

**To:** Mike Schill, President  
Patrick Philips, Senior Vice President and Provost  
**From:** Jamie Moffitt, Vice President for Finance and Administration & CFO  
**Date:** September 23<sup>rd</sup>, 2020  
**Re:** Business Practices Task Force Recommendations

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In response to issues raised by the Office of Internal Audit, a cross-functional task force was launched in January of 2020 to discuss and analyze how business practices are conducted at the University and provide recommendations for changes we might implement to address identified risks. The task force concluded its work in August 2020 and has developed a framework of recommendations. Below is information about the audit activities and identified issues, as well as the task force recommendations. I look forward to discussing these issues with you.

### ***I. Audit Memo on Risks associated with Decentralized Business Structure***

In January of 2018, after conducting several audits of business functions at the university, the Office of Internal Audit provided university leadership with a memo outlining several systemic risks they had observed at the institution, resulting from our highly decentralized structure for processing business transactions.

These risks included:

- The significant delegation of authority to local levels
- The lack of data necessary for decision-making and monitoring by oversight functions, including questions regarding the quality of existing data
- The absence of accountability necessary in a highly decentralized environment
- The assignment of responsibilities not always being aligned with necessary skills
- Individuals being assigned “a myriad of additional responsibilities,” especially in smaller departments, which contributes to additional risk and/or operational efficiency

The Office of Internal Audit noted that they had growing concern over the systemic nature of these issues and the overall impact that they have on university personnel, financial management, and accountability.

### ***II. Management Response to Audit Memo – Three-Phase Approach***

In response to the memo from the Office of Internal Audit, senior leadership developed a three-phase approach to address the issues raised. The plan included the following actions:

1. The Office of Internal Audit conducting a diagnostic audit to map out the types of business services across the university (i.e., which departments utilize shared services organizations vs. business offices vs. single “office manager” models)
2. University leadership launching a Business Practices Task Force to discuss the findings of the audit memo and the diagnostic audit and to develop options and recommendations for addressing the identified risks
3. University leadership reviewing the Business Practices Task Force recommendations and developing an implementation plan for addressing the risks identified in the audit

### ***III. Phase One: Business Practices Diagnostic Audit***

In November of 2019, the Office of Internal Audit completed the diagnostic audit of critical business functions. The objective of the audit was to conduct a high-level inventory of where and how business processes were performed across the University. The audit report included an inventory of how business processes were performed (i.e., through shared services operations, business offices or individual unit personnel) in various areas of the institution. The audit found that that business processes were performed in a decentralized environment across the campus by units of varying size and complexity.

The following key themes and risks were identified during the diagnostic audit:

- Institutional business data reports; access and validity
- Personnel onboarding, training, and continuing education
- Communication and support from central offices
- Time and attendance processes
- Workload and inefficiencies in various Critical Business Processes
- Accountability
- Unclear roles and responsibilities
- Non-compliance with University policy and procedures, and laws and regulations

The audit recommended that senior leadership and management assess the current structure, processes and controls regarding business functions to ensure key themes and risks were addressed. It further recommended that a consultative structure be used for this assessment.

### ***IV. Phase Two: Business Practices Task Force – Structure and Process***

In January of 2020, a cross-functional task force, with representation from many of the areas assessed in the diagnostic audit, was formed to review and discuss the audit memo findings and the business practices diagnostic audit. The task force met regularly from January 2020 through August 2020 (with a COVID-19 related pause). The task force discussed the two audits, their own experiences delivering business services for the university, and various permutations of shared services organizations that exist at the university and at other institutions with which they're familiar. The group also developed a set of options and recommendations for how the university might begin to tackle the risks identified by the two audits.

The Business Practices Task Force included the following members:

- Melynn Bates Associate Dean Finance & Operations- School of Music & Dance
- Melissa Bowers Business Manager- English Department
- Andrea Garcia Associate Auditor- Internal Audit
- Monica Guy Office Manager- Environmental Studies
- Chris Krabel Associate Dean Finance and Admin- COE/ AVP Budget & Strategy-Provost
- Rocco Luiere Associate Dean Finance and Admin- AVP Budget & Strategy- Provost
- Jon Marchetta Director Finance & Admin Shared Services- Finance & Administration
- Jamie Moffitt Vice President Finance & Administration and CFO
- Sherri Nelson Assistant Dean for Budget & Finance- College of Arts and Sciences
- Kelly Pembleton Assistant VP & Chief of Staff- Equity and Inclusion
- Mark Schmelz CHRO & Associate Vice President- Human Resources (HR)
- Greg Shabram Chief Procurement Officer- Purchasing and Contracting Services (PCS)
- Kathie Stanley Associate VP & Chief of Staff- Division of Student Life
- Kelly Wolf AVP Business Affairs/Controller- Business Affairs Office (BAO)
- Leslie Wolgamott Sr. Director Financial Services- Advancement

## ***V. Business Practices Task Force – Recommendations***

The Business Practice Task Force discussed two different categories of recommendations to address the risks identified in the two audits.

