

Minutes of the  
NIU Board of Trustees  
**LEGISLATION, AUDIT AND EXTERNAL AFFAIRS COMMITTEE**  
February 28, 2006

**CALL TO ORDER**

The meeting was called to order by Chair Myron Siegel at 10:06 a.m. in Room 233 of NIU Hoffman Estates. Recording Secretary Mimms conducted a roll call of Trustees. Members present were Trustees George Moser and Marc Strauss and Chair Myron Siegel. Also present were President John Peters, Committee Liaison Kathryn Buettner and Board Parliamentarian Kenneth Davidson.

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

Confirmation of Open Meetings Act public notice compliance was given by Parliamentarian Kenneth Davidson.

**MEETING AGENDA APPROVAL**

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

**EXECUTIVE SESSION**

Chair Siegel asked for a motion to close the public meeting to conduct an executive session to discuss the following subjects authorized by the Illinois Open Meetings Act: personnel matters as generally described under §2(c)(1) and (3) of the Open Meetings Act. Trustee Strauss so moved, seconded by Trustee Moser. A roll call vote of the Trustees to recess to Executive Session was unanimous.

**BOARD OF TRUSTEES MEETING RECONVENED**

Chair Siegel reconvened the public meeting of the Board of Trustees at approximately 10:46 a.m.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Strauss and seconded by Trustee Siegel to approve the minutes of the August 19, 2005 meetings. The motion was approved.

**CHAIR'S COMMENTS**

We have a full agenda before the committee today, Chair Siegel said. NIU's Springfield and Washington agendas require a great deal of time, energy and commitment from not only Kathy Buettner but Ken Zehnder, President Peters and several Trustees. So far the Senate Appropriations Committee hearings for NIU have taken place in addition to the vetting of the IBHE and the Governor's budget for higher education. The House Higher Education Committee hearing is scheduled in Chicago on March 9.

I was in Springfield two weeks ago to testify in a House Higher Education Committee against legislation that Harper College is seeking to obtain authority to issue bachelor degrees in nursing and engineering technology. Though we tried very hard, the legislation was voted out of committee on a 7-6 vote. However, five of the yes votes informed the bill's sponsor that they had given courtesy votes to a fellow House member to allow the vote to go to the floor where it could be discussed. So, I do not believe they have the votes to pass this legislation in either the House or the Senate.

I look forward to receiving Ken's and Kathy's reports today on the latest information from Springfield and Washington. We will also hear from Bob Albanese on the FY05 Compliance Audit released last week by

the Auditor General. After that, Dr. Steve Cunningham will provide the committee with a summary of the Employee Conduct and Accountability policy resulting from a request by this committee last fall.

Chair Siegel recognized UAC representatives Shey Lowman and Rachel Turner. This is my last meeting, Ms. Lowman said, since I will be retiring at the end of April. So, I just wanted to say how much I appreciate this committee. You are especially warm and gracious with staff. So, I have really appreciated the opportunity to be able to speak and attend the meetings.

I look forward to working with all of you, Ms. Turner said. Unfortunately, my retirement is so far off that who knows what those funds will look like by then. But I appreciate all of your efforts in Springfield and elsewhere and trying to keep on top of those things for us in higher education.

## **PUBLIC COMMENT**

The Chair asked Board Parliamentarian Kenneth Davidson 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. Davidson noted that no timely requests had been received for public comment at that Board meeting.

## **UNIVERSITY REPORT**

### **94<sup>TH</sup> GENERAL ASSEMBLY REPORT**

#### **Agenda Item 8.a.(1) – Substantive Legislation**

#### **Agenda Item 8.a.(2) – Fiscal Year 2007 Higher Education Budget Recommendations Operations and Grants**

Ken Zehnder gave a brief overview on the Governor's proposed budget. As hearings progress, he said, the Governor proposed, a state budget, \$48.2 billion, a 4.9 percent increase over 2006. The increase primarily went to elementary and secondary education, and secondarily to healthcare and pensions. The IBHE initially recommended \$1.32 billion for the universities. The governor increased that amount and put in an additional \$3.9 million for faculty and staff salary increases for the universities. That overall higher education increase represented \$19.5 million over 2006 and a 1.4 percent increase in the aggregate for higher education.

