

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE
November 14, 2006

CALL TO ORDER

The meeting was called to order by Chair George Moser at 10:00 a.m. in Room 233 of NIU Hoffman Estates. Recording Secretary Banks-Wilkins conducted a roll call of Trustees. Members present were Trustee Marc Strauss and Chair Moser. Not present was Trustee 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 Strauss made a motion to approve the agenda. It was seconded by Trustee Moser. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Strauss and seconded by Trustee Moser to approve the minutes of the May 23, 2006 meeting. The motion was approved.

CHAIR'S COMMENTS

Chair Moser welcomed University Advisory Committee representatives Bobbie Cesarek and Rachel Turner to the meeting.

Today, Chair Moser said, we will hear from several members of the NIU staff concerning legislation both at the state and federal levels, matters of importance concerning policies regarding audits and employee conduct, as well as information relating to NIU's research endeavors. We have not met since May 23, and since that time, much has occurred in Springfield and Washington that bears discussion. Today we will begin our meeting with issues concerning our campus community and end with issues of national importance. To all of you, welcome and thank you for coming.

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

Agenda Item 7.a. – Internal Audit Department Charter

Committee Liaison Kathy Buettner asked Internal Auditor Sharon Downen to present the revised Internal Audit Department charter.

Over the past year, Ms. Downen said, the Internal Audit Department has undertaken a quality assessment review. This means that we took all of our internal practices, policies and internal operating procedures

and compared them very closely with the Institute for Internal Auditors Standards for the Professional Practice of Internal Auditing with the Fiscal Control and Internal Auditing Act and the Institute of Internal Auditors of Ethics to make sure that we were in compliance as completely as we could possibly be. And naturally, when undertaking something like this, things crop up that had not been thought of before. One of these was the fact that our charter did not contain a specific definition of consulting services, which we do all the time. We sit on steering committees. We answer questions from people over the phone. We are involved in fact finding efforts, special studies and many other things that had not been included in our charter. And, technically, the standards state that the charter should be approved by the Board of Trustees.

On the bottom of the first page, you will see that in addition to performing assurance audits we also talked about providing consulting services. We define those consulting services in terms of how they differ from an assurance engagement. And that is primarily the change. We have taken some of the wording from the former charter and updated some of the language.

I have a couple of questions and maybe one suggestion, Trustee Strauss said. In the first full grammatical paragraph on page 8, the second sentence reads "Requests for comments or reports relative to audit work will only be released through the Office of the President (at the President's discretion)." I would like to suggest we make it clear that these reports or comments would be available to the Board of Trustees, as well, at their request. Ms. Downen indicated that this was the current practice. Trustee Strauss stated he wanted to make sure that the charter was not contrary to the existing practice, and wanted to modify the language to reflect that.

On an annual basis, Trustee Strauss asked, how is it determined which areas receive your attention for audit? There are many considerations that go into developing an audit program, Ms. Downen answered. I confer with management at all levels across campus throughout the year and listen for things that concern our administrators. We look at our external audit reports to see if there are areas that need Internal Audit attention. We check the various operating units on campus annually and try to identify the types of risks that exist for each area, such as strategic risk, financial risk, operations, compliance or reputational. And some areas have multiple areas of risk. Then we look at the criticality to NIU – How well does NIU manage the risk? The goal here is always to successfully manage the risks. And thirdly, we ask if there is a potential for fraud to occur? All of these are ranked strong, moderate, low, high, medium low, etc. And that is how the initial, proposed audit plan is determined for any two-year period. Then that proposed plan is shared with the President, and he passes it on to his executive cabinet for their input. After that process is completed, the President signs off on the program. If some unexpected things such as unanticipated risks or problems come up that need attention, that audit program can be changed with the President's approval. In reply to a request from the committee members, Ms. Downen stated that in future everyone on the Board of Trustees would receive a copy of the proposed audit plan at the same time it goes to the President and the executive cabinet.

