

Minutes of the  
NIU Board of Trustees  
**LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE**  
August 19, 2005

**CALL TO ORDER**

The meeting was called to order by Chair Myron Siegel at 10:18 a.m. in Room 233 of NIU Hoffman Estates. Recording Secretary Mimms conducted a roll call of Trustees. Members present were Trustees George Moser and Marc Strauss and Chair Myron Siegel. Also present were President John Peters, Committee Liaison Kathryn Buettner and Board Parliamentarian Kenneth Davidson.

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

Confirmation of Open Meetings Act public notice compliance was given by Parliamentarian Kenneth Davidson.

**MEETING AGENDA APPROVAL**

Trustee Moser made a motion to approve the agenda. It was seconded by Trustee Strauss. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Moser and Seconded by Trustee Strauss to approve the minutes of the March 18, 2005 meeting. The motion was approved.

**CHAIR'S COMMENTS**

Before we begin, Chair Siegel said, I want to officially welcome our newest member, Trustee Marc Strauss, to the Legislation, Audit and External Affairs Committee. As you know, we have had a change in our Board. I received my fourth reappointment and will serve another six-year term. Cherilyn Murer and Marc Strauss were appointed to their first six-year term on the Board. These two new Trustees bring a wealth of experience, knowledge and different perspectives to the Board. Their presence is a big plus for NIU, and we look forward to Marc's help in Springfield. This committee is very active during General Assembly session each year, and I usually spend several days down in Springfield. We have a lot of work yet to do, and next session will require us to work even harder.

Chair Siegel then recognized UAC representatives Shey Lowman and Donna Smith. I would first like to thank all of the Trustees, Ms. Smith said, for your efforts in Springfield on behalf of NIU and its employees. But I think we need to remain vigilant on behalf of the benefits, especially the pension issues. We have many employees who are retiring at minimal salaries, most from \$30,000 to \$40,000, and we need to really stay on top of the pension issues. We need to look to the midyear elections next year and make sure we are well represented in Springfield and across the nation.

To summarize the reports we will hear today, Chair Siegel said, Ken Zehnder will give us updates on the budget and substantive legislation affecting NIU from the General Assembly session that ended earlier this summer. The Governor's deadline for action on all bills passed last week, so Ken has the latest information to pass along. Steve Cunningham will deliver a more detailed report on SURS pension modifications enacted this spring so that we have a more thorough understanding of how these changes affect our employees. Ken Davidson will provide an oral report on the progress for implementing the Executive Inspector General's guidelines at NIU. And we may discuss changes to our current conflicts of interest policy to make sure we remain at the forefront on this issue.

On the federal front, the Chair continued, Kathy Buettner will provide a detailed report on issues affecting public higher education in Congress, as well as the latest on the reauthorization of the Higher Education Act, an issue this committee has monitored for over the last two years. Dr. Shirley Richmond, Dean of the College of Health and Human Sciences, will provide an overview of the programmatic allied health clinics that we will be moving into the university's new property on Sycamore Road, formerly the Monsanto facility. Dr. John Lewis, Associate VP of Outreach, and Kathy Buettner will give us an update on the neutron therapy program the university is operating at FermiLab. Finally, Sharon Downen, our internal auditor, will brief us on internal audit structure and general issues and where we stand on this current year's audit. According to law, we have to switch external auditors every five years.

## **PUBLIC COMMENT**

The Chair asked Board Parliamentarian Kenneth Davidson if any members of the public had registered a written request to address the Board in accordance with state law and Board of Trustees Bylaws. Mr. Davidson noted that no timely requests had been received for public comment at that Board meeting.

## **UNIVERSITY REPORT**

### **94<sup>TH</sup> GENERAL ASSEMBLY REPORT**

#### **Agenda Item 7.a.(1) – Substantive Legislation**

Mr. Ken Zehnder, Associate Director, External Affairs and Economic Development, stated that the first year of the legislative session of the 94<sup>th</sup> General Assembly ended on time. Most of the issues centered around the basis of reforms and issues related to the pension system.

