehi in an effort to improve her Internet search results. For example, IDMLOCO provided editorial advice for op-ed pieces, suggested improvements to her Wikipedia page, created a website for the Chancellor (lindakatehi.com), and disseminated Katehi-specific social listening reports.¹³⁴ Beyond the work focused primarily on the

¹³² Exhibit 113.

¹³³ *Id.*

¹³⁴ See e.g., Exhibits 73-76, 81, 92, & 114-119.

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Chancellor, IDMLOCO also provided strategic advice on communications issues relevant to the broader University, including listening reports on press stories related to UC Davis.¹³⁵

(2) Chancellor Katehi's Meetings with IDMLOCO

Though Chancellor Katehi did not personally manage the IDMLOCO relationship, she received correspondence regarding IDMLOCO's work for the University, *e.g.*, their advice on opinion pieces authored by the Chancellor.¹³⁶ On July 28, 2014, Mr. Engelbach wrote the Chancellor: "We will be implementing the below strategy recommended by [IDMLOCO]. Any comments, concerns, suggestions?" Chancellor Katehi responded: "This is very good. Please go head."¹³⁷ Chancellor Katehi told the investigation team that she did not recall reviewing this email and claimed that Mr. Delsohn and Mr. Trotsyuk had primary responsibility for her op-eds. She contended that she did not realize IDMLOCO had worked on op-eds with her staff.

In addition, Chancellor Katehi met with the IDMLOCO team on at least five occasions:

1. The first meeting occurred on May 13, 2014 in Sacramento. Chancellor Katehi met with Mr. Engelbach and Bryan Merica and Matt Eagan from IDMLOCO.¹³⁸ Neither Chancellor Katehi nor Mr. Eagan could recall any specific details from this meeting. Mr. Merica told the investigation team that Chancellor Katehi said during the meeting that the pepper spray incident was an important part of UC Davis' history and the University was not trying to cover it up, but it needed to move on by focusing on recruiting students and raising money.
2. The second meeting took place nearly a year later, on March 26, 2015. Chancellor Katehi met with Mr. Engelbach and several IDMLOCO employees, including Mr. Merica.¹³⁹ According to the meeting agenda, discussion topics included online reputation strategies, core website enhancements, Wikipedia (progress on expanding Chancellor Katehi's page), social media monitoring, and social media engagement. Chancellor Katehi told the investigation team that she could not remember any details from the meeting. Messrs. Engelbach and Merica also said they could not remember any notable details. However, Mr. Engelbach believed that they covered all of the listed discussion topics.
3. Chancellor Katehi and IDMLOCO met a third time when IDMLOCO interviewed her on November 10, 2015, in connection with its Strategic Communications reorganization

¹³⁵ See *e.g.*, Exhibits 73, 78, 85, 101, 120 & 121.

¹³⁶ Exhibits 65 & 69.

¹³⁷ Exhibit 65.

¹³⁸ Exhibit 122.

¹³⁹ Exhibit 123.

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project.¹⁴⁰ Matt Eagan and Libby Hall from IDMLOCO participated in this interview. When presented with the meeting invitation during her interview, Chancellor Katehi claimed that she might not have attended the interview and she did not recall any details. Mr. Eagan did recall this meeting, however. He stated that the Chancellor appeared very engaged, offered ideas for improvement, and directed IDMLOCO to campus resources. They did not discuss Chancellor Katehi's personal reputation, pepper spray or the earlier SEO work.

4. The fourth meeting occurred on December 15, 2015, when IDMLOCO presented its findings regarding the Strategic Communications reorganization to Chancellor Katehi and Mr. Engelbach.¹⁴¹ The presentation summarized highlights from interviews with UC Davis stakeholders, set out core capabilities and principles of the proposed Strategic Communications reorganization, and presented a recommended organizational chart for the department.¹⁴² Chancellor Katehi remembered this meeting and stated that the documents were consistent with her recollection of IDMLOCO's presentation.
5. A week later, on December 22, IDMLOCO presented its findings to the Council of Deans & Vice Chancellors.¹⁴³ Chancellor Katehi attended this meeting. Unlike the first three meetings, Chancellor Katehi was able to provide significant detail to the investigation team regarding the final presentations by IDMLOCO.

4. Relevant Policies

The UCOP Standards of Ethical Conduct apply to all members of the University of California and aim to establish a commitment to ethical and legal conduct by University members. Two standards appear to apply to Chancellor Katehi's representations to the public and President Napolitano concerning these consultants. First, the "Fair dealing" standard states that all University members are to "conduct themselves ethically, honestly and with integrity in all dealings." Second, the "Individual responsibility and accountability" standard states that University members are expected to exercise "sound judgment and serv[e] the best interests of the institution and the community."

5. Policy Violations and Other Management Concerns

During the course of the investigation, two main substantive questions emerged with respect to the social media contracts. *First*, did Chancellor Katehi accurately represent her knowledge of and involvement in the engagements of these communications consultants? *Second*, did Chancellor Katehi directly or indirectly instruct the consultants to focus on her individual reputation at the expense of the University's communications priorities?

¹⁴⁰ Exhibit 124.

¹⁴¹ Exhibit 102.

¹⁴² *Id.*

¹⁴³ Exhibit 125.

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In sum, the evidence supports a finding that Chancellor Katehi violated the UC's Standards of Ethical Conduct by misrepresenting her involvement with the communications consultants. With respect to the second question, the evidence suggests that Chancellor Katehi was intensely concerned with her own reputation, and was focused on the consultants doing work to improve her reputation. However, because the Chancellor's reputation was so intertwined with that of UC Davis, the work does not appear to amount to a misuse of University resources.

a. Policy Violations

The evidence suggests that Chancellor Katehi violated the UC Standards of Ethical Conduct when characterizing her knowledge of and involvement in the University's engagements with the communications consultants. Those Standards require all UC personnel to conduct themselves honestly in all dealings and to exercise "sound judgment and serv[e] the best interests of the institution and the community." Some of Chancellor Katehi's statements fell short of those standards.

Specifically, the factual record belies Chancellor Katehi's representations to the press and President Napolitano about her involvement with the social media contracts. Chancellor Katehi told the press that she "was not involved" in these contracts and "not aware of these particular contracts." According to President Napolitano, Chancellor Katehi also disavowed her involvement with these contracts in two separate conversations with the President.

However, the evidence shows that Chancellor Katehi was indeed involved in the retention of Nevins, Purple Strategies, and IDMLOCO. The Nevins engagement resulted directly from Chancellor Katehi's own efforts—she contacted a recruiter about retaining a social media consultant, the recruiter recommended Nevins, and Chancellor Katehi directed Mr. Engelbach to follow up. Purple Strategies was hired after Ms. Lawrence specifically asked for, and received, the Chancellor's approval to engage a consultant to replace Nevins. As to IDMLOCO, Chancellor Katehi instructed Mr. Engelbach to find a consultant to work with the Executive Communications team because she was frustrated with the lack of progress on Internet search results. This led to the hiring of IDMLOCO.

Chancellor Katehi was also certainly aware of these contracts, even though she did not personally manage the day-to-day operations. Chancellor Katehi met with each of the consultants either in person or telephonically. Further, Chancellor Katehi received correspondence from the consultants about their work, which often related to her individual social media profile and online presence.

When asked about her representations to the press and President Napolitano, Chancellor Katehi offered a series of rationalizations. First, she stated that she might have misspoken in the interview with the *Chronicle for Higher Education* published on April 21, 2016. Second, she denied that she had disclaimed involvement in the contracts during her discussions with President Napolitano (even though the way President Napolitano described the Chancellor's statements was largely consistent with what the Chancellor said to the press). Third, she insisted that she had only been asked about the Nevins contract and she therefore limited her responses to that contract, even though the initial *Sacramento Bee* article discussed both Nevins and IDMLOCO, and certainly President Napolitano would want to know about the Chancellor's involvement in *any* social media consultant contracts.

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Fourth, Chancellor Katehi stated that she did not recall her involvement in these contracts until after she had a chance to review various documents.¹⁴⁴

Accordingly, based on the available evidence, Chancellor Katehi appears to have violated UC policies requiring that she conduct herself “honestly in all dealings” when she represented to the public and the President that she was not “aware of” or “involved” in the social media and communications contracts.

The evidence indicates that Chancellor Katehi was acutely focused on minimizing negative references to herself online. Multiple witnesses expressed concerns that Chancellor Katehi was inordinately concerned with her individual public image. At times, this fixation gave the appearance that Chancellor Katehi was directing University resources toward communications efforts that would benefit herself as much as the University. Nonetheless, her actions in this regard do not appear to have amounted to policy violations or misuse of public funds. None of the available evidence suggests that Chancellor Katehi retained the communications consultants solely for her own benefit, and it would be an artificial distinction to try to separate Chancellor Katehi’s and UC Davis’ overlapping and complementary public communications priorities. Work done to improve the Chancellor’s online reputation would certainly benefit UC Davis as well.

Finally, Chancellor Katehi’s other representations concerning these contracts were largely accurate. Her statements about the funding sources for the social media contracts were accurate. Payments under the communications contracts came from SIF interest funds, none of which included state General Fund appropriations or student tuition or fees. Likewise, consistent with Chancellor Katehi’s representations, and notwithstanding the language in the Nevins contract, the evidence indicates that the consultants did not aim to “erase” or “rewrite” history. Instead, despite the “eradication” language, the contracts generally aimed to improve the reputation of the University and the Chancellor by producing positive content, thereby decreasing the visibility of negative content on the Internet.¹⁴⁵

C. Student Fee Revenues

¹⁴⁴ It became evident during the interview of Chancellor Katehi that she had reviewed calendar entries, emails, and other documentary evidence before participating in the interview. Chancellor Katehi had possession of her University-issued laptop and other electronic devices throughout the time leading to the interview.

¹⁴⁵ Recent media articles have highlighted UC Davis’ efforts to develop a Digital Acceleration Project. Chancellor Katehi learned about the Nestlé Digital Acceleration Center while touring the company’s headquarters in Switzerland in June 2015. *See* Exhibit 126. Upon her return from Switzerland, Chancellor Katehi created a working group to develop UC Davis’ own Digital Acceleration Project. Exhibit 127. Since the suspension of Chancellor Katehi, UC Davis’ Digital Acceleration Project is on hold. *Id.*

UC policies distinguish between independent contractors and independent consultants, and generally impose more formal bidding and justification requirements for independent consultants. There was inconsistency in the way that UC Davis executed these policies. Though their services were similar, UC Davis classified the Nevins and final IDMLOCO contract as independent consultants, and the other two IDMLOCO contracts and the Purple Strategies agreement as independent contractor agreements. Kelly Gilmore, the current Lead for the UC Davis Business Agreements Team, stated that none of these companies should have been “independent consultants” under UC policy. She also explained that the University has since instituted more formal requirements for the contracting process.

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The May 10 Charge Letter directed the investigation team to look into concerns that “certain fee revenues were misused by the campus specifically by being directed to unapproved instructional purposes.” In a June 2, 2016 phone call, ECAS advised that, with respect to this issue, the investigation team should limit its inquiry to one specific allegation in a November 6, 2015 whistleblower complaint regarding the alleged improper diversion of student fees to pay for Physical Education (“PE”) instruction.

The evidence reveals that for fiscal years 2010-11 and 2011-12, funds from Student Activities and Services Initiative (“SASI”) revenues were used to pay for PE instruction. This budgeting allocation appears to have been inadvertent. Although not clearly improper, UC Davis’ budgeting office subsequently determined, on advice of counsel, that using SASI funds for PE instruction did not optimally align with SASI’s intent. Chancellor Katehi did not appear to have any involvement in this line-level budgetary decision.

Thereafter, the practice was terminated, and PE instructional expenses were charged to revenues generated by Intercollegiate Athletics (“ICA”). To balance this reassignment, the same amount of noninstructional ICA expenses was charged to SASI funds. The change was not applied retroactively because it was revenue and expense neutral—*i.e.*, it had no net impact on the overall SASI and ICA fund sources. Finance staff also put into place a mechanism to review future SASI allocations to ensure the optimal use of SASI funds.

1. November 6, 2015 Whistleblower Complaint

In a whistleblower complaint dated November 6, 2015, UC Davis alumnus Paul Medved alleged that the University allocated funds from SASI revenues to pay for PE instruction expenses beginning in July 2010. The complaint alleged that this allocation violated the SASI or was inconsistent with its intent. The complaint further alleged that the allocation of SASI funds to PE expenses resulted in the elimination of several sports from the Intercollegiate Athletics (“ICA”) program.

The November 6, 2015 whistleblower complaint contained several additional allegations relating to the use of student fee revenues. These additional allegations are outside the scope of this investigation, as the ECAS has instructed the investigation team to limit its inquiry to the use of SASI revenues for PE instruction.

2. Factual and Policy Background

a. ICA and PE

Athletics at UC Davis encompass multiple programs housed within several different administrative units.¹⁴⁶ At the relevant time, the ICA department was an administrative unit reporting to the Vice Chancellor for Student Affairs.¹⁴⁷ The PE Program is an academic unit in the Division of Social

¹⁴⁶ An Academic Senate Special Committee has noted that these programs and units often are identified imprecisely.

¹⁴⁷ ICA began reporting directly to the Chancellor’s office in 2012-13. Prior to that period, ICA reported to the Vice Chancellor Student Affairs.

