Minutes*

Senate Research Committee
Monday, December 13, 2004
1:15 - 3:00
238A Morrill Hall

Present: Gary Balas (chair), Mark Ascerno, Dianne Bartels, (George Green for) Victor Bloomfield, Christopher Cramer, Dan Dahlberg, Sharon Danes, Kathy Ensrud, Steven Gantt, David Hamilton, Michael Hughey, Paul Johnson, James Luby, James Orf, Mira Reinberg, Virginia Seybold, Charles Spetland, Barbara VanDrasek, Michael Volna, Jean Witson

Absent: Aleksa Babic, James Cotter, Robin Dittman, Ryan Lukas, Mark Paller, Thomas Schumacher, Maria Sera, George Trachte

Guests: Winifred Schumi, Melinda Sewell, Edward Wink (Office of the Vice President for Research); Denise Seck (Associate Controller), Sue Paulson (Director, Sponsored Financial Reporting)

Other:

[In these minutes: (1) graduate student stipends; (2) policy on outside consulting and outside commitments; (3) financial systems update]

1. Graduate Student Stipends

Professor Balas convened the meeting at 1:15 and asked Associate Dean Green about a change in graduate student stipends.

Dean Green reported that the minimum wage will be increased by $1.40 per hour next year, or an increase of about 10%. Will there be resources to support the change or is this an unfunded mandate, Professor Balas asked? The deans were consulted, Dean Green said; the colleges will have to absorb the increase for TAs; there will be an additional cost to grants for RAs (although there are relatively fewer RAs at or near the minimum wage, so the change will have less effect on them). In terms of numbers, there are about 1200 TAs and 700 RAs who are at or near the minimum wage, so there are a significant number of students who will be affected. The largest impact will be in CLA, which has the most TAs, but there are also a number of TAs in other colleges.

The cost of attendance for international students on 50% assistantships will be over $16,000 next year; the new 9 month minimum salary is about $11,900, still below the cost of attendance. This is most relevant for students coming from China, who are not allowed to bring family or other money with them, so the University must put up the funds. European students can bring their own money.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Assembly; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

2. Policy on Outside Consulting and Commitments

Professor Balas turned next to Vice President Hamilton, and noted that there had been newspaper coverage of his report to the Board of Regents about the status of research funding. "The sky is falling," Professor Balas commented. Dr. Hamilton said that that could be if the University is not careful.

Dr. Hamilton thanked Ms. Sewell for getting together information for this Committee meeting. The proposed policy has not changed very much since the Committee saw it last spring. The Regents' drafting committee has suggested some changes and proposed one addition to the principles: "University staff members, when rendering service to or cooperating with organizations outside of the University, shall exercise every precaution to insure that the University is not committee to opinions or programs sponsored by that outside organization." Dr. Hamilton reviewed the elements of the policy [which were discussed fully at the May 3, 2004, meeting, available at http://www1.umn.edu/usenate/research/04-05-03.html.] He said he sees this policy as on the way to the Regents for action.

Ms. Witson asked about the non-compete clause in the policy: is not consulting usually done on something the faculty are working on in their research? The non-compete clause refers primarily to teaching, Dr. Hamilton said—such as teaching the same course elsewhere that one teaches at the University so that a student could take it away from the University.

Does the policy include elected public officials, or is that activity covered elsewhere, Professor Luby asked? There is a special policy for those who run for and are elected to office.

The one question that has not been answered is what a day is, Professor Balas observed. The drafting committee presumes that it is one's normal work day—if one works 12 hours per day, that is the work day. The University does not consider 8 hours the workday, Dr. Hamilton added; there is no definition.

Professor Balas thanked Dr. Hamilton for reviewing the report with the Committee again.

3. Financial Systems Update

Professor Balas turned now to Mr. Volna, the University Controller, to respond to a series of questions that he had sent earlier to Mr. Volna. He noted that the discussion was particularly timely inasmuch as Oracle is now purchasing PeopleSoft. Mr. Volna broke the questions down into categories and responded to each of them. He introduced Sue Paulson and Denise Sech from his office.

Policy Issues

-- Discussion of the new cost accounting procedures SPA is using regarding invoices and payments. How do these two show up on the Financial Reports faculty see (https://financial.reports.umn.edu/)?

