AGENDA

NIU Board of Trustees
COMPLIANCE, AUDIT, RISK MANAGEMENT AND LEGAL AFFAIRS COMMITTEE
11:00 a.m. – Thursday – August 17, 2017
Board of Trustees Room
315 Altgeld Hall
NIU – Main Campus
DeKalb, IL 60115

1. Call to Order and Roll Call

2. Verification of Quorum and Appropriate Notification of Public Meeting

3. Meeting Agenda Approval ................................................................. Action i

4. Review and Approval of Minutes from May 18, 2017 ................................. Action 1

5. Public Comment *

6. Chair’s Comments/Announcements

7. University Recommendations
   a. Proposed Bylaw Changes for Standing Committees .................................. Action ........... 8
      John Butler, Chair of the CARL Committee

8. University Report
   a. FY 2016 External Audit Corrective Action Plans Update Narrative ................. Information ........ 20
      Larry Pinkelton, Associate Vice President for Finance & Budget/Acting CFO

9. Other Matters

10. Next Meeting Date

11. Adjournment

*Individuals wishing to make an appearance before the Board should consult the Bylaws of the Board of Trustees of Northern Illinois University, Article II, Section 4 – Appearances before the Board. Appearance request forms will be available in the Board Room the day of the meeting. For more information contact Kathleen Carey, (kahns@niu.edu) Recording Secretary to the Board of Trustees, Altgeld Hall 300, DeKalb, IL 60115, 815-756-1273.

Anyone needing special accommodations to participate in the NIU Board of Trustees meetings should contact Kathleen Carey at (815)753-1273, as soon as possible.
Minutes of the
NIU Board of Trustees
CARL Committee
May 18, 2017

CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:03 a.m. by Chair Robert Boey in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Julie Edwards conducted a roll call. Members present were Chair Robert Boey, Trustees John Butler, Wheeler Coleman, Veronica Herrero and Student Trustee Matthew Holmes. There were no members absent. Also present: Greg Long, Executive Secretary, Advisory Council and President, Faculty Senate Cathy Doederlein, President, SPS Council.

VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

Acting General Counsel Greg Brady indicated the appropriate notification of the meeting has been provided pursuant to the Illinois Open Meetings Act. Mr. Brady also advised that a quorum was present.

MEETING AGENDA APPROVAL

Chair Robert Boey asked for a motion to approve the meeting agenda. Trustee John Butler so moved and Trustee Matthew Holmes seconded. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

Chair Robert Boey asked for a motion to approve the minutes of November 17, 2016. Trustee Wheeler Coleman so moved and Trustee John Butler seconded. The motion passed.

CHAIR’S COMMENTS/ANNOUNCEMENTS

Chair Boey: Other comments, we have our new DeKalb mayor Jerry Smith in the audience. Jerry would you like to say a few words?

Jerry Smith: Good morning. I’m Jerry Smith newly elected the mayor of the City of DeKalb. I was telling Matt Streb I feel like a veteran. I’ve been on the job for 10 days. During the campaign for the mayor and other offices, one to the issues that arose was the problems at Northern Illinois University. Not only the drop in enrollment, but the problems in Springfield that only exacerbate that situation. During that campaign, I pledged if elected to work very closely with the Board of Trustees, administration, student groups, and with any groups at Northern Illinois to let those organizations know and the university know that the City of DeKalb will be a true partner. Not that we haven’t been a partner. There are so many programs and so many instances of the City of DeKalb working with Northern Illinois University. So as a proud Huskie alum, and a proud head of a Huskie household; my wife is a Northern grad, our boy is a Northern grad, we are just delighted to be able to continue to live in DeKalb, to continue to be very active with the university. And so to fulfill that pledge, now as the city mayor of the City of DeKalb, I pledge to you the City of DeKalb’s efforts to sit with you and with any organization when appropriate to let you know that we truly want to be partners with Northern Illinois University. I thank you for few minutes that you’ve given me. Thank you.

Chair Boey: Thank you Jerry. I would like now to recognize the various leaders of the university constituencies who are with us today here. Dr. Gregory Long, President Faculty Senate and Executive Secretary of University Council and well as faculty representative to the CARL Committee. Mr. Long, good morning. Cathy Doederlein, President SPS Council and representative to the CARL Committee, Holly Nicholson, President Operating Staff Council and representative to the CARL Committee. Good Morning. We are especially pleased that you are with us today, are there any remarks you’d like to share with us?
Greg Long: Yes, please. Thank you for the opportunity. This is my last set of committee meetings and so I want to offer my thanks to the Board of Trustees for your service and dedication to the university. I’m inspired by how much work that you put into the job and I know it’s a lot of responsibility and so I want to say thank you. And I’d also like to take just a moment and introduce Professor Linda Saborio. I’m ending my term as University Council Executive Secretary come June 30th and also retiring at that point, and Linda is coming in as the Faculty Senate President and Executive Secretary of University Council. She’s a professor in the Department of Foreign Languages and Literature with Spanish and coordinates the undergraduate Spanish program. Linda would you stand for just a moment to people can see who you are. I’m quite pleased with Linda’s willingness to do this, it’s a lot of work and takes you out of what you do often times. As a professor, it’s a more fun job than being Faculty Senate President, but appreciate her willingness to do this. I would also like to make a couple of comments, I know in this meeting we’re going to talk about the enterprise risk management work that’s being done and I want to say that I think it’s very good and important work, and I want to thank administration and finance for leading this effort. I think it’s very important. But I would offer one caveat based on my professional experience, expertise, and a lifetime of experience and that is that I do not believe that disability related accessibility, especially as related to technology access, has received sufficient attention. I want to go on record to remind the trustees the resolutions passed by the Faculty Senate and University Council regarding needed supports for the Disability Resource Center. Later this afternoon NIUs Presidential Commission on Persons with Disabilities has its monthly meeting. One of the primary topics for the discussion is a resolution from the commission encouraging the university to address university-wide challenges related to technology accessibility. At present we are out of compliance regarding accessible technology and the feds have a 508 refresh on that begins January 18 wherein expectations for accessibility are even higher. I urge the administration and trustees to take these concerns seriously. Over the past several years, Miami University, Youngstown State, and University of Cincinnati have all lost major law suits to the Department of Education that cost them hundreds of thousand dollars to address. As yet another encouragement, if we become more disability friendly, we could use this to our advantage for recruitment. Almost 13% of students in the K through 12 pipeline have disabilities and the majority of those students have learning disabilities or other types of disabilities that are relatively inexpensive to accommodate. So rather than looking at accessibility as a burden and a responsibility, I would urge you to consider the possibilities in revenue generation if NIU were to recruit these students and provide appropriate supports. Thank you.

Chair Boey: Thank you Dr. Long. Thank you for being so effective as a representative of the Faculty Senate and you as Executive Secretary of the University as well as faculty representative to the CARL Committee. Thank you for all your efforts.

Greg Long: My pleasure, thank you.

Chair Boey: Cathy, do you have any remarks you’d like to make?

Cathy Doederlein: No thank you other than just to echo the sentiment of Dr. Long having also served on and still serving on the Presidential Commission on Person with Disabilities, I would agree that this is an important item to be mindful of.

Chair Boey: Great, thank you. Holly, do you have any remarks that you would like to make? I’ve been told Holly is absent.

