Minutes*

**Senate Committee on Finance and Planning**
**Tuesday, September 23, 2008**
**2:00 – 3:45**
**238A Morrill Hall**

Present: Judith Martin (chair), Jon Binks, Steen Erikson, Steve Fitzgerald, Kara Kersteter, Lyndel King, Thomas Klein, Joseph Konstan, Russell Luepker, Mikael Moseley, Kathleen O'Brien, Paul Olin, Richard Pfutzenreuter, Justin Revenaugh, Gwen Rudney, Karen Seashore, Michael Volna, Warren Warwick

Absent: V. V. Chari, Adam Faitek, Lincoln Kallsen, Terry Roe, Michael Rollefson, Thomas Stinson, Aks Zaheer

Guests: Associate Vice President Laurie Scheich (University Services), Leslie Bowman (University Dining Services)

Others: Vice President Stephen Cawley (Office of Information Technology), a graduate student interested in serving on the committee

[In these minutes: (1) Enterprise Financial System; (2) update on food and beverage contracts; (3) Washington Avenue Bridge note; (4) student-fee-supported facilities and student fees generally; (5) depreciation on buildings]

## 1. Enterprise Financial System

Professor Martin convened the meeting at 2:00 and welcomed Mr. Volna to discuss concerns related to the new Enterprise Financial System (EFS). She related that the Committee heard about staff issues at its last meeting; since then, the Faculty Consultative Committee met with some of the deans and with some department chairs; the two groups are equally unhappy. The University is not being paid money owed to it, reports are not generated, and so on; unless there is a clear message that these problems will be resolved in the next two-three months, the situation will reflect badly on the entire central administration. Another major concern is from the human-resources perspective: people are not being treated well in their jobs, have been put in diminished or downgraded roles, and morale has sunk.

Mr. Volna began by distributing copies of the most recent weekly SWAT team report that provides an update on problems registered, addressed, and still not solved. It describes the nature and number of problems they are dealing with. He reviewed the contents of the report. He affirmed that the production of reports has now been implemented, but that does not mean there will be no reporting problems. He receives the report every week, and when they are aware of a problem, they put it on the user website so all know about it; they also provide updates on the fix that is put in place. This is a key communication update, he said, and there is also a weekly message that goes to about 2000 EFS users.

Professor Konstan said he understood the importance of understanding the process, but this reminds him of hearing the captain of the Titanic talk about how crews are looking for holes and patching them up--the boat is sinking! What is his assessment, he asked Mr. Volna. Did they know they would be

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

in this predicament at this point? Or were the problems unanticipated? He is in a department that has lost one staff member because of EFS and he knows of other departments where staff have resigned. He said he does not care how good the punch-card list is, this system is a disaster.

Mr. Volna explained that they need the punch list to identify and solve problems. They know that reporting has not worked and have identified three categories of problems with it. One, data quality is broken in the system (they needed to identify, analyze, and fix problems in about 5000 accounts out of 70,000 where there were problems), the encumbrance interface with Human Resources was not working, and the tool people were using to set up reports was not working (so the reports were not saved). Two, usability for non-sponsored reports has been an issue; it is better for sponsored accounts (although perhaps still not better than it was before), so they are trying to fix that. (Professor Martin agreed the system is not friendly; so did Professor Konstan, but he added that the reports themselves are more user-friendly.) Third, the sufficiency of the reports needed from the system is an issue, although most of the reports that are provided do contain the information people need, even though there are fewer reports; they may not have explained well what the reports contain. In all cases, they are getting things fixed as fast as they can because the University must have good data.

Professor Martin asked Mr. Volna if he could say that most reports and other system products would be working by October 1. He said the fixes in the system will be in place but that usability is a bigger issue.

As the number of problems plotted in the weekly SWAT reports declines, do they have a sense of how the fixes are going, Mr. Klein asked. They do, Mr. Volna said. It is how they track what is in the pipeline and what must be fixed. When a problem comes in, they have to analyze it to determine, for example, if it is a software problem or something someone did because of poor instructions. They need to understand why someone could not use the system before fixing the problem. Do the reporting systems and tracking report identify root causes, Mr. Klein asked, and provide a root-cause summary? It would, Mr. Volna said; they can identify how long it took to fix a problem, what they did, and whether it is working. Such a report could be shared with this Committee, Mr. Klein suggested. That would be useful, Professor Martin added, because people have the feeling they are operating in the dark, don't know what the fixes are, and have given up calling the helpline. The numbers may be dropping on the SWAT report but that may not represent what is really happening.

