

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

MAY 6, 2019

This meeting of the Audit, Budget, Finance, and Facilities Committee was held on Monday, May 6, 2019, at 3:00 p.m., in Room 414, Administrative Office Building, 1737 West Polk Street, Chicago, Illinois. Attendance via videoconference was available in Room 1030, National Center for Supercomputing Applications, 1205 West Clark Street, Urbana, Illinois; and the Hatmaker Room, Room 550, Public Affairs Center, One University Plaza, Springfield, Illinois.

Trustee Ramón Cepeda, chair of the committee, convened the meeting and asked the secretary to call the roll. The following committee members were present: Mr. Ramón Cepeda; Mr. Donald J. Edwards;¹ Dr. Stuart C. King; Mr. Lester H. McKeever Jr., treasurer; Ms. Shaina Humphrey, voting student trustee, Springfield. Mr. Trayshawn M. W. Mitchell, student trustee, Urbana, and Mr. Darius M. Newsome, student trustee, Chicago, were absent.

President Timothy L. Killeen was in attendance. Also present were: 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. Susan J. Koch, chancellor, University of Illinois at

¹ Mr. Edwards participated via telephone.

Springfield, and vice president, University of Illinois; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Mr. Thomas P. Hardy, executive director for University relations; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University. President Killeen introduced Dr. James Brennan, associate professor, Department of History, Urbana, and member of the University Senates Conference's Finance, Budget and Benefits Committee. 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 4, 2019. 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 16, 2019

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 16, 2019. All proposed agenda items discussed at the meeting are on file with the secretary.

Approve Preliminary Operating Budget for Fiscal Year 2020

Mr. Cepeda asked Dr. Ghosh to discuss the recommendation to approve a preliminary operating budget for Fiscal Year 2020. 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 recommendation for approval of the preliminary budget includes authorization at Fiscal Year 2019 budget levels. He said the budget for Fiscal Year 2020 will be ready after the approval of the State's budget and will be brought to the Board at that time.

Capital and Real Estate Items

Next, Mr. Cepeda asked Dr. Ghosh to report on capital and real estate items. Dr. Ghosh first discussed the recommendation to name the Life Home, Research Home and Laboratory Facility, Urbana, as the McKechnie Family Life Home. Dr. Ghosh provided information about the project and said that this naming would recognize the generosity of Dr. James K. and Mrs. Karen McKechnie for their substantial contribution for the construction of this new facility.

Dr. Ghosh then reported on the recommendation to name the new dormitory and academic space located at the corner of Harrison and Morgan streets in Chicago as the Academic and Residential Complex. He described the project, which he said is a public-private partnership, and said it is near completion, with an anticipated opening date of August 2019.

Dr. Ghosh then discussed the recommendation to rename the Mechanical Engineering Building, Urbana, as the Sidney Lu Mechanical Engineering Building. He provided information about the project and asked Dr. Andreas C. Cangellaris, vice

chancellor for academic affairs and provost, Urbana, to comment on Mr. Lu's illustrious career. Dr. Cangellaris said that Mr. Lu is a recipient of the Distinguished Alumnus award from both the Department of Mechanical Science and Engineering and the College of Engineering at Urbana. Dr. Cangellaris highlighted Mr. Lu's strong work ethic as a student and throughout his illustrious career. Dr. Cangellaris noted Mr. Lu's loyalty to the university and remarked on the impact of his significant financial support to the Department of Mechanical Science and Engineering. Dr. Cangellaris said Mr. Lu has had an exceptional career and said the university is proud to have him as an alum.

Next, Dr. Ghosh reported on the recommendation to rename the Beckman Institute Illinois Simulator Laboratory, Urbana, as the College of Veterinary Medicine South Clinic and said that a \$1.5 million project for the College of Veterinary Medicine to renovate the building was approved in May 2017 and is scheduled to be complete in February 2020. He said the proposed name better reflects the use of space once the project is complete.

Dr. Ghosh then introduced the recommendation to rename the Micro and Nanotechnology Laboratory, Urbana, as the Nick Holonyak, Jr., Micro and Nanotechnology Laboratory and asked Dr. Cangellaris to comment on the career of Dr. Nick Holonyak Jr. Dr. Cangellaris said that Dr. Holonyak was the first graduate student of Dr. John Bardeen, a two-time Nobel Prize winner in physics, and was an early pioneer in the field of semiconductors and visible light emitting diodes (LEDs), creating the first visible LED while working at General Electric in 1962. Dr. Cangellaris said Dr. Holonyak has won every award available to a distinguished scientist. Dr. Cangellaris

said Dr. Holonyak returned to the university as a faculty member in 1963 and continues to engage in research. He said that the recommendation to rename the Micro and Nanotechnology Laboratory as the Nick Holonyak, Jr., Micro and Nanotechnology Laboratory recognizes the use of that space in his and his students' contributions to the field.

