workday.

iNtegrate
NSHE 2

Centralization Plan

November 2015

Table of Contents

1

Executive Summary

The Centralization plan for shared services in Human Resources and Finance at the Nevada System of Higher Education (NSHE) is a critical component in fully realizing the benefits of the implementation of Workday as the Enterprise Resource Planning (ERP) system for NSHE. This document provides a background description of the process undertaken to identify a proper model for centralization of shared services, as well as defining how to create a repeatable and refineable process to follow.

Both the NSHE Efficiency and Effectiveness Report and Huron Consulting's Business Process Review identified three initial functional areas, spanning Human Resources and Finance, to be considered for centralization. Those functional areas were Payroll, Benefits, and Procurement. In addition, management of Classified Employees has been separately identified as a possible function for centralization. The Huron Consulting Business Process Review recommended a well-defined model for centralization of shared services based on a study of NSHE, the nature of transactions being conducted, and experiences of other higher education institutions and systems that have already implemented shared services.

Based upon sources identified in this plan, the Executive Steering Committee (ESC) and the Campus Executives Committee (CEC) have jointly determined that the most prudent model for centralization of NSHE business processes is a hybrid of the current regional service centers and the Huron-recommended single service center models. Smaller institutions may also consider other forms of collaboration to leverage expertise not currently present on their campus. The first functional area is scheduled to be centralized at or before Workday is implemented in the fourth quarter of 2016.

This report outlines how the current standardizing of business processes will inform and lead to desirable moves towards centralizing of processes in various areas of back-office operations in HR and Finance. Specifically, representatives of NSHE institutions as well as System Administration staff have identified Payroll as the functional area most suitable for early centralization. The characteristics of Payroll exemplify how a process of continuous improvement can be used to determine functional areas appropriate for centralized services.

Background

In 2011, the Board of Regents endorsed an "Efficiency and Effectiveness Study" that identified opportunities for improvement in administrative efficiency. Co-chaired by UNLV Senior Vice President Bomotti and Vice Chancellor Zink, the study's primary goal was to determine an optimal organizational structure and streamlined business processes for Finance and Human Resource functions across all NSHE institutions. The Regents' study reinforced the need for a more in-depth analysis of NSHE Finance and HR practices prior to developing an RFP to solicit new software as a component of the iNtegrate 2 project to replace major administrative systems.

One of the first activities related to iNtegrate 2 (replacement of HR and Finance administrative systems) was to hire the Huron Consulting Group to conduct two studies: (1) to evaluate and suggest improvements in the System's Chart of Accounts and (2) a broad review of business processes across the System. Both studies emphasized System consistency and efficiency in evaluating existing operations, opportunities for business process reengineering, and an analysis of opportunities for improvement through what Huron termed, "Alternative Service Delivery Mechanisms."

NSHE is not a stranger to administrative shared services. NSHE has used shared administrative services since 1978, primarily through Business Center North (BCN) and Business Center South (BCS). BCN employees are housed on the University of Nevada, Reno campus and provide purchasing as well as payroll and benefits administration services for the University of Nevada, Reno (UNR), the Desert Research Institution (DRI), Truckee Meadows Community College (TMCC), Western Nevada College (WNC), and Great Basin College (GBC). Located on the University of Nevada, Las Vegas (UNLV) campus, BCS provides payroll, benefits, and purchasing services to UNLV and Nevada State College (NSC). The College of Southern Nevada (CSN) utilizes the shared payroll and benefits services of BCS, but operates its own purchasing function.

While there is cooperation and collaboration among the three service organizations, both the Board's "Efficiency and Effectiveness Report" and the Huron study identified opportunities for efficiency gains and greater transparency through development and adoption of standardized business practices and centralization of services for all eight NSHE institutions and the System Administration office.

The iNtegrate 2 Executive Steering Committee (comprised of representatives of the Chancellor's Cabinet) working closely with the Campus Executives Committee (comprised of the Business Officers of each NSHE institution) has developed the plan detailed in this document. The goal of this plan is, through the implementation of the Workday software, to adopt standardized, best of breed business practices across all System institutions, while reducing duplication of efforts through centralization of services where it makes sense. By standardization, this means that all institutions

3

will be performing the same business functions in the exact same way. This will drive efficiency in operations, which in turn will highlight opportunities for re-defining the current shared services Business Center model and driving greater efficiency of service.

Organizational and Governance Structures

The Executive Steering Committee and the Campus Executives Committee are in absolute agreement that standardized business processes are key to the success of iNtegrate 2. Standardized business processes means that, with few exceptions, every institution will perform the same business process in the same way. The area where there has been an ongoing discussion has been about the logical next step beyond standardization, the reduction in effort duplication at the campuses through centralization. For the purposes of the iNtegrate 2 project we have defined Centralization as "the reorganization of resources to best support and execute NSHE's new standardized business practices."

Organizational Models

Huron Consulting's initial business process review findings were distributed to the NSHE institutions for comment. The participating institutional leaders provided comments both in support and criticism of the Huron findings. The comments were provided to Huron for consideration. In June 2015, Huron was re-engaged and asked to refine the granularity of their original findings through actionable recommendations relating to the governance and supporting organizational structure that would best enable NSHE to succeed in the desired transformation of payroll, benefits, purchasing, and classified employees. Huron was asked to take into account: the original Huron business process review report, the feedback received from the NSHE institutions in response to the business process review, and their knowledge of successful organizational structures in higher education institutions and systems that had moved aggressively to shared services.

Huron evaluated three Shared Service Models for their suitability in light of the NSHE culture and project goals. They are quoted from the Huron report entitled Nevada System of Higher Education, dated August 6, 2015 (Appendix 2). The three models presented are:

1. **"School Based Model" or "Service Pods"** is one where two or more institutions form a partnership or arrangement to deliver certain administrative functions to the members of the group or partnership. The shared service organization may be managed as a separate entity or it may exist within the organizational structure of one of the institutions served. In such a model, staff members at the institution or unit level have organized around functional tasks, with responsibility for a narrower span of tasks than generalists. These staff members may

serve multiple units. This model typically emerges organically in response to staffing challenges, or is driven by leaders seeking the benefits of staff with deeper expertise.

2. **"Multiple Regional Centers" or "Coordinated Model"** establishes a centralized leadership organization that manages regionalized shared service administrative units, each supporting a subset of customer institutions or organizations. A network of regional centers offers a balance between the efficiency gained by consolidating staff expertise with the opportunity to maintain relationships with the institutions/units served, acknowledging the uniqueness of the service's different customers.

3. **"Center Led Model" or "Single Shared Service Center"** represents a service unit, under central management/leadership that provides services to all institutions or units that make up the organization. This is considered the most efficient model. Knowledge of the unique attributes of individual units is traded for expertise in specialized transactions, functional areas and/or institutional policies and procedures. For this reason, the model works best in connection with administrative services that are highly transactional in nature and are consistent from customer organization to customer organization. The single shared service center is often manifested as a transactional processing entity for a central office. In this model the central office is a policy-setting, training and review body; the shared service center is the processing and customer facing entity. A critical enabler to the success of such a model is technology that provides self-service at the customer level that allows for the local initiation and approval of transactions that are then accessed by the service center for processing. In contrast to a "typical" central service, a shared service center will include a specific focus on accountability to the customer. This is often in the form of Service Level Agreements, including clearly defined and tracked metrics, an advisory board made up of customers and mechanisms for continuous improvement

Huron's resultant recommendation was that NSHE move from its regional shared service model to a center led/single shared service center model. Huron based its recommendation on the following three key criteria:

1. Payroll Processing, Benefits Administration (certain elements), Purchasing, and Classified Employees are all highly transactional, predictable, and consistent.
2. Workday technology facilitates localized entry of transaction requests, development of local approvals and management, and the development of process workflows to a shared unit for processing.
3. The nature of these transactions does not require proximity to the requestor or customer institution for processing.

Elements of Governance

Appropriate governance of such an operational structure is fundamental to its overall effectiveness. The governance of the iNtegrate 2 project, itself, is similar to the Huron recommended model for ongoing operations in that functional areas amenable to centralization report up to System Administration through a single individual, with authority over and accountability for the performance of the functional area. Huron's governance recommendation went further to define a customer advisory board for a central service center. The primary purpose for the customer advisory board is to monitor performance against service level agreements and to provide regular feedback to ensure high quality, consistent services.

Centralized Operations

At the June 11, 2015 NSHE Board of Regents meeting, the Regents unanimously approved the iNtegrate 2 implementation budget. Moreover, the Board agreed with the iNtegrate 2 management team's proposed approach of working closely with the Campus Executives Committee to evaluate how Huron's single center shared services model would work within NSHE. This team (made up of members of the Campus Executives Committee, Executive Steering Committee, and campus subject matter experts) was also tasked with determining the best transition path from the current regional service center model to their recommended single center shared services model or to identify and develop a suitable alternative.

From July through August 2015 Gerry Bomotti of UNLV and Renee Yackira of the iNtegrate 2 Executive Steering Committee led efforts to collaborate with subject matter experts from NSHE institutions to identify what portions of each functional area were candidates for centralization. Gerry Bomotti drafted a summary report based on the discussions to which members of the Campus Executives Committee reviewed and commented. This report, the supporting data, and the comments of the Campus Executives Committee can be found as Appendix 3.

This process and analysis highlighted some key points.

1. The act of moving eight institutions plus System Administration to a common platform, with standardized business practices, is of itself a major undertaking that is very resource intensive, and it would be extremely difficult and disruptive to overlay a major reorganization simultaneously.
2. Expertise necessary to manage the ongoing operations of the four candidate functions for centralization does not currently exist within the System Administration offices. Reorganization and possibly the addition of high-level management and functional expertise at System Administration would be required.

6

3. Certain aspects of each functional area will require local presence (on each campus) or shared expertise among multiple campuses, (i.e. smaller institutions who wish to pool budget resources as they may not be able to justify full time resources individually) to assure high quality service to students, vendors, and employees within the NSHE system.
4. Expertise exists across the System geographically. NSHE should strive to adopt a model that does not require employees to relocate due to reorganization.

Action Plan

The iNtegrate 2 project is making great headway in the development of standardized, best of breed business practices for all NSHE institutions. Such single, system-wide business practices will generate efficiency and transparency; standardization is key to preparing for greater efficiencies through centralization of identified shared services. Standardization makes possible minimizing campus duplication of effort through centralization, which in turn will create the opportunity to enhance the quality of service provided to students, faculty and administration, fulfilling the primary goal of iNtegrate 2.

Based on the information gathered to create this report as it applies to NSHE, the Executive Steering Committed jointly with the Campus Executive Committee have determined that the best model for serving the NSHE institutions most effectively is a hybrid approach of the Regional and Single Center models. Smaller institutions may also consider other forms of collaboration to leverage expertise not currently present on their campus. The process of moving from the current model to an NSHE Hybrid model will be a dynamic process in which we learn and adapt over the first 18 to 24 months of production service of the Workday platform, as we gain knowledge about the system and realize increases in functional efficiency.

Payroll: A Prime Candidate for Centralization

Even as the initial design phase of the iNtegrate 2 project is winding down in October 2015, it is clear that Payroll is a function amenable to treat in a centralized manner. According to a matrix created by a working group led by Mr. Bomotti, over 83% of Payroll functions readily lend themselves to a centralized model and/or shared services. Other activities, noted as "initiate locally," are currently performed at the campus level or within the current business center structure. These "initiate locally" activities are being standardized within the Workday configuration and will likely continue to be handled locally, but can be administered and accounted for centrally to provide maximum efficiency and effectiveness within human resources and financial functions. Given the Workday functionality and standardization of business processes, every Payroll function listed in the CEC working group document can be centralized.

