

Minutes of the  
**NIU Board of Trustees**  
**Compliance, Audit, Risk Management and Legal Affairs**  
**COMMITTEE MEETING**  
February 26, 2015

**CALL TO ORDER AND ROLL CALL**

Time: 10:25 AM

Present: Trustees Wheeler Coleman (WC), Robert Marshall (RM), Cheryl Murer (CM), Marc Strauss (MS), Student Trustee Paul Julion (PJ), Board Chair John Butler (JB), Committee Chair Robert Boey (RB)

Phone: N/A

Absent: Trustee Anthony Iosco (AI)

Extras Present: President Douglas Baker, Committee, Board Liaison Mike Mann, Provost Lisa Freeman, and Board General Counsel Gregory Brady

Asked for roll call: RB: I'll call the meeting to order. Good morning and welcome to the meeting of the Compliance, Audit, Risk Management and Legal Affairs Committee fondly referred to as CARL Committee. The only person who uses that word fondly referred to is Jerry Blakemore. I will now call the CARL Committee or order and ask the administrative secretary Julie to take the roll call please. Miss Edwards.

Performed roll call: JE

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

Chair: JB: Mr. Blakemore do we have quorum and appropriate notices under the Illinois Open Meetings act?

Answered verification: Board General Counsel JBI: We do Mr. Chairman.

**MEETING AGENDA APPROVAL**

Chair: RB: May I have a motion to approve the proposed agenda?

Motion: CM: So moved.

Second:MS: Second.

Chair: RB: All in favor?

All: Aye

Chair: RB: Opposed? Carried, thank you.

**REVIEW AND APPROVAL OF MINUTES**

Chair: RB: May I have a motion to approve the minutes of November 6, 2014 on the CARL Committee minutes?

Motion: MS: So moved.

Second: PJ

Chair: RB: Discussion? All in favor?

ALL: Aye.

Chair: RB: Opposed? Carried, thank you.

#### **PUBLIC COMMENT**

Chair: RB: Mr. Blakemore any requests?

Legal: JBI: We've had no requests for opportunity for public comment Mr. Chair.

Chair: RB: Thank you.

#### **CHAIR'S COMMENTS/ANNOUNCEMENTS**

Chair: RB: Let me take a moment off of my remarks as CARL Committee chair, let me begin by thanking each of you for attending this meeting and I would like now to recognize the various leader of the university constituent groups. Dr. Bill Pitney. Deborah Haliczzer, President of SPS Council and Dr. Gregory Waas. Good morning. Thank you all three for coming this morning and Jay Monteiro President of Operation Staff, Jay good morning. Thank you. We're especially pleased that you're with us today. Any remarks that you would like to share with us today, all four of you, any remarks? None. Thank you. The agenda for the CARL committee involves update on three important areas of our jurisdiction and these areas include property insurance validation; the gubernatorial changes; governmental changes and ethics; enterprise and risk management. Given that the board has extensive committee agenda and will also be meeting in special session, I want to limit our total discussion of the university reports to approximately 30 to 40 minutes. So let us proceed. Property and insurance validation by Sara Cliffe, Director of Compliance Administration. Sara.

Sara Cliffe: Good morning.

JB: Good morning.

Sara Cliffe: I'm here to talk about the total insured values that we submitted as part of our property renewal two weeks ago. And what I've provided is a chart that compares our total insured values which includes everything, our buildings, our contents and our artwork, compared to the values that we submitted last year and I'm going to talk briefly about the increase or decrease. Buildings decrease due to the demolition of Douglas Hall otherwise there was a 2.3 percent increase as recommended by MEC and per one of the carriers, the 2.3 represented the lowest inflation rate among the states of members who participate in the MEC program. I also examined the engineering news reports building cost index for a comparison and for the year building costs increased by 2.9 percent. So what happens is generally for our buildings they are automatically increased by the 2.3 percent unless we have some other valuation to go by. We did receive information on Northern View and New Hall provided by the owner but that's what happened with buildings. With contents, they generally increase due to the one percent increase recommended by MEC as well as departmental input from those whose content values fluctuate such as ITS, Doc. Services, Holmes Student Center, the Material Distribution Center, etc. We send out inquiries as it relates to their inventory and their contents and they send it back into us and so there was an increase in contents. Fine arts, including special collections, which means the art on campus as well as the library's rare books and special collections at Founders increased and we have artwork all over campus, but for Latino Center, Rockford Education Center, and then the School of Art particularly. The library collection which does not include the rare books and special collections increased per the

