

APPROVED BY THE  
COMMITTEE

JUL 13 2015

*S. M. C.*

SECRETARY OF THE BOARD

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

APRIL 27, 2015

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, April 27, 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 Building, 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<sup>1</sup>. President Robert A. Easter was present.

Also in attendance were President-designate Timothy L. Killeen; 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

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<sup>1</sup> Mr. Montgomery participated via telephone beginning at 1:11 p.m.

research; Mr. Thomas R. Bearrows, University counsel; and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University. Dr. Kies welcomed Mr. Dominique Wilson, student trustee from the Springfield campus whose term begins on July 1, 2015. Attached is a listing of other staff members and some members of the media in attendance at this meeting.

Mr. McMillan welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held March 2, 2015. On motion of Mr. McKeever, seconded by Mr. Cepeda, 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 7, 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 May 7, 2015. All proposed agenda items discussed at the meeting are on file with the clerk.

Preliminary Operating Budget for Fiscal Year 2016

Mr. McMillan asked Mr. Knorr to discuss the agenda item recommending a preliminary operating budget for Fiscal Year 2015. Mr. Knorr 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 and said this is a continuation of the budget from the previous

year to enable the University to continue to pay its bills. He said that this process has been used for many years and fulfills a statutory requirement.

#### University of Illinois at Urbana-Champaign Everitt Laboratory Renovation

Next, Mr. Geoff Lisle, managing principal at BSA LifeStructures, made a presentation on the proposed renovation of Everitt Laboratory at Urbana (materials on file with the clerk). Mr. Lisle reviewed the project team and presented the goals and plans for use of the renovated space. He highlighted other aspects of the project and presented an overview of the site, exterior renderings, and elevations. Mr. Lisle then showed a building section and discussed changes to allow for increased accessibility, and he presented plans for each floor, including the planned use for each. Brief discussion followed, and Mr. Lisle provided information regarding the anticipated completion date, budget, and design.

#### Capital and Real Estate

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 May 7, 2015, meeting. Mr. Bass first commented on the recommendation to increase the project budget and approve the design for Everitt Laboratory at Urbana. He stated that the project was approved by the Board in

March 2014, and he briefly discussed the proposed budget increase, funding, and anticipated timeline for the renovation.

Next, Mr. Bass reported on the proposed naming of the newly constructed residence hall at the Stanley O. Ikenberry Commons at Urbana as Wassaja Hall. He referred to efforts to select iconic names for buildings at the University and said Wassaja Hall would commemorate Wassaja (Carlos Montezuma), the first Native American to graduate from the University and one of the first to earn a medical degree.

Mr. Bass then discussed the proposed Phase II project for infrastructure and life safety repairs at Smith Memorial Hall at Urbana. He described the work included in this recommendation and reported on the budget, funding, and schedule. Brief discussion followed regarding the implications of the building's designation on the national register of historic places.

Next, Mr. Bass provided information on the proposed project for restroom renovation, Phase II, Pennsylvania Residence Halls, Urbana. He stated that Phase I of the project is underway and that Phase II will complete the project and address needs identified in a restroom renovation feasibility study. He reported on funding and the anticipated schedule for the project.

Mr. Bass then reported on the recommendation to employ a professional services consultant for the pool infill renovation at Freer Hall at Urbana. He stated that LCM Architects is being recommended, and he provided the rate of Minority and Female Business Enterprise (MAFBE) participation.

Mr. Bass also discussed the recommendation to employ a professional services consultant for required professional services for renovation and expansion at the Civil Engineering Hydrosystems Laboratory at Urbana. He said that Gorski Reifsteck Architects of Champaign is being recommended, and he reviewed MAFBE participation rates.

Lastly, Mr. Bass reported on the recommendation to approve the project to replace the cooling tower at the East Cogeneration Facility at Chicago. He reviewed funding and stated that this is a significant need due to the age of the cooling tower.

#### Purchase Recommendations

At 1:29 p.m., Mr. McMillan asked Mr. Richard D. Elmore, assistant vice president for procurement services, to report on purchase recommendations. Mr. Elmore provided information on the proposed purchase of Oracle software maintenance and support for Administrative Information Technology Services (AITS) at Urbana. He stated that this is a justifiable sole source purchase and discussed the University-wide systems that rely on this software. He also provided information on aspects of the proposed contract, including cost.

