

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

JULY 12, 2021

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in Room 414, Administrative Office Building, 1737 West Polk Street, Chicago, Illinois, on Monday, July 12, 2021, beginning at 3:00 p.m. Attendance via videoconference was available in the Graduate Board Room, I Hotel and Conference Center, 1900 South First Street, Champaign, 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 Mr. Lester H. McKeever Jr., treasurer; Ms. Sarah C. Phalen; Mr. Austin Verthein,² voting student trustee, Springfield. Ms. Naomi D. Jakobsson and Ms. Mariama Mwilambwe, student trustee, Urbana, attended as guests.

Also present were President Timothy L. Killeen; Dr. Robert J. Jones, chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System; Dr. Karen M. Whitney,¹ interim chancellor, University of Illinois

¹ Mr. Edwards and Dr. Whitney attended remotely via teleconference.

² Mr. Verthein arrived at 3:02 p.m.

Springfield, and vice president, University of Illinois System; Dr. Avijit Ghosh, comptroller (and vice president/chief financial officer); Mr. Thomas R. Bearrows, University counsel; Ms. Adrienne Nazon, vice president for external relations and communications; and Mr. Gregory J. Knott, 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.

Mr. Cepeda asked if there were any comments or corrections to the minutes from the meeting held May 10, 2021. On motion of Mr. McKeever, seconded by Mr. Edwards, the minutes were approved. There were no “nay” votes.

PRESENTATIONS AND BOARD ITEMS

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 July 22, 2021. All proposed agenda items discussed at the meeting are on file with the secretary.

Fiscal Year 2021 Independent External Audit Services Plan

Mr. Cepeda asked Dr. Ghosh to report on the Fiscal Year 2021 Independent External Audit Services Plan (materials on file with the secretary). Dr. Ghosh stated that the firm RSM was selected by the Illinois Auditor General to conduct the University’s external audit, and he introduced Mr. Joseph Evans and Mr. Dan Sethness, both from RSM, who would be presenting on the Fiscal Year 2021 independent external audit services plan. Before beginning the presentation, Mr. McKeever acknowledged his relationship with

RSM and Mr. Evans, stating that he has known Mr. Evans and the firm for many years. Other members of the RSM team were introduced, and Mr. Evans provided information about the firm and the nature of this engagement. He stated that RSM was contracted by the Illinois Office of the Auditor General as special assistant auditors under a six-year contract. He discussed the scope of the engagement and audit standards, and he showed the engagement team that will be working on the University's audit. Mr. Evans reported on minority firm participation and said that RSM will use two firms that have extensive experience in relevant areas. Mr. Sethness discussed new audit standards that will impact the University's audit and highlighted management's responsibilities throughout the audit process. He also reported on audit logistics and told the committee that much of the work will be completed remotely. Mr. Evans presented key audit areas that will receive focused attention throughout the process and said the firm will also follow up on the 19 findings from the Fiscal Year 2020 audit. He showed the timeline for the audit and told the committee that the firm would like to adhere to the schedule, with the final financial report complete by the end of December 2021. There were no comments or questions, and Mr. Cepeda thanked them for the presentation.

Capital and Real Estate Items

Mr. Cepeda then asked Dr. Ghosh to report on capital and real estate items. Dr. Ghosh first discussed the recommendation to award construction contracts to replace mechanical equipment in the Biologic Resources Laboratory, Chicago. He gave some background on the project, which he said is critical for maintenance of the building. Dr. Ghosh listed the

contracts requiring approval by the Board and reported on the work being subcontracted to minority- and female-owned businesses. He said funds for the project are available from the institutional funds operating budget of the University of Illinois Chicago. He said the university also applied for a grant from the National Institutes of Health, which, if granted, would provide funding for the project.

Dr. Ghosh then discussed the recommendation to award contracts for the Ubben Basketball Expansion project in the Division of Intercollegiate Athletics at Urbana. He gave a history of the project and reported on the three contracts requiring approval by the Board. Dr. Ghosh described the scope of work to be completed and said funds for this project are available from institutional funds operating budget of the University of Illinois Urbana-Champaign, proceeds from gift funds, and Auxiliary Facility System Repair and Replacement Reserve Funds and the Auxiliary Facility System Revenue Bonds, Series 2018A.

