MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology   **Date of Meeting:** April 20, 2010

Agenda Item: Follow-up to OLA Evaluation of the System Office

☐ Proposed
Policy Change

☐ Approvals
Required by
Policy

☐ Other
Approvals

☐ Monitoring

☒ Information

Cite policy requirement, or explain why item is on the Board agenda: The evaluation report of the MnSCU System Office was released by the Office of the Legislative Auditor in February 2010 and included several recommendations which address the operations of the Finance and Information Technology divisions of the Office of the Chancellor.

Scheduled Presenter(s):   Laura M. King, Vice Chancellor – Chief Financial Officer

Outline of Key Points/Policy Issues: This report identifies the lead elements of work effort, timelines, and initial resource estimates required to initiate and sustain the identified work. The committee's input is needed endorsing the initial scope of effort and acknowledging additional resource needs.

Background Information: In early 2009, the chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions.   The study was approved and undertaken in the fall of 2009.

INFORMATION ITEM
Follow-up to OLA Evaluation of the System Office

BACKGROUND

In early 2009, the Chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions. The study was approved with work undertaken in the fall of 2009 and final report released in February 2010. Several recommendations addressed operations within the Finance and Information Technology divisions of the Office of the Chancellor.

The March 2010 meeting of the Finance, Facilities and Technology Committee included the initial follow-up to the recommendations contained in the Office of Legislative Auditor's report. The purpose of this report is to outline preliminary action plans and timetables for the consideration of the recommendations.

There are three recommendations with substantial system wide and strategic implications and four recommendations that represent opportunities for administrative process improvements.

SYSTEM WIDE AND STRATEGIC RECOMMENDATIONS

Efficiency and Effectiveness – "There may be opportunities for administrative efficiencies through multi-campus or centralized delivery of some services." (page 28 of the report). The Board chair has charged this committee with examining the opportunities to foster expanded use of multi-campus delivery for certain administrative services. The report included a list of possible areas for study (page 30 of the report).

> **Project Plan:** This report will focus on further development of the planning, design and implementation work currently envisioned as lead elements addressing opportunities for continuous improvement in administrative efficiency and effectiveness. The following information has been developed in response to the OLA findings and recommendations.
>
> It is worth noting that the themes of efficiency and effectiveness are not new, and have been an on-going focus for a long period of time. A number of past efforts have resulted in significant effectiveness and efficiency gains, including:

- Seamless,
- Business Process Alignment Committee (BPAC), and
- Students First

Furthermore, specific areas have already benefited from utilizing a shared service approach, for example:

- Student loans,
- Tax services, and
- ISRS improvements.

There has also observed a recent increase in collaboration between the colleges/universities. Specific examples include:

- Collaborative sourcing team,
- Metro alliance banking RFP, and
- HR/payroll processing.

However, continuous improvement principles dictated a renewed emphasis on further efforts to achieve a more fully-integrated MnSCU-wide enterprise. The February 10, 2010 memo from the Board Chair provides clear direction. It indicates progress should be demonstrated by the end of June, 2010, with additional progress and timelines for completion of other actionable items by January, 2011. Given this schedule, it is recommended that four areas receive immediate attention:

- Financial aid loan processing
- eTimesheet interface/payroll processing
- Retirement system processing
- Unclassified leave processing

Success will be defined in multiple ways, including:

- Improved service levels to students, faculty and staff (timeliness, fewer complaints)
- Effectiveness (more accurate, more consistent, better)
- Efficiency (quicker, less effort)
- Cost savings/future cost avoidance
- Increased compliance (more automation, less manual processing)

These five categories are frequently cited as best practices, and are heavily utilized in the private sector, when large organizations are considering moving specific functions and services into a shared services environment.

The following table depicts how the proposed initiatives align with the success criteria.

	Improved service levels	Effectiveness	Efficiency	Cost savings/ future cost avoidance	Increased compliance
Financial aid processing	✔	✔	✔	✔	✔
eTimesheet / Payroll	✔	✔	✔	✔	
Retirement system processing	✔	✔	✔	✔	✔
Unclassified leave	✔	✔	✔	✔	✔

Specific details around each proposed initiative and a conceptual timeline can be found in Attachment A.

Resource Requirements

In order to begin work, a number of required resources have been identified. These are incremental/new positions, in addition to existing requests. MnSCU cannot simply shift existing resources onto these projects, as they are already fully consumed on existing projects and activities. Stopping existing work that has already been prioritized is not feasible.

Accomplishment of the 4 initiatives will require the following resource set for Phase I, however, the process analyst resource anticipates initiative development beyond Phase I. These are VERY preliminary estimates only, based on efforts of similar scope and assuming all initiatives are designed, developed and implemented concurrently.

- 4-8 Business Analysts for 3-9 months (1-6 FTE)
- 4-8 Developers for 3-9 months (1-6 FTE)
- 4-8 Process Analysts for 12-18 months (4-12 FTE)

Resources will also be required to support the full implementation (i.e., beyond Phase I) for each initiative, and allow for implementation of other initiatives over time.

The March 16, 2010 Finance, Facilities and Technology OLA follow-up information item identifies several other potential campus administrative services

that could be candidates for multi-campus or centralized service delivery. This list was also augmented during a discussion of the Students First – Shared Services working group. It should be emphasized that each of these efforts would likely require a similar level of resource support.

Summary

The preliminary timelines are heavily dependent on resourcing. Aggressive resourcing can accelerate the timelines, allowing MnSCU to realize significant benefits in a short time frame. Conversely, insufficient resourcing will result in tasks falling behind schedule, and anticipated benefits may not be fully captured.

The next steps include development of a through cost-benefit analysis for each initiative, which will provide a detailed return-on-investment (ROI), and articulate both the quantitative and qualitative benefits in the five categories previously identified. Effort will also begin to obtain financial resources through the internal allocation process in support of this effort.

Committee endorsement of this scope and approach is requested, allowing the project to move forward with planning, design, resourcing and implementation activities for each initiative.

Board Oversight – "the Board of Trustees should exercise stronger ongoing oversight of the system office" (page 46 of the report). The Board chair has recommended that each Board committee develop recommended measures and benchmarks for the division(s) assigned to it. The Executive committee would then consolidate the recommendations into a cohesive oversight plan.

> **Project Plan**: The Executive Committee of the Board will consider a strategy for this recommendation at its April 2010 meeting. The concept includes an annual report to each policy committee in June of each fiscal year. The report will provide budget and staffing information for the related division of the Office of the Chancellor and report on accomplishments of the division and the committee against that year's committee/division work plan.

Information Technology Services – the report raised several concerns about the work of the division (page 79-80 of the report). The issues include selection of projects, project management and tracking, user testing and training and contract management. The Chair has indicated an interest in re-establishment of the Information Technology committee of the board. Pending that action, this issue will be tracking in the Finance, Facilities and Technology Committee.

> Project Plan: The Vice Chancellor – Chief Information Officer has undertaken a complete review of the issues identified in the OLA report. It is noted that significant progress has occurred in some areas while others are still underway. Work is progressing to prepare a workplan with timetables and action steps for

each of the identified areas. The work plan and a status report will be presented at the first meeting of the newly formed Technology Committee expected to occur after May 2010.

Administrative Process Improvements

Purchasing authority for presidents - The report noted the need for clarification of presidential authority for certain purchase transactions and recommended changes in board procedure or other changes (page 32 of the report). Staff had been working on this issue for several months prior to the reviewers' comments.

> **Action Plan:** board adopted revisions to Board Policy 5.14 at its March 2010 meeting. The policy and the related revised procedure have been distributed to the colleges and universities. Additional training will be provided during 2010. **Status:** completed

Institutional charges outside of the regular allocation process - the report recommends that the Board receive additional information about charges made by the Chancellor's office to the colleges and universities (page 48 of the report).

> **Action plan**: The annual budget materials submitted to the committee will be expanded to include a complete discussion of any charges contained in the plan. **Status:** Pending consideration of 2011 budget scheduled for April/May 2010

Oversight of professional technical contracts - The report recommended that the Chancellor's office should improve oversight of professional technical contracts (page 80 of the report). Several recommended process changes are put forward including improvements to the contract form and implementation of a post completion review.

> **Action plan**: A work group will be formed to review this issue.
> **Status:** It is expected that recommended additions to procedure will be in place by September 1, 2010.

Efficiencies in the management of capital projects - The report made several recommendations for changes to the capital project management process (page 87 of the report) Observations were made about the project planning, design and construction phases of the process.

> **Action plan:** Two work groups including campus leadership will be formed to review the recommendations and underlying processes. Recommendations for changes will be considered and implemented by December, 2010.
> **Status:** Work groups formed and project underway. Completion on schedule expected.

Date Presented to the Board of Trustees: April 21, 2010

EFFICIENCY AND EFFECTIVENESS PROJECT

CONCEPTUAL PLANS

Financial aid processing

Key elements of the financial aid loan request and certification process require manual intervention. By implementing both process and application changes, processing time can be dramatically reduced, providing an immediate benefit to students. It will also eliminate the need for financial aid staff to spend time on non-value added activities, and instead allow them to focus on student needs.

- Phase 1 – these changes will reduce student loan request processing time from 6 weeks to less than 1 week
- Goal: 3-4 institutions by end of calendar 2010
        Most or all institutions by June, 2011

Once the manual tasks above have been automated, all downstream activities could be handled in a shared services environment.

- Phase 2 – implement shared services, will require additional design effort, initial scope would only be for loan processing, but then opens the door for processing of award letter creation
- Goal: Pilot in January, 2011
        Most or all institutions by end of calendar 2012

eTimesheet/Payroll processing

This project will automate the time sheet interface between MnSCU and MMB.

- Phase 1 – get the interface up and running, convert all colleges and universities
- Goal: 6-12 institutions by end of calendar 2010
        Most or all institutions by June, 2011

Once the interface has been rolled out, payroll is an excellent candidate for processing in a shared services environment.

- Phase 2 – implement shared services, will require additional design effort, initial scope would only be payroll processing, but then opens the door for broader human resources transaction processing
- Goal: 1-2 institutions by end of calendar 2010
        Most or all institutions by June, 2012

Retirement system processing

This project will result in a new/updated retirement record keeper and fund provider.

- Phase 1 – evaluation, selection, conversion and implementation of record keeper and fund provider
- Goal: Completion by June 30, 2011This effort will implement specific changes, along with a centralized help desk and audit function, allowing retirement system processing to occur in a shared service environment

- Phase 2 – implement report and application changes, implement help desk and audit function
- Goal: Fully implemented by June 30, 2011

<u>Unclassified leave processing</u>
Currently, processing of unclassified leave is a manual and error-prone process. Additionally, many process variances exist across the colleges/universities. This area has been highlighted as a concern in past OLA and external audit findings.

(Preliminary analysis not completed in time for inclusion in this report)
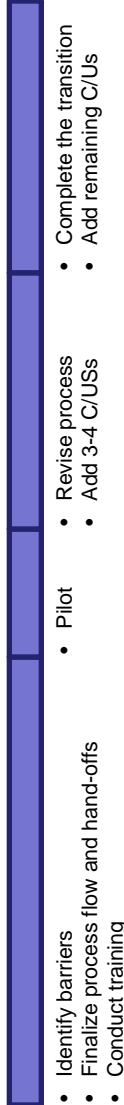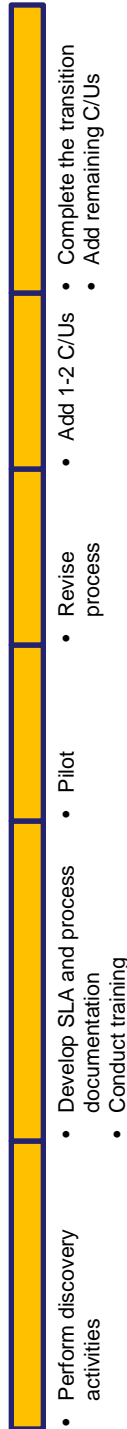
Conceptual Timeline

PRELIMINARY DRAFT Discussion only

April '10   Jan '11   Jan '13

Financial aid loan processing changes

- Identify barriers
- Finalize process flow and hand-offs
- Conduct training

- Pilot
- Revise process
- Add 3-4 C/USs

- Complete the transition
- Add remaining C/Us

Financial aid – shared services

- Perform discovery activities

- Develop SLA and process documentation
- Conduct training

- Pilot
- Revise process

- Add 1-2 C/Us

- Complete the transition
- Add remaining C/Us

eTimesheet/payroll Interface

- Resolve open items
- Complete documentation and training
- Pilot

- Revise process
- Update agreement with MMB

- Add 6-12 C/Us

- Complete the transition
- Add remaining C/Us
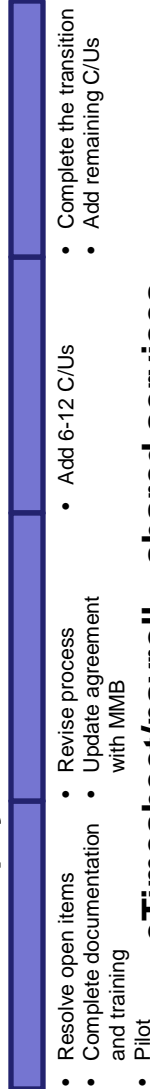
eTimesheet/payroll – shared services

- Resolve security issue
- Develop SLA and process documentation
- Conduct training

- Pilot
- Revise process

- Add 1-2 C/Us

- Complete the transition
- Add remaining C/Us
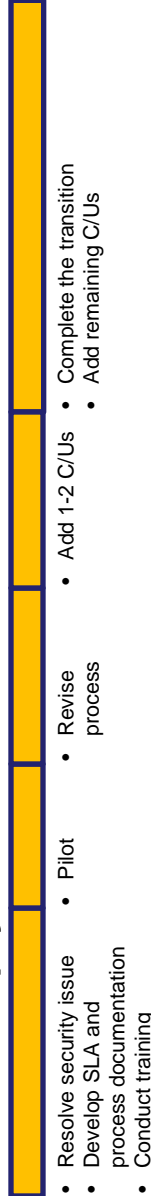
Retirement processing – vendor selection

- Develop record keeping and fund provider RFP

- Distribute RFP
- Evaluate responses

- Select vendor
- Conduct conversion activities
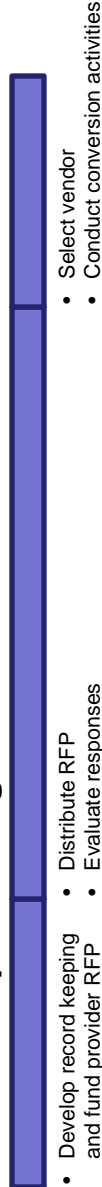
Retirement processing – shared services

- Develop policy and procedure changes
- Identify potential report and application changes

- Make required changes
- Establish help desk/ monitoring function

- Conduct retirement training