Records and Information Management Department
Input for Statewide Transformation Team
President’s Direct Report Questions.

1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

See attachment for Matrix Template
<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
<th>Brief Description</th>
<th>Unique System Function</th>
<th>Function also exists at university</th>
</tr>
</thead>
<tbody>
<tr>
<td>Records &amp; Information Management</td>
<td>Records Compliance, Retention, and Governance</td>
<td>RIM provides comprehensive information governance framework for systematic analysis and control of official recorded information. Develop educational and training materials in records and information retention and disposition schedule and update as per the latest regulatory requirements. Provide oversight and support for protecting Personally Identifiable Information security (PCI, UA Identity Theft Prevention, FERPA, HIPAA, Gramm-Leach Bliley), updating the guidelines as per BOR, State, and Federal Regulations.</td>
<td>University and System wide information governance</td>
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<td>Records, Content, Information Governance</td>
<td>Records, Content, Information Governance</td>
<td>As a key resource in the operation the university, records and information must be created, organized, secured, maintained, and used in a way that effectively supports the activity of the university including: • Facilitating and sustaining day-to-day operations • Supporting predictive activities such as budgeting and planning • Assisting in answering questions about past decisions and activities • Demonstrating and documenting compliance with applicable laws, regulations, and standards Following the principles of Accountability, Integrity, Protection, Compliance, Availability, Retention, Disposition, and Transparency</td>
<td>The RIM office provides the guidance and leadership for the university’s records and records keeping. Records and information governance are inextricably linked with any organized activity. It is only through the information an organization records in the normal course of business that it can know what it has done and effectively plan what it will do in the future.</td>
<td>Select campus offices may provide records keeping functions but not necessarily viewed from a university wide holistic view</td>
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<tr>
<td>Compliance</td>
<td>Identity Theft Prevention Program Payment Card Industry Standards (PCI)</td>
<td>Lead the University’s Identity Theft Prevention Program and PCI standards for compliance and reporting. Provide oversight for information compliance and governance for university records pertaining to PCI, FERPA, HIPAA, Gramm-Leach-Bliley and other state and federal regulations. System wide security scans, vulnerability reports, and risk mitigations.</td>
<td>Leads Identity theft prevention program and PCI standards reporting for the University system.</td>
<td>Individual Offices track/follow adherence to ID theft prevention and PCI standards per SW guidance/procedures.</td>
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<td>Payment Card Industry Standards - as required by contract law.</td>
<td>RIM coordinates and leads the Payment Card Industry (PCI) compliance team for the University system. In this role RIM performs following critical functions; 1. Coordinates and conducts internal and external vulnerability tests for the UA Card Holder Data Environment 2. Provides security updates on a monthly basis to the campuses 3. Coordinates with the external Qualified Security Assessor for constant monitoring of the UA card holder data environment 4. Regulates policy on credit card transactions 5. Set up UA System Wide guidelines and procedures on PCI Data Security and Compliance Standards 6. In view of recent data breaches and hacking of major consumer industry credit card data, RIM has taken up a project to conduct gap assessment based on continued risk for UA environment. 7. As required by the acquirer and the industry, RIM coordinates collection of 104 MID based Attestation of Compliance reports</td>
<td>Critical leadership of the System wide PCI compliance team. Monitoring for compliance and reporting testing and follow-up of correction to maintain university’s ability to continue to use credit cards as part of business processes.</td>
<td>Campuses rely on RIM to provide continual monitoring, testing, reporting, and follow up to ensure meeting current PCI standards.</td>
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<tr>
<td>UA Identity Theft Prevention Program - Pursuant to the FTC Fair and Accurate Credit Transaction Act</td>
<td>The University of Alaska developed Identity Theft Prevention Program pursuant to the Federal Trade Commission’s (“FTC”) Red Flags Rule, which implements Section 114 of the Fair and Accurate Credit Transactions Act of 2003. This program was developed with oversight and approval by the chief finance officer and the Board of Regents. The FTC requires an Identity Theft Prevention Committee and program be created, approved by the governing board (BOR), and headed by a Program Administrator who will be the president of the University or his or her appointee. The President appointed RIM to be the program administrator and for requiring the preparation of the required annual consolidate report on program compliance.</td>
<td>Provides the guidance and leadership of the ID Theft Prevention Program. Ensures FTC requirements are met.</td>
<td>Campus team members adhere, monitor, and report on compliance.</td>
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<tr>
<td>Enterprise Content Management (ECM)/Electronic Records Management (ERM) OnBase</td>
<td>Lead, coordinate, and facilitate the University system of records (OnBase System)</td>
<td>RIM provides oversight for and control of ECM and ERM Management through OnBase System. Maintain, support, and administer OnBase system. Provide process efficiency solutions in document records management by implementing state of the art ECM and ERM technology solutions. Optimize functional area technology solutions for integration with OnBase. Ensure system stores content in accordance with information data protection acts (FERPA, HIPAA, FACTA, PCI, ID theft Prevention)</td>
<td>Leadership of the OnBase system ensuring consistency in management of official information/records</td>
<td>UAA and UAF have campus centric support for the OnBase system. UAS solely relies on RIM for all of their support.</td>
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<tr>
<td>Records Center Operations</td>
<td>Manage the retention, security, retrieval, and disposition of select vital campus records</td>
<td>The records center oversees and provides secure storage for long and short term official records for SW and select campus vital records. The records center manages and maintains both physical and digital records. Provides microfilm processing, storage, and retrieval of records; and ultimately the secure destruction of vital records. Ensure records are securely stored in accordance with information data protection acts (FERPA, HIPAA, FACTA, PCI, ID theft Prevention) standards.</td>
<td>Manages retention, security, and disposition of records, both physical &amp; digital, and provides microfilm production and processing.</td>
<td>Campuses rely on the records center for the long term storage of records and microfilm processing.</td>
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</table>
2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

<table>
<thead>
<tr>
<th>Changes</th>
<th>FY11</th>
<th>FY15</th>
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<tr>
<td>Records and Information Management</td>
<td>$100,000</td>
<td>$146,000</td>
</tr>
<tr>
<td>ACAS Digital Document Infrastructure</td>
<td>$37,000</td>
<td>$110,000</td>
</tr>
<tr>
<td>RIM Operating Budget</td>
<td>$314,000</td>
<td>$449,500</td>
</tr>
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</table>

The increases in the ACAS Digital Document Imaging Infrastructure budget, from $100K in FY11 to $146K in FY15 were due to purchasing new modules and annual maintenance rate increases for the OnBase ECM system.
The increases in the RIM Operating budget from $37K in FY11 to $110K in FY15 were due to increased funding for a temporary OnBase administrator position and three student workers.

The increase in the RIM salaries from $314K in FY11 to $449.5K in FY15 was due to the finance business analyst position and PCI responsibility transferring to RIM during FY15.

3. Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards, which define/direct each major functions existence.

Records and Information Management Office provides comprehensive information governance framework for systematic analysis and control of official recorded information, which includes all information created, received, maintained and used by University of Alaska pursuant to its mission, operations, and activities. The records management program strives to ensure compliance with appropriate federal, state, Board of Regent’s Policy and Regulations and meets university historical and reference needs.

University Regulations
R02.07.090 Data Classification Standards General Statement
R02.07.091 through .094 Data Classification Standards Purpose
R05.08.022 Records and Information Management Retention and Disposition
R05.08.023 Records Management: Security Breach Involving Personal Information
R05.08.040 Use of Electronic Signatures

Regent’s Policies
P02.02.020 Chief Financial Officer
D. Maintained all records that maybe required by law, contract, or other agreement
P05.08.022 Records and Information Management Retention and Disposition
P05.08.040 Use of Electronic Signatures

Federal
FERPA
HIPAA
GRAMM Leach Bliley Act
FTC FACTA Red Flags Rules

Payment Card Industry (Legal Compliance)

State
4 AAC 59.005. Retention and preservation of electronic records
4 AAC 59.010. Records officers
AAC 59.015. Agency records retention schedule
4 AAC 59.020. General records retention schedule
4 AAC 59.025. Disposition of unscheduled records
Accreditation

RIM supports the universities’ achieving and maintaining accreditation by:

1) RIM supports accreditation by providing a system for the management and adherence to policies and procedures regarding the secure retention and disposition of student records, including provision for reliable and retrievable backup of those records, regardless of their form (OnBase System, Records Retention & Disposition schedules, and microfilm operations). The institution publishes and follows established policies for confidentiality and release of student records.

2) The security and appropriate confidentiality of human resources records.

4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and the Alaska communities if this function is reduced or phased out.

The functions the RIM office performs must be maintained to ensure the ability to meet accreditation, compliance, and regulatory requirements for its students, employees, and state of Alaska.

To meet state requirements RIM establishes internal procedures to comply with archives and records management requirements, including recordkeeping requirements and disposition, before the university approves new electronic records systems. UA must identify any electronic records being created, used, received, or maintained in its offices, to ensure that the records appear on the University records retention and disposition schedules.

