

Minutes*

Senate Committee on Finance and Planning Tuesday, October 23, 1990

Present: Burton Shapiro (chair), Avner Ben-Ner, David Berg, Bill Chambers, Edward Foster, Virginia Gray, Michael Hoey, Kim Kantorowicz, Craig Kissock, Nick LaFontaine, Fred Morrison, Jeff von Munkwitz-Smith, Roger Paschke, Nancy Ann Root, Mary Sue Simmons, Charles Speaks, John Sullivan

Guests: Diane Collins (Project Director, Financial Management System), Senior Vice President Gordon Donhowe, E. Wayne Drehmel (Medical School), Marilyn Gorlin (Educational Psychology), Geoff Gorvin (Footnote), Ken Janzen (Regents' Office), Chris Moen (Institute of AFHE), David Minkkinen (Communications Coordinator, FMS)

1. Report from the Physical Plant and Space Allocation Subcommittee

Professor Shapiro began the meeting by asking Ms. Simmons to give a brief report from the Subcommittee. She said they had reviewed their agenda for the year; the Subcommittee will forward a final report on asbestos and radon, obtain an update on the third-party steam provider, will review the University Building Energy Efficiency Project, and will take up the space rental proposal when it is prepared.

2. The New Financial Management System

Professor Shapiro next turned to the sole agenda item for the meeting, the new financial management system. He recalled for the Committee that the Spencer Commission had recommended, and the legislature had mandated, a new financial management system.

In the past several months, he said, he has received a lot of telephone calls from people concerned about the new general ledger system (CUFS). Few question whether or not there should be a new system; some of the problems which others see include a lack of appropriately-trained personnel, a lack of sufficient time to implement the new system, that the new system is very labor intensive, that there will be greatly increased costs for colleges and departments, and that there has been a lack of a trial of the system at the college level. None of these complaints, Professor Shapiro noted, may be valid; they are, however, what he has been told. The effects of the system will be pervasive, he noted, so it is the obligation of the Committee to discuss it.

After this meeting, he said, he would appoint a subcommittee to follow the issues more carefully, through the year, and report back to the Committee; the subject is so complicated that the full Committee cannot handle it during its regular meetings. This will be an introduction and information.

Professor Shapiro turned to Mr. LaFontaine and Ms. Collins to provide background information on

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the system; after that, he said, he would like a general discussion with the Committee and some of the guests, who were invited from various departments and bring considerable financial management expertise.

Mr. LaFontaine briefly explained the reasons for the adoption of the new system and the goals and objectives to be achieved therewith. Improvement of the financial information available is one of the driving objectives behind the process; the other is improve financial operations. He agreed that the system will have a dramatic impact on the University; there are a number of procedures which have been in place for a long time and which need to be examined. The intent is to look at how the University does business, to take advantage of new technologies, and making sure that the way business is conducted conforms to the decentralized structure of the University. Providing the necessary information to the people who make the decisions is essential. Also important is the provision of planning information and marriage of financial and non-financial information in order to improve decision-making in the longer term.

The team working on the project, led by Ms. Collins, has about 13 or 14 operating premises which relate to the way the University does business and how the system will work for the people who make the decisions. These operating premises arose from discussions with departments and are aimed at improving departmental operations.

The scope of the project, Mr. LaFontaine continued, can be broken down into chunks: Purchasing and Payables (implemented about a year ago), Accounts Receivable (an independent project to replace the existing student billing system), Budget Preparation, the General Ledger System, and Personnel/Payroll.

Ms. Collins then explained what has occurred thus far on the project. In June of this year there was an extensive planning effort which laid out the details of all the tasks to be accomplished; all of the hours involved totalled over 100 person-years of effort. Set against the timetable, which called for a July, 1991, implementation date, the staffing needs will increase to about 160 people (many of them temporary) in November. As a result they undertook two things. First, while CUFS had been selected it was still the case that there were a lot of unanswered questions; as a result they did a functional analysis, which involved interviewing a lot of people on how business is being done and then compiling the information into a "functional analysis requirements" document. They then matched those requirements to the capabilities of the CUFS system; this second step will be finished by the end of November. The intent is to ensure that the product will be useful to those who will use the system.

The other step was to consider creation of a "translation" module to translate from the old chart of accounts to the new chart of accounts and back again--to see if the level of effort and investment could be reduced or minimized. They concluded that there were not significant savings to be achieved, from the standpoint of the project, to make it worth doing.