Mr. Elmore then presented a proposed renewal option for the purchase of reagents for DNA analyzer systems for the Roy J. Carver Biotechnology Center at Urbana. He discussed this sole source purchase and said it is used in the sequencing of DNA.

Next, Mr. Elmore reported on the proposed renewal option for the purchase of Centrex-based telephony services for all three campuses. He stated that while all three campuses are moving to VoIP-based (Voice over Internet Protocol) telephony services, traditional, Centrex-based telephony services are needed until this transition is complete, noting that services that support life safety will continue to utilize traditional telephony solutions. Brief discussion followed regarding vendors, and Mr. Elmore indicated that AT&T is the predominant vendor in this field.

Mr. Elmore then discussed the proposed renewal option for janitorial supplies and products to be used by all units across the University on an as-needed basis. He stated that these items accounted for 80 percent of the University's spend on janitorial supplies and products last fiscal year and that it is estimated that this will save the University \$1.0 million over the life of the renewal. He also reported on the utilization of MAFBE-owned firms by this vendor to provide delivery and subcontracting of janitorial supplies.

Next, Mr. Elmore provided information on the proposed renewal option for the purchase of da Vinci Surgical Robotic instruments and disposables for utilizing the da Vinci robot. He stated this is a sole-source purchase. Mr. Montgomery inquired about negative outcomes using the da Vinci robot, and President Easter responded that this renewal option was also discussed at the meeting of the University Healthcare System Committee. President Easter indicated that it was reported that there are some instances where the use of the robot is useful and said the minutes from that meeting would be shared with members of this committee.

Lastly, Mr. Elmore reported on the recommended renewal option for the purchase of human organs, including tissue and histocompatibility testing for accredited programs on an as-needed basis for the University of Illinois Hospital and Health Sciences System. Mr. Elmore stated that the vendor, Gift of Hope Organ & Tissue Donor Network Inc., is the only certified vendor in northern and central Illinois.

#### Appoint External Audit Firm for Five University-Related Organizations

At 1:41 p.m., Mr. McMillan asked Mr. Patrick M. Patterson, controller and senior assistant vice president, to provide information on the recommendation to appoint an external audit firm for five University-related organizations. Mr. Patterson stated that a request for proposal was issued and that a firm has been identified to conduct annual audits beginning with Fiscal Year 2015 for Illinois VENTURES, LLC; Prairieland Energy, Inc.; UI Singapore Research, LLC; University of Illinois Research Park, LLC; and Wolcott, Wood and Taylor, Inc. Mr. Patterson discussed the cost savings and stated that the selected firm worked with the University several years ago.

There were no additional comments or questions regarding the items listed above, and Mr. McMillan stated that all would be forwarded to the full Board.

#### Fiscal Year 2014 State and Federal Compliance Audit Summary Report

At 1:41 p.m., Mr. McMillan asked Mr. Bass to give the Fiscal Year 2014 State and Federal Compliance Audit Summary Report (materials on file with the clerk). Mr. Bass

stated that the Illinois Office of the Auditor General has contracted with KPMG to conduct annual audits of the University for the past six years, and that a new firm will be selected for the next six-year cycle. He reviewed details of the federal findings and reported that the University received unmodified opinions for all major programs. Mr. McKeever stated that he hoped the increase in findings from the previous year is not a trend, and Mr. Bass indicated he would provide additional information regarding the findings. Mr. Bass commented on the federal compliance findings and referred to cross-agency methodologies for resolving repeat findings. He then discussed State compliance findings and provided details regarding each. Mr. McMillan expressed frustration regarding the repeat findings. Mr. Bass commented on purchase card issues and liability.

#### Legislative, Audit, Budget, and Financial Updates

Next, Mr. McMillan asked Mr. Knorr to provide legislative, audit, budget, and financial updates. Mr. Knorr referred to the recommendation to reappoint Ms. Julie A. Zemaitis as chief internal auditor for a five-year appointment and explained that the appointment of an internal auditor to a five-year term is a statutory requirement. He stated that this recommendation was discussed at the meeting of the Governance, Personnel, and Ethics Committee. Mr. Knorr then informed the committee that Larson Allen has been selected by the Illinois Auditor General to conduct external audits for the University. He reported on the State appropriation and pension issues, and he referred to the rescission and budget shortfall. Mr. Knorr listed State grants that have been suspended and expressed concern regarding funding for capital projects, noting that additional reductions are possible. He stated that the

University is responding to requests for information from the State regarding personnel and other areas, and he mentioned house and senate appropriations hearings that occurred in March. He also referred to a compensation hearing for higher education.

