

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

MAY 20, 2020

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held via teleconference¹ on Wednesday, May 20, 2020, at 12:30 p.m.

Trustee Ramón Cepeda, chair of the committee, convened the meeting and asked the secretary-designate to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Donald J. Edwards; Dr. Stuart C. King; Mr. Lester H. McKeever Jr., treasurer; Mr. Trayshawn M. W. Mitchell, voting student trustee, Urbana. Mr. Ricardo Estrada; Ms. Naomi Jakobsson;² Mr. Edward L. McMillan; Ms. Jill B. Smart; and Ms. Rosie Dawoud, student trustee, Springfield, attended as guests.

Also present were President Timothy L. Killeen; Dr. Barbara J. Wilson, executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois at Urbana-Champaign, and vice president, University of Illinois; Dr. Michael D. Amiridis, chancellor, University of Illinois at Chicago, and vice president, University of Illinois; Dr. Susan J. Koch, chancellor, University of Illinois at Springfield, and vice president, University of Illinois; Dr. Avijit Ghosh, comptroller (and

¹ Per Governor J. B. Pritzker's Executive Order 2020-33.

² Ms. Jakobsson arrived at 12:36 p.m.

vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University; and Mr. Gregory J. Knott, secretary-designate 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.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held March 2, 2020. On motion of Mr. McKeever, seconded by Mr. Edwards, the minutes were approved. There were no “nay” votes.

PRESENTATIONS AND REVIEW OF RECOMMENDED BOARD ITEMS
FOR THE MEETING OF THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF ILLINOIS ON MAY 21, 2020

Mr. Cepeda 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 May 21, 2020. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve Preliminary Operating Budget for Fiscal Year 2021

Mr. Cepeda asked Dr. Ghosh to report on the recommendation to approve the preliminary operating budget for Fiscal Year 2021. Dr. Ghosh explained that the actions of the State, including a determination of the State appropriation, will conclude after the last Board meeting of this fiscal year. He said this process of approving a preliminary operating budget is necessary because it enables the University to continue to pay its bills. Dr. Ghosh told the committee that the final budget, which will reflect the impact of the

coronavirus pandemic, will be brought to the Board at a later date. He said departments have been asked to identify cost-cutting measures where possible.

Appoint Chief Internal Auditor

Dr. Ghosh then discussed the recommendation to appoint Ms. Julie A. Zemaitis, executive director, Office of University Audits, for a five-year term as chief internal auditor beginning July 1, 2020. He said her last academic professional appointment for a five-year term was approved by the Board at its May 7, 2015, meeting and expires on June 30, 2020.

Resolution Supporting Request for Cook County Community Development Block Grant to Fund Law School Clinic, Chicago

Next, Dr. Ghosh reported on the resolution supporting the University's application for a Cook County Community Development Block Grant in the amount of \$49,725 to provide salary support for a staff attorney in the Community Enterprise and Solidarity Economy Clinic (CESEC) at the UIC John Marshall Law School. He described the role of the CESEC in training law students in the practice of business and transactional law while providing legal services to low- and moderate-income individuals and communities.

Amend Twenty-Fifth Supplemental System Revenue Bond Resolution Authorizing Issuance of Auxiliary Facilities System Revenue Bonds and Approve Delegation of Authority to the Comptroller to Fund a New Project and Refund Auxiliary Facilities System Revenue Bonds

Dr. Ghosh discussed the recommendation to amend the Twenty-Fifth Supplemental System Revenue Bond Resolution to increase the maximum allowable amount of bonds to be issued from \$91,785,000 in principal to \$180,000,000. He explained this would allow for the possibility of refunding and/or restructuring additional series of outstanding bonds if market conditions are advantageous. Dr. Ghosh said in no event would the aggregate principal amount of the refunding issue exceed \$156,000,000. He provided additional information about the process for the sale of bonds. Dr. Ghosh said this item requests Board approval for the increase in the amount of bonds to be considered for issuance and for delegation of authority to the comptroller to take relevant necessary steps. Mr. McKeever clarified that the maximum amount for refunding is \$156,000,000. Dr. Ghosh confirmed this and said it is for potential new projects.