At present, the Payroll office at BCN has one manager, two program officers, three accountant technicians, and one accounting assistant for a total staff of six. The Payroll office at BCS has one accounting manager, three accounting technicians, two accounting assistants, and one administrative assistant for a total staff of seven. The critical nature of Payroll justifies these positions currently and, as such, all these positions should remain as part of the transition to a combined organization in order to maintain the level of customer service that exists today. The dynamic nature of the transformation process will highlight realized efficiencies over time. This in turn may require further reorganization of staffing.

The same working group analysis identified that 85% of the issues identified for Benefits Administration can easily be centralized. The remaining 15% require regional or local presence for employee service. Once again, this lends itself to administrative centralization with regional representation. Therefore, it is logical to centralize Benefits following Payroll, taking advantage of knowledge acquired during the centralization of Payroll. In addition, this phased approach will allow further refinement of the process during centralization of subsequent functions

Transformation Committee: Ongoing, Iterative Change

Transforming these NSHE functions from the current regional service center model to the NSHE Hybrid model will require ongoing expertise from several key contributors. A transformation committee should be formed for each functional area being centralized. The Vice Chancellor of Finance and Administration should chair each committee with representation from specific functional area senior management, the iNtegrate 2 Project Director, Campus Executives Committee, and the Executive Steering Committee to address issues such as:

1. How to fund the centralized function
2. How to staff and organize the centralized function
3. In what facilities should the centralized employees be housed (BCN, BCS, Other)
4. Development of Service Level Agreements

It is important to note that since Payroll is a clear candidate to be the first functional area to be centralized at or before "Go Live," of the Workday software, the payroll centralization committee has been tasked with developing and documenting a step-by-step plan to accomplish this goal. During the execution of the plan for each functional area, a secretary should be appointed to document the process followed and note successes and shortfalls along the way. This will allow NSHE to modify its transition "template" for use in the centralization of Benefits, Purchasing, and Classified Employees. As of October 2015, the projected timeline for completion of the centralization of Payroll is estimated to be September 2016, just prior to the "Go Live" of the Workday system in October.

8

Once NSHE has completed Payroll centralization, analysis and optimization of the process should be performed and a similar process should be followed for the centralization of Benefits, followed by Purchasing, and Classified Employees administration. This allows for adaptation, taking into account the unique nature of each functional area as well as application of lessons learned from previously centralized functional areas.

A well thought-out phased approach will allow NSHE to determine and locate where the best resources are to manage each function. For example, because it has been identified that System Administration does not currently have the expertise to manage these functions, it might make sense to centralize Payroll at BCN and Benefits at BCS, where the respective strength of leadership and expertise is already located.

Keys to Success

The following keys are required to ensure the success of centralization:

1. It is critical to define Key Performance Indicators (KPI) at the outset for this transformation process. The establishment of no fewer than three and no more than five KPIs will provide a foundation for continuous performance measurement. This, in turn, will help NSHE to adapt and evolve the transformation process quickly, making the transformation of each subsequent functional area more efficient.
2. Process development and execution must be a collaborative effort inclusive of representation from current service center functional experts, the Campus Executives Committee, and System Administration.
3. Simplicity in process design.
4. Cleary defined goals.
5. Clearly defined escalation path to reach timely decisions when committee consensus cannot be achieved.

Closing Thoughts

The plan outlined within this report is intended to be a dynamic road map for the process of centralization of shared services across all NSHE institutions. It provides a clear justification for direction as well as a platform for success. It is critical that cooperation through collaboration between the expertise of current functional leadership, senior administrative management of NSHE institutions, and System Administration leadership be employed in execution of the plan. If this is achieved, the centralization of services will greatly enhance the standardization of business process implemented as iNtegrate 2.

Glossary

1. **Business Center North (BCN)** – The current shared services center of operations located on the University of Nevada, Reno campus; BCN provides purchasing as well as payroll and benefits administration services for the University of Nevada, Reno (UNR), the Desert Research Institution (DRI), Truckee Meadows Community College (TMCC), Western Nevada College (WNC), and Great Basin College (GBC).

2. **Business Center South (BCS)** – The current shared service center of operations located on the University of Nevada, Las Vegas (UNLV) campus; BCS provides payroll and benefits to UNLV, College of Southern Nevada (CSN) and Nevada State College (NSC), and purchasing services to UNLV and NSC.

3. **Campus Executives Committee (CEC)** – Advisory board, comprised of the Business Officers from each of the institutions within the Nevada System of Higher Education, convened to advise the iNtegrate 2 Executive Steering Committee and the iNtegrate 2 Project Director.

4. **Centralization** – The reorganization of people to best utilize standardized business practices.

5. **Enterprise Resource Planning (ERP)** – An integrated suite of business management software applications.

6. **Executive Steering Committee** – Members of the Chancellor's cabinet charged with oversight of the iNtegrate 2 project.

7. **Standardization** – The adoption and implementation of best practice business processes across all Nevada System of Higher Education institutions.

8. **Workday** – the Enterprise Resource Planning solution vendor selected for implementation as part of the iNtegrate 2 project.

Appendices

1. **NSHE Efficiency and Effectiveness Report Phase 2, 2011**

E_E_Final_Phase_2_R
eport_and_Recommer

2. **Huron Consulting Report – August 2015**

NSHE-SharedService_
OpportunityAssessmei

3. **NSHE Centralization Special Committee Findings – October 2015**

Shared services
structrure (1).pdf

benefits.pdf   payroll.pdf

purchasing9.pdf   stateclassified.pdf

11

APPENDIX 1

NSHE Efficiency and Effectiveness Report Phase 2, 2011

Nevada System of Higher Education

June 10, 2011

TO: Board of Regents

FROM: Vice Chancellor Bart Patterson

CC: Chancellor Klaich
              NSHE Presidents
              NSHE Business Officers
              NSHE Faculty Senate Chairs

RE: Efficiency and Effectiveness Phase 2 Recommendations

The initial phase of the Board's Efficiency and Effectiveness Review focused on Board operations. The purpose of this Report is to provide the Board with an update and final recommendations or options for Phase 2 pertaining to review of business operations in the area of Payroll, Human Resources and Purchasing.

Review

Following the preliminary report issued in March, I have continued to work with our internal group, including Gary Ghiggeri, former Nevada Senate fiscal analyst, business officers and directors for the three primary business centers, and outside consultants. In addition, the business center officers formed their own ad hoc groups to examine scenarios concerning consolidation of certain functions. The reports of these ad hoc groups, along with my comments and their supplemental response are referenced as follows: Payroll, Attachment 1; Human Resources, Attachment 2; Purchasing, Attachment 3. In addition I have worked with Vice Chair Geddes and Regent Page with regard to their ideas about moving the initiative forward.

An additional challenge moving forward is that legislature no longer is separately funding Business Center North and Business Center South as separate appropriation areas from the University budgets. That being said, BCN and BCS will be separately accounting for these same appropriation areas expenditures in order to maintain the shared services model that has been established.

Payroll Background Data (from March report)

The NSHE payroll function is administered through two payroll offices: one at Business Center North and one at Business Center South. The Business Center North payroll office has seven employees including one professional employee and six classified employees; of the seven employees, six are funded with General Fund dollars at BCN and one is funded with non-general fund dollars at UNR. There have been no reductions or increases to the personnel assigned to the payroll function since 2007. Business Center North issued 154,560 payroll checks in fiscal year 2010 which is a decrease of 1,954 payroll checks from the number issued in 2007 (156,514). The current total annual budget for BCN payroll office as of 7/1/10 is $482,862 in state funds and $60,514 in non-state funds.

The Business Center South payroll office has six employees (the department is budgeted for seven employees but has never been fully staffed) including one professional employee and five classified employees; of the seven budgeted positions, three are funded through the BCS general fund budget, 2.5 FTE are funded with UNLV general fund dollars, and 1.5 FTE are funded with non general fund dollars. Similar to BCN, there have been no reductions or increase in personnel assigned to the payroll function since 2007. Business Center South issued 163,742 payroll checks (includes direct deposit) in fiscal year 2010 which is a decrease of 1,503 for the number issued in fiscal year 2007 (165,245). The current total budget for BCS payroll office for FY 2011 is $445,860 with $171,890 from UNLV General Fund, $195,884 from BCS General Fund and $78,086 from UNLV Institutional (Other Funds).

The personnel identified as part of the payroll function do not include the oversight provided to these operations by the Controller's Office at each institution.

Payroll Personnel - FY 2011

	BCN/UNR General Fund	BCN/UNR Other Fund	BCS/UNLV General Fund	BCS/UNLV Other Fund	CSN General Fund [a]	CSN Other Fund [a]	Total General Fund	Total Other Fund	Total FTE's
Professional	1.00	-	1.00	-			2.00	-	6.00
Classified	5.00	1.00	4.50	1.50			9.50	2.50	11.00
Total	6.00	1.00	5.50	1.50	-	-	11.50	2.50	14.00
Total All Funds	7.00		7.00		-		14.00		

[a] CSN estimates related to staff that perform payroll related functions is included in the Human Resources schedule so that there is consistency in reporting as other institutions included these types of compensation functions in the human resources area. The chart also does not include institution personnel that may have some payroll related responsibilities at other institutions. The chart reflects seven budgeted positions for BCS, but the department has never been fully staffed and functions with six employees.

In addition to the business center staff, institution personnel are involved in the payroll function in terms of preparing and transmitting data that comprises the payroll. The payroll units review and audit the data for accuracy. Most of this data is created and

updated through use of the HRMS software system. The HRMS software is limited in functionality. Significant payroll functions are paper based.

Although employees are encouraged to implement automatic deposit, and there is a self serve feature for employees to obtain monthly remittance advices and W-2's on-line, a significant number of employees still insist upon delivery or mailing of these documents. Legal restrictions may present challenges in mandating electronic receipt of these documents.

Payroll Recommendations

1. Approve Chancellor adoption of policies in the Procedures and Guidelines Manual to emphasize shift to electronic transactions, including:

   a. Eliminate delivery of remittance advices and replace with mandatory self-serve option.
   b. Take further steps to encourage or require direct deposit, or as an alternative for some employees, provide payment cards.[1]
   c. Encourage use of self-serve for W-2's.
   d. Where feasible, efficient and reliable, develop electronic means to process transactions.
   e. Standardize earnings codes, deduction codes and other processes to facilitate cross-system reporting and pave the way for implementation of a new HR and Finance system.

2. Continued Study to Centralize Payroll Operations When Feasible in Accordance with Implementation of a New Finance and HR Software System

   The Business Center ad hoc group payroll report (Attachment 1) does not identify savings from payroll consolidation and the reports express concern about centralization given the importance of the function and the relatively small number of staff involved. In addition, concerns have been expressed that it may be difficult to centralize the payroll operation until such time as NSHE has an integrated Financial and Human Resources software system in place. In fact, the supplemental report indicates that SCS has estimated significant expense and time to set up the HRMS System to run one payroll.[2] Other concerns have also been raised about various costs that may be incurred in centralizing payroll.

---

[1] As part of the Iowa Efficiency Report in 2009, the report estimated that the cost of issuing paper checks for those employees that did not sign up for direct deposit was $139 per employee, not including the cost of courier service to overnight the checks to the employees' location.

[2] It is this kind of lack of flexibility that demonstrates the problems in having built up two apparently separately designed payroll systems with a lack of integration, even though utilizing the same software product.

