



November 16, 2010

Dr. Wim Wiewel
President
Portland State University
President's Office
PO Box 751
Portland, OR 97207

Dear Dr. Wiewel:

On behalf of Huron Consulting Services LLC ("Huron"), we are pleased to submit this report on our recent engagement with Portland State University ("PSU") for an organizational review of the PSU administrative and financial function.

PSU's rapid growth in recent years in both physical size and enrollment sets the general context for the engagement. PSU has become today a significant presence in Portland, the region and the State of Oregon. The consequences of this growth for PSU's financial and administrative functions and operations manifest themselves in many ways that impact the University's ability to achieve not only its historical mission of undergraduate education but also its goals and aspirations for an expanded research base, improved student retentions and greater regional impact.

Frequent and deep State budget cuts have exacerbated the pressures driven by the growth of students, faculty, staff and physical space and have compounded PSU's challenges in responding to their needs. These reductions have led to reduced resources, both financial and human, in the finance and administrative functions at a time when these are expected to respond to increased demands. The near-term projection for State support indicates further general fund reductions are likely.

Our three day campus visit, and extensive interview schedule, provided insights into issues and initial recommendations that we share below. While many of our observations lead to recommendations to increase planning, coordination and the resources needed to meet basic operational needs, we note that an environment of scarcity offers a unique opportunity to respond with creative solutions in concert with providing new resources.

We believe PSU is on the path to be increasingly effective in academic and administrative work through setting shared strategic goals; effective internal governance oversight; careful and formal documentation of policies and procedures; and leadership that continues to enhance the strategies, cultures and responses necessary for building high performance organizational capacity. Success will require continuous leadership oversight and guidance to planning, implementation strategies and rigorous attention to detail.

As noted in our proposal, a cost effective approach to considering opportunities for improved, and potentially new, services and organizational structures is an initial diagnostic review of the roles and operations of the Office of Finance and Administration (FADM) organization. This was accomplished in our engagement through 31 interviews with academic and administrative leadership and management. The interview schedule is included in this report as Attachment 1.

To guide our interviews, two sets of questions were developed for the President's direct reports and the academic organization and, separately, for the staff of the Vice President for Finance and Administration (VPFADM). The primary purposes of these interviews were to gain understanding of the roles of the finance and administrative functions and to identify common threads of issues and opportunities. The emails from President Wiewel that distributed these questions appear in Attachment 2. In addition, we collected and reviewed relevant documents as noted in Attachment 3.

Our observations, insights and preliminary recommendations are based on broad but necessarily limited exposure to PSU's academic and administrative leadership and FADM systems, policies and procedures. Accordingly, PSU leaders should deliberate carefully about our suggestions and seek the necessary consensus based on PSU's internal values, culture and history, and potentially further detailed analysis, before any new policies, procedures and organizational realignments are announced and implemented.

The results of our review are organized below into two sections. The first section covers observations of a general nature regarding the impact and influence of FADM's functions and organization. The second section addresses the specific structure of FADM's organization, including possible future realignment. It also addresses some focused issues related to the reporting relationships of several components of FADM.

Section One – The Impact and Influence of FADM

This section covers topics related to the relationship between FADM departments and the other parts of the University that FADM serves as customers. Topics covered are based on those that we identified in our engagement letter, modified and paraphrased as follows:

- Alignment of operational goals and structures
- Work and decision processes
- Culture and collaboration
- Information management and communications
- Short-term, high-impact opportunities
- FADM's external activities

These are each discussed in detail below.

Alignment of operational goals and structures

Observations

Throughout our interviews, we found a high level of personal and professional staff commitment to PSU's institutional mission and goals and to those of their assigned departments. This high commitment and loyalty bodes well for PSU to strengthen its administrative capacity and reduce the risks inherent in the University's environment of increasingly stressed human and physical infrastructure. Indeed, the commitment of all employees has kept PSU running under severe conditions of resource constraint. One

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recurring theme of the interviews was the pride people take in their “scrappiness” to survive and grow under difficult conditions.