5. How will reducing or phasing out this/these, function(s) impact UA’s ability to fulfill its core mission?

The act of reducing or phasing out these functions would impact UA’s ability to meet and or adhere to regulatory compliance, state, federal, industry, and BOR requirements.

RIM provides oversight on industry regulatory compliance of monthly and annual monitoring of cardholder data environment of any known vulnerabilities.

Apply consistency for overall data standards for enterprise content systems

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amounts(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.
The improper management or mismanagement of records and information could lead to financial loss to the university through legal actions, increased time to retrieve information, and loss of good will from our stakeholders.

Failure to adhere and maintain PCI compliance standards could lead to fines and loss of the university’s ability to accept credit cards in business processes.

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?

The university is required to maintain its records and information for varying lengths of time based on regulatory, statute, and business processes retention and disposition requirements. There are two university models for records management 1) a centralized system office that oversees and provides guidance to the campuses or 2) individual campus records offices. Disbanding SW RIM would necessitate the campuses creating the functions of RIM to ensure adherence to federal, state, industry, BOR, and university regulations for maintaining records and information thus triplicating the records and information management functions.

   a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another statewide department, or service reduction)?

There are very limited opportunities where RIM functions can be continued in other SW units or in any other format. As such, the present RIM roles, responsibilities, and personnel associated have been cross-trained to handle multiple roles in highly certified optimized time/resource commitment.

   b. Could a university deliver this or a similar function/service?

The campuses would have to manage and coordinate enterprise systems to preclude inconsistencies in the systems. Each campus would have to create a microfilm operation and storage to meet their business requirements. Each campus would have to create standalone compliance and contracts from maintaining regulatory and statutory compliance.

   c. Are there places where expanding or enriching a service makes sense?

The University is required to maintain certain paper and microfilm records dating from the 1950s due to statutory or business process records retention. These important or vital records contain personally identifiable information, finance records, or archival information for students, employees, and university business functions. The hard copy records should be digitized to increase ease of access and retrieval by employees for conducting their daily business. Digitization of large volumes of mandatory records requires an investment in production level equipment and trained personnel. There is no enterprise level service available within Alaska and
due to the sensitive nature of the student and employee records, it is not advisable to outsource this type of work outside of the state.
STATEWIDE FUNCTIONAL DESCRIPTIONS
STATEWIDE TRANSFORMATION TEAM
MAY-JUNE 2015 (FY15-FY16)

UNIT NAME: Office of Audit and Consulting Services
Direct Report: Nichole Pittman

<table>
<thead>
<tr>
<th>Subunit Name</th>
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| Audit and Consulting Services       | Internal Audit    | 1. Conduct internal audits to address high risks faced by the University of Alaska and ensure business processes have an adequate level of internal control.  
2. Conduct investigations when allegations arise concerning fraud, waste and abuse of university resources.  
3. Administer the UA Confidential Hotline in coordination with General Counsel, the Chief Risk Officer, and the Chief Human Resources Officer.  
4. Liaison between the University of Alaska and the external auditors, including state legislative auditors.  
5. Independence of the audit function is established by its position within the university at the system level with dual reporting: administratively to the chief financial officer and functionally to the Board of Regents Audit Committee chairperson. | University system internal audit function | Not without losing independence |
* To facilitate organization independence, the CAE reports functionally to the Board, but administratively to the Vice President for Finance and Administration. This is in conformance with Board of Regents Policy P05.03.020 and IIA Standard 1110.
Statewide Transformation Team

President's Direct Report Questions

Responses from the Statewide Office of Audit and Consulting Services.
For more information, contact Nichole Pittman, Chief Audit Executive, nichole.pittman@alaska.edu or 907-450-8094.

1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

The internal audit function operates to serve the University of Alaska in meeting its mission and goals under a charter, also known as Regents Policy 05.03 Audit and Consulting Services. Relevant excerpts are copied below.

The internal audit function most closely aligns with, and supports, the Accountability to the People of Alaska theme from Shaping Alaska’s Future. Alaska’s people are the ultimate stakeholders of the University of Alaska, as stated in the mission statement: “The University of Alaska inspires learning, and advances and disseminates knowledge through teaching, research and public service, emphasizing the North and its diverse peoples.” Individual audits often support other Shaping Alaska’s Future themes, but under the overall umbrella of Accountability to the People.

**P05.03.012. Introduction and Mission.**
A. Internal auditing is an independent and objective assurance and consulting activity established within the university to examine and evaluate its activities to meet the needs of the board and executive management. Internal audits may include financial, performance, operational and compliance audits.

B. The mission of the audit and consulting services department is to assist the board and management in the effective discharge of their fiduciary and administrative responsibilities by providing analysis, appraisals, counsel, information and recommendations concerning activities reviewed and by promoting effective controls for the recording and reporting of operational activities and for the custody and safeguarding of assets.

**P05.03.014. Role.**
The audit and consulting services department is established by the Board of Regents, and its responsibilities are defined by the Audit Committee of the Board of Regents as part of their oversight function.

**P05.03.024. Audit Scope.**
A. The scope of audit and consulting services encompasses the examination and evaluation of the adequacy and effectiveness of the university’s governance, risk management process, system of internal controls, and the quality of performance in carrying out assigned responsibilities. This scope includes:

1. Reviewing the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;

2. Monitoring compliance with the policies, plans, procedures, laws and regulations that have an impact on university operations;
3. Reviewing the means of safeguarding assets and verifying their existence when appropriate;

4. Appraising the economy and efficiency with which resources are employed;

5. Reviewing financial and operational activities and programs to determine if results are consistent with established goals, objectives and authorized plans;

6. Reviewing specific operations at the request of the Audit Committee or management, as appropriate;

7. Monitoring and evaluating the effectiveness of the university's risk management processes;

8. Serving as liaison for coordination of all external audit activities. The chief finance officer and the administrative vice chancellors are responsible for notifying the chief audit executive of all external audit engagements scheduled or taking place at their respective MAU. The chief audit executive shall have the discretion to determine the authority of the external auditors to conduct the audit, advise the auditor and auditees on the conduct of the audit, facilitate the audit if the chief audit executive considers it appropriate, and report of the status of the audit to the Audit Committee;

9. Assisting in fraud and theft assessment at the request of legal counsel and executive management. The chief audit executive shall provide support for such reviews under the direction of legal counsel; and

10. Providing staff guidance to university staff and managers on matters relating to audits and internal control functions.

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

In FY13 we added a new auditor position, which brought the department size to four full-time auditors plus the chief audit executive who oversees the department. Increasing the number of auditors was suggested by the individual performing the department's quality assurance external assessment in FY12. It was also viewed as a positive decision by the then-chairperson of the Board of Regents Audit Committee. The suggestion was based on the size of the University of Alaska system, which has an impact on the internal audit function's audit universe. The audit universe is the list of audit areas that must be considered when developing the annual audit plan.

3. Identify and briefly explain any University Regulations, Regent's Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function's existence.

- Regents' Policy P05.03 Audit and Consulting Services defines the department's mission, role, authority, structure, independence, scope and reporting process.

- Regents' Policy P05.02.090 Financial Fraud, Waste and Abuse states regulations will be adopted to provide for the identification, reporting, investigation and appropriate resolution of allegations of fraud, waste and abuse of university resources. University Regulation R05.02.090 describes the role of the chief audit executive and the Audit and Consulting Services department in conducting investigations involving allegations of financial fraud, waste or abuse of university resources.
4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

Each activity we could stop doing, or could reduce our involvement in, is listed below in underlined text. The comments following the activity describe the impact of the Audit and Consulting Services department phasing out or reducing involvement.

- **Controls test work for external auditors**: The university’s contract with Moss Adams would likely increase in cost since we currently have a reduced rate due to our involvement with controls testing. Each year we agree to perform tests of controls at the direction of Moss Adams.

- **Liaison with State of Alaska Division of Legislative Audit**: This could lead to legislative auditors not being able to reach the correct personnel or obtain the correct information, which at a minimum could lead to miscommunication and lengthy discussion to clarify the miscommunication, or worse could lead to unnecessary recommendations and media coverage of the university that damages the university’s reputation. This could become critical during the upcoming performance audit that Legislative Audit is required to perform for the University of Alaska in 2018, per Alaska Statute 44.66.020.

- **Executive travel and compensation reporting**: Each year we compile the data necessary for reporting to the State of Alaska Department of Administration on travel and compensation for select executive personnel. This is required per Alaska Statute 37.05.210. Another department would need to assume this task.

- **Conducting internal audits**: This would reduce our effectiveness to the university and the Board of Regents. The Regents consider the Audit and Consulting Services department to be their eyes and ears as we conduct our duties in an objective and unbiased manner. Lack of an active internal audit function reduces the tone at the top and, subsequently over time, reduces the effectiveness of the system of internal controls, compliance activities, and anti-fraud activities. During times of economic downturn, it is common to see an increase in the occurrences of fraud from internal sources.

- **Conducting special request audits**: This would reduce our effectiveness to university leadership and the Office of General Counsel by no longer providing these stakeholders with objective, unbiased results of reviews into key areas upon their request.