Notwithstanding the concerns, it would appear that centralizing payroll would have the following benefits:

- Increased consistency in how payroll is administered
- Improved depth of personnel through a centralized office as opposed to staffing of two separate offices
- More uniformity in how compensation data is gathered, processed and reported
- Ease in emphasizing use of electronic transactions through one office.

The Chancellor's Office will return to the Board for approval of any recommendation to move to a single payroll office, as the timing of any centralization is likely better served as electronic transaction capability improves as part of implementation of a new Finance and HR software system, and to avoid the cost in having to redesign our current software to implement a single payroll office. At that time, we should have better information about the capabilities of the new System and improvements the new system will bring in processing payroll. We will also be able to design and implement the system based on a single payroll office model.

Alternatively, the System could further explore processing payroll through a third party provider. That may present challenges given current methods of inputting compensation data into the payroll system, but would likely avoid many of the issues associated with the current HRMS software system.

Human Resources Background Information (from March report)

Each of the institutions, UNSOM and the System Office have Human Resources Departments. In addition, in the area of classified employee matters, NSHE has three written delegation agreements with the Nevada Department of Personnel to perform classified employment functions, including Business Center North, Business Center South and CSN.

Human resource departments perform a variety of functions, including, among other duties, recruitment, hiring, training, compensation, benefits, grievances, discipline and other aspects of employee relations. The specific classified employee matters that have been delegated include recruitment, testing, training, classification, compensation, and record keeping.

In the case of professional personnel, most of the applicable employment policies are those established by the Board of Regents in the NSHE Code, Board Handbook and the NSHE Procedure & Guidelines Manual. Other policies may also be found in the each institution's bylaws and business procedures. There is some degree of discretion involved in interpreting the various laws and policies.

For classified employment, the employment rules and regulations are governed by state law and regulation, and are largely administered and interpreted by the Nevada Department of Personnel. There is little room for interpretation of these rules and regulations without consulting the Department of Personnel.

Human resource functions are often viewed as core institutional departments. In addition, certain human resource functions have significant "in person" requirements, particularly in the areas of recruitment, counseling and handling grievances/discipline. Consequently, it would be difficult to effectively centralize many of these human resource functions.

At the same time, much of the processing of human resource transactions is paper driven, with an extensive system of signature approvals for many transactions. NSHE uses the HRMS software system for most employment related transactions. The HRMS system lacks a number of transaction and reporting tools, such as electronic workflow and signature capability, that could lead to greater efficiencies and less reliance on paper based transactions. NSHE will be limited in more efficiently processing transactions without changing to a more robust software system. In addition, many benefits transactions require interaction with the Public Employee Benefits Program and the Public Employee Retirement System.

Some initiatives have already been implemented by many institutions on a piecemeal basis to address the software system limitations. All institutions have some form of software to utilize for on-line recruiting. Some institutions have implemented or are reviewing implementation of electronic new hire "on-boarding" of employees. In addition, the System Office is pursuing a contract that will be available to all institutions for an electronic leave system as a temporary solution.

NSHE currently has three delegation agreements (BCN, BCS and CSN) with State Personnel by which various classified employee responsibilities are undertaken on behalf of the State, and NSC has requested a delegation agreement. Of these delegations, BCN provides a variety of classified employment and benefit functions for UNR, GBC, WNC, TMCC and the System Office. In the south, BCS provides some classified employment functions for NSC, in addition to UNLV. BCS also provides some benefit functions for NSC and CSN, in addition to UNLV.

The Business Center North/UNR Human Resources Office has 29.10 employees of which 7.70 FTE are professional employees and 21.40 FTE are classified employees. This is a reduction in staff from 2007 of 10.75 employees of which 6.75 FTE were professional employees (4.55 General Fund and 2.20 non-general fund) and 4.0 FTE were classified employees (2.0 General Fund and 2.0 non-general fund). This does not include nine human resources employees (2 professional and seven classified) for the School of Medicine. The current total annual budget as of 7/1/2010 for BCN/UNR human resources office (excluding the School of Medicine) is $1,152,000 in UNR General Fund; $829,000 in BCN General Fund; $261,000 in non state funds to support BCN human resources; and $233,000 in non state funds to support UNR human resources.

The Business Center South/UNLV Human Resources Office has 20 employees of which 11.0 FTE are professional employees and 9.0 are classified employees. This is a reduction in staff from 2007 of 5.0 employees of which 2.0 FTE were professional employees(General Fund) and 3.0 FTE were classified employees. The current total budget for BCS/UNLV human resources office for FY 2011 is $1,012,767 in UNLV General Fund, and $801,395 in the BCS General Fund.

The CSN Human Resources Office has 17.0 employees of which 7.0 FTE are professional employees and 10.00 FTE are classified employees. This is a reduction in staff from 2007 of 3.0 employees of which 2.0 were professional employees and 1.0 was a classified employee. The current total budget for CSN human resources office for FY 2011 is $1,475,000.

See summary table below for business center operations.[3] As there are so many interrelated functions, a comparison chart of the human resources personnel at all NSHE institutions is referenced as Attachment 3. The Comparison Chart is based on Fall 2010 employee headcount data collected by the System Office and the Human Resource personnel identified are intended to reflect budgeted positions.

Human Resources Personnel – FY 2011

	BCN/UNR General Fund	BCN/UNR Other Fund	BCS/UNLV General Fund	BCS/UNLV Other Fund	CSN General Fund	CSN Other Fund	Total General Fund	Total Other Fund	Total FTE's
Professional	4.95	2.75	11.00	-	7.00	-	22.95	2.75	25.70
Classified	17.61	3.79	9.00	-	10.00	-	36.61	3.79	40.40
Total	22.56	6.54	20.00	-	17.00	-	59.56	6.54	66.10
Total All Funds	29.10		20.00		17.00		66.10		

Human Resources Personnel - Position Reductions 2007-2011

	BCN/UNR General Fund	BCN/UNR Other Fund	BCS/UNLV General Fund	BCS/UNLV Other Fund	CSN General Fund	CSN Other Fund	Total General Fund	Total Other Fund	Total FTE's
Professional	4.55	2.20	2.00	-	2.00	-	8.55	2.20	10.75
Classified	2.00	2.00	2.00	1.00	1.00	-	5.00	3.00	8.00
Total	6.55	4.20	4.00	1.00	3.00	-	13.55	5.20	18.75
Total All Funds	10.75		5.00		3.00		18.75		

---

[3] The BCN/UNR personnel numbers do not include nine human resources staff for the School of Medicine. In addition, these charts are merely the number of positions identified in a central human resources office and caution should be exercised in comparing only the number of human resources personnel. Any assessment of staffing needs would require a detailed comparison of functions performed within each human resources unit. For example, at some institutions, academic departments may perform certain human resources functions, while at other institutions these functions may be more centralized, thereby requiring more staff.

All of these staffing numbers are slated for further reduction to meet the FY 2012-12 budget.

Human Resources Recommendations

1. Approve a Unified Single Delegation Agreement

To increase consistency and create a more unified approach to interacting with State Personnel, NSHE is developing a single delegation agreement with the State for classified employment matters. The delegation agreement will be under the overall auspices of the Chancellor's Office, with sub-delegation of duties to institutions and business centers.

2. Approval to Eliminate Annual Renewal Contracts and Part-Time Faculty Contracts To Improve Efficiency in Transactions.

Approval is sought eliminate annual contract requirements for full-time faculty and create a form initial contract to address initial hire and subsequent changes in title, compensation, Board policy and the like over the course of employment. Approval is also sought to eliminate written contract requirements for part-time faculty and substitute terms established by Board policy and the NSHE Procedures & Guidelines Manual. This change will be implemented effective FY 2013 and some policy changes may need to come before the Board for approval prior to June 30, 2012.

As a matter of explanation, classified employees do not have contracts as employment is governed by state law and regulation. Student employees likewise do not have contracts. Classified employee and student employment compensation is established through a Payroll Action Form (PAF), which is merely an accounting/budget document with position, compensation and other data.

Similarly, employment of full-time and adjunct professional employees is largely governed by the NSHE Code and/or Board policy, but institutions still generate an annual paper contract or renewal letter every year with the same standardized terms. These contracts consume a significant amount of time and resources to prepare, execute and store.

Additional efficiency will be established as NSHE implements new software for leave tracking and time and attendance, as well as to eventually replace the HRMS system, and implements new measures associated with electronic transactions, scanning and the like.

3. Further Study to Centralize Certain Human Resource Functions

Scenarios were presented to the Business Center ad hoc HR group to centralize certain classified functions. The group responded to those scenarios. (See Attachment 2).

NSHE will continue to study centralization in some form of three functions in the classified employment area: Classification, Testing, and Training/Development, with the objective of implementing such centralization, if feasible, by means of the NSHE Delegation Agreement with State Personnel.

With respect to the centralization of these functions, the Business Center ad hoc group HR report (Attachment 2) does not identify any savings associated with centralization and in fact projects additional costs, primarily due to the difficulty in recruiting part-time positions. Other concerns are expressed in terms of customer services and current differences in approach between business centers.

Notwithstanding the concerns, NSHE recommends continuing to review the classification function for centralization due to the following advantages:

- Ability to create depth and specialization, as the institutions are dedicating very few resources to this fairly complex function.
- Creating uniformity in how classification functions are administered across the System, which should also be a positive in working with State Personnel.

With respect to classified testing, NSHE will continue to investigate how to ensure that testing is reasonably available in each geographic area, and to minimize redundancy in offering testing in a geographic area. This can be addressed in the form of the NSHE Delegation Agreement and will not necessarily involve any centralization.

With respect to the classified and professional training area, NSHE will continue to evaluate how to provide and collaborate on training resources available to all institutions, which will not require any formal centralization of the function.

With respect to classified recruitment, NSHE will work with the institutions and State Personnel as to how to more efficiently and effectively complete successful recruitments that will integrate more effectively with professional recruitment processes.

With respect to the area of benefits, NSHE is not currently proposing a centralization of functions, but will be developing policies and a structural mechanism so that NSHE may interact more effectively as a System, including interactions with PEBP and PERS.

An alternative to the recommended approach would be to develop a plan to centralize all classified functions into one office as per the model for the State of Nevada.

Purchasing Background Information (from March report)

NSHE purchasing is a function of the exercise of contract authority, which has been delegated to the Chancellor by the Board of Regents. The Chancellor has, in turn, delegated a level of contracting authority to the presidents. The Board has adopted certain broad purchasing policies, but the most detailed requirements are found in the NSHE Procedures and Guidelines under the authority of the Chancellor. In addition, institutions and business centers may have adopted more specific purchasing policies and procedures.

NSHE purchasing is largely decentralized. Many individuals/departments have authority to make purchases with use of a purchasing card (typically up to $2000 per transaction) and subject to any monthly account expenditure limits. In addition, departments/units largely make their own purchasing decisions under $50,000, which is the threshold at which a formal bid process is required unless a competitive exception is granted. For amounts over $25,000, two informal quotations are required. For amounts above $10,000 and below $25,000, one informal quotation is required.[4]

The use of purchasing cards is critical to efficient purchasing, but such use also creates challenges for effective implementation of other objectives, such as strategic purchasing, supply chain inclusion and local purchasing programs.[5] In addition, there is a challenge in integrating p-card purchasing into strategic purchasing objectives because purchasing card programs are administered by the controller's office, not the purchasing department, at every institution except UNLV. CSN is still in the process of implementing a purchasing card program.