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Sciences of the College of Letters and Science. It is a nondegree student program, and ICA coaches also teach PE classes under UC Davis' teacher-coach model.¹⁴⁸

b. The SASI Authorizes Fees to Fund Certain Student Programs

In May 1994, UC Davis students voted to approve the SASI, which authorizes an additional student fee and provides that the revenues are to be allocated to particular student services programs.¹⁴⁹ The SASI specifies a formula for the allocation of these funds.

The UC Davis Policy and Procedure Manual, Chapter 280, Section 15, provides that compulsory campus-based student fees like SASI may be used to fund (1) student-related services and programs, (2) construction and renovation of student buildings and facilities, or (3) authorized student governments, registered student organizations, or related programs, events, or activities.

c. February 2011 Investigative Report on the Elimination of Four Intercollegiate Sports

In April 2010, UC Davis announced its decision to discontinue four intercollegiate sports teams. In September 2010, the Office of the President retained an outside law firm, the Van Demyden Allison Law Corporation, to conduct an impartial investigation into this decision. The investigation resulted in a report dated February 25, 2011, which concluded that the decision to eliminate the four sports programs did not violate University policy or constitute improper governmental activity. The report detailed the decision-making process that resulted in the elimination of the four sports teams, but it did not directly address the budgeting issue identified in Mr. Medved's November 6, 2015 whistleblower complaint.

3. PE Instructional Expenses Were Allocated to SASI Funds During Two Fiscal Years, But This Practice Has Been Discontinued

a. SASI Funds Were Allocated to PE Instructional Expenses in 2010-11 and 2011-12

During fiscal years 2010-11 and 2011-12, the University charged certain PE instructional expenses to SASI funds.¹⁵⁰ Chancellor Katehi was not involved in this line-level budgetary decision. The Academic Senate Special Committee on Athletics noted this budgeting practice in an amended report dated April 17, 2012. While the Special Committee concluded that the history of UC Davis athletic funding "can support an argument for using either campus general funds or student fees"

¹⁴⁸ As a result, the PE program has been characterized at times as a student services component of ICA.

¹⁴⁹ The SASI provides for the allocation of its resulting fee revenue to the following programs: "Intercollegiate Athletics," "Intramural and Club Sports," and "Recreation Programs (Rec Pool, Craft Center, Outdoor Adventures, MU Information Desk)."

¹⁵⁰ UC Davis fiscal years run from July 1 to June 30. The PE instructional expenses charged to SASI funds totaled approximately \$1.5 million for 2010-11 and \$1.3 million for 2011-12.

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for PE instruction, it recommended that the University allocate PE instruction expenses to campus general funds rather than student fees.

b. **Finance & Resource Management Reassigned the Physical Education Expenses in 2012-13**

During fiscal year 2012-13, the Finance & Resource Management division concluded, upon advice of counsel, that funding PE instruction was not an optimal use of SASI funds and reassigned the PE instructional expenses to a different fund source. Specifically, in June 2013, the Finance & Resource Management division reassigned \$1.6 million in PE instructional expenses for fiscal year 2012-13 from SASI funds to ICA-generated revenues.¹⁵¹ To balance this reassignment, \$1.6 million of noninstructional ICA expenses were charged to SASI funds. This change was reflected in the 2012-13 budget.

Because this reassignment was revenue and expense neutral, the Finance & Resource Management division deemed it immaterial and did not reopen the 2010-11 and 2011-12 fiscal years to apply the change retroactively. For this same reason, the evidence indicates that this temporary budgeting practice did not cause the elimination of intercollegiate sports since it had no effect on overall ICA revenues or expenses.

c. **Disclosure and Documentation of the Expense Reassignment**

On October 23, 2014, Senior Associate Vice Chancellor Kelly Ratliff sent a memorandum to Associate Vice Chancellor Mike Allred memorializing the reassignment of PE instruction costs from SASI funds to ICA-generated funds. This memorandum concluded that the issue was “technical in nature, given that revenue and expenses are neutral to Intercollegiate Athletics (ICA) and the respective fund sources.” The memorandum also noted that, going forward, the Budget & Institutional Analysis (BIA) office would review SASI fund expenses to ensure that they align with the office’s determination about the optimal use of SASI funds.

In a letter to Mr. Medved dated November 19, 2014, Provost and Executive Vice Chancellor Ralph Hexter summarized the findings detailed in Senior Associate Vice Chancellor Ratliff’s October 23, 2014 memorandum. In this letter, he explained that PE instructional expenses were charged to SASI funds in 2010-11 and 2011-12, but that this “was discontinued in 2012-13 because it did not align with University best practices.”

4. **Policy Violations and Other Management Concerns**

The SASI provides for the allocation of its resulting fee revenues to particular programs, including “Intercollegiate Athletics” and “Recreation Program.” While the use of SASI fees for PE instruction was arguably inconsistent with the SASI text, the evidence indicates that any such inconsistency was inadvertent, had no substantive budgetary impact, was remedied shortly after being recognized, and resulted in a new control mechanism to help ensure the optimal allocation of SASI funds in the future. In addition, it appears that the Finance & Resource Management division

¹⁵¹ The ICA-generated fund source is designated as “fund 64400.”

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made this technical budgetary allocation at a relatively low administrative level that would not merit the Chancellor's oversight. Furthermore, in light of evidence establishing that the allocation was revenue and expense neutral, the allocation did not involve economic waste, gross misconduct, incompetency, or inefficiency. In any event, it does not appear that Chancellor Katehi was involved in these decisions. Accordingly, the evidence gathered indicates no other management concerns related to the use of student fees.

D. Reimbursement of Costs Related to Chancellor Katehi's Travel

The May 10 Charge Letter instructed the investigation team to consider "[w]hether Chancellor Katehi violated University policies related to travel reimbursement in connection with her board service with John Wiley & Sons, and her trips to Greece."

The evidence does not reveal any intentional misconduct with respect to Chancellor Katehi's travel reimbursements in these two categories, or any evidence that UC Davis ultimately paid other than legitimate business travel expenses with respect to the Chancellor.

However, the evidence gathered reveals policy violations with respect to two types of reimbursements. First, when Chancellor Katehi took trips that combined University business with outside professional activities, she and her staff often submitted duplicative reimbursement claims to both UC Davis and the outside organization, then repaid UC Davis with the funds she ultimately received from the outside organization. Since the outside organizations were apparently slow in providing reimbursement, it appears that this was done, in part, so Chancellor Katehi could make her credit card payments without having to advance her own funds—UC Davis would, in essence, advance these funds. This practice violated certain provisions of UC Policy G-28: "Travel Regulations" ("Policy G-28").

Second, when Chancellor Katehi made trips that included business and personal time, the evidence suggests that her staff did not strictly comply with provisions of Policy G-28 pertaining to the allocation of travel expenses between University and personal purposes. While Chancellor Katehi's staff did allocate expenses so that UC Davis only bore part of the expense of her multipurpose trips, it is not clear from the evidence that they used a consistent allocation methodology or strictly adhered to Policy G-28's guidelines.

The evidence did not suggest that Chancellor Katehi profited personally from these policy violations, or that UC Davis suffered any financial loss as a result.

1. Relevant Policies

Five UC policies regulate the Chancellor's travel reimbursements. The most important of these is Policy G-28, which provides a comprehensive framework of travel expense reimbursement rules and procedures. Four other policies provide additional guidance.

Meanwhile, the Chancellor's travel reimbursements are subject to several types of accounting controls. These include a computerized expense reporting system, substantiation requirements, four levels of approval and review, and regular internal audits.

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a. UC Policy G-28: "Travel Regulations"

Policy G-28 is a detailed 55-page document that spells out system-wide travel reimbursement rules. The policy, which closely tracks corresponding Internal Revenue Service ("IRS") rules, includes provisions relating to reimbursement processes, business versus personal travel, travel for non-University entities, allowable expenses, and allocation of expenses on multipurpose trips.

(1) Reimbursement Standards

Section III.D., "Reimbursement Standards," provides in part:

It is the policy of the University that all official travel shall be properly authorized, reported, and reimbursed in accordance with this Bulletin. Under no circumstances shall expenses for personal travel be charged to, or be temporarily funded by, the University, unless otherwise noted in this Bulletin. When a University employee travels under the sponsorship of a non-University entity, travel expenses, including advances, prepayments, or billings, shall not be charged to a University account or billed to the University; airline tickets must be obtained from the sponsor.

This section further provides:

University employees traveling on official business shall observe normally accepted standards of propriety in the type and manner of expenses they incur. *In addition, it is the traveler's responsibility to report his or her actual travel expenses in a responsible and ethical manner, in accordance with the regulations set forth in this Bulletin.*

(2) Use of Corporate Credit Cards

Section V.B.2., "Corporate Travel Cards," provides in part:

Any traveler issued [a corporate travel] card should use the card to pay for all expenses related to official University business travel, including lodging and subsistence, except where the card is not accepted. The cardholder will be billed directly for all expenses charged to the corporate card. The cardholder is personally responsible for paying all charges on the corporate card and for keeping the card current.

(3) Rules for Complex Itineraries

Policy G-28's Section V.D., "Transportation Expenses," includes rules for two types of complex travel itineraries: (1) where travel is indirect or interrupted for reasons other than University business, and (2) where travel is extended to save costs.

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Section V.D.1.f., “Indirect or Interrupted Itineraries” provides:

Obtaining advance approval is suggested when a traveler takes an indirect route or interrupts travel by a direct route, for other than University business. Any resulting additional expenses shall be borne by the traveler. The reimbursement of expenses shall be limited to the actual costs incurred or the charges that would have been incurred via a usually traveled route, whichever is less. The cost comparison should be based on what UC would have paid, which can be obtained by a Connexus-related travel agency prior to or at the time of booking the trip. Any resulting excess travel time will not be considered work time, and will be charged to the appropriate type of leave. The employee shall be responsible for accurate reporting of such leave time.

Section V.D.1.g. “Travel Extended to Save Costs,” provides in part:

Additional expenses associated with travel extended to save costs, e.g., Saturday night stay for domestic travel, may be reimbursed when the cost of airfare would be less than the cost of airfare had the traveler not extended the trip (provided the expenses were incurred in compliance with this Bulletin). Such expenses, which include lodging, car rental, and [meal and incidental expenses] incurred within the vicinity of the business destination, shall not exceed the amount the University would have paid had the traveler not extended the trip.

Section V.E., “Subsistence Expenses,” lays out detailed rules for the reimbursement of lodging, meals, and incidental expenses. These rules closely track corresponding IRS rules, and include a special allocation rule for foreign travel expenses incurred on trips that include both business and personal days. Section VII, “Frequently Asked Questions,” includes further direction regarding the determination as to whether a trip is primarily personal, as well as exceptions to the special allocation rule for dual-purpose international travel.

b. **UC Davis Policy & Procedure Manual, Chapter 300, Section 10: “General Travel Policy”**

The UC Davis Policy and Procedure Manual includes a brief section (“Section 300-10”) that implements and augments system-wide Policy G-28. This section has two primary substantive components. First, it delineates the roles and responsibilities of the various individuals involved in preparing, verifying, and approving expense reimbursements. Second, it provides further rules for exceptions to general expense limitations.

c. **Other Relevant Policies**

The UC policy governing the expenses of Chancellors “recognizes the unique role of the President and the Chancellors in representing the University” and acknowledges that these officers are called

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upon to entertain important guests in conjunction with alumni and development activities and other official functions.¹⁵² This policy also requires establishment of a specific general ledger account for the Chancellor's travel expenses.¹⁵³

The UC policy on outside professional activities requires senior leaders to use personal time to engage in compensated board service; however, the policy does not include an equivalent requirement for uncompensated board service.¹⁵⁴

The UC accounting manual chapter on administrative fund payments summarizes travel reimbursement substantiation requirements.¹⁵⁵ This includes: (1) the amount of each expenditure, (2) the departure and return dates for each trip, (3) the "number of days attributable to business activities" during each trip, and (4) the "[b]usiness reason for travel or nature of business benefit derived or expected to be derived."

2. Reimbursement Procedures & Controls

a. MyTravel Expense Reporting System

Section V.I of Policy G-28 details reimbursement reporting procedures. UC Davis uses an online system called MyTravel (also called "Concur") to track reimbursement requests and approvals. The reporting process typically begins when travel expenses are charged to Chancellor Katehi's corporate travel card. Each of those charges is reflected in the MyTravel system. An Office of Chancellor and Provost ("OCP") staff member then associates these charges with an electronic expense claim in the MyTravel system. This system prompts the user to enter the required information, as well as explanations for any policy exceptions.¹⁵⁶ The system permits the user to designate specific expenses as personal; however, it does not appear to require the user to specify the number of business and personal days on a given trip, nor does it require the entry of a trip agenda. Scanned images of receipts and other supporting documentation are attached to the electronic expense claim via facsimile transmission.

¹⁵² University of California Policy BFB-G-45: "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors" (Policy BFB-G-45), Section III.A., provides in part: "The Regents of the University of California recognizes the unique role of the President and the Chancellors in representing the University. In performance of this role, the Officers are called upon to extend official hospitality to important visitors, and to entertain guests of the University in conjunction with alumni and development activities, campus events, and other official functions."

¹⁵³ Policy BFB-G-45, Section III.F.

¹⁵⁴ University of California – Regents Policy 7707: "Senior Management Group Outside Professional Activities" ("Policy 7707"), Section III.B.3.a.ii., provides: "An SMG member will be required to use his/her personal time to engage in compensated Outside Professional Activities, by either performing such activities outside his/her usual work hours or debiting accrued vacation time consistent with applicable leave policy."