Next, Dr. Ghosh reported on the recommendation to approve the project for the Small Animal Clinic Oncology Center addition, Veterinary Teaching Hospital at Urbana, and said this new project would play a critical role in the professional preparation of students preparing to practice veterinary medicine. He described changes in the field of veterinary medicine and constraints posed by the physical facility, which was constructed in 1978. He referred to the rise in cancer diagnoses in dogs and cats and said the focus on comparative oncology at the University of Illinois Veterinary Medicine Small Animal Oncology Center aims to improve the prevention, diagnosis, and treatment of cancer in pet animals. Dr. Ghosh stated that this research also contributes to the

research of cancer in humans. He referred to an increase in the number of applicants to the College of Veterinary Medicine and the service that the college provides to the community through its clinic. Dr. Ghosh also noted the role of the College of Veterinary Medicine in the Shield testing program. He asked Dr. Jones to comment. Dr. Jones stated that this oncology unit is critical to the long- and short-term agenda of the new health science ecosystem, conducting cutting edge research and impacting the future of the health sciences. Mr. Cepeda added that it is exciting to see investment in an area of growth.

Appoint University of Illinois Banker in India for Its Liaison Office
in New Delhi, India, and Its Branch Office in Bengaluru, India

Mr. Cepeda asked Mr. Pradeep Khanna, associate vice chancellor for corporate relations, Urbana, to provide information on the recommendation to approve a resolution appointing ICICI Bank as the University's banker in India and authorizing the comptroller to complete all necessary formalities to establish said banker. Mr. Khanna provided information about the process of establishing a liaison office in New Delhi, India, with a branch office in Bengaluru, India, and referred to the benefits of international partnerships, specifically in India. Mr. Cepeda told the committee that he was part of the delegation that traveled to India and said he is excited about this international collaboration. Ms. Phalen asked for the costs associated with opening this office, and Mr. Khanna indicated the cost of salaries and office space would be

approximately \$150,000. Ms. Phalen responded that the benefits seem to far outweigh the cost.

Purchase Recommendations

At 3:46 p.m., Mr. Cepeda asked Dr. Ghosh to report on purchase recommendations. Dr. Ghosh first discussed the purchase of nutritionally balanced meals, snacks, and beverages for student-athletes at the Varsity Room in Memorial Stadium in the Division of Intercollegiate Athletics at Urbana. He said this purchase is exempt from the usual selection process of the Illinois Procurement Code because the procurement expenditure is for events or activities paid for exclusively by revenues generated by the event or activity, gifts, or donations for the event or activity, private grants, or any combination thereof.

Next, Dr. Ghosh provided information on Phase 3 of the Commonwealth Edison (ComEd) vault relocation project, which he said is exempt from competitive selection procedures in accordance with the Illinois Procurement Code. He said the new Computer Design Research and Learning Center (CDRLC) is to be constructed on top of existing ComEd electrical duct banks and vaults and that these must be relocated. Dr. Ghosh said Phase 3 will allow ComEd to demolish the existing vault and install a new required concrete crawlspace. He said only ComEd can perform work on ComEd infrastructure.

Dr. Ghosh reported on the recommendation to purchase patient monitoring equipment for the hospital and new Outpatient Surgery Center and Specialty Clinics facility from GE Healthcare. He said patient monitors were last purchased in 2008 and are at the end of their useful lives, and that this equipment is used in all patient care areas. Dr. Ghosh said that the purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code, and as such, does not have established Business Enterprise Program (BEP) goals. He noted that GE Healthcare provided its 2020 summary of their diversity spend.

Dr. Ghosh discussed the recommendation to purchase sample collection for COVID-19 saliva testing at Shield Illinois collection sites and courier services to Shield Illinois labs. He said this recommendation would add two additional sample collection providers, in addition to the previously approved providers. Dr. Ghosh told the committee there are currently 250 Shield testing sites and that demand is expected to increase. He said that Shield Illinois would like to utilize third-party medical services providers to conduct specimen collection and courier services, and that the identified vendors are currently contracted at no cost to the University System. He stated this purchase is exempt from competitive selection procedures in accordance with the Illinois Procurement Code.

