



Chairman: David Vaught

Members: Ed Bedore, Ricardo Morales, Larry Ivory, Bill Black

Minutes – August 16, 2012 Meeting

Present in Springfield: David Vaught
Ed Bedore
Bill Black

Present via Telephone: Rick Morales
Larry Ivory

The Board started the meeting by confirming attendance at 10:15 a.m.

A motion was made to allow Member Morales and Member Ivory to participate by telephone by Member Bedore and was seconded by Member Black. The motion was unanimously approved.

First on the agenda was the approval of the minutes from the July 17, 2012 Board meeting. Member Black made a motion to accept the minutes as printed and was seconded by Member Bedore. The motion was unanimously approved.

Next on the agenda was CMS Facilities. In attendance was Deputy Director of Property Management at CMS, Nick Kanellopoulos. Mr. Kanellopoulos updated the Board on CMS activities since the last meeting. As of today, the total leasing cost reduction stands at \$50.5 million, which is an annualized number. The square foot reduction of leased space stands at 2.25 million square feet. Also, Mr. Kanellopoulos wanted to note that \$50 million figure does include the fact that July 1, 2012 the Statewide Security contract increased 2.3% due to a prevailing wage increase. Previously, Mr. Kanellopoulos had updated the Board on CMS consolidation efforts in Chicago utilizing Jones Lang LaSalle (JLL). As the Board is aware, a lot of that involved DCFS moving out of a west side facility that was costing the State about \$640,000 a year and into State-owned space. CMS closed a DCFS office in Skokie and moved it to the ISAC Building in Deerfield, which is a lease-to-own and the State will own next year and that saved about \$700,000 annually. CMS had JLL take a look in Springfield and the main building that they are looking at right away is the EPA Building. This Board has asked CMS to take a look at an IDOT lease on Stevenson Drive and an HFS Inspector General lease on Chatham Road for potential consolidation opportunities. Mr. Kanellopoulos stated that he can report to the Board that CMS has completed a floor plan to move the 120 IDOT employees from Stevenson Drive to the EPA Building. Once CMS has dates of completion, their next step will be the HFS lease on Chatham Road. Mr. Kanellopoulos stated CMS believes that there are potentially 300 additional employees that can be housed at EPA. That number is a little high due to the fact that some of the space may not be able to be utilized as pure office space. Mr. Kanellopoulos stated that he would keep the Board updated as CMS continues restacking that building. Mr. Kanellopoulos stated that he has previously updated the Board on their efforts to reduce or eliminate the use of office space to house files, particularly in Chicago. DHS, for example, has a lot of file needs and a lot of their offices currently have very large file rooms and have files in hallways, offices and conference rooms. It was a decision made by CMS working with DHS to create a central warehouse in Chicago that would be not just paying warehouse rates to house the files, but DHS employees will set up a document management system so when files are needed at local offices they can simply be scanned and sent over. This has allowed CMS to terminate a very large DHS lease at 500 N. Pulaski in Chicago. That lease cost the State just over \$600,000 a year. By removing the files from 500 N. Pulaski and removing the files from the targeted location, which is at 4100 W. Chicago Ave. That provides enough space to move the 40 employees without doing any kind of work at

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the Chicago Ave. address by simply using empty work stations and set up cubicles obtained from State surplus to house the additional employees. Mr. Kanellopoulos stated that this project is just beginning and hopes to have more consolidations by eliminating files. Then when leases come up for bid CMS would eliminate the file rooms completely from the specs and in some cases reduce square footage by 15%-20%.

Member Bedore wanted to confirm where the Inspector General on Chatham is going to go. Mr. Kanellopoulos replied that the plan is to put them at EPA. The reason for that is because they are an Inspector General and HFS doesn't think that it is appropriate to have them housed within other HFS space because people will see people going to the Inspector General and wonder what they are doing. Currently, there are no HFS employees at EPA Sangamon and this is also another building that is a lease to own and will be State-owned space. Member Bedore asked at one time were they considered for the Franklin Life Building. Mr. Kanellopoulos replied they were.

Next was the update on the State Police Headquarters/Franklin Life Building. Mr. Kanellopoulos stated that their goal for Franklin Life is to move in the Attorney General (AG), which is still on hold. However, the Gaming Board is hiring more investigators and CMS has given them two floor plans to house up to 53 more employees at AIG. Member Bedore wanted to know what the problem is with the AG. Mr. Kanellopoulos replied the only issue is trying to get in front of the AG and her staff to present them with the two options that CMS gave them and get an answer. The staff CMS works with is trying to do that. Member Bedore commented that you would think since their budget is being cut that it would not be difficult to respond. Mr. Kanellopoulos stated that he would keep the Board informed as things move forward.

Member Bedore stated that he read an article in the newspapers here last week about the water shortage. He stated the he didn't know that the second largest user of water is the State of Illinois Government and the papers went around asking everyone what their plan was and when CMS was asked their response was that they didn't have a plan and have no comment beyond that. Member Bedore thought it was a very poor response from CMS to another governmental agency regarding a crisis. Mr. Kanellopoulos replied that he believes that it was a poor choice of words because in actuality before that story CMS had implemented all the water restrictions that CWLP requested to be implemented. Most of the CMS buildings do not have grass or trees to be watered and although the State may be the second largest user of water he believes that the Capitol Complex, which is not under CMS control, is a lot bigger than the property that CMS controls in the city limits.

Member Black stated that since most of Central Illinois is in a recession he wanted to know how the prevailing wage increase came about since most prevailing wage rates have stayed stable and wanted to know what prevailing wage increases they encounter. Mr. Kanellopoulos replied that it was for security guards. CMS has a statewide security contract and most of the facilities that are leased or owned by CMS, with the exception of the Thompson Center and the Bilandic Building, CMS utilizes this contract and on July 1, 2012 there was a prevailing wage increase that averaged about 2.3%.

Next was DHS lease review of 5490 at 1601-13 W. Jefferson in Joliet. Mr. Kanellopoulos stated that this office has 23 employees and are increasing the square footage from 5,600 sq. ft. to 6,300 sq. ft., this office has grown and the square footage per employee is excellent. CMS was able to keep the base rent at the same rate. Mr. Kanellopoulos stated that this is a very busy DHS office and in the best interest of the State asked the Board for their approval. Member Bedore asked if any improvements like painting or carpeting have been done since moving in. Mr. Kanellopoulos replied that at lessor cost he is going to do painting, carpet and all of the remodeling for the additional 1,100 square feet being added. Member Bedore wanted to know if Mr. Kanellopoulos knew what other square footage rates where in other buildings in Joliet. Mr. Kanellopoulos stated that as of now all of the CMS leases in Joliet are with the same landlord and it seems that a lot of opportunities in Joliet seem to have the same landlord. Member Bedore inquired that DHS only occupies 10% of the building and wanted to know if Mr. Kanellopoulos knew what the other tenants were paying. Mr. Kanellopoulos replied that he did not. Chairman Vaught asked if this is a flat rate with no option to terminate the lease. Mr. Kanellopoulos replied that is correct. The issue here was that in order for the landlord to do the painting, carpet and to do the improvements needed he agreed to take on those costs and had to re-finance his note. The Bank would not refinance the note unless he got the five years firm and in their opinion DHS is not going to get any smaller and is not going to move out of Joliet in the next five

years. Giving him a five year firm lease does not seem unwarranted in this situation. Chairman Vaught asked is it was just for DORS. Mr. Kanellopoulos replied affirmatively. With no further questions a motion was made by Member Bedore for a no objection for lease 5490 and was seconded by Member Morales. With a vote of 5-0 the motion was approved.

Next was the report on Printer Consolidation. In attendance was Will Walker with CMS. Mr. Walker stated that he was going to touch briefly on some of the topics previously discussed. The print reduction program continues to move along quite rapidly and is up to about 8,500 printers that have been eliminated out of State Government. CMS has recently completed DCEO and removed almost 300 printers, which is about 84% of them.

The I-Cycle program continues to make people more aware of the program and try to turn what use to be a cost center into a revenue generator for the State of Illinois. Right now there has been 6 million pounds of paper that have been recycled and if you look on down a little further you will see the money that we are generating from scrap metal, traditional recycling and through the industries program and the total revenue generated from recycling right now is coming up on \$1 million.

CMS continues to work with the Department of Corrections (DOC) and want to expand their program statewide. There are a lot of hurdles to cross but it continues to move forward. Electronic recycling is coming up on about \$5 million savings to the State by the use of State-use Vendors. Digital imaging has had some technical glitches with the Prisoner Review Board and Bureau of Benefits, but it is making progress and is moving through some of those problems.