¹⁵⁵ Accounting Manual A-253-27, "Administrative Fund Payments," Exhibit IV.

¹⁵⁶ For example, business-class air travel is a permissible exception if the traveler will have inadequate time for rest upon arrival at the destination.

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b. Certification, Reviews, and Approvals

Policy G-28 requires Chancellor Katehi to personally certify each expense claim when it is submitted.¹⁵⁷ Each expense claim then goes through four levels of review and approval: (1) “Account Manager Review,” (2) “Executive Management Routing,” (3) “Department Review,” and (4) “AP Review.”

Policy G-28 provides that the office of Associate Vice Chancellor Mike Allred (Finance/Controller) is responsible for approving the travel expenses of Chancellor Katehi and her husband Professor Spyros Tseregounis.¹⁵⁸ Associate Vice Chancellor Allred oversees a seven-employee travel and entertainment team that directly reports to Accounts Payable and Travel Accounting Division Manager Michael Kuhner. Each expense claim is reviewed by a member of this team before receiving Associate Vice Chancellor Allred’s approval,¹⁵⁹ which is recorded in the MyTravel system as “Department Review.” The Controller’s office does not verify the business purpose for travel expense claims; the reimbursement controls rely on OCP staff’s MyTravel entries and the Chancellor’s attestation that the travel was for a UC Davis business purpose.

c. Internal Audits of the Chancellor’s Expenses

UC Davis’ internal audit department, Audit and Management Advisory Services (“AMAS”), conducts biannual audits of the Chancellor’s travel and other expenses pursuant to Policy BFB-G-45.¹⁶⁰ Each biannual audit covers the preceding fiscal year; the intervening fiscal years are not audited. These audits begin with a review of general ledger transactions. If appropriate, the auditor then selects a sampling of trips and reviews the underlying documentation and substantiation from the MyTravel system. Audits also may include requests for additional documentation and interviews with staff in the OCP.

The audits relate to two annual reports compiled by OCP pursuant to Policy BFB-G-45. These reports are titled the “Annual Report of Fiscal Year Expenses of the President/Chancellor” and the “Annual Report of Taxable Expenses of the President/Chancellor.” The audits’ purpose is to determine if the two annual reports are accurate, complete, and prepared in compliance with applicable policies.

¹⁵⁷ Policy G-28, Section V.I.2.c., “Certification of Travel Expenses,” provides in part: “The traveler must either sign or provide an electronic equivalent on the travel expense claim certifying that the amounts claimed are a true statement of the expenses incurred on official University business and that the original of all required receipts has been submitted, whether scanned or faxed.”

¹⁵⁸ Policy G-28, Section IV., “Compliance/Responsibilities” provides in part that the “Campus Controller’s Office” has responsibility to “[a]pprove the travel expenses, including exceptions, for each campus Chancellor, including a spouse or domestic partner, or an Associate of the Chancellor.”

¹⁵⁹ Senior Associate Vice Chancellor Kelly Ratliff approves the Chancellor’s travel expense reimbursement requests when Associate Vice Chancellor Allred is unavailable.

¹⁶⁰ In fiscal year 2010-11 and earlier years, the audits were conducted every year.

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3. Factual Findings

Reimbursement records, calendar entries, and electronic correspondence indicate that Chancellor Katehi, during her tenure as Chancellor, made 29 trips that either related to her John Wiley & Sons board service or included time in Greece. The majority of Chancellor Katehi's trips involved complex itineraries with multiple destinations. These trips often included multiple business purposes, or they combined University business with outside professional activities and personal time. Chancellor Katehi's assistant explained that this was due to the Chancellor's numerous obligations and her desire to maximize the value of her time away from campus by combining multiple purposes into a single trip.

a. Travel Related to John Wiley & Sons Board Service

Chancellor Katehi took 13 trips between September 2011 and March 2014 that included activities related to her service on the John Wiley & Sons board of directors. She sought reimbursement from UC Davis for at least some portion of the travel expenses incurred on six of these 13 trips.

With one exception (discussed below), the evidence indicates that all of Chancellor Katehi's reimbursed trips included a University business purpose¹⁶¹ and that UC Davis did not reimburse her for any trips taken solely for John Wiley & Sons.

The following chart summarizes Chancellor Katehi's trips related to John Wiley & Sons:

No. ¹⁶²	Dates	Destinations	Business Purpose ¹⁶³	Report ID ¹⁶⁴
1	9/14/2011-9/15/2011	Hoboken, NJ	Attendance at the board meeting for John Wiley & Sons, Inc. Chancellor Katehi has newly joined the Board of directors for Wiley & Sons and her membership was announced during this meeting.	345071
2	3/12/2012-3/15/2012	Washington, DC; Hoboken, NJ	Meetings to develop positive ongoing relationships with various federal and national agencies leading to increased visibility and funding for UC Davis.	440159; 447693

¹⁶¹ Policy G-28 defines "Business Purpose" to "include activities that contribute to any one of the University's major functions of teaching, research, patient care, or public service, or to any other substantial and bona fide University business activity."

¹⁶² These trip numbers are for identification purposes in this report.

¹⁶³ "Business Purpose(s)" are the stated business purposes as entered verbatim into the MyTravel system.

¹⁶⁴ "Report ID" is the identifying key number for each reimbursement report in the MyTravel system. Some trips resulted in multiple reports for two main reasons: (1) the trip included multiple purposes, and the staff member created multiple reports to separate the expenses; and/or (2) there was an initial report for advance payments, followed by a post-trip report for reimbursement of the remaining expenses.

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No. ¹⁶²	Dates	Destinations	Business Purpose ¹⁶³	Report ID ¹⁶⁴
3	6/19/2012-6/21/2012	Hoboken, NJ	N/A ¹⁶⁵	N/A
4	9/18/2012-9/20/2012	Hoboken, NJ	N/A	N/A
5	10/30/2012-11/1/2012	San Francisco, CA	N/A	N/A
6	12/11/2012-12/13/2012	Hoboken, NJ; New York, NY	To cultivate and steward potential donors who are interested in supporting UC Davis. Discuss the important role donors play in giving, advocacy, and opening doors to others to encourage support of the University.	558908; 558915
7	3/13/2013-3/14/2013	Hoboken, NJ	N/A	N/A
8	6/18/2013-6/22/2013	Austin, TX; Hoboken, NJ	(1) To attend the U.S. News STEM Solutions Summit as a panelist discussing, "Bringing & Keeping Women in the Fold on Campus." (2) Research meeting with colleagues to discuss the use of a software EMCube to the solution of electromagnetic problems and more specifically in phased array applications.	607756; 607762
9	9/17/2013-9/23/2013	Los Angeles, CA; Hoboken, NJ; New York, NY; Detroit, MI; Washington, DC	(1) To participate, as an invited committee member, on the National Academy of Engineering: Making Value for America Study Foundational Committee on Best Practices. The committee will review evidence and subsequently prepare a foundational report that identifies the factors at play in "making value" with a sustainable business model. (2) To participate, as a Plenary panelist, during the Education and Technological Innovation discussion at the U.S.-Saudi Business Opportunities Forum. The panel discussion on education in Saudi Arabia will focus on government initiatives, the development of a K-12 curriculum, the incorporation of new technology into the classroom, and business	634048; 634060; 634071; 634082

¹⁶⁵ "N/A" indicates that Chancellor Katehi did not seek reimbursement for any portion of the trip; hence, there is no associated record in the MyTravel system.

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No. ¹⁶²	Dates	Destinations	Business Purpose ¹⁶³	Report ID ¹⁶⁴
			opportunities in the public and private sectors to accommodate the growing Saudi youth population. (3) To participate in the TIME Summit on Higher Education to discuss the current state of higher education and the critical challenges it faces, including cost, access and success, globalization, and the impact of technology. (4) Research meeting with colleagues to discuss the development of software to design antennas and circuits.	
10	10/28/2013-10/30/2013	Chicago, IL	N/A	N/A
11	12/17/2013-12/19/2013	Hoboken, NJ	N/A	N/A
12	3/11/2014-3/13/2014	Hoboken, NJ	N/A	N/A
13	6/17/2014-6/20/2014	Hoboken, NJ	N/A	N/A

The evidence indicates that Trip 1, in September 2011, did not include any University-related business and that its sole purpose was a John Wiley & Sons board meeting. Witnesses acknowledged that Chancellor Katehi incorrectly submitted her expenses from this trip to UC Davis for reimbursement. However, Chancellor Katehi subsequently recognized that this was improper and, after receiving reimbursement from John Wiley & Sons, repaid UC Davis in early 2012 for these expenses. She did not seek reimbursement for any future trips taken solely for John Wiley & Sons. Specifically, the evidence shows that Chancellor Katehi took eight subsequent trips (Trips 3, 4, 5, 7, 10, 11, 12, and 13) for the benefit of John Wiley & Sons alone, but she did not seek reimbursement from UC Davis for any of these trips.¹⁶⁶

Chancellor Katehi's repayment to UC Davis for Trip 1 appears to have been processed through Accounts Receivable, rather than through travel personnel. The payment is not reflected in MyTravel records, and it is unclear if the system can capture such information.

b. Travel to Greece

¹⁶⁶ See, e.g., Exhibit 157 (Trip 3 travel and itinerary information), Exhibit 158 (Trip 4 calendar entry), Exhibit 159 (Trip 5 calendar entry), Exhibit 160 (Trip 7 email correspondence), Exhibit 150 (Trip 10 email correspondence), Exhibit 151 (Trip 11 email correspondence), Exhibit 149 (Trip 12 calendar entry), & Exhibit 38 (Trip 13 calendar entry).

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Chancellor Katehi took 16 trips between January 2010 and December 2015 that included time in Greece. She sought reimbursement for at least some portion of her travel expenses in connection with 11 of these 16 trips. For the remaining five trips, Chancellor Katehi's staff did not enter the travel data into MyTravel because the trips did not involve official business for UC Davis.

The evidence indicates that all 11 partially or fully reimbursed trips included a University business purpose. At least six of Chancellor Katehi's trips to Greece involved meetings with potential or existing donors to the University. Witnesses explained that the University reimbursed donor-related expenses for the Chancellor's trips because cultivating relationships with UC Davis donors was a critical part of the Chancellor's roles and responsibilities. These business purposes were stated in Chancellor Katehi's expense claims in the MyTravel system and are substantiated by calendar entries and email correspondence.

The evidence also shows that Chancellor Katehi received partial reimbursement for several trips that appear to have included a substantial number of personal days.¹⁶⁷ For example: Trip 22 (as identified in the below chart) included four days in Greece with no business meetings apparent on Chancellor Katehi's calendar; Trip 24 included five days in Greece with no apparent meetings; Trip 27 included five days in Greece with no apparent meetings; and Trip 29 included five days in Greece with only one apparent meeting. The evidence did not indicate that Chancellor Katehi sought or obtained reimbursement from UC Davis for expenses related to those personal days.

The following chart summarizes Chancellor Katehi's trips to Greece:

No.	Trip Dates	Destinations	Business Purpose	Report ID
14	1/9/2010-1/18/2010	Davos; Athens; Cyprus	Attend and speak at the World Universities Forum and Cyprus Research and Education Foundation.	187438
15	3/13/2010-3/21/2010	UAE; Athens	To discuss collaborations "be[t]ween" UC Davis and Greece's top Universities with Greece's Deputy Minister John Panaretos.	204466
16	6/15/2010-6/23/2010	Copenhagen; Athens	To attend the Danish Joint Committee meeting as the keynote speaker. Also to attend a meeting with the Greek Deputy Minister of Education, John Panaretos, and visit the American College of Greece.	219735; 223658
17	7/21/2010-8/1/2010	Cyprus; Athens; other locations in Greece	To attend the Cyprus Research and Educational Foundation Board of Trustees Meeting, meetings with alumni and donors, and attendance at an alumni event held at the American College of Greece.	226844; 234184
18	12/14/2010-	Athens	N/A	N/A

¹⁶⁷ UC Davis did not reimburse Chancellor Katehi for any hotel stays for any of these trips.

