

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Organizational Review, Phases II and III
Date: September 9, 2002

<u>Recommended Action:</u>	Approve the recommended actions for the Organizational Review – Phases II and III.
<u>Executive Summary:</u>	Last May the Board approved a three-phase Organizational Review of the Board, Board Office and the five institutions. MGT of America, Inc., a consulting firm from Tallahassee, Florida, was selected to undertake Phase I of the Review: the identification of areas to be studied to improve efficiency, effectiveness, and accountability of the Regent enterprise. Phases II and III were to be short-term and longer-term in-depth studies of the areas identified in Phase I. Phase II is now complete. This report provides the results of Phase II of the Regent Organizational Review and recommendations for Phase III.
Five projects approved in July	In July the Board of Regents approved five of the twelve Phase II projects as recommended by the Priority Study Group on the Organizational Review. These five projects are repeated at the end of this report in order to provide a complete listing of all the Phase II projects. The five projects previously approved by the Board include II-1, II-5, II-8, II-9 and II-12. (See listing of all Phase II and Phase III projects in Exhibit A)
Phase II report approved by PSG	In August, the Priority Study Group on the Organizational Review met to review the results of Phase II and approved the report as presented herein.
Seven remaining projects: <ul style="list-style-type: none"> • Four MGT Projects • Two Board Office Projects • One Institutional Project 	<p>Four of the seven remaining Phase II projects were conducted by MGT of America, Inc. (II-3 – Streamline Instructional Program Delivery; II-7 – Improve Reallocation Process; II-10 – Seek Modifications to State Regulatory Statutes; and II-11 – Conduct Further Review of Governance Reports);</p> <p>Two Phase II projects were coordinated by the Board Office (II-2 – Review BOR Approval Thresholds, and II-6 – Review Purchasing Policies and Practices); and</p> <p>One Phase II project was conducted at the institutional level (II-4 Review Revenue Enhancement Opportunities).</p>

Recap of Phase II Projects	Twelve (12) Phase II projects: <ul style="list-style-type: none">• 5 projects approved by Board of Regents in July 2002 (II-1, II-5, II-8, II-9, II-12)• 4 projects lead by MGT (11-3, 11-7, II-10, II-11)• 2 projects lead by Board Office (II-2, II-6)• 1 project lead by institutions (II-4)
Next Steps	Following Board approval of the recommendations for Phases II and III, the Board Office will develop work plans for each appropriate recommendation in consultation with the affected institutions. The work plans will be provided to the Priority Study Group on the Organizational Review for approval prior to implementation.
Summary of Projects	Exhibit A on pages 25-30 is a brief summary of the Phase II and Phase III Organizational Review Projects.

<u>Strategic Plan:</u>	The Organizational Review, because of its scope, addresses almost all aspects of the Board's Strategic Plan but especially addresses K.R.A. 4.0.0.0 "providing effective stewardship of the institutions." K.R.A. 4.2.0.0 in particular addresses the improvement of the operational effectiveness and efficiency of the institutions.
Recommendations and Proposed Actions – Phase II:	The seven (7) remaining Phase II projects and the proposed actions for each are noted below. For each of the seven remaining projects, there is a brief summary of the Project Activities and Conclusions and Board Office Recommendations . The five (5) projects already approved by the Board are noted in the last section of the report.
MGT Recommendation II-2:	A Board of Regents committee should review the current purchasing, contracting, and personnel appointment approval thresholds with the objective of delegating more decision-making authority to the institutions. Greater delegation of authority will reduce both the materials preparation time and the number of university staff who attend Board meetings.

Review Approval Thresholds	MGT Recommendation II-2: A Board of Regents committee should review the current purchasing, contracting, and personnel appointment approval thresholds with the objective of delegating more decision-making authority to the institutions. Greater delegation of authority will reduce both the materials preparation time and the number of university staff who attend Board meetings.
Board Office project analysis focused on thresholds	Project Activities and Conclusions: This project was coordinated by the Board Office. A comprehensive listing of thresholds was established and reviewed by the Board Office and institutional personnel. The analysis focused on thresholds related to purchasing, capital projects and personnel appointments although there are other thresholds in the <u>Regent Policy Manual</u> .

Some thresholds set by Iowa Code Some thresholds are set by Iowa Code and would require legislative action to change. These items were identified in the threshold table (included as part of **Exhibit B** to this report) under the statutory provision column.

Focus on areas where more authority could be delegated The review focused on areas where the Board could delegate more authority to the institutions and the Board Office while still maintaining accountability. The review of thresholds has assisted in updating and recommending changes to the Regent Policy Manual.

The Board approved changes to the **purchasing section** of the Regent Policy Manual at its July 2002 meeting. Key threshold changes include:

- Increasing the competitive bid threshold from \$5,000 to \$10,000 for all Regent institutions; and
- Increasing the limit required for the special schools to process purchases through ISU from \$2,500 to \$5,000.

For capital projects related to size of project The underlying concept for the recommendations related to **capital projects** is that the key items requiring Board approval should be dependent upon the size of the project. (Currently, there are additional requirements for projects exceeding \$1 million; otherwise Board required actions [approvals of architect/engineer agreements and amendments, contract awards, revised budgets, and construction change orders] are the same for all projects exceeding \$250,000.)