Some major issues of concern did not pass, but three primary ones may reappear. House Bill 476, sponsored by Speaker Madigan, was the naming rights legislation, which established restrictions on and procedures for the state's awarding of naming and sponsorship rights. The bill got out of the House but did not get out of the Senate. I appreciate the assistance of the Trustees who made contacts on the university's behalf on this issue. It is in the Senate Rules Committee, but there may be an effort either in veto session or again next year to move it along.

There was a proposal to establish a Higher Education Inspector General's Office. This being the first year of the Inspector General's existence under the Ethics Act, they were going to appropriate a million dollars for a Higher Education Inspector General's Office. It was the consensus that this expenditure was not warranted because no issues have been raised that point the finger at the universities, and that it would add to bureaucracy that was not really needed at this point since we do undergo audits and statutory regulations.

The last issue was Senate Bill 131, which would have allowed a pilot program for Harper College to establish two bachelor's degree programs. We strongly opposed that bill and worked with the sponsor, and that bill was ultimately defeated. Both the IBHE and the Illinois Community College Board opposed that legislation.

Summaries of a variety of very diverse bills that we were tracking are in your reports, and I will note just a few of those. We thought initially that access to voter registration information was going to put an extreme financial burden on the universities because we were going to have to purchase the forms from the State Board of Elections to be included in all of our mailings. However, the legislation is geared toward student registration, and it was determined that all university student registration is done electronically. So all we had to do was establish a link with the State Board of Elections on the web site to meet the requirements.

House Bill 873, a ticket scalping reform bill, provides some uniformity to the process and regulation of ticket sellers. The convocation center and Intercollegiate Athletics supported this bill.

House Bill 2222 changed the Downstate Public Transportation Act. We had been eligible for state funds since our region became part of the Metropolitan Planning Organization (MPO) – DeKalb, Sycamore and

Cortland. We had not received funding through that eligibility until this year when Representative Jay Hoffman got the Metro East area involved in this. Through his efforts in getting Metro East some of this portion of the funding, we were also funded. There should be up to a million dollars available for the DeKalb area MPO. We had discussions relating to extending the bus service to Elburn for availability when that area is included in the Metra service. Macomb was the other MPO that received money through that effort.

House Bill 2515 was a course transferability network. It is subject to the appropriation, so there is no funding to do this. It would require all the universities to have a network so that students can determine what courses they are taking at the community college level or the university level will transfer to different schools. Northern Illinois University and the University of Illinois at Chicago have been noted as the only two schools in the state that are in total compliance with this issue. How long it will be before it is statewide is subject to whether or not funds are appropriated for it.

Senate Bill 445 limits the use of Social Security numbers and prevents universities from using them on insurance cards or other documents that are required to access or purchase products or services for the university.

The Governor has signed four other bills into law since your reports were printed: House Bill 815, National Guard Veteran Grants; House Bill 3724, Military Service Course Access; Senate Bill 1857, an Open Meetings provision; and Senate Bill 2091, Public Health Clinical Trials.

We are not tracking any vetoed or amendatorily vetoed bills that relate to the university. So on substantive issues, it should be a quiet veto session. There may be an attempt to get a capital bill through. With the passage of the federal transportation bill and the necessity for state matching funds for all road projects, that is going to have an impact on available capital. So that is going to be a heated issue in the fall that will continue into the next year.

#### **Agenda Item 7.a.(2) – Fiscal Year 2006 Budget Update**

Mr. Zehnder reported that the budget bill, Senate Bill 1548, provided \$102,274,900 out of General Revenue Funds to NIU. The university also received an additional \$700,000 for its CHANCE program. That is an annual appropriation that is not in our base, Mr. Zehnder said, so we will continue to work with the legislature to keep that from year to year or to establish it in our base in 2007.

The last item on our appropriation bill was \$10,000, which comes to the university through scholarship grants through the university's Huskie license plate system.

The total GRF, approximately \$102,975,000, represents about 28.9 percent of the total operations budget. Essentially, all the universities received a flat carryover from 2005 with a few exceptions similar to the CHANCE program. At seven-tenths of one percent, NIU received the second highest increase among the universities.

I would like the record to reflect the university's thanks and appreciation to Senate President Emil Jones for recognizing our CHANCE program for the terrific job it does, Ms. Buettner said, and enabling us to receive \$700,000 in additional GRF to support it. The university has been allocating that amount for years with no direct GRF allocation. Senate President Jones believes in this program, and successfully had it added in GRF funds at the end of session. Dr. Williams, Ken and I will be working with Senator Jones staff during this current budget process to try to get it in a permanent line item contained within our budget.