values reported by the library and Dean Dawson. Now builders risk we did not report any builders risk for last year which is the insurance for if something happens during the building or the demolition of the building, but we did this year for Stevens building, the Grant roof and the Lucinda Avenue extension project. So we reported the value of close to 25 million. And then business interruption which is revenue that the university would lose should we have to shut down operations for a period of time increased. We had a new form this year that actually took into consideration deductions not previously contemplated, so it didn't increase as much as it may have otherwise but it did increase. And so overall we have a 1.54 percent increase. Last year's I believe was a 6 percent increase which will be good news when it comes to premium time because your total insured values is one of the major driving factors. So that's the general idea of what we submitted and what our insured values are.

RB: Great. Thank you. Yes go ahead Cheryllyn.

CM: What is our policy on appraisals and reappraisals of the art collection and the rare books?

Sara Cliffe: We get that information from the library, I don't know if they did it this year, but last year they did compare.

CM: But do we have an outside appraiser come in and look at giving us an appraisal on the art and on the rare books that then is used as the basis of this element of the policy?

Sara Cliffe: I don't believe so.

CM: Is that something to think about at least?

Sara Cliffe: Yeah it would be a good idea.

CM: Because usually that art and rare books sometimes needs a different type of insurance. I'm interested in this and it would be interesting also to determine what the appraised value is on our art, especially the Southeast Asian collection which we need to really be protective of. If you could get back to the committee or to the chair, I have an interest in that.

Sara Cliffe: Sure will. I can tell you we also have other insurance policies that are purchased for specific collections of art like the School of Art and the Anthropology Museum and they have their own so this is our property that kind of sits above those, and they may do appraisals as part of those smaller policies. I'll find out and provide the information.

CM: But I'm interested in this also especially since this is a major area for the university. Our collections are of great value as an asset so if you could give me more information I'd appreciate it.

Sara Cliffe: I'd be happy to.

CM: Thank you.

RB: Trustees any other questions? No, okay. Thank you Sara for an excellent report and we appreciate the work that you and your staff do. Mr. Jim G, where are you Jim.

Jim Guagliardo: Good morning members of the board. This is going to be a pretty brief presentation. Basically Governor Rauner has issued some executive orders which have added to the ethics requirements of the State Officials and Employees Ethics Act. One has to do with the revolving door prohibitions. These are the WHEREAS, these would be the rationale for doing so. I'm not going to read them but the basic rationale the governor is that we can always have a higher code of ethics and he decided to change some of these laws, or attempt to change some of these laws through executive orders. That's very controversial and I'll talk about that in a moment. One of the changes on the next slide is the Revolving Door Ban. Just basically makes it more difficult for employees, state employees, to