On the capital side the Governor proposed \$3.7 billion in new appropriations overall, \$82 million for higher education, \$30 million for deferred maintenance and \$50 million for the community college replacement plan. The caveat is that this is all likely to get caught up in the bonding request. It has become a very partisan issue because a three-fifths vote is needed to pass the bonding approval. There is a strong likelihood that it is going to be hung up until the Veto Session. NIU's capital priorities remain the same. Our appropriation, Senate Bill 3146, will be for \$103,937,000, representing a 1.2 percent increase over last year, and that increase is in our personal services line.

We testified at the Higher Education Appropriation Committee, as Chair Siegel mentioned. Our next meeting is in Chicago on March 9. Basically, the questions and comments in both the Senate and House hearings that have been conducted so far, focused on the anticipated level of tuition increases, the deferred maintenance priorities as well as the Governor's proposals for the income tax tuition tax credit and the sale of the Illinois Student Assistance Commission portfolio. Those bills will continue to be debated.

The Suzie Bassi legislation, amending the community college act, was mentioned earlier. The language that Rep. Bassi introduced was identical to the language Sen. Garrett introduced in the Senate last year. Sen. Garrett's bill did not make it to the floor. Rep. Bassi's bill made it to the floor, but she has agreed to hold it on second reading because she would like to see progress between Harper and NIU on providing course work in the nursing program for this fall. That appears to be working out. She has indicated that she is not giving up on the policy issue of allowing community colleges to pursue baccalaureate degrees. We will have to see what happens if we can accommodate and reach some agreements. She has indicated that she may bring it up again in Veto Session. Sen. Garrett, on the other hand, has revised her

approach from last year and introduced a bill that would provide grants for community colleges and universities to work together to provide more baccalaureate degree programs on the community college sites.

House Bill 4221, sponsored by Naomi Jakobsson, is the ISAC portfolio sale legislation. The university presidents have offered cautious support for this proposal with several conditions guaranteeing maintenance of the interest rates and support services for the students as well as tying any savings on that sale to higher education.

There is a Broadband Services Act that Julie Hamos has introduced to provide access on broadband fiber. This involves Central Management Services and the IDOT Tollway in trying to get fiber. We are watching the impacts to our campus network as well as how it might affect our leasing rights.

One bill that we watched last year and continue to keep an eye on is House Bill 476, Speaker Madigan's bill on naming rights for state property. There has been no action on that this spring, and we are hopeful that will continue to be the case.

House Bill 4122, introduced by Rep. Franks, would impact our ability to charge the current rate of out-of-state tuition. It would be limited to 150 percent of state tuition for states that are enrolled in the Midwest Student Exchange Program. Once the representative found out that Illinois was not a member of that exchange program, he put that bill off until next year. But he will be pursuing that bill as well as Illinois subscribing to the exchange program.

The Fire Sprinkler Dormitory Act would set a precedent in mandating student fees being dedicated to this issue. The university currently has the ability to work with student fees, and we do not want the legislature to become involved in mandating or directing that issue, so we are working on that with the bill's sponsor.

I will now turn it over to Steve Cunningham to bring you up to date on the ongoing pension issue.

We have reported twice to this committee on the pension reform legislation, Dr. Cunningham said. We are in the first fiscal year of the deep funding cuts for the State Universities Retirement System, meaning that the State is contributing about 5.5 percent on the basis of employee contributions, instead of close to 11 percent. I want to note that 5.5 percent is less than the 6.2 percent employer match that is made by the State for other state employees not employed under the universities system. So it is even less than the Social Security match. That has great significance for the future of the retirement system.