Next, Dr. Ghosh provided information on the recommended purchase of an annual license of full-text journal article databases Academic Search Complete and Business Source Elite from EBSCO Industries Inc. for the Consortium of Academic and

Research Libraries in Illinois (CARLI). He stated the subscription is paid through funds appropriated by the State.

Dr. Ghosh then reported on the renewal option for student health insurance and routine administrative services from United Healthcare Services, Inc. for Auxiliary Services at Urbana. He said competitive bidding procedures were followed in accordance with the Illinois Procurement Code.

Lastly, Dr. Ghosh reported on a change order to an existing agreement for Monterrey Security Consultant, Inc. to increase security coverage for crime prevention throughout the University of Illinois Chicago campus. He said the need for unarmed security guards has increased each year and told the committee that utilizing this vendor would increase both security and flexibility. Dr. Ghosh stated the vendor submitted a BEP Utilization Plan and subcontracts with an African American-owned firm for 25 percent BEP participation and a veteran-owned firm for 3 percent veteran participation.

With no additional purchases to present, Dr. Ghosh and Mr. McKeever briefly discussed funding for meals, snacks, and beverages for the Division of Intercollegiate Athletics. There were no additional questions or comments.

Fiscal Year 2020 External Audits

At 3:59 p.m., Mr. Cepeda asked Dr. Ghosh and Mr. Brent Rasmus, senior assistant vice president and controller, to give a presentation on the Fiscal Year 2020 external audit (materials on file with the secretary). Dr. Ghosh reported on the federal compliance audit and referred to new requirements for Fiscal Year 2020, as well as new processes and

challenges, due in part to the remote operations due to COVID-19. He said that while the University was unable to continue its trend of decreased findings each year, there were no repeat findings. Dr. Ghosh gave an overview of the Fiscal Year 2020 federal compliance findings and their cause, noting that the universities are taking active steps to address each. He emphasized that out of \$1.4 billion in federal expenses, the total costs questioned for all federal findings was \$263.

Mr. Rasmus reported that the University System received a clean unmodified opinion on the Fiscal Year 2020 GAS financial audit and that three internal control deficiencies were identified. He reported on four repeat and four new State compliance findings and discussed efforts to improve in these areas. Mr. Rasmus gave examples of findings that are outside University control, making them difficult to address.

Mr. McKeever referred to comments made by the new auditors that have been appointed by the Illinois Auditor General that indicated that some deficiencies may take years to address due to new requirements. Mr. Rasmus agreed and provided additional details about this issue. Mr. Cepeda remarked on the positive result overall and thanked Dr. Ghosh and Mr. Rasmus for the presentation.

Presentation of the Two-Year Internal Audit Plan for Fiscal Years 2022-2023

Next, Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present the two-year internal audit plan for Fiscal Years 2022-2023 (materials on file

with the secretary). Ms. Zemaitis referred to the governance framework that guides the plan and said that a two-year plan is required. She gave an overview of the audit plan development process, said the plan is risk-based, and described the role of data analytics in risk assessment. Ms. Zemaitis showed the summary of planned hours for Fiscal Years 2021, 2022, and 2023 and showed the mapping of the Fiscal Years 2022-2023 plan to risk and to the Strategic Framework. She told the committee that ongoing monitoring of risks and the plan take place throughout the year. Mr. McKeever noted the high percentage of requests received from management, which he said is very healthy. There were no additional comments or questions regarding the presentation, and Mr. Cepeda thanked Ms. Zemaitis for the information.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked if committee members had any new business to report. Dr. Ghosh gave an update on the sale of auxiliary system bonds, most of which will be used to refinance higher rate bonds, with \$20.0 million for new projects. He said this will save the University \$2.3 million per year, or \$36.0 million over the life of the bonds. He said this successful sale was due to current low interest rates and the University's financial strength. He thanked the team responsible for the transaction and commended them on an excellent job. Mr. Cepeda congratulated all involved on this success.

Mr. Cepeda announced that the next meeting of this committee is scheduled for Monday, September 13, 2021, at 3:00 p.m.

MEETING ADJOURNED

On motion of Mr. McKeever, seconded by Mr. Edwards, the meeting adjourned at 4:24 p.m.

Respectfully submitted,

GREGORY J. KNOTT
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary