MANAGING THE MANY ROLES OF A HIGHER EDUCATION BUSINESS OFFICER

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SESSION OUTLINE

- Overview of Typical Roles and Responsibilities
- Auditor’s Perspective – Risks and Internal Controls
- Challenges of a Changing Role – Franklin University Example
- Creating Efficiency/ Effectiveness – University of Louisville Example
DIFFERENT PERSPECTIVES OF THIS TOPIC

- Auditor and Business Officer
- Public Institution vs. Private Institution
- GASB vs. FASB
- Public Meetings vs. Private Meetings
- Open Records vs. Proprietary Information
- Varying Enrollment Size and Student Demographics
- Varying Budget Size
- Many others...

COMMON ISSUE = OVERLOAD OF BUSINESS OFFICE RESPONSIBILITIES
WHAT MANY PEOPLE THINK YOU DO
What It Feels Like You Do

To wear many Hats:

Someone who has to do many different types of tasks or play a variety of roles.
**Some Example Areas of Oversight**

- Accounting
- Financial Reporting
- Student Accounts
- Investment/Endowment Management
- Budgeting
- Purchasing
- Information Technology
- Human Resources
- Grant Compliance
- IRS, DOL, DOE, etc.
- Risk Management (ERM, Internal Audit, etc.)
- Legal
- Media Inquiries
- Accrediting Bodies
- Board Relationships
- Committee Responsibilities
- Security
- Facilities
- Donor Relationships
- Audits and Tax Reporting
- Faculty Communications
- Anything that doesn’t “fit” somewhere else!
Auditor’s Perspective / Concerns

- Wide range in number of direct reports
  - Concerns:
    - Effectiveness of internal controls
    - Can you get it all done and be a good supervisor?

- Wide range in types of areas reporting to business officer
  - Concerns:
    - Do you have the proper skillsets and/or training to oversee this area?
    - Are best practices being implemented?
    - Do the internal control processes really work?
WHAT SHOULD WE DO ABOUT THIS?

- Emphasize a focus on “what matters”
- Develop mitigating internal control steps where risks are present
- Communicate with your Audit Committee, seek input from auditors
- Reassign/Delegate responsibilities
- Just because “we’ve always done it that way” doesn’t mean we need to KEEP doing it that way

  - These steps will allow more of a focus on adding value and shaping the future success of the institution.
A recent study found that the CFO position is becoming so responsibility-laden that it’s almost impossible for one human being to perform it.

- CFO Editor-in-Chief

As an EY executive said, “It’s become a job too big for any one individual to do well, given all the responsibilities and the incredible contrast between day-to-day controllership functions and the very long-term, strategic, executive functions.”

CFO Roles - NACUBO

• The Financial Expert
  • Treasury, Controller, Budget, Procurement/Purchasing, Payroll, HR, Facilities, Endowment/Investment Pool, and Information Technology
  • Business Case/ROI analyses

• The Strategic Executive - numbers drive change, positive or negative

• The Enterprise Risk Management Champion

• The Chief Legal Counsel
  • Due Diligence
  • Deal Negotiation and Restructuring

• Source: LADD, L. NACUBO Perspectives: The Roles, Duties, and Ethical Responsibilities of the Chief Financial Officer
CFO Roles - NACUBO

• The Truth Teller - provide facts, analysis, and objective observations
• Exemplary Manager - Integrity, ethical, and professional standards adherence
• Resource Stewardship and Maximizer - budgeting, financial management, resource allocations, etc.
• Guardian of Resources - protection of human, financial, and physical capital.
• Sheriff - ensure policy adherence and internal controls effectiveness
• Town Crier - communication of complex, technical issues in simple and understandable terms; raise difficult questions without causing undue distress

• Source: LADD, L. NACUBO Perspectives: The Roles, Duties, and Ethical Responsibilities of the Chief Financial Officer
Challenges of a Changing Role
FRANKLIN UNIVERSITY

- Private, Non-Profit University with UG to Doctoral Programs
- Founded in 1902 as a YMCA school
- 33 Undergraduate degree programs
- 9 Masters degree programs
- 3 Doctoral degree programs
- $80 million operating budget
- $80 million investment pool only 5% restricted
- 8,000 students (6,000 non-traditional students and 2,000 traditional students)
FRANKLIN UNIVERSITY

Strategy:

• Expand programmatically—added over 25 programs in the past 8 years.

• Expand domestic geographical footprint—added 20+ co-locations with community colleges in 6 states.