#### **Agenda Item 7.a.(3) – SURS Pension Modifications Effective Fiscal Year 2006**

We could not wait for this 94<sup>th</sup> General Assembly process to conclude with respect to pensions, Dr. Cunningham said, so probably the only good news is that it is over. It began with the impaneling of the Governor's Pension Commission during Fiscal Year 2005. Then in February in his budget address, the Governor spoke quite a bit about pensions, and a major part of that related to the State Universities Retirement System, which obviously concerned us. Many factors are involved; but, basically, the Pension Commission focused on two things, benefits and funding. With respect to benefits, a number of

proposals were put forward. Some of these made it to the media; many of them were very controversial. Additionally, they talked a lot about funding. One thing the Pension Commission highlighted and was consistent about was the problem that Illinois faced with respect to unfunded pension liabilities. Illinois, with a current \$46 billion unfunded liability has, by far, the largest unfunded public pension liability in the nation. Consistently, the Pension Commission stated that the most important thing to do, along with some benefit revisions, was to maintain the security of the funding plan. Because, given the situation, as dire as it was, further steps to undermine the funding plan would amplify out into the future with respect to liabilities.

The Pension Commission completed its report and the legislative process began on the public act. The outcome was surprisingly fast, especially with respect to funding. There are three primary aspects to focus on. The first is benefit changes, the second is funding and the third is new employer obligations, especially with respect to the State Universities Retirement System. The benefit cuts, changes and modifications are summarized on the first page of your report. With respect to benefit cuts, I would note that the SURS menu of benefits was more deeply affected, by far, than the other retirement systems. Essentially, two systems have an alternative money purchase formula – the State Universities Retirement System (SURS) and the Teachers Retirement System (TRS). However, 60 percent of employees under the SURS currently retire under money purchase, whereas approximately three percent in the TRS retire under the money purchase because their rate of return has always been capped at six percent. SURS has historically credited member accounts with a rate closer to market based upon the rate of return of the SURS portfolio, which has averaged 8.5 percent over the last 20 years. That rate of return has accumulated a higher compounding value than in the TRS, so elimination of money purchase for future employees under the SURS means an entirely different thing than it does for the Teachers Retirement System. Additionally, and only for SURS, the authority to determine the annual effective rate of interest that would apply to current employees' money purchase accounts annually was transferred from the retirement system to the State Comptroller's Office. The Governor expressed a great deal of concern about the rate of return that had been applied to SURS employee accounts. SURS has posted a rate of return investment guideline of 8.0 percent for FY05, and their total return on investments for the year was 10.04 percent. We have yet to see what the Comptroller's Office is suggesting for FY06. So, if the State Comptroller's determination is much different than what the SURS Board annually determines, then we have to question if this is a diminishment of benefit for current employees along with complete elimination of the formula for future employees. So those two provisions exclusively apply to the SURS. The other benefits remained unchanged, including the cost of living allowances in retirement and the age to retirement provisions.

The next major component is the level of state contributions, and these are summarized in the report for the various systems. Essentially, the public act withholds \$2.1 billion for FY05 and FY06 from the revenue stream for the pension systems and then ramps up 33 percent of the difference each of the years, culminating in FY10. So for FY06 and FY07, there is approximately a 50 percent cut on average to SURS contributions, and these ramp back up to the formula amount in FY10, which will be a larger amount than it would have been otherwise because the formula will take into account the gap in funding that occurred in the current fiscal years. That's a major issue for current and future employees, because given the status of the State of Illinois with respect to pension funding, further undermining the pension stream leads to the question of whether benefits will be supported in the future. So the largest single issue with respect to this legislation, no matter what the law is with respect to benefits, is the question of how these benefits will be supported.