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No.	Trip Dates	Destinations	Business Purpose	Report ID
	12/22/2010			
19	6/22/2011-6/26/2011	Zurich; Athens	N/A	N/A
20	12/21/2011-1/4/2012	Athens	N/A	N/A
21	8/11/2012-8/31/2012	Athens	N/A	N/A
22	1/23/2013-1/31/2013	New York, NY; Cyprus; Greece; San Jose, CA	(1) Attendance at the Cyprus Research and Educational Foundation (CREF) Board of Trustees annual meeting. Traveler is a member of the Board of Trustees. (2) To serve as the Chair of the "Pathways to Urban Sustainability: Challenges and Opportunities" Conference in New York on January 24, 2013. (3) Invited to speak at the Joint CAAA/UCDF (Cal Aggie Alumni Association/ UC Davis Foundation) Board Meeting and the CAAA Awards Gala.	538339; 551423; 568118; 568946; 568959
23	7/6/2013-7/15/2013	Switzerland; Cyprus; Athens	(1) To cultivate the donor relationship with a major donor for future potential gifts and cultivation through interaction with prospective donors. (2) Attendance at the Cyprus Research and Educational Foundation (CREF) Board of Trustees meeting. Traveler is a member of the Board of Trustees.	588471; 604125; 614708; 615977
24	3/20/2014-3/30/2014	Athens; Dubai; Beirut	Meet with potential donors, university leaders, and government officials in order to further relationships with international donors and collaborations in the region.	662992; 688488; 723160
25	6/23/2014-7/3/2014	Athens	Participation as a commencement speaker and recipient of an award on behalf of the university during the American College of Greece Commencement ceremony.	692538
26	8/7/2014-8/31/2014	Utrecht; Athens	To meet with potential donors with regards to furthering international donors and collaborations in the region.	713289; 725220

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No.	Trip Dates	Destinations	Business Purpose	Report ID
27	1/28/2015-2/5/2015	Cyprus; Athens	Attendance at the Cyprus Research and Educational Foundation (CREF) Board of Trustees annual meeting. Traveler is a member of the Board of Trustees.	755918; 761465; 781139
28	5/16/2015-6/2/2015	Athens; donor cruise	N/A	N/A
29	12/2/2015-12/9/2015	Athens; Switzerland	To meet with potential donors, university leaders, and government officials with regards to furthering international donors and collaborations in the region.	892136; 915204

Chancellor Katehi is a member of the board of the Cyprus Research and Educational Foundation ("CREF") and travels regularly to Cyprus, almost always through Greece, to attend board meetings and other functions. CREF agreed to pay for at least part of Chancellor Katehi's travel for several of these trips.

c. Double-Reimbursement by UC Davis and Outside Organizations

For travel sponsored by outside organizations, the evidence shows that Chancellor Katehi and her staff engaged in a somewhat complicated travel reimbursement practice in which they would obtain reimbursement from both UC Davis and the outside organization, then route the outside organization's payment to UC Davis. This double-reimbursement practice appears to have worked as follows: (1) OCP staff booked travel using Chancellor Katehi's UC Davis corporate travel card; (2) OCP staff requested reimbursement from both UC Davis and the outside organization for the same expenses; (3) UC Davis reimbursed Chancellor Katehi; (4) Chancellor Katehi paid the corporate credit card bill; (5) the outside organization also reimbursed Chancellor Katehi for some or all of the same expenses; then (6) Chancellor Katehi or her husband, Professor Tseregounis reimbursed UC Davis using the payment received from the outside organization.¹⁶⁸

Alternately, in some instances, OCP staff requested reimbursement from both UC Davis and the outside organization, then had the outside organization directly reimburse UC Davis by bank wire.¹⁶⁹

Under this practice, Chancellor Katehi's or the outside organization's payments to UC Davis were not reflected in the MyTravel system; instead, they were processed through Accounts Receivable and recorded to the general ledger. As such, the payments were not visible in the ordinary course of the travel reimbursement process.

d. Audits of Chancellor Katehi's Travel Expenses

¹⁶⁸ Exhibits 128 & 129.

¹⁶⁹ See e.g., Exhibits 130-32.

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AMAS has conducted four internal audits of Chancellor Katehi's travel expenses. These audits covered the following time periods: July 2009 – October 2010, July 2010 – June 2011, July 2012 – October 2013, and July 2014 – October 2015. In all, these audits recommended some improvements to substantiation but generally concluded that the Chancellor's travel expenses were appropriate and sufficiently documented.¹⁷⁰

4. Policy Violations and Other Management Concerns

a. Policy Violations

(1) Double-Reimbursement by UC Davis and Outside Organizations

The double-reimbursement practice described above—in which the Chancellor would obtain reimbursement from both UC Davis and an outside organization, and then repay UC Davis—violated two relevant provisions of Policy G-28. The first provides:

Under no circumstances shall expenses for personal travel be charged to, or be temporarily funded by, the University, unless otherwise noted in this Bulletin.¹⁷¹

To the extent that Chancellor Katehi received UC Davis reimbursement for travel expenses attributable to a third party, this would violate the policy, as compensated outside professional activities are considered “personal.”

The second relevant section of Policy G-28 provides:

When a University employee travels under the sponsorship of a non-University entity, travel expenses, including advances, prepayments, or billings, shall not be charged to a University account or billed to the University; airline tickets must be obtained from the sponsor.¹⁷²

The Chancellor's practice of billing UC Davis for travel related to CREF, in essence advancing the funds for her trips until CREF ultimately provided reimbursement, violated this policy. The practice of having the University pay for CREF-related airline tickets also violated the specific direction that “airline tickets must be obtained from the sponsor.” The practice was certainly easier for the Chancellor, made booking airline tickets easier, and meant that she did not have to go out of pocket, but it did violate clear policy directives.

¹⁷⁰ AMAS's audits generally started with a review of the Chancellor's travel and entertainment expenses from a listing of general ledger transactions. From there, auditors selected sample trips and reviewed the supporting documentation for them. It is unclear why the audit process did not detect the double-reimbursement issue described herein.

¹⁷¹ Policy G-28, Section III.D., “Reimbursement Standards.”

¹⁷² Policy G-28, Section III.D., “Reimbursement Standards.”

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Regardless of whether the double-reimbursement practice violated policy, it created significant potential control issues. Specifically, because MyTravel does not track repayments due from Chancellor Katehi to UC Davis, they are not visible during the review and approval process or to the auditors, and there is no system for tracking whether repayment is received.

The evidence does not suggest that Chancellor Katehi or her staff intentionally violated policy or attempted to conceal this double-reimbursement practice. To the contrary, the evidence suggests that Chancellor Katehi and her staff viewed this as a routine and acceptable practice and as the best way to address Chancellor Katehi's often complicated travel itineraries.¹⁷³ Chancellor Katehi and her staff freely disclosed this practice in investigation interviews.

Chancellor Katehi also noted that she relied on her staff to handle travel reimbursements and also stated that she obtained approvals from Associate Vice Chancellor Allred. Specifically, when asked about Trips 14 and 17 (identified in the above chart), Chancellor Katehi stated that her assistant received approval from Associate Vice Chancellor Allred to obtain reimbursement from both UC Davis and CREF and then repay UC Davis. Associate Vice Chancellor Allred had no recollection of this and advised the investigation team that he was unaware of the double-reimbursement practice.

(2) Dual-Purpose Business/Personal Travel

The evidence shows that Chancellor Katehi received at least partial reimbursement for several trips to Greece that appear to have included a substantial number of personal days. This, in itself, does not violate policy. However, Policy G-28 includes detailed rules for allocating expenses between business and personal purposes, and the evidence suggests that OCP staff did not always strictly adhere to these rules when entering expense claims into MyTravel.¹⁷⁴

In particular, the evidence suggests that Chancellor Katehi and her staff did not strictly comply with G-28's rules on "Indirect or Interrupted Itineraries" or "Travel Extended to Save Costs."¹⁷⁵ For trips combining business and personal purposes, these rules require a comparison between the actual itinerary and the least expensive available itinerary that would accommodate the business purpose, with the traveler to pay the difference. Chancellor Katehi's staff, which generally arranged the Chancellor's travel and handled the related paperwork, seemed unfamiliar with these rules' details and did not identify any documentation evidencing their strict application. Nonetheless, during interviews, Chancellor Katehi stated that she and her staff tried to find the most cost-effective and efficient itinerary for each of her trips and that this sometimes required stopovers. Available documents support this statement.¹⁷⁶

¹⁷³ See e.g., Exhibits 133 & 134.

¹⁷⁴ These dual-purpose (business and personal) trips also potentially implicate Policy G-28, Section III.D.'s rule that "[u]nder no circumstances shall expenses for personal travel be charged to, or be temporarily funded by, the University"

¹⁷⁵ Policy G-28, Sections V.D.1.f.-g.

¹⁷⁶ See e.g., Exhibit 135.

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The evidence suggests that staff strived to perform some sort of reasonable allocation when trips combined business and personal purposes, and there is no evidence to suggest that either Chancellor Katehi or her staff attempted to conceal any of their practices. Furthermore, Chancellor Katehi and her staff made efforts to allocate business and personal expenses for dual-purpose trips within the MyTravel system. For example, the expense report for Trip 2 (identified in the above chart) included the following note:

Initially this was to be a personal trip, but was changed to a business trip to accommodate Washington, DC-area agencies who had requested meetings with Chancellor. Traveler continued on to a personal meeting after 3/14 and is not seeking reimbursement for return flight.

However, the evidence indicates that OCP staff did not rigorously apply the G-28 allocation rules or consistently apply any other allocation methodology. In addition, expense claims did not always include clear disclosures about which days or expenses were to be considered business versus personal.

Existing policies provide guidance to aid OCP staff and Controller's Office personnel with proper allocation of business and personal expenses. Policy G-28 provides that, "[d]epending upon the nature of the trip, an agenda associated with the business reason for the trip should be provided as part of the substantiating documentation."¹⁷⁷ Accounting Manual A-253-27 provides that expense substantiation should include the "number of days attributable to business activities" during each trip.¹⁷⁸

It does not appear that Chancellor Katehi personally profited from this practice, or that UC Davis improperly reimbursed the Chancellor's personal travel expenses.

E. Chancellor Katehi's Representations Regarding Intended Donation of John Wiley & Sons Board Compensation

The June 13 Charge Letter directed the investigation team to address "[w]hat, if any, representations Chancellor Katehi made regarding intentions to donate certain compensation she received for board service with John Wiley & Sons, and the circumstances and actions related to those representations."

As set forth below, the evidence indicates that, following revelations regarding her DeVry board service, Chancellor Katehi came under public scrutiny for her prior service on the Board of Directors of John Wiley & Sons, a textbook company. Service on the John Wiley board was approved by President Napolitano's predecessor, President Mark Yudof, and subsequently by President Napolitano. In early March 2016, Chancellor Katehi issued a public statement that she "intend[ed] to donate all the stock proceeds I made from serving on the John Wiley and Sons board to a scholarship fund for UC Davis students." Several weeks later, she sent an email to all UC Davis

¹⁷⁷ Policy G-28 V.I.2.b.iii. "Agenda."

¹⁷⁸ Accounting Manual A-253-27, Exhibit IV.

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students indicating that she would establish a \$200,000 scholarship fund “for California undergraduate students at UC Davis from [her] Wiley stock proceeds.” She made other public statements about the donation as described in more detail below.

Notwithstanding these promises, Chancellor Katehi has not to date established a scholarship fund or donated the stock proceeds. When interviewed by the investigation team on June 29, 2016, she indicated that she and her husband would re-evaluate whether to donate the stock proceeds in light of the investigation. Chancellor Katehi’s private spokesperson, Larry Kamer, reiterated this to the press, stating that Chancellor Katehi and her family “will consider their options regarding charitable donations at the conclusion of the investigation.”

1. Factual Background

a. Telephone Conversations Between Chancellor Katehi and President Napolitano Regarding the Donation of John Wiley & Sons Board Compensation

In late February or early March of 2016, President Napolitano called Chancellor Katehi to discuss the negative media attention resulting from Chancellor Katehi’s appointment to the DeVry board of directors. During this conversation, the two discussed that Chancellor Katehi would donate proceeds from her John Wiley & Sons board service to a scholarship fund at UC Davis. However, Chancellor Katehi and President Napolitano recall the details and circumstances of this conversation differently.

(1) Chancellor Katehi

According to Chancellor Katehi, President Napolitano instructed her to apologize publicly for accepting the DeVry board seat, directed her to donate the proceeds from her John Wiley & Sons board service to a scholarship fund, and in exchange President Napolitano would issue a positive public statement in support of Chancellor Katehi. Chancellor Katehi claimed that this was presented as a set of conditions that she would need to satisfy before the Office of the President would issue a public statement in her support.

(2) President Napolitano

President Napolitano recalls discussing this issue with Chancellor Katehi on two separate occasions. In the first telephone conversation, President Napolitano told Chancellor Katehi that she would not approve the DeVry appointment. She did not direct the Chancellor to publicly apologize. A few days later, the two spoke again by phone about how the Chancellor could address the intense negative media fallout over the DeVry and John Wiley & Sons board appointments. According to President Napolitano, Chancellor Katehi was at a loss about how to respond to the intense media scrutiny. President Napolitano suggested that she could consider donating her John Wiley & Sons compensation to a scholarship at UC Davis. President Napolitano said that this was not presented as a *quid pro quo*. Rather, she was trying to help the Chancellor, who did not appear to know what to do in response to the intense scrutiny. During the conversation, President Napolitano offered to make a public statement supporting Chancellor Katehi, which she subsequently did.

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b. Statements by Chancellor Katehi and Her Representatives Regarding Her Pledge to Donate the Stock Proceeds

Following this conversation, Chancellor Katehi made several public statements related to her intention to donate a portion of her John Wiley & Sons compensation. On March 4, 2016, she publicly announced in a written statement that she “intend[ed] to donate all the stock proceeds I made from serving on the John Wiley and Sons board to a scholarship fund for UC Davis students.” That same day, the *Sacramento Bee* attributed to UC Davis spokesperson Dana Topousis a statement that the stock proceeds were worth \$200,000.¹⁷⁹ In a March 17, 2016 email to all UC Davis students, Chancellor Katehi reiterated her “commitment to our UC Davis community” that she “will establish a \$200,000 scholarship fund for California undergraduate students at UC Davis from [her] Wiley stock proceeds.”¹⁸⁰ On April 4, 2016, Chancellor Katehi testified at the Assembly Standing Committee on Higher Education. At this hearing, Chancellor Katehi explained that “the fact that [she] dedicated the returns of the stocks . . . from Wiley to student scholarships” was “not an individual act that was done in response to the questions, but it was something that” Chancellor Katehi and her spouse “had decided to do.”¹⁸¹

When interviewed by the investigation team on June 29, 2016, Chancellor Katehi stated that she had not yet donated any of her John Wiley & Sons compensation to a scholarship fund and that she and her husband would re-evaluate whether to donate the stock proceeds in light of the investigation.

