

# Interim Status Report Administrative Services Sub-Committee

December, 2006

## Background

The Administrative Services Sub-Committee (ASSC) began informally in May, 2005, through a series of conversations between Interim Vice Chancellor Sue Schymanski of UW-Extension and Vice Chancellor Steve Wildeck of UW Colleges. The two CBOs held several general discussions with various functional staff in an effort to learn more about each institution and get a better sense of the possibilities of integration.

ASSC was formally charged by the Administrative Integration Steering Committee in September, 2005, as follows:

- Conduct discussions of core functional units which comprise Administrative Services.
- Analyze and compare service delivery within each function commonalities, differences, and areas of possible integration.
- Document the advantages and disadvantages of integration in each functional area.
- Quantify any potential cost savings or cost increase that might result from integration.
- Recommend to the Steering Committee services which could be combined and recommend staffing options.

The members of the ASSC are as follows:

UW Colleges: Steve Wildeck, Laurie Grigg (Director of Business Services), Jim Eagon (Asst Dean-Admin., UW-Fox Valley)

UW-Extension: Sue Schymanski, Mark Dorn (Director of Business Services), Dan Malacara (Director of Budget and Fiscal Operations, Cooperative Extension)

UW System Admin. Mike Kraus (Special Assistant to the Vice President)

The role of the UW System representative has evolved throughout the process. It was initially to provide opportunities for UW System to add value, by participating in selected integration activities. Over time, it has helped to provide a challenge to the status quo and a valuable third perspective.

The committee has been discussing integration possibilities in each individual business unit. In accordance with the charge issued by AISC, the following business units have been reviewed:

- Business Services -  IN PROGRESS
- ✓ Internal Audit -  COMPLETE
- ✓ Purchasing -  COMPLETE
- ✓ Risk Management and Safety -  COMPLETE
- ✓ Facilities Planning and Management -  COMPLETE

When necessary, subject matter experts from each area were invited to the discussions. For example, staff from the UW System Office of Safety and Loss Prevention participated in the Risk Management and Safety discussion.

### **Challenges to Integration**

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Throughout the course of these discussions, several challenges to significant integration repeatedly arose. They are:

- Separate Budgets – Separate institutional budgets require separate charts of accounts and the keeping of two general ledgers.
- Multiple Business Units – Each of these units provides very little, if any, duplication of skills or process. For example, the internal audit staff provides no opportunities to economize in the area of safety and risk management.
- Small Number of Employees – In several areas, UW Colleges has no dedicated staff while UW-Extension has two or fewer.
- Split Facilities – Integration would occur more naturally if similar work units could be co-located.
- Administrative Services leadership structure.

### **Analytical Approach**

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ASSC took two primary approaches to studying each of the functional units.

One approach involved developing an inventory of tasks performed in each unit and identifying the level at which final authority for each task resides in UW Colleges and UW-Extension (institutional vs. divisional level). Tasks which are performed within both institutions, especially those at the same level, provide potential opportunities for integration. This approach was used for the purchasing and risk management and safety units, and is currently being used for the business services unit (which includes accounting, extramural support, accounts payable, and accounts receivable (bursar)). Sixty-one tasks were reviewed within the purchasing function while 93 were reviewed for safety and risk management.

The other approach by-passed the development of a task inventory, either because it was obvious that the UW Colleges and UW-Extension units performed the same tasks at the same levels (internal audit) or because the units had virtually no commonality (facilities planning and management). In these cases, ASSC had an intense discussion about opportunities to improve services or efficiency through integration. This approach was used for the internal audit and facilities planning and management units.

### **Business Units Reviewed and Status**

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#### **BUSINESS SERVICES**

The committee has begun to analyze the various functions within each institution's Office of Business Services. These functions consist of general accounting, extramural support, accounts payable, and cashiering/bursar/accounts receivable. This array of business services

provides several potential opportunities for integration, but it is complex and requires thorough analysis. In each institution, the controller serves as the Director of Business Services.

Both UW Colleges and UW-Extension perform business functions with the same name, but the subject matter and business practices in each institution are quite different and structured to best serve its mission and clientele. Two examples are:

- The cashiering/bursary function in UW-Extension primarily supports 80,000 conference registrations per year, while the same function in UW Colleges involves collecting tuition from 12,500 students within its integrated registration/financial aid/student financials system. UW Colleges has 2.7 FTE in this function; UW-Extension has 6.0 FTE.
- UW-Extension has heavy workload in extramural grants, employing two full-time grants accountants. UW Colleges' workload related to grants accounting is 40% of a full-time employee.

#### **Preliminary Conclusions**

- Business processes within the two business services units vary according to subject matter and clientele needs.
- There is potential for meaningful integration in the accounting and extramural support areas.
- Integration of business services units requires that the units be co-located.
- Assessment of the impact of relocating one unit or the other is currently being performed.

#### **Recommendations**

- Pending

#### **INTERNAL AUDIT**

UW Colleges and UW-Extension each have a 1.0 FTE staff auditor. Institutional auditors are responsible for ensuring that institutional policies, programs, and practices are in compliance with state and federal laws, and Board of Regents policies. In both Colleges and Extension, the auditor reports to the vice chancellor for administrative services.

Internal audit within the UW System has been under study in recent months as a possible area for gaining efficiencies. One proposal for regionalization reduced the size of the Systemwide audit staff to a total of eight positions, and reduced the total number of auditors for Colleges and Extension from two to one.

The majority of the CBOs argued against this proposal. Several CBOs prefer that an internal auditor position be dedicated to each institution, and they are not willing to reduce their own audit effort through regionalization. The chancellors have voiced concern about reducing the number of auditors in light of the current political environment. The

Board of Regents has shown strong support for the internal audit function and has adopted new measures that will strengthen the audit function.

The president has directed that each UW institution must have an audit function in place. UW institutions will be given the option of maintaining or reinstating an auditor position, establishing a regional collaboration of the audit function, or funding the UW System Office of Operations Review and Audit to perform the audit function for the institution.

### **Conclusions**

- The audit function presents very strong opportunities for integration. They include:
  - An ability to expand our base of expertise and specialize in certain areas.
  - The opportunity to have staff members with varying skill levels, including one who can have primary responsibility for planning program and perhaps directing the tasks of the other.
  - More stability in the event of a retirement or resignation.
- UW Colleges and UW-Extension need to maintain their staff of 2.0 auditors due to the collective financial size of the institutions, the amount of risk exposure, and the complexities and challenges represented by geographically distributed institutions. Also, the political environment demands that audit forces be kept intact.
- There is no apparent advantage to any integration with UWSA. Institution-based auditors may better serve the institution because:
  - They gain the trust of institutional employees.
  - They understand institutional programs and practices
  - They serve as an important liaison with external auditors, such as LAB

While UWSA audit staff are generally focused on more system-wide audits and reviews, the UWSA audit staff should be viewed as another resource available to Colleges and Extension.

### **Recommendations**

- UW Colleges and UW-Extension should consider combining their auditors into a single audit team to provide better coverage and greater expertise.
- Consideration should be given to assigning one auditor as the lead worker and manager of the cross-institutional audit function.

### **PURCHASING**

UW Colleges has no dedicated purchasing staff. Purchasing responsibilities are very decentralized, and distributed to each of 13 campus assistant deans for administrative services (approximately 5% each), and the Director of Business Services in the central office (approximately 5%). Purchasing activities within UW-Extension are more centralized. The UW-Extension purchasing staff consists of a purchasing agent-senior, which serves as the director (100%), and a purchasing agent

(80%) providing support. UWEX divisional and departmental employees perform some purchasing-related tasks as a compliment to their primary duties.

UWSA's purchasing staff consists of one director, three purchasing specialists, and one program assistant position. Approximately 10% of one position is dedicated to supporting UW Colleges, as UW Colleges (and UW-Superior) have not been delegated major purchasing authority. The vast majority of staff time is spent on system-wide procurement policy and administration, larger system-wide contracts (e.g., common systems software), large campus auxiliary contracts and interfacing with the Office of State Procurement. Approximately .50 FTE is dedicated to internal (UWSA) purchasing tasks.

### **Conclusions**

- A single purchasing unit, properly staffed, could serve the needs of both UW Colleges and UW-Extension and provide benefits to each.
- Additional resources required to serve UW Colleges major delegation (> \$25,000) and coordinate the institutional purchasing program may be up to .20 FTE.
- Benefits of an integration could include:
  - UW Colleges
    - In-house expertise by virtue of having a professional purchasing director
    - Relief to the Director of Business Services (Grigg) from having to serve as the purchasing director
    - Relief to campus assistant deans for administrative services by providing a purchasing director within the institution
  - UW-Extension
    - Greater flexibility in managing workload, following a mandated reduction in procurement titles.
- While UWSA intends to maintain its capacity to perform system-wide policy and administrative functions as well as procure and manage larger, system-wide and auxiliary contracts, its internal purchasing activity could potentially be served by this integrated unit.
- There is no immediate need to, nor advantage in, reengineering purchasing practices at the campus or division levels. Eventually, the purchasing director may recommend changes at that level, if they are warranted.

### **Recommendation**

- UW Colleges and UW-Extension should consider assigning joint purchasing authority to the UW-Extension purchasing director.

## **RISK MANAGEMENT & SAFETY**

Risk management and safety concerns in higher education fall into the following major categories:

<u>Risk Management</u>	<u>Safety</u>
Liability	Occupational
Property	Environmental
Workers compensation	

Most of the safety and risk management issues for UW-Extension are found in Cooperative Extension, although there are some issues that arise with the conference centers. Cooperative Extension has a large number of liability issues arising from 4-H and other group activities. Other issues for UW-Extension primarily involve occupational safety for both blue and white collar employees. UW-Extension receives literally all of these services from the UW-Madison Safety Department without charge. A small portion of the General Services Director's appointment is for coordination of risk and safety activities within UW-Extension.

UW Colleges has significant risk and safety concerns due to its physical campuses and mission as a liberal arts teaching institution. Teaching laboratories require constant support in the area of chemical purchasing, storage, handling, and disposal, but only three campuses employ laboratory technicians. Faculty members on the other campuses are responsible for maintaining laboratories and chemical stockrooms, but are not trained as chemical hygienists.

Other risk and safety areas within UW Colleges that require significant attention include student activities, and occupational safety for the large number of blue and white collar employees on the campuses. Securing safety training resources and the coordination of training activities requires significant staff support. Staff support for the UW Colleges risk management and safety program is limited to an LTE (30%) under the supervision of the Vice Chancellor. Campus building superintendents and assistant campus deans for administrative services also have program responsibility for risk management and safety.

### **Conclusions**

- UW Colleges and UW-Extension have very different needs in the area of risk management and safety.
- UW-Extension's needs are adequately met by services it receives from UW-Madison and its General Services Director.
- UW Colleges has a long-standing, documented need for a full-time risk management and safety officer.
- There is no immediate and significant opportunity for integration in the area of risk management and safety.

### **Recommendation**

- Secure resources for a full-time risk management and safety officer for UW Colleges. Consider a joint position to also coordinate activities within UW-Extension.

### **FACILITIES PLANNING AND MANAGEMENT**

UW-Extension maintains a number of facilities in and around UW-Madison. Three of these facilities are conference centers. Others include administrative offices at 432 N. Lake Street, and broadcasting studios and offices at Vilas Hall. UW-Extension has a long-standing relationship with UW-Madison, in which these facilities are included as part of UW-Madison's planning and maintenance efforts. Capital budget requests for both facilities and equipment are submitted through the state building program. FP&M staffing is limited to custodians at the conference centers and a portion of General Services Director's appointment, with involvement by divisional directors of business services.

UW Colleges manages facilities at 13 campuses, all of which are owned by counties and cities. Responsibility for capital planning is shared between the Vice Chancellor's office and the campuses, with campus master planning and project management performed by both campus and county staff. Engineers and architects are engaged by the county. Campus physical plant staff are employees of the UW Colleges. Capital budget requests for facilities go through the county. Capital budget requests for equipment go through the state building program. Existing staff to support the FP&M program is limited to:

- A small portion of each assistant campus dean for administrative services
- Each campus buildings and grounds superintendent, who have operational responsibility for their physical plant

### **Conclusions**

- UW Colleges and UW-Extension have very different program needs in the area of facilities planning and management.
- UW-Extension's needs are adequately met by services it receives from UW-Madison and its General Services Director.
- UW Colleges has unmet facilities planning and management needs, especially in the area of academic space planning.
- There is no immediate and significant opportunity for integration in the area of facilities planning and management.

### **Recommendation**

- Consider reorganizing job responsibilities of existing staff to develop a full-time facilities director for both institutions. This recommendation is linked to the recommendation (above) to consider a joint risk management and safety officer.

## **Administrative Services Leadership Structure**

The Chancellor charged the institutional CBOs in August with the task of working together to develop recommendations on the leadership structure for Administrative Services. These individuals have met on approximately 12 occasions since that time in an attempt to recommend a structure that provides the best opportunities for meaningful integration while preserving the effective business practices of each institution. A set of recommendations was forwarded to the Chancellor on November 19<sup>th</sup>.