

Minutes of the
NIU Board of Trustees
LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE
March 11, 2004

CALL TO ORDER AND ROLL CALL

The meeting was called to order by Chair Myron Siegel at 9:05 a.m. in Room 233 of NIU Hoffman Estates. Recording Secretary Mimms conducted a roll call of Trustees. Members present were Student Trustee Kevin Miller and Acting Chair George Moser. Present via teleconference were Trustee Manuel Sanchez and Chair Siegel. Also present were Committee Liaison Kathryn Buettner, President John Peters and Acting Board Parliamentarian Gregory Brady. Also present via teleconference was Board Parliamentarian Kenneth Davidson.

VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING

Confirmation of Open Meetings Act public notice compliance was given by Acting Parliamentarian Gregory Brady.

MEETING AGENDA APPROVAL

Chair Siegel asked for a motion to modify the agenda to include Agenda Item 5.b., Request of President on Audit Issues. Trustee Moser made a motion to approve the agenda as amended. It was seconded by Student Trustee Miller. The motion was approved.

REVIEW AND APPROVAL OF MINUTES

It was moved by Trustee Moser and seconded by Student Trustee Miller to approve the minutes of the December 4, 2003 meeting. The motion was approved.

CHAIR'S COMMENTS

Due to some unforeseen court-related appearances for both Trustee Sanchez and me, Chair Siegel said, we have to join you today by telephone. I want to take this opportunity to welcome our University Advisory Committee members who are here today. Dr. Suzanne Willis was present and stated that this committee covers issues in which the faculty is most interested, and they are very interested to know anything that anybody can tell them about legislation and what is happening with the budget.

Today we have a rather full agenda, Chair Siegel said, and we look forward to receiving briefings from Ken Zehnder and Kathy Buettner on state and federal legislative and budget issues. I also want to welcome Dr. Promod Vohra, Acting Dean of the College of Engineering. We are interested in learning more about the ROCK project in Rockford, which is a federal initiative for which Congressman Don Manzullo has obtained Department of Defense funds in excess of \$2.25 million as well as another \$3 million in combined SBA and DOD funding earmarked for other manufacturing oriented projects with which NIU's College of Engineering and Engineering Technology is involved. In addition, the Committee will hear a report from Bob Albanese, who oversees many of the university financial areas, particularly the audits of the university.

Agenda Item 5.a. – Amendment to the *Bylaws* of the Board of Trustees of Northern Illinois University – Article II

I asked our Parliamentarian, Ken Davidson, to draft what I want to present to the Committee for discussion at this time, the Chair said. Briefly, the issue involves a consideration of any voting member of the Board of Trustees and his or her presence at a committee hearing to be able to constitute a quorum for that committee as well as to vote as an alternate member of that committee. I have made a few changes to the proposal, and would like it to say something like "The Committee Chair may temporarily

appoint any voting Board member attending the meeting and that they may vote at that meeting as an alternate,” or some other language that that we could discuss here and then come up with a proposal for the full Board.

Chair Siegel asked Mr. Davidson to explain the reason for this request. Quite simply, Mr. Davidson said, we have had difficulty at various times in assembling quorums for our committee meetings. We are trying to seek a solution to that matter respecting everyone’s obviously very busy schedules and also enabling the Board to do business on an ongoing basis. That is the primary understanding I have about the motivation for this. Any discussions about this would certainly result in an alteration of the draft. The draft would then go to the regular Board meeting for First Reading, and it could be acted on and modified further at that point. This particular draft reflects some of the discussions I have had with Trustee Siegel, Board Chair Skoien and President Peters. This is the resultant working draft.

In short, Chair Siegel said, what we are trying to do is come up with a procedure that would allow us, when we do not have a quorum, to use another Trustee, in the event one is available, for purposes of meeting a quorum in order to conduct business when a Trustee already on the committee is not available.

Subject to full Board approval, Chair Siegel said, it should read

The Committee Chair may temporarily appoint any Board member attending the meeting, either present by telephone conference or in person, that is not a member of the committee, as a temporary member for the purposes of measuring the presence of a quorum.

