

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT, EXTERNAL AFFAIRS AND COMPLIANCE
COMMITTEE MEETING
May 23, 2013

CALL TO ORDER

The meeting was called to order by Chair Anthony Iosco at 11:30 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 Robert Boey, John Butler, Wheeler Coleman, Robert Marshall, Cherilyn Murer, Student Trustee Elliot Echols and Chair Iosco. Also present were 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 posted and distributed.

MEETING AGENDA APPROVAL

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

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Strauss and seconded by Trustee Boey to approve the minutes of the February 28, 2013 meeting. The motion was approved.

CHAIR'S COMMENTS

Chair Iosco thanked Danielle Schultz, Director of Internal Audit, for the excellent briefing she gave Kathy Buettner and himself earlier. The Chair then welcomed University Advisory Committee representative Todd Latham, President of the Supportive Professional Staff Council. Mr. Latham thanked the President and the administration for taking on the issue of pensions in Springfield. It was probably long overdue that we provided the reasonable solution, as it seemed imminent, Mr. Latham said, and that UAC accepts the university's agreement to pick up the pension costs. Looking forward, I would hope that we are further involved in the process pertaining to the retention of employees and our future workforce. We appreciate Steve Cunningham as our representative and all the work that was done on behalf of the university.

PUBLIC COMMENT

The Chair 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 no requests had been received to address this Board meeting.

UNIVERSITY REPORT

Agenda Item 7.a. – Research Compliance and Integrity at NIU

As federal and state regulations increase for public universities across the country, the Board has made an effort to provide enhanced oversight of the compliance function which is so critical to university governing boards, Chair Iosco stated. During our February meeting, we heard a detailed presentation on NCAA compliance issues from then director of Intercollegiate Athletics, Jeff Compher, as well as Deputy Director Christian Spears. I asked Kathy Buettner to work with Dr. Lisa Freeman, Vice President of Research, to ensure that this committee received a detailed report on research compliance and integrity issues at NIU, areas in which Board oversight is important.

Agenda Item 7.a. – Research Compliance and Integrity at NIU

As federal and state regulations increase for public universities across the country, the Board has made an effort to provide enhanced oversight of the compliance function which is so critical to university governing boards, Chair Iosco stated. During our February meeting, we heard a detailed presentation on NCAA compliance issues from then director of Intercollegiate Athletics, Jeff Compher, as well as Deputy Director Christian Spears. I asked Kathy Buettner to work with Dr. Lisa Freeman, Vice President of Research, to ensure that this committee received a detailed report on research compliance and integrity issues at NIU. The issues of research compliance and integrity are areas where Board oversight is important.

Dr. Freeman gave a detailed presentation of the areas within the Division of Research and Graduate Studies that require mandated compliance through both state and federal regulations. She reminded the committee that its first comprehensive compliance briefing was given by Vice President Cunningham and General Counsel Blakemore in April 2012. They showed a matrix depicting the complexity of institutional compliance at NIU. Research compliance and integrity are given just one line here, just as athletics is given just one line. Yet, for those of us who were at the presentation given by Jeff Compher and Christian Spears, that one line had a lot of underlying complexity. You will see from my presentation today that the same is true of research compliance and integrity which has approximately 75 areas of reporting. Three subjects in this matrix are export controls: human subjects protection, animal use and research, and research conflict of interests. Those are functions wholly within the Office of Research Compliance and Integrity in the Division of Research and Graduate Studies. Clearly, to execute those responsibilities, we have to play an important role in environmental health and safety, investigations, ethics training, data management, and then interact with many other functions.

Within the Division of Research and Graduate Studies, there are two subdivisions that carry out the university's responsibility for research compliance and integrity, the Office of Research Compliance and Integrity and the Office of Sponsored Projects. The Office of Research Compliance and Integrity exists to identify compliance risks, manage and minimize research risks, which includes the important function of education and training as well as reacting to noncompliance or misconduct in the rare instances that those occur. We have separate divisions within Research Compliance and Integrity to manage conflict of interests, responsible conduct of research, research misconduct, data management and export control; and animal subjects, human subjects and biological safety compliance functions. These functions are under the Associate Vice President for Research. To assist with animal use and research and the institutional animal use and care function, we also have an attending veterinarian.