On July 1, 2016, the *Sacramento Bee* quoted Chancellor Katehi’s private spokesman, Larry Kamer, as stating that Chancellor Katehi and her family “will consider their options regarding charitable donations at the conclusion of the investigation.”¹⁸²

The following chart details these and other public statements made by Chancellor Katehi and her representatives on this issue:

Date & Time	Description	Statement or Quote
March 4, 2016	UC Davis website: “Statement from Chancellor Linda P.B. Katehi.”	“I have resigned from the DeVry board and intend to donate all the stock proceeds I made from serving on the John Wiley and Sons board to a scholarship fund for UC Davis students.”

¹⁷⁹ <http://www.sacbee.com/news/investigations/the-public-eye/article64041327.html>.

¹⁸⁰ Exhibit 137.

¹⁸¹ https://digitaldemocracy.org/hearing/945?startTime=0&vid=I_Q0JZY-y0E (see p. 36 of 79).

¹⁸² <http://www.sacbee.com/news/local/education/article87169732.html>.

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Date & Time	Description	Statement or Quote
March 4, 2016	<i>Sacramento Bee</i> : "UC Davis chancellor apologizes, will donate textbook stock to student scholarships; The Public Eye."	"Katehi's stock is worth \$200,000, according to UC Davis spokeswoman Dana Topousis."
March 8, 2016, 12:42 PM	Associate Chancellor Karl Engelbach email to Council of Deans & Vice Chancellors re: "A message from the Chancellor" ¹⁸³	"To further our work together on behalf of California students, here is my commitment to our UC Davis community: I will establish a scholarship fund for disadvantaged California undergraduate students at UC Davis from my Wiley stock proceeds."
March 17, 2016, 8:03 PM	Email from "officeofthechancellor@ucdavis.edu" to "All students" ¹⁸⁴	"To further our work together on behalf of California students, here is my commitment to our UC Davis community: I will establish a \$200,000 scholarship fund for California undergraduate students at UC Davis from my Wiley stock proceeds."
March 18, 2016, 7:11 AM	Email from "codvc-request@ucdavis.edu (on behalf of Karl M. Engelbach)" to "codvc@ucdavis.edu" ¹⁸⁵ [This email includes the following introductory note: "For your information, below is the Chancellor's message that was distributed to all students last evening."]	"To further our work together on behalf of California students, here is my commitment to our UC Davis community: I will establish a \$200,000 scholarship fund for California undergraduate students at UC Davis from my Wiley stock proceeds."

¹⁸³ Exhibit 136.

¹⁸⁴ Exhibit 137.

¹⁸⁵ Exhibit 138.

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Date & Time	Description	Statement or Quote
April 4, 2016	Assembly Standing Committee on Higher Education & Assembly Budget Subcommittee No. 2 on Education Finance Hearing	"My husband and I, since we were very young, have made, created a number of scholarships, very specifically, five full scholarships endowed at UCLA, UC Davis, and the University of Illinois. We have this as part of who we are and what we do. And the fact that I dedicated the returns of the stocks that I received at the end, last year from Wiley to student scholarships. It's not an individual act that was done in response to the questions, but it was something that he and I had decided to do and giving into scholarships into institutions is something that we will continue doing."
July 1, 2016	<i>Sacramento Bee</i> : "UC Davis chancellor withholds \$200,000 scholarship donation as inquiry continues."	"UC Davis Chancellor Linda P.B. Katehi has withheld \$200,000 in textbook publisher stock that she pledged to a scholarship fund in March when she faced criticism for having served on the company's board. Katehi, 62, may rescind the pledge altogether, depending on the outcome of a University of California investigation into her actions as chancellor, according to her private spokesman, Larry Kamer. 'Given the state of events, Chancellor Katehi and her family will consider their options regarding charitable donations at the conclusion of the investigation,' Kamer said."

2. Management Concerns

Chancellor Katehi made multiple representations to the UC Davis community, the public, and President Napolitano concerning the establishment of a scholarship fund for UC Davis students. President Napolitano cited the Chancellor's donation pledge in an interview with the *Sacramento Bee* in defense of the Chancellor. UC Davis students undoubtedly paid attention to these promises as

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well. Raising the possibility that she will renege on her scholarship pledge could have an impact on Chancellor Katehi's leadership and credibility with the campus community and the public.

F. Chancellor Katehi's Management, Judgment, and Candor Related to Service on Boards of Directors, Including DeVry Education Group

The June 22 Charge Letter directed Orrick to investigate Chancellor Katehi's management, judgment and candor related to her service on various boards of directors, including the board of directors for DeVry Education Group ("DeVry").

When deciding to join the DeVry University Board of Directors, Chancellor Katehi disregarded information regarding government investigations and enforcement actions directed at DeVry University, as well as other concerns about the for-profit education industry in general. Although she was aware of information that should have caused concern, at the same time she was unaware of other information because she did not exercise any meaningful due diligence before joining DeVry's Board of Directors.

Chancellor Katehi likewise failed to exercise diligence and judgment in 2012, prior to joining the International Advisory Board of King Abdulaziz University ("KAU") in Jeddah, Saudi Arabia, which as she knew at the time was allegedly working to improperly inflate its research statistics by paying renowned academics to "affiliate" with the university.

Chancellor Katehi did not comply with University policies governing the reporting and approval of her outside professional activities. She commenced service on the DeVry board before President Napolitano reviewed her request to engage in such service. In light of the various investigations, enforcement actions, and lawsuits faced by the company, President Napolitano would not have approved and did not approve this activity. Chancellor Katehi's decision to move forward with her DeVry board service before receiving approval, rather than waiting for President Napolitano's feedback, resulted in significant public criticism of the Chancellor for her involvement with DeVry. Similarly, Chancellor Katehi failed to seek approval for her service on the KAU International Advisory Board. Although it appears she resigned from that board before providing any services to KAU or attending any meetings, Chancellor Katehi to this day remains identified on KAU's website as a former member of the school's International Advisory Board.¹⁸⁶ Finally, Chancellor Katehi served on additional multiple outside boards, mostly in an unpaid capacity for nonprofit entities, yet failed to report most of these to UCOP or seek approval as required by UC policy. To be fair, it appears that these remaining boards are noncontroversial and would not have caused concern.

Following DeVry's press release announcing her board membership, and in the midst of intense media scrutiny regarding the issue, Chancellor Katehi's statements to President Napolitano were not candid. Chancellor Katehi told President Napolitano that she had not yet begun her service on the

¹⁸⁶ In her interview with the investigation team, Chancellor Katehi said that she had not actually served on the KAU board. Rather, she agreed to serve but then realized she could not attend the scheduled board meetings, so she instructed her assistant to contact KAU and have her removed from the website. The Chancellor's assistant told the investigation team that she submitted a letter of resignation at some point on the Chancellor's behalf and does not recall taking steps to have the Chancellor removed from the website.

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DeVry board, which was untrue. Chancellor Katehi had already attended two events related to her board service—an orientation for new board members at DeVry’s headquarters near Chicago and a board meeting in Florida just two weeks before her conversation with President Napolitano. It was during these meetings that Chancellor Katehi learned about some of the investigations and enforcement actions concerning DeVry University, yet she failed to bring that information to the President’s attention in connection with seeking approval for board service.

1. Outside Professional Activities

a. UC Policy Governing Outside Professional Activities

Regents Policy 7707 (“RP 7707”) applies to high-level employees, including Chancellors,¹⁸⁷ whose positions fall within the Senior Management Group (“SMG”). RP 7707 governs the SMG members’ Outside Professional Activities (“OPAs”), which may include participation in “external educational and research institutions, not-for-profit professional associations, federal, state and local government offices and private sector organizations.” Although participation in OPAs is encouraged by the UC and is seen as mutually beneficial for the SMG members and for the UC, RP 7707 maintains that “the primary commitment of . . . SMG members must be to the fulfillment of their regular University responsibilities.” To that end, RP 7707 is designed to:

- Support and recognize the value of SMG members’ OPAs to the UC, such as contributing to their academic field, sharing their expertise with other institutions, and providing service to the community,
- Provide guidance about the limits of such activities in relation to fulfilling UC responsibilities,
- Establish methods for seeking appropriate approval(s), monitoring, and reporting such activities, and
- Protect against actual or apparent conflicts of interest and/or commitment when SMG members engage in such activities.

(1) Definition and Scope of Permissible OPAs

OPAs are defined as activities within SMG members’ areas of “professional expertise for which they are employed by the University.” RP 7707 provides the following nonexhaustive list of OPAs: “service on state or national commissions, government agencies and boards, committees or advisory groups to other universities, organizations established to further the interests of higher education, not-for-profit organizations, and service on corporate boards of directors.” RP 7707 provides the following guidance for activities that are not considered OPAs and are therefore exempt from the policy’s requirements:

¹⁸⁷ RP 7707 indicates that the policy covers the “Officers of the University per *Regents Standing Order 100.1 Designation and to Whom Responsible*.” The Standing Order explains that “Officers of the University shall be the . . . Chancellors,” among others.

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- Activities unrelated to the SMG member's area of professional expertise for which s/he is employed by the University, such as involvement in religious or cultural organizations.
- Activities that the approving authority confirms are a part of the individual's job expectations. It is expected that the individual would not receive additional compensation for such activities beyond the individual's normal University salary.
- For a SMG member with an underlying faculty appointment, activities that the approving authority confirms as essential to remaining current in the SMG member's academic field. It is expected that the individual would not receive additional compensation for such activities beyond the individual's normal University salary.

RP 7707 further differentiates between uncompensated and compensated OPAs. An uncompensated OPA is an activity "for which the SMG member does not receive compensation or donates the full amount of the compensation to the University or a charitable organization." A compensated OPA, in contrast, is an activity "for which the SMG member receives and retains compensation."¹⁸⁸ At all relevant times,¹⁸⁹ RP 7707 outlined the following limits with respect to compensated OPAs: (1) SMG members may serve simultaneously on no more than three for-profit boards that are not affiliated with the UC; (2) SMG members are expected to use their personal time to participate in compensated OPAs, "by either performing the activity outside [their] usual work hours or debiting accrued vacation time consistent with applicable leave policy"; and (3) SMG members who are "appointed at 100 percent time shall not receive additional compensation for any work or services from an entity managed exclusively by the University."

b. Reporting and Approval Requirements

SMG members are responsible for ensuring that their participation in OPAs, and any compensation received therefrom, are reported to and approved by the proper authority. RP 7707 explains that the approving authority is the "person or office to whom an individual reports." The approving authority for the campus Chancellors is the President of the UC.

SMG members must submit two separate forms to their approving authority in connection with their participation in OPAs. First, SMG members must submit an OPA Pre-Approval Form that details their anticipated OPAs during the upcoming calendar year. Second, SMG members must submit an Annual OPA Report that details the activities performed during the previous calendar year. SMG members typically submit the report laying out anticipated OPAs during the upcoming year in January and the summary of the prior year's activities in March.

(1) OPA Pre-Approval Form

Before a SMG member participates in any OPAs, compensated or otherwise, the approving authority must approve the OPAs. However, before the approving authority reviews the OPA Pre-

¹⁸⁸ "Reimbursement for reasonable travel expenses is not considered compensation" under RP 7707.

¹⁸⁹ As noted below, the Regents recently amended RP 7707 to change these limits.

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Approval Form, the form is first reviewed by staff at UC Davis and UCOP for any potential conflict of interest or policy violation.

At UC Davis, the Associate Vice Chancellor of Human Resources Office (“UC Davis HR”) manages the University’s SMG executive compensation and executive recruitment programs. UC Davis HR collects and submits SMG members’ OPA forms to UCOP. When a new SMG member is hired, Linda Fairfield, SMG Administrator and Director of Executive Recruitment for UC Davis HR, typically meets with the employee to counsel him or her on OPA policies and reporting responsibilities. Each December or January, UC Davis HR contacts all SMG members with a call to submit OPA Pre-Approval Forms for the upcoming year and completed Annual OPA Reports for the prior calendar year.¹⁹⁰ The SMG members typically submit their OPA Pre-Approval Forms to UC Davis HR in early January. If a SMG member is reporting a new OPA, a supplemental form entitled “Detailed Information Form” must also be submitted.

After receiving the forms, UC Davis HR evaluates the OPAs for potential conflicts of interest and conflicts of commitment to the University. There is no process by which UC Davis HR confirms that all OPAs and corresponding compensation are accurately reported by each SMG member. However, the office frequently follows up with the SMG member’s chief of staff or assistant to ensure that the forms appear correct and complete to their knowledge. UC Davis HR relies heavily on the SMG members themselves and their assistants to report OPAs accurately.

After UC Davis HR reviews and initially approves the OPA forms, the office forwards the forms to UCOP. The UCOP Compensation Programs and Strategies department reviews the forms for completeness and sends them to the UCOP Office of General Counsel for a high-level conflict of interest review. The OPA forms for direct reports to President of the UC, which include the Chancellors, are then sent to the President for final review and approval. The President is “responsible for assessing whether a proposed [OPA] might create, or appear to create, a conflict of interest or commitment.”¹⁹¹ From start to finish, the entire process may take four or five months, as final approvals typically issue between April and June. Because of this timeline, many SMG members do not wait to participate in OPAs until approval is granted.

