

To: Board of Trustees, University of Oregon
From: Mike Schill, President
Patrick Philips, Senior Vice President and Provost
Jamie Moffitt, Vice President for Finance & Administration and CFO
Re: Next Steps – Business Practices Audit Recommendations
Date: November 30th, 2020

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.

In response to the memo from the Office of Internal Audit, we 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

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, as well as identification of associated risks.

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.

In January of 2020 a cross-functional task force was launched to discuss and analyze how business practices are conducted at the University and provide recommendations for changes the institution could implement to address identified risks. The task force concluded its work in August 2020 and developed a framework of recommendations. Primary recommendations included the establishment of the following:

- Institutional support for the further development of Regional Shared Services Hubs to provide business services to campus
- More standardized business processes, workflows, and technological tools and systems that support business services
- Clearer and more consistent accountability structures for business service staff
- Increased training and support

The attached memo provides more detailed information about the Cross Functional Task Force's discussions and recommendations.

Over the last five years, there has been considerable organic growth of Regional Shared Services Hubs across the campus. These "regional hubs" provide consolidated business services, work closely with central functions, but organizationally report within their client portfolios. Examples include the Finance and Administration Shared Services Department, the Central Business Services Office¹ serving the School of Journalism and Communication², the College of Design, and the Honors College, and Advancement Operations which serves both the Advancement and Communications portfolios. Despite the general movement in this direction, each effort to organize individual hubs was in the past done independently. Today other portfolios are also considering creating shared services organizations – however, each group is working on these issues individually. In order to help support further development of these regional shared services hubs, the institution will be implementing the following two initiatives:

1. ***Phase One: Launch of network and expertise groups for major business processes in Regional Shared Services Centers.*** The basic goal is to create a team of experts among the professionals that staff the existing regional hubs to work together, and with the relevant central experts, to develop standard business practices for interacting with central units, identify best practices for working with clients, needed technology platforms, gaps in policies and procedures, and needed training. These groups would also be well positioned to provide consulting support for portfolios looking to establish new regional shared services hubs. In winter term, we plan to launch network and expertise groups in the following initial areas:
 - Regional Service Center Hub Directors
 - Business Transactions
 - Human Resources
 - Purchasing and Contracting

¹ In the December 2020 memo, this was referred to as "Central Business Services Operations".

² The original memo listed the College of Education as a CBSO client instead of SOJC.

2. ***Phase Two: Focused Institution Wide Strategic Planning Initiative around Development of New Regional Shared Services Hubs.*** We continue to see different portfolios around campus explore the concept of regional shared services hubs and several portfolios are actively engaged in expanding or pursuing shared services opportunities. Spring term we intend to launch an institution-wide planning effort around further development of these service centers. We do not envision this as a one-size-fits all model, but instead a focused look, working with portfolio leadership, to explore how within and across each Vice President, Vice Provost, and Dean portfolio we might transition to more consolidated business service support models that provide for greater specialization, expertise, support, training and redundancy. Our current goal is to have an interim report on this effort completed by December of 2021 and a more comprehensive institutional report and implementation plan complete by March of 2022. Work is underway in many portfolios already to expand the use of regional shared service centers and we will continue to report implementation progress across the institution on a regular basis.