A third item imposes new employer payment obligations on Teachers Retirement System and SURS employers. This amounts to any increase during the employee's higher four years. The SURS calculates a high four consecutive year average. Any increases exceeding six percent between any two of those years will result in an actuarially calculated present value payment that will be required of the university. So the State Universities Retirement System is still determining how that will be calculated. But under any analysis, the public act does not provide any exceptions. So issues like summer appointments for faculty, overloads, overtime, extra compensation, promotions, vacation payouts, or even going from 50 percent to 75 percent in a change in employment status are not exempted from this requirement. So we are going to be working closely with the SURS to work on their guidelines for implementing the billing process. Clearly, under any analysis, it will result in substantial new fiscal obligations that are unfunded

for the employers. So that too is an area of great concern because it will affect compensation policies, inevitably, in the future.

By way of context, we find that the public act emphasized the SURS, both with respect to funding cuts and to benefit cuts, in addition to the employer payment obligations. The SURS was the peak of the emphasis in the public act. The SURS accounts for 24 percent of the headcount of participants, but only 17 percent of the state contributions. This is because SURS, compared to the other retirement systems, has not contributed greatly to the unfunded liabilities. In fact, SURS benefit changes over the previous decade only account for 4.1 percent of the increase in total pension system unfunded liabilities. With respect to the funding cuts, it is not well known that State Employees Retirement System participants also participate in Social Security. So, in addition to the required employer state payments for the public pension system, the state pays a 6.2 percent OAS/DI Social Security premium on behalf of those employees, which could not be cut. Under the current formula, that drove almost 25 percent of the payroll rate of State contribution for SERS participants, whereas it would have been only 10.77 percent for SURS participants. So when we consider that and link that to the funding cuts, the SURS remains, by far, the lowest, on a participant basis, and receives the lowest level of state funding among all of the pension systems. We will continue to watch this issue very diligently. In answer to a question from Trustee Moser regarding the investment rates of return and the individual employee accounts, Dr. Cunningham stated that no matter what the rate of return, the employee accounts would be limited to six percent. Until the State Comptroller actually finalizes the rate to be posted for FY06, we will not know exactly where that stands. If there is a lot of difference, Dr. Cunningham said, it raises a possible question of the diminishment of benefits clause in the constitution.

Chair Siegel inquired whether there was anything that NIU could do as an institution outside the SURS system that would provide better for our employees. That is an interesting and complex question, Dr. Cunningham replied. We are required statutorily to participate in the SURS. But employees do participate in supplemental plans such as 403b's and 457's. Most importantly, SURS employees do not participate in Social Security. The SURS is the basic benefit plan. There is no floor under it as there is for other SERS employees.

One thing the SURS does offer is a menu of options in terms of which plan to participate in. There is the traditional plan, which is the general formula and money purchase for current employees. There is a portable plan that has the same aspects but somewhat reduced survivor benefits. It allows an employee to liquidate his/her monies, forfeit his/her SURS benefits, take the scheduled rate of contributions and reinvest those or roll them into another type of account. There is a defined contribution plan as well where there is no guaranteed schedule and no defined benefits. Instead, it is only the employee contributions, like a pure 403b where the state and employee contributions go into that. Employees were required, when those options were created in 1997, to irrevocably elect one of the three plans. And they made those choices based upon their belief in the solidity of those plans and of the retirement system. This legislation changes that trend in expectations. Employees are not allowed to change or reselect their retirement option. The only way a change can be made is through the legislative process.

#### **Agenda Item 7.a.(4) – Office of Executive Inspector General Legislative Implementation Status**

We have a new Inspector General replacing Z. Scott. He is James A. Wright, a former Inspector General for the Department of Transportation. Each member of the university community will receive a notice of mandatory 2005 ethics training. It is mandated that we send this to each of you with the Executive Inspector General's signature on it, and that will be done in October.

We are in the training/planning phase now for the ethics requirements. Last year, everybody did online training, including the Trustees. We developed a special handout brochure for the temporary and the seasonal workers that did not do online training. The Executive Inspector General's Office has expanded on the paper training idea. This year the appointed Trustees are being included in those who will not be required to take the online training. Instead, there will be an 11-page ethics training that I will be mailing to you in the near future. There will be an opportunity at the end of that material to sign the acknowledgement of participation in the training.

President Peters, the senior cabinet and the Board Chair have worked diligently to help the university obtain and maintain compliance with the State Officials and Employees Ethics Act. NIU has a long history of being leaders in the ethical governance area. Since this Board was created and began operation in early January of 1996, we have been one of the leaders in the state in the ethics programs. Every employee of the institution has received the program for compliance. There is a provision included for reporting misconduct on campus to the police. In the past, the Inspector General's Office wanted that reporting line.