CMS is excited about E-time. Instead of having to complete a lot of paperwork just to take an hour off to keep track of people's time CMS has moved to a completely electronic system that will save CMS about a million dollars per year with this program and improve productivity and reduce paper costs. CMS would like to move this out to other agencies as well and will continue to move down that path over the next two years.

The other thing to note is surplus. There is an I-Bid program out there and they are trying to move their entire surplus away from a paper process and having a live auction on air and having everything electronically so no paper will be used and people can go out there and bid on the products. By having this on the Internet it has really increased the revenue to the State.

CMS is also continuing with the purchase of GSA cars. They have been to a few auctions and have purchased about 80 cars which have been deployed to help improve the State fleet and hopefully everyone will be driving a decent car with better fuel efficiency. Chairman Vaught asked if Mr. Walker has a current count of how many cars have more than 150,000 miles on them. Mr. Walker replied that when he arrived the number was a little over 55% of the vehicles were over 8 years old and 150,000 miles. They turned the division of vehicles upside down and started a new program and have moved that number down to about 50% of the cars now. Their goal is to get that number down into the teens, but that is going to take a few years. Member Bedore asked what the mileage is on the cars purchased from GSA. Mr. Walker replied they try to buy low mileage vehicles between 25,000 – 50,000 miles and only a few years old. The cars cost on average about \$10,000. These cars are from the Federal Government and have a rigid schedule for dumping vehicles pretty quickly. The State employees who have driven some of the cars have been extremely happy with them.

Member Black commented that he recently read some studies that other States are doing where they are trying to cut down or eliminate their State fleet because it is cheaper to have employees drive their own car and submit mileage reimbursement. Mr. Walker replied in some cases it is true. The current mileage reimbursement is at \$.55 per mile. It costs CMS about \$.36 a mile to operate a fully utilized State vehicle and by that he means the car cannot sit four days out of seven. The car has to be going 8 hours a day five days a week to make sure it is a fully utilized State vehicle. So if the cars are not being used all the time then it is cheaper to do it in-house then to do it the other way. To reimburse at \$.55 a mile can get expensive rather quickly. CMS has what is called a break even and when an agency or an individual needs a car we make sure and map out what kind of miles are going to be used to justify the use and a break even analysis

on the car. If there are going to drive less than on average about 9,000 miles or less a year then it is cheaper to reimburse the employee and if they are going to drive more than that then CMS would recommend they get a State vehicle. Member Black stated that it is the capital costs that some people are looking at because cars are not getting any cheaper. Member Black stated that four years ago he asked two directors at an appropriations committee how many cars and cell phones they had and they both said they had no idea. Mr. Walker stated that with this new program they are making agencies very aware of their transportation costs. One of the things that CMS is investing in is a computerized system to help them better manage the fleet. This will keep track of mileage, where cars are at, how often they are being used, fuel reduction, gas reduction and those types of things to make sure that the fleet is being used properly. Member Black stated that he would go to a movie in Champaign at the Savoy 16 Movie Complex and park next to a car with a U plate. There would be a radio show he would do and calls would come in asked what's a State car doing in the Savoy 16 parking lot on a Friday night at 6:30 p.m. I know I didn't always satisfy the calls. Mr. Walker replied that fleet vehicles do not have GPS so they don't know where vehicles are. Certainly management would have to come into that and people need to know that they can be held accountable. If you see a vehicle like that with a State plate that you think is being inappropriately used then let him know. CMS wants to be made aware of those things so the more they know about those things the more they can talk about them and the more they can reduce the abuse.

Member Bedore asked if all State vehicles with the exception of undercover cars have State plates. Mr. Walker replied that all State vehicles have U plates, of course with the exception of the ones who have to have straight plates for undercover vehicles. Member Bedore asked how many vehicles the State has, not including State Police. Mr. Walker replied about 9,000 passenger vehicles are owned by the State and about 3,000 trucks. Member Bedore asked if that included the Universities. Mr. Walker replied no it does not the Universities operate on their own system. Member Bedore commented that we all know that they operate in their own system that was proven. No further questions or comments were made.

Next on the agenda was the Toll Highway Authority Conflict of Interest Review for Collins Engineers. Director Aaron Carter stated that this is a potential conflict of interest for Collins Engineers who is the sub-contractor for Millhouse Engineering. The contract has a value of \$336,000. The potential conflict lies in the vendor Collins Engineers who has an Executive Omar Nashif, and his son Manar Nashif, works as a project manager for the Illinois Tollway. It wouldn't necessarily be a 50-13 conflict because the ownership interest does not reach the required threshold, but possible a 50-35. Director Carter stated that members of the Tollway are present to speak to it.

Representing the Toll Highway Authority were Tiffany Bohn, Assistant Attorney General, Pete Foernssler, Executive Chief Engineer, and Ted Gibbs, Deputy Chief of Staff. Also present were John Storino, Attorney for Collins Engineers, and Dan Cecchi, Executive Vice President with Collins Engineering. Mr. Foernssler stated that Manar Nashif is a Senior Project Manager in the Engineering Department. He is the son of Omar Nashif. Millhouse Engineering is performing construction inspection services in which Collins Engineering is a sub-consultant for and is working on the Jane Addams Memorial Tollway. Manar is assigned to the Elgin O'Hare western access corridor, which is an entirely different corridor. Just to give you a background, when this solicitation was being developed Manar had no involvement in the development of the solicitation and had no involvement in the review of the solicitation and was not on the selection committee in which Millhouse Engineering was selected. In addition, Manar was not part of any part of the negotiation associated with the fee and he will not be involved directly or indirectly in the management of this contract.

Member Bedore asked if the Tollway selected Collins Engineering or was it the prime that did the selection. Mr. Foernssler replied that the Tollway selected Millhouse Engineering as the prime, but as part of the solicitation the Tollway is informed of the entire team that Millhouse puts together to perform this work and Collins Engineering was included in their response to the solicitation. Member Bedore wanted to confirm that the Tollway didn't select Collins and approved it because it was a sub. Mr. Foernssler replied affirmatively. Member Black wanted to know if someone from the Tollway could explain one of the references to the son, Manar Nashif was identified as a Senior Project Engineer and most of the other references call him a Project Manager. What is he? Mr. Noernssler replied that he is a professional engineer. Member Black asked is he a Senior Project Engineer or just a Project Manager? Mr. Forenssler replied that he is a project engineer in which he manages various design, planning and construction projects for the

Tollway. Member Black wanted to confirm that he was not involved in any of the planning on the segment that is being talked about here. Mr. Foernssler replied that he had no involvement in any aspect of the planning or involvement of the solicitation.

Member Black stated that if this was in the newspaper, father/son, the average person out there is going to say, "well, the more things change the more things stay the same". Family is nepotism, but he is sure there is not any actual conflict, but it is what Illinois has struggled with for years. To the average person who would read this they would say "oh, father/son" that is the sticky issue that we get into on some of these things. Member Black asked what their reaction would be if a reporter called and said, "Can you explain this"? Ms. Bohn replied that this was actually a courtesy disclosure. None of the trigger points of 50-35 or 50-13 are covered by this situation. Under 50-13 it is unlawful for Tollway employees to tell their spouses and minor children to have a contract or any interest in a contract, but here neither Omar or his son have a contract or any interest in the contract. So, this courtesy disclosure was made in interest of full transparency so there is really nothing about it that Ms. Bohn believes triggers any grounds of impropriety. Member Black stated that he worked in the General Assembly for 25 years and any courtesy extended is much appreciated, often not granted or offered, but appreciated. Member Black was glad it was brought to someone's attention. Member Black stated that he is sure that someone at the Tollway has looked at this and in their best judgment there is absolutely no conflict of interest that would or could be levied between these two individuals. Would that be your reaction to this? Ms. Bohn replied affirmatively.

Chairman Vaught asked if their disclosure stated who participated in the procurement. Mr. Foernssler replied that in Collins disclosure it did not state who was involved in the original solicitation and the selection. Chairman Vaught wanted to clarify that what they are hearing today is that this engineer did not participate in the procurement. Mr. Foernssler replied affirmatively. Chairman Vaught stated that the Board is hearing who did participate in the procurement. Is that correct? Mr. Foernssler replied correct. Other representatives from the Engineering Department were a part of developing the solicitation. As part of the selection of Millhouse Engineering on the selection committee are representatives from the Engineering Department. We actually have a representative from the Illinois Department of Transportation as well as an independent engineer that does not perform any work for the Tollway. It is typically a retired engineer. Chairman Vaught asked if Manar reported to any one of the people who were involved in the procurement. Mr. Foernssler replied yes he does. He reports to his superior, the Chief Engineer who is the head of the Engineering Department. Chairman Vaught stated that the connection, if there is one, tell him if he is wrong with this conclusion, the Engineering Department supervises both the Jane Addams project and the Elgin O'Hare project and the people responsible for this procurement supervises both of those and they have one family member working on one of those projects and another family member working on the other project. Is that a fair summary? Mr. Storino, the attorney representing Collins Engineering, replied he would like to correct one thing in the summary. The Tollway gave you a Tollway side and on the Collins side the father, Omar Nashif, had no role what-so-ever in bidding or the contracting process for the Tollway. He is not going to be involved in this project in any way, shape or form. He wasn't going to be before this happened and he certainly isn't going to be now that this has risen to the level that it has. He is a part-time employee at Collins Engineers. Collins Engineers will put up effective screens to formally keep him totally screened off this project. Mr. Storino stated that the Tollway attorney adequately outlined under Section 50-13 (a) and (b) that this isn't a conflict of interest under the plain language of the statute. Under Section 50-35 a disclosure and a potential conflict of interest section Collins did exactly what it should and disclosed the conflict and wanted to point out the Board that this exact same conflict of interest was disclosed in an early Tollway contract back in December 2009 and in January of 2010 Governor Quinn issued a letter. Mr. Storino stated that he knows the law has changed since then, but back then the Governor review this potential conflict of interest and the Governor's Office....Chairman Vaught told Mr. Storino not to use that vague term. Did the Governor issue the letter or did someone who works for the Governor issue the letter. Mr. Storino replied he provided a copy to one of the staff members this morning. It was Governor Pat Quinn who issued the letter on January 20, 2010 saying that he did not find there was an actual conflict under the Code and that it was in the best interest of the State to allow this contract to go forward. Then that letter was sent to the Director of CMS, James Sledge, and he approved the contract going forward. Mr. Storino stated that they do not believe that this is a conflict of interest in any way, shape or form....Chairman Vaught said you just said that this was under the prior law. Chairman Vaught stated that Mr. Storino is sighting the prior law instead of SB51 here today. Mr. Storino replied that the conflict of

interest law 50-13 that is what he is saying that there is not conflict of interest on. Chairman Vaught said no, that he had just cited a letter under prior law correct? Mr. Storino replied affirmatively. He believes that it is persuasive authority that this exact same relationship and conflict has been approved. Then you move to today and under 50-13 (a) and (b) there are no conflict of interest and he believes that Director Carter, when introducing the issue, acknowledged that. There is no dispute about that. Chairman Vaught stated that he is trying to understand the factual argument and he thinks that he understands your factual answer that you are saying the company, not the father, is working on Jane Addams and the son is working on Elgin O'Hare and the supervisor of the son was involved in the procurement. This is factually correct? Mr. Foerssler replied, which was me, was not involved in the procurement...Chairman Vaught stated that they telling the Board who was not involved in the procurement and the Board is trying to understand who was involved. Mr. Foerssler replied the Chief Engineer is the head of the entire Engineering Department was a part of the selection process. Chairman Vaught said that he supervises the son, correct? Mr. Foerssler replied affirmatively. Chairman Vaught stated that he participated in the procurement where the father is an employee of the firm that received the Jane Addams project. Is that correct? Mr. Foerssler replied that Collins Engineering was a subcontract or to Millhouse Engineering and the Tollway selected Millhouse Engineering.

Member Bedore stated that he wanted to talk about the letter from the Governor since what Mr. Storino is quoting from the Governor's Office is something that was prior to SB51. That letter has nothing to do with the present law. It was written before SB51 went into effect. Mr. Storino replied that he understands, but looking at the current law there is no disagreement that this is not an actual conflict of interest under 50-13. Mr. Nashif is a part-time employee at Collins and wasn't involved in the contracting or bidding of this contract in any way, shape or form. He is not going to work on it. For private enterprise a potential conflict of interest rules when there is no connection to the family member or between the family members here on the project it would really hamper their ability to do business. Member Bedore stated that he believes it is under 50-35 and believes the operative word in there is the appearance of a conflict. Everyone is quoting 50-13 and he would like to quote 50-35. Mr. Storino replied that he would like to quote a different part of 50-35. In 50-35 (c) it expressly states that the disclosure of a potential conflict of interest is not intended to prohibit or prevent a contract or rather it is just to ensure that the agency is aware of the potential conflict and the situation. That is exactly what has occurred here. The Tollway is fully aware. They got the necessary information from Collins and have done their due diligence and are satisfied that there is no possible actual conflict of interest. In his view 50-35 has worked perfectly here. It was disclosed, everyone knows, there has been a full hearing on it and everyone has their cards on the table. The Tollway doesn't believe there is any problem in any way. Ms. Bohn also wanted to state that in 50-35 the requirements to report financial disclosures are only triggered if there is an ownership interest in the entity. Mr. Nashif has no interest in ownership in the company so the disclosure would not be triggered.

Mr. Todd Turner, legal counsel for the Board, asked for Ms. Bohn to explain how they read 50-35. Ms. Bohn replied that 50-35 (b) disclosures shall include any ownership or distributive income that is in excess of 5%, or an amount greater than 60% of the annual salary of the Governor. Mr. Nashif has no such ownership interest. Member Bedore wanted to state that no one is accusing the Tollway or Collins of doing anything wrong.

CPO Matt Brown stated that this particular conflict of interest was forwarded to the Board under his jurisdiction and he would be happy to explain to the Board the due diligence involved for him to determine that he thought it should proceed to the next step of review and discussion over conflicts. Upon receiving identification and disclosure of this relationship, they identified it as a 50-35 potential conflict of interest. In his office they do test each identified individual's related income thresholds and the elements described in statute to determine if one or both, 50-13 or 50-35, was triggered. It was determined under his review that a 50-13 actual conflict was not present, and indicated that in their submission to the Board. At that point they focused on the 50-35 aspect of a potential conflict of interest, which included some statutory triggers that related to income and ownership interest. It is also triggered by familial relationships, by business relationships, by subsidiary subordination issues, and parent companies are a lot of things that they look at. In this case they sought to do following things, 1) identify the individuals, 2) ask for descriptions from each party as to the job descriptions, responsibility and official capacity of the individuals, and 3) whether or not they had any intersection of work product what-so-ever as it relates to the delivery of product on Jane

Addams and as it relates to supervisory responsibilities in related tasks or transactions. So the issues could not ultimately cross co-lateralize somewhere else in the organization. They found no such intersections and no such co-laterally where they thought the event could be influenced by another at the levels of performance. CPO Brown stated that he did appreciate the Chairman's comments that as you go up the chain in the organization it is ultimately an agency executive's responsibility and their principal subordinates to provide direction and supervision over all these individuals and clearly know that it is an opportunity for problems to occur if someone where ultimately conflicted. Their focus here were the principals identified the father and son. Again, knowing what their relationship was the potential intersections anywhere in the organization for work product and not just the one particular project that was led here. At the point the CPO's office identified all of that CPO Brown sought an affirmation from the Director of the agency asking her to verify the consistency of conflict of interest policies as well as the application of their personnel and internal personnel policies and verification from a management perspective they are also vetting this transaction. At that point they saw fit to provide this and advance it to the Procurement Policy Board and indicated to them that he was not able to find a potential conflict that would terminate or refuse to see a contract to execution.

Mr. Turner wanted to answer Member Bedore's question about 50-35. He stated that we can argue about whether disclosure had to be made, but the fact is that disclosure was made and puts you under paragraph (b) of that Section. Once you know of a potential conflict regardless of how you found out it is still something to consider. Member Bedore asked once it is disclosed? Mr. Turner replied whether it had to be or not once it is disclosed it is out there and something that needs to be considered. Ms. Bohn wanted to add that Millhouse Engineering is a disadvantaged business enterprise and to void their contract at this point would be incredible costly and time consuming both to them and to the Tollway.

With no further questions or comment being made a motion to allow the contract to proceed and no objection from the Board and was seconded by Member Black. With a 4-1 vote the motion passed with Member Bedore voting no.

Next on the agenda was BLDD Conflict of Interest Final Update. Director Carter stated that since the Board's last meeting the University Of Illinois Board of Trustees took the Board's recommendation to void this contract a second time based on the potential violations of the Procurement Code and voted themselves to void this contract with BLDD based on the appearance of any impropriety with process. Following that recommendation CPO Bagby provided the Board with a letter in response to the Board's letter to void concurring that it was in the best interest to the State to close out the contract and move forward in a new direction.

Chairman Vaught asked if CPO Bagby wanted to add anything. CPO Bagby replied that the best thing to say is that we are moving forward and taking a different direction.

Member Black stated that he wanted to thank the Board of Trustees. The University handled this very quickly after our last meeting. The response of their Chair was very positive in nature and would in fact move forward and that what really pleased him was that the University will hold itself to the highest possible standard and he thinks that is what he has always expected from the University and always known them to do. He is glad that this is behind us and we will move forward.

Next on the agenda was the Conflict of Interest Policy. CPO Bagby stated that at the last meeting he presented a draft conflict of interest policy to address a narrow situation where an employee of an agency/university is also employed in the procurement office or conducting procurement related functions with the basic premise that it is not good situation to be in. Also to recognize there could be some situations where we may not have much of an alternative to let something go forward and would be in a very controlled fashion and in keeping with the idea that we do want to work together and try to get a policy that is workable, acceptable and alike and has been fully vetted as much as possible. CPO Bagby did ask for comments not only from the Board, but also from the various Universities. He has received some comments from the Universities and after discussions today will have to work on something with subcontracting. The Universities didn't raise much of an issue with this although they did raise one generic kind of problem. Not so much in the Chicago area, but in every area where it is a University town. It is a common practice for a

University employee that has a spouse who either works for the University or in the community and often times that community may mean business and the University may have to deal with that business. In some places there isn't that much of a choice and that is why sometimes you are going to have to have a situation where something is going to have to be looked at and make a determination whether there really is a problem. He hopes that this is a very limited situation. CPO Bagby stated that there is one provision in here that addresses the small conflicts and was put in early because of the volume and based on the comments from the last meeting that is one that will have to be X'ed out. CPO Bagby asked if the Board had any comments on the draft that was presented at the last meeting.

Member Bedore wanted CPO Bagby to explain on the first page the sole economically feasible source he couldn't read it because of the DRAFT written on the page. CPO Bagby replied that it is just a situation there may be no other real choice to deal with a University employee who has a potential conflict. It is sole economically feasible source. Sole source and economically feasible source are both in the same section of the Procurement Code. Those are two variations of a theme. In sole source there is just no other option and sole economically feasible means you are paying an awful lot to do anything else and that is a judgment call and that will be looked at different than something that is actually sole source with no other option. Member Bedore stated that there could possibly be a conflict of interest, but you would waive it because it is economically feasible. Member Bedore stated that he is having a problem here going to a sole source even though there may be a conflict of interest. Can you give the Board an example of a sole source? CPO Bagby replied he can't give him an actual situation, but let just say that a State employee's spouse happens to be a blood supplier of a rare blood. Something like that where you cannot get it from anyone else or perhaps a medical device that is proprietary that you really need to go forward. You either get that device from that person or you don't. The option of not having the device could be very difficult. Member Bedore stated that if a professor wanted a particular device that he knows that his wife sells and there is the only one that has it so you would go with a sole source – to him that is still a conflict of interest. How do you distinguish whether he could use something else? CPO Bagby replied that if your doctor says you need an ABC stint are you going to tell him no I want the XYZ stint because... CPO Bagby stated that this doesn't happen very often and believes it is going to be extremely rare, but to try and put... Member Bedore stated that he has a problem with sole source to begin with and then to say to do a sole source even though there is a conflict of interest is concernign. CPO Bagby replied that sole source is a legitimate procurement technique and is provided for in the Procurement Code and there are some times you have no choice those things have to be looked at a little bit more carefully than others.

Chairman Vaught stated that it seems to him that you have a series of definitions of people involved in the procurement process and you have made distinctions about that, but it seems that there are situations where there is a form of indirect influence perhaps that derives from a relationship either from within or outside the agency and that part of the nature of the conflict of interest may be in fact these indirect influences. Chairman Vaught asked how CPO Bagby's memo is addressing those assuming they might exist from outside the procurement staff. CPO Bagby asked Chairman Vaught for an example of one of those. Chairman Vaught replied we just had one. Does the son working in a division where his supervisor, because of their very good working relationship, somehow influences the supervisor to favor his father's company. That would be about indirect influence. No one said that the son was involved in the procurement process. It seems to him that those by their nature take on judgment about what the relationship is, how close it is, was there an opportunity to influence or was there some improper influence. Chairman Vaught stated that it does seem that your exception is addressing that kind of judgmental thing and that's what makes it hard when the Board hears these matters. CPO Bagby replied that it is very hard to get into the mind of an individual and have any idea whether they are actually being harder on the situation than they need to be or whether they are giving some kind of considerations. He is not sure how you can prove or disprove that. The only way to protect against that is to put an absolute line and then where up the line do you go. Is it the Chief Executive Officer of the Agency or is it the next level down and the next level down. You don't ever know if the immediate supervisor, the upper one or the director of the agency or on the Board knows that person and somehow is exerting influence or someone is just saying, "I think I should do this because I think this is what someone else would like me to do". That is impossible to address on where you make that cut off. Chairman Vaught replied that he doesn't think the statute tries to make a cut off that is his point. Section 50-35 just says without a lot of definition when a potential conflict of interest is identified that is when this Board gets involved. What you are saying is that your memo is drawing some lines where it is hard to draw

lines. CPO Bagby replied that it is trying to make a determination of who is in a problem area and is covering a lot of area.

Member Black inquired about a situation about a year ago when some distinguished professors needed a particular piece of equipment for a very important research project and believe the amount of money involved required a bid and their position was that they didn't have time to bid. The equipment they wanted was the equipment they needed and therefore the State of Illinois was denying their very important research and that delay could not only hamper their research, but could destroy their research. As I recall there was a lot of consternation on campus about that particular incident. CPO Bagby replied he believes it was a need for a \$75,000 part for a centrifuge that they had to get from the manufacturer in California. The option was a \$400,000 new device. Member Black asked how that ended up. CPO Bagby replied that they ended up buying the part from the California Company. There was not conflict situation involved with this one.

Member Bedore wanted to address that in any situational conflict under this policy the University must prepare and submit to the CPO a plan for managing a contract in such a way that the employee with the conflict will have no involvement with the procurement. Member Bedore stated that he can see this coming down the road. The wife of the person from BLDD has now been transferred out. Now the CPO's office would be willing and the BLDD firm is acceptable to the University just because the wife was transferred out of that department. CPO Bagby replied that it would still be a 50-35 situation and would still go to the Board for review. Member Bedore stated that transferring her out is not the answer even though the University may think that it is the answer. Speaking of that where is the bid at for going out on the street? CPO Bagby replied that the University is preparing a revised solicitation and hopefully it will be on the street in the next week or so. Member Bedore commented that they have had it for over a month and have not put it out yet. CPO Bagby replied affirmatively. Member Bedore stated that he doesn't see the urgency as the Board was lead to believe because the building is falling down and yet it has been a month and has not been put out on the street and it still will not be out for another couple of weeks. CPO Bagby replied that the University wants to do a good job with this one and doesn't want to rush something.

Mr. Turner asked CPO Bagby for purposes of legal interpretation on his draft rules the exceptions lie both in Section 50-13 and 50-35 conflicts? CPO Bagby replied he believes so. Mr. Turner asked if he thought a policy could actually overturn the statute that states "it is unlawful to do certain things". CPO Bagby replied no. CPO Bagby stated that he understands and the draft could be re-written to address any concerns regarding that. Chairman Vaught thanked CPO Bagby for the draft and would continue working on this.

Next on the agenda was Procurement Compliance Monitors Policy and Procedures. CPO Bagby stated that at the last meeting the Board was wondering if the CPO's were going to be going forward the way it was discussed to bring the PCM's under the CPO jurisdiction. As of August 3 that has been accomplished and we have done work with the PCM's in their separate jurisdictions. Each CPO has had monitors assigned. CPO Bagby replied that he has four and has assigned them to the Universities that they will be dealing with. They are coming to his team meetings and are working together to try and address the issues under the Procurement Code and he thinks that they have accomplished what they started out to do. CPO Bill Grunloh stated the statute is plainly read and think that in the mind of the four CPO's have been corrected and appreciate the Ethics Commission working with them to get this accomplished. CPO Hahn stated that he agrees that all four CPO's worked hard to get a solution to this to bring the PCM's more directly under the CPO's and looks like it is going to bear a lot of fruit.

Member Bedore stated that at the past two meetings the Board has heard from the CPO's and for the past two months no one from the Ethics Commission has attended. Are they party to this. All of the CPO's replied affirmatively. Member Bedore stated that they are not here and pointed that out at the last meeting and guess they don't believe they have to be here. Member Bedore stated that you would think that all the parties involved would attend the meeting who signed the document. Director Carter stated that he will extend an initiation for them to attend the next meeting.

Next on the agenda was Legislation. Director Carter stated that Governor Quinn signed the Procurement Omnibus Bill SB2958 on August 3, 2012. The Board has reviewed the bill in the past and a copy of the bill has been provided in the meeting packets to the Board.

The next scheduled meeting for the Procurement Policy Board is set for September 6, 2012 pending Board confirmation.

With no further business to discuss a motion to adjourn into Executive Session was made by Member Bedore and was seconded by Member Black. The motion was unanimously approved.