Administrative Unit Name: *Finance & Facilities*

*Please complete this Word document and the accompanying [Excel workbook](), and submit them to the Office of Planning & Budgeting on or before **Friday, November 20**. Please email your materials to [Becka Johnson Poppe]().*

1. In spring 2015, Provost Baldasty initiated the Transforming Administration Program (TAP), which encompasses all central administrative units and focuses on fulfilling the need for greater collaboration, clear priorities, increased accountabilities, and elimination of unnecessary bureaucracy and redundancies.

    Within a **500 word bulleted list**, please answer both of the following questions**:**

    *   **List 3-5 things your unit is doing to align with the [TAP principles for central administrative units]() and to create and enhance a culture of service. Please be specific.**

    *   In what ways (if any) could your unit **leverage activities of other central administrative units to increase efficiency within your unit and/or to streamline activities across the UW?** Are there areas of overlap between your unit and another that **prompt closer collaboration?**

Engage People

Finance & Facilities is creating a culture where every employee is empowered to be a problem-solver and innovator.

*   Facilities Services employees identify problems and find solutions within their work areas. Problems are linked to goals that teams define, and then resolutions are developed.

*   Grant and Contract Accounting (GCA) engages staff to collaborate daily as they do their work. Staff meet in structured short huddles to identify opportunities to improve service, efficiency and accuracy, and implement solutions rapidly.

Collaboration among staff and University stakeholders is the norm in Finance & Facilities.

*   Procurement holds monthly meetings with a campus advisory group (Procurement Special Interest Group) to seek feedback, discuss issues and take action on items of concern.

*   GCA is partnering with the Office of Research Information Services to provide seamless access to sponsored project pre-award to post-award information. Campus customers have been heavily involved in providing input and user testing.

"Failing forward" is part of our process to achieve success.

*   To increase revenue, Creative Communications pursued outside business through outreach to external agencies. Although the results were nominal, the endeavor resulted in new and increased business from UW clients, such as the UW-IT Datacenter printing.

- Procurement is transitioning from the legacy PAS system to Ariba, which is improving old and inefficient manual processes. The implementation process is difficult and frustrating, but the end result will be a much improved system that was developed by trial and error, and with input and feedback from stakeholders.

Realize Efficiency and Effectiveness

Using Lean processes as our guide, F2 exemplifies continuous improvement.

- GCA is identifying recurring delays and creating standard work to improve outcomes for customers.

- Financial Accounting and DataGroup automated 35 of 120+ adjustments necessary to complete the Annual Financial Report, reducing production time (including the external audit) by seven weeks.

F2 embraces change through proactive planning and an engaged workforce.

- Payroll is standardizing processes, reducing paper forms, and establishing workflow business processes for the University in advance of the new Workday system.

- Financial Accounting is streamlining processes by building online tools for field advances, eliminating duplicate keying of information, and reducing paper use.

F2 develops partnerships with stakeholders to increase efficiency and leverage opportunities.

- The Global Support Program leverages subject-matter experts from across campus to centralize communication and to address critical situations that impact UW international engagements.

- Student Fiscal Services partners with Professional & Continuing Education, Housing & Food Services and academic departments to streamline billing, aid disbursement and collection processes affecting students.

Deliver Value

Our commitment to transparency and accountability is modeled through our actions and results.

- Internal Audit acts as the liaison between external auditors (federal, state, etc.) and various units to streamline responses and ensure integrity for outside audit requests.

- GCA is working with the Compliance Support Platform to enhance post-award oversight, focusing on instructional design, training and education, metrics and decision support, and monitoring and reporting.

F2 serves the University by delivering quality programs and exceptional performance.

- Management Accounting & Analysis is implementing strategies to improve the gathering of space functionalization data for the F&A proposal. Currently, data is only captured for the F&A base year

and includes the collecting of usage percentages for all space across campus. Efficiencies gained will benefit business units across campus, while improving the quality of data for required federal reporting, the F&A Cost Study, and information requested by the Board of Regents.

- The Office of Equipment Inventory worked in collaboration with the Office of Research to increase the equipment capitalization threshold from $2,000 to $5,000, eliminating over 40,000 items from the biennial inventory process.

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2. In 200 words or fewer, please **identify plans to adapt functions and services to support changing institutional needs in FY17.**

F2's strategy to adapt to meet institutional needs in the coming fiscal year is based on the following components:

Global footprint

- The Global Support Program is working with partners to increase information and data sharing, and provide compliant cash advances for travelers.