go from state employment to lobbying employment. While you're a state employee you're not to negotiate with a lobbying firm or try to set a salary with a lobbying firm. That's a new requirement under these executive orders. Also no former state employee within a year after leaving his or her position with the state agency shall accept any compensation from a person or an entity for lobbying. So there's a waiting period that was added for people who leave state employment and go into lobbying. These, just to be clear, were already lobbying restrictions in the state official's employee's ethics act in the Illinois procurement code and these were added to those restrictions, they are not in lieu of the restrictions. One thing that probably is going to affect the average NIU employee more than the lobbying provisions is the gift and travel ban. There used to be a \$100 cap on gifts. We obviously as a university do a lot of business with a lot of different vendors and every once in a while a vendor will gift an employee something; a Kindle Fire. I've had that circumstance come up a couple times where a vendor will give an employee a Kindle. Unfortunately those are worth more than \$100 so you can't accept that, but they'll often give gift certificates for \$75.00, \$80.00 and I get the question as Ethics Officer well can I keep this? And there was a pretty black line rule that if it's under \$100 yes you can keep it, if it's over \$100 no you can't keep it. If it's \$101 no, if it's \$100 yes. The Governor has issued this executive order just saying no, no gifts at all from anyone for any amount, not even a stick of gum. The issue is, and I asked the Executive Director of the Executive Ethics Commission does this apply to us here at Northern Illinois University? Do these executive orders apply to us? And he said it's up to you. I said okay I'm glad I called. I said I hope you don't mean me, me, I hope you mean NIU. And he said yeah NIU, it's up to NIU. I don't think the governor has the power to do this by executive order for universities. This is him speaking, I think it's an over reach of power. I said okay keep talking, keep telling me this. Executive orders under the constitution are basically for things like reorganizations. They're not to substantively change laws and indeed these seem to be substantive changes to the State Officials Employees Ethics Act. Clearly, this goes beyond reorganization. Clearly this goes beyond what executive orders can do. However, an agency can always add to the ethics laws of the state. In other words, your ethics restrictions can be more restrictive than the state law if you want. So arguably the governor's executive orders do have affect, certainly in the governor's office they do, and a better argument can be made for agencies that are more closely associated with the Governor's office. When you get to the university level, then you're getting a little tenuous. What the Executive Ethics Commission has done has asked the Attorney General for some guidance here. What agencies are really bound by these executive orders and they're still waiting to hear from the Attorney General. If they don't get a formal written opinion, those sometimes can take a long time, they're looking for some guidance. In the meantime, the Executive Ethics Commissioner said for the ethics commission itself, they're going to follow these standards and he literally said it's up to our agency whether we follow them or not. I learned this very recently and I have not had time to talk to the institution on this so I just lay it out there for discussion or for any consideration if we want to discuss it at a different time or publically.

RB: We have a question by Trustee Coleman.

WC: I don't know, Jerry or Dr. Baker if you don't mind answering this question, what's your position on this?

JBL: The Office of General Counsel and the general counsels for all of the public universities have looked at the issue of the extent of the authority of the governor to use executive orders to promulgate new rules and regulations. What the Ethics Officer has said is correct in the sense that executive orders actually implement authority that's already been authorized by a statute and if you go beyond that statute then the executive order does not have any real legal meaning or not. However, there is a consensus amongst particularly the president and other presidents and chancellors that universities should take every opportunity to comply with the spirit of the executive order and this is one of those examples where the spirit of the executive order says that we should not be taking gifts that in any shape, form, or fashion that may influence the decision that is made or add factors that are not relevant to that decision. So to the extent that it is practical, we will comply with the spirit would be the advice here. There are certain situations where if you are at an event and they're serving food, you don't want people thinking they can't eat the food that's available to everybody because it could be perceived as a gift. Well it's not and part of what my office and the ethics officer will do is take those particular fact

situations and provide an opinion. But the overall point is we should comply with the spirit. The ethical requirements are by their very nature, they go beyond what the legal requirement is. That is how we will look at this.

CM: What comes to mind Jerry when you speak of this when you talk about food, it just brings to mind renowned Supreme Court justice who said you know it when you see it. And I think we need to live by that. There should be an instinctiveness that you know it when you see it and it's not about roast beef sandwich or even gift certificates. Gift certificates to me, regardless of what the value is, whether it's \$80, that to me rings a bell differently than does it meet the letter of the law, yes but why is somebody giving anybody a gift certificate is the question and I think that should be the spirit of how we address ethics within our university.

Douglas Baker: I think Jerry is right on target with his comments on abiding by the spirit of it. Sometimes the spirit is a little fuzzy though on what's prohibited. So let's say we're forming a relationship with another university and the president comes to my office and presents me with a framed photograph of his campus, gifting me a photograph of his campus. Okay.

CM: The value is just what the frame is and so if it were a 24 caret gold frame, I'd probably have a question. If it's a frame that you get at wherever then it's worth \$20.00.

Douglas Baker: But if it's zero I can't take it, I've got to give it back to him. We've got to kind of figure out some of that stuff.

RB: And the photograph shows his office.