In reply to a question from Chair Siegel, Mr. Davidson said that the external auditors have always examined the Statement of Economic Interests filings by the Trustees and key members of the administration. They pull samples of the completed forms at the Secretary of State's Office to check compliance. A record of submitted forms is also kept in the University Legal Services office.

On whether or not Trustees should be keeping time records, Mr. Davidson said, we have worked out The Trustees Work Time Requirements Reporting System with the Executive Inspector General as follows: *Members of the Board of Trustees meet at least quarterly for regular business meetings in addition to committee meetings. Trustees will be informed of meetings and coordinate their attendance with the Board of Trustees Parliamentarian. Presence and participation of Trustees at Board meetings will be recorded in the minutes of the meetings.*

#### **STATUS OF FEDERAL ISSUES**

##### **Agenda Item 7.b.(1) – 2005 Federal Legislative Report**

The most exciting news that we have had in the recent months, Ms. Buettner said, is the passage of the long-awaited federal Transportation Equity Act Reauthorization bill which was actually signed into law by President Bush in Aurora about a week and a half ago. The university received an appropriation in that bill for \$8.32 million in federal transportation funds to build roads and other infrastructure improvements for the 230 acres of farm land west of the convocation center that the Board purchased in 1996. There have been no major planning efforts underway by the university for future development of that land due to the lack of state funding. However, at the same time, this Board met several years ago and, with the upcoming transportation bill, instructed me to continue discussions with the congressional delegation about funding for at least the road infrastructure for future development purposes. We want to thank Speaker Hastert and his staff, who have responded. This now will allow us to begin the formal development process and discussions for the build-out of this land over the next 20 to 40 years.

As far as funding for programmatic issues and financial aid and student aid, after a great deal of discussion in the House and Senate in Washington and the national conversations going on, both the House and the Senate have restored the TREO, Gear-Up and Supplemental Educational Opportunity funding that were zeroed out in the President's budget message earlier in the year. The Senate has level funded the Pell Grant at \$4,050, which is the maximum benefit offered for the FY06 season. The House has gone up to about \$4,100.

This issue may merit some individual correspondence with the committee members as the fall progresses. There is a move in response to negative media attention regarding problems in tax-exempt sectors regarding gifts that have been received, whether cash, software, land or property in terms of valuation of tax exemption purposes on a national level. Congress has responded to those media reports and is expected to file a comprehensive tax reform package in September. While there is no draft legislation circulating yet, we have heard that this legislation could have an impact on the donors to university foundations in their ability to recoup tax benefits for their donations as well as also possibly affect taxation issues involving tuition waivers for graduate students or employees.

##### **Agenda Item 7.b.(2) – Higher Education Reauthorization Act Status**

I have been reporting to this committee for two years on the Higher Education Reauthorization. We have been making significant strides with the House and the Senate conferees on this issue. Still, it is rather onerous in terms of the new requirements that will be enacted if the bill passes as it has been drafted and marked up to date. That is, the Department of Education is going to be able to publish an institution's College Affordability Index based on the increase of tuition and fees over the last three years. We were

able to remove the penalty clause because so many of the institutions across the country are state funded or state supported and, in large part, have no ability to affect the tuition levels because of drastic state cuts in funding across the nation.

### **Agenda Item 7.b.(3) – Family Health, Wellness and Literacy Center**

We wanted to get all of our clinics together so that they could interact as multidisciplinary/interdisciplinary groups, Dr. Shirley Richmond, Dean of the College of Health and Human Sciences said, because we knew it would be an excellent teaching opportunity and offer a teaching environment for the students and faculty. Having all these departments grouped together in one place would also provide an enriched research laboratory for faculty and students to apply their present protocols as well as to investigate new treatment.

That being the primary focus of our planning concept, we looked at how this might link with the federal initiatives. In the federal initiatives of Healthy People 2010 under “Understanding and Improving Health,” we looked at five of their goals.

Goal 1: To increase years of healthy life through health promotion, health screening and early disease detection through a multidisciplinary care concept at a single point of service facility.

