

APPROVED BY THE
COMMITTEE

NOV 02 2015

Susan Miller
SECRETARY OF THE BOARD

MEETING OF THE AUDIT, BUDGET, FINANCE, AND FACILITIES COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS
AUGUST 31, 2015

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, August 31, 2015, at 1:00 p.m., in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana campus, Urbana, Illinois. Attendance via videoconference was available in Room 270, College of Pharmacy, 833 South Wood Street, Chicago campus, Chicago, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield campus, Springfield, Illinois.

Trustee Edward L. McMillan, chair of the committee, convened the meeting and asked the clerk to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Lester H. McKeever Jr., treasurer; Mr. Edward L. McMillan; Mr. James D. Montgomery. The following student trustees were present: Mr. Dominique Wilson, voting student trustee, Springfield campus; Mr. Jaylin D. McClinton¹, Urbana campus. Mr. Jauwan Hall, student trustee from the Chicago campus, was absent. President Timothy L. Killeen was present.

¹ Mr. McClinton arrived at 1:08 p.m.

Also in attendance were Dr. Barbara J. Wilson, acting chancellor, Urbana campus, and vice president, University of Illinois; Dr. Christophe Pierre, vice president for academic affairs; Mr. Walter K. Knorr, comptroller (and vice president/chief financial officer); Dr. Lawrence B. Schook, vice president for research; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University. Attached is a listing of other staff members and some members of the media in attendance at this meeting.

PRESENTATIONS AND REVIEW OF RECOMMENDED BOARD ITEMS
FOR THE MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF ILLINOIS ON SEPTEMBER 10, 2015

Mr. McMillan asked certain individuals in attendance to provide presentations and report on the items that will appear on the Board's agenda at its meeting on September 10, 2015. All proposed agenda items discussed at the meeting are on file with the clerk.

Academic and Administrative Appointments for Contract Year 2015-2016

Mr. McMillan asked Dr. Pierre to provide information on the recommended academic and administrative appointments for contract year 2015-2016. Dr. Pierre told the committee that while the Fiscal Year 2016 Budget Summary for Operations ("Orange Book") and preliminary Fiscal Year 2017 Budget Request ("Green Book") are on hold due to the State's budget stalemate and lack of a Fiscal Year 2016 State appropriation, the recommended Academic and Administrative Appointments for Contract Year 2015-16 ("Gray Book") must go to the Board for approval. He said that a salary program for

employees is on hold, and he described situations in which a salary adjustment may be reflected in the recommend appointments item. There were no questions or comments regarding this recommendation.

Capital and Real Estate Items

Mr. McMillan then asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to provide background information on recommended capital and real estate items appearing on the Board's agenda at its September 10, 2015, meeting. Mr. Bass first commented on the proposed Design Center facility at Urbana. He told the committee that the project will be at least 50 percent funded by gifts, which he said impacts the procurement processes. Mr. Bass provided some additional information about the project and its anticipated completion date.

Mr. Bass then discussed the recommendation to increase the project budget and amend the professional services consultant contract for gas boiler replacement at the Abbott Power Plant, Urbana. He described the reasons for the proposed increase and said that the original scope of the project included the replacement of one boiler, with an additional boiler to be replaced at a later date. Mr. Bass explained that installing both boilers at the same time provides a capital cost savings and increased efficiencies. Brief discussion followed regarding details of the project and location of the boilers.

Next, Mr. Bass provided information on the recommendation to increase the project budget for the renovation of the Natural History Building at Urbana. He discussed the history of the project, its scope, and the cost.

Mr. Bass then reported on the recommendation to increase the project budget for upgrade and expansion at the Educational Laboratory, Talbot Laboratory, Urbana. He stated that the original project budget fell below the threshold requiring Board approval of the project, and he gave details on the project and its scope.

Committee members discussed budget and projected costs, and Mr. Bass and Mr. Cepeda agreed to have a more detailed discussion regarding the budget process at a later date. Mr. McMillan also commented on the process of establishing a budget for University projects.

President Killeen commented on the proposed Design Center facility at Urbana and said this will become a famous and highly visible space on campus that will provide an environment for student-led problem solving and multidisciplinary collaborations.

Purchase Recommendations

Next, Mr. McMillan asked Mr. Richard D. Elmore, assistant vice president for procurement services, to report on purchase recommendations. Mr. Elmore discussed the recommendation to purchase a capital project management system for the Office of Capital Programs and Real Estate Services and said the use of this software would allow for increased functionality, as well as other benefits. Discussion followed regarding the advantages of using a capital project management system, including condensed time and simplification of processes. Mr. Elmore then reported on the purchase of a power management control system for the Abbott Power Plant at Urbana, and he described the

function of the system and its benefits. Committee members and Mr. Elmore discussed the bidding process and low number of responsive bids. Next, Mr. Elmore provided information on the recommended purchase of charter flight services for the men's and women's basketball teams at Urbana. He said the cost is higher than it was last season and discussed the reasons for the increase. Mr. Elmore then reported on the recommended purchase of pharmaceutical drug products on an as-needed basis for the ambulatory care pharmacy in the University of Illinois Hospital and Health Sciences System and gave justification for the sole-source purchase. Discussion followed regarding the estimated cost and the use of the vendor's specialized software.

There were no objections to the recommended purchases going forward to the full Board for voting.

Office of University Audits Fourth Quarter and Annual Report

Mr. McMillan then asked Ms. Julie A. Zemaitis, executive director of University audits, to give a fourth quarter and annual report for the year ended June 30, 2015 (materials on file with the clerk). Ms. Zemaitis presented the audit plan completion status for Fiscal Year 2015 and noted an increase in hours spent on special projects. She showed direct audit hours by type of project and by campus or area in Fiscal Year 2014 and Fiscal Year 2015, and she presented the Fiscal Year 2015 productivity rate and compared this to peer groups. She then showed Fiscal Year 2015 personnel expenditures and said that this does not include the salary of one health-care auditor. She then presented nonpersonnel expenditures and emphasized the importance of required training and skills development.

Next, Ms. Zemaitis discussed audit report findings from July 1, 2014, through June 30, 2015, by high and moderate risk or priority. She noted a decrease in issues related to information technology and an increase in recommendations in areas related to finance, and she indicated there may be some opportunities for training. She presented the implementation of audit recommendations for Fiscal Year 2015 and said that the number of recommendations withdrawn or not implemented is higher than in previous years due in part to a new follow-up process. She showed the risk or priority rating of all open audit recommendations and the aging of outstanding recommendations by management's original implementation date. Ms. Zemaitis also presented high risk audit recommendations with management's original implementation dates of Fiscal Year 2014 and prior and said that this number has decreased from 107 to 32. She discussed the status of high risk open audit recommendations with management's original implementation dates of Fiscal year 2014 and prior. Mr. McMillan commented on staffing and the importance of being as adequately staffed as possible. Mr. McKeever also expressed concern regarding staffing.

Health Insurance Coverage

Mr. Knorr referred to Patient Protection and Affordable Care Act (PPACA) requirements and said that effective January 1, 2016, PPACA requires that large employers offer insurance to at least 95 percent of their employees who qualify as full time under PACCA. He said that there are 2,300 employees at the University who qualify as full time under PPACA but are not eligible for group health insurance provided through the

State of Illinois Department of Central Management Services. He said that the rates for this coverage resulted from an emergency procurement led by the Illinois Public Higher Education Cooperative (IPHEC) and are consistent with the rates and coverage offered to the other state universities in Illinois. Mr. Knorr discussed the potential cost to the University and said this recommended purchase will appear as part of the recommended purchases item that will appear on the Board's agenda at its September 10, 2015, meeting. Brief discussion followed regarding the cost and procurement process.

Legislative, Budget, and Financial Updates

Next, Mr. Knorr provided a legislative, budget, and financial update. He referred to the State budget impasse and discussed Monetary Award Program (MAP) funding, the Fiscal Year 2015 receivable, and Medicaid payments. Mr. Knorr commented on the University's credit rating and the impact of the stock market's performance on the University endowment.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. McMillan announced that the next meeting is scheduled for Monday, November 2, 2015, at 1:00 p.m.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Mr. Montgomery, the meeting adjourned at 2:02 p.m. There were no "nay" votes.

Respectfully submitted,



SUSAN M. KIES
Clerk



EDWARD L. McMILLAN
Chair



EILEEN B. CABLE
Assistant Clerk