When we talk about research compliance, especially human subjects protection, animal use and care, biological safety, and other aspects of lab safety and export controls, we have campus advisory committees that deal with these functions. These committees are made up of experts, who review protocols, react to noncompliance, and make suggestions about how things can be done. These are federally mandated committees in the case of human subjects, animal use and care, and biological safety. The members are appointed by me as the President's designate, and the composition of these committees is mandated by federal regulations. For example, the Animal Use and Care Committee must have five members, and the functions of those five members are very prescribed by the Office of

Laboratory Animal Welfare in the public health service. So that committee must have the attending veterinarian; an active scientist; a member of the NIU community who is not primarily a scientist; a public member from the community at large who has no affiliation with NIU; and additional members can be named to serve such as someone from Environmental Health and Safety or someone from the General Counsel's Office. The Export Controls Committee is a little bit different in terms of its research function because it doesn't deal with hazards that are in the laboratory or the protection of research participants. This committee deals with homeland security. When we talk about export controls in the context of research, we are really talking about exporting information or technology, where there is some concern about either the end use or the end user.

In addition to research compliance, Dr. Freeman explained, our office deals with the policies that affect not only compliance but also integrity, specifically, research conflict of interest, data management, research misconduct and training in the responsible conduct of research. These are moving targets. This is a very dynamic landscape. Federal requirements are being updated monthly, weekly. We have between 40 and 50 investigators on campus who fall under the Public Health Service policy because they are funded by a public health service agency and others who are funded by other agencies such as the National Science Foundation. Other areas covered in Dr. Freeman's presentation included data management, research misconduct, compliance and responsible conduct of research training.

The other division within Research and Graduate Studies that has a significant compliance function is the Office of Sponsored Projects. About 400 proposals go through that office every year. We accept 350 sponsored awards and review 50 requests for various types of changes. In order to do this, we have to coordinate with all of the appropriate university units to identify and manage any potential compliance risk. We have a coordinator who is responsible for electronic research administration. We have a system that links the approved protocols for human subjects and animal use with the submitted proposals, with the intellectual property agreements that flow through the Technology Transfer Office. There are about a half dozen proposal development specialists who have to understand what can and cannot go in the budget of a federal grant and when it is advantageous to name an entity versus not name an entity from an accounting and compliance standpoint. We have an individual dedicated to contracts with industry and industry partnerships who is very aware of the tax code and the types of negotiations that go into public/private partnerships, as well as an Award Coordinator who is the bridge between pre-award services, the Sponsored Projects components that live in Division of Research and Graduate Studies, and the Grants Fiscal Administration post-award function.

The compliance framework for sponsored projects is very large and there are separate federal regulations and sponsor regulations specific to each program. The State of Illinois has its own set of expectations and rules, and NIU has its own expectations and rules. Research Compliance and Integrity is critically important to export controls in human and animal subjects. The Graduate School is critically important to some of the immigration requirements that were discussed earlier today. Intellectual property must be protected and University Libraries helps with data management in technology transfer. The colleges and departments in International Programs and other units within Academic Affairs also play a critical role in assuring that we are meeting all of the sponsored federal, state and institutional requirements. We also work very closely with the General Counsel's Office, especially on any contracts, grants and certifications that are required. Procurement is something that is complex and only becoming more complex. Because people are paid off of grants and contracts, and equipment is purchased off of grants and contracts, working with Grants Fiscal Administration and Human Resources on the post-award reporting function is critically important.

In conclusion, Dr. Freeman stated that the integrity of the research process at NIU depends on compliance with numerous regulations that come from numerous places. The programs and the personnel in our office are critical parts of the infrastructure at the university, not only for facilitating the research enterprise but also for meeting the myriad agency, federal and state requirements, and for reducing the risks that are associated with doing research. Our office could do everything right, but if we did not have good relationships with the other offices that exist at NIU, we would not be able to serve

the compliance function, which requires considerable coordination. Beyond compliance, promotion of an ethical research culture also requires collaboration among individuals and units across NIU.

In reply to questions regarding possible regular reports from the Research and Compliance area, Dr. Freeman stated that just as the Board is routinely notified of audit findings and how the university deals with audit findings that relate to the fiscal side of the university, we file mandatory federal reports related to human subjects protection, animal use and biosafety. We could make available to the Board those types of snapshots of our function and, in particular, commit to making the Board aware when there is a finding that needs to be addressed along with the action plan for addressing it.