- Board approval would still be required for all project descriptions and budgets exceeding \$250,000. However, further Board approvals would be dependent upon the size of the project.
- For projects with budgets between \$250,000 and \$500,000, approvals for architect/engineer agreements (and amendments), contract awards, revised budgets, and construction change orders would be delegated to the institutions or the Board Office. (It is envisioned that most of these actions would be delegated to the institutions.)
- For projects with budgets greater than \$500,000 but less than \$1 million, approvals for architect/engineer agreements (and amendments), contract awards, revised budgets, and construction change orders would be delegated to the Board Office.
- For projects with budgets greater than \$1 million Board-requested approvals would be similar to those currently in place although the dollar limits for institutional or Board Office approval of architect/engineer amendments and change orders would be increased.

For all items recommended to be delegated to the institutions or the Board Office, unusual circumstances would prompt a request for Board action.

Annual Report to Board	An annual capital projects report would be provided to the Board; this report would summarize the capital project actions taken by the institutions and the Board Office during the prior year.
Special Schools	Modifications would also be made to the specific thresholds that apply to the Special Schools; these will be delineated in revisions to the <u>Policy Manual</u> with a description of the responsibilities of the special schools and Iowa State University for the management of capital projects at the schools.
	<p>The proposed changes in capital project procedures should:</p> <ul style="list-style-type: none">• Maintain institutional accountability by requiring Board approval for project descriptions and budgets over \$250,000.• Speed up capital project process by not requiring Board approval of architect/engineer agreements for smaller projects and permitting institutions to award construction contracts for the smaller projects.• Minimize number of capital project items (architect/engineer agreements, amendments, etc.) that require Board approval which would allow the Board to devote more attention to larger projects.• Reduce size of capital registers since more authority would be delegated to the institutions and the Board Office.• Provide the necessary reporting that the Board desires.

Personnel approvals to remain the same but may be streamlined

The responsibilities of the Board related to **personnel** are assigned in Iowa Code §262.02 (2). In approving the monthly personnel register, the Board ensures that it has fulfilled its statutory responsibility to make appointments and fix compensation, even for appointments it has delegated, by policy, to institutional heads. In administrative law, delegation requires both guidelines for exercise of the delegated authority and oversight of the delegated authority. Current Board procedures meet these requirements. Thus, no changes in thresholds are recommended, although procedures for reporting will be reviewed to see if they can be streamlined.

Board Office Recommended Action:

*Adopt the threshold changes as summarized above and outlined in the attached **Exhibit B**.*

A copy of the complete report prepared by the Board Office on MGT Recommendation II-2 is attached as **Exhibit B**.

MGT Recommendation II-3, Part 1:

Review Academic Delivery System

The Board of Regents should prioritize and undertake a review of the instructional, research, and public service delivery systems at each university with the objective of streamlining the delivery systems and reallocating academic resources. The review should include the following structures, policies, and procedures:

- Course duplication
 - Course sizes and scheduling
 - Articulation of community college students
 - Total credit hours to graduate
 - Summer enrollments
 - Enrollment management
 - Remedial courses
-

Project Activities and Conclusions:

Project Activities:

MGT Study

Since the Board approved the Organizational Review, MGT representatives developed a work plan to address Part I of this recommendation.

14-step work plan

The work plan consisted of fourteen major activities:

1. Request and review documents from the universities related to course duplication, course size and scheduling, articulation of community college students, total credit hours to graduate, summer enrollments, and remedial courses.
2. Identify through examination of reports, material already received, and additional materials efforts already undertaken by the universities in these areas.
3. Conduct additional interviews on each campus to determine improvements.
4. Identify courses with identical or similar content offered across the curricula and evaluate the merit of separate offerings.
5. Review course scheduling procedures, class size data, and classroom space utilization, and compare to peer institution data.
6. Review existing articulation agreements with community colleges and identify areas where students may “lose” credits due to non-transferability. Review policies related to credit through examination or dual credits.
7. Determine average time and credit hours to graduation.
8. Analyze facilities utilization in each semester, including summer term. Determine average summer class sizes, and the depth and breadth of summer term offerings.
9. Review enrollment management data, especially in light of recent budget cuts, and presidential calls for enrollment caps.

10. Review student retention rates and strategies used to recruit, retain, and graduate students.
11. Identify the disciplines, sources of students (majors), and percentage of students requiring remedial courses.
12. Determine where efficiencies can be found.
13. Develop draft recommendations for improvements/changes in each area where warranted and review with Board Office and university staff.
14. Prepare final recommendations for improvement of instructional delivery systems.

