BOARD OF TRUSTEES

Compliance, Audit, Risk Management and Legal Affairs Committee

August 25, 2016
AGENDA

NIU Board of Trustees
COMPLIANCE, AUDIT, RISK MANAGEMENT AND LEGAL AFFAIRS COMMITTEE
11:00 a.m. – Thursday – August 25, 2016
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 19, 2016 ................................ Action........ 1
5. Chair’s Comments/Announcements
6. Public Comment*
7. University Report
   a. Enterprise Risk Management Initiative Final Report ....................... Information....... 19
      -Dr. Alan Phillips, Vice President for Administration and Finance
   b. Northern Illinois University Insurance Policy Updates........................ Information....... 20
      -Dr. Alan Phillips, Vice President for Administration and Finance
   c. Ethics Training Report
      -James Guagliardo, Special Counsel and University Ethics Officer .............. Information....... 21
   d. OEIG Guide to State Employees’ Political Activity
      -James Guagliardo, Special Counsel and University Ethics Officer .............. Information....... 24
8. Other Matters
9. Next Meeting Date
10. Adjournment
*Individuals wishing to make an appearance before the Board should consult the [Bylaws of the Board of Trustees of Northern Illinois University](mailto:) 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, (kjahns@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 Ellen Andersen, Director of Special Events, at (815)753-1999, as soon as possible.
CALL TO ORDER AND ROLL CALL

The meeting was called to order at 9:01 a.m. by Chair Cherilyn Murer in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Julie Edwards conducted a roll call. Members present were Trustees Robert Boey, Wheeler Coleman, Robert Marshall, Tim Struthers, James Zanayed, Marc Strauss, Cherilyn Murer. Members absent John Butler. Also present: Greg Long, Holly Nicholson (UAC reps), Alan Phillips, James Guagliardo and Danielle Schultz.

VERIFICATION OF QUORUM AND APPROPRIATE NOTICE OF PUBLIC MEETING

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

MEETING AGENDA APPROVAL

Chair Murer asked for a motion to approve the meeting agenda. Trustee Marshall so moved and Trustee Coleman seconded. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

Chair Murer asked for a motion to approve the minutes of February 18, 2016. Trustee Coleman so moved and Trustee Strauss seconded. The motion passed.

PUBLIC COMMENT

General Counsel Blakemore indicated that there was one request for public comment.

Michael Haji-Sheikh: ...spending tens of thousands in travel and P cards and all these other things, this has all triggered a two-year OEIG investigation. This has been going on for a while. Now the thing is this isn't unfamiliar to you, I know that most of you have already heard most of this, but when I brought you to rant and rave is this whole thing about mission critical. All this spending was not mission critical initially. I mean mission critical spending that means somebody at purchasing gets to decide whether or not a faculty's decision on spending is mission critical. It is the faculty's right to control the academic environment and that includes buying equipment, repairing equipment, buying supplies. I mean this has been going on for a while. This is not new. It just got worse in January. These are nice people. They're not terrible but they're unqualified to tell me whether or not the stuff is mission critical. I mean do they have a PhD in Electrical Engineering or Material Science or Mechanical Engineering? They really have no handle on what's mission critical. I mean Dr. Phillips has a degree in Engineering but he's a different engineer than I am. He has no idea what I consider mission critical. In fact he probably doesn't know half the time what I'm talking about because of the different world. Putting a justification for legal reasons is good public policy. I have no problem with justifying. Justifications don't have to be long, arduous justifications that block the attempt to getting stuff done. A paragraph, two paragraphs, and most of the stuff equipment is broken it's used in the lab, I need four grand to fix it; some stuff like that. It's not big stuff. We're not spendthrift faculty. We're not out there trying to break the back of the university. We're just trying to get our jobs done. And some people are saying well we have to make payroll. Well there was a recent analysis by the American Association of University professors on our finances, on NIUs finances. They looked back five years at our finances. Howard Bond says he's well known he does this for a living. That five year said that we have, the state's terrible but we're not in terrible shape. We're in pretty good shape overall was his analysis. We have
about 140 million dollars in reserves. That may be and some of it is in bonded reserves and stuff, but I’m saying that we have about 140 according to state documents that you filed last year. If that’s not true then the auditors have to know that there isn’t a reserve. So putting justification, like I said, we need to have the ability to use our 41 accounts. 41 accounts are our local accounts that we used for business reasons. We brought money in from outside contracts, from research, other things. We need access to our student fee money to fix equipment. I mean the student fee money is just as restricted as any other money and probably even more restricted. These things support students. So thank you very much. I appreciate the time.

Chair Murer: Thank you. I know that your comments were made with the best of intentions and in the best interest of the university. I would like to, this is very timely for us to recognize Dr. Gregory Long who is President of the Faculty Senate and Executive Secretary of the University Council. The initial comments were rather inflammatory in regards to no shared governance and since you’re the closest person to this issue representing the Faculty Senate, perhaps you might even want to make a comment in that regard.

Greg Long: Thank you Trustee Murer. From our standpoint, or from my standpoint, particularly I support whatever decision the faculty makes with regard to unionization. I do however in the process of as we move through the collective bargaining process as so forth want to ensure the integrity of shared governance because depending upon how things are worked out, shared governance may have more or less of a role. I certainly want to see that we maintain our role relative to curricular aspects and so we’ll be working to insure that, have made contact with some other universities who have gone through this unionization process to start developing my background knowledge as far as how we move forward to make sure again that shared governance includes faculty, staff, and students in a way that is still meaningful.

Chair Murer: Thank you. Mr. Steve Builta who is President of SPS Council and Faculty Representative to the CARL Committee. He’s not here. Holly would you like to make a comment?

Holly Nicholson: Yes please. The Operating Staff Council met this week to discuss the program prioritization administrative report and I want to start by saying the report was excellent, well thought out, and it represented well the months of hard work that the task force did and demonstrated their ability to put the mission of the university first and take a look objectively at the programs. I think that what they had to work with was the – what was delivered to them, the quality of the writing and people who are experts in their field to inform them of what they’ve been doing and why their area is mission critical and I believe the resulting report was of very good quality. Regarding operating staff, there was one thing in the report that was cause for concern and that was outsourcing. We want to reiterate the importance of keeping departments such as Building Services and Grounds within the university and address issues identified in the report with strategic hiring and management training. Thank you.

Chair Murer: Thank you very much. Are there any other remarks that anyone would like to share. Dr. Long?

Greg Long: I apologize, I was responding to the initial question but I did want to note in our agenda this morning for this meeting the upcoming discussion on the risk management initiative and reiterate my point that I made before that I think it’s also important that we look at the physical and technology accessibility of what we do on campus and I know that the Presidential Commission on Persons with Disabilities is working on this coming up with some recommended policies, also talking with David Stone and will continue to develop this further, but would like to continue support for accessibility both physical and technological as an emphasis within our risk management. Thank you.

Chair Murer: Thank you. I would like to also make a point that when we make these introductions at the beginning of each of our committee meetings, those introductions are not perfunctory. They are very substantive and your comments are always well thought. It is a reflection of the commitment that this university has to shared governance and a commitment that this university has to listen. So thank you very much both of you for your comments.
CHAIR'S COMMENTS/ANNOUNCEMENTS

Chair Murer: The agenda today continues our effort to keep the committee updated on issues within its jurisdiction while simultaneously providing an opportunity to have substantive discussion of issues which may require committee action. There are four items which fall within the informational category of agenda. The item fulfills a request of the committee to provide regular updates on the Enterprise Risk Management Initiative. Dr. Phillips will also give a summary of the fiscal year 2015 external audit. I think both of these issues are very critical and I think the fact that we continue to have very timely updates in terms of progress and recommendations related in particular to the risk management initiative is key. The next item will be presented by James Guagliardo. It is a report on Governor Rauner's new executive order 1604 and a discussion of the BOT compliance with our obligation to disclose our economic interest statements. We will also hear from our Director of Internal Audit, Danielle Schultz, who will present on the Internal Audit Department Quality Assurance review. And the last item the audit charter approval is required by statute and it requires committee action. In that regard we’d like to begin with Dr. Phillips and I am delighted that Dr. Phillips and Dr. Stone came to my office about two weeks ago so that we could have an informal meeting in regards to the progress being made on this initiative. Thank you for the time that you took to come in and orient me. Dr. Phillips.

UNIVERSITY RECOMMENDATIONS/REPORT

Information Item - 7.a. - Regular Committee Update on Enterprise Risk Management Initiative (Dr. Alan Phillips)

Dr. Phillips: Good morning Chair Murer, Board of Trustees. As you know we put a lot of work into Enterprise Risk Management for the entire university. This was an effort that started a number of months ago and I’m pleased to say that we continue to make good, steady, solid progress addressing those risks previously known or unknown and so what we’re going to talk about this morning is how far we’ve come in that effort and what some of the outcomes look like. I will have Dr. Stone talk more specifically about the work that he is leading pulling this all together. As you know the goals and objectives, you’ve seen this before, and create a culture of risk awareness, reduces surprise and losses, increase capacity to identity and seize opportunities, enhance decision making, and approve efficiency and effectiveness of institutional risk management efforts; and along with this is also to develop the process whereby we incorporate these risks into the budget process. When we identify a risk or a need for mitigation, we have a mechanism that it actually is addressed in the budget process because we all know that those things that are funded are the things that get done. Very briefly, our core team led by Dr. Stone and this is the full team which also met a couple of weeks ago as part of the process. The first time that we had pulled them together was the three hour session. As you can see, this is being taken very seriously by the senior leadership at the university and at the meeting basically there were a number of vice presidents and associate vice presidents from all the departments that are participating in the effort. Where are we? We are now into phase 4, we’ve identified the objections, identified controls, we’ve assessed risks. We are now identifying key risk factors, interactions amongst those factors and priorities. And our progress to date has been completed for 16 units across campus. The last time we met we had done all but I think two or three. Those have been completed. We’ve had over 100 senior leaders from all the divisions at the university engaged in this effort. We have identified 188 risks which is more than we thought we would have when we started out in terms of major areas of concern. We've done the risk assessment, now we are doing the risk mitigation, and we've looked at cascading risks. As this is rather hard to read, each of you has a copy of the full list of all 188 risks. They are color coded by division and I will ask that Dr. Stone come up and talk about this chart, our dashboards that we’re putting together, and the process whereby we have gotten to this point.

Danielle Schultz: Thank you Dr. Phillips. Good morning Trustees. The list you have in front of you is not complete because as you’ll see the last two columns are not finished. But to date as we have explored the identification of risks, asked each of the units that we’ve met with mostly in three hour meetings long discussions of these risks and the nature of them. We’ve got assessment scores in terms of likelihood and severity; we’ve looked at risk velocity which is risk where from the moment the incident would happen, if
we don’t have the ability to mitigate it before its full effects are felt, that was given a score. When we met with the full team a couple of weeks ago the red, yellows, and greens indicated places where we identified important cascading risks. So a risk event happens in one area and there’s immediate spill over to many others, if there was high spill over, high cascading risk to other areas, that got a red. As you’ll see if something had the same score so far, for example the 30’s, some of those are coded red, some are yellow, and some are green. That’s the level of cascading risk there. The last two columns have to do with mitigation. We’re now going around and re-meeting with all folks who are in this sort of top 40 of risks and we’re talking to them about where are you now in preventing these risks and limiting their likelihood, in limiting the severity in case they happen, and where things have been put in place or where those weren’t discussed when we initially did the assessment scores, we’re readjusting those. So this final list won’t be complete until we’ve completed our mitigation reviews. Once we’ve done that the full team will meet again and we’ll eyeball the entire list and talk about things that maybe are missing, things that weren’t identified by this process that need to be put on the list somehow. We’ll probably talk about the relative weights of some of these from the perspective of the full team and then from there what will be created for probably the top 15 or 20, and this will be a decision made by the full team. The senior leadership and the board will be given forms that look roughly like this. We haven’t had this blessed by the full team yet, but it’s essentially a dashboard form that identifies the risk, that explains its assessment level, its current severity, its current likelihood, and ongoing mitigation activities for that risk. These will probably be given to you quarterly, probably in advance of the CARL meetings in each case, and the hope is that over time the reds will move to yellows, the yellows will move to greens, and we’ll be reducing many of these risks. Four of those for which we’ve identified significant risk and limited mitigation at this point, and this is where Dr. Phillips was talking about combining the ERM effort with long term budgeting and planning. The goal will be to have groups that need to identify new mitigation strategies that require new resources to fill out a form that will look something like this that will detail the mitigation steps that need to be taken that will provide a budget for those steps that will provide a timeline that goes along with that budget so that Dr. Phillips can rank order the needs in terms of identified risks and efforts to mitigate. We’ll complete the mitigation reviews in the next week or so. We’ll have the full ERM team meeting in early June in advance of your final board meeting. We’ll review the final risk rankings there. We’ll approve those dashboard elements and the forms and we’ll begin a conversation about what kind of organizational structure we’ll need to carry this effort forward because obviously this is iterative, this was a first start, we’ve gotten 188 risks on the table. We’ve managed to rank them in some reasonable order. It’s not perfect. It’s not complete information. But in the process we’ve educated over 100 people in the vocabulary, in the logic. They will go away with those documents. They will know where their risks are. They will know what’s mitigated on their end and what’s not, what they need to work toward. They will be given the same forms so that they can track the progress that they’re making in mitigating their own risks that they can use in their internal meetings. And the hope is through that process over the next coming years we’ll develop a culture of risk informed decision making. I’m happy to take questions.

Chair Murer: Any questions? I do have a question perhaps for Dr. Phillips. I’ve sat back and watched this process for I don’t know how long? Nine months, eight months, six months...

Dr. Phillips: A few months.

Chair Murer: …and I certainly want to commend both of you and I think we’ve made made a lot of progress in this really at the type of presentation and how we are addressing these issues. But I was interested to learn from you what are your impressions about the process itself and what learning experience have you seen not only from both of you, but really all of the participants and has the process itself provided a value?

Dr. Phillips: Absolutely. The first take away from this is that all the people that were brought together to do this were passionate about this, were extremely engaged, and took this very seriously. The second thing was that once you get people in a room they learn about other risks from other people that might actually impact them in many ways or certainly things that they should be thinking about. The other thing was that everybody views this as extremely important to not only the success of their own divisions or
organizations but to the university and they have all been extremely helpful in helping us move this forward. The other thing that I think is good about this is this is an ongoing effort. We are turning this into an enterprise risk management program where now we will continue to evaluate, we will continue to assess, we will continue to have these meetings and address our shortfalls and actually put together plans for how we’re going to fix them or address them or mitigate the risk. It’s been very positive. It’s been very encouraging and probably the best thing about this was the serious involvement of all the people who were involved in this and they continue to be.

Chair Murer: Will there be opportunity for any interface with Internal Audit in regards to the objectives that you’ve identified as risks?

Dr. Phillips: Absolutely. In fact for some of these risks they may actually create opportunities for audits to be conducted to look into things in a more specific way in a number of the areas such as financial kinds of issues and the things beyond just insurance and managing risk in those ways. So if we identify, because it’s not all about the funding, in some cases it’s about processes, procedures, it’s putting documentation in place, systems, and in that way the internal auditor can certainly be of help.

Chair Murer: You know I think that the challenges in the future for organizations whether it’s higher education or any other sector, is to mitigate silos, especially in large organizations. In good times we really have that tendency to be very silo-oriented. In complex times, and that’s not just financially complex, but as we look to what the future may hold for all of us the more we can integrate and have horizontal integration in not just the depth of a silo, I think we’ll learn from each other. I hope this can be used as an example. This can be a catalyst to do this and especially, and I look to Danielle in the audience, I think the identification of internal audit issues and what we are actually auditing internally has always been a question how do we pick out of a myriad of things. I think that this gives us a good roadmap to then have that vertical analysis of it’s not just identifying a risk, it’s not just by conjecture, but we’ve really taken a real in-depth look at it. I will ask you one more thing as leadership of this project, when you bring us the final report work very hard against the tendency of volume to quality and really a very clear assessment of recommendations and prioritizations and making choices. I noticed we had lots of two’s and multiple four’s and that’s good for a first start, but you’re going to have to push the group to make decisions and present that to this committee and this board in a very clear and concise manner with justification as to why we think these are our biggest risks.

Dr. Phillips: Absolutely, and what we will most likely do is much like in the presentation we will probably focus on the top 20 or so. There’s 188 so far, we can’t possibly hope to address all those in a meaningful way. So we’re going focus on those that are the most critical and those are the ones that will be at the top of the list and we’ll be able to talk about how we did the analysis and what put them at the top of the list. In some cases you may have a very large risk, but it may be mitigated so that at the end of the day it’s not something that we worry about a lot. On the other hand, if you have a large risk that has not been effectively mitigated, then that’s something with large cascading effect and that’s something that will be high upon the list. So we’re going to focus on the top probably 20 or so and key in on those and as we work through those then we’ll work our way down the list.

Chair Murer: And also identify those risks, if you’re able to do that, that have the greater longevity of existence. This has been a problem for the last ten years or this is just something that we’ve begun to identify in the last six months. Not that time is the dominant factor, but it identifies how systemic the issue is and also how hardened we might have become to the fact that it’s there. So if we had a drip here and it’s been dripping for five years, you might not notice that it’s still dripping but it’s still there. Put some time parameters onto the severity of the problem and of the issue. Any other questions or comments? Tim?

Timothy Struthers: A comment, I know that that here is not to look at the list in detail, but it does jump off the page to me, I would say our biggest risk is sustainability of revenue right from the state and declining enrollment and I don’t see that. I do see a line that says insufficient revenue generating sources; the risk area says foundation in advancement. It just seems to me boy if we’re down 1,000
students that's ten to fifteen million dollars of net revenues would be an enormous risk and of course look at our trend. So I would ask is sustainability of revenue on here and am I missing something that it would not be a foundation in advancement, it would be...

Danielle Schultz: Yeah I believe liquidity is just a couple below where your finger is and that was the one identified by the finance team.

Timothy Struthers: Let me carry that a little further, if we went to the action plan then I would see eventually it would be we need more students. We need a state budget sort of thing?

Danielle Schultz: We might need a state budget too yeah. That was identified and it was identified in every meeting was the budget problem, but we mitigated that way.

Timothy Struthers: I just didn't see it jump to the top in foundation.

Danielle Schultz: Right and again these haven't been mitigated and that's one that won't be mitigated so that will likely be more higher as some of the ones above it to get mitigated.

Timothy Struthers: Thank you.

Chair Murer: Wheeler?

Wheeler Coleman: First of all I want to commend the work that has been done in space. We clearly need this work and we need to continue to move forward so we can mitigate the risk that's facing the institution. I want to put on my IT hat for a second and talk about risk associated with technology. A lot of times when institutions or organizations have tough financial crisis like we have with the lack of budget, we often don't invest in some of the foundational or the infrastructure related work that keeps our technology up and running. Therefore, the technology starts to age and it gets to end of life and we end up paying a premium to just get support from some of these companies to sustain them and then it gets to a point where the company said hey no more. I'm a little concerned that I don't see much, I don't see, maybe there's one or two loosely items that are on this list and granted it's a lot here, but I'm a little concerned I don't see much about end of life equipment or technology that needs to be reinvested.

Danielle Schultz: It is on the list. Again, the way these things appear on here is that we met with, for example Brett and his team, and they scored each of the risks that they identified. Currently their scores is what are represented there. Again, after some things are mitigated, some things will move up and some things will drop down, but we didn't score them. They were scored by the IT group in saying and those are on there, but certainly things like out of date equipment and switching equipment that's...

Wheeler Coleman: Our telephone system.

Danielle Schultz: Telephone system, those were all discussed and assessed and so it was their scores that are there. The group itself doesn't score. We ask them to score and that's where they put it.

Wheeler Coleman: Okay. At first glance, and granted it's a lot here at first glance, and maybe it's imbedded under some other title that I don't recognize, I think it's critical that we recognize that as an institution and as we assess them and put risk scores associated with it, we've got to realize that if there's major failure with some of our technology, the whole institution comes to a halt in some cases.

Dr. Phillips: As you know, technology now tends to undermine everything that we do. That is certainly something we're concerned about. Later today you will hear my Associate VP for Facilities, John Heckman, talk about our long range capital plan and prioritization plan for how we're getting a handle on our facilities needs and prioritizing and identifying those things. I'm having similar discussions with Brett for a longer range IT plan where we can incorporate those things and we can talk about how we refresh our systems and equipment and make more strategic decisions to get it exactly the points that you're
Chair Murer: In light of the comments made by both of the trustees, let me make a suggestion when you prepare your final report. Why don’t we have an executive summary and in the executive summary let’s have sub-headings; so sub-headings related to enrollment, or finance that relates to enrollment, physical plant, technology, maybe three or four big areas with a narrative. Let’s have an executive summary that will then feed into then the dashboards and the commentary on the dashboards.

Chair Murer: Thank you very much. Really very much appreciated. Wonderful work being conducted by everyone. Thank you.

President Douglas Baker: Could I just say one quick thing?

President Douglas Baker: One thing that’s kind of reflected across all these is the risk of losing our faculty and staff. It’s kind of implicit in many of these. I just want to make that explicit that given the context that we’re in and also the fact we haven’t had the liquidity to provide compensation increases for the last number of years that that’s creating risk of turnover. That’s something we need to think about kind of a horizontal issue across many of these vertical issues to get back to your horizontal analogy. I just wanted to mention that. That’s one we’re very aware of. We’re working on building plans for that as our financial picture comes into a better focus.