Chair Moser asked for a motion to approve the audit as proposed with the suggested changes. Trustee Strauss so moved, seconded by Trustee Moser. The motion was approved.

Agenda Item 7.b. – Employment Conduct and Accountability Policies

There are a number of assets, risks and strategies that we monitor, Dr. Cunningham, Associate Vice President for Administration and Human Resources said. Among these, and probably the most complex, is the human dynamic. That is the one that always varies. In coordination with this committee, over the previous four months, we have conducted a full review of policies and procedures related to employment conduct and accountability. As you can imagine, there is a wide range of policies relating to this subject, and they vary considerably. At one point we identified over 120 different statutes and regulations that pertain in some way to the employment setting, especially with respect to employment conduct, rules of work and so forth. So part of our work was to organize these policies. In consultation with President Peters, we embarked on a benchmarking process looking at all of the Illinois public universities, their policy frameworks and other key institutions throughout the nation to compare our policies with theirs and to see how they organize their policies. One thing we found was that most of the time these policies are related to different enactment documents that are located in a wide range of source documents. So one

of our goals was to put together a comprehensive reference framework, and I want to review that with you in some detail after my initial comments.

The policies that relate to employee conduct come from a variety of sources at various levels – federal statutes, state statutes and regulations; regulatory agencies issue rules; our university governance documents contain a wide range of statements and procedures about employment and conduct – our Board *Regulations* and then policies implemented under the authority of President Peters in our various divisions and especially Human Resources with respect to procedures to implement these different rules and policies. There is a wide range of different applicable policy documents, and in the review we covered five major areas, which are outlined in the reference guide. These are employment and representation of the university generally; employee conduct and ethics; stewardship of university resources; conflicts of interest; and employee rights, due process and grievance procedures. When the policy is fully set up, it will be a very interactive online document with web links that access information on other web sites throughout the university and some external to the university.

Following the introduction, the policy statements begin on page 3 of this draft. It is a general overview of employment stating that there are responsibilities with employment and each employee individually is responsible as a representative of the university, and in total, the actions of all employees define the character of the institution. This is something our employee councils work on and talk about frequently. Every employee is a stakeholder with responsibilities.

The first major section, then, is titled employee conduct and ethics. This begins with the general conditions of employment outlining the Board Regulations, which essentially establish the fact that every employee is to abide by all applicable rules, statutes and regulations. The most recent major policy development was the State Officials and Employees Ethics Act which, while a new public act, tended to sweep a number of already existing policies and standards into a more integrated ethics framework with some exceptions. Mainly it covered political activity, the documentation of time worked, travel expenses, earning and accrual of state benefits, required annual ethics training. The Office of the Executive Inspector General also is highlighted and established in the State Officials and Employees Ethics Act. A number of preexisting acts related to that – the State Gift Ban Act, the “Whistle Blower” Act, and other regulations regarding political activity. Then we move into the nondiscrimination framework which is derived from both federal and state statutes as well as Board *Regulations*. NIU has an Office of Affirmative Action and Diversity Resources that monitors and administers those programs, including the affirmative action plan for the university. Then we move into the statements of professionalism that come from our employee councils – the faculty, the operating staff and the supportive professional staff. There are different fitness for duty standards. And we wrap up with discipline and due process, which we reference both in the first and last sections of this document. Those are the general large policy areas that set the standards for employee conduct.

Next, we move into the section that relates to the acceptable use of all varieties of university resources: financial resources, physical resources, technology resources, even human resources. This begins with a new general statement. The policy framework of most universities lacks a general comprehensive statement about the use of resources. It generally states what is already evident in the policies and regulations, that employees have a general responsibility to use the resources in an acceptable way, in a work-related way, not for personal use. If an employee witnesses a misapplication of resources, there are internal systems in place to report it and to deal with it.