- **Administrating and conducting initial follow-up on allegations received through the UA Confidential Hotline**: This could reduce the timeliness and consistency of follow-up on tips submitted through the hotline, leading to reduced effectiveness of the hotline and possibly legal ramifications if untrained personnel are tasked with following up on allegations.

- **UA Confidential Hotline**: This would give the unfortunate impression the University of Alaska does not want to know about high-risk issues or tips of fraud, waste or abuse of university resources. During times of economic downturn, it is common to see an increase in the occurrences of internal fraud. We would likely hear only a fraction of the concerns without the hotline. Existence of a hotline is one of the key components of an effective compliance system designed to reduce costs of
noncompliance. Initiated in FY14, it was viewed as a positive decision by the then-chairperson of the Board of Regents Audit Committee. It assists the Board of Regents Audit Committee with their bylaw stating “The principal duties and responsibilities of the committee include: ...k.) maintaining adequate policies and procedures for addressing complaints regarding accounting controls and reports of financial fraud; and l.) reviewing briefings from the internal auditor, general counsel, or management on financial fraud situations and/or whistleblower complaints.”

- Conducting investigations: This would reduce our effectiveness to the Board of Regents, university leadership, university police departments, and the Office of General Counsel by no longer providing these stakeholders with objective, unbiased results of investigation into allegations that arise. We have two Certified Fraud Examiners in the department that strive to use best practices consistently in investigations to effectively serve the university. We work closely with the Office of General Counsel.

5. How will reducing or phasing out this/these function(s) impact UA’s ability to fulfill its core mission?

It decreases the ability for UA to obtain objective, unbiased research and reports on information related to high risk areas that impact its ability to fulfill its core mission. This is because the internal audit function operates using professional internal audit standards to conduct risk-based audits that aid the university in fulfilling its mission and in mitigating risks that could prevent fulfillment of its mission and goals.

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

Understanding that phasing out any of the functions listed in 4 would need to be discussed with the Board of Regents Audit Committee, we would work with them to determine which functions remain a priority and allocate our resources accordingly. Depending on how many of the functions were to be phased out, we would possibly see a reduction in personnel FTE, and therefore a reduction in general funds needed for operating the department. The only space we lease is for the senior internal auditor who resides in Anchorage and has an office in the Bragaw office building, which is owned by the University of Alaska.

Discontinuing the UA Confidential Hotline would reduce contractual expenses by $1,250 annually for the Audit and Consulting Department, and a total of $2,500 annually for the University of Alaska system.

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?
a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?

Some higher education institutions combine their internal audit function with the risk and/or compliance department. A lot of considerations would need to be undertaken, primarily involving maintenance/preservation of reporting lines as to not impair independence and objectivity of the internal audit function. Internal audit standards maintain that one cannot effectively review and report on findings and recommendations for an area which they have operational duties.

b. Could a university deliver this or a similar function/service?

Achieving a comparative degree of independence and objectivity would be challenging. Performance of system-wide audits would likely become nonexistent.

c. Are there places where expanding or enriching a service makes sense?

Training university personnel on internal controls and fraud identification and prevention. Centralizing compliance training efforts. Note the latter is not a responsibility of the internal audit function, but effectively training university personnel would reduce the manpower expended to research and investigate issues that arise from acts of noncompliance due lack of knowledge rather than maliciousness.
1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

Financial Accounting and Reporting, Cost Accounting and Analysis, Debt Management, Tax (non-payroll), Banner Finance, Statewide’s Budget, Unclaimed Property, Capital Assets, Endowment

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

Overall, total positions for the Controller’s Office decreased by three from FY11 to FY15. This includes one position in Fund Accounting, one position in Financial Systems, and the Administrative Assistant position for the Controller. The operating budget (not including labor budget) decreased 8% over the same period.

3. Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function’s existence.

Primarily, the Controller’s Office applies laws, external regulations and standards through the university’s internal control system.

- Generally Accepted Accounting Principles (e.g. GASB, FASB) – must follow GAAP to achieve unmodified audit opinion, comply with State, Federal and numerous other reporting requirements
- Internal Revenue Code (i.e. all applicable tax rules) e.g. accountable plan rules, unrelated business income tax, 1099’s, 1098-T’s, tax exempt debt regulations
- The Federal Office of Management and Budget, e.g. the new Uniform Guidance, Single Audit, Cost Accounting Standards
• Alaska Statutes – e.g. unclaimed property, vehicle inventory, consolidating UA and UA Foundation for state’s Comprehensive Annual Financial Report, debt approvals (AS14.40.253), lease and other debt notifications
• Bond Covenants, e.g. continuing disclosure requirements, SEC filings, post-issuance compliance, arbitrage tracking and yield restriction
• There are too many Regents Policies and UA Regulations to mention. Virtually all internal policies and regulations that have a finance or accounting attribute, the Controller’s Office plays a key oversight, monitoring, or fiduciary role.

4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

We could stop garnishing Permanent Fund Dividends on behalf of the UA System, because this is a task that is a better fit for the Universities that already pursue collection of student debt by other means. It would free up time in the Financial Systems department, who could do pressing activities more in line with their role. PFD garnishment only became legal for UA about 10 years ago, and Statewide organized it and has been doing it since. The garnishment process is mature now and ready to hand off. Yes, it would mean additional work for the universities, or a lead university, but since the garnishment annually recovers $1.5 million (intent to claim were $4.7 million), there is a healthy return on investment.

We could stop processing the few checks/payments that we do at Statewide (an Accounts Payable function), and require that they be processed at the proximate physical location (i.e. Fairbanks or Anchorage) that already have full scale A/P offices.

5. How will reducing or phasing out this/these function(s) impact UA’s ability to fulfill its core mission?

It should help UA fulfill its core mission better as duties are performed with other like duties and utilize economies of scale.
6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

The PFD garnishment process is about 325 hours. A majority of this time is preparing envelopes, labels, postage, certified receipts, etc.

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?
   
   a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?
   
   b. Could a university deliver this or a similar function/service?
   
   c. Are there places where expanding or enriching a service makes sense?

Any unit has room for improving its effectiveness and efficiency. We strive for lean processes in the work we do, to get from point A to point B most quickly without compromising integrity.

The University of Alaska would be better served if we were provided the opportunity to fill the director for the Financial Systems department, that has been vacant more than a year. There is simply a large body of work, both necessary and desired, that requires an investment in personnel. And, as the university continues to automate, it is generally true that time is saved throughout the organization, but a larger burden is placed on central systems staff to keep those systems operating effectively. We expect this trend to continue.

We have made some structural moves in the recent past. Looking back for a moment, about five years ago we moved the grants management function (for Statewide grants) at Statewide to UAF, to be serviced by their full scale grants department. Also, about three years ago we moved three programming staff from the Controller’s Office to Office of Information Technology to join with the other programmers. These moves were done because it made sense to put like functions together, and reap benefits of economies of scale for the betterment of the whole university.

Enriching, or even conducting, Finance training makes sense, but unfortunately this activity is difficult to resource among other key responsibilities.

As for the other functions in the Controller’s office, it does not appear advisable or viable for the universities to deliver these functions. In essence, the functions are of a system-wide nature and have synergy in the current structure and are appropriately organized under the responsibility and authority vested in the Vice President for Finance position.
## Statewide Functional Descriptions – MATRIX TEMPLATE

Statewide Transformation Team  
May-June 2015 (FY15-FY16)

**UNIT NAME:** Controller's Office, a division of Statewide Finance  
**Direct Report:** Ashok Roy

<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
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<th>Unique System Function</th>
<th>Function also exists at a University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controller</td>
<td>Reliability of financial records</td>
<td>Maintain books and records in accordance with Generally Accepted Accounting Principles. Authority and arbiter on accounting matters. Maintain and create the Accounting and Administrative manual. Establish and maintain internal control system.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Accounting Guidance</td>
<td>Determine how to best account for and process unusual or non-routine business arrangements and/or transactions to ensure accounting standards (GASB, GAAP), laws, regulations and policies are properly followed. For example, new type of lease-financing arrangement for dining facility at UAF. Central office for university accounting best practice and procedures. Policies and procedures are updated to ensure that new accounting policies and various laws and regulations are followed.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Accounting Research and implementation</td>
<td>Research, interpret, communicate and implement new accounting pronouncements to ensure the university stays in compliance with accounting standards (GASB, FASB, etc.), federal and State of Alaska laws and regulations, and Board of Regents policies. For instance, there are new accounting and reporting rules effective for pensions in FY15.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>State of Alaska appropriations</td>
<td>Liaison with the State of Alaska for requesting and monitoring all general fund and capital fund appropriations.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
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</tr>
<tr>
<td>Controller</td>
<td>Budget Control</td>
<td>Manage the budget for the Statewide unit. Includes budget and journal entry review and approval and position management.</td>
<td>Requirement Statewide</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Federal Guidance</td>
<td>Develop and implement new federal guidance, as needed.</td>
<td>Requirement University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Facilities &amp; Administrative Rates</td>
<td>Prepare Predetermined Facilities &amp; Administrative (F&amp;A) Rates in accordance with the 2 CFR §200 for all universities within the University of Alaska system (nine negotiated rates). (CFR = Code of Federal Regulations) The F&amp;A rates provide facility and administrative cost recovery to the universities from university sponsored awards. Average duration of project: seven to nine months Maintain a specialized database and software; Comprehensive Rate Information System. Prepare base year incurred cost report; include depreciation and interest and reconcile F&amp;A rates to financial statements. Enlist feedback from staff at universities to determine allocation methodologies and to incorporate significant adjustments into projection years. Prepare three projection year models to compute average rate by function.</td>
<td>Requirement University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Functional use survey</td>
<td>Facilitate functional use survey (aka space survey) in accordance with 2 CFR §200 for all universities with the University of Alaska system. The survey results are used in calculating F&amp;A rates, which provides cost</td>
<td>Requirement University System wide Requirement</td>
<td></td>
</tr>
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<tr>
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<td>recovery to the universities from university sponsored awards. Average duration of project: eight to twelve months Maintain WebSpace database; incorporate detailed facility data into database, reconcile university assignable square footage totals to prior survey, incorporate data elements from Banner HR &amp; Finance modules into database, validate payroll and accounting data Develop and provide on-site training to university employees to complete department level space survey. Provide clear definitions of functional use classifications and train university staff in determination and assignment of functional use classifications to activities and space use. Coordinate efforts to identify and correct usage errors to ensure consistency in accounting data for reporting purposes. Complete survey for Statewide System office space. Incorporate functional use survey results into F&amp;A database for use in calculating F&amp;A rates.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Fringe &amp; Leave Benefit Rates</td>
<td>Prepare Fringe and Leave Benefit Fixed with Carry-forward Rates, in accordance with 2 CFR §200 for all university employees (nine negotiated fringe rates and eight negotiated leave rates in all). The fringe and leave rates provide staff benefit cost recovery from university sponsored awards. Annual projection. Average duration of project: four months Annual incurred cost report: Average duration of project: four months Use data from Statewide Payroll &amp; Benefit Accounting, Labor Relations and Budget. Ensure data reconciles to Banner Finance.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
</tbody>
</table>
# Statewide Functional Descriptions – MATRIX TEMPLATE

Statewide Transformation Team  
May-June 2015 (FY15-FY16)

**UNIT NAME:** Controller’s Office, a division of Statewide Finance  
**Direct Report:** Ashok Roy

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<tbody>
<tr>
<td>Financial Systems</td>
<td>Support Finance and Accounts Receivable users</td>
<td>This support is far reaching and includes Banner, TouchNet, credit cards, travel, TOAD, table data, etc. Includes Accounts Payable, Accounts Receivable, Adjunct Tuition, E-commerce, Fixed Assets/Property, General Accounting (Budget, journal entries), procurement, research accounting and TEM. Lead Finance and Accounts Receivable Work teams to provide cross-functional advisory support. Analyze, recommend, and implement technical solutions to improve and/or streamline administrative operations.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Financial Systems</td>
<td>Accounting Operations</td>
<td>Perform daily, weekly and monthly banking processes; paper and ACH check runs, settlement of student web check payments, bank corrections and returns. Import financial data into Banner from external sources – electronic JV data, checking account data, budget loads, cell phone data, etc.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Controller</td>
<td>Debt issuance &amp; compliance</td>
<td>Issue all university debt, bonds and notes, in accordance with IRS tax exempt bond provisions. Complete continuing disclosure requirements and ensure post-issuance compliance in accordance with Securities and Exchange Commission rules. Rating agencies review. Ongoing monitoring to ensure compliance with State law for debt related to vehicles. Assistance with loan documents and transactions as needed. Research and correct, if needed, to ensure that federal funding and debt is recorded properly.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
</tbody>
</table>
**Subunit Name** | **Primary Functions** | **Brief Description** | **Unique System Function** | **Function also exists at a University**
--- | --- | --- | --- | ---
Controller | University working capital | Monitor university working capital and all intra-university borrowings. | University System wide Requirement | 
Fund Accounting | Debt-related accounting | Account for new debt issuance and all debt related activities. Maintain debt service payment schedules for general revenue bonds, AHFC, and installment debt. Ensure interest and principal payments are made timely. Record debt-related payments for trustee fees, arbitrage calculations and rating agencies. Amortize bond discounts/premiums. | University System wide Requirement | 
Fund Accounting | Capital Projects accounting support | Coordinate with each administration office to ensure funds expended for capital projects are in compliance with both legislative and Board of Regents requirements. Calculate and bill appropriate funding sources for all university capital project expenditures. Funding sources include capital appropriations, State of Alaska capital appropriations and general obligations bonds, University general revenue bonds, and Alaska Housing and Finance Corporation. Prepare and submit expenditure reports to funding sources. Ensure all fixed assets, including buildings, equipment, etc. are properly capitalized and depreciated. Develop and maintain system wide comprehensive fixed assets data. | University System wide Requirement | 
Fund Accounting | Endowment accounting | Record and monitor all university endowment activities for the Land Grant Trust and related funds to ensure proper accounting. Activities include land sales and purchases, fund transfers, investment earnings, bank and account reconciliations, accounting for debt financing, etc. | University System wide Requirement |
<table>
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<tr>
<th>Subunit Name</th>
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<th>Brief Description</th>
<th>Unique System Function</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Fund Accounting</td>
<td>Safeguard assets</td>
<td>Calculate and monitor annual endowment spending to ensure spending are within the board approved limit.</td>
<td>University System wide Requirement</td>
<td>University System wide Requirement</td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Other Allocations</td>
<td>Receive, account for and safeguard cash receipts for Statewide and University of Alaska Foundation (Office of Land Management).</td>
<td></td>
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</tr>
<tr>
<td>Financial Systems</td>
<td>Data Integrity</td>
<td>Prepare annual Risk Insurance Allocation to allocate cost of Office of Risk Services to all universities within the University of Alaska system. Prepare annual Spouse/Dependent Tuition Waiver allocation.</td>
<td>University System wide Requirement</td>
<td>University System wide Requirement</td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Data Integrity</td>
<td>Manage fiscal year-end close for Accounts Receivable, Fixed Assets, and General Ledger. Provide Banner-related system guidance and mentoring to new employees. Train new Statewide employees in Banner Finance and TEM.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Data Integrity</td>
<td>Prepare monthly bank and balance sheet account reconciliations (system-wide, 75 accounts) to help ensure financial statement reliability. (key control reviewed by external financial auditors)</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Controller</td>
<td>Data Integrity</td>
<td>Prepare quarterly account, program code and compliance reviews in accordance with 2 CFR §200 and Statewide Accounting and Administrative Manual.</td>
<td>University System wide Requirement</td>
<td>Statewide</td>
</tr>
<tr>
<td>Financial Systems</td>
<td>Banner Finance and Accounts Receivable upgrades</td>
<td>Develop and provide TOAD training and documentation. Answer questions and assist staff on data extraction issues.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Banner upgrades typically occur twice a year with individual patches applied throughout the year. Review information on upcoming upgrades to determine scope of changes being made to the system</td>
<td>University System wide Requirement</td>
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<td></td>
</tr>
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</tr>
<tr>
<td>Financial Systems</td>
<td>Third-party software upgrades</td>
<td>and time frame required for implementation. Identify potential problem areas and appropriate testing scenarios to insure success. Test plans and end-user documentation are updated and maintained for audit support of all changes to the financial systems.</td>
<td>University System wide Requirement</td>
<td>University System wide Requirement</td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Annual Single Audit of federal grants</td>
<td>Support upgrades to systems that interface with Ellucian Banner including TouchNet, Facility Focus/AIM, Banking, Tuition Management System, etc. Test plans and end-user documentation are updated and maintained for audit support of all changes to the financial systems. Lead and support the Ellucian Travel and Expense Management (TEM) implementation team.</td>
<td>University System wide Requirement</td>
<td>University System wide Requirement</td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Annual external financial audit</td>
<td>Coordinate the annual single audit in accordance with Office of Management and Budget (OMB) federal requirements within required timeframe. Involves providing requested information to external auditors. A single audit is required for universities that receive federal funds.</td>
<td>University System wide Requirement</td>
<td>University System wide Requirement</td>
</tr>
</tbody>
</table>