Ms. Paulson reported on and described the financial reports on the web, which are updated every night.

General Systems Issues

-- What happens if Oracle purchased PeopleSoft? What is the long term plan for the U financial systems?

Mr. Volna related that when they went to the Board of Regents with the proposal to buy PeopleSoft financial system, it was two months after the hostile take-over bid by Oracle. He said he told the Regents and senior officers that the University already had a lot of experience with PeopleSoft. And the databases are Oracle, Vice President Hamilton observed. The question is whether Oracle can provide customer support like PeopleSoft; it is too early to tell, Mr. Volna told the Committee. He said that PeopleSoft has done a great job in customer support, but so has Oracle. He said he did not know how Oracle would integrate PeopleSoft; originally the takeover was hostile but now it is not. Oracle will do all that it can to keep PeopleSoft customers happy and keep them as Oracle customers—that will be the critical long-term challenge for Oracle. There will be a need for upgrades to the PeopleSoft system in the next 3-5 years; the question is whether Oracle will provide them. If they continue to roll out upgrades, the University will be fine.

Professor Balas said it appears there is a need for guarantees; if Oracle does not provide what the University needs, it will be in a terrible position. Mr. Volna agreed. The contract with PeopleSoft has guarantees. One is that if PeopleSoft is purchased, the source codes will be escrowed with a third party and the University would be able to obtain them, and under certain conditions the University could get its money back. They will need to watch events to see if those guarantees are triggered. But this is the technology industry—companies change, get bought, disappear, and the industry and products change very fast. Their goal is to have equipment that allows a long-term approach and not require quick changes.

How much did the University invest in the current software, Professor Dahlberg asked? The Human Resources and Student systems cost about $33 million each, including software purchase and installation. He said he did not know the current costs of staffing and maintenance. If the worst-case scenario develops, and the University has to bail out of the systems, how much of any change would be transparent to faculty, Professor Dahlberg asked? Will they need to learn new documents and how to get to them? Are faculty looking at a PeopleSoft product? The faculty are looking at data warehouse products, Mr. Volna said, and their goal is to continue to use them. As they may need to migrate to a new system, they would keep the end reports as close what people see now as possible. There will not be whole new reports, he assured Professor Dahlberg. The goal is not to have big surprises for researchers.

J. D. Edwards System Issues

-- Discuss the progress on the JD Edwards. Are all new contracts/grants now input to the system (i.e., some grants that were 5 year or longer that were prior JD Edwards implementation)? What information is provided to the faculty from the reports? How is the system working?

-- How will faculty PIs interact with the JD Edwards? Will this be accessed through E-research central?

-- How will the JD Edwards accounts receivable system, PeopleSoft, and the new Enterprise system be integrated? Will the JD Edwards system migrate over to the new Enterprise system? Will the information from SPA be also integrated into the new software? Or will we have to being using different systems to obtain different financial information?

Ms. Paulson reported that the system has been live for almost two years; when it went live, the goal was to improve timeliness and efficiency. They started with sponsored project reports, billing, and collections for new projects and brought the existing projects in over time; they are done with all but a few. The faculty receive J. D. Edwards information in the reports; if an interim or final report is required, the PI receives a copy.

Mr. Volna said he did not know if the information would be available through E-research central. Vice President Hamilton said that eventually it would be; when the University installs PeopleSoft financials, they will look at how to integrate the two sets of information.

Professor Balas asked about the timeline for reports and responses from faculty for corrections. Ms. Paulson said it varies with the due date in the project. It will be shorter with the 30-day due date; they try to provide faculty with 30 days, but some reports will require 15-20 days. Mr. Volna said they know that a short time for responses can be a problem, but the University must either ignore the deadline or let the report go to the sponsor without review by the PI.