In terms of the CUFS software, it has been installed and has been modified by American Management Systems. The new chart of accounts is being developed; the original target date has been missed because of the need to spend more time in training and education in the departments. An overview of CUFS was presented to business officers the previous week; part of the training process is not only what it will do for a unit but also how it will work. One concern has been training; they are placing a great deal of emphasis on training. They have started introductory training and as decisions are

made on policies customized training for the University will begin and there will be extensive training classes.

The project team has also learned to look carefully at policies and procedures. They do not necessarily need to replicate those which are in place at present: Those which work should be retained and those which do not should be changed. They are now collecting information on the policies and procedures in place, such as collecting forms (of which there are over 500 related to the financial system). The goal is to consolidate and streamline as many of the forms as is possible. The decisions made in the functional analysis, however, will dictate many of the policies and procedures as well as the forms to be used.

The same is true of the reports which are currently generated by the existing system; they are examining those which are produced and evaluate them in light of requirements of the system. The key point, Ms. Collins said, is that the information a department receives today it will continue to receive in the future but there will in addition be more information available.

The budget preparation project has also included interviews with individuals in colleges and departments in order to understand the process in use. They are using that information to produce a technical solution. That process is on schedule and should be in place by February of 1991--in time for the 1991-92 budgets. The key in this project is to automate, through the use of IBM (or compatible) and MacIntosh PCs, much of what is done now with paper. There is a project team working on this, as is the microcomputer lab. There should be a significant savings in the timely extraction of current information as well as in time needed in Accounting Records and Services in data entry and cross-checking.

CUFS, Ms. Collins explained, is not a stand-alone system; it "talks" to approximately 40 other systems within the University. The "interfaces" with those systems must all be modified--so that the systems can interact with CUFS, which includes the changes in the chart of accounts. These modifications represent about 40% of the effort required by the project team.

Another part of the project is the Accounts Payable/Purchasing system. When the project was started, the initial intent was to build an interface between CUFS and the Accounts Payable/Purchasing system. As more problems with Accounts Payable/Purchasing became known, however, the team conducted a review to analyze them and concluded that an integrated system would be easier and more efficient to maintain in the long run. Consideration was finally given, however, to an alternative from American Management Systems, and this alternative was ultimately chosen as the one which would best respond to the problems identified by the departments and best enable the University to achieve its long-term goals (integrated with CUFS and ability to put in a purchase order or requisition and have nearly an immediate impact on financial statements). The project direction has thus changed and both the schedule and plans are now being reviewed. The CUFS system and the Accounts Payable/Purchasing system must come up at the same time because the benefits come from using them simultaneously.

Another recent change which has been proposed to save time and money in implementing a new payroll-related system. About a month ago the team proposed to do a "back end translation": From payroll to the ledger, keeping the payroll on the old chart of accounts, and translating that into CUFS to the new chart of accounts. The proposal was presented to the business officers, where it was not well-received. As a result the decision was reconsidered; there was no easy choice and the final selection was

the "back end translation"--but coupled with a phased (but more rapid) implementation of a new human resources system. The plan for implementation of the new human resources system is now being developed; originally it had been thought this element would follow in 3 - 5 years after CUFS but now it will come within 12 to 18 months. (The human resource system covers payroll, personnel, fringe benefits, work study, and so on.)

At the completion of Ms. Collins remarks one Committee member recalled that nearly 20 years ago he had sought information and had been told it could not be obtained; "the reason I was told I could not do it that way was that Mr. Middlebrook won't let us. At that point Mr. Middlebrook had been dead for about 15 years but he still wouldn't let us. And he won't let you either." It appears, it was argued, that the "back end translation" will mean that the University is still tied to Mr. Middlebrook's chart of accounts. This means that one cannot break a payroll out on a programmatic basis--because the old chart of accounts will not permit it--despite the fact that being able to do so was a sales point of the new chart of accounts. Departments will either be tied to a bastard system--where payroll costs are allocated one way and all others in a different way--or they will have to just give up and admit that CUFS is no more than a renumbering of the accounts. A \$13 million renumbering of the accounts, it was suggested, is a waste of money; there has been, as the project has evolved, an increasing distance between the promise or the hope and the expectation of what will come out of it. It would appear that Mr. Middlebrook has won again.

It also appears, this Committee member contended, that the development of the project is being more and more driven by the exigencies of the people who move the paper--that it should be more or less like what the University had before rather than something that is better and provides the needed management information.