Capital and Real Estate Items

Next, Dr. Ghosh provided information on the recommendation to approve the design for the renovation of Altgeld Hall and replacement of Illini Hall at Urbana. He said these are two of the highest priority projects in the university's long-term capital plan, and he gave an overview of the projects' impact, scope, timeline, and funding. He introduced Mr. Robert Benson, design principal with Cannon Design Inc., to give a design presentation.

Mr. Benson showed the project location and presented floor plans and building sections for the renovation at Altgeld Hall. He described areas that will be restored and showed an aerial view featuring Altgeld Hall and the new Illini Hall. He then presented a series of views from various perspectives and highlighted the Discovery

Partners Institute/Data Science Commons area and the Math/Stats Commons area, which provide areas for collaboration. He reported that Altgeld Hall is pursuing LEED Silver designation and the new Illini Hall is pursuing LEED Platinum.

Mr. Cepeda thanked Mr. Benson for the presentation and asked if committee members had any questions. Dr. King asked if there are any plans that pertain to the Altgeld Hall bell tower, and Mr. Benson stated that some structural work will be done to strengthen and preserve the tower. Mr. Cepeda inquired about a timeline, and Mr. Benson said it will be phased, stating that he would provide him with a detailed timeline after the meeting. Mr. McMillan commented on the different style of the new Illini Hall and its proximity to Altgeld Hall, one of the oldest and most iconic buildings on campus. Mr. Benson indicated a very different style was chosen as not to compete with Altgeld Hall, and he described design features of Illini Hall that will act as a transition between the buildings. Mr. Edwards and Dr. Ghosh discussed financing for the project and the handling of cost overruns.

President Killeen remarked that this is a special project and is critically important, and he complimented Dr. Jones and his team on the work and time spent getting to this phase. He noted he is also proud of the commitment to sustainability for this project. Dr. Jones thanked President Killeen and said that many constituents were engaged throughout this process. Dr. Jones thanked Dr. Andreas C. Cangellaris, vice chancellor for academic affairs and provost, Urbana, for his efforts. Dr. Jones added that the new Illini Hall has to be spectacular to reflect the phenomenal work that takes place

inside it. President Killeen thanked the committee for reviewing the proposed design, and Mr. Cepeda remarked on the statement that will be made by the new building.

Purchase Recommendations

Mr. Cepeda then asked Mr. Michael B. Bass, special advisor to the president, to report on purchase recommendations. Mr. Bass provided information about the recommendation to purchase a digital nuclear magnetic resonance (NMR) spectrometer system for the School of Chemical Sciences at Urbana. He explained this is a sole-source purchase because the items are required for research and no other source is able to meet the researcher's documented need. Mr. Bass provided additional information about the purchase and the ways in which it will benefit the department.

Mr. Bass then discussed the recommended purchase and delivery of paratransit buses for Disability Resources and Educational Services (DRES) at Urbana. He said competitive bidding procedures were followed in accordance with the Illinois Procurement Code, and he told the committee that the vendor will provide five new, unused paratransit buses with the capacity to transport a maximum of 23 passengers per bus. Mr. Bass said the buses will transport students with physical and temporary disabilities to and from campus buildings from classes and other University functions, and he referred to an increased need for paratransit buses due to increased enrollment of students with physical and temporary disabilities. He said the buses currently in service were not designed to hold many students with temporary disabilities and are not well equipped to handle users in manual chairs.