• Grow international partnerships—revenue share agreements, course/content development projects, and teaching contracts with other private universities in 12 countries in Asia, Europe, and Latin America.
KEY INSTITUTIONAL CHALLENGES

• Enrollment declines and revenue shortfalls creating business model issues
• Funding/Growth through new revenue streams
• Higher reliance on Grant/Fundraising initiatives
• Alternative investments to mitigate QE interest rate lack of traditional 3-5% fixed income returns
• Inter-generational equity resource allocations for endowment and investment resources
• Presidential/BOT initiatives and goals that stretch existing resources
• Process improvement initiatives’ time commitments
• Balancing of current resource needs with long-term infrastructure needs to reduce deferred maintenance
• Increased regulatory scrutiny and regulatory compliance resource requirements
Emerging CFO Expectations

- Opportunity Review Panel to achieve $X million in new grant revenues
- Meet all ongoing bond covenants.
- Receive unqualified external audit opinions for Financial Statements, 403(b), Title IV, Pell, Perkins loans and grants
- Achieve Franklin BOT approved Fiscal Year Net Operating Surplus.
- Provide executive oversight for the reporting of all key budget drivers
- Manage cash very efficiently and effectively with minimal LOC borrowings, even with the significant growth initiative cash needs.
EMERGING CFO EXPECTATIONS

• Oversee the data capture, utilization, and capital funds requests for all bond transaction proceeds with the banks and the Ohio Higher Education Facilities Commission to provide strategic capital financing.

• Collaboratively and collegiately work with President’s Staff in support of the President’s and BOT Key Goals.

• Provide financial and legal expertise for all HLC Peer Review visits to ensure Franklin remains HLC sanction free (as formally defined by the Higher Learning Commission).
CHANGING CFO RESPONSIBILITIES AND CHALLENGES

• Student Enrollment challenges that cause imbalances between revenues and expenses.
• Retention of key personnel due to competitive job market pressures.
• Reliance on tuition and international revenues to cover costs in an increasingly competitive environment-new initiatives revenues are currently a small percentage of total.
• Increased regulatory requirements and time for compliance with HLC, DOE, DOL, IRS, state and regional agencies, etc. (program review/approval times have increased to 2 years in some cases in spite of yearly HLC visits)
• Negative impact of quantitative easing on non-profit investment pools returns which impact ability to continue 5% average spending rates
• Fundraising challenges that cause capital spend shortfalls and deferred maintenance
• Lack of integrated ERP and reporting systems between Franklin and other divisions.
Changing CFO Responsibilities and Challenges

- Prospect/Target University Reviews, due diligence, legal and financial negotiations, and Board of Trustees, compliance/regulatory bodies (HLC, DOE, DOL, IRS) review and approval of acquisition activities

- Franklin University purchased the assets of Urbana University in June 2014
  - Urbana had $13M in revenues approximately 1,800 students with 15 NCAA DII sports teams

- Internal considerations to find a compatible partner
  - Strategic considerations-save time to market, resources, leapfrog competition
  - Expand our geographic footprint-domestically and internationally
  - Fill in niche program clusters
  - Enhance our program portfolio with additional core offerings
  - Secure executive expertise and knowledge
  - Seek out new skill sets-technological, financial, operational, and business development
  - Cultural assessment and synthesis
CHANGING CFO RESPONSIBILITIES AND CHALLENGES

• Prospect/Target University Reviews, due diligence, legal and financial negotiations, and Board of Trustees, compliance/regulatory bodies (HLC, DOE, DOL, IRS) review and approval of acquisition activities

• External considerations to find a compatible partner
  • Strength of your executive team to complete a successful transaction
  • Resilience of BOT to complete a successful transaction
  • Extensive legal/regulatory expertise required to complete and sustain a transaction over a multi-year period—expect heavy HLC, DOE, DOL, and IRS review processes and requirements
  • An actively engaged audit firm to partner/consult prior to, during, and after transactions to assist with financial reporting and regulatory compliance issues
  • Partnership with your outside legal and financial partners to assess and work through the complex parameters of these type of events
  • ERM, Insurance, Contract, and cultural risks assessment partners
  • All efforts should be made to keep the student experience a positive one—”cannot let the global optimum override the local optimum”
UNIVERSITY OF LOUISVILLE

Creating Efficiency and Effectiveness – Restructuring & Reducing Bureaucratic Processes
BUSINESS CASE FOR CHANGE

The appointment of a Senior Vice President for Finance and Administration was an important step for the University of Louisville as it seeks to enhance service and fiscal management during a time of growth and financial pressures.

