In attendance:

EOU: Lara Moore, Vice President for Finance and Administration
OIT: MaryAnn Zemke, Vice President for Finance and Administration
OSU: Glenn Ford, Vice President for Finance and Administration
Aaron Howell, Assistant Vice President and Controller
PSU: Monica Rimai, Vice President for Finance and Administration
Alan Finn, Associate Vice President for Budget and Finance
SOU: Craig Morris, Vice President for Finance and Administration
UO: Jamie Moffitt, Vice President for Finance and Administration
Kelly Wolf, Director of Business Affairs and Controller
WOU: Eric Yahnke, Vice President for Finance and Administration
Darin Silbernagel, Director of Business Services
CO: Jay Kenton, Vice Chancellor for Finance and Administration
Diana Barklew, Director of Accounting and Reporting
John Craven, Director of Payroll Operations
Mike Green, Associate Vice Chancellor for Finance and Administration
Karen Levear, Director of Treasury Operations
Jan Lewis, Assistant Vice Chancellor for Budget Operations
Denise Yunker, Chief Human Resources Officer

Notes:

1. CliftonLarsonAllen, LLP Presentation on Additional Audit Procedures for Departing Institutions

Jean Bushong, Partner, presented CliftonLarsonAllen, LLP’s estimate of the cost for OSU, PSU, and the UO to obtain a separate audit of their FY 2014 financial statements. Ms. Bushong informed the group that their estimates are not indicative of the total cost that will be incurred by each once they have completed their legal separation due to the ability to benefit from work already necessitated by the financial statement audit of OUS as a whole and due to the need to have a separate single audit for each. The estimates, based on approximately 900 additional hours at the rates within the current contract were as follows:

- OSU $31,000
- PSU $26,000
- UO $33,000

Ms. Bushong also noted that the cost for the audit of the Oregon University System would decrease in future years reflecting the departure of OSU, PSU, and the UO. She did not provide an estimate of the cost decrease.

Discussion also focused on the contracting necessary and Ms. Bushong reported that the Secretary of State was working to confirm with the Oregon Department of Justice (DOJ) the ability to add these services to the current contract without going through a procurement process.
The group also discussed the possibility of obtaining a separate audit for FY 2013 and both OSU and the UO asked that Ms. Bushong provide a cost estimate for those services. Ms. Bushong agreed to provide same.

2. University Intentions Regarding Shared Services

- EOU – Vice President Moore reported that EOU’s intentions remained the same as those expressed in their responses to the shared services survey.
- Oregon Tech – Vice President Zemke reported that, while Oregon Tech is still exploring alternative structures and providers, Oregon Tech desires to participate in the current shared services through FY 2015.
- OSU – Vice President Ford reported that OSU’s intentions remained the same as those expressed in their responses to the earlier survey. Vice President Ford also expressed OSU’s willingness to host certain shared services functions on the OSU campus. This discussion will be more fully detailed below as a part of the next agenda item.
- PSU – For those services that are optional, Vice President Rimai reported the following:
  - Accounting Services – PSU does not intend to purchase.
  - Internal Bank – PSU is still evaluating and would likely purchase some of the services but likely not all. The ultimate disposition of the long-term debt out of the internal bank will factor into their decision with regard to internal bank services.
  - Payroll – PSU would recommend issuance of an RFI or multiple RFIs around payroll services as there are providers with experience in public higher education that may be able to successfully navigate our complex payroll processes.
- SOU – Vice President Morris reported that SOU would opt to remain in the internal bank and risk management. With regard to accounting and payroll services, SOU would opt to continue through FY 2015. Vice President Morris expressed interest in understanding more about future internal audit and legal services and noted that SOU will be continuously assessing the most cost-effective service options and may make different choices in the future.
- UO – Vice President Moffitt reported that the UO’s intentions remained the same as those expressed in their responses to the earlier survey.
- WOU – Vice President Yahnke reported that WOU’s intentions remained the same as those expressed in their responses the earlier survey.

3. Discussion of University’s Willingness to Provide Services to Other Universities

Vice President Ford shared his concern with regard to the need to ensure continuity of key business processes, such as payroll, and the inherent risks associated with the timelines within this process. In line with the discussions at the last Presidents’ Council, Vice President Ford informed the group that OSU was willing to host shared services for accounting, treasury management (Internal Bank), payroll, and employee benefits on the OSU campus. A significant driver in this decision derives from OSU being the current location of Chancellor’s Office staff performing these functions and such an arrangement would be least disruptive to those people. Vice President Ford offered the following points as ‘straw man’ proposals as to how this would be accomplished (with group comments in parentheses):

- OUS employees currently performing the service would become OSU employees
- An Executive Director would oversee the operations
- Funding and accounting would be separate and distinct from OSU
• Each ‘customer’ institution Vice President for Finance and Administration (or designee) would serve on a related steering committee
• An appropriate overhead would be applied (After discussion, the group concluded that an 8% rate would be sufficient for planning purposes)
• Formal SLA agreements between each participating university and the university housing the shared service would need to be crafted and executed delineating the service level expectations (After discussion, the group concluded that contracts would be biennial and would include a sufficient notice period for an institution to opt out)

Vice President Rimai communicated PSU’ s willingness to host shared services for bargaining and risk management as those staff are currently housed at PSU. Vice President Rimai also noted other shared services arrangements within and between institutions in other parts of the country as possible best practices to be explored.

Vice President Yahnke noted that the decision as to where to host such an organization was independent from the overall concept of placing these shared services organizations at one of the universities. He further stated that it was premature to conclude regarding where such service organizations would be hosted and that WOU might be an appropriate institution to host one or more of these shared services organizations due to its proximity to Corvallis.

After much discussion, it was the consensus of the Vice Presidents that we recommend to the Presidents’ work group that shared services should be hosted by a campus or several campuses and that such an arrangement would not preclude participation by other entities; the overhead associated with establishment of a new governmental or not-for-profit entity would not add concomitant operational benefits.

4. (and 5) Reporting Formats/Discussion of Legislatively Required Report Format
The group agreed that the current spreadsheet developed to document the detailed costing information required for the legislative report should include an additional column to capture the appropriation revenue available to fund the governance costs of the ‘consortium’ board in relation to the remaining OUS campuses. It was further agreed to expand the spreadsheet to include details regarding governance costs for all campuses, including those governed by the ‘consortium board,’ which would provide a good comparison between those costs across all boards. With these additions, the spreadsheet should provide a comprehensive view of revenues and costs and answer the fiscal questions posed by the legislature.

Vice Chancellor Kenton noted that the timelines necessitated that a draft be complete by the end of October. Dr. Kenton informed the group that he plans to begin ghost writing the report on behalf of the Presidents’ Work Group but reiterated that it is the Presidents’ report and that the process will be open and iterative. Dr. Kenton also communicated his understanding that there will be opportunity for a minority view within the report in case consensus is not reached.

Next Meeting – It was agreed that the next meeting would be in Corvallis on Friday, October 11, 2013 from 8:00 am to 12:00 pm.