The last question in this section gets into the long-term strategy for systems, Mr. Volna said. When they installed J. D. Edwards, it was a stand-alone company, but subsequently purchased by PeopleSoft. Now Oracle is purchasing PeopleSoft. The University already had a J. D. Edwards system at the University, so the transition was smooth, but the purchase by PeopleSoft slowed it. PeopleSoft did not integrate the J. D. Edwards system into its system because it was more designed for a manufacturing environment, but the University chose it because it is very good at accounts receivable, billing, and so on, important for sponsored projects. The plan is to run the J. D. Edwards system until the PeopleSoft financial system is installed and then determine if they can do with PeopleSoft what they can do with J. D. Edwards. That remains the plan, even with the corporate changes. They will be able to tell within the next 12-24 months, Mr. Volna said, and they would prefer to use the PeopleSoft financial system, all other things being equal.

<u>New Enterprise Financial Systems Issues</u>

-- How is the progress on purchasing, designing/implementing the new Enterprise system going? What are the big issues being faced?

-- Will this new system sustain the University for a number of years to meet financial management and reporting or will we have to buy another system in 5 to 10 years to replace this system?

-- Will the new financial system have a data warehouse so departmental accounting staff can extract information when they need to prepare specialized budget reports for some agencies ("man hour reports")? SFR at present does not prepare these reports; they are done by the academic unit.

-- Will the new financial system track and report ICR/expenses for a multi-dept/college contract or grant?

-- Will the new financial system have a cost sharing tracking systems that academic units can enter the appropriate information based on type of cost sharing and whether it is reportable or not reportable so that the information will be able to be in an on-line for the PI and financial staff to make sure that a sponsored project is on track for what was stated in the original proposal? The only cost sharing at present that is entered is through the newer effort reporting systems; however, cost sharing can be in the form of effort, supplies, equipment, 3rd party contributions, or IDC. Currently as I understand it, SFR only reports to the sponsor and it is the academic units that are responsible for tracking and documenting cost sharing. http://www.fpd.finop.umn.edu/groups/ppd/documents/policy/Cost_Sharing.cfm

-- For sponsored projects that may have program income, will there be a tracking and reporting system that ties it to the specific sponsored project? Program Income http://www.fpd.finop.umn.edu/groups/ppd/documents/policy/Program_Income.cfm

-- How will E-research and the new financial system tie in for information for PIs for keeping track of which technical reports have been filed? (A better question is "Are SFR and SPA working together on E-research?") Will this show up in any financial reporting systems that is available for PIs and departmental financial managers and accounting staff?

-- Will the new financial system and E-research be linking together so that NOGA's are on-line for viewing for PIs and departmental financial managers and accounting staff?

-- E-research is being rolled out to faculty first and then to staff? Will the same information be available for financial managers and accounting staff? What assistance will be given to PIs/faculty who have difficulty maneuvering/using the new systems, since the staff will be brought in at a later point, have available to them?

-- Will the new system be able to be used by all web browsers (Netscape, Internet Explorer, Mozilla) or will it be limited to one, i.e., Internet Explorer? Will all computer platforms to able to use the system? XP versus Macs? Who will be covering the costs of academics that may not the latest, greatest hardware and software?

Mr. Volna said he could not provide information about the installation of the system but he did relate how the project was structured. He reviewed the process that was used to decide that a new financial system was needed (essentially because of increased risk to the University to using a system that was no longer supported by the vendor) and how the new system was selected. He described the process, which aimed at saving a significant amount of money and that included consultation with many users. The choice of PeopleSoft was a good deal; the University paid about $9 million, which included five years of pre-paid maintenance on all of the University's PeopleSoft systems. That arrangement, Dr. Hamilton commented, is a problem for Oracle, because it must honor them. Mr. Volna said they concluded that Oracle would likely not shut PeopleSoft down because it would face millions of dollars of liability if it did so.

Mr. Volna distributed a chart showing the process of implementing the new financial system and the status of various activities. He emphasized again that people have been involved from top to bottom in order to avoid a repeat of the "button up CUFS" effort that was needed after CUFS had been installed.

Professor Johnson asked about the state of the system vis-à-vis best practices. How does it compare to what other universities and the private sector are doing? Mr. Volna said that in grants management, the University is far ahead of other institutions. In some other processes, the University is on par with its peers but probably behind the private sector. In the latter case, however, the organizational culture and mission play a role: the private sector has one mission, which is profits and earnings per share. The University has made decisions based on its academic mission and they have not made decisions that would have a negative impact on that mission. (For example, if the University could save money on how it provides travel to employees by requiring the use of only one vendor, how would everyone's needs be met? Or, Dean Green said, what if the University could save a lot of money by requiring the use of only one brand of computer? "There would be hell to pay," he concluded. Mr. Volna agreed but said that would be a "no brainer" in the private sector.)