Goal 2: To increase the years and quality of life by providing continuous treatment in monitoring of chronic diseases.

Goal 3: To eliminate health disparities by providing healthcare to a rural population.

Goal 4: To provide opportunities for individuals to be more active in the individual health and to enhance access to a single point of service facility.

Goal 5: To improve knowledge of health issues through health communication, not only for individuals, but also for communities.

So, having looked at these initiatives and looking at our planning concept, we felt we really had a good fit; and, therefore, presented a proposal. With the help of Kathy Buettner over a couple of years, we were successful then garnering the \$6.0 million HRSA (Health Resources and Services Administration) grant for the university to make our dreams become reality.

The College of Health and Human Sciences will expand its Speech-Language-Hearing Clinic, its Physical Therapy Clinic, and its Tri-County Community Health Center. The College of Education will expand its Reading Clinic. And we have other teaching research and service programs interacting with all of those clinics that will be involved at various points.

Let me just give you a brief overview of what types of services are offered in these clinics, the dean said. The Speech-Language-Hearing Clinic is a year-round facility. We presently are known for an outstanding clinic, but they will be able to expand to provide comprehensive audiology, rehabilitation counseling, and speech-language pathology assessments and treatments of individuals of all ages. They will continue to provide bilingual services in the areas of audiology and speech-language pathology.

The Physical Therapy Clinic, which addresses primarily muscle and skeletal problems, is now housed in the University Health Center. The clinic space is limited in the Health Center, and we have a backlog of students whose appointments we cannot get set up in a timely fashion. In the new facility, that area will be expanded, and we will continue to offer those services for NIU students. Since the community does not have much assessment in these areas for individuals with chronic diseases and for the elderly, the Physical Therapy program will also meet the needs of clients across its lifespan to include balance and functional assessment, sensory integration and functional training. A little more emphasis will be placed on pediatric physical therapy, which is also somewhat limited in the community.

The Tri-County Community Health Center will probably have a satellite in the facility which will be expanded to deliver primary care services to the DeKalb population. That population does not have

adequate services right now because we have limited access at the Kishwaukee Community College on the Malta campus, mainly because there is no public transportation to that site.

The Reading Clinic works with schools and parents to assist struggling readers. They will offer diagnostic reading assessment and individualized tutoring services. Presently, they are spread out in a number of different locations, so this, again, will give greater access to DeKalb and the surrounding areas.

We feel that this consolidation of departments will open many doors and opportunities for us in the College of Health and Human Sciences, the College of Education and the university. In summary, it will enhance the health of the people in the community. Being located on the health corridor, we will be able to enhance partnerships with other health agencies in the community. We will enhance our teaching and learning because this clinic will now have an environment to actually support a unified team care perspective.

In answer to questions from the Trustees, Dean Richmond said that though most of their clients are underinsured, there are sliding fee scales for what patients can pay. Also Medicare and Medicaid are taken into consideration.

The college has donors and endowments and the university absorbs some of the cost with the clinics. Tri-County is a rural health clinic, so we get a better reimbursement on that type of payment than would a private physician's office, because we are a rural health clinic.

The university is funding these clinics somewhat now. But, we have to think about the fact that these are academic enterprises, and they are supporting our academic mission for the university. We have students with their preceptors in all of these areas. Also, the faculty is doing research in all of these areas. So the funding that is linked with the university is really supporting those types of endeavors. With all of these people coming to this facility because of all this opportunity, Chair Siegel asked, where will the money come from to support it? Vice Provost Fred Schwantes said that the facility would be revenue neutral with regard to the present amount of expenditures. Of the \$6 million dollars in capital funding, \$4 million will be used for renovation of the building and \$2.4 million will be used to purchase equipment. It will be revenue neutral in comparison with the current expenses that are funded by the Foundation, the university and other sources, and we do not anticipate any additional expenses.

This is a tremendous benefit to the area, Trustee Moser commented. The university should make it known that we do this because I do not know any area other than the University of Chicago that has such a facility, but it is very small by comparison. They do not take care of as large a public population as you are looking at here.

And, again, Dr. Schwantes said, that portion of state appropriations and the Income Fund that support the clinics are really geared toward supporting the training of the students and the graduate students, and to a lesser extent, the research of the faculty that goes on with the patients they are seeing.