Then we move into a wide range of acceptable use policies for technology: computers, telephones, electronic networks, systems and web sites. Various confidentiality policies pertain to university records, and these are included. The Illinois Personnel Records Review Act allows employees access to their personnel-related documents, which is also covered. FIRPA, the release of information for students, and HIPAA, the Health Insurance Portability Act, both establish very exacting privacy rights with respect to student and health-related documents. Finally, this section is concluded with a new policy that President Peters requested we put together in response to this committee’s continuing prioritization of cash security and positions that are involved with cash handling. This is handled in three parts: we restate our current cash handling position policies, essentially identifying those positions that deal with cash assets; we established a zero tolerance policy for the theft of any such assets; and we talk about supervisory

responsibility in relation to those positions and place limitations on supervisors and employees in those settings loaning or giving gifts to one another.

Bringing all of these together in an integrated coherent reference document is something that few universities do. Most universities, even the largest universities, just have these policies scattered around in various alphabetical indices to their web sites. And that is essentially what we had done. The reason for that is they tend to accumulate over time, and the organization implements the policies as they are enacted by statute or through experiences such as the cash handling situations. We enact new statutes or new rules to deal with situations. So, this reference guide will not be exhaustive, but it is intended to cover most of the major policy areas.

In reply to a query from one of the Trustees, Dr. Cunningham stated that the policy document would be circulated to the employee representatives for comment before disbursing it to the Board and the university community. The university system of shared governance was involved in the development of most of these policies as they currently exist. The new thing about this document is bringing all of these policies together in an integrated way. In the few areas where we have written new statements, the stewardship of resources, for example, that will be part of our rollout process to involve the councils, to talk to them about places where there might be areas that the shared governance system could improve on policies, and then to embark on supervisory training, to use this as a starting point and a way to organize a new version of supervisory training.

It is important, Trustee Strauss said, that the vast majority of the employees do not run afoul of any of these provisions, so the object here should be to train people to keep them from violating them.

Agenda Item 7.c. – New Illinois Public Acts that Take Effect in FY2007

Mr. Ken Zehnder, Associate Director for External Affairs, said that he would give a brief summary on the new Illinois public acts taking effect in FY07, resolutions that were passed which give some direction to the university and to the Board of Higher Education, and comments related to the elections and the 95th General Assembly.

Among the public acts that will take effect are a number that have impacted both community colleges and universities. I want to give particular attention to Senate Bill 49, Pension Code contribution revisions primarily related to salary adjustments at the end of tenure. Steve Cunningham was very involved in the supplemental exemptions, which were considered, Mr. Zehnder said, and we gained leeway through Steve's efforts in how that was addressed.

Senate Bill 585, amends the Open Meetings Act and redefines "meeting" to include a variety of electronic means and phone calls, video, etc. General Counsel Ken Davidson will be reviewing that. This bill goes into effect January 1, 2007.

Senate Bill 1827, the energy conservation measure, extended the guaranteed savings contracts to a 20-year period from what is currently a 10-year period. We have directed to Bob Albanese, Associate Vice President for Facilities, the question of how that will operate and what types of projects it can be expanded to cover with this change. We will have him review that and get back to the Board on those issues.

Senate Bill 2225, the MAP Plus program, allows for an extension of MAP grants to those which included families making less than \$200,000. It is a one-year program for fall 2006 and spring 2007. The funding for that is dependent on the sale of the portfolio for ISAC.

Senate Bill 2312 added a nontraditional graduate student to the makeup of the Illinois Board of Higher Education reflecting a lot of NIU students. NIU has a lot of nontraditional students, so I think the addition to the board will reflect those views.

Agenda Item 7.d. – 2006 General Assembly Approved Resolutions

Among the resolutions that provided some guidance for the IBHE, Mr. Zehnder said, was House Resolution 1101 which addressed enrollment data. It resolved that the Board of Higher Education should

expand the shared enrollment data. We are working with IBHE to make sure that whatever format they adopt will be compatible with our new system to make it easier.

Senate Resolution 692 was the textbook rental review. Data and information has been solicited and gathered by the Board of Higher Education on this issue. They have been talking to the universities that have rental programs, and they expect to issue that report within the next two weeks.

