Strategic Direction #7 – Business Operations

Final Report

Strategic Direction 7 – Centralize the System’s business administrative functions, where appropriate, in order to leverage resources and increase effectiveness of service throughout the System.

Executive Summary

Business operations consist of finance and accounting, internal audit, procurement, facilities and risk management and other institutional support services for the faculty, staff and students of the University of Maine System. [Business support services associated with student administrative support, information technology and human resources are covered by other SD #7 reports.] The efficiency of these services is maximized through the integration of appropriate technology, the establishment of proper processes and procedures, and a streamlined organizational structure.

The overall vision statement for SD #7 articulates the approach the financial management of UMS is taking to transform ourselves into more value added financial organization(s). The following specific initiatives are in progress by the senior financial management as we strive to reach this more value added, less transaction driven role:

7.1 **Enhanced CFO role within our institutions** – Increased participation in exploring creative solutions to closing the UMS financial gap.

7.2 **Complete PeopleSoft Financials implementation, other common software solutions** – Continue to strive for maximum utilization of this new ERP toolkit

7.3 **Accountability** - Establish improved system of internal and financial controls
   a. Preventative internal control procedures to improve operating efficiencies, accuracy in financial reporting and improved safeguarding of assets
   b. New financial planning process with enhanced accountability and transparency; includes financial parameters for campus debt capacity and techniques to improve the financial health of System institutions

7.4 **Asset management** – In conjunction with SD #6, establish strategies to renew capital assets to maintain and upgrade facilities
   a. Energy management
   b. Capital renewal – state funding for E&G facilities
   c. Facilities data management – provide accurate and appropriate data to facilitate critical facility decisions

7.5 **Collaboration** – Enhance partnerships with Maine’s community colleges, K-16 DOE initiatives, and within our UMS organizations, both financial and non-financial, to create seamlessness among our affiliated institutions
The Chief Financial Officers are an existing group which meets routinely. As a result of this strategic initiative, we have taken a fresh look at the role of the senior financial management in the UMS and the long-term vision for our financial organizations. This report serves to articulate that vision and the related implementation initiatives which are in progress.

The backbone for many of our recommendations is the successful deployment of our new PeopleSoft Financial System. As noted in our previous reports, this system has many advantages over our legacy systems including full integration with other applications, enhanced reporting and self-service, elimination of duplicate entry of data, robust account structure which will provide for data-driven financial analysis and accountability, improved workforce management tools, and many other efficiencies. This modern ERP system has incredible data information and reporting capabilities. In order to capitalize on that data capability, processes, procedures and organization structure must be transformed to maximize our investment in this new toolkit.

**Change management will continue to be our greatest non-budgetary challenge.** Additional policies and procedures will need to be revised and developed to take advantage of the powerful tools being implemented. Continued extensive staff retraining will be required. The full benefits of the new management system will be achieved after intensive staff development and system analysis.

**Investment Budget**

Cost saving, cost avoidance, and revenue enhancement are the major goals defined for Strategic Direction 7. These are needed to assure the continued financial health of the University of Maine System as it addresses future financial challenges ranging from regular increases in operational expenses, to increasing post-employment costs, to support for the strategic initiatives outlined in other sections of the Strategic Plan, to the need for $300 million in capital asset renewal identified through the most recent capital planning process.

**Summary**

Once again, as an attachment, is the report “System Services: Supporting Maine’s Public Universities”, a comprehensive document of System shared services including accountability for efficiencies realized from shared “centralized” services. This attachment was first presented as part of the 2005 SD #7 May reports and has been updated for activities of the past year. This report will be periodically updated to document the efficiencies which have been gained through a System approach to shared services in higher education in Maine.
## Final Report - Strategic Direction 7

Centralize the System's business/administrative functions, where appropriate, in order to leverage resources and increase effectiveness of service throughout the System.

### Recommendations

<table>
<thead>
<tr>
<th>Recommended Activity</th>
<th>Human Resource Requirement</th>
<th>Financial Cost</th>
<th>Time Frame</th>
<th>Complexity of Implementation</th>
<th>Leaders</th>
<th>Priority</th>
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<tbody>
<tr>
<td>Enhanced CFO role within our institutions – Increased participation in exploring creative solutions to closing the UMS financial gap.</td>
<td>Low - Little employee investment (1-10 employees)</td>
<td>Low - Less than $250,000</td>
<td>Low - 2007</td>
<td>Low - Staff empowered to make decisions</td>
<td>CFO's</td>
<td>Medium</td>
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<td>Complete PeopleSoft Financials implementation, other common software solutions – Continue to strive for maximum utilization of this new ERP toolkit</td>
<td>Medium - Moderate employee investment (10-25 employees)</td>
<td>Medium - $250,000 to $1 million</td>
<td>Medium - 2008-2011</td>
<td>Medium - Chancellor and multi-campus administration involvement</td>
<td>Project Enterprise</td>
<td>High</td>
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<td>Accountability - Establish improved system of internal and financial controls</td>
<td>High - Significant employee investment (More than 25 employees)</td>
<td>High - $1 million and above</td>
<td>High - 2012 and later</td>
<td>High - Legislature, Board, Chancellor and Presidential involvement</td>
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<td>Controller, KPMG, Director of Internal Reporting</td>
<td>N/A</td>
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<td>New financial planning process with enhanced accountability and transparency; includes financial parameters for campus debt capacity and techniques to improve the financial health of System institutions</td>
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### Notes
- Time Element
  - 1 - One time
  - 2 - Ongoing
- Financial Cost
  - Low - Less than $250,000
  - Medium - $250,000 to $1 million
  - High - $1 million and above
- Time Frame
  - Low - 2007
  - Medium - 2008-2011
  - High - 2012 and later
- Complexity of Implementation
  - Low - Staff empowered to make decisions
  - Medium - Chancellor and multi-campus administration involvement
  - High - Legislature, Board, Chancellor and Presidential involvement
- Human Resource Requirement
  - Low - Little employee investment (1-10 employees)
  - Medium - Moderate employee investment (10-25 employees)
  - High - Significant employee investment (More than 25 employees)
- Financial Cost
  - Amount of money required to implement recommendation
- Time Frame
  - Length of time required to implement recommendation
- Complexity of Implementation
  - Level and complexity of bureaucracy required to implement recommendation
- Leaders
  - Person(s) responsible to lead implementation of recommendation
- Priority
  - Rank in order of importance (not appropriate to prioritize as all initiatives are in progress except 7.4.b)
## Strategic Direction - 7

**BUSINESS OPERATIONS**

Centralize the System’s business/administrative functions, where appropriate, in order to leverage resources and increase effectiveness of service throughout the System.

### Recommendations

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<tr>
<td>a. Energy management</td>
<td>medium</td>
<td>Low</td>
<td>low to high</td>
<td>High</td>
<td>Energy Mgmt. Team, CFO's</td>
</tr>
<tr>
<td>b. Capital renewal - state funding for E&amp;G facilities</td>
<td>High</td>
<td>High $300 million</td>
<td>medium to high</td>
<td>High</td>
<td>Chancellor, BOT, Presidents, CAO's, CFO's</td>
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<td>c. Facilities data management - provide accurate and appropriate data to facilitate critical facility decisions</td>
<td>Medium</td>
<td>Low</td>
<td>Low to medium</td>
<td>Medium</td>
<td>CIO, Facility Directors, CFO's</td>
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<td>7.5 Collaboration – Enhance partnerships with Maine’s community colleges, K-16 DOE initiatives, and within our UMS organizations, both financial and non-financial, to create seamlessness among our affiliated institutions</td>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>MHEP, Chancellor</td>
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Strategic Direction 7
Business Operations
7.1 ASSESSMENT TEMPLATE

- Centralize the System’s business/administrative functions, where appropriate, in order to leverage resources and increase effectiveness of service throughout the System.

Enhanced CFO role within our institutions - increased participation in exploring creative solutions to closing the UMS financial gap.

Performance Metric Questions

- Have new collaborative activities produced measurable efficiency savings?

- Have CFO's and CIO's met together routinely on at least a quarterly basis?
Complete PeopleSoft Financials implementation, other common software solutions - Continue to strive for maximum utilization of this new ERP toolkit

**Performance Metric Questions**

- Has the Phase 2 PeopleSoft financials system for grants and contracts been successfully implemented?
- Has e-payment implementation System-wide been completed?
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Accountability - Establish improved system of internal and financial controls

<table>
<thead>
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<tr>
<td>▶ Has there been a reduction in KPMG management letter comments, A-133 findings?</td>
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<td>▶ Has a fair and incentive-based allocation formula and accountability measures for shared services been implemented for FY08?</td>
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<td>▶ Have financial parameters been established to evaluate campus and institutional debt capacity in accordance with UMS policy?</td>
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<td>▶ Has the document &quot;System Services: Supporting Maine's Public Universities&quot; been updated and distributed?</td>
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<td>▶ Has a reporting strategy and new reporting tools enhanced the decision making process at the campus and system level? If so, How?</td>
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<td>▶ Has multi-year financial planning strategies resulted in creative solutions to closing the UMS financial gap?</td>
</tr>
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Asset management - In conjunction with SD #6, establish strategies to renew capital assets to maintain and upgrade facilities

Performance Metric Questions

- What's the status of the assessment and implementation of common facilities data management system(s)?
- Have new energy management initiatives been identified? If so, have any been implemented?
- Has state funding been approved for a portion of UMS facilities renewal backlog?
- Has unfunded depreciation been funded with an incremental 1/10th per year?
- Is facilities management data being continuously updated?
- Have campus strategic plans, master plans and capital plans been completed?
### Performance Metric Questions

- Have CFO's made measurable contributions to the Maine Higher Education Partnership?

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<table>
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<tr>
<th>Recommendation</th>
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- Centralize the System’s business/administrative functions, where appropriate, in order to leverage resources and increase effectiveness of service throughout the System.

- Collaboration - Enhance partnerships with Maine’s community colleges, K-16 DOE initiatives, and within our UMS organizations, both financial and non-financial, to create seamlessness among our affiliated institutions.