This committee has worked very hard to help make this happen, Chair Siegel said, because we know that you have had your facilities spread throughout many buildings. Now that you are going to have them all in one area, it is even more exciting. And we look forward in the future to seeing the proposals that you are in the process of drafting for professional doctorates. Now we have the AuD in Audiology. And right now we are in the process of working on a proposal for physical therapy, Dean Richmond said, and nursing is going to a masters in nursing education. As we have said, this will enhance our teaching and research missions because all of our students need clients, and this will certainly help us. We are finding it increasingly hard to find preceptor and internship sites out in the communities. So we appreciate the support that the university can give the clinics to help us get our students to that point.

#### **Agenda Item 7.b.(4) – NIU Institute for Neutron Therapy at FermiLab Project Update**

It is a pleasure to bring you up to speed on the NIU Institute for Neutron Therapy facility at FermiLab, said John Lewis, Associate Vice President for Outreach. About eight months ago, President Peters and officials at FermiLab announced the collaboration of the two facilities. I would like to take just a few



minutes to a little background in neutron therapy and the history of the center at FermiLab. Then I will concentrate a little on where we are and where we are going.

The NIU Institute for Neutron Therapy at Fermilab is one of only three in the United States. The two other facilities are attached to the medical schools of the University of Washington in Seattle and Wayne State University in Detroit.

The facility requires high energy physics, and FermiLab has the linac which produces the beams that are transferred into neutrons. Over the years, the neutrons have proven clinically to be effective in treating certain types of cancers – locally advanced prostate, some inoperable sarcomas, some salivary gland, and some locally advanced head and neck. Interestingly enough, at the other two centers, Washington specializes in head and neck; and Detroit historically has specialized in prostate. The center at Fermi saw their first patients in the fall of 1976. They were doing National Cancer Institute trials between 1976 and 1985 and they were receiving funding from the federal government to do the clinical trials. In 1985 through 2003, the operation changed some. A variety of hospitals and clinics actually operated the facility. They no longer had money for the clinical trials, so it was operated more on a traditional hospital clinic basis beginning in 1985. The last partnership with FermiLab in the operation of the clinic was Provena St. Joseph, and they stopped operation in 2003. From 2003 until NIU reopened it in January of 2005, the clinic was not in operation.

With the help of Kathy Buettner and others, and through Speaker Hastert's interest, a grant was provided to the university from the Department of Health and Human Sciences in October of 2004 to begin operation of the clinic. So, since that took place, we've been actively involved in getting the operation up and running again. Currently we are reimbursed by Medicare at the photon level. Our treatments are performed by 12 treatments with neutrons, using photons means a patient must have 30 treatments, but the reimbursement rate per treatment has been the same. However, the cost of using neutrons is much higher than that of using photons. As a result, we negotiated with Medicare to give neutron medicine its own special code. This change in reimbursement patterns will become effective in January 2006. All the work that Kathy and many others put into that change needs to be recognized because getting a new DRG code out of the federal government is not an easy task.

In November or December 2004, the President's Office asked Outreach to assist in putting together the administrative infrastructure. So we have helped in putting together the billing structure, in managing the personnel, and doing the overall administration of the facility. A medical director was hired in October 2004, and the institute began providing treatment to patients in January 2005. Just as we were getting up to speed with the operation, the CT Scan broke in April 2005. NIU's Institute of Neutron Therapy has the only vertical CT Scan in the United States. It was actually built by the scientists and physicists at FermiLab. The treatments are performed in an upright position, so the scans must be taken in an upright position, because when a person lies down and stands up, the body organs shift; therefore, not providing a true picture of where the treatment should be provided. The CT Scan has been repaired with the help of FermiLab and NIU's scientists and physicists. Another setback was the recent resignation of the institute's medical director. We are in the process of looking for a new medical director and hope to have someone in place within the next couple of months.

We have been informed by the Department of Defense that our application for 2006 funding, which will begin in October, is being recommended to the commander of the base for approval. Over the next fiscal year, with the new medical director and the new building codes and rates, the prospects for us getting up and going are very positive. We also will begin planning for the proton facility, and should receive funding from the federal government this fall to start planning for a new hadron facility.