The reason this committee is structured this way is because of requirements at the federal level that require us to have direct access of the decision-makers and administrators on this issue. The Board, particularly as the President designate and the Board established priorities, part of your responsibility will be to prioritize these compliance efforts so that the resources are available in order to not just meet compliance. But if you go to Lisa's last point, the culture that we establish goes beyond whether it's 50 degrees or 55 degrees, and so we're going to have to deal with that. The finally, the Board will have to oversee and put into place conflict of interest policies and procedures so that we are compliant in the nonacademic area. That is not only at the federal level but, more importantly, at the state level.

Already a lot of the individual component reports are shared with both the President and the Provost as a result of federal mandates, Dr. Freeman said. Adding to that a risk assessment would not be difficult and would serve a very important university function assisting our unit, Academic Affairs, the President and the Board, and I would be happy to accept that responsibility on behalf of our units.

Agenda Item 7.b. – Delegation of Authority Regarding Intergovernmental Agreements

General Counsel Blakemore asked Senior Associate General Counsel Laura Sala to brief the Board on this issue. Under the Intergovernmental Cooperation Act, Mr. Blakemore said, a board is required to approve intergovernmental agreements (IGA). Because of that law, which does not differentiate between contracts that are a thousand dollars or contracts that are \$9 million, they require any amendments to be approved by the Board. Given that type of law, we are proposing that the Board delegate that responsibility to the President or his designate for signature. It would not change the requirements for any contracts over \$250,000.

Although every year we enter into numerous agreements with governmental agencies for facility rental, consulting services, and other goods and services, what we are talking about here. These are agreements where we at NIU are being asked to perform a service by a governmental agency that the agency would otherwise perform, Ms. Sala stated. An example is funding received by NIU to perform services for DCFS in which the university does an assessment of children who are going into and coming out of the State's foster care system. We do not see many of these each year; but because of this requirement and the time urgency of all these agreements, especially those that come through Sponsored Projects, we risk losing that funding if we do not review and execute these agreements within a matter of days, which means we cannot wait for the next Board meeting to seek approval. Depending on the form of the agreement, it could be called an intergovernmental agreement or a standard procurement agreement. Almost all these agreements are for incoming payments to the university. If we were ever to make payments, anything over \$250,000 would come to the Board for approval.

Right now, Mr. Blakemore stated, there is a policy for reports to the Board regarding contracts, and that would not change with this delegation. Basically, the President would be adding this to what is already provided the Board. One of the reasons that we are proposing this action is to avoid audit findings. If, for example, we have a major contract and we go forward with that and it has not been approved by the Board, it creates at least one major problem, the audit finding. But it also creates the finding of us not following your policy. We have been confronted with those types of issues on minor contracts, and so, what we'd like to do is to have in place that authority with the requisite reporting. These are not, as Laura's already indicated, these are not a lot of these, but all you need is one and then you've got two and then three and then we've got five or six audit type findings, and that's what we're also trying to

avoid. Many of the IGA's that are coming through right now are for relationships we have had for many years, but now are titled differently, Ms. Sala explained.

Chair Iosco asked for a motion to approve the Delegation of Authority regarding Intergovernmental Agreements. Trustee Strauss so moved, seconded by Trustee Iosco. The motion was approved.

Agenda Item 7.c. – Modification of Rehiring of Retiree Provisions

Last year the General Assembly passed a new statute which basically establishes a 40 percent limitation on total compensation paid to rehired retirees of the State Universities Retirement System, Ms. Buettner said, and asked Dr. Steve Cunningham to brief the Board on these provisions.

There is a great deal of legislative interest in reemploying retirees who have retired under the State retirement systems, Dr. Cunningham said. The Pensions and Personnel Committee in the House passed a public act that establishes a new limitation on compensation for reemployed retirees of 40 percent of their highest year of service, and there are other earnings limitations in the Pension Code that also still apply. This is a superordinate limitation and if an individual is paid more than 40 percent by any institution, whether it is a community college, another university, any of the public universities that participate in the SURS, in combination and in any given year, then that individual becomes an "affected annuitant" pursuant to the public act. If that individual is employed in a subsequent year by any institution under the State Universities Retirement System, including the community colleges, that institution is responsible for paying the full annuity for that year. It is a penalty that accrues both to the individual and the institution in terms of their future employment prospects. This item would make it clear that it is the Board and NIU's policy not to pay a reemployed annuitant in excess of any of the applicable limitations in the pension code.