The FADM organization, under the leadership of the Vice President for Finance and Administration (VPFADM), is large and complex. This structure is typical for larger universities, especially those with extensive research activity and large physical plants. The advantages of the combination of finance and administration are several: coordinated leadership of units whose primary functions are in service to the teaching and research functions; reduced span of control for the President; improved communications with other campus leadership and constituencies, and the opportunity to balance resource allocations across a larger base. The disadvantages, however, include the fact that the VPFADM’s leadership is stretched across many direct reports with the potential the risk of reduced attention to the high priorities of the two separate functions of finance and administration and reduced time for supervision of direct reports.

There were comments with regard to the FADM organization’s ability to fully respond to the departments it serves. Based on our limited time and the breadth of our review, the causes and effects of FADM’s organizational structure and its impact on financial and administrative services are not fully apparent to us. We are, however, confident in stating that the under-resourced conditions of HR, Business Services, IT support, facilities maintenance and others are a primary source of the campus’s perceptions regarding FADM’s shortcomings.

The VPFADM has been extensively engaged in external relations and economic development. The new Vice President of Research & Strategic Partnerships (VPRSP) will presumably assume some of these roles and responsibilities. Several senior managers within FADM are also active in local organizations and reinforce PSU’s regional commitments.

Under the leadership of the VPFADM, the University has recently completed its University District Framework Plan that presents a physical framework and strategies for future growth and development of PSU within the greater Portland geography. This is a comprehensive strategy that will require the time and commitment of senior leadership and many faculty and staff. A significant number of the employees who will touch the City on a daily basis hold positions in FADM ranging from AVP’s to department managers to security and maintenance management staff.

The role, importance and the need for increased support from the Office of Information Technology were mentioned by a large number of interviewees. Uniformly the view is that IT is under resourced to meet current and future needs. The CIO reports several levels down within FADM and has limited access to the Executive Committee and other senior level meetings where IT needs, expectations and plans should be discussed. The IT governance process is not comprised of more senior level leaders who should be concerned for and engaged with the priority setting, resourcing, performance assessment and staffing of the IT Office.

Preliminary Recommendations

Goal Alignment 1 – As detailed institutional plans, goals and strategies are clarified and refined PSU should continue to consider FADM’s functional departments with respect to their current goals and expectations, their capacity to respond to University objectives, internal customer expectations, the appropriateness of the related policies and procedures, and the effectiveness of their risk management and

internal controls. These evaluations should be “systemic” in nature, i.e., the actions and decisions of FADM departments that handle critical transactions, such as hiring and expenditures, must be considered in light of the motivations, actions and decisions of the initiating parties.

Goal Alignment 2 – Based on the results of the evaluations, a sustainable plan should be developed to resource and properly structure the FADM organization and its departments.

Goal Alignment 3 – Because of the attention the VPFADM has paid to external relations, the many engaged employees of FADM have clearly understood its importance. Many of them have successfully established external relationships of value to the University. To prevent the loss of important relationships and projects, the full extent of the effort of the VPFADM and other FADM staff should be documented and thoughtfully reapportioned among the VPRSP, the VPFADM and other members of the Executive Team as appropriate. Careful attention should be paid between external relations activities that can and should be assumed up by either the VPRSP or Government Relations and those which will continue to need engagement by the VPFADM or appropriate FADM staff.

Goal Alignment 4 – The reporting position of the CIO should be moved up one level as a direct report to the VPFADM. We comment more on this later in this report (see *Information management and communications*).

Goal Alignment 5 – PSU should strengthen its approach to IT governance by empowering a newly constituted/advisory/steering committee to develop a multi-year institutional strategic plan, prioritizing the information systems and equipment needs of the campus against current and expected resource availability. The new governance committee’s composition should include appropriate members of the Executive Committee, other key users and advisors and continue to be closely coordinated with ACAIT.

Work and decision processes

Observations

While President Wiewel’s five themes have now provided institutional guidance to the University and FADM, historically the primary units in FADM have operated without the benefit of comprehensive institutional long range plans or adequate budgets. As a result, changes to human and physical infrastructure have been made based on short-term opportunities, projects and the rhythm of allocations, and cuts, of the State’s biennial budget cycle.

Given the University’s limited resources, rapid growth in size and complexity, many essential operational and transaction-related decision processes have not kept pace, are frustrating to the FADM staff and initiating departments and consuming of scarce staff time often due to the lack of insufficient automation. An often mentioned example is the need for 5-7 signatures for faculty and staff appointments.

Individual transaction responses can be slow, highlighting a needed capacity for more sophisticated judgments, interpretations and delegated authority. In the early 1990’s, the VPFADM created a Continuous Quality Improvement program. This program lasted six to seven years, but was allowed to drop off in the early 2000’s. The VPFADM has re-initiated the Continuous Improvement Program and there are plans to scale up further. The addition of legal counsel is an added benefit. .

Despite valiant efforts by the facilities staff, OMP, they cannot make up for the inadequate resource allocation to basic maintenance services and facilities needs. These limitations result in department managers and faculty fearing to request basic building maintenance because they believe FADM will charge them for the service. The facilities organization is overly dependent upon “soft money” budgets for staff and general expenses. This results in understaffing and the requirement for Facilities to maintain a system of charge-backs to fund critical positions and supplies. The pre and post award administration organization is similarly dependent on soft money from facilities and administration cost recovery.

The University currently does not have a comprehensive strategy for financial planning using an “all funds” framework. The current approach to financial and budget planning has been under study by the VPFADM and the Long Term Institutional Financial Stability (LTIFS) Committee. A major recommendation of LTIFS is manifest in the current Financial Futures Task Force now chaired by the VPFADM and Provost. The Provost has established the position of Vice Provost for Academic Fiscal Strategies & Planning (VPAFSP). The President, Provost and VPFADM should provide clear guidance and oversight through the Budget Committee to ensure the new Vice Provost’s office and the existing University Budget Office work as a coordinated and integrated team.

Preliminary Recommendations

Processes 6 – The Vice Provost for Academic Fiscal Strategies & Planning (VPAFSP) should take the lead in developing strategic and annual planning processes for academic affairs with the University Budget Office taking the lead for overall University budget planning to support PSU’s long and short-term objectives. This planning framework will enable the Associate Vice President of Budget & Planning (AVPBP) in FADM to prepare budget policies and procedures for all units in response to defined plans and objectives.

Processes 7 – PSU should adopt an integrated “all funds budgeting” process so that University leadership sees one unified effort devoted to planning and budget development, resource allocation and accountability. This could be studied by the Financial Futures Task Force.

Processes 8 – The membership of the Budget Committee should be reviewed to provide for maximum leadership impact to achieve comprehensive institutional budgeting around the President’s five themes.

Processes 9 – The President should play an active role providing guidance to the Budget Committee at critical periods in the cycle of annual and long-range planning, performance assessment and evaluation against plans. This is especially important due to the restructuring of the senior leadership team, realignment of responsibilities and the ongoing refinement of the University Planning 2010-2011 document with detailed objectives under each of the five Themes with expected Actions and Outcomes.

Processes 10 – FADM has a Continuous Improvement Team (CIT) in place. We recommend this effort be enhanced to undertake comprehensive, systematic process improvement and redesign initiatives for the key business processes that are aligned with strategic goals. To obtain maximum results from each continuous improvement initiative, full support and cooperation from Executive Committee members, and as a body, are essential. Process improvements offering the highest impact will cut across administrative and academic departments and all executives are encouraged to use the CIT as it expands capacity. Process improvements must include related policy changes, as necessary, and expectations for departments who initiate transactions.

Processes 11 – As continuous improvement projects and other process studies are conducted, the affected FADM and academic departments should consider the results to inform revised official position descriptions for the personnel who perform, and supervise the processes under review.

Processes 12 – Given FADM’s historic underfunding, when it has received additional resources it has reallocated to meet strategic university goals. The underfunding conditions still exist and FADM should develop a budget and staffing plan that, over time, brings positions currently funded by charge backs and other soft money back onto the University’s base budget.