Dr. Ghosh provided information on the recommendation to change the name of the Energy Biosciences Institute Field Research Center, Urbana, to Energy Farm. He explained that 320 acres on the southeast corner of Race Street and Curtis Road, which housed the Energy Farm, were transferred from the Energy Biosciences Institute to Crop Sciences within the College of Agricultural, Consumer and Environmental Sciences (ACES). Dr. Ghosh said that the Energy Biosciences Institute no longer supports the Energy Farm, and ACES would like to clarify the research mission and remove confusion over the management and name of the farm.

Lastly, Dr. Ghosh reported on the recommendation to approve the project budget and award construction contracts for Demirjian Park Stadium, Urbana. He gave an overview of the history of the project and said that in order for the project to proceed, it is necessary to increase the project budget by \$7.0 million. He discussed the rationale for the increase. Dr. Ghosh then reported on the recommendation to award contracts and noted that the Minority and Female Business Enterprise (MAFBE) participation rates are included in the item. Discussion followed, and Mr. McKeever expressed concern regarding the participation rates of diverse vendors. Dr. Ghosh stated that the MAFBE goals were met due to the participation of Women Business Enterprise (WBE) vendors

and acknowledged that participation among Minority Business Enterprise (MBE) vendors was very low. Mr. Cepeda said we can strive to do better and expressed appreciation that this information was included in the item for the committee's review. Dr. King also noted concern regarding participation rates of diverse vendors and referred to comments that were previously made about this issue by former trustee Mr. James D. Montgomery. Dr. King also questioned the frequent requests for budget increases for most projects, and Dr. Ghosh explained that while the process of planning projects has recently changed, this project began before that process was utilized. He told the committee that this is an example of poor cost estimation. There were no further comments or questions regarding recommendations for capital items.

Purchase Recommendations

Next, Mr. Cepeda asked Mr. Michael B. Bass, senior associate vice president and deputy comptroller, to report on purchase recommendations. Mr. Bass first discussed the recommendation to purchase an electronic system for patient accounting at UI Health from Experian Inc., and explained the primary function of the system is to verify patient eligibility and submit claims electronically. He said this is needed during the transition to Epic, and he told the committee this is a sole-source purchase because it is the only vendor who can support the current system. Mr. Michael B. Zenn, chief executive officer, University of Illinois Hospital and Clinics, also commented on this recommended purchase and noted it is the legacy system currently used by UI Health.

Mr. Bass then reported on the recommended purchase from Academic Partnerships for the Extended Campus at Chicago. He said the contract is intended to generate revenue through the development, marketing, and delivery of high-quality online programs at Chicago and explained that Academic Partnerships will collaborate with the University of Illinois at Chicago to jointly market, promote, and deliver certain online programs, as well as provide market research and some program development and implementation. Mr. Bass said competitive selection procedures were followed in accordance with the Illinois Procurement Code and that Academic Services indicated they will use Techserv Corporation as a Business Enterprise Program (BEP) firm to meet the 20 percent goal. Mr. McKeever confirmed that traditional faculty will be teaching the courses.

Next, Mr. Bass provided information on the recommendation to purchase centralized customer call center services for the Health Enterprise Customer Care Center and the UI Hospital and Health Sciences System from The Chicago Lighthouse for People Who Are Blind or Visually Impaired. Mr. Bass gave an overview of the contract term and cost and said it is a not-for-profit agency that qualifies for 100 percent Business Enterprise for Minorities, Females, and Persons with Disabilities participation. Mr. Zenn commented on the value of this contract to the university and described the magnitude of work performed by The Chicago Lighthouse, with 8,000 calls processed in Fiscal Year 2019. He said call volume is anticipated to increase in the coming year. Mr. Zenn told the committee this increase is due in part to the conversion to Epic, and he said Epic is working with The Chicago Lighthouse to ensure accessibility. He said the vendor

provides exceptional service and employs a high percentage of disabled veterans and minorities. Brief discussion followed regarding the original request for proposal (RFP). Committee members then discussed BEP goals, the selection of this vendor, and the use of a sheltered market. Mr. Zenn added that The Chicago Lighthouse pays a living wage.

Mr. Bass then reported on the recommendation for a renewal option for student health insurance and administrative services from United Healthcare Services for the University of Illinois at Urbana-Champaign. He clarified that the Board approved the cost of the student health fee in March 2019, and that the student health insurance cost is based on negotiations between the university and the vendor. Mr. Bass said the cost reflects a 20 percent increase despite an increase the previous year due to the company's loss ratio. He told the committee that competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

There was no objection to the items listed above going forward to the full Board for voting.

Fiscal Year 2018 Compliance Audit

Mr. Cepeda asked Ms. Ginger L. Velazquez, interim assistant vice president for business and finance, to report on the Fiscal Year 2018 Compliance Audit (materials on file with the secretary). Ms. Velazquez said that the Illinois Office of the Auditor General contracts with an independent firm, currently CliftonLarsonAllen (CLA), to conduct annual audits of the University, and she reviewed the results of the Fiscal Year 2018 compliance audit, noting the downward trend of the number of findings each year. She

reported that there were two new and 15 repeat findings this year, and she reviewed the seven State compliance findings and the corrective actions that are being taken to address them. Next, Ms. Velazquez reported on the federal compliance findings and told the committee that the University received an unmodified opinion for all major programs, which she said is a major accomplishment. She stated that corrective action plans were submitted for all federal findings, which is required, and she reviewed the causes of the findings, noting that some cannot be prevented. Ms. Velazquez concluded her presentation and thanked the staff who assisted with the audit.

