TOPIC:

Streamlining Initiative

CONTEXT:

The Streamlining/Simplification initiative was announced by President Gee in his October speech to Faculty Council. The attached documents attempt to reconcile the streamlining goals and internal control issues.

SUMMARY:

Attached are two sets of documents:

1. The charge to the Streamlining and Simplification Task Force (Attachment 1)
2. The January 31 presentation to the Audit and Compliance Committee on Internal Controls (Attachment 2)

CONSIDERATIONS:

- How will these two efforts be aligned?
- How will this affect the colleges?
- How will the Deans be engaged?
- What's the timeline?

REQUESTED OF COUNCIL OF DEANS:

Discussion and Advice
January 14, 2008

Dr. Kay Bea Jones  
Associate Professor of Architecture  
Knowlton Hall  
275 W. Woodruff Avenue  
CAMPUS

Dear KB:

Thank you for agreeing to serve on the Streamlining and Simplification Task Force. The goal of the task force is to review and make recommendations for streamlining University processes so that our faculty and staff can go about their business, while at the same time, protecting the University. Our focus will be on procurement and travel. President Gee has asked that we have a preliminary set of recommendations by April 30, 2008.

I have asked Leslie Flesch, Assistant Vice President for Business and Finance, to chair this group. A complete list of the 8 task force members is attached.

My office will be contacting you shortly to schedule the first meeting, which we hope to set up for the second half of January.

I very much appreciate your commitment to helping the University move forward in this critical area.

Sincerely,

William J. Shkurti  
Senior Vice President for Business and Finance

Attachment

c: Gordon Gee  
    Joe Alutto  
    Leslie Flesch  
    Rob Perry
STREAMLINING AND SIMPLIFICATION TASK FORCE
MEMBERSHIP ROSTER

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THE OHIO STATE UNIVERSITY BOARD OF TRUSTEES
AUDIT/COMPLIANCE COMMITTEE
January 31, 2008

Topic: Follow-Up to PWC Report

Context:

This is a follow-up to the recommendations of the PricewaterhouseCoopers review presented at the December meeting of the Audit Committee.

That review covered two specific areas:

- Strategic Decision Making
- Operational Controls

Recommendation:

- First priority for action is the Operational Controls area.
- Alignment of the PWC Review, the Deloitte and Touche Management Letter and the Streamlining and Simplification Initiative is essential to success.
- Key components of plan are:
  - Policies
  - Training
  - Controls/Accountability
  - Monitoring/Oversight
  - Standardization
  - Process Improvement
- Implementation of Service Center concepts provides greatest opportunities
- Initial project has an 18 month timeline with critical issues to be addressed this Winter

Considerations:

- Do these recommendations address the issues identified in the PWC Report?
- Are the recommendations in alignment with the other initiatives?
- Is the timeline reasonable?
- How should we measure success?
- How would the committee like to be kept informed?

Requested of Audit/Compliance Committee:

For discussion and guidance. No vote required.
Action Plan for Streamlining and Strengthening Core Processes

Global Summary of Findings from PricewaterhouseCoopers Review:

Strategic Decision Making:

♦ University has in place the processes and leadership involvement required to support its strategic decisions and is better than most institutions in this regard
♦ Processes are not formalized and policies are not in place

Operational Controls:

♦ University is no better and no worse off than other institutions
♦ Current initiatives and directions are on track
♦ Accountability established at higher levels, but not throughout the decentralized fiscal environment
♦ Challenged by our size, diversity and high degree of decentralization
♦ Need increased focus:
  o Higher degree of standardization and consistency
  o Formalized policies and procedures
  o Assessment and documentation of key controls
  o Improved training
  o Increased central monitoring and oversight with defined linkage to the Enterprise Risk Management Program
Operational Context:

A. Multiple Initiatives Underway:

1. PricewaterhouseCoopers Review:
   Key Elements:
   ♦ Policies and Procedures
   ♦ Training
   ♦ Controls/Accountability
   ♦ Monitoring and Oversight
   ♦ Increased Standardization
   ♦ Effective Processes

