Strategic Direction 7
Vision for Shared Administrative Services

**Vision**
Administrative services in an institution of higher education support the core missions of teaching, research and public service. The goal of shared administrative services in a public system is to protect the core of each institution, improve services to students, faculty and staff, and free up resources for re-investment in institutional quality.

**Principles**
In order to maximize quality and minimize costs in the University of Maine System, administrative services -- including information technology, student administrative services, human resources, and financial services -- should be structured along the following principles to the extent possible.

- Shared administrative services must support and be designed in the context of differentiated institutional missions.
- Common policies should be established where idiosyncratic policies are not tied to mission.
- Transaction processing should be centralized, when economically beneficial, to take advantage of technology and economies of scale and to allow university staff to focus on value-added functions.
- When centralization is not cost effective, de-centralized processes should employ common standards and policies.
- Services should be designed to collaborate with the State, K – 12 education, and other higher education institutions to facilitate seamless education Pre-K – 20.
- Individual university strengths should be utilized for the benefit of the System.

Shared services do not mean that there will be a cookie-cutter approach to providing services. The differences in campus missions, sizes and locations require that the service model be flexible. However, the service model will emphasize consolidation, integration, collaboration, and standardization in order to provide a single management structure wherever possible. Together we will strive to find the best balance of centralization and decentralization to meet the needs of students, faculty and staff in the most efficient manner possible.

**Delivery Model**
To insure that the goals of shared services are achieved, the delivery model must be characterized by

- A focus on students and other constituents;
- A high technology, learning environment;
- Continuous improvement;
• Avoidance of unnecessary duplication;
• Decision making at the lowest level of the organization that is consistent with other goals;
• Adequate training to meet high standards for customer service;
• Assessment to assure that services are not compromised and that savings and cost avoidance are realized; and
• Accountability to the public.

**Tools**
There are many obstacles to implementation of shared services in the UMS. Effective leadership and perseverance are needed to effect a change in the service delivery paradigm. Change of this magnitude requires tools such as
• an enterprise-wide planning system (ERP),
• back office service centers,
• many people working collaboratively toward a shared vision,
• organizational change and transformation,
• alignment of all functions with the UMS mission and strategic plan,
• development of an appropriate method of assessing and sharing costs of shared services, and
• standardization of practices, which will often require change from custom and habit.

**Partnership**
UMS leaders in finance, technology, student services, academic affairs, and human resources are committed to working in partnership to fulfill our vision of shared services within UMS. Each Strategic Direction 7 Implementation Committee is charged with addressing the shared vision in its work on the centralization of services.

DRAFT 1/5/06
Strategic Direction 7 – Business Operations
Second Report

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 development by the senior financial management as we strive to reach this more value added, less transaction driven role:

1. **Enhanced CFO role within our institutions** – Increased participation in exploring creative solutions to closing the UMS financial gap.
2. **Complete PeopleSoft Financials implementation, other common software solutions** – Continue to strive for maximum utilization of this new ERP toolkit
3. **Accountability** - Establish improved system of internal and financial controls
4. **Asset management** – In conjunction with SD #6, establish strategies to renew capital assets to maintain and upgrade facilities
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

Background on the Process

As noted in the SD #7 First Report, 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.

Since our May report, we have conducted the following major activities:

- Began the implementation of a state-of-the-art financial, purchasing, and position management system by going live on three related PeopleSoft
modules in July 2005. Post go-live activities include the continuation of business process review and staff training.

- Conducted a two-day retreat in November, facilitated by Grace Noonan-Kaye. This retreat gave us an opportunity to review our accomplishments and challenges, establish priorities as described in this report, explore our roles within the UMS, and receive various presentations from other disciplinarians; i.e., workforce management; tuition strategies; post employment health benefits; vision of administrative computing in the future; and risk management discussion.

- Established two sub-committees of the CFO’s to determine the implementation process for asset management and design an enhanced budget process. Both of these committees have met and will continue to meet for the next 6 months as we complete our implementation planning and deliver a final report in May 2006.

- Launched the search for a Director of Finance/Controller for the University of Maine System. This position is key to our ability to deliver on an implementation plan for this strategic direction and many others.

- Established an enhanced communication plan for the CFO’s including joint quarterly meetings with the CAO’s, advance agendas and minutes to various meetings and groups, and more frequent CFO meetings to be conducted by Polycom.

**Strategies and Recommendations for Implementation; Implementation Timeline**

The backbone for many of our recommendations is the successful deployment of our new PeopleSoft Financial System. As noted in our First report in May, this system has many advantages over our previous 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 much other efficiency. 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 tool 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. This process may take up to 18 months.

**Enhanced CFO role within our institutions** - The CFO’s believe that the implementation of the following on-going initiatives will increase their participation in exploring creative solutions to closing the UMS financial gap:
- “Disciplined abandonment” and centralization of back-office processes allowing campus CFOs to focus on value-added, data driven financial analysis for improved decision making and support for student success
- Routinely survey campus CFO’s on financial topics in advance of President Council and Board of Trustee meetings in order to gain their insight and knowledge as input into the decision making process
- Improved communications to CFO’s on Board of Trustee meetings, President’s Council meetings, Information Technology and Project Enterprise Steering Committees
- Combined quarterly meetings of CFO’s and CAO’s to discuss common issues
- Continue to collaborate to realize increased efficiencies within our business operations. Areas of greatest potential for savings and/or cost avoidance include energy management and procurement, IT procurement and efficiencies (see Strategic Direction #7 – Information Technology), student administrative services (see Strategic Direction #7 – THESIS), outsourced food services (RFP for system-wide outsourced food services pending), workforce management (see Strategic Direction #7 – Human Resources), and revenue enhancement, esp. in the area of fundraising.