(2) Annual OPA Report

SMG members must also file a report detailing their OPAs during the previous calendar year, including any compensation received. Deferred compensation must be “reported in the year in which the compensation was granted, not received,” but if the amount of the deferred compensation is “unknown during the year in which the OPA was performed . . . [then] the compensation shall be reported when it is known.” If a SMG member submits information about an OPA that s/he later learns to be erroneous, the SMG member must correct those facts as soon as they are known. These individual reports are then compiled into two separate annual reports—

¹⁹⁰ Exhibits 139 & 140.

¹⁹¹ Under RP 7707, a conflict of interest is defined as making or influencing a governmental decision in which the SMG member has a financial interest. According to UC Personnel Policies for Staff Members 82 (“PPSM-82”), it can also include any conflict “between the employee’s assigned functions and any other interest or obligation.” A conflict of commitment involves a subjective determination as to whether a conflict exists between the time required to reasonably fulfill the OPA and the SMG member’s responsibilities to UC.

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uncompensated and compensated OPAs—that detail each SMG member’s OPAs and are given to the UC President for review and approval.

2. Chancellor Katehi’s Service on the DeVry Board and Her OPA Pre-Approval Request

According to DeVry’s 2015 Form 10-K, DeVry Education Group Inc. “is a global provider of educational services. . . . [DeVry’s] institutions offer a wide array of programs in healthcare, business, technology, accounting, finance and law . . . and serve students in postsecondary education as well as accounting and finance professionals.”¹⁹² DeVry is a for-profit post-secondary education provider that has come under congressional scrutiny for “recruitment practices, educational quality, student outcomes, [and] the sufficiency of integrity safeguards against waste, fraud and abuse in Title IV programs.”¹⁹³ DeVry is involved in legal proceedings and investigations associated with its “financial assistance programs” and other business practices.¹⁹⁴ In 2013, DeVry received a subpoena from the Attorney General of the State of Illinois and a Civil Investigative Demand from the Attorney General of the State of Massachusetts. *Id.* These inquiries involved DeVry’s compensation practices and potentially false claims related to loans, guarantees, and grants provided to students.

Moreover, in January 2014, DeVry received a Civil Investigative Demand from the Federal Trade Commission (“FTC”) related to whether DeVry violated consumer protection laws through its “advertising, marketing, or sale of secondary or postsecondary educational products or services, or educational accreditation products or services.” Similarly, in July 2014, DeVry received a letter from the New York State Office of the Attorney General in connection with an inquiry into whether DeVry’s website and television marketing constituted “false advertising and deceptive practices.” Further, in April 2015, DeVry received a Civil Investigative Demand from the United States Attorney for the Northern District of Ohio relating to allegations under the False Claims Act that DeVry “offered an associate degree program in health information technology without providing necessary information to applicants regarding requirements for obtaining a degree and a job in the health information technology field upon graduation.” The U.S. Attorney’s Office subsequently filed a notice of the United States’ election to not intervene in the sealed matter in the Northern District of Ohio. *Id.*

Chancellor Katehi was first approached by a search consultant about a position on DeVry’s board of directors in December 2015. In early January 2016, Chancellor Katehi spoke with the Chief Executive Officer (“CEO”) of DeVry about the opportunity to sit on the company’s board, and shortly thereafter, Chancellor Katehi interviewed in person with members of the DeVry board in Chicago, Illinois. Chancellor Katehi subsequently received a formal offer to join the DeVry board

¹⁹² http://investors.devryeducationgroup.com/interactive/lookandfeel/4183694/AR2015/pdf/DeVry_10K_2015.pdf. This report generally relies on DeVry’s 2015 Form 10-K, issued on June 30, 2015, because this was the annual report available to Chancellor Katehi when she was appointed to serve on the board of directors.

¹⁹³ <http://investors.devryeducationgroup.com/interactive/lookandfeel/4183694/AR2014/pdfs/devry-2014-10k.pdf>.

¹⁹⁴ http://investors.devryeducationgroup.com/interactive/lookandfeel/4183694/AR2015/pdf/DeVry_10K_2015.pdf.

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from the CEO and was informed that the compensation would be \$70,000 annually plus approximately 100,000 shares of deferred stock to be issued upon her departure from the board.

Chancellor Katehi advised the investigation team that prior to joining the DeVry board, she mentioned the offer to Mr. Engelbach, Mr. Appelsmith, and Ms. Topousis. [REDACTED]

[REDACTED] Chancellor Katehi also told the investigation team that she had an in-person discussion with Mr. Appelsmith but could not recall where the discussion took place, whether anyone else participated in the discussion, or the substance of the discussion as it related to DeVry. Chancellor Katehi represented that Mr. Appelsmith was aware of the offer because he was responsible for a conflict of interest analysis. Mr. Appelsmith stated that, just days before the news broke, he was informed by Mark Morodomi in the UC Office of General Counsel that they did not see an active conflict of interest (*i.e.*, a direct conflict between the interests of DeVry and the interests of UC or UC Davis) with respect to the Chancellor's service on the DeVry board, but that the Chancellor would need to recuse herself from any decisions that could present a conflict of interest. Mr. Morodomi also told Mr. Appelsmith that there were concerns about appearances. Mr. Appelsmith relayed this information to Chancellor Katehi. Chancellor Katehi explained that Ms. Topousis became aware of the offer during the Chancellor's trip to DeVry's board member orientation. According to Chancellor Katehi, Ms. Topousis needed to coordinate with DeVry's communications team for purposes of a press release.

At the DeVry orientation, Chancellor Katehi was informed that the federal government had filed a lawsuit against DeVry. Chancellor Katehi also recalled being told about other lawsuits in Indiana and Illinois involving DeVry. She did not provide any of this information to UCOP.

Chancellor Katehi explained to the investigation team that she was aware of the allegations involving false advertising and lending practices against Corinthian Colleges, President Barack Obama's initiative to protect veterans from deceptive and misleading practices by for-profit educational institutions, and the overall criticism of the for-profit educational industry. Chancellor Katehi reported that she did not review DeVry's public filings, which would have revealed enforcement actions, investigations and litigation, and it appears that she did not conduct any other meaningful due diligence on the company.

Once Chancellor Katehi accepted the position, her assistant, Lisa Kay Chance Berriz, assisted in the completion and submission of the 2016 OPA Pre-Approval Form, which included DeVry, to Ms. Fairfield in January 2016.¹⁹⁵ This form listed the anticipated annual compensation for DeVry as \$50,000 and did not report any stock compensation.¹⁹⁶ After completing her review, Ms. Fairfield sent Chancellor Katehi's 2016 OPA Pre-Approval Form to UCOP Compensation Consultant May Carlson on January 29.¹⁹⁷ Although Chancellor Katehi's proposed service on the DeVry board

¹⁹⁵ See Exhibits 141 & 142. Chancellor Katehi signed and dated the OPA Pre-Approval Form on January 7, 2016.

¹⁹⁶ *Id.*

¹⁹⁷ Exhibit 141.

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was new, the submission did not include the required supplemental “Detailed Information Form” for all not-previously-approved OPAs.

While the OPA Pre-Approval Form was still under review, Chancellor Katehi attended an orientation at DeVry headquarters outside Chicago, Illinois on February 8 and 9, and a DeVry board meeting in Florida on February 16 through 18. Around this time, Chancellor Katehi asked Ms. Topousis to draft a press release with DeVry and Chancellor Katehi’s counterpart at the University of Arizona, President Ann Weaver Hart, who was also joining DeVry’s board.

On February 12, UCOP contacted UC Davis to ask for Chancellor Katehi’s missing “Detailed Information Form” for the DeVry pre-approval request. In response, Chancellor Katehi’s office completed a revised Pre-Approval Form and a Detailed Information Form and submitted it to UC Davis HR on or around February 18. Four days later, on approximately February 22, UC Davis HR submitted the Detailed Information Form to UCOP.¹⁹⁸ The revised Pre-Approval Form and Detailed Information Form increased Chancellor Katehi’s anticipated DeVry compensation from \$50,000 to \$70,000 and included a statement that she would receive an unidentified number of deferred stock shares upon her retirement from the board to be valued at the market value at the time of distribution.

On Saturday, February 20, while the Detailed Information Form was still pending with UC Davis HR, Associate Chancellor Engelbach emailed Mr. Grossman indicating that Chancellor Katehi had been appointed to serve on DeVry’s board of directors and attached a press release that he said DeVry planned to issue. Mr. Engelbach indicated that the position would be reported on Chancellor Katehi’s OPA form and provided his cell phone number should Mr. Grossman have any questions.¹⁹⁹ At the time Mr. Engelbach sent this email, Mr. Grossman was traveling to Europe on official business with President Napolitano.²⁰⁰ Mr. Grossman did not see the email until after reports of the Chancellor’s DeVry board service hit the news, as detailed below.

3. Media Coverage Regarding Chancellor Katehi’s DeVry Board Service

At 6:00 a.m. PT on Monday, February 22, DeVry publicly announced that it had appointed two university leaders to its board of directors—Chancellor Katehi and University of Arizona President Hart. In the press release, Chancellor Katehi stated: “I look forward to participating on DeVry Education Group’s board of directors and thank them for inviting me to join,” and “DeVry Group’s goal to enable a quality learning experience that inspires and educates student to be our next generation of leaders is essential to our nation’s progress.”

UCOP staff learned about the appointment via Google news alert that morning. The alert was quickly forwarded to Mr. Grossman, and he asked UCOP staff to verify whether Chancellor Katehi had received OPA pre-approval. UCOP staff discovered that the OPA Pre-Approval Form had been submitted to the UCOP compensation and benefits department at the end of January, and that UCOP had followed up with UC Davis to gather additional information. Later that day, after the

¹⁹⁸ Exhibit 143.

¹⁹⁹ Exhibit 144.

²⁰⁰ Exhibit 145.

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press release was issued, UC Davis provided the requested information to UCOP.²⁰¹ The completed packet was then forwarded to the UC Office of the General Counsel for review. At the time of the DeVry press release, President Napolitano had neither seen nor approved Chancellor Katehi's OPA Pre-Approval Form.

Following DeVry's public announcement, UCOP received multiple calls from reporters and legislators regarding Chancellor Katehi's appointment. The DeVry announcement triggered a series of student protests at UC Davis. In addition, the announcement resulted in additional media inquiries into Chancellor Katehi's other OPAs, including her position on the John Wiley & Sons board of directors.

4. Chancellor Katehi's Representations to President Napolitano Regarding Her Service on the DeVry Board

Immediately upon her return from Europe, President Napolitano set up a call with Chancellor Katehi for Monday morning, February 29.²⁰² During that call, Chancellor Katehi explained her reasons for joining DeVry's board, including that it was a prestigious honor, that UC Davis competes for different students than DeVry, and that she could help the educational outcome for DeVry students.²⁰³ President Napolitano informed Chancellor Katehi that she would not approve the appointment. Chancellor Katehi accepted the decision and agreed to resign from the board.

Chancellor Katehi's and President Napolitano's recollections differ regarding certain details of the call. In her interview, President Napolitano recalled telling Chancellor Katehi that she would not approve the DeVry board position because service on the board of a for-profit educational institution was a mistake because for-profit institutions share different visions than the UC. She also recalled noting that DeVry was under investigation by the federal government, that the UC's reputation should not be entangled with that investigation, and that Chancellor Katehi should focus on UC Davis students rather than DeVry students. Chancellor Katehi, in contrast, advised the investigation team that President Napolitano did not explain why she would not approve the DeVry OPA request, but that the two discussed the federal government's investigation, DeVry's reputation, and the public outrage.

President Napolitano also recalled that, during the call, Chancellor Katehi indicated she had not started her service on the DeVry board and could easily unwind her involvement with the company. Chancellor Katehi did not tell President Napolitano about her attendance at the Chicago-area orientation or the Florida board meeting, or that Chancellor Katehi had learned about certain investigations and enforcement actions concerning DeVry during those meetings. Chancellor Katehi claimed not to recall talking about unwinding her involvement with DeVry, or whether she mentioned to President Napolitano that she had already attended an orientation and board meeting. Chancellor Katehi did acknowledge to the investigation team that she had already attended a DeVry orientation session and a board meeting prior to her conversation with President Napolitano.

²⁰¹ Exhibit 143.

²⁰² Exhibit 146.

²⁰³ *See id.*

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5. Chancellor Katehi's Resignation from DeVry's Board

On March 1, the day after speaking with President Napolitano, Chancellor Katehi resigned from DeVry's Board of Directors.²⁰⁴ In her letter to Christopher Begley, the Board Chair of DeVry, Chancellor Katehi wrote: "I initially chose to accept the appointment because I believed I could contribute to improving the educational experiences of the students attending DeVry institutions, but in light of a variety of other issues that have come to the fore, I have determined that I am unable to serve."²⁰⁵

6. Chancellor Katehi's Service on Other Boards

Chancellor Katehi has served on at least 22 boards of directors during her tenure at UC Davis as Chancellor.²⁰⁶ With the exception of five board memberships—DeVry, Cyprus Institute, National Security Higher Education Forum, EMAG Technologies, Inc., and John Wiley & Sons—Chancellor Katehi did not report or seek approval for her service on these boards. Nor did she seek guidance from UCOP as to whether or not she should have sought approval for these board memberships.