Culture and Collaboration

Observations

Culture has a powerful influence on the manner in which organizations plan, design and implement the delivery of academic and administrative services and functions. Universities by the nature of their decentralization and multiple and diverse academic and administrative departments are characterized by many cultures. These cultures provide positive and important stability and mission commitment. For PSU, its cultures are significantly influenced by its short history, rapid enrollment and physical growth, constrained resources and, now, the desire to have a larger high quality research enterprise. However, during times of change, existing and conflicting cultures can become constraints on making necessary alterations to organizational alignment, individual work assignments, systems and policies and procedures. We see these forces at work at PSU.

Throughout this report we make suggestions and preliminary recommendations that carry implications for existing cultures. These cultures must be considered in order to make the administrative processes more effective and reduce transaction times without increased risk to compliance and goal accomplishment. Understanding and addressing these cultural implications will require increased attention of PSU leadership at several levels, starting with the President’s Executive Committee. Attention to cultural implications will be especially important in the case of organizational realignments and addition of, or changes to, internal governance bodies.

Limited formal long range planning: In the past decade, and prior to President Wiewel’s arrival, the history of PSU was one of presidential leadership pursuing opportunistic growth, without formal and rigorous long range planning. Policies and procedures have generally been tied to the State’s biennial budget cycle through the Oregon University System (OUS). The absence of long range plans tied to strategic and operational goals and objectives has lead, at times, to an environment of ambiguity and uncertainty for managers in many departments, especially those within FADM who are charged with, and make decisions regarding, expenditure control, services and compliance. At the same time, this project based management approach has resulted in many positive responses to short and long term needs and opportunities resulting in important outcomes such as: a new Student Recreation Center; new academic spaces and upgrade of Science II; completion of Campus Sustainability Council; customer relations software for students; The Portal and assuming management of student housing, to name a few.

Limited formal policies and procedures: PSU’s initial small size, focus on a traditional undergraduate education and the regional Portland culture of informality has resulted in a more “oral” than formal written policy culture. There has been a history of relying on OUS and State policies and procedures to

guide the handling of campus transactions. In the later 1990's there was a major initiative to relieve their related bureaucratic burden. At the current time there are significant efforts to rebuild the policy and procedure infrastructure for preparing policies and procedures linked to formal University plans in such a manner that transactions can be handled efficiently, but without loss of accountability and reasonable risk attenuation. This policy development process is outlined on the FADM website for linkage to existing policies and creating new ones. Over the past year, there has been effective policy development for Information Technology, Human Resources, Auxiliaries, Campus Public Safety and others. Within research administration, many policies have been jointly developed between representatives from Offices of Research and Sponsored Projects and Research Accounting, alongside external resources from Huron. Some of the policies that have recently been or are in various stages of being developed include:

- Financial Monitoring of Sponsored Awards
- Cost Sharing
- Cost Transfers
- Sponsored Awards Charging
- Effort Reporting
- Service Centers
- Subrecipient Monitoring

The underdeveloped application of formal internal governance and oversight: The development of internal governance and oversight structures such as steering committees and councils has not been fully developed. Although the University has a solid record of successful problem solving and project task forces it does not have a formal tradition of using campus based governance bodies to study and consider systemic causes and effects, evaluate options, or write and implement comprehensive policies and procedures that allow for management judgment and delegated authority to replace unnecessary bureaucratic rules and regulations. Such governance structures can also be effective in developing recommendations for the allocation of scarce resources. Functions that would benefit from effective internal governance include, but are not necessarily limited to: information technology, institutional budget and planning; accounting transaction control; facilities maintenance; and admissions and financial aid. We do note that the FTIFS Report made many recommendations for the use of task force's.

The over control of transaction management and decision making: As a consequence of PSU's environment of scarcity and limited formal policies, procedures and delegated authority, the management of functions such as institutional budget development, accounting, human resources, facilities, and research compliance have responded with increased levels of transaction control and approval. This situation resulted in reduced coordination and communication across functions with the result that administrative and financial functions appeared as silos to others who must interact with FADM for expenditure, employee and facilities transaction approvals. Within the last several years efforts are underway to mitigate this situation.

Preliminary Recommendations

We do not have any additional specific recommendations in response to our above observations of cultures beyond those mentioned in our observations and recommendations. These are provided to give senior leadership an insight into the deep and interconnected nature of cause and effect that must be

considered in making changes in organizational alignment, policy and procedure changes and resource allocation. In other words, just adding staff or funding will not result in the most effective use of those resources. University leadership should work collaboratively to design effective policies and procedures that guide goal driven actions and allow for delegated authority and accountability at both the transaction initiating department and FADM must be considered within the context of these and other cultural considerations.

Information management and communications

Observations

The Director of Information Technology & Chief Information Officer (CIO) reports to the Associate Vice President for Finance & Administration, who in turn reports to the VPFADM. It is unusual for the CIO of a university the size of PSU not to have at least a direct reporting relationship to a Vice President and not to have regular access as needed to the President's cabinet.

PSU does not have a high level oversight body to provide strategic project prioritization and performance monitoring of the IT function. An IT governance committee exists but its membership is limited to those directly impacted by IT support and appears to address tactical or operational issues as opposed to strategic, systemic, and resource allocation issues. Its composition is more appropriately suited for tactical issue resolution as it does not include senior level participation on a regular basis. PSU does not have a strategic plan for information systems that could guide resource allocation to institutional priorities over a multi-year planning horizon. As a result, IT projects are often under-resourced and their impact is generally sub-optimized. In addition, departments with critical information systems needs are often unsure as to when, if ever, their needs will be addressed.

Academic Affairs has developed its own IT functions in some areas to have more control over IT coverage and performance. Such adaptive measures are understandable, but they may serve to sub-optimize further the institution's overall approach to IT needs.

Preliminary Recommendations

Information Technology 13 – PSU should establish a senior level IT governance body charged with developing a multi-year strategic plan for Information Systems and providing guidance and advocacy for the allocation of institutional resources to IT priorities.

Information Technology 14 – The CIO in conjunction with the governance body should develop an annual plan to justify, fund and implement specific IT priority projects. The annual plan should be part of the multi-year strategic plan and should indicate the likely sequence of future year projects.

Information Technology 15 – The CIO position should report directly to the VPFADM and should attend Executive Committee and Council of Deans meetings whenever important IT issues are on their agendas.

Short-term, high-impact opportunities

Observations

Our intention was to identify specific essential functions that offer high return from follow-on focused analysis and projects. During our interviews we asked for insights into ideas for both quick and long term improvements to services and processes. Due to prior resource reductions and constrained budgets of administrative units, however, we have identified in our short engagement on campus no significant “quick-wins” within FADM that can be acted upon in the immediate term to produce incremental savings. At this stage of severe resource limitations in administrative units, attempts at quick-win projects and major organizational restructuring might even carry a risk of negative unintended consequences.

Although we have no quick wins to offer related to the FADM organization, we do comment on the decisions and actions of distributing recovered Facilities and Administrative (F&A) funds back to Deans and departments. The return of F&A recoveries to academic and research departments has the compounding effect of leveraging more work on the FADM departments, while depriving these units of the resources needed to provide necessary services. More funds to research increases the base of activity requiring facilities and maintenance support. However, FADM has fewer staff and resources to respond. It is noted that the Financial Futures Task Force is charged to review the F&A approach and recommend to the President strategies for the distribution of F&A recoveries.

Preliminary Recommendations

Opportunity 16 – We recommend that the F&A return policies and practices be reviewed with consideration to the proper balance of return to academic departments and retaining a significant portion of these funds centrally as resources to rebuild the depleted staffs and budgets of those areas within FADM and Academic Affairs that comprise the expenditure base from which recoveries are calculated.