Complete PeopleSoft Financials implementation; other common software solutions – Implementation procedures include:
- Complete post go-live open issues for general ledger, purchasing and accounts payable, position management and expense modules. This is estimated to continue an additional 12 months, through the completion of the audit FY06.
- Conduct a business process review for Sponsored Programs and determine implementation plan for Phase 2 Financials. This is estimated to take two to three years to fully complete this implementation.
- Complete the RFP for e-payment options (e.g., debit and credit card payments over the web) and implement standards and policies for e-business applications. This is estimated to take a year.

Accountability – Implementation procedures include:
- Fill the position of Director of Finance/Controller by March 2006
- With the skills and knowledge of a new Controller and the assistance of KPMG Peat Marwick, establish preventative internal control procedures to improve operating efficiencies, accuracy in financial reporting and improved safeguarding of assets. An initial implementation of high risk areas, particularly sponsored programs and fixed assets, will be conducted within the next 18 months in conjunction with the planning for implementation of the PeopleSoft financial module – Phase 2.

- CFO sub-committee will develop a new budget process with enhanced accountability and transparency. As part of this sub-committee, methodologies will be developed for allocation of the cost of System provided shared services and incremental interest income. Also, the sub-committee will consider an enhanced approach to long-term financial planning for the
University of Maine System. The sub-committee is expected to make recommendations in the May report for this strategic direction.

- Financial parameters for accountability are being developed by the CFO’s in conjunction with SD#6. The following three campus financial parameters, all based upon GASB accounting standards, are currently under consideration and will be used to determine debt capacity at the individual campus level:
  - Break-even on a full cost basis
  - The ratio of unrestricted net assets to total debt
  - Debt service coverage ratio
- Complete Risk Overview matrix drafted by the System Office of Risk Management. This risk inventory will be presented to Presidents and the Audit Committee within the next six months for review and discussion.

**Asset Management** – A CFO sub-committee has been established to investigate new initiatives for managing capital assets. The charge of the committee focuses on SD#6 objectives - to renew capital assets to maintain and upgrade facilities and to ensure that Academic Program Planning and facilities planning are coordinated and mutually responsive. The sub-committee will meet over the next 4 months at which time they will make recommendations in each of the following areas for inclusion in the May report for this strategic direction:

  - **Energy management**: Deregulated energy markets and speculative trading have created a complex environment for energy procurement. This complexity requires a different approach to energy purchases that understands energy markets, encourages collaboration and uniformity, pools buying power and implements financial risk management techniques. The CFO sub-committee will review and make recommendations to enhance collaboration among the many administrative units to ensure that all units benefit from group energy purchase, energy efficiency incentive programs, and share effective ideas and goals for improving energy use and purchase.
  - **Capital renewal**: Using the VFA web software tool, deferred maintenance system-wide for Educational and General facilities was calculated to be approximately $273 million (please refer to Attachment 1). Over the next 5 months in conjunction with SD #6 and #9, the CFO sub-committee will be reviewing strategies used by other state education systems to obtain capital funding for this growing deferred maintenance back-log, including advocacy campaigns and creative funding alternatives. Additionally, the CFO sub-committee will work with SD #6 committee to include depreciation in the determination of the annual financial gap by campus which is expected to be a factor in the future distribution of resources formula.
- **Integrated solution for facilities data management**: Over the next 6 months, facilities management will be working with the CIO to determine how increased application of existing or additional facilities and asset management software can be utilized to maximum advantage in tracking and managing these assets. This process begins with a current assessment of facilities software already owned and implemented, followed by a needs analysis and finally, selection of additional software, if required. The ultimate goal is to provide accurate and appropriate data to facilitate critical facility decisions.

- **Capacity/space usage/capital planning**: In conjunction with SD #1, Academic Program Planning, this CFO sub-committee will be making recommendations as to what tools and methods can be applied to identify space usage efficiencies and economies, and how can these help determine true justification for increases in the physical plant. One recommendation to be considered is a campus by campus study of space utilization in conjunction with the development of their strategic plans, ensuring future expansion is mission critical and justified.

**Collaboration** – The robust PeopleSoft ERP system provides many new opportunities for on-going collaboration and partnerships with UMS’s affiliated state education institutions. The timeline for many of these collaborative opportunities is longer-term, once this full ERP suite of software has been implemented and fully operational. However, communications and planning at the state level for seamlessness in educational administrative services should begin now in order to effectively leverage the state’s overall technology investments.

- State department of Education – K-16 initiatives
- Maine Higher Education Partnership initiatives
- Within UMS, a user group is being established with representatives from all major applications.

**Budget**

As noted in the strategic plan, the major goal for this strategic direction is cost savings, cost avoidance and or revenue enhancement now and in the future which can be reallocated to fund strategic initiatives outlined in the strategic plan.
## Decision-Making Matrix

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<th>Priority (urgency, benefits)</th>
<th>Cost (financial and effort)</th>
<th>Cost (financial and effort)</th>
<th>Cost (financial and effort)</th>
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<tr>
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<tr>
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<td>1. Enhanced CFO Role</td>
<td>2. PeopleSoft (one-time costs funded)</td>
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<td>3. Accountability</td>
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<td>Medium</td>
<td>5. Collaboration</td>
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