We have continued to coordinate with the other university vice presidents and presidents with Dr. Williams' assistance. Presently we are working on the six percent present value employer contribution that is required for salary increases in the high four years that exceed six percent in any one of those years, and there are two tracks to that. First is the Joint Committee on Administrative Rules (JCAR), which will hear the proposed SURS rules to implement this provision on March 14. We have worked in considerable detail with SURS and with the other universities in shaping these rules. They would limit the billing process to general formula retirements because it is a final earnings rate, a very specific technical term that applies only to general formula retirements, meaning that about half of our retirements would not be subject to the billing process. Second is a legislative track where we have been coordinating with the other universities, coalitions and unions to amend the public act to not have the billing apply to normal transactions such as summer appointments, overload, FTE changes, moving from part-time to full-time and so forth. All these things currently would be subject to the calculation process. We have yet to have it become finalized during this legislative session.

I noticed that we have, essentially, one project on the IBHE priority list, Trustee Strauss said, and being new on the Board, I wanted to ask if we are getting our fair share, and are we getting a fair hearing from IBHE? They have heard us, Mr. Zehnder said. Unfortunately, even with our ranking on the capital list, based on the amount that the Governor has allocated for higher education, we will not make the cut. There is a question of whether there will be a bonding bill that will free up more money. Our priorities have remained the same for several years. But there have been no capital projects funded through the normal IBHE review process, which is a source of frustration. We have had the IBHE executive directors

and staff tour Stevens Hall, our capital project, and they acknowledge our issues. But we received placement on the list when the project request went in years ago, and we have been unable to make any adjustments in their priority ranking.

I got the attention of the chairman of the Board of Higher Education and his then acting executive director at the House Appropriation hearings, Chair Siegel said, when I told them that they were not hearing us and not doing what we needed. I think we have been vocal enough at this point that if there was money available, we would probably get it, but there is no money. We also have gone around and gone direct to get money for capital, and we should not have to do that. The Stevens Building has been on our list for ten years or more and should be funded. What I find interesting, the Chair stated, is that we are looking to remodel due to a health and safety issue, and we are rated below an institution that wants to construct a new building.

Over the past decade, Mr. Zehnder said, we have shown through IBHE data that we have been the lowest funded per student in capital funding of all the universities.

In answer to a question from Trustee Moser, Mr. Zehnder said that a special allocation of \$55 million was put aside to replace all the temporary facilities on the community colleges, and that was initiated approximately four years ago.

I was on the Harper campus visiting with their president, Dr. Peters said, and negotiating what I think is going to be a wonderful degree completion program. It was their turn in the appropriation process within community colleges. They have built an Avanti Science Center and then leveraged that with a local bond issue, plus some state money to solve some of their issues. I want to say something about the capital, the President said. The issue is larger, obviously, than NIU and all the public universities and the community colleges. It is tied up with the need for the funding of a major capital bill – construction and transportation – in the state. When that happens, and I assume it will some day, I think we are positioned for our priorities. Until that happens, all priorities just mark place every year. Something has to give sooner or later because there are millions and millions of dollars in capital needs in postsecondary education, in the K-12 and in community colleges. Sooner or later, those needs have to be met. We have made the case and made the case, and we will continue to make the case. But unless and until there is any money, none of these needs are going to be met.

The landscape has changed dramatically with this new executive director, Chair Siegel said, because I think she understands that we have been mistreated. Somehow between now and the time that capital money comes along, we have to get ourselves moved up on not only Stevens, but I want to get that computer science building on the top 10 or 15 list, also.

This list in your Board reports is the IBHE capital improvement list, Ms. Buettner said, it is not the Governor's capital improvement list. The key difference is that this year, for the first time, there really was no Governor's list. Instead, he allotted \$30 million for capital renewal and \$50 million for capital renewal at the community college level. All of these projects are just there, nebulously dangling for an opportunity that we think will occur sometime between the adjournment date in April and the Veto Session. After the election there will have to be a bond bill at some point to release the match money for the federal transportation bill, which contains millions of dollars for the state. At some point, they will have to reach agreement, and then it will break loose. This is the third year with no capital at all for higher education, so none of these projects have moved during that time. All of this is subject to negotiation over the next six to eight months, she said, and that is why it is so important that we continue to push our priorities, because at some point the dam will break, and we need to be there.