Mr. Michael B. Zenn, chief medical officer, University of Illinois Hospital and Clinics, reported on the recommended purchases for UI Health and noted that the recommended purchase of spinal implants and ancillaries was pulled from the agenda. Mr. Zenn then discussed the recommended purchase of temporary staffing for registered nurses, licensed practical nurses, radiology technicians, laboratory technicians, certified nursing assistants, environmental services staff, and medical technologists. He noted that additional temporary staff is needed to fill vacancies, respond to the COVID-19 disaster, and augment the current staff during the implementation of Epic in September 2020. He reported that the estimated cost is \$20.0 million. Mr. Cepeda and Mr. Edwards inquired about the breakdown of this cost, and Mr. Zenn explained that UI Health pays about \$7.0 million to \$8.0 million per year to this vendor on average to assist with staffing needs. He said there is an increased need for backup to cover staff being trained for the implementation of Epic, and about \$10.0 million would cover staff needed to respond to the COVID-19 pandemic.

Next, Mr. Bass reported on the recommended purchase of maintenance for the Banner Baseline ERP software from Ellucian Company LP and explained this is a sole-source purchase because the items are proprietary to Ellucian, and no other vendor has the rights to access the source code and provide support and maintenance on the software. He explained that Banner Baseline ERP software is the system of record for the University system, and a Banner system failure would have a dramatic impact throughout the University.

Mr. Bass then provided information on the recommended purchase of a student accident and illness insurance plan from Academic Health Plans for Springfield. He stated there were four responsive bidders, and he described the evaluation of bids. Mr. Bass said the negotiation of a best and final offer resulted in a savings of \$65,000.

Mr. Estrada inquired about the use of Minority and Female Business Enterprise (MAFBE) and Business Enterprise Program (BEP) vendors. A discussion followed about the implications of sole-source purchases and potential approaches to increase minority participation rates. Mr. Bass indicated he would follow up with a report.

Next, Mr. Bass reported on recommended renewals. He provided information on the recommended renewal option for student health insurance and routine administrative services from United Healthcare for auxiliary services at Urbana. Mr. Bass said this is the fifth of eight renewal options. He told the committee that 20 firms downloaded the Request for Proposal (RFP), six proposals were submitted, and three were considered. He said that while this renewal option includes a rate increase of 20 percent, it is not advisable to get a new solicitation because of potential price increases.

Mr. Bass discussed the renewal option for marketing and delivery services for large-scale, low-cost online degree programs from Coursera Inc. and explained this is the second of two renewals. He said this is a sole-source purchase because it is a proprietary learning management system that is unique in its ability to offer large scale, high-quality online degree programs at a much lower cost than comparable conventional

programs. He said it provides significant economies of scale and has no direct comparison or competitors.

Mr. Bass then reported on the recommended renewal option for the purchase of maintenance and repair work for equipment at the Utilities Production Plants and said this will exercise the third of four renewal options. He said this renewal option would authorize the expenditure to the five vendors listed in the item and will be used on an as-needed basis.

Mr. Zenn discussed the recommended renewal of pharmaceutical wholesale distributor services from McKesson Corporation to support the University of Illinois Hospital and Health Sciences System, Ambulatory Care Pharmacies, and Hospital outpatient clinics and retail pharmacies. He said this is the first of three two-year renewals with an estimated cost of \$219,708,342. Mr. Zenn noted that McKesson provides discounted pricing for 340B pharmaceutical products at Disproportionate Share Hospitals (DSH) and Federally Qualified Health Centers (FQHC). He said the award also provides non-340B and specialty drugs at wholesale pricing. Mr. Zenn told the committee that the overall projected BEP participation goal is set at 1 percent, noting that opportunities to increase minority participation rates among pharmaceutical companies are almost nonexistent. He said a new RFP is in the process of being developed. Mr. McKeever remarked on the 1 percent BEP goal and said it would be preferable to list a BEP goal of 20 percent and issue a waiver if needed, and he commented on the perception of listing a BEP goal of 1 percent. He said that greater efforts must be made to eliminate inequalities and that the issue should be taken more seriously. Mr. Zenn

indicated that the RFP will include a goal of at least 10 percent. Additional discussion followed regarding the volume of wholesale distributor services needed to support the University of Illinois Hospital and Health Sciences System and the lack of BEP-certified pharmaceutical companies. Mr. Zenn stated that the 1 percent is the calculation rather than the aspiration. Mr. McKeever asked to discuss the issue with Mr. Zenn later to gain a better understanding and urged the University to be conscious of perception. Mr. Cepeda agreed and said this is a follow-up item for Mr. Zenn. Dr. Amiridis told the committee that this contract did include a 10 percent BEP participation rate requirement that could not be met, and that a renewal is necessary at this time because of the lengthy RFP process.