Chair Boey Remarks; when the CARL Committee last met in November 2016, we heard presentations on the university’s continuing compliance efforts with NCAA regulations and the federal Clery Act as well as the report on the Fiscal Year 2016 internal Audit. Today the agenda for the CARL Committee involves two other important areas which are Enterprise Risk Management the Annual Review Cycle which will be presented by Dr. La Vonne Neal, Associate Vice President for Finance & Budget, Improvement & Operational Effectiveness. And second on the agenda is the external audit executive summary committee presented by Larry Pinkelton Associate Vice President for Finance and Budget and also Acting Chief Financial Officer. Dr. Neal.
La Vonne Neal: Good morning everyone. I just wanted to thank Dr. Long for his important comments regarding accessibility for people with disabilities. Clearly, as you’re aware, I am a professor of special education so I absolutely understand the need and we will continue as we move forward with making certain that NIU continues to be accessible for all. But thank you for that Dr. Long. The purpose for our conversation today is to focus on the next steps regarding Enterprise Risk Management which basically is an annual review cycle. What I’m going to do is contextualize where we are now and why we’re moving forward the way that we are. Some of you are new to the Board, but some of you also in the audience might not have been aware that we conducted an enterprise risk management review during the academic year 2015 and 2016. One of the important things to remember is that this review was comprehensive, it was inclusive, it included a 16-member enterprise risk management panel across all of the divisions. The reason we conducted this review was to identify and assess the risk on campus as well as to develop the tools, processes, and structures necessary to establish an ongoing ERM program; as well as to set in place the basis for developing a culture of risk informed decision making at NIU. What we really appreciated about those findings as we illuminated in the report was that although the ERM review identified risk issues and areas of concern in general, we were pleased to find out that most of the significant risks addressed had been previously identified and were mitigated to the extent through the use of risk management tools such as insurance, training, and establishment of appropriate policies and procedures and reviewed as a priority to NIU. However, the review also determined that there was no overall enterprise risk strategy to set priorities, to ensure that mitigation plans were in place, nor was there a mechanism to document as well track the execution of those plans. What we did find out was that because these efforts were not coordinated across the university, NIU was not able to effectively prioritize and track risk. What we determined through the analysis of all the data from that exercise was that NIU’s risk profile indicated a need for systems, infrastructure, and process development. One of the examples of a system needing development is an ERM system to better coordinate risk assessment, management, prioritize risk and really enhance risk ownership across all the units. What I’m describing today is the actual way forward in terms of the system, the process that we concluded would be effective. Now you’ll see that is say ISO ERM process. ISO is an international organization established in the 1940’s that focuses on risk mitigation. So we wanted a framework that would help us structure our way forward. So basically the ISO ERM framework suggests that we should establish context, you see that in green and we did that through the review process. It also says that primarily we have to communicate and consult and that’s what we did with the ERM team, the team of 16, but also consulting with over 100 faculty and staff across NIU. We also know that we needed to have risk assessment and according to ISO standards that included identification, risk analysis, risk evaluation, and treatment. What are our next steps? Now that we have over the past – this process began August, 2015. In less than two years we now know the way forward and that would include a review cycle. So part of our system is indeed this review cycle. At the core of it is an ERM team that will assist in the maintenance of this process. So I draw your attention to the cycle itself. This is all about identifying risk, analyzing the risk, and evaluating the risk. So moving forward we’re looking at the cycle beginning in October and as you can see through December the risk assessment element. When you look at what are the next steps beyond risk assessment? The next steps beyond risk assessment include risk treatment. So those are highlighted in blue and the risk treatment is from January through July. As you can see, it is an inclusive process. The risk treatment primarily is a focus of the risk owners and then we folded into the FY budget development process and then we developed the process to implement the plans based on receiving resources. These again just illuminate some of the things that I just mentioned. And then I draw your attention again to the risk treatment element really focusing on the risk owners who are responsible for developing the mitigation plans, and then the mitigation resourcing merges with budget development.
Also I wanted to; let me just go back for a moment to risk assessment. The inclusive part, we are constantly having conversations regarding risk, but if you look at the risk evaluation step, the full ERM team and the Resource, Space and Budget Committee will review the risk rankings so we do have necessary shared governance components in this inclusive process. We will then culminate the analysis, the risk assessment and treatment with an ERM report. These are just some of the components of the report. This will be an annual report that will be produced by the ERM core team in the Administration and Finance using data from all of the risk owners. So we will be compiling, it is not our data, it is the data from the risk owners. The annual report will include relevant background information, the top institutional risks, the new and emerging risks as applicable, highlights of the mitigation efforts, the top identified opportunities, and the supplementary data. The report will be distributed September 1 once this cycle begins. The next slide really illuminates just a different view of the review cycle timeline delineated by activities associated with risk assessment, risk treatment, and annual report; as well as the tasks, responsibilities, and due dates. As you can see when you look at responsibilities notice the key responsibilities of all the risk owners would be risk identification, risk evaluation, risk mitigation plan development, mitigation resourcing, mitigation plan implementation, so this is a network initiative that makes certain that we’re able to link and mitigate risk across the university in a network way. Any questions or comments?

Chair Boey: Any questions for Dr. Neal?

Trustee Coleman: How many risk owners do we have at the university and the number of core ERM team members?

Dr. Neal: Let me pull the slide here. Here we have the core ERM team members. There are four of us and these are the personnel responsible in the operations arm for assisting with analytics and university sustainability. As you can see, the role of the core team is to facilitate information collection, to conduct scenario based risk exercising in collaboration with the risk owners, to consult with identified risk owners, to facilitate as well as document risk analysis, identify and document risk evaluations for units, and to facilitate the risk evaluation. This was the previous full team that assisted us with the review initially. We will be building a new full team in accordance with the guidance from Dr. Baker and his senior cabinet.

Trustee Coleman: Thank you. And then the risk owners are?

Dr. Neal: The risk owners are across all of the divisions.

Trustee Coleman: Approximately how many do we have?

Dr. Neal: I don’t have that number for you today, but I will provide you with that number.

Trustee Boey: Any other questions for Dr. Neal, trustees? None? Thank you Dr. Neal. Good report.

Dr. Neal: Thank you.

Information Item – 7.b. – External Audit Executive Summary – Fiscal Year 2016 (Larry Pinkelton)

Chair Boey: Mr. Larry Pinkelton

Larry Pinkelton: Good morning everyone. I would like to draw the board’s attention to the executive summary as represented in their board documents. I’m going to be sharing a couple of brief thoughts concerning the External Audit results for Fiscal ’16. Briefly the audit scope covers both financial and compliance related activities. Financial in this context is intended to be associated with the timely and accurate composition of the university’s financial statements. Compliance covers a wide spectrum of both federal and state mandates that govern the university’s operations. In terms of the timing on a normal basis, the financial component of the external audit results is distributed on or around the December or January time period every year. Compliance follows shortly thereafter, February or March; and then the
final report is released per the office of the Auditor General’s website approximately March of every year. Looking at results going into Fiscal ’16 we’ve got a total of 12 material findings that would be distributed between financial at 2, federal is 0 this year, and state at 10. Contrasting to Fiscal ’15, we were at 1 for financial, 2 for federal, and 7 for state. As a basis of comparison to give some context to how NIU performs relative to external audit results, I can share with the group that U of I has 18 material findings for Fiscal ’16. NEIU has 17 material findings for Fiscal ’16. CSU has 15 material findings, and ISU has 4. If you would like to read specific details concerning any of the findings, those are available on the Auditor General’s website. As we look to move forward, the keys to success revolve around enhanced compliance resource that will be dedicated to testing and building corrective action plans that are specifically a function of the university’s audit findings. We have recently dedicated an additional .5 FTE out of Admin and Finance that is specifically intended to be involved with the compliance portion of the external audit. We’ve also engaged with our internal audit group to assist us with testing which will be conducted periodically throughout the course of the audit cycle. And then lastly, as we talk about trying to really impact the external audit results going forward, it’s important to note that our end game is to really instill a culture of compliance within the institution and so that is our primary objective and we understand that that is a responsibility that is born by every staff member, every part of every member of administration including reinforcement of the messages from the Board of Trustees. With that, I will take any questions.