There are three purchasing centers within NSHE: BCN, BCS and CSN. The purchasing centers interact with departments/institutions in several primary ways. For all transactions in which a purchasing card is not used, each department/institution generates a purchase requisition which the business center processes and then issues a purchase order.[6] The purchasing center does not handle the payables/billing function, which function typically remains in the controller's office. For purchases over $50,000 (or construction projects over $100,000), the purchasing center is responsible for administering the formal bid procurement process, or reviewing any requests for competitive exception. In some areas, the purchasing center may have adopted a large scale contract that requires (or at least encourages) departments to make purchases under that contract. For example, UNLV has a contract with OfficeMax for office supplies, and the departments may save money if

---

[4] There are some differences in the bid thresholds at the institutions depending on the type of contract. Construction projects of $100,000 or more require a formal bid; projects between $25,000 and $100,000 require three informal quotations.
[5] An audit by the State of Nevada's internal auditors of the State Purchasing Division estimated "freed-up" administrative time of $380,000 if all state agencies fully utilized a purchasing card. This estimate was based on the State of Michigan's estimate of a cost of $7 more per transaction for non p-card transactions.
[6] For smaller purchases that are not purchased through p-card, the transaction may be processed as a payment request without the need for a formal purchase order.

they routinely make office purchases under that contract.[7] Likewise, BCN/UNR has contracts with companies for office supplies, lab supplies, computer equipment, phone services and the like that provide for savings. In addition, each of the business centers frequently joinder onto other state and local government contracts, as well as national or regional consortium agreements. The Business Center North purchasing department has ten employees including one professional position and nine classified positions; of the ten positions, 7.56 are funded with general fund dollars at BCN and 2.44 positions are funded with "soft" dollars (1.44 at UNR and 1.0 at BCN). Compared to FY 2007, this is a reduction of two general fund supported FTE. Business Center North processed 5,294 purchase orders with a dollar volume of $123,894,713[8] (average of $23,403 per purchase order) and awarded 70 bids with a dollar volume of $14,932,157 (average of $213,317 per bid awarded) in FY 2010. The current annual budget for the BCN/UNR Purchasing Department as of 7/1/2010 is $728,212 in state funds, $145,000 in UNR/DRI funds ($29,409 from DRI) and $71,000 in non state funds.

The Business Center South purchasing department has sixteen employees including seven professional positions and nine classified positions; of the sixteen positions, 12.53 are funded with general fund dollars and 3.47 are funded with "soft" dollars (UNLV). Compared to FY 2007, this is a reduction of four general fund supported FTE (2.0 FTE each at BCS and UNLV). Business Center South processed 3,943 purchase orders with a dollar value of $54,381,714 (average of $13,792 per purchase order), and awarded 36bids/rfps with a dollar volume of $40,539,546 (average of $1,126,098per bid/rfp). The current FY 2011 budget for the BCS/UNLV Purchasing Department is $918,271 in UNLV General Fund, $185,885 in the BCS General Fund and $190,247 in non-state funds. In addition, UNLV also is responsible for administration of the P-Card at UNLV (at other institutions the Controller's Office has this responsibility). The dollar volume of P-Card transactions processed through the Purchasing Department was $14,661,000 in FY 2010. UNLV's purchasing department is also responsible for the administration of a fully automated requisitioning application, MUNIS.

The CSN purchasing department has five employees including one professional position and four classified positions (all positions are supported with general fund dollars). Compared to FY 2007, this is a reduction of two general fund supported FTE. CSN processed 4,097purchase orders in FY 2010 (average of $9,843per purchase order) and also awarded nine bids in FY 2010 (average of $156,420 per bid). CSN is still in the process of implementing a purchasing card program. The current FY 2011 budget for the CSN Purchasing Department is $423,000.[9]

A comparison chart of the purchasing centers is below.

---

[7] State Purchasing also develops statewide contracts for various commodities, such as office supplies. While NSHE may buy from such contracts, this is an example of the type of contract that may benefit from a multi-jurisdictional type of state contract during the bid phase.

[8] The annual dollar volume of purchase orders has limited utility as this number may vary significantly from year to year depending on the number of large construction contracts or multi-year contracts.

[9] CSN's average dollar amount per purchase order is lower as Limited Purchase Orders are still used for some purchases as the purchasing card program is still being implemented.

Purchasing Personnel - FY 2011

	BCN/UNR General Fund	BCN/UNR Other Fund	BCS/UNLV General Fund	BCS/UNLV Other Fund	CSN General Fund	CSN Other Fund	Total General Fund	Total Other Fund	Total FTE's
Professional	1.00	-	6.00	1.00	1.00	-	8.00	1.00	9.00
Classified	6.56	2.44	6.53	2.47	4.00	-	17.09	4.91	22.00
Total	7.56	2.44	12.53	3.47	5.00	-	25.09	5.91	31.00
Total All Funds	10.00		16.00		5.00		31.00		

Purchasing Personnel - Position Reductions 2007-2011

	BCN/UNR General Fund	BCN/UNR Other Fund	BCS/UNLV General Fund	BCS/UNLV Other Fund	CSN General Fund	CSN Other Fund	Total General Fund	Total Other Fund	Total FTE's
Professional	(1.00)	-	(2.00)	-	(1.00)	-	(4.00)	-	(4.00)
Classified	(1.00)	-	(2.00)	-	(1.00)	-	(4.00)	-	(4.00)
Total	(2.00)	-	(4.00)	-	(2.00)	-	(8.00)	-	(8.00)
Total All Funds	(2.00)		(4.00)		(2.00)		(8.00)		

These staffing numbers are slated for further reduction to meet the FY 2012-12 budget.

In addition to the purchasing centers, each institution typically has business office staff that assist with and review purchase requisitions prior to submission to the purchasing center for issuance of a purchasing order.

Significant components of the procurement process are paper based, although BCS has been implementing pieces of an electronic procurement system through a Munis software system. For other business centers, they must rely on the Advantage software that is currently in use for NSHE financial accounts. The Advantage software is very limited in capability and reporting tools, and is not truly designed to function as purchasing software. BCS has implemented some portions of a software system that helps manage contracts called Munis, but there is no complete electronic procurement system in place anywhere in NSHE. This means that the registration of vendors, administration of bids and contracts, reviewing p-card statements, and processing purchase requisitions and purchase orders are all largely paper based processes. There is no centralized electronic database of vendors, although UNLV is working on a solution. There is no electronic payables system in place, although UNLV is close to developing a solution that seeks to use the Munis software in combination with the Advantage software to initiate electronic payments.

Purchasing Recommendations

A scenario was presented to the ad hoc Business Center purchasing group to consolidate bid procurement above $50,000 in one office, and to and decentralize purchase orders

below $50,000 to each institution. The ad hoc purchasing group responded to that scenario. (See Attachment 3).

The ad hoc purchasing group identified possible personnel savings from the scenario, but identified significant concerns over the capability of institutions to process their own purchase orders, as well as the impact this would have on strategic purchasing. Based on the concerns, the decentralization of purchase orders will be further studied.

The recommendations include:

1. Approval to move forward in investigating an e-procurement system.

   In order to effectively drive strategic purchasing and other initiatives, such as supply chain inclusion, e-procurement systems should be implemented that will integrate with all institutions. Such a software system is also critical to any restructuring of purchasing functions.

   A variety of e-procurement systems will be investigated, including expansion of UNLV's Munis system currently in use, with the primary objectives being:

   - Functionality
   - Cost effectiveness
   - Ongoing utility even with possible new financial systems software
   - Ease of integration to new financial systems software

   In addition to examination of systems, ongoing work is required to develop universal commodity codes and purchasing processes.

2. Direction to Chancellor to develop policies in the Procedures and Guidelines Manual to initiate more system-wide planning and interaction for large scale purchasing, software and equipment standardization, and adoption of other strategic purchasing initiatives applicable to each business center/institution to more closely manage departmental/unit spending. In addition, ongoing discussion and policy direction may be required to enhance use of p-cards and eliminate purchasing processes that are inefficient and difficult to incorporate into strategic purchasing objectives.

3. Direction to the Chancellor's Office to provide leadership in looking to alternatives to save money, such as:

   a. Convert fixed price maintenance contracts to time and materials contracts, typically with the same vendor or an equivalent vendor, with responsibility for

management of the program shifting to an outside vendor using a state contract with Remi Group.[10]

b. Hire outside consultants, preferably on a performance basis, to examine spending stream and identify savings.[11]

c. Hire cost auditors on a contingency basis to identify overcharging on contracts.[12]

4. Further Study of Plan to Consolidate Bid Procurement.

NSHE will further study the feasibility of implementing a single office bid procurement and strategic purchasing center. The objective of such restructuring would be to enhance specialization and depth in bid procurement and strategic purchasing, with the ultimate goal to reduce overall cost in acquiring goods and services, and to leverage, where feasible, all of the System's purchasing dollars in the purchase of common goods and services. It is recognized that such restructuring may not be effective without an integrated e-procurement system. Consequently, any final recommendation will coincide with implementation of an e-procurement system.

As alternatives, NSHE could look to a single office for all purchasing activities, or could look to consolidating purchasing in two geographic center offices.

General Recommendations to Improve Efficiency and Effectiveness

A number of recommendations are advanced for Board input that do not specifically relate to the areas under review, including:

---

[10] The State of Indiana and the University of New Mexico are examples of other entities that have entered into a similar contract with The Remi Group. Initial reviews of such programs are positive. In addition, The Remi Group has a contract with the federal government. BCN and UNLV have already initiated programs.
[11] The purpose of a spend analysis system is to extract, cleanse, classify, enrich and integrate different data from existing systems in order to pursue strategic procurement opportunities and targeted savings in key commodity and service areas. One of six "Drive to Excellence" initiatives launched by Minnesota's Governor Tim Pawlenty in April, 2005, included the Sourcing Initiative which called for a new organizational approach to gain leverage for all the state's purchases. Since then, the project has reported a reduction in cost of goods and services by over $250 million. Again, absent a robust financial system, effective implementation of these types of measures within NSHE may be difficult. There would also likely be upfront costs for consultant services unless performance fee options are available.
[12] State Division of Purchasing contracted with Chartwell Advisory Group to audit office supply contracts as entered into by the State of Nevada (effective March 1, 2010 through February 28, 2012). The purpose was to audit payments made by the State to determine discrepancies in paid amounts versus the contracted amounts. The net recovered amount (after the 35% recovery fee assessed by Chartwell as of January 21, 2011) for 2 of the 3 vendors is $227,140. The third vendor is currently still in review. The benefit realized from this type of contract is maximized to the extent NSHE has system-wide contracts for commodities.

1. Board input on the idea of Chancellor creation of a business advisory task force made up of community business leaders to provide input to the Chancellor on business operations.
2. Direction to Chancellor to develop policies to increase use of electronic signatures. Develop and emphasize use of electronic signatures.
3. Internal Audit. Recommendation that the Board should consider working with internal audit to include materiality as factor in audit findings and should also consider cost/risk as a significant factor in making recommendations. The Board should consider whether audits should be more operational and less compliance driven. These issues will be directed to the Board Audit Committee for initial discussion.

Next Steps

In addition to implementing the recommendations approved by the Board, the Chancellor's office will continue to systematically examine each area of business operations.

Board input is sought on whether the Chancellor should develop a standing system-wide task force to assist in systematically reviewing business operations.

Attachment 1 – Ad Hoc Payroll Group Report with Comments

Red: BJP Comments
Blue: Task Force Comments

DATE: May 26, 2011

TO: Gerry Bomotti, Senior Vice President for Finance and Business, UNLV
               Ron Zurek, Vice President for Administration and Finance, UNR
               Patricia Charlton, Senior Vice President for Finance and Facilities, CSN

SUBJECT: **Review of Effectiveness and Efficiency Proposals – Payroll**

We appreciate the opportunity to provide the information included in this summary in response to the proposals included in Bart Patterson's 'Cost Assessments' email dated March 25, 2011. As requested in your email dated March 30, the payroll ad-hoc group worked jointly on this response and we welcome the opportunity to answer any questions you have or provide additional information you may consider necessary.