2. Management Letter Comments:
   Key Elements:
   ♦ Policies and Procedures
   ♦ Training
   ♦ Controls/Accountability
   ♦ Monitoring and Oversight
   ♦ Increased Standardization
   ♦ Effective Processes

3. Streamlining and Simplification Initiative:
   Key Elements:
   ♦ Increased Standardization
   ♦ Greater Efficiency
   ♦ Effective Processes

B. Significant Overlap in Key Elements Necessitates a Consolidated Plan:

<table>
<thead>
<tr>
<th>Initiative/Key Elements</th>
<th>PWC Review</th>
<th>Management Letter</th>
<th>Streamlining/Simplification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies and Procedures</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Training</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controls/Accountability</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Monitoring/Oversight</td>
<td>X</td>
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<tr>
<td>Standardization</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Greater Efficiency</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Effective Processes</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>
### Components of Consolidated Plan:

<table>
<thead>
<tr>
<th>Components and Key Recommendations:</th>
<th>Current Status:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Policies:</strong></td>
<td><strong>Policies:</strong></td>
</tr>
<tr>
<td>♦ Consistent format and structure</td>
<td>♦ Work underway to develop a single policy web site with links to existing policies</td>
</tr>
<tr>
<td>♦ Consistent language and requirements</td>
<td>♦ Existing policies are being revised and reformatted for greater consistency</td>
</tr>
<tr>
<td>♦ Easily accessible</td>
<td>♦ Missing policies under development where known</td>
</tr>
<tr>
<td>♦ All necessary policies in place</td>
<td>♦ Process documentation under development where needed</td>
</tr>
<tr>
<td>♦ Supporting process descriptions in place where needed</td>
<td></td>
</tr>
<tr>
<td>♦ Formal process for developing, approving and communicating policies</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Structure:</strong></th>
<th><strong>Structure:</strong></th>
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</thead>
<tbody>
<tr>
<td>♦ Formalized reporting relationships from departments to college/VP areas to establish accountability and control</td>
<td>♦ Dotted line reporting relationship from Senior Fiscal Officers to Chief Financial Officer in place effective November 1, 2007</td>
</tr>
<tr>
<td>♦ Formalized reporting relationships from College/VP areas to Chief Financial Officer to establish accountability and control</td>
<td>♦ Relationship of Senior Human Resource Professionals to Associate Vice President for Human Resources under discussion</td>
</tr>
<tr>
<td>♦ Alignment of payroll controls with other fiscal controls</td>
<td>♦ Fiscal controls related to payroll processes consolidated with other fiscal controls</td>
</tr>
<tr>
<td>♦ Expansion of Service Center concepts</td>
<td>♦ Some Service Center models in place, others in development</td>
</tr>
<tr>
<td>♦ Reduced number of staff accessing systems</td>
<td></td>
</tr>
<tr>
<td>♦ Increased central contact with system users and oversight of decentralized transactions</td>
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</tbody>
</table>

<table>
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<tr>
<th><strong>Staffing:</strong></th>
<th><strong>Staffing:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ Standardized Position Descriptions/Job Classifications for HR/Fiscal personnel</td>
<td>♦ Standardized position description language establishing fiscal accountability in place for Deans, Vice Presidents and Senior Fiscal Officers in place</td>
</tr>
<tr>
<td>♦ Defined education requirements, skill sets and job expectations</td>
<td>♦ Definition of common position classifications for fiscal staff in development</td>
</tr>
<tr>
<td>♦ Defined accountability with performance evaluated as a part of the annual review process</td>
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<tr>
<td>♦ Mandatory training programs</td>
<td></td>
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<tr>
<td>♦ Expanded regular communications</td>
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<tr>
<th><strong>Training:</strong></th>
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</thead>
<tbody>
<tr>
<td>♦ Redesigned training programs that assume basic skills are in place</td>
<td>♦ Redesigned training program plan developed for financial training that includes:</td>
</tr>
<tr>
<td>♦ Delivery mechanisms consistent with audience and content – more web based training</td>
<td>- Increased emphasis on policies and accountability</td>
</tr>
<tr>
<td>♦ Training includes assessments and certifications</td>
<td>- Content assumes basic skills are in place</td>
</tr>
<tr>
<td>♦ Training plans linked to positions</td>
<td>- Delivery mechanisms consistent with audience and content – more web based training</td>
</tr>
<tr>
<td>♦ Responsibility and accountability concepts incorporated into training</td>
<td>- Includes assessments and certifications</td>
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</tbody>
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<table>
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<th><strong>Processes:</strong></th>
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<tbody>
<tr>
<td>♦ Management monitoring, oversight and evaluation of control structures and transaction compliance</td>
<td>♦ Central offices conducting periodic transaction audits/reviews</td>
</tr>
<tr>
<td>♦ Relief from zero tolerance for areas with proven track records and centralized operations</td>
<td>♦ Development of comprehensive scorecard for evaluation of internal controls within each College/VP area</td>
</tr>
<tr>
<td>♦ Delivery of simplified systems and processes supported by controls and implemented by trained, knowledgeable staff</td>
<td>♦ Sub-certification process fully implemented</td>
</tr>
<tr>
<td></td>
<td>♦ eStores (eProcurement) implementation to entire campus underway</td>
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<td></td>
<td>♦ New Travel System design in process</td>
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<tr>
<td></td>
<td>♦ Streamlining and Simplification Task Force in place</td>
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</tbody>
</table>
Key to Success - Service Center Concept:

What is it?

♦ Business structure in which selected support functions such as fiscal and human resources processing are directed to a consolidated unit staffed by highly trained, skilled experts who specialize in those functions/processes.

Objective:

♦ Create a structure that provides effective and efficient core business services by allowing employees and organizations to focus on what they do best.

Benefits:

♦ Improved Operations:
  o Eliminate non value-added processes
  o Narrow scope of support staff roles and responsibilities
  o Improve transaction quality and service level
  o Reduce risk and increased compliance

♦ Improved Information:
  o Greater standardization of processes
  o Improved data quality for analysis
  o Greater flexibility and capacity for change
  o Improved capability for monitoring and oversight

♦ Improved Efficiency Over Time:
  o Eliminate duplicate processes within organizations
  o Eliminate redundant staffing
  o Better align staff skills with functions
  o Better alignment of transactions and processing methods
  o Improved accuracy results in reduced re-work

Major Challenges:

♦ Culture Change
  o Commitment to look beyond silos
  o Conflict between unit autonomy and central control/oversight both within Colleges/VP units and from those units to the Central University

♦ Employee Skills and Competencies
  o Communications/trust
  o Functional experts versus generalists
Transition from Current State to a Service Center Approach
Procurement Example

Current State:

![Current State Diagram]

Future State:

![Future State Diagram]

Preliminary Timeline:

Current Metrics for Procurement:
- Requisitioners = 850
- Delegated Buyers = 300
- Req/PO Approvers = 400
- Voucher Approvers = 600

Target Metrics for Procurement:
- Requisitioners = 400
- Delegated Buyers = 100
- Req/PO Approvers = 250
- Voucher Approvers = 150
### Immediate Next Steps:

- **Presentation and Discussion**
  - Audit Committee
  - Deans and Vice Presidents
  - Colleges and Support Units
  - Governance Structure
- **Develop Work Plans that Focus on Core Elements**
  - Assign roles and responsibilities
  - Confirm target dates
  - Identify Staffing and Project Management
- **Pilot Service Center Concepts (Phase I):**
  - Business and Finance
  - OAA and Research
  - Students Affairs
  - Pilot College (TBD)
- **Targeted Process Improvement**
  - Travel
  - Employee Reimbursements
  - Procurement
  - Incentives and Rewards for Units that Comply
- **Complete analysis of PWC recommendations still under review:**
  - Assign a person full time to fully develop and implement a framework for internal controls.
  - Creation of project management function for strategic initiatives