The goal is to start full implementation of the new financial system in July, 2005, Mr. Volna said. They will do the analyses and implementation over the following 24-30 months; the total cost will probably be about $25 million. They believe they can stick to that schedule because the preparatory work has been excellent. The question is how to pay for it. The University has an enterprise tax; Vice President Pfutzenreuter has projected that if the tax is extended—not increased—three and one-half years, the system will be paid for. The current bills for the enterprise system end in 2008, so this would extend the tax to the end of 2011. There would be no NEW tax on departments, he pointed out.

Would most of the money be used to train people, Professor Balas asked? It would be used for many things, including some consultant help, infrastructure and support, and a lot of training and support for departments for people pulled out for training. Dean Green commented that the more the University can use its own people, the more in-house knowledge it will have and it will be less dependent on consultants.

Vice President Hamilton said that the E-research central questions should be asked of people who are involved with it. He suggested the Committee hear about it in April. Mr. Volna concurred; he said there are a lot of questions about how the new financial system will affect sponsored research. It will affect it a great deal, and Vice President Hamilton and others have been involved in the process. There has been no decision about the amount of grants management system that will end up in PeopleSoft; the grants management system has been developed to meet a lot of needs, especially with respect to the federal government, so the University must be careful what it puts in the new system so that necessary elements are not changed or lost. He said he hoped that sponsored projects data will be in the new financial system, but perhaps not all of the data and functions will be, so it may be necessary to build interfaces.

Professor Dahlberg noted that there had been comparisons with other universities and private industry; how does the University compare with the state? Mr. Volna said he could not speak to that issue because he was not familiar with the state system, but his impression is that it is even more decentralized than the University. Professor Dahlberg said that one had the impression, from earlier comments, that the private sector is more heavy-handed than universities, but when he consulted for one major company, the total focus was on the bottom line but they made people as productive as possible—if he needed a new computer, they bought it. The University does not do that.

Professor Johnson asked if, in the world of enterprise software and technology for universities, vendors offer off-the-shelf packages or if they develop systems as they go along. Mr. Volna said the University has purchased packages and then does a "gap analysis" to see what the gap is between what the software can do and what the University needs. The question is how to span the gap; they can change the product , standardize the way tasks are performed in order to fit the product, or develop "work-arounds."

The decision as to modification, standardized process, or work-arounds will be made by the enterprise system Executive Steering committee, based on analyis of the cost and impact of the approaches.

When the University installed the student system, Dean Green recalled, they were motivated to adopt standard practices in the University because it is very expensive to modify the system and to keep them current. They worked with 24 colleges to standardize policies and practices, something that was probably long overdue anyway. And now uniqueness had a price for the colleges. They may run into that same kind of problem here, he speculated. Mr. Volna thought that might be the case. They have promised to eliminate redundant or duplicate systems, which probably occur most often in budgets. There are 700 areas and 40,000 orgs, so there are a lot of redundant spreadsheets needed to create budgets for all of those orgs.

When the University does gap programming on systems, is it the property of the University or PeopleSoft, and if the latter, does the University get royalties, Professor Orf asked? The University does not receive royalties, Mr. Volna said. So the University is paying for things that others then need not pay for, Professor Orf observed. That depends on the nature of the change, Mr. Volna said. If it is minor tweaking of the system, it is not a big deal. If there are major problems, as with the student system, PeopleSoft provided a lot of in-kind support that amounted to millions of dollars. And they incorporated the changes in the product, Dean Green pointed out. They did the same thing with the to-be-purchased treasury model; that's the nature of the contract the University signs, Mr. Volna said. Dean Green said that in the case of the student system changes, the University was working with other Big Ten schools, so it was not the University alone, and the work saved money for all the schools.

Professor Balas wished everyone a happy holiday season and adjourned the meeting at 2:40.

-- Gary Engstrand

University of Minnesota