At this point, Ms. Buettner said, we do not have limitations on reemploying retirees until August 1, 2013, when last year's statute takes effect. At that time, the State is telling all public universities that we not only have rules you have to follow, but no one in this category can exceed 40 percent of their highest pay from SURS while employed. What is before the Board today is a technical correction to our regulations and policies to ensure that the university is compliant with the new state statute that takes effect August 1.

There are preexisting limits in the Pension Code that we have to watch and there is now this new 40 percent limit. Technically, under this language, we would not pay an individual more than that 40 percent limit. The reason for the regulation is to authorize us to make an adjustment in the compensation of an individual who is currently employed. Anyone meeting the criteria for independent contractor status would not be affected by this public act.

Chair Iosco asked for a motion to approve the Modification of Rehiring of Retiree Provisions. Trustee Strauss so moved, seconded by Trustee Butler. The motion was approved.

Agenda Item 7.d. – Fiscal Year 2012 Compliance Audit Update

Each year, NIU and the other public universities undergo an external financial and compliance audit managed by the Office of the State Auditor General, the chair said. During our February meeting, the Board received an update regarding the financial audit for FY12. The Auditor General has now completed the compliance portion of the FY12 audit, and Keith Jackson, NIU Controller, will present the findings from the financial audit to the Board. Board members received a copy of the full compliance audit earlier this spring.

The Fiscal Year 2012 Compliance Audit was released at the end of March, Mr. Jackson stated. It has a statutory deadline of March 31. The State released it three days early, much better than the prior year. There were a total of eight findings, four are considered federal findings related to federal statutes and four are state. Mr. Jackson briefed the Board on the individual findings and the actions taken to correct each finding.

Agenda Item 7.e. – NCAA Compliance Overview

Ms. Buettner drew the Board's attention the Board of Trustees NCAA Compliance Overview packet that had been distributed. As you recall, she said, former Athletic Director Jeff Compher and Deputy Athletic Director Christian Spears provided a detailed presentation on this issue to the committee during our last meeting. As a result of the Board's interest in this issue, Deputy Director Spears compiled this manual regarding NCAA compliance and regulations for the Board. Also, as an off-shoot of the discussion amongst the committee at the last meeting, he suggested, if the Board so chooses in the future, that a member be designated or a process be set up by which the Board will regularly receive compliance issues from Athletics.

Agenda Item 7.f. – 98th General Assembly report – Pension Reform, Substantive Legislation and Budget

Agenda Item 7.g. – Federal Relations Report

Ms. Buettner gave a brief update on what has transpired in the last week since these reports were prepared. Basically, she explained, my best estimate at this point of where we are in Springfield in terms of our overall appropriations budget for FY14, is that we will receive approximately a 2.0 to 2.25 percent reduction over FY13 levels. That is an estimate based on the House and Senate Budget Committee actions and informal discussions as of last night.

On the concealed carry as of 11:10 a.m. this morning, the House compromise version of concealed carry passed the committee and the House will vote on it either tonight or tomorrow. Because of the fact that the new legislation preempts home rule, it will require a three-fifths vote. General Counsel Blakemore has checked the bill and he is comfortable with the language that has been included to allow the universities to maintain an exemption set of regulations under this new law. However, it appears that the Senate is not so inclined. We could end in a stalemate on this issue as we are facing on the pension issue. Speaker Madigan passed his pension plan out of the House, Senator Cullerton passed his pension plan out of the Senate, and we have a stalemate. Not reflected in your materials is that the presidents and chancellors came to agreement last week on the cost-shift issue. The vice presidents of business prioritized some of the issues from which the universities are seeking relief, in response to a request from Speaker Madigan as a result of the cost-shift discussions, to discuss potential areas of regulatory relief.

In a list that was developed by Dr. Cunningham and the other university vice presidents, the presidents and chancellors endorsed initiatives regarding procurement reform. It also involves the language referred to earlier in Senate Bill 1687 that would affect the retiree rehiring provisions.

Also covered in Ms. Buettner's briefing on legislation were the Budget Implementation Act, Inventory Control, lump-sum versus line item appropriations, State-mandated time reporting, Research Rookies and President Peters' summary of Fiscal Year 2013.

NEXT MEETING DATE

The Chair announced that the next meeting of the Legislation, Audit, External Affairs and Compliance Committee is scheduled for Thursday, August 29, 2013 at 11:00 a.m.

ADJOURNMENT

There being no other matters, Chair Iosco asked for a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Boey. The meeting was adjourned at 12:40 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.