The following chart,²⁰⁷ which summarizes information collected in 2015 in preparation for the Academic Senate's Stewardship Review of the Chancellor, sets forth Chancellor Katehi's board memberships during her tenure as UC Davis Chancellor:

No.	Board Membership	Compensated / Uncompensated	Dates
1.	Member of the Board of the Cyprus Institute	Uncompensated	2008 – Present
2.	Member of the Board of Bay Area Council of Economic Institute	Uncompensated	2010 – Present
3.	Member of the Board of the Business Higher Education Forum	Uncompensated	2010 – Present
4.	Member of the Board of the National Security	Uncompensated	2010 –

²⁰⁴ Exhibit 147.

²⁰⁵ *Id.* A March 1, 2016 *Sacramento Bee* article discussing Chancellor's Katehi's resignation from the DeVry Board quoted Mr. Delsohn as claiming that "[t]he DeVry appointment was in accordance with University of California policy." In his interview with the investigation team, Mr. Delsohn explained that Chancellor Katehi told him in a face-to-face meeting right after the story broke that she followed the policy to the letter. Although Chancellor Katehi was very insistent that she followed the policy, Mr. Delsohn later found out that she filed the paperwork, but did not wait for approval.

University of Arizona President Weaver, who joined DeVry's board at the same time as Chancellor Katehi, declined to resign her position on DeVry's board amidst similar controversy. However, President Weaver recently announced that she will not seek a contract extension as the school's leader when her contract expires in two years.

²⁰⁶ Exhibit 148.

²⁰⁷ *Id.*

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No.	Board Membership	Compensated / Uncompensated	Dates
	Higher Education Forum		Present
5.	Member of the Board of Valley Vision	Uncompensated	2010 – Present
6.	Member of the Advisory Board of the Council for International Exchange of Scholars, a Division of the Institute of International Education	Unknown	2010 – Present
7.	Member of the Board of the Women and the Green Economy (WAGE) Campaign	Unknown	2011 – Present
8.	Member of the Board of the California STEM Learning Network	Uncompensated	2011 – Present
9.	Member of the Board of Trustees for Universities Research Association	Unknown	2012 – Present
10.	Member of the Board of Greater Sacramento Area Economic Council	Uncompensated	2014 – Present
11.	Member of the External Advisory Board of Texas A&M University Institute for Advanced Study	Uncompensated	2014 – Present
12.	Member of the Board of Sacramento Federal Judicial Library and Learning Center Foundation Advisory Board	Uncompensated	2013 – Present
13.	Member of the Board of Commission of the Western Association of Schools and Colleges (WASC)	Uncompensated	2013 – Present
14.	Member of the Advisory Board of University of California Lawrence Berkeley National Laboratory	Unknown	2011 – Present
15.	Co-Owner and Member of the Board of EMAG Technologies, Inc. ²⁰⁸	Compensated	2009 – Present
16.	Member of the Board of Sacramento Area Commerce and Trade Organization (SACTO)	Unknown	2010 – 2014
17.	Member of the Board of John Wiley & Sons, Inc.	Compensated	2011 – 2014
18.	Member of the Advisory Board of Drexel University, ELATE Program	Unknown	2011 – 2013
19.	Member of the Board of Trustees of Internet2	Unknown	2011 – 2013
20.	Member of the International Advisory Board of	Unknown	2012 –

²⁰⁸ Chancellor Katehi's co-ownership and board membership for EMAG Technologies, Inc. ("EMAG") is not reflected in the documents gathered for President Napolitano's annual review of the Chancellor; however, Chancellor Katehi listed her involvement with EMAG on all of her OPA forms since 2009.

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No.	Board Membership	Compensated / Uncompensated	Dates
	King Abdulaziz University		2013
21.	Member of the Board of Olin College President's Advisory Board	Unknown	2009 – 2013
22.	Member of the Board of DeVry Education Group Inc.	Compensated	January - March 2016

Following her resignation from the DeVry Board, Chancellor Katehi reached out to Dennis Larsen, Executive Director of Compensation Programs and Strategy at UCOP, to seek guidance about the OPA policy and what she should disclose to the President for approval. Mr. Larsen suggested that she disclose everything and let the President and others weigh in about what she should be reporting. Following this conversation, Chancellor Katehi produced a list of numerous activities—some of which were part of her job and others that should have been reported as OPAs. After she submitted these materials, Mr. Larsen identified for Chancellor Katehi items that were part of her job (and therefore not subject to OPA disclosure) and identified items that should be disclosed. Chancellor Katehi then submitted the revised OPA forms, including those items that Mr. Larsen indicated she needed to disclose.

7. **Policy Violations and Other Management Concerns**

a. **Policy Violations**

Chancellor Katehi violated RP 7707 by failing to report certain OPAs and starting her board membership with DeVry before receiving approval. However, the evidence also suggests (1) that RP 7707 is not well understood by UC Davis staff members, (2) SMG members, including Chancellors at other UC schools, routinely start OPAs before receiving approval, and (3) Chancellor Katehi and her staff believed they were complying with RP 7707 and did not attempt to hide any OPAs or compensation from UCOP.

(1) **DeVry**

Chancellor Katehi was required to report service on the DeVry Board under RP 7707. DeVry constitutes a compensated OPA that must be reported because it is a “for-profit board” and an activity within Chancellor Katehi’s professional expertise as an educator and University leader. Chancellor Katehi does not appear to have violated RP 7707 by erroneously reporting her anticipated compensation on her original OPA form, which she later corrected. However, the evidence indicates that Chancellor Katehi violated RP 7707 by attending an orientation in Illinois and a board of directors meeting in Florida before first receiving approval from UCOP.

(a) **Reporting Compensation**

Chancellor Katehi submitted her 2016 OPA Pre-Approval Form in a timely manner. In that form, signed on January 7, 2016, she disclosed that she would receive approximately \$50,000 annually for her DeVry board membership and receive no deferred compensation.²⁰⁹ Chancellor Katehi advised

²⁰⁹ Exhibit 141.

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the investigation team that, when she was offered the DeVry Board position in early January, she learned that she would receive \$70,000 in compensation and approximately 100,000 shares of stock. Following this formal offer, Chancellor Katehi instructed her assistant to fill out the appropriate OPA paperwork, which erroneously reported her anticipated compensation. The following month, Chancellor Katehi unilaterally corrected the paperwork to accurately reflect the \$70,000. It does not appear that Chancellor Katehi intentionally misrepresented her compensation in the original OPA form or that she stood to gain anything by inaccurately presenting her anticipated compensation to UCOP.

(b) Starting Her DeVry Board Service Before Receiving Approval from President Napolitano

RP 7707 states: “OPAs, whether compensated or uncompensated, must be approved by the person or office to whom an individual reports before the SMG member engages in the activity.” In this instance, Chancellor Katehi needed approval from President Napolitano before starting her service on DeVry’s board. Chancellor Katehi did not receive such approval. Instead, she submitted her OPA Pre-Approval Form and soon thereafter attended a DeVry orientation in Chicago and a board of directors meeting in Florida.²¹⁰ The UCOP approval process typically takes several months, as due diligence and conflict analyses are carried out. Chancellor Katehi knew that President Napolitano had not approved her DeVry service, yet she nonetheless commenced board activities by attending an orientation and a board meeting. Accordingly, Chancellor Katehi violated RP 7707 by engaging in service on DeVry’s board before she received approval to do so by President Napolitano.

The investigation team notes that, in practice, the lengthy delay between submission of the OPA Pre-Approval Forms and UCOP approval makes compliance with the policy difficult. OPA Pre-Approval Forms are solicited and submitted in January. UCOP approval is typically finalized between May and June. Witnesses reported that SMG members, including other UC Chancellors, routinely commence participation in OPAs before receiving approval.

It appears that UCOP rarely, if ever, denies an OPA request. In Ms. Fairfield’s experience overseeing the UC Davis SMG OPA process (in which she has submitted at least 17 SMG OPAs per year since 2007), she could not recall an instance in which UCOP did not approve an OPA. The routine approval of OPA requests may contribute to a culture in which SMG members do not see a practical need to wait for UCOP approval, as they may see little to no risk that the request will be denied.

(2) Failure to Report Service on Other Boards of Directors

(a) King Abdulaziz University

KAU was established in 1967 in Jeddah, Saudi Arabia, and was reformed into a government university in 1974.²¹¹ One of the institution’s long-term goals is to “garner the trust of society and

²¹⁰ *Id.*

²¹¹ <http://www.kau.edu.sa/Pages-Our-History.aspx>.

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the corporate world.”²¹² KAU has suffered criticism for allegedly manipulating its university ranking by, in part, paying scholars to affiliate themselves with the University.²¹³ Several groups of researchers have found that KAU manipulated its global *U.S. News & World Report* rankings by recruiting well-known scholars and researchers to nominally “affiliate” with KAU, often in exchange for money or expensive travel, thereby expanding its network of world-renowned scholars.²¹⁴ As a result, KAU was affiliated with more highly cited researchers than nearly any other university worldwide—a very prestigious ranking.

Chancellor Katehi joined the International Advisory Board for KAU on April 10, 2012.²¹⁵ As reflected in materials submitted to the UC in connection with her five-year review, Chancellor Katehi served on the board until 2013.²¹⁶ In her interview with the investigation team, Chancellor Katehi acknowledged that she knew of KAU’s reputation for buying affiliates at the time she agreed to join the advisory board. However, she asserted that U.S. institutions do this as well, so she did not find it troubling.

Chancellor Katehi did not attend any KAU board meetings (either telephonically or in person), did not vote, and did not receive any compensation. Ms. Topousis stated that Chancellor Katehi served on the KAU board but reiterated Chancellor Katehi’s minimal involvement with KAU. Nonetheless, KAU listed Chancellor Katehi on its website as having served on the school’s International Advisory Board.

Chancellor Katehi’s failure to list KAU on her OPA forms violated RP 7707. Under the rule, she was required either to seek approval from UCOP or to ask UCOP for a determination that approval was not required. The evidence does not suggest that Chancellor Katehi’s failure to report her service on KAU’s board was an intentional effort to hide her position, but rather a result of not fully understanding her duties under RP 7707. In addition, the Chancellor appears not to have attended any KAU board meetings or otherwise provided any advisory services to KAU.²¹⁷

(b) Reporting of Service on Other Boards

As detailed above, Chancellor Katehi has served on 22 boards of directors during her tenure as Chancellor at UC Davis.²¹⁸ RP 7707 dictates that all outside “activities within the SMG member’s area(s) of professional expertise for which they are employed by the University” must be reported

²¹² <http://www.kau.edu.sa/Pages-Vision-And-Objectives.aspx>.

²¹³ <http://www.dailycal.org/2014/12/05/citations-sale>; see also <http://science.sciencemag.org/content/334/6061/1344>.

²¹⁴ <http://www.dailycal.org/2014/12/05/citations-sale> (citing research at UC Berkeley); <https://www.timeshighereducation.com/news/secondary-affiliations-lift-king-abdulaziz-university-in-rankings/2014546.article> (citing investigations by researchers in Quebec and Munich).

²¹⁵ http://bkashgary.kau.edu.sa/content.aspx?site_id=0&lng=EN&cid=209128.

²¹⁶ Exhibits 148.

²¹⁷ See *supra* footnote 186.

²¹⁸ *Id.*

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for approval. RP 7707 specifically includes in the definition of reportable OPAs service on state or national commissions government agencies and boards, committees or advisory groups to other universities, organizations established to further the interests of higher education, not-for-profit organizations, and service on corporate boards of directors.

RP 7707 exempts from reporting the following three categories of activities: (a) involvement in religious or cultural organizations; (b) activities that the approving authority confirms are a part of the individual's job expectations; and (c) for a SMG member with an underlying faculty appointment, activities that the approving authority confirms as essential to remaining current in the SMG member's academic field. For categories (b) and (c), the rule requires a determination by "the approving authority" (President Napolitano, in Chancellor Katehi's case) that the activity falls within the exemption.

Chancellor Katehi reported five of these 22 board memberships to UCOP—DeVry, Cyprus Institute, National Security Higher Education Forum, EMAG, and John Wiley & Sons. She did not seek approval for or report her service on the 17 other boards. Nor did she seek guidance from the approving authority as to whether she was required to do so for these 17 board memberships under (b) or (c) above. None of the 17 board memberships appear to be exempt from reporting because they are religious or cultural organizations. Accordingly, because Chancellor Katehi failed to report her service on 17 boards or to seek guidance from her approving authority that reporting was not required, she violated RP 7707.

b. Management Concerns

Chancellor Katehi's participation on the boards of DeVry and KAU raise management concerns as well as issues concerning judgment and candor.

(1) DeVry

The evidence indicates that Chancellor Katehi conducted very little due diligence and displayed questionable judgment regarding DeVry.

When DeVry approached Chancellor Katehi, it was under investigation by several state attorneys general and at least two federal agencies. This information was well known in the higher education community and easily found on the Internet. Indeed, multiple witnesses advised the investigation team that, upon learning of Chancellor Katehi's appointment to the DeVry board, they immediately concluded that it was a poor decision because of what they had heard about DeVry and the for-profit higher education industry in general.

In her interview with the investigation team, Chancellor Katehi acknowledged that at her initial interview in early January, DeVry had informed her about a federal investigation regarding the measurement of student outcomes, but had assured her that DeVry had followed the appropriate regulations. It appears that Chancellor Katehi conducted no further investigation into DeVry before agreeing to join the board and starting the OPA pre-approval process.

