

Minutes of the  
**NIU Board of Trustees**  
**LEGISLATION, AUDIT, EXTERNAL AFFAIRS AND COMPLIANCE**  
**COMMITTEE MEETING**  
April 19, 2012

**CALL TO ORDER**

The meeting was called to order by Chair Anthony Iosco at 11:11 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustees John Butler, Wheeler Coleman, Student Trustee Jaemin Robertson and Vice Chair Strauss. Also present were Trustees Robert Boey, Robert Marshall and Cherilyn Murer, President John Peters, Committee Liaison Kathryn Buettner and Board General Counsel Jerry Blakemore. With a quorum present, the meeting proceeded.

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

In accordance with the Illinois Open Meetings Act, as amended, timely notices of this committee meeting for the NIU Board of Trustees were timely posted and distributed.

**MEETING AGENDA APPROVAL**

Trustee Coleman made a motion to approve the agenda. The motion was seconded by Student Trustee Robertson. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Butler and seconded by Trustee Coleman to approve the minutes of the February 2, 2012 meeting. The motion was approved.

**CHAIR'S COMMENTS**

Chair Iosco recognized the University Advisory Committee representatives, Dr. Rosita Lopez and Mr. Todd Latham.

**PUBLIC COMMENT**

Chair Iosco asked Board General Counsel Jerry Blakemore 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. Blakemore noted that he had received no requests to address this Board committee meeting.

**UNIVERSITY REPORT**

**Agenda Item 7.a. – 97<sup>th</sup> General Assembly Report**

This morning represents the first meeting of our renamed Legislation, Audit, External Affairs and Compliance Committee, Chair Iosco said. Board members will recall that the compliance and risk management functions were added to the scope of this committee as a result of the bylaw changes we made earlier this year.

This morning, in addition to our regular reports regarding state and federal issues, pension reform and audit information, Steve Cunningham and Jerry Blakemore will provide the committee with an overview of

the compliance administration and risk management issues and functions within the university. We will receive this presentation and hold our discussion in open session today. During subsequent meetings, it is likely that this committee will be required to recess to Executive Session to discuss specific compliance and/or risk management issues, for which the Open Meetings Act provides an exemption.

### **Agenda Item 7.b. – Congressional Report**

Kathy Buettner, Vice President for University relations, gave a brief update on the overall budget atmosphere in Springfield. The Friday before Easter, the House passed a budget resolution for FY13 requiring a minimum of a 5.29 percent reduction for higher education in FY13; however, they did not specify how that 5.29 percent would be allocated within higher education. The Governor's Office is still maintaining its support for a flat budget for higher education. The Senate has not adopted that recommendation yet. The financial situation for the State has not improved much, so the backlog of bills, payments and such is still as great as it was last year. House and Senate Appropriations Committee testimony has been completed, and President Peters appeared before both committees. Lori Clark, Director of State and Federal Relations, has been there almost every day that they are in session, because in addition to the appropriations issues, it is a very active session on the substantive side. At this point, no one knows exactly what the public university budget lines are going to be for FY13 because it is just too early to tell. The pension issues are still very active, and whether or not the universities would have to pick up a share of costs is still open for discussion and debate.

As has been mentioned, Ms. Clark stated, the appropriation is in the air. Chances are that it will be resolved the same as it is resolved every year, through and following the Memorial Day weekend. The Governor's Working Group on Medicaid was appointed at the same time as the Pension Working Group. That group was charged with \$2.7 billion in Fiscal Year 2013 Medicaid cuts. They released a statement yesterday saying that they have only been able to identify \$1.4 billion in cuts, and they remain very much divided on where those additional cuts will come from. They are continuing their dialogue. But at three o'clock today, the Governor is having a press conference. He intends to release his own Medicaid plan, and there is some speculation that he may also deal with some of the issues on pensions. The Pension Work Group was charged by the Governor with bringing their recommendations on how to deal with the five State-funded pension systems by Tuesday. They missed that deadline. As Kathy mentioned, the idea of transferring normal costs or a portion of those normal costs to school boards, to universities or to others is still in play and they have not released their report. There is speculation that the report will be released either later this week or early next week.

Yesterday, Speaker Madigan introduced a House Joint Resolution for a Constitutional Amendment that will require a super majority vote by the General Assembly, by city councils, by county boards and school districts for any type of enhancement of pension benefits. There are still many concerns about what that means, but it passed out of the House unanimously yesterday. It is being picked up in the Senate by Senate President Cullerton. We are watching that amendment very carefully because it could have long-term impacts on us.

Also yesterday, in Senate Executive Committee, there were three bills posted that would eliminate the General Assembly Scholarships. Those three bills were all assigned to a subcommittee on education. Minority Leader Radogno was adamant in addressing the chair of that committee about the need to deal with these bills.

House Bill 4996, which deals with annuitant reemployment, has passed out of the House and is in the Senate. Draft amendments are being presented and one of those looks like it may extend the effective date until 2013.

The College Completion Report Card, sponsored by Senator Lightford, basically requires a statewide report card, and a report card for each individual institution that enrolls any MAP students or MAP recipients, that shows our success rates, graduation rates, and other statistics. We have negotiated quite

a bit with the sponsor and the Lieutenant Governor's Office, which is in charge of education, to address some of the concerns about new data collection.

In regard to a question concerning House Bill 5671, sponsored by Rep. Bob Pritchard, which is the MAP Grant proposal requiring a GPA and ACT limit on students who receive funding, President Peters commented that over \$440 million goes into MAP funding. We have about 5,000 MAP recipients totaling about \$20 million a year at NIU. There are approximately 280,000 students who are MAP qualified in the state of Illinois, and the State's process is first-come, first-served. Rep. Pritchard is working on a solution to accommodate the qualifying process. There is going to be student representation lobbying today for the extension of MAP.