Project Conclusions:

Based on its analysis, MGT has reached the following conclusions and suggested actions:

Course duplication	Duplicative courses identified in Phase II should be examined in detail in Phase III. Analysis should include comparisons of enrollments, time of day that each course is offered, and course syllabi.
Course sizes and scheduling	The Regent universities should investigate alternative strategies to reduce undergraduate class sizes to achieve the Board performance indicator targets. Each university should schedule more classes during non-traditional and non-popular hours (i.e., weekends, Fridays, evenings, and early mornings) to make more efficient use of classroom resources.
	The University of Iowa should re-assess its classroom assignment policies to make more efficient use of available class facilities.
Articulation of community college students	The Liaison Advisory Committee on Transfer Students (LACTS) should be assigned the responsibility of developing Associate of Arts articulation and/or transfer agreements so that <u>all</u> students transferring with an Associate of Arts degree from an Iowa community college to <u>any</u> undergraduate college at a Regent university and who meet certain curricular requirements are deemed to have met all freshman and sophomore level general education requirements. The Board of Regents Office should develop, with the assistance of LACTS, the 2+2 Council, and other appropriate groups such as the Regent Committee on Educational Relations (RCER), a coordinated transfer articulation system that is available through an easily-accessed and interactive website.
Total credit hours to graduate	The University of Northern Iowa should evaluate its general education requirements and reduce the number of required hours to a number more in line with the other Iowa universities and similar universities in other states. Iowa State University and the University of Northern Iowa should seek and follow the advice of the University of Iowa to improve the marketability of their four-year graduation plans.

Summer enrollments	<p>The universities should make greater use of summer school as an integral component of their enrollment management plans.</p> <p>Class offerings during the summer, and in "inter-sessions" should include all courses that are part of the general education graduation requirements.</p> <p>To the extent possible within the budget constraints, each university should offer discipline-specific courses required for graduation during summer school and inter-sessions.</p> <p>The Regent universities should evaluate alternative methods of distributing summer school revenues so that colleges/departments have incentives to offer courses and programs that are consistent with each university's strategic plan and goals.</p>
Enrollment management	<p>Each university should develop integrated enrollment management and marketing plans that make effective use of faculty, staff, and physical resources, and which tie specifically to goals in their strategic plans and which are consistent with the Board of Regents Strategic Plan.</p>

Board Office Recommended Action:

1. *The Regent universities, in consultation with the Board Office, should conduct a detailed examination in the areas/courses that have been identified as potentially duplicative by MGT – mathematics, history, statistics, engineering, English, writing, economics, and information systems and management. Analysis should include comparisons of enrollments, time of day that each course is offered, and course syllabi. The goal of the examination is to identify courses for elimination. This should be completed by May 2003.*
2. *The Regent universities should determine whether alternative strategies to reduce undergraduate class sizes can be achieved in light of current economic conditions.*

Each university is encouraged to schedule more classes during non-traditional and non-popular hours (i.e., weekends, Fridays, evenings, and early mornings) to make more efficient use of classroom resources. In particular, the University of Iowa should reassess its classroom assignment policies to make more efficient use of available class facilities.
3. *The University of Northern Iowa should evaluate its general education requirements.*
4. *The Regent Committee on Educational Relations (RCER) should examine four-year graduation rate data and advising strategies, presenting recommendations to the Board by May 2003.*
5. *Because the Board of Regents regards improvement of articulation agreements a high priority, the Board Office will work with RCER, LACTS, and the 2 + 2 Council to enhance and increase both basic and program to program articulation agreements (See **Exhibit C**, pages 58-63, MGT Recommendations 5 and 6).*

6. *The Board Office recommends that the following should be considered by each of the Regent universities:*
 - A) *Make greater use of summer school as an integral component of their enrollment management plans.*
 - B) *Offer classes during the summer, and in “inter-sessions” that might include all courses that are part of the general education graduation requirements.*
 - C) *Offer discipline-specific courses required for graduation during summer school and inter-sessions.*
 - D) *Evaluate alternative methods of distributing summer school revenues so that colleges/departments have incentives to offer courses and programs that are consistent with each university’s strategic plan and goals.*
7. *Each university should develop integrated enrollment management and marketing plans that tie specifically to goals in their strategic plans and which are consistent with the Board of Regents Strategic Plan.*

A copy of the complete report prepared by MGT of America, Inc., on MGT Recommendation II-3, Part 1 is attached as **Exhibit C**.

MGT Recommendation II-4:

Review Revenue Enhancement Opportunities

The Board of Regents should prioritize and conduct a review of revenue enhancement opportunities and establish a revenue growth schedule for each university.

Institutional Study of Revenue Enhancement

Project Activities and Conclusions:

The pursuit of revenue generating opportunities that are appropriate to the mission and programs of the Regent universities is a long-established management practice at each institution. Revenue generating activities should continue to be encouraged and supported. These activities should be managed within guidelines that recognize the public nature of each university. Activities should be:

- Evaluated in the context of institutional missions, programs, priorities including: access, accountability, quality and diversity;
- Priced to recover costs of the targeted activities;
- Efficient in terms of fee collection and administration; and
- Compliant with Iowa Code Chapter 23A regarding competition with private enterprise.

Efficient Use of State Resources

Other management activities should continue to support the most efficient use of public resources for the functions of each university that are most directly in the public interest. These activities include:

- Improve productivity through the use of new technology and streamlining organization and management;
- Manage assets so as to maximize the benefits to each university in light of highly constrained state budgets;
- Provide incentives to faculty, staff and the units they represent for increasing revenue-generating activities;
- Make innovative use of the private sector; and
- Exercise management oversight of the entrepreneurial activities produced.

Nine categories of potential revenue opportunities

Each university went through a process to assess the types and levels of revenue generating activities that are in place today and identify plans or initiatives that are being considered at each institution. Through this process the universities have identified opportunities within nine categories:

- Tuition and fees;
- Contracts and grants;
- Marketing affinity programs;
- Sales of university products and services;
- Program participation and user fees;
- Cash management and investment practices;
- Leases/rentals of university assets;
- Asset management; and
- Private/public partnerships.