In February 2016 when Chancellor Katehi attended an orientation at DeVry's headquarters, she was informed that the federal government had brought an enforcement action against DeVry, but that

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DeVry was confident that the allegations were inaccurate. Chancellor Katehi did not subsequently review the complaint filed against DeVry. Similarly, Chancellor Katehi never reviewed DeVry's public filings, which listed various risk factors the company faced, including an interagency task force investigation led by DOE and comprised of the FTC, U.S. Department of Justice, Treasury, Veterans' Affairs, the Consumer Financial Protection Bureau, the Securities and Exchange Commission, and numerous state attorneys general, as well as civil lawsuits in Illinois, New York, Ohio, and Massachusetts.

[REDACTED]

In addition, the available evidence indicates concerns about Chancellor Katehi's candor with UCOP concerning DeVry. First, in preparing her OPA form, Chancellor Katehi did not disclose to UCOP that DeVry was under federal investigation. After attending the DeVry orientation in early February, she did not subsequently inform UCOP that the federal government had just brought a lawsuit against DeVry.²¹⁹ According to Chancellor Katehi, it did not even cross her mind to provide this information to the President, despite the fact that she would be deciding whether Chancellor Katehi's service on the DeVry board was appropriate. Second, Chancellor Katehi failed to tell President Napolitano that she had already attended a DeVry orientation and a board meeting, and instead indicated that her board service had not yet begun. UCOP only learned these facts from media stories.

(2) KAU

The evidence indicates that Chancellor Katehi conducted very little due diligence and displayed questionable judgment regarding KAU. Chancellor Katehi explained that her due diligence consisted of speaking with two other KAU board members, one of whom was the President of Ohio State University at the time.²²⁰ She also indicated that she was aware of news stories regarding KAU allegedly buying academics to enhance its reputation. Nevertheless, she elected to accept the offer.

(3) RP 7707

It should be noted that the UC Board of Regents recently strengthened its policy regarding OPAs.²²¹ The revised policy makes a few notable changes to the existing RP 7707. First, it requires two reviewers to assess whether OPAs constitute an actual or potential conflict of interest or conflict of

²¹⁹ Chancellor Katehi could not recall the specifics of what she learned about the complaint in her interview. Chancellor Katehi, however, could have viewed the complaint, which was publicly available, before joining DeVry's board.

²²⁰ The evidence also indicates that Chancellor Katehi reached out to Professor [REDACTED] at UC Davis for his insight on joining the International Advisory Board at KAU. Exhibit 52. Professor [REDACTED] expressed some concern over the controversy surrounding KAU due to news stories regarding KAU buying academics to increase its reputation, but also stated there were other reasons to explore the opportunity.

²²¹ <http://www.davisenterprise.com/local-news/uc-regents-toughen-moonlighting-rules-for-top-executives>.

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commitment. Second, the revised policy requires that all “activities must be approved before the SMG announces or engages in the activity.” Third, the revised policy puts into place a turnaround time of 30 days, from the date the reviewers receive a complete packet of materials, for the reviewers to approve or deny any new activity. Fourth, the revised policy reduces the number of compensated OPAs a SMG may participate in from three to two. Fifth, the revised policy makes clear that any board membership, consulting, or advisory activity is considered an OPA. Lastly, each SMG member must file mid-year reports for all new activity undertaken in the prior six months.

G. Retaliation

The May 10 Charge letter directed the investigation team to determine whether Chancellor Katehi violated University policies by retaliating or threatening to retaliate against employees for their cooperation with UCOP related to the matters set forth in the letter. It does not appear that Chancellor Katehi retaliated or threatened retaliation against employees for their cooperation with UCOP.

1. Factual Background

a. President Napolitano and Chancellor Katehi Met and Discussed Chancellor Katehi’s Possible Resignation

On approximately April 22, President Napolitano requested that Chancellor Katehi come to Oakland for a face-to-face meeting.

In sum, and as described in detail above, President Napolitano had been addressing a series of missteps concerning Chancellor Katehi, with the Chancellor suffering withering criticism in the press and with campus activists, and creating concerns about her judgment and candor. First, starting in late February, there were the revelations concerning her DeVry board service. Then a few weeks later, President Napolitano learned about the social media contracts from reading press reports in the *Sacramento Bee* with the explosive language about efforts to “scrub” the Internet. Soon thereafter, Chancellor Katehi told President Napolitano that there were no issues relating to the employment of her family members by UC Davis, and then the President was told by her staff that there were in fact concerns.

On April 25, 2016, President Napolitano and Mr. Grossman met with Chancellor Katehi at the UCOP office. During this meeting, President Napolitano went through the issues and told the Chancellor they should discuss her resignation. Chancellor Katehi asked for time to consider her options and speak with her family. President Napolitano requested that Chancellor Katehi make a decision by the following morning. After that meeting, Chancellor Katehi spoke with her husband, Professor Knoesen, and Mr. Engelbach about what had happened.

b. The Faculty, Media and Outsiders Learn of Chancellor Katehi’s Possible Resignation

On the morning of April 26, Chancellor Katehi’s personal lawyer, Melinda Guzman, called Mr. Grossman and indicated that Chancellor Katehi wanted a reasonable and graceful exit. The

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parties agreed to meet on Thursday, April 28, to discuss details of her resignation and also agreed that both sides would refrain from speaking publicly about the resignation until then.

Despite this agreement, news of Chancellor Katehi's possible resignation quickly became public. On the afternoon of April 26 and into the following morning, UCOP, UC Davis, and Chancellor Katehi began receiving numerous inquiries regarding Chancellor Katehi's possible resignation.²²² According to Chancellor Katehi, she also began hearing from elected officials and faculty that she would be placed on administrative leave and asked to resign.

c. Chancellor Katehi Issued a Statement Regarding Her Commitment to UC Davis

Chancellor Katehi decided on approximately April 26 or 27 to issue a statement setting forth her commitment to remain as Chancellor. At the Chancellor's request, [REDACTED] went to her home and helped her draft the statement. Despite having helped her draft it, [REDACTED] told Chancellor Katehi that she could not issue the statement due to her agreement with UCOP to refrain from making public statements. During the morning of April 27, [REDACTED] sent the draft statement to [REDACTED], who advised [REDACTED] that UCOP would have to approve any statement issued by the Chancellor.²²³

Later that morning, Dianne Klein, UCOP Director of Media Engagement and Strategy, received an email [REDACTED] indicating that Chancellor Katehi had asked [REDACTED] to respond to media inquiries with the following statement:

Linda P.B. Katehi continues to serve as Chancellor of UC Davis, despite recent rumors to the contrary. She sincerely appreciates the strong outpouring of support she continues to receive from the campus community and she very much looks forward to continuing to lead the campus to greater levels of success and excellence in the future.²²⁴

Ms. Klein forwarded this email to Mr. Grossman, who advised Ms. Klein that [REDACTED] should not issue the statement because it would violate the agreement between UCOP and Ms. Guzman to refrain from public comment.²²⁵ Neither [REDACTED] nor [REDACTED] issued the statement.

Shortly thereafter, during the morning of April 27, Chancellor Katehi sent a similar statement to the COVDC.²²⁶

²²² Exhibit 152.

²²³ Exhibit 153.

²²⁴ Exhibit 154.

²²⁵ Exhibit 155.

²²⁶ Exhibit 156.

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From: codvc-request@ucdavis.edu [mailto:codvc-request@ucdavis.edu] **On Behalf Of** Linda P.B. Katehi
Sent: Wednesday, April 27, 2016 11:44 AM
To: codvc@ucdavis.edu
Subject: A message to you

Colleagues

This email is to let you know that I am 100 percent committed to serving as Chancellor of UC Davis. I sincerely appreciate the strong outpouring of support I continue to receive from the campus community and I very much look forward to continuing to lead the campus to greater levels of success and excellence in the future.

Best

Linda

The Chair of the Academic Senate, Professor Knoesen, received this email and decided to forward the statement to the UC Davis faculty.²²⁷

President Napolitano interpreted Chancellor Katehi's statement as a breach of the agreement to refrain from public comment. That evening, President Napolitano issued a letter to Chancellor Katehi placing her on administrative leave.

2. Retaliation

The evidence does not indicate that Chancellor Katehi retaliated or threatened retaliation against any employees for cooperation with the Office of the President in connection with this matter.

a. Alleged Retaliation [REDACTED]

[REDACTED]

[REDACTED]

²²⁷ *Id.*

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[REDACTED]

[REDACTED] however, there is no evidence that Chancellor Katehi threatened [REDACTED] in retaliation [REDACTED] perceived cooperation with UCOP [REDACTED].

[REDACTED]

[REDACTED] the evidence does not indicate that Chancellor Katehi ever threatened [REDACTED] in retaliation [REDACTED]

b. Retaliation Against Others

The investigation team identified no evidence suggesting that Chancellor Katehi retaliated or threatened retaliation against any other employees for their perceived cooperation with UCOP.

V. CONCLUSIONS

The evidence indicates that:

- University near relative policies were not timely followed with respect to [REDACTED] hiring as a GSR in October 2014 and no near relative agreement was put in place as required by policy when the ETH moved into the Division of Student Affairs in January 2016, placing [REDACTED] in the “same department” in which Dr. Prieto exercised administrative oversight. However, the evidence indicates that Chancellor Katehi had no involvement in employment or compensation decisions concerning [REDACTED] or Dr. Prieto, as she remained properly walled-off at all times. Nor does it appear that Chancellor Katehi attempted to intentionally mislead President Napolitano when she conveyed that there were “no issues” with respect to her family’s employment at UC Davis because she did not know the specifics of the employment issues related to her son and daughter-in-law.
- Chancellor Katehi minimized her knowledge of and role in certain social media and strategic communications contracts in her discussions with President Napolitano and the media. Chancellor Katehi advised President Napolitano that she had nothing to do with the

²²⁵ <http://www.sacbee.com/news/local/education/article71659992.html>.

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contracts, and that they were all handled by the communications department. Chancellor Katehi likewise told the Editorial Board of the *Sacramento Bee* that she did not know how UC Davis first became introduced to Nevins. She also advised the *Chronicle of Higher Education* that the Nevins contract “came out of the communications department,” that she “was not involved in it,” and that she “was not aware of these particular contracts.” The Chancellor’s statements were misleading, at best, or untruthful, at worst. In reality, Chancellor Katehi initiated UC Davis’ relationship with Nevins & Associates by unilaterally contacting an executive recruiter to find a social media consultant to help repair reputational damage caused by the 2011 pepper spray incident. She approved replacing Nevins with another company, Purple Strategies, which was recommended by the head of Strategic Communications, and when that engagement ended, she directed her Chief of Staff to find another company to continue the work. He in turn identified IDMLCO, which was ultimately hired. Although Chancellor Katehi did not negotiate the contracts or oversee the day-to-day work of the consultants, she advocated for or approved the hiring of each company, participated in meetings with each, and was aware of and reviewed their work product from time to time.

- While the use of SASI fees for PE instruction was arguably inconsistent with the text of the SASI, the evidence establishes that any such inconsistency was inadvertent, had no substantive budgetary impact, was remedied shortly after being recognized, and resulted in a new control mechanism to help ensure the optimal allocation of SASI funds in the future. Chancellor Katehi did not appear to have any involvement in this line-level budgetary decision.
- There is no evidence of intentional misconduct with respect to Chancellor Katehi’s travel reimbursements in connection with her board service with John Wiley & Sons or trips to Greece. With one exception, the evidence shows that Chancellor Katehi sought reimbursement from UC Davis only for trips that included a substantiated University business purpose. The evidence further shows that, where Chancellor Katehi’s travel combined University and non-University purposes, she ultimately received reimbursement from the University for only University-related travel. There were, however, policy violations with respect to two types of reimbursements. First, when Chancellor Katehi took trips that combined University business with outside professional activities, she and her staff often submitted duplicative reimbursement claims to both UC Davis and the outside organization, and then the Chancellor repaid UC Davis with the funds she ultimately received from the outside organization. Second, when Chancellor Katehi took trips that included business and personal time, her staff did not strictly comply with policies pertaining to the allocation of travel expenses between University and personal purposes. It does not appear that Chancellor Katehi personally profited, or that UC Davis suffered a financial loss, as a result of these policy violations.
- Chancellor Katehi made public promises that she would establish a \$200,000 scholarship fund using her John Wiley & Sons stock proceeds. Chancellor Katehi has now stated that she and her husband will re-evaluate whether to donate the stock proceeds in light of this investigation. Chancellor Katehi made multiple representations to the UC Davis

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community, the public, and President Napolitano concerning the establishment of the scholarship fund. President Napolitano cited the Chancellor's donation pledge in an interview with the *Sacramento Bee* in defense of the Chancellor. UC Davis' students undoubtedly paid attention to these promises as well. Raising the possibility that she will renege on her scholarship pledge could have an impact on Chancellor Katehi's leadership and credibility with the campus community and the public.

- Despite being aware of certain concerns related to DeVry and King Abdulaziz University, Chancellor Katehi failed to exercise diligence and judgment prior to joining those entities' boards. Chancellor Katehi's statements to President Napolitano regarding DeVry were not candid. Despite having attended two board events just weeks before, Chancellor Katehi inaccurately told President Napolitano that she had not yet begun her board service. Chancellor Katehi appears to have violated policies governing the reporting and approval of her outside professional activities, including service on the DeVry and KAU boards.
- There is no evidence that Chancellor Katehi retaliated or threatened retaliation against employees for their cooperation with UCOP.

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