Mr. McKeever commended those involved on the low level of findings and inquired about a previous finding that required a legislative solution to resolve. Ms. Velazquez gave an update on the legislation and said that a companion bill was never passed and needed committees were not created. Mr. Cepeda thanked Ms. Velazquez for the presentation.

Summary of Internal Audit Activity through Third Quarter Ended March 31, 2018

At 3:51 p.m., Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present a summary of internal audit activity for the third quarter ended March 31, 2019 (materials on file with the secretary). Ms. Zemaitis showed the Fiscal Year 2019 audit plan completion status and described the reasons that four planned audits have been deferred. She presented the implementation of audit recommendations in 2017, 2018, and 2019 and noted that the ending balance is the lowest it has been in recent years. Ms. Zemaitis discussed the year-to-date high and moderate risk audit report findings from

July 1, 2018, through March 31, 2019, and said there is only one high-risk finding during that time period. Ms. Zemaitis showed the audit report findings by operational area and referred to several large scope audits at Urbana. She presented the aging of open recommendations by management's original implementation date, noting continued improvement, and showed the aging of open recommendations with management's original implementation dates of Fiscal Year 2018 and prior. Ms. Zemaitis reviewed the status and anticipated time frame for these recommendations.

Ms. Zemaitis then gave an update on the quality assurance review process, which was conducted in April. She said it was a very thorough process that included a number of interviews and surveys. Ms. Zemaitis said they were granted the highest opinion, which is the best possible rating. Mr. McKeever congratulated Ms. Zemaitis on the rating and said the Office of University Audits is the gold standard in their field. Mr. Cepeda also congratulated Ms. Zemaitis on this achievement.

Mr. Edwards then left the meeting.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, July 15, 2019, at 3:00 p.m.

MOTION FOR EXECUTIVE SESSION

At 4:00 p.m., Mr. Cepeda requested a motion for an executive session to consider discussion of minutes of meetings lawfully closed under the Open Meetings Act. On motion of Mr. McKeever, seconded by Dr. King, this motion was approved. There were no “nay” votes.

EXECUTIVE SESSION

Mr. Cepeda convened the executive session at 4:01 p.m. All of the committee members except Mr. Edwards, Mr. Mitchell, and Mr. Newsome were present. The following were also in attendance: President Timothy L. Killeen; Mr. Thomas R. Bearrows, University counsel; and Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University.

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

Mr. Cepeda asked Ms. Williams to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held May 2012 through November 2018. Ms. Williams outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of protection of public interest and in the interest of protection of any individual, and to consider whether a need for these materials to be held from release continues. She stated that she has undertaken this review in conjunction with Mr.

Bearrows and recommend the release of minutes from November 5, 2018, which state the discussion of review at that time. Mr. Bearrows added that this review is taken very seriously, and he discussed the types of topics that remain sequestered. No other minutes were proposed for release at this time.

Mr. Cepeda then asked for the doors to be opened.

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 4:03 p.m.

AGENDA

At 4:04 p.m., the open session resumed. Mr. Cepeda stated that there was one agenda item requiring action by the committee, and Ms. Williams 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 2018 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 5, 2018, Audit, Budget, Finance, and Facilities Committee

Mr. Cepeda convened the executive session at 5:02 p.m. All committee members were present. The following were also in attendance: President Timothy L. Killeen; Mr. Thomas R. Bearrows, University counsel; Ms. Dedra M. Williams, secretary of the Board of Trustees and of the University; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); and Mr. Thomas P. Hardy, executive director for University relations.

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

Mr. Cepeda asked Ms. Williams to discuss the recommendation regarding the disclosure of minutes of executive sessions of the Audit, Budget, Finance, and Facilities Committee held between May 2012 and May 2018. The secretary outlined the requirement within the Open Meetings Act for public bodies to review minutes, at least twice annually, for purposes of protection of public interest and in the interest of protection of any individual, and to consider whether a need for these materials to be held from release continues. She stated that she has undertaken this review in conjunction with Mr. Bearrows and recommend the release of minutes from May 7, 2018, which state the discussion of review at that time. No other minutes are proposed for release at this time. Mr. Bearrows reminded committee members of the factors that contribute to the recommendation for release and said employee matters often require holding from release until an appropriate time.

Mr. Edwards and Mr. Bearrows discussed the review period and process for recommending the release of minutes. With no further discussion, Mr. Cepeda then asked for the doors to be opened.

On motion of Mr. Cepeda, seconded by Mr. McKeever, this recommendation was approved by the following vote: Aye, Mr. Cepeda, Dr. King, Mr. McKeever, Ms. Humphrey; No, none; Absent, Mr. Edwards, Mr. Mitchell, Mr. Newsome.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Dr. King, the meeting adjourned at 4:45 p.m.

There were no “nay” votes.

Respectfully submitted,

DEDRA M. WILLIAMS
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary