



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

**PERFORMANCE AUDIT OF
CERTAIN FINANCIAL AND BUSINESS PROCESSES
OF THE
UNIVERSITY OF ILLINOIS BOARD OF TRUSTEES
JANUARY 2012**

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

*To the Legislative Audit Commission, the Speaker
and Minority Leader of the House of Representatives,
the President and Minority Leader of the Senate, the
members of the General Assembly, and the Governor:*

This is our report of the Performance Audit of certain financial and business processes for which the University of Illinois Board of Trustees has responsibility.

The audit was conducted pursuant to Legislative Audit Commission Resolution Number 139, which was adopted March 2, 2010. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act.

A handwritten signature in blue ink, appearing to read "William G. Holland".

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
January 2012



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

CERTAIN FINANCIAL AND BUSINESS PROCESSES
UNIVERSITY OF ILLINOIS BOARD OF TRUSTEES

PERFORMANCE AUDIT

Release Date: January 2012

SYNOPSIS

The **University Board requested** that the Legislative Audit Commission authorize and direct the Auditor General to conduct this independent external audit of certain financial and business processes for which the Board had responsibility for the period 2007-2009. The Board is the governing body of the University and has final authority over University activity. The Board has certain authorization levels for transactions it must approve. Our audit found:

- The Board utilized the Executive Committee during the audit period for issues that were either not urgent in nature, or were matters that should have been discussed and voted on by the full Board.
- **Purchasing Transactions:** During the audit period the Board **approved 337 purchases** totaling **\$602 million** based on dollar thresholds established by the Board in 2005. We specifically found:
 - The University did not provide complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy.
 - The criteria reviewed on evaluations were not maintained in all procurement files; and the required evaluation criteria listed in the RFP was not always consistent with the criteria in the evaluation process.
 - The University did not maintain individual evaluations for each committee member in the file.
 - The University did not maintain complete evaluations for each procurement transaction in our sample.
 - The University's procurement files contained evaluation scoring errors.
- **Finance and Investment Transactions:** During audit testing we identified a **potential conflict of interest** involving a Board official that recommends firms to the full Board for financing activities. Also, the University: utilized a two-team evaluation approach for the procurement of a financial advisor that was **outside usual University evaluation procedures**; did not maintain supporting files for the procurement of all the financing parties; utilized financing parties with which the University **did not have a current contractual agreement**; and **overpaid** bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services.
- **Construction Transactions:** During the audit period, the University submitted, and the Board approved, **\$981 million** in construction related transactions. We specifically found:
 - Inconsistencies, errors, and discrepancies during the review of the University's evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University's selection process for A/E professional service consultants.
 - The University was not obtaining sufficient information for contractors and subcontractors including MAFBE information. The University was also not ensuring MAFBE information proposed in bids was consistent with MAFBE information listed in final University contracts.

AUDIT CONCLUSIONS AND RECOMMENDATIONS

The Board of Trustees (Board) is the governing body of the University of Illinois (University) and has final authority over University activity, including the proper use of funds appropriated by the General Assembly. (report page 1)

The Board has certain authorization levels for transactions it must approve. During the audit period of 2007-2009, for the authorization **levels in place at the time**, the Board:

- Approved 202 **construction related transactions** totaling \$981 million.
- Approved 337 **purchase transactions** totaling \$602 million. (page 1)

The Executive Committee was utilized for issues that were not urgent.

The Board utilized the Executive Committee during the audit period for issues that were either not urgent in nature, or were matters that should have been discussed and voted on by the full Board. The Executive Committee is to meet and act upon issues **that cannot be postponed** until the next regular meeting of the Board. While all Board trustees are notified of the meeting and can comment or question any item, **only Executive Committee members may vote** on the issues at hand. The Executive Committee consists of three Board members. (pages 13-20)

PURCHASING TRANSACTIONS

During the audit period the Board **approved 337 purchases** totaling **\$602 million** based on dollar thresholds established by the Board in 2005. We selected 25 transactions totaling \$28.5 million that were **competitively procured**, and an additional 25 transactions, totaling \$38.7 million, which were **sole source purchases** by the University. We found:

- The University did not provide all complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy (2 of 25 transactions tested).
- The University did not review and approve sole source justification forms as required by University Policy.
 - 11 of 25 transactions tested lacked dates on the forms.
 - 6 of 25 transactions tested lacked approval signature or dates.
- The University did not provide copyright or patent support for all applicable sole source purchases as required.
 - 3 of 17 transactions tested **did not have** the copyright or patent number on sole source form.
 - 6 of 17 transactions tested **had no documentation** to support the validity of the patent number in the file.
- The University inconsistently used contracts and purchase orders as binding agreements. Additionally, although required in University policy, the University did not always obtain required signatures on contractual obligations or

The University did not review and approve sole source justification forms.

The University inconsistently used contracts and purchase orders as binding agreements.

Evaluation criteria for purchases were not always maintained in the procurement file.

Procurement files contained evaluation scoring errors.

- follow required State recording and filing procedures.
- The Contract Approval Routing Form (CARF) was not consistently being completed, signed, and included with each contract document being processed as required by University policy.
 - 21 of 25 sole source transactions tested **did not contain** a completed and signed CARF.
 - 20 of 24 competitively procured transactions tested **did not contain** a completed and signed CARF.
 - The criteria reviewed on evaluations were not maintained in all procurement files. Additionally, the required evaluation criteria listed in the Request for Proposal (RFP) was not always consistent with the criteria reviewed during the evaluation process.
 - 10 of 20 transactions tested had required evaluation criteria listed in the RFP that **were not consistent** with criteria reviewed by the evaluation committee.
 - 2 of 20 transactions tested **lacked documentation** for auditors to determine whether the criteria utilized was consistent. These transactions totaled \$6.8 million.
 - The University did not maintain individual evaluations for each committee member in the file. Additionally, University documentation, for some transactions, did not support that the evaluation was based on a group consensus.
 - 3 of 20 transactions tested were by group consensus although documentation **did not show** signatures for the group members.
 - 10 of 20 transactions tested **lacked documentation** to show the evaluations for individual members of the committee. These transactions totaled over \$17 million.
 - The University did not maintain complete evaluations for each procurement transaction in our sample.
 - 3 of 20 transactions tested had evaluations which were **not complete**.
 - 7 of 20 transactions tested **lacked documentation** for auditors to determine whether the evaluation was complete. These transactions totaled over \$15 million.
 - The University did not maintain point summaries in the procurement files that supported Board documentation for all transactions in our sample (2 of 20 transactions tested included point totals in the files that differed from what was presented to the Board).
 - The University's procurement files contained evaluation scoring errors. Additionally, there was no evidence in the files to support that such errors were recognized and addressed by the University.
 - 5 of 20 transactions tested **had evaluation scoring errors**.
 - 5 of 20 transactions tested **lacked documentation** for auditors to determine whether the evaluations were correct. These transactions totaled over \$14 million.
 - The University's procurement files contained inconsistencies

in the identification of evaluation committee members. Additionally, there was no evidence in the files to support that such inconsistencies were recognized and addressed by the University.

- 3 of 20 transactions tested had **inconsistencies** in the identification of evaluation team members.
- 6 of 20 transactions tested **lacked documentation** for auditors to determine whether the evaluation team remained consistent throughout the procurement process.
- Protest documents were not maintained in the procurement or associated contract files as required by the Illinois Procurement Code. Additionally, we did not see evidence that the University conducted contractor performance reviews.
 - 49 of 49 transactions tested had **no evidence** that contractor performance reviews were completed. (pages 23-46)

FINANCE AND INVESTMENT TRANSACTIONS

At June 30, 2009, the University had **\$1.64 billion** of financing for its infrastructure needs. Ninety-two percent of the financing was for academic facilities, housing, and athletic facilities.

Financing activities are conducted by parties internal to the University and external parties whose services were to be procured utilizing competitive procurement processes. The University paid **over \$2.7 million in fees** to five financing parties during the audit period.

During audit testing we identified a potential conflict of interest involving a Board official.

During audit testing we identified a **potential conflict of interest** involving a Board official that recommends firms to the full Board for financing activities. For 1 of the 11 financing transactions, a \$90 million issue for auxiliary facilities system revenue bonds in 2009, the Comptroller recommended utilizing an underwriting firm that the Comptroller previously worked for and in which he still had ownership interest.

The University utilized an external financing party that it did not have a current contractual agreement with and overpaid vendors for bond counseling services.

The University reported it competitively procured the services of the external financing parties utilized during transactions within the audit period. We found that the University:

- utilized a two-team evaluation approach for the procurement of a financial advisor that was **outside usual University evaluation procedures;**
- did not maintain supporting files for the procurement of all the financing parties;
- utilized financing parties with which the University **did not have a current contractual agreement;** and
- **overpaid** bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services. (pages 47-62)

CONSTRUCTIONS TRANSACTIONS

During the audit period, the University submitted, and the Board approved, **\$981 million** in construction related transactions. This included both general construction contracts and contracts for professional services for architectural and engineering (A/E) services. Given the high risk associated with the construction area, we selected two samples for fieldwork testing, one of general construction contracts and the other for A/E contracts.

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. Additionally, given the information obtained from University officials, we tested to ensure that selection decisions were based on State law and documented University policy.

Construction Testing

We found:

University QBS policy incorrectly included construction managers in the policy during the audit period.

No University policy on selection of alternate bids.

- During the audit period, the University’s Qualifications Based Selection (QBS) policy for capital professional services **incorrectly included** “construction managers” in the procurement policy with the selection of architects and engineers.
 - 5 of 5 transactions tested that contained a construction manager had insufficient documentation to support the selection of that manager.
- There was no University policy regarding the selection of construction contractors with bid proposals containing base and **alternate bid** prices. As a result, the University did **not consistently** following the same steps when selecting contractors with these types of proposals.
 - 9 of 15 transactions tested showed the University **deviated** from the original alternates requested **after** the submission of bid proposals for at least one division of the project.
 - 9 of 15 transactions tested showed the University was **inconsistently designating** bidders as responsive or non-responsive when selecting construction contractors with bid proposals requesting base and alternate bids.
- The University failed to maintain solicitation and procurement bulletin documentation in all construction transactions reviewed. Additionally, the University failed to maintain signed contractual agreements in the files for all construction transactions.
 - 1 of 24 transactions tested did not contain the Invitation for Construction Bid. This transaction totaled \$1.1 million.
 - 1 of 24 transactions tested did not contain procurement

The University processed negotiated settlements as change orders.

- bulletin documentation. This transaction totaled \$4 million.
- 3 of 25 transactions tested did not contain a division contract or required signature.
- The University failed to maintain adequate documentation to support the process for selecting Professional Services Consultants associated with construction transactions reviewed.
- According to construction documentation reviewed on the west interior renovation to Memorial Stadium, the University processed payments for negotiated settlements as **change orders**. Change orders need to be approved in writing by the University prior to work being completed. Additionally, change orders for an electrical contractor were strung out as four individual change orders resulting in the University not having to seek Board approval due to the individual payments being below the Board approval threshold. Finally, some change orders reviewed were for items which would appear to be, or should have been, part of the original bid for which the contractor was awarded University business.
- There were no University policies detailing Minority and Female Business Enterprise (MAFBE), subcontractor, or “spreading the work around” requirements for construction transactions. As a result, the University was not consistently obtaining, evaluating, or verifying these requirements when selecting construction contractors.
 - 22 of 24 transactions tested showed the University did not obtain adequate MAFBE information. The information was either not provided or could not be broken down by prime contractor or subcontractor(s). These transactions totaled \$117 million.
 - 21 of 24 transactions tested showed the University failed to obtain adequate subcontractor information. The 21 transactions totaled \$115 million. (pages 65-85)

A/E Testing

We found:

The University did not implement all University policies required under QBS.

- The University was not implementing all University policies required under the Qualifications Based Selection (QBS) Policy for Capital Professional Services, which is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.
 - 23 of 25 transactions tested showed the University did not retain sufficient documentation to support representatives for **all required areas** on the evaluation committee.
 - 15 of 25 transactions tested showed the evaluation committee members **did not remain** consistent.
 - 15 of 25 transactions tested showed the interview

selection criteria developed by the committee was **not included in the interview notification letter.**

- 22 of 25 transactions tested lacked individual evaluation forms for each committee member during the short list and/or interview evaluations.
- 8 of 25 transactions tested showed the evaluation committee did not determine the final selection criteria for interviews.
- 24 of 25 transactions tested lacked a written executive summary.
- 2 of 25 transactions tested showed the amount paid to professional service consultants was significantly greater than the contracts approved by the Board.
- Inconsistencies, errors, and discrepancies were identified during the review of the University's evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University's selection process for A/E professional service consultants.
 - 15 of 25 transactions tested contained scoring or ranking inconsistencies for **short list evaluations.** After a review of the proposals by all submitting vendors, the University creates a short list of 3-5 vendors to continue in the evaluation process. These transactions totaled \$19.4 million.
 - 8 of 25 transactions tested contained at least one calculation error for short list evaluations. These transactions totaled \$11.9 million.
 - 7 of 25 transactions tested showed the file documentation did not support the same selection recommendation as the evaluation committee for the short list evaluation.
 - 12 of 25 transactions tested contained scoring or ranking inconsistencies for **interview evaluations.** These transactions totaled \$13.8 million.
 - 13 of 25 transactions tested contained at least one calculation error for interview evaluations.
 - 5 of 25 transactions tested showed the file documentation did not support the same selection recommendation as the evaluation committee for the interview evaluation.
 - 9 of 25 transactions tested showed the selection of the winning contractor was **influenced by involvement from personnel external to the evaluation committee.** These transactions totaled \$15.7 million. In 2 of the 9 transactions the involvement was from personnel on the Board.
- The University was not obtaining sufficient information for contractors and subcontractors including MAFBE information. The University was also not ensuring MAFBE information proposed in bids was consistent with MAFBE information listed in final University contracts.

15 of 25 transactions to determine a "short list" of firms contained scoring or ranking inconsistencies. The firms were awarded \$19.4 million in University business.

12 of 25 transactions for the "interview evaluations" contained scoring or ranking inconsistencies. The firms were awarded \$13.8 million in University business.

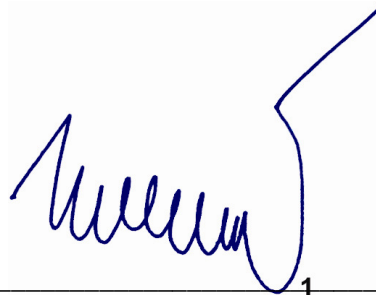
Personnel external to the evaluation committee influenced the selection of winning vendors.

MAFBE was not consistently used as criterion nor was it being scored and/or consistently ranked by evaluators.

- 7 of 25 transactions tested showed the **subcontractor's** percentage of work in the contract was **greater** than the **contractor's** percentage of work in the contract. These transactions totaled \$12.7 million.
- 4 of 25 transactions tested showed the MAFBE subcontractors' names in the bid were different than in the contract.
- 13 of 25 transactions tested showed the MAFBE percentages did not remain comparable for winning contractors.
- The University's oversight in evaluating MAFBE and workload criteria during the short list and interview process needs to be strengthened. MAFBE was not consistently being included as a criterion during such evaluations. In addition, MAFBE was not being scored and/or ranked consistently by evaluators. (pages 86-98)

RECOMMENDATIONS

This audit report contains 20 recommendations. Eighteen of the recommendations were directed towards the University and its practices. The other two recommendations were directed towards the Board of Trustees. The University and Board generally agreed with the recommendations. Appendix E to the report contains the full agency responses.



WILLIAM G. HOLLAND
Auditor General

WGH:MJM

AUDITORS ASSIGNED: This Performance Audit was performed by the Office of the Auditor General's staff.

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Chapter One

INTRODUCTION & BACKGROUND

REPORT CONCLUSIONS

The Board of Trustees (Board) is the governing body of the University of Illinois (University) and has final authority over University activity, including the proper use of funds appropriated by the General Assembly. The Board first convened on March 12, 1867 and consisted of 28 trustees appointed by Governor Oglesby.

The current Board consists of 13 trustees, eleven of whom have official votes. The Governor appoints nine trustees for terms of six years, and three student representatives are elected by the University campuses (Chicago, Springfield, and Urbana). The Governor serves as an ex-officio member of the Board. The Board was reconstituted during the audit period. In September 2009, the Governor appointed seven new members to the Board. Two members retained their positions.

On March 2, 2010, the Legislative Audit Commission adopted Resolution Number 139, which directed the Auditor General to conduct an audit of certain financial and business processes for which the University Board has responsibility. Resolution Number 139 focused specifically on transactions approved by the Board during the period 2007 through 2009 involving purchasing, finance and investment, and construction. The University Board requested that the Legislative Audit Commission authorize and direct the Auditor General to conduct this independent external audit and report its conclusions to the Board.

The Board has certain authorization levels for transactions it must approve. During the audit period of 2007-2009, for the authorization **levels in place at the time**, the Board:

- Approved 202 **construction related transactions** totaling \$981 million (i.e., new capital projects, professional services contracts for capital projects, and construction contracts).
- Approved 337 **purchase transactions** totaling \$602 million.

These authorization levels have changed over time. In January 2010, the current Board **dramatically increased** the dollar threshold for transactions that needed Board approval. Increasing the authorization levels significantly impacts the degree of University transactions that the Board approves. For the same population of 2007-2009 transactions:

- If the **new authorization levels** had been in effect, 18 percent of the same construction related transactions, totaling \$173 million, **would not have needed to be approved** by the Board. Other University officials would have had approval authority.
- The **new authorization levels** would have **excluded** 240 of the purchase transactions (71 percent) totaling \$110 million from Board oversight.

Our review found that the University did submit, to the Board for approval, the vast majority of contracts that were above Board approval thresholds. However, we did find **four instances**

where contracts were not consistently submitted to the Board, a violation of Board policy. The four contracts totaled \$1.23 million.

The Board utilized the Executive Committee during the audit period for issues that were either not urgent in nature, or were matters that should have been discussed and voted on by the full Board. The Executive Committee is to meet and act upon issues **that cannot be postponed** until the next regular meeting of the Board. While all Board trustees are notified of the meeting and can comment or question any item, **only Executive Committee members may vote** on the issues at hand. The Executive Committee consists of three Board members.

The Executive Committee met 16 times during the audit period. Our review of the items discussed led us to question the **urgency** of some items. In other cases, while Board approval may have been needed prior to the next regularly scheduled Board meeting, many of these items were of a **non-emergency nature** and/or were in process for some time, and should have been presented for consideration at a prior Board meeting when they could have been considered by the **entire** Board.

Purchasing Transactions

During the audit period the Board **approved 337 purchases** totaling **\$602 million** based on dollar thresholds established by the Board in 2005. Additionally, 73 change orders were brought to the Board for approval. These change orders totaled over \$48 million. Finally, the Board also has to approve renewal recommendations to University contracts. For the period 2007-2009, 25 such approvals were granted by the Board totaling almost \$12 million.

During the audit period the Board required transactions for equipment and services purchases totaling \$200,000 to be presented for Board approval. Likewise, for professional services, purchases totaling \$100,000 had to be presented for Board approval. Beginning in January 2010, the reconstituted Board increased those transaction levels to transactions of \$1 million. The increase by the current Board to an approval threshold of \$1 million for equipment has **drastically decreased** the number of purchases brought to the Board for approval.

During our review of University purchasing transactions, we reviewed University documentation prepared for approval by the Board. From the population of 191 purchases that were approved by the Board and **competitively procured**, we selected 25 transactions totaling \$28.5 million. This represented eleven percent of the total dollar purchases (\$251 million) **competitively approved** by the Board during the audit period.

We also selected 25 transactions where the purchase was considered a **sole source purchase** by the University. Our sample, totaling \$38.7 million, comprised eleven percent of all the sole source transactions that were presented and approved by the Board during the audit period.

Testing was designed to ensure the University submitted all purchase transactions and their related change orders for approval to the Board pursuant to Board authorization dollar thresholds. We found:

- The University did not provide complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy.
- The University did not review and approve sole source justification forms as required by University Policy.
- The University did not provide copyright or patent support for all applicable sole source purchases as required.
- The University inconsistently used contracts and purchase orders as binding agreements. Additionally, although required in University policy, the University is not always obtaining required signatures on contractual obligations or following required State recording and filing procedures.
- The Contract Approval Routing Form (CARF) was not consistently being completed, signed, and included with each contract document being processed as required by University policy.
- The criteria reviewed on evaluations were not maintained in all procurement files. Additionally, the required evaluation criteria listed in the Request for Proposal (RFP) was not always consistent with the criteria reviewed during the evaluation process.
- The University did not maintain individual evaluations for each committee member in the file. Additionally, University documentation, for some transactions, did not support that the evaluation was based on a group consensus.
- The University did not maintain complete evaluations for each procurement transaction in our sample.
- The University did not maintain point summaries in the procurement files that supported Board documentation for all transactions in our sample.
- The University's procurement files contained evaluation scoring errors. Additionally, there was no evidence in the files to support that such errors were recognized and addressed by the University.
- The University's procurement files contained inconsistencies in the identification of evaluation committee members. Additionally, there was no evidence in the files to support that such inconsistencies were recognized and addressed by the University.
- Protest documents were not maintained in the procurement or associated contract files as required by the Illinois Procurement Code. Additionally, we did not see evidence that the University conducted contractor performance reviews.

Finance and Investment Transactions

At June 30, 2009, the University had **\$1.64 billion** of financing for its infrastructure needs. Ninety-two percent of the financing was for academic facilities, housing, and athletic facilities. The four financing methods utilized by the University included:

- Auxiliary Facilities System bond financing - \$939 million;
- Certificates of Participation - \$571 million;
- University of Illinois Chicago South Campus Development bond financing - \$73 million; and,
- Health Services Facilities System bond financing - \$61 million.

Financing activities are conducted by parties internal to the University and external parties whose services were to be procured utilizing competitive procurement processes. During audit testing we identified a **potential conflict of interest** involving a Board official that recommends firms to the full Board for financing activities. For 1 of the 11 financing transactions, a \$90 million issue for auxiliary facilities system revenue bonds in 2009, the Comptroller recommended utilizing an underwriting firm that the Comptroller previously worked for and in which he still had ownership interest.

The University developed lists of applicable financing parties that could be utilized for transactions during the period 2007-2009. While Board officials indicated that there generally was **rotation** among the firms, we found that many of those firms on the lists **were not utilized** by the University for the transactions. The University paid **over \$2.7 million in fees** to five financing parties during the audit period.

The University reported it competitively procured the services of the external financing parties utilized during transactions within the audit period. We found that the University: utilized a two-team evaluation approach for the procurement of a financial advisor that was **outside usual University evaluation procedures**; did not maintain supporting files for the procurement of all the financing parties; utilized financing parties with which the University **did not have a current contractual agreement**; and **overpaid** bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services.

At the end of the audit period, the University had over **\$1.1 billion of investments** for three types of funds in six types of securities. University investment programs are centralized under University Administration. The Board develops basic University policy on investments and **delegates the execution** of those policies to its administrative agents, who act under the Board's general supervision. The Finance and Investment Committee meets regularly to review compliance, asset allocation, portfolio and manager performance and other policy questions.

Construction Transactions

During the audit period, the University submitted, and the Board approved, **\$981 million** in construction related transactions. This includes both general construction contracts and contracts for professional services for architectural and engineering (A/E) services. Given the high risk associated with the construction area, we selected two samples for fieldwork testing, one of general construction contracts and the other for A/E contracts.

Construction Testing

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. We found:

- During the audit period, the University's Qualifications Based Selection (QBS) policy for capital professional services **incorrectly included** "construction managers" in the procurement policy with the selection of architects and engineers.
- There was no University policy regarding the selection of construction contractors with bid proposals containing base and **alternate bid** prices. As a result, the University is

not consistently following the same steps when selecting contractors with these types of proposals.

- The University failed to maintain solicitation and procurement bulletin documentation in all construction transactions reviewed. Additionally, the University failed to maintain signed contractual agreements in the files for all construction transactions.
- The University failed to maintain adequate documentation to support the process for selecting Professional Services Consultants associated with construction transactions reviewed.
- According to construction documentation reviewed on the west interior renovation to Memorial Stadium, the University processed payments for negotiated settlements as **change orders**. Change orders need to be approved in writing by the University prior to work being completed. Additionally, change orders for an electrical contractor were strung out as four individual change orders resulting in the University not having to seek Board approval due to the individual payments being below the Board approval threshold. Finally, some change orders reviewed were for items which would appear to be, or should have been, part of the original bid for which the contractor was awarded University business.
- There are no University policies detailing Minority and Female Business Enterprise (MAFBE), subcontractor, or “spreading the work around” requirements for construction transactions. As a result, the University is not consistently obtaining, evaluating, or verifying these requirements when selecting construction contractors.

A/E Testing

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported, and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. Additionally, given the information obtained from University officials during the survey phase, we tested to ensure that selection decisions were based on State law and documented University policy. We found:

- The University was not implementing all University policies required under the QBS Policy for Capital Professional Services, which is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.
- Inconsistencies, errors, and discrepancies were identified during the review of the University’s evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University’s selection process for A/E professional service consultants.
- The University was not obtaining sufficient information for contractors and subcontractors including MAFBE information. The University was also not ensuring MAFBE information proposed in bids was consistent with MAFBE information listed in final University contracts.
- The University’s oversight in evaluating MAFBE and workload criteria during the short list and interview process needs to be strengthened. MAFBE was not consistently being included as a criterion during such evaluations. In addition, MAFBE was not being scored and/or ranked consistently by evaluators.

INTRODUCTION

On March 2, 2010, the Legislative Audit Commission adopted Resolution Number 139 (see Appendix A), which directed the Auditor General to conduct an audit of certain financial and businesses processes for which the University of Illinois Board of Trustees (Board) has responsibility. Resolution Number 139 focused specifically on transactions approved by the Board during the period 2007 through 2009 involving purchasing, finance and investment, and construction. The University Board requested that the Legislative Audit Commission authorize and direct the Auditor General to conduct this independent external audit and report its conclusions to the Board.

BOARD OF TRUSTEES

The Board is the governing body of the University and has final authority over University activity, including the proper use of funds appropriated by the General Assembly. The Board first convened on March 12, 1867 and consisted of 28 trustees appointed by Governor Oglesby.

Trustees that serve on the Board traditionally were elected. This process was legislatively changed in 1995 to an appointment process by the Governor with approval of trustees by the Illinois Senate. Trustees appointed by the Governor take office in January to begin a term that lasts six years.

The Board was reconstituted during the audit period. In September 2009, the Governor appointed seven new members to the Board. Two members retained their positions.

The **current** Board consists of 13 trustees, eleven of whom have official votes. The Governor, who is an ex-officio member, appoints nine trustees for terms of six years, and three student representatives are elected by the University campuses (Chicago, Springfield, and Urbana). In 1998, statute gave the Governor the authority to appoint one of the student trustees to have an official vote on Board matters.

The Board maintains an office at the University campus in Urbana and has seven staff who work on compiling information for Board meetings and record keeping (i.e., filing, Freedom of Information Act requests). The Board has five officer positions. All positions are elected for a period of one year with the exception of the Board treasurer which is a two-year term. Current officer positions are: Chair (Board member since September 2009), Secretary (individual has held the position since August 1990), Treasurer (individual has held the position since July 1994), Comptroller (individual has held the position since February 2007), and Counsel (individual has held the position since September 1997).

The University is a **member institution** of the Big Ten conference. Exhibit 1-1 provides comparative information on the governing bodies, number of Board trustees, and number of committees of these conference universities. The University is also the largest of the State of Illinois' public universities. Exhibit 1-2 provides the same comparative information for the eight State universities.

Exhibit 1-1 BIG TEN UNIVERSITY GOVERNING BOARD INFORMATION 2007-2009			
<i>University</i>	<i>Governing Body</i>	<i># Board Trustees</i>	<i># Committees</i>
Indiana University	Board of Trustees	9	5
Michigan St. University	Board of Trustees	8	4
Northwestern University	Board of Trustees	76	13
Ohio St. University	Board of Trustees	17	7
Penn St. University	Board of Trustees	32	3
Purdue University	Board of Trustees	10	5
University of Iowa	Board of Regents	9	6
University of Michigan	Board of Regents	8	3
University of Minnesota	Board of Regents	12	6
University of Wisconsin	Board of Regents	18	6
University of Illinois	Board of Trustees	13	14
Source: OAG summary of survey information.			

Exhibit 1-2 STATE UNIVERSITIES GOVERNING BOARD INFORMATION 2007-2009			
<i>State University</i>	<i>Governing Body</i>	<i># Board Trustees</i>	<i># Committees</i>
Southern Illinois	Board of Trustees	12	4
Illinois State	Board of Trustees	9	1
Northern Illinois	Board of Trustees	9	3
Eastern Illinois	Board of Trustees	9	4
Western Illinois	Board of Trustees	9	4
Chicago State	Board of Trustees	9	4
Governors State	Board of Trustees	9	5
Northeastern Illinois	Board of Trustees	11	3
University of Illinois	Board of Trustees	13	14
Source: OAG summary of survey information.			

The Board, through either regular or special meetings, met a **total of 45** times during the timeframe covered by the audit directed by Resolution Number 139. A listing of the meetings is provided in Exhibit 1-3.

Exhibit 1-3 BOARD OF TRUSTEE MEETING DATES 2007-2009			
<i>Date</i>	<i>Type</i>	<i>Date</i>	<i>Type</i>
January 18, 2007	Regular Meeting	September 11, 2008	Regular Meeting
March 13, 2007	Regular Meeting	October 10, 2008	Executive Committee
April 17, 2007	Executive Committee	October 24, 2008	Executive Committee
May 17, 2007	Regular Meeting	November 13, 2008	Regular Meeting
July 6, 2007	Executive Committee	November 17, 2008	Executive Committee
July 30, 2007	Regular Meeting	January 15, 2009	Regular Meeting
September 6, 2007	Regular Meeting	February 3, 2009	Emergency Meeting
October 17, 2007	Executive Committee	February 3, 2009	Special Meeting
November 14, 2007	Regular Meeting	February 9, 2009	Executive Committee
December 3, 2007	Executive Committee	March 11, 2009	Regular Meeting
January 17, 2008	Regular Meeting	May 21, 2009	Regular Meeting
January 25, 2008	Executive Committee	June 24, 2009	Executive Committee
February 11, 2008	Executive Committee	June 25, 2009	Emergency Meeting
February 26, 2008	Executive Committee	July 23, 2009	Regular Meeting
March 26, 2008	Regular Meeting	September 10, 2009	Regular Meeting
April 8, 2008	Executive Committee	September 24, 2009	Ad Hoc Committee
April 25, 2008	Executive Committee	October 3, 2009	Special Meeting
May 7, 2008	Special Meeting	October 22, 2009	Ad Hoc Committee
May 22, 2008	Regular Meeting	October 23, 2009	Executive Committee
May 28, 2008	Special Meeting	November 12, 2009	Ad Hoc Committee
June 27, 2008	Executive Committee	November 12, 2009	Regular Meeting
July 24, 2008	Regular Meeting	December 17, 2009	Academic/Student
August 14, 2008	Executive Committee		
Source: OAG summary of Board information.			

Governance

The Board has established a set of formal statutes which provide a detailed framework for the following aspects of governance of the University: (a) administrative organization and responsibilities; (b) legislative organization and functions; (c) conditions of appointment and tenure for faculty members and administrative officers; and, (d) conditions relating to sponsored research, gifts, grants, patents, and copyrights.

In addition to the statutes, the Board has adopted a body of regulations published under the title “*The General Rules Concerning University Organization and Procedure.*” These rules provide greater detail on the various business procedures mentioned in the statutes, specify the conditions governing the use of University property, and describe in some detail employment policies.

Board Committees

The current Board **drastically reduced** the number of Board committees, from 13 to 4 (this figure does not include the Executive Committee). While former Board trustees reported that not all 13 committees were very active, current Board trustees indicated the reduction move by the Board was done to back away from having the **Board so intimately involved** with every

action of the University. Exhibit 1-4 lists the committees of the Board during the audit period of 2007-2009, and the current committee structure that was instituted in January 2010.

Exhibit 1-4 BOARD COMMITTEES – UNIVERSITY OF ILLINOIS 2007-2010		
<i>Committees 2007-2009</i>		<i>Committees 2010</i>
Executive Committee	University Hospital	Executive Committee
Academic Affairs	External Affairs	Academic & Student Affairs
Athletics	Governance	Audit, Budget, Finance & Facilities
Budget & Audit	Legal Affairs	Hospital
Buildings & Grounds	Strategic Planning	Governance, Personnel & Ethics
Human Resources	Access	
Finance & Investment	Technology & Economic Development	

Source: OAG summary of Board information.

A Board official indicated that in November 2009, the newly constituted Board decided that committees should have discrete membership and that the committees should meet at separate times from the scheduled full Board meetings. Two or three committees schedule meetings the day before the full Board meeting; and one committee schedules its meetings about ten days in advance of the full Board meeting.

Prior to the reorganization in November 2009, **all** Board trustees were members of **all** committees. The committees each had a chair and a vice chair and they would convene meetings during breaks in the scheduled full Board meetings. The meetings were brief, often lasting about 30 minutes. This process, of having all Board trustees serving on all committees, lasted for about five years. A current Board trustee indicated that under this previous committee system, the committees **did not always have minutes**, which the Board trustee indicated might have been a red flag.

Relative to the audit period, and audit scope directed by Resolution Number 139, the **Buildings and Grounds Committee** evaluated long-range plans that impact the University’s infrastructure and facilities. It also reviewed and recommended for approval all capital projects, appointment of architects, construction managers, and contractors for construction projects.

The **Finance and Investment Committee** reviewed and recommended to the Board all policies concerning the management and control of the University’s financial resources including oversight of debt management and bond financing, and formulation of policies and strategies for maintaining and growing the endowment. It was also responsible for the appointment of investment advisors, financial participants, and bond underwriters.

Board Transaction Approval Levels

The Board has certain authorization levels for transactions it must approve. These authorization levels have changed over time. Current Board trustees and trustees from the previous Board differ on what oversight level needs to be maintained by the Board. Exhibit 1-5 provides the changes in authorization levels over the past decade.

Exhibit 1-5 BOARD OF TRUSTEES AUTHORIZATION LEVELS 2000-2010				
<i>Purchase Category</i>	<i>Prior to June 2000</i>	<i>June 2000</i>	<i>September 2005</i>	<i>January 2010</i>
Equipment & Supplies	\$100,000	\$500,000	\$200,000	\$1,000,000
Professional Services	\$50,000	\$250,000	\$100,000	\$1,000,000
Professional Services	\$50,000	\$500,000	\$150,000	\$1,000,000
Capital Projects				
Capital Projects	\$500,000	\$10,000,000	\$2,000,000	\$5,000,000
Construction Contracts	\$250,000	\$2,500,000	\$500,000	\$2,500,000
Source: OAG developed from Board information.				

Previous Board trustees reported that approval **thresholds were lowered** as the result of contract concerns. They indicated that problems associated with the utilities contract, waste in contracts brought before the Board for approval, and the suspected attempt by University officials to divide certain contracts so as not to meet the approval threshold were several reasons why the Board lowered the thresholds. A previous Board trustee noted that the problems associated with awarding contracts was not seen at high dollar value contracts but at significantly lower amounts.

A former University president stated that the thresholds were lowered the same year he took office. He said that there was **less willingness to trust management** and more desire by the Board to **exercise prerogatives**. The idea to lower thresholds originated with the Board.

A current Board trustee reported that there were too many transactions associated with the lower thresholds. The trustee mentioned that the current Board is working to attain good staff and make the Board approval process consistent with best practices. He said that while the lower thresholds were intended for good oversight, just because a project came to the Board for approval doesn't mean that there was sufficient oversight. Another current trustee told auditors that part of the reason the thresholds were raised was that the previous Board was going around the President. This trustee also said the thresholds were pretty low.

Increasing the authorization levels significantly impacted the amount of University transactions that the Board approves. During the audit period of 2007-2009, the Board approved 202 construction related transactions totaling \$981 million (i.e., new capital projects, professional services contracts for capital projects, and construction contracts). If the **new authorizations had been in effect**, 18 percent of the **same** transactions, totaling \$173 million, would not have needed to be approved by the Board. Other University officials would have had approval authority.

Likewise, with University purchases, during the audit period, the Board approved 337 purchases totaling \$602 million. The new authorization levels would have excluded 240 of those transactions (71 percent), totaling \$110 million, from Board oversight.

While the University Board approval levels, as changed in 2010, are in line with other member institutions of the Big Ten Conference, the previous Board approval levels, from 2007-2009 are similar to other in-State public universities. We surveyed the other member institutions of the Big Ten conference to determine what the approval levels were at those similar

institutions. Those results are summarized in Exhibit 1-6. We contacted each of the eight other State public university Boards to compile the same information, which is presented in Exhibit 1-7.

Exhibit 1-6 BOARD APPROVAL THRESHOLDS – BIG TEN UNIVERSITIES 2007-2009					
<i>University</i>	<i>Supplies/ Equipment</i>	<i>Prof. Services</i>	<i>Prof. Services Capital</i>	<i>Capital Projects</i>	<i>Construction Contracts</i>
Indiana University	N/A	N/A	N/A	\$500,000	N/A
Michigan St. University	N/A	N/A	N/A	\$1,000,000	\$1,000,000
Northwestern University	N/A	N/A	N/A	N/A	N/A
Ohio St. University	N/A	N/A	N/A	\$4,000,000	\$10,000,000
Penn St. University	N/A	N/A	\$2,000,000	N/A	N/A
Purdue University	\$2,000,000	\$2,000,000	\$2,000,000	\$5,000,000	\$5,000,000
University of Iowa *	\$1,000,000	N/A	\$1,000,000	\$1,000,000	N/A
University of Michigan	N/A	N/A	\$1,000,000	\$1,000,000	\$1,000,000
University of Minnesota	\$250,000	\$250,000	N/A	\$500,000	\$500,000
University of Wisconsin	\$500,000	\$500,000	N/A	\$150,000	N/A
University of Illinois	\$200,000	\$100,000	\$150,000	\$2,000,000	\$500,000
Note: N/A indicates that the University does not require Board approval for this area.					
Note: * indicates that the University of Iowa capital projects are for new buildings. The threshold is \$2 million for all other capital projects.					
Source: OAG summary of survey information.					

Exhibit 1-7 BOARD APPROVAL THRESHOLDS – STATE UNIVERSITIES 2007-2009					
<i>University</i>	<i>Supplies/ Equipment</i>	<i>Prof. Services</i>	<i>Prof. Services Capital</i>	<i>Capital Projects</i>	<i>Construction Contracts</i>
Southern Illinois	\$100,000	\$100,000	\$100,000 ¹	\$250,000 ²	N/A ³
Illinois State	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Northern Illinois	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Eastern Illinois	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Western Illinois	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Chicago State ⁴	\$250,000	\$250,000	\$100,000	\$250,000	N/A ⁵
Governors State	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Northeastern Illinois	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
University of Illinois	\$200,000	\$100,000	\$150,000	\$2,000,000	\$500,000
Note: N/A indicates that the University does not require Board approval for this area.					
¹ Approval for architectural/engineering can be obtained for a lower level.					
² Raised to \$500,000 in 2009.					
³ If project meets Board approval threshold, all contracts go to Board for approval.					
⁴ Interim president lowered all thresholds to \$25,000 during middle of audit period.					
⁵ Considers a construction contract to be the same as capital project.					
Source: OAG summary of survey information.					

Submission of Transactions for Board Approval

During audit testing, we found that the University had not provided all contractual agreements to the Board as required by Board policy. During our review of University construction transactions, we requested a listing of **all contractual agreements** during the audit period of 2007 through 2009. Our goal was to test to ensure that the University submitted all contracts to the Board for approval pursuant to Board authorization dollar thresholds. Previous Board trustees had indicated that one reason approval thresholds were lowered in 2005 was a concern that not all contracts were being submitted.

The Board sets dollar thresholds for transactions that must come before the Board for approval. Beginning September 2005, those thresholds included: \$150,000 for professional services for capital projects (i.e., architectural and engineering services); \$500,000 for construction contracts; and, \$100,000 for professional services contracts.

Our review found that the University did submit the vast majority of contracts that were above Board approval thresholds. However, we did find **four instances** where contracts were not **consistently** submitted to the Board, a violation of Board policy. The following exceptions were found:

- Vendor – Utility Safety and Design:
 - The contract, for capital project professional consulting services, was executed May 15, 2007.
 - The contract stated that fees will be limited to a maximum of \$150,000 per fiscal year. This is the same amount as the Board threshold for capital project consulting services.
 - The president and University counsel are required to sign contracts in excess of \$250,000. Those two officers did sign this contract.
 - The University **did not submit** this contract to the Board for approval.
- Vendor – Hygieneering:
 - The contract, for capital project professional consulting services, was executed July 1, 2006.
 - The contract, under “Fees for Professional Services” section, states that total estimated contract value is not-to-exceed \$150,000 per contract year. This is the same amount as the Board threshold for capital project consulting services.
 - The University **did not submit** this contract to the Board for approval.
- Vendor – LCM Architects:
 - The contract, for capital project professional consulting services, was executed July 1, 2006.
 - The contract, under “Fees for Professional Services” section, states that total estimated contract value is not-to-exceed \$150,000 per contract year. This is the same amount as the Board threshold for capital project consulting services.
 - The University **did not submit** this contract to the Board for approval.
- Vendor – MTS Systems Corporation:
 - A purchase order was printed August 7, 2009, for technology and installation services.