On another issue related to an executive order, there has been activity with the Illinois Broadband Development Council, and because of our NIU Broadband group, NIU is very involved in that. This is a statewide effort to map the existing broadband network fiber throughout Illinois. The Northern Illinois Technology Triangle, with which NIU has been involved, has been working with the Department of Transportation in the effort to extend the fiber in northwest Illinois and along the I-39 corridor. The Department of Transportation has initiated laying fiber on I-39, which will allow for redundancy when we connect the fiber we currently have under lease on I-88 and I-90, and that loop will be completed. The Illinois Commerce Commission has granted the Northern Illinois Technology Triangle a million dollar grant to assist in outreach efforts to extend the use of the broadband out to the rural areas.

There were a total of 353 bills passed by both chambers in the General Assembly this year during the veto session. Of that number, seven bills were vetoed and four bills had amendatory vetoes. None of those bills directly impacted Northern Illinois University. It is going to be an interesting veto session because the Capitol chambers are undergoing renovation, so the representatives will be meeting in the Old State Capitol, and the senators will be meeting in the Presidential Library. Among business that may come up is a minimum wage bill that the Governor has indicated he wants to put through during the veto session. Also, there will probably be some discussion on a capital bill; however, speculation is strong that this will carry over into the spring session in the 95th General Assembly.

After elections for the 95th General Assembly, the Democrats picked up six Senate seats, which now gives them a 37 to 22 majority with 36 votes needed for an override-proof majority.

There was a change of only two seats going to the Democrats in the House. One addition to the makeup is NIU Assistant Professor Mike Fortner, who is a new Representative. The Democrats control that chamber 67 to 51 with 72 votes needed for an override. On another positive note, ten NIU alums ran in the House for reelection, and all ten won. And we have one incumbent Senator who was not up for reelection who is an alum, giving us a total of 11 alums and one professor.

Agenda Item 7.e. – NIU: Research, Innovation & Economic Development

Ms. Buettner introduced the newest member of the External Affairs staff, Ms. Lori Clark, whom she asked to make a brief presentation about a concept that President Peters talked about in his State of the University address involving a center for innovation at NIU and turning it into an economic development initiative as well for the region, with NIU at the core. Lori came to the university effective July 1. She is a seasoned professional in economic development, workforce training and science and technology policy for the state, Ms. Buettner said. She spent over 20 years with the state's Department of Commerce where she has served at least four to six years as deputy director in charge of economic development workforce training and science and technology policy in the state. She works very closely with me and with the Outreach Department. We are very excited to be able to attract Lori to NIU because she not only brings the expertise that we need in terms of science and technology policy and determining where not only the state is going, but where the national and the federal government is going in these areas with the Department of Labor and Department of Commerce nationally where she has headed those issues up for the state. We have located her office in Chicago, which gives us a permanent high level administrator in Chicago for the first time ever in the university's history. She spends about two days a week in DeKalb working with the deans, other vice presidents and myself. She spends three days a week in Chicago where she is the liaison to Mayor Daley's Workforce Committee for the University. This is a new position for us. She is now able to activate a membership for the university in the Chicagoland Chamber of Commerce, which opens up a lot of new organizations that Northern should be a member of institutionally because of our work in the region, the significant number of students and alums that work downtown and the policy issues that we participate in. So we are very excited that she is here. This is her first official meeting of the LAEA Committee, so I wanted to introduce her and ask her to tell you a little bit about what

her job is going to be and also about this concept of innovation that the President referenced in his speech.

It is really a pleasure to be here, Ms. Clark said, and I was absolutely delighted to join NIU. NIU has a lot of assets, and I was really excited having worked with both Kathy and Ken and with NIU over the past years as the state tried to go forward. And, I am looking forward to what I will be involved in.