Respond to all external audit requests related to the annual University of Alaska and Education Trust of Alaska financial statements. Includes preparing analytical schedules to support the financial statement and footnote disclosure amounts, providing verbal and written explanations of the university's accounting and internal control processes and assisting auditors in obtaining various source documents from each campus.
<table>
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<tr>
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<tbody>
<tr>
<td>Cost Analysis</td>
<td>Federal Audits</td>
<td>Issue system wide year end finance closing instructions to ensure proper closing of each fiscal year.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Annual University of Alaska financial statements</td>
<td>Liaison with Federal government on all university costing issues. Provide Federal Audit Support and negotiation of Federal cost rates. May have more than one audit in progress at the same time, e.g. different fiscal years. Average duration of audits: six months to a year for each federally negotiated rate or disclosure statement. Coordinate audit requests with university central offices and university departments. Maintain relationships through communication with federal agency staff resulting in enhanced cooperation and smooth negotiations.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Education Trust of Alaska</td>
<td>Review and consolidate system-wide fund accounting data to prepare consolidated University of Alaska annual financial statements in accordance with pronouncements issued by the Governmental Accounting Standard Board (GASB) by required deadline. Monitor and consolidate component units, including Nanook Innovation Corporations and its subsidiaries, Seawolf Holding LLC and its subsidiaries.</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Fund Accounting</td>
<td>Integrated</td>
<td>Account and monitor transactions of Education Trust of Alaska and prepare annual financial statements in accordance with pronouncements issued by Financial Accounting Standard Board (FASB) by required deadline.</td>
<td>University System wide Requirement</td>
<td>Not</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compile and prepare data required to complete the financial section of</td>
<td>University System wide Requirement</td>
<td></td>
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</tr>
<tr>
<td>Postsecondary Education Data Survey (IPEDS) and PEDS</td>
<td>annual federal surveys including The Integrated Postsecondary Education Data System (IPEDS), Postsecondary Education Data (PEDS) surveys. Provide requested financial data to each major campus to support each with its accreditation efforts.</td>
<td>System wide Requirement</td>
<td>financial component; campuses provide other data</td>
<td></td>
</tr>
<tr>
<td>Financial Systems</td>
<td>Tax Compliance</td>
<td>Manage annual projects to comply with federal law, e.g. 1099 and 1098T tax reporting and PFD garnishment process</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Controller</td>
<td>Unclaimed Property</td>
<td>Compile and file unclaimed property report in accordance with Alaska Statutes</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
<tr>
<td>Cost Analysis</td>
<td>Disclosure Statements</td>
<td>Develop and maintain university Disclosure Statements (DS-2) in accordance with 2 CFR §200 and Cost Accounting Standards. Identify, define and document cost accounting practices. Monitor processes in order to identify changes needed in existing university disclosure statements (SW &amp; UAF) and monitor need for other universities to submit a formal disclosure statement (UAA &amp; UAS). Develop and provide training in the area of cost accounting standards (CAS) compliance and the importance of consistency across</td>
<td>University System wide Requirement</td>
<td></td>
</tr>
</tbody>
</table>
UNIT NAME: Controller's Office, a division of Statewide Finance  
Direct Report: Ashok Roy

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<tr>
<td></td>
<td></td>
<td>Please provide two-five sentences expanding basic functional responsibilities – high level response.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>departments. Identify areas of potential exposure by monitoring compliance with federal, state and sponsored program regulations through monitoring of university activities.</td>
</tr>
</tbody>
</table>
1. **What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals?** Please provide a high-level summary and functional organization chart (example and templates attached).

The department administers three system-wide scholarship programs, the UA Scholars Program, the Presidential Scholarships and the Foster Youth Scholarships. The functional activities include program design; communications with the high schools and the designating entities, the recipients and parents, and the receiving campuses; awards and appeals; marketing and promotion; and monitoring and recordkeeping.

(See Functional Matrix and Org Chart Attached)

2. **Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.**

The source of funds associated with the UA Scholars Program and Presidential and Foster Youth awards is the annual spending allowance distribution from the Land Grant Endowments. Although the spending allowances are not classified as restricted, the Board of Regents has dedicated certain funding to the UA Scholars Program and other system-wide scholarship and the related liability which may total $15 to $20 million.

Staffing for the program has been at approximately 1 FTE, however, much of the activity is shared among the various members of the college savings staff. The budget reflects an increase in Presidential and Foster Youth awards from $100,000 in FY11 to $160,000 in FY15. However, actual expenditures in FY11 were approximately $196,000. The actual costs have actually reduced since 2011. The UA Scholars award are not reflected on the budget attached.
3. **Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function's existence.**

The UA Scholars Program was established by the Board of Regents in 1999. The program is governed in accordance with an annual “UA Scholars Program Information Booklet” which includes the terms and conditions of the program. The program may be amended by the University President; however, any reduction in benefits must be approved by the Board of Regents. The Presidential Scholarships are governed by authorization letters to recipients or program promotors. The Foster Youth Scholarships (15 scholarships per year through FY2018-2019) are governed by a written agreement with the Alaska Department of Health and Social Services, Office of Children’s Services. The awards for the three programs have various terms, but in general the award commitments run six to seven years for each student and carry a significant long-term liability.

4. **What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.**

Technically the board might be able to phase out these programs over time, and gradually reduce the annual commitments and service workload over the next seven to nine years. The University is committed to fund and service all of the currently outstanding awards for these programs for their duration. Another factor to consider is that these programs have all become entitlements from the perspective of the general public and promoting organizations. Previous attempts to limit the number of awards have met with significant legislative resistance initiated by our partners that use the awards to encourage participation in their events or rewards for community recognition.

5. **How will reducing or phasing out this/these function(s) impact UA’s ability to fulfill its core mission?**

The UA Scholars program was established to minimize the loss of Alaska’s students that have the highest potential to successfully complete their education and become productive members of their local communities. The intent was to attract the students from every community across the state with that potential and who would also serve as ambassadors for the University by sharing their experiences with their friends, neighbors and relatives in the hope of attracting others from their community to UA.
Deletion or reduction of this program would have a serious adverse effect on the University's ability to attract and retain some of its best performing students and the students that they may influence.

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

As indicated earlier, the scholarship programs each have long term unrecorded commitments and liabilities which will take many years to expire or satisfy. When considering reduction or elimination of these scholarship programs, it should be noted that the awards to the students are merely a pass through or transfer of investment income from a central pool to the campuses attracting the students. At the campus level, the transfer is recognized as "tuition income" which is available for expenditure on whatever the campus chooses. Elimination of the program effectively represents the elimination of a revenue stream to the campuses. The cost of the program at the system office is merely the cost of administration. At the campus level, the cost of the program is the tuition the recipient would have otherwise paid to UA had the recipient not received the award. There is virtually no incremental cost if the student would have attended another institution or not attended college at all.

As a practical matter, it's extremely unlikely that the UA Scholars program will be eliminated. The structure of the program and its goals require a single point of contact with the high schools. The objectives of the school administrators are at variance with those of the program which requires considerable monitoring and attention. The administrators want scholarships for the students that do not have other offers and do not want to lose an award merely because another of their students had the ability to get a better offer from another university. However, the goal of the UA Scholars program is to attract the top students who may have offers from other institutions or that plan on attending other institutions. As such, it takes a lot of care, effort and communication with the schools to get the right information. Unfortunately, the information needed for the scholarship designation process is not available until right at the end of the school year when the faculty and administration are leaving for the summer. The school administrators are extremely busy and rightfully want to have a single point of contact with the University. With many years of experience, the UA Scholars staff have an effective process in place to collect accurate and timely data, maximizing the time the UA recruitment staff have to recruit these very desirable students.
7. **As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?**

a. *Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?*

The function is already integrated into the College Savings Department which has somewhat similar activities for the college savings activities.

b. *Could a university deliver this or a similar function/service?*

One of the campuses might be able to take a lead role in administering the programs, but the savings from the transfer will be extremely difficult to capture because the program is currently integrated into the College Savings Department where a number of individuals with varied expertise work on the program. Although we might be able to estimate an FTE Cost, it will represent the time of various individuals that are essential for other purposes. In addition, turning the administration of this program to a university would likely heighten an already existing “campus bias” where many Alaska residents feel the program is specific to their local campus. It is important that stake holders understand that it is a state-wide program.

c. *Are there places where expanding or enriching a service makes sense?*

The UA Scholars Program is in need of additional funding in order to continue to meet the objectives of program. The Board of Regents approved a $250 increase in the annual award effective with the Fall 2015 Semester. This increase was the first in over ten years and very much appreciated, but woefully inadequate to compete with the increases by other institutions.
### Statewide Functional Descriptions
Statewide Transformation Team  
May-June 2015 (FY15-FY16)

**UNIT NAME**: Finance  
**Direct Report**: Ashok Roy

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</table>
| Education Trust of Alaska:  
(UA Plan, T. Rowe Price College Savings, and John Hancock Freedom 529) | Fiduciary Operations Marketing | - Fiduciary oversight for $6.9 Billion assets under management  
- Investment program design and oversight  
- Compliance with IRS, MSRB, SEC and FINRA requirements  
- Marketing and promotion (oversight for national activities, direct responsibility for Alaska marketing and promotion)  
- Client services: Onsite assistance with client information and needs  
- Operations oversight: liaison, forms updating, phone rep training, PFD contribution processing  
- Student recruitment program development  

*Note: The Education Trust of Alaska is completely self-supported; no state or university funding is required. (Recommend no change to this program)* | Program administration requires a highly specialized, central team. | No |
| System-Based Scholarships  
(UA Scholars, Presidential, and Foster Youth Scholarships) | Administration Compliance Outreach | - Manage designation process of UA Scholars  
- Administer appeals, award process, and recognition of recipients  
- Monitor eligibility of Award receipt and payout  
- Design and manage record keeping systems in Banner and Roxen  
- Create publications, materials, outreach, web content  
- Communication with scholarship recipients and schools  
- Manage relationships between the University and Alaska high schools and the State for Foster Youth awards.  

