

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

JULY 10, 2024

This meeting of the Audit, Budget, Finance, and Facilities Committee of the Board of Trustees of the University of Illinois was held in the Isadore and Sadie Dorin Forum, Rooms D, E, and F, 725 West Roosevelt Road, Chicago, Illinois, on Wednesday, July 10, 2024, beginning at 2:42 p.m.

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; Mr. Lester H. McKeever Jr., treasurer; Mr. Wilbur C. Milhouse III; Ms. Ariana A. Mizan, student trustee, Urbana; Ms. Sarah C. Phalen. Ms. J. Carolyn Blackwell; Ms. Tami Craig Schilling; Mr. Joseph Gutman; Mr. Jesse H. Ruiz; Mr. Quinn S. Basta, student trustee, Chicago; and Mr. Christian Johnson, voting student trustee, Springfield, attended as guests.

Also present were President Timothy L. Killeen; Dr. Nicholas P. Jones, executive vice president and vice president for academic affairs; Dr. Robert J. Jones, chancellor, University of Illinois Urbana-Champaign, and vice president, University of Illinois System; Dr. Marie Lynn Miranda, chancellor, University of Illinois Chicago, and vice president, University of Illinois System; Dr. Janet L. Gooch, chancellor, University of Illinois Springfield, and vice president, University of Illinois System; Dr. Paul N.

Ellinger, comptroller (and vice president/chief financial officer); Dr. Joseph T. Walsh Jr., vice president for economic development and innovation; Ms. Adrienne Nazon, vice president of external relations and communications; Mr. Scott E. Rice, University counsel; and Dr. Jeffrey A. Stein, secretary of the Board of Trustees and of the University.

OPENING REMARKS

Mr. Cepeda welcomed everyone to the meeting and asked if there were any comments or corrections to the minutes from the meeting held on May 15, 2024. On motion of Mr. Edwards, seconded by Ms. Mizan, the minutes were approved. There were no “nay” votes.

REVIEW OF RECOMMENDED BOARD ITEMS FOR THE MEETING OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS ON JULY 11, 2024

Mr. Cepeda asked specific individuals in attendance to provide presentations and report on the items that will appear on the Board’s agenda at its meeting on July 11, 2024. All proposed agenda items discussed at the meeting are on file with the secretary.

Prior to discussing the recommendations, Dr. Ellinger announced that the Campus Instructional Facility at Urbana received LEED Zero Energy certification from the U.S. Green Building Council, and he read a quote from the chief executive officer of that organization. Dr. Ellinger congratulated those who were involved in the project. Mr. Cepeda thanked Dr. Ellinger for sharing this positive news with the committee.

Approve Project Budget and Award Construction Contract for
Small Animal Clinic Oncology Center Addition, Veterinary Teaching Hospital, Urbana

Mr. Cepeda asked Dr. Ellinger to discuss the recommendation to approve the project budget and award a construction contract for the Small Animal Clinic Oncology Center Addition at the Veterinary Teaching Hospital, Urbana. Dr. Ellinger gave a history of the project and said a budget increase of \$3.9 million is necessary to accommodate the project scope and construction costs. He said funding for the project is available from institutional operating funds and gift funds, and he reported on the diverse vendor participation rate for the project.

Approve Concept of a Lease with District 186, Springfield

Mr. Cepeda then asked Dr. Gooch to report on the recommendation to approve the concept of a lease with District 186, Springfield. Dr. Gooch discussed the proposed partnership between the university and Springfield School District 186 and said it would advance the university's mission relative to teacher education and serve the district's need for space for a new elementary school facility. She said a long-term lease of about 20 acres of campus land would enable District 186 to build a new school at the edge of campus and leverage that proximity to the advantage of teacher education programs at UIS. Dr. Gooch shared the benefits and goals of the proposed lease and said details of the partnership need to be developed. She said it would be necessary to approve the concept of the lease agreement, approve an update to the UIS Master Plan, and approve

delegation to the vice president/chief financial officer and comptroller to negotiate final terms of the lease. Dr. Gooch said no funding is required. Mr. Edwards asked for clarification on this recommendation, and Mr. Rice indicated it would delegate authority to move forward, noting that a proposed lease would come back to the Board for approval at a future meeting. Ms. Mizan and Dr. Gooch discussed the time line, which was uncertain, and Mr. Edwards emphasized that the proposed lease would have a nominal financial benefit to the university.