Board Office Recommended Actions:

1. *Encourage the universities to focus revenue generating efforts on:*
 - Activities consistent with their missions and programs and the provisions of Iowa Code Chapter 23A regarding competition with private enterprise.
 - Recurring and maintainable sources rather than one-time assets.
2. *In conjunction with recommendation 6 of Item II-3, direct the universities to evaluate alternative methods to increase, account for, and distribute continuing education, summer school, and seminar revenues.*
3. *Request the universities to consult with peer institutions to identify best practices that might assist the universities in revenue generation.*

A copy of the complete reports prepared by the three universities on MGT Recommendation II-4 is attached as **Exhibit D**.

MGT Recommendation II-6:

Review Purchasing

The Board of Regents, working with institutional officials, should conduct a review of the purchasing policies and practices with the objective of reducing both the operational costs of purchasing activities and the prices paid for goods and services. The review would include:

- Purchasing policies, procedures, staffing, and costs on each campus;
 - Assessment of automated purchasing systems on each campus;
 - Interviews with selected vendors regarding ways to further reduce prices charged to the institutions;
 - Current and potential cooperative purchasing arrangements;
 - Buying patterns and schedules; and
 - Shipping/receiving procedures and costs.
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Project Activities and Conclusions:

A Board Office Project

Since the Board received the organizational review Phase I report in January 2002, the Board Office and institutional representatives worked with MGT representatives to develop a work plan to address this recommendation. At the same time, the Board Office and the Regent institutions continued collaborative efforts to revise the purchasing section of the Regent Policy Manual.

Seven activities in work plan

The work plan consisted of seven major activities:

1. Document policies, practices and administrative systems related to the purchasing function at each university.
2. Obtain assessment from users of purchasing function including things such as surveys, focus groups, and interviews.
3. Identify best practices elsewhere.
4. In coordination with work on MGT Recommendation II-2 - Review Approval Thresholds, assess appropriateness of current bid level requirements on commodities and capital outlay.
5. Explore costs and benefits associated with greater utilization of group purchasing consortia.
6. Determine opportunities for more efficient operation of central receiving function.
7. Make recommendations based on findings to update the Regent Policy Manual and Iowa Administrative Code.

Seven steps
are complete

The seven steps are basically complete. The Board approved the Regent Policy Manual changes for purchasing at its July 2002 meeting. These changes should aid in reducing operational costs of purchasing activities.

As noted in the original MGT presentation, the purchasing organizations at the Regent institutions have many innovative practices in place and are encouraged to continue these efforts. It is these innovative practices that enable the Regent institutions to reduce the operational costs of purchasing activities as well as the prices paid for goods and services.

Two recent cooperative initiatives are highlighted:

Example #1

United Parcel Service (UPS) Shared Pricing Agreement - While each of the Regent universities have had contracts with UPS, a Regent-wide contract was recently signed that is based on the combined institutional volume resulting in even greater discounts. This contract, which includes all three universities, the Special Schools and the Board Office, provides significant discounts.

This contract will be used for both outbound and inbound shipping. For inbound shipping, if a Regent institution orders a product, the institution can provide the shipper number and receive the discounted Regent contract rate for shipping rather than the potentially higher vendor shipping rate.

Example #2

SUI/UNI Mail Services Agreement - The University of Iowa (SUI) and the University of Northern Iowa (UNI) have recently entered into an agreement where SUI provides mailing services for UNI.

UNI's mail manager retired and the University of Northern Iowa was considering outsourcing the mail services. SUI has similar mailings and uses the same software as UNI. The two universities seized an opportunity. SUI will handle mailing service for UNI at a lower cost. UNI will realize savings in salaries, equipment, and postage.

The inter-institutional agreement will result in savings for UNI of more than \$100,000 per year. At the same time, SUI will be generating additional revenue which will be used to reduce overhead costs.

Board Office Recommended Actions:

1. *Changes to the purchasing section of the Regent Policy Manual were previously completed by Board action on July 18, 2002.*
2. *Encourage the Regent institutions to continue to look for opportunities to reduce costs and increase cooperative efforts including Regent-wide purchasing contracts such as those identified above.*
3. *Request that reports on progress in achieving increased cooperative efforts be included in the annual governance report on Purchasing.*

A copy of the complete report prepared by the Board Office on MGT Recommendation II-6 is attached as **Exhibit E**.

MGT Recommendation II-7:

Review Reallocation Processes

The Board of Regents should review the processes and the results of the reallocation policy over the past five years.

Project Activities and Conclusions:

An MGT of America Project

A Board of Regents' policy, which was adopted in May 1996 to become effective in the 1996-97 fiscal year, directed that each institution should reallocate 10% of its budget over the coming five-year period. As that period drew to a close, the Board called for an evaluation of implementation of the reallocation policy. As part of the current Phase II organizational review, MGT conducted a series of interviews on reallocation issues involving institutional staff, Board Office staff, and several Regents. Based on these interviews, MGT determined that:

- Institutional officials believe they have complied with the original intent of the reallocation program, but admit they received little specific guidance in 1997 about what was expected by the Board. Instead, the understanding of the policy can better be understood as an evolutionary process as all parties gain experience with reallocation practices.
- Individual Regents and Board Office staff are not convinced that the types of reallocations taking place are fully achieving their original intent of strategically redirecting resources on an institution-wide basis to build excellence or to be proactive in engaging new opportunities.