- The purchase order totaled \$775,800.
- No contract was executed for these services.
- The University **did not submit** this contract to the Board for approval.

A University official explained that the 4th exception was initially a construction project that was under the \$2 million Board approval level. Another University official indicated that it was an upgrade which a since retired purchasing director did not think had to go before the Board. However, the technology and installation activities would have been a construction contract over the Board approval level of \$500,000.

For the other three exceptions, other capital project professional services agreements, including a May 2007 agreement with Intelligent Systems Services, **contained the exact same language** as the three professional services agreements detailed above. The agreement with Intelligent Systems Services, **also for \$150,000, was submitted** to the Board for approval on May 17, 2007. Failure to consistently submit all contracts to the Board is a violation of Board policy and weakens oversight ability of the Board over University transactions.

FAILURE TO SUBMIT ALL TRANSACTIONS TO BOARD FOR APPROVAL	
RECOMMENDATION NUMBER 1	<i>The University should be consistent and take the steps necessary to ensure that all University transactions that meet or exceed Board thresholds are submitted for approval.</i>
UNIVERSITY RESPONSE	The University will establish or enhance procedures to improve consistency, ensuring that all University transactions that meet or exceed Board thresholds are submitted for approval.

Use of the Executive Committee

The Board utilized the Executive Committee during the audit period for issues that were either not urgent in nature, or were matters that should have been discussed and voted on by the full Board.

According to information maintained on the Board website, the Board maintains an Executive Committee, which meets and acts upon issues **that cannot be postponed** until the next regular meeting. Executive Committee meetings are called pursuant to Article IV, Section 2 of the Board’s Bylaws.

During Executive Committee meetings, the chair indicates that the “sole” purpose of the meeting is to consider “urgent” business that “must be approved” before the next regular Board meeting. While all Board trustees are notified of the meeting and can comment or question any item, **only Executive Committee members may vote** on the issues at hand. The Executive Committee consists of three Board members. Documentation showed that Executive Committee meetings are open to the public.

The Executive Committee met 16 times during the audit period for the sole purpose to consider items that were deemed urgent for carrying on the business of the University and that had

to be approved prior to the full Board’s next regular meeting. Exhibit 1-8 provides an analysis of when the Executive Committee met during the audit period, a comparison to the previous and next full Board meeting dates, the number of non-voting trustees that attended the Executive Committee meeting and the number of “urgent” items on the agenda.

Exhibit 1-8 EXECUTIVE COMMITTEE ANALYSIS 2007-2009						
<i>Previous Full-Board Meeting Date</i>	<i># Days</i>	<i>Executive Committee Meeting Date</i>	<i>Next Full-Board Meeting Date</i>	<i># Days</i>	<i># Non-Exec Board Members in Attendance</i>	<i># Urgent Items</i>
03/13/07	35	04/17/07	05/17/07	30	2	2
05/17/07	50	07/06/07	07/30/07	24	2	1
09/06/07	41	10/17/07	11/14/07	28	4	1
11/14/07	19	12/03/07	01/17/08	45	2	2
01/17/08	8	01/25/08	03/26/08	61	1	10
01/17/08	25	02/11/08	03/26/08	44	1	1
01/17/08	40	02/26/08	03/26/08	29	1	2
03/26/08	13	04/08/08	05/22/08	44	1	3
03/26/08	30	04/25/08	05/22/08	27	0	1
05/22/08	36	06/27/08	07/24/08	27	1	4
07/24/08	21	08/14/08	09/11/08	28	1	2
09/11/08	43	10/24/08	11/13/08	20	5	1
11/13/08	4	11/17/08	01/15/09	59	1	1
01/15/09	25	02/09/09	03/11/09	30	3	3
05/21/09	34	06/24/09	07/23/09	29	3	4
09/10/09	43	10/23/09	11/12/09	20	2	1

Note: In addition to the meetings above, the Executive Committee met in closed session on 10/10/08 to discuss University employment matters.

Source: OAG summary of Board information.

Our review of the items discussed led us to question the **urgency** of some items. In other cases, while Board approval may have been needed prior to the next regularly scheduled Board meeting, many of these items were of a **non-emergency nature** and/or were in process for some time, and should have been presented for consideration at a prior Board meeting when they could have been considered by the **entire** Board. Additionally, the Office of the Chief Procurement Officer at the University publishes a Procurement Handbook that contains a chart that details the **deadlines** for the submission of purchases to be sent to the Board. The following items acted on during Executive Committee meetings on the following dates are noted:

- April 17, 2007 – Sale of farms in DeKalb County.
- July 6, 2007 – Appointment of new directors to Prairieland Energy in anticipation of the resignation of three directors.

- October 17, 2007 – Amended varsity football coaches contracts. The current contracts were effective through January 2010.
- December 3, 2007 – Appoint interim chancellor for the Chicago campus. The previous chancellor was retiring on December 31, 2007.
- January 25, 2008 – Actions taken 8 days **after** a full-Board meeting.
 - Approved \$1.03 million contract for chilled water extension. Construction to begin January 2008.
 - Approved \$1.5 million contract for field turf installation. Construction to begin January 2008.
 - Approved \$2 million contract for Memorial Stadium development. Construction to begin February 2008.
 - Approved \$35.3 million contracts for residence hall project. Construction to begin February 2008.
 - Approved \$563,000 contract for elevator upgrades. Construction to begin February 2008.
 - Approved \$15 million budget for Huff Hall addition project. No date given for bidding.
 - Approved \$4 million budget for School of Social Work build-out project. No date given for bidding.
 - Approved budget increase and award \$1.1 million contract for plumbing project. No construction date given.
 - Approved lease for space starting February 1, 2008.
 - Approved \$21.8 million in purchases and change orders.
- February 11, 2008 – Approved \$7.3 million in purchases and change orders.
- February 26, 2008 – Approved \$2.3 million contract for Memorial Stadium development. Construction to begin March 2008. Approved \$1.4 million in purchases.
- April 8, 2008 – Approved honorary degree for May 11, 2008 commencement ceremony. Awarded distinguished service medallion. Approved new degree at Chicago campus.
- April 25, 2008 – Approved \$548,000 in purchases.
- June 27, 2008 – Employed architects for Olgesby Hall elevator project and Gregory Hall remodeling. No dates given for projects. Approved \$5.6 million in purchases and change orders.
- August 14, 2008 – Appointed interim dean at Urbana for someone leaving August 15, 2008. Approved a lease in Chicago that had been in effect since 1991 and expired June 30, 2008.
- October 24, 2008 – Discussed personnel matter in executive session.
- November 17, 2008 – Approved agreement for variable-to-fixed interest rate swap.
- February 9, 2009 – Approved appointment of vice chancellor in Chicago for someone that had been serving since November 2004. Added \$8.5 million project to bond purchase approved in January 2009. Approved \$8.5 million budget increase for Chicago campus construction project.
- June 24, 2009 – Appointed interim dean at the Chicago campus for someone resigning July 15, 2009. Approved tuition rate increase for academic year 2010. Approved tuition and fee increases for fiscal year 2010.

According to a former Board Trustee and former University President, once a call has been made for a meeting of the Executive Committee, University campus officials often times added additional items that may not be urgent in nature to the agenda that the officials want the Board to consider.

A former Board Chairman indicated that the Executive Committee should be used as a last resort. He reported the Board members wanted to hold off on those types of meetings to get every Board trustee involved at a full Board meeting. However, a former University President reported to us that the Board was tough on him in terms of business needing to be done right away. The former President added that as a result, he was hard on management. He said that if the Board agreed to meet in Executive Committee meeting, they **decided to add other non-urgent issues** because they would already be meeting.

Executive Committee meetings on issues that are not urgent in nature violate the Board Bylaws. Additionally:

- when the Executive Committee takes action (votes) on issues, there is less scrutiny than what takes place in front of the full Board. The input of all Board members is limited.
- during Executive Committee meetings from 2007-2009, there were eight meetings where only one or fewer non-voting trustees participated in the Executive Committee meetings.
- millions of dollars in projects were approved during Executive Committee meetings.

USE OF EXECUTIVE COMMITTEE	
RECOMMENDATION NUMBER 2	<i>The Board should ensure that only truly urgent actions are considered during Executive Committee meetings. Additionally, the Board should work with University officials to ensure that non-emergency routine items are ready for consideration at regularly scheduled Board meetings.</i>
BOARD RESPONSE	All Executive Committee meetings held during the audit period were called by the Chair of the Board via proper “notice” as provided in the Open Meetings Act and conducted in accordance with this Act. The meetings also followed provisions of the Board of trustees Bylaws (Article IV). The meetings were all convened in open session and accessible by the public. The Executive Committee has all the authority of the full Board. The Chair of the Executive Committee or any two members can determine whether a need exists to call a meeting of this committee. All other trustees may participate as non-voting participants. Executive Committee meeting action items and minutes were provided to the Auditor General in May 2010. The University believes it documented the urgency of the matters considered by the Executive Committee in the actions items presented in these meetings and in the minutes of the meetings. For example:

<p style="text-align: center;">BOARD RESPONSE (continued)</p>	<ul style="list-style-type: none"> • April 17, 2007 – The Executive Committee approved the life safety fire alarm and high rise sprinkler projects for Urbana campus residence halls and the sale of farmland. The meeting’s minutes state “the sole purpose of this meeting is to consider two items that are urgent for carrying on the business of the University and must be approved by the board prior to the next regular meeting of the board,” and “it was important for the contract to be approved to permit construction to begin as soon as possible in order to have the work completed before the students who will live in the residence halls arrive in August for the start of the fall 2007 semester.” • July 6, 2007 – The Board appointed three new directors to Prairieland Energy, Inc. because of the “anticipation of the resignation or removal of three exiting directors.” The minutes of this meeting state “the sole purpose of this meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • October 17, 2007 – On recommendation of the Urbana chancellor, the varsity football coach employment contract was amended. (Football coaches are not paid from State monies.) The minutes of the meeting state “the sole purpose of the meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • December 3, 2007 – the chancellor of the Chicago campus was scheduled to retire on December 31, 2007. An interim chancellor for the Chicago campus had not been identified by the date of the November 2007 Board meeting and it was critical to have the interim chancellor approved by the Board by January 1, 2008, the start date for the interim chancellor. The meeting’s minutes state “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • January 25, 2008 – Action taken to approve certain contracts, budgets and leases eight days after the January 2008 Board meeting was because the Chairman of the Buildings and Grounds Committee was absent from the Board meeting and these items (all Building and Grounds Committee items) were deferred because of his absence. These items should have been considered at the January 2008 Board meeting. Thus, receiving approval for the items on the next earliest date was appropriate. Many of the items approved were construction projects for which construction was to begin before the scheduled March 2008 Board meeting date as documented in the listing of contracts approved. The minutes of the meeting of the Executive Committee state “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
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<p style="text-align: center;">BOARD RESPONSE (continued)</p>	<ul style="list-style-type: none"> • February 11, 2008 – Committee minutes state “to consider items that are urgent for carrying on the business of the University.” • February 26, 2008 – Construction contract for Memorial Stadium. The recommendation in the item for action indicates that construction was to begin in March 2008. Minutes of the committee meeting state “to consider items that are urgent for carrying on business of the University.” • April 8, 2008 – Approvals of non-monetary items in preparation for the May 2008 commencement (honorary degrees, distinguished service medallion). The May 2008 Board meeting was scheduled after the commencement ceremonies. The minutes of the Executive Committee meeting state “The sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • April 25, 2008 – Approved \$548,000 in purchases. The Committee minutes state these purchases were to “address damage caused by a fire this winter in the College of Pharmacy building....purchases are urgent due to the need for a spectrometer for continuing research and the restoration is also needed in order to resume work in the affected areas of the building.” The minutes of the meeting state “the sole purpose of this meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • June 27, 2008 – Approved certain projects and \$5.6 million in purchases and change orders. The minutes of the meeting document that certain items “were necessitated by the need to comply with the Americans with Disabilities Act....remodeling of some residence halls that must be initiated immediately as well as the critical state of the Rare Book and Manuscript Library....urgent to address the presence of mold in some of the valuable books and materials.” The minutes state that “the sole purpose of this meeting is to consider four items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” • August 14, 2008 – Minutes of the Executive Committee document “the sole purpose of the meeting is to consider two items that are urgent.” • October 24, 2008 – Self-explanatory. Personnel matter (executive compensation) discussed in executive session. This meeting was attended (in person or via telephone) by a number of other Board members. Minutes state “item that is urgent for carrying on business of the University....”
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<p>BOARD RESPONSE (continued)</p>	<ul style="list-style-type: none"> • November 17, 2008 – Approval of an interest rate swap novation because of the bankruptcy of the swap counterparty on a University interest rate swap contract. The bankruptcy constituted a Termination Event for the swap and had to be dealt with immediately. The change of counterparty could not be delayed and required immediate approval by the Board. The urgent nature of the action approved was documented in the minutes and the items stating the University risks incurred because of the counterparty bankruptcy and the need to transfer to a new counter party. The minutes of this meeting state “the sole purpose of this meeting is to consider an item that is urgent for the carrying on the business of the University.” • February 9, 2009 – Minutes of the meeting document the purpose of the Executive Committee meeting was “to consider three items that are urgent for carrying on the business of the University.” • June 24, 2009 – Critical to approve tuition for the upcoming academic year (09-10). The tuition decision had been deferred pending the finalization of the 2009 State legislative and budgetary session and could not be delayed to the July 2009 Board meeting. The minutes of this meeting stated “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board” and that the Executive Committee was used “due to the fact that a decision was needed in order to inform students and their families of what the University’s tuition and fees would be for the next academic year and this vote could not wait until the next regular meeting of the Board.” <p>Additional items may have been added for consideration by the Executive Committee, but the primary reason for an Executive Committee meeting was the urgency of a certain matter(s).</p> <p>We appreciate learning of the expectation for specific documentation of why an urgent need exists for calling an Executive Committee meeting of the Board of Trustees. In the future, whenever it is necessary to call and conduct an Executive Committee meeting, we will provide the facts about the urgency for such a meeting in the recommendation presented or in the minutes of the particular meeting of the Executive Committee.</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p><i>Auditor Comment #1</i></p> <p><i>In its response, the Board states that the “University believes it documented the urgency of the matters considered by the Executive Committee in the action items presented in these meetings and in the minutes of the meetings.” Based on our examination of the documentation presented, we disagree.</i></p> <p style="text-align: right;"><i>(continued on next page)</i></p> </div>
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	<p>Auditor Comment #1 (continued)</p> <p><i>The Board response to our recommendation provided examples of how the items we questioned were “urgent” enough to call for an Executive Committee meeting. Several of the meeting minutes cited by the Board in its response contain a generic statement, such as “the sole purpose of this meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” Absent further details as to why the action item could not wait until the next Board meeting, auditors do not concur that the urgency of the matter was adequately documented.</i></p> <p><i>With respect to some of the Board examples we note:</i></p> <ul style="list-style-type: none"> • <i>The “urgent” nature of the amendment to the varsity football coach employment contract at the October 17, 2007 meeting was questioned by auditors. This was the only item on the agenda. The meeting minutes did not provide an explanation as to why this item could not wait until the next full Board meeting 28 days later on November 14, 2007. The varsity football coach was still under contract for another 26 months at the time this “urgent” issue needed to be brought before the Executive Committee.</i> • <i>The Board stated that the actions necessitating the January 25, 2008 Executive Committee meeting were due to the absence of the Chairman of the Building and Grounds Committee at the previous full Board meeting eight days earlier on January 17, 2008. The actions involved more than \$60 million in University construction and purchasing approvals. The Board does not cite any bylaw, rule or policy that showed that Board business <u>shall be deferred until a single member of the Board was available</u>. In its response, the Board does note that these items “should have been considered at the January 2008 Board meeting.”</i> <p><i>The Board admitted that additional items may also have been added to the agendas. Adding items that are not urgent in nature to the agenda violates the Boards own bylaws and increases the perception that there is <u>less accountability</u> when the full Board is not officially involved.</i></p>
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AUDIT SCOPE AND METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310. The audit methodology for our fieldwork testing is presented in Appendix B. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives for this audit were those as delineated in Resolution Number 139 (see Appendix A), which directed the Auditor General to conduct a management audit of certain financial transactions the Board approved during 2007 through 2009. The audit objectives were to determine if the transaction approvals complied with State law and Board policies and procedures. The majority of fieldwork for the audit was completed between July 2010 and May 2011.

In conducting the audit, we reviewed applicable State laws, administrative rules and University and Board policies pertaining to financial, finance and investment, and construction transactions. We reviewed compliance with those laws and rules to the extent necessary to meet the audit's objectives. Any instances of non-compliance we identified or noted are included in this report.

We also reviewed internal controls and assessed audit risk relating to the audit's objectives. A risk assessment was conducted to identify areas that needed closer examination. Any significant weaknesses in those controls are included in this report.

During the audit, we met with staff at each of the University campuses (Chicago, Springfield, and Urbana) in the purchasing and construction areas. Additionally, we met with University officials responsible for finance and investment activities at the Urbana campus. The University centralized all finance and investment activity at the Urbana campus.

We provided **all members** of the previous Board and current Board the opportunity to offer their opinions on the audit issue areas through an interview process which was strictly voluntary. Four trustees from the previous Board and seven trustees from the current Board provided information for the audit. Additionally, we reached out to two former University presidents, the former Chancellor of the Urbana campus and the Associate Chancellor of the Urbana campus.

In order to obtain comparative data on Board size, committee structure, and transaction approval levels, we conducted two surveys: one of Big Ten member institutions, and the other of all other State public universities. Results of those surveys are presented in Chapter One of this report.

We also surveyed, via email, 269 University staff at all campuses in the purchasing, finance and investment, and construction areas to determine whether: they had any contact with Board members during the audit period; the contact was to acquire information on the part of the

Board member or impart information; the individuals informed their superiors of the contact; and, the contact changed any aspect of the selection or purchasing process. Unfortunately, we received only 57 responses (21 percent) which all indicated they had no contact with any Board member during the audit period. Some individuals that we surveyed, which documentation showed did interact with Board members during the audit, elected not to answer our survey.

We tested multiple samples of transactions processed during the audit period in purchasing, finance and investment, and construction. Our methodology is detailed in Appendix B and the results reported throughout this report.

REPORT ORGANIZATION

The remainder of this report is organized into the following chapters:

- **Chapter Two** examines the University purchasing process and results of our testing.
- **Chapter Three** examines the University finance and investment process and results of our testing.
- **Chapter Four** examines the University construction process and results of our testing.
- **Appendices** presenting Resolution Number 139, our Audit Methodology, a listing of Purchases Approved by the Board from 2007-2009, a listing of Construction Transactions Approved by the Board from 2007-2009, and Agency Responses are provided at the end of the report.

Chapter Two

PURCHASING TRANSACTIONS

CHAPTER CONCLUSIONS

During the audit period the Board **approved 337 purchases** totaling **\$602 million** based on dollar thresholds established by the Board in 2005. Additionally, 73 change orders were brought to the Board for approval. These change orders totaled over \$48 million. Finally, the Board also has to approve renewal recommendations to University contracts. For the period 2007-2009, 25 such approvals were granted by the Board totaling almost \$12 million.

During the audit period the Board required transactions for equipment and services purchases totaling \$200,000 to be presented for Board approval. Likewise, for professional services, purchases totaling \$100,000 had to be presented for Board approval. Beginning in January 2010, the reconstituted Board increased those transaction levels to transactions of \$1 million. The increase by the current Board to an approval threshold of \$1 million for equipment has **drastically decreased** the number of purchases brought to the Board for approval.

During our review of University purchasing transactions, we reviewed University documentation prepared for approval by the Board. From the population of 191 purchases that were approved by the Board and **competitively procured**, we selected 25 transactions totaling \$28.5 million. This represented eleven percent of the total dollar purchases (\$251 million) **competitively approved** by the Board during the audit period.

We also selected 25 transactions where the purchase was considered a **sole source purchase** by the University. Our sample, totaling \$38.7 million, comprised eleven percent of all the sole source transactions that were presented and approved by the Board during the audit period.

Testing was designed to ensure the University submitted all purchase transactions and their related change orders for approval to the Board pursuant to Board authorization dollar thresholds. We found:

- The University did not provide complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy.
- The University did not review and approve sole source justification forms as required by University Policy.
- The University did not provide copyright or patent support for all applicable sole source purchases as required.
- The University inconsistently used contracts and purchase orders as binding agreements. Additionally, although required in University policy, the University is not always obtaining required signatures on contractual obligations or following required State recording and filing procedures.

- The Contract Approval Routing Form (CARF) was not consistently being completed, signed, and included with each contract document being processed as required by University policy.
- The criteria reviewed on evaluations were not maintained in all procurement files. Additionally, the required evaluation criteria listed in the Request for Proposal (RFP) was not always consistent with the criteria reviewed during the evaluation process.
- The University did not maintain individual evaluations for each committee member in the file. Additionally, University documentation, for some transactions, did not support that the evaluation was based on a group consensus.
- The University did not maintain complete evaluations for each procurement transaction in our sample.
- The University did not maintain point summaries in the procurement files that supported Board documentation for all transactions in our sample.
- The University's procurement files contained evaluation scoring errors. Additionally, there was no evidence in the files to support that such errors were recognized and addressed by the University.
- The University's procurement files contained inconsistencies in the identification of evaluation committee members. Additionally, there was no evidence in the files to support that such inconsistencies were recognized and addressed by the University.
- Protest documents were not maintained in the procurement or associated contract files as required by the Illinois Procurement Code. Additionally, we did not see evidence that the University conducted contractor performance reviews.

INTRODUCTION – PURCHASING APPROVAL & PROCESSES

According to the University's Policies and Procedures, the Board has delegated the responsibility and authority for purchasing to the Comptroller, except where the authority to purchase specific items has been assigned to another officer or committee. Purchase recommendations are submitted to the Board at regularly scheduled meetings or at Executive Committee meetings for activities which cannot wait until the next full meeting of the Board.

Departments are required to submit properly approved purchase requisitions to the Purchasing Division to authorize initiation of the purchasing process according to established procedures. To provide for the orderly transaction of University business, the following (with dollar thresholds in effect during the audit period) are included in the University's approval requirements:

- **Professional Services Purchases of \$100,000 or more** - The Executive Assistant Vice Presidents for Business and Finance (Chicago and Urbana campuses) and the

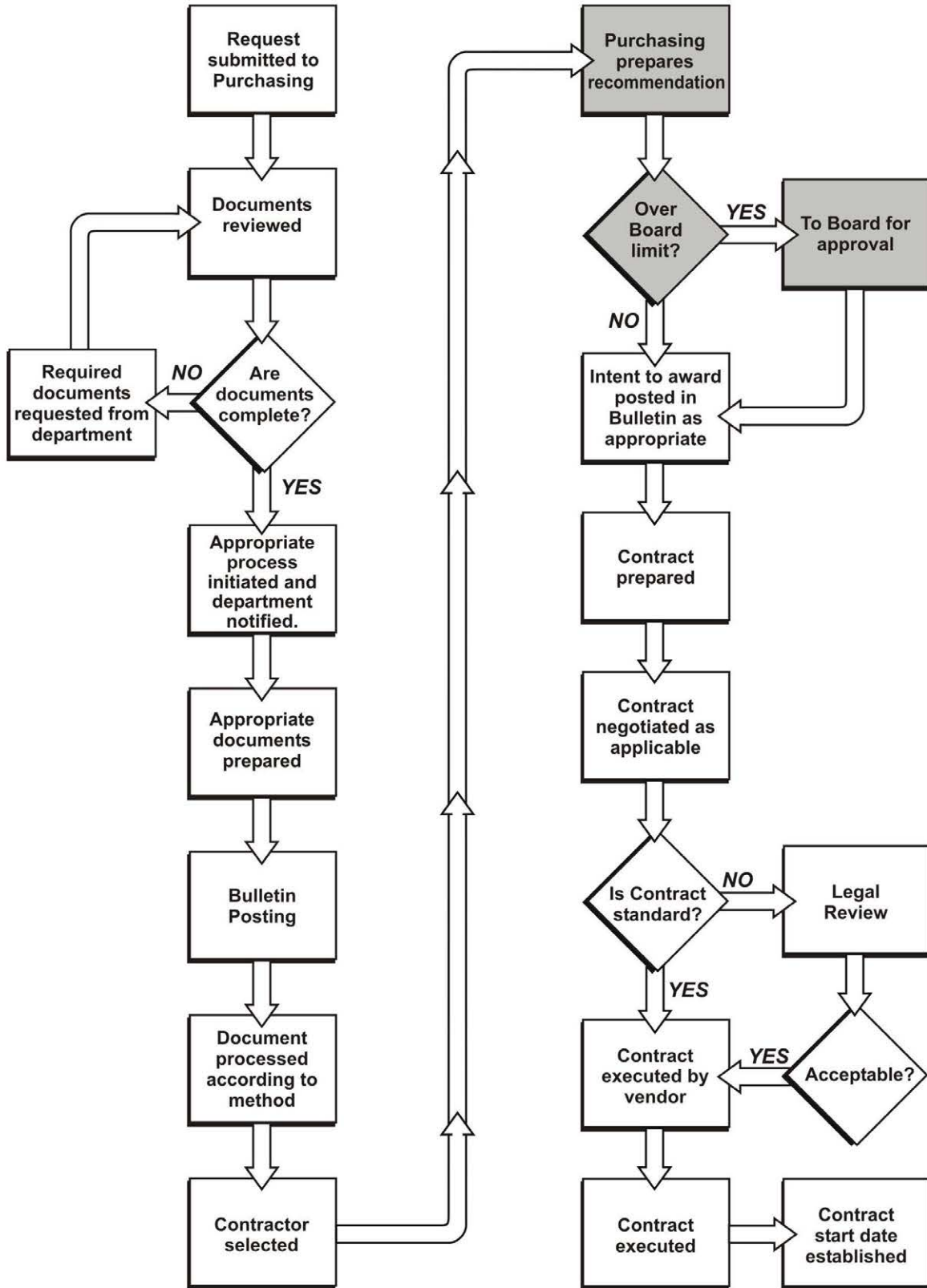
Assistant Vice President for Business and Finance (Springfield campus) refer all transactions of \$100,000 or more for professional services to the University Comptroller, by way of the Senior Associate Vice President for Business and Finance, as a recommendation to the Board for approval. The Board must also approve change orders of more than \$50,000.

- **Commodities, Equipment, and Services other than Professional Service Purchases of \$200,000 or more** - The Executive Assistant Vice Presidents for Business and Finance (Chicago and Urbana campuses) and the Assistant Vice President for Business and Finance (Springfield campus) refer all purchases of \$200,000 or more to the University Comptroller, by way of the Senior Associate Vice President for Business and Finance, as a recommendation to the Board for approval. The Board must also approve change orders of more than \$50,000.
- **Emergency Board Approval Purchases** - Upon recommendation from the University Comptroller, the President may approve purchases not more than \$1,000,000 that require immediate action before the next Board meeting and report the action to the Board. The President makes a reasonable effort to consult with individual members of the Executive Committee before giving this approval. For emergency purchase transactions more than \$1,000,000, the President makes a reasonable effort to contact all Board members before giving this approval.

The buyer prepares a Board Purchase Recommendation form and forwards it to the Director of Purchasing. All campus recommendations are then packaged and sent to the campus (Executive) Assistant Vice President for Business and Finance and the University Chief Procurement Officer for approval. The Senior Vice President's office is responsible for compiling recommendations from all three campuses into an agenda for the Board meeting. This agenda is sent to the Board office to be distributed to Board members. After the meeting, the Board office sends an email with the approved agenda items to the Director of Purchases and the Director's Secretary. The Director's Secretary then emails the buyers to notify them of all recommendations that have been approved so orders can be issued. The Director's Secretary maintains a file of the approved Board agendas by fiscal year. Our initial review of Board meeting documentation showed that the Purchase Recommendations are often discussed with certain Board members.

Exhibit 2-1 presents the purchasing process at the University. Purchase recommendations for equipment above \$200,000, during the audit period, were submitted for Board approval.

Exhibit 2-1
PURCHASING PROCESS AT THE UNIVERSITY OF ILLINOIS



Source: OAG summary of University information.

Approximately **one-week prior** to the regular Board meeting, trustees receive meeting information that includes the purchase recommendations and supporting detail for the purchases. The purchase recommendations are presented by campus. Information provided to the Board states that “The Board 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.”

From a University perspective, the purchasing directors have proposed and the Vice President and Chief Financial Office recommends, with the concurrence of the President, the Board approve the individual purchases. The Board votes on all purchases as one roll call vote.

The detailed information submitted for Board review includes: the unit purchaser, the item, cost, vendor selected, selection procedure (competitive selection or sole source), and what the equipment will be utilized for at the University.

The increase by the current Board to an approval threshold of \$1 million for equipment has **drastically decreased** the number of purchases brought to the Board for approval. Exhibit 2-2 presents the number of purchases approved at regularly scheduled Board meetings from 2007 through July 2010. The new approval thresholds went into effect after the January 2010 Board meeting.

Exhibit 2-2 NUMBER OF APPROVED PURCHASES AT REGULAR BOARD MEETINGS January 2007 – July 2010							
<i>Date</i>	<i>Approved</i>	<i>Date</i>	<i>Approved</i>	<i>Date</i>	<i>Approved</i>	<i>Date</i>	<i>Approved</i>
01/18/07	14	03/26/08	23	03/11/09	3	03/10/10	6
03/13/07	23	05/22/08	16	05/21/09	49	05/20/10	5
05/17/07	40	07/24/08	15	07/23/09	15	07/22/10	3
07/30/07	15	09/11/08	21	09/10/09	9		
09/06/07	13	11/13/08	19	11/12/09	15		
11/14/07	7	01/15/09	9	01/21/10	14		
Note: <i>Italics</i> indicates approvals under \$1 million threshold.							
Source: OAG summary of Board information.							

Some of the current and former trustees we spoke with indicated that they thought the University had submitted all purchases that were required to be submitted to the Board for approval.

Purchase Approvals During Audit Period

During the audit period the Board **approved 337 purchases** totaling **\$602 million** based on dollar thresholds established by the Board in 2005. Additionally, 73 change orders were brought to the Board for approval. These change orders totaled over \$48 million. Finally, the Board also has to approve renewal recommendations to University contracts. For the period 2007-2009, 25 such approvals were granted by the Board totaling almost \$12 million.

Purchasing is submitted to the Board for approval by campus or from university administration. Administration purchases are meant for use University-wide. The Urbana

campus requested approval for 45 percent (or 152 purchases) of the purchases during the audit period. However, the \$356 million cost for those 152 purchases amounted to 59 percent of the total approved by the Board.

Purchases referred to the Board for approval have been procured using competitive bidding procedures under the Illinois Procurement Code, sole source selection methods, or are exempt from competitive procurement (i.e., purchase of care). The Chicago campus procured **51 percent** of its purchases during the audit period utilizing sole source selection. It should be noted that many items the Chicago campus procured were equipment for the Hospital, which often have only one supplier. Exhibit 2-3 provides purchase approval information, by campus and selection process. Additionally, Appendix C provides a complete listing of the 337 Board approved purchases with information on the vendor, unit purchaser, Board approval date, type of selection, and cost.

Exhibit 2-3 PURCHASE APPROVAL SUMMARY 2007-2009					
<i>Campus</i>	<i># Purchases Approved</i>	<i>\$ Amount Approved</i>	<i>Competitive Selection</i>	<i>Sole Source Selection</i>	<i>Exempt Purchases</i>
Urbana	152	\$356,082,552	100	48	4
Chicago	146	\$199,612,377	63	74	9
Administration	36	\$45,091,282	25	10	1
Springfield	3	\$1,077,694	3	0	0
Total	337	\$601,863,905	191	132	14

Source: OAG summary of Board and University information.

The University must also seek Board approval for **change orders** to existing purchase contracts. During the period 2007-2009, the Board granted 73 approvals of over \$48 million in change orders. The breakdown by campus was:

- **Chicago: 47 change orders \$29,989,078**
- **Urbana: 21 change orders \$10,444,503**
- **Administration: 5 change orders \$7,665,826.**

Some purchase contracts executed by the University contain **renewal clauses**. Contracts with renewal clauses included providing stints, balloons and catheters to treat patients with vascular related maladies to snow removal. During the period 2007-2009, the Board granted 25 approvals of almost \$12 million in contract renewals. The breakdown by campus was:

- **Chicago: 12 renewals \$6,697,803**
- **Urbana: 13 renewals \$5,087,988.**

PURCHASING TRANSACTIONS – TESTING RESULTS

During our review of University purchasing transactions, we reviewed University documentation prepared for approval by the Board. From that population of 191 purchases that were approved by the Board and **competitively procured**, we selected 25 transactions totaling

\$28.5 million. This represented eleven percent of the total dollar purchases (\$251 million) **competitively approved** by the Board during the audit period.

We also selected 25 transactions where the purchase was considered a **sole source purchase** by the University. Our sample, totaling \$38.7 million, comprised eleven percent of all the sole source transactions (\$343 million) that were presented and approved by the Board during the audit period.

Testing was designed to ensure the University submitted all purchase transactions and their related change orders for approval to the Board pursuant to Board authorization dollar thresholds. Results of our testing are presented below.

Board Approvals

The University has not provided complete and accurate information to the Board related to purchasing transactions for approval as required by Board policy. During the audit we tested a sample of transactions to ensure that the University submitted accurate information related to purchase transactions to the Board. In **8 percent** of the transactions tested (2 of 25), we found that the University **failed to submit** an applicable change order to the Board or **provided inaccurate information** to the Board on the type of procurement. Specifically:

- For a purchase requested by the Risk Management Unit of the University and approved by the Board on May 22, 2008, we found:
 - The **original** purchase amount approved by the Board was \$313,500 for a three-year period with an additional approved cost of \$104,500 per year for the period FY09-FY11.
 - A June 30, 2010 **change order** of \$4,387,460 **for medical malpractice insurance** “*was not taken to the Board*” according to University officials. The change order was over the \$50,000 threshold for Board approval as required by Board policy.
- For a \$175,000 purchase requested by the Medical Center in Chicago and approved by the Board on September 11, 2008, we found:
 - According to University documentation **provided to the Board**, “*Competitive bidding procedures were followed in accordance with the Illinois Procurement Code*” for this purchase transaction.
 - However, University documentation **from the purchasing file** showed this purchase item was procured as a sole source procurement.
 - The University **supplied inaccurate information** to the Board when it sought the approval of consulting services related to a comprehensive space program based on the strategic needs of the University of Illinois Medical Center at Chicago.

The Board sets dollar thresholds for transactions that must come before the Board for approval. Beginning September 2005, those thresholds included \$50,000 for change orders. In addition, it is expected that the University provide the Board with accurate information during the approval process so appropriate oversight can be provided.

According to the University, the \$4,387,460 change order was not submitted due to requirements in General Rules, Article II, Section 4. However, General Rules, Article II, Section 4 states, “The requirement for specific board approval above dollar amounts the Board of Trustees may specify does not apply to...farm leases, purchases of food products, grain, livestock, fertilizer, natural gas, generic commodities purchased on joint bids with other State institutions.” Auditors do not see a correlation between medical malpractice insurance and the University’s citation to a requirement in the University’s General Rules referencing farm related examples and commodities. Regarding the 2nd bullet point above, the University concurred and stated, “This is a sole source purchase...the reference in the Board document is in error.” We note that documentation submitted to the Board for approval is developed by University staff.

Failure to submit purchasing transactions to the Board including change orders that meet threshold requirements is a violation of Board policy. Additionally, failure to provide accurate information to the Board weakens the Board’s oversight ability over University transactions.

BOARD APPROVALS	
RECOMMENDATION NUMBER 3	<i>The University should take the steps necessary to ensure that all University purchasing transactions that meet or exceed Board thresholds are submitted to the Board for approval and contain accurate information.</i>
UNIVERSITY RESPONSE	The University will establish or enhance procedures to ensure that all University purchasing transactions that meet or exceed Board thresholds are submitted to the Board for approval within the requirements of the Board of Trustees General Rules and that all recommendations contain accurate information.

Sole Source Justification Forms

The University has not reviewed and approved sole source justification forms as required by University Policy. During our review of the sole source procurements approved by the Board during the audit period we tested to ensure that a sole source purchase transaction was necessary, and that the purchase could not be made through another vendor. We reviewed if the University submitted all documentation required for sole source purchases and whether the University maintained sole source justification forms. While all 25 files in our sample either contained, or the University subsequently provided, the sole source justification forms, we did note the following inconsistencies:

- **44 percent** of the transactions reviewed (11 of 25) contained a written or electronic signature but **did not contain the date** signed on the forms. Verification of review and approval was achievable for these transactions but **timeliness** was not.
- **24 percent** of the transactions reviewed (6 of 25) contained **no written or electronic signature or date** signed on the forms. Verification of review, approval, and timeliness **was not possible** for these transactions.

University Policy requires the requisitioning department to complete a sole source justification form and submit it to their campus division if they believe they have a sole source procurement. The policy further notes “Purchasing will review the information to determine if the

procurement meets the requirements of a sole source purchase.” In addition, the University’s Procurement Handbook contains an appendix with an example of a Sole Source Justification Form. This example contains boxes for the approval signature and date.

Purchasing officials at the Chicago campus identified the Sole Source Justification Form as a required standard document for sole source purchases. An approval signature and date on this required standard document is required to verify review and approval by the appropriate campus.

Failure of the Purchasing Division to review the sole source justification form and determine if the procurement meets the requirements of a sole source purchase is a violation of University policy. Additionally, verification of review, approval, and timeliness of sole source justification forms is not supportable without an approval signature and date signed on the form.

SOLE SOURCE JUSTIFICATION FORMS	
RECOMMENDATION NUMBER 4	<i>The University should take the steps necessary to ensure that all University sole source justification forms are reviewed and that the procurement meets the requirements of a sole source purchase. As part of this review, the University should verify their review through an approval signature and date signed on the sole source justification form.</i>
UNIVERSITY RESPONSE	In July of 2010, the University established enhance procedures and revised the sole source justification form to ensure that all University sole source justification forms are reviewed and that the procurement meets the requirements of a sole source purchase. As part of this review, the University verifies their review through an approval signature and date signed on the sole source justification form. The form now contains an appropriate signature, printed name, date, telephone number and email address for both the agency representative and the State Procurement Officer.

Copyright and Patent Support

The University has not provided copyright or patent support for all applicable sole source purchases as required. During our review of University sole source purchases between 2007 through 2009 that met the approval thresholds required by the Board, 17 were listed as a sole source due to the reason “*item or service is copyrighted or patented and is not available except from the holder of the copyright or patent.*” We reviewed whether or not the University submitted all documentation required for sole source purchases, which would include a sole source justification form containing a copyright or patent number as well as support for the copyright or patent number in the file. We noted the following exceptions:

- **18 percent** of the sole source purchases tested (3 of 17) **did not have** the copyright or patent number included on the Sole Source Justification Form. Two of the three transactions also had **no documentation to support the validity** of the copyright or patent number in the file. These transactions totaled \$4.8 million.
- **35 percent** of the sole source purchases tested (6 of 17) had the copyright or patent number listed on the sole source justification form but **did not have documentation**

to support the validity of this number in the file. These transactions totaled \$9.6 million.

University Policy requires the requisitioning department to complete a sole source justification form and submit it to their campus division if they believe they have a sole source procurement. The University’s Procurement Handbook contains an appendix with an example of a Sole Source Justification Form. This example contains lines to include the patent or copyright number. In the four cases that did not include the copyright or patent number on their form, the Sole Source Justification forms did not contain these lines. The policy further notes “*Purchasing will review the information to determine if the procurement meets the requirements of a sole source purchase.*” It is unclear how the University can determine if an “item or service is copyrighted or patented and is not available except from the holder of the copyright or patent” without the copyright or patent number on the Sole Source Justification Form and/or documentation to support the validity of such numbers in the file.

According to the Urbana campus Purchasing Division, “*Buyers are to request the information from the vendor and then verify the information... Whenever reasonable, a copy should be printed and placed in the file. Copyright and/or patent numbers should be included or attached as a list to the Sole Source Justification Form.*” Also, the Chicago campus reported that the Sole Source Justification Form “*should include the appropriate copyright or patent numbers.*” In addition, “*policy and general practice is that the file is updated with a copy of the patent documentation pulled from an online search of the US Patent/trademark databases.*”

Verification of a sole source purchase with a copyright or patent is not possible without a thorough review of the copyright or patent number. Additionally, failure of a campus Purchasing Division to review the sole source justification form and determine if the procurement meets the requirements of a sole source purchase is a violation of University policy.