We have no additional recommendations in this area. However, we return to the general themes expressed throughout the report and urge that leadership devote increased attention to certain broad principles, whose application may reasonably be expected to empower executives, leaders, managers, and staff throughout the organization to identify opportunities for improvement in their respective areas in the near term as well as in the longer term. These broad principles include:

- Strong internal governance structures to provide oversight of essential functions and processes
- Limited organizational realignment to improve cross-cutting business processes
- Clear planning and implementation strategies
- Performance goals for administrative and financial functions at all levels
- Appropriate delegation of authority and empowered decision-making for qualified managers and supervisors
- Consideration of the systemic implications of the decisions, actions and behaviors of other departments that initiate transactions and are accountable for the effective use of PSU resources

FADM's external activities

Observations

The VPFADM has undertaken a series of external relationships with local community groups, OHSU and governmental agencies. These relationships often tie back to areas under FADM's domain such as the relationship between the campus housing facilities and their surrounding neighborhoods or the role for campus security to play in conjunction with the Portland police department. More broadly these relationships and interactions have resulted in mutually beneficial partnerships and outcomes with the City and OHSU.

Preliminary Recommendations

External 17 – PSU should examine the full array of its external relationships conducted by vice presidents or cabinet members and should assign responsibility for these relationships to cabinet members who are most appropriately positioned to manage them. As an urban university there are key relationships that must be maintained with the City of Portland and other related formal organizations such as the Portland Development Commission. Those assigned might include the VPFADM, the VPRSP, the new Vice President for University Relations, the Chief of Staff or others.

External 18 – Current collaborations with OHSU in such areas as housing, safety and other beneficial relationships should continue to be explored and expanded. Some collaborations may offer opportunities to mitigate FADM's under resourced condition.

Section Two – FADM's Structure

This section addresses specific questions related to the overall structure of FADM as well as the specific alignment of certain functions and departments within FADM

General Observations

Our earlier comments describe the general circumstances of the FADM organization, its culture, policies and procedures, under-resourced condition and general risk aversion that results in poor cross departmental communications and a lack of transparency to external observers. These conditions are the result of a complex combination of: inadequate resources to handle work-loads; insufficient and/or outdated policies, procedures and automated information systems. We do recognize and acknowledge that significant progress has been achieved in support of institutional goals and priorities and that certain steps have been taken, including reinstating the continuous improvement program and the new policy development and web linkages.

To further address such issues, we suggest a limited number of organizational realignments. These changes should lead to: (1) increased responsiveness to University goals with minimal resource additions; (2) further opportunities for policy and process changes; (3) more effective use of the resources of campus-wide administration; and, (4) enhanced organizational capacity and effectiveness.

We also realize that only so much organizational, policy and process change can be effectively planned implemented, managed and absorbed at one time by leadership and the campus. In the end, one of the key

measures of success will be cultural changes of improved policy development, decision processes and support for academic and administrative priorities. For the preliminary recommendations we make below, we believe PSU leadership should spend appropriate time considering the implications of the suggested changes and ordering their sequence before beginning any of the moves. We continue to emphasize the importance of developing effective governance and oversight as an essential ingredient in the success of any moves and on-going operations.

Specific Areas of Focus

The questions we focus on below, and the suggestions we make for possible realignment, all involve significant policy and procedure refinement. Effective implementation of these moves may also give PSU extensive insight into other organizations and their policies, procedures and decision making processes. PSU leadership, management and staff will thereby gain important capacity building knowledge and skills that can be put to good use as other policy, process and structural adjustments are identified and planned.

We do not recommend any additional organizational changes at this time. Designing and implementing the above moves will require substantial time of the Executive Committee members in their roles as line managers and create organizational uncertainty and anxiety that must be dealt with as part of the transition efforts. Any additional organization changes at this time will likely over-tax the ability of PSU to absorb the changes effectively.

1. Should Finance and Administration become two Divisions?

There are pro's and con's to the current structure of one Vice President responsible for both finance and administration. As noted earlier, the FADM organization, under the leadership of the VPFADM, is large and complex. This structure is typical for larger universities, especially those with extensive research activity and large physical plants. At this time we recommend retaining the unified structure of Finance and Administration.