The ad-hoc group consisted of the following members:
UNR   Tom Judy, Associate Vice President for Administration and Finance
               John Doetch, BCN Payroll Manager
UNLV   Chris Viton, Controller
               Mary Jimenez, BCS Payroll Manager
               Larry Hamilton, Chief Human Resources Officer
CSN: Mary Kaye Bailey, Controller
               Tina Petrie, Director, Human Resources

Our group met by teleconference on the following dates:
April 5
April 8
April 12

Over the past few weeks in lieu of meeting in person, the group has shared information and various drafts in order to complete this response.

EXECUTIVE SUMMARY

While there are more details in the body of this report on our analysis of the recommendations of the March 4, 2011 report of "Efficiency and Effectiveness Preliminary Recommendations," we offer a brief summary here as follows:

*I. **CENTRALIZE PAYROLL OPERATIONS (March 4, 2011 Report) and March 25, 2011 Email – Consolidation of Payroll at BCN***

Implementation Costs

SCS combination of payroll regions: Payroll is currently processed in one HRMS system, but in two separate 'regions'. These regions will need to be consolidated. SCS has been requested to provide an estimate of effort and timeline for such a project. Their response is not yet available; however, it was noted that in addition to the process for combining data and converting/updating history, the staff must review program code to identify any processes specifically affected by the conversion from two regions to a single region.

As of May 23, 2011, SCS has provided us with a document designed to indicate the effort required to consolidate the HRMS data bases in preparation for a move to a consolidated payroll operation. That document is attached as Exhibit 1. It is worth noting that SCS estimates a minimum of eight months to complete the HRMS consolidation at a cost of $360,000 plus travel and incidentals for outside consultants. Further, they specify they could not even begin this project until January 2012, which indicates the most likely time frame for implementation of any consolidation to be January 2013. As noted later in this report, this time frame could impact payroll staffing for BCS.

1

Check printing: *All campuses already utilize the same check printing software used for regular cycle payroll checks for other check printing such as accounts payable and/or student refunds. The consolidation of payroll offices may require developing the ability to distribute 'demand' (manual) check printing to remote campuses and the campuses will need to assess their ability to accommodate that service within the existing software license or if additional software licenses will be needed. If needed, the annual software license is approximately $2,500 with start-up costs generally about $5,000.* *I do not understand this section. Why does consolidation require "demand" check capability at remote campuses if those campuses do not have that capability now?* Demand checks are issued to correct errors, but more commonly to issue payroll for "late documents" (timesheets received late or late employment documents) to prevent delay in properly paying employees; normally late documents are a departmental issue, not a result of employee delay. Demand checks issued in both BCN and BCS equal approximately 100 per month (slightly less than 1% of payments), but frequently enough that FedEx or courier charges to southern campuses would be costly. Because these demand checks are due to the employee, for whatever reason, it is not desirable to delay them any longer than necessary, therefore, the ability to print these checks at the remote sites, specifically UNLV, CSN and NSC, is more important than delayed delivery.

It is unlikely that any campus would require an additional license to print checks (UNLV would not; CSN and NSC would depend on where it is determined that check printing will occur).

Space requirements: *BCN does not currently have office space to accommodate the consolidated staffing. Space, office furniture and equipment (computers, etc.) will need to be identified and may require remodel or other improvement expenses.* *We would look at this carefully.*

Document imaging: *A standard document imaging system would be required for passing documents to payroll from BCS institutions where courier service would be costly and include unacceptable time delays. A reasonable estimate of the BCN document imaging system initial license fee is currently $2,400 per concurrent user and site start-up costs (scanner, set-up, training, etc.) is approximately $25,000 to $50,000 depending upon the hardware selection, the number of documents to be configured and users to be trained.*

Shouldn't this be done anyway, i.e. this is not unique to Payroll? As a System, individual institutions enter into their own unique software contracts that then make it difficult to interact and potentially increase costs system-wide. I see this as important irrespective of payroll consolidation. Yes, this is not unique to Payroll, but is recommended for Payroll under the consolidation proposal. Current north/south practices (courier) for receiving documents from the remote campuses served is not cost prohibitive because of the close proximity to the campuses being paid. In addition, and perhaps more importantly, the document scanning solution provides much more than just a means for getting a document from point A to point B. The application includes "workflow" (document distribution/queuing and progress tracking), as well as providing a structure for securely transmitting and permanently storing the scanned documents with accessibility from multiple locations. With the consolidated model, the need for such a system becomes more significant, but there is certainly a benefit without consolidation (as noted in the ad hoc group's recommendation to pursue this item irrespective of the outcome of the assessment of the consolidation scenario). BCN uses a different software package (NOLIJ) than BCS, however, the system is not used to transmit but rather to store documents. *Further, payroll is already structured to batch documentation from multiple geographic locations in the north. How is payroll data being handled in the south?* There may be a misunderstanding of the batch processing done at BCN. BCN institutions other than UNR key timesheet information into the system in batches, which are subsequently uploaded into the system by BCN Payroll. However, BCN does not have batch loads for other types of payroll information received from the units. Both BCN and BCS send/receive documents by courier from the remote campuses served. While BCN has remote campuses entering time transactions for their timesheet-paid employees, at BCS this is handled centrally. This is addressed with the recommendation to pursue an automated timekeeping system to interface to HRMS. *My understanding is that everything is either mailed or hand-delivered (which is a way to get it somewhere same day), but aren't there other methods of same day delivery that don't necessarily require the same scanning software?* BCN currently sends payroll checks and advices overnight to remote locations (Elko and multiple locations in Las Vegas – Med School, system office, computing center).

Ongoing Costs:

Central payroll staffing: *A survey of like institutions was conducted to compare staffing levels. The survey indicated no discernable difference in staffing level resulting from operating a centralized payroll office and no discernable difference in staffing level resulting from the use of an automated time entry system. Based on this staffing comparison, it is anticipated that the staffing level required for the consolidated payroll office would not be less than the current combined staffing level.* *The ad hoc committee did not compare against any consolidated payroll operations except State of Nevada. With respect to the State, the footnote indicates 4 positions were included in the number, although it is not clear that the functions performed by these positions are also being performed by NSHE payroll operations.* The ad hoc committee compared all

2

institutions identified as UNLV/UNR Focus 50-100 peers. The group includes several universities operating regional campuses that are paid from a central payroll office, so while many did not identify multiple entities paid, many are paying multiple campuses from a central payroll office (not sure how this may be different from what you are referring to).

Following is a summary of the institutions in the compare group that pay multiple campuses:

Institution	Payroll FTE Per 1000 Employees Paid	Payroll FTE	Admin FTE Per 100 Students*	Employees Paid	Campuses
New Mexico State	0.65	8.0	9.1	12,300	1 main + 4 Comm. Coll.
Washington State University	1.13	13.5	7.4	12,000	3
Montana State University	1.04	9.0	7.1	8,667	1 + 8 AG stations
University of Oklahoma	0.66	7.0	6.9	10,530	2
Arizona State University	0.70	13.0	6.3	18,500	4
NSHE – BCN	0.70	7.0	4.2	9,957	6
NSHE – BCS	0.71	7.0	3.8	9,813	3
NSHE – Combined	0.71	14.0	4.0	19,770	9

* 2007, per Goldwater Institute report (ref. Attachment 7 of March 4 E&E report)

An additional factor has been included above for added consideration. Note that UNLV and UNR both have the lowest administrative FTE/100 students of the compared group. An important consideration when weighing the impact of work on the central office (or in NSHE's case, two separate offices that are regionally centered) is that the campuses are very light in department-based administrative support. This is a critical distinction in considering the relative "efficiency" of centralized operations. As noted in previous discussions, central staffing can be minimized by decentralizing tasks in the processing cycle to department levels. To the extent that is accomplished, the burden on the central staff is reduced. Given our campuses' ongoing reductions throughout the campuses to department-based staffing, the administrative support available at the department levels has diminished further from what was available in 2007 (the time period covered by the administrative FTE data referenced above). It is also worth noting that many institutions with multiple campuses have opted not to centralize payroll operations.

Regarding the comparison to the State of Nevada, the duties identified by the NV Payroll Manager (Program Officer) for the "Records Unit") related to document processing for deductions and taxes comparable to roles handled by the NSHE payroll offices. In any event, while the state figures were provided for comparison, we would suggest more emphasis be placed on comparison to other universities given (a) a difference in complexity in employee earnings types and benefits, and (b) as noted in previous correspondence regarding the state, the state has significantly more resources than NSHE dedicated to payroll and human resources activities, both centrally and at the agency level (at the governor's proposed FY11/13 levels based on the "Priorities and Performance" budget document).

In addition we have obtained the following information from the Oregon University System, the University of Colorado and the University of Wisconsin System, which are examples of institutions or institutions within systems that have multiple campuses.

Oregon University System (OUS):

- In total there are forty-one payroll employees and nine payroll managers in eight locations.
- OUS has seven universities in the system.
- Each campus has its own full-function payroll office that produces checks and W2s and inputs time sheets.
- Federal taxes and state liabilities are paid out of the OUS office.
- All payroll funding is completed out of the OUS office, and all employees are paid monthly.
- Employees who work at more than one location within OUS receive multiple W2s.
- All locations use Banner as their payroll system.
- OUS issued 45,000 W2s in 2010.

The central OUS payroll office also performs the following:

3

- Managing the OUS-wide payroll system processing for all employees. Routine monthly payments are processed on the regular payroll.
- Developing policy related to compliance with federal tax laws, state laws, union contracts, personnel issues (FLSA, FMLA, independent contractors), garnishments, tax treaties, etc.
- Calculating taxes, deposits and reports according to IRS Circular E rules and time frames.
- Processing vendor payments related to compensation such as payments for insurance, dependent care, deferred compensation, tax-deferred investments, charitable fund organizations, mass transit, union dues, etc.
- Making FICA determinations and monitoring.
- Assuring non-resident alien employee legal compliance.
- Reporting to the state employment division.

University of Colorado (UC):

- UC has fifteen employees in payroll, seven employees in benefits and seven employees in tax compliance and payroll/benefits accounting.
- UC has four campuses – Boulder, Colorado Springs, Denver and Anschutz Medical Campus.
- UC has a centralized payroll and benefits function under the University of Colorado System, Payroll and Benefits Services located in Boulder. There are no payroll or benefits staff located on the other campuses.
- Employees are paid either bi-weekly or monthly depending upon the type of employee. There is a thirteen-day lag time from the end of the pay period to the pay day for bi-weekly employees, and the same pay period and pay day for the monthly employees as NSHE.
- UC uses PeopleSoft as their payroll system.
- Part of the tax compliance responsibilities include NRAT functions and once a week an NRAT employee visits the other campuses to meet with new non-resident aliens.
- Pay checks are printed centrally and mailed to employees. Hand-writes are printed at each campus. State of Colorado mandates state employees be on direct deposit, so they produce less than 1,000 checks.
- UC issued 45,000 W2s in 2010.
- The system Payroll and Benefits Services performs no audit functions on PAFs or hours; this is done at the department level or by Personnel.

University of Wisconsin System (UWS):

- We were unable to talk directly to anyone in the UWS, but information we were able to extract from their Fact Book shows payroll resources at each of the thirteen four-year campuses plus a two-year campus office.
- Those payroll resources total 46.5 FTE for approximately 40,000 employees.