Douglas Baker: Right that's what I meant, a picture of the school, should we accept it to memorialize our relationship with them or is that something else. Maybe I'm getting too much into the nuance, we need to subscribe to the spirit of this and figure out how to apply it and then wait for the Attorney General to give everybody an opinion.

WC: I kind of agree with Jerry that we should abide by the spirit of this executive order that was issued. I think then the next question would be then what policy changes do we need to do as an institution to kind of follow the spirit here?

JBL: I think there are two things that have to happen and when Jim and I had this discussion earlier, this was prior to actually having an opinion from the Executive Director which he actually received today. One, I think we are going to have to establish a policy for this and indicate even more important that the policy which would be complying with the spirit, that we will have a mechanism to make those determinations. Right now those type of opinions go to the Ethics Officer and that decision would be binding, in my opinion, and we need to make that clear as part of our procedure, but we also need to make sure that we have the resources to sort of do that because you can really get inundated with these types of requests. I would suggest that such a procedure establish a database so that we are consistent there, but this is a particular issue especially as we look to do more in the international affairs arena. Where we want to give gifts as we are traveling, we want others to provide documentation or memorialize who they are for us. The whole discussion we just had about art, that's a big part of, so we cannot ban gifts, but we really do need to provide some parameters and part of that parameter would be materially relevant to the institution and not the individual. So that would be one of the criteria.

WC: So that would be the distinction here right, so if Dr. Baker received a framed picture of another institution, is it his personally or is it a gift to the institution and can we accept that on behalf of the institution versus individually?

JBL: Correct. It would be on behalf of the institution and again, the institution is not banned from receiving gifts in the course of its mission, but the individual would be banned from receiving gifts.

WC: And that's a big difference.

JBL: Right.

RB: And I think that Trustee Coleman said, as we get more and more involved in the international arena, those gifts subjects really come into play, if you turn down somebodys gift, in many cases it's a slap in the face. You have to be careful in that respect too. So it's a touchy business.

WC: So I need clarification here, today we cannot, for federal employees; we cannot provide them with gifts. Is that correct?

JBL: There is a federal ban; they have the same types of ethics requirements. I've not reviewed them in detail, so generally I would say that is correct to the extent or where there are exceptions, that I'm not certain of.

WC: Okay. So what I'm trying to point out to you, I don't think – this executive order I believe it's in keeping for the federal employees as well. So this is very similar to what's in place for the federal employees and it doesn't have a dollar limit on gifts, it's saying absolutely no gifts. So this is not totally out of line. I think as an institution we probably should step back and say how do we abide by the spirit of the law or the executive order.

CM: What is the travel portion of the ban?

Jim Guagliardo: I'm sorry?

CM: The travel portion of the ban?

Jim Guagliardo: Well the travel portion is, again the gift ban applies to prohibitive sources, it doesn't apply to the university paying for people's travel to do their jobs, it's for instance, if Microsoft is going to hold a conference and Microsoft wants to pay your travel, there's a procedure, there really isn't a ban amount. For travel, the rule is is it really work related. In other words, is Microsoft having you come to a conference where you're going to learn things that are going to help you do your job, if so, they can pay for that and there's no limit to that. If they're going to send you to, I don't know, Boca Raton for a weekend on the beach which has nothing to do with you learning your job, no. One of the changes in the executive order was it used to be the institutions Ethics Officer that would review that and determine whether or not it was education related or mission related for employees, it's now the Executive Ethics Commission that makes that determination under the new executive order. The executive orders are a little bit more complex than what the PowerPoint shows so the rule is not so much an amount, is it admission related, is it educational related, does it help you do your job? If it does, a prohibited source like Microsoft or any vendor can pay for it. If it isn't, they can't.

RB: Chair Butler?

JB: I would first like to say that we have an Ad Hoc Committee on Governance and we are working on a number of policies. We might take this up in that context and consider how we might incorporate some of these expanded ethics requirements in that. I'm a little bit more interested in the revolving door provisions can you tell me what's different about the new provisions, the executive order provisions, and the current law?