Professor Luepker, noting that he might be piling on, commented that if Northwest Airlines or 3M changed software and were still installing fixes three months later, they would be out of business. The University is a $3-billion operation and people are quitting because of EFS. He said he could not understand how private companies could make a transition to a new system but the University cannot.

Professor Konstan said he would like an answer to his earlier question. Given a spectrum of possibilities, from "they expected the problems" on one end, to "they went live too early," to "they were caught unawares" on the other end, where are they? He said he hoped that the University could take lessons out of this so it did not get in the situation again.

Professor Warwick said that an individual in his department, who has worked on financial matters for over 20 years, took the courses and said afterwards the system does not work. Perhaps they are not good teachers. Mr. Volna said that provides a good example: to know what went wrong, they need to know what she did. They are trying to log all such problems and identify patterns. If it is training, they will improve the training. If the system is broken, they'll fix that, which is why people must call the helpline.

Professor Konstan suggested it would be more helpful to have 30 people from his office go out to departments and colleges and just spend time responding to problems. Personal contact is best, preferable to a helpline. These people could fix problems on the spot and report back to him on what they discover. They have done that since early September, Mr. Volna said; they have people working in college offices and in clusters. They are trying to do as much as they can along these lines. They also have labs and will have "webinars" that people can take.

Professor Martin raised Professor Konstan's question again: which door is it? Mr. Pfutzenreuter said it was not a door. Professor Konstan again asked if they knew, three month ago, that this is the situation they would be in. They did not, Mr. Pfutzenreuter said. They did not know that the EFS would not connect with the HR system for example, when reimbursing an inactive employee. They thought they would be up and running and the system would be live, Professor Konstan concluded. There were things broken, Mr. Volna said, and they had to fix them.

Professor Seashore said she wished to repeat the concern she expressed at the last meeting, about the human resources side of the equation. When a room full of professionals (at the last meeting of this Committee) describes their de-skilling, and installation of a system that makes them not like their work and that does not allow them to make decisions, there is a large problem. The University cannot afford for the long-term a financial system that requires people in department and college offices to have a lower level of expertise than they do now. How will they fix that problem?

Mr. Volna said he understood the issue: the system is too rigid and compartmentalized and people can only see a piece of the process. He said he believed that first they must fix what is broken in the system and second they must be sure people get the training they need. Mr. Pfutzenreuter said the University put in the "plain vanilla" system that represents best practices. It did change duties and workflow and the way the University does business—with an eye to making the place more efficient. To say that it should change back to the way they did business before would mean modifying the system. Professor Seashore objected that these professionals not only solved problems, they identified and solved them before they arose. If they can't see the whole system, they can't fix the problems. To allow that will require modification of the system, Mr. Pfutzenreuter repeated, and changing business processes will take some time. Once they complete the system fixes and provide additional training, they can see what they missed in terms of system design or configuration, Mr. Volna added.

When they are losing people around the University before they get to that step three, that is a big cost, Professor Martin said. They don't have the resources to jump to that step right now, Mr. Pfutzenreuter said. Or is the plan to have new employees, more familiar with how things are done in PeopleSoft, so the University is more like business, Professor Konstan asked. That is not the plan, Mr. Pfutzenreuter responded.

Mr. Fitzgerald commented that the University has a tremendous asset in its finance and accounting staff and that this group is experiencing much of the impact of EFS transition. He said he understands that Human Resources is going to implement a reclassification plan for all University accounting positions by December. Given the great changes currently underway, and the state of flux that Mr. Volna is describing, he asked Mr. Volna if the University is ready to make such important position classification changes that will affect the same accounting staff who are currently on the front lines of EFS implementation. Mr. Volna said there will be about 20 people who see change they will not like. About 500 people are doing a different level of work than they used to and it would be unfair to them to hold their salary adjustments. Human Resources has done a lot of analysis and sought feedback and it is their area of expertise. Mr. Fitzgerald said it seems this could mean additional turmoil and stress for these key staff members at an already-challenging time.

Ms. Kersteter said she was bothered by the bottlenecks in the system: there are no backups when people are gone. That affects basic science research. What steps are being taken to ensure there is adequate backup staff? Approvals differ across business processes, Mr. Volna said; some require a lot and some fewer. They have been receiving feedback on the bottlenecks and are willing to consider and evaluate changes to security and access to address this. Do people know they can make a request, Professor Martin asked? FCC members recently met with a group of chairs and they are very upset about the lack of redundancy in the system. They have had a lot of meetings with unit managers, Mr. Pfutzenreuter said, and told them over and over they can make requests. Deans and department heads don't know that, Professor Martin said.