Purchase Recommendations

Next, Mr. Cepeda asked Dr. Ellinger to discuss purchase recommendations, beginning with the recommendation to purchase media buyer and media consultant services from Ms. Andrea Lynn Lopez-Prickett for UI Hospital and Clinics at Chicago for the period of August 1, 2024, through July 31, 2028. Dr. Ellinger said the estimated cost would be \$9.0 million, and he described the services that would be provided. He stated that the annual estimated expenditure would be \$2.25 million, of which \$147,000 would constitute the consulting fee. Dr. Ellinger said an estimated \$2.1 million would be dedicated to television and radio airtime. He said this vendor has previously provided services to UI Health as a media buyer and consultant and was highly effective in that role.

Dr. Ellinger then reported on the recommended purchase of computer-assisted coding, clinical documentation improvement, computer-assisted physician documentation, and quality monitoring software from Solventum Health Information Systems, Inc. for UI Hospital and Clinics from September 1, 2024, through August 30,

2030. He said the estimated cost is \$6.4 million and that the software is fully integrated with the hospital's Epic electronic health record. Dr. Ellinger told the committee that this software is used by 80 percent of hospitals using Epic and who utilize automated coding and documentation software.

Next, Dr. Ellinger provided information about the recommended purchase of utilities from the City of Springfield (City Water, Light and Power – CWLP) for the Springfield campus from July 1, 2024, through June 30, 2027. He said the estimated cost is \$9.0 million and that the university is required by statute to purchase utilities from the City of Springfield. Dr. Ellinger said the pricing is reasonable.

Dr. Ellinger then discussed the recommended renewal option for 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 from July 1, 2024, through June 30, 2027. He said the cost would be estimated at \$6.3 million and that the vendor, Hendrick Dorms, Inc., has demonstrated satisfactory performance in fulfilling the terms and conditions of their contract.

Next, Dr. Ellinger reported on the first of two change orders. He provided some background on the contract with Anthony Travel, LLC, to provide comprehensive travel agency services for the Division of Intercollegiate Athletics at Urbana and said that previously, some of the travel costs were paid outside of the contract, and these services were performed by internal staff by use of the University's system online booking tool. Dr. Ellinger said this new arrangement aggregates more of the travel costs into one centralized service.

Lastly, Dr. Ellinger discussed the change order for student health insurance at Urbana with United Healthcare Services, Inc. He said this includes routine administrative services through a student health insurance plan, including claims adjudication and claim payments. Dr. Ellinger described aspects of the plan and said the university requires all registered students to either participate in the student health insurance plan or provide proof of comparable insurance. He said the university assesses a fee each semester for student health insurance.

Mr. Cepeda asked members of the committee if they had any questions. Mr. Milhouse referred to the contract for comprehensive travel agency services and asked if this contract was competitively bid. Dr. Ellinger stated that this was a change order to an existing contract.

Mr. Edwards then referred to the recommended purchase of media buyer and consultant services and asked how the performance and efficacy would be assessed. Ms. Nazon provided general information about the methods used to measure effectiveness, and Dr. Mark I. Rosenblatt, interim chief executive officer, University of Illinois Hospital and Clinics, and G. Stephen Irwin Dean, College of Medicine, Chicago, stated that one measurement of effectiveness would be increased brand awareness. Additional discussion followed regarding measurements of performance, and Mr. Edwards expressed concern regarding the length of the contract. Dr. Rosenblatt stated that the four-year contract demonstrates an ongoing need to advertise and previous success with the vendor. He clarified that the \$9.0 million is the maximum authorized spend. Discussion followed, and trustees expressed concerns regarding aspects of the

contract, including its length and a lack of clear methods for evaluating performance. Dr. Miranda suggested removing this proposed contract from the purchase recommendations and said the issues discussed would be addressed and revisited. Mr. Edwards agreed with this approach. Mr. Cepeda requested a motion to strike this purchase from the purchase recommendations. On motion of Mr. Edwards, seconded by Mr. Milhouse, this motion was approved. There were no “nay” votes.