Chair Murer: Thank you. I think you have another point.

Information Item – 7.b. – Fiscal Year 2015 External Audit Summary (Dr. Alan Phillips)

Dr. Phillips: The next item is the report of our fiscal year ’15 external audit. In your handouts you have an executive summary of the findings. The audit was conducted for the period July 1, 2014 to June 30, 2015. We had one financial finding, two federal findings, seven state findings; a total of ten. This was one more than last year. There were three new findings and seven repeat findings. A large number of these were administrative in nature. We are in general in the process of developing specific action plans for each one of these audit findings and in some cases have already addressed them or are working with the division responsible for the finding to put processes, procedures in place so that they do not reoccur. I do want to focus on a couple. If you go to finding five, this is a reoccurring finding, inadequate controls over contracts. We have made significant progress. Last year 18 of 66 tested exceptions were found; this year it was 2 of 40. We are in the process of creating a contracting office within the procurement office. We are working with the General Counsel’s Office to review our procedures and reengineer our entire procurement and contracting process and we anticipate going forward that will eliminate these findings. The next finding is incomplete TA2 form. This was a carryover finding from last year. This has been addressed. Unfortunately it was not addressed before fiscal year 15 so it was also included in the audit findings for this year. This has in fact been addressed. Additional training has been conducted and new process and procedures are in place to ensure that those problems no longer occur. And then finding number nine, procurement card use. We had a number of deficiencies in ’14. We reduced from 33 to 7. This is another area where we are putting more specific focus on processes, internal controls, to insure that these problems are also addressed going forward. And then number ten, inadequate controls over property and equipment; we could not find 244 items. I think we have somewhere in the vicinity of 60,000. A number of these were computers which is of concern. We’re working with IT to make sure that we have adequate controls over our automation equipment. And the other thing we’re doing is looking at...
better ways such as using our FID technology in other ways to better account for our property and equipment. The state property accountability rules present a bit of a challenge because we have to account for things below $500 and we have a number of people who all they do is count property. We are looking at those processes and procedures to insure that there are internal controls in place so that these problems do not reoccur. The other thing I will say is that when we began this audit we had a brand new controller. We did not have a deputy controller. We did not have an associate VP for budget and finance and at the end of the '14 audit I think I'd been here three days before we had the exit conference. We have a relatively new, solid team in place. We have spent a considerable amount of time with our auditors. We recently had the entrance conference for the FY16 audit. You just finish one and go right into the next. We are working with them to restruct the way the audit is conducted so that things are done in a more timely manner and make it a little easier for us to respond to their requests and given that with our action plan that we have in place and are working through, I would anticipate that next year's audit findings will be reduced substantially.

Chair Murer: Any questions or comments? Marc?

Marc Strauss: I know that you're interested in addressing these issues from the conversations that I've had with you. You know my concern about having this number of audit findings and some of them in particular. My request was that we have particular action plans with identifiable people that we're capable of following up on in order to measure progress because I'm not interested in having a repeat of this same finding that we've had the last several years. Can you provide some assurance that there is in fact an action plan with people responsible for addressing these issues now?

Dr. Phillips: Absolutely. As a matter of fact, Larry Pinkleton who's my AVP for Budget and Finance and I have had several conversation about this. I asked him to put together an action plan. He has. I would be more than happy to provide you the names of the individuals we're are working with the resolve these issues.

Marc Strauss: Thank you.

Dr. Phillips: I too take this very seriously.

Marc Strauss: Thank you.

Chair Murer: Any other questions? Tim?

Timothy Struthers: I know I saw a draft of this report. Have we seen the final audit?

Dr. Phillips: I don't know. I will be happy to send that out.

Timothy Struthers: I feel real uncomfortable getting a two page summary of a very important document. If I think there is anything that would reach the top of the pile that we would get would be the audit. I'd like to see that. Along Marc's comments, the follow up and I'll kind of weave this into the internal audit side of things. As I hear your reply to Marc, your department is in charge of following up on the findings to make sure they're remedied? Is that right?

Dr. Phillips: The challenge is that these are not all created by my folks.

Timothy Struthers: Exactly.

Dr. Phillips: We are working with, for instance there were a couple findings in Research and Innovative Partnerships regarding grants. Mostly administrative, the timing, when things were done, they weren't done when they should have been or in a timely manner.
Timothy Struthers: I think you’ve answered my questions. I kind of get back to the fact that I would think this would be internal audit that would monitor the adherence to the action plan right? Who’s accountable? Is it being accomplished? I get back again to my general comments on internal audit, we get pieces and parts, but there’s the missing overlay of what is the scorecard of findings? For example, if there were things that were going back to ‘14, this is the first I’ve heard of it, that should be just jumping off the page on some report we would get that would be kind of red, showing me. I get back to circular kind of thing to if there are findings, what is the status, who’s responsible, and are we on target for completion? That would be a very kind of regular consistent report we would get and it strikes me that it would be internal audit especially because of the fact that it covers so many different areas.

Dr. Phillips: The internal auditor is in fact a part of the audit process and she does participate in the meetings that we have with the auditor and the Auditor General’s office.

Timothy Struthers: I would just think it would be on the top of the pile that this to some degree this report would be coming from them and not so much a department.

Chair Murer: Any other questions? I do have a comment Dr. Phillips and very much in line with my colleagues. I think that there’s two things that strike me. One is the issue of oversight versus culture. I looked at Dr. Long and your help as well if each person took a responsibility to do what they needed to do within the timeframe that was mandated it would mitigate the situation. I think perhaps we might have a resurgence of discussion of culture and it’s not about from the oversight, from the top down pushing something, but the responsibility of everyone to address these issues. It’s oversight versus culture but it’s not even a matter of money. If we had all the money in the world you’re still better off having a culture of every person appreciating that they need to do what they need to do in a timely manner and that if they don’t do that they are impacting their colleagues and we need to really emphasize that. The other thought I had was in regards to point number 10 and you gave a proportional ratio and I don’t remember, it was 40 versus 60 or 244 versus $60,000?

Dr. Phillips: Correct. It was the total amount I think was about $280,000 which is .13% of our property value.

Chair Murer: Okay now my comment about that is that’s statistical versus historical. So statistically if you made that comment in any room, one would say statistically it’s inconsequential, but this particular finding relates to a historical situation that we’ve had at NIU and I think we need to be very attune to that matter and again I think we need to go beyond what’s ordinary and customary expectations of oversight to know that this was an area of great concern and ramifications for the university. We also know that the property belongs to the state of Illinois. We also know that the state of Illinois has philosophical issues with higher education in regards to certain matters and we certainly don’t want to feed those assumptions and presumptions that the state may have. I just caution you that it is not just on its face and it’s not just statistical analysis but putting some historical perspective and also Dr. Long helping us in terms of heightening the cultural aspect of this or responsibility.

Dr. Phillips: And to your point, this is also a problem experienced by our peer institutions.

Chair Murer: As you’re mother said, it’s okay you can look side to side and know it’s probably a problem but we’re not going to let that deter us here at NIU.

Dr. Phillips: No and I have had conversations with Brett about this and ways that we can get a handle on this because this is...

Chair Murer: Maybe we’ll be exemplary. Maybe we’ll be where the bar is.

Dr. Phillips: That would be the plan.

Chair Murer: I think so too. Thank you very much.
Information Item – 7.c. – New Executive Order 16-04 (James Guagliardo)

Chair Murer: Our Special Counsel and Ethics Officer Mr. Guagliardo you have some comments you’d like to make?

James Guagliardo: Thank you Madame Chair, members of the Board, thank you for having me here today. I want to talk a little bit about the fairly recent executive order that was put out by the governor. It’s Executive Order 16-04. It’s a long executive order that covers a range of topics that have basically dealt with administrative investigations. I’m not going to cover the entire order here today but wanted to highlight some of the key requirements that it puts on both agency ethics officers and all state employees. In the opening paragraph of this executive order, the order reiterates the whistle blower protections that university employees have. Whistle blowers being namely those employees who raise genuine concerns about unethical, inappropriate, and/or illegal behavior. The order then goes on with these whistle blower protections reiterated. The order goes on to discuss two key requirements of all state employees and for each agency's ethics officer. The first key requirement set forth by this executive order is a requirement that each employee “shall report promptly to the Inspector General’s office and/or the agency Ethics Officer any information concerning alleged misconduct by a state employee or a vendor.” So in other words if a state employee has knowledge that a fellow state employee or a vendor engaged in alleged misconduct you have to report it. You have to report it either to your ethics officer or to the Inspector General’s office. The order is very clear about that. It doesn’t really give discretion. In fact the order states that knowing failure of a state employee to report knowledge of misconduct could be cause for discipline up to including termination. When you look at kind of the big picture in Illinois we’ve really evolved quite a bit in this regard. At one time there were no statutory whistle blower protections for Illinois state employees. Many employees were afraid to report wrong doing because they feared retaliation by their employer that they could actually lose their job if they “ratted out” their supervisor or ratted out some sort of authority figure. We’ve had for some time protections against this. Now we’re more or less going to the other extreme taking the next step I guess you could say. An employee can be disciplined up to termination for failing to report this wrong doing. I guess that’s the culture of Illinois because of all that has happened. We’re making sure that whistle blowers are not only protected but that they have a duty to report this sort of misconduct that they have knowledge of. The second key requirement set forth in the executive order is a requirement that each agency’s ethics officer much now promptly notify the Inspector General’s office of any allegations of misconduct after receiving such information. So if somebody tells me in good faith “I believe X is engaged in wrongful conduct” I need to turn around and report that allegation to the Inspector General’s Office. I don’t have any discretion on my part to whether or not I think the Inspector General needs to know this, this is too small, or they’re too busy; I have to report it to them. They have to make that call whether or not they’re going to take the case. So when you take these two requirements adding those two requirements together means whenever an NIU employee has information about alleged misconduct of an employer or vendor, that information ultimately is going to go to the Inspector General’s office. That’s just what the governor wants and that’s what he’s deemed in this order. Either the employee gives it directly to the Inspector General’s office or he gets it to the Ethics Officer who gets it to the Inspector General’s office. Now that doesn’t mean that the Inspector General’s office is going to investigate the case or that they’re going to take any action. I know from experience in dealing with them they’re very backed up. If anything they've been referring several investigations back to us. They're not going to take every case but they at least have to hear about it so they can make that determination. Finally, this executive order allows both the Inspector General’s office and the university to investigate at the same time. That is something new. It used to be when the Inspector General was investigating something they did not want the agency investigating as well and they may still specifically tell an agency do not investigate while we investigate, but they also give now the agencies discretion whether or not we want to investigate. That’s a case by case determination that will be made. I don’t know whether we'll have the resources to do that or whether it’s prudent to do it in a lot of instances so that will be a case by case determination.

Chair Murer: Excuse me James, before you go on to any other topic, could you speak to one issue, I think it is very important that there are safeguards for whistle blowers for individuals reporting and I’m very
happy to see that there’s a procedure. But could you comment on whether or not there’s been any discussion from the governor’s office or any comments that you might make in terms of the responsibility of the individual who is identifying what is alleged to be misconduct and the individual sense of ethics that if something is to be reported it must be based on evidence based, in fact, not on conjecture. Has there been any commentary or guidance from the governor’s office in regards to dual responsibility; the responsibility of protection, but the responsibility of assurance that what is being said is not conjecture?

James Guagliardo: There are protections and basically in the language of the whistle blower statutes. The allegations have to be made in good faith. In other words you have to have, if you are a whistle blower, you have to have some sort of evidentiary basis it could be hearsay, it could be second-hand, but you have to have some sort of evidentiary basis to make allegations against a fellow employee or a state vendor. Yes, the whistle blower protection acts, both the Illinois Whistleblower Act and the whistleblower provisions of the State Officials Employees Ethics Act both have that good faith basis built into those.

Chair Murer: And as you do education and training in this regard I would hope that you would emphasize that as well.

James Guagliardo: Yes, absolutely. I was actually done with my comments before you asked the questions. Nothing further. Thank you.

James Zanayed: When somebody comes to you with a complaint as they have to do at this point, do you have any discretion to make a preliminary investigation to see if it is within good faith or do you kind of have to take them for their word?

James Guagliardo: No, I do a preliminary investigation, mostly talking to them and sometimes I will determine it’s not an ethics case period. Without giving details of this case, I recently had a couple of employees come to me and make a complaint, we talked, they showed me documents. It was clearly a labor dispute that was covered by the collective bargaining agreement. I explained to them over the course of a couple meetings that after reading the collective bargaining agreement that it was a labor dispute. They can grieve it through the union process and have it arbitrated. Yeah, I do a preliminary investigation absolutely before I’d report to the OEIG to make sure it actually is an ethics complaint and maybe not something along the lines of a labor dispute.

Chair Murer: Thank you very much.

Jerry Blakemore: If I can add a clarification as well to that. First of all, the new executive order nor the whistleblower act nor the state officials and employees ethics act make all state employees investigators. Your obligation is not to investigate those obligations at other places specifically with the ethics officer. Second is there are penalties associated for failure to provide information where there is a good faith basis, but there’s also penalties associated with falsely accusing as well. So there are parallel provisions on the penalty side for both failure to or to do so without a good faith basis.

Wheeler Coleman: They’re great comments and I appreciate the insight Jerry. My hope is, I’ve got two questions really or two concerns with a resolution like this. One, do you have the manpower to support and to answer all of the questions and then from a training perspective making sure all of the employees of the institution as well as even maybe some of our vendors are aware of the guidelines in which they would be needed going forward.

James Guagliardo: Good questions. We’re dealing with the resource issue through the program prioritization process as a matter of fact. We’ve got the report, we’ve read the report, and we’ve been invited to make comments about the report and one of the comments that we’re going to be talking about is this new executive order. I do possibly expect an uptick of investigations. I would be surprised if there are not an uptick of investigations. We already have a quite a few right now and they’re backlogged and many have not even been started, they’ve been sitting around for a while. So yes there’s always a
resource concern when something like this comes out. The second question can you repeat, the second question was about?

Wheeler Coleman: Well first of all the manpower and then training in terms of making sure that all the employees and possible the vendors are aware of the guidelines and rules and making sure there's not mis-use of this resolution.

James Guagliardo: Yes it's very important. I talked to General Counsel Blakemore yesterday about how do we get the word out on this and he said the number one way is to speak about it here at this board meeting. Number two I think we're going to be approaching perhaps the provost and the president about how we can perhaps best get this word out either by e-mail or any other means. Not only what the executive order says but also these cautionary points that you and Chair Murer have brought up about whistleblower responsibility not just rights. Make sure there's a basis and not make false allegations. This itself would be misconduct.

Wheeler Coleman: Sure and I think that's really important. I want to also say that for about 20 to 25 years or so ago, not ago but within 20 to 25 years I worked for a corporation that had a similar rule in place. So there's obligation among all employees, if there's wrongdoing it is your job to raise your hand to say there's wrong doing, but it's not your job to be a private investigator or to try to record people or that kind of stuff. It is your job to report it and that's your duty as an employee and then the agency whether the ethics officer or some other officer or their immediate supervisor, it was their responsibility to insure that it is investigated and covered. But there could be potential abuse of this and we need to be aware of that and maybe there would be some misuse of this. People with personal agendas that are trying to go after other folks. We need to be aware of that as well and that's why we've got to emphasize within the training that if you are found to be doing something that is or raising your hand that is vindictive in nature in trying to get at somebody with goods then could be subject to termination as well. I think what is also interesting is our rules that we have in place with some of our collective bargaining groups as well in terms of protection and how did this come into play in terms of penalizing or individuals for actions that are not in good faith.

James Guagliardo: Yes everything's interrelated and that's a good point.

Chair Murer: I just want to make a last comment in all this regard...

Robert Marshall: On the comprehensive inclusion of the groups that would fall under this mandate, part-time workers and the student workers I assume are included?

James Guagliardo: Yes.

Chair Murer: That was an excellent question.

James Guagliardo: Anybody who's on the payroll, whether a student employee or part-time employee, 900 hour employees; all of them would be subject to this order.

Chair Murer: My last comment in this regard just to summarize what we've all been saying is that the training aspect of this may really be the most critical aspect and when you talk about resource utilization and allocation, my experience really is that when someone makes comments such as this that can be very serious allegations, the worst thing is if it's done with malice and for purposes of vindictiveness and that's a whole other issue and that's a whole other HR situation. But my experience is that words like ethics sometimes mean different things to different people and when we use the word ethical compliance of regulations more so from a legal standpoint, there is an understanding of what that means. I think that it would be imperative that in your training that you really, we may all know what we mean, but you have a lot of people and especially if it goes to students who are in the process of maturing themselves that they understand what does it mean to use the word ethical. What does it mean to say there was a wrong doing and what seriousness does that accompany and I think that if we can have a real strong
understanding of what it means to be accusatory and a responsibility to be able to be evidence based. We are all in agreement that we want those things. These things must be brought to the attention of the organization, but I think that you could save a lot of time and resources and have a better organization if we took the time to not only define these things but continue to give examples so that it's meaningful to people and using some case studies would be really helpful if a person does this is this unethical and help because the answer may be no, it's not, but maybe it's rude. What's the difference between someone being rude or someone being careless to someone being unethical to heighten it to the point that we need investigations? I really encourage you and Mr. Blakemore through your office in particular, to take a leadership role in that.

Jerry Blakemore: I appreciate those comments. One of the reasons that the Ethics Officer made reference to coordinating whatever is done in this with the president and the provost in particular, is because this needs to be done in conjunction with other areas. Our harassment policy as an example becomes an issue particularly given what you've just said and so we will I mean this is relatively new. It is a requirement. We're going to develop a process for the training and the investigations and the like on it, but you're absolutely right this cannot stand in and of itself, it's really part of a bigger issue and the definitions of what's legal, what's ethical, they are different, there are different standards associated with it and without over complicating it we want to make certain that the employees have every opportunity to understand it so that they can comply.

President Baker: And just a note, all employees go through an ethics training.

Chair Murer: Good. Under whose office?

President Baker: From the state.

Chair Murer: Oh from the state, okay.

President Baker: Yeah it's an extensive training with case studies. So that's already done.

Chair Murer: Good. Excellent. Okay we're going to move along. Thank you very much.

Information Item – 7.d. – Internal Audit Department Quality Assurance Review (Danielle Schultz)

Chair Murer: Miss Schultz I think you have an informational item and then it will be followed up by an action item.

Danielle Schultz: Thank you Madame Chair, good morning Trustees. The Internal Audit Department is required to comply with the Institute of Internal Auditors international standards for the professional practice of internal auditing, the code of ethics, and also the Fiscal Control and Internal Auditing Act of the State of Illinois. These standards require our internal audit function to have a review at least once every five years. Our most recent review was completed in the month of April. Our final report was presented to the State Internal Audit Advisory Board in Springfield last week for approval. The report reflects that we are in conformance with the IIA standards and the requirements of the Fiscal Control and Internal Auditing Act. These standards require our internal audit function to have a review at least once every five years. Our most recent review was completed in the month of April. Our final report was presented to the State Internal Audit Advisory Board in Springfield last week for approval. The report reflects that we are in conformance with the IIA standards and the requirements of the Fiscal Control and Internal Auditing Act. We expect the SIAAB to issue their approval of our review to President Baker within this month. The standards also require that I provide information and results regarding this review to both senior management and the board. President Baker and I have discussed our review and by the way of this information item I'm presenting it to the CARL Committee. If anyone has any questions about our review I'd be happy to share our report once we get the final approval from the SIAAB with this committee, but at this time I just want to take this opportunity to present you with an update. Does anybody have any questions?

Marc Strauss: From the title of the report it appears that it focuses on quality, but is there also benchmarking done regarding the adequacy of staff and the productivity of the staff?
Danielle Schultz: You’re correct. It’s a quality assurance review which is the way it’s phrased and classified in the standards from the State Internal Audit Advisory Board. They do not look at staffing level. Other universities as well as U of I all go through the same evaluation but they do not look at staffing levels, no.

Marc Strauss: Is there any process by which we benchmark those items?

Danielle Schultz: I would say our most recent benchmarking of those items was done during program prioritization and that was part of my narrative to that process.

Marc Strauss: Thank you.

Chair Murer: Would that more appropriately go through the provost’s office in terms of staffing?

President Douglas Baker: It comes to my office.

Chair Murer: In your office?

President Douglas Baker: Yeah, it reports to the president.

Chair Murer: Would you address that how we look to adequacy of, not only adequacy of staffing but productively. Those were Chairman Strauss’s comments.

President Douglas Baker: So Danielle and I do sit and talk about the audit plan for the year and then the personnel relative to that. I think she started the year in pretty good shape. We felt confident about that. She had some turnover this year.

Danielle Schultz: And still have a vacancy right now.

President Baker: And still have a vacancy so we need to get that filled and get them back up to their adequate funding level so we’re in the process of doing that now.

Chair Murer: Was that your question? I think I might have misunderstood. I thought you meant overall staffing and productivity. Did you mean the Internal Audit Department?

Marc Strauss: I mean within the Internal Audit Office...

Chair Murer: Then I misunderstood.