Issue not clearly articulated

The basic issue is that the concept of reallocation, as intended by the Regents in 1996, has never been carefully articulated.

All parties agree that the broad intent of the 1996 reallocation policy was to ensure that a small but steady stream of resources be available each year for each institution to pursue strategic initiatives. The reallocation policy was seen as one vehicle for underscoring the importance that the Regents placed on strategic planning. A second point of agreement is that the institutions have exceeded the ten-percent target that the policy established. In practice, the target was translated as a series of annual two-percent targets for each of the five years. Overall, in excess of \$120 million, or nearly 15% of base budgets, was reallocated during the initial five-year period according to institutional reports.

Three issues identified

Based on our interviews, we find that there are at least three interrelated issues surrounding the reallocation policy that would benefit from further clarification:

- Who within the institutions should make reallocation decisions? In conversations with individual Regents, some expressed the belief that decisions about reallocations should be determined by the president, or at least the provost, since decision-makers at the highest level of the institution should be involved to ensure that the freed-up resources were targeted at institutional strategic priorities. On the other hand, campus leaders have tended to delegate responsibility for reallocation to unit-level managers (e.g., deans). Their rationale is that a more decentralized approach will lead to more buy-in and acceptance of the strategic initiatives.
- How should the pool of reallocation dollars be created? Not only is there a divergence of opinion about who should make reallocation decisions, there also may be differing views on how the pool of reallocation dollars should be created. The most common source of reallocation funds at the Regent universities has been from *position turnover*. Institutions in other states have taken a more aggressive posture towards reallocation. In some instances, there has been an *across-the-board assessment* to create a pool of funds to be reallocated centrally. Other institutions have made *targeted reductions*, such as merging departments or closing a program or site to create funds to reallocate.
- What types of actions constitute a reallocation? Reallocation practices at each university are embedded in the overall allocation process. Given the multiple revenue streams and multiple demands for increased spending, the question of what constitutes a reallocation – as contrasted to allocations of new monies -- is difficult to answer. Several examples of what have been proposed as reallocations highlight the range of actions that might be considered as reallocations.
 - Changing the traditional teaching assignment of a current faculty member when the new assignment is tied to a strategic goal.
 - Replacement of a departing faculty member with another individual in the same department who has a different teaching and research interest that is more aligned with strategic directions.
 - A major reorganization, such as when the functions and resources of an administrative unit are transferred across vice presidents.
 - Creation of a new faculty position to respond to enrollment growth.
 - Establishment of a new program to address a strategic opportunity.

MGT
recommendations

Based on its analysis of the issues surrounding the current reallocation policy, MGT suggested that the Board of Regents should take the following action(s):

1) Determine whether to reaffirm the need for a reallocation policy.

The current policy was enacted to have a five-year life. Since this period has now expired, the initial question facing the Board is whether some type of reallocation policy needs to be continued. A factor to consider in deciding whether to reaffirm the need for a reallocation policy is the cumulative impact of the many planned and unplanned reallocations that have been necessary during the past year in responding to the shortfall in state appropriations.

If the Board reaffirms the need for a reallocation policy, MGT proposed two additional actions.

2) Develop a clear definition of what types of reallocation activity are expected. In order for the Board to communicate effectively with institutional and Board Office staff about its intent for any new reallocation policy, we believe the Board needs to discuss the three issues (who, how and what) that were described in the preceding section.

3) Design a reporting system that permits the institutions to demonstrate progress toward achieving the Board's goals. Once the Board of Regents has fully clarified its goals for an ongoing reallocation policy, the Board Office staff should modify the existing governance reports related to reallocation to reflect policy clarifications.

Board Office Recommended Actions:

1. *The Board reaffirm the need for a reallocation policy for the next five years.*
2. *Request that the Board Office, working with the institutions, develop a clear definition of types of reallocation expenditures and design a reporting system to demonstrate progress toward achieving the Board's goals.*

A copy of the complete report prepared by MGT of America, Inc., is attached as **Exhibit F**.

MGT Recommendation II-10:

Study Selected
Statutes

The Board of Regents should, after further study, propose modifications to state statutes and other policies to achieve efficiencies through the following authorizations.

Project not
Complete

This project is not yet completed and will be reported to the Board in October.

MGT Recommendation II-11:

Review
Governance
Reports

The Board of Regents should review its governance reporting requirements with the objective of streamlining the reporting requirements while maintaining an adequate accountability system.

An MGT America project

Project Activities and Conclusions:

In 1996-97, MGT conducted a review of selected governance and administrative functions of the Board of Regents. In its January 1997 report to the Board, MGT reported that Board members as well as officials and staff in the governor's office and legislature stated that they found the governance reports helpful in keeping abreast of the operations of the institutions. Further, officials in the governor's office and legislature stated that the fact that the Board receives and monitors the extensive array of reports adds to their confidence in the overall governance and management of the institutions. This 1997 finding that Board members and staff officials place a high value on the reports was tempered by other findings that opportunities exist for reducing the number of reports. After the 1997 recommendations, considerable effort took place to streamline and focus the governance reporting process. Even with such progress, a recommendation from Phase I was that a new review was now needed.