Next, Mr. Zenn reported on the recommended contract renewal to provide medical courier services to the University of Illinois Hospital and Health Sciences System Reference Laboratory and said that the vendor is the only known firm that can provide specimen medical courier services to all required 529 locations throughout Illinois and surrounding areas. He said that the vendor requested a waiver of the BEP goal and noted that at the time of award there was no requirement for inclusion of a utilization plan.

Mr. Zenn then discussed the recommended change order to increase existing contracts for the implementation of the 3i initiative due to extending the Epic go-live date amid the coronavirus pandemic. He said an increase of \$4,497,087 is required to continue implementation, which was postponed by four months. He described the rationale for the increase and types of services included in the cost and said that the

delayed implementation and need for extended consultant services could not have been predicted. He stated the award included a 20 percent BEP goal and a 3 percent veterans goal, which would be applicable to this increase.

Fiscal Year 2019 Compliance Audit

At 2:03 p.m., Dr. Ghosh reported on the Fiscal Year 2019 Compliance Audit. He told the committee that the independent audit was conducted on behalf of the Illinois Auditor General was released earlier this year after an 11-month audit engagement. He said the University received an unmodified opinion with no material weaknesses identified, and that the audit results reflect the continued attention paid to internal control processes. Dr. Ghosh referred to a decrease in the number of findings and noted only one of the 12 was new this year. He cited the high volume of transactions at the University and said most findings are the result of small human errors. Dr. Ghosh emphasized the decline in findings and complimented University staff for their dedication to strengthening internal control processes.

Summary of Internal Audit Activity through Third Quarter Ended March 31, 2020

Next, Ms. Zemaitis gave a summary of internal audit activity through the third quarter ended March 31, 2020. Ms. Zemaitis began her report by noting that the focus of the office shifted due to the coronavirus pandemic in mid-March. She said priorities were reset for the team and that they instead offered their assistance and expertise where needed throughout the University. Ms. Zemaitis told the committee that auditing

standards dictate that auditors may perform critical non-auditing duties during a crisis to serve the needs of the organization, and she gave examples of the ways in which members of the team were able to provide assistance. She said that audits are continuing and that the audit plan is progressing, with one audit deferred due to COVID-19. Ms. Zemaitis then gave an update on the number of projects that have been completed, in progress, or not started by the end of the third quarter and as of today. She said seven new projects have been added since the end of the third quarter, most of which are related to COVID-19. Ms. Zemaitis referred to next year's audit plan and said it includes a higher number of unplanned hours to allow for flexibility to respond to issues that may arise in the coming months. She emphasized that the plan should include a longer-term strategic focus in support of the Strategic Framework, and she told the committee that next year's audit plan will be presented to the committee in July.

Mr. McKeever congratulated Ms. Zemaitis on her reappointment as chief internal auditor and said she has done a wonderful job in this role. Mr. McMillan and Mr. Cepeda echoed these comments. President Killeen agreed and remarked that the audit progress reflects a great deal of work by many people. He also acknowledged the comments made earlier in the meeting by Mr. McKeever regarding the contract renewal with McKesson Corporation and said the procurement issues he raised will be carefully analyzed.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda if there was any new business, and there was none.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, July 13, 2020, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Mr. Edwards, the meeting adjourned at 2:12 p.m. There were no “nay” votes.

Respectfully submitted,

DEDRA M. WILLIAMS
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary