



November 26, 2019

Jamie Moffitt  
Vice President for Finance and Administration/Chief Financial Officer

Vice President Moffitt:

The enclosed report contains the results of a review of Critical Business Functions completed by our office.

Based on our review, various structures are utilized across campus to perform critical business functions. As a result, risks were identified that impact the University's objectives (i.e. operational, compliance and financial). Our recommendations, which are detailed in the results section of the report, are intended to contribute to ensuring the effectiveness of the University. We have also included management's responses, along with their corrective action plan.

Please feel free to contact the Office of Internal Audit if you need any additional information or would like to discuss the findings presented in this report. We would like to thank you and all University units and departments that participated for their time, cooperation and continued dedication to the University of Oregon.

Sincerely,

A handwritten signature in black ink that reads "Amy Smith".

Amy Smith, CIA  
Interim Chief Auditor

Enclosure



# University of Oregon

## **Critical Business Functions**

Prepared by:

**THE OFFICE OF INTERNAL AUDIT**

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**TABLE OF CONTENTS**

ABOUT THE OFFICE OF INTERNAL AUDIT ..... 2

STATEMENT OF ASSURANCE ..... 2

AUDIT TEAM ..... 2

REPORT DISTRIBUTION ..... 2

EXECUTIVE SUMMARY ..... 3

BACKGROUND ..... 4

OBJECTIVE AND SCOPE ..... 4

METHODOLOGY ..... 4

RESULTS ..... 4

APPENDIX A – DEPARTMENTS INTERVIEWED ..... 10

APPENDIX B – PERSONNEL INTERVIEWED ..... 11



## ABOUT THE OFFICE OF INTERNAL AUDIT

Driven by the highest professional and ethical standards, the Office of Internal Audit (“Internal Audit”) helps the University of Oregon (the “University”) accomplish its objectives by evaluating and identifying opportunities to improve the effectiveness of governance processes, risk management, and internal controls.

## STATEMENT OF ASSURANCE

In Internal Audit’s professional judgement, sufficient and appropriate procedures have been conducted and evidence gathered to support the conclusions contained in this report. Conclusions are based on conditions as they existed at the time of the audit and are only applicable to the scope and time period covered by this audit.

## AUDIT TEAM

Trisha Burnett, Former Chief Auditor, Office of Internal Audit  
Amy Smith, Interim Chief Auditor, Office of Internal Audit  
Katie Bumgardner, Associate IT Auditor, Office of Internal Audit  
Andrea Garcia, Associate Auditor, Office of Internal Audit

## REPORT DISTRIBUTION

Michael Schill, President, University of Oregon  
Patrick Phillips, Provost & Senior Vice President  
Angela Wilhelms, Secretary of the University, Board of Trustees  
Jamie Moffitt, Vice President for Finance and Administration/Chief Financial Officer  
Kevin Reed, Vice President/General Counsel



## EXECUTIVE SUMMARY

An assessment of Critical Business Functions (defined below) was included on the audit plan for fiscal year 2019 (“FY19”), after Internal Audit had identified and communicated to senior leadership systemic concerns related to critical business functions across the University. The objective was to conduct a high-level inventory of where and how business processes are performed across the University. The scope included a sample of units across campus where critical business functions are performed. For the purpose of this assessment, “Critical Business Functions or Processes” are defined as:

- Budget processes – management of, review, and approval of department budgets (e.g. Budget Managers and Budget Authorities)
- Invoice payments – process and approval at the department level
- Journal vouchers – process and approval at the department level
- Human Resources functions – hiring/termination, personnel training and continuing education
- Travel processes – travel requests and expense preparation and approval
- Payroll – time and attendance/leave processing
- Purchasing and contracts – contracting and purchasing authority

Based on our assessment, Critical Business Functions are performed in a decentralized environment and handled by units of varying sizes and complexity. Internal Audit identified the various structures utilized across the University for further review and consideration (see Results section). Additionally, while departments exhibited strengths in their aptitude to conduct Critical Business Functions to the best of their skilled ability, staffing levels, and in compliance with University policies and procedures; the following themes from stakeholder meetings and our review were identified as potential risks as it relates to the current decentralized environment:

- 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 policies and procedures, and laws and regulations



## BACKGROUND

Critical Business Functions at the University are performed in a decentralized environment by units of various sizes. Due to the diversity and complexity of the Critical Business Functions, the design of processes and controls vary from unit to unit. Internal Audit communicated to senior leadership the identification of systemic concerns based on the nature of decentralization at the University. As a result, the project was approved on the FY19 audit plan. The results and recommendations contained in this report are based on Internal Audit's work and collaboration with numerous University schools, colleges, and administrative units.

## OBJECTIVE AND SCOPE

The objective of this assessment was to gather an account of where and how Critical Business Functions are conducted throughout the University. The scope of this assessment included a sample of units, including but not limited to the following:

- Schools and colleges (note: interviews conducted at school/college level, not academic department level)
- Administrative units (e.g. Advancement, Student Life, etc.)
- University established shared services;
  - Finance and Administration Shared Services ("FASS")
  - Central Business Services Office ("CBSO")
- University Central Offices (e.g. Purchasing and Contracting Services ("PCS"), Budget and Resource Planning ("BRP"), Human Resources ("HR"), Business Affairs Office ("BAO"), etc.)

*For a complete list of units selected for review, see the Results section. For units interviewed, reference Appendix A. For a detailed listing of personnel interviewed, reference Appendix B.*

## METHODOLOGY

To accomplish this objective, Internal Audit's approach included the following:

- Conducted interviews (see Appendix A and B) representing:
  - Unit leaders including; Vice Presidents and Directors
  - UO shared services
  - Administrative business personnel*Interviews with personnel focused on gathering information related to business processes, staffing structures, strengths, challenges, and risks.*
- Reviewed data reports – including but not limited to, authorized invoice and journal voucher Banner users, travel delegates and approvers, delegated contract officers, etc.
- Inventoried and categorized units Critical Business Functions by structure utilized



## RESULTS, RECOMMENDATIONS, AND RESPONSES

### **Critical Business Functions - Inventory**

Based on Internal Audit's work, Critical Business Functions are performed across the University by various units with diverse staffing and support structures. As a result, defining Critical Business Functions structures at the University is a challenge as units have organically developed their own approaches in order to meet their needs. However, for the purposes of this assessment, the following structures are generally utilized across campus:

- Shared Service Model – performs and provides support of Critical Business Functions for multiple schools/colleges/units (e.g. FASS and CBSO)
- Business Office – administrative/business office that performs and provides support of Critical Business Functions for a unit and sub-units (e.g. school/college and their respective academic units)
- Unit Level – unit personnel performs and provides support of Critical Business Functions for the unit

The following graphic depicts which units depend on a shared service, have a dedicated business office, and/or rely on unit personnel to conduct Critical Business Functions at a unit level. It should be noted that some units' Critical Business Functions do not necessarily fit in only one category. Examples include but are not limited to, the following:

- Units may utilize a shared service or have a business office that conducts most Critical Business Functions, however, there may be unit personnel who perform Critical Business Function responsibilities.
- Units whose Critical Business Functions may be performed by other units



School/Department	Business Office	Unit Level	FASS	CBSO
<b>President of the University</b>				
Knight Research Center	✓			
Athletics	✓			
<b>Senior VP &amp; Provost</b>				
Office of the Provost	✓	✓		
UO Portland	✓			
University Libraries	✓			
Undergrad Education and Student Success (UESS)	✓	✓		
Division of Global Engagement	✓	✓		
Information Services (IS)	✓	✓		
Museum of Natural and Cultural History (MNCH)	✓			
Jordan Schnitzer Museum of Art (J SMA)	✓			
<b>Schools/Colleges</b>				
School of Law (SOL)	✓			
College of Education (COE)	✓	✓		
College of Design (COD)		✓		✓
School of Music and Dance (SOMD)	✓	✓		
College of Arts and Sciences (CAS)		✓		
School of Journalism and Communication (SOJC)	✓			✓
Lundquist College of Business (LCB)	✓			
Clark Honors College (CHC)	✓			✓
Graduate School	✓			
<b>General Counsel</b>				
Purchasing and Contracting Services (PCS)		✓		
<b>Division of Equity and Inclusion</b>				
Division of Equity and Inclusion	✓			
<b>Finance and Administration</b>				
Human Resources (HR)		✓		
Campus Planning & Facilities Management (CPFM)		✓	✓	
Printing and Mailing		✓	✓	
Business Affairs Office (BAO)		✓		
Budget Resource Planning (BRP)		✓		
Safety and Risk Services (SRS)		✓	✓	
University of Oregon Police Department (UOPD)		✓	✓	
Transportation Services			✓	
<b>University Advancement and Communications</b>				
University Advancement	✓			
University Communications	✓			
<b>Research, Innovation and Graduate Education</b>				
Research and Innovation	✓	✓		
<b>Student Services and Enrollment Management</b>				
Continuing Education	✓			
Housing	✓			
Student Health Center	✓			
<b>Student Life</b>				
P.E. & Rec Center	✓			
Erb Memorial Union (EMU)	✓	✓		





For units that utilize a shared service model, the following graphic depicts key services offered by FASS and CBSO:

FASS	CBSO
<ul style="list-style-type: none"><li>□ <b>BUSINESS OPERATIONS</b><ul style="list-style-type: none"><li>□ Budget and Resource Planning Support</li><li>□ Labor or Service Rate Development</li><li>□ Informal Contract Support</li><li>□ Accounting and Financial Support</li><li>□ Forecasting and Reporting</li><li>□ Accounts Payable, Billing and Accounts Receivable</li><li>□ Purchasing</li><li>□ Stores Inventory Management and Support</li></ul></li><li>□ <b>HUMAN RESOURCES</b><ul style="list-style-type: none"><li>□ Recruitment</li><li>□ Employee and Labor Relations</li><li>□ Payroll Administration</li><li>□ Organization Development and Training</li><li>□ Workforce Planning</li><li>□ Travel Coordination</li></ul></li><li>□ <b>INFORMATION TECHNOLOGY</b><ul style="list-style-type: none"><li>□ Deskside Support</li><li>□ UO Network Account and Login Support</li><li>□ UO Network Wired and Wireless Local and Remote Connectivity</li><li>□ Desktop, Laptop, Tablet and Portable Devices</li><li>□ Shared File Server System Access Management</li><li>□ Support for Standard Suite of Productivity and Collaboration Tools</li><li>□ Anti-Virus and Other Security Tools</li><li>□ Copier Contract and Device Management</li><li>□ Other Services and Applications</li></ul></li></ul>	<ul style="list-style-type: none"><li>□ <b>ACCOUNTS PAYABLE</b><ul style="list-style-type: none"><li>● Invoices - State and Foundation</li><li>● Reimbursements - State and Foundation<ul style="list-style-type: none"><li>▫ Miscellaneous</li><li>▫ Mobile Technology</li></ul></li></ul></li><li>□ <b>TRAVEL</b><ul style="list-style-type: none"><li>● Concur Travel Support</li></ul></li><li>□ <b>ACCOUNTS RECEIVABLE</b><ul style="list-style-type: none"><li>● Ecommerce Credit Card/Echeck payment services</li></ul></li><li>□ <b>DEPOSITS</b><ul style="list-style-type: none"><li>● Cashiers – State</li><li>● Foundation</li></ul></li><li>□ <b>GRANT ADMINISTRATION</b><ul style="list-style-type: none"><li>● DGA - Post Award</li></ul></li><li>□ <b>PAYROLL</b><ul style="list-style-type: none"><li>● Student Employee Setup</li><li>● Temporary Employee Setup</li><li>● Time Entry for students, classified, and OA leave<ul style="list-style-type: none"><li>▫ Timesheet distribution and receipt</li></ul></li><li>● PRF/RTO Setup/Review</li></ul></li><li>□ <b>PURCHASING</b><ul style="list-style-type: none"><li>● Purchase Orders - FIS/Manual/Foundation</li><li>● Duck Depot</li><li>● Pcard Management</li><li>● Personal Services Contracts<ul style="list-style-type: none"><li>▫ Purchasing Portal Entries as needed</li><li>▫ Other Contracts</li></ul></li></ul></li><li>□ <b>OTHER</b><ul style="list-style-type: none"><li>● Journal Vouchers/Budget Changes</li><li>● Foundation Transfers</li><li>● Vendor Setup and Management</li></ul></li></ul>

*Please note this is not an exhaustive list of all services offered by CBSO, but are the major services offered/provided to units served.*

For those that use a shared service model, Critical Business Functions offered differs among the two models. Additionally, within FASS, service partnership agreements are utilized with each unit they support to document which services will be provided, while CBSO does not utilize service partnership agreements. Furthermore, services provided by each shared service model differ depending on the unit they are providing services for. For example, FASS does not provide accounts payable, billing and accounts receivable services for Safety and Risk Services, but provides this for Campus Planning and Facilities Management. Additionally, Clarks Honors College uses CBSO for most Critical Business Processes, with the exception of Forensics, who does not utilize CBSO.

For those that use a business office or rely on unit personnel, employees within these areas may perform a wide variety of responsibilities, vary in expertise or skill level, and have different



employment classifications. Additionally, the number of employees charged with these processes can also vary depending on the unit. Some units may have multiple employees responsible for Critical Business Processes, while others rely solely on one or two individuals. Furthermore, the ratio of personnel performing Critical Business Functions to the volume of transactions vary among units (e.g. unit may have one individual that performs payroll for a few or hundreds of employees).

### Themes/Risks

Internal Audit identified the following key themes and risks due to the current structure and variation of Critical Business Functions at the University. While these risks are not all encompassing of the issues at large, they demonstrate a high-level overview of some key observations that impact the University as a whole:

- 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 policies and procedures, and laws and regulations

### Strengths

As the University considers enhancing the Critical Business Functions structure and processes, it is crucial to recognize the strengths that were raised in our discussions with stakeholders and observed through our review.

- While personnel have voiced challenges and concerns with the current state of Critical Business Functions, there is a collective dedication, commitment, and willingness to advance the University, as well as its interests and efforts in enhancing Critical Business Functions and support.
- The University has invested and made improvements to Critical Business Processes within central offices (e.g. BAO, HR, PCS, etc.) over the past few years. Changes made at central offices have an impact on Critical Business Functions performed by units. These changes have focused on improving process efficiencies, providing data, ensuring compliance with policies, procedures and laws, and providing quality customer service.

### RECOMMENDATION:

Senior leadership and management should assess the current structure, processes, and controls regarding Critical Business Functions to ensure key themes and risks are addressed. As Critical Business Functions are decentralized across the University, consultation and input from key stakeholders is crucial to ensure unit needs are identified and included in the assessment.

### MANAGEMENT RESPONSE:

Management concurs. The university will establish a cross-functional task force with representation from central business units and many of the areas within the university where significant decentralization of business practices exist. The task force will (1) discuss the risks identified in the

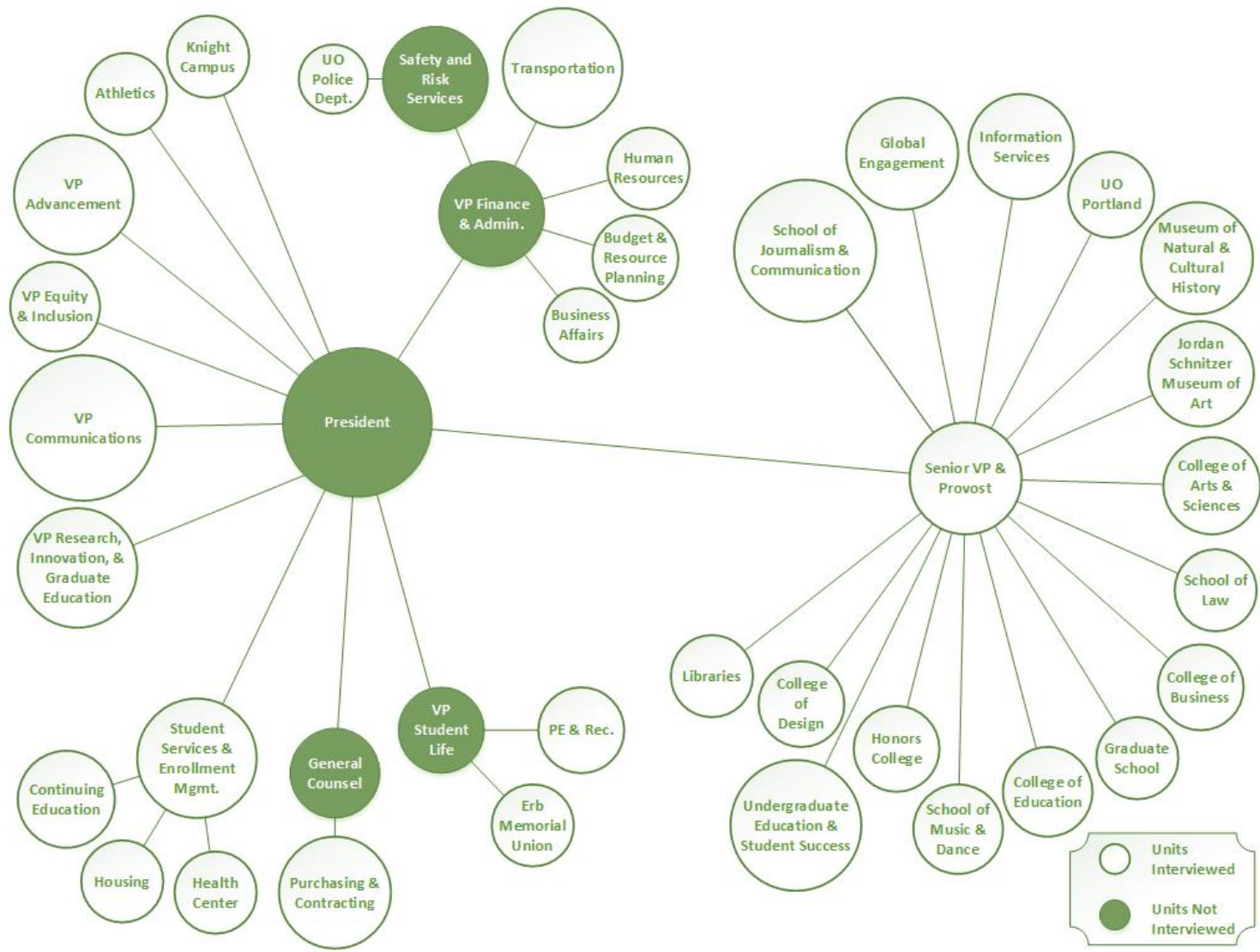


audit, (2) brainstorm various options for mitigating these risks, and (3) make recommendations for improvement to senior leadership.

Target Completion Date: Task force launched in Winter term with recommendations complete by December of 2020.



# APPENDIX A - DEPARTMENTS INTERVIEWED





## APPENDIX B – PERSONNEL INTERVIEWED

The following personnel participated in individual or group interviews:

- Laura Abbott, Executive Support Specialist, Continuing and Professional Education
- Yousef Alrahmani, Business Manager, Museum of Natural and Cultural History
- Melynn Bates, Associate Dean of Finance and Operations, School of Music and Dance
- Billy Blood, Executive Assistant AD Business Operations, Intercollegiate Athletics
- Miriam Bolton, Assistant Dean for Administration and Operations, College of Arts and Sciences
- Connie Brady, Associate Dean for Finance and Administration, Lundquist College of Business
- Susan Breakenridge, Assistant Dean, Library Administration Services
- Josh Buetow, Manager of Financial Planning and Analysis, School of Journalism and Communication
- Naomi Crow, Associate Director of Operations, Knight Campus
- Erica Daley, Associate Dean of Finance and Operations, School of Law
- Renee Dorjahn, Assistant Dean of Finance and Administration, Clark Honors College
- Paula Ellison, Assistant Director, Transportation Services
- Sonya Faust, Senior Program Manager, Continuing and Professional Education
- Leeann Ford, Director of Financial Operations, Lundquist College of Business
- Brooke Freed, Assistant Dean of Operations and Administration, College of Design
- Allen Gidley, Senior Associate Director of Housing, University Housing
- Sandra Gladney, Executive Director, Continuing and Professional Education
- Della Green, Finance and Accounting Manager, School of Law
- Michael Griffel, Assistant Vice President and Director, University Housing
- Jared Haddock, Associate Director of Human Resources and Administrative Operations, Information Services
- Lisa Howard, Director of Finance and Administration, Graduate School
- Karen Jefferis, Director of Financial Services, Office of the Provost
- Liesl Johnson, Director of Business Operations, Undergraduate Studies
- Volga Koval, Director of Finance and Business Operations, University Health Center
- Stuart Laing, Director of Budget Operations, Budget and Resource Planning
- David Landrum, Assistant Vice President for Business Administration, Research and Innovation
- Evey Lennon, Director of Finance and Operations, UO Portland
- Steve Linster, Assistant Director of Business Operations, Erb Memorial Union
- Rocco Luiere, Associate Dean of Finance and Administration, College of Design
- Katy Molloy Brady, Director of Fiscal Services, Global Engagement
- Sherri Nelson, Assistant Dean for Budget and Finance, College of Arts and Sciences
- Brady Nittmann, Director of Financial Operations, College of Education
- Susan Orr, Interim Director of Finance and Administration, Clark Honors College
- Karri Pargeter, Business Manager, Jordan Schnitzer Museum of Art
- Angie Peatow, Director of Budget and Finance Administration, Student Services and Enrollment Management
- Kelly Pembleton, Assistant Vice President and Chief of Staff, Office of the Vice President for Equity and Inclusion
- Kaia Rogers, Senior Director - Human Resources Program Services, Human Resources
- Mark Schmelz, Chief Human Resources Officer & Associate Vice President, Human Resources
- Greg Shabram, Chief Procurement Officer, Purchasing and Contracting Services

# O

- Ray Sykes, Associate Dean for Administration and Finance, School of Journalism and Communication & Interim Assistant Vice Provost COO, Undergraduate Studies
- Carrie Toth, Executive Assistant, UO Portland
- Jason Wade, Police Captain, UO Police Department
- Kathy Warden, Director of Operations, Office of the Provost
- Sue Wieseke, Assistant Director for Finance, Physical Education and Recreation
- Stacy Williams-Wright, Divisional Budget Director, Research and Innovation
- Kelly Wolf, Associate Vice President for Business Affairs and Controller, Business Affairs Office
- Leslie Wolgamott, Director of Financial Services, University Advancement