Mr. Klein said he empathized with the issues raised but it seemed to him that all paths lead to getting the system working so they can see what problems are still an issue for the system users and so that they can know that the problems that have been fixed do not recur. He said he was concerned about pulling staff to work on good ideas before the system is fixed. Once that is done, they need to address the scope-of-work issues so that people can enjoy their jobs. They will not know if the system is fixed if half the people have left their jobs, Professor Seashore said; this is an extremely difficult position.

When problems are identified, they need to determine whether something is broken and thus not finishing a process or if the system finishes the process but is inefficient, Mr. Volna said. Right now they are focused on reporting, both a short-term solution and long-term solution that includes making the tool ~~that is~~ more usable and provides simplified access. The reason she asked whether something would be in place, even for the short term, by mid-October, Professor Martin said, is because people want to know how much longer the frustration will continue. They are working on it, Mr. Volna repeated, but it takes time to deal with 3000 users. They are training the trainers, providing labs, and doing hands-on assistance. They have fixed the problem of report persistence, so that when someone sets up a report it is saved. They are also looking at putting together a team dedicated to assisting end users with setting up reports. He said he did not know how long that would take.

Would it be possible to track the progress in a small number of departments, maybe ten, so that by October 15 there will be ten departments that say the system is working, Mr. Klein asked? That could give everyone a sense of progress? Understanding what progress looks like in the departments would be a help.

Ms. Kersteter said Mr. Volna has provided a lot of good information on what they are doing to fix problems; how are they communicating with users? There seems to be a void, which in turn leads to rumors that are uncomplimentary to the administration. An email newsletter indicating what has been done would be a help. She said she does not work directly with EFS herself but she does need to know some things about it; they need an EFS-lite so people can use the lingo. Mr. Volna said there is a website updated daily with information and people are sent a weekly update. There is EFS-lite training (such as tutorials and job aids) on the web for people in various roles, accessible at anyone's leisure.

Professor Martin emphasized Ms. Kersteter's point about the vacuum of information: people need to know what is being done—and deans and department heads do not know. The deans will not be happy paying the EFS tax for something that does not work.

Professor Konstan said he is hoping the University can look back at this situation and learn. What plan is there for a post-mortem analysis; the Committee might adopt a resolution asking the administration to do a detailed study of what was done right and what wrong. He also said that a lot of people have not heard an apology, acknowledging the system was launched with severe bugs, that they blew it on the testing (and obviously did not know these problems would arise), that they know they made people's lives miserable, and that they are working hard because they care about the staff. A more human message is needed to help repair the damage done to the staff. And this is not just faculty, he added, it is the people entering data. Mr. Volna said he knows it is difficult to communicate at the University and said he feels they are sending people lots of information—updates to the web site every day, weekly updates, and they meet with the RRCs twice per month.

Mr. Moseley said that from what he can understand, this is not an uncommon problem when institutions of this size install new systems. He said he has seen a lot of case studies in his classes similar to what is happening here. The University is only three months into the system; what he has learned is that it typically takes 18-20 months before the bugs and kinks are worked out. Any communication should let people know the situation will be difficult for the foreseeable future and that things will not be fixed by October 15. It simply takes that long.

Mr. Erikson returned to the issue of separation and segmenting of duties. Is the extent of the separation of duties a requirement of the system or is it possible set things up so a person can follow the process from beginning to end? Mr. Volna recalled that he talked with the Committee last spring and said that separation of duties is fundamental to financial management in order to ensure the protection of assets. If they make the system more open, and someone steals a large sum of money, for example $2 million, he should be fired for failure to ensure adequate controls over public money. The development of Forms Nirvana was an evolutionary process that took place over 12 years and cost about $12 million; they recognized that they could not add $12 million to the EFS project cost to replicate those tools, so a vanilla approach was adopted and endorsed by the Executive Steering Committee for EFS. But, he said, he would be glad to go back and look at the controls again and evaluate changes that people can live with. First, however, they must know if the process works. Mr. Pfutzenreuter agreed that they will go back and look at the job questions. He said he is probably somewhat more risk-tolerant and has thought about the system in this light—but to the extent they modify the system, they will not go back to CUFS. Mr. Volna must get the data integrity established so the reports work, he said, and he is sorry the system did not work right out of the box. He has been told repeatedly, he noted, that he cannot hold units to their budgets when they cannot get the information they need.

Mr. Erikson said that if someone is determined to steal, they will, and he understands the need for internal controls. But there must be a balance so that this is also a good place to work. Once they have solved the system problems, Mr. Volna said, they will determine what they can do in this regard. Professor Martin said it would be very helpful for those most affected to know that once the system is fixed there will be workarounds to address the problem of the lack of redundancy.