Jim Guagliardo: I can tell you that the lobbying ones have gotten stricter. Exactly how they've gotten stricter I can't tell you off the top of my head, I don't know if Jerry can or not. I don't know if the one year waiting period is obviously shortened from what it was, I'm not sure what the waiting period was before, and I assume that there was not an all-out prohibition of a state employee talking to a lobbying organization before, whereas now you can't even start to negotiate with a lobbying organization or a registered lobbyist organization if you work for the state

JBL: The only thing that I would add to that and I think Jim is right on point is that under the new provisions there used to be a manner in which you can get an exception from the commission for the lobbying issues, that possibility has been eliminated. So there is no process of going to the executive commission now to say given the unique circumstances I should be exempted from this rule. So they've eliminated that as a possibility.

JB: So the board understands this, by state employee it also means board member?

Jim Guagliardo: Yes.

JB: So if we were to be no longer serving on the board, if our terms expire for whatever reason, we would be subject to these revolving door provisions?

Jim Guagliardo: Yes.

JB: So I would ask us to be very cautious about that in that regard because I don't think we necessarily want to invite higher burdens if they don't make sense for us if they are disconnected from our duties as trustees, if they don't involve any entities for example that relate at all to Northern. We don't want to add that extra burden on to ourselves and absorb that extra professional limitation that we don't need to absorb because it involves entities that never did business with NIU and proposals that never came before us as board members.

CM: I have a question on that, on the revolving door. My understanding though is that's not applicable to the legislature, the state legislature?

Jim Guagliardo: I don't know.

CM: Is that correct that it is not? So it's applicable, so let me put this in perspective, it would be applicable to a trustee as John has just spoken of, but apparently it is not applicable to the state legislature?

JBL: The state legislature and the other constitutional officers have their own ethics requirements which are different.

CM: And the revolving door is not part of it.

JBL: And the revolving door is not part of it, surprise, surprise. That is correct.

RB: Any other questions? We'll now move on. Thank you Jim for an important update. We'll now move to Enterprise Risk Management presentation, Miss Danza.

Michele Danza: On February 10<sup>th</sup> we posted an RFP, a request for proposal, for enterprise risk management and the responses are required, actually we pushed that out a little bit because we did have some questions from some of the bidders which were responded to today and so the new date for responses is March 4<sup>th</sup> is for the responses to be required. The requirement is for a consulting firm who is experienced in an organization of our size and scope and mission. Who is familiar with the risks involved and who can guide us and this is for facilitation and guidance, who can guide us in assessing what we already have in place in certain pockets around the university and tying those together and seeing where there are gaps and in making recommendations on how we can infiltrate this throughout the culture as well as documenting them and reinforcing them in the policies and procedures that we'll have in the future. So it's intended to take disparate pieces and combine them so that we can have a comprehensive enterprise risk management philosophy and system.

RB: Great, thank you. Questions trustees? Trustee Marshall?

RM: Will there be, in the future, follow up on proposals to tweak the activity?

Michele Danza: Yes if that is found to be a need that we need to in a sense hire out for that expertise then yes, I'm assuming that we would have those proposals?

RB: Any other questions? Well thank you Miss Danza for a very nice presentation. Thank you.

## **UNIVERSITY RECOMMENDATIONS/REPORTS**

**Information Item 7.a – Property Insurance Valuation – Sara Cliffe**

**Information Item 7.b – Gubernatorial Changes in Ethic Requirements – Jim Guagliardo**

**Information Item 7.c. – Enterprise Risk Management Initiative – Michele Danza**

## **OTHER MATTERS**

Chair: RB

Speaker: N/A

Chair: Robert RB

## **NEXT MEETING DATE**

Chair: RB: The next meeting of the CARL Committee is scheduled for May 28, 2015. Thank you.

Actual date/time: Tentatively, May 28, 2015

## **ADJOURNMENT**

Chair: RB: With that I'll now close the meeting unless there is some other discussion. May I have a motion to adjourn?

Motion: CM: So moved.

Second: MS

Chair: RB: All in favor?

ALL: Aye.

Chair: RB: Opposed? Carried, thank you.

Meeting adjourned at: 11?

Respectfully submitted,

Julie Edwards  
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.*