The concept I am about to explain to you is very new. But I believe it will be something that NIU really can take advantage of, and that is the whole concept of a global economy and how development occurs in that global economy. What we are finding both at a national and a state level is that there is an increasing recognition that all development happens regionally. It is not necessarily according to state boundaries or city boundaries but is a regional labor market. And, increasingly, our strength is going to be based on innovation.

That is an interesting concept and what do we mean by innovation? We are talking about the products, we are talking about processes, we are talking about business models and the whole concept of open innovation. Research and development is no longer necessarily confined just to the private sector and private sector research labs. Increasingly, it is partnerships with universities, with locals, with the privates, and how do we forge that? That is what we are trying to position NIU to do. Looking at our presence in Rockford, Naperville, Hoffman Estates and DeKalb, we seem to have the northeast region of Illinois very well covered. And we have a lot of strengths in manufacturing and in the earmark projects that Kathy and Ken have worked so very hard to bring to NIU including, hopefully, the new proton cancer therapy center, our NICADD and our ROCK programs. What President Peters is looking for is how we can form additional partnerships both with other public institutions as well as the public sector to leverage these investments, And how we can take advantage of some of the industries that are being targeted in this northeast region, including homeland security, energy and alternative energy resources, healthcare, manufacturing and transportation logistics. So part of what we are doing is an inventory of what our assets are. Again, as Kathy mentioned, I am based in Chicago three days a week, and we want to take advantage of the opportunities there through the Chicago Workforce Board; the Workforce Boards of Metropolitan Chicago; the Chicago Manufacturing Renaissance Council, of which we are a member; and the Chicagoland Chamber. So we are trying to piece all those together to position NIU to be key in leadership and a key asset in the innovation economy.

We were very fortunate, Ms. Buettner said, because the NIU alumni Association several years back had obtained a very favorable lease arrangement for office space in the Chicago Athletic Association Building, but it had not been utilized on a daily basis. It was utilized periodically as people came to Chicago, but we did not have a permanent staff member located there. So External Affairs and the Alumni Association made an arrangement for use of that office space that is very advantageous for the university and the Alumni Association.

Agenda Item 7.f. – 2006 Congressional Budget/Legislative Update

As with the state, Ms. Buettner said, a great deal changed federally as a result of the elections on November 7. But before I get into that, let me just give you a sense of where we are in the current Congress.

Congress adjourned on September 29 in order to return to their districts to campaign for the election on November 7. They had only passed two of the remaining ten appropriation bills by that time. So, they passed a continuing resolution (CR) before they left which said that the federal fiscal year, which starts October 1, may begin at the 2006 spending level for each agency until November 17, when they hoped to have another budget passed. It is November 14, they have not been in session since September 29 and they just returned yesterday. They will not have the appropriation bills completed by the expiration of the first CR. So it is expected that probably Thursday, both houses of Congress will pass another CR which will take us through about December 8. Then, it is also anticipated that they will probably need another CR after that to take us up to just before Christmas. There is discussion about whether or not they will try to pass an FY07 budget in this Congress versus waiting until after the new Congress is sworn in in January to try to pass the 2007 fiscal budget and appropriations bills. That is one of the issues that will be high on our priority list to track in Congress over the next few weeks.

The defense appropriations bill for 2007, however, did pass before they adjourned. That had two basic provisions in it for NIU. The first one was found in the medical technology section and included a \$3.3 million set-aside for our neutron and proton particle therapy research and treatment. It allows us to continue our neutron program and to formally begin our planning process for a particle therapy research center. The other set-aside contained in the defense bill is an additional \$3 million for the ROCK program in Rockford, which is operated by our College of Engineering. This committee has heard several presentations on that. And we have been heading up the R&D efforts for the manufacturing community in Rockford in related endeavors to Defense Department contracts for the last few years. So this is an ongoing set-aside that we worked very hard to get. Due to the strong support of Congressman Manzullo and Senator Durbin, both of whom worked very hard and hand-in-hand in the House and the Senate to be able to continue this program. We are also enjoying a great deal of support from the Department of Defense. They are very proud to work with the university, and their auditors and others are very satisfied with what they have seen come out of the university in terms of work products over the last few years as we have worked on the ROCK project.

