

## **OUS Managerial Reporting December 2002 Update**

### **Project Overview**

The Board of Higher Education, in its April 20, 2001 meeting, authorized the Chancellor's Office to undertake a project to design a Fiscal Accountability Framework consistent with fulfilling the fiduciary responsibility of the Board, Chancellor's Office, and institutions, while recognizing the increased responsibilities of the individual institutions. A Fiscal Accountability Framework was defined as the management structure, controls, and guidance that assist the Oregon University System (OUS) Board, Chancellor's Office, and institutions in setting fiscal-related goals and monitoring the performance of those goals.

The Fiscal Accountability Framework (FAF) project was completed in January 2002. A primary recommendation of the FAF project was for OUS to develop and implement a formal managerial reporting structure to allow the Board, Chancellor's Office, and institutions to fulfill their fiduciary responsibilities more effectively. The Controller's Division of the Chancellor's Office worked with an external consultant to create a work plan for this endeavor. A brief preliminary phase of that work plan culminated in early April 2002. This report describes the primary product of that preliminary phase of work: formats for the various managerial reports identified as critical during the FAF project.

There were five report formats created for the Board during the preliminary phase of the implementation. These formats encompass the three areas of Financial Performance, Cash, and Financial Targets. Similarly formatted Institutional and Chancellor's Office reports roll up into these high-level Board reports. It is important to note that the project's leadership determined that these reports should only include data on the Unrestricted and Restricted Current Funds of OUS and the institutions. Financial information on other fund groups will continue to be available on an ad hoc basis. Additional reports will be developed at a later date, as the need is identified and further defined.

The report formats developed for use by the OUS Board are described in further detail below. Examples of each report format are provided in the attached five PDF documents.

### **➤ OUS Consolidated Financial Performance Report (see attached 2 reports)**

General Description: On a quarterly basis, this report updates the Board with information on the System's year-to-date actual financial results, as well as updated financial projections for the current fiscal year-end. The financial projections are compared to the established operating budget and variance analysis is provided to explain material differences between these two sets of data.

#### Answers the questions:

How has the System performed so far this year financially?

What is our current expectation for the System's year-end financial results?

How does this current expectation materially differ from our established operating budget?

Specific data included:

- Column 1: Actual year-to-date financial results
- Column 2: Current projections for the year-end financial results
- Column 3: Initial Board-approved budget for the current fiscal year
- Column 4: Institutional adjustments to arrive at the operating budget
- Column 5: Operating budget for the current fiscal year
- Column 6: Variance (\$) detail; Column 2 compared to Column 5
- Column 7: Variance (%) detail: Column 2 compared to Column 5
- Other: Narrative explanations of variances noted in excess of established thresholds

Other Notes: This report is currently structured in two separate formats: (A) provides OUS (consolidated) data, including various revenue and expense line items; (B) provides high-level summary data for OUS and each institution, including the Chancellor's Office and the statewide entities under the authority of Oregon State University.

Association of Governing Boards citation: "(This report) provides the governing board with the opportunity to review the financial operations of the institution, assure itself that the budget is being followed, and see that variances are analyzed and documented. This would contain the original budget, estimate of actual performance for the year, and expected variance. Revenues are listed by source and expenditures are listed by function."

➤ **OUS Consolidated Cash Report (see attached report)**

General Description: On a quarterly basis, this report provides the Board with a high-level understanding of the liquidity position of OUS and each individual institution. This report is structured to facilitate the identification of trends relative to liquidity, as well as to reflect the cyclical nature of the System's cash flows throughout the fiscal year.

Answers the questions:

Is the cash position of OUS and each institution reasonable in comparison to historical levels?  
Are any trends evident relative to cash levels that might indicate the existence of issues requiring management attention?

Specific data included:

- Charts that show the quarterly cash balance within the current funds of OUS and each institution for the past 10 fiscal quarters.
- Notes detailing material issues relative to cash as identified and documented by the Chancellor's Office

➤ **OUS Consolidated Financial Targets Report (see attached 2 reports)**

General Description: On an annual basis, this report provides the Board with a high-level understanding of the forecasted financial performance of the System and each institution for the next fiscal year, as well as up-to-date financial projections for the current fiscal year. Variance analysis is provided to explain material differences between these two sets of data.

Answers the questions:

What is our financial forecast for next year?

What is our up-to-date projection for this year's financial results?

In what material ways do we expect our financial results for next year to differ from our financial results for this year?

Specific data included:

- Column 1: Financial targets for next fiscal year
- Column 2: Current projections for this year's financial results
- Column 3: Variance (\$) detail; Column 1 compared to Column 2
- Column 4: Variance (%) detail; Column 1 compared to Column 2
- Other: Narrative explanations of variances noted in excess of established thresholds

Other Notes: This report is currently structured in two separate formats: (A) provides OUS (consolidated) data, including various revenue and expense line items; (B) provides high-level summary data for OUS and each institution, including the Chancellor's Office and the statewide entities under the authority of Oregon State University.

Association of Governing Boards citation: "The operating budget is prepared as a primary report showing general information and the assumptions used in preparing the operating budget and long range plan, estimated current funds revenues, and estimated current funds expenditures and transfers. Revenues are listed by source, and expenditures are listed by function to match the format for the year-end statements."

**Project Leadership:**

The preliminary phase of the OUS Managerial Reporting Implementation included a Core Design Team comprised of institutional and Controller's Division personnel and a Project Management Team comprised of Controller's Division personnel and an external consultant, as detailed below:

Core Design Team:

Frances Dyke, (UO) Associate Vice President for Budget and Finance

Jay Kenton, (PSU) Associate Vice President for Finance and Administration

Lee Lindsey, (EOU) Budget Director

Mike Mallery, (SOU) Director of Budget, Planning and Unclassified Human Resources

Nick Miller, (CO) Management Information Systems Coordinator

Loren Stubbert, (CO) Director of Campus Budget Services

Project Management Team:

Michael Green, (CO) Controller

Michael McCall, (CO) Director of Fiscal Operations

Gary Rogers, (CO) Director of Financial Accounting and Reporting

Jackie Thorsness, (CO) Manager of Business Services

Tim Walsh, (Andersen) Manager

These groups worked closely over a three-week period to craft the report formats described above.

**Next Steps:**

The plan is to present the first set of quarterly managerial reports in these new formats to the Board at their April, 2003 meeting, based on December 31, 2002 data. In order to accomplish this goal, Chancellor's Office staff will be scheduling meetings to be held at each campus with the Budget Officer and the Director of Business Affairs between mid-January and mid-February. The topic of the meetings will be to discuss the preparation of the quarterly reports to ensure consistency in preparation (e.g., where the data comes from) within OUS. The Chancellor's Office will provide additional information to the Budget Officer and the Director of Business Affairs prior to these meetings.