

March 11, 2014

Mr. Dennis Repenning
Chair, Board of Regents
Northern Kentucky University
Highland Heights, KY 41099

Dear Mr. Repenning:

In my letter to you dated September 12, 2013, I indicated that I would provide a status report to the Board of Regents at its March 2014 meeting regarding the University's progress in evaluating and implementing the recommendations Dinsmore & Shohl ("Dinsmore") and Clark Schaefer Hackett ("Clark") made as part of the University's broader investigation and audit following the termination of Scott Eaton's employment.

In order to create a culture where all faculty, staff, and students recognize their ethical obligation to report conduct that may be inappropriate, unethical, unlawful, or contrary to University policy, Dinsmore and Clark recommended the following actions:

1. The Code of Conduct should: (a) include a way for faculty and staff to obtain advice before making decisions that might constitute a violation; (b) include a way for faculty, staff, and students to confidentially report their concerns about potential violations by faculty and staff; (c) designate the University's Compliance Officer as the official within the University's administration to whom concerns or suspicions can be reported; (d) expressly state that faculty and staff who violate the Code of Conduct may be terminated or reported to law enforcement officials; and (e) expressly state that all faculty and staff have an obligation to report conduct that violates the Code of Conduct and that the failure to do so may result in disciplinary action against them.

University update: The University has revised the Code of Conduct, and I will present it for approval to the Board tomorrow. This revision reflects updated language and informs employees of the new requirement to annually acknowledge their understanding and adherence to the Code.

Other elements of this recommendation have already been implemented; these actions include:

- The University will soon launch a new helpline that will allow for confidential reporting;
 - The newly hired Compliance Officer is meeting with stakeholders campus-wide to inform them of her role, her ability to receive complaints, and an employee's duty to report potential violations of the Code; and
 - The University is developing a comprehensive compliance website that will provide an additional resource for faculty, staff, and students to access information regarding compliance and reporting.
2. During the orientation of new faculty and staff, the University should emphasize the importance of adhering to the University's Code of Conduct. This training should include discussions of hypothetical scenarios. All new employees should sign a document indicating that they agree to honor the Code of Conduct.

University update: At every faculty and staff orientation, the General Counsel makes a presentation regarding the importance of adhering to the Code of Conduct, engages in a discussion of hypothetical situations, and informs those in attendance that the legal office has an "open door policy" for discussing and reporting concerns. At future orientations, employees will sign a document indicating that they agree to honor the Code of Conduct.

3. There should be regular training for all current faculty and staff.

University update: Human Resources, Legal Affairs, and the Compliance Officer have identified high priority areas for faculty and staff, and they are evaluating the best options for delivering and tracking this training.

4. All faculty and staff, including the President and senior administrators, should be required annually to acknowledge in writing that: (a) they understand the Code of Conduct; (b) in the preceding year, they have complied with it; and (c) they are not aware of any conduct by other faculty and staff that would constitute a violation.

University update: Every employee will annually affirm their understanding of and adherence to the Code of Conduct through annual electronic distribution and acknowledgement of the Code.

5. Ethics and integrity should be an element in the performance review of every senior administrator, including the President, Vice Presidents, and Academic Deans, as well as every manager.

University update: Ethics and integrity will be a component in the evaluations of senior administrators this year. The University will work to implement this component into all management evaluations for next year.

6. The University should consider moving the Division of Financial and Operational Auditing, which includes Compliance, to report to the Vice President for Legal Affairs and General Counsel. The Director of Financial and Operational Auditing and the Compliance Officer should meet regularly and privately with the President.

University update: Effective January 1, 2014, the Division of Financial and Operational Auditing reports to the Vice President for Legal Affairs and General Counsel. The Compliance Officer reports directly to the Vice President for Legal Affairs and General Counsel as well. Both the Director of Financial and Operational Auditing and the Compliance Officer meet with Sara Sidebottom on a biweekly basis and as needed, and both individuals have a dotted line to the President and the Audit Committee of the Board.

7. The University should consider moving the Office of the Comptroller to report to the Vice President for Planning, Policy, and Budget.

University update: The Budget Office now reports to the Division of Administration and Finance. In order to facilitate implementation of the strategic plan, I decided to move the Budget Office to the Division of Administration and Finance. This change puts the Budget Office and the Comptroller's Office in the same division.

In order to strengthen the University's institutional capacity to prevent, deter, and detect fraud and abuse of procurement cards, Dinsmore and Clark recommended the following actions:

1. The University should reduce the number of faculty and staff who have procurement cards.

University Response: More than 75 cards have been eliminated or restricted to only have the option to purchase on a specific "template" (examples: travel, office supplies, etc.).

Mr. Dennis Repenning
Page Four

2. The University should review and revise the current policy regarding permissible and impermissible uses of the procurement card to make the distinctions clearer and more comprehensive.

University Response: A new cardholder manual has been written and disseminated. This manual was reviewed by Clark Schaefer, and they determined it to be “very comprehensive and inclusive of many of the best practices we [Clark Schaefer] recommended during our analysis of the former policy, as well as some additional items.”

3. The University should conduct periodic training for procurement cardholders and those employees responsible for reconciliation of procurement card purchases.

University Response: Training regarding the new cardholder manual is ongoing, and some individuals will receive specialized training.

4. The University should enforce the requirement that faculty and staff provide documentation that demonstrates that each use of a procurement card was legitimate and permissible under University policy.

University Response: The new cardholder manual enforces this requirement.

5. The University should amend current policies and procedures to segregate organizationally the responsibilities of the procurement card user from the employee who is responsible for reconciling that user's purchases.

University Response: The new cardholder manual accomplishes this recommendation.

6. The University should regularly conduct a critical analysis of procurement card activity to assess whether policies and procedures need to be amended.

University Response: The new procurement card vendor's system provides the University with a comprehensive array of tools to monitor and enforce our procurement card policies and procedures. The University will use this system to conduct regular critical analyses of procurement card use.

I am pleased with the progress the University has made in addressing these important recommendations. If you have questions or concerns, please contact me.

Sincerely,



Geoffrey S. Mearns