COPYRIGHT AND PATENT SUPPORT	
RECOMMENDATION NUMBER 5	<i>The University should take the steps necessary to ensure that all University sole source justification forms are thoroughly completed and include the copyright or patent numbers when applicable. The University should also thoroughly review all sole source purchases justified by a copyright or patent number and verify these numbers with the support for such review in their files.</i>
UNIVERSITY RESPONSE	The University has established and enhanced procedures to document that sole source justification forms are reviewed and the procurement comports with the requirements of a sole source purchase, including verification and documentation of copyright information.

Use of Contract versus Purchase Order

The University inconsistently used contracts and purchase orders as binding agreements. Additionally, although required in University policy, the University is not always obtaining required signatures on contractual obligations or following required State recording and filing procedures.

During our review of University purchasing transactions, we reviewed **25** sole source purchases and **24** competitive purchases between 2007 through 2009 that met the approval thresholds required by the Board. Testing was designed to ensure the procurement files contained a fully executed contract as required by University policy Section 2.3. University officials reported they consider purchase orders to be contractual obligations. Although this may be acceptable, the University is not following the same procedures required for contracts according to University policy. We noted the following exceptions:

- None of the procurement files with a purchase order/lack of contract contained the signatures required by University policy.
- Based on documentation in the files, it was unclear whether those same sampled purchases were routed to University Payables and then to the Illinois State Comptroller as required by University policy and the Illinois Procurement Code.
- **Sole Source** Sample Exceptions:
 - **8 percent** of the transactions tested (2 of 25) did not contain a contract or a purchase order. These transactions totaled \$7.7 million.
 - **68 percent** of the transactions tested (17 of 25) did not contain signatures from the University or the other party/parties on the contract or the purchase order. These transactions totaled \$18.8 million.
 - Auditors reviewed Urbana campus purchasing files on September 29, 2010 and the files did not contain the information noted above. After follow up with the University the auditors, in April 2011, delivered potential audit findings to the University. In mid-June 2011 the University then supplied some contractual documentation, documentation that **was not contained** in the purchasing files during our fieldwork site visit.
- **Competitive** Procurement Sample Exceptions:
 - **4 percent** of the transactions tested (1 of 24) **did not contain** a contract or a purchase order. This transaction totaled \$436,500.
 - **4 percent** of the transactions tested (1 of 24) **were missing** one required University signature on the contract. This transaction totaled \$250,000.
 - **33 percent** of the transactions tested (8 of 24) **did not contain** signatures from the University or the other party/parties on the contract or the purchase order. These transactions totaled \$6.1 million.

University policy Section 2.2 states, “Purchase orders – The Director of Purchases or delegates sign all purchase orders and issue them upon proper approval of the purchase, except where limited purchasing authorization has been assigned to a particular unit....” Additionally, University policy Section 2.3, states that a fully executed contract is required before any products are obtained or services performed. Contracts are considered fully executed when they have the signatures of the other party/parties entering into the contract, the signature of the University Comptroller (or delegate), and are attested to by the Secretary of the Board of Trustees (or delegate). An original of all fully-executed contracts, regardless of funding type must be forwarded to University Payables, Contracts Processing Section within seven (7) calendar days after execution, in order to meet state filing requirements. The contract will be recorded, imaged, reported and filed with the Illinois State Comptroller and/or the Illinois Secretary of State. The Illinois Procurement Code (30 ILCS 500/20-80) states, “Whenever...a contract liability...exceeding \$10,000 is incurred by any State agency, a copy of the contract, purchase order, grant, or lease shall be filed with the

Comptroller within 15 days thereafter. . . .” Finally, the 2005 Accounting Bulletin from the Director of State Accounting for the Comptroller’s Office states, in section 124.1 – Contract Signature Authority – Every contract or contract modification that is required to be filed with the Comptroller’s Office shall bear (a) the signature of the head of the agency and (b) if that authority to sign the head of the agency’s name is delegated, also the signature of the person actually signing the document. In addition, the Bulletin states at 124.6 – Every contract signature must be dated below the actual signature.

Auditors followed up with the three campuses regarding the inconsistent use of contracts and purchase orders. Urbana purchasing staff reported, *“Purchase Orders are binding contractual obligations. The determination as to whether to use a Purchase Order and a two-party signed contract or just a Purchase Order is based on the judgment of the Procurement Officer. . . .”* Chicago purchasing staff reported, *“Generally, for purchase of services, a contract is required. . . . For purchases of commodities or goods, a purchase order is required, so there is no additional contract or CARF included in the file – the purchase order is a contract including University terms and conditions. . . . and specific details related to the particular purchase.”* And Springfield purchasing staff reported, *“In these straight forward procurement situations purchase order is sufficient. We do consider the Purchase Order as a contract with the vendor as it contains our certifications and our terms and conditions.”* Auditors agree that purchase orders contain University contract language such as terms and conditions; however, auditors **question whether the purchase orders are considered fully executed and/or binding contractual obligations without required signatures** and necessary State records/files.

The University is not ensuring the consistent use of purchase orders and/or contracts in procurements. Additionally, there are no written procedures in University policy that allow for the substitution of purchase orders in place of contracts or any associated changes in contractual requirements that are acceptable as a result. Further, there is increased risk in allowing the Procurement Officer to make the determination as to whether a Purchase Order and a two-party signed contract or just a Purchase Order may be used in a transaction. Without required signatures from the University and other party/parties, the purchase order is not considered “fully executed” according to University policy. In addition, the lack of signatures may result in the University losing the legal basis that holds both parties to the terms and conditions found in the purchase order. In cases with multiple purchase orders associated with the procurement of a good or service, the terms and conditions individually apply to each purchase. Therefore, the University may have little legal basis to ensure that the vendor completes the procurement as defined in the RFP/bid.

USE OF CONTRACT VERSUS PURCHASE ORDER	
RECOMMENDATION NUMBER 6	<i>The University should establish controls to ensure the consistent use of purchase orders and contracts within and across campuses through formal written procedures in University policy. The University should also ensure required signatures on contractual obligations are obtained and State recording /filing requirements are met.</i>
UNIVERSITY RESPONSE	The University will establish or enhance procedures through written policy in the use of purchase orders and contracts. The University will also review existing policy regarding required signatures on contractual obligations to take into consideration the use of purchase orders as a binding contractual obligation.

Contract Approval Routing Forms

The Contract Approval Routing Form (CARF) is not consistently being completed, signed, and included with each contract document being processed as required by University policy. During our review of University purchasing transactions, we reviewed **25** sole source purchases and **24** competitive purchases between 2007 through 2009 that met the approval thresholds required by the Board. Testing was designed to ensure that each purchasing procurement file contained a CARF as required by University policy. The following exceptions related to the CARF were noted:

- **84 percent** of the **sole source** purchases sampled (21 of 25), did not contain this **completed and signed** CARF document. Specifically:
 - 19 of 25 files did not contain a CARF.
 - 2 of 25 files contained a CARF but at least one signature was missing.
 - Four files did contain a fully executed CARF.
- **83 percent** of the **competitive** purchases sampled (20 of 24), did not contain this **completed and signed** CARF document. Specifically:
 - 10 of 24 files sampled did not contain a CARF.
 - 10 of 24 files sampled contained a CARF but at least one signature was missing.
 - Four files did contain a fully executed CARF.

Auditors reviewed Urbana campus purchasing files on September 29, 2010 and the files did not contain the information noted above. After follow up with the University, the auditors, in April 2011, delivered potential audit findings to the University. In mid-June 2011 the University then supplied some documentation, **documentation that was not contained** in the purchasing files during our fieldwork site visit.

Section 2.3 of the University policy states “A Contract Approval/Routing Form (CARF) **must be completed** for each contract, signed by the appropriate individuals, and included with the contract documents submitted for processing. Contracts must be routed in hard copy with a CARF for final approval processing.” Section 2.3 also defines Non-Standard Contracts and states that non-standard contracts “include agreements, contracts, purchase orders,...A Contract Approval/Routing Form (CARF) must accompany all non-standard contracts.” The Contract Approval/Routing Form (CARF) has designated signature sections with guidance as to when the individuals must sign/approve the purchase on the Form.

Procurement Rules state that written determinations required under Article 20 of the Procurement Code shall be placed in the contract files maintained by the Chief Procurement Officer. The Rules further state “all other procurement records shall be placed in the contract files maintained by the SPO.” (44 Ill. Adm. Code 4.2080)

Auditors followed up with the applicable campuses regarding the use of a CARF. The Urbana campus stated, “While this form is often maintained in the file, it is not required. The purpose of the form is solely to keep track of the contract during the process to obtain signatures.” The Chicago campus reported, the CARF is “used for service contracts. ...Generally, for purchase of services, a contract is required. ...Our procedures have recently been updated since early 2010 so that all files will include the contract checklist....” The University’s opinion is that purchases processed on Purchase Orders are not subject to completion of a CARF as the Purchase Order is a non-standard University contract on a form approved by the Office of General Counsel.

Failure to complete, sign, and include a CARF with each contract document being processed is a violation of University policy.

CONTRACT APPROVAL ROUTING FORMS	
RECOMMENDATION NUMBER 7	<i>The University should ensure the Contract Approval Routing Form (CARF) is consistently being completed, signed, and included with each contract document being processed as required by University policy.</i>
UNIVERSITY RESPONSE	The University will establish or enhance policy and procedures to ensure consistency in the initiation, signing and filing of CARFs.

Purchasing Documentation Deficiencies

During our purchasing testing, we found multiple instances where the University failed to maintain appropriate documentation in the procurement files for some transactions. This did not occur in all transactions. The audit exception areas are noted below.

Procurement Evaluation Criteria

The criteria reviewed on evaluations were not maintained in all procurement files. Additionally, the required evaluation criteria listed in the RFP was not always consistent with the criteria reviewed during the evaluation process.

During our review of University purchasing transactions, we reviewed **24** competitively procured purchase transactions between 2007 through 2009 that met the approval thresholds required by the Board. Of the 24 transactions, 20 were **solicited through a RFP procurement process**. Testing was designed to ensure the University: (1) listed the required evaluation criteria in the RFP; and, (2) the University evaluated proposals based on these criteria. For the 20 RFP transactions reviewed, we noted the following exceptions.

Fifty percent of the transactions tested (10 of 20) had required evaluation criteria listed in the RFP that was **not consistent** with criteria reviewed by the evaluation committee. Exhibit

2-4 outlines the inconsistencies between what was stated in the RFP and what was actually part of the University process.

Exhibit 2-4 INCONSISTENCIES IN EVALUATION CRITERIA 2007-2009					
<i>Sample Case #</i>	<i>Board Approval</i>	<i>Purchaser</i>	<i>Estimated Cost</i>	<i>RFP Criteria</i>	<i>Evaluation Criteria</i>
3	07/24/08	ADM-Investments	\$436,500	14	11
5	09/10/09	ADM-Utilities Administration	\$1,200,000	6	23
7	11/14/07	UIC-Vice Chancellor	\$250,000	8	*
8	01/25/08	UIC-College of Dentistry	\$6,000,000	11	*
11	11/12/09	UIC-Pulmonary	\$2,000,000	10	*
16	09/06/07	Urbana-Athletics	\$1,003,535	4	6-9
21	05/21/09	Urbana-Executive MBA	\$403,592	7	65
22	05/21/09	Urbana-Various Departments	\$500,000	7	6
23	05/21/09	Urbana-Athletics	\$1,100,170	6	*
25	07/23/09	Urbana-International Programs	\$600,000	7	6
Note: * indicates the relative order of importance was different between the RFP and evaluations.					
Legend: ADM: University Administration; UIC: Chicago campus					
Source: OAG summary of Board and University information.					

In **10 percent** of the transactions tested (2 of 20) a determination could not be made due to the **lack of documentation** in the procurement file and/or provided by the University. Specifically:

- For a \$220,000 purchase made by the Urbana Chancellor's Office, the criteria reviewed on the evaluations were not in the procurement file or provided by the University. Only an overall summary spreadsheet containing no criteria was provided.
- For three contracts totaling \$6.6 million made by Facilities Services and the Institute of Government and Public Affairs at the Urbana campus, the criteria reviewed on the evaluations were not in the procurement file or provided by the University. Only an overall summary spreadsheet containing no criteria was provided.

The Illinois Procurement Code (Code) requires that the RFP shall state the relative importance of price and other evaluation factors. The Code further states that the award shall be made while considering the price and evaluation factors set forth in the RFP (30 ILCS 500/20-15 (e, g)). Additionally, the Code requires that the procurement file shall contain the basis on which the award is made, all submitted bids and proposals, **all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation**, negotiation, and the award process (30 ILCS 500/20-155(b)).

For sample case 16 from Exhibit 2-4, regarding one criterion in the RFP that was determined to not be evaluated, the University reported that the buyer who handled this transaction had retired and they do not know why this criterion was not evaluated. The University agreed that another criterion evaluated by the evaluation committee was not supported by the criteria in the RFP. For sample case 22 from Exhibit 2-4, the University stated, "The criteria in the RFP...are an overview of the criteria on which the proposals will be evaluated."

Failure to: state the relative importance of price and other evaluation factors in the RFP; make an award without considering price and evaluation factors set forth in the RFP; and, not have all documentation in the procurement file as required are violations of State law.

Maintenance of Individual Evaluations

The University did not maintain individual evaluations for each committee member in the file. Additionally, University documentation, for some transactions, did not support that the evaluation was based on a group consensus.

During our testing, we reviewed **24** competitively procured purchase transactions between 2007 through 2009 that met the approval thresholds required by the Board. Of the 24 transactions, 20 were solicited through an RFP. The University, as part of its evaluation process, usually has the evaluation team members complete individual evaluations. Testing was designed to ensure the University maintained individual evaluations for each committee member in the file.

In **15 percent** (3 of 20) of the transactions tested, the University's documentation supported that evaluations were completed based on a group consensus. However, the documentation maintained by the University **does not include the signatures for the group members** making it impossible for auditors to determine whether it was truly a consensus.

In **50 percent** (10 of 20) of the transactions, the University **did not maintain individual evaluations** for each committee member in the file. The University did maintain individual evaluations for the other 10 transactions. More specific information is outlined below for the following transactions:

- For a \$436,500 purchase by Administration, the University provided one evaluation summary from a consultant but no individual evaluations were provided.
- For a \$750,000 purchase by the Office of Business and Financial Services, individual evaluations were not provided. In addition, the spreadsheet summary provided did not contain columns for all committee members.
- For a \$1.2 million purchase by Utilities Administration, individual evaluations were not provided. Only one evaluation with summary results was provided.
- For a \$250,000 purchase by the Chicago Vice Chancellor for administrative services, individual evaluations were not provided. Only an evaluation summary was provided and scores for price were not included.
- For a \$6 million purchase by the College of Dentistry, individual evaluations were not provided. Only a scoring summary/evaluation matrix was provided.
- For a \$750,000 purchase by the Rockford College of Medicine, individual evaluations for all committee members were not provided. The Chicago campus Purchasing Division stated that there was only a final evaluation matrix agreed upon by the committee.
- For a \$220,000 purchase by the Urbana campus Office of the Chancellor, individual evaluations were not provided. Only a scoring summary with individual scores listed together on the same summary spreadsheet was provided.

- For a \$200,000 purchase by the Urbana campus Business and Industry Services, individual evaluations were not provided. Only a copy of the evaluation summary and an explanation of the point allocation was provided.
- For a \$6.6 million purchase by the Institute of Government and Public Affairs, individual evaluation scoring sheets were not provided. Only an evaluation scoring matrix was provided.
- For a \$600,000 purchase by the International Programs and Studies division, individual evaluations were not provided. Only an evaluation summary with scores listed on individual spreadsheets in the same electronic file was provided.

Additionally, for one transaction such a determination could not be made due to the lack of documentation in the procurement file and/or provided by the University. For a \$1 million Division of Intercollegiate Athletics purchase at the Urbana campus, auditors could not determine if the University maintained individual evaluations for all committee members. Five of the six individual evaluations were provided. Several of these evaluations could not be traced to the individual that completed them. One individual evaluation was not provided for the sixth committee member on the team. Urbana Purchasing Division staff stated, “Purchasing is unable to identify the sixth individual evaluation scoring sheet. However, the six-member team included [an employee] from Purchasing... Unfortunately, [the individual] has retired, so I can only speculate that Purchasing did not participate in the scoring process...”

Auditors followed up with the applicable campuses regarding the lack of individual evaluations. The campuses provided the following responses: According to the Urbana campus Purchasing Division, “If individual evaluation sheets are initiated, they should be maintained as part of the file. However, some evaluations are done through group consensus and individual evaluation sheets are not initiated.” We would note that these group consensus evaluations have no signed document to show that the group agreed in the consensus. According to the Chicago campus Purchasing Division, “The Request for Proposals process has been updated during the past year so that individual evaluation sheets are included in the file for each reviewer on the evaluation committee. We will include copies of those evaluations as requested.”

Failure to have all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation is a violation of the Illinois Procurement Code. It also is a detriment to the audit trail for how funds were eventually expended.

Complete Procurement Evaluations

The University did not maintain complete evaluations for each procurement transaction in our sample. During our review, 20 of 24 competitively procured purchases were solicited through an RFP. Testing was designed to ensure that evaluations maintained by the University were complete.

In **15 percent** (3 of 20) of the transactions tested, **evaluations** maintained by the University **were not complete**. Specifically:

- For a **\$408,950 purchase by the Global Campus Unit**, evaluations maintained by the University were not complete. Team members did not score all areas/criteria on

the evaluation and there was no additional documentation in the file to support such actions as acceptable.

- For a **\$1,003,535 purchase by the Division of Intercollegiate Athletics**, evaluations maintained by the University were also not complete. Several evaluations did not contain names or another identifier for the individuals completing them. In addition, although an email listed **10 criteria to be evaluated with scores**, evaluations did not consistently score the same criteria. Finally, none of the evaluations provided scores for the pricing category in the criteria. There was no additional documentation in the file to support these variances as acceptable for the associated evaluations.

In **35 percent** (7 of 20) of the transactions tested, such a determination could not be made due to the **lack of documentation** in the procurement file and/or provided by the University. The seven transactions totaled over \$15 million.

Auditors followed up with the Urbana campus Purchasing Division regarding problems (detailed in bullets 1-2 above) related to completeness and received the following applicable responses: 1st bullet- “Evaluators scored sections based on their areas of expertise. Each evaluator completed a worksheet for those sections that he/she was assigned.” 2nd bullet-“the buyer who handled this transaction has retired, so I can only speculate how this was handled.”

Failure to have evaluation materials including **completed score sheets** for each individual evaluator in the procurement file is a violation of the Illinois Procurement Code. Additionally, failure to review complete information before forwarding to the Board for approval weakens the Board’s oversight ability over University transactions.

Evaluation Support for Board Documentation

The University did not maintain point summaries in the procurement files that supported Board documentation for all transactions in our sample. During our review of University purchasing transactions, we tested to ensure that the University maintained documentation, including point summaries, in the procurement files to support information submitted to the Board for approval.

In **10 percent** (2 of 20) of the transactions tested, the University did not maintain documentation that supported the point summaries supporting documentation submitted to the Board for approval. Specifically:

- **The Office of Business and Financial Services (OBFS) made a \$436,500 purchase which was approved by the Board on July 24, 2008.** According to the University information submitted to the Board, the following vendors received the following points from proposals: Northern Trust – 51, JPMorgan Chase – 46, State Street Corp – 43, and BNY Mellon – 41. However, according to the evaluation summary in the procurement file from the University’s consultant the following vendors received the following points: Northern Trust – 46, JPMorgan Chase – 35, State Street Corp – 40, and BNY Mellon – 43. There is no additional documentation in the file to support the difference in points provided to the Board. Northern Trust was the winning vendor.
- **The College of Dentistry at the Chicago campus made a \$6 million purchase which was approved by the Board on January 25, 2008.** According to the

University information submitted to the Board, the following vendors received the following points from proposals: Henry Schein – 1,665 and Benco Dental – 1,060. However, according to the scoring summary/evaluation matrix provided by the University (maintained in the procurement file), the following vendors received the following points: Benco Dental – 2,310 and Henry Schein – 2,915. There is no additional documentation in the file to support the difference in points provided to the Board. Schein received the award from the University.

Auditors followed up regarding relevant problems and received the following information from the University. For the purchase detailed in the 1st bullet above, the Urbana Purchasing Division responded, “The University contracted [consultant], our investment consultant, to conduct the RFP evaluation...” For the 2nd bullet, the University agreed that the point summaries submitted did not match the evidence in the file.

Failure to review evaluation information and verify its consistency with Board documents before submitting for approval by the Board weakens the Board’s oversight ability over University transactions. Also, failure to have all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation, negotiation, and the award process is a violation of the Illinois Procurement Code.

Evaluation Scoring Errors

The University's procurement files contained evaluation scoring errors. Additionally, there was no evidence in the files to support that such errors were recognized and addressed by the University.

During our review of University purchasing transactions, we tested to ensure evaluations did not contain scoring errors, and if scoring errors existed, the University recognized and addressed them.

In **25 percent** (5 of 20) of the transactions tested, University documentation **did not support** that the University maintained evaluations with no scoring errors. Specifically:

- The College of Dentistry made a \$750,000 purchase approved by the Board September 10, 2009. According to the Chicago campus Purchasing Division, only a final evaluation matrix could be provided when auditors followed-up regarding this transaction. However, auditors identified some individual technical evaluation sheets while on-site at the University. On evaluations for two committee members, the most significant difference between the pharmacies was the “Quality of Services” category, which was a determining factor in the recipient of the award. The evaluation of this category was also questioned via email. There was **no support in the procurement file** regarding the difference in scoring or answering of the question for this category. In addition, based on the pricing proposal comparison spreadsheet, Correct (one of the vendors to bid on the procurement opportunity) had a significantly lower annual cost estimate but Diamond, another bidder, had the highest pricing scores. There was no additional documentation in the file to support this difference.
- The Urbana Chancellor’s Office made a \$220,000 purchase approved by the Board on May 17, 2007. Only a scoring summary with individual scores listed together on the

same summary spreadsheet was provided. No individual evaluations were provided. Auditors identified the following **scoring errors** from this summary spreadsheet:

- One evaluation committee member **did not score** one of the vendors while the other three evaluators did score this vendor. The average was computed based on the three team members that did score this vendor and the calculation was compared to the others as if there was no difference.
- In addition, one evaluation committee member gave a vendor a pricing score of 710 while another evaluation committee member gave this same vendor a pricing score of 450. There was **no documentation** in the procurement file or provided by the University to support the **discussion of this significant scoring difference**.
- The Division of Intercollegiate Athletics made an over \$1 million purchase that was approved by the Board September 6, 2007. Five of the six individual evaluations were provided. Several of these evaluations **could not be traced to the individual** that completed them. In addition, there were **errors in the committee summary**. These errors included calculating team member totals as well as calculating vendor averages. The Urbana campus Purchasing Division agreed that only two evaluations contained member names. Further, they agreed that there were calculation errors on the evaluations and that these errors were included in the Board approved minutes.
- The Executive MBA School made a \$403,592 purchase of travel accommodations approved by the Board May 21, 2009. The individual evaluation **point totals do not compute to the evaluation summary** point totals. For example, the three committee members provided the following point totals for Club Quarters: 540, 535, and 562 (totaling 1,637.) However, the point summary spreadsheet and Board documents compute this total as 1,135.66. There was no additional support or information in the files related to supporting this potential error.
- The Athletics Department also made a \$1.1 million purchase approved by the Board May 21, 2009 for media services. Individual evaluation scoring sheets were provided related to this transaction. However, the University’s **calculation of averages on these sheets contained errors**. Although other criteria averages were calculated correctly, **discrepancies were identified** for the following criteria: promotional benefits, format compatibility, and pricing. These errors resulted in an incorrect total points being approved by the Board of Trustees. Totals for Illinois Football and Men’s Basketball Broadcasts were approved as the following (with the correct amounts in parenthesis): 8,665 (8,640) and 8,515 (8,340) for WIND; 8,500 (8463) and 7,975 (7,958) for WSCR.

In **25 percent** (5 of 20) of the transactions tested, such a determination could not be made due to the **lack of documentation in the procurement file** and/or provided by the University. These transactions totaled **over \$14 million**.

Failure to review evaluation information and verify its accuracy before submitting to the Board for approval weakens the Board’s oversight ability over University transactions. Failure to have all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation, negotiation, and the award process is a violation of the Illinois Procurement Code.

Evaluation Committee Inconsistencies

The University's procurement files contained inconsistencies in the identification of evaluation committee members. Additionally, there was no evidence in the files to support that such inconsistencies were recognized and addressed by the University.

During our review of University purchasing transactions, we tested to ensure that evaluation committee members were identified in the procurement files and remained consistent during the evaluation process, and if inconsistencies existed, the University recognized and addressed them.

In **15 percent** (3 of 20) of the transactions tested, the University's procurement files contained **inconsistencies** in the identification of evaluation committee members. Specifically:

- For a Risk Management Unit purchase we reviewed an April 18, 2008 recommendation letter that stated that there were three evaluation committee members from the Office of Risk Management. The “Overall Evaluation Scoring Summary” has only two of these individual’s scores. There was no additional documentation in the file to support this change or correction in the evaluation committee.
- For an OBFS purchase, we reviewed a June 17, 2008 recommendation letter that stated that there were three evaluation committee members including the Director of University Investments and two committee members from Treasury Operations. However, according to the University, its consultant was contracted to conduct the evaluation. There was no additional documentation in the file to support this change or correction in the evaluation committee.
- For a Chancellor’s Office purchase we were only able to review a scoring summary with individual scores listed together on the same summary spreadsheet. No individual evaluations were provided. Auditors identified the following consistency problems related to the evaluation committee from this summary spreadsheet:
 - A May 17, 2007 recommendation letter stated that there were seven evaluation committee members including two ex-officio members. The five evaluation committee members (excluding the two ex-officio members) include **four** representatives from OBFS and one representative from the Office of the Chancellor. According to the scoring summary provided by the University, there were **only three** representatives from OBFS and one representative from the Office of the Chancellor. There was no additional information in the file to support any involvement from the two ex-officio members from the Office of Purchasing. There was also no support in the file to support the change in the number of representatives from OBFS.

In **30 percent** (6 of 20) of the transactions tested, such a determination could not be made due to the **lack of documentation in the procurement file**.

Failure to maintain all evaluation materials in the procurement file is a violation of the Illinois Procurement Code. When evaluation materials do not include documentation to recognize and address errors or changes in the identification of evaluation committee members, it becomes unclear if a fair procurement process was conducted and decreases the level of transparency in the procurement process.

PURCHASING DOCUMENTATION DEFICIENCIES	
<p>RECOMMENDATION NUMBER</p> <p style="font-size: 2em;">8</p>	<p><i>The University should:</i></p> <ul style="list-style-type: none"> • <i>Ensure the criteria reviewed on evaluations are maintained in the procurement file. Additionally, the University should ensure the required evaluation criteria listed in the RFP is consistent with the criteria reviewed during the evaluation process.</i> • <i>Maintain all evaluation materials including completed score sheets for each individual evaluator in the procurement file. Additionally, the University should ensure evaluations which are completed based on a group consensus should be certified by the group through signatures and dating.</i> • <i>Ensure all evaluation materials that are required to be in the procurement file are complete as directed by the Illinois Procurement Code.</i> • <i>Ensure information submitted to the Board for approval is based on evaluation materials in the procurement file. Moreover, this information should be accurate and consistent with other documents in the procurement file.</i> • <i>Verify information submitted to the Board for approval is based on accurate information from the procurement file. This information should include evaluation materials with no significant scoring variances or calculation errors. If applicable, an associated explanation in the procurement file may be appropriate if such variances/errors are deemed to be acceptable.</i> • <i>Maintain all evaluation materials in the procurement files as required by the Illinois Procurement Code. If applicable, such evaluation materials should include documented support to recognize and address errors and/or changes in the identification of evaluation committee members.</i>
<p>UNIVERSITY RESPONSE</p>	<p>The following constitutes the University’s response to Recommendation Number 8 regarding purchasing documentation deficiencies:</p> <ol style="list-style-type: none"> a) The University will establish or enhance procedures to improve and maintain documentation regarding evaluation process as well as it correlation to the initial solicitation. b) The University will establish or enhance procedures to improve and maintain documentation of the evaluation process. c) The University will establish or enhance procedures to improve and maintain documentation of the evaluation process. d) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process for support of recommendations to the Board. e) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process for support of recommendations to the Board. However, that portion of the recommendation asserting that evaluation materials should contain no significant scoring variances or if they do should be documented for file is not supported by rules. Scoring variances on

<p>UNIVERSITY RESPONSE (continued)</p>	<p>individual evaluations should be expected given differences in an individual’s interpretation of the submittal materials provided.</p> <p>f) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process, including those associated with the evaluation committee.</p>
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Maintenance of Protests/Contractor Performance Reviews

Protest documents were not maintained in the procurement or associated contract files as required by the Illinois Procurement Code. Additionally, we did not see evidence that the University conducted contractor performance reviews. During our review of University purchasing transactions, we reviewed whether the University maintained contractor performance reviews, and resolved any protests prior to the contract award. For the 49 purchase transactions reviewed, we noted the following exceptions:

- In **100 percent** of the transactions tested (49 of 49), there was no evidence that contractor performance reviews **had been completed**.
- In **100 percent** of the transactions tested (49 of 49), protest and resolution documents **were not maintained** in the procurement or associated contract file.
- The files reviewed did not contain documentation to support whether or not there were any relevant protests. When questioned by auditors, University officials responded that there were not any relevant protests for the transactions sampled. Although this may be true, University officials provided additional protest information that **was not consistent**. Moreover, the separate protest folders provided contained only old information that dated back to 1970 except for one recent letter.

The Illinois Procurement Code requires that a procurement file shall be maintained for all contracts, regardless of the method of procurement. The procurement file shall contain the basis on which the award is made, all submitted bids and proposals, all evaluation materials, score sheets and **all other documentation related to** or prepared in conjunction with evaluation, negotiation, and **the award process** (30 ILCS 500/20-155(b)).

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies, including the University, to establish and maintain a system, or systems, of internal fiscal and administrative controls. These controls should provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law. These controls should include evidence to support that contractors are evaluated after their performance on a project to assist an entity in potential future business involving the contractor.

Auditors followed up with all campuses regarding protests. The campuses provided the following conflicting responses:

- According to the Urbana campus Purchasing Division, “Copies of protests should be maintained within the transaction file. In addition, the division has recently established a centralized file for protests. There were no protests for any of these transactions.” During fieldwork testing at Urbana, auditors also asked about a protest file. At that time, the Purchasing Division Official stated she did not know what happened to the actual protest file. She provided several folders with protests, but could not guarantee that the

files were all inclusive. A different Purchasing Division Official stated there was no central protest file, but that protests can be pulled by solicitation number.

- According to the Chicago campus Purchasing Division, “Generally our due diligence includes post sealed bid/RFP debriefings, so that vendors that have specific questions on why they were not selected, or what they could have done better for future reference, have a chance to get input and answers from purchasing staff. For that reason, we did not have formals [sic] protests for this sample and have not experienced them generally related to bids/RFP’s.”
- According to the Springfield campus Purchasing Division, there were no protests for the single transaction in the sample. Additionally, the Springfield Purchasing Division clarified that, “No protests for Springfield would be in the Urbana file and no protests for Urbana would be in the Springfield file.”

With regard to contractor performance reviews, an official in University Administration referenced problems associated with these reviews during a conversation regarding architects, engineers and construction contractors. Based on the lack of contractor performance reviews in the procurement files, it appears that the Purchasing Division is not utilizing these reviews as a means to evaluate current contractors and/or assist with the selection of future contractors.

Failure to perform contractor performance reviews can limit the University’s ability to make good procurement decisions, decisions in which evaluators score previous experience. Also, failure to maintain protest and resolution documents in the procurement or associated contract file is a violation of the Illinois Procurement Code (30 ILCS 500/20-155(b)). By not properly maintaining contractor performance reviews, the University accepts greater risk in selecting future contractors with a poor history of performance. By not properly maintaining protest documentation, the University accepts greater risk in not resolving protests prior to contract execution and relevant legal issues.

MAINTENANCE OF PROTESTS/CONTRACTOR PERFORMANCE REVIEWS	
RECOMMENDATION NUMBER 9	<i>The University should ensure protest documents are maintained in the procurement or associated contract file as required by the Illinois Procurement Code. Additionally, the University should ensure that contractor performance reviews are conducted.</i>
UNIVERSITY RESPONSE	The University will establish or enhance procedures to improve and maintain documentation of protests, or lack thereof. The University will consider conducting a risk/benefit analysis to determine if the initiation of contractor performance reviews is warranted under current resource realities.

Chapter Three

FINANCE & INVESTMENT TRANSACTIONS

CHAPTER CONCLUSIONS

At June 30, 2009, the University had **\$1.64 billion** of financing for its infrastructure needs. Ninety-two percent of the financing was for academic facilities, housing, and athletic facilities. The four financing methods utilized by the University included:

- Auxiliary Facilities System bond financing - \$939 million;
- Certificates of Participation - \$571 million;
- University of Illinois Chicago South Campus Development bond financing - \$73 million; and,
- Health Services Facilities System bond financing - \$61 million.

Financing activities are conducted by parties internal to the University and external parties whose services were to be procured utilizing competitive procurement processes. During audit testing we identified a **potential conflict of interest** involving a Board official that recommends firms to the full Board for financing activities. For 1 of the 11 financing transactions, a \$90 million issue for auxiliary facilities system revenue bonds in 2009, the Comptroller recommended utilizing an underwriting firm that the Comptroller previously worked for and in which he still had ownership interest.

The University developed lists of applicable financing parties that could be utilized for transactions during the period 2007-2009. While Board officials indicated that there generally was **rotation** among the firms, we found that many of those firms on the lists **were not utilized** by the University for the transactions. The University paid **over \$2.7 million in fees** to five financing parties during the audit period.

The University reported it competitively procured the services of the external financing parties utilized during transactions within the audit period. We found that the University: utilized a two-team evaluation approach for the procurement of a financial advisor that was **outside usual University evaluation procedures**; did not maintain supporting files for the procurement of all the financing parties; utilized financing parties with which the University **did not have a current contractual agreement**; and **overpaid** bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services.

At the end of the audit period, the University had over **\$1.1 billion of investments** for three types of funds in six types of securities. University investment programs are centralized under University Administration. The Board develops basic University policy on investments and **delegates the execution** of those policies to its administrative agents, who act under the Board's general supervision. The Finance and Investment Committee meets regularly to review compliance, asset allocation, portfolio and manager performance and other policy questions.

INTRODUCTION FINANCE and INVESTMENT

At June 30, 2009, the University had \$1.64 billion of financing for its infrastructure needs. Ninety-two percent of the financing was for academic facilities, housing, and athletic facilities.

The University utilizes both internal and external financing teams. The Board relies on University staff expertise for the information it uses to approve the financing transactions. During the audit period, the University conducted 11 major financing transactions.

FINANCE

The University utilizes external financing for many of its activities. Financing is organized into four types:

- **Auxiliary Facilities System (AFS)** financing is utilized for housing, parking, recreation, athletic, and student services facilities needs within the University. At June 30, 2009, the University had financed \$939 million in this type of bond.
- **Health Services Facilities System (HSFS)** financing is utilized for the hospital and outpatient care center in Chicago. At June 30, 2009, the University had financed \$61 million in this type of bond.
- **University of Illinois Chicago South Campus Development (UICSC)** financing is utilized for land acquisition and infrastructure for the South Campus in Chicago. At June 30, 2009, the University had financed \$73 million in this type of bond.
- **Certificates of Participation (COPs)** financing are utilized for utility infrastructure, information technology, and academic facilities projects. At June 30, 2009, the University had financed \$571 million in this type of instrument.

Financing Team - Internal

The University's internal financing team is comprised of senior management, the Office of University Counsel and staff from the Office of Business and Financial Services (OBFS). According to current and former Board members, the University team provides detailed information for the Board to consider when making the multiple approvals in the financing process.

Senior management involved in the financing process starts with the Vice President and Chief Financial Officer (CFO) and the University President. Recommendations approved by these two individuals then go up to the Board of Trustees through the finance and investment committee.

University counsel also provides support to the financing process. Chief Counsel as well as attorneys from the three campuses are involved in the financing process. University counsel is involved with obtaining outside legal counsel for the transactions, the bond counsel and the approved issuer's counsel.

Three areas within OBFS are active in university financing activities. The financial resources area including the capital financing staff, investment resources area, and tax resources area assist the internal financing process at the University.

Conflict of Interest

A Board officer recommended action to the Board that resulted in an organization, for which the officer previously worked and still has an ownership interest, obtaining University business.

During our review of the procurement processes utilized by the University in selecting financing parties for debt transactions, we examined procurement files maintained by the University. During the 2007-2009 audit period, the Board acted on 11 debt financing transactions totaling \$586 million. These transactions included the selection of financing parties from lists maintained by the treasury operations staff at the University. These transactions, along with the selected financing parties, were **recommended to the Board** by the Comptroller.

One of the eleven transactions, a \$90 million issue for auxiliary facilities system revenue bonds in 2009, recommended by the Comptroller included the use of an underwriting firm where the Comptroller **was previously employed**. We noted the following:

- While treasury operations staff **select** the underwriter from a list of approved vendors, the **Comptroller ultimately makes the recommendation** to the Board.
- The Comptroller was a managing director with Citigroup in February 2004 **when the firm bid** on the underwriting procurement opportunity with the University. The Comptroller, during that previous employment, signed the correspondence with Citigroup's response to the RFP.
- The Comptroller **did leave employment** with the underwriting firm during 2004.

The Comptroller reported having ownership (common stock) "in excess of \$5,000 fair market value or from which dividends in excess of \$1,200" that were derived from the firm in his 2008, 2009, and 2010 Statement of Economic Interest Disclosure filed with the Illinois Secretary of State.

University policies and procedures (OBFS Section 2.2 – Approval of Financial Documents) address conflicts of interest. Authorized certifiers or approvers of University business transactions cannot approve transactions which are payable to, or on behalf of individuals where a conflict of interest would be perceived. According to University policy, situations involving "conflict of interest" may take various forms, but arise when an employee is in a position to influence University business or other decisions in ways that could lead to any form of personal gain for the employee. University officials did not think this was a conflict.

The University Vice President/Chief Financial Officer/Comptroller is responsible for the operation of all financial functions for the University, including financing projects. In that position, the individual has the responsibility to recommend actions to the Board regarding the issuance of bonds.

Financing transactions undertaken by the University involve large dollar amounts - \$586 million for transactions during the audit period. The University should seek to maintain transparency and **avoid the appearance** of potential conflicts of interest in financial transactions.

CONFLICT OF INTEREST	
RECOMMENDATION NUMBER 10	<p><i>The Board should follow its procedures to ensure University staff who recommend transactions that the Board votes on be free of any perceived conflict of interest.</i></p>
BOARD RESPONSE	<p>The Board believes in the finding described that there was no actual conflict or perception of interest as documented in a letter to the Auditor General’s Audit Manager on November 5, 2010 from the Chairman of the Board. That letter documented that the Audit Manager had expressed to the Board Chairman that the University Comptroller “is not doing anything wrong” and the letter further stated that there was no conflict or perception of a conflict. In summary, that letter enumerated the facts as follows:</p> <ul style="list-style-type: none"> • The University Comptroller was a Managing Director at “the underwriting firm” and, as one of his responsibilities, signed the response to the RFP from the University for approved underwriters in early 2004. • The University Comptroller left his position at “the underwriting firm” in April 2004 and assumed a senior financial position at an entity unrelated to “the underwriting firm” or the University where he remained through January 2007, or a period of 33 months. • The University Comptroller assumed his position with the University on February 1, 2007. • On May 19, 2005, the University Board of Trustees approved the issuance of “Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2005B” approving “the underwriting firm” as underwriter as recommended by the then Vice President of Administration. • On September 11, 2008, 53 months after the University Comptroller left employment at “the underwriting firm”, the Board of Trustees approved actions that would lead to the issuance of “Auxiliary Facilities System Revenue Bonds, Series 2008B”, a refunding of the 2005B bonds. Because of the worldwide credit crisis, the financial institution that had provided the credit/liquidity support facility for the 2005B bonds had been downgraded negatively affecting the interest rate on those bonds. But for the credit deterioration of the credit/liquidity support facility for the 2005B transaction, a refunding transaction would not have been proposed. The needed replacement of the credit/liquidity support facility required, by law, a refunding transaction. The University Comptroller recommended retention of “the underwriting firm” for the Series 2008B refunding transaction though no Series 2008B were issued. • On January 15, 2009, the University Board of Trustees approved the issuance of “Auxiliary System Revenue Bonds, Series 2009A” for

<p>BOARD RESPONSE (continued)</p>	<p>the purpose of refunding the Series 2005B bonds and added \$10 million for the Illini Union Project. In another transaction, the Board also approved actions to refund certain Certificates of Participation for the same reasons (credit deterioration of the credit/liquidity support bank) while retaining the original underwriter (not “the underwriting firm”).</p> <ul style="list-style-type: none"> • On March 11, 2009, the Board approved an additional \$8.5 million to the Series 2009A transaction for the South Campus Mixed Use Development in Chicago. • On March 19, 2009, 59 months after the University Comptroller left “the underwriting firm”, the Series 2009A bonds were issued. <p>The University Comptroller did report his nominal ownership of common stock of “the underwriting firm” in his Statement of Economic Interests. The significant deterioration in market value of this stock over the prior three years is public knowledge and it is inconceivable that this transaction would have an effect on the stock’s value. There was no personal gain to the University Comptroller from this transaction.</p> <p>Five years had passed between the University Comptroller’s departure from “the underwriting firm” and the issuance of the Series 2009A bonds. This timing significantly exceeds any lawful or ethical standard measures of time to avoid an actual conflict of interest or, for that matter, the perception of conflict.</p> <p>This finding and the response described above were fully presented and discussed with the Governance, Personnel and Ethics Committee of the University Board on November 5, 2010 concluding with support for the University Comptroller’s position.</p> <div style="border: 2px solid black; padding: 10px; margin: 10px 0;"> <p><i>Auditor Comment #2</i></p> <p><i>As stated in the finding, <u>University policy (OBFS Section 2.2-Approval of Financial Documents)</u> addresses conflicts of interest and states that approvers of business transactions cannot approve transactions where a conflict of interest would be perceived. The policy further states “conflict of interest” may take various forms, but arise when an employee is in a position to influence University business or other decisions in ways that could lead to any form of personal gain for the employee.</i></p> <p><i>The Board response states this “finding and the response described above were fully presented and discussed with the Governance, Personnel and Ethics Committee of the University Board on November 5, 2010 concluding with support for the University Comptroller’s position.” This <u>presentation came only</u></i></p> </div> <p style="text-align: right;"><i>(continued on next page)</i></p>
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	<p><i>Auditor Comment #2 (continued)</i></p> <p><i>after we spoke with the Comptroller on October 10, 2010 and sent a potential audit finding to the Board on October 25, 2010. While we do not agree or disagree with the Board’s determination in this specific matter, we point out that the Board could only make that determination <u>after being made aware of the potential conflict.</u> The correct time for this disclosure would have been <u>before recommending the firm for University business, not after the fact when auditors identified the issue.</u></i></p> <p><i>Although the employee’s ongoing ownership interest in the recommended vendor was disclosed on his Statement of Economic Interest, the auditors were provided no evidence that the Board was aware of this potential conflict at the time the vendor was recommended or at any time prior to the issue being raised by the auditors.</i></p>
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Financing Team – External

The University contracts with external financing parties to conduct transactions on behalf of the University. According to University staff, the external financing parties are found by utilizing a competitive RFP process. That process results in a **listing of vendors** that can be utilized for each transaction.

Current and former Board members stated they had no involvement in selecting the vendors for each transaction; they thought that University staff **rotated** through the listing of qualified firms to spread the business. However, University staff indicated that was not necessarily the case. Officials reported that University staff determines the external financing parties to send to the Board for approval based on cost factors (i.e., some firms may have recently created financing documents that can be reused in a subsequent offering).

Financing Process

The capital financing committee meets on a quarterly basis with representatives from each campus to review capital needs. These needs are summarized into a business plan and a determination is made as to the best financing option for the projects. Once a project is developed, the Board of Trustees has to approve the project prior to the financing project moving forward.

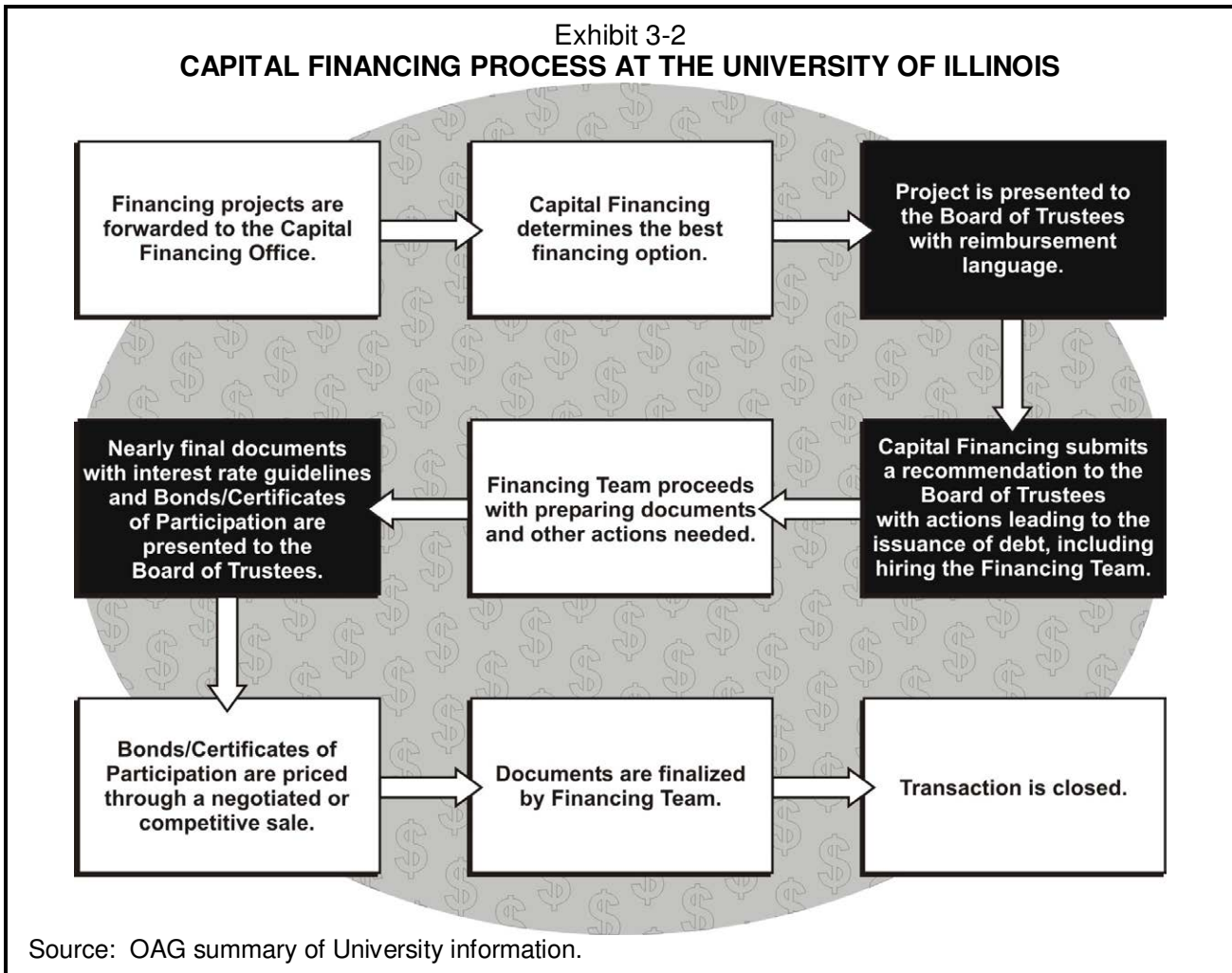
The CFO then submits a recommendation to the Board to approve debt issuance. The Board at this point approves hiring the external financing team. The University paid **over \$2.7**

Exhibit 3-1 FINANCING PARTY FEES 2007-2009	
<i>Financing Party</i>	<i>Amount of Fees</i>
Underwriters	\$1,406,574
Financial Advisor	\$530,219
Bond Counsel	\$497,850
Issuer’s Counsel	\$265,000
Trustee	\$49,084
Total	\$2,748,727
Source: OAG developed from University information.	

million in fees to the financing parties during the audit period. Exhibit 3-1 breaks out the fees paid by type of financing activity.

The external financing team drafts debt documents and performs other financing activities. These nearly final documents are then presented to the Board for approval. The Board authorizes the bonds or COPs.

The external financing team then makes the actual sale of the instruments. The transaction documents are finalized and the transaction closes. The capital financing process is presented graphically in Exhibit 3-2.



Financing Transactions – Audit Period

The Board approved **11 major financing transactions** during the audit period. Those debt financings are summarized in Exhibit 3-3.

Exhibit 3-3 DEBT FINANCING TRANSACTIONS 2007-2009					
<i>Type (Series)</i>	<i>Par Value</i>	<i>Purpose</i>	<i>Board Approved Fin. Team</i>	<i>Board Approved Issuance</i>	<i>Closing Date</i>
AFS (2009A)	\$84,100,000	Refunded Auxiliary Facilities System (AFS) 2005B and new money for UIUC Illini Union & UIC South Campus (UIC-SC) Mixed Use Development	9/11/08	1/15/09	3/19/09
AFS (2008)	\$20,800,000	New money for Ashton Woods at UIUC, Conference Center at UIUC, Residence at UIC, Founders Hall and Townhouses at UIS	3/26/08	5/22/08	6/18/08
HSFS (2008)	\$41,215,000	Funded escrow to defease Health Services Facilities System (HSFS) 2007 on 7/28/08	3/26/08	5/22/08	6/26/08
HSFS (2007)	\$40,875,000	Defeased HSFS 1997A	4/11/06	5/17/07	7/19/07
UIC SC (2008)	\$54,245,000	Refunded UIC-SC 2006A	3/26/08	5/22/08	7/16/08
COPs (2009A)	\$38,230,000	Partial refunding Certificates of Participation (COPs) 2007C and 2007D	1/15/09	5/21/09	6/12/09
COPs (2009B)	\$75,000,000	Partial refunding COPs 2007C and 2007D	1/15/09	5/21/09	6/12/09
COPs (2007A)	\$72,725,000	Refunded COPs 1997, new money for University wide facilities renewal program, fire services institute and library remote storage phase II at UIUC	7/30/07	11/14/07	1/4/08
COPs (2007B)	\$45,645,000	Partial refunding COPs Integrate 2001	7/30/07	11/14/07	1/4/08
COPs (2007C)	\$31,340,000	New money-College of Medicine project at UIC	7/30/07	11/14/07	1/4/08
COPs (2007D)	\$81,500,000	New money-Computing facility at UIUC	7/30/07	11/14/07	1/4/08
Source: OAG developed from University information.					

PROCUREMENT OF EXTERNAL FINANCING PARTIES

The University reported it competitively procured the services of the external financing parties utilized during transactions within the audit period. We found that the University: utilized a two-team evaluation approach for the procurement of a financial advisor that was

outside usual University evaluation procedures; did not maintain supporting files for the procurement of all the financing parties; utilized financing parties with which the University **did not have a current contractual agreement**; and **overpaid** bond counsel and issuer's counsel vendors based on an examination of the contractual rates for those services.

During our review of the procurement processes utilized by the University in selecting financing parties for debt transactions, we examined procurement files maintained by the University to determine if the University followed all laws, rules and procedures in procuring these financing parties. During the 2007-2009 audit period, the Board acted on 11 debt financing transactions totaling \$586 million. We found **significant problems** with the procurement activities, which are detailed below.

Financial Advisor

The University **did not maintain** documentation to support why it utilized different individuals in evaluating the technical and interview portions of the selection of Financial Advisors for University financing projects. Additionally, the University was **unable to provide** procurement documentation for the Financial Advisors utilized during the majority of the audit period.

We requested and reviewed the procurement file for the **Financial Advisor RFP** procurement that the University completed in mid-2009. The University was **unable to provide the previous procurement file** for the Financial Advisor procurement that would have been in effect for the majority of our audit period, January 2007 through June 30, 2009. During the audit period the University **paid \$530,219 in fees** to the Financial Advisors. Our understanding is that the previous Advisors also won awards for the mid-2009 procurement. Additionally, we requested information not found during the file review from the University.

For the Financial Advisor financing party procurement that was completed in mid-2009 the following items were found:

- Evaluation Team Support for Award. The RFP indicated that all proposals would be evaluated by an evaluation team.
 - The **Evaluation Team changed** throughout the course of the procurement. Technical proposals submitted by the vendors were evaluated by a team of four staff, three from Capital Financing and one from University Treasury. After scoring the proposals, a second Evaluation Team composed of the CFO, Sr. Associate VP for Business and Finance, Medical Center CFO, Asst. VP Treasury, and the Director of Capital Financing (lone holdover from the 1st team) conducted interviews with all five firms that proposed.
 - While the 1st Team had documented scoring sheets, by individual, for its rankings, the 2nd Team **had no individual scoring sheets**, only a summary scoring sheet. The summary scorecard for the interview **did not show**, and the University **did not answer** our question, relative to how the scores were determined. Without individual scoring sheets for the interview evaluation team, it is impossible to determine how each member voted/scored, given that the summary is not signed as certifying the scores of the members of the evaluation team.
 - The two Teams essentially evaluated the same criteria (sections) of the RFP with **vastly different results**. We noted that in the technical evaluation, 3 of the 4

evaluators ranked one firm 4th (of 5) proposals. The interview team then ranked the same firm 2nd.

- None of the evaluations were **signed** by the Evaluation Team members.
- The University responded that changing evaluation team members is not detailed in any University policy. However, during our examination of the procurement process utilized for Architectural/Engineering firms (which is also a two stage process of technical and interviews), the University reported that changes to the teams have to be approved and documented in the procurement files.
- The University **did not have directions** for Evaluation Team members in the procurement file and when we asked, the University failed to provide a response to our question except to say the “Final award was determined by the Interview Committee.”
- The “two evaluation team” process was not found in our testing of the other financing party procurements.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies, including the University, to establish and maintain a system, or systems, of internal fiscal and administrative controls. These controls should provide assurance that: (1) resources are utilized efficiently, effectively, and in compliance with applicable law; and (2) obligations and costs are in compliance with applicable law. These controls should include the **maintenance of documentation to support the award** of University business involving external financing activity.

Underwriters

The University **did not maintain documentation** to support the selection of Underwriters for University financing projects. Additionally, the procurement file **did not contain pricing** information for all firms that were paid underwriting fees during the audit period.

We requested and reviewed the procurement file for the **Underwriter RFP** procurement. Additionally, we requested information not found during the file review from the University. For the Underwriter financing party procurement the following items were found:

- Evaluation: The RFP indicated that all proposals **would be evaluated by an evaluation team**. The RFP also listed evaluation factors, grouped by relative importance that would be used in determining the best-qualified offers. Those factors were:
 1. *Compliance with the Proposal specifications.*
 2. *Proposed underwriting fees and interest rate commitments.*
 3. *Experience of the firm as a senior managing underwriter.*
 4. *Experience of the individuals who will be directly serving the University.*
 5. *Ideas/strategies to reduce the University’s interest cost or maximize net cash flow.*
 6. *Retail and institutional sales capability.*
 7. *Quality, completeness and conciseness of the written response.*
 8. *Favorable recommendations of the firm’s effectiveness as underwriter.*
 9. *Women and minority-owned enterprises.*
 10. *Illinois presence of firm personnel and in-state distribution capabilities.*

11. Experience as a co-managing underwriter.

- The University could **provide no individual evaluations** to show that an evaluation team evaluated the proposals. While we asked who made up the evaluation team, the University failed to provide that information.
- The one document provided was a “Summary of Finalists” which **did not match** to the evaluation factors stated in the RFP.
- Award Decision: The University **could not provide evidence to support** any decision memo as to **how** the award was made.
 - On December 16, 2004, the University published an award notice to the Illinois Public Higher Education Procurement Bulletin. The notice listed 25 firms that received the award.
 - A comparison of the award notice to the one evaluation document provided by the University (Summary of Finalists) showed that 13 firms listed on the award notice **were not on the summary document**.
 - There were five instances of these firms that were **not on the summary document** being paid \$181,020 during the audit period for underwriting services.
 - We could not find **pricing proposals** in the procurement file for two firms that received underwriting fees during the audit period.
- Contracts: During our review of the procurement file, we did not find evidence of the contracts that were executed with the firms selected for underwriting services.

Financing transactions undertaken by the University involve large dollar amounts - \$586 million for transactions during the audit period. Given the problems identified above in this procurement process, it is not clear that a fair and competitive procurement process was conducted. During the audit period, firms that provided Underwriting services were paid \$1,406,574 in fees by the University.

Bond Counsel

The University did not maintain documentation to support the selection of Bond Counsel for University financing projects. Additionally, payments to counsel during the audit period did not always match contractual rates. Finally, the contractual agreements with firms, including renewals, ended on June 30, 2008. The University continued to utilize these firms without an agreement during FY09. For Bond Counsel financing services we found:

- The University reported that the Bond Counsel firms were determined through a competitive selection RFP process. However, the University **could not provide documentation to support the competitive selection process** including: a request for proposals; evaluation criteria; evaluation team scoring sheets; proposals by the vendors evaluated; and a decision memo as to why the three firms selected for the counsel activities were selected.
- In five transactions during the audit period, the University overpaid, **based on rates delineated in the contracts**, for bond counsel services by \$52,256.
- The University executed contracts with the firms for bond counsel services in October 2005. The agreements, with all renewals, **expired** at the end of FY08. The University **did not seek** new firms with a competitive selection process until calendar 2010.

The University should ensure that **contractual agreements are in place** for all University activities for which funds will be disbursed. The University reported that the Bond Counsel procurement file could not be located. Officials also explained that bond counsel fees may vary based on the difficulty of the transaction. However, auditors were not provided with documentation or rate information that would demonstrate these difficulties.

Financing transactions undertaken by the University involve large dollar amounts – \$586 million for transactions during the audit period. Absent contractual rates for payment, the University cannot ensure that the rates reimbursed are fair and equitable. During the audit period, firms that provided Bond Counsel services were paid \$497,850 in fees by the University.

Issuer’s Counsel

The University did not maintain documentation to support the selection of Issuer’s Counsel for University financing projects. Additionally, payments to counsel during the audit period did not always match contractual rates. Finally, the contractual agreements with firms, including renewals, ended on June 30, 2007. The University continued to utilize these firms without an agreement during FY09. For the Issuer’s Counsel financing services we found:

- **Contracts:** The RFP indicated the contract was to run through June 30, 2005 with two 1-year renewals.
 - The contract with Freeborn and Peters LLP executed as of October 29, 2004; signed by firm on November 10, 2004 and signed by University on December 2, 2004.
 - A second contract with Katten Muchin Rosenman LLP executed as of October 13, 2005 (after initial date in RFP); signed by firm on October 19, 2005 and signed by University on November 9, 2005.
 - A third contract with Mayer, Brown, Rowe & Maw LLP executed as of October 14, 2004 was signed by the firm. However, the contract was undated by the firm not allowing auditors to determine when that signature was provided. The University signed the contract on January 10, 2005.
 - A fourth contract with Drinker, Biddle & Reath LLP was executed as of January 1, 2007; signed by firm on February 14, 2007; and signed by University on March 6, 2007.
 - All contracts stated “This Agreement will automatically renew each year unless terminated by either Counsel or University...”
- **Award Decision and Evaluations:** The RFP indicated eight criteria for evaluation methodology.
 - There was **no overall decision memo** in file. The University did provide a September 29, 2003 memo from a financial advisor that was allowed to participate on the evaluation team recommending five firms, and another memo from a University employee recommending five firms. The University **only contracted** with four firms and there was **no indication why** the other was not put under contract.
 - Inadequate individual evaluations to determine winning firms were maintained in the procurement file. The University was able to provide **only three individual evaluation sheets** for individual scoring (none from the financial advisor that was on the evaluation team). These sheets provided no points for the firms, just

“plusses” and “minuses” for the evaluation criteria. The “plusses” and “minuses” were inconsistent across members of the evaluation team and one evaluator did not rate many individual criteria. In fact, this evaluator only gave a favorable recommendation to 2 of the 5 that were on the previous noted memos; and the evaluator favorably recommended the three firms that were not detailed on the previously noted memos.

- **Overpayment of Fees:** In four financing transactions during the audit period, the University overpaid, **based on rates delineated in the contracts**, for issuer counsel services by \$53,819.

Good business practice would dictate that the University maintains all written determinations that set forth the reasoning for the award. The University explained there was “*internal confusion as to whether the terms...extended through 2007 or 2008.*” The University further cites the procurement rules to continue to utilize the firms because immediate action was “*needed to prevent or minimize serious disruption in University services.*” However, the University did not re-bid this procurement opportunity until June 7, 2010 – **almost three years after** the previous agreements expired. Officials also explained that issuer’s counsel fees may vary based on the difficulty of the transaction. However, auditors were not provided with documentation or rate information that would demonstrate these difficulties.

Trustee/Paying Agent/Registrar

The University did not maintain documentation to support the selection of a Trustee/Paying Agent/Registrar, which the University has utilized since 1996. For the Trustee/Paying Agent/Registrar financing party the following items we found:

- On December 20, 2010, the University reported that it “**still used a competitive process**” to select the Trustee.
- However, the University **could not provide documentation** to support the competitive selection process including: a request for proposals; evaluation criteria; evaluation team scoring sheets (with the exception of a “Candidate Evaluation Matrix” completed by a University official in December 1996); proposals by the vendors evaluated by the University official; and a decision memo as to why the financial institution was selected.
- During the 3-year audit period, the Trustee was involved in six transactions, two of which resulted in fees greater than \$10,000 for the transaction.

The University reported that the University Counsel at the time of the procurement concluded that the RFP requirements did not apply because the University was only doing one bond transaction every 2-3 years and the Trustee fee was less than \$10,000. It is **not possible for auditors to verify** this without documentation at the University.

Financing transactions undertaken by the University involve large dollar amounts - \$586 million for transactions during the audit period. The Trustee was paid \$49,084 during the audit period.

PROCUREMENT OF EXTERNAL FINANCING PARTIES	
<p>RECOMMENDATION NUMBER</p> <p>11</p>	<p><i>When procuring the services of external financing parties the University should:</i></p> <ul style="list-style-type: none"> • <i>Maintain appropriate documentation to support the selection of firms to perform financial advisory services for University transactions including signed individual scoring sheets by evaluation team members that provide evidence that a fair and competitive procurement process was followed. Additionally, the University should maintain procurement files for activities that are currently being paid for with University funds. Finally, the University should either formalize a process for using a two-team evaluation approach in University procedures or ensure that documentation is maintained in the procurement file demonstrating that changes were made to the evaluation committee during the procurement process and why.</i> • <i>Maintain appropriate documentation to support the selection of firms to perform underwriting services for University transactions including individual scoring sheets by evaluation team members that provide evidence that a fair and competitive procurement process was followed. Additionally, the University should ensure that the procurement file for the underwriting procurement activity contains copies of pricing for all vendors awarded University business and copies of executed contracts for those services.</i> • <i>Maintain appropriate documentation to support the selection of firms to perform bond counsel services for University transactions. Further, the University should ensure that a valid contract is in effect for all debt transactions processed by the University. Finally, the University should maintain appropriate documentation to support that contractual rates were paid for bond counsel services.</i> • <i>Require its evaluation teams to completely and adequately document the scoring for award of University business for Issuer’s Counsel services; document the emergent necessity to continue operating under agreements which have expired; timely re-bid for Issuer’s Counsel services; and, ensure that professional fees, as delineated in contractual agreements for Issuer’s Counsel services, are complied with.</i> • <i>Maintain appropriate documentation to support the selection of firms to perform trustee/paying agent/registrar services for University transactions.</i>
<p>UNIVERSITY RESPONSE</p>	<p>The following constitutes the University’s response to Recommendation Number 11 regarding procurement of external financing parties:</p> <p>a) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to evaluation processes and retention of evaluation materials. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are</p>

<p style="text-align: center;">UNIVERSITY RESPONSE (continued)</p>	<p>optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing.</p> <p>b) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including appropriate retention of vendor pricing information and executed contract documents. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing. The procurement file also contains the RFP and the responses to the RFP including the Pricing proposals. The bond transcripts contain the executed contract for Underwriter services and are maintained in Capital Financing.</p> <p>c) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to the duration of contracts and payment terms. Bond Counsel fees are reviewed by University Legal Counsel and Capital Financing and records are maintained by Capital Financing. The statement of overpayment of \$52,256 to bond counsel is accurate. But on other similar transactions that occurred during the audit time period, the University underpaid bond counsel by \$73,341. The net underpayment for the audit period was \$21,085 for bond counsel.</p> <p>d) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to evaluations, duration of contracts, any emergent circumstances, and payment terms. The University will continue to pursue timely selection of professional services with the confines of the Illinois Procurement Code, including initial solicitations and renewals. The statement of overpayment of \$53,819 to issuer’s counsel is accurate. But on other similar transactions that occurred during the audit time period, the University underpaid</p>
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<p>UNIVERSITY RESPONSE (continued)</p>	<p>issuer’s counsel by \$73,524. The net underpayment for the audit period was \$19,705 for issuer’s counsel.</p> <p>e) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including appropriate retention of processes and expenditures. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing. Because of industry consolidation, there are few Trustee/Paying Agent/Registrar firms with the scale necessary to serve the University. Bank of New York Mellon is one of the largest surviving firms. The State of Illinois recently selected Bank of New York Mellon as the Paying Agent for the Rail-splitter bond issue. The re-bid process for the Trustee/Paying Agent/Registrar services was completed by the University on October 31, 2011.</p>
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INVESTMENT

At the end of the audit period, the University had over \$1.1 billion of investments for three types of funds in six types of securities. University investment programs are centralized under University Administration. Major investment programs undertaken by the University include:

- **Endowment Funds** – Gifts to the University with the restriction that the principal is not expendable. The University investment objective is to preserve the real value, or purchasing power, of endowment pool assets.
- **Operating Funds** – Represent operating and gift funds available for current use in support of the University’s academic programs and support functions. Funds are invested to preserve the value and safety of the principal, and maintain liquidity appropriate to the forecasted working capital requirements of the University.
- **Plant Funds** – Consist of construction funds, debt service reserve funds and bond interest sinking fund accounts.

During the audit period, the University utilized Ennis Knupp as its investment manager. Ennis Knupp provides the University, and Board, with a performance report on a quarterly basis. The University invests its endowment, operating, plant, and other funds in various securities.

For the period ended December 31, 2009, the combined assets of the University totaled over \$1.1 billion. A breakdown of these investments, by category, is provided in Exhibit 3-4.

According to University policy, investment operations are those business processes concerned with the commitment of University assets to earn revenue and the control and safeguard of those earning assets. The investment function is centralized in the Office of Business and Financial Services. The Board and its delegates invest all available University funds in one of the University investment programs.

The Board develops basic University policy on investments and delegates the execution of those policies to its administrative agents, who act under the Board's general supervision. The Finance and Investment Committee meets regularly to review compliance, asset allocation, portfolio and manager performance and other policy questions.

The Comptroller has been delegated transaction authority to assist the Finance and Investment Committee of the Board in investments. Additionally, the Comptroller has delegated the authority and responsibility to develop and disseminate the guidelines and procedures regarding the investment of University funds to the Senior Associate Vice President for Business and Finance. A step down the line, the Director of Investments is responsible for and has day-to-day authority over investment operations.

Exhibit 3-4 UNIVERSITY INVESTMENT LEVELS At December 31, 2009	
<i>Category</i>	<i>Investment Amount</i>
Cash Equivalents	\$439,976,000
Fixed Income	\$434,051,000
U.S. Equity	\$124,322,000
Farmland	\$67,890,000
Non U.S. Equity	\$35,469,000
Private Equity	\$11,961,000
Total	\$1,113,669,000
Source: OAG developed from University information.	

Chapter Four

CONSTRUCTION TRANSACTIONS

CHAPTER CONCLUSIONS

During the audit period, the University submitted, and the Board approved, **\$981 million** in construction related transactions. This includes both general construction contracts and contracts for professional services for architectural and engineering (A/E) services. Given the high risk associated with the construction area, we selected two samples for fieldwork testing, one of general construction contracts and the other for A/E contracts. The breakdown by University campus is provided in Exhibit 4-1.

Exhibit 4-1 CONSTRUCTION TRANSACTION ANALYSIS 2007-2009						
Campus	Total Projects	Total Dollars	Construction Sample		A/E Sample	
			Sample Size	Sample Dollars	Sample Size	Sample Dollars
Urbana	131	\$688,209,097	14	\$78,163,184	17	\$20,909,098
Chicago	68	\$278,503,468	9	\$31,740,412	8	\$9,571,204
Springfield	3	\$13,995,800	2	\$13,995,800	0	\$0
Total	202	\$980,708,365	25	\$123,899,396	25	\$30,480,302

Source: OAG developed from University and Board documentation.

Construction Testing

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. We found:

- During the audit period, the University's Qualifications Based Selection (QBS) policy for capital professional services **incorrectly included** "construction managers" in the procurement policy with the selection of architects and engineers.
- There was no University policy regarding the selection of construction contractors with bid proposals containing base and **alternate bid** prices. As a result, the University is **not consistently** following the same steps when selecting contractors with these types of proposals.
- The University failed to maintain solicitation and procurement bulletin documentation in all construction transactions reviewed. Additionally, the University failed to maintain signed contractual agreements in the files for all construction transactions.
- The University failed to maintain adequate documentation to support the process for selecting Professional Services Consultants associated with construction transactions reviewed.
- According to construction documentation reviewed on the west interior renovation to Memorial Stadium, the University processed payments for negotiated settlements as **change orders**. Change orders need to be approved in writing by the University

- prior to work being completed. Additionally, change orders for an electrical contractor were strung out as four individual change orders resulting in the University not having to seek Board approval due to the individual payments being below the Board approval threshold. Finally, some change orders reviewed were for items which would appear to be, or should have been, part of the original bid for which the contractor was awarded University business.
- There are no University policies detailing Minority and Female Business Enterprise (MAFBE), subcontractor, or “spreading the work around” requirements for construction transactions. As a result, the University is not consistently obtaining, evaluating, or verifying these requirements when selecting construction contractors.

A/E Testing

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported, and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. Additionally, given the information obtained from University officials during the survey phase, we tested to ensure that selection decisions were based on State law and documented University policy. We found:

- The University was not implementing all University policies required under the Qualifications Based Selection (QBS) Policy for Capital Professional Services, which is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.
- Inconsistencies, errors, and discrepancies were identified during the review of the University’s evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University’s selection process for A/E professional service consultants.
- The University was not obtaining sufficient information for contractors and subcontractors including MAFBE information. The University was also not ensuring MAFBE information proposed in bids was consistent with MAFBE information listed in final University contracts.
- The University’s oversight in evaluating MAFBE and workload criteria during the short list and interview process needs to be strengthened. MAFBE was not consistently being included as a criterion during such evaluations. In addition, MAFBE was not being scored and/or ranked consistently by evaluators.

INTRODUCTION

University policies and procedures indicate that the University Office for Facilities Planning and Programs **oversees** construction and capital projects for all three campuses. Specific areas of construction responsibility by campus are provided below:

- Department of Facilities Management (Chicago campus)
- Office for Planning, Design and Construction (Springfield campus)
- Facilities and Services (Urbana campus).

Requests for contracts for the planning, design, and construction of buildings are initiated by departments. Each individual construction project developed by campuses is recommended for Board approval by the appropriate campus Chancellor. During the audit period, construction requests for approval were discussed with certain Board members prior to being brought to the full Board for approval.

Construction Contracts

All University contract documents, including construction contracts, are executed by the University Comptroller and attested to by the Secretary of the Board after approval by the originating campus unit and legal counsel except where specific exemptions have been made by the Board. Contracts with members of the University's governing Board are prohibited under all conditions.

A fully executed contract is required before any services are performed. Afterwards, the original document is forwarded to the Board office at the Urbana campus for recording, imaging, and reporting. Contracts are then filed for safekeeping by the Board office. Only the University Comptroller and the Secretary of the Board, or their approved delegates, have the authority to sign agreements and contracts that obligate the University.

Competitive Selection Procedures

According to University policy, any of the Facilities Planning and Programs offices may ask the Purchasing Division to issue competitive bids for construction projects. The competitive selection process (Invitation for Sealed Bid/Request for Proposal) is required at specific dollar levels.

Expenditures Requiring Board Approval

The University Comptroller authorizes all expenditures and executes all contracts for the Board. The University Comptroller may approve **contracts** of projects with budgets below \$500,000. The Board must approve certain contracts that require University payment in more than one fiscal year. These approvals include capital projects of \$2 million or more.

CONSTRUCTION TRANSACTIONS

During the audit period, the University submitted, and the Board approved, **\$981 million** in construction related transactions. The University has documented policies and procedures for the procurement process to seek and award construction contracts. Given the high risk associated with the construction area, we selected two samples for fieldwork testing, one of general construction contracts and the other for A/E contracts.

Construction/Capital Projects

Our review of Board information showed that during calendar years 2007-2009, the Board approved **202 construction related transactions**, totaling \$980,708,365, at the three campuses. The Urbana and Chicago campuses encompassed 99 percent of all the projects (199 of 202).

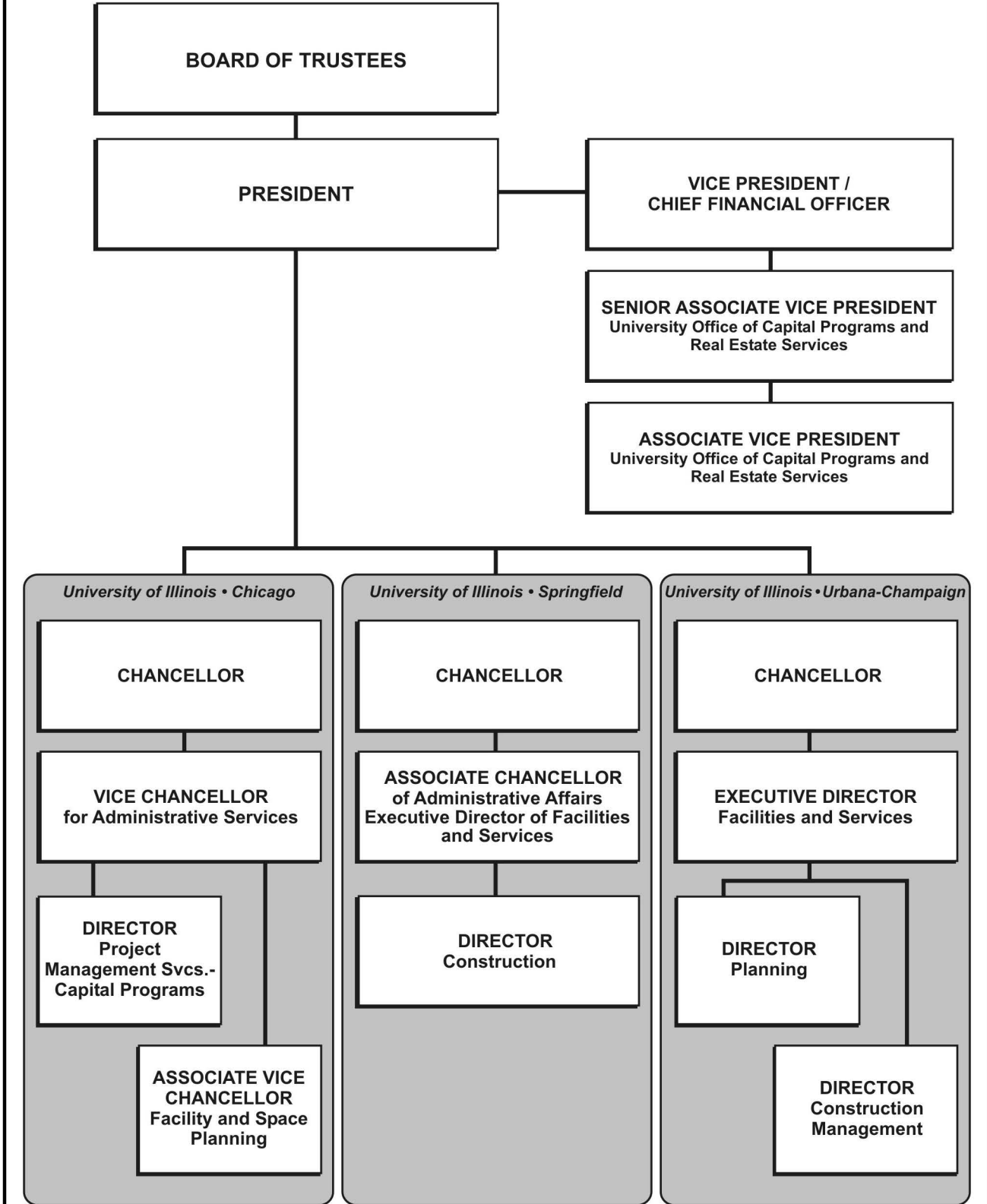
The Board approved: entire project proposals with estimated budgets; construction contractors after competitive bidding; architectural firms after competitive bidding; and amendments (budget increases) to previously approved projects. Exhibit 4-2 provides a summary by campus. Additionally, Appendix D provides a detailed listing of all the specific projects including the approval date by the Board, project, contractor, and estimated cost.

Exhibit 4-2 CONSTRUCTION TRANSACTION SUMMARY Calendar 2007-2009		
<i>Campus</i>	<i># Transactions</i>	<i>Estimated Cost</i>
Urbana	131	\$688,209,097
Chicago	68	\$278,503,468
Springfield	3	\$13,995,800
Total	202	\$980,708,365
Source: OAG summary of University information.		

University Construction Parties

Capital construction is the responsibility of both University and campus-level organizations. University policies and procedures indicate that the University Office for Capital Programs and Real Estate Services **oversees** construction and capital projects for all three campuses. Exhibit 4-3 presents the University offices responsible for the execution of capital construction projects.

Exhibit 4-3
UNIVERSITY CONSTRUCTION PARTIES
 2007-2009



Source: OAG summary of University information.

Construction Process

The capital construction process begins with an identified need by a University department. This idea is then translated into a proposal that describes the merits of the idea including estimated cost and identification of funding sources. The proposal is eventually reviewed by the Vice-Chancellor, Dean or Department Director. Additionally, the appropriate campus construction unit (CCU) provides support to the proposer.

Once the capital construction project has been defined by the department, the CCU refines the proposal schedule and strengthens the cost opinion. The CCU does a technical review of the proposal and determines whether the proposed schedule is achievable. The Campus Review Committee ensures the proposal meets campus capital and development priorities, verifies the project funding, and determines that the project is an appropriate use of space. Finally, the approval to begin conceptualization is sought from the appropriate approval source, including the **Board of Trustees** if above the dollar threshold (\$2 million during our audit period).

After gaining approval, the CCU gathers data to provide sufficient definition to the project to assess the true cost and impact of the project. The CCU develops the project program which includes: project scope, preliminary design options, preliminary site plans, utility program statement, preliminary budget, and preliminary schedule.

The third step in the process is to identify and contract with a professional services consultant (PSC). A PSC is an experienced architect, landscape architect and/or engineer that will provide design and construction services for the project. The selection of a PSC is governed by the Illinois Architectural, Engineering and Land Surveying Qualifications Based Selection (QBS) Act as well as University policy. The process is detailed and includes:

- Evaluation committee comprised of CCU representatives, an Office of Capital Programs (OCP) representative, and a representative of the department which initiated the project idea.
- Selection criteria are identified and CCU generates an advertisement to send to OCP. The advertisement is posted for 15 days on the Illinois Higher Education Procurement Bulletin website.
- Evaluation committee develops a short list by reviewing submittals from PSC firms. The evaluation committee also ranks the proposing firms and selects 3-5 firms for interview. Firms are to be selected for interview solely on qualifications alone.
- Evaluation committee develops interview requirements and completes phone references for firms on the short list. The interviews are scheduled and completed. Finally, the evaluation committee ranks the top 3 firms and formulates a recommendation.
- CCU negotiates scope and fee with the top ranked PSC firm. The **Board of Trustees**, for services over \$150,000 during the audit period, then grants approval for the selection of the PSC. The award is posted to the bulletin and the Procurement Policy Board is notified for approval.

The fourth step is the design stage of the project. This involves evaluating the program as the foundation for the design, obtaining any new information, and refining the project. The

PSC selected will, through drawings and specifications, provide direction of the project's design and construction strategy. Additionally, at the end of each phase the design and cost estimate are submitted to the University for review and comment to verify that the project aligns with the program, scope, schedule, and budget established during conceptualization. The PSC creates a set of documents that can be used for bidding purposes and submits them to the CCU for distribution.

The next step is the bid and award process for the contractors. An advertisement is posted to the Bulletin. Interested contractors have to pre-qualify with the University and they receive the bidding documents from the PSC. A pre-bid meeting is held to clarify any information. The award process includes:

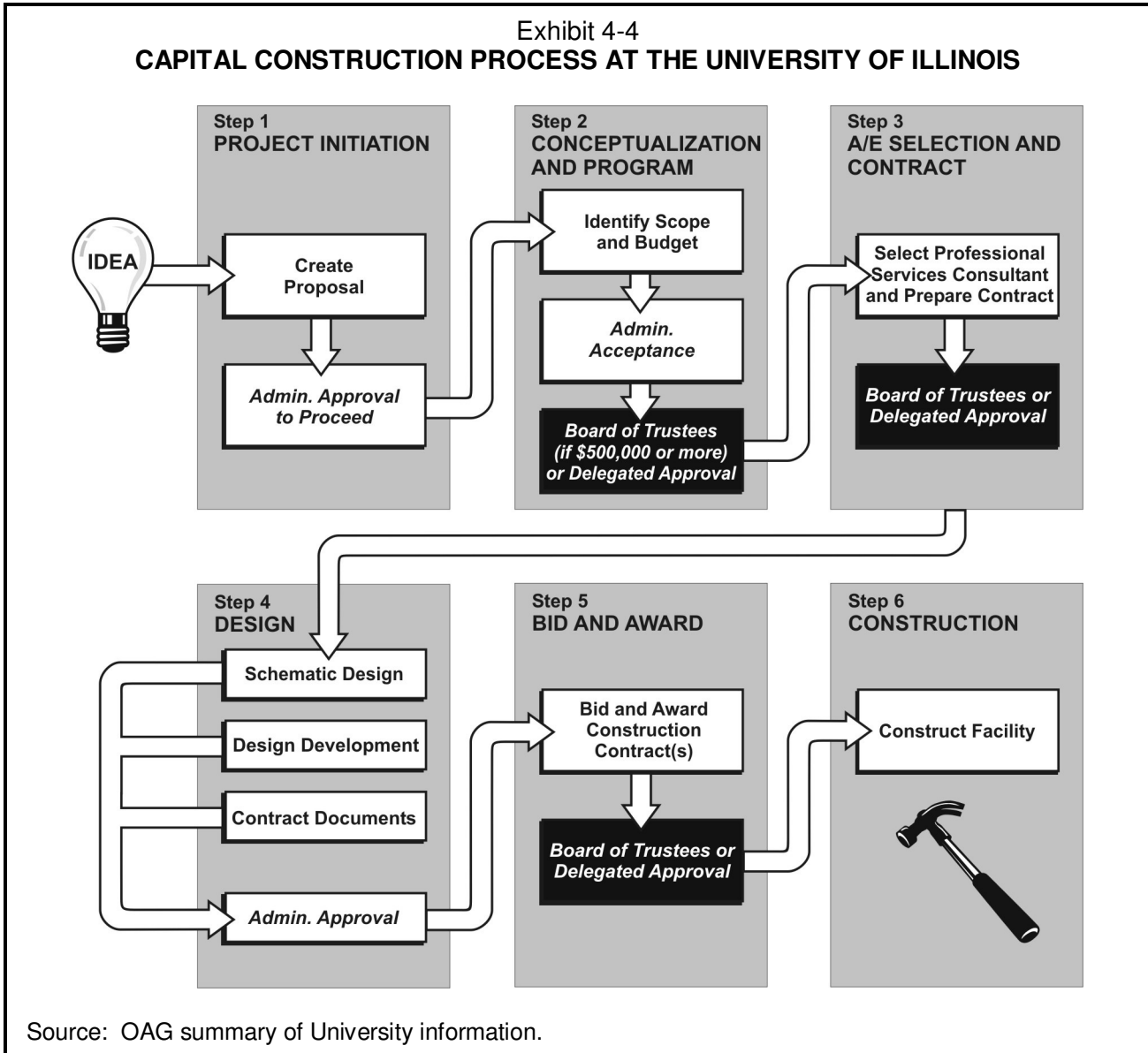
- Qualified contractors submit sealed bids to the CCU. Bids are opened publicly by CCU and recorded by the PSC.
- CCU and PSC perform bid tabulations and review for discrepancies. CCU and the PSC make a recommendation for award to the contractor with the lowest valid bid.
- **Board of Trustees** grants formal approval of the contractor, for contracts over \$500,000 during our audit period, and the award is posted to the bulletin and submitted to the Procurement Policy Board for approval.

The construction phase of the process follows. There is substantial interaction between the contractors, PSC and CCU during the process.

A post-construction phase of the process involves a final review and documentation of the building and systems. This includes a commissioning of the building, warranty phase where contractors correct defects in materials and workmanship and post-occupancy review to evaluate the success of the facility. The entire capital construction process is graphically presented in Exhibit 4-4.

All University contract documents, including construction contracts, are executed by the University Comptroller and attested to by the Secretary of the Board after approval by the originating campus unit and legal counsel except where specific exemptions have been made by the Board. Contracts with members of the University's governing Board are prohibited under all conditions.

A fully executed contract is required before any services are performed. Afterwards, the original document is forwarded to the Board office at the Urbana campus for recording, imaging, and reporting. Contracts are then filed for safekeeping by the Board office. Only the University Comptroller and the Secretary of the Board, or their approved delegates, have the authority to sign agreements and contracts that obligate the University.



CONSTRUCTION – TESTING RESULTS

During our review of University construction transactions, we reviewed University documentation prepared for approval by the Board. From that population of 202 construction transactions that were approved by the Board, we selected 25 construction transactions totaling \$124 million. This represented 13 percent of the total dollar construction projects approved by the Board during the audit period.

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. Results of our testing are presented below.

Construction Transactions – Use of Construction Managers

During the audit period, the University’s Qualifications Based Selection (QBS) policy for capital professional services **incorrectly included** “construction managers” in the procurement policy with the selection of architects and engineers. Although the University policy is based on the QBS Act (30 ILCS 535), the QBS Act does not include “construction managers” in the procurement policy with the selection of architects and engineers. Further, there is **no University policy** detailing the selection of construction managers as there is for other capital professional services (i.e., architects and engineers). This lack of policy may be related to an additional problem identified regarding **insufficient documentation** for the selection, approval and use of construction managers.

During our review of the University’s construction processes, we examined 25 construction transactions that met Board approval thresholds. Of these 25 transactions, **three** transactions related to Board approval of a **specific construction manager**. The three specific construction manager transactions totaled \$9.2 million.

Two **additional** construction managers were included in the 20 transactions related to the Board **approval of a general and/or division** contractor. These two construction contracts in our sample totaled over \$40.6 million. The construction managers received \$6.6 million of the total contract. Exhibit 4-5 provides the projects from our sample where construction managers were utilized.

Exhibit 4-5 CONSTRUCTION MANAGER CASES OAG Sample	
<i>Project</i>	<i>Contract Amount</i>
Residence Hall/Ikenberry Commons	\$3,327,475
Petascale Computing Facility	\$3,090,998
Residence Hall/Ikenberry Commons	\$2,756,000
Memorial Stadium	*\$3,035,535
Residence Hall/Ikenberry Commons	*\$3,577,670
Note: Residence Hall/Ikenberry Commons project had multiple phases and was selected multiple times in our sample.	
Note: * indicates construction manager part of general contractor award and for specific phases.	
Source: OAG summary of University documentation.	

Our review of the transactions related to these projects showed:

- In **100 percent** (5 of 5) of construction projects reviewed with a construction manager, there was insufficient documentation provided to support the selection of the construction manager.
- The selection of a general or division contractor is based on the lowest bid, a **construction manager is not**. With a general or division contractor, the University knows the cost estimate upfront and the winning vendor is selected based on the lowest bid. With a construction manager, the University does not know the cost estimate until after the construction manager is selected and fees are negotiated.
- According to the Illinois Procurement Code (30 ILCS 500/33-20), a “formal or informal submission of verbal or written estimates of costs or proposals in terms of dollars, hours required, percentage of construction cost, or any other measure of compensation” shall not be sought in any case prior to the selection of a construction manager for negotiation.
- There are no University policies detailing the specific requirements related to construction managers.

- There is **no written policy** explaining the criteria needed for utilizing a construction manager versus a general contractor. University officials in Facilities and Services stated a construction manager versus a general contractor is used when the project is considered high risk.
- There is **no written policy** detailing the selection and approval process for construction managers. University officials in Facilities and Services stated the Executive Director for Construction makes the final decision based on a recommendation from the Director of Construction Management.
- There is **no written policy** designating when the construction manager should be approved by the Board. University officials in Facilities and Services stated the construction manager is approved separately from the rest of the project.

The University’s QBS policy is based on the QBS Act (30 ILCS 535.) Since the QBS Act does not include a reference to “construction managers” in the procurement policy, the University’s QBS policy should also not include this reference.

The Illinois Procurement Code (30 ILCS 500/33) details the procurement of construction management services including but not limited to evaluation procedure, selection procedure, and contract negotiation. This discussion is directed toward the Capital Development Board and contains only general requirements. A University policy based on the Procurement Code with more specific University requirements related to construction managers would be beneficial.

University officials from Facilities and Services stated, in March 2011, the “construction manager” reference in the QBS Policy is incorrect. The officials further stated that they do not follow the University’s QBS policy for the procurement of construction managers. Although there is **no University policy** detailing the selection of construction managers, University officials confirmed that the Procurement Code (30 ILCS 500/33) is used as a basis for selecting construction managers. In July 2011, the University reported the reference to “construction manager” had been taken out of the QBS Policy after this audit had started, a fact that staff from Facilities and Services had not noted four months earlier.

Auditors and University officials specifically discussed the Ikenberry project which included multiple architectural and engineering firms, multiple construction managers and multiple general contractors. University officials stated that the project followed the design and bid process, but it was **outside the normal procedure**. Officials stated that normally one architectural and engineering firm would be selected to cover the entire project; however, three firms were selected for the three phases referenced in our audit sample – Phase A; Phases C & D; and Phases E & G. In addition, three specific construction manager contracts were also referenced. Finally, officials stated that the University had to hire transition consultants to combine the work of the multiple professional services consultants.

The University should ensure that their policies are correct and contain no inaccuracies so procurement procedures are clear and easy to follow. Additionally, the University needs a policy related to construction managers based on the Procurement Code to clarify ambiguity and provide direction for those areas left open for interpretation by the University.

CONSTRUCTION MANAGERS	
RECOMMENDATION NUMBER 12	<i>The University should establish a University policy with specific requirements related to the selection, approval, and use of construction managers. This policy should ensure the maintenance of sufficient documentation regarding the selection of construction managers and justification for the necessity of their services.</i>
UNIVERSITY RESPONSE	The University’s Qualifications Based Selection Policy was updated on June 9, 2010 which removed the references to “Construction Manager”. A policy with guidelines for selection of construction managers for University capital projects has been drafted and will be implemented.

Construction Transactions – Use of Alternates

There is no University policy regarding the selection of construction contractors with bid proposals containing base and **alternate bid** prices. As a result, the University is **not consistently** following the same steps when selecting contractors with these types of proposals.

During our review of the University’s construction processes, we examined 25 construction transactions that met Board approval thresholds and examined the University’s process for selecting bidders in transactions where **base and alternate bids were requested** as part of the bid proposal. There were 15 construction transactions from our sample with base and alternate bids. We found the University was not consistently applying evaluation procedures, and in some cases deviated from original bid specifications, for these types of construction transactions.

In **60 percent** (9 of 15) of transactions, the University **deviated** from the original alternates requested **after** the submission of bid proposals for at least one division. For example, in a project to provide waterproofing at the Chicago campus, nine alternate prices were requested as a part of the proposal but only six of these alternate prices were actually utilized in the determination of the winning bidder or final bid prices. Without a University policy regarding the selection of construction contractors with bid proposals containing base and alternate bid prices, it is unclear why this determination was made **after** the bid proposal request and **not before** the bid proposal request.

In **60 percent** (9 of 15) of transactions, the University was **inconsistently designating** bidders as responsive or non-responsive when selecting construction contractors with bid proposals requesting base and alternate prices. These base and/or alternate bid prices were requested by the University but noted as “N/A”, “No bid”, or left blank by the bidders. Without a University policy it is unclear if the University is following fair practices. For example, if every bidder does not provide the same two alternates requested as part of the bid proposal, the University may consider these two alternates non-applicable when selecting a contractor. The following examples exemplify the University’s inconsistent designation of bids as responsive and non-responsive when alternate price requests are noted as “N/A”, “No bid”, or left blank by the bidders:

- For a project to install synthetic turf on the baseball field at the Chicago campus, the winning bidder had a **base** bid of \$848,900 and **three** alternates listed including the one selected alternate with a price of \$500,300 for a total bid amount of \$1,349,200.

Another bidder had a base bid of only \$706,785 (\$142,115 less than the winning bidder's base bid) but listed no alternates. The bid form did request the inclusion of the three alternates and documentation did support that this 2nd vendor was disqualified for not listing these alternates as requested.

- For a project to construct a conference center at the Urbana campus, the winning bidder had a **base** bid of \$5,375,000. This bidder's proposal listed **seven alternates**, including the later selected four alternates, with a price of \$49,500 for a total bid amount of \$5,424,500. Although the winning bidder listed seven alternates, the bid form **requested** the inclusion of eight alternates. Moreover, the winning bidder listed "no bid" for alternate 6. Although this bid was not selected as part of the final bid, the winning bidder did not know this upon submission and did not submit the bid proposal with eight alternates as requested. Of the remaining eight bidders, five bidders included all eight alternates as requested. According to the methodology used above, the winning bidder and the two other bidders that listed "no bid" for alternate six **should have been disqualified** for not listing alternates as requested.

The Illinois Procurement Code (30 ILCS 500/20-10(a)) states that all contracts shall be awarded by competitive sealed bidding. Section 20-10(g) further states, "The contract shall be awarded...to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the invitation for bids. . . ." Additionally, the *1/06 UOFP&P Form* approved by Legal Counsel contains a section entitled "Bid Prices." This section states that "The Bidder hereby bids...the Contract Division Work bid upon herein for compensation in accordance with the following prices:" and then lists the base and alternate requests to be completed as a part of the bid proposal. Both of the transaction examples referenced above contained this same language.

During follow-up regarding the University's process for choosing alternates in construction projects, a University official confirmed that there was no University policy regarding alternates.

The University's lack of policy related to alternates may increase the risk of the appearance that the lowest bidder was not selected, which is a violation of the Procurement Code. Alternate prices can account for a **significant amount of the total** contract cost. For one transaction in our sample, the Board approved contracts for the first phase of the Memorial Stadium development plan. This approval related to the contracts for General Work (Division 1) and Electrical Work (Division 5). Division 1 included three alternates totaling **19 percent** or \$286,000 of the total contract. Division 5 included four alternates totaling **40 percent** or \$303,000 of the total contract. The University's inconsistency with these types of construction transactions weakens its ability to implement a fair selection process and increases the risk of resulting legal action.

USE OF ALTERNATES	
RECOMMENDATION NUMBER 13	<i>The University should establish a University policy detailing requirements related to the selection of construction contractors with bid proposals containing base and alternate bid prices. These policies should ensure the consistent selection of contractors with these types of proposals as well as the documented support for current practices followed.</i>
UNIVERSITY RESPONSE	The University will develop and implement a policy governing the method for utilizing alternate bids.

Construction Transactions – Failure to Maintain Required Procurement File Documentation

The University failed to maintain solicitation and procurement bulletin documentation in all construction transactions reviewed. Additionally, the University failed to maintain signed contractual agreements in the files for all construction transactions.

During our review of the University’s construction processes, we examined 25 construction transactions that met Board approval thresholds. Of the 25 transactions, one transaction was related to the Board approval of a professional service consultant amendment. As a result, the University should have maintained solicitation and procurement bulletin documentation for 24 construction transactions reviewed.

We examined the procurement files and considered sufficient any file that had a copy of the Invitation for Bid or a copy of the Notice of Award. However we found:

- In **4 percent** (1 of 24) of construction transactions reviewed, the University failed to maintain a copy of the Invitation for Construction Bid. This was a project to replace the water system at the Applied Health Sciences Building on the Chicago campus. The transaction in our sample was valued at \$1,064,996.
- In **4 percent** (1 of 24) of construction transactions reviewed, the University failed to maintain procurement bulletin documentation. This sample transaction was for a job order contractor at the Urbana campus and totaled an estimated \$4 million.

Construction contracts consistently required the following signatures: Contractor, University Comptroller, Board Secretary, Director of Campus Construction Unit, University President (over \$250,000) and University Counsel (over \$250,000). In **12 percent** (3 of 25) of construction transactions reviewed, a division contract or required contract signature was missing. We found:

- A project to replace the fire alarm system at the University Hospital was missing the required contractual signatures for an electrical contractor. The contract was valued at \$1.2 million.
- A project for an addition to the College of Medicine at the Chicago campus was missing the required contractual signatures for heating and electrical contractors. These two contracts were valued at \$4.2 million.

- The contract for a lighting contractor related to Phase I of the Memorial Stadium renovation was not provided by the University.

According to University Policy, the majority of capital projects undertaken by the University of Illinois are subject to the requirements of the Illinois Procurement Code (30 ILCS 500). The Illinois Administrative Code states that, “all other procurement records shall be placed in the contract files maintained by the SPO.” (44 Ill. Adm. Code 4.2080)

The University reported that the award notices can be viewed on the Illinois Higher Education Procurement Bulletin. However, for the case noted above, the information was not maintained in the procurement file, as it was in the other 23 cases we sampled.

Section 2.3 of University Policy: “A fully executed contract is required before any products are obtained or services performed. Contracts are considered fully executed when they have the signature of the other party/parties entering into the contract, the signature of the University Comptroller (or delegate), and are attested to by the Secretary of the Board of Trustees (or delegate).

The University should maintain complete procurement files including solicitation and procurement bulletin documentation as required by the Administrative Code.

FAILURE TO MAINTAIN REQUIRED PROCUREMENT FILE DOCUMENTATION	
RECOMMENDATION NUMBER 14	<i>The University should maintain solicitation and procurement bulletin documentation as required by the Administrative Code. Additionally, the University should ensure that all construction contracts are maintained for each division and these contracts contain all required signatures.</i>
UNIVERSITY RESPONSE	The University maintains procurement file documentation in electronic and paper format. All construction contracts are maintained for each division with all required signatures with the University’s Board of Trustees’ contract imaging system. This system is in a secure environment and maintains the fully signed contracts that are referenced in the discussion of Recommendation Number 14. In order to gain efficiency, the University will continue to refine its processes and continue the transition to an electronic record management system.

Construction Transactions – Failure to Maintain A/E Selection Documentation

The University failed to maintain adequate documentation to support the process for selecting Professional Services Consultants associated with construction transactions reviewed.

During our review of the University’s construction processes, we examined 25 construction transactions that met Board approval thresholds. Of these cases, four **did not have** an A/E associated with the transaction. In addition, four of the transactions reviewed contained A/Es that overlapped because they evolved from the same two projects (Memorial Stadium and Petascale). These two A/E consultants were counted only once as part of our review for a **total of 19 transactions reviewed** with an associated A/E.

We first requested the A/E information on December 1, 2010, and the University did provide information for 11 of 19 cases in our sample. For these transactions, A/E documentation was considered sufficient if the University provided the basis for which the A/E award was made and/or the documentation necessary to follow the A/E selection process including evaluation materials.

In **42 percent** (8 of 19) of the construction transactions reviewed with an A/E, the University **did not initially provide** sufficient documentation to support the process for selecting the A/E associated with this transaction. On July 14, 2011, the University provided materials, **after we sent** a potential audit finding to the University in this area. Testing deficiencies are provided in Exhibit 4-6 with initial deficiencies noted and additional exceptions noted for the information provided by the University in July 2011.

Exhibit 4-6 EXCEPTIONS RELATIVE TO A/E SELECTION PROCESS ON REGULAR CONSTRUCTION PROJECTS		
<i>Project</i>	<i>Initial Exception</i>	<i>Additional Exceptions</i>
Chilled water distribution project on the Chicago campus.	No evaluation documentation was provided.	An approval was given to waive the interview process because one vendor “rated significantly higher” in the areas deemed most critical to the process. Documentation showed this vendor was not rated “significantly higher” and even rated 5 th of 13 by one of the five evaluators.
Fire alarm project at the University Hospital in Chicago.	No evaluation documentation was provided.	Documentation did not support the award winner. One vendor which was not recommended for the interview process, and was interviewed, finished 2 nd but was awarded the contract.
Water system replacement at the Chicago campus.	No evaluation documentation was provided.	Still no shortlist evaluation documentation and only 2 of 4 individual interview evaluations were provided.
College of Medicine addition in Chicago.	No evaluation documentation was provided.	No other supporting documentation identified.
Window replacement in Springfield.	No evaluation documentation was provided.	No other supporting documentation identified.
Conference center construction in Urbana.	No evaluation documentation was provided.	Impossible to determine how the University went from 15 proposers to the three it decided to interview based on a continued lack of support. The winner was presented to the Board for a \$686,000 contract.
Upgrade of tennis facility in Urbana.	No evaluation documentation was provided.	Documentation included a printout from a University system which identified 9 candidates. Firm awarded the contract was not one of the firms on the University printout.
Memorial Stadium renovation.	No evaluation documentation was provided.	University told us they are researching the files for additional information.
Source: OAG summary of University information.		

According to University Policy, the majority of capital projects undertaken by the University of Illinois are subject to the requirements of the Illinois Procurement Code (Code). The Code requires that a procurement file shall be maintained for all contracts, regardless of the method

of procurement. The procurement file shall contain the basis on which the award is made, all submitted bids and proposals, all evaluation materials, score sheets and all other documentation related to or prepared in conjunction with evaluation, negotiation, and the award process (30 ILCS 500/20-155(b)).

Additionally, Standard Procurement Rules require the written determination required by the Procurement Code be placed in the contract files maintained by the Chief Procurement Officer. Additionally, the Rules state “all other procurement records shall be placed in the contract files maintained by the SPO.” (44 Ill. Adm. Code 4.2080)

University officials in Facilities and Services confirmed that they receive little guidance in evaluating certain areas including the area of selecting architects and engineers. When University officials provided A/E selection documentation for construction transactions we requested in December 2010, Urbana officials noted that limited records were found prior to 2006.

Failure to maintain complete documentation supporting the A/E selection process associated with construction transactions is a violation of the Illinois Procurement Code and Illinois Administrative Rules.

FAILURE TO MAINTAIN A/E SELECTION DOCUMENTATION	
RECOMMENDATION NUMBER 15	<i>The University should maintain adequate documentation to support the process of selecting Professional Services Consultants associated with construction transactions. The University should ensure that all required evaluation materials are included in the file as directed by the Illinois Procurement Code and Illinois Administrative Code.</i>
UNIVERSITY RESPONSE	The University will ensure that all required evaluation materials are included in the file.

Construction Transactions – Change Orders

According to construction documentation reviewed on the west interior renovation to Memorial Stadium, the University processed payments for negotiated settlements as **change orders**. Change orders need to be approved in writing by the University prior to work being completed. Additionally, change orders for an electrical contractor were strung out as four individual change orders resulting in the University not having to seek Board approval due to the individual payments being below the Board approval threshold. Finally, some change orders reviewed were for items which would appear to be, or should have been, part of the original bid for which the contractor was awarded University business.

Change orders are, according to University policy, written orders to a contractor executed by the University in accordance with an existing construction contract authorizing additions, deletions or other adjustments to the contract documents.

During our review of the transaction for the renovation of the west interior of Memorial Stadium, we reviewed documentation on the University’s “Executed Change Orders” sheet for the project. We noted:

- **General Contractor.** The Board approved a total award of over \$13 million for the contractor on July 30, 2007.
 - On March 11, 2010, a **change order appears** for the general contractor totaling \$1,376,377.97. The detailed description indicates no specific work that was completed; only that it was a **negotiated settlement**.
 - The University received approval, from the newly reconstituted Board, on January 21, 2010 for an increase in the contract value for the general contractor to “account for additional construction work necessary to ensure that the Stadium was ready for the first home football game in September 2008.” Board approval for this payment was 16 months after the first home football game.
 - During an interview with auditors, an official from the Urbana campus Facilities and Planning division told auditors that the contractor utilized a “fraternity relationship” he had with another individual to get the individual to contact a former chair of the Board. A meeting with a former University president and the former chair of the Board was held to discuss damages relative to the Memorial Stadium project.
 - The Executed Change Orders form showed a total of **over \$3.3 million in change orders** for the west interior renovation work. The General Contractor received over \$2.3 million of the total change orders, including **75 change orders** dated after September 2008.
- **Stringing Change Orders.** The University Executed Change Orders form showed four separate change orders for an electrical contractor on the west interior renovation project all dated January 19, 2010. In total, the change orders were \$300,000, an amount which would require Board approval. However, individually the amounts were all under the approval threshold. The individual change orders were:
 - Negotiated settlement – premium time for schedule acceleration (fixed equipment) totaling \$39,953.47.
 - Negotiated settlement – wage escalation (fixed equipment) totaling \$2,046.53.
 - Negotiated settlement – premium time for schedule acceleration (electrical work) totaling \$245,428.46.
 - Negotiated settlement – wage escalation (electrical work) totaling \$12,571.54.
- **Items Part of Original Bid.** Several change orders appeared to be for items that should have been part of the normal bid price for which the contractor was awarded the University business. Change orders in this category included:
 - \$84,431 to the general contractor to provide labor for cleaning.
 - \$15,000 to the general contractor to accelerate door hardware.
 - \$38,246 to the general contractor to provide dumpsters for trash removal from the site.
 - \$12,790 to the general contractor to provide new exterior door frames.
 - \$83,721 to the general contractor for exterior door hardware.
 - \$79,396 to the electrical contractor to furnish and install TV brackets.
 - \$57,310 to the electrical contractor to add power and lighting to the indoor club patio.

The Board sets dollar thresholds for transactions that must come before the Board for approval. Beginning September 2005, those thresholds included \$250,000 for change orders. Section II of the University’s Change Order and Amendment Policy states, “After a contract has been formed pursuant to the Procurement Code, Section 30-35 of the Code (30 ILCS 500/30-35) permits expenditures in excess of the original contract price provided ... (2) the University approves in writing the expenditure **prior to the performance** of the work or procurement of material.” (Emphasis added)

Auditors recognize some change orders may exist as a result of unforeseen conditions. At the same time, auditors question change order descriptions such as “negotiated settlement,” “rework due to other trades,” and “acceleration of door hardware.” The University should provide reasonable assurance and documentation that winning bids support the **entire cost** for the construction transaction in order to reduce the risk of future change orders and paying more than losing bids.

Failure to submit change orders meeting threshold requirements for Board approval is a violation of Board policy. Allowing change orders that are for the same purpose to be submitted individually so that the Board does not have to approve the change order weakens the oversight of the Board. Inaccurate bids and/or sizeable change orders can significantly increase the total costs of construction transactions.

CHANGE ORDERS	
RECOMMENDATION NUMBER 16	<p><i>The University should ensure that the Executed Change Orders report only contains items that are truly change orders for work which the University has approved prior to the completion of the work. Additionally, the University should not allow contractors to string change orders to separate items to avoid obtaining Board approval for the change. Finally, the University should take all steps necessary to ensure that contractor bids contain all the elements required to complete the construction project, eliminating the need to increase project costs after the competitive bidding process is completed.</i></p>
UNIVERSITY RESPONSE	<p>The University agrees that the Executed Change Orders Report should fundamentally contain items that are change orders for work which the University approved prior to the completion of the work. It should be noted that claims by contractors are often presented subsequent to project completion. Because the only vehicle in contract documents recognized as an authorized change to contract requirements and amount are change orders, those elements of claims which are approved for compensation are processed as change orders.</p> <p>The University agrees that change orders should not be strung into separate items to avoid obtaining Board approval. It should be noted the contractors respond to RFPs and do not scope or classify the changes. Additionally, the example selected regarding stringing involved a broad multi-basis single claim by a contractor with two separate contracts. The negotiated settlement involved both contracts and separate causes within each contract. Although an argument to combine everything could be</p>

<p>UNIVERSITY RESPONSE</p> <p>(continued)</p>	<p>made, the changes themselves were logically separate subjects. The changes were prepared in a single group for approval as four separate change orders for the purpose of transparency. Additionally, accompanying justification was provided for each separate change order. These actions were taken to expressly guard against any appearance of stringing.</p> <p>The University agrees that all reasonable steps should be taken to ensure bids contain all the elements required to complete the project without change orders and a need to increase costs after bidding. It should be noted that 50% of the examples presented were essentially reassignment of work and were not cost increases, but reassignments to reduce costs, meet schedule and increase effectiveness. The remaining examples were attributable to errors and omissions of the professional service consultant.</p>
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Construction Transactions – Lack of MAFBE and Subcontractor Requirements

There are no University policies detailing Minority and Female Business Enterprise (MAFBE), subcontractor, or “spreading the work around” requirements for construction transactions. As a result, the University is not consistently obtaining, evaluating, or verifying these requirements when selecting construction contractors.

During our review of the University’s construction processes, we examined 25 construction transactions that met Board approval thresholds. Of the 25 transactions, one transaction was related to the Board approval of a professional service consultant amendment. As a result, the University **should have obtained MAFBE and subcontractor information** for 24 of the 25 construction transactions reviewed.

The Business Enterprise Act states, “Not less than 10% of the total dollar amount of State construction contracts is established as a goal to be awarded to minority and female owned businesses...” Of that 10 percent, not less than 50 percent shall be awarded to female owned businesses (30 ILCS 575/4 (b)). Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law.

MAFBE Information

In **92 percent** (22 of 24) of the construction transactions in our sample, the University failed to obtain **adequate MAFBE information**. These 22 transactions totaled over \$117 million. We noted:

- For these cases, MAFBE information **was not provided** and/or could not be broken down by prime contractor or subcontractor(s). Additionally, the names of MAFBE contractors or subcontractors were not always identifiable.
- The University collects better MAFBE information with regard to professional services contracts than construction contracts. For the two cases where adequate MAFBE information was obtained by the University, the transactions related to the selection of

construction managers. For construction managers, subcontractor and MAFBE information is provided to the University via an attachment to contracts.

A current Board member mentioned there were construction project delays as a result of a lack of minority participation. He stated that the Board is trying to adopt best practices that align with changes in the Procurement Code. University officials in Facilities and Services confirmed that they receive little guidance for evaluating MAFBE. With regard to job order contracts, University officials in Facilities and Services stated that University Administration instructed them to present two contractors to the Board for approval and one of the contractors must be a MAFBE firm. A University official stated there is no legal basis to ensure that MAFBE participation is consistent between the proposal and the contract. He further stated that an auditor recommendation in this area would be helpful and provide authority to ensure MAFBE participation and monitoring.

Subcontractor Information

In **88 percent** (21 of 24) of the construction transactions in our sample, the University failed to **obtain adequate subcontractor information**. These 21 transactions totaled \$115 million. The following two transactions exemplify problems identified during our review:

- For the roof replacement of the Physical Plant Building on the Chicago campus, the University obtained some subcontractor information; however, complete subcontractor information was **not available until after** the project was complete. The final waiver of lien submitted to the University supported that the winning prime contractor was paid **50 percent** or \$343,625 of the total payment. The lien also supported that the **subcontractor** received the other **50 percent** or \$342,870 of the total payment.
- For waterproofing of the Education, Performing Arts, and Social Work Plaza at the Chicago campus, the University again obtained some subcontractor information; however, complete subcontractor information was again **not available until after** the project was complete. The final waiver of lien submitted to the University supported that the winning prime contractor was paid **44 percent** or \$600,114 of the total payment. The lien also supported that the **subcontractors** received the remaining **56 percent** or \$772,814 of the total payment.

University officials in Facilities and Services confirmed that subcontractors are not required to be identified on construction proposals. These officials also mentioned problems with Chicago firms marking up prices and then subbing the work to local firms in Urbana.

Spreading the Work Around

The University’s evaluation requirements for “spreading the work around” are unclear. Although it appears to be a priority of the University, there are no University policies to address the procedures related to implementing these requirements.

During the audit, we discovered that the University was utilizing a strategy for contractors whereby the University would take into consideration, during the evaluation process, how much current work the contractor had with the University. The desired outcome was to spread work among the contractors. According to a University architect, the University has no specific policies

for applying or enforcing the “spreading the work around” evaluation requirement. University officials in Facilities and Services confirmed that they receive little guidance in evaluating the area of “spreading the work around.”

It is questionable how the University can meet the requirements found in the Business Enterprise Act without collecting and verifying MAFBE information. Also, failure to obtain complete subcontractor information for construction transactions may result in a conflict of interest, inaccurate MAFBE representation, or other possible problems. Finally, current subcontractors are being paid a significant part of University contract amounts as exemplified in the two transactions above. Failure to establish University policies related to MAFBE, subcontractors, and “spreading the work around” requirements may result in continued inconsistencies across construction projects and possible violations of the law.

LACK OF MAFBE AND SUBCONTRACTOR REQUIREMENTS	
RECOMMENDATION NUMBER 17	<i>The University should establish University policies detailing MAFBE, subcontractor, and “spreading the work around” requirements. These policies should ensure the consistent collection, evaluation, and verification of these requirements when selecting construction contractors.</i>
UNIVERSITY RESPONSE	The University awards construction contracts as per the Illinois Procurement Code utilizing the sealed bid process. In January 2011, a new University policy on MBE/FBE Goals in Capital Construction Procurement was issued. The policy was developed and issued in part to achieve compliance with P.A. 096-706 (SB 351) and P.A. 096-1064 (SB 3249). The procedures to effectuate compliance require the identification of prime contractors and subcontractors/suppliers/vendors by the MAFBE and non-MAFBE status.

ARCHITECTURAL/ENGINEERING TRANSACTIONS

During survey, University officials reported that an **unconventional selection process was utilized to select** Architectural/Engineering (A/E) firms. This process, which attempted to spread University business among bidding architectural firms, violated University policy and State statute.

The University uses Qualifications Based Selection (QBS) in the selection of an A/E firm. According to an Urbana official, the QBS process in its purest form is based on the best qualified bidder getting the job.

A senior Urbana campus official reported that a former Board Chair developed the idea to utilize A/E firms at the front end of the planning process to do some minimal work. That A/E firm would then be ineligible from bidding on the more lucrative actual construction work. This ineligibility was not detailed in University procedures and utilizing such procedures made the University not compliant with its own policy.

Officials from the Springfield and Urbana campuses reported that the former **Sr. Associate Vice President in the Office of Capital Programs and Real Estate Services** had approved this undocumented policy where architects that bid on University projects that already had other work with the University could not be considered for the award, even if they scored the highest in the evaluation process.

Urbana officials did question the Sr. Associate Vice President and asked him how Facilities and Services was supposed to incorporate the philosophy into the A/E selection process. The official indicated the Sr. Associate Vice President stated that all consultants during the bid process would have to fill out a form that listed each consultant’s current projects at the University.

During the audit period, the **Board approved \$50,342,150 in projects** applicable to architectural awards. There were **34 architectural contracts** at the Urbana campus (totaling \$30,130,664) and **17 architectural contracts** awarded at the Chicago campus (totaling \$20,211,486).

A/E – TESTING RESULTS

During our review of University construction transactions, we reviewed University documentation prepared for approval by the Board. From that population of 202 construction transactions that were approved by the Board for **Architectural/Engineering (A/E) projects**, we selected 25 transactions totaling \$30.5 million. This represented three percent of the total dollar construction projects approved by the Board during the audit period.

Testing was designed to ensure the University maintained all applicable documentation, that decisions were properly documented and supported and that all transactions were submitted for approval to the Board pursuant to Board authorization dollar thresholds. Additionally, given the information obtained from University officials during the survey phase, we tested to ensure that selection decisions were based on State law and documented University policy. Results of our testing are presented below.

A/E Transactions – Qualifications Based Selection Policy

The University is not implementing all University policies required under the Qualifications Based Selection (QBS) Policy for Capital Professional Services, which is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.

During our review of the University A/E construction process, we identified problems with the University’s QBS practices. The following issues were identified during this review related to the University’s QBS Policy:

- In **92 percent** (23 of 25) of the transactions reviewed, the University did not retain sufficient documentation to support representatives for **all required** areas on the evaluation committee.
 - **44 percent** (11 of 25) did not contain a representative from the Campus Construction Unit.

- **12 percent** (3 of 25) did not contain a representative from the Campus Construction Unit as well as one additional area required.
 - **8 percent** (2 of 25) had multiple representatives missing as well as other committee problems.
 - **12 percent** (3 of 25) did not contain a representative from a required area and the campus architect/representative was unclear. It also appeared that this representative may be non-voting at times, which emphasizes the questionability of such representation.
 - **12 percent** (3 of 25) were unknown because the campus architect/representative was not clear.
 - **4 percent** (1 of 25) were also unknown because there was **limited evaluation information** provided and committee representatives could not be determined.
- In **60 percent** (15 of 25) of the transactions reviewed, the evaluation committee **members did not remain consistent** throughout the University file/response.
 - In **60 percent** (15 of 25) of the transactions reviewed, the interview **selection criteria** developed by the evaluation committee **was not included** in the interview notification letter. In an additional **4 percent** (1 of 25) of transactions, such a determination could not be made (i.e., the interview notification letter referenced an additional letter containing this criteria but this additional letter **was not included** in the University file/response).
 - In **88 percent** (22 of 25) of the transactions reviewed, **individual evaluation forms** based on evaluation criteria in the advertisement or interview letter **were not provided** for each committee member during the short list and/or interview evaluations. In **40 percent** (10 of 25) of the transactions, individual evaluation forms and/or pre-defined criteria **were not provided** for interview evaluation only.
 - In **32 percent** (8 of 25) of the transactions reviewed, the evaluation committee **did not determine the final selection criteria** and/or the relative importance of each for interviews. In an additional **52 percent** (13 of 25) of transactions, such a determination could not be made.
 - In the transactions reviewed where the committee chair was an architect as described in the QBS policy, **100 percent** (17 of 17) of the firms were not notified about their interview by the committee chair. Firms were notified by the Director of Planning or Associate Director of Planning. In the remaining cases, the Associate Director or Manager of University Planning and Design was serving as the committee chair and provided the notification.
 - In **96 percent** (24 of 25) of the transactions reviewed, the **file did not contain** a written executive summary listing all evaluation committee members, reference call results, and results of the committee as a whole or majority rating of interviewed firms including an average of matrix scores and any specific strengths or weaknesses of the top three firms.
 - In **4 percent** (1 of 25) of the transactions reviewed, the University **did not provide a copy** of the contract for 7 of 8 contractors utilized during this transaction. The copy of the contract provided for one of the eight contractors **did not contain the required**

signature for the Executive Assistant Vice President of Business and Finance. In an additional **8 percent** (2 of 25) of transactions, the University did not provide a copy of the contract because the contract was “not a UIUC contract” and “CDB holds this contract”.

- In **8 percent** (2 of 25) of transactions reviewed, the amount paid to professional service consultants was significantly greater than the contract amounts approved by the Board of Trustees. In an additional **16 percent** (4 of 25) of transactions, such a determination could not be made, as the **University did not provide support** for payment information.
 - For an A/E for the Lincoln Hall renovation on the Chicago campus, the total estimated cost on the Board document was \$845,973 while the total payment amount on payment documentation provided by the University was \$936,641.53. This is a difference of **\$90,668.53**.
 - For an A/E for the Medical Center in Chicago, the total estimated cost on the Board document was \$1,924,456 while the total payment amount on payment documentation provided by the University was \$2,922,734.88. This is a difference of **\$998,278.88**.

The University QBS Policy for Capital Professional Services is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act and contains the requirements presented in Exhibit 4-7.

Exhibit 4-7 REQUIREMENTS OF UNIVERSITY QBS POLICY	
Identify Evaluation Committee	“The professional services evaluation committee shall be comprised of three to eight individuals and will include, as a minimum, <u>representatives of the campus construction unit, the physical plant, and a representative for the client</u> . The evaluation committee shall be <u>chaired by the Campus Architect (or representative)</u> . If the project requires design approval by the Board of Trustees, the evaluation committee shall have <u>a representative from the Office for Facilities Planning and Programs</u> present...”
Short List Firms	“Each member of the evaluation committee shall rank the firms on the forms provided by the Committee Chair. Committee discussions to select firms to be short-listed should be <u>limited to the criteria as listed in the advertisement</u> .”
Develop Interview Requirements	“The evaluation committee shall determine the final selection criteria and the relative importance of each for the interview.”
Notify Firms of Short-List	“The firms to be interviewed are notified by the Committee Chair. The selection criteria developed by the evaluation committee shall be included in this notification...”
Recommend and Rank Top Three Firms	“After the interview process each evaluation committee member shall individually rank the performance of the firms relative to the pre-defined criteria on forms provided by the Committee Chair.” Further, “The Committee Chair shall prepare a written executive summary listing all <u>evaluation committee members, reference call results, and the results of the committee as a whole or the majority rating of the interviewed firms</u> ...including an average of matrix scores and any specific strengths or weaknesses of the top three firms...”
Contract Negotiation	“The campus construction unit shall negotiate a scope of services, a list of deliverables, and a fee with the top ranked firm.”
Performance Evaluation	“The campus construction units shall evaluate the performance of a PSC firm upon the completion of a contract.” Further, “All firms selected and contracted under the QBS Act, shall be formally evaluated per the PSC Evaluation Process...The evaluations and PSC responses may be used in the PSC selection process for future projects.”
Source: OAG summary of University information.	

The Board sets dollar thresholds for transactions that must come before the Board for approval. Beginning September 2005, those thresholds included **\$150,000 for professional service consultants for capital projects**. In addition, it is expected that the University provide the Board with accurate information during the approval process so appropriate oversight can be provided.

The University provided the following information regarding the issues listed above.

- **Inconsistencies in evaluation committees:**

- When asked if **changes to committees** have to be approved and supporting documentation should be in the files, Urbana officials responded, “*Yes, according to UIUC Planning Division’s Procedures.*” Regarding how the evaluation team is chosen, the officials responded, “*The Committee Chair recommends the committee members to the UIUC Executive Director or his delegate for approval.*”
- When asked if **changes to committees** have to be approved and supporting documentation should be in the files, Chicago officials responded, “*Yes... There should be some email documentation; sometimes designees are last minute substitutions and approvals are by phone. This is an infrequent occurrence....*” For two projects totaling \$2.9 million at the Urbana campus, officials stated, “*no written approval was found for this change.*”
- **Interview selection criteria** not being included in the interview notification letter:
 - Urbana officials stated, “*General selection criteria have always been included in the notification letter. However, we have not consistently provided the specific criteria for each project. We will make that change in our procedures.*”
 - Chicago campus officials responded, “*the initial letter sent to the interviewees is limited to informing them of their selection to be interviewed...(but) all interviewees are sent, in advance of the interview, the questions to be asked....*”
- **Performance evaluations for A/E firms** and utilization of such evaluations:
 - Urbana officials stated, “*Due to staff turnover, historical electronic and hard copy records are not available. Current records are filed in a data base maintained by the University Office of Capital Programs and Real Estate Services.*” When asked if the University **uses these evaluations** for the selection of firms on future projects, the officials responded “*No.*”
 - Chicago officials stated, “*There is a central storage drive...(but) they are done infrequently at OCP.*” When asked if the University **uses these evaluations** for the selection of firms on future projects, the officials responded, “*Not at OCP. First, the policy of a distribution of work among firms precludes, for architects, the relevancy of previous evaluations and, second, staff are the largest component of satisfaction on a project...indeed, staff changes over time are common and increasingly frequent.*” When asked how these evaluations are utilized, officials responded “*OCP has no knowledge of their utilization.*”

Failure to follow the policies outlined above is a violation of the University’s QBS Policy, which is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act. Additionally, failure to provide accurate information to the Board weakens the Board’s oversight ability over University transactions.

QUALIFICATIONS BASED SELECTION POLICY	
RECOMMENDATION NUMBER 18	<i>The University should ensure all University policies required under the Qualifications Based Selection Policy for Capital Professional Services are complied with as required under the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.</i>
UNIVERSITY RESPONSE	The University will ensure compliance with all policies required under the QBS Act.

A/E Transactions – Evaluation Problems and External Involvement

Inconsistencies, errors, and discrepancies were identified during the review of the University's evaluation process for A/E professional service consultants. In addition, the over involvement of personnel external to the evaluation committee was identified during the review of the University's selection process for A/E professional service consultants.

During our review of University A/E construction process, we reviewed **25** transactions between 2007 through 2009 that met the approval thresholds required by the Board. We found exceptions in the areas of short-list evaluations, interview evaluations, and external involvement in the selection process from officials that were not part of the evaluation team.

In the University's standard evaluation process, after a review of the proposals by all submitting vendors, the University creates a short list of 3-5 vendors to continue in the evaluation process. Those vendors are then subjected to an interview process which is also scored by the evaluation team. The final selection is then supposed to be based on the results of that interview process.

Short List Evaluations

In **60 percent** (15 of 25) of the transactions reviewed, there were **scoring or ranking inconsistencies**. Examples of inconsistencies included: use of negative scores, inconsistent MAFBE scores, and inconsistent workload preferences. These transactions totaled **\$19.4 million**. In an additional six transactions, such a determination could not be made due to a **lack of short list evaluation documentation provided**.

Thirty-two percent (8 of 25) of the transactions reviewed **contained at least one calculation error** that was not corrected on individual and/or summary scoring sheets for the short list evaluations. These transactions totaled **\$11.9 million**. In an additional 12 transactions, such a determination could not be made due to **insufficient individual and/or summary scoring sheets provided** for short list evaluations.

Sixty-four percent (16 of 25) of the transactions reviewed, contained **additional scoring discrepancies** related to the short list evaluations. Examples of discrepancies included: evaluators did not score all areas and/or firms completely and all scores for evaluators were not included in the scoring summary. In an additional six transactions, such a determination could not be made due to a **lack of short list evaluation documentation** provided.

In **68 percent** (17 of 25) of the transactions reviewed, the **calculation errors** and/or additional scoring discrepancies were **not addressed in the file**. In an additional six transactions, such a determination could not be made due to **little or no short list evaluation information** being provided.

In **28 percent** (7 of 25) of the transactions reviewed, the **file and documentation did not support the same selection recommendation as the evaluation committee** for interview selection. Some of these situations are discussed in more detail below:

- **Urbana Structural Evaluation project (\$1 million):** Documentation showed the Executive Director for Facilities and Services agreed with the committee selection; however, he told an official to notify one contractor that was selected for the short list to interview that they needed a minority partner. Another contractor was ranked number one by the committee but not given interview due to workload.
- **Urbana Facility Expansion of the Illinois Fire Institute project (\$643,357):** One evaluator gave two firms zero points, which **did not compare to other evaluator scores** and significantly hurt the overall scores for these two firms.
- **Urbana Newmark Civil Engineering Building project (\$525,910):** Only 1 of 5 evaluators had the eventual award winner ranked as a firm in the top three choices to be on the short list for an interview.

Interview Evaluations

In **48 percent** (12 of 25) of the transactions reviewed, there were **scoring or ranking inconsistencies**. These resulted from inconsistent MAFBE scores. These transactions totaled **\$13.8 million**. In an additional six transactions such a determination could not be made due to a **lack of interview evaluation documentation** provided.

In **52 percent** (13 of 25) of the transactions reviewed, calculations on individual and/or summary scoring sheets for the interview evaluations contained **at least one calculation error** that was not corrected. In an additional seven transactions such a determination could not be made due to insufficient individual and/or summary scoring sheets provided for interview evaluations.

Forty-four percent (11 of 25) of the transactions reviewed contained **additional scoring discrepancies** related to the interview evaluations. Examples of discrepancies included: evaluators did not score all areas and/or firms completely, all scores for evaluators were not included in the scoring summary, and evaluator used incorrect scoring method. In an additional seven transactions such a determination could not be made due to a lack of interview evaluation documentation provided.

In **68 percent** (17 of 25) of the transactions reviewed, the calculation errors and/or additional **scoring discrepancies were not addressed in the file**. In an additional five transactions such a determination could not be made due little or no interview evaluation information being provided.

In **20 percent** (5 of 25) of the transactions reviewed, the **file and documentation did not support the same selection recommendation as the evaluation committee for the award** determination. Some of these situations are discussed in more detail below:

- **Chicago Renovation of Douglas Hall project (\$1.1 million):** It was unclear who approved the award but it was not given to the contractor that the evaluation committee recommended first after the interview process. The contractor that finished second, according to the committee, won the award.
- **Urbana Facility Expansion of the Illinois Fire Institute project (\$643,357):** One contractor received a higher score than the eventual winner of the award before the

percentage based on average computation was applied. The percentage based on average computation was not clear.

- **Urbana Residence Halls project (\$2.6 million):** The Executive Director of Facilities and Services decided to negotiate with the evaluation committee's 3rd ranked firm. There was **no support provided** for this decision.

External Involvement

In **36 percent** (9 of 25) of the transactions reviewed, the selection of the winning contractor was **influenced by involvement from personnel external to the evaluation committee**. These transactions **totaled \$15.7 million**. In 2 of the 9 transactions the involvement was from personnel on the Board of Trustees. The following list illustrates the position title of the personnel **external to the evaluation committee** that **influenced the selection** of the winning contractor. Some of these situations are discussed in more detail below:

- **Chicago Medical Center project (\$1.9 million):** Documentation showed there was involvement of three additional personnel with the committee that were not identified on the evaluation committee list by the University.
- **Chicago Master Plan Update project (\$999,000):** Documentation showed a memo to a Board Trustee from the Senior Associate Vice President for Capital Programs and Real Estate Services **providing consultant selection overview**. The Senior Associate Vice President for Capital Programs and Real Estate Services states that the University is ready to move forward **pending the Trustee's review and comment**. Neither the University official or trustee were on the evaluation committee.
- **Chicago Douglas Hall project (\$1.1 million):** The Senior Associate Vice President for Capital Programs and Real Estate Services, who was not on the evaluation committee, influenced the selection decision of the winning contractor. The official **decided** that the two alternates should be interviewed and two of the top three recommended by the evaluation committee should not be interviewed.
- **Chicago Lecture Center F project (\$210,425):** The Senior Associate Vice President for Capital Programs and Real Estate Services, who was not on the evaluation committee, influenced the selection decision of the winning contractor. The official, per concerns from the Vice Chancellor, **decided** that the firm listed 4th by the evaluation team for an interview should not be interviewed.
- **Urbana CDB project (\$1.9 million):** The Executive Director for Facilities and Services, who was not on the evaluation committee, influenced the selection of the contractors interviewed. The official **changed the evaluation committee's recommendation** of three firms to be interviewed to four firms to be interviewed. There is no additional support for this change in the file.
- **Urbana NCSA project (\$3.2 million):** The file contained two emails stating that the short list needs to be run by one of the trustees for approval and the short list required trustee approval. This process is not set out in University policy. An additional email stated *"We can always add others if necessary after [the Senior Associate Vice President for Capital Programs and Real Estate Services] gets some feedback from the trustee."* On October 2, 2007, the Associate Director of Planning for Facilities and Services notified the committee that the **firms were to be re-evaluated** without

taking into consideration amount of work on campus. The University Office of Capital Programs requested the criterion (amount of work) be removed.

- **Urbana Oak Street Chiller project (\$819,680):** The Executive Director for Facilities and Services, who was not on the evaluation committee, influenced the selection of the winning contractor. The official **did not accept** the evaluation committee’s recommendation. One possible reason noted in the file appeared to be **MAFBE participation**. Another possible reason in the file appeared to be preference to firms headquartered in Illinois. File support was not clear and such preferences at this point in the process were not typical. The Executive Director accepted the committee’s changed recommendation.
- **Urbana Engineering Building project (\$3 million):** The Executive Director for Facilities and Services was added to the evaluation committee and given a shared vote with the Physical Plant Representative, a process outside University policy. In addition, the Associate Director of Planning for Facilities, who was not on the evaluation committee, had a **discussion regarding the selection** committee for this project. However, this employee should not have been involved in the procurement process for this project because this employee’s spouse was employed the firm that was the eventual winner of the award. Summary scores did not support the award of the project.

The University QBS Policy for procurement of Capital Professional Services is governed by the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act (Act). According to the Act, “On the basis of evaluations, discussions, and any presentations, the State agency shall select no less than 3 firms it determines to be qualified to provide services for the project and rank them in order of qualifications to provide services regarding the specific project.” (30 ILCS 535/35) The University of Illinois Statutes amended January 17, 2008 state; “The Board of Trustees formulates university policies but leaves the execution of those policies to its administrative agents, acting under its general supervision.” Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system or systems of internal fiscal and administrative controls which shall provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law.

We followed up with the various University campuses on the exceptions. Those comments are provided below:

- Regarding who officially decides **how many firms** make the short list, Chicago officials responded that decisions are made “*by the VCAS [Vice Chancellor for Administrative Services] upon recommendation by the Evaluation Committee.*” Urbana responded “*the evaluation committee.*”
- Regarding the **review of calculation errors**, Chicago responded, “*Checking occurs when the scores result in an anomaly to all or in a tie. Then the chair checks. There were a couple incorrect tabulations; they did not affect the results at all.*”
- Regarding the **variations in MAFBE** scores, Chicago responded, “*No explanation. Team members were told how to score, the form describes it as well. Sometimes anomalies happen.*” Urbana responded “*MAFBE criterion has the same scoring options available to individual reviewers as the other criterion included on the form.*”

- Regarding **external involvement**, Chicago responded, “*Certainly there is a risk that undue influence could occur...Policy is silent on the issue of non university personnel participating on the committee.*” (emphasis added)
- Regarding **inconsistent workload preferences**, Urbana responded, “*in general, this interpretation has been provided by UOCPRES representative on the Evaluation Committee.*”

Failure for the University to follow established evaluation requirements is a violation of the University’s QBS Policy for Capital Professional Services and the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act. Also, there is an increased risk that internal controls may be circumvented when **individuals other than those identified as members of the professional services evaluation committee are overly involved** in the decision making process. Over involvement of a Board member **violates** Article 1, Section 1 of University of Illinois Statutes regarding functions of the Board of Trustees. Finally, failure for University personnel to maintain established internal controls weakens their reliability as ethical administrative agents.

EVALUATION PROBLEMS AND EXTERNAL INVOLVEMENT	
RECOMMENDATION NUMBER 19	<i>The University should strengthen and consistently follow evaluation committee requirements as well as internal fiscal and administrative controls. Additionally, if the University finds it necessary for an external party to overrule the wishes of the evaluation committee, it should adequately document these decisions to provide a level of fairness and transparency in the procurement process. These requirements should aid in preventing inconsistencies, errors, and discrepancies in the selection process for A/E professional service consultants and prohibit the over involvement of personnel external to the evaluation committee.</i>
UNIVERSITY RESPONSE	There has been significant change in the organizational structure of the University. The Board of Trustees and senior University management have been reorganized to enhance appropriate oversight and accountability while ensuring that there is no inappropriate involvement of personnel external to the evaluation committee in the decision making process related to A/E capital transactions. University and campus offices have been restructured to provide a more transparent and consistent capital delivery process. The University will adequately document the selection of architectural/engineering firms to provide a level of fairness and transparency.

A/E Transactions – Oversight of Subcontractors and MAFBE

The University is not obtaining sufficient information for contractors and subcontractors, including MAFBE information. The University is also not ensuring MAFBE information proposed in bids is consistent with MAFBE information listed in the final University contracts.

During our review of University A/E construction process, we reviewed **25** transactions between 2007 through 2009 that met the approval thresholds required by the Board. The following

issues were identified related to the University’s inconsistency with obtaining sufficient subcontractor and MAFBE information.

Evaluation factors for the selection of A/E projects include the experience of the contractors and subcontractors. In **28 percent** (7 of 25) of the transactions tested, the subcontractor’s percentage of work in the contract was **greater than** contractor’s percentage of work in the contract. The total award for these seven contracts was **\$12.7 million**. In an additional 8 percent (2 of 25) of the transactions, such a determination could not be made due to a lack of subcontractor information provided.

In **16 percent** (4 of 25) of the transactions tested, the MAFBE subcontractor names in the **bid were not the same** as the MAFBE subcontractor name(s) in the **contract**. In an additional **48 percent** (12 of 25) of the transactions, such a determination could not be made due to a lack of subcontractor information provided.

In **52 percent** (13 of 25) of the transactions tested, MAFBE percentages **did not remain comparable** for winning contractors in documentation reviewed. In some instances the percentage in the final contract was less than bid and in other cases it was higher than bid. Many of the differences were significant percentages. In either case, the **evaluation team scored the make up of the proposing team in the bid** from an experience standpoint. In an additional **36 percent** (9 of 25) of the transactions, such a determination could not be made due to a lack of information.

Prior to the July 1, 2010 change in the Illinois Procurement Code (Code), the following language on subcontractors was included: “To the extent that the information is known, the contract shall include the names and addresses of all subcontractors and the expected amount of money each will receive under the contract.” Effective July 1, 2010, the language on subcontractors in the Code became stronger, “The contract shall include the names and addresses of all known subcontractors with subcontracts with an annual value of more than \$25,000 and the expected amount of money each will receive under the contract.”

The Business Enterprise Act states, “Not less than 10% of the total dollar amount of State construction contracts is established as a goal to be awarded to minority and female owned businesses...” (30 ILCS 575/4 (b)) Of that 10 percent, not less than 50 percent shall be awarded to female owned businesses.

The University’s Senior Associate Vice President for Capital Programs and Real Estate Services reported that an auditor recommendation in the area of MAFBE would be helpful and give him greater authority to ensure MAFBE participation/monitoring.

The Executive Director of Facilities and Services at the Urbana campus agreed that disclosing subcontractors is a good idea because **Trustees are unaware of potential conflicts of interests**, where if known, it would be necessary to recuse themselves from voting. We also questioned what happens if a subconsultant has a greater percentage of work than the A/E firm. Chicago officials responded, “*This would raise concern and it would be something the committee would seek guidance on from UA [University Administration], the VCAs [Vice*

Chancellor for Administrative Services] or other appropriate source. Generally this would not occur in the Chicago region.”

Regarding MAFBE percentages in A/E proposals and internal approval emails being inconsistent, Urbana officials responded, *“In most cases, we believe it is a misinterpretation of the form.”*

Current subcontractors are being paid a significant part of University contract amounts considering **28 percent** of transactions reviewed had contracts where subcontractors carried out over half of the work in the contract. When the University allows a vendor to change the make up of a team that was already scored by the evaluation committee, it casts doubt on whether the procurement process was fair, equitable and transparent. Failure to obtain complete subcontractor information for A/E transactions may result in a conflict of interest, inaccurate MAFBE representation, or other possible problems. Also, failure to obtain subcontractor information is a violation of the Illinois Procurement Code. It is questionable how the University can meet the requirements found in the Business Enterprise Act without collecting and verifying MAFBE information. Failure to establish University policies related to subcontractor and MAFBE requirements may result in continued inconsistencies across A/E projects and possible violations of the law.

A/E Transactions – Oversight and Evaluations of MAFBE

The University’s oversight in evaluating MAFBE and workload criteria during the short list and interview process needs to be strengthened. MAFBE is not consistently being included as a criterion during such evaluations. In addition, MAFBE is not being scored and/or ranked consistently by evaluators.

During our testing we reviewed transaction files for consistent treatment of MAFBE requirements. We found:

- In **16 percent** (4 of 25) of the transactions reviewed, MAFBE was **not included** as a criterion to be considered for evaluating the short list or interview evaluations. In an additional **20 percent** (5 of 25) of transactions, MAFBE was **not listed** as a criterion for the short list or interview and such a **determination could not be made** for the other evaluation (shortlist or interview) due to a lack of documentation provided.
- In **12 percent** (3 of 25) of transactions, MAFBE was listed as a criterion during the short list evaluation **but not** the interview evaluation.
- In **4 percent** (1 of 25) of transactions, MAFBE was listed as a criterion during the interview evaluation but not the short list evaluation.
- In **16 percent** (4 of 25) of transactions, MAFBE was **not listed as a criterion** during the interview **but was still evaluated** during the interview evaluation process.
- In **48 percent** (12 of 25) of the transactions tested, there was evidence of **scoring and/or ranking inconsistencies** related to MAFBE during the short list evaluations.
- In **48 percent** (12 of 25) of the transactions tested, there was evidence of **scoring and/or ranking inconsistencies** related to MAFBE during the interview evaluations.

- In **12 percent** (3 of 25) of the transactions tested, there was evidence of **scoring and/or ranking inconsistencies** related to workload factors during the short list evaluation although such factors were not included in the advertised criteria.

The University Qualifications Based Selection Policy states that the “advertisement shall state the selection criteria and give information regarding the submittal and selection process.” In addition, the Policy states, “each evaluation committee member shall rank the performance of the firms relative to the pre-defined criteria....”

Evaluation of firms on criteria not listed in the advertisement violates the Quality Based Selection Act. It is also questionable how the University can meet the requirements found in the Business Enterprise Act without consistently obtaining, verifying, and evaluating MAFBE information. Failure to establish University policies related to MAFBE and other evaluation criteria may result in continued inconsistencies across A/E projects and possible violations of the law.

OVERSIGHT OF SUBCONTRACTORS AND MAFBE	
RECOMMENDATION NUMBER 20	<p><i>The University should:</i></p> <ul style="list-style-type: none"> • <i>Obtain sufficient contractor and subcontractor information in proposed bids including MAFBE information and ensure such information remains consistent throughout the selection process and in the final University contract.</i> • <i>Establish policies and procedures to ensure that 1) MAFBE is consistently included as a criterion during such evaluations, and 2) MAFBE and other applicable criteria are scored and/or ranked consistently by evaluators.</i>
UNIVERSITY RESPONSE	<p>In January 2011, a new University policy on MBE/FBE Goals in Capital Construction Procurement was issued. The policy was developed and issued in part to achieve compliance with P.A. 096-706 (SB 351) and P.A. 096-1064 (SB 3249). The procedures to effectuate compliance require the identification of prime contractors and subcontractors/suppliers/vendors by the MAFBE and non-MAFBE status.</p>

APPENDICES

APPENDIX A
LEGISLATIVE AUDIT COMMISSION
RESOLUTION 139

Legislative Audit Commission

RESOLUTION NO. 139

Presented by Representative Mautino

WHEREAS, the University of Illinois is of immense value to the people of Illinois, annually producing more than \$13 billion in direct and indirect economic impact on the State while educating more than 71,000 students and awarding 18,500 degrees, and

WHEREAS, the University is governed by a newly reconstituted Board of Trustees, and

WHEREAS, it is a governing board's basic responsibility to preserve the integrity of the institution by meeting the highest standards of stewardship in the conduct of its affairs as it meets expectations for board accountability and transparency, and

WHEREAS, it is also a governing board's basic responsibility to follow a thoughtful process for assessment of the board's own performance, and

WHEREAS, it is common practice to conduct a transition audit when a material change takes place in the composition of the board and the leadership of the University, and

WHEREAS, the University of Illinois Board of Trustees has been reconstituted, and

WHEREAS, the objective of a Board of Trustees transition audit includes a determination of whether the University has conducted all financial and business processes adhering to accepted and adequate systems of internal control, as required by State law, University policy and procedures, and good business practice, and has complied with same, and

WHEREAS, the majority of financial and business processes for which the Board of Trustees has responsibility are within the areas of purchasing, finance and investment, and construction, and

WHEREAS, the University of Illinois Board of Trustees has requested that the Legislative Audit Commission authorize and direct that a transition audit be performed and for transparency and independence direct that the Office of the Auditor General be directed to conduct an independent external audit and report its conclusions to the Board; therefore

BE IT RESOLVED, BY THE LEGISLATIVE AUDIT COMMISSION, that the Auditor General is directed to conduct an audit of certain financial and business

processes for which the University of Illinois Board of Trustees has responsibility; and be it further

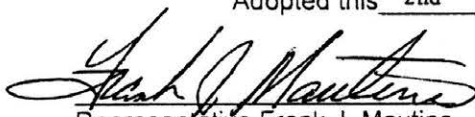
RESOLVED, that the audit focus specifically on transactions approved by the Board during the period 2007 through 2009 involving purchasing, finance and investment, and construction; and be it further

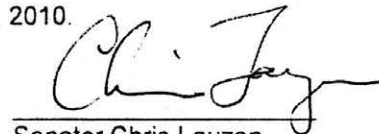
RESOLVED, that the audit include a determination whether the approval process for those transactions followed all applicable laws, rules, practices and procedures; and be it further

RESOLVED, that the University of Illinois and any other entity having information relevant to the audit cooperate fully and promptly with the Auditor General's Office in the conduct of this audit; and be it further

RESOLVED, that the Auditor General commence this audit as soon as possible and report his findings and recommendations upon completion in accordance with the provisions of Section 3-14 of the Illinois State Auditing Act.

Adopted this 2nd day of March, 2010.


Representative Frank J. Mautino
Co-Chair


Senator Chris Lauzen
Co-Chair

APPENDIX B
AUDIT METHODOLOGY

Appendix B

AUDIT METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives for this audit were those as delineated in Resolution Number 139 (see Appendix A), which directed the Auditor General to conduct a management audit of certain financial transactions the Board approved during 2007 through 2009. The audit objectives were to determine if the transaction approvals complied with State law and Board policies and procedures. The majority of fieldwork for the audit was completed between July 2010 and May 2011.

In conducting the audit, we reviewed applicable State laws, administrative rules and University and Board policies pertaining to purchasing, finance and investment and construction transactions. We reviewed compliance with those laws and rules to the extent necessary to meet the audit's objectives. Any instances of non-compliance we identified or noted are included in this report.

We also reviewed internal controls and assessed audit risk relating to the audit's objectives. A risk assessment was conducted to identify areas that needed closer examination. Any significant weaknesses in those controls are included in this report.

During the audit, we met with staff at each of the University campuses (Chicago, Springfield, and Urbana) in the purchasing and construction areas. Additionally, we met with University officials responsible for finance and investment activities at the Urbana campus. The University centralizes all finance and investment activity at the Urbana campus.

We interviewed current and past Board members. Four trustees from the previous Board and seven trustees from the current Board provided information for the audit. Additionally, we reached out to two former University presidents and the former Chancellor of the Urbana campus. During the interview process, auditors questioned Board members and University officials about: the approval process utilized by the University and Board; potential breakdown in internal controls; Board member involvement and influence in the selection of contract awards; appropriateness of approval thresholds and committee numbers; conflict of interest disclosure; and contact between Board members and University officials.

In order to obtain comparative data on Board size, committee structure, and transaction approval levels, we conducted two surveys: one of Big Ten member institutions, and the other of all other State public universities. Results of those surveys are presented in Chapter One of this report.

We also surveyed, via email, 269 University staff at all campuses in the purchasing, finance and investment, and construction areas to determine whether: they had any contact with Board members during the audit period; the contact was to acquire information on the part of the Board member or impart information; the individuals informed their superiors of the contact; and, the contact changed any aspect of the selection or purchasing process. Unfortunately, we received only 57 responses (21 percent) which all indicated they had no contact with any Board member during the audit period. Some individuals that we surveyed, which documentation showed did interact with Board members during the audit, elected not to answer our survey.

We tested multiple samples of transactions processed during the audit period in purchasing, finance and investment, and construction. We tested transactions for legal compliance and compliance with University policies and procedures. Some of the criteria used as the basis for the selection of the judgmental purchasing and construction samples included: large dollar amounts (all samples); transactions approved during executive committee (all samples); even dollar amounts (purchasing samples); firms selected outside areas where the campuses are located (architectural and engineering sample); and coverage at all campuses (construction sample).

Purchasing Transactions

We judgmentally selected a sample of 25 sole source purchases and a sample of 25 competitively procured purchases made by the University and approved by the Board of Trustees during the period January 2007 through December 2009. These samples were selected from a universe of 337 purchases. Of this universe, 132 purchases were procured as sole source and 191 purchases were procured competitively. The remaining 14 purchases were exempt and not further reviewed.

Of the 132 purchases procured as sole source, we selected 25 purchases totaling \$38,675,064 for detailed review. Testing results are presented in Chapter 2. These results include the following examples of audit tests performed on the sole source sample:

- Was a purchase order or contract with required signatures maintained in the file?
- Was a sole source justification form containing required approvals and signatures maintained in the file?
- Did the sole source justification form contain supporting documentation such as the copyright/patent information?
- Was the process for selecting the sole source vendor supportable?
- Did the University maintain protest documentation?
- Did the University maintain contractor performance reviews?

Of the 191 purchases procured competitively, we selected 25 purchases totaling \$28,530,716 for detailed review. Testing results are presented in Chapter 2. These results include the following examples of audit tests performed on the competitive sample:

- Was a purchase order or contract with required signatures maintained in the file?
- Was evidence of review maintained in the file when there was only one bid?
- Did the procurement receive appropriate Board approval?
- Did evaluation criteria in the RFP match the criteria assessed during the evaluation?
- Was sufficient and accurate evaluation documentation maintained in the file?
- Was the process for selecting the competitive vendor supportable?
- Did the University maintain protest documentation?
- Did the University maintain contractor performance reviews?

Finance & Investment Transactions

We reviewed the files for financing parties utilized by the University. This includes eleven debt transactions totaling \$2,748,727 in payments made by the University and approved by the Board of Trustees during the period January 2007 through December 2009. We also analyzed payments and fees related to each of the debt transactions including a comparison of payments to rates delineated in financing party contracts. Results of our review are presented in Chapter 3.

Construction Transactions

We judgmentally selected a sample of 25 competitively procured construction contracts and a sample of 25 architectural/engineering awards made by the University and approved by the Board of Trustees during the period January 2007 through December 2009. Of the universe of 202 transactions, 109 transactions were associated with construction contracts and 51 transactions were associated with architectural/engineering awards. The remaining 42 transactions were associated with construction project approvals and were not further reviewed.

Of the 109 transactions associated with construction contracts, we selected 25 contracts totaling \$123,899,396 for detailed review. Testing results are presented in Chapter 4. These results include the following examples of audit tests performed on the construction sample:

- Did the University provide a copy of the RFP?
- Did the University provide a copy of the contract with required signatures?
- Was the total transaction amount approved by the Board consistent with the total contract amount and/or total payment amount?
- Were all required base and alternate bid prices submitted? Were more alternate bid prices requested than utilized?
- Was sufficient documentation provided for the construction manager and/or architect/engineer associated with the transaction?

- Did the University obtain adequate subcontractor and/or MAFBE information?
- Was there evidence that Board of Trustee members and/or personnel external to the University were overly involved in the decision making process?

Of the 51 transactions related to architectural/engineering awards, we selected a sample of 25 awards totaling \$30,480,302 for detailed review. Testing results are presented in Chapter 4. These results include the following examples of audit tests performed on the architectural/engineering sample:

- Did the evaluation committee contain all required representatives? Did evaluation committee representatives remain consistent during the process?
- Was the contractor's total percentage of work for the project greater than the subcontractor's total percentage of work for the project?
- Did the winning contractor's percentage of MAFBE representation remain comparable throughout the process?
- Did the evaluation criteria in the RFP/Interview letter match the criteria assessed during the evaluation?
- Was sufficient and accurate evaluation documentation maintained in the file?
- Did the file support the same selection recommendation as the evaluation committee? Was the selection of the winning contractor influenced by personnel external to the evaluation committee?
- Was a formal evaluation maintained in the file? Was an executive summary supporting the recommendation for award maintained in the file?

**APPENDIX C
PURCHASES APPROVED
BY THE
BOARD OF TRUSTEES
2007-2009**

Appendix C
PURCHASES APPROVED BY THE BOARD OF TRUSTEES
2007-2009

	<i>Approval Date</i>	<i>Unit Purchaser</i>	<i>Vendor</i>	<i>Type</i>	<i>Estimated Cost</i>
UNIVERSITY ADMINISTRATION					
1	01/18/07	Facilities & Services	Solar Turbines, San Diego, CA	Sole	\$4,104,487
2	01/18/07	Facilities & Services	Phigenics, St. Charles	Comp (2)	\$250,000
3	03/13/07	AITS	AppWorx, Bellevue, WA	Sole	\$361,766
4	03/13/07	AITS	GPMS, Oradell, NJ Starpoint Solutions, Chicago CA Clarity, Lisle	Comp (3)	\$750,000
5	03/13/07	Facilities & Services	Construction Cost Systems, Oakbrook Terrace	Comp (4)	\$100,000
6	03/13/07	Planning & Budgeting	Business Intelligence, Chicago	Comp (2)	\$476,088
7	03/13/07	OBFS	Westchester, Champaign	Comp (5)	\$600,000
8	05/17/07	Global Campus	Desire2Learn, Ontario, Canada	Comp (6)	\$1,059,425
9	05/17/07	AITS	SCT Software, Malvern, PA	Sole	\$1,264,865
10	07/30/07	OBFS	Brink's US, Coppell, TX	Comp (3)	\$362,105
11	09/06/07	Human Resources	ImageTrend, Lakeville, MN	Comp (6)	\$474,492
12	01/25/08	Global Campus	Talisma, Bellevue, WA	Comp (2)	\$408,950
13	02/26/08	OBFS	Marsh US, Delaware, MD	Exempt	\$299,000
14	03/26/08	VP-Technology	Jos. O'Neill, Ellicott City, MD	Comp (2)	\$133,400
15	03/26/08	Office of the President	Science Apps, McLean, VA	Comp (4)	\$670,100
16	05/22/08	Risk Management	AON Healthcare, Chicago	Comp (4)	\$313,500
17	07/24/08	Facilities Planning	Ameren/IP, Decatur	Sole	\$890,000
18	07/24/08	OBFS	Northern Trust, Chicago	Comp (4)	\$436,500
19	09/11/08	Utilities Admin	S&C Electric, Chicago	Sole	\$474,876
20	09/11/08	OBFS	JP Morgan Chase, New York, NY	Comp (3)	\$2,000,000
21	09/11/08	Abbott Power Plant	Babcock & Wilcox, Downers Grove	Sole	\$350,000
22	09/11/08	Abbott Power Plant	Solar Turbines, San Diego, CA	Sole	\$5,528,029
23	11/13/08	University Ethics	Workplace Answers, San Francisco, CA	Comp (3)	\$327,600
24	11/13/08	OBFS	CorVel, Irvine, CA Alaris Group, Duluth, MN Nurse Value, Mt. Carroll Midwest Case Mgmt, Mattoon Case Management Services, Bridge View	Comp (5)	\$1,350,000
25	11/13/08	Various Departments	American, Louisville, KY Production Distribution, Alsip	Comp (4)	\$800,000
26	03/11/09	Utilities Admin	CoalSales, Evansville, IN	Comp (3)	\$11,635,200
27	05/21/09	Utilities Admin	Novaspect, Elk Grove Village	Sole	\$400,000
28	05/21/09	Utilities Admin	Petroleum Traders, Fort Wayne, IN	Comp (2)	\$1,385,000
29	05/21/09	Utilities Admin	Detroit Stoker, Monroe, MI	Sole	\$275,000
30	05/21/09	Utilities Admin	Wood Group, Fridley, MN	Comp (3)	\$870,111

31	05/21/09	OBFS	Federal Comp, Champaign	Comp (10)	\$750,000
32	05/21/09	AITS	Oracle, Redwood Shores, CA	Sole	\$1,125,829
33	05/21/09	AITS	Laurus Tech, Itasca	Comp (4)	\$2,970,109
34	07/23/09	Human Resources	Shaker Recruit., Oak Park	Comp (4)	\$350,000
35	07/23/09	Utilities Admin	Itasca, Brooklyn Center, MN	Comp (3)	\$344,850
36	09/10/09	Utilities Admin	Elliott Co., Jeannette, PA	Comp (6)	\$1,200,000
UNIVERSITY ADMINISTRATION TOTAL: \$45,091,282					
CHICAGO CAMPUS					
1	01/18/07	Pharmacy Services	CuraScript Healthcare, Grove City, OH	Sole	\$400,000
2	01/18/07	Medical Center	Stryker Medical, Portage, MI	Comp (4)	\$1,939,874
3	01/18/07	Pediatrics	Well Care, St. Charles, MO Linde Healthcare, St. Louis, MO	Exempt	\$3,000,000
4	01/18/07	Facilities Management	Bridger, Inc., Darien	Comp (2)	\$310,740
5	01/18/07	Pathology Lab	Abbott Lab, Abbott Park	Sole	\$900,000
6	03/13/07	Dentistry Admin	Brasseler USA, Savannah, GA	Comp (2)	\$216,791
7	03/13/07	Pharmacy Services	CuraScript, Grove City, OH	Sole	\$1,200,000
8	03/13/07	Pharmacy Services	INO, Inc., Clinton, NJ	Sole	\$275,000
9	03/13/07	Pathology Lab	BD Biosciences, San Jose, CA	Sole	\$1,605,990
10	03/13/07	Pathology Lab	LifeSource, Glenview Red Cross, Chicago	Comp (2)	\$2,912,389
11	03/13/07	Surgery	LKH&S, Chicago	Exempt	\$390,000
12	03/13/07	Sleep Medicine	SOMNOGRAPH, Wichita, KS	Comp (3)	\$1,946,823
13	03/13/07	Risk Management	Vanderbilt Med, Nashville, TN	Sole	\$528,000
14	03/13/07	Pathology Lab	ARUP, Salt Lake City, UT Quest, Wood Dale Lab Corp, Dublin, OH Genzyme, Westborough, MA Specialty Lab, Valencia, CA Mayo Labs, Rochester, MN	Comp (6)	\$24,740,000
15	05/17/07	Surgical Services	CarboMedics Inc., Austin, TX	Sole	\$509,000
16	05/17/07	Surgical Services	Medtronic, Minneapolis, MN Advanced Neuromodulation, Minneapolis, MN Advanced Bionics, Sylmar, CA	Sole	\$2,700,000
17	05/17/07	Surgical Services	Ethicon, Piscataway, NJ	Sole	\$800,000
18	05/17/07	Surgical Services	Intuitive Surgical, Mountain View, CA	Sole	\$1,000,000
19	05/17/07	Surgical Services	Intuitive Surgical, Mountain View, CA	Sole	\$8,172,465
20	05/17/07	Surgical Services	Allergan Sales, Irvine, CA	Sole	\$700,000
21	05/17/07	Surgical Services	Alcon Surgical, Ft Worth, TX	Sole	\$500,000
22	05/17/07	Surgical Services	Alcon Surgical, Ft Worth, TX	Sole	\$500,000
23	05/17/07	Surgical Services	Allosource, Chicago	Sole	\$400,000
24	05/17/07	Surgical Services	Arrow Supply, Libertyville	Comp (4)	\$519,725
25	05/17/07	Surgical Services	Cochlear, Englewood, CO	Sole	\$700,000
26	05/17/07	Surgical Services	Midwest Eye Bank, Chicago	Sole	\$350,000

27	05/17/07	Surgical Services	Lorenz, Longwood, FL	Sole	\$420,000
28	05/17/07	Surgical Services	Leica Micro, Allendale, NJ	Sole	\$259,938
29	05/17/07	Hospital Radiology	EV3 Inc., Minneapolis, MN	Sole	\$250,000
30	05/17/07	Hospital Radiology	Micrus Corp., Sunnyvale, CA	Sole	\$350,000
31	05/17/07	Hospital Radiology	MicroVention, Aliso Viejo, CA	Sole	\$250,000
32	05/17/07	Section of Nephrology	Baxter Health, McGaw Park	Comp (2)	\$327,364
33	05/17/07	Section of Nephrology	NxStage., Lawrence, MA	Sole	\$494,100
34	05/17/07	Medicine at Rockford	Henry Schein, Elmhurst	Comp (2)	\$220,514
35	05/17/07	University Library	Chicago Aerial, Bensenville	Sole	\$250,000
36	07/30/07	Hospital Radiology	Philips Medical, Bothell, WA	Comp (3)	\$3,645,046
37	07/30/07	Hospital Marketing	Greenhouse, Chicago	Comp (4)	\$1,996,733
38	07/30/07	Vice Chancellor-Res.	Hyatt Regency, Chicago	Comp (1)	\$300,000
39	09/06/07	Pathology Lab	Siemens, Norwood, MA	Sole	\$1,000,000
40	09/06/07	Pathology Lab	Bio-Rad Labs, Hercules, CA	Sole	\$1,000,000
41	09/06/07	Earth Sciences	Leco Corp, St. Joseph, MI	Sole	\$258,552
42	09/06/07	Materials Management	Integra, Plainsboro, NJ	Comp (1)	\$335,991
43	09/06/07	Facilities Management	Total Prop Mgmt, Monee	Comp (3)	\$400,000
44	11/14/07	Hospital Pathology	MedSpeed LLC, Elmhurst	Comp (1)	\$4,548,975
45	11/14/07	Aux Services Admin	White Way, Mount Prospect	Comp (2)	\$1,155,000
46	11/14/07	Vice Chancellor-Adm	U.S. Equities Realty, Chicago	Comp (4)	\$250,000
47	01/25/08	Materials Management	Cordis, Miami Lakes, FL	Sole	\$750,000
48	01/25/08	Materials Management	Johnson, Piscataway, NJ	Comp (1)	\$450,000
49	01/25/08	College of Medicine	Aerico, Arlington Heights	Comp (1)	\$229,942
50	01/25/08	Research Resources	GE Health, Piscataway, NJ	Comp (1)	\$355,888
51	01/25/08	Pharmacognosy	Shimadzu, Addison	Comp (2)	\$303,210
52	01/25/08	College of Dentistry	Henry Schein, Melville, NY	Comp (2)	\$6,000,000
53	01/25/08	Department of Surgery	Intuitive, Mountain View, CA	Sole	\$2,895,000
54	01/25/08	Campus Units	Progressive, Chicago	Comp (3)	\$1,442,585
55	02/26/08	Facilities Management	Kroeschell, Arlington Heights	Exempt	\$243,600
56	02/26/08	Facilities Management	Kroeschell, Arlington Heights	Exempt	\$354,362
57	03/26/08	Dept of Chemistry	Newport Corp, Irvine, CA	Comp (1)	\$326,782
58	03/26/08	Dept of Chemistry	Thar, Pittsburgh, PA	Comp (1)	\$243,464
59	03/26/08	Pathology Lab	ViraCor, Lee's Summit, MO	Comp (2)	\$587,500
60	03/26/08	Clinical Departments	MedQuist, Mount Laurel, NJ	Comp (11)	\$2,518,100
61	04/25/08	College of Pharmacy	Agilent, Wilmington, DE	Exempt	\$285,635
62	04/25/08	Facilities Management	J_MAC Assoc, Carol Stream	Exempt	\$262,850
63	05/22/08	Nephrology	Baxter, McGaw Park	Comp (1)	\$738,283
64	05/22/08	Hospital IT Services	Cerner Corp, Kansas City, MO	Sole	\$818,928
65	05/22/08	Hospital Pharmacy	INO, Clinton, NJ	Sole	\$275,000
66	06/27/08	Facilities Management	Kroeschell, Arlington Heights	Exempt	\$245,321
67	07/24/08	Pathology Services	Red Cross, Chicago LifeSource, Glenview	Comp (2)	\$4,111,940
68	07/24/08	Nursing Services	AtStaff, Inc., Detroit, MI	Comp (6)	\$553,000
69	07/24/08	Facilities Management	Recycling Systems, Chicago	Comp (3)	\$588,000
70	07/24/08	Dialysis Department	NxStage, Lawrence, MA	Sole	\$698,175
71	07/24/08	Hospital	GE Health, Wauwatosa, WI	Comp (3)	\$4,828,029
72	07/24/08	Patient Accounting	McKesson, Wheeling	Sole	\$330,000
73	07/24/08	Student Centers	QubicaAMF, Mechanicsville, VA	Comp (1)	\$675,931

74	07/24/08	College of Pharmacy	Waters Tech, Milford, MA	Exempt	\$420,228
75	09/11/08	Materials Management	MicroVention, Aliso Viejo, CA	Sole	\$550,000
76	09/11/08	Materials Management	Micrus Corp., Sunnyvale, CA	Sole	\$612,495
77	09/11/08	Materials Management	EV3 Inc., Minneapolis, MN	Sole	\$525,000
78	09/11/08	Materials Services	Midwest Eye, Chicago	Sole	\$889,000
79	09/11/08	Environmental Serv	Siemens, Pleasant Prairie, WI	Sole	\$1,167,265
80	09/11/08	Cardiology	Molecular Devices, Downingtown, PA	Sole	\$299,569
81	09/11/08	Research Center	Qiagen Inc., Valencia, CA	Sole	\$747,265
82	09/11/08	Medical Center	B. Braun, Bethlehem, PA	Comp (4)	\$5,935,000
83	09/11/08	Medical Center	Navigant, Chicago	Comp (1)	\$175,000
84	09/11/08	Patient Accounting	Nebo Systems, Oakbrook	Sole	\$202,500
85	09/11/08	Information Services	Warner, St. Louis, MO	Comp (2)	\$274,663
86	11/13/08	Surgical Services	Synthes, Westchester, PA	Comp (1)	\$945,000
87	11/13/08	Dialysis	Dial Medical, Chester Springs, PA	Comp (1)	\$313,715
88	11/13/08	Materials Management	Penumbra, San Leandro, CA	Sole	\$500,000
89	11/13/08	Materials Management	Universal Hospital, Edina, MN Hill Rom, Batesville, IN SIZEwise, Kansas City, MO	Comp (3)	\$1,125,000
90	11/13/08	Human Resources	Staffing Team, Chicago Premier, Lanham, MD Precise, Chicago Maxim, Chicago Seville, Chicago	Comp (15)	\$7,750,000
91	11/13/08	Clinical Engineering	Beckman, Fullerton, CA	Sole	\$5,808,652
92	11/13/08	Clinical Engineering	GE Healthcare, Waukesha, WI	Sole	\$5,321,485
93	11/13/08	Hospital	Huron Consulting, Chicago Navigant, Chicago Bearing Point, McLean, VA Prof Dynamic, Olympia Fields Healthcare Rev, Chicago McKesson, Alpharetta, GA MedAssets, Alpharetta, GA	Comp (21)	\$4,850,000
94	01/15/09	IT Services	Cerner, Kansas City, MO	Sole	\$2,500,000
95	01/15/09	Mechanical Engineer.	Polytec, Inc., Tustin, CA	Sole	\$305,770
96	01/15/09	Auxiliary Services	U.S. Equities, Chicago	Comp (1)	\$472,500
97	01/15/09	Pediatric Cardiology	Philips Medical, Bothell, WA	Sole	\$324,194
98	01/15/09	Research Center	IVIS Imaging, Hopkinton, MA	Comp (1)	\$336,271
99	01/15/09	Biologic Library	Sanitation Strategies, Chicago	Comp (4)	\$652,967
100	05/21/09	Surgical Services	CarboMedics Inc., Austin, TX	Sole	\$400,000
101	05/21/09	Surgical Services	Ethicon, Piscataway, NJ	Sole	\$800,000
102	05/21/09	Surgical Services	Cochlear, Englewood, CO	Sole	\$660,000
103	05/21/09	Surgical Services	Alcon Labs, Fort Worth, TX	Sole	\$1,100,000
104	05/21/09	Surgical Services	Adv Neuro Systems, Minneapolis, MN	Sole	\$1,000,000
105	05/21/09	Surgical Services	Medtronic, Minneapolis, MN	Sole	\$1,200,000
106	05/21/09	Surgical Services	Allergan, Irvine, CA	Sole	\$700,000
107	05/21/09	Surgical Services	Biomet Inc., South Bend, IN	Sole	\$660,000

108	05/21/09	Surgical Services	Livingier Surgical, Jacksonville, FL	Sole	\$400,000
109	05/21/09	Surgical Services	Boston Scientific Neuro, Natick, MA	Sole	\$400,000
110	05/21/09	Surgical Services	Intuitive Surgical, Mountain View, CA	Sole	\$1,600,000
111	05/21/09	Surgical Services	W.L. Gore, Tempe, AZ	Sole	\$830,000
112	05/21/09	Material Management	Tyco Health, Mansfield, MA	Comp (6)	\$250,771
113	05/21/09	Material Management	AngioDynam, Queensbury, NY	Sole	\$660,000
114	05/21/09	Pathology Labs	Cellectis Inc., Valencia, CA	Sole	\$1,200,000
115	05/21/09	Pathology Labs	Roche, Indianapolis, IN	Sole	\$2,850,000
116	05/21/09	Forensic Tox Lab	Agilent, Wilmington, DE	Sole	\$248,107
117	05/21/09	Clinical Engineering	Beckman, Miami, FL	Sole	\$219,584
118	05/21/09	Hospital Pharmacy	INO, Clinton, NJ	Sole	\$900,000
119	05/21/09	Patient Accounts	Nebo, Oakbrook Terrace	Comp (4)	\$799,800
120	05/21/09	Patient Accounts	McKesson, Alpharetta, GA	Comp (5)	\$938,000
121	05/21/09	Office of Campus Care	Apex Health, Bolingbrook	Comp (3)	\$6,716,384
122	05/21/09	Capital Programs	Mid. Solutions, Oak Brook	Comp (1)	\$582,800
123	05/21/09	Academic Computing	Nomad, Eden Prairie, MN	Comp (1)	\$1,413,576
124	05/21/09	College of Dentistry	Astra Tech, Philadelphia, PA	Sole	\$687,500
125	06/24/09	College of Dentistry	Pelton & Crane, Charlotte, NC	Comp (3)	\$495,171
126	07/23/09	Office of Campus Care	Ocean Cons., Plainview, NY	Comp (1)	\$797,525
127	07/23/09	Section of Nephrology	Dial Med, Chester Springs, PA	Comp (2)	\$283,892
128	07/23/09	Section of Nephrology	NxStage, Lawrence, MA	Sole	\$1,396,350
129	07/23/09	Admin Services	Mid-City, Rockford	Comp (11)	\$396,148
130	07/23/09	Materials Management	Cardinal Health, Waukegan	Comp (2)	\$273,281
131	07/23/09	Materials Management	Cardinal Health, Rosemont	Comp (5)	\$570,311
132	07/23/09	Auxiliary Services	Program Product., Lombard	Comp (3)	\$2,646,698
133	09/10/09	Pediatrics	Center Children's Digestive Health, Park Ridge	Exempt	\$861,000
134	09/10/09	College of Medicine	Diamond Pharm., Indiana, PA	Comp (4)	\$750,000
135	09/10/09	Hospital Radiology	Sirtex, Lake Forest	Sole	\$1,920,000
136	09/10/09	Materials Market	Abiomed, Danvers, MA	Sole	\$800,000
137	11/12/09	Facilities Management	Cooper Oil, Frankfort	Comp (3)	\$1,107,753
138	11/12/09	Hospital Management	St. Jude, Austin, TX Medtronics, Minneapolis, MN	Comp (2)	\$2,929,167
139	11/12/09	Patient Accounts	Adv Board., Washington, DC	Comp (3)	\$263,650
140	11/12/09	Guest Services	Metro Health Coun., Chicago	Sole	\$432,161
141	11/12/09	Materials Management	Ethicon, Piscataway, NJ	Sole	\$1,017,875
142	11/12/09	Pathology Lab	Therakos, Exton, PA	Sole	\$3,421,600
143	11/12/09	College of Medicine	SleepMed, Inc., Peabody, MA	Comp (2)	\$2,000,000
144	11/12/09	Section of Cardiology	Bruker Biospin, Billerica, MA	Comp (1)	\$239,495
145	11/12/09	Pharmacology	Intelligent Image, Denver, CO	Sole	\$469,550
146	11/12/09	Medicinal Chemistry	Biosystems, Foster City, CA	Sole	\$280,154
CHICAGO CAMPUS TOTAL: \$199,612,377					
SPRINGFIELD CAMPUS					
1	05/17/07	Human Resources	Student Resources, St. Petersburg, FL	Comp (6)	\$545,600

2	02/26/08	Facilities and Services	Adden Furniture Lowell, MA	Comp (7)	\$269,041
3	02/26/08	Facilities and Services	Great Lakes, Mattawan, MI	Comp (2)	\$263,053
SPRINGFIELD CAMPUS TOTAL: \$1,077,694					
URBANA CAMPUS					
1	01/18/07	Intercollegiate Ath.	Bromley Hall, Champaign	Comp (1)	\$500,000
2	01/18/07	Intercollegiate Ath.	Charter Air, Inc., Joliet	Comp (3)	\$405,394
3	01/18/07	Institute of Aviation	Piper Aircraft, Vero Beach, FL	Sole	\$238,754
4	01/18/07	Facilities and Services	Tri Star Mkting, Champaign	Comp (2)	\$501,457
5	01/18/07	Facilities and Services	Consolidated Building, Forest	Comp (1)	\$342,103
6	01/18/07	Campus IT Services	Solunet, Inc., Racine, WI	Comp (4)	\$346,387
7	01/18/07	Public Safety	Motorola, Schaumburg, IL	Sole	\$258,807
8	03/13/07	Facilities and Services	Barker Chevrolet, Lexington	Comp (7)	\$340,023
9	03/13/07	University Libraries	HF Group, N. Manchester, IN	Comp (1)	\$600,000
10	03/13/07	Mole./Cellular Biology	Prairie Tech., Middleton, WI	Sole	\$221,522
11	03/13/07	Mole./Cellular Biology	App. Precision, Issaquah, WA	Sole	\$351,466
12	03/13/07	Carver Biotechnology	Thermo Elect, San Jose, CA	Exempt	\$351,432
13	03/13/07	Various Urbana Units	S.J. Smith, Urbana	Comp (3)	\$1,087,656
14	03/13/07	Facilities and Services	TAW Center, Miami, FL	Comp (5)	\$608,800
15	03/13/07	Campus IT Services	AT&T, Springfield	Sole	\$16,220,592
16	03/13/07	Facility Plan/Programs	GE Energy Services, Elmhurst	Sole	\$482,000
17	05/17/07	National Center for Supercomputing	IBM, Bloomington	Sole	\$2,653,026
18	05/17/07	National Center for Supercomputing	Net Source Inc., Littleton, CO	Comp (2)	\$1,447,898
19	05/17/07	Campus IT Services	AT&T, Springfield	Sole	\$1,178,337
20	05/17/07	Campus IT Services	AT&T, Springfield	Sole	\$269,540
21	05/17/07	Campus IT Services	AT&T, Springfield Cogent, Washington, DC	Comp (5)	\$577,248
22	05/17/07	Campus IT Services	Novanis, Springfield Foundry Net., Oak Brook AT&T, Springfield	Comp (12)	\$5,500,000
23	05/17/07	Genomic Biology	Roche, Indianapolis, IN	Comp (2)	\$569,500
24	05/17/07	Various Departments	Air Liquide, Countryside	Comp (2)	\$458,380
25	05/17/07	Allerton Park	K-Spear Culinary, Monticello	Comp (1)	\$1,650,000
26	05/17/07	College of Business	Sensory Tech., Chicago	Comp (4)	\$238,164
27	05/17/07	Electrical Engineering	Dantec Dynam, Ramsey, NJ	Sole	\$324,915
28	05/17/07	Abbott Power Plant	Babcock, Barberton, OH	Sole	\$514,564
29	05/17/07	Office-Chancellor	Lewis-Burke, Washington, DC	Comp (3)	\$183,000
30	05/17/07	Office-Chancellor	Jones Lang LaSalle, Chicago	Comp (4)	\$220,000
31	05/17/07	College of Agriculture	Current Tech, Portage, IN	Sole	\$900,000
32	05/17/07	Various Departments	Production Distribution, Alsip	Comp (6)	\$410,000
33	07/30/07	Genomic Biology	Roche, Indianapolis, IN	Sole	\$680,000
34	07/30/07	Police Training Instit.	TJ Conevera's, Rockford	Comp (4)	\$676,100
35	07/30/07	Police Training Instit.	DuPage Sheriff, Wheaton	Exempt	\$283,360
36	07/30/07	Civil/Environ Engine.	TSI Inc., St. Paul, MN	Comp (2)	\$496,750
37	07/30/07	National Center for Supercomputing	Newport Comp, Newfield, NH	Sole	\$390,441
38	07/30/07	Agricultural Sciences	Workforce Services, Riverton	Sole	\$200,000
39	07/30/07	Comp Science/Engine.	Cooke Corp, Romulus, MI	Comp (2)	\$350,000

40	07/30/07	Intercollegiate Ath.	Roscor Corp, Mount Prospect	Comp (2)	\$761,576
41	07/30/07	Abbott Power Plant	Kennedy, Indianapolis, IN	Comp (2)	\$557,037
42	07/30/07	Abbott Power Plant	Detroit Stoker, Monroe, MI	Sole	\$250,000
43	07/30/07	Campus IT Services	Waveguard, Atlanta, GA Thorburn, Castro Valley, CA Shen/Milsom/Wilke, Chicago	Comp (3)	\$660,000
44	09/06/07	National Center for Supercomputing	IBM, Poughkeepsie, NY	Sole	\$194,400,000
45	09/06/07	Civil/Environ Engine.	Sicom, Ontario, Canada	Sole	\$517,000
46	09/06/07	Intercollegiate Ath.	FieldTurf Tarkett, Dalton, GA	Comp (3)	\$1,003,535
47	09/06/07	Intercollegiate Ath.	Charter, Lake Mary, FL	Comp (2)	\$660,000
48	09/06/07	Abbott Power Plant	Sprinkmann., Peoria	Comp (4)	\$423,324
49	09/06/07	Animal Resources	Allentown, Allentown, NJ	Sole	\$592,676
50	09/06/07	Biotechnology Center	Illumina, Inc., San Diego, CA	Comp (1)	\$364,200
51	11/14/07	Facilities & Services	Barker Chevrolet, Lexington	Comp (2)	\$313,720
52	11/14/07	CITES	BlueCat, Washington, DC	Comp (4)	\$225,187
53	11/14/07	Micro/Nano Tech Lab	Asylum, Santa Barbara, CA	Sole	\$246,100
54	11/14/07	Facilities & Services	Marvin, Warroad, MN	Comp (1)	\$1,251,230
55	01/25/08	Beckman Institute	Xradia Inc., Concord, CA	Sole	\$2,009,500
56	01/25/08	Civil/Environ Engine.	Agilent, Wilmington, DE	Sole	\$249,006
57	01/25/08	Electrical and Computer Engineering	Agilent, Englewood, CO	Sole	\$330,070
58	01/25/08	National Center for Supercomputing	HDF Group, Champaign	Sole	\$1,723,056
59	01/25/08	Campus Recreation	Life Fitness, Schiller Park	Comp (1)	\$506,477
60	01/25/08	Intercollegiate Ath.	Paciolan, Inc., Irvine, CA	Sole	\$1,700,000
61	01/25/08	Technology Mgmt	Excend, Salt Lake City, UT	Comp (2)	\$225,000
62	02/11/08	Computer Science	McKinsey, Chicago	Exempt	\$500,000
63	03/26/08	Beckman Institute,	Siemens, Malvern, PA	Comp (3)	\$3,558,108
64	03/26/08	CITES	United Visual, Itasca	Comp (7)	\$400,000
65	03/26/08	CITES	United Visual, Itasca	Comp (9)	\$215,000
66	03/26/08	CITES	United Visual, Itasca	Comp (8)	\$450,000
67	03/26/08	CITES	Conference Tech., East Peoria United Visual, Itasca Midwest Comp, W. Chicago	Comp (5)	\$1,450,000
68	03/26/08	CITES	Perlmutter, San Diego, CA Roscor Corp, Mount Prospect	Comp (2)	\$794,679
69	03/26/08	Genomic Biology	Li-Cor, Inc., Lincoln, NE	Sole	\$341,259
70	03/26/08	Genomic Biology	Shimadzu, Columbia, MD	Comp (1)	\$548,953
71	03/26/08	Genomic Biology	G E Health, Piscataway, NJ	Comp (1)	\$282,002
72	03/26/08	Genomic Biology	Illumina, Inc., San Diego, CA	Comp (2)	\$851,000
73	03/26/08	Material Research Lab	Hitachi, Pleasanton, CA	Comp (2)	\$329,000
74	03/26/08	Housing Division	KLN Steel, San Antonio, TX	Comp (1)	\$1,560,981
75	03/26/08	Campus Recreation	TechnoGym, Seattle, WA	Comp (1)	\$295,011
76	03/26/08	Abbott Power Plant	Kennedy, Indianapolis, IN	Comp (5)	\$1,801,808
77	03/26/08	Abbott Power Plant	CoalSales, Evansville, IN	Comp (3)	\$8,472,033
78	03/26/08	Facilities and Services	GE, Schenectady, NY	Comp (1)	\$2,551,450
79	03/26/08	Intercollegiate Ath.	Group Travel, Inc., Joliet	Comp (2)	\$928,954
80	05/22/08	Abbott Power Plant	Sprinkmann, Peoria	Comp (5)	\$469,000
81	05/22/08	CITES	Foundry, Santa Clara, CA	Comp (3)	\$1,493,876

82	05/22/08	CITES	Consolidated, Mattoon NEC Unified, Itasca	Comp (3)	\$800,000
83	05/22/08	Student Health Center	Christie Clinic, Champaign	Comp (1)	\$140,000
84	05/22/08	Intercollegiate Ath.	FieldTurf, Pearland, TX	Comp (2)	\$622,729
85	05/22/08	Housing	StarRez, Greenwood Vill., CO	Comp (1)	\$414,800
86	05/22/08	Housing	Comcast, Urbana	Comp (5)	\$2,247,840
87	05/22/08	Chemical Sciences	CBANA Labs, Champaign	Comp (1)	\$993,872
88	05/22/08	Chemical Sciences	Menlo, Cambridge, MA	Sole	\$240,000
89	05/22/08	Exec. MBA Program	Club Quarters, Chicago	Sole	\$490,400
90	05/22/08	National Center for Supercomputing	James River, Glen Allen, VA	Sole	\$2,249,302
91	05/22/08	Office of the Provost	Greenwood, Miramar, FL	Comp (4)	\$117,000
92	06/27/08	Abbott Power Plant	Huber, Atlanta, GA	Comp (1)	\$1,837,500
93	06/27/08	Campus Departments	Air Liquide, Countryside	Comp (2)	\$419,610
94	06/27/08	Facilities and Services	Area Disposal, Peoria	Comp (3)	\$408,224
95	06/27/08	Animal Sciences	Solae, Gibson City	Comp (1)	\$213,000
96	06/27/08	Institute of Aviation	Arrow Energy, Saline, MI	Comp (1)	\$1,260,000
97	07/24/08	Mole/Cellular Biology	Applied, Issaquah, WA	Sole	\$670,085
98	07/24/08	Intercollegiate Ath.	All Green, Export, PA	Comp (2)	\$835,000
99	07/24/08	Intercollegiate Ath.	Lundeen, Loveland, CO	Exempt	\$350,000
100	07/24/08	Various Departments	Illini FS, Urbana	Comp (2)	\$807,126
101	07/24/08	Engineering	Fleishman, St. Louis, MO	Comp (3)	\$300,000
102	09/11/08	Veterinary Medicine	GE Healthcare, Waukesha, WI	Comp (2)	\$406,600
103	09/11/08	Facilities and Services	Tecsys, Inc., Schaumburg	Comp (2)	\$662,950
104	09/11/08	Environ. Sciences	Workforce, Riverton	Comp (1)	\$200,000
105	09/11/08	Intercollegiate Ath.	Charter Search, Albany IN	Comp (2)	\$250,954
106	09/11/08	Facilities and Services	Graybar Electric, East Peoria	Comp (2)	\$2,906,884
107	09/11/08	Facilities and Services	Graybar Electric, East Peoria	Comp (2)	\$207,204
108	11/13/08	Mech. Science/Engine.	ST Sys., Redwood City, CA	Sole	\$598,500
109	11/13/08	Facilities and Services	Pro-Tech, Petersburg TEKsystems, Bloomington Ciber, Springfield	Comp (15)	\$6,600,000
110	11/13/08	Abbott Power Plant	Kennedy, Indianapolis, IN	Comp (2)	\$4,563,840
111	11/13/08	Genomic Biology	BD Biosciences, San Jose, CA	Comp (3)	\$351,000
112	11/13/08	Genomic Biology	Roche, Indianapolis, IN	Sole	\$1,500,000
113	11/13/08	University Libraries	Elsevier, New York, NY	Sole	\$2,750,000
114	11/13/08	Various Departments	James River, Glen Allen, VA	Sole	\$6,000,000
115	11/13/08	Civil/Environ. Engine.	DeTect, Inc., Panama City, FL	Sole	\$400,000
116	01/15/09	Micro/Nanotechnology	Molecular Imprint, Austin, TX	Sole	\$660,000
117	01/15/09	University Libraries	YBP, Contoocook, NH	Comp (3)	\$5,400,000
118	01/15/09	Facilities and Services	Okonite Company, Naperville	Comp (7)	\$359,657
119	03/11/09	Intercollegiate Ath.	Group Travel, Inc., Joliet	Comp (1)	\$706,609
120	03/11/09	Planning/Budgeting	EBSCO, Ipswich, MA	Comp (3)	\$2,494,142
121	05/21/09	Department of Physics	S.J. Smith, Urbana	Comp (4)	\$306,000
122	05/21/09	Various Departments	S.J. Smith, Urbana	Comp (4)	\$373,644
123	05/21/09	Exec. MBA School	Club Quarters, Chicago	Comp (2)	\$403,592
124	05/21/09	Genomic Biology	Roche, Indianapolis, IN	Sole	\$1,500,000
125	05/21/09	Genomic Biology	Illumina, Inc., San Diego, CA	Sole	\$500,000
126	05/21/09	Genomic Biology	Illumina, Inc., San Diego, CA	Sole	\$500,000

127	05/21/09	Elect/Comp. Engine.	Kapteyn Lab, Boulder, CO	Sole	\$407,208
128	05/21/09	Geology	RESON Inc., Goleta, CA	Sole	\$414,598
129	05/21/09	Various Departments	Tent and Awning Co., Urbana	Comp (3)	\$500,000
130	05/21/09	Student Health Center	SourceOne, Mentor, OH	Comp (3)	\$245,899
131	05/21/09	Facilities and Services	Gus Berthold, Chicago	Comp (4)	\$913,152
132	05/21/09	Facilities and Services	Tri Star, Champaign	Comp (2)	\$1,550,430
133	05/21/09	Intercollegiate Ath.	Bromley Hall, Champaign	Comp (2)	\$662,417
134	05/21/09	Intercollegiate Ath.	Salem Media, Elk Grove Village	Comp (3)	\$1,100,170
135	05/21/09	Intercollegiate Ath.	Peoria Charter, Peoria	Comp (2)	\$250,000
136	05/21/09	Intercollegiate Ath.	Hoist Sales, Sarasota, FL	Comp (1)	\$1,184,998
137	05/21/09	CITES	Novanis, Springfield	Comp (7)	\$2,500,000
138	07/23/09	Crop Sciences	Almaco, Nevada, IA	Comp (1)	\$547,025
139	07/23/09	Biotechnology Center	Applied Bio, Foster City, CA	Comp (1)	\$471,707
140	07/23/09	CITES	Info Sys., Rolling Meadows	Comp (2)	\$1,365,000
141	07/23/09	CITES	Meru Networks, Morton	Comp (3)	\$750,000
142	07/23/09	International Programs	Hub Travel, Bedford Park Oswald, Olney	Comp (4)	\$600,000
143	07/23/09	Chemical Sciences	Varian Inc., Palo Alto, CA	Comp (2)	\$1,980,000
144	09/10/09	Chemical Sciences	Bruker, Billerica, MA	Sole	\$360,000
145	09/10/09	Material Engineering	SVT Assoc., Eden Prairie, MN	Sole	\$356,500
146	09/10/09	Clinical Engineering	Accipiter, Ontario, Canada	Sole	\$384,000
147	09/10/09	University Housing	KLN Steel, San Antonio, TX	Comp (3)	\$230,239
148	11/12/09	Veterinary Medicine	Bruker, Billerica, MA	Sole	\$397,080
149	11/12/09	Mechanical Science	TSI Inc., St. Paul, MN	Sole	\$296,745
150	11/12/09	Civil Engineering	Geo-Marine, Plano, TX	Sole	\$292,450
151	11/12/09	University Libraries	Elsevier, New York, NY	Sole	\$2,700,000
152	11/12/09	Intercollegiate Ath.	Charter, Lake Mary, FL	Comp (1)	\$315,446
			URBANA CAMPUS TOTAL: \$356,082,552		
			TOTAL BOARD APPROVED PURCHASES 2007-2009: \$601,863,905		

Source: OAG summary of Board of Trustee information.

APPENDIX D
CONSTRUCTION TRANSACTIONS
APPROVED BY THE
BOARD OF TRUSTEES
2007-2009

Appendix D
CONSTRUCTION TRANSACTIONS APPROVED BY THE BOARD OF TRUSTEES
2007-2009

	<i>Approval Date</i>	<i>Project</i>	<i>Contractor</i>	<i>Estimated Cost</i>
CHICAGO CAMPUS				
1	01/18/07	Elevator Reconstruction Medical Services Bldg	KONE, Inc., Chicago	\$1,127,800
2	01/18/07	Elevator Reconstruction Engineering Lab/Daley Bldg	ThyssenKrupp Elevator, Westchester	\$1,879,211
3	01/18/07	Elevator Reconstruction Infirmary, Warehouse and PE Bldg	KONE, Inc., Chicago	\$1,659,300
4	01/18/07	Synthetic Turf-Miller Field	Cooling Landscape Contractors, Cherry Valley	\$1,349,200
5	01/18/07	Amendment-Mixed Use Development on South Campus	Vasilko, Hauserman & Assoc., Chicago Power Construction, Schaumburg	\$359,590
6	03/13/07	Code Repairs-College of Dentistry	McWilliams Electric, Schaumburg	\$987,423
7	03/13/07	Remodel Lab/Office Space	Poulos, Chicago Stern Corp., Harvey Argo Electric, Villa Park Convergint Tech, Schaumburg	\$3,791,000
8	03/13/07	Chilled Water Distribution	Reliable Contracting, Chicago	\$2,878,000
9	03/13/07	Lincoln Hall Renovation	TBD	\$13,726,600
10	05/17/07	Amendment-Mixed Use Development on South Campus	HOK, Chicago Vasilko, Hauserman & Assoc., Chicago Power Construction, Schaumburg	\$583,000
11	05/17/07	Roof/Skylight Work-Science and Engineering Facility	Crowther Roofing, Lockport	\$1,192,200
12	05/17/07	Extend Job Order Contracting System	GF Structures Corp, Chicago Meccor Industries Ltd., Skokie J-Mac Assoc Ltd., Carol Stream Old Veteran Construction, Inc., Chicago TVS Mechanical, Inc., Chicago Louis Jones Enterprises, Inc., Chicago	\$15,000,000
13	05/17/07	Architect-Capital Improvements	Intelligent Systems Services, Bensenville Schirmer Engineering, Deerfield	\$300,000
14	07/30/07	Roof Replacement-Art Bldg	Knickerbocker Roofing, Harvey	\$672,190
15	07/30/07	Amendment-Architect Fees-College of Medicine	Larson & Darby, Rockford	\$1,596,200
16	07/30/07	Architect-Lincoln Hall	Design Organization, Chicago	\$845,973

17	11/14/07	Fire Alarm Replacement	Broadway Electric, Elk Grove Village McDaniel Fire Systems, Valparaiso, IN	\$1,833,000
18	11/14/07	Replace Fire Alarm System-Hospital	McWilliams Electric, Schaumburg	\$1,192,331
19	01/25/08	Elevator Upgrade-Wood Paulina Parking	ThyssenKrupp Elevator, Westchester	\$562,688
20	01/25/08	Water System-Applied Health Sciences Bldg	Fettes, Love & Sieben, Inc., Chicago	\$1,064,996
21	03/26/08	HVAC-College of Nursing	TBD	\$3,953,000
22	03/26/08	Fire Alarms-Student Residence/Commons	TBD	\$6,490,500
23	03/26/08	Roof Replacement-HR Bldg	Grove Masonry, Alsip	\$1,059,890
24	03/26/08	Addition-College of Medicine	AECOM Company, Chicago	\$167,650
25	05/22/08	Window Repair-College of Medicine	TBD	\$3,005,100
26	05/22/08	Elevators-College of Dentistry	TBD	\$2,400,000
27	05/22/08	Escalators-College of Pharmacy	TBD	\$2,348,000
28	05/22/08	Elevators-Behavioral Sciences Bldg	ThyssenKrupp Elevator, Westchester	\$836,052
29	05/22/08	College of Medicine Addition-Phase I	Scandrol Construction, Rockford	\$633,000
30	05/22/08	Lincoln Hall Renovation	Joseph Construction, Lynwood Ideal Heating, Brookfield Jin Electric, Chicago	\$6,704,895
31	05/22/08	Automation Controls Biology Bldg	Kroeschell, Arlington Heights	\$534,000
32	05/22/08	Extend Job Order Contracting System	GF Structures Corp, Chicago Meccor Industries Ltd., Skokie J-Mac Assoc Ltd., Carol Stream Old Veteran Construction, Inc., Chicago TVS Mechanical, Inc., Chicago Louis Jones Enterprises, Inc., Chicago	\$14,470,000
33	05/22/08	Architect-Medical Center	Smithgroup, Chicago	\$1,924,456
34	07/24/08	Fire Alarm Replacement Clinical Sciences	Argo Electric, Villa Park	\$842,000
35	07/24/08	Fire Alarm Replacement College of Medicine	Argo Electric, Villa Park	\$1,025,000
36	07/24/08	New Elevators-College of Dentistry	ThyssenKrupp Elevator, Westchester	\$1,332,603
37	07/24/08	Modernize Escalators	Kone, Lombard	\$2,220,000
38	07/24/08	Roof Replacement Physical Plant Bldg	Crowther Roofing, Lockport	\$680,300
39	07/24/08	Architect Consultants Engineers for	Brook Architecture, Chicago Smith & Smith, Chicago	\$4,000,000

		Professional Services	Grumman/Butkus, Evanston Sebesta Blomberg & Assoc., Chicago Lerch Bates, Chicago Environmental Design, Chicago GSG Consultants, Chicago Knight Engineers & Architects, Chicago	
40	07/24/08	Architect-Student Residence and Commons	BSA LifeStructures, Chicago	\$382,945
41	07/24/08	Architect-College of Nursing HVAC	Clark Dietz, Champaign	\$334,000
42	07/24/08	Architect-West Campus Tunnel Renovation	David Mason & Assoc., Chicago	\$178,330
43	9/11/08	HVAC Upgrades	TBD	\$3,233,600
44	9/11/08	Masonry Repairs-College of Medicine Bldg-Phase II	Simpson Construction, Bellwood	\$1,528,000
45	11/13/08	College of Medicine Addition-Phase II	Scandrol Construction, Rockford Nelson Carlson Mechanical, Rockford Norstar Heating, Rockford Rockford Electrical, Rockford	\$15,943,500
46	11/13/08	Architect-Façade Inspection Program	AltusWorks, Chicago BauerLatoza, Chicago	\$1,264,522
47	11/13/08	Architect-Master Plan Update	Booth Hansen, Chicago	\$999,000
48	11/13/08	Architect-College of Medicine Masonry and Windows	McGuire Iglesias & Assoc., Evanston	\$230,450
49	01/15/09	Sprinkler System/Alarms Student Residence and Commons	Joseph Construction, Lynwood McWilliams Electric, Schaumburg Ryan Fire Protection, Nobelsville, IN	\$3,120,695
50	01/15/09	Douglas Hall Renovation	TBD	\$16,256,300
51	01/15/09	Renovation-Lecture Center F	TBD	\$3,200,000
52	01/15/09	Expansion and Renovation-Hospital and Master Design Study	TBD	\$85,000,000
53	02/09/09	Budget Increase-South Campus Mixed Use Bldg	N/A	\$8,500,000
54	03/11/09	Remodel 1 st Floor-Daley Library	TBD	\$3,484,000
55	03/11/09	Waterproof-Education, Performing Arts & Social Work Plaza	Simpson Construction, Bellwood	\$1,255,000
56	03/11/09	Roof and Plaza Paver Replacement-Behavioral Sciences Bldg	Monson Nicholas, Villa Park	\$1,188,230
57	03/11/09	West Campus Tunnel Renovation	Joseph Construction, Lynwood	\$613,675
58	03/11/09	Amendment-Architect Medical Center	Smithgroup, Chicago	\$55,165

59	05/21/09	Masonry Repair- College of Medicine Bldg	Grove Masonry, Alsip	\$2,083,358
60	05/21/09	Architect-Renovation of Douglas Hall	Architects Enterprise, Chicago	\$1,113,020
61	05/21/09	Architect-Renovation of Lecture Center F	DeStefano & Partners, Chicago	\$210,425
62	07/23/09	Financing Team-Medical Center	Barclays Capital Public Financial Management Katten Muchin Rosenman Freeborn and Peters Bank of NY Mellon Trust Company	N/A
63	07/23/09	Architect-Daley Library Remodeling	David Woodhouse Architects, Chicago	\$277,000
64	07/23/09	Addition-College of Medicine	TBD	\$9,600,000
65	07/23/09	Amendment-Architect Engineer & Consultants	LCM Architects, LLC, Chicago Hygieneering, Inc., Willowbrook Intelligent Systems Services, Bensenville Schirmer Engineering Corp., Glenview	\$2,000,000
66	09/10/09	Architect/Engineers for Professional Services	Eckenhoff Saunders Architects, Chicago Legat Architects, Chicago STR Partners, Chicago Urban Works, Chicago Wright & Compant, Darien BSA LifeStructures, Chicago CCJM Engineers, Chicago Milhouse Engineering, Chicago Primera Engineers, Chicago	\$4,500,000
67	11/12/09	HVAC Phase I-College of Nursing	Premier Mechanical, Addison Mechanical Incorporated, Freeport	\$1,430,105
68	11/12/09	Fire Alarm Upgrade and Sprinklers-Applied Health Sciences Bldg	TBD	\$3,295,000
CHICAGO CAMPUS TOTAL:				\$278,503,468
SPRINGFIELD CAMPUS				
1	09/06/07	Residence Hall Construction	CORE Construction, Morton Commercial Mechanical, Dunlap RJ Power Plumbing, Springfield Mansfield Electric, Springfield	\$12,534,800
2	05/22/08	Windows-Brookens Library	RL Vollintine Construction, Springfield	\$1,461,000
3	11/13/08	Campus Master Plan Update Approval	N/A	N/A
SPRINGFIELD CAMPUS TOTAL:				\$13,995,800
URBANA CAMPUS				
1	01/18/07	Poultry Relocation of Research Facility	Grunloh Construction, Effingham Potter Electrical, Urbana	\$1,838,964
2	01/18/07	Amendment-Professional	VOA Assoc., Chicago	\$118,095

		Services-IMPE Phase II		
3	01/18/07	Renovation-Lincoln Hall	TBD	\$66,400,000
4	03/13/07	Utility Improvements	A & R Services, Urbana	\$3,457,989
5	03/13/07	Conference Center Construction	Broeren Russo Construction, Champaign A & R Mechanical, Urbana Egizii Electric, Decatur	\$7,044,200
6	03/13/07	Sprinklers-Main and Underground Library	Fire Suppression Systems, Champaign	\$2,423,300
7	03/13/07	Addition-Personal Performance Center	TBD	\$4,900,000
8	04/17/07	Fire Suppression System Phase V	Roessler Construction, Rantoul	\$859,300
9	05/17/07	Amendment-Memorial Stadium Development	HNTB	\$153,500
10	05/17/07	Renovation and Expansion of IMPE	Williams Brothers, Peoria King-Lar, Decatur	\$1,547,000
11	05/17/07	Memorial Stadium Phase I	Williams Brothers, Peoria Nogle & Black, Urbana A&R Mechanical, Urbana King-Lar, Decatur Coleman Electrical, Mansfield McDaniel Fire Systems, Champaign Alpha Controls, Rockford Otto Baum, Morton East Moline Glass, East Moline	\$24,218,632
12	05/17/07	Architect-CDB Project	Austin AECOM, Chicago	\$1,900,000
13	05/17/07	Architect-Exterior Repair	White & Borgognoni, Carbondale	\$394,360
14	05/17/07	Architect-Bldg Build Out	Moorehead-Gruber, Champaign	\$185,000
15	07/30/07	Upgrade Tennis and Softball Facilities	Mid-States Contracting, Decatur Glesco Electric, Urbana	\$4,520,540
16	07/30/07	Burrill Hall Electrical Upgrade	Glesco Electric, Urbana	\$844,000
17	07/30/07	Parking Replacement Champaign Housing Complex	Mid-States Contracting, Decatur	\$542,000
18	07/30/07	Dining Hall Remodel-Pennsylvania Ave Hall	CORE Construction, Morton McWilliams Mechanical, Champaign A&R Mechanical, Urbana Glesco Electric, Urbana Stafford Smith, Kalamazoo, MI	\$7,320,564
19	07/30/07	Memorial Stadium Phase I	Broeren Russo Construction, Champaign Egizii Electric, Decatur Otto Baum, Morton Bennett Electronic, Pontiac	\$23,281,900
20	07/30/07	Addition-IL Fire Service Institute	TBD	\$9,000,000
21	07/30/07	Fire Alarm Upgrades-Six Residence Halls	TBD	\$2,000,000
22	07/30/07	Mumford Hall Remodel	TBD	\$3,800,000
23	07/30/07	Life Safety Upgrades-	TBD	\$2,175,000

		Pennsylvania Ave Residence Hall-Phase I		
24	07/30/07	Amendment-Architect Fees-Residence Hall	Nagle Hartray Danker Kagen McKay Penny Architects, Chicago	\$112,585
25	09/06/07	Life Safety Upgrades-Krannert	Automatic Fire Sprinkler, Peoria	\$1,018,800
26	09/06/07	Life Safety Corrections	Coleman Electrical, Mansfield	\$1,293,000
27	09/06/07	Student Dining Utility Site Work	A&R Services, Urbana	\$3,884,259
28	09/06/07	Window Replacement-Gregory Hall	TBD	\$2,731,000
29	09/06/07	Architect-Education Bldg	Environmental Systems Design, Chicago	\$159,000
30	09/06/07	Architect-Structural Evaluation	Woollen Molzan Partners, Indianapolis, IN	\$1,000,000
31	11/14/07	Chilled Water Capacity-Oak St. Chillar Plant	TBD	\$12,000,000
32	11/14/07	Petascale Supercomputing Facility	TBD	\$72,500,000
33	11/14/07	Architect-Relocation of Polomogy Facilities	Hurst-Roche Engineers, Springfield	\$223,745
34	11/14/07	Architect-Fire Suppression-Townsend Hall-Phase IV	BriC Partnership, Belleville	\$179,000
35	11/14/07	Architect-Facility Expansion IL Fore Services Institute	FGM Architects Planners, Oak Brook	\$643,357
36	11/14/07	Architect-Pennsylvania Ave Residence Hall Renovation	Henneman Engineering, Champaign	\$170,250
37	11/14/07	Job Order Contracting Increase	Nogle & Black Mechanical, Urbana	\$6,000,000
38	12/03/07	Architect-NCSA	EYP Mission Critical Facilities, Chicago	\$3,176,249
39	01/25/08	Extend Chilled Water Supply	Stark Excavating, Bloomington	\$1,029,535
40	01/25/08	Field Turf Installation	Cooling Landscape Contractors, Cherry Valley	\$1,500,320
41	01/25/08	Memorial Stadium Phase I	Roessler Construction, Rantoul	\$1,992,700
42	01/25/08	Student Programs Building Residence Project	Williams Brothers, Peoria A&R Mechanical, Urbana King-Lar, Decatur Glesco Electric, Urbana Associated Constructors, Bloomington JJ Barker and Sons, Morton Johnson-Lancaster, Safety Harbor, FL	\$35,262,987
43	01/25/08	Huff Hall North Addition	TBD	\$15,000,000
44	01/25/08	School of Social Work Build Out	TBD	\$4,044,840
45	02/26/08	Memorial Stadium Phase	Roessler Construction, Rantoul	\$2,289,000

		I	Krut's Electrical, Champaign	
46	03/26/08	Sprinklers-Armory	TBD	\$2,500,000
47	03/26/08	Burrill Hall Infrastructure	TBD	\$4,500,000
48	03/26/08	Kinley Hall HVAC	TBD	\$4,500,000
49	03/26/08	English Bldg Repairs	TBD	\$3,400,000
50	03/26/08	Gregory Hall HVAC Upgrades	TBD	\$4,400,000
51	03/26/08	Library HVAC Upgrades	TBD	\$3,000,000
52	03/26/08	Medical Sciences Bldg Ventilation	TBD	\$3,500,000
53	03/26/08	Student Center Addition	TBD	\$9,000,000
54	03/26/08	Pennsylvania Ave Residence Hall-Phase II	TBD	\$2,200,000
55	03/26/08	Sewer Extension	Stark Excavating, Champaign	\$551,950
56	03/26/08	Remodel-Henry Admin Bldg	Grunloh Construction, Effingham	\$587,000
57	03/26/08	Fire Suppression Systems-Phase VI	Johnco Construction, Mackinaw	\$809,500
58	03/26/08	Pennsylvania Ave Residence Hall-Sprinkler	Johnco Construction, Mackinaw	\$717,000
59	03/26/08	Rehab-Roger Adams Lab	Grunloh Construction, Effingham Davis-Houk Mechanical, Urbana King-Lar, Decatur Glesco Electric, Urbana	\$3,217,171
60	03/26/08	Residence Hall Construction-Ikenberry Commons	Grunloh Construction, Effingham A&R Mechanical, Urbana Coleman Electrical, Mansfield Otto Baum, Morton	\$15,066,504
61	03/26/08	Architect-Oak St Chillar Expansion	Henneman Engineering, Champaign	\$819,680
62	03/26/08	Construction Manager NCSA Petascale Facility	Clayco, Chicago	\$3,090,998
63	05/22/08	Pool Roof Work-IMPE Phase II	Mid-States Contracting, Decatur	\$971,600
64	05/22/08	Amendment- Construction Mgmt Services-Memorial Stadium	Hunt Construction Group, Indianapolis, IN	\$475,248
65	05/22/08	Architect-Life Safety & HVAC-Foreign Languages Bldg	BriC Partnership, Belleville	\$186,600
66	05/22/08	Architect-Huff Hall North	Ratio Architects, Champaign	\$1,054,632
67	05/22/08	Architect-Electrical & Computer Engineering Bldg	BLDD Architects, Champaign	\$3,000,000
68	06/27/08	Architect-Oglesby Hall	4240 Architecture, Chicago	\$170,420
69	06/27/08	Remodel-Residence Halls	Hagney Architects, Rockford	\$160,960

70	06/27/08	Architect-Outdated Systems in Library	Environmental Systems Design, Chicago	\$252,500
71	07/24/08	School of Social Work Build Out	Associated Constructors, Bloomington Reliable Plumbing, Savoy Glesco Electric, Urbana	\$2,188,780
72	07/24/08	Budget Increase-Kinley Hall HVAC	(Budget increase to provide life safety corrections and repairs.)	\$1,900,000
73	07/24/08	Architect-Professional Services	Hobbs & Law, Chicago SmithGroup JJR, Chicago Affiliated Engineers, Chicago Black & Veatch, Ann Arbor, MI Stanley Consultants, Muscatine, IA	\$2,000,000
74	07/24/08	English Bldg Repairs	White & Borgognoni, Collinsville	\$275,300
75	07/24/08	Architect-Sprinklers-Armory	Affiliated Engineers, Chicago	\$158,744
76	07/24/08	Architect-Burrill Hall Infrastructure	Clark Dietz, Champaign	\$344,800
77	07/24/08	Gregory Hal HVAC	Clark Dietz, Champaign	\$373,800
78	07/24/08	Architect-Ventilation-Medical Services Bldg	Environmental Systems Design, Chicago	\$280,880
79	07/24/08	Architect-Pennsylvania Ave Residence Hall Upgrade	BriC Partnership, Belleville	\$190,331
80	07/24/08	Architect-Newark Civil Engineering Bldg Addition	Teng & Associates, Chicago	\$525,910
81	09/11/08	HVAC-Krannert Art Museum	TBD	\$3,000,000
82	09/11/08	Ikenberry Commons Phase C&D-Demolition Garner Hall	TBD	\$46,700,000
83	09/11/08	Job Order Contracting System	Nogle & Black Mechanical, Urbana Old Veteran Construction, Chicago	\$4,000,000
84	09/11/08	Petascale-Phase I	Williams Brothers, Peoria Stone City Ironworks, Bedford, IN	\$7,994,602
85	09/11/08	Relocation-Natural Gas Pipeline	Arby Construction, New Berlin, WI	\$540,093
86	09/11/08	Budget Increase-Ikenberry Commons	(Increase due to the inclusion of additional work which resulted from the conclusion of a management study.)	\$1,522,036
87	09/11/08	Amendment-COB Facility-Construction Manager Agreement	Gilbane Building Company, Chicago	\$153,656
88	09/11/08	Architect-Kinley Hall HVAC	Environmental Systems Design, Chicago	\$483,105
89	11/13/08	Petascale-Phase II	CORE Construction, Morton A&R Mechanical, Urbana Davis-Houk, Urbana Bodine Electric, Champaign Siemens, Bloomington	\$23,800,968

			Carter Construction, Champaign JJ Braker, Morton	
90	11/13/08	Amendment-Professional Services	PSA Dewberry, Peoria	\$77,675
91	01/15/09	Elevator Replacement-Florida Ave Hall	Associated Constructors, Bloomington	\$1,092,000
92	01/15/09	Infrastructure-Illini Union	TBD	\$10,000,000
93	01/15/09	Budget Increase-Adams Lab Deferred Maintenance	(Increase to provide heat recovery, resulting in substantial energy reduction.)	\$1,500,000
94	01/15/09	Architect-Krannert Art Museum HVAC	ARUP, Chicago	\$220,100
95	01/15/09	Architect-Ikenberry Commons Phase C&D-Demolition Garner Hall	4240 Architecture, Chicago	\$2,562,920
96	01/15/09	Architect-Landscape and Lighting-Ikenberry Commons	DLK Architecture, Chicago	\$244,341
97	03/11/09	Slate Roof-Horticulture Field Lab	Midland Engineering, South Bend, IN	\$823,000
98	03/11/09	Oak St Chiller Plant	Davis-Houk, Urbana Bodine Electric, Champaign Stark Excavating, Bloomington Caldwell Tanks, Louisville, KY	\$7,045,662
99	03/11/09	Life Safety Upgrade-Pennsylvania Ave Halls-Phase II	Roessler Construction, Rantoul	\$707,000
100	03/11/09	Amendment-Residence Hall Remodeling	Hagney Architects, Rockford	\$115,815
101	05/21/09	Morrill Hall-Air Handling Unit	King-Lar Company, Decatur	\$787,000
102	05/21/09	Armory-Sprinklers	Coleman Electrical, Mansfield Fire Suppression Systems, Champaign	\$1,158,837
103	05/21/09	Foreign Languages Bldg-HVAC/Exterior Repairs	TBD	\$3,500,000
104	05/21/09	Architect-Illini Union Infrastructure	Affiliated Engineers, Chicago	\$384,100
105	05/21/09	Construction-Natural History Survey-Phase II	Associated Constructors, Bloomington Davis-Houk Mechanical, Urbana Potter Electric, Urbana	\$4,306,200
106	05/21/09	IL Fire Services Institute-Addition	PJ Hoerr, Urbana Reliable Plumbing, Savoy Krut's Electric, Champaign	\$5,118,815
107	05/21/09	Job Order Contracting 2010	Pashen Nielsen & Associates, Chicago Nogle & Black Mechanical, Urbana	\$4,000,000
108	05/21/09	Relocate Promology Research Farm-Phase II	Associated Constructors, Bloomington	\$509,878
109	05/21/09	Ikenberry Commons-Phase E/Forbes Hall	TBD	\$78,100,000

		Demolition-Phase G		
110	05/21/09	Contract Increase-Oak St Chiller	Caldwell Tanks, Louisville, KY	\$633,321
111	05/21/09	Budget Increase-Electrical & Computer Engineering Bldg	(Increase for anticipated escalation due to inflation.)	\$20,000,000
112	05/21/09	Amendment-NCSA Petascale Project	Clayco, Chicago	\$124,044
113	07/23/09	Architect-Natural History Bldg	Hanson Professional Services, Springfield	\$249,780
114	07/23/09	Research Reactor Decommissioning	TBD	\$4,210,000
115	07/23/09	Construction Manager-Ikenberry Commons & Residence Hall	Turner Construction, Chicago	\$2,756,000
116	07/23/09	Architect-Professional Services	Brook Architecture, Chicago Gorski Reifsteck Architects, Champaign DAS Consulting, Springfield Foth Infrastructure, Champaign Terra Engineering, Peoria Johnson-Lasky Architects, Chicago Engineering Concepts, Champaign HDC Wickersheimer, Champaign	\$4,000,000
117	09/10/09	Mumford Hall Budget Increase	(Increase to properly execute roof with a different material.)	\$100,000
118	09/10/09	Campus Chilled Water Conversion	A&R Services, Urbana	\$644,150
119	09/10/09	Architect-Foreign Languages Bldg-Phase II	Doyle & Associates, Chicago	\$306,180
120	09/10/09	Architect-Ikenberry Commons & Forbes Demolition-Phase G	FGM Architects Planners, Oak Brook	\$4,275,320
121	09/10/09	Construction Manager-Ikenberry Commons and Residence Hall	Clayco, St. Louis, MO	\$3,327,475
122	11/12/09	English Bldg-Interior & Exterior Repairs	Grunloh Construction, Effingham Anderson Electric, Danville	\$1,918,550
123	11/12/09	Everitt Lab-Electrical System Replacement	Coleman Electrical, Mansfield	\$516,000
124	11/12/09	Gregory Hall-HVAC	Reliable Plumbing, Savoy Nogle & Black Mechanical, Urbana Coleman Electrical, Mansfield	\$2,364,050
125	11/12/09	Medical Sciences Bldg-Ventilation	Reliable Plumbing, Savoy King-Lar, Decatur	\$2,186,945
126	11/12/09	Trelease hall Elevator Replacement-Florida Ave Residence Hall	Associated Constructors, Bloomington	\$1,114,000
127	11/12/09	Huff Hall North Addition	PJ Hoerr, Peoria Reliable Mechanical, Savoy King-Lar, Decatur Potter Electrical, Urbana	\$7,570,200

128	11/12/09	Approve Design for Ikenberry Residence Hall	N/A	N/A
129	11/12/09	Oak St Library-Space Increase	TBD	\$6,560,000
130	11/12/09	Budget Increase-Memorial Stadium	(Increase due to cost escalation, overtime, and unexpected conditions.)	\$3,000,000
131	11/12/09	Budget Increase-Ikenberry Commons	(Increase due to insufficient funds available for construction.)	\$400,000
			URBANA CAMPUS TOTAL:	\$688,209,097
TOTAL BOARD APPROVED CONSTRUCTION TRANSACTIONS 2007-2009:				\$980,708,365
Source: OAG summary of Board information.				

APPENDIX E
AGENCY RESPONSES

UNIVERSITY OF ILLINOIS

Urbana-Champaign • Chicago • Springfield

Office of the Vice President, Chief Financial Officer
and Comptroller
349 Henry Administration Building
506 South Wright Street
Urbana, Illinois 61801

November 21, 2011

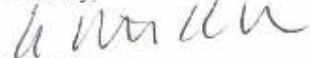
Mr. Mike Maziarz
Audit Manager
Office of the Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703-3154

Re: University of Illinois
Legislative Audit Commission Resolution #139 Audit

Mr. Maziarz,

Enclosed please find the University's responses to the Auditor General's findings and recommendations for the above described audit. The responses are being submitted both electronically and in hardcopy by mail. The hardcopy submission also includes certain documents in support of a number of the responses. Please don't hesitate to contact us should there be any questions.

Sincerely,



Walter Knorr
Vice President and Chief Financial Officer



Michael Bass
Senior Associate Vice President of Business and Financial Services

cc: Chairman Christopher Kennedy
President Michael Hogan
Treasurer Lester McKeever
Trustee Edward McMillan Chairman - Audit, Budget, Finance and Facilities
Secretary Michele Thompson

FAILURE TO SUBMIT ALL TRANSACTIONS TO BOARD FOR APPROVAL

Recommendation Number 1

The University should be consistent and take the steps necessary to ensure that all University transactions that meet or exceed Board thresholds are submitted for approval.

University Response

The University will establish or enhance procedures to improve consistency, ensuring that all University transactions that meet or exceed Board thresholds are submitted for approval.

USE OF EXECUTIVE COMMITTEE

Recommendation Number 2

The Board should ensure that only truly urgent actions are considered during Executive Committee meetings. Additionally, the Board should work with University officials to ensure that non-emergency routine items are ready for consideration at regularly scheduled Board meetings.

Board Response

All Executive Committee meetings held during the audit period were called by the Chair of the Board via proper “notice” as provided in the Open Meetings Act and conducted in accordance with this Act. The meetings also followed provisions of the Board of trustees Bylaws (Article IV). The meetings were all convened in open session and accessible by the public. The Executive Committee has all the authority of the full Board. The Chair of the Executive Committee or any two members can determine whether a need exists to call a meeting of this committee. All other trustees may participate as non-voting participants. Executive Committee meeting action items and minutes were provided to the Auditor General in May 2010. The University believes it documented the urgency of the matters considered by the Executive Committee in the actions items presented in these meetings and in the minutes of the meetings. For example:

- April 17, 2007 – The Executive Committee approved the **life safety** fire alarm and high rise sprinkler projects for Urbana campus residence halls and the sale of farmland. The meeting’s minutes state “the sole purpose of this meeting is to consider two items that are urgent for carrying on the business of the University and must be approved by the board prior to the next regular meeting of the board,” and “it was important for the contract to be approved to permit construction to begin as soon as possible in order to have the work completed before the students who will live in the residence halls arrive in August for the start of the fall 2007 semester.”
- July 6, 2007 – The Board appointed three new directors to Prairieland Energy, Inc. because of the “anticipation of the resignation or removal of three exiting directors.” The minutes of this meeting state “the sole purpose of this meeting is to consider an

item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”

- October 17, 2007 – On recommendation of the Urbana chancellor, the varsity football coach employment contract was amended. (Football coaches are **not** paid from State monies.) The minutes of the meeting state “the sole purpose of the meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
- December 3, 2007 – the chancellor of the Chicago campus was scheduled to retire on December 31, 2007. An interim chancellor for the Chicago campus had not been identified by the date of the November 2007 Board meeting and it was critical to have the interim chancellor approved by the Board by January 1, 2008, the start date for the interim chancellor. The meeting’s minutes state “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
- January 25, 2008 – Action taken to approve certain contracts, budgets and leases eight days after the January 2008 Board meeting was because the Chairman of the Buildings and Grounds Committee was absent from the Board meeting and these items (all Building and Grounds Committee items) were deferred because of his absence. These items should have been considered at the January 2008 Board meeting. Thus, receiving approval for the items on the next earliest date was appropriate. Many of the items approved were construction projects for which construction was to begin before the scheduled March 2008 Board meeting date as documented in the listing of contracts approved. The minutes of the meeting of the Executive Committee state “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
- February 11, 2008 – Committee minutes state “to consider items that are urgent for carrying on the business of the University.”
- February 26, 2008 – Construction contract for Memorial Stadium. The recommendation in the item for action indicates that construction was to begin in March 2008. Minutes of the committee meeting state “to consider items that are urgent for carrying on business of the University.”
- April 8, 2008 – Approvals of non-monetary items in preparation for the May 2008 commencement (honorary degrees, distinguished service medallion). The May 2008 Board meeting was scheduled after the commencement ceremonies. The minutes of the Executive Committee meeting state “The sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
- April 25, 2008 – Approved \$548,000 in purchases. The Committee minutes state these purchases were to “address damage caused by a fire this winter in the College

of Pharmacy building...purchases are urgent due to the need for a spectrometer for continuing research and the restoration is also needed in order to resume work in the affected areas of the building.” The minutes of the meeting state “the sole purpose of this meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”

- June 27, 2008 – Approved certain projects and \$5.6 million in purchases and change orders. The minutes of the meeting document that certain items “were necessitated by the need to comply with the Americans with Disabilities Act...remodeling of some residence halls that must be initiated immediately as well as the critical state of the Rare Book and Manuscript Library...urgent to address the presence of mold in some of the valuable books and materials.” The minutes state that “the sole purpose of this meeting is to consider four items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.”
- August 14, 2008 – Minutes of the Executive Committee document “the sole purpose of the meeting is to consider two items that are urgent.”
- October 24, 2008 – Self-explanatory. Personnel matter (executive compensation) discussed in executive session. This meeting was attended (in person or via telephone) by a number of other Board members. Minutes state “item that is urgent for carrying on business of the University....”
- November 17, 2008 – Approval of an interest rate swap novation because of the bankruptcy of the swap counterparty on a University interest rate swap contract. The bankruptcy constituted a Termination Event for the swap and had to be dealt with immediately. The change of counterparty could not be delayed and required immediate approval by the Board. The urgent nature of the action approved was documented in the minutes and the items stating the University risks incurred because of the counterparty bankruptcy and the need to transfer to a new counter party. The minutes of this meeting state “the sole purpose of this meeting is to consider an item that is urgent for the carrying on the business of the University.”
- February 9, 2009 – Minutes of the meeting document the purpose of the Executive Committee meeting was “to consider three items that are urgent for carrying on the business of the University.”
- June 24, 2009 – Critical to approve tuition for the upcoming academic year (09-10). The tuition decision had been deferred pending the finalization of the 2009 State legislative and budgetary session and could not be delayed to the July 2009 Board meeting. The minutes of this meeting stated “the sole purpose of this meeting is to consider items that are urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board” and that the Executive Committee was used “due to the fact that a decision was needed in order to inform students and their families of what the University’s tuition and fees would be

for the next academic year and this vote could not wait until the next regular meeting of the Board.”

Additional items may have been added for consideration by the Executive Committee, but the primary reason for an Executive Committee meeting was the urgency of a certain matter(s).

We appreciate learning of the expectation for specific documentation of why an urgent need exists for calling an Executive Committee meeting of the Board of Trustees. In the future, whenever it is necessary to call and conduct an Executive Committee meeting, we will provide the facts about the urgency for such a meeting in the recommendation presented or in the minutes of the particular meeting of the Executive Committee.

Auditor Comment #1

In its response, the Board states that the “University believes it documented the urgency of the matters considered by the Executive Committee in the action items presented in these meetings and in the minutes of the meetings.” Based on our examination of the documentation presented, we disagree.

The Board response to our recommendation provided examples of how the items we questioned were “urgent” enough to call for an Executive Committee meeting. Several of the meeting minutes cited by the Board in its response contain a generic statement, such as “the sole purpose of this meeting is to consider an item that is urgent for carrying on the business of the University and must be approved by the Board prior to the next regular meeting of the Board.” Absent further details as to why the action item could not wait until the next Board meeting, auditors do not concur that the urgency of the matter was adequately documented.

With respect to some of the Board examples we note:

- ***The “urgent” nature of the amendment to the varsity football coach employment contract at the October 17, 2007 meeting was questioned by auditors. This was the only item on the agenda. The meeting minutes did not provide an explanation as to why this item could not wait until the next full Board meeting 28 days later on November 14, 2007. The varsity football coach was still under contract for another 26 months at the time this “urgent” issue needed to be brought before the Executive Committee.***
- ***The Board stated that the actions necessitating the January 25, 2008 Executive Committee meeting were due to the absence of the Chairman of the Building and Grounds Committee at the previous full Board meeting eight days earlier on January 17, 2008. The actions involved more than \$60 million in University construction and purchasing approvals. The Board does not cite any bylaw, rule or policy that showed that Board business shall be deferred until a single member of the Board was available. In its response, the Board does note that these items “should have been considered at the January 2008 Board meeting.”***

The Board admitted that additional items may also have been added to the agendas. Adding items that are not urgent in nature to the agenda violates the Boards own bylaws and increases the perception that there is less accountability when the full Board is not officially involved.

BOARD APPROVALS

Recommendation Number 3

The University should take the steps necessary to ensure that all University purchasing transactions that meet or exceed Board thresholds are submitted to the Board for approval and contain accurate information.

University Response

The University will establish or enhance procedures to ensure that all University purchasing transactions that meet or exceed Board thresholds are submitted to the Board for approval within the requirements of the Board of Trustees General Rules and that all recommendations contain accurate information.

SOLE SOURCE JUSTIFICATION FORMS

Recommendation Number 4

The University should take the steps necessary to ensure all University sole source justification forms are reviewed and that the procurement meets the requirements of a sole source purchase. As part of this review, the University should verify their review through an approval signature and date signed on the sole source justification form.

University Response

In July of 2010, the University established enhance procedures and revised the sole source justification form to ensure that all University sole source justification forms are reviewed and that the procurement meets the requirements of a sole source purchase. As part of this review, the University verifies their review through an approval signature and date signed on the sole source justification form. The form now contains an appropriate signature, printed name, date telephone number and email address for both the agency representative and the State Procurement Officer.

COPYRIGHT AND PATENT SUPPORT

Recommendation Number 5

The University should take the steps necessary to ensure that all University sole source justification forms are thoroughly completed and include the copyright or patent numbers when applicable. The University should also thoroughly review all sole source purchases justified by a copyright or patent number and verify these numbers with the support for such review in their files.

University Response

The University has established and enhanced procedures to document that sole source justification forms are reviewed and the procurement comports with the requirements of a sole source purchase, including verification and documentation of copyright information.

USE OF CONTRACT VERSUS PURCHASE ORDER

Recommendation Number 6

The University should establish controls to ensure the consistent use of purchase orders and contracts within and across campuses through formal written procedures in University policy. The University should also ensure required signatures on contractual obligations are obtained and State recording/filing requirements are met.

University Response

The University will establish or enhance procedures through written policy in the use of purchase orders and contracts. The University will also review existing policy regarding required signatures on contractual obligations to take into consideration the use of purchase orders as a binding contractual obligation.

CONTRACT APPROVAL ROUTING FORMS

Recommendation Number 7

The University should ensure the Contract Approval Routing Form (CARF) is consistently being completed, signed, and included with each contract document being processed as required by University policy.

University Response

The University will establish or enhance policy and procedures to ensure consistency in the initiation, signing and filing of CARFs.

PURCHASING DOCUMENTATION DEFICIENCIES

Recommendation Number 8

The University should:

- a) Ensure the criteria reviewed on evaluations are maintained in the procurement file. Additionally, the University should ensure the required evaluation criteria listed in the RFP is consistent with the criteria reviewed during the evaluation process.
- b) Maintain all evaluation materials including completed score sheets for each individual evaluator in the procurement file. Additionally, the University should ensure evaluations which are completed based on a group consensus should be certified by the group through signatures and dating.

- c) Ensure all evaluation materials that are required to be in the procurement file are complete as directed by the Illinois Procurement Code.
- d) Ensure information submitted to the Board for approval is based on evaluation materials in the procurement file. Moreover, this information should be accurate and consistent with other documents in the procurement file.
- e) Verify information submitted to the Board for approval is based on accurate information from the procurement file. This information should include evaluation materials with no significant scoring variances or calculation errors. If applicable, an associated explanation in the procurement file may be appropriate if such variances/errors are deemed to be acceptable.
- f) Maintain all evaluation materials in the procurement files as required by the Illinois Procurement Code. If applicable, such evaluation materials should include documented support to recognize and address errors and/or changes in the identification of evaluation committee members.

University Response

The following constitutes the University's response to Recommendation Number 8 regarding purchasing documentation deficiencies:

- a) The University will establish or enhance procedures to improve and maintain documentation regarding evaluation process as well as its correlation to the initial solicitation.
 - b) The University will establish or enhance procedures to improve and maintain documentation of the evaluation process.
 - c) The University will establish or enhance procedures to improve and maintain documentation of the evaluation process.
 - d) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process for support of recommendations to the Board.
 - e) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process for support of recommendations to the Board. However, that portion of the recommendation asserting that evaluation materials should contain no significant scoring variances or if they do should be documented for file is not supported by rules. Scoring variances on individual evaluations should be expected given differences in an individual's interpretation of the submittal materials provided.
 - f) The University will establish or enhance procedures to improve and maintain accurate documentation of the evaluation process, including those associated with the evaluation committee.
-

MAINTENANCE OF PROTESTS/CONTRACTOR PERFORMANCE REVIEWS

Recommendation Number 9

The University should ensure protest documents are maintained in the procurement or associated contract file as required by the Illinois Procurement Code. Additionally, the University should ensure that contractor performance reviews are conducted.

University Response

The University will establish or enhance procedures to improve and maintain documentation of protests, or lack thereof. The University will consider conducting a risk/benefit analysis to determine if the initiation of contractor performance reviews is warranted under current resource realities.

CONFLICT OF INTEREST

Recommendation Number 10

The Board should follow its procedures to ensure University staff who recommend transactions that the Board votes on be free of any perceived conflict of interest.

Board Response

The Board believes in the finding described that there was no actual conflict or perception of interest as documented in a letter to the Auditor General's Audit Manager on November 5, 2010 from the Chairman of the Board. That letter documented that the Audit Manager had expressed to the Board Chairman that the University Comptroller "is not doing anything wrong" and the letter further stated that there was no conflict or perception of a conflict. In summary, that letter enumerated the facts as follows:

- The University Comptroller was a Managing Director at "the underwriting firm" and, as one of his responsibilities, signed the response to the RFP from the University for approved underwriters in early 2004.
- The University Comptroller left his position at "the underwriting firm" in April 2004 and assumed a senior financial position at an entity unrelated to "the underwriting firm" or the University where he remained through January 2007, or a period of 33 months.
- The University Comptroller assumed his position with the University on February 1, 2007.
- On May 19, 2005, the University Board of Trustees approved the issuance of "Variable Rate Demand Auxiliary Facilities System Revenue Bonds, Series 2005B" approving "the underwriting firm" as underwriter as recommended by the then Vice President of Administration.

- On September 11, 2008, **53 months** after the University Comptroller left employment at “the underwriting firm”, the Board of Trustees approved actions that would lead to the issuance of “Auxiliary Facilities System Revenue Bonds, Series 2008B”, a refunding of the 2005B bonds. Because of the worldwide credit crisis, the financial institution that had provided the credit/liquidity support facility for the 2005B bonds had been downgraded negatively affecting the interest rate on those bonds. **But for the credit deterioration of the credit/liquidity support facility** for the 2005B transaction, a refunding transaction would not have been proposed. The needed replacement of the credit/liquidity support facility required, by law, a refunding transaction. The University Comptroller recommended retention of “the underwriting firm” for the Series 2008B refunding transaction though no Series 2008B were issued.
- On January 15, 2009, the University Board of Trustees approved the issuance of “Auxiliary System Revenue Bonds, Series 2009A” for the purpose of refunding the Series 2005B bonds and added \$10 million for the Illini Union Project. In another transaction, the Board also approved actions to refund certain Certificates of Participation for the same reasons (credit deterioration of the credit/liquidity support bank) while retaining the original underwriter (not “the underwriting firm”).
- On March 11, 2009, the Board approved an additional \$8.5 million to the Series 2009A transaction for the South Campus Mixed Use Development in Chicago.
- On March 19, 2009, **59 months** after the University Comptroller left “the underwriting firm”, the Series 2009A bonds were issued.

The University Comptroller did report his nominal ownership of common stock of “the underwriting firm” in his Statement of Economic Interests. The significant deterioration in market value of this stock over the prior three years is public knowledge and it is **inconceivable** that this transaction would have an effect on the stock’s value. There was **no personal gain** to the University Comptroller from this transaction.

Five years had passed between the University Comptroller’s departure from “the underwriting firm” and the issuance of the Series 2009A bonds. This timing significantly exceeds any lawful or ethical standard measures of time to avoid an actual conflict of interest or, for that matter, the perception of conflict.

This finding and the response described above were fully presented and discussed with the Governance, Personnel and Ethics Committee of the University Board on November 5, 2010 concluding with support for the University Comptroller’s position.

Auditor Comment #2

As stated in the finding, University policy (OBFS Section 2.2-Approval of Financial Documents) addresses conflicts of interest and states that approvers of business transactions cannot approve transactions where a conflict of interest would be perceived. The policy further states “conflict of interest” may take various forms, but

arise when an employee is in a position to influence University business or other decisions in ways that could lead to any form of personal gain for the employee.

The Board response states this “finding and the response described above were fully presented and discussed with the Governance, Personnel and Ethics Committee of the University Board on November 5, 2010 concluding with support for the University Comptroller’s position.” This presentation came only after we spoke with the Comptroller on October 10, 2010 and sent a potential audit finding to the Board on October 25, 2010. While we do not agree or disagree with the Board’s determination in this specific matter, we point out that the Board could only make that determination after being made aware of the potential conflict. The correct time for this disclosure would have been before recommending the firm for University business, not after the fact when auditors identified the issue.

Although the employee’s ongoing ownership interest in the recommended vendor was disclosed on his Statement of Economic Interest, the auditors were provided no evidence that the Board was aware of this potential conflict at the time the vendor was recommended or at any time prior to the issue being raised by the auditors.

PROCUREMENT OF EXTERNAL FINANCING PARTIES

Recommendation Number 11

When procuring the services of external financing parties the University should:

- a) Maintain appropriate documentation to support the selection of firms to perform financial advisory services for University transactions including signed individual scoring sheets by evaluation team members that provide evidence that a fair and competitive procurement process was followed. Additionally, the University should maintain procurement files for activities that are currently being paid for with University funds. Finally, the University should either formalize a process for using a two-team evaluation approach in University procedures or ensure that documentation is maintained in the procurement file demonstrating that changes were made to the evaluation committee during the procurement process and why.
- b) Maintain appropriate documentation to support the selection of firms to perform underwriting services for University transactions including individual scoring sheets by evaluation team members that provide evidence that a fair and competitive procurement process was followed. Additionally, the University should ensure that the procurement file for the underwriting procurement activity contains copies of pricing for all vendors awarded University business and copies of executed contracts for those services.
- c) Maintain appropriate documentation to support the selection of firms to perform bond counsel services for University transactions. Further, the University should ensure that a valid contract is in effect for all debt transactions processed by the University.

Finally, the University should maintain appropriate documentation to support that contractual rates were paid for bond counsel services.

- d) Require its evaluation teams to completely and adequately document the scoring for award of University business for Issuer's Counsel services; document the emergent necessity to continue operating under agreements which have expired; timely re-bid for Issuer's Counsel services; and, ensure that professional fees, as delineated in contractual agreements for Issuer's Counsel services, are complied with.
- e) Maintain appropriate documentation to support the selection of firms to perform trustee/paying agent/registrars services for University transactions.

University Response

The following constitutes the University's response to Recommendation Number 11 regarding procurement of external financing parties:

- a) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to evaluation processes and retention of evaluation materials. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing.
- b) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including appropriate retention of vendor pricing information and executed contract documents. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing. The procurement file also contains the RFP and the

responses to the RFP including the Pricing proposals. The bond transcripts contain the executed contract for Underwriter services and are maintained in Capital Financing.

- c) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to the duration of contracts and payment terms. Bond Counsel fees are reviewed by University Legal Counsel and Capital Financing and records are maintained by Capital Financing. The statement of overpayment of \$52,256 to bond counsel is accurate. But on other similar transactions that occurred during the audit time period, the University underpaid bond counsel by \$73,341. The net underpayment for the audit period was \$21,085 for bond counsel.
 - d) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including information related to evaluations, duration of contracts, any emergent circumstances, and payment terms. The University will continue to pursue timely selection of professional services with the confines of the Illinois Procurement Code, including initial solicitations and renewals. The statement of overpayment of \$53,819 to issuer's counsel is accurate. But on other similar transactions that occurred during the audit time period, the University underpaid issuer's counsel by \$73,524. The net underpayment for the audit period was \$19,705 for issuer's counsel.
 - e) The University will enhance or establish procedures to improve and maintain documentation of procurement undertakings, including appropriate retention of processes and expenditures. Capital Financing, in conjunction with Purchasing, has instituted a procedure for the acquisition of services through the RFP process. Responses to RFPs are evaluated by an Evaluation Team comprised of two groups: the Technical Review Committee (TRC) and the Interview Committee (IC). Interviews are optional and may be required if several of the respondents are new to the University or if the scoring from the TRC is relatively close. The procedure for the acquisition of services starts with the development of a timeline for the process. Documents used in this process include: the Evaluation Instructions; the Summary of Technical & Pricing Scoring; the Technical Evaluation Scoring Grid for each Evaluation Team member (signed by each Evaluation Team Member); the Pricing Scoring Grid; and the (optional) Interview Evaluation Scoring Grid. These documents are kept in the procurement file for the service and maintained by Purchasing. Because of industry consolidation, there are few Trustee/Paying Agent/Registrar firms with the scale necessary to serve the University. Bank of New York Mellon is one of the largest surviving firms. The State of Illinois recently selected Bank of New York Mellon as the Paying Agent for the Rail-splitter bond issue. The re-bid process for the Trustee/Paying Agent/Registrar services was completed by the University on October 31, 2011.
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CONSTRUCTION MANAGERS

Recommendation Number 12

The University should establish a University policy with specific requirements related to the selection, approval, and use of construction managers. This policy should ensure the maintenance of sufficient documentation regarding the selection of construction managers and justification for the necessity of their services.

University Response

The University's Qualifications Based Selection Policy was updated on June 9, 2010 which removed the references to "Construction Manager". A policy with guidelines for selection of construction managers for University capital projects has been drafted and will be implemented.

USE OF ALTERNATES

Recommendation Number 13

The University should establish a University policy detailing requirements related to the selection of construction contractors with bid proposals containing base and alternate bid prices. These policies should ensure the consistent selection of contractors with these types of proposals as well as the documented support for current practices followed.

University Response

The University will develop and implement a policy governing the method for utilizing alternate bids.

FAILURE TO MAINTAIN REQUIRED PROCUREMENT FILE DOCUMENTATION

Recommendation Number 14

The University should maintain solicitation and procurement bulletin documentation as required by the Administrative Code. Additionally, the University should ensure that all construction contracts are maintained for each division and these contracts contain all required signatures.

University Response

The University maintains procurement file documentation in electronic and paper format. All construction contracts are maintained for each division with all required signatures with the University's Board of Trustees' contract imaging system. This system is in a secure environment and maintains the fully signed contracts that are referenced in the discussion of Recommendation Number 14. In order to gain efficiency, the University will continue to refine its processes and continue the transition to an electronic record management system.

FAILURE TO MAINTAIN A/E SELECTION DOCUMENTATION

Recommendation Number 15

The University should maintain adequate documentation to support the process of selecting Professional Services Consultants associated with construction transactions. The University should ensure that all required evaluation materials are included in the file as directed by the Illinois Procurement Code and Illinois Administrative Code.

University Response

The University will ensure that all required evaluation materials are included in the file.

CHANGE ORDERS

Recommendation Number 16

The University should ensure that the Executed Change Orders report only contains items that are truly change orders for work which the University has approved prior to the completion of the work. Additionally, the University should not allow contractors to string change orders to separate items to avoid obtaining Board approval for the change. Finally, the University should take all steps necessary to ensure that contractor bids contain all the elements required to complete the construction project, eliminating the need to increase project costs after the competitive bidding process is completed.

University Response

The University agrees that the Executed Change Orders Report should fundamentally contain items that are change orders for work which the University approved prior to the completion of the work. It should be noted that claims by contractors are often presented subsequent to project completion. Because the only vehicle in contract documents recognized as an authorized change to contract requirements and amount are change orders, those elements of claims which are approved for compensation are processed as change orders.

The University agrees that change orders should not be strung into separate items to avoid obtaining Board approval. It should be noted the contractors respond to RFPs and do not scope or classify the changes. Additionally, the example selected regarding stringing involved a broad multi-basis single claim by a contractor with two separate contracts. The negotiated settlement involved both contracts and separate causes within each contract. Although an argument to combine everything could be made, the changes themselves were logically separate subjects. The changes were prepared in a single group for approval as four separate change orders for the purpose of transparency. Additionally, accompanying justification was provided for each separate change order. These actions were taken to expressly guard against any appearance of stringing.

The University agrees that all reasonable steps should be taken to ensure bids contain all the elements required to complete the project without change orders and a need to increase costs after bidding. It should be noted that 50% of the examples presented were

essentially reassignment of work and were not cost increases, but reassignments to reduce costs, meet schedule and increase effectiveness. The remaining examples were attributable to errors and omissions of the professional service consultant.

LACK OF MAFBE AND SUBCONTRACTOR REQUIREMENTS

Recommendation Number 17

The University should establish University policies detailing MAFBE, subcontractor, and “spreading the work around” requirements. These policies should ensure the consistent collection, evaluation, and verification of these requirements when selecting construction contractors.

University Response

The University awards construction contracts as per the Illinois Procurement Code utilizing the sealed bid process. In January 2011, a new University policy on MBE/FBE Goals in Capital Construction Procurement was issued. The policy was developed and issued in part to achieve compliance with P.A. 096-706 (SB 351) and P.A. 096-1064 (SB 3249). The procedures to effectuate compliance require the identification of prime contractors and subcontractors/suppliers/vendors by the MAFBE and non-MAFBE status.

QUALIFICATIONS BASED SELECTION POLICY

Recommendation Number 18

The University should ensure all University policies required under the Qualifications Based Selection Policy for Capital Professional Services are complied with as required under the State of Illinois Architectural, Engineering, and Land Surveying Qualifications Based Selection Act.

University Response

The University will ensure compliance with all policies required under the QBS Act.

EVALUATION PROBLEMS AND EXTERNAL INVOLVEMENT

Recommendation Number 19

The University should strengthen and consistently follow evaluation committee requirements as well as internal fiscal and administrative controls. Additionally, if the University finds it necessary for an external party to overrule the wishes of the evaluation committee, it should adequately document these decisions to provide a level of fairness and transparency in the procurement process. These requirements should aid in preventing inconsistencies, errors, and discrepancies in the selection process for A/E professional service consultants and prohibit the over involvement of personnel external to the evaluation committee.

University Response

There has been significant change in the organizational structure of the University. The Board of Trustees and senior University management have been reorganized to enhance appropriate oversight and accountability while ensuring that there is no inappropriate involvement of personnel external to the evaluation committee in the decision making process related to A/E capital transactions. University and campus offices have been restructured to provide a more transparent and consistent capital delivery process. The University will adequately document the selection of architectural/engineering firms to provide a level of fairness and transparency.

OVERSIGHT OF SUBCONTRACTORS AND MAFBE

Recommendation Number 20

The University should:

- Obtain sufficient contractor and subcontractor information in proposed bids including MAFBE information to ensure such information remains consistent throughout the selection process and in the final University contract.
- Establish policies and procedures to ensure that 1) MAFBE is consistently included as a criterion during such evaluations, and 2) MAFBE and other applicable criteria are scored and/or ranked consistently by evaluators.

University Response

In January 2011, a new University policy on MBE/FBE Goals in Capital Construction Procurement was issued. The policy was developed and issued in part to achieve compliance with P.A. 096-706 (SB 351) and P.A. 096-1064 (SB 3249). The procedures to effectuate compliance require the identification of prime contractors and subcontractors/suppliers/vendors by the MAFBE and non-MAFBE status.