Three-step process

The Phase II review of governance reporting entailed three distinct information collection and analysis approaches:

- A review of individual reports submitted to the Board over the past several years;
- Interviews with selected Board Office staff and university officials who are responsible for developing the reports; and
- A survey of all Board Office and university staff members who are involved in developing and/or reviewing report submissions.

Survey

The review of individual reports was an attempt to develop a broad analytic overview of the magnitude and scope of the governance reports. The staff interviews were intended to provide an introduction to the range of issues to be examined, as perceived by personnel who are actively involved in the reporting process. Building on information gained through the interviews, a survey instrument was created that focused on priority concerns, especially the amount of effort required relative to the perceived value of the reports and alternative actions that might be taken to enhance each governance report.

The overall purpose of the Phase II review of governance reports was to develop recommendations for how to maintain or enhance the value of the current package of governance reports while reducing the time and cost required to prepare the reports. The focus was on identifying individual reports that no longer appear to satisfactorily serve the needs

of the Regents. The Regents can pursue a number of different strategies to achieve this objective. Categories of potential strategies, in descending order of payback, include:

Categories of potential strategies

- Eliminate a report
- Combine a report with another report
- Condense a report
- Refocus a report
- Submit a report less frequently

In many cases, of course, the appropriate strategy will be to make no changes where the value-cost ratio for a report is already satisfactory.

Individualized changes needed

The major challenge in analyzing and/or taking action to improve the governance reports comes from the sheer number and diversity of the reports. No single across-the-board action is likely to have the desired payoff. Instead, benefits will come from making individualized changes to each report on a “target list” of problematic reports. Analyses undertaken during Phase II developed such a “target list” of reports that appear to be the most problematic and have some combination of:

- Relatively high cost to produce
- Relatively low perceived value to the Regents and/or other stakeholders
- An unacceptably low value-to-cost ratio
- A relatively high incidence of recommendations for change from staff.

The report provides a list of those current governance reports that meet one or more of the trigger points listed above. See **Exhibit G**.

Four-step process proposed

The ultimate judge of whether the value of a report justifies its cost, of course, is the Board itself. Therefore, MGT proposed a four-step process for streamlining the governance reports that starts – and ends – with action by the Regents:

Step 1: Confirm or Amend the Short List of Reports. The Board of Regents should review the list presented in **Exhibit G** and confirm that the identified reports are priorities for a more detailed review.

Step 2: Evaluate Specific Shortcomings of Each Selected Report. Once the short list of reports has been confirmed, the Board Office staff member who is currently designated as the coordinator for each identified report should be charged with undertaking a detailed review in consultation with appropriate institutional staff. In particular, the review should be structured to address the findings summarized in the report (e.g., high cost, low value, etc.).

Step 3: Propose Specific Changes to Each Selected Report. Based on a more in-depth analysis of the identified reports, specific changes should be recommended by the report coordinator. In particular, the proposed change should yield the highest feasible payoff from the list of potential changes

described above. That is, the first consideration should be given to report elimination, then to combination with other reports, etc.

Step 4: Adopt Recommended Changes. The Board of Regents should review the proposed specific changes and adopt the proposal for each report as it deems appropriate.

While implementation of the above steps will lead to immediate improvements in the system of governance reports, history has shown a natural tendency for the priorities for information to change over time and the cost and effort to produce reports to escalate. Therefore, MGT offered suggestions for maintaining the effectiveness and efficiency of the governance reporting process.

Board Office Recommended Action:

1. *Approve a modified version of MGT's four-step review process for the Board of Regents governance reports noted in "Exhibit 5-1" in **Exhibit G** (page 159) as the first step in periodically reviewing all the governance reports.*
2. *Consider the development of a MIS system or data storage system to be phased-in over a period of time.*

A copy of the complete report prepared by MGT of America, Inc., on MGT Recommendation II-11 is attached as **Exhibit G**.

Recommendations for Phase III

As originally envisioned, Phase III was to encompass those projects that were of an extended duration and a somewhat lower priority. Since these projects were identified by MGT and approved by the Board of Regents, the institutions were forced to undergo unprecedented budget reductions and under-funding of obligations. These drastic cuts have forced the institutions to prioritize and make a series of cutbacks and economies consistent with institutional and Board priorities as reflected in the strategic plans of the institutions and the Board. As a result of the magnitude of the FY 2002 and FY 2003 reductions and the potential for additional reductions, the Board Office and the institutions, with comments from MGT, have reviewed the proposed five Phase III projects. All the Phase III projects have merit and would have been worthy of study, had the budget reductions and the subsequent actions of the institutions to reduce expenditures not taken place. A review of the Phase III projects by the Board Office indicates that of the five Phase III projects, two should be undertaken, one of these by internal auditors

(III-3), and one by a specially-created study group for Iowa Braille and Sight Saving School only (III-5) as noted below.

Recommendations – Phase III: The five (5) MGT Phase III recommendations and the proposed actions are as follows:

MGT Recommendation III-1:

Examine Models for Assessing Space Needs

The Board of Regents should examine criteria and models for assessing the total facility space needs and the level of classroom and laboratory utilization and for guiding the design of new and renovated buildings. This objective system should then be used as a guideline to assess the facility needs and utilization of each campus.

MGT's Comments:

Capital spending puts stress on open budgets

This recommendation might appear to relate only to capital spending rather than operating expenditures, but the continuing development of new space places great stress on the operations and maintenance budgets of the universities (e.g., increased custodial and utility expense). You will recall that our Phase I analysis suggested that the universities are already overbuilt when compared with national norms. The absence of the recommended criteria, which were to be developed in Phase III, will continue the status quo and leave the Regents with no reference point to review proposals for new buildings. Ultimately, the absence of criteria will likely result in further diversions of operating funds to support only marginally needed facilities.

Board Office Comments:

Costs outweigh benefits

It appears that the costs of this project would outweigh the benefits. The institutions and the Board currently set priorities on a campus-by-campus basis through a long-term planning process (five-year capital plan and annual capital improvement plans). By the time these projects get to be a top priority in the upcoming year (such as the Art Building at SUI), they are really several years overdue. Implementing a set model for assessing total facility space needs seems more appropriate when money is no object and staff have extra time on their hands.

Board Office Recommendation:

Do not proceed with this project at this time.

MGT Recommendation III-2:

Review Deferred Maintenance Process

The Board of Regents should review the process used to determine deferred maintenance needs of the institutions and assess the full needs of the institutions in deferred maintenance funds.

MGT's Comments

Refined approach to planning for deferred maintenance needed

Spending any funds that become available for deferred maintenance on the highest priority projects becomes crucial during a time of budget constraint. In the unfortunate situations where needed maintenance is deferred too long, universities can face the need for repairs on an emergency basis, when costs are often the highest. We believe that a refined approach to planning for deferred maintenance will help to avoid the need for emergency spending on repairs. (Interestingly, without the facilities need and utilization criteria we proposed in Phase III-1 noted above, there is the likelihood that scarce resources available to address deferred maintenance may be allocated to refurbish buildings which themselves are not even needed.)

Board Office Comments:

Budget reductions make further actions unreasonable at this time

The Regent institutions do have methods for determining deferred maintenance needs and prioritizing those needs. It is our understanding that this project would try to standardize that process. Given the drastic cut in state appropriations over the last two years, it is the building repair budgets that will be suffering significant reductions – much below the national norm for maintenance of facilities. The FY 2003 building repair budgets will only be addressing emergency/life safety needs at the institutions. It is expected that the deferred maintenance needs will go much higher over the next couple of years because of this. Standardizing deferred maintenance assessment at this time would seem to be an unnecessary expenditure without a reasonable return on investment.

Board Office Recommendation:

Do not proceed with this project at this time.

MGT Recommendation III-3:

Undertake Re-engineering Study

Each university should prioritize and continue to undertake, when appropriate, re-engineering studies of institutional administrative and support services with the objective of reducing operating costs by eliminating unnecessary and duplicative work tasks, eliminating bottlenecks, and improving automated systems, where cost effective, and report actions taken to the Board of Regents.

MGT's Comments:

Greatest potential for reduction in expenditures

MGT's clients frequently find the opportunity to reduce spending by 20% or more on units whose routine administrative processes are reengineered. Of all the recommendations that we made in Phase I, we believe that this one has the greatest potential for immediate reduction in expenditures. We find that properly redesigned processes not only are less expensive to maintain, but also deliver performance superior to the systems they replaced.

Board Office Comments:

Institutions have re-engineered further studies – may produce unrealizable targets

The recommended approach involved compiling reports related to past re-engineering efforts and would be extremely labor intensive for the institutions. This is especially of concern given the significant budget reductions in recent years and limited resources available to perform the suggested committee work. With the continued increase in enrollments, it is the administrative units that are hardest hit from the budget cuts. An intensive re-engineering study may produce unrealizable targets in the current fiscal environment. Also, over the last six years, the universities have been revising and re-engineering administrative processes on an ongoing basis as time and resources have permitted. New systems have been evaluated and implemented. While there is always room for improvement, trying to have institutional staff participate in this intense study while just trying to get the job done with less staff may not produce useable results.

Board Office Recommendation:

That the internal auditors on the university campuses or other appropriate assigned personnel assist with reviews of administrative processes.

MGT Recommendation III-4:

Review
Enterprise
Funds

Each of the Regent universities should conduct a critical review of both current enterprise funds and potential new enterprise funds. The evaluation of current funds should include: (1) a determination of whether to keep the fund, (2) a phased elimination of direct funding, (3) the introduction of competition from private businesses, and (4) a determination of whether savings could be achieved by outsourcing the operation. The evaluation of potential enterprise funds should include the identification and assessment of other opportunities to establish such funds.

MGT's Comments:

Ways of gaining additional revenues

Our Phase I report described numerous opportunities where the Regent universities might follow the examples of institutions in other states and attract new and/or additional revenues from current operations. Gaining new revenue is usually a much less traumatic way of responding to a budget crisis than is cutting staff or otherwise reducing expenditures. The planned Phase III effort has the potential to help the universities build new revenue streams and rely less on increasingly uncertain state appropriations.

Board Office Comments:

Could be useful if more narrowly refined

The original recommendation for this project was envisioned very broadly. If the scope of this item were more narrowly defined, we believe it could be useful. Again, the internal auditors could be assigned to review the functions on-campus and report to the Banking Committee on a routine basis.