- Financial Accounting is working with DataGroup to build a website to manage the growth of field advances.

Proactively address compliance and risk issues.

- Internal Audit is developing a strategic plan that will identify key risks and resource solutions to address potential threats facing the University over the next five years.

- GCA is mitigating the impact of the rapidly changing compliance environment related to federal grants through increased outreach to campus, improved just-in-time tools, and internal data analytic review and feedback to units.

Seeking and building partnerships to leverage opportunities.

- Procurement is leveraging strategic relationships with key suppliers to implement innovations to enhance service delivery.

- F2 continues to work with campus customers to identify opportunities to reduce campus administrative burden and implement associated process changes:

    - MAA is assessing moving from an annual to a biennial review of recharge center cost rates.

    - MAA is reviewing the opportunity for replacement of the current faculty effort reporting process with project-based payroll certification.

    - Equipment Inventory Office is centralizing the process of inventorying equipment.

- Creative Communications is working closely with labor unions to consolidate deliveries and reduce the number of vehicles delivering on campus.

3. **Please identify any significant obstacle(s) or challenge(s)** that your unit faces other than resource constraints. **Please plan to discuss these with the Provost.** If applicable, please summarize any operational risks that, from your perspective, the UW must work to mitigate over time.

Finance & Facilities is committed to providing best in class service to the University community through judicious stewardship of available resources. There are areas where the growth of F2's responsibilities continues to outpace its ability to meet service needs with current resources. We have identified several areas of concern affecting F2 and the University that necessitate further consideration.

Regulations

F2 and the University are facing increasing scrutiny and compliance risks.

- The pace of change and increase in complexity in federal research and student loan regulations, systems, processes and auditing approaches is unrelenting.

- Other regulatory changes add to the challenge, like the Payment Card Industry Data Security Standards compliance requirements that necessitate the UW to obtain specialized network architecture expertise to remain compliant.

The potential for inadvertent compliance failures could increase over time.

- Working within the boundaries of external state and federal agencies adds complexity to the administrative burden.

- Continued collaboration with partners in Olympia and seeking legislative relief, where appropriate, will help mitigate these challenges.
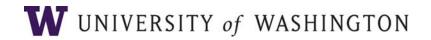
Administrative transition

- In this period of administrative transition, one major challenge will be to develop the appropriate organizational structure to effectively manage the University's resources and meet new challenges.

- Potential loss of institutional knowledge through the retirement of long term employees requires succession planning.

System Modernization

- The continued modernization of University systems is crucial.

- Due to the University's legacy system challenges, keeping up and moving forward is a daunting task.

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<u>**Infrastructure**</u>

- The UW central steam plant is at operational risk as most of the infrastructure is more than 40 years old.

- System and building maintenance, cleanliness standards and scheduled preventive maintenance have been degraded due to previous staffing reductions.

- There is a reputational risk due to degrading building conditions, and quality of working and studying environments. This will greatly detract from the University of Washington remaining an institution of excellence, as well as *the* choice for students, faculty and staff.

4. Though the Provost will soon be laying out requirements for FY17 merit increases, administrative units should begin to plan for a merit allocation equivalent to 90-95 percent of GOF/DOF merit pool. In other words, units should plan to receive less funding than may be necessary for a full merit increase, on average, for all GOF- and DOF-funded positions. **Please tell us how your unit plans to deploy funds for merit increases in FY17.**

Finance & Facilities anticipates that a 5%-10% reduction in funding for merit increases, as much as $80K per year, would be absorbed within current operating budgets.

5. As you may recall, in the summer of 2014, the UW was the sole subject of a state-required audit of net operating fee (tuition) and local fund accounts. The audit reinforced the importance of monitoring expenditures against budgets on a biennial basis, ensuring that colleges, schools and administrative units have plans to spend fund balance in a reasonable and mission-driven manner and that these plans are acted upon.

As such, **we ask that you <u>update</u> the carryover usage plan you submitted as part of last year's budget development process**. To do so, please **fill out the "Carryover Worksheet - Detail" tab** of the "FY17 Administrative Budget Worksheets & References" Excel workbook using:

- **The carryover plan you submitted last year, as a starting point, modified as needed**. If you need a copy of the plan you submitted last year, please email Amy Floit or Becka Johnson Poppe.
- **New reserve figures**, as provided in the "Reserve Figures" tab of the aforementioned spreadsheet.
- **New carryover totals,** as provided in the "Carryover into FY16" tab of the aforementioned spreadsheet.