*Note: All costs of this program are funded through the Land-Grand Endowments (Recommend no change to this program.)* | This is the only system-wide, merit-based, scholarship program. | No |

Note: Workflow and backup support for both programs are so integrated that it is difficult to separate the two from each other.
<table>
<thead>
<tr>
<th>College Savings</th>
<th>Labor org</th>
<th>FY15</th>
<th>FY11</th>
<th>Variance</th>
<th>FY15 Budget</th>
<th>FY11 Budget</th>
<th>Orgs</th>
<th>Title</th>
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<tr>
<td><strong>Unrestricted Operating Budget</strong></td>
<td></td>
<td>$1,042.5</td>
<td>$919.8</td>
<td>$122.7</td>
<td>-13%</td>
<td></td>
<td>80045</td>
<td>Advance College Tuition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>89003</td>
<td>4</td>
<td>3</td>
<td></td>
<td></td>
<td>89003</td>
<td>Advance College Tuition (labor)</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td></td>
<td>4</td>
<td>3</td>
<td>1</td>
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<thead>
<tr>
<th>UA Scholars</th>
<th>FY15</th>
<th>FY11</th>
<th>Variance</th>
<th>FY15 Budget</th>
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<th>Orgs</th>
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<tr>
<td><strong>Unrestricted Operating Budget</strong></td>
<td>$291.5</td>
<td>$224.0</td>
<td>$67.5</td>
<td>-30%</td>
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</tbody>
</table>
1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

The College Savings Program (the “Education Trust of Alaska”) is the University’s largest student and family outreach program. The goals of the program are to build a “college going culture;” encourage greater student achievement; and provide an incentive to attend the University of Alaska. The Trust is a poster child for “Shaping Alaska’s Future” with its partnerships with Postsecondary Education and the Department of Revenue, local non-profits like the Imagination Library, and commercial enterprises like T. Rowe Price and John Hancock. The Trust provides a unique college savings program in Alaska that is the best of the best and does so on a totally self-support basis.

(See Functional Matrix and Org Chart Attached)

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

None of the funds associated with the Education Trust of Alaska or the College Savings Program are unrestricted. By law, the primary purpose of the Trust is to secure the obligations to participants and beneficiaries of the program. As a trust, by definition, all of the assets, receipts, and revenues of the college savings program are separate and distinct from those of its Trustee, the University, and may only be used for program purposes.

The non-personal services budget for the Colleges Savings Programs has significant variability depending on what marketing initiatives and campaigns are being pursued. About FY11 or FY12 the number of positions was increase from 4 to 5 full-time positions, which has remained stable until 2015 when a temporary part-time position was added. During that period activity has increase substantially. The national program grew from $3.4 billion to $6.5 billion and the local plan grew from $217.1 million to $411.5 million.
Staffing for the program reflects an increase of one position from FY11 to FY15 which is primarily represents an increase in outreach and customer service to a local program that virtually doubled in size during this period.

3. Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function’s existence.

The college savings program was established in accordance with Section 529 of the Internal Revenue Code and is subject to oversight and regulation by the IRS. The program was formed under the Alaska College Savings Act (AS 14.40.802 – 14.40.817), Board of Regents Policy P05.07.040 – P05.07.044 and a Separate Trust Policy on Governance and Investments approved by the Board of Regents. Participation in the program is actually the purchase of a municipal security issued by the University and regulated by the Municipal Rule Making Board (MSRB) and the Securities and Exchange Commission (SEC). The participation of our commercial partners is subject to regulation by the Financial Industry Regulatory Authority (FINRA).

4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

Technically the board could terminate the program or parts of it, but it would likely be greeted by law suits from our commercial partners and class actions suits by the Trust’s 270,000 participants. Our partners and participants could lose millions due to closure. The University and the State would suffer the national and local embarrassment of adversely impacting thousands of individuals that put their faith and savings for their children’s education in the hands of the Trust. It’s simply not practical to drop the program or a subcomponent of it because there is no benefit to be had from such action that might make it worthwhile or feasible. In fact, disclosure of any serious consideration of doing so could cause a “run” on the program and a significant outflow of funds and participants.
5. How will reducing or phasing out this/these function(s) impact UA’s ability to fulfill its core mission?

The program is designed to encourage attendance at the University of Alaska and assist in providing financial access to education for Alaskans. Deletion of some, or all, of this program will reduce the University’s ability to attract and retain students, which is one of its primary goals.

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

This is a self-support program and eliminating segments, functions, positions and various costs merely eliminates the revenue that currently pays for the program. The net result from closing the program or a subcomponent would simply be a loss of any benefits associated of its continued existence.

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?

The program is nationally recognized today as one of the best college savings programs in the country. There is little to be gained by unilateral tinkering.

a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?

Not likely. At almost $7 Billion, moving the program from the finance office purview might be problematic. The program is currently paired with the UA Scholars Program, which works well because much of the scholarship administration is similar to that of the college savings activity in the promotion and customer service arena. The Education Trust of Alaska also administers approximately $0.5 million in scholarships that it has awarded.
b. *Could a university deliver this or a similar function/service?*
   Physically, yes! - The perception that this is a UAA or a UAF program will have a significant detrimental impact on the program and participation.

c. *Are there places where expanding or enriching a service makes sense?*
   We are constantly changing the program based on changes in the industry, the markets and our understanding of participants’ needs and desires.
**Statewide Functional Descriptions**

**Statewide Transformation Team**

**May-June 2015 (FY15-FY16)**

**UNIT NAME: Finance**

**Direct Report: Ashok Roy**

<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
<th>Brief Description</th>
<th>Unique System Function</th>
<th>Function also exists at a University</th>
</tr>
</thead>
</table>
| **Education Trust of Alaska:**                                           | Fiduciary                        | • Fiduciary oversight for $6.9 Billion assets under management  
| (UA Plan, T. Rowe Price College Savings, and John Hancock Freedom 529)   | Operations                      | • Investment program design and oversight  
|                                                                              | Marketing                         | • Compliance with IRS, MSRB, SEC and FINRA requirements  
|                                                                              |                                  | • Marketing and promotion (oversight for national activities, direct responsibility for Alaska marketing and promotion)  
|                                                                              |                                  | • Client services: Onsite assistance with client information and needs  
|                                                                              |                                  | • Operations oversight: liaison, forms updating, phone rep training, PFD contribution processing  
|                                                                              |                                  | • Student recruitment program development  
|                                                                              |                                  | **Note:** The Education Trust of Alaska is completely self-supported; no state or university funding is required. (Recommend no change to this program) |
| **System-Based Scholarships**                                             | Administration                    | • Manage designation process of UA Scholars  
| (UA Scholars, Presidential, and Foster Youth Scholarships)                 | Compliance                       | • Administer appeals, award process, and recognition of recipients  
|                                                                              | Outreach                          | • Monitor eligibility of Award receipt and payout  
|                                                                              |                                  | • Design and manage record keeping systems in Banner and Roxen  
|                                                                              |                                  | • Create publications, materials, outreach, web content  
|                                                                              |                                  | • Communication with scholarship recipients and schools  
|                                                                              |                                  | • Manage relationships between the University and Alaska high schools and the State for Foster Youth awards.  
|                                                                              |                                  | **Note:** All costs of this program are funded through the Land-Grand Endowments (Recommend no change to this program.) |

**Note:** Workflow and backup support for both programs are so integrated that it is difficult to separate the two from each other.
<table>
<thead>
<tr>
<th>College Savings</th>
<th>Labor org</th>
<th>July 1, 2014</th>
<th>July 1, 2010</th>
<th>Variance</th>
<th>FY15 Budget</th>
<th>FY11 Budget</th>
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<td>Variance</td>
<td>Orgs</td>
<td>Title</td>
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<td>-30%</td>
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<td>Operating Budget</td>
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</table>
1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

There has been no change in staffing levels. The same 2.25 employees are in the positions and of the $18.2k budget increase over this period, $15.8k is due to normal salary increases. Non-personnel budget has increased $2.4k due to armored car services transferred to this org from 80098.

3. Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function’s existence.

- National Automated Clearing House (NACHA) rules and regulations
- Federal Reserve regulations
- Uniform Commercial Code
- USA Patriot Act
- Office of Foreign Assets Control (OFAC) requirements
- Alaska Personal Protection Law (APPL) re: personally identifiable information
- Dodd Frank Act
- Payment Card Industry (PCI) Data Security Standards
- Bank Secrecy Act
- Gramm-Leach Bliley Act
- AS 13.65 Uniform Prudent Management of Institutional Funds Act
- AS 37.10 Public Funds
- Regents Policy 05.02 Accounting and Fiscal Reporting
- Regents Policy 05.05 Investments

4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

- Armored Car Services Contract Management for SW & UAF services
  - (a) Contract management could shift to UAF
  - (b), (c), (d), (e) None expected
- Stop Payment Processing and Check Stock Distribution
(a), (b) UA would have to adopt electronic payment methods for all payments. Would increase overall payment efficiency and provide more accurate cash flow projections. 
(c) Students would receive all payments electronically (payroll, refunds, etc.). 
(d), (e) Vendors would receive all payments electronically and often more timely.

5. How will reducing or phasing out this/these function(s) impact UA's ability to fulfill its core mission?

More timely and efficient payments to students, vendors and employees via electronic payment methods.

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

- Armored Car Services Contract Management for SW & UAF services
  - Savings of approx. 18 hours effort per year. No impact on GF, space or equipment. No impact on revenue.

- Stop Payment Processing and Check Stock Distribution
  - Savings of approx. 80 hours(.04 FTE) effort per year for stop payment processing. Annual department savings of $5,000 for check stock and $500 for postage to distribute to universities. Savings of $6,500 for stop payment bank charges offset by recharge revenue reduction of $6,500. Additional bank charges offset by recharge revenue for electronic payment processing (wire transfers).

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?

a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?

The UA system would have to adopt electronic payment methods for all payments. This would initially create more work of some SW departments (Financial Systems, HR) but once fully implemented across the system would create significant efficiencies.

b. Could a university deliver this or a similar function/service?

UAF could assume responsibility for Armored Car Services Contract Management for SW & UAF services

c. Are there places where expanding or enriching a service makes sense?
STATEWIDE FUNCTIONAL DESCRIPTIONS – MATRIX TEMPLATE
Statewide Transformation Team
May-June 2015 (FY15-FY16)

UNIT NAME: SW Finance
Direct Report: Ashok Roy

<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
<th>Brief Description</th>
<th>Unique System Function</th>
<th>Function also exists at a University</th>
</tr>
</thead>
</table>
| Cash Management                  | Banking, Merchant Card and Investment Services       | - Fiduciary oversight for management of UA Operating Funds ($200M)
- Investment portfolio design and due diligence
- Contract management/negotiation for system-wide financial services contracts: banking, merchant card processing, SW & UAF armored car
- Transaction processing for system-wide electronic payments: wire transfers, book transfers, stop payments
- Fraud monitoring and resolution and transaction research
- Advisory role for university-specific financial services contracts
Note: CM recharges UA departments for wire transfers and stop payments generating revenue of approx. $15k annually. (Recommend no change to this program) | UA system-wide treasury services and oversight | No                                                                                 |
| Foundation Accounting & Investment Services | Accounting Reporting Endowment Mgmt Fiduciary | - Fiduciary oversight for Consolidated Endowment Fund ($310M) and Foundation Operating Funds ($55M)
- General ledger accounting for all foundation transactions (Financial Edge)
- Federal and state tax reporting for foundation and related entities
- Foundation consolidated financial statements and audit
- Endowment management and compliance
- Maintain over 1,500 separate endowed and restricted funds with varying donor restrictions
- Special event and fundraising processing and training
- Staff support to BOT, Investment Committee and Finance & Audit Committee
Note: The Foundation reimburses SW for all costs of this department; no UA general fund impact. (Recommend no change to this program) | UA Foundation support | No                                                                                 |
## Finance

<table>
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<tr>
<th></th>
<th>July 1, 2014 FY15</th>
<th>July 1, 2010 FY11</th>
<th>Variance</th>
<th>Org</th>
<th>Title</th>
<th>FY15 Budget</th>
<th>FY11 Budget</th>
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</table>
Statewide Transformation Team Queries
May 18, 2015

Chief Procurement Officer:

1. What are the primary functions of your unit/departments as it supports UA's mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

The Chief Procurement Officer is a core administrative position mandated by law (AS 36.30.005), which is essential to acquisition of goods and services necessary to accomplishing the mission of the University and meeting its responsibility to maintain fair and reasonable procurement practices throughout the University system. Technically the Chief Procurement Officer is responsible for

"The Board of Regents shall adopt regulations under this subsection that are substantially equivalent to the regulations adopted by the commissioner of administration to implement this chapter. For the purposes of this subsection, unless the context otherwise requires, in this chapter

(1) "agency" means a subunit of the University of Alaska;

(2) "attorney general" means the president of the University of Alaska;

(3) "chief procurement officer" means a person designated by the president of the University of Alaska whose qualifications are substantially equivalent to those provided in AS 36.30.010 (a),"

(See Attached Functional Org. Chart and Functional Description Table)

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

The budget for the function has been virtually eliminated, but should be in the neighborhood of approximately $20,000 and a potential professional fee contingency of $30,000.

3. Identify and briefly explain any University Regulations, Regent's Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function's existence.

Virtually all procurements by the University are subject to Regents Policy 05.06 and related regulations, and the State Procurement Code AS 36.30 and any expenditure of federal funds are subject to the Federal Acquisition Regulations.
4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

There is nothing left to give up. At this time the only duties being performed are those that are determinations and transaction approvals needed to process purchase orders, protest and contract dispute appeals (none in progress at this time) and delegations of authority. I have not had time to take on much needed Regents’ Policy, regulation and manual revisions, updated contract and procurement forms and templates, coordination of the procurement office activities to work on common procurements and standardization of procedures and training activities.

5. How will reducing or phasing out this/these function(s) impact UA’s ability to fulfill its core mission?

The only resources dedicated to procurement at the System Office today is approximately 5% to 10% of the salary for one position and potential cost of attorney fees for processing protest and contract claim appeals and someone needs to serve as “chief” and make the determinations and approvals required by law.

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

In my opinion, as CPO the University cannot eliminate the function. It can be moved to another budget component, but along with that decision comes a host of operational decisions and issues (independence, impartiality and conflicts of interest). There is no revenues impact regardless of what course of action is taken.

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?
Statewide Transformation Team Queries  
May 18, 2015
Chief Procurement Officer:

a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?

b. Could a university deliver this or a similar function/service?

c. Are there places where expanding or enriching a service makes sense?

See attached: “Cost Saving Initiatives, UA Statewide – SW/UAF Procurement Restructuring”
<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
<th>Brief Description</th>
<th>Unique System Function</th>
<th>Function also exists at a University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Procurement Officer</td>
<td>Administration Operations</td>
<td>Please provide two-five sentences expanding basic functional responsibilities – high level response. <em>Policy development and maintenance</em>  <em>Statutory determinations and approvals</em>  <em>Protest and contract claim appeals</em>  <em>Coordination and training</em>  <em>Program Oversight</em>  <em>Note: Current structure and funding is inadequate for long-term support the system needs (see recommendation filed separately).</em></td>
<td>The position is required by law.</td>
<td>No</td>
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<tr>
<td>Finance</td>
<td>July 1, 2014 FY15</td>
<td>July 1, 2010 FY11</td>
<td>Variance</td>
<td>Org</td>
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-1
Cost Savings Initiatives, UA Statewide

SW/UAF Procurement Restructuring

May 13, 2015

TO: Statewide Transition Team

From: Jim Lynch, Chief Procurement Officer

Comments Requested from: Kari Burrell, Bill Spindle, Michael Ciri, John Hebard, Mary Beth Cangello-Overturf

Objective: Reorganization of the procurement function to minimize the overall cost and preserve or improve the quality of procurement system-wide

Background:

The Statewide Procurement Office and the Chief Procurement Officer (CPO) have three primary roles: (1) oversight of the procurement and property functions system-wide, including delegation of procurement authority, approval of various types of transactions, maintenance of system-wide manuals, and consistency of processes and procedures; (2) dispute resolution and appeals; and (3) staff training and career path development. The office is currently operating with a part-time CPO and no staffing support and/or budget resources. The current situation is not adequate for a three to five year planning scenario. The procurement programs at UAF and UAA appear to be in reasonably good shape today, but are very dependent upon key staff members who are approaching retirement. Local replacement of these individuals may be very difficult and expensive without a functioning in-house career path and training program.

UAF conducts the highest volume and most complex procurements in the system, has the largest and most sophisticated procurement operation, and has developed an excellent training and certification program for its staff. It has a cadre of experienced professionals and an excellent reputation for compliance, service, and professionalism. UAF also conducts all of the procurements for Statewide Administration. UAA has a smaller, less specialized, but competent staff and the director is a very competent professional, who was originally trained and worked in the UAF procurement office. UAS has one procurement technician. UAF and UAA have each provide procurement support to UAS for its larger and more complex procurements. Each office is currently responsible for providing training for their departmental staff and staff at remote campuses and other sites.
Cost Savings Initiatives, UA Statewide
SW/UAF Procurement Restructuring

Analysis:

In response to a request by Dr. Roy approximately a year ago, I contacted several universities that were updating their procurement operations including Texas A&M and two others. The common theme among them was the need for consistency in their distributed procurement operations, specialization in the buying function and improved buying leverage with vendors. The general approach to these issues appeared to be implementation of an e-procurement system, because it requires common policies, procedures and processes in order to obtain the common data required for effective spending analysis, specialization of buying functions, and development of the information needed to provide spending control and enhance negotiating leverage with vendors. Although there are processing efficiencies that accompany an e-procurement system, the implementation is very expensive and the primary benefit is the ability to convert procurement data into more useable management information. Similar consistency can be achieved through use of common forms, contracts, coding and processes across all campuses. The consistency will allow the campuses to obtain at modest-cost meaningful data analysis.