Training and personnel are also a concern; promises have been made and what has been proposed will work if it involves training someone to fill out a new form. The individuals will not, however, be able to produce management information for the units.

Another problem is the level of personnel; has anyone inquired what it will take to make a purchase? How many minutes will it take, in the future, to make a purchase? One need not be critical of shifting the burden to the units--it is an implied retrenchment--but the units need to know before the year starts if it will be necessary to increase funding for administrative support, either out of instruction or central administrative budgets. The worst thing would be to have this show up as unanticipated major expense in every department.

The comments today by those involved with the system make it seem likely that there will also be a need for a set of accounts to mirror the ones currently in the Foundation used for scholarships in order to make the students accounts payable system work. There has been no training or instruction in this area.

The Committee member concluded that there are similar problems all over the University and expressed pessimism that the system would work--even though he very much wanted it to. Professor Shapiro commented that everyone on the Committee wanted the system to work and that appearances to the contrary the meeting was not an adversary process.

Another Committee member inquired, as the implementation of the system takes place, what the shift in effort and resources will be.

Mr. LaFontaine responded to some of the points raised. One effort being made is to be sure that there is a link back. It appears that the existing chart of accounts is driving the new one; there must be links to what exists now and what the departments will have in the future. The current chart of accounts does not, however, tie the University's hands in terms of what the new chart of accounts will look like.

The management information problem is a concern, one which cannot be delegated to the systems to solve. What is done organizationally and with the system must be in accord with the way the University wants to do business; there are opportunities to reorganize so that the colleges can be better supported with management information.

The University does expect to achieve operational efficiencies, both centrally and in collegiate units. But the savings alone will not justify the investment; part of the justification for the system is the University's responsibility to be accountable and the need to have information. The University cannot continue to operate with a system that puts it at risk and that does not support the decision-making process. There will be a need for additional staff effort, to be sure, in the implementation period; the system will not achieve benefits for a department which does not make that allowance.

Ms. Collins pointed out that moving the data entry to the departments would eliminate the need to type forms and generally "not do what we do today" if at all possible.

A question was asked about the recurring costs to the University, what those costs would support, what the average recurring cost to the departments would be, and whether or not those costs would be supported by central funds. Mr. LaFontaine said that there would be central efficiencies; the funds would go into the reallocation pool and whether or not they go to support collegiate needs will depend on the decisions made about the funds. There will be a need for additional effort at the college level in the near term; the units will be more efficient, given the existing amount of hardware. Will the departments do the necessary training? There should not be out-of-pocket expenses, or increased costs, to the departments on a long-term basis. The improvements in the budget system, and in the ordering system, may lead to the administration returning some funds to the units. There will, however, be recurring costs to the University for operating the system; the dimensions of those costs are not clear--but there should be declining costs per unit.

There was discussion of the possibility of additional costs accruing to academic departments; whether or not there would be such costs was not clear. One departmental representative observed that "they are trying to take a dinosaur and bring it into the 20th century." The new system will help all of them in the long term, because the existing system is extremely archaic. The stress will come with payroll; implementation of the new system, but with the payroll on the old system, will reduce to tears every staff member who works with it. Every department will have to hire someone to translate the new numbers to the old numbers. Increased support rather than retrenchment will be absolutely necessary when the new systems are being brought up. The improvements, however, will be significant when they are in place; it will make possible University-wide access to information which now exists in the many shadow budgets used by departments.

Concern was echoed by several about the short or middle term; if the University tries to run the system with the existing civil service staff--which should not be criticized but which is too small--there

will be large problems. A little video time and a couple of manuals will not solve the problems--and this must be faced even though the budget will be tight. Otherwise the University will once again "pay too little and get the model that breaks." The solution may simply be additional transitional help.

Ms. Collins was asked about the transition, both the image and the realities; what are the pitfalls which need to be avoided so that the process goes smoothly? She said one major element which must be attended to is communication; much has been said at this meeting about the recurring costs, for instance. It is essential to correct the misperceptions that exist around the University. Training is another pitfall; that for the purchasing system was good but it is clear that more must be done. Various groups will be targeted and the instruction will be more than videos and manuals.

An implementation checklist will also be required. Turning on the system has implications across the University and what departments will need to do must be made clear. There will be a learning process as they go along, she concluded, and sessions such as this meeting will help.