In the space below, please describe and explain any major change(s) to your carryover usage plan.

See next page.

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Administrative Unit Carryover Usage Plan DETAIL

Administrative Unit Name:	Finance & Facilities
Carryover Balance going into FY16:	**16,295,501**

Usage Categories and Descriptions	Committed Year(s)	# of Years	Annual $ Amount	Totals
Unit's Reserve (10% - up to $5,469,082)				
1 Unit Reserves		-	-	1,370,949
Add more lines as needed			**Total Unit's Reserve:**	**1,370,949**
Central Commitments	*e.g. FY16, FY17*	*e.g. 2*		
1 F&A Proposal, ARRA, etc.	FY16	1	337,181	337,181
2 Student Intern Funding	FY16	1	100,000	100,000
3 PRF Recapture for childcare	FY16	1	2,500,000	2,500,000
Add more lines as needed				
			Total Central Commitments:	**2,937,181**
"Spending Plan" Permanent Costs & Other Projects	*e.g. FY16, FY17*	*e.g. 2*		
A. Permanent expenditures funded with temporary funds				
1 Strategic Initiatives - Lean	FY16, FY17	2	727,728	1,455,455
2 Temp Funded Positions	FY16, FY17	2	1,112,459	2,224,919
B. Possible multi-year commitments				
1 Financial System Replacement Project	FY16, FY17	2	400,000	800,000
2 HR/P - Ongoing System Support	FY16, FY18	10	390,000	3,900,000
3 Sightlines & ADA Consulting	FY16, FY17	2	146,500	293,000
4 HR/P - Debt & Provost Prepayment	FY16, FY17	2	350,000	700,000
5 Ongoing operational Expenses	FY16, FY17	2	155,195	310,389
6 Strategic Initiatives - Other	FY16, FY17	2	519,304	1,038,608
C. Immediate, current year use				
1 Deferred Maintenance/ Capital Investment	FY16	1	850,000	850,000
2 Space & Equipment Upgrades	FY16	1	415,000	415,000
Add more lines as needed				
			Total Permanent Costs & Other Projects:	**11,987,371**
			TOTAL CARRYOVER USAGE PLAN	**16,295,501**

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6. The Provost will be making the decision to deploy *permanent* Provost Reinvestment Funds **primarily, if not exclusively, to cover for compensation increases. The only possible exceptions for permanent funds will be for critical compliance issues.** However, requests for temporary funds will only be entertained in areas of high institutional priority and in consultation with faculty, staff and students.

If you have a Provost Reinvestment Fund request that fits within these strict parameters, please describe it using the framework below.

Finance & Facilities – Critical Compliance Requests

Title		Funding	FY	P/T	# Years
Research & Student Accounting					
1	Post-Award Research Compliance Analyst (1.0 FTE)	$139,000	17	P	N/A
2	PCI Compliance Director (1.0 FTE)	$170,000	17	P	N/A
3	Centralization of Physical Equipment Inventory	$154,000	17	P	N/A
	TOTAL	$463,000			
Internal Audit					
1	IT Audit Manager	$167,000	17	P	N/A
2	Student Intern Program	$30,000	17	P	N/A
3	Operating Shortfall	$153,000	17	P	N/A
	TOTAL	$350,000			
Facilities & Administrative Cost (F&A) Proposal					
1	F&A Proposal Budget	$460,000	17	T	1
	REQUEST TOTAL	$1,273,000			

Note to file (for future consideration):					
2	F&A Proposal Budget	$400,000	18	T	1
3	F&A Proposal Budget	$450,000	19	T	1
4	F&A Proposal Budget	$300,000	20	T	1
	TOTAL	$1,150,000			

Reasoning

Research & Student Accounting

#1 - Post-Award Research Compliance Analyst: $139,000

Federal audits are increasingly identifying lack of <u>central oversight</u> of financial activity as a significant contributor to audit findings on federal awards. In addition, auditors are beginning to use data analytics to review <u>all</u> transactions, rather than reviewing small samples. With over a billion dollars in sponsored funding per year, the UW needs to be able to demonstrate that it has effective central oversight of financial activity. This position will:

- Proactively monitor high-risk transactions using data analytics;

- Increase outreach on compliance trends and issues identified;
- Improve compliance tools and information available to principal investigators and campus administrators with a focus on resolving compliance concerns and preventing future occurrences;
- Interpret ever changing regulations; and
- Provide increased guidance and just-in-time training on regulatory matters for campus.