Chair Boey: Are there questions, Trustees?

Trustee Butler: In the past we’ve had reports to various committee I think it was the prior External Affairs Committee about the number of FOIA requests that the institution has been receiving and the overall workload and strategy of managing those FOIA requests. There was a period of time where the responsible office was shifted at one point. We haven’t received a report like that in quite some time. Can this committee receive a report on the FOIA traffic compared to prior years?

Larry Pinkelton: I think the answer to that is yes I would like to defer a more detailed response to that to Greg Brady.

Greg Brady: Yes, absolutely we can provide that. I’ll work with the CARL Committee Chair to add that to the agenda.

Chair Boey: Anything else? Thank you. Excuse me, there’s a question.

Trustee Coleman: Larry I don’t know maybe this is more a comment than a question, but we go from 10 to 12 clearly we’re moving in the wrong direction, but the repeat findings is an area that you call out here where we said we had 7 repeat findings from the prior year and it looks like there were some actions that were taken to try to prevent that from recurring, my thought is that we probably should get some insight on these repeat findings and maybe do some kind of off cycle report on what we’re doing to prevent this from happening. It’s one thing to have a finding over a given year, but year after year having repeat findings on what appears to be I think this is two years running at least for the majority of them, what can we do and what are we doing to get rid of those repeat findings?

Larry Pinkelton: Agreed and as I mentioned in the earlier comments, it starts with effective designing and effective correction action plan, and as a function of that corrective action plan being established we look to test the integrity of the plan throughout the course of the fiscal year and so we’ve beefed up our efforts both internally and also engaging internal audit, those are two tangible strategies that overtime will pay dividends and will certainly eliminate repeat findings.

Trustee Coleman: I’m assuming each one of those findings has an individual that’s responsible for addressing those issues, is that correct?

Larry Pinkelton: That is correct.
Trustee Coleman: Alright and we need visibility to that right and we should you know maybe I don't know every quarter or every two months or so we should have some kind of report on what we're doing to address those repeat findings.

Larry Pinkelton: Okay.

Trustee Coleman: And you know I'm looking at our friends at ISU with four audit findings over a given year. They're setting the bar, right; everybody should aspire to beat ISU.

Larry Pinkelton: In a number of ways.

Trustee Coleman: In a number of ways, right, even with student enrollment.

Larry Pinkelton: No doubt, that’s where it starts.

Trustee Coleman: And so it would be nice if we can sit back and say let's make sure not only, let's activate all our resources to do whatever we can to say let's get on top of this, let's prevent any new findings, but let's definitely get rid of the repeat findings. If we get rid of the repeat findings, then we’re in the neighborhood with ISU.

Larry Pinkelton: That’s correct.

Trustee Coleman: Is that correct?

Larry Pinkelton: That is correct.

Trustee Pinkelton: Okay, thanks.

Trustee Herrero: My question is your time line. What is the timeline that you have between, so audit findings and the time you have to address the findings?

Larry Pinkelton: Right so that really speaks to the challenge of eliminating findings. When you talk about a cycle that kick in next year, the audit cycle begins generally speaking in the month of May and will run through January. So under normal circumstances the external auditors have the ability to test throughout the course of that 7-8-month period. So if you get an audit finding in January, what that suggests that you've got 6 months of exposure against that very same issue in the next fiscal external audit period. It's very easy to understand even if you take positive steps to eliminate the audit finding as brought to your attention in the January/February time period you've still got 6 months of exposure that the auditors can come back to the next cycle and test against that very same issue. So generally speaking it takes two years to eliminate an external audit finding, in terms of a standard benchmark, so to the extent that we've got findings that are in our tally that are greater than two years, then that suggests that our corrective action plan has not worked effectively and that's where we engage in issues that are intended to beef up testing to give us a higher level of comfort that we've identified all the process steps that are intended to eliminate the audit finding.

Chair Boey: Any other questions? No? Thank you Larry.

<table>
<thead>
<tr>
<th>OTHER MATTERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>No other matters were discussed.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NEXT MEETING DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>The next meeting of the CARL Committee will be August 17, 2017 at 11:00 a.m.</td>
</tr>
</tbody>
</table>
Chair Boey: The next meeting of the CARL Committee is scheduled for August 17, 2017.

**ADJOURNMENT**

Chair Robert Boey asked for a motion to adjourn. Trustee Wheeler Coleman so moved and Trustee John Butler seconded. The motion was approved. Meeting adjourned at 9:33 a.m.

Chair Boey: Do I have a motion to adjourn?

Trustee Coleman: So be it.

Trustee Butler: Second.

Chair Boey: Thank you. All in favor?

Members: Aye.

Chair Boey: Opposed? Thank you.

Respectfully submitted,

Julie A. 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.*
PROPOSED BYLAW CHANGES FOR STANDING COMMITTEES

**Objective:** Per the directives and input of the Board Chair and the President, the CARL Committee is putting forth a proposal to amend the Bylaws of the Board of Trustees regarding the Board’s committee structure and operations. These changes are intended to promote efficiency, streamlining and consolidation of topics that come before committees. Specifically:

- These Bylaw changes will establish four standing committees of the Board:
  - The Executive Committee
  - The Academic Affairs, Student Affairs, and Personnel Committee
  - The Research and Innovation, Legal and Legislative Affairs Committee
  - The Finance, Audit, Compliance, Facilities, and Operations Committee

- The subjects of governance and enrollment will be incorporated into the Executive Committee and Academic Affairs, Student Affairs, and Personnel Committee, respectively, thereby concluding the work of the Ad Hoc Committees on Governance and Enrollment, but continuing the Board’s focus on these important areas.

- The Executive Committee will retain its power to act on behalf of the Board in particular situations; and will also provide the full Board its advice and counsel pertaining to Board governance matters, University vision and priorities, and presidential goals and performance review. Such advice and counsel will assist the Board in the exercise of its responsibilities related to these matters; going forward, recommendations for consideration by the full Board may originate in the Executive Committee and be forwarded to the full Board for consideration and/or action. The Committee also expressly commits to giving due consideration to participants in the shared governance process; monitoring University activity related to goals, priorities and benchmarks; and informing the full Board of major issues, actions and needs of the University pertaining to such matters.

- The Academic Affairs, Student Affairs, and Personnel Committee will retain its focus on all areas previously within its purview, and will assume responsibility for the continuation of the Board’s focus on enrollment (recruitment and retention), and add to its portfolio the newly aligned marketing and communications functions. The Committee will also attend to matters concerning the University’s programming and commitments in the area of diversity, equity and inclusion. Other areas traditionally considered by the Committee are identified to provide clarity.

- Board consideration of the University’s audit, compliance, and risk management functions will be incorporated into the Committee that has traditionally focused on finance, facilities, and operations, establishing a new Finance, Audit, Compliance, Facilities, and Operations Committee. Related attention will be paid by the Committee to information technology and public safety. This alignment of areas is consistent with developments affecting these areas. Moreover, a streamlined mandate for the Committee in the areas of audit, compliance, and risk management offers a clear and accessible signal of the Board’s continued commitment to these matters.

- The Research and Innovation, Legal and Legislative Affairs Committee will retain the Board’s focus on the resources and assets, and achievements, of NIU as a national research university, and continue the Board’s attention to state and federal governmental activities that have implications for University operations. A related focus on legal affairs will provide a committee setting to discuss emerging legal issues and, if appropriate, specific legal matters that may be of interest to Board
members.

- Several additional edits are proposed to achieve consistency between the descriptions of each committee, and improve clarity.

Per Article X of the Board Bylaws:

_Bylaws of the Board of Trustees may be amended at any regular meeting of the Board by six (6) affirmative votes of the Members of the full Board, provided that notice of the intention to amend the Bylaws shall have been presented in writing at the regular or special meeting immediately preceding. Such notice shall provide so far as possible the exact wording of the amendment proposed._

A copy of the exact wording of the amendments proposed is attached.

**Recommendation/Status:** The CARL Committee is asked to review the proposed Bylaw amendments and forward the matter to the full Board for consideration and approval.
SECTION 1. Executive Committee

A. Purpose

The Executive Committee shall have as its purpose to act on behalf of the Board; and to discuss and offer counsel on University operations as needed; and provide the full Board its advice and counsel pertaining to Board governance matters, University vision and priorities, and presidential goals and performance review.

B. Membership

The Executive Committee shall be comprised of the Board Chair, the Board Vice Chair, Board Secretary, the Board delegate to the State Universities Civil Service Merit Board, and a Member of the Board elected by the Board. If there is a vacancy in the membership of the Committee (for example, the Board delegate to the State Universities Civil Service Merit Board also serves as the Board Chair, the Board Vice Chair, or the Board Secretary), then the Board Chair shall appoint other members of the Board to fill the vacancy in order to maintain a membership of five on the Committee. The President shall be a nonvoting member of the Committee. The Board Chair shall preside during meetings of the Committee.

C. Meetings

The Executive Committee shall meet upon the request of the Board Chair, the President, or any three of the members of the Committee. A quorum is established by the physical presence of three (3) members of the Committee and the affirmative vote of three members is necessary to adopt any motion, resolution or ordinance, unless a greater number is otherwise required by law, Board Legislation, or applicable University policy.

D. Powers and Duties

The Executive Committee may discuss and act upon all matters pertaining to the Board of Trustees and Northern Illinois University between meetings of the Board except amendments to Board Bylaws and policies of the Board. The Executive Committee will act on behalf of the Board to take action on matters expressly designated for consideration-final determination by the Committee, routine matters that require Board action between regular Board meetings, in an existing or impending emergency, or on other matters when specifically requested to do so by the full Board. At any time, the full Board has the authority to take up any matter expressly designated for consideration by the Committee.

The Committee’s shall have the power to make final determinations as to matters of the Board of Trustees, provided its acts shall not conflict with action taken by the Board.

Regardless of any public notice, the Board Chair shall provide the Board written notice of any proposed actions that, if adopted, will constitute a final determination at an Executive Committee meeting as soon as practicable but no less than three (3) business days prior to the meeting date.
with a description of any and all items being considered for final determination at the planned meeting. If circumstances dictate that notice cannot be provided within 3 business days, notice shall be provided as soon as practicable.

If, following the Board Chair's notice, two (2) or more members of the Board object to a matter being considered by the Committee for final determination, any action on the matter shall be postponed until it can be added to the agenda of a meeting of the full Board. Members of the Board issuing such objection must do so in written form no later than twenty-four hours prior to the planned start of the meeting, addressed to the Board Chair and the Board Liaison. An objection may be retracted in written form any time prior to the start of the meeting. If objections render the meeting of the Committee no longer necessary, the Board Chair shall notify the Board as soon as practicable that the meeting has been cancelled. The Board Chair shall notify the Board of any decision of the Committee within twenty-four hours of its making. Actions of the Committee normally shall also be reported to the full Board at the next meeting of the Board and entered in the minutes of that meeting. The ability of Board members to object to consideration of matters by the Committee shall only apply to matters being considered by the Committee for final determination.

Concerning governance matters, the Committee shall assist the Board in the exercise of its responsibilities under Article X of these Bylaws and its consideration of proposals from Board members, the University, and other stakeholders. The Committee shall also give due consideration to participants in the shared governance process, as appropriate, and inform the full Board of major issues, actions and needs of the University pertaining to such matters. Recommendations of new provisions or amendments to these Bylaws and related Board and University regulations and policies shall be forwarded to the full Board for consideration and/or action.

Concerning University vision and priorities, and presidential goals and performance review, the Committee shall provide the full Board its advice and counsel, and perform planning and information gathering, intended to assist the Board in the exercise of its responsibilities under Article VI, Sections 2 and 3 of these Bylaws and contemplated by Section II, B, 7 of the Regulations of the Board of Trustees. The Committee shall also give due consideration to participants in the shared governance process; monitor University activity related to goals, priorities and benchmarks; and inform the full Board of major issues, actions and needs of the University pertaining to such matters. Recommendations affecting the approval of University vision and priorities, presidential goals and performance reviews shall be forwarded to the full Board for consideration and/or action.

The Committee may at any time schedule or move into closed session to discuss matters allowed under the Illinois Open Meetings Act or other applicable law. All such meetings shall be confidential and closed to the public.

SECTION 2. Academic Affairs, Student Affairs and Personnel Committee

A. Purpose

The Academic Affairs, Student Affairs and Personnel Committee shall have as its purpose to review Board level policy concerns and transactions, and provide the full Board its advice and counsel, related to academic programs; student affairs; personnel administration; diversity, equity and inclusion; and enrollment management, marketing, and communications and to provide the full Board its advice and counsel relative to such matters. Such matters shall include, but not be limited
to, recommendations for program changes, recruitment and retention, faculty promotion and
tenure, sabbaticals, and appointments of vice presidents and deans.

B. Membership

The Academic Affairs, Student Affairs and Personnel Committee shall be comprised of a minimum of
six (6) voting Members of the Board, including the student Member, selected by the Board Chair
and the student Member. The Board Chair, the President and the Provost shall serve as ex officio
members, the first being able to vote and the second and third without vote. The Board Chair shall
designate one member of the Committee to serve as its Chair and may designate another member
to serve as Vice Chair. The Provost-President shall designate a staff liaison to the Committee and
shall provide the Committee such additional staff assistance as needed.

C. Meetings

The Academic Affairs, Student Affairs and Personnel Committee shall meet at the request of the
President, the Provost, the Board Chair, the staff liaison, or the Chair of the Committee. Committee
meetings will be scheduled so as to facilitate timely review of matters under consideration by the
Board.

The Committee may at any time schedule or move into closed session to discuss matters allowed
under the Illinois Open Meetings Act or other applicable law. All such meetings shall be confidential
and closed to the public.