Ms. Buettner noted that Dr. Hemphill and his staff put an inordinate amount of energy into making sure that our students reapply for MAP annually and get their paperwork in early and on time to maximize their ability to continue their education.

I would like to share with the committee that in my dual role as not only a member of the Board of Trustees, but as the immediate past president of the NIU Alumni Association, Chair Iosco remarked, I joined the NIU Alumni Association leadership on a trip to Washington, D.C. in March to help build our Alumni Association's advocacy initiative. During that visit, Lori Clark, Director of State and Federal Relations, and I had the opportunity to visit key congressional offices within the Illinois delegation on behalf of NIU, our students, faculty and staff. It is very important to lay that foundation with the staffers as well as with the members themselves. We were also fortunate to be joined by Patricia Daley of the Daley Policy Group in Washington in our efforts to meet with different staffers. I believe it would be helpful to have Patricia Daley present at our August committee meeting, and I am going to request that she make a presentation on the status in Washington.

#### **Agenda Item 7.c. – Financial Audit Report**

Chair Iosco stated that public universities are audited by external audit firms annually in a two-part audit – financial and compliance. The financial portion of the FY11 audit has been completed by McGladrey, the outside audit firm under contract with the Office of the Attorney General (OAG). I am pleased to report that for the fiscal year ended June 30, 2011, the university had only one financial audit finding, the Chair said, and the finding was not considered a material weakness. I have had the opportunity to review the audit report issued by the OAG and the external audit firm, as well as to meet with Chair Murer, Dr. Williams, Keith Jackson, and Kathy Buettner to discuss the audit recommendation. I am pleased to report that the university has already implemented the corrective action suggested in the finding.

I have asked Keith Jackson to present the committee with a brief summary of the financial audit for FY11. As of today, the university's FY11 compliance audit has not been finalized. Therefore, I anticipate that the committee will be reviewing this section of the FY11 audit during our August committee meeting.

Mr. Jackson stated that the university's financial audit was released March 8 by the State, with one finding, though it was not a material finding or material weakness. The auditors recommended that we work on our internal controls for the financial statement process, he said. We accepted the recommendations and implemented all the changes they brought forth immediately during the present audit cycle.

I would like to commend Dr. Peters, Dr. Williams and their teams for their ability to preserve and maintain the financial integrity of our university during such an extended and challenging financial period in our history, the Chair commented.

## **Agenda Item 7.c. – Compliance/Risk Management Report**

Right now, Chair Iosco said, I would like us to focus on an update of our newest committee function – compliance and risk management administration. To make the statement that NIU operates in an extensively regulated environment is quite an understatement. As you know, compliance administration is an absolutely integral part of university operations. At this point, I would like to ask Steve Cunningham to give some detail on the compliance and risk management structure and function within our university as it now exists, along with providing our committee with a sense of the magnitude of the regulatory and risk environment in which we operate.

We have a two-part presentation, Dr. Cunningham said. Jerry Blakemore is going to summarize the legal and regulatory background that will lead us to incorporating compliance with this committee and our different roles, and I will follow up with what we have been doing and the plans we have been making to build this function since then.

I want to start this presentation with a special thank you to the members of the Board of Trustees, Mr. Blakemore said. We are here in large part because the Board took action creating and expanding the scope of this committee. It was done for many different reasons, but the most significant is that it will help the Board in its responsibilities. Ultimately, it will be of significant benefit to the university. Today, we want to provide with an overview of why we are here and what we are planning to do. I will talk about why it is necessary for the NIU Board of Trustees to have Compliance and Risk Management Oversight, and Steve will follow up with our Comprehensive Institutional Compliance efforts. We will come back to the committee over a period of time to report on more specifics about the sum and substance of what we are doing.

The next phase we are going to talk about is what we have set up so far in our compliance infrastructure, Dr. Cunningham remarked. The Board took action in June of 2010 to set up the compliance function as part of my responsibilities as designated by the President. When we first became involved with this, we did a benchmarking and survey of our compliance activities throughout the campus, and they are extensive. Basically, everyone in this room has compliance responsibility in some way as a core aspect of their jobs. In Vision 2020, we talk about compliance extensively, especially in our sustainability report because it has great implications for our organization's resource obligations, and it is one of the major factors that relates to organizational performance. We often think of organizational performance as relating to efficiencies, metrics, cutting edge, leading edge, strategic initiatives and so on, and compliance is in there, especially in the public sector. In the Illinois public sector, we are among the most regulated institutions in the State and the nation. We have a large number of offices distributed around the university, as well as a central compliance administration function that has been developed.

As I mentioned earlier, Chair Iosco stated, future meetings of our committee may require a recess to Executive Session should specifics of compliance and risk management require extensive discussion, in accordance with the Open Meetings Act.

### **NEXT MEETING DATE**

The Chair announced that the next meeting of the Legislation, Audit, External Affairs and Compliance Committee will be Thursday, August 30, at 11:00 a.m.

## ADJOURNMENT

Chair Iosco asked for a motion to adjourn. Trustee Butler so moved, seconded by Student Trustee Robertson. The meeting was adjourned at 12:34 p.m.

Respectfully submitted,

Sharon M. Banks-Wilkins  
Recording Secretary

*In compliance with Illinois Open Meetings Act 5 ILCS 120/1, et seq, a verbatim record of all Northern Illinois University Board of Trustees meetings is maintained by the Board Recording Secretary and is available for review upon request. The minutes contained herein represent a true and accurate summary of the Board proceedings.*