Mr. Donhowe observed that any financial system which requires over 500 forms is clearly atrocious. There has accumulated a large number of procedures which may or may not be related to the computer systems but rather to the way things are done, to control systems, that may be outmoded. There are, for example, multiple payrolls which carry embedded within them the "class society" which exists at the University; it may not be inappropriate to hire someone or change their pay or address with one form for faculty, civil service, and P & A staff. It may not be possible to simplify everything, or to get at all the possible simplifications by the implementation date of the system, but there is much work to be done in this respect without doing "stupid things."

Another departmental observer emphasized the importance of the human resource system; it will be critical to the short- and long-term success of the program. Until there are enough resources are provided to implement it there will be a cumbersome and costly dual chart of accounts. Mr. Donhowe agreed.

One Committee member inquired if anyone knew whether or not the system would work. Ms. Collins said it does; it has been installed at over 60 universities. The University of Minnesota is the largest one in which it has been attempted although there are similar institutions which use it, such as the University of Arizona and Northwestern. The company is providing considerable support and has made the commitment to making the implementation successful.

On whether or not there should be a trial study it was observed that it would be pointless to do so when the system has already been purchased for the entire University. A trial, however, using one unit before putting everyone on the system, in order to learn how to "cut over," is something being considered. One individual observed that the old system must go, in any event; no one argues for retaining it. A pilot would permit faster adoption of the human resources systems. Another observed that a system often fails because of the complexity of the interaction between its elements, not how it works within one of them.

Mr. LaFontaine was asked whether or not the new system would accommodate a system of flexible benefits for University employees; he said that the specifications of the human resources system have not been established. The capability will reside there.

One Committee member said it was his impression that the project was heavily dependent on

consulting staff; is that true? Ms. Collins noted that one hires consultants either for expertise or when there is a temporary increase in workload; both are true in this case. It will be important, however, to bring in as many University employees as possible so that the expertise of the consultants does not walk away when they do.

Another question posed was about level of detail carried by CUFS; it may not be sufficient for many departments. Given that one objective of the new system is to reduce the need for shadow systems, will an insufficient level of detail defeat the objective or has consideration been given to some sort of "official" shadow system? Ms. Collins said that the new chart of accounts will provide a greater level of detail than is available at present and that they are evaluating each "interface" to try to determine the appropriate level of detail, but that for some departments there probably will not be enough. They are trying to balance the need for a true general ledger system against the needs of some departments for a finer level of detail. Most of the shadow systems should be eliminated. Mr. Donhowe commented that the departments will need to examine whether or not they need such a level of detail; there will need to be a strong affirmative for the department to justify the expenditures necessary to obtain it.

One of the guests observed that the budget preparation system should prove to deliver enormous savings for all of the departments. It will be the first test of whether or not the system will be successful; it should eliminate an enormous amount of paperwork and speed up the process.

A question was asked about how these changes will affect students; putting tuition, housing, financial aid, and so on on an accounts receivable system, and eliminating the need for students to stand in line, would be a big help. Will it, however, lead to larger bills for students that must be paid in a lump sum? Mr. LaFontaine said these issues are being looked at; the changes are in the other direction, such as permitting a student to pay in thirds rather than halves (as is the case at present). The intent of the changes is to permit application of financial aid directly to bills rather than requiring students to stand in line to obtain a fee statement and then another line to receive a check. The system will at first only include tuition, fees, and housing, but is being designed to accommodate other student costs as well.

Will the budget preparation, planned for February, be on the new or the old chart of accounts? It will, Ms. Collins said, be on the old system. The implementation date for CUFS is now being reviewed, given the switch to the Extended Purchasing System (the integrated system which automates the existing manual procedures). The change will require additional effort. The majority of the users, Mr. LaFontaine added, indicated they did not want to switch to the new chart of accounts on July 1. The conversion, he warned, will be painful; it is necessary to go through the process.

Noting that the system will ultimately depend on the financial officers of the University, one Committee member asked if they would return to those officers prior to the actual implementation of CUFS. As much input as possible should be obtained from the users, it was suggested; the project people must listen to those people. Mr. LaFontaine assured the Committee that they have met with the business officers twice already and will do so in November and every two months thereafter. The analysis team is also visiting with individual units.

One by-product of the process, said one of the guests, is that not only is the University re-thinking how it goes about its business, many of the larger units are being forced to do the same thing.

Mr. LaFontaine said it would be useful for the group to come back to the Committee, perhaps once per quarter, to report on progress as well as to learn if the Committee members are hearing anything new.

The Committee adjourned at 4:45.

-- Gary Engstrand

University of Minnesota