When we embarked on this project with FermiLab a couple of years ago to try to reinvigorate this clinic, Ms. Buettner said, neutron therapy was used for certain types of radio-resistant tumors. Proton therapy currently is only offered in the United States at Loma Linda University and Harvard-Massachusetts General Hospital. There are two other facilities under construction right now. A very large proton facility is due to open in 2006 at MD Anderson, one of the premier cancer treatment facilities in the nation. One is also coming on line in 2007 in Jacksonville, Florida. The cancer treatment radiation groups internationally feel that proton therapy is the wave of the future. It is very promising, and there is no facility scheduled for Chicago. So, as we have been bringing the neutron therapy area back up, the

university has been pursuing a plan with FermiLab to staff and then develop a freestanding proton facility, available to not only Illinois but to the Midwest region in general, that would be headquartered at the DuPage Technology Park. Financially, it is a very large undertaking. However, there has been sufficient interest that venture capital and participation from the major research hospitals is actually beginning to bear fruit. Ironically, we do not anticipate that our most fearsome battle will be with funding. We anticipate that the most difficult thing we are going to face is recruiting people in the United States who have sufficient proton experience. Many of these facilities have their roots in Europe, Japan and South Africa. Over the last few years, I have learned that the amount of R&D work that the governments perform for their medical facilities in Europe, Japan and South Africa is amazing. The United States is actually late in its efforts to get these facilities and develop them in this country, so most of the people who have come over to start these facilities have been recruited from South Africa, Europe or Japan. The federal government will provide planning money to begin the design of these new facilities. The ramp-up time is significant. Planning and design will probably take about two years with actual construction of the facility in approximately five years. So if this project bears fruit, the university would obviously be very well served by it in the future as would be the people in the Midwest. We would expect tremendous cooperation out of the major research hospitals not only in Illinois but also in the surrounding states.

#### **Agenda Item 7.c. – Department of Internal Audit – FY05**

We offer a comprehensive program in internal auditing, Director of Internal Audit Sharon Downen said. I would like to highlight three of the five areas listed in your report this morning. The first is fraud prevention and detection. Our office has undertaken annually looking at areas across campus that handle significant amounts of cash or cash equivalents. This is done based on the threshold of cash assets that any area might have. The good news to report is that as we are doing these cash audits year after year, we are seeing incidents of exceptions, but the magnitude is declining as well as the frequency. The Bursar and I present a workshop each semester for university employees, and during that time we explain good cash control and good cash handling practices.

In regard to fraud detection and prevention, it is not always about money. As we are all aware now, it can also be about identify theft and the theft of credit card information. So, one of the things that we emphasize as we audit various areas on campus is security over that type of information, both credit card and Social Security numbers. The university is looking into obtaining a contract for a procurement card that departments can use a credit card for various purchases. If that should become a reality, we will be auditing that annually.

Our office is involved in looking at and reviewing the university's PeopleSoft human resource system and financial management system on a regular basis. And, if obtain a student information system, we will participate in the planning for that system as well. Our participation consists of regular audits of upgrades and system testing and design, and I am on all the steering committees for these projects. Also, on my staff is a Certified Information Systems Auditor who attends all the status meetings so that we can be tuned in to any of the issues on control procedures as they come up in the design process.

Compliance is another big area for us. Part of our job is to help insure that the university is in compliance with all the NCAA rules and regulations. We do this by covering one significant area of compliance each year, which is done in a three-year cycle – eligibility, recruiting and financial aid. We also look at grants for compliance purposes. Now we are undertaking a plan to look at student financial aid programs – pick one program a year, for example, and make sure that those plans are being administered in compliance with federal and state rules.

With respect to projected priorities for the coming year, my office is undergoing what is called a peer review. That is where we will have two internal audit professionals, one from Northwestern University and one who is a former director of audit at NICOR, come in and evaluate the Internal Audit office, our staff and our procedures in terms of how well we comply with professional internal auditing standards. That report will be given to the President, and I expect that he will be sharing it with the Board.

## ADJOURNMENT

There being no Other Matters, the Chair asked for a motion to adjourn. Trustee Moser so moved, seconded by Trustee Strauss. The motion was approved. The meeting was adjourned at 11:38 a.m.

Respectfully submitted,

Sharon M. Mimms  
Recording Secretary