Section 3. Compliance, Audit, Risk Management and Legal Affairs Committee

A. Purpose

1. The Committee shall oversee adherence to laws, regulations, and policies that pertain to
   University operations and approve compliance related goals, priorities and benchmarks.
2. The Committee shall consider, report or recommend to the Board on matters pertaining
to compliance, risk management oversight and legal issues.
3. The Committee shall provide oversight for the legal functions of the University and for
   the Office of the Vice President and General Counsel.
4. The Committee shall provide oversight for the compliance and audit functions of the
   University and for the University Ethics Officer.
5. It is not the duty of the Committee or its members, individually or collectively, to
   ensure adherence to laws, regulations and policies; to represent the University in legal
   matters; to provide legal advice; to perform the legal or compliance functions of the
   University; to conduct legal or other investigations; to initiate or defend litigation; or
   otherwise to undertake the roles, responsibilities or functions of the General Counsel,
   the Ethics Officer, the Internal Auditor and Compliance Officer or others who have
   responsibilities for the management of the University.

B. Composition and Structure

1. The Committee on Compliance, Audit, Risk Management and Legal Affairs shall consist
   of a minimum of four (4) voting Members of the Board selected by the Chair. The Board
Chair and the President shall serve as members, the first being able to vote and the second without voting powers. The Board Chair shall designate one member of the Committee to serve as its Chair and may designate another member to serve as Vice Chair. The President shall designate staff liaison(s) to the Committee as described in Section D.2 below, and shall provide the Committee such additional staff assistance as needed.

2. The Committee will seek consultation from representative constituent groups as appropriate in the exercise of its responsibilities.

C. Meetings

1. The Committee on Compliance, Audit, Risk Management and Legal Affairs shall meet at the request of the President, the Chair of the Committee, or the staff liaison. Committee meetings will be scheduled so as to facilitate the timely review of matters under consideration by the Board.

2. The Committee is a Standing Committee of the Board and shall follow Board rules for a quorum, voting, and minutes.

3. The Committee may at any time schedule or move into a seminar or conference session or meeting to discuss litigation or other matters protected by the attorney-client privilege or other legal protections. All such meetings shall be confidential, privileged and closed to the public.

4. At the request of any Committee member or the General Counsel, and at least once annually, the Committee shall meet privately with the General Counsel to discuss any matter that the Committee or the General Counsel believes should be discussed privately. If outside counsel has been retained to represent the Board separately from the General Counsel—for example, in the case of a conflict of interest or special investigation—then the Committee shall meet privately with such outside counsel as appropriate.

D. Authority and Responsibility

1. The Committee shall coordinate with other Board committees as appropriate, including specifically, the Committee on Legislative and External Affairs.

2. The Vice President and General Counsel, the Executive Vice President for Business and Finance (Administration) or Compliance Officer, the Director of Risk Management, and the Ethics Officer shall staff the Committee. These four individuals shall also coordinate their activities as necessary and appropriate, and shall report to the Committee on matters within the purview of the Committee.

3. The following is a partial but not exclusive list of legal subject matter areas which may be brought to the Committee for discussion and oversight, or which the Committee may ask to review. This list is intended to be illustrative and is included here to help define the scope of the legal and compliance functions of the University. Most of these matters fall in whole or in part within the oversight purview of other committees of the Board. The scope of this Committee’s review and oversight will be limited to the legal, ethical, risk management and compliance issues.

   a. Threatened or pending litigation involving the University;
b. Legal aspects of compliance issues (e.g., research compliance; financial aid; export controls; health, safety and environment, etc.);

c. Employment litigation;

d. Substantial administrative agency complaints;

e. Substantial government inquiries and investigations;

f. Material conflicts of interest;

g. Material campus safety and security;

h. Student conduct and other legal issues affecting students;

i. Mandatory reporting requirements;

j. Clery Act reporting;

k. Enterprise Risk Management;

l. Intellectual property (e.g., patents, copyright, trademark) concerns;

m. NCAA Compliance;

n. Significant settlement agreements.

E. Role and Mission of the Office of the Vice President and General Counsel

1. The Office of the Vice President and General Counsel provides legal counsel and representation to Northern Illinois University and all of its schools and colleges, divisions, units, affiliates and related entities on the broad range of legal matters affecting the University. The General Counsel’s Office serves the University Board of Trustees, the President, officers, administrators, faculty and staff in their official capacities. The General Counsel’s Office is also responsible for hiring and managing outside counsel to represent the University.

2. The mission of the Office is to provide the highest quality legal services to the University in a responsible, constructive and timely manner; to protect and promote the mission and values of the University, including compliance with its obligations and protection and promotion of its interests; to minimize legal risks and costs; and to address and resolve legal disputes.

3. Consistent with the mission and best interests of the University, including its duties to follow the law and meet its obligations to the public, governments and third parties, the lawyers in the General Counsel’s Office strive to be problem solvers; to engage in strategic thinking with the University decision makers; to defend the interests of the University and its constituents; to protect and promote integrity and ethical conduct; to practice preventive law; and to assist the University’s Board of Trustees, President, officers, faculty and staff to accomplish their institutional objectives.

4. In undertaking the work of the Office, the Vice President and General Counsel will coordinate with other University officials, including the President, the Internal Audit Director, the Ethics Officer, and the Compliance Officer, as necessary and appropriate.

F. Reporting Obligations of the General Counsel

1. The legal and ethical reporting obligations of the General Counsel and the other attorneys in the Office of the Vice President and General Counsel are determined by the Illinois Supreme Court and American Bar Association Rules of Professional Conduct (Rules of Conduct). These requirements include that the General Counsel and the other lawyers in the Office employed by the University represent the organization acting through its duly authorized constituents. The lawyers in the Office represent the
University through authorized individuals and constituents acting in their official capacities on behalf of the organization.

2. Subject to the legal and ethical obligations of the professional standards, the General Counsel reports to the President of the University for administrative purposes and also to the Board of Trustees which is the highest constituent authority within the organization.

3. Consistent with the By-laws and University Personnel Policies and Procedures, the appointment and removal of the Vice President and General Counsel shall be made by the President subject to approval by the Board of Trustees.

G. Role and Mission of the University Ethics Officer

1. NIU is charged with maintaining an ethical environment for university employees and participants of the campus community. As an institutional standard, all faculty, students, and administrators are expected to act in an ethical manner. We hold the members of our University to the highest standards, and expect honesty and integrity in all issues. NIU strictly abides by the State Officials and Employees Ethics Act, and the Illinois Governmental Ethics Act. Anyone who violates applicable ethics requirements in their professional capacities as state employees may face significant consequences.

2. Each University and every state agency has an Ethics Officer. Responsibilities of the Ethics Officer include: developing and administering annual ethics training; reviewing the Statement of Economic Interests forms for officers and certain other employees; and providing guidance on interpretation and implementation of the State Officials and Employees Ethics Act, and the Illinois Governmental Ethics Act. Interpretation of ethics requirements is based on court decisions, Attorney General opinions, and the findings and opinions of the Executive Ethics Commission. Ethics Officer work products are exempt from Freedom of Information Act (FOIA) requests.

3. The Ethics Officer provides guidance in helping university employees and participants of the campus community comply with all state wide ethics standards. The Ethics Officer and Ethics investigators often determine whether or not to conduct investigations into allegations of ethical wrongdoing. The Ethics Officer also serves as a repository for Whistleblower complaints, and retaliation for Whistleblowing complaints. The Ethics Act, the Whistleblower Act, and University policy protect employees who, in good faith, report or threaten to report an act or omission they believe to be a violation of law, policy, or procedure. Under the Ethics Act, retaliatory action is defined as reprimand, discharge, suspension, demotion, or denial of promotion or transfer, or change in the terms or conditions of employment of any State employee, which is taken in retaliation for involvement in protected activity. Individuals who take retaliatory action against whistle blowers are subject to disciplinary action up to and including discharge by the University, in addition to potential administrative action by the Executive Ethics Commission.

H. Reporting Obligations of the Ethics Officer

1. The Ethics Officer reports directly to the University President. The Ethics Officer also serves as the liaison between the University, the appropriate Inspector General and the Illinois Executive Ethics Commission. The Executive Ethics Commission is composed of nine appointed commissioners, each serving a four-year term. The Commission’s duties.
include, but are not limited to: conducting administrative hearings on alleged violations of the Ethics Act, providing guidance to Ethics Officers, and overseeing ethics training for all employees of the executive branch of state government.

2. For University employees, the Office of Executive Inspector General for the Agencies of the Illinois Governor (OEIG) serves as the Executive Inspector General. This position is appointed by the Governor of the State of Illinois for a term of five years. Established in 2003, the OEIG is an independent state agency. Its primary function is to investigate fraud, abuse, and violations of laws, rules, and policies in governmental entities. The OEIG also has responsibility for investigating alleged violations by those doing business with entities under its jurisdiction.

I. Roles and Mission of the Internal Audit Department

1. The Fiscal Control and Internal Auditing Act (30 ILCS 10) requires each State agency to maintain a full-time program of internal auditing. The Internal Audit Department provides both assurance audits and consulting services. As required by the Fiscal Control and Internal Auditing Act (FCIAA), the Internal Audit Director reports directly to the President and shall have direct communications with the university’s governing board. The Internal Audit Director and all full-time members of the internal audit staff shall be free of all operational duties.

2. The mission of the Internal Audit Department is to provide independent and objective assurance and consulting services to assist the Board of Trustees and University management in the effective discharge of their oversight, management, and operating responsibilities. Internal auditing is based on an objective assessment of evidence. It uses a systematic, disciplined approach to evaluate and recommend improvements to the risk management, internal control, and governance processes.

3. With the concurrence of the President and the Board of Trustees and in accordance with the Fiscal Control and Internal Auditing Act, the internal audit department is authorized to review and evaluate policies, procedures, and practices of any University activity, program, or function. This authority provides for full access to all records, properties, and personnel relevant to the subject under review.

4. FCIAA created the State Internal Audit Advisory Board, which established professional standards and a code of ethics to which all State internal auditors must adhere. All audits shall be conducted in compliance with the general and specific standards of the "International Standards for the Professional Practice of Internal Auditing" published by the Institute of Internal Auditors, or where required, in accordance with government auditing standards published by the U.S. Government Accountability Office. The professional conduct of persons involved in internal audit operations shall be based on the ethical standards adopted by the Institute of Internal Auditors, "IIA Code of Ethics and Standards of Conduct."

5. The Internal Audit Director shall have, in addition to all other powers or duties authorized by law, required by professional ethics or standards, or assigned consistent with the FCIAA, the powers necessary to carry out the duties required by this act.

6. Public Act 97-1055, the Financial Reporting Standards Board Act, signed by Governor Quinn in August 2012, requires the internal auditor of every state agency that submits a GAAP package to complete and submit to the Financial Reporting Standards Board an annual audit of its GAAP package and financial statement preparation process.
1. Reporting Obligations of the Internal Audit Director

The reporting obligations of the Director and other internal auditors in the department are determined by the Fiscal Control and Internal Auditing Act, standards promulgated by the Institute of Internal Auditors, and the Financial Reporting Standards Board Act, as well as university and departmental policies and procedures.

Consistent with the Fiscal Control and Internal Auditing Act, the Internal Audit Director is appointed by the President and will serve a five-year term. The Internal Audit Director may be removed only for cause after a hearing before the Executive Ethics Commission concerning the removal. Further, the annual salary of the Internal Audit Director cannot be diminished during the term of appointment.

The Internal Audit Director is required to have a two-year audit plan, approved by the chief executive officer before the beginning of the fiscal year. The Internal Audit Director is to ensure that audits of major systems of internal accounting and administrative control are conducted on a periodic basis so that all major systems are reviewed at least once every two years. By September 30 of each year, the Internal Audit Director must submit a written report detailing how the audit plan for that year was carried out.

Section 43. Legislative Affairs, Research and Innovation, Legal and Legislative Affairs Committee

A. Purpose

The Legislative Affairs, Research and Innovation, Legal and Legislative Affairs Committee shall have as its purpose to review Board level policy concerns and transactions, and to provide the full Board its advice and counsel, related to research, and artistry, and innovation; technology transfer and economic engagement; legal affairs; and shall monitor pending state and federal legislation, administrative agency activity, and changing statutory or policy regulations at the state and federal levels that impact University interests.

B. Membership

The Legislative Affairs, Research and Innovation, Legal and Legislative Affairs Committee shall be comprised of a minimum of four (4) voting Members of the Board selected by the Board Chair. The Board Chair, the President and the Vice President for Research and Innovation Partnerships shall serve as ex officio members, the first being able to vote and the second and third without voting powers. The Board Chair shall designate one member of the Committee to serve as its Chair and may designate another member to serve as Vice Chair. The President shall designate a staff liaison to the Committee and shall provide the Committee such additional staff assistance as needed.

C. Meetings

The Legislative Affairs, Research and Innovation, Legal and Legislative Affairs Committee shall meet at the request of the President, the Vice President for Research and Innovation Partnerships, the Board Chair, the staff liaison, or the Chair of the Committee. Committee meetings will be scheduled so as to facilitate the timely review of matters under consideration by the Board.
The Committee may at any time schedule or move into closed session to discuss litigation or other matters protected by the attorney-client privilege or other legal protections, or as otherwise allowed under the Illinois Open Meetings Act or other applicable law. All such meetings shall be confidential and closed to the public.

Section 54. Finance, Audit, Compliance, Facilities, and Operations Committee

A. Purpose

The Finance, Audit, Compliance, Facilities, and Operations Committee shall have as its purpose to review Board level policy concerns and transactions, and to provide the full Board its advice and counsel, related to financial affairs, physical facilities and operations, compliance, risk management, and audit functions of the University and to provide the full Board its advice and counsel relative to such matters. Such matters shall include the University’s information technology and public safety functions.

Concerning compliance, risk management, and audit specifically, the Committee shall oversee University programs, mechanisms and entities responsible for adherence to laws, regulations, and policies that pertain to University operations and approve compliance related goals, priorities and benchmarks; consider, report or recommend to the Board on matters pertaining to compliance, risk management oversight, and internal controls and procedures intended to deter and prevent wrongful conduct; facilitate communication with the Internal Audit Director to assist in the effective discharge of audit functions; and engage, as appropriate, the University Ethics Officer. The Committee shall also serve as a repository for complaints registered directly with the Board Chair under the provisions of the Board of Trustee’s Whistleblower Policy, or through other direct communication with Members of the Board. The Committee shall coordinate with other Board committees as appropriate; monitor University activity related to goals, priorities and benchmarks; and inform the full Board of major issues, actions and needs of the University pertaining to such matters.

B. Membership

The Finance, Audit, Compliance, Facilities, and Operations Committee shall be comprised of a minimum of five (5) voting Members of the Board selected by the Board Chair. The Board Chair, and the President, and the Board Treasurer shall serve as members, the first being able to vote and the second and third without voting powers. The Board Chair shall designate one member of the Committee to serve as its Chair and may designate another member to serve as Vice Chair. The President shall designate a staff liaison to the Committee and shall provide such additional staff assistance as needed.