There were no objections to the remaining items being forwarded to the full Board for approval.

PRESENTATIONS

RSM FY2024 Audit Plan Presentation

Next, Mr. Cepeda asked Mr. Dan Sethness, partner; Ms. Kelly Kirkman, partner; and Mr. Pat Kitchen, partner, RSM, to give a presentation on the Fiscal Year 2024 audit plan (materials on file with the secretary). Mr. Sethness provided information about the firm and the nature of this engagement, stating that the Illinois Auditor General selected RSM to conduct the University’s external audit as special assistant auditors. He reviewed the scope of the engagement and audit standards, and he reported on minority firm participation. Mr. Sethness referred to the responsibilities of management, reviewed audit logistics, and shared a timetable. He also presented members of the engagement team.

Mr. Sethness then gave an overview of the results for the Fiscal Year 2023 and said unmodified opinions were issued for both financial and compliance reports for university, health, and auxiliary systems. He reviewed three findings related to internal control over financial reporting and gave updates on each. Mr. Sethness reported that two prior year findings were cleared, and he presented key audit areas for the University. Mr. Kitchen reported on key audit areas for the Health Services Facilities System. He said that due to its complexity, they utilize a third-party reimbursement specialist from their team to assist with the financial statement audit.

Ms. Kirkman then reported on the federal single audit. She said the University received approximately \$1.5 billion in federal funding for research and development and student financial aid. She said a clean, unmodified opinion on compliance for major federal programs with no material weaknesses was issued. Ms. Kirkman said there were six compliance findings, and she told the committee that management establishes a corrective action plan for each. She said she expects that most, if not all, of these findings will not repeat in 2024. Ms. Kirkman then gave an overview of the Fiscal Year 2023 State compliance audit results, which included 13 significant deficiency and noncompliance findings and eight immaterial letter findings, and she presented the key examination areas.

Ms. Phalen inquired about repeat findings, and Ms. Kirkman stated that these were minor and included findings such as typographical errors and reports filed late. Mr. Cepeda thanked Mr. Sethness, Mr. Kitchen, and Ms. Kirkman for the presentation.

University Audits Two-Year Internal Audit Plan for Fiscal Years 2025-2026

At 3:32 p.m., Mr. Cepeda asked Ms. Julie A. Zemaitis, executive director of University audits, to present the two-year internal audit plan for Fiscal Years 2025-2026 (materials on file with the secretary). Ms. Zemaitis referred to the governance framework that guides the plan and gave an overview of the audit plan development process. She presented risk categories and described the role of data analytics in risk assessment. Ms. Zemaitis showed the summary of planned hours for Fiscal Years 2024, 2025, and 2026 and showed the mapping of the Fiscal Years 2025-2026 plan to risk and to the Strategic Framework. She told the committee that ongoing monitoring of risks and the plan takes place throughout the year. Ms. Zemaitis provided information regarding the Institute of Internal Auditors *Global Internal Audit Standards* and reviewed aspects of “Domain III: Governing the Internal Audit Function.” Ms. Zemaitis concluded her presentation and asked if members of the committee had questions. Mr. Johnson inquired about high-risk scores associated with certain units, and Ms. Zemaitis stated that she would discuss this topic with him after the meeting. Mr. Cepeda thanked Ms. Zemaitis for the presentation.

OLD BUSINESS

There was no business presented under this aegis.

NEW BUSINESS

Mr. Cepeda asked if there was any new business. Mr. Milhouse asked if there is any preference given to Illinois vendors. Mr. Aaron Carter, assistant vice president of procurement services, stated that State procurement regulations allow the acceptance of a slightly higher bid for an Illinois vendor, primarily for construction contracts.

MEETING ADJOURNED

Mr. Cepeda announced that the next meeting of this committee is scheduled for Wednesday, September 18, 2024, at 2:15 p.m., in Urbana. On motion of Mr. Milhouse, seconded by Mr. Edwards, the meeting adjourned at 3:47 p.m. There were no “nay” votes.

Respectfully submitted,

JEFFREY A. STEIN
Secretary

RAMÓN CEPEDA
Chair

EILEEN B. CABLE
Special Assistant to the Secretary