Marc Strauss: ...I’m interested in whether we have benchmarked that in some way.

Danielle Schultz: I’d be happy to share my narrative if that’s appropriate with you Marc if you would like for program prioritization. It compares number of staff and number of audits completed during the most recent completed fiscal year with other institutions in the state.

Chair Murer: If there are no other questions in regards to this then you have an action item you’d like to bring before us?

**Action Item – 8.a. - Internal Audit Department Charter Approval (Danielle Schultz)**

Danielle Schultz: I do. This item lists the standards our audit department must follow which is what I just mentioned in the information item. Last November I provided detailed information about the standards and with regard specifically to how the requirements that were pertaining to both the Board and the President. What I didn’t include last November which I usually include every year in my presentation is
the definition of internal auditing just to make sure you’re aware of that and the reference to the Internal Audit Code of Ethics that are found on the last page. I think that you have received a supplement to your booklet. The supplement document that you have, on the last page has the definition of internal auditing and reference to the codes of ethics for your information. The standards require that I periodically review our Internal Audit Charter and present it to Senior Management and the Board for approval. I’ve completed a periodic review of our charter and there are no significant changes needed at this time. Our charter was reviewed during our peer review and it meets all the requirements of the Standards and the Fiscal Control and Internal Auditing Act of the State of Illinois. However, during our review we were advised that in order to meet the requirement of periodically approving it that I do need to make sure that even if we don’t have any changes that it comes before the Board and gets approved officially once every five years. So that’s what I would like to bring it to you at this time so that you can review it and approve it. That is found on pages two through four of that handout for you.

Chair Murer: Before I ask for a motion are there any areas of clarification or questions you have for Miss Schultz?

Timothy Struthers: I have a comment. So as I read the charter on the first line it says “provide independent and objective assurance and consulting services to assist the Board of Trustees and university management in the effect of discharge of their oversight management and operating responsibilities.” So when I read that, and you and I have spent some time on this, I ask myself the simple question of how are we doing in that regard. How’s the university doing with respect to following policies and procedures and providing accurate information much like Dr. Phillips provided the findings on the state’s report? I still struggle with getting my arms around it or having a document that would provide the answer to that. How many outstanding items are there? How long are those outstanding items? Are they being remedied? How are we doing relative to history, etc.? I still have yet to see anything that would. For example we talked about the historical piece today and there was an item on the findings from the state and Cherilyn had mentioned boy this is a historical issue. That’s the piece that’s missing to show us that we shouldn’t have to find that in the bowels of the organization that it’s a historical issue. It ought to jump off the page and be really clear which then that will lead us to action so it’s not a repeatable kind of thing. As I read the charter the language is excellent and I fully support it, but then I have to ask my question in that first sentence what is it that you’re providing to us other than reports from time to time that would give us confidence that we are meeting the language in the charter. I don’t so much expect an answer other than I want to go on record again I think for the third time of simply looking for dashboard clear report with addressing the overall how are we doing in our audit department.

Danielle Schultz: I would like to make a response to that. Yes, you have been receiving each and every one of our reports, not just periodically, but each of our reports are provided to you guys. Also the president and I have been working on a report that we can provide on a quarterly basis that will identify recommendations that have not yet been implemented but have passed the time of expected implementation. Not sure that you want to be inundated with 100 but more...

Timothy Struthers: No. As Cherilyn mentioned before, I use the example of buying bonds, if someone bought a bond every day and at the end of a year they say how is that bond portfolio doing? You would have the ability to answer that question. So as I get every single audit report, we can’t be expected to understand how we’re doing with respect to following policies and procedures. So we need a concise, very high level, directional report that would make it clear are we trending, are we getting better or worse or are there serious issues, are they all small issues, and what is the direction of the risk? Please don’t confuse me with asking for more, it’s asking for a high level summary exactly in the risk management protocol when there’s 160 some things, I want it a high level that’s very clear, very concise, so if there is a problem brewing within the organization somewhere, we’re not going to find that on a footnote on page 17 of one of 25 audits that we receive.

President Douglas Baker: As Danielle said, you’re getting quarterly reports on the exceptions that are not implemented. So look for those, we’ll highlight those and be happy to sit down and go through them in
detail. The number of things not addressed are small so they may fly by you. Danielle is doing a good job tracking to make sure that when people say yeah we’re going to do that that they go do that.

Timothy Struthers: I just want that assurance right.

President Baker: Understood.

Chair Murer: I think what we have might be just a matter of communication. It’s the responsibility of the organization to make sure that the Board has what it feels it needs, but on the other hand it’s the responsibility of the Board to give commentary based on what we are receiving. So we need to look at the quarterly summaries and I would ask Trustee Struthers to continue to articulate. Looking at those quarterly summaries what is the piece that’s still missing? And then I ask the President and Miss Schultz to also be attentive to that question. So it’s both sides.

Danielle Schultz: I appreciate the feedback and Trustee Struthers and I have had some further conversations and I feel I understand more of what he would like and it’s just a matter of getting that all put together in a report that we can do in a routine manner.

Chair Murer:

Wheeler Coleman: I just want to go on the record, I support my colleague here in terms of trying to have some kind of comprehensive dashboard view of how well are we doing, what’s our critical audit findings, and how well are we moving towards rectifying it?

Danielle Schultz: And I want to make sure because I have this on my agenda to talk with Chair Murer a little bit further to make sure we are hitting what you are requesting because not just what I hear you saying Trustee Coleman is that what are the critical issues, but if those issues are immediately rectified then it may not make it to the report that we’ve been working on of outstanding items not actually taken action upon. I want to make sure that I’m hitting everybody’s request appropriately.

Chair Murer: I would like to make a public comment that I’ve had the opportunity to work with Danielle for many years in different capacities and in different chairmanships. I have found here to be one of the most diligent and attentive individuals here at this university. One of the individuals who I have found has truly appreciated the seriousness of her position. I think what we’re talking about now is we are all at a heightened level of accountability and responsibility and I think that what the comments may simply be is formatting, communication and formatting, so it’s a balance and it’s a work in progress and it’s also something that’s evolutionary. Because what we might have wanted to know ten years ago is not what we need to know today. That’s because of the circumstances that we find ourselves in. But I think the comments of the Board are very well taken and express the seriousness of this Board and this Committee to take the responsibility to know if there are any issues that are at hand. I think what the Committee is simply saying is we don’t want to be surprised.

Robert Boey: I just want to repeat what you said about Danielle and I was the past chair of CARL Committee and certainly she is one of the most intensive member of our staff here and I’ve always found her work to be exemplary. So I want to just repeat what you said in backing her ability to do a very good job.

Wheeler Coleman: I also want to go on record saying I am not criticizing Danielle for your work and your performance. You clearly take your job seriously. We put some suggestions on the table to the President and to others to create a dashboard to the university the most critical items that the Board needs to pay attention to and we’re getting that dashboard. We’ve seen examples of those dashboards. As it relates to audit and audit findings and compliance and completing those audit findings, we’re saying that’s great we’re getting quarterly reports now, but it would be nice to get a high-level, comprehensive view of those reports. This is about a continuous improvement so we can better do our jobs, so we can better pay
attention to outstanding and I support Danielle when were in situations where things are not getting done where they should be.