I have talked about the Higher Education Act Reauthorization with this committee for several years now. And, basically, I am here to tell you that it still did not pass in the current Congress; and it will not pass before Congress concludes around Christmas. The new Congress is expected to pass this reauthorization act with a great deal more speed than we have seen over the last few years. However, there is now a dichotomy of opinion in Washington as to when that will occur. There is one school of thought that suggests that the Higher Education Reauthorization will pass very quickly now that the Democratic leadership is in charge of both houses in Washington. The issues that have been so problematic will be relegated to a minor role in the legislation now that the Democratic Congress is in charge. However, there is another school of thought that says the No Child Left Behind Bill is expected to come up for reauthorization next year, and that may take priority on the Democratic agenda. Therefore, the Higher Education Act may have to wait yet another year simply because of the priority of the No Child Left Behind Bill and the politics of that issue going into a presidential election.

We really do not know exactly what is going to happen with the Spellings Commission, which we have talked about quite a bit with this committee. I gave you their top six structural recommendations in your Board reports. The more lengthy report is available if any of you would like to see it. Legislatively, many of these recommendations will not go anywhere now that the Democrats are in control of both houses. However, we need to remember that the executive branch still has rulemaking authority on certain areas of this. And I believe some of these, particularly in terms of accountability provisions, probably will be attempted to be enacted via the executive rulemaking process through the Department of Education.

The Democrats have set up an agenda that they are calling their "First 100 Hours" agenda in Washington. Normally, they are tracked by 100 days. Speaker-Elect Pelosi has basically set up six priorities that she is trying to accomplish in the first 100 hours, and four out of the six of them have a direct impact on the higher education community overall. The first one is that she would like to increase the need-based aid in the Pell Grant program. It has not been increased in about five years, and there is a proposal to raise it instead of roughly \$4,000 a person to over \$5,100 a person. I do not know if she will be successful in raising it that high, but I believe that there is bipartisan support for raising the Pell Grant funding available. She also has indicated that one of their main priorities is to cut the interest rates on student loans that were raised recently by administrative order from the Department of Education and some of the bank issues. She is also going to attempt to increase federal financing on stem cell research. There is also bipartisan support for increasing the training and ability to attract more scientists and engineers in the country. This is probably going to be done through the President's American Council on Competitiveness (ACC) proposal, and that proposal has been well received in Washington. And I think that she will, as a gesture of bipartisan support to President Bush, try to help move that along within the first 100 hours of their new powers in Congress. The other two issues are not necessarily related to higher education, Ms. Buettner said. One is to come up with a compromise on the immigration debate. The other is a timetable for withdrawal from Iraq. Those are basically the six priorities that they have outlined to get done within those first 100 hours. The immigration and the timetable for Iraq are probably going to take a little more time. But they probably can reach bipartisan support for the other four that have either a direct or indirect effect on the higher education community and students in general. I will be in Washington a great deal

into January and February and will continue to report to this committee on where we stand on different issues.

Agenda Item 7.g. – 2007 LAEA Committee Meeting Dates

Mr. Buettner pointed out to the committee that the anticipated 2007 LAEA Committee Meeting Dates were listed in the report book. All of these are subject to change since they are developed a year in advance, she said, but we will try to stick by them as much as possible.

OTHER MATTERS

The university's FY05 Compliance Audit, which was reported to this committee several months ago, Ms. Buettner said, is on the consent calendar this morning at the Legislative Audit Committee in Springfield. We expect it to be approved on the consent calendar.

NEXT MEETING DATE

Chari Moser announced that the next meeting of the LAEA Committee was scheduled for March 6, 2007 at 10:00 a.m. in Hoffman Estates.

ADJOURNMENT

The Chair asked for a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Moser. The motion was approved. The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins
Recording Secretary