The Chair clarified that it would be a temporary appointment for that meeting only, allowing that Trustee to vote for that meeting only, and only in the event it is necessary to make a quorum. After a redraft of the item, Mr. Davidson will discuss the language with the Board Chair, and then it will come before the full Board of Trustees as a Chair’s item at the March 18 Board Meeting.

Chair Siegel asked for a vote of endorsement and to send it with the aforementioned changes for full Board consideration. Trustee Moser so moved, seconded by Trustee Sanchez. The motion was approved.

Agenda Item 5.b. – Request of President on Audit Issues

This item relates to Agenda Item 7.b.(2), which we will discuss later in the meeting, Chair Siegel said. I would like to make a proposal to the President along the following lines: *The LAEA Committee requests the President develop a fair and flexible mechanism to assist the LAEA Committee in its audit function by prescribing a penalty to be imposed in appropriate circumstances on areas of the university that are cited with an audit finding. The President is asked to submit his ideas to the members of this committee for further discussion at its next meeting.*

We have not had a problem, really, with exceptions and cleaning them up, Trustee Moser said, so I am not quite sure why you are doing that at this time. Chair Siegel explained that there was an audit finding in this particular audit that Sharon Downen, Director of Internal Audit, would explain later in the meeting. There was no way that we could prevent it, he said, because it was a department area that failed to comply with timely depositing of receipts. So it seems to me that we do not have but need a mechanism in place to deal with an area that, perhaps, is not following the rules. And, I think Sharon would endorse something like that.

Vice Chair Moser asked Ms. Downen to if she would like to comment on this issue. In the absence of a carrot, Ms. Downen said, I suppose a stick is all we have left to us to encourage departments to change their behavior with respect to timely deposits. However, implementation of an administrative fee may not be as straight forward as it sounds. That is why my request is for the President to come up with ideas, Chair Siegel responded. I assume that he will work with the internal auditor and find some mechanism that will be effective in reducing the number of audit findings in the future.

Bob Albanese will be presenting the findings formally to the Committee later in the meeting, Ms. Buettner

said, and we can follow up more on this discussion at that time. It is my understanding from your proposal that the issue is not just assessing fees. It could be fees, it could be a letter in someone's personnel file, or something else. And that is why I am not identifying exactly what it is, Chair Siegel replied. There could be circumstances where if it is small, it is one thing; and if it is larger, it is another thing. I do not want to dictate to the President what is appropriate. So, I would like to let the President and the internal auditor come back with some suggestions.

Parliamentarian Davidson suggested the word "penalty" not be used. Instead, he suggested that "administrative corrective actions" would be a better phrase. That will be the modification, Chair Siegel agreed. Then they can come back to us, and we will discuss it. We are not passing a program today. We are just asking the President to come back with some ideas.

PUBLIC COMMENT

The Chair asked Acting Board Parliamentarian Gregory Brady if any members of the public had registered a written request to address the Board in accordance with state law and Board of Trustees Bylaws. Mr. Brady noted that no timely requests had been received for public comment at that Board meeting.

UNIVERSITY REPORT

93RD GENERAL ASSEMBLY REPORT

Agenda Item 7.a.(1) – Substantive Legislation

Ms. Buettner asked Mr. Ken Zehnder, Assistant Director of External Affairs and Economic Development, to brief the Board on substantive items and the budget cycle in the General Assembly.

Currently the Illinois legislature is on a two-week break for the primary election, Mr. Zehnder reported. They will convene for two weeks at the latter part of the month and, after a two-week spring break, will return in the latter part of April to complete their session through May.

One of the bills we are following that impacts higher education is House Bill 4073, the Higher Education Commission Act. That bill would create a statewide commission to review and approve all matters of tenure. The university is opposed to this bill. Dr. Sue Willis was prepared to testify, but since the bill was tabled, we did not do that. However, we did file an opposition to the bill.