In answer to a query from one of the Trustees on the university's position on the sale of the ISAC loan portfolio and a couple of bills dealing with textbook pricing and access, President Peters answered what we normally do is evaluate things that are of direct impact on us or our students. As part of the negotiations that took place over our increase in GR from the Governor, the presidents of the nine universities signed a letter of support on certain things that were important to the Governor, including the tax credit plan, and including the sale of the secondary loan portfolio under certain conditions. We agreed that it ought to be explored, and we were theoretically supportive. And then we had a list of provisos on the sale of that loan portfolio. We wanted to make sure that the support services provided for the

students by ISAC remained in place, so that any current loan holder would not be penalized and so that, in the future, our students would not be subjected to exorbitant interest payments. Across the country, these loan portfolios are beginning to be sold out of state agencies or public corporations into the private sector. The other thing that was very important to the presidents is that any proceeds above and beyond the first year payout for any tax credit costs, estimated at between \$90 and \$100 million which would only last one year, would be allocated to help support ISAC activities and dedicate the rest to higher education activities yet to be determined.

We have been involved for two years with IBHE on studies of textbooks, President Peters said, and I am pleased to say that we have faculty groups working on how to cut the costs of textual materials to students. We have not taken a position one way or another on this particular bill, but it continues to be a topic of discussion by the presidents and IBHE. The greater issue, Mr. Zehnder said, is that it is subject to appropriation because there is a large cost associated with startup, and all but one of the universities has taken issue with that. For our kind of university to get in the textbook rental business, the President said, the startup costs for acquiring the texts, the warehousing, the front-end costs are so large that it would make very little sense for us to get into that at this point in time. I think there is real opportunity for savings with cooperatives and maybe some state level action on a buyback program where we determine what our textbook needs are, and we buy and then resell used textbooks. The money is in the resale of textbooks. It continues to be an increasingly high number for students. It has not changed relative to their overall tuition bill, but our faculty have become very sensitive to it. As a matter of fact, in my Senate Appropriation Committee hearing, Sen. Chris Lauzen, who is an NIU Ph.D. student, talked for about five minutes about his professor who took great pains to put together a "professorial packet" to save them a considerable amount of money and time, and he praised our faculty for doing that.

Before we move on to the Federal Report, Ms. Buettner said, I put a copy of the report entitled *Higher Education in Illinois*, which was released about a month ago, at each Board member's seat. It is a nonbiased perspective on higher education financing from the Commission on Forecasting and Accountability, which is the old bipartisan Economic and Fiscal Committee for the state. Page 5 really brings home the amount of cuts that higher education has suffered over the last few years. It is an excellent resource for any of you who want to get a quick summary for making speeches or talking to constituencies of exactly where we are from a nonpartisan perspective. Basically, it says that from Fiscal Year 2002 through Fiscal Year 2005, higher education lost 15.3 percent of its state revenues compared to increases of 5.7 percent for elementary and secondary and 5.5 percent for all other state functions.

## **FEDERAL REPORT**

### **Agenda Item 8.b.(1) – 2006 Congressional Legislative Update/Budget Reconciliation Update**

This is simply an update on what is going on at Congress with budget reconciliation, Ms. Buettner said. The only earmark the university received in the FY06 budget process from Washington was continuing DOD funds to operate the NIU Institute for Neutron Therapy at FermiLab. As I reported previously, unfortunately, for the first time in recent history, Labor, Health and Human Services and the other appropriations bills were unable to be marked up for congressional usage, and all of the earmarks were eliminated close to the end of December. So, the only earmark we received was money to continue the INT program.

A detailed summary is given on what exactly the Budget Reconciliation Act meant to higher education, Ms. Buettner said. We have seen a great deal in the newspapers about the almost \$13 million in mandatory spending cuts that was dedicated for the student loan programs. This has obviously caused a great deal of consternation in Washington. There is a little detail on how that actually will be implemented. The President's Fiscal Year 2007 budget proposal still has some cuts in it for higher education. We saw them last year – TREO, Gear-Up, many programs that have significant built-in constituencies that are probably already rallying. Congress will probably save those programs which they did in 2006, unfortunately, at the cost of all the earmarks. While the programs are meritorious, and it is important to save them, there was no room within the budget reconciliation framework to accommodate the additional expenses without removing all the earmarks. So, earmarks are becoming increasingly more difficult to obtain in Washington. We are optimistic that we will continue to obtain them. I do not expect an outright elimination of the earmark potential. I expect, however, that the members themselves will be forced to choose or perhaps be limited to certain bills and a certain number of earmarks. So we

are working very closely with the delegation in Washington and with our faculty and staff here to combine some requests. Although it is early in the fiscal year, that strategy seems well received in Washington to date.

The American Competitiveness Initiative was part of the President's State of the Union message, Ms. Buettner reported. It contains increased funding for FermiLab, which will translate positively, we believe, for our physics program. In addition, our faculty and staff in the hard sciences, including engineering, are beginning meetings now to determine where these new funds will be allocated within the new budget structure federally and to apply for these funds.

I reported a great deal about the Higher Education Reauthorization Act over the past couple of years to this committee, Ms. Buettner said. Because of the budget reconciliation issues, I do not see the Higher Education Reauthorization Act passing again this year. There were a few provisions, particularly involving the student loan issues, that were carried over as part of the budget reconciliation discussion in that act resulting in those cuts of almost \$13 billion for the student loan programs. The discussion and the debate have turned more toward passing a budget that is better for higher education than has been proposed by the President.

Also contributing to the delay in discussion on the Higher Education Reauthorization Act is this establishment of the Commission on the Future of Higher Education by Secretary Spellings, Ms. Buettner said. This commission has been holding meetings throughout the country on what they see as the main issues in higher education: accessibility, affordability, quality, workforce development and accountability. They are charged with rendering a report to the President and to Congress by September 30. Many of us in higher education expect that report will be a blueprint for the Bush administration to follow in higher education policy for the next two years. The idea may be to create a No Child Left Behind type approach at the federal level of higher education as was done in the elementary and secondary bill at the beginning of the Bush term. Obviously, that concerns a great many people and could have dramatic impacts on the entire collegiate structure across the country. We are monitoring that very carefully; and I will be reporting in greater detail on that as we move forward.

We will be attending the field hearing on the Spellings Commission at Western Illinois University on March 23 immediately following the Board of Trustees meeting, President Peters said. It might be interesting for a member of the Board to sit in on the hearing to get a feel for this. I have several levels of discomfort with this, because a big chunk of this is moving toward outcomes testing much like No Child Left Behind. That might be appropriate for public schools, K-12. But, I think it is highly inappropriate for universities to be able to measure what students learn in a four-year degree; it is so complex. And I get worried that all that gets turned into funding limitations. It turns into federal involvement in a system that I still think is the best in the world.

#### **Agenda Item 8.b.(2) – NIU Institute for Neutron Therapy at FermiLab**

Ms. Buettner asked John Lewis, Associate Vice President for Outreach, to quickly brief the Board on the developments that have occurred over the last couple of months in the Neutron Therapy Program.

I have three important updates about the NIU Institute for Neutron Therapy since our last report at the August Committee. Last August I reported that our medical director had resigned and that we were in the process of finding new medical coverage. We have signed a contract with a nuclear oncology company that is providing two physicians who are providing service as opposed to being locked into one physician. They started seeing patients the first week in January, and we are seeing that patient load pick up quickly. We have received the first payment from our FY05 award from the Department of Defense. Our \$1.6 million for the FY06 appropriation has already been received by Fort Deterick, through which our grant is processed.

#### **Agenda Item 8.b.(3) – Northern Illinois University's Research Initiatives at DuPage National Technology Park at DuPage Airport**

I know this committee is interested in development and research park initiatives, Ms. Buettner said, so I am going to ask you to thoroughly read the item in your book today. We have been involved in quite a few research initiatives over the last few years that are finally bearing fruit at the DuPage National

Technology Park, which is next door to the DuPage Airport and just north and contiguous to FermiLab. Some of these initiatives have taken a great deal of time and energy on behalf of, particularly, Promod Vohra, Dean of the College of Engineering, who has been meeting with Argonne for over three years to establish a program that will be the cornerstone program and the cornerstone building at the DuPage Technology Park. The Speaker's Office, in the Transportation Reauthorization Bill, has granted Argonne \$16 million to work in conjunction with Northern Illinois University and the University of Illinois to establish a Center for Advanced Technology at the tech park. At that point, we brought in Dr. Anne Kaplan and John Lewis for the technology component. We have had meetings over the last year or so to augment the presence of Argonne there and to augment NIU's presence by building on the infrastructure what will be state of the art, to make it, literally, a unique computational grid and high band-width network program. For any research park in the country, this will be premiere and cutting edge. Our contribution to this effort is a \$6 million request. CenterPoint Technologies, the developer for the park, believes that they can raise half of that \$6 million in private investment for us. We are requesting the other \$3 million in the 2007 budget. Then it would be a direct nodal link to the campus and would open incredible amounts of research opportunities in technology and computers for our faculty.

Neutron therapy was phase one of our effort with FermiLab. Proton therapy is phase two, and we have asked for funds this year to formally begin the planning process to actually conduct proton therapy treatments and research at the tech park. The proton project will be a \$120-\$130 million project by the time it is done. It will require a two-year planning process before construction takes place. Proton therapy has been in Europe for a number of years. It is rapidly advancing in the United States, and there are a number of private companies as well as universities and medical centers getting involved in the area. We have discussed our plans with some leading proton oncologists around the country, and we are having discussions with them as well as with medical physicists around the country with experience in proton therapy so we can put a team together to start the planning process to get it up and running.

For a number of years, the university has had a real strength in high-energy physics; and part of the work we had with Fermi has resulted in the potential for an accelerator laboratory at FermiLab. The accelerator technology is also what drives proton therapy and many medical technologies for x-ray equipment and so forth. So we are also currently working on a grant that would assist us in commercializing technology that comes out of Fermi, especially in the accelerator area where our physicists are heavily involved, and also to develop a new program in radio frequency, an engineering program that will support the accelerator technology development at FermiLab.

#### **Agenda Item 8.c. – Fiscal Year 2005 Compliance Audit Report**

First, I would like to thank Dr. Williams, Dr. Legg and Sharon Downen for their support in the audit process, said Robert Albanese, Associate Vice President for Finance and Facilities Operations. And special thanks to the controller, Keith Jackson, who on a day-to-day basis manages the process on campus very successfully.

In Fiscal Year 2005, Mr. Albanese said, Clifton Gunderson was awarded a contract to perform the financial and compliance audit on behalf of the State of Illinois Auditor General. Clifton Gunderson is the firm that also does the audit of the University of Illinois at Champaign-Urbana; so they use some of the criteria in audit programs that they use down in Champaign-Urbana here at NIU, which was somewhat of a change. For Fiscal Year 2005, we had eight findings. For Fiscal Year 2004, we had zero findings.

Finding number one is a cash handling issue that we certainly take very seriously. Even though the dollars are small for that particular operation, we are working with the School of Theatre and Dance to review and strengthen the procedures. Findings 2 and 5 are related to our Financial Aid operation. In the short term, we will do our best to address these findings using manual workarounds to try to achieve the goal to eliminate the finding. The long-term solution to these findings is our new student information system that, hopefully, we will have up and running in a couple of years. Findings 3, 4 and 7 are procedural issues that have been corrected. When the auditors take a look and find that a contract was not filed on time, those usually have to do with human error. We address that error, correct it and try to put a control in place to make sure it does not happen again. The last two findings, Findings 6 and 8, are statewide human resource findings. One had to do with time reporting and one had to do with ethics training.

As we approach any audit on campus, the departments know how important it is. We receive full cooperation from the academic and student affairs area, and the process runs very smoothly at NIU. I am really proud to be associated with the whole process because I think we do a good job of due diligence in protecting the assets of the university.

In answer to a query from one of the Trustees, Mr. Albanese stated that, through a recommendation of Controller Keith Jackson, someone was moved from the General Accounting Office to be an assistant to the Controller to do this follow up during the year. So we will be checking with the Procurement Office and Theatre and Dance to make sure they have implemented the suggested procedures. Keith Jackson stated that NIU is working with the Office of the Auditor General to make sure that we are in compliance with the six new governmental accounting standards.