Professor Warwick commented that he worked out a solution for the person in his office who faced difficulties, and one way to do so is to look at the assumptions. If the assumptions led to this mess, the problems did not happen because of the machine, they occurred because of the assumptions behind it.

Professor Seashore said she liked Mr. Klein's suggestion that Mr. Volna return with a report on ten departments and what is happening with them. The Committee can learn not only what problems were fixed but also what new problems they uncovered. That would be very helpful for the Committee.

Mr. Volna said he appreciated the opportunity to discuss the issues and said he is sorry about staff who are working so hard to deal with problems. He said he goes out every day to work with them and that there are a lot of good people involved. He agreed it would help to be able to identify a turning point.

Professor Martin thanked Mr. Volna for joining the meeting and providing his report.

## **2. Update on Food and Beverage Contracts**

Professor Martin welcomed Associate Vice President Scheich and Ms. Bowman to the meeting to discuss the new food and beverage contracts.

Ms. Bowman distributed samples of the healthy foods now being provided by Taher in their vending machines. The healthy foods are labeled "sensible choice" but they also offer what one might consider "unhealthy" options as well.

Vice President O'Brien recalled that the process of developing a contract proposal and negotiating new food and beverage contracts began about two years ago. At her first meeting of this Committee after being appointed vice president, she was asked "what about the food?" This time they decided to do an enterprise-wide RFP process, created several committees to consider various elements of the contract, issued the RFP, received responses, assessed them, and signed contracts. This report is on how things are going. The arrangement is system-wide and she believes it is working well, Ms. O'Brien said; it has strengthened relationships with the coordinate campuses and Ms. Bowman's office has evolved into the contract management office for all campuses.

Ms. Bowman said she also believed the new contracts were working out well. The biggest change on this campus is that all of the Aramark vending machines were removed and Taher machines installed. Gopher Gold card readers are being installed and Coke is upgrading all its machines to more energy-efficient models. Ms. Bowman reviewed the elements of the various contracts (with Aramark, Coca-Cola, Sodexo, and Taher). In general, there has been an increase in healthy foods both in vending and retail outlets and more emphasis on environmental considerations. Committee members gave Ms. Bowman a round of applause when she reported that the Taher machines will, after four attempts to vend a product, refund money a customer has put in the machine.

Ms. Bowman said she could not tell if the use of vending machines had increased with the addition of more healthy food because they have only had them in place for about a month. She said she could let the Committee know later. They have seen increased revenue, because the company pays higher rates to the University, and they also expect to see more UCard use, which at most schools leads to an increase in purchasing.

Mr. Moseley thanked Ms. Bowman for her work; he said that during his four years as a student on the Twin Cities campus he has seen a noticeable increase in quality. He also endorsed the green goals and the move to tray-less dining in the residence halls. (Ms. Bowman reported that the change in the residence halls had resulted in energy/water conservation, less food waste, and students eating less—so perhaps the "freshman 15" would become the "freshman 5.") They are not considering going tray-less in retail outlets; most schools do not. Because, Professor Martin observed, people pay for everything they buy in a retail site, so there will likely be less wasted food.

Mr. Moseley asked if there had been any further investigation as a result of the Daily article about UDS employees and Aramark. Ms. Bowman said they have discussed the article; the reporter did not know that the payroll is done by the University and that all of the non-management staff are University employees. They take all payroll questions very seriously. The electronic timekeeping system allows every employee to see what their time is and they can ask questions any time. Employees can review their time on line or can ask for a printout. Food service is a field that has turnover, she pointed out, but the numbers cited in the article included student employees (which was not clear), and the students typically turn over every semester. University Dining Services also does an annual employee satisfaction survey—the results of which this year were remarkably high

Professor Luepker inquired about the money that is coming to the University from the Coke contract. It is about $2 million per year, Ms. Bowman said, and part of it goes to intercollegiate athletics for signage and sponsorship. About $1.5 million goes to the campuses and the decision was made to use the money to support student initiatives; each campus receives money based on its number of full-year-equivalent students. Vice President Pfutzenreuter explained that Vice Provost Rinehart solicits suggestions for use of the money on the Twin Cities campus and then makes recommendations to the Provost.

Professor Martin thanked Mss. Bowman and Scheich for joining the meeting and for providing food samples.

**3. Washington Avenue Bridge Note**

Professor Martin (who walks across the bridge many times during a week) reported that the situation on the bridge is better. No one is riding bikes and those who did received a ticket. Vice President O'Brien said that her next report to the Committee on the bridge would be about the plans to strengthen it.

**4. The University and Turmoil in the Financial Markets**

Professor Martin accepted a motion to close the meeting and go off the record; the motion was approved unanimously.

