

**Report to the Administrative Integration Steering Committee
Administrative Services Sub-Committee – Purchasing**

December 19, 2005

Background

The ASSC has worked to complete a responsibilities matrix which identifies major purchasing tasks conducted by each institution. At its Nov. 30th meeting, the committee completed the matrix and discussed opportunities for integration and cooperation between each institution's purchasing function.

UW Colleges has no dedicated purchasing staff. Purchasing responsibilities are 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%). Dedicated purchasing staff within UW-Extension consists of a purchasing agent-senior, which serves as the director (100%), and a purchasing agent (80%) providing support. Staff within UWEX divisions and departments perform 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 systemwide contracts (e.g., common systems software, etc.), large campus auxiliary contracts and interfacing with the Office of State Procurement. Approximately .50 FTE is dedicated to internal (UWSA) purchasing tasks.

Discussion

The committee discussed various approaches to analyzing the joint purchasing needs of both institutions, and potentially, UWSA. With no staff dedicated to the purchasing function, UW Colleges could find a single purchasing unit favorable because it would provide a concentrated resource of purchasing expertise. This could relieve campus assistant deans from having to be experts in purchasing, although they may surrender some small amount of their current autonomy to a purchasing director. It also could relieve the Director of Business Services (Grigg) from her current role as a purchasing expert.

With a purchasing function currently in place, UW-Extension does not see any significant advantage to changing its purchasing processes through integration.

UWSA conducts internal purchasing tasks, but its staff are primarily involved in system-wide contract negotiation and policy development. The committee discussed whether the internal functions (issuing RFPs, bids, purchase orders, and purchasing cards) provided for UWSA could be more effectively served by folding them into an integrated UWC/UWEX purchasing unit.

Conclusions

After detailed discussions, the following conclusions were reached:

- A single purchasing unit, properly staffed, could serve the needs of both UW Colleges and UW-Extension and provide benefits to each.
- Resources required to serve UW Colleges major purchases (> \$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 systemwide policy and administrative functions as well as procure and manage larger, systemwide 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.

Remaining Issues

- It will be useful, for purposes of recruitment, to have the new chancellor's confirmation that the merged institution model is our goal
- The hiring of a joint purchasing manager would be the first joint, permanent position under the integration. Should the job description be limited to UW-Extension duties until the chancellor takes office?
- The hiring of a joint purchasing manager would force a discussion of reporting relationships. Currently, the purchasing function reports to the controller of each institution. Should joint functions report to individuals who do not currently have joint responsibility?
- Integrating the purchasing functions could cost more in the short term. Hiring a director and retitling the staff position have unknown costs. It is also unknown how Colleges will identify up to .20 FTE and dollars to transfer when it does not have any identifiable purchasing staff.
- UWSA needs to come to some conclusions regarding its desire to participate in this and other Colleges/Extension integration efforts.

Recommendation

- Upon notice of retirement by the incumbent purchasing director, UW-Extension should immediately recruit for a full-time purchasing director. A joint recruitment by both UW Colleges and UW-Extension may be appropriate by that time.

**Report to the Administrative Integration Steering Committee
Administrative Services Sub-Committee – Internal Audit**

December 19, 2005

Background

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.

Mahmud Safavi, Extension auditor, has resigned his position effective December 23rd. Sue Schymanski and Steve Wildeck met with Mahmud and Colleges auditor Greg Johnson on December 9th to review Safavi's extensive approach to Extension's internal audit program. Among the documents shared were:

- Audit Schedule 2006
- Sample Audit Report
- Risk Assessment and Audit Planning Guidelines
- Control Self-Assessment Questionnaire
- Audit Plan and Risk Assessment

We agreed in concept that Extension may request auditing assistance from Colleges during the vacancy period to perform follow-up audits or respond to urgent needs.

System-wide Audit Discussion

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 were not in favor of 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.

Audit Staffing Comparisons

All UW institutions have been provided with resources to staff an audit function. Sample UW institutions and their authorized auditor staffs include:

	<u>'05 Budget</u>	<u>Authorized Auditors</u>
MSN	\$1,897M	5.5

MIL	\$465M	5.0	
EAU	\$144M	1.0	
OSH	\$136M	1.0	
WTW	\$157M	1.0	
EXT	\$182M	1.0	<i>Note: EXT/COL total \$262 million.</i>
COL	\$ 80M	1.0	

In addition to size of budget, Colleges and Extension pose unusual risk and challenges for audit because of their geographic distribution and the degree to which some authorities have been delegated.

Conclusions

After detailed discussions, the following conclusions were reached:

- 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.

Recommendation

- UW-Extension should immediately move to hire an Auditor-Advanced to replace incumbent Safavi. Hiring at this level provides:
 - A stratification in skill levels between Colleges (Auditor-Senior) and Extension auditors, providing the type of complement that adds value to the integrated unit.
 - The potential for the Auditor-Advanced to serve as a lead worker to the Auditor-Senior, providing guidance and support.

**Report to the Administrative Integration Steering Committee
Chancellor Expense Proposal**

December 19, 2005

Background

When the permanent chancellor begins employment, UW Colleges and UW-Extension must have a way to manage Chancellor's office expenses in a way that is effective and practical. Currently, the each interim chancellor is payrolled and his/her S&E expenses paid from each institution separately. For the foreseeable future, each institution's budget will remain independent. Therefore, processing these expenses with a single chancellor presents a logistical issue for each institution.

Conclusions

Sue Schymanski and Steve Wildeck agreed upon the following approach:

Salary

Salary and housing allowance will be split evenly, and two appointments created. This is an approach similar to the interim CIO, Dick Cleek. Benefits costs will automatically follow the payroll split equally. The earnings statement would automatically be issued by Extension because Colleges follows Extension in the payroll distribution.

Leave

Two leave statements will be generated because of the two appointments, with leave prorated for each. As with the earnings statement, both will be issued by Extension automatically, because Colleges follows Extension in the payroll distribution.

Benefits

Either Colleges or Extension will have to be the "home" for counseling, application, and filing.

S&E

Either Colleges or Extension will be the "home" for S&E expenses and any direct charges which are paid by S&E. The non-home institution will process an annual budget transfer in an agreed-upon amount to the home institution, to cover typical chancellor S&E expenses. Unless there is a significant overspend or underspend from the budgeted amounts, post-audit or reconciliation will not be needed.