There were several versions of bills introduced to provide in-state tuition for military personnel and for refunds or credit for courses that were in progress when the military or reserves were called to active duty. We worked with the sponsors to make some changes to the language to accommodate our procedures. The university is in support of those bills.

House Bill 4361, the Fire Sprinkler in Dorms Act, would require installation of sprinklers by the year 2013. Our concern was a funding mechanism. An amendment was filed to the bill that would provide for a revolving fund to be repaid by a surcharge on student fees. That bill is currently in Second Reading in the House. We will follow this bill closely, because it would have a dramatic impact on the university.

House Bill 4744, introduced by Representative Kevin McCarthy, concerns MAP Grants. It allows for an increase in the grant amount, but with the elimination of the fifth year MAP monies, there was discussion about how that impacts students. This bill would change the allocation of MAP grants from a yearly basis, which is now a four-year allocation, to an hourly basis, so that MAP Grants would accommodate 135 hours per student. This would help nontraditional students.

Senate Bill 1074, sponsored by Senator Demuzio, creates the Professional Teachers Standards Board, which would impact teacher preparation programs. The university is opposed to this bill. The bill would set up a commission and an appeals process that would have one member of the IEA, one member of the IFT and one university administration member on the board that would make decisions on all teacher preparation programs. The concern there is that the university would not have as much impact on their

program preparation curriculum and process. Speaker Madigan is opposed to this bill and will be calling it later this month. President Peters is prepared to oppose it along with the other university presidents. We do not expect the bill to get out of committee.

House Bill 4392 is a Freedom of Information Act proposal. Currently, all internal audit documents are exempt from inspection or copying for all code agencies as well as the universities. This bill would specifically exclude public universities from that exemption. This is a concern. We are going to meet with the sponsor to see what the intent is. The bill is still in the Rules Committee.

Agenda Item 7.a.(2) – Fiscal Year 2005 Budget Status

Our appropriation committee hearing in the House is April 22, and the Senate appropriation hearing is the following week on April 28.

The Governor introduced a budget which was a 5.9 percent increase over Fiscal Year 2004 and stands at \$43.5 billion. The Governor commented that he allowed for a 4.0 percent increase in funding for higher education. However, that encompassed all fees – all proposed tuition increases, all research grants – in that increase. The General Revenue Fund portion of the budget actually decreased by \$141 million or 5.9 percent. He eliminated a lot of grant programs. For public universities, it was a 2.0 percent across-the-board cut. NIU had a GRF reduction from \$101,798,000 to \$100,238,000, which is a 1.5 percent cut. But, built into our budget is \$476,000 for our business baccalaureate completion program in Rockford. With that included in our base, it amounts to a 2.0 percent cut for us as well. The universities that have testified before the appropriation committees thus far have advocated for the IBHE recommendation, which was a level increase from 2004. We are opposing the Governor's decrease and trying to get the restoration of the IBHE recommendation.

We are still waiting for the final release of capital dollars from the Governor's Office for the last half of the last payment for Altgeld. We are waiting for that as well as the final payment so bidding can begin for the last phase of the chiller system. The legislature allowed for a delay of the Governor's announcement of his capital proposals, which are ordinarily announced in his budget message. This year he will be giving that message on March 23. Our concern with the IBHE recommendation is that Stevens Hall, which is our top priority for renovation, will not be at a high enough priority level to receive funding this year.

STATUS OF FEDERAL ISSUES

Agenda Item 7.b.(1) – Fiscal Year 2004 Federal Legislative Report

I would like to report on the federal legislative session, Ms. Buettner said. I have been spending a great deal of time in Washington this winter and spring. We did a significant presentation at our last committee meeting about the Higher Education Reauthorization Act and the importance of that legislation for every college and university in the country, private or public. So I will not belabor that, however, I do want to tell you that after having come back from four days in Washington last week, the Senate has now picked up the discussion.