Compliance risk continues to grow as the University expands into diverse and complex sponsored funding arrangements. Multi-million dollar audit findings at research institutions continue to generate headlines. For a research institution the size of the University of Washington, it is essential to have an adequate process in place to support and prioritize financial compliance throughout the life of a grant or contract.

#2 - PCI Compliance Director: $170,000*

PCI-DSS 3.1, published in April 2015, makes compliance significantly more difficult to the UW as a whole and campus departments (merchants) that are accepting credit cards. The new requirements include: more documentation and data flow diagraming; enhanced systems and network monitoring; stronger encryption; and systems penetration testing. These new technical and operational compliance obligations require a professional resource with expertise and background with PCI-DSS compliance, network and systems architecture and in directing outside vendors to perform the required vulnerability scans and pen-testing. The PCI Compliance Director will support and oversee the PCI-DSS compliance of more than 200 UW department merchants, receiving over $225 million on 4.6 million credit card transactions, coordinating the work with Student Fiscal Services or the Office of the Chief Information Security Officer.

*A study of our peers is underway to determine best practice approaches and institutional placement of the resources. *Note: Network scanning services estimated to cost $25-$50,000 annually will be necessary to meet this compliance mandate and will require either central funding or will be charged to departments accepting credit cards.*

#3 - Centralization of Physical Equipment Inventory: $154,000

Centralizing the equipment inventory process, an approach vetted with campus customers in collaboration with the Office of Research, would result in tremendous time savings to campus departments. Department equipment custodians would no longer need to physically identify and confirm the assets, as this function would be performed by the Equipment Inventory Office (EIO). For the most part, this would eliminate the need for administrators to:

1. Create, print, and distribute inventory reports for each of their custodians;
2. Independently verify the custodians work;
3. Compile the information into the formal paper inventory to return to EIO;
4. Track down items not found and update records for items disposed of or lost.

This would allow campus departments to either reduce and/or redirect resources toward more critical department needs. With this funding, this work could be centralized for the majority of locations in the greater Puget Sound region.

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Internal Audit

#1 - IT Audit Manager: $167,000

The current request is for one IT Audit Manager in FY2017 to continue to address the expanding IT risks confronting UW, including the major risk posed by the implementation of new HRP and Finance Systems, as well as increased compliance risks related to new healthcare initiatives, systems, and alliances.

#2 - Internal Audit - Student Intern Program: $30,000

Internal Audit is seeking to create a basic/baseline "compliance audit program" utilizing student interns to execute a majority of the work. Virginia Tech has rolled out a program, where basic compliance expectations within any academic or academic support unit are tested. Similar to VT, the UW program would include basic financial, budget, and HR compliance. These audits would be conducted by the student interns and carried out over the entire year. A pilot is scheduled for early 2016, with goals to expand throughout 2017 and beyond. This would raise the compliance awareness across campus and provide additional training to students.

#3 - Internal Audit - Operating Shortfall: $153,000

Internal Audit is requesting $153,000 in permanent operating funds to cover operating costs, which are currently funded with temporary funding. Moving from a model of funding operations with temporary funds is critical; otherwise, staff reductions will be needed to cover future operating costs.

Facilities & Administrative Cost (F&A) Proposal

#1 - F&A Proposal Budget FY17: $460,000

Temp funding for F&A proposal preparation includes annual componentization and base year library utilization study, 1.5 temp FTE, annual software costs, F&A advisory specialists for related quality checks and travel/supplies.

Note to File for F&A Cost Proposal

FY18 Base Year Request for F&A Proposal: 1 temp FTE, annual software costs, F&A consultants and related travel/supplies.

Year 1 (FY17) is included in this year's budget request.

Year	FY18 Base Year Request	FY13 Base Year Request	FY08 Base Year Request
1	460,000	215,000	
2	400,000	440,000	
3	450,000	610,000	
4	300,000	225,000	
Total	1,610,000	1,490,000	940,000