#### MOTION FOR EXECUTIVE SESSION

At 1:55 p.m., Mr. McMillan stated that a motion was in order to convene an executive session to consider the discussion of minutes of meetings lawfully closed under the Open Meetings Act. On motion of Mr. McKeever, seconded by Mr. Montgomery, this motion was approved. There were no “nay” votes.

#### EXECUTIVE SESSION

Mr. McMillan convened this executive session at 1:57 p.m. All committee members were present. Also present were Mr. Thomas R. Bearrows, University counsel, and Dr. Susan M. Kies, secretary of the Board of Trustees and of the University.

#### **Discussion of Minutes of Meetings Lawfully Closed Under the Open Meetings Act**

Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the Act must, at least every six months, be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. Dr. Kies reported that she and Mr. Bearrows reviewed all sequestered items considered in executive session during meetings of the

Audit, Budget, Finance, and Facilities Committee and recommend that one matter discussed in executive session during the November 3, 2014, meeting be made available to the public. Dr. Kies said this portion concerns the discussion of minutes lawfully closed under the Open Meetings Act, and that she and Mr. Bearrows recommend that all other matters continue to be sequestered. Dr. Kies outlined the topics discussed in the executive sessions that will continue to be sequestered. There were no additional comments or concerns expressed regarding this recommendation.

#### EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 1:59 p.m.

#### AGENDA

At 2:00 p.m., the open session resumed. Mr. McMillan stated that there was one agenda item requiring action by the committee, and Dr. Kies read aloud the title of the item, "Disclose Certain Minutes of Executive Sessions Pursuant to the Open Meetings Act." The committee agreed that one roll call vote would be taken and considered the vote on the agenda item as listed below.

#### Disclose Certain Minutes of Executive Sessions Pursuant to Open Meetings Act

- (1) Under the Open Meetings Act passed by the General Assembly, public bodies subject to the Act that conduct business under exceptions specified in the Act

must, at least every six months, determine whether the need for confidentiality still exists with respect to each item considered under such exception.

An item from May 2012 through November 2014 that has been heretofore unreleased is recommended for release at this time.

The University Counsel and the Secretary of the Board, having consulted with appropriate University officers, recommends that the following matter considered in executive session for the time period above be made available to the public at this time.

The committee action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.

### **Executive Session Minutes Released to Public**

#### **November 3, 2014, Audit, Budget, Finance, and Facilities Committee**

Mr. McMillan convened this executive session at 2:47 p.m. All committee members were present. Also present were President Robert A. Easter; Dr. Phyllis M. Wise, chancellor, Urbana campus, and vice president, University of Illinois; Mr. Thomas R. Bearrows, University counsel; Dr. Susan M. Kies, secretary of the Board of Trustees and of the University; and Ms. Julie A. Zemaitis, executive director of University audits.

**Discussion of Minutes of Meetings Lawfully  
Closed Under the Open Meetings Act**

Dr. Kies stated that the Open Meetings Act requires that minutes from business conducted under exceptions specified in the act must, at least every six months, be reviewed to determine whether the need for confidentiality still exists with respect to each item considered under such exception. She reported that she and Mr. Bearrows reviewed all sequestered items and recommend that one matter discussed in executive session during the meeting on May 5, 2014, be made available to the public, and that all other matters continue to be sequestered. There were no questions or comments regarding this recommendation.

On motion of Mr. Montgomery, seconded by Mr. McKeever, this recommendation was approved by the following vote: Aye, Mr. Cepeda, Mr. McKeever, Mr. McMillan, Mr. Montgomery; No, none.

OLD BUSINESS

There was no business presented under this aegis.


NEW BUSINESS

Mr. McMillan announced that the next meeting is scheduled for Monday, July 13, 2015, at 1:00 p.m.

MEETING ADJOURNED

On motion of Mr. Montgomery, seconded by Mr. McKeever, the meeting adjourned at 2:01 p.m. There were no "nay" votes.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Susan M. Kies".

SUSAN M. KIES  
*Clerk*

A handwritten signature in blue ink, appearing to read "Edward L. McMillan".

EDWARD L. MCMILLAN  
*Chair*

A handwritten signature in blue ink, appearing to read "Eileen B. Cable".

EILEEN B. CABLE  
*Assistant Clerk*