The one significant thing that happened since I last reported to you is that HR3311, sponsored by Buck McKean, was the one bill we really had a problem with because it stated that if colleges and universities raised their tuition more than twice the CPI within a two-year period, sanctions would be created and they would lose federal funding opportunities across the board, in addition to having to file a management plan with the federal government. He dropped those sanctions last week. The issue of having to file a management plan is still in the bill if the universities and colleges, public and private, should exceed twice the CPI. However, the issue of the sanction of losing federal funding has been removed. We have all been working on this for a year, so we can claim somewhat of a victory as a group of institutions. It remains to be seen whether the Higher Education Reauthorization will collectively pass both houses this year. Since this is an election year, obviously the appropriations cycle for 2004 did not end until the end of January 2004, three or four months into the fiscal year at the federal level. Therefore, we are faced with a situation because of the election and the fact that they are obviously heavily engaged in a regular appropriations cycle as well as a huge highway reauthorization bill, which is already one year overdue. There is significant conventional wisdom on the Hill now that indicates that the higher education reauthorization package could be delayed until 2005, after the election. Again, we are trying to monitor it

and to work with the members from our Illinois delegation. They have been very receptive and empathetic with some of the issues we have raised as concerns.

Another bill called the CREATE Act involves the issue of ownership of patents in cooperative research agreements with colleges, universities and private sector industrial partners. Again, that is contentious in terms of intellectual property and the future revenues and license fees and agreements from that property. We have been involved in this issue, and that bill is still circulating among the industry users in the universities to see if we can reach a compromise.

The Nanotechnology Research and Development Act has been passed and signed into law. This bill would authorize almost \$4 billion for research on nanotechnology over the next four years, to be shared by Energy, the National Science Foundation (NSF), the National Institute of Standards and Technology (NIST), the National Aeronautics and Space Administration (NASA) and the Environmental Protection Agency (EPA). The good news is that there are going to be research centers created, with education and training efforts included. They are also going into the behavioral sciences as well, the societal and ethical consequences and implications of nanotechnology. We are hoping that NIU, because of our previous nanotechnology emphasis over the last few years, will be able to access some of that competitive funding through those programs. We have been working with Dr. Vohra in Engineering and Dr. Kimble in Physics to create some interdisciplinary programs between those two colleges and departments that will be beneficial not only for each department and college but also for the university and the state of Illinois in the future.

HR3412 has been filed regarding higher education taxes. It would expand the student interest loan deduction to allow the full amount of interest to be deducted. It would also increase the annual contribution to the education savings accounts to \$5,000.

The Jump-Start Our Business Strength Jobs Act, which is a Senate Act involving intellectual property at fair market value, creates a great deal of concern for charitable donations the way it is currently drafted. While this is really a corporate bill and involves corporations that choose to donate intellectual property patents, software and other things that are difficult to value to charitable foundations, many of which are run by colleges and universities across the country, the Congressional viewpoint is that many of the corporations have been abusing the privilege of donating these and establishing what they consider to be unfair rates of value. So, as Congress begins to crack down on the corporations and the valuation of these gifts, we are concerned about the language they are contemplating because we feel it is overly broad and could significantly hurt legitimate donations. We have been working with our sister institutions in Illinois and our national umbrella organizations to try to make sure that college and university donations that are very common in intellectual property and patents are appropriately protected under any reforms to this particular issue.

Since we last met, Ms. Buettner said, we concluded the 2004 federal budget process, and we now are actively engaged in the 2005 process. The President and I were in Washington in February, and I was out again last week. He and I are returning soon to finish with our formal 2005 appropriations requests, and paperwork is due shortly thereafter. Then it will be a year of working with the individual members. We are pleased to report that we have bipartisan sponsorship again for many of our earmark requests. Both Senators have indicated interest in helping us. We have a few more things to complete in the next few weeks when we go back; but, overall, the year is looking good. However, for sponsorship, the budget cycle at the federal level has tightened almost as bad as the state's is, and I fear that the earmark potential and the general appropriation potential for Pell Grants and such for students could be very tight and an uphill battle in 2005.