C. Meetings

The Finance, Audit, Compliance, Facilities, and Operations Committee shall meet at the request of the President, the Board Chair, the staff liaison, or the Chair of the Committee. Committee meetings will be scheduled so as to facilitate timely review of matters under consideration by the Board.
The Committee may at any time schedule or move into closed session to discuss matters allowed under the Illinois Open Meetings Act or other applicable law. All such meetings shall be confidential and closed to the public.

SECTION 65. Ad Hoc Committees

Special purpose or ad hoc committees may be established by the Board either at the discretion of the Board Chair or on motion properly put and approved by the Board. Such committees shall remain in existence only so long as warranted by their assigned purpose or charge. Their operations shall be consistent with state laws on open meetings and applicable Board Bylaws, policies and Regulations.
FISCAL YEAR 2016 EXTERNAL AUDIT CORRECTIVE ACTION PLANS
UPDATE NARRATIVE

As a result of fiscal year 2016 audit findings, the University developed formal corrective action plans intended to strengthen internal controls and address each audit recommendation as described in the fiscal year 2016 Financial Audit and Compliance Examination. As a new process development implemented for fiscal year 2017, management engaged Internal Audit and provided copies of all corrective action plans for which Internal Audit will play a critical role in tracking progress to date. As of June 2017, responsible officers have provided status updates on corrective actions taken during the fiscal year to address material audit findings. Attached is a summary update that includes the finding description, audit recommendation, associated risk, and the average percentage of completion for all activities. As noted in the chart below, significant progress has been made during 2017 for most corrective action plans.

<table>
<thead>
<tr>
<th>Finding Number</th>
<th>Description of Finding</th>
<th>% of Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finding 2016-001</td>
<td>Financial Reporting Process</td>
<td>80%</td>
</tr>
<tr>
<td>Finding 2016-002</td>
<td>Inadequate Controls over Compensated Absences Data</td>
<td>100%</td>
</tr>
<tr>
<td>Finding 2016-003</td>
<td>Inadequate Internal Controls over Contracts</td>
<td>80%</td>
</tr>
<tr>
<td>Finding 2016-004</td>
<td>Inadequate Control over Cash Receipts and Accounts Receivable Recording and Reporting Processes</td>
<td>90%</td>
</tr>
<tr>
<td>Finding 2016-005</td>
<td>Voucher Processing</td>
<td>75%</td>
</tr>
<tr>
<td>Finding 2016-006</td>
<td>Non-compliance with Board of Higher Education Act</td>
<td>100%</td>
</tr>
<tr>
<td>Finding 2016-007</td>
<td>Non-compliance with Illinois Pension Code</td>
<td>15%</td>
</tr>
<tr>
<td>Finding 2016-008</td>
<td>Non-compliance with FOIA and State Records Retention Acts</td>
<td>100%</td>
</tr>
<tr>
<td>Finding 2016-009</td>
<td>Failure to Submit Proper Time Reporting</td>
<td>50%</td>
</tr>
<tr>
<td>Finding 2016-010</td>
<td>Procurement Card Use</td>
<td>50%</td>
</tr>
<tr>
<td>Finding 2016-011</td>
<td>Inadequate Controls over Property and Equipment</td>
<td>90%</td>
</tr>
<tr>
<td>Finding 2016-012</td>
<td>Non-compliance with Higher Education Veterans Services Act</td>
<td>100%</td>
</tr>
</tbody>
</table>

Some of the barriers that limit full implementation include the need for additional IT, financial and staff resources; staff turnover, and increased workflows. In addition, the 2016 financial and compliance audit results were not available until February and March 2017, respectively, which reduced the amount of lead time available to implement all corrective actions by June 30, 2017.

However, the University is committed to instituting corrective actions and continuous improvement that will affect positive change, increase accountability, and foster good stewardship over University resources. To this note, a central Compliance Office function is under development that will assist the University campus in ensuring its activities comply with the laws, regulations, and policies that govern the University, and adheres to the highest legal, professional, and ethical standards.
Finding 2016-001: Financial Reporting Process

**Definition:** University internal controls over financial reporting are not sufficient to prevent misstatements. Auditor recommended the University improve controls over financial reporting to ensure accurate presentation and disclosure of the University's annual financial statements. (Repeat finding since 2011)

**Risk:** Delays completion of the audit process and the timely release of the University's financial reports to users. Could lead to significant reporting inaccuracies in the financial statements.

**Recommendation Status:** Partially Implemented (avg. 80% complete)

**Comments:** The Office of the Controller has adopted a technology and the staffing of open positions to remediate the audit finding. This includes a low cost technology solution introduced in Q3 that streamlines the reporting process. The solution has shortened the timeframe for capturing, summarizing, and reporting unstructured data which has increased the time to perform data analytics to identify unusual trends as indicators of potential financial misstatements. The unit is nearing the end of its recruiting efforts whereby the selected candidate's core competencies are more in line with operating activities of the unit. Lastly, training efforts to augment their knowledge of higher education reporting standards has taken place throughout the year.

The following corrective actions are required for full implementation of the audit recommendation: finalize recruitment efforts for technical staff level positions, develop and implement a campus-wide accounting training program, and procure financial and IT resources to maximize existing ERP opportunities that will streamline workflows, create process efficiencies, and reduce opportunities for human error.

Finding 2016-002: Inadequate Controls over Compensated Absences Data

**Definition:** University did not use accurate information to determine its year-end accrual for compensated absences. Auditor recommended the University improve its processes to account for accrued leave to ensure year-end balances are accurate.

**Risk:** Using inaccurate data to determine amounts recorded in the financial statements could cause the financials to be misstated.

**Recommendation Status:** Implemented (100% complete)

**Comments:** Human Resources Services has conducted a comprehensive review of the HR system reporting of compensated absences, updated procedures, and performed test runs necessary to ensure system inputs and all corresponding management reporting is accurate for fiscal year 2017.
Finding 2016-003: Inadequate Internal Controls over Contracts

Definition: University has not established adequate internal controls over contracts to ensure that they are approved prior to performance and comply with all applicable state requirements. Auditor recommended University implement appropriate procedures to ensure contracts are complete, are properly approved prior to performance, and supported with complete public procurement files.

Risk: Non-compliance with regulatory, legal, or policy requirements

Recommendation Status: Partially Implemented (avg. 80% complete)

Comments: The Office of the Procurement Services and Contract Managements has constructed multiple pathways to remediate the audit finding that includes retooling existing operating activities, introducing new operating practices, employee training, and increased cross campus collaboration. The department is currently vetting a new policy that elevates employee accountability and requiring upper management approvals before a payment is made in order to change existing operating behaviors.

The following corrective actions items are under development: enterprise-wide electronic workflow system design and implementation; a newly developed process that engages department, division, and VP on purchases prior to purchase order; new QBS contract policy that applies to architecture and engineering services to ensure complete evaluation material, and development of a plan/process to establish consolidation of spend among departments. These activities will be implemented as IT and staff resources are available.

Finding 2016-004: Inadequate Control over Cash Receipts and Accounts Receivable Recording and Reporting Processes

Definition: University did not exercise adequate control over its cash receipts and accounts receivable recording and reporting processes. Auditor recommended University strengthen controls over its cash receipts and accounts receivable processes to ensure the amounts owed to the University are properly recorded and reported and that payments are promptly deposited.

Risk: Not recording receivable and reporting inaccurate receivable numbers to the State can cause a misstatement in the University’s financial report and hinder useful analysis of receivable balances and collection periods. The untimely deposit of cash receipts increases the risk of loss and delays the usage of available funds.

