# MINNESOTA STATE COLLEGES AND UNIVERSITIES
# BOARD OF TRUSTEES

## Agenda Item Summary Sheet

**Committee:**  Finance and Facilities          **Date of Meeting:**  November 16, 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 |
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| 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.

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**:
- The Shares Services project has been launched with the formation of a steering committee led by President Robert Musgrove of Pine Technical College. The steering committee includes representatives from administrative, financial, and technology leadership roles from colleges, universities, and the system office.
- A comprehensive strategy, work plan, and cost-benefit analysis are being developed while at the same time pilots and demonstration projects are underway. Particular attention is being paid to opportunities for improved productivity, quality, and compliance. Best practices from both internal processes as well as external benchmarks will drive the design of the shared services delivery. Centralized and distributed models will be evaluated. Policies, procedures, and processes will be reviewed and standardized whenever possible across the system.
- Initial priorities for shared services will focus on processes not dependent on material technology investment. Subsequent efforts will address the longer term opportunities which may require technology resources or other infrastructure investments.

- Early pilot projects include:
    - e-time sheet rollout and integration with the state payroll system – this effort eliminates a substantial amount of manual paper processing (estimated to be 2 to 6 days of work each month for each campus). The project improves payroll accuracy and also lays the foundation for future shared services centralization of payroll functions. System-wide implementation underway now with completion by June, 2011.
    - remote payroll processing – a demonstration project at Pine Technical College was completed in October. This project successfully served to pilot remote payroll processing whereby workflow design and technology issues were documented for a larger scale pilot project at M State in December, 2010.
    - student loan approval and certification – this effort, part of the Students First Shared Services initiative, will eliminate significant backlogs related to peak demand for loan processing on each campus. System-wide deployment will begin April, 2011.
    - other shared services ideas being evaluated for 2011 rollout: leave processing; retirement processing; account reconciliation; financial aid administration; direct lending support; purchasing card administration; and workers' compensation.

This effort is moving forward in coordination with the Human Resources, Academic and Student Affairs and Information Technology divisions. Leadership is aligning the efforts in order to maximize the campus benefit. The project plan targets beginning the operation of a Campus Service Center by June 2011 with several intermediary target deadlines as well.

**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 process will address this issue in the spring 2011. Communication and consultation procedures have been reviewed and attention to the campus concern incorporated. The 2012 Office of the Chancellor budget planning process was particularly mindful of this concern and contemplates no charges to the campuses. A more formal discussion process and documentation methodology will be installed prior to the Board of Trustee's 2012 operating budget deliberations. Adoption is planned by February 2011.

***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/Status**: A work group has completed its work. Recommendations were instituted in August 2010. Standard forms and instructions have been expanded to more fully address this issue. Training has been held for all system personnel with contract responsibility. Performance review protocols have been strengthened. Contract authorization methods have been expanded with additional pre-approval justification required. **Status**: Completed

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

**Action plan/Status:** Two working groups, made up of predominantly college and university representatives presented recommendations for changes in late spring 2010. The recommendations have been adopted and implemented.  Standard forms and instructions have been expanded to more fully address the issues surfaced in the OLA report.  Training has been held for all system personnel with contract responsibility. Performance review protocols have been strengthened. Contract authorization methods have been expanded with additional pre-approval justification required. **Status**: Completed

*Date Presented to the Board:  November 17, 2010*