Agenda Item 7.b.(2) – Rapid Optimization of Commercial Knowledge (ROCK) Initiative

Ms. Buettner asked Dr. Promod Vohra to give the Committee a very brief report on a project funded in the FY04 Defense Appropriations Bill that they have been working on with Congressman Manzullo for several years. Over \$5 million in federal funds is earmarked for a manufacturing initiative to jumpstart Rockford. Dr. Vohra will give you a sense of some of the projects that are going on at the university with these federal research dollars, she said.

Rockford became a CEET priority almost three years ago, Dr. Vohra, Acting Dean of the College of Engineering and Technology said, when several industrial manufacturers from Rockford came to us as a group to discuss the manufacturing jobs that were being lost from the Rockford community. That is when we launched the Rockford Manufacturing Modernization and Preparedness Initiative.

It was a three-year process with approximately 70 people, which included manufacturers in the Rockford community, people from different universities and the legislature, who got together and discussed what the options were, what could be done and what direction this should take. Kathy Buettner was instrumental in working with Don Manzullo to secure funding for the R&D Initiative. The team came up with three ideas.

The first was the ROCK project, which stands for Rapid Optimization of Commercial Knowledge. How can we prepare manufacturers in the Rockford community to be prepared as supply chain managers to fulfill the needs of the defense industry? The second idea was to create a microfactory where we could prepare ourselves for nanotechnology at the micro level and talk about micro products that could be manufactured. And the third idea was the E-RAMI Project, which stands for Eigerlab Regional Advanced Manufacturing Initiative. All three projects were submitted to Congress in January 2003.

We were able to get \$2.25 million for the ROCK Project, \$1.75 million for the micromachining project and \$1.5 million for the E-RAMI Project. We have already met with the Army to discuss their two basic priorities: for us to be prepared to respond to the needs of parts manufacturing for the Legacy Systems that are already in the field, and to do some advanced research so we can help development of future combat systems, which are planned to be launched in 2008 or 2010. NIU is leading many of these initiatives. We have many universities working with us as well as industries such as Hamilton-Sundstrand, Ingersoll, Boeing and Caterpillar. These industries can give us information about certain defense processes and products so that we can do some benchmarking.

The primary objective of the ROCK Project was to create a supply chain between the manufacturers and Rockford so they can be electronically linked, communicate better, work on a common platform, and could, as a group, be ready to respond to the needs of the Army. It would probably take about 12 months to put them on a network. There is already a secondary network operating in Rockford with some efficiency. What we want to do is invite other members to join the group so we have a comprehensive group of all manufacturers that can in any way help defense in their parts needs for the Legacy Systems. This would be a high-speed information technology network.

The second objective was to perform an analysis on the cost structure of defense products. We found that a normal vehicle designed by Caterpillar could cost \$6 a pound. But the same vehicle designed for the defense system could cost \$120 a pound. So, we want to find out, how this \$6 per pound becomes \$120 per pound? What specifications in the process are overspecified and do not add value to the final product? We plan to work with Hamilton-Sundstrand on this objective because they have the products that are manufactured for defense as well as for the commercial market.

The third and final objective proposed to the Army was to do some manufacturing research in different areas that would benefit the development of a future combat system. The key areas would be high-speed machining in titanium, which is much lighter and would reduce the weight of the vehicles. We are working with Alion, Northwestern and University of Illinois on this project.

We talked about providing an opportunity for Rockford manufacturers to innovate. So E-RAMI is a place that will be provided for Rockford people to bring their ideas so that their ideas can be converted into a reality, and it becomes a product.

Hopefully, these endeavors would help us to create more jobs and prepare the Rockford manufacturers to be competitive in a global environment and be able to supply their services to the defense market.

Once we are able to affect the economic development of a region, there is no reason that similar models cannot be applied to other regions in the country. We also want to encourage this endeavor to promote faculty research programs.

There are some other programs in Rockford that support what we are doing. We have a \$5 million TQE grant. That is going to cover the educational component. We have a proposal for about \$11.8 million pending that has been written with the Rockford high schools, and we are also creating some engineering academies with a focus on manufacturing with the Rockford schools so that all of Rockford is focused not only on research and manufacturing, but also is prepared academically to handle challenges of manufacturing at all levels.

Finally, Dr. Vohra said, I think President Peters, Kathy Buettner, Don Manzullo and his staff, other leadership in Rockford, and our staff and faculty in the college need to be thanked for making this a reality.

Also, Ms. Buettner said, the President and I have been talking with the new director at DCEO since he was installed in January 2003 about what we have been working on in Rockford for a long period of time – working with Mayor Scott as well – and we were very pleased to see that the Governor, when he went to Rockford over the summer and announced his economic development plan for that region, included \$1.5 million in matching funds for this program that Don had created at the federal level. So, in addition to what is happening on the screen there, the Governor's Office has placed a full-time staffer in Rockford, Steve Boise, who happens to be an NIU grad. He is mid-career, and has set up his office in Eigerlab at Ingersoll. So we will have DCEO and the state involved as well. Obviously, we will be enhancing our presence there as well. It is going to be a very exciting and, hopefully, synergistic place once it all gets running in the fall. But it is also exciting to see that the Governor and Jack Lavin, the DCEO director, recognize the importance of what is going on in Rockford and have agreed to pledge this state funding to this effort.

In addition to what Kathy said, Dr. Vohra commented, I received information from Steve Boise yesterday that he is willing to spend \$1 million in buying equipment for the E-RAMI Lab so we can have highly sophisticated equipment that will help the Rockford industry in their manufacturing endeavors.

We are going for a second funding installment at the federal level this year, Mr. Buettner said, and we are hopeful that kind of funding will be available. It seems that while the discretionary funding is drying up, defense funding seems to be strong.

Agenda Item 7.b.(3) – Belvidere/Boone County New Uses Agricultural-Technology Park

This presentation was deferred.

Agenda Item 7.c. – Fiscal Year 2003 Compliance Audit Report

Ms. Buettner asked Bob Albanese, Associate Vice President, Finance and Facilities, who is overseeing these efforts, to describe to the Committee a little bit of his oversight role and what is involved.

Last spring, Mr. Albanese said, Dr. Williams asked that I once again assume a leadership role over the Controller's Office and the treasury operations. When I first came to NIU, I was the university controller. I asked Keith Jackson, our current university controller, to go back to 1986 and take a look at our compliance audit. We found that at that time we had 48 material findings. I remember that the next spring President La Tourette and I had to go down to the Legislative Audit Commission to defend our responses to that commission, and we ended up spending a full afternoon doing that. So, we do take seriously our compliance audit and work very hard to keep the findings to a minimum.

In Fiscal Year 2003, the audit was performed by the Bronner Group. This was their fifth and final year on campus. Next year we will have a different firm coming in to audit our operation. And, as always, it is supervised by a representative from the Auditor General's Office. While this year there were four findings, I am happy to report that there were no repeat findings.

When we have a finding, part of our responsibility as part of the financial operation is to quickly address it and, as best we can, try to insure that there are no repeat findings. What I would like to do is briefly review each material finding and Keith Jackson or I can answer any questions you may have.

The first material audit finding was improper accounting of performance contracts. Once again, with regard to performance contracts, this is a concept we have used on the facilities side six times already. In a performance contract, we come up with a capital project that has energy savings related to it and pay for the project over ten years based on those generated savings. This way it is possible to get some fairly major infrastructure projects completed at no cost to the university. This year the Auditor General's Office disagreed with how we treated the performance contract in accounting terms. When we reported on these performance contracts in past years this was not an issue. So we debated with the Auditor General's representative for almost two hours, but we could not convince him of our rationale. We complied and changed our financial statements to the way the Attorney General's staff preferred. This means whether it is to be considered a revenue expense transaction or an asset liability transaction. It does not affect anything other than the accounting treatment of that particular performance contract.