Board Office Recommendation:

Assign internal auditors to periodically review the functions on-campus and report to the Banking Committee on a routine basis.

Review
Administrative
Procedures at
IBSSS

MGT Recommendation III-5:

The Iowa Braille and Sight Saving School should conduct an in-depth review of the administrative procedures and the roles and responsibilities of administrative and support staff to determine where effectiveness and efficiencies can be gained.

A study recommended

Project Activities and Conclusions:

The Board Office, in consultation with Superintendent Thurman, has reviewed this recommendation and is recommending that a study be conducted. This study would be under the leadership of a consultant in consultation with appropriate employee groups and would involve a team of personnel/business representatives from Iowa State University or the University of Northern Iowa, as well as representatives from IBSSS and the Board Office. The study team will address the following topics:

- Are the Business and Personnel offices at IBSSS appropriately staffed for the functions they perform? Can any work/procedure be done by a university, resulting in savings for either office?
- If the two offices remain at IBSSS, how can technology improve the communication between them, e.g., shared databases, software applications, new hardware?

The School would provide the funds for the study (maximum \$3,000).

Board Office Comments:

In reviewing the internal audit plans that will be presented to the Banking Committee, the internal auditors believe that an annual internal review of Iowa Braille and Sight Saving School is too much. IBSSS receives a full-scale audit by the state auditors and miscellaneous reviews by the ISU auditor. They have already reviewed numerous administrative processes at IBSSS and have offered ways to improve the processes. Many administrative processes are handled through ISU. Consequently, the ISU internal auditors believe that IBSSS should not be reviewed except

on a three-year rotating basis. We recommend that the internal auditors be assigned to review this recommendation, conduct the work for it, and report to the Banking Committee.

Board Office Recommendation:

Accept the proposal to undertake an in-depth review of select administrative process at Iowa Braille and Sight Saving School.

MGT Recommendation II-3, Part 2:

Review Academic Delivery System

The Board of Regents should prioritize and undertake a review of the instructional, research, and public service delivery systems at each university with the objective of streamlining the delivery systems and reallocating academic resources. The review should include the following structures, policies, and procedures:

- Academic organizational structure and administrative costs;
 - Faculty productivity, including extra-curricular assignments;
 - Small enrollment programs;
 - Low priority programs not essential to the core mission; and
 - Outsourcing opportunities.
-

Project Activities and Conclusions:

To be considered as part of Phase III.

Board Office Recommended Action:

The Regent universities, working with staff in the Board Office, should review the list of potentially duplicative courses identified in Phase II. Analysis should include comparisons of enrollments, time of day that each course is offered, and course syllabi. Recommendations should be made by May 2003.

Five (5) Phase II Projects Previously Approved by the Board

MGT Recommendation II-1:

Review Meeting Schedule

The Board of Regents should review their current meeting schedule and agenda arrangements to determine if travel costs can be reduced and staff productivity increased while still enabling the Regents to fully execute their responsibilities. In reducing the number of traditional meetings, the Regents should take advantage of appropriate alternative approval methods for time-sensitive matters. By strategically sequencing agenda topics, staff waiting time can be minimized, and more time will be available to attend to other

assignments. Board staff should solicit suggestions from institutional personnel on how to accomplish this goal.

Board Office Recommended Action:

This project was previously completed by Board action on July 18, 2002.

MGT Recommendation II-5:

Evaluate Health Benefit Plans

The Board of Regents should conduct an evaluation of its health benefit plans for faculty and professional and scientific employees to learn of actions taken to manage costs and to determine appropriate action to control future cost increases.

Board Office Recommended Action:

This project was previously completed by Board action on July 18, 2002.

MGT Recommendation II-8:

Improve IEP Process at ISD

The Iowa School for the Deaf should conduct a business process analysis of the individual education plans (IEP) process to identify opportunities for increased efficiency through the use of technology and changes to the process. The purpose of the business process analysis would be to streamline the internal IEP process and to ensure efficient development of the document, efficient notification and assembly of the involved parties, and increased accessibility of the document.

Board Office Recommended Action:

This project was previously completed by Board action on July 18, 2002.

MGT Recommendation II-9:

Review Role of Advisory Boards

The Board of Regents should review the role and composition of the special schools Advisory Boards and update as necessary. Consideration should be given to inclusion of representatives of parents, special school staff, students, K-12 educators, and the Department of Education.

Board Office Recommended Action:

This project was previously completed by Board action on July 18, 2002.

MGT Recommendation II-12:

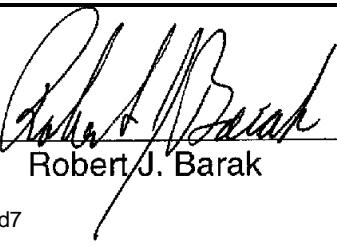
Monitor Athletics

The Board of Regents, working with university officials, should continue to monitor the athletic programs at each of the universities. The monitoring should include:

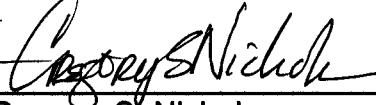
- Current and potential revenue sources; and
 - Organizational, administrative, and governance issues.
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Board Office Recommended Action:

This project was previously completed by Board action on July 18, 2002.



Robert J. Barak

Approved: 
Gregory S. Nichols

h/aa/docket/sept/gd7