Important considerations impacting the organization:

- Significant growth in the last decade
  - 3 campuses, 22,000 students and nearly 7,000 faculty and staff
  - $1 billion budget
  - Evolution toward status as “premier metropolitan research university,” residential campus

- Decreased state funding, placing pressure on other revenue sources and requiring greater fiscal discipline

- Increased demand for enhanced, effective and efficient business policies, processes and supporting technology

- Evolving revenue and cost structures impacting health care delivery are requiring new financial models and fiscal controls
Finance and administration units reported through two separate Vice Presidents to the Provost. Human Resources and Information Technology also reported to the Provost.

Moved to the newly created Office of Finance & Administration.

Includes:
- Diversity & International Affairs
- Student Affairs
- Undergraduate Affairs
- Graduate Affairs
- Faculty Affairs
- Strategic Planning
- Enrollment Management
OFFICE OF THE SVP FOR FINANCE & ADMINISTRATION
Structure as of January 2015

Sr. Vice President for Finance & Administration

Auditor & Compliance (Associate VP)
- Audit Services
- Institutional Compliance
- Information Security

Finance (Associate VP)
- Controller’s Ofc.
- Budget & Financial Planning
- Payroll
- Financial Systems
- Position Management
- Human Capital Mgmt. Systems
- Parking

Business Affairs (Sr. Assoc. VP)
- Planning Design & Construction
- Postal Svcs.
- Environmental Health & Safety
- Public Safety
- Contract Administration & Procurement

Information Technology (VP/CIO)
- Physical Plant
- Digital Media Production Svcs.
- Support Services
- IT Fin. & Admin.

Human Resources (Interim VP)
- Infrastructure
- Staff Development & Employee Relations
- Employee Compensation
- Benefits
- HR Administration
- Wellness & Disease Management

Health Affairs, Finance & Admin (Assoc. VP)
- Lead Fiscal Officers HSC

CEO, ULP*
- Exec. VP, Health Affairs

Lead Fiscal Officers Belknap

Audit Committee, Board of Trustees

*ULP: University Leadership Plaza
FIRST SIX MONTHS - WHAT I HEARD…

Strong commitment to UofL, but we see…

- Bureaucratic processes
- Thinning resources in key areas
- Need for supervisor development
- Inconsistent & uneven service quality
- Need for better systems
- Lack of communication within and across units
- Few opportunities for advancement
Goals

- Build trust/integrity
- Enhance transparency
- Accountability/performance/compliance with policies
- Refocus on core strengths
GOALS OF NEW STRUCTURE

Focus on responsible *fiscal stewardship* of university resources and *efficient, effective delivery of administrative processes*

- Effective financial controls through an increasingly-coordinated function
- Clear accountability assigned for unit leader and senior managers
- An integrated leadership team
- Coordination of related functions
- An increased focus on service and process efficiency
- A culture of service excellence
- A structure to effectively plan for and manage future growth
NEW UNITS - AREAS OF RESPONSIBILITY

Business Affairs realigned functionally – Operations and Facilities Management

AVP Business Services
- Contract Administration & Procurement
- Postal Services
- Parking & Transportation
- Business Services
- Card Services
- Shipping & Receiving
- Dining
- Housing
- Bookstore
- Printing & Copy Services
- iTech Express

AVP Facilities Management
- Physical Plant
- Capital Planning
- Planning Design & Construction
- Risk Management
- Sustainability
- Environmental Health & Safety Services

Moved from IT
NEW UNIT - AREAS OF RESPONSIBILITY

Strategically-focused Financial Management Unit

AVP
Finance/Controller

- Long-range fiscal planning
- Internal financial controls
- Treasury Management
- Tax Management
- Financial Reporting/Audit
- Financial Systems
- Payroll Services
- Accounts Payable
- Student Financial Services
- Bursar
NEW UNITS - AREAS OF RESPONSIBILITY

“Change driver” unit: leadership for process improvements, systems enhancements and operational efficiencies

AVP Performance Improvement & Business Analytics

- Business Operations
- ERP/PeopleSoft Re-design
- Human Capital Mgmt. Systems
- Financial Systems
- Business Intelligence
- Communications & Digital Media
- Predictive Analytics
- Operational Excellence
- Customer Service
- Student One Stop Services
EXISTING UNITS - AREAS OF RESPONSIBILITY

Direct reporting relationships for Audit & Institutional Compliance, Human Resources, Information Technology and Public Safety

Audit & Institutional Compliance
- Audit Services
- Compliance
- IT Security
- Enterprise Risk Management

Public Safety
(Chief of Police)
- University Police

Information Technology
- Infrastructure
- Computing & Communications
- Support Services
- Finance & Administration

Human Resources
- Staff Development & Employee Relations
- Employment & Compensation
- Benefits
- HR Administration
SUMMARY OF NEW STRUCTURE

- Functional responsibility centers
- Strategically-focused Financial Management unit
- New unit focused on process improvements, system enhancements and operational efficiencies
- Expanded leadership of Operations and Facility Management services
- Direct oversight of Lead Financial Officers
- Direct reporting relationships for Audit & Institutional Compliance, Human Resources, Information Technology and Public Safety
Finalize Realignment/Reconfiguration of Office of SVP Finance & Administration

- Recruited leads for Facilities Management, Business Services, IT (interim)
- HR, Finance/Controller & Enterprise Risk Management in process
- Reduced administrative salaries by $100,000 annually

**Positions Eliminated/Restructured/Vacated**

1. VP Information Technology
2. Assoc VP Business Affairs
3. VP Human Resources
4. Asst VP IT
5. Asst VP Facilities
6. Controller
7. Director Contract & Procurement
8. Asst VP Business Affairs
9. Director Accounts Payable
10. Asst Controller
11. Director Payroll
12. Director Parking

**Current Positions**

1. Assoc VP Human Resources^*^
2. Chief Technology Officer
3. Assoc VP Perf Improv & Bus Analytics
4. Assoc VP Business Services
5. Assoc VP Facilities Management
6. Assoc VP Finance/Controller^*
7. Asst VP Administration & Operations
8. Director Finance
9. Director Disbursement Services
10. Director of Accounting and Financial Reporting
11. Executive Asst

**SVPFA Office Support**

13. Sr. Project Manager*
14. Administrative Assoc*

*Reallocated to open positions in SVPFA in lieu of units hiring others

^Active Search

Does not include $140,105 savings from elimination of Curtin/Owsley positions & Sands hire

VP Finance/VP Operations positions & creation of CFO/COO position
Advance “University of 21st Century” cornerstones:

- Revenue enhancement
- Reputational enhancement
- Administrative enhancement
- “One University”

- Complete SVP Finance/Administration restructuring
- Enhance financial controls
- Improve administrative functionality/processes/services
- Implement shared services concepts
- Develop revenue opportunities/improve business practices
- Enhance facilities
- Advance “culture of excellence”, HR support services
- **Enhance financial controls**
  - Direct reporting to CFO/COO
  - Lead Fiscal Officers direct reporting to CFO/COO & standardized job descriptions
  - Strothman recommendations substantially complete

- **Create revenue opportunities/improve business practices**
  - New Campus Dining & Bookstore partnerships
  - Refinanced $100M in university debt
  - Develop/begin implementation of new utilities efficiency initiatives
  - Assessments of Print Services/Digital Media/Banking underway

- **“Technology roadmap”/IT strategic plan/advance IT security**
  - ERP assessment underway
  - Security (Desktop/Laptop encryption)

- **Facility enhancements**
  - Student Activity Center
  - Academic Classroom Building
  - Pediatrics outpatient facility
**Improve administrative functionality/process/services**

- **“Wins”**
  - Self-Service Direct Deposit
  - Self-Service W-4 Withholding Forms - federal and state
  - PDF versions of Pay Stubs
  - New electronic Payment Request functionality
  - Automation of banking files to PNC
  - Eliminate 70% of paper checks (more frequent “pre-noting” increases ACH)
  - Databases: core system sensitive data redaction(SSN’s, bank accounts, credit cards); additional protections in progress
  - Revised Travel & Expense Process

**Human Resources**

- **“Wins”**
  - $500,000/year – employee health plan savings
  - Dependent eligibility verification
  - “Premium Holiday”
  - Staff market equity survey
  - Staff Performance Reviews/Supervisor Training
PEDIATRICS OUTPATIENT BUILDING
PEDIATRICS OUTPATIENT BUILDING
Belknap Academic Classroom Building
STUDENT ACTIVITY CENTER EXPANSION & RENOVATION
West Addition
Questions?

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