

March 26, 2010

Members of the Board Audit Committee

Marquita Wiley, Chair
Frank William Bonan II
Keith Sanders
Steve Wigginton

Dear Members of the Audit Committee:

There will be a meeting of the Audit Committee on Thursday, April 8, 2010, immediately following the Academic Matters Committee in the Conference Center, 2nd Floor, of the Delyte W. Morris University Center, Southern Illinois University Edwardsville, Edwardsville, Illinois. The following items have been suggested for the agenda:

1. Approval of the Minutes of the Meetings held April 2 and May 6, 2009 (enclosure).
2. Presentation on sole source purchase orders for professional services (Kevin Bame, SIUC Vice Chancellor for Administration and Finance).
3. Presentation on developing the Audit Plan (Kim Labonte, SIU Executive Director of Audits).
4. FY 09 Annual Audit Report (Kim Labonte, SIU Executive Director of Audits).
5. Other business.

Yours truly,

Duane Stucky
Senior Vice President for Financial and Administrative Affairs
and Board Treasurer

DS/lap

Enclosure

C: Nate Brown
Ed Hightower

John Simmons
Amber Suggs
Roger Tedrick

Glenn Poshard
Samuel Goldman
Vaughn Vandegrift

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Audit Committee Meeting

April 2, 2009

The Audit Committee met following the Academic Matters Committee in the Conference Center, 2nd Floor, of the Delyte W. Morris University Center, Southern Illinois University Edwardsville, Edwardsville, IL. Present were: Marquita Wiley (Chair), Keith Sanders, and Steve Wigginton. Other Board members present were: Frank William Bonan II, Nate Brown, Ed Hightower, John Simmons, Amber Suggs and Roger Tedrick. Executive Officers present were: President Glenn Poshard; Chancellor Samuel Goldman, SIUC; Chancellor Vaughn Vandegrift, SIUE; Vice President for Academic Affairs Paul Sarvela; and Senior Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky.

Minutes

Keith Sanders recommended approval of the minutes of the September 10, 2008, meeting as submitted. The motion was duly seconded and passed by the Committee.

Internal Audit Risk Assessment Report.

Ms. Kim Labonte, Executive Director of Audits, reviewed with the Committee the implementation of a risk-based audit approach to the University's annual audit plan to improve its operations. She reviewed her department's past practice of audit plan development. As a result, Ms. Labonte stated that she was looking to implement a risk-based approach to the audit plan which would consider input from each campus unit and the risk each unit brought to the University. She noted that the approach would seek input from University management and the Board members. Then consideration would be given to the units considered high risk to be placed at the top of the audit plan. Ms. Labonte reviewed with the Committee higher education violation categories of risk from an *EthicsPoint* Whitepaper.

Ms. Labonte noted that she had shared the approach with the President's Office and the Chancellor's Council at SIUE, and it was well received. She noted future plans were to share the approach with the Chancellor's Council at SIUC as well. It was anticipated that the risk assessment would be completed by the end of the fiscal year with anticipation that the 2010 audit plan as it exists could be modified after receipt of the results of the assessment.

Chair Wiley noted that Ms. Labonte was on track with her approach, and she anxiously awaited any updates Ms. Labonte had for the Committee.

Review of Selection Processes for Selected Contractors.

Vice President Stucky reviewed that at the February Board meeting during the public comment portion of the Board agenda a person raised a question about the appropriateness of the processes of selection of two contractors. The first question was regarding the use of the Arthur Agency for Connect SI. The second question was regarding the selection of Dunn/Holland for the construction management services of the stadium and Arena project.

Rex Duncan, Executive Director of Connect SI, reviewed with the Committee the selection process of selecting the Arthur Agency for Connect SI. He noted the process was very competitive and rigorous. He reviewed that a Marketing and Communications Committee was formed to draft a request for proposal (RFP) for a vendor to provide assistance in the development and execution of a marketing and communications strategy and to select the vendor.

Mr. Duncan reviewed the timeline of when the RFP was submitted through the University's Purchasing Department and placed on the State Procurement Website. He noted that the Purchasing Department's RFP process met the minimum requirement of receipt of two proposals. The Committee researched the Arthur Agency proposal further and found that it related much more to the needs of the RFP. Mr. Duncan noted that the second proposal received by Research Associates from New York, New York, related more to the performance of market research.

Dr. Sanders noted that he thought the process went as required and that he saw no evidence of conflict of interest in the Arthur Agency contract.

Kevin Bame, Executive Director of Finance, SIUC, and Phil Gatton, Director of Plant and Services Operations, SIUC, provided information to the Committee regarding the Dunn/Holland contract.

Mr. Bame reviewed with the Committee the following three methods to competitively select vendors under the Illinois Procurement Code: Request for Quote, Request for Proposal, and Quality Based Selection. He noted that a Quality Based Selection process was used in the selection of construction manager for the SIUC athletic facilities. A five-member committee was established to evaluate the proposals with representation from the Physical Plant and Intercollegiate Athletics. Of the seven firms who submitted proposals, the committee unanimously voted to rank Dunn/Holland Construction as the best fit for the University's requirements.

Mr. Gatton reviewed with the Committee the decision to hire and benefits provided by a construction manager. In addition, he provided further details of the selection process performed by many of his staff members.

Mr. Wigginton remarked that he felt explanations were adequately provided for both contracts.

Vice President Stucky reviewed that the Audit Committee had requested a report of Professional and Artistic Services Purchase Orders, and he noted that those were provided to the Board for requisitions above \$20,000. The Vice President stated that he looked forward to working with the Committee in the future to make the report more productive.

Mr. Wigginton stated that during a future Audit Committee, he wished to have Ms. Labonte recommend a plan for Internal Audit to review the sole source no bid professional service contracts. Chair Wiley agreed that she would like to see that in the future due to the number on the report provided that indicated them as sole source contracts.

Other Business.

Ms. Wiley noted that in January the Committee received the Summary of Internal Audit Activity for the period October 1, 2008, through December 31, 2008.

Dr. Sanders noted that he did not find anything in the report that raised any high concerns. He mentioned that perhaps the subject of the White Paper could be an educational opportunity for the Audit Committee members at a future meeting.

There being no further business, the meeting was adjourned.

DS/mdw

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Audit Committee Meeting

May 6, 2009

The Audit Committee met at 2:50 p.m. in the Stone Center Large Dining Room, Carbondale, IL. Present were: Marquita Wiley (Chair) and Keith Sanders (by phone). Absent was: Steve Wigginton. Other Board members present were: Frank William Bonan II (for a portion of the meeting), Nate Brown, Amber Suggs (for a portion of the meeting) and Roger Tedrick. Absent were: Ed Hightower and John Simmons. Executive Officer present was: Senior Vice President for Financial and Administrative Affairs and Board Treasurer Duane Stucky. Others attending were: Dr. Cheryl Anderson, Jerry Blakemore, Jim Clark, Phyleccia Reed Cole, Kim Labonte, Deborah Nelson, Paige Reed, Dr. Peggy Stockdale and Misty Whittington.

Creation of Board of Trustees “Legal and Ethical Conduct Requirements” Section (Section 7) and Amendment to Sexual Harassment Policy [Addition of Section 7 Policies of the Board and Amendments to Section 2 Policies of the Board G, H, I, and J] (Board Agenda Item SS).

Jerry Blakemore stated that a proposed new section in Board Policies would combine matters dealing with legal and ethical conduct; he provided an overview of the process employed for the development of the proposed policy indicating how and why the General Counsel’s Office was involved in the development of the proposed policy. Mr. Blakemore thanked the various parties who contributed to the policy and indicated that the process resulted in improvements of the original draft.

Phyleccia Reed Cole, Jerry Blakemore and Paige Reed spoke on the current sexual harassment policy and its background, the process used for developing the revised policy, and the proposed changes. Marquita Wiley requested an explanation of differences between SIU’s policy and that of the State of Illinois. In response to a question from Roger Tedrick, it was confirmed that contractors, subcontractors and vendors/guests at SIU also must comply with SIU’s and the State’s policies and laws.

Mr. Blakemore and Ms. Cole answered questions from Board members on whether SIUC and SIUE will have uniform procedures, issues on defending potential litigation, and definitions of terms in the proposed policy. They confirmed that both campuses will be governed by the Board Policy, but that each campus would be responsible for the development of implementing procedures for the policy.

Dr. Peggy Stockdale and Dr. Cheryl Anderson, members of the Sexual Harassment Working Group convened by the President, expressed their group’s recommendations that were not included the proposed Policy.

Deborah Nelson, Paige Reed and Phyleccia Reed Cole provided an overview of the policy and addressed questions raised by the various participants, including Dr. Anderson.

Marquita Wiley questioned whether training or orientation sessions with examples could be used instead of incorporating examples in the policy itself. She expressed her preference of moving forward with the proposed policy, with revisions later if needed.

Jerry Blakemore agreed and stated his concerns about further delays in having an updated policy in place, the need for the campuses to begin review and revision of the implementation of policies, and the necessity to expand campus training.

In addition, Mr. Jim Clark indicated that the proposed policy is being considered for IEA action this week and that any changes to the policy would require IEA review and approval. He would also like to see training take place on this subject.

Audit Committee Chair Marquita Wiley indicated that she will move that the full Board take action to adopt the proposed policy and that she would be open to further review and proposed revisions if the training and procedural processes do not adequately address any remaining concerns.

Creation of Board of Trustees Conflict of Interest Policy [Addition of 7 Policies of the Board B] (Board Agenda Item TT).

Jerry Blakemore and Deborah Nelson provided an update of the proposed Conflict of Interest Policy from the last meeting. In response to a question on students/parents voting on tuition and fee matters, Mr. Blakemore stated that there is an exemption for Board members to vote in this instance. General Counsel will work with the Board to determine any potential conflicts of interest.

Lacking a Committee quorum, Audit Committee Chair Marquita Wiley will move the matter forward for Board action.

Other Business.

There being no further business, the meeting was adjourned.

DS/lap