

To: University of Oregon Board of Trustees
From: Jamie Moffitt, Vice President for Finance & Administration and CFO
Re: Update on Steps Taken in Response to Audit Memo re Risks Associated with Decentralized Business Structure
Date: August 28th, 2020

I. Audit Memo on Risks associated with Decentralized Business Structure

In January of 2018, after conducting several audits of business functions at the university, Internal Audit staff 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

Internal Audit staff 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 Business Practices Task Force included the following members:

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| • 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 Krabiell | 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 |

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 has completed their discussions and is in the process of finalizing a memo to senior leadership containing a set of options and recommendations for how the university might begin to tackle the risks identified by the two audits.

V. Next Steps

The Business Practices Task Force memo will be finalized in September. Once Senior Leadership receives the recommendations, they will meet to review the task force memo and develop an appropriate set of next steps for the identified issues and risks. It is expected that an institutional action plan will be developed by the December 2020 board meeting.