Until we get the student information system up and running, President Peters said, the early withdrawal notification on financial aid may be difficult because a student disappears, and we do not catch it in time. When our new system is up and running, we will be able to track it better.

It is such an administrative burden to try to find students who just do not show up in the timeframe that the government is looking at that it is almost impossible for us to comply with that requirement until we build it into our student information system.

So if they are withdrawing by disappearing, then when we are unaware they have withdrawn. If we do not have a piece of paper from them stating they have withdrawn, our assumption is that they are still registered. Unfortunately, Mr. Jackson said, the government does not take that view. They say that within 30 days of the end of the academic period, we need to have known what the status of that student was, even if they do not come to us and let us know. So we are in a gray area. Unless we actually have physical attendance and know what a student is doing, we have no means of knowing if a student has withdrawn if he has not told us. But the government says we must know. The issue comes back to who is going to share the loss on the loans that the government has issued to students. They want us to reverse the charges while the student is still on our books so that the university would share in that loss as opposed to after the fact when the government is on the hook for a hundred percent of that loan.

I understand that when you change auditors, Trustees Strauss said, it is a circumstance that will likely give rise to findings because they are looking for something different. They have a checklist of things that they are looking to do. Do we have a similar checklist or a procedure in place, as we have regulatory changes which lead to some of these audit findings that are accurately communicated to people so we can translate it into policies beyond protecting the integrity of the financial statements? At some point the financial statements and the results have to be translated into something that becomes a management tool. Also, after you have financial statements that have numbers in them you can believe, how is that translated into management action?

In answer to your second question, Mr. Albanese said, when we come up with our audited financial statements, we start looking at some of the ratios and compare them to other institutions in our category and see where we stack up. We make the information available to other areas, such as Student Affairs, so that they can do their analysis of student data and financial data and see where we are. The concern is that a lot of times you are talking apples and oranges between states because labor costs are different and, therefore, it is a little tough to get the kind of measure you are looking for.

Trustee Strauss's first question dealt with changes in regulations and whether the university has a problem in place that is able to obtain the required information and then follow up with policy. Based on conversations with Dr. Williams, Mr. Albanese said, in the Controller's Office, we have tried to identify a position that is going to be more proactive. In the past, because of personnel and budget issues, we have not been in that position. Now that we are in a little better position to address those issues, we are going to dedicate someone who is going to work directly for Keith to try to be a little ahead of the curve in terms of taking a look at things before the auditors look at them, to make sure we are right where we want to be.



I have been in the business of trying to rationalize our internal and external audit functions, the President said. We have a good process internally now, because Sharon presents findings to me on the routine internal audits. We then bring together a process whereby we close the loop on these things. Sharon just went through a peer review where she brought in auditors who came and looked at her operation. One of the things they suggested, and that I am implementing, is risk assessment. Sharon lets us know proactively if there is an area, based upon her routine audits, that looks like we need to take preventive action. So, I like the fact that we have an internal auditing process, and I can blend the two processes.

Chair Siegel suggested that a presentation be made at the next LAEA Committee meeting on the audit follow-up process, and asked that a written report be given to Trustee Strauss in advance of the meeting.

**Agenda Item 8.d. – Review of Employee Conduct and Accountability Policies**

Recently, the State Offices and Employees Ethics Act has basically reiterated the number of preexisting standards, Dr. Cunningham said. The only thing new with that act was the creation of the Office of the Executive Inspector General as another venue for accountability and investigations. We implemented policies for the ethics act, one of which is the time-keeping issue we discussed earlier. Otherwise the university's policy framework is extensive. Our goal is to integrate the policies at one reference point and then work toward documenting and improving the status of these policies. Keep in mind that we have always taken a position of being at the forefront of ethics issues, Chair Siegel said, and that just documenting them in one reference point, obviously, would be a good thing.

**ADJOURNMENT**

There being no Other Matters, the Chair asked for a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Moser. The motion was approved. The meeting was adjourned at 11:55 a.m.

Respectfully submitted,

Sharon M. Mimms  
Recording Secretary