A principal reason for separating finance from administration would be to further strengthen the financial planning, budgeting, internal controls and services of the financial functions to the campus. With the Provost's addition of a Vice Provost for Fiscal Strategies and Planning, it is clear that the Provost will become more engaged in planning, finance and budgeting. Creating a more focused VP Finance position may increase the challenges of improving coordination between finance and academic staff. Other reasons for not adding a VP Finance reporting separately to the President include: significant dollars would be needed to create and staff the new office; if our recommendations below to move Financial Aid to Student Affairs and Post Award Accounting to a combined department with Pre-Award Administration are implemented, the responsibilities of the Finance Department will be reduced; it may be difficult to recruit a highly qualified professional to the VP Finance position due to the diminished scope of the job; the President's span of control increases and the dynamics of the Executive Committee could change significantly.

At this time the funding necessary to add a VP Finance might be better spent on implementing other structural realignments as recommended. Time should be allowed to let the impact of current changes in the Provost's Office and our recommended adjustments to take hold before introducing more senior administrative changes.

2. Should the CIO's position change?

As discussed above, we recommend moving Information Technology to be a direct report to the VPFADM and strengthen IT governance. We also recommend strengthening IT governance and adding resources to IT based on a comprehensive study. Moving IT to be headed by an Associate Vice President position would be consistent with practice at many universities where CIO's typically report one level below the Executive Committee. The VPFADM should work with the President and Provost to ensure access of the IT leader to senior leader forums such as the Executive Committee and Council of Deans. These forums, plus improved governance and added resources, will be the most important adjustments to improve IT capacity. Accordingly, we do not recommend a Vice Presidential level position for the CIO or moving this position from FADM.

3. Should Pre-award and Post-award research administration be integrated?

Historically PSU's pre-award functions for sponsored programs administration have been managed by the Assistant Vice Provost for Research and Sponsored Projects, Graduate Studies & Research. Post-award functions have been under FADM's organization with the Director, Research Accounting reporting to the Director, Business Affairs, who in turn reports to the Associate Vice President for Finance & Controller and ultimately to the VPFADM. The two offices have been collocated on the same floor.

With the recent creation of the position of Vice President for Research and Strategic Partnerships, an opportunity exists to contemplate the integration of all research administration function across the "award life cycle" under the VPRSP.

In Huron's experience, many universities are now moving to various forms of integration in research administration ranging from two functions reporting to the same director or vice president to a single organization under one manager or to a fully integrated "life cycle" model that, in effect, does away with pre- and post-award distinctions by offering end-to-end services. The most successful of these new structures have also been characterized by maintaining a reporting relationship with Finance. In many cases, this is accomplished by having the combined research administration functions report in the Finance chain-of-command. When this is not the case, however, a dual reporting relationship is generally defined so that accountability for financial internal controls is maintained.

The Huron team did not study this issue in sufficient detail during this short engagement to make a definitive recommendation about the structure PSU should adopt. However, we are comfortable making the following preliminary recommendation:

Structure 19 – PSU should study the internal processes, staffing levels, skill sets and operational issues characterizing the pre-award and post-award offices and should evaluate potential options for close integration of the two. In doing so, PSU should optimize operational efficiency, customer service and research compliance while assuring adequate internal financial controls. An effective governance oversight committee/council should be established prior to creating the new organization and any new leadership position that might be involved.

4. Should Financial Aid be integrated with Student Affairs?

Currently Financial Aid is managed by the Director, Financial Aid who reports to the Associate Vice President for Finance & Controller and ultimately to the VPFADM. This important function is often considered an integral and critical component of the broader “enrollment management” process. At PSU, the other components of enrollment management report to the Vice Provost, Student Affairs. The current relationship is advantaged by Financial Aid being physically located in close proximity to the other parts of the enrollment management function.

In Huron’s experience, all aspects of enrollment management are often managed by a single executive to ensure optimal performance, including oversight of the compliance functions related to financial aid. The Huron team did not study this issue in sufficient detail during this short engagement to make a definitive recommendation about the structure PSU should adopt. However, we are comfortable making the following preliminary recommendation:

Structure 20 – PSU should study the internal processes, staffing levels, skill sets and operational issues characterizing all components of its enrollment management function. Preference should be given to integrating enrollment management under one leader. PSU should evaluate potential options for accomplishing this. In doing so, PSU should optimize enrollments, student profiles, net tuition revenues, operational efficiency, customer service to students and families, and compliance with the financial requirements governing aid programs. Strong financial controls and compliance with government regulations should be maintained at today’s levels through formal linkages with the AVP and Controller. An effective governance oversight committee/council should be established prior to creating the new organization.

5. What is the proper location of the University Budget Office currently in FADM?

We recommend continuing the current configuration of the Budget Office within FADM. It offers benefits that exceed those of moving the Office to the Vice Provost. As mentioned earlier, we believe institutional planning, budgeting and control are better served by two offices reporting separately to the academic and finance organizations. This configuration allows the VPFSP to focus on academic strategy and planning and the AVPBP to focus on institutional budget strategy and related administration and resource management functions. If PSU moves to an all funds budgeting approach, the Provost’s Office will play a central role in gaining the Deans engagement and the VPFA Office will play an equally important role in ensuring the inclusion of all funds and administering adequate transaction reporting and control.

Summary and Discussion of Next Steps/Challenges

PSU is well positioned for the future by its progress to date, size, geographic location and faculty and staff commitments. A major key to achieving success is the effective ordering of priorities, aligning and balancing academic and administrative goals and resources to achieve these priorities. We noted many situations where FADM departments are currently understaffed and under-resourced to carry out their part of future plans. We believe some progress can be made from consideration of our recommendations.

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However, the university's broad mission attainment cannot be achieved without the addition of significant additional resources to FADM.

The President has recently published the University Planning 2010-2011 document. The following suggestions for action align with several of the major themes: Improve Student Access; Achieve Global Excellence; and Expand Resources and Improve Effectiveness. We offer the following thoughts for setting, sequencing, prioritizing and implementing our recommendations or other major subsequent organizational and policy decisions:

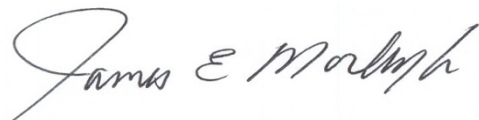
- Decide on the organizational changes that are seen to offer the best options for improved goal attainment, service and effectiveness, increased resources or cost savings
- Conduct comprehensive reviews of: organizational changes and related governance, policies and procedures, IT, staffing and other resource requirements
- Continue the work started by the Offices of Research and Sponsored Projects and Research Accounting to identify and develop policies and procedures in the area of research administration.
- Develop effective governance oversight, comprehensive implementation plans and related performance metrics
- Decide on where additional resources should be added within FADM to support the organizational changes and other functions essential to support PSU high priority goals, such as facilities and maintenance for research; IT in support of selected organizational changes; and improvements to related transaction processing through the Continuous Improvement Program
- Maintain effective oversight and monitoring of implementation and adjust plans as necessary to ensure actions respond to planned goals and outcomes

Selecting and successfully implementing the right initial goals for organizational and related policy and procedures changes should have added positive results. The work of these first initiatives should provide important insights into related activities and organizational needs that will become apparent during the course of planning and implementation. These new insights can be the basis for setting the next round of priorities for improved services and operations.

We are most appreciative of the support of your staff in organizing our visit and for the openness and knowledge of all those with whom we interviewed across the PSU community. If the need arises for continued partnering with you as the next steps proceed, we would be honored to contribute to your goal of strengthening the finance and administration functions at the University.

Sincerely,

HURON CONSULTING SERVICES LLC



James E. Morley, Jr.



Portland State University
November 16, 2010
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cc: Bernie Trombley
Tim Patterson
Shandy Husmann

Attachments:

- Attachment 1 – Interview Schedule
- Attachment 2 – Presidential email to interviewees
- Attachment 3 – Documents Reviewed
- Attachment 4 – List of Huron Recommendations