- Recommendations related to how business operations are structured
- Recommendations related to non-structural issues (e.g., policies, business process workflows, audits, training, etc.)

There was general consensus on the following options, analysis and recommendations:

1. ***Structural Recommendations:*** After discussing various potential business operations structures, the task force recommended that the university focus on the framework of “regional shared services hubs” – option two outlined below. The task force also discussed the idea of creating functional best practices / advisory groups for each major business area (HR, purchasing, payroll, etc.) that focus on developing consistent best practices around workflow, business practices, technology support, policies, training, etc. These best practices would be used to inform the formation and functioning of “regional shared services hubs” for consistent and efficient interface with central units.

Below is an analysis of the three main structural frameworks evaluated, as well as pros and cons of each.

### ***Option One: Central, Shared Services Organization***

Staff in departments who perform transactional work (e.g. budgeting, accounting, human resources, purchasing, travel) and provide strategic services are all moved (budget, positions and expenses) to shared services centers that are organized around business functions and report to their respective central units (e.g., HR, BAO, PCS, etc.)

#### *Advantages / Opportunities:*

- Potential for greatest efficiency savings due to economies of scale and ability to implement consistent business practices
- Clear directive to campus
- Would provide central units with more flexibility to respond to major issues and initiatives
- Allows shared services teams to be staffed with professionals focused on particular functions and ensures that teams are managed by professionals in each area
- Provides more opportunities for advancement for professional staff within their respective fields
- May lead to more consistently enforced policies and procedures as staff feel less “local” pressure to put through potentially inappropriate transactions
- In some schools and colleges, performance management of managers/staff would be removed from rotating faculty/department heads

#### *Disadvantages / Risks:*

- Implementation requires significant change to current organizational structures, budgets, practices and procedures

- Risk of transactional work being moved too far away from departments, causing communications and business risk (e.g., lack of local knowledge specific to an academic or administrative unit could create unintended negative consequences in a business transaction).
- Increased communication challenges/risks between business functions (e.g., HR and payroll) as different functional shared services centers would each report to different, respective central organizations
- Unclear that central units (e.g., HR, BAO) have staffing capacity to directly oversee all transactional department staff
- Many departmental staff are also responsible for non-business field-specific functions (e.g., course scheduling, academic support, student support); staffing model for department would need to be considered; in some units, all staff are expected to be student-serving and play an important role in student success.
- More difficult to transition hybrid positions (may be split between two shared services centers)
- Given prior centralization processes that resulted in “exceptions,” this model might have a longer transition period than expected, as departments may try to negotiate functions/staff that stay local
- There may be space challenges if staff need to be pulled together in one location due to any space savings likely being dispersed and hard to utilize effectively
- Even with central shared services model, shadow structures may emerge in departments in order to initiate transactions; this could lead to inefficiencies
- Some employees may prefer to be in a job with more diverse job duties, instead of specializing; the transition to this model could lead to staffing turnover
- Carries the largest political / cultural risk
- Perception from faculty that business needs are taking precedence over academic needs. Faculty might perceive this change as one in which they make all the sacrifices, but see no benefit
- If budgeting/HR is all done from a central service center, central services staff physically left in particular units may be perceived as “department staff” rather than shared service staff (creates tension for staff)
- There is quite a bit of overlap in knowledge needed in higher education and with emphasis on specialization, losing the whole picture could lead to a different risk.
- Current perception of lack of credibility with central services on campus could lead to challenges in implementing and providing better service.

***RECOMMENDED: Option Two: Regional Shared Services Organizations (“Regional Hubs”)***

Staff in departments who perform transactional work and provide strategic services (e.g. budgeting, accounting, human resources, purchasing) are moved (budget, positions and expenses) to regional shared services centers that are organized around business functions. These “regional hubs” remain within / close to their respective portfolios (e.g., VPFA, CAS, SSCM) and are organized and managed locally, potentially with dotted line relationships to central units (e.g., HR, BAO, etc.)

*Advantages / Opportunities:*

- Potential for significant efficiency savings due to economies of scale and ability to implement consistent business practices
- Allows shared services teams to be staffed with professionals focused on particular functions
- Dotted line relationships to central units should help ensure that best practices are utilized in different units and assist in providing accountability compared to current state
- Transactional work could remain closer to departments, reducing communications and business risk
- Preserves institution’s ability to be nimble when organizational change occurs (i.e., regional hubs easier to manage through change than functions in dispersed departments)
- Professional training and development for staff could be streamlined and better delivered
- With clearly defined roles, there could be improved communication between central units and regional hubs

- Implementation would not require as significant of a change to current organizational structures and budgets as the central shared services model, although for some areas (e.g., CAS) this would still be a significant change
- Provides opportunities for advancement for professional staff
- Could be structured to allow staff to maintain academic areas of expertise as they relate to their function and maintain relationships with specified units/divisions and mitigate cultural/communication/political risk.
- Could lead to increased job satisfaction for staff of being part of a team of people with similar job duties and experience who can easily collaborate on tough issues
- In some schools and colleges, performance management of managers/staff would be removed from rotating faculty/department heads

*Disadvantages / Risks:*

- Decentralized approach to shared services operations could lead to development of disparate business practices which reduces efficiency opportunities
- Decentralized approach could make it more difficult to manage overall institutional transition to this model
- Regional hubs that span portfolios between Deans and/or Vice Presidents may have to deal with conflicting priorities and guidance
- Risk of lack of role clarity between central units and regional hubs
- Many departmental staff are also responsible for non-business functions (e.g., course scheduling, academic support); would need to figure out how to best cover these functions (and associated budget)
- Matrixed reporting can be challenging from an accountability perspective if not appropriately managed with expectation setting upon formation
- Regional hubs could be targets for budget cuts, potentially reducing business services more than is appropriate
- Some employees may prefer to be in a job with more diverse job duties, instead of specializing; the transition to this model could lead to staffing turnover
- Carries some political / cultural risk, although not as great as centralized shared services model
- Risk of negative impact on operations if we do not hire the right staff to manage these hubs. Currently individual personnel issues or even individual mediocre performance have a more limited impact due to the decentralized nature of operations

***Option Three: No Structural Changes***

Organizational structure of departmental staff remains the same. Central units focus resources on developing better and clearer policies and practices, as well as rolling out additional departmental training.

*Advantages / Opportunities:*

- Does not require significant organizational and budget changes
- Creates the least political / cultural risk
- Easily implemented training and enforcement opportunities likely exist (low-hanging fruit)
- Enables the most customizable staffing approach for each individual department

*Disadvantages / Risks:*

- Unclear if type and levels of risk identified in audit memo can be significantly reduced without organizational changes

- Efficiencies related to scale and standardized business practices will not be achieved
- Central units have little staff capacity to significantly increase training efforts
- Without better accountability systems, decentralized approach will not significantly reduce audit risks
- May not address issues related to segregation of duties and internal control risks
- Likely leads to inefficient staffing decisions and suboptimal investments
- Leads to very unequal service levels across the organization
- Service interruptions continue due to turnover and/or extended leave (i.e. no other staff appropriately cross-trained)
- Leads to inconsistent interpretation and application of policies and procedures by decentralized departmental staff
- Lessens opportunity for advancement of professional staff within respective fields; although opportunities may exist for advancement as a generalist in larger departments
- Results in minimal interaction between staff members performing the same functions in different areas of campus
- In many schools and colleges, performance management of managers/staff remains with rotating faculty/department heads

***Other recommendations related to structure of business operations:***

- If the university moves to any type of shared services organization:
  - Carefully analyze what functions need to remain close to departments and which ones can be standardized and provided through services centers
  - Analyze new organizational structure based on structures and functions, not skill sets of current people
  - Develop clear accountability structure between shared services operations and client departments (e.g., steering committee, quarterly meetings, other structure)
  - Be careful to only add functions to any shared services organization that we can fully support well with this model
  - It would be important to carefully define expected services levels upfront
  - We should think carefully about fully utilizing the shared services organizations that we have today and about how many additional units we need to develop
  - Transitioning to a shared services model with a deadline for budget cuts can result in premature disruptions to business services; it can be challenging to frame shared services model as a budget cutting initiative vs. quality of service initiative; note however, that in the long run, most of our shared services organizations have been able to operate very efficiently and with fewer resources than the structures they replaced
  - Ensure assumptions about budgets and services provided are coordinated to prevent gaps (i.e., make sure that there are not situations where people and budget are moved, but not all responsibilities that those people used to do are moved to the service center)
- If the university moves specifically to the regional hub model of shared services:
  - It would be ideal to have standardized workflows across regional hubs
  - It would be helpful to have shared services coordinators in each of the central units (e.g. HR, BAO, etc.) to be liaisons with the regional hubs to ensure that business practices are best aligned
  - Consider setting up different levels of authority for the various shared services organizations that is based on their level of expertise and training. This would give the shared services organizations incentives to increase local expertise and training as they would get more authority to take actions and make decisions. This would need to be accompanied by increased review/oversight of regional hub transactions and a clear understanding of processes and roles in accountability

- Regional hubs could provide services outside of their Dean/VPFA portfolio through client service agreements; this may be the best model in some areas to achieve economies of scale and provide services to small portfolios
- For some portfolios, a single-function regional hub could be developed that supports many smaller units and reports to a central unit
- Would need to develop best practice budgeting approach for regional hubs that service both E&G funded units and Auxiliary units (i.e. how to handle salary increases for service center staff working for Auxiliary units)
- It would be advisable to have staff in central units serve on search committees for regional hub hires in their areas of expertise

## **2. Recommendations Related to Training, Policies, Practices and Workflow**

There were several very important recommendations that the task force discussed related to training, policies, practices and workflow. They included:

- As we make organizational changes, make changes to standardize workflows, business practices and underlying technological tools and systems; consider timing / dependency issues and impact of changes at all levels, especially end users.
- Regardless of structure of options chosen, developing clear accountability systems will be critical to changing behavior; this is especially true in the schools and colleges where staff may be managed by faculty on a rotating basis (i.e., department heads)

### ***Other Ideas discussed:***

- As we analyze the risks identified in the audit, one option moving forward is to analyze and accept some of the identified risks
- There may be some functions (e.g., ELR) where it may make sense to fully centralize staffing with due consideration to maintaining connection and coordination with supported units and related functions at the unit / regional hub.
- Regardless of which options the institution adopts, it would be helpful if we had enough central staffing in place to set up additional training and review/oversight of transactional work

### ***Existing Successful Regional Hubs:***

In our discussions, the task force noted that several successful regional hubs have emerged in the last five years that offer shared services to multiple departments. These units have put consistent and efficient, best-practice business processes in place that have resulted in strong internal controls, efficient staffing, effective communication with central units, and specialized staff with expertise in subjects such as contracting, public records, travel, payroll, search functions, etc. Examples include:

- ***Advancement Operations***

- *Areas Supported:* Advancement, Communications, UO Alumni Association, specific Schools/Colleges fundraising travel
- *Support Services:* Budgeting, Accounting, Purchasing, Contracting, Records Management, Travel, Payroll, Human Resources, Recruitment and Talent Engagement, Career Pathing and Professional Development, Building Management, Internal and External Audits, Grant Administration, Royalty Administration, Public Records Steward, Search Administration

- *Structure:* Advancement Operations is comprised of approximately 20 FTE.
  
- ***Central Business Services Office (CBSO)***
  - *Areas Supported:* The Service Center supports the School of Journalism and Communications, Clark Honors College, Undergraduate Education and Student Success, and the College of Design. This has been in place for 3 years and is located in the College of Design.
  - *Support Services:* The Service Center in Design handles all of the basic daily accounting, payroll, travel, concur, ASA, accounts payable and purchasing.
  - *Structure:* The department has 5 classified staff members and is overseen by the Director of Finance for the College of Design. The Director of Finance oversees the Service Center and also the College of Design (COD) day to day activities related to COD budgeting, research, COD PDX and academics. This is a very successful area, very smooth and everyone is extremely happy with the production.
  
- ***Finance and Administration Shared Services (FASS)***
  - *Areas Served:* Facilities Services, Power Station, Design and Construction, Sustainability, UOPD, Risk Services, Environmental Health and Safety, Campus Planning, Vivian Olum Center, Transportation, GIS, VPFA Office, Printing and Mailing; entire campus (campus mail and stores warehouse functions).
  - *Support Services:* Finance and Administration Shared Services (FASS) is a multi-function shared service center, comprised of 3 service groups - Business Operations, Human Resources and Information Technology. FASS business operations provides financial, budget, accounting and purchasing services to the units it serves, as well as provides campus mail and stores warehouse support for the whole University of Oregon campus. FASS human resources provides recruiting, labor relations and payroll support, while FASS information technology provides specialized application support and analytics for the operational units on campus.
  - *Structure:* FASS is comprised of approximately 40 FTE and 6 student positions.