The second finding is untimely return of loan funds. Once again, this is related to our financial aid office. The finding cited us for being slow to return loan funds. We continue to work with our financial aid director to review procedures within the office to see what could be done to tighten and comply with the federal law. I am happy to report that our director of financial aid has made some changes and started using some software available on the web that is going to put us in full compliance with this particular recommendation. Once again, we will monitor that, and if there are any concerns, Keith or I will work with the financial aid director to try to alleviate those concerns.

The third finding also has to do with our Financial Aid Office. It deals with inadequate student loan application verification procedures. Once again, one of the things we need to note is that, even though we have obviously undergone some budget cuts, our Financial Aid Office verifies financial aid applications at a rate of 100 percent. Federal law only requires that we verify 30 percent. We chose, just to make sure that we maximize the use of financial aid dollars, that we verify at a hundred percent. As part of that verification process, the recommendation says that some of the checklist items on that verification process needed to be reviewed and updated. We have worked with Financial Aid, and we are in the process of updating our checklist so that we are in full compliance with what is required by the federal government. Once again, one of the things we could have debated was to drop down our verification procedure from a hundred percent to something less. However, that really would not be in the best interest of the university in terms of maximizing financial aid dollars.

The fourth finding has to do with receipts not deposited in a timely fashion. Keith and I have looked at the actual numbers that make up the finding, and we had a couple of issues with the State Auditor General on how they were classifying things. There are a couple of reasons for it. Some had to do with a weekend. If you got a deposit on a Friday and did not make it until Monday, you have exceeded that one-day standard and, therefore, were in violation. It should also be noted that it is a violation of an NIU internal business procedure. It was not a violation of any state rule or state mandate. It was our good business practice procedure that we were in violation of. We have looked at some of the alternatives. Obviously, one of the alternatives was to change one day to three days. That would almost put us in full compliance. But that does not make sense. We need to deposit funds on a timely basis. We will continue to work with the departments to try to get them in full compliance. And, Trustee Siegel, I like your idea of trying to come up with some way that we can really emphasize to the departments that an audit finding is an important function that the university treats very seriously and that we really need to be diligent at the department level on getting these deposits made in a timely fashion.

I am not complaining about our auditor functions or the nice results that we have seen in this audit finding nor the marked decrease in the number of audit findings from the Board of Regents days, Chair Siegel said. As you might recall, George Moser was the first chair of the Legislation, Audit and External Affairs Committee, and under his leadership, those numbers dropped from something like 34 to 4. What I am looking at is, like any other good business, sometimes you need to have an enforcement mechanism in appropriate circumstances.

Mr. Albanese concurred. As we administer the financial function and as we get into outreach areas, he said, it is very important that we maintain good business practices. And I think for the most part that we do. Anything we can do to help the departments recognize that this is just part of the day-to-day responsibility would enhance our efforts to be in full compliance.

Because the Sarbanes-Oxley Act at the federal level does not apply to an organization like ours, Mr. Davidson commented, the bond and financial markets are expecting the privates and the nonprofits to develop parallel kinds of protective systems. So having a mechanism of this sort will have a bearing on our bond rating in the future.

OTHER MATTERS

Last year, Mr. Zehnder said, the legislature passed an ethics bill in response to abuses documented primarily with the legislative staffs related to expenses and hours worked during election campaigns. President Peters convened a committee to determine compliance with the new ethics legislation. The committee met and determined that the current personnel processes and systems met the requirements for the hourly employees. The committee clarified the prohibited activities that should not occur during university hours and/or using university resources. They also specified time and process requirements for salaried employees designating Ken Davidson as the Ethics Compliance Officer and Steve Cunningham as the Personnel Officer as required by the legislation. This was effective March 1.

NEXT MEETING DATE

Vice Chair Moser stated that the next meeting date would be announced at a later date.

ADJOURNMENT

Vice Chair Moser asked for a motion to adjourn. Trustee Sanchez so moved, seconded by Trustee Siegel. The motion was approved. The meeting was adjourned at 10:07 a.m.

Respectfully submitted,

Sharon M. Mimms
Recording Secretary