In summary, the critical needs for the procurement function today are the training and retention of in-house staff, operational consistency across the system and the development of better information regarding what is being purchased, by whom, where and for how much. In my opinion, UAF is best positioned to lead this effort.

Recommendations:

1. That UAF Procurement and Contract Services be asked to take the lead role within the UA system for procurement activities or functions;
2. That the UAF Director of Procurement and Contract Services be appointed Deputy Chief Procurement Officer (DCPO);
3. That the DCPO be authorized to delegate general, construction, and leasing procurement authority system-wide;
4. That the DCPO be authorized to handle the day to day administrative duties such as sole source, limited competition, requests for use of alternative procurements, and contract language modifications.
5. That the UAF Procurement and Contract Services be authorized to maintain the system-wide Procurement Manual, standard forms, and contract documents;
6. That UAF Procurement and Contract Services serve as lead office for a system-wide procurement training and certification;
7. That UAF in conjunction with UAA continue to provide support for UAS’s major competitive procurements while UAS staff handle the routine procurement activity; and
8. That the Statewide CPO retain the direct responsibility for policy development, dispute resolution and appeals.
The primary purpose for having UAF take the lead role in delegations and the day-to-day operations as described above is to get the DCPO a broader perspective and involvement on the procurement activity of the entire system and help bring more consistency to the procurement processes and procedures as well as the coding and recording of procurement data. Consistent training across the system is also critical to getting consistency in the procurement processes and data, and essential to internal recruitment of development of qualified procurement staff and management.

Cost Savings:

The cost saving from combining of the CPO Position with the Associate Vice President for Finance Position was recognized approximately a year ago when Mike Grahek transferred to UAF. However, the consolidation of those positions is only a temporary solution. Unless a broader delegation of the duties can be accommodated, the quality of the oversight and process consistency will deteriorate and system-wide training and oversight will be virtually non-existent. UAF appears to be in a position to absorb some of the additional duties without significant disruption, but their capacity to participate in this restructuring may be limited by their internal cost saving initiatives or target reductions. The above recommendations are driven primarily by the desire to preserve the quality of staff and service that has been developed at UAF in the procurement function, make it available system-wide and develop more consistency within the system. Although the cost savings from an efficient and effective procurement operation is difficult to quantify and capture centrally, the cross communication between the procurement offices will lead to better coordinated procurements. Any cost or savings allocation will have to be negotiated between the Vice President Roy and the respective administrative vice chancellors.
1. What are the primary functions of your unit/departments as it supports UA’s mission and strategic goals? Please provide a high-level summary and functional organization chart (example and templates attached).

2. Explain any significant changes in your unrestricted operating budget and/or staffing levels from FY11 to FY15.

Staffing levels are unchanged even though transaction processing is significantly higher and legal/regulatory requirements are more burdensome. A higher salary investment analyst position was replaced with a lower salary accounting technician reducing the labor budget by $21.3k. The non-personnel operating budget has increased by $32k entirely due to paying the external audit fees through Banner beginning in FY14. Prior to that date the foundation paid the audit fees directly. It is important to note that all Foundation and Foundation Accounting expenses – personnel and non-personnel – are fully reimbursed to the University. There is no impact on the General Fund.

3. Identify and briefly explain any University Regulations, Regent’s Policies, Federal or State regulations or laws, or accreditation standards which define/direct each major function’s existence.

- Financial Accounting Standards Board (FASB) standards
- Generally Accepted Accounting Principles (GAAP) and AICPA codifications
- Internal Revenue Code re: nonprofits, trusts, charitable contributions, unrelated business income
- Uniform Commercial Code
- Council for Advancement and Support of Education (CASE) standards
- Payment Card Industry (PCI) Data Security Standards
- AS 13.65 Uniform Prudent Management of Institutional Funds
- AS 14.40.280 Endowments and Donations
- AS 37.10.071 Investment Powers and Duties
- Memorandum of Understanding between BOR and BOT
- Consolidated Endowment Fund Agreement between BOR and BOT

4. What could your department stop doing? Describe the expected impact on: (a) the university (b) other university departments, (c) students, (d) stakeholders such as the State of Alaska and (e) the Alaska communities if this function is reduced or phased out.

The functions that are provided by this department are primarily compliance driven and are uniquely specific to the UA Foundation. These functions are not duplicated anywhere else within the system. After a thorough review of the functions provided by this office, nothing was identified that could be eliminated or further outsourced.
5. How will reducing or phasing out this/these function(s) impact UA's ability to fulfill its core mission?

N/A

6. Describe the specific resources (e.g. personnel FTE, general fund, space, major equipment), including amount(s) that will become available if this/these function(s) is/are phased out. If there is any adverse impact to revenue, please describe.

N/A

7. As an alternative to phasing out a function, please describe ways to significantly improve the effectiveness and/or increase the efficiency of each function. What are the benefits and limitations of each alternative?

a. Are there opportunities for certain functions to continue within Statewide, but in a different format (via consolidation/restructure with another Statewide department, or service reduction)?

The functions provided by this department are uniquely specific to the UA Foundation, which is a separate legal entity from the University. It utilizes a separate general ledger system, follows distinctly different accounting standards, and files different tax returns. It would not be effective or efficient to combine these functions with another SW department.

b. Could a university deliver this or a similar function/service?

A university could not deliver this function/service in an effective or efficient manner.

c. Are there places where expanding or enriching a service makes sense?

The service area that would benefit from expansion is Special Event & Fundraising Activities. The universities are actively raising funds through special events but the function is not well coordinated. Foundation Accounting has very limited resources to provide guidance to each campus fundraiser. Both UAF and UAA would greatly benefit from hiring a Special Events Coordinator to run every event on campus consistently and compliantly. Alternatively, the Foundation Accounting Office could hire a Special Events coordinator to do the same thing, but the function really belongs at the campus.
<table>
<thead>
<tr>
<th>Subunit Name</th>
<th>Primary Functions</th>
<th>Brief Description</th>
<th>Unique System Function</th>
<th>Function also exists at a University</th>
</tr>
</thead>
</table>
| Cash Management              | Banking, Merchant Card and Investment Services         | • Fiduciary oversight for management of UA Operating Funds ($200M)  
• Investment portfolio design and due diligence  
• Contract management/negotiation for system-wide financial services contracts: banking, merchant card processing, SW & UAF armored car  
• Transaction processing for system-wide electronic payments: wire transfers, book transfers, stop payments  
• Fraud monitoring and resolution and transaction research  
• Advisory role for university-specific financial services contracts  
  Note: CM recharges UA departments for wire transfers and stop payments generating revenue of approx. $15k annually. (Recommend no change to this program) | UA system-wide treasury services and oversight             | No                                                                                                      |
| Foundation Accounting &     | Accounting Reporting Endowment Mgmt Fiduciary          | • Fiduciary oversight for Consolidated Endowment Fund ($310M) and Foundation Operating Funds ($55M)  
• General ledger accounting for all foundation transactions (Financial Edge)  
• Federal and state tax reporting for foundation and related entities  
• Foundation consolidated financial statements and audit  
• Endowment management and compliance  
• Maintain over 1,500 separate endowed and restricted funds with varying donor restrictions  
• Special event and fundraising processing and training  
• Staff support to BOT, Investment Committee and Finance & Audit Committee  
  Note: The Foundation reimburses SW for all costs of this department; no UA general fund impact. (Recommend no change to this program) | UA Foundation support                                      | No                                                                                                      |
<table>
<thead>
<tr>
<th>Foundation</th>
<th>FY15</th>
<th>FY11</th>
<th>Variance</th>
<th>Orgs</th>
<th>Budget FY15</th>
<th>Budget FY11</th>
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<tbody>
<tr>
<td><strong>Unrestricted Operating Budget</strong></td>
<td>$ 3,213.3</td>
<td>$ 2,949.6</td>
<td>$ 263.7  -8.9%</td>
<td>80007 UA Foundation</td>
<td>735.4</td>
<td>635.0</td>
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<td></td>
<td>80156 UA Foundation Accounting</td>
<td>85.5</td>
<td>53.5</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>89006 UA Foundation (Labor)</td>
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<td>89038 UA Fdn Accounting (Labor)</td>
<td>701.8</td>
<td>723.1</td>
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<tr>
<td><strong>Total Positions</strong></td>
<td>24</td>
<td>23</td>
<td>1</td>
<td></td>
<td>3,213.3</td>
<td>2,949.6</td>
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</tbody>
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