To explain why it is that we should not anticipate a need for less staff to process NSHE payroll if the two offices are combined, we offer the following:

The staff processes inputs and outputs so that the computer system can process payroll. When we combine the two payroll offices, we do not reduce input or output, we just transfer the work to a new location. We should not expect the combination of offices to reduce front line staff. Even though we may be able to combine certain post-payroll disbursements (taxes, benefits, garnishments, levies, etc.), this should not be expected to significantly reduce effort needed to process these disbursement for several reasons:

- Many of the disbursements beyond taxes and benefits will differ between northern and southern institutions because they will be regional and/or campus-specific, such as county-specific garnishments, campus-specific foundation contributions and parking fee deductions.
- Much of the work involved in processing a post-payroll deduction is preparing the disbursement, including reconciling the report used to verify the payment being made.

4

- While two disbursements may be combined into one disbursement, the effort needed to reconcile a report is increased when the volume of data being reconciled increases.

The two payroll managers are both "working managers" in that they both have key roles in actually completing the payroll cycles, not just supervising staff. The managers also resolve higher level issues with employee payroll problems, working directly with employees, affected departments and HR offices, legal staff, etc. This work is not duplicative in that the problems they are working to resolve are each unique situations requiring higher level attention than what is expected of the front line staff processing the recurring payroll transactions, hence the observation for the need of an assistant manager in a combined payroll operation.

It is difficult to compare staffing between institutions without taking into consideration the fact that many of these institutions have slightly different configurations, as well as larger HR staffing.

Remote campus staffing adjustment: *Based on an assessment of the interaction between central payroll offices (both BCN and BCS) and the remote campuses served by the payroll offices, it is anticipated that removal of the payroll office from UNLV would require UNLV to provide some level of local support for the central payroll office for functions such as customer service for on-campus staff and coordination of payroll cycle processing within the campus and campus based timesheet processing.. Additional details of on-site staffing functions are further discussed in the 'ongoing costs' section of the report. For reference, CSN estimates that approximately 3.65FTE within the HR office are dedicated to payroll related functions. This conclusion requires more explanation. BCN processes payroll for UNR and others with the same number of personnel as BCS. So BCN and BCS payroll both perform services for UNR and UNLV respectively that they do not perform for other institutions for which they provide service?* Yes, except to clarify that BCS has seven positions budgeted but only six positions filled. Both payroll offices serve as a primary point of contact for departments and employees on the main campus for payroll activity, whereas this activity is routed through the remote campuses' HR offices. *The report suggests that this is due to direct interaction with departments/units. If CSN itself has 3.65 FTE devoted to payroll related functions, does this suggest that half of the BCN and BCS payroll staff are performing services unique to UNR and UNLV due to the direct interaction with departments?* No. It indicates that the campus (UNLV) which is without the payroll office under the consolidation model would have to establish a single point of contact to communicate with the consolidated payroll office much as the other institutions already do. The details of the 3.65 FTE reported by CSN were provided for reference and may not represent the appropriate backfill staffing requirement for UNLV. It may also be possible to make the assumption that the responsibilities that are "campus based" vs. "payroll process" should represent an FTE allocation from the six total at BCS that would not be required in the consolidated payroll office, but would have to be retained at UNLV. However, based on the staffing comparison to peer institutions, it would appear to be difficult to staff a centralized operation with fewer FTE than the current thirteen combined BCN//BCS staff. *Have the functions of the 3.65 CSN positions been compared as to whether those same services are being performed by BCN/BCS, or are being performed by other institutions HR personnel, or are not being performed at all? This is a critical part of the report and many different conclusions could be drawn from this information.* The services performed by the CSN positions are also performed by BCN and BCS for all the other campuses they serve. However, because of the proximity of the payroll offices to both UNR and UNLV campuses, there is no need for a dedicated resource in the human resource offices to interact with payroll on the campuses' behalf. If we were to consolidate the payroll function at BCN, then UNLV would have to provide a resource to interface with payroll much like the other remote campuses do now. As stated above, we have not made the determination of an FTE required for that purpose.

Check printing costs: *Ongoing campus costs for maintaining check printing capability, check stock, staffing to process checks. For reference, the annual license fee for check printing software is approximately $2,500 and check stock is about $70 per thousand. Again what is the uniqueness of this cost under current service levels for a consolidated operation?* We agree that this is not a significant cost and likely printers and licenses are already in place that could be used for such purposes (see response to "Check printing" above).

Document imaging licensing: *Ongoing campus costs for licensing for standardized document imaging system. For reference, the BCS document imaging system is currently $480 per year per concurrent license. Same comment as before.* Same comment as above in "Document imaging."

Timeline: *In addition, in order to minimize impacts on reporting and tax compliance, it is proposed that any consolidation should occur on a Jan. 1 effective date as payroll operations are more sensitive to the tax reporting calendar than NSHE's fiscal year. Determining the appropriate timeline for consolidation will require the space and equipment requirements to be in place as well as the payroll system 'region' consolidation to be complete.*

At this time, the group is not supportive of the recommendation to centralize payroll operations, but suggests that it be re-examined when and if the HR/payroll module of PeopleSoft is implemented as part of the iNtegrate project. In addition,

5

data collected indicates that both the BCN and BCS payroll office staffing (and, therefore, the combined staffing) are in line with other institutions that were surveyed. We considered this. The problem with this approach is that then you would be looking at a restructure at the same time you would be looking at implementation/training related to iNtegrate. That would create a number of challenges. It would seem to be easier to implement a new software system if the structure was already in place. However, additional costs and staffing will be required to support any implementation of iNtegrate. To attempt to consolidate and potentially reduce staffing prior to this implementation could put the implementation at risk. Further, to be assured that the uniqueness of the two payroll environments is considered and addressed during this implementation, it would be beneficial to have the BCS staffing in place.

Alternative – Outsource Payroll Processing to a Third Party Provider: *Outsourcing the payroll function is a process that requires further study if it is to be seriously considered. A precise definition of what is to be expected from outsourcing must be developed. It should be noted that in our surveys we did not identify any higher education institutions or systems that outsource payroll operations or processing. Our report identifies benefits, concerns and some of the issues that must be addressed when considering or approaching outsourcing.*

We do not support this recommendation without further definition, evaluation and costing studies. We have started to look at costs pertaining to on outsourced payroll operation, primarily as a processing center. The information requested above related to the amount of staff devoted to actual processing functions versus campus/department interactions will help in that analysis. We agree with the comment.

In summary, our group engaged in an involved analysis of the operations and proposals, as well as spending a significant amount of time talking to other institutions and reviewing their staffing structures and staffing complements. Through this process, we did not find examples of consolidated operations (or unconsolidated operations) that demonstrated a notable efficiency in comparison to NSHE's two regional payroll centers. In most cases, we found NSHE's payroll centers to be under-staffed in comparison to other institutions.

If the decision is made that we would centralize the payroll function at BCN, we need to be prepared for the reality that staff at BCS will not wait until actual implementation occurs to move on to other positions, and it will not be practical to try replacing these positions in BCS as vacancies occur. We could try covering vacancies such as these with temporary staff, but as we get closer to the implementation date, we'd be afraid that by that time the entire department could be staffed with temporary employees. We think it would be more appropriate to consider a transition plan that starts shifting activity to BCN sooner rather than later, with potentially some period of overlap between BCS and BCN processing. January 1, 2013 may be an appropriate date to expect the HRMS regions to be combined so that beginning January 1, the payroll is processed within one HRMS region, but we should consider planning to have BCN producing payroll for the BCS entities (or some form of employee group or institution transition schedule) sooner than this, just understanding the limitation that HRMS will still be split into two regions until January 1.

II. EMPHASIZE SHIFT TO ELECTRONIC TRANSACTIONS (March 4, 2011 Report):

- *Eliminate printing, system-wide, of pay advices as implemented by BCS, and mandate use of the online employee self-serve system.*

- *Mandatory direct deposit.*

- *Encourage the use of employee self-serve for W-2s.*

- *Selecting a standard scanning solution for the human resource and payroll offices.*

- *Permitting printing of on-demand (handwritten) payroll checks at each campus after review by the respective payroll offices.*

- *The ability to direct deposit on-demand (handwritten) payroll checks.*

- *Acquisition of development of a system-wide time-keeping system. This may or may not be the I-Leave package recently purchased by the system office. In any event, one automated time-keeping system that can be uploaded to payroll would be a great improvement in the processes.*

- *Pursue, when funds and staffing are available, implementation of a state-of-the-art human resource/payroll system as part of the iNtegrate project.*

The group recommends that we pursue full implementation of those items as they are of benefit to a two-payroll center operation as well as to a centralized payroll center.

6

III. REDUCE THE AUDIT FUNCTIONS PERFORMED BY PAYROLL (March 4, 2011 Report)

Upon review of this recommendation, the group must respectfully disagree. While it is true that more responsibility can be delegated to the campuses or the HR offices, we are of the opinion that the risks of errors, resulting in an overpayment requiring recovery or manually prepared checks in the case of an underpayment, are too great in the current environment. This can be re-evaluated upon implementation of a state-of-the-art HR/payroll system as contemplated by the iNtegrate project. Such a system would have more intelligent edits which would likely make this audit function less necessary.

IV. ASSESSMENT OF OTHER RECOMMENDATIONS

The payroll ad hoc group considered other recommendations raised by the group. The following other recommendations are supported by the ad hoc group and may be implemented to provide improved effectiveness and efficiency in both a centralized and a two-center environment. Those suggestions, in priority order, include:

- *Maintain routine and ongoing communication between BCN and BCS to evaluate and adopt best practices of the two payroll centers.*
- *Payment cards (reloadable debit cards) for casual labor and student employees and as an alternative payment method for those employees without bank accounts.*
- *Standardization of earnings codes, deduction codes and other processes in the payroll offices to facilitate cross-system reporting.*
- *The ability to have special payroll runs to facilitate the pre-note process with the bank will reduce the need to issue checks for employees waiting for initial direct deposit to become effective.*
- *Consideration of consolidation of payroll cycles – classified to bi-weekly and/or professional to bi-weekly or to semi-monthly if bi-weekly is not an option for classified employees (recommend considering this as part of the implementation of a new HR/payroll information system).*

V. CONCLUSION OF EXECUTIVE SUMMARY

We appreciate the opportunity to collaborate on this project and believe the process has been beneficial in providing an opportunity to work together and improve communication and cooperation among the institutions. We welcome the opportunity to discuss this report with you or answer any questions you may have.

A detailed discussion of the consolidation proposal and other recommendations follows.

BASELINE DATA/METRICS

The combined NSHE payroll office budgets for FY11 are as follows:

Office	FTE	Comp & Benefits	Operations	Total	State	Non-State[*]
BCN	7.0	$500,026	$43,350	$543,376	$482,862	$ 60,514
BCS	7.0	$380,172	$22,825	$402,997	$324,911	$ 78,086
TOTAL	**14.0**	**$880,198**	**$66,175**	**$946,373**	**$807,773**	**$138,600**

* Non-state sources are limited to compensation and benefits only and include no operating.

7

Payroll Budget Trending Information -- FY07/08 Through FY10/11								
	FY10/11		FY09/10		FY08/09		FY07/08	
	State Funded	Non-State Funded	State Funded	Non-State Funded	State Funded	Non-State Funded	State Funded	Non-State Funded
Positions by FTE								
BCN	6.0	1.0	6.0	1.0	6.0	1.0	6.0	1.0
BCS	4.5	1.5	5.5	1.5	5.5	1.5	5.5	1.5
TOTAL	10.5	2.5	11.5	2.5	11.5	2.5	11.5	2.5
Salaries/Benefits								
BCN	$439,512	$60,514	$447,143	$59,670	$455,014	$59,043	$423,400	$56,367
BCS	$302,086	$78,086	$323,916	$92,953	$333,700	$97,578	$322,978	$84,201
Sub-Total	$741,598	$138,600	$771,059	$152,623	$788,714	$156,621	$746,378	$140,568
Operating								
BCN	$43,350	$0	$50,013	$0	$37,928	$0	$36,385	$0
BCS	$22,825	$0	$31,080	$0	$29,640	$0	$34,320	$0
Sub-Total	$66,175	$0	$81,093	$0	$67,568	$0	$70,705	$0
Total BCN	$482,862	$60,514	$497,156	$59,670	$492,942	$59,043	$459,785	$56,367
Total BCS	$324,911	$78,086	$354,996	$92,953	$363,340	$97,578	$357,298	$84,201
TOTAL FUNDING	**$807,773**	**$138,600**	**$852,152**	**$152,623**	**$856,282**	**$156,621**	**$817,083**	**$140,568**

Notes relative to the payroll trending information on the previous page:

- The BCS FY11 budget figures have been updated from the original FY11 budget to reflect the elimination of a historically vacant state-funded FTE.

- For FY12, if payroll offices are not consolidated, there is no anticipated change in staffing levels or operating expense requirements for FY12, although there may be some shift in state and non-state funding in order to meet the reductions proposed in the governor's recommended budget.

- Should the consolidation move forward, BCS will eliminate all payroll FTE although transition staffing will have to be accommodated on bridge or other funding until the effective date of the relocation occurs (possibly 1/1/12 or 7/1/12), and backfill UNLV staffing for campus-based payroll activities (like those performed on other campuses not operating a payroll office) will need to be determined.

Given that the most significant cost of operating the business center payroll offices is driven by staffing levels, a survey was conducted of peer institutions to compare NSHE payroll staffing levels with peer institutions for both centralized and decentralized operations. In addition to staffing levels, peers were also polled for information systems utilized to determine if it is apparent that staffing levels are affected by the information system utilized.

Peers solicited were those identified as Focus 50-100 peers available at the following link: http://ir.unlv.edu/IAP/planning/Content/Strategic+Peers.aspx. A summary of responses received follows (please note that all institutions identified in the peer group listing were contacted, but not all institutions responded) together with comparative data for BCN, BCS and the offices combined (reported for baseline comparison purposes with no change in current staffing) and also the State of Nevada central payroll office as determined by a review of the State budget proposal for 2012-2013 (note that the central payroll office processes payroll for all state employees except PERS and LCB which each operate two separate payroll offices).

8

Institution	Payroll FTE/1000 Employees Paid	FTE	Employees Paid	IPEDS 2009 FTE	# Entities	HR/PR System	Time System
Colorado State University*	0.50	9	18,000	5,900	1	Oracle version 12	none official
University of Mississippi	0.60	3	5,000	2,575	1	SAP	SAP
New Mexico State	0.65	8	12,300	4,687	5	Banner	Banner Employee Self Service
University of Oklahoma	0.66	7	10,530	5,253	1	PeopleSoft	None
University of Arizona	0.67	12	18,000	10,082	1	PeopleSoft	PeopleSoft
University of Wyoming	0.68	4	5,900	2,849	1	PeopleSoft	PeopleSoft
Arizona State University	0.70	13	18,500	8,431	1	PeopleSoft	PeopleSoft
NSHE-BCN	0.70	7	9,957	3,989	6	Integral HRMS	None
NSHE-BCS	0.71	7	9,813	5,140	3	Integral HRMS	None
NSHE combined	0.71	14	19,770	9,129	9	Integral HRMS	None
State of NV **	0.74	13	17,627				n/a--no hourly input
University of Idaho	0.91	5	5,500	2,360	1	Banner	Web Time Entry (Banner)
Montana State University	1.04	9	8,667	2,555	1	Banner	Banner
Washington State Univ.	1.13	13.5	12,000	5,477	3	'old one'	none
University of Rhode Island	2.30	14	6,100	2,544	1	F/S-old one. Other	PS for students.
Average***	0.76						

* Employees paid reported is W2 count, others reported avg. employees paid. NSHE W2 count for CY10 was approximately 28,200.

** Includes four employees in records unit which handle tax and benefit forms processing including payroll system data entry.

*** Excludes highest and lowest outliers (RI and CSU). Average including these two is 0.85.

A graph showing the relative staffing of the payroll offices to employees paid is as follows:

Payroll FTE/1000 Employees Paid
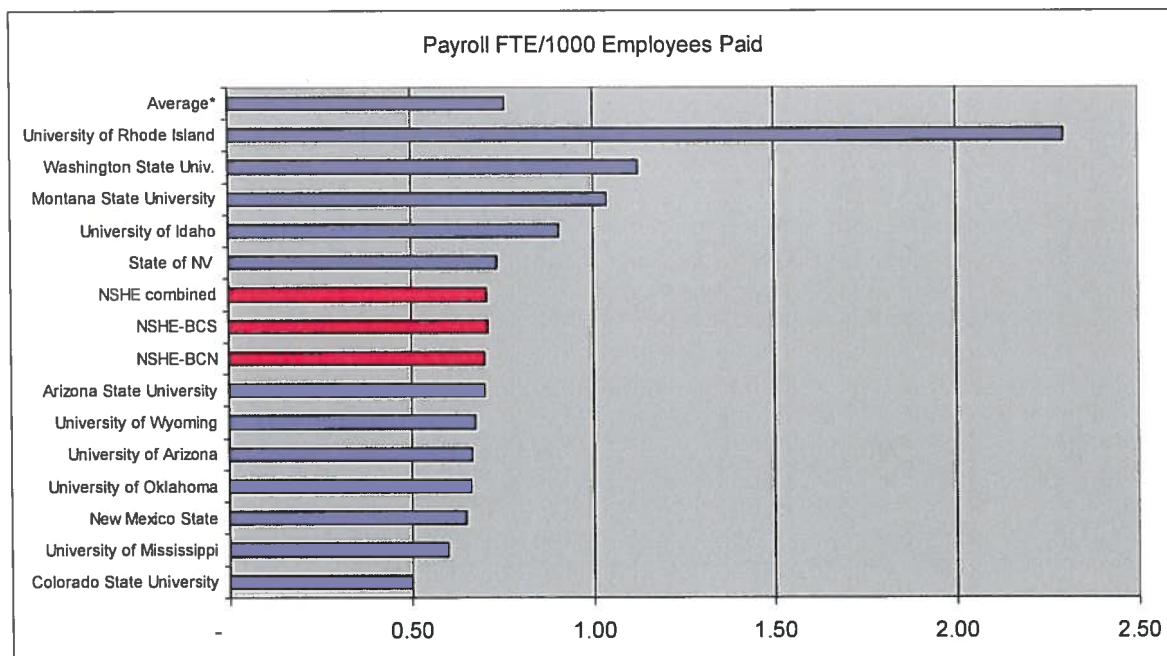
The staffing level comparison indicates little difference in staffing level resulting from combined/regional payroll centers and also little affect by use of automated time entry for hourly paid employees.

At 0.65 employees/1,000 FTEs paid, NSHE combined payroll staffing would need to be 12.85. Budgeted staffing currently is 14 FTE; actual staffing due to vacancy is 13 FTE.

9

Automated time entry normally increases accuracy in time transactions and identifying issues such as tardiness or other hourly reporting abuses, but does not appear to materially affect the staffing requirement for payroll function as time entry function is normally replaced with time entry system management and support. BCS only performs uploads of time records for the Thomas and Mack Center. Uploads of time records would be a necessity for a centralized payroll operation. BCN performs uploads for these areas on campus: Lawlor Events Center, Building and Grounds and the other northern institutions. None of the other northern campuses upload time records for payroll processing.

With respect to staffing and expenditure levels in the payroll function, it is important to consider that while payroll production is a process, it is also an internal control function. Savings achieved in making payroll process/structure changes must be considered in context of potential errors that may result.

Combined NSHE BCN/BCS payroll office budgets amount to approximately $989,000 representing 0.106% of the cost of wage and benefit expenses of $931,296,000 for FY10. The costs of producing and administering payroll are modest in comparison to the importance and significance of the task. Payroll represents approximately 75-80% of system expenditures.

Caution must be taken in assessing changes to centralized payroll staffing that is accomplished by moving transaction processing to campus departmental staff due to the limits of both campus staffing levels generally, as well as the effectiveness of internal controls. All campuses have undergone significant staffing reductions during the past three years with additional reductions reflected in proposed FY12-FY13 budgets and, as such, it is unlikely that campus departments will have adequate staffing to absorb new administrative responsibilities related to payroll functions. Similarly, if consolidation of the payroll offices results in positions physically relocating from BCS payroll to BCN payroll, certain functions currently performed within BCS that are not performed by BCN for remote campuses would have to be backfilled with staff on the UNLV campus, most likely within the HR area similar to how these functions are currently handled by remote campuses served by the payroll centers.

Currently BCS and BCN operate differently within the UNLV and UNR campuses than they do with the other campuses they serve. At UNLV and UNR, which comprise the largest portion of the business centers' activity, the payroll offices interact with individuals at the department or lowest unit level. There is no intermediary. With the other campuses, the business centers function as payroll service bureaus, interacting with the campus human resource offices. To remove a payroll office from one of the large campuses, as proposed – UNLV, would require that human resource office to be staffed to support the payroll service bureau model (staffing that is not currently within the UNLV human resources FTE complement). To illustrate, CSN estimates that approximately 3.65FTE within the HR office is dedicated to payroll related functions. Examples of activities and costs that would remain on the 'home' campus are provided in the 'Ongoing Costs' section of 'Implementation Considerations' below.

BCS and BCN operate differently with respect to scanning documents. UNLV, in particular, has a scanning function operating out of its human resource office which facilitates some electronic transfer of documents. BCN/UNR does not have such a function in place, nor do the remote campuses. While BCN HR does scan some documents, the system does not include workflow functionality available in the system utilized in UNLV HR. To extend and implement this capability again creates new demands on the campus human resource offices, especially for the remote campuses. The time required to scan and transmit would be in addition to the time required to prepare the documents, however this would eliminate courier requirements for transmitting original documents to the payroll office and allows the staff to more efficiently access electronic document copies when needed in the future, such as for internal/external audit samples.

Often employees require direct, face-to-face communication with payroll staff. Often human resource staff can assist employees with certain issues, however, human resource staff are not trained in payroll office details (e.g., tax questions, advice on alternative actions, sample calculations, etc.), therefore individuals must interact directly with a payroll employee. This would be difficult if a payroll office is not located in the two population centers.

IMPLEMENTATION CONSIDERATIONS

One-time Costs/Transition Considerations:

- Transition to a single payroll instance for the entire system will require System Computing Services to put in considerable effort to combine the files.
  - * To map, identify and convert earnings codes, deduction codes and other data elements used differently or uniquely at the two payroll centers.

10

- ∗ Check printing capability as noted elsewhere in this report. This includes institution names on checks, distribution codes (also must be mapped for duplications) and manual check files.
- ∗ Special check or other batch runs unique to one business center or the other.
- ∗ Combining reports and files previously separated by business center, such as deduction reports, PERS, health insurance, alternative retirement, etc.

The list above does not note all potential items as we have requested review, lists and estimates of time and effort from SCS. That information is not yet available as of the writing of this report.