Danielle Schultz: Absolutely, I agree.

Chair Murer: I think this was an excellent discussion to have on record because it shows everyone’s intent and I will, as Danielle said, we’re meeting and we’re going to try and synthesize in the same way that I asked Dr. Phillips to do an executive summary to be able to articulate in a manner that we’re able to understand not only the detail but also the overview and I think that’s what this Committee is asking for. So in that regard hearing no other comments, do I have a motion?

Marc Strauss: I’m prepared to make a motion that this Committee recommend to the Board of Trustee approval of the Nnternal Audit Charter as presented.

Chair Murer: Do I have a second?

Robert Marshall: Second

Chair Murer: Any further discussion? All in favor?

Members: Aye.

Chair Murer: Opposed? The motion is carried. Thank you very much.

I think we’ve had just extraordinary conversation and discussion this morning and it really was extremely substantive and went to a great depth so I thank my colleague on this committee for that type of conversation.

Chair Murer asked for a motion to approve the Internal Audit Department Charter, Trustee Strauss so moved and Trustee Marshall seconded. The motion passed.

OTHER MATTERS

No other matters were discussed.

NEXT MEETING DATE

Chair Murer: Our next CARL Committee meeting is scheduled for August 25, 2016 at 11:00 a.m.

ADJOURNMENT

Chair Murer: May I have a motion to adjourn the meeting?

Wheeler Coleman: So moved.

Chair Murer: Do I have a second?

Marc Strauss: Second.

Chair Murer: All in favor?
Members: Aye.

Chair Murer: Opposed? Motion approved. We are adjourned.

Chair Murer asked for a motion to adjourn. Trustee Coleman so moved and Trustee Strauss seconded. The motion was approved. Meeting adjourned at 10:25 a.m.

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.
ENTERPRISE RISK MANAGEMENT INITIATIVE FINAL REPORT

Dr. Alan Phillips will give the final report on Enterprise Risk Management Initiative. The report will be included under “Additional Material” on the Board of Trustees webpage.
Agenda Item 7.b.
August 25, 2016

NORTHERN ILLINOIS UNIVERSITY INSURANCE POLICY UPDATES

Dr. Alan Phillips will give a briefing on the Northern Illinois University Insurance Policy Updates.

A Power Point presentation will be given at the meeting.
ETHICS TRAINING REPORT

James Guagliardo will present us with information on the Ethics Training Report.
MEMORANDUM

TO: Compliance, Audit, Risk Management and Legal Affairs Committee  
Board of Trustees of Northern Illinois University  
Cherilyn G. Murer, Chair  
Timothy Struthers, Vice Chair  
Marc J. Strauss  
John R. Butler  
Robert T. Boey  
Robert T. Marshall, Jr.  
Wheeler G. Coleman

FROM: James G. Guagliardo, University Ethics Officer / Special Counsel

CC: Douglas Baker, University President  
Lisa Freeman, Executive Vice President and Provost  
Michael Mann, Associate Vice President

DATE: August 17, 2016

RE: Ethics Training Report

The purpose of this Memorandum is to set forth some of the recent efforts undertaken by Northern Illinois University in the area of Ethics training.

Last year, the Annual Ethics Training window period, which is set by the State of Illinois, ran from October 15 to November 13, 2015. During this period, the University administered ethics training to 7632 employees. All 7632 employees completed their training prior to the deadline set by the Office of Executive Inspector General ("OEIG") to initiate discipline, and thus, no sanction proceedings were initiated by the OEIG against any N.I.U. employees for failure to complete training.

In addition to the 2015 Annual Training referenced above, the University administered New Hire Ethics Training to 5218 employees during 2015 (note: some of those employees also took the mandated annual training later, during the October - November window).
Thus far, during 2016, the University has administered New Hire Ethics Training to 1647 new employees. The Annual Ethics Training window period for 2016 will run from October 17 to November 15, 2016. We again expect to administer training to approximately 8000 employees.

In addition to training for the general employee population, the Ethics Office recently provided additional training to four new Deans of the University. The Ethics Office will likewise meet with all of the Department Chairs in the near future to administer additional Ethics Training.
OEIG GUIDE TO STATE EMPLOYEES’ POLITICAL ACTIVITY

James Guagliardo will present us with guidelines to follow regarding the upcoming elections.
2016 Guide to State Employees’
Political Activity

The OEIG often receives complaints about inappropriate political activity by State employees. State law and agency policies put restrictions on the kinds of political activity that are appropriate for State employees under certain circumstances.

Many forms of political activity are entirely appropriate for State employees to engage in on their own time and using their own resources. For example, there are no rules prohibiting any of the following activities when you are not working:

- Registering to vote, and voting in elections
- Assisting in voter registration drives
- Attending informational gatherings, such as town hall meetings or debates
- Participating in public opinion polling

In addition, when not on the job, it may be appropriate if you choose to:

- Volunteer with a candidate or political party
- Sign or circulate petitions for a candidate or ballot question
- Make campaign contributions

However, be careful about mixing politics and work. If you are on compensated time, other than vacation, personal or compensatory time off, it is inappropriate for you to engage in any of those activities. While at your State job, it is also inappropriate for you to:

- Plan a political meeting
- Distribute campaign literature
- Prepare responses to a candidate questionnaire

No State employee, candidate for elective office, lobbyist, or representative of any political organization may solicit, offer, receive or give campaign contributions on State property, unless that property has been rented from the State by a private person or entity.

If your State duties involve regulatory or licensing activities, it is inappropriate for you to ever solicit or accept a campaign contribution from a person or entity that you license or regulate, even if out of uniform and on your own time.

While these are among the more common issues State employees face, there are other considerations as well. Please talk with your ethics officer if you have any questions.
As a practical matter, the OEIG sees some issues arise more often than others. Violations of these rules are entirely avoidable if State employees are careful with their use of State time and resources.

- The most common instances of improper political activity involve misuse of State email
  - Do not send or respond to political email through your State account at any time
  - If you receive a political email in your State account, do not forward it to anyone other than your Ethics officer
  - Do not send, forward or respond to political email through your personal account if on compensated time (other than personal, compensatory or vacation time), or with State computers, State Internet networks, or other State resources

- The next most common violation involves misuse of time and telephones
  - Do not make political phone calls while on compensated time (other than personal, compensatory or vacation time)
  - Do not use your personal phone to make political phone calls while at work

In addition to rules explicitly focused on political activity, be mindful of rules relating to any non-workrelated use of State equipment and resources. Activities that are not directly discussed under rules aimed at political activity may be regulated under rules related to non-work use of State equipment and resources.

If you have any questions about whether your activities will be appropriate under the law and your agency’s rules, contact your ethics officer. A list of Ethics officers is available on the OEIG website (inspectorgeneral.illinois.gov)

If you are concerned about inappropriate political activity in your State agency, please contact the OEIG:

1. Call 866.814.1113
2. Fax 312.814.5479
3. TTY 888.261.2734
4. Log on to www.inspectorgeneral.illinois.gov and click on “complaints”
5. Mail your complaint to one of the OEIG offices:
   - OEIG
     69 West Washington, Suite 3400
     Chicago, Illinois 60602
   - OEIG
     607 East Adams, 14th Floor
     Springfield, Illinois 62701