Recommendation Status: Partially Implemented (avg. 90% complete)

Comments: The Office of the Bursar in collaboration with the Office of the Controller has constructed multiple pathways to remediate the audit finding that includes the retooling existing operating activities and revisions to existing operating procedures. These changes will provide a certain level of assurance that the quarterly accounts receivable report to the state is correct. In addition, written procedures related to cash receipts and deposits have been modified and is under review by senior management. The new procedure is scheduled for implementation in fiscal year 2018 and will require campus wide collaboration.
**Finding 2016-005: Voucher Processing**

**Definition:** University did not process certain expenditures accurately or in accordance with its own or State policies. Auditor recommended University improve controls to ensure expenditures are approved timely, are posted to the correct fiscal year, and vouchers are properly prepared to comply with State law.

**Risk:** Late approval of invoices, lack of required approvals, and paying for unnecessary expenditures could result in a loss of State funds. Recording expenditures in the incorrect fiscal year or account results in inaccurate financial statements.

**Recommendation Status:** Partially Implemented (avg. 75% complete)

**Comments:** The Office of the Controller has constructed multiple pathways to remediate the audit finding that includes the retooling existing operating activities, introducing new operating practices, the staffing of open positions coupled with on the job training. This includes the Accounts Payable department (AP) has instituted a more robust review of expenditures for appropriate documentation support, approvals, and business purpose validation before a payment is issued. The untimely response to AP’s review questions by the University wide community is escalated to the next level of management which has resulted in changed operating behaviors. Lastly, most of the open positions have been filled with individuals whose competencies are in line with operating activities of the unit.

**Finding 2016-006: Non-compliance with Board of Higher Education Act**

**Definition:** University did not submit the required separate, monthly report for July 2015 for adjudicated cases in which there was a finding of racial, ethnic, or religious intimidation or sexual harassment. Additionally, the University did not have a general educational requirement in place during the 2015-2016 school year that called for students to complete coursework on improving human relations before obtaining a degree. Auditor recommended the University implement controls to ensure reports are filed as required by the Act and update its graduation requirements to include the required coursework on improving human relations.

**Risk:** Non-compliance with regulatory requirements

**Recommendation Status:** Implemented (100% complete)

**Comments:** The Office of Human Resource Services has taken measures to organize around compliance with State reporting requirements to remediate the auditing finding that includes a system of employee cross training, and the retooling of existing operating practices.

The Office of the Provost has constructed multiple pathways to remediate the specifics of the audit finding. This includes the addition of class curriculum in accordance with the Human Diversity requirement followed with student communication about the new graduation curriculum requirements. Implementation will begin with incoming freshman and transfer students new to NIU in Fall 2018.
Finding 2016-007: Non-compliance with Illinois Pension Code

Definition: University did not remit $29,686 of employer contributions to the System. Auditor recommended the University implement procedures to ensure amounts payable to the System are properly tracked and remitted to the System.

Risk: Non-compliance with the Code results in reduced contributions to the System and result in decreased earnings potential for the System.

Recommendation Status: Partially Complete (avg. 15% complete)

Comments: The Office of Human Resource Services (HR) in collaboration with the Offices of the Controller and Sponsored Projects (SP) has constructed multiple pathways to remediate the audit finding that includes the retooling of existing operating activities and the utilization of existing technology. The short-term solution, a manual driven process, includes the monitoring of payroll activity and communication of adjustments by SP to HR. As a long term solution, there are ongoing discussions about leveraging tools within the PeopleSoft ERP to systematically automate this activity. The long term solution is subject to human capital resources availability and conflicting priorities.

Finding 2016-008: Non-compliance with FOIA and State Records Retention Acts

Definition: University did not fully respond to Freedom of Information Act requests and did not retain documents in accordance with the Records Retention Act and its own policies. Auditor recommended the University strengthen controls over its process of providing responses.

Risk: Non-compliance with State law and decreases the University's transparency.

Recommendation Status: Implemented (100% complete)

Comments: The FOIA Office has instituted a number of corrective actions to remediate the audit finding. This includes added human capital resources introducing oversight review controls. In addition, a technology solution has been introduced to assure compliance with existing record retention policy.

Finding 2016-009: Failure to Submit Proper Time Reporting

Definition: University did not require all employees to submit time sheets as required by the State Officials and Employees Ethics Act. Auditor recommended the University continue its efforts to develop and implement a program to require all employees to submit time sheets in accordance with the Act.

Risk: Lack of complete documentation of time spent by faculty and staff on official state business as contemplated by the Act.

Recommendation Status: Partially Implemented (avg. 50% complete)

Comments: Human Resources Services has completed a process design and technical solution to provide the infrastructure in support of faculty time reporting. However, implementation is on hold due to recent unionization of faculty which requires finalizing collective bargaining negotiations for full compliance from faculty.

Finding 2016-010: Procurement Card Use
**Definition:** University has not established adequate internal controls over procurement card transactions. Auditor recommended the University review its current process for reviewing and approving procurement card transactions and consider any changes necessary to ensure charges are made in accordance with the University’s policies and procedures.

**Risk:** Unnecessary use of University’s limited resources; may result in the University’s financials being misstated; inappropriate charges not being detected.

**Recommendation Status:** Partially Implemented (avg. 50% complete)

**Comments:** The Office of the Controller has constructed multiple pathways to remediate the audit finding that includes retooling existing operating activities, introducing new operating practices, increase cross campus collaboration, and card holder training that takes a more holistic approach around compliance and fiscal management.

Once all open positions within the unit are filled, the next step is to institute a more robust review of supporting documentation, payment approvals, and account code classifications. The untimely response to review questions from the University wide community will be escalated to the next level of management in an effort to change operating behaviors.

**Finding 2016-011: Inadequate Controls over Property and Equipment**

**Definition:** University did not fully comply with requirements applicable to its property and equipment. Auditors recommended University strengthen internal controls over the accountability and reporting of University property.

**Risk:** University misreporting the assets it actually owns; misstatement of financial statements; increase risk that property and equipment will be misplaced or stolen.

**Recommendation Status:** Partially Implemented (avg. 90% complete)

**Comments:** Property Control has constructed multiple pathways addressing the issue of inadequate controls over property and equipment that includes retooling existing operating activities, revisions to existing operating procedures, new operating practices, and increased cross campus collaboration. The unit has incorporated into existing procedures an attestation statement from campus wide stakeholders as to the completeness of the physical inventory count under their purview.

In addition, procedures for equipment transfers and reporting of missing equipment inventories with appropriate leadership approvals has been developed as a measure for tracking performance and accountability. These procedures are under senior leadership review.
**Finding 2016-012: Non-compliance with Higher Education Veterans Services Act**

**Definition:** University did not fully comply with the Higher Education Veterans Service. Auditor recommended the University submit the fiscal impact report to the Illinois Board of Higher Education in compliance with the Act.

**Risk:** Failure to comply with the Act.

**Recommendation Status:** Implemented (100% complete)

**Comments:** The fiscal impact report due in September 2016 for fiscal year 2017 was submitted late due to a leadership change within the Office of Military and Post-Traditional Student Services that occurred shortly before this report due date. However, the new director has fully implemented corrective actions to ensure staff are assigned and trained to complete the fiscal impact report by its due date beginning in fiscal year 2018.
CONFLICT OF INTEREST TRAINING

A Power Point presentation will be given at the meeting.