Vice President Pfutzenreuter reported on a number of ways the turmoil in national financial markets has or may affect the University. On balance, however, it appears the effects will be quite modest.

Professor Konstan asked if anyone has looked at the effect of the market upheavals on decisions people may make NOT to retire. Could Human Resources look at the question? Is there a big bump in the number of people in senior-level positions who are not retiring? One would think there would be a correlation between a dip in the market and number of retirees. Mr. Pfutzenreuter agreed but said that no one had looked at the data, as far as he knew.

**5. Student-Fee-Supported Facilities and Fees Generally**

Vice President Pfutzenreuter recalled that the Board of Regents agreed last spring to a per-semester Student Capital Enhancement Fee that will generate annual revenue to support debt to renew student-related facilities. The fee begins at $12.50 per semester this year for freshmen, goes to $25.00 for freshmen and sophomores, and will reach $75 per semester in 2012-13 for all fee-paying students. The fee will ultimately generate about $5.4 million per year, which will support debt service on about $80 million in 25-year bonds (at 4.5%).

Examples of what the money could be used for include expansion of the East Bank Recreational Sports Center (the natatorium and facilities), construction of a West Bank recreational sports satellite, and replacement of recreational sport fields that have been taken for other purposes. The list has not been determined and, Mr. Pfutzenreuter said, they have not decided if they will issue the full $80 million in bonds or use some of the revenue to support operating costs for new facilities.

Mr. Erikson asked how this fee compared to the University's peer institutions. Mr. Pfutzenreuter said most Big Ten schools have a student capital fee. Ohio State's fee is about $300; UMD has a small fee for the same purpose.

Do they look at total student costs, Professor Seashore asked? Information that has been provided to the Board of Regents for the last three budgets has included total cost of attendance and increments in it, Mr. Pfutzenreuter said. The Board has members who do not like fees; he has made a commitment to the Regents that there will be a recommendation to consolidate fees into tuition. There are fees that do not make much sense any more. Of course, after fees are consolidated into tuition, that just opens the possibility of new fees, Professor Konstan observed.

Mr. Moseley said the University needs to be more transparent about what the fee money is going to. He agreed that fees should be rolled into tuition. He asked one of his fellow students what she thought she had paid in fees; she guessed about $1200. He said he has paid about $10,000 in fees, compared to about $30,000 in tuition, and cannot figure out where all the money went. Professor Martin suggested that Mr. Moseley ask his dean how the money was used. Professor Seashore said that in her college there are students on the committee that decides on the allocation of the funds from the technology fee. Vice President Pfutzenreuter said, however, that some technology fees have morphed into non-technology fees, and have become another way to raise revenue.

Professor Konstan suggested that the Committee could invite the deans to join it and discuss how fee revenue is used. Mr. Pfutzenreuter said the Committee will hear more once there is a proposal to roll fees into tuition. Will that be affected by the tuition-attribution element of the budget model, Mr. Klein asked? It will, Mr. Pfutzenreuter said, and it will have to be established as revenue-neutral in the beginning. Professor Martin said that students have to be involved in the discussion; it would help if students were in favor of merging fees into tuition. They must also think about total cost of attendance, Mr. Pfutzenreuter said; Housing and Dining, he said, have done a very good job of holding costs down.

## 6. Depreciation on Buildings

Mr. Pfutzenreuter noted that auxiliary units set aside money for annual improvements. He insisted that Parking and Transportation Services build up reserves before a ramp or garage needs to be replaced or fixed. For academic buildings, the University does not force units to set aside money for depreciation. The University has repairs-and-replacement funds, but the amount is small and it has not increased in decades.

Last year he talked to the President about identifying a method to identify new repairs-and-replacement funds, such as adding to them whenever a new building is opened, but the decision was made that that is not a high priority. That is why the University continues to ask the legislature for $100 million in HEAPR funds and receives (and spends) about $40 million per year. The University should be spending a lot more.

Mr. Klein recalled the information the Committee had received on the FCNI index, indicating the relative status of buildings. There is a gap between the revenues needed and what is spent, but the campus seems to be holding steady in facilities quality despite underfunding. The question from the Committee was how to get to the point where the required investment would reach a level that would sustain the quality of facilities. Professor Revenaugh said that a lot of the high-quality facilities that brought up the FCNI index are parking ramps; if one takes those out, one sees that the FCNI for academic buildings is significantly lower. None of the buildings in the academic subcategory are close to the average for the campus.

Professor Martin thanked Vice President Pfutzenreuter for his reports and adjourned the meeting at 4:20.

-- Gary Engstrand

University of Minnesota