- Assessment of payroll office operations will be necessary to standardize the practices.
  - ∗ Our group began a detailed review process of both the document processing/workflow between the payroll offices and the campuses served and within the payroll offices, and also a comparison of the BCN and BCS payroll files' contents and retention. This detailed review has not been completed in the limited time we have had to work on this project; however, the process has illustrated that the two payroll offices follow substantially very similar procedures and protocols, but also have certain differences that have developed over time based on specific needs of the campuses they serve. To the extent differences exist, an assessment of "best practices" will also be completed. Although the completion of this review is still in progress, more details of the work completed to date can be provided upon request.
  - ∗ Check printing – scheduled check runs are delivered to remote campuses by courier.
  - ∗ Demand (manual) check printing would have to be developed with SCS such that demand checks can be printed at local campuses using the same software currently used by both payroll offices for scheduled check runs and also currently used by all campuses for AP check printing. If needed, the annual software license is approximately $2,500 with start-up costs generally about $5,000.
  - ∗ BCN would control production and distribution of demand check print files to be printed at remote campuses (another campus-based function which must be staffed by remote campuses).
- BCN Payroll would have to identify additional space requirements, office furniture and equipment (computers, etc.).
- A standard document imaging system would be required for passing documents to payroll from BCS institutions where courier service would be costly and include unacceptable time delays. A reasonable estimate of the BCS document imaging system initial license fee is currently $2,400 per concurrent user and sit start-up costs (scanner, set-up, training, etc.) are approximately $25,000 to $50,000 depending upon the hardware selection, the number of documents to be configured and users to be trained.

Ongoing Costs:

- Campus-based check printing requirements.
  - ∗ Software has already been acquired, but if checks are not printed where the license is held, this would require another software license. This is related to the ability of remote campuses (e.g., UNLV, CSN and NSC, as well as the northern institutions) to print on-demand checks (handwrites). This may also require different check stock than is currently maintained. For reference, the annual license fee for the check writing software is approximately $2,500 per license key.
- Campus-based timesheet processing requirements would have to be standardized.
- Campus-level coordination of taxable supplemental compensation processing (e.g., event tickets, auto use, club dues, non-cash rewards, etc.) would have to be standardized for all campuses. This primarily affects UNLV and UNR.
- Other campus-based staffing.
  - ∗ Coordination of general payroll communications and routine document routing would still have to be accomplished through a central location.
  - ∗ The UNLV campus is where the payroll office is not in proximity, so this would have to be identified.
- Ongoing support/license costs for a common document imaging system would have to be included. There currently are separate systems for BCS and BCN. For reference, the annual license fee for the document imaging system utilized at BCS is currently $480 per user per year (20% of the original license fee).
- Currently at the BCN Payroll office there is no second level professional to support the payroll manager or act in his absence. Consolidation of payroll staffing would have to preserve the current BCS payroll manager position and convert it to a second level assistant manager. *This would appear to be a problem or concern that ought to be addressed irrespective of consolidation, and in fact consolidation may be a means to create more depth.* We agree that consolidation may be a means to create more depth, but our point in making this comment is to make sure this subject is a consideration if consolidation goes forth. We would argue that the two mangers currently back each other up.

11

Since there are some differences in the details of the operations between the two business centers, changes will impact the human resource offices as processes are homogenized which will force changes in the operations as well.

The payroll bank reconciliation function is performed in the Controller's Offices' for both BCS and BCN. That function should logically be performed by the BCN Payroll office if consolidation occurs, and represents a function performed outside the office prior to consolidation which must be accounted for by adjusted staffing requirements. The stale dated checks process is performed by Payroll at BCS but by the UNR Controller's Office for BCN. That function likewise should be moved to the Payroll Office.

Plans to consolidate the payroll offices will require either the transfer of paper files to the new central office or the scanning of files at both offices to assure their availability and access. Old payroll files are often referred to for issues such as retirement.

OUTSOURCING THE PAYROLL FUNCTION:

"Outsourcing payroll" can mean anything from outsourcing just check production to a complete outsourcing including staffing. Primary benefits of outsourcing will depend on specifically what functions are outsourced and the contractual agreement under which the outsourcing takes place. A summary of benefits and concerns are as follows:

- Benefits.
  * A generally predictable cost for payroll processing during the contract term.
  * The ability to transfer certain risks to the outsource vendor, most commonly of which is the responsibility for maintaining a payroll transaction processing system to meet regulatory requirements.
  * If included as a contracted service, facilitates compliance with tax payment remittance and reporting.
  * If included as a contracted service, may include employee access to payroll advices and W-2s similar to NSHE's employee self-serve system.

- Concerns.
  * The inability to control priority for system modifications and improvements, including a limited ability to "customize" the system to meet specific organizational requirements.
  * Implementation of an outsourcing arrangement is not unlike a payroll system conversion that will require resource commitments not currently available and would result in a duplication of integration costs and effort if or when NSHE implements ERP for the human resource and financial systems.
  * Dependency on the outsourced vendor results in possible loss of leverage with respect to pricing after expiration of the initial contract term as outsource vendor conversions are somewhat similar to a full payroll system implementation.
  * The complexity of NSHE's payroll with numerous employee types (at least seven at last count) and multiple cycles is more than most outsourced vendors have the ability to provide service for.
  * The cost of outsourcing is unpredictable.

- Issues that would have to be addressed in an outsourcing arrangement (may not be all-inclusive).
  * The most common perception of outsourcing would be utilization of ADP or another vendor to calculate and produce payroll.
    o This requires data entry capabilities at least equivalent to what is currently performed between the human resource and payroll staff.
    o Does not eliminate the need for the client to make tax determinations on the types of earnings and deductions.
    o May or may not include outsourcing responsibility for making tax deposits and/or benefits, garnishments, etc. remittances.
    o Would require adequate transaction-level detail to integrate with Advantage ensuring no loss of accounting and encumbrance data.
    o Would require integration with HRMS to prevent duplication of effort and to maintain synchronization between human resource data and payroll data.

REDUCE THE AUDIT FUNCTION PERFORMED BY PAYROLL:

It has been noted that payroll spends time "auditing" Payroll Action Forms (PAFs) previously entered by the campus human resource offices and that this is an unnecessary duplication of effort. It should be noted that the HR offices are not trained in payroll operations, particularly at the smaller offices, and often make errors that can affect the outcome of a payroll run. As a result of this payroll "audit" function, payroll processes with a minimum of errors. Nevertheless, most of the "errors"

12

result from the failure to enter documents in a timely manner, or failure to enter the documents at all, by the human resource offices.

Errors also substantially increase staff time when corrections are necessary. Many times they create hardships for employees whose paychecks are affected. We are not of the opinion that this auditing effort should be eliminated considering that the preparation of a payroll check is among the most visible administrative activities performed in our system.

OTHER RECOMMENDATIONS:

Consolidation of Payroll Cycles:

This may be accomplished by moving all payroll payments to a bi-weekly payroll cycle or by converting professional payroll to a semi-monthly cycle, thereby reducing the number of payroll cycles processed monthly/annually. However, savings achieved from reduced cycle-driven processing activity, which might include tax and other post-payroll disbursement processing, report production and filing requirements, are not significant. In addition, any consolidation of payroll cycles is likely to lead to a deferral of some number of days pay in order to align pay period end dates, which would be problematic from an employee relations standpoint in the current budget climate. This recommendation should be considered during the design phase of the implementation of a new HR/payroll system.

Automate Time Entry on Standard System-wide Application:

- Initial implementation is costly and requires campuses/departments currently utilizing stand-alone applications to convert.
- Likely not a reduction of central payroll staffing as previously noted. There is no evidence in staffing comparison that automated timekeeping affects central staffing as keypunch time requirements are normally replaced with system support, training with campus users and other administration functions. This may require remote campus-based support staff as well.
- Efficiency is generally created in campus departments with time reporting responsibility as conversion of the paper process to an on-line process reduces turnaround time, paper costs and mail/courier impact. These may not translate into FTE savings, but may be converted into a staff efficiency gain as these functions are only a small part of administrative support staff responsibilities, not a dedicated staff responsibility. Eliminating time entry does not equate to a staff reduction within the payroll operation, but rather creates role changes for the staff.

The payroll ad hoc group supports this recommendation.

Eliminate Printing and Mailing of Pay Advices by Requiring Use of Employee Self-service:

- No additional savings at BCS as this process was implemented January 1, 2011.
- BCN could implement the printing of payroll check advices, however, the cost savings are minimal at two cents per form. Check advices are not mailed by BCN Payroll but are mailed by some of the other campuses.

The payroll ad hoc group supports this recommendation.

Mandatory Direct Deposit or Pay Card (Reloadable Debit Card) for Payroll – Eliminate Paper Checks:

- This requires board action to exempt NSHE from NAC 608.135(e) which currently requires a paycheck option at an employee's request.
  - We can currently implement a non-mandatory program without advertising a check option for new employees.
  - We will need to address bank "application" requirements within the context of a mandatory program for a debit pay card. (Some bank programs require a debit card recipient to "apply" for a debit card account thereby making a mandatory program not possible.)
  - Will require adding to the current banking contract or negotiating with a separate financial institution. It is unknown if costs to the system would be involved.
  - We would need to ensure compliance with other requirements of NAC 608.135, including the opportunity to receive full net payroll via debit card without incurring bank fees (not that this must be without limit, but at least the opportunity, which is normally accomplished by free withdrawals at the issuing bank, issuing bank ATMs or similar arrangements).

The payroll ad hoc group supports this recommendation.

13

Other Improvements:

SCS software system improvements to allow direct deposit of handwritten payroll checks would be of great assistance, and the payroll ad hoc group supports this recommendation.

Other Recommendations from March 4 Report:

- Have SCS develop the time summary reports in Excel format on Xnet (the reports are currently available in PDF format).
  - ∗ While the suggestion has merit, an automated time entry system, as noted above, is desirable and should include upload capabilities previously discussed.

- Allow NSHE institutions to transmit electronic files to payroll via email to reduce delays and "transactions lost in transit." This would not only include hourly time transactions but also copies of documents for exception-based transactions.
  - ∗ Electronic file transfer impacts time records discussed in the preceding bullet item above and elsewhere in this report. Other electronic transfer could be accomplished by acquisition and standardization of a scanning system for this purpose. As such, the payroll ad hoc group supports the automated time entry and scanning solutions previously discussed and does not encourage transmitting documents containing sensitive information by mail.

- Allow NSHE institutions to upload payroll batch files for review by payroll.
  - ∗ Uploading batch files is discussed in the first bullet item above and elsewhere in this report. This capability primarily benefits the time entry process. The payroll ad hoc group recommends consideration of this recommendation for time entry.

- Institute an electronic time and attendance system with the capability to interface with HRMS either in real time or via batch upload. Departments are already able to do this at some institutions.
  - ∗ A time and attendance system is discussed in the first bullet item above, and the payroll ad hoc group supports this recommendation.

- Pay casual labor and student employees through debit cards.
  - ∗ Payment of casual labor and student employees through debit cards is discussed elsewhere in this report. It should be noted that this would have to be supported by appropriate ATMs on the campuses, especially to serve students. The payroll ad hoc group supports this recommendation.

CONCLUSION

The review by the payroll ad hoc group does not support the consolidation of the payroll offices in one location as suggested in the original proposal. The data we have collected, on short notice, indicates that the staffing of our payroll offices is in line with other institutions. We do not expect to see a reduction in staffing with a centralized approach. Further, we believe service to the campuses would be degraded by such a centralization of the function. The report suggests some form of "System oversight." This could well involve additional costs rather than a reduction in costs.

We would note, however, that it would be appropriate to reconsider this recommendation in the case of a new HR/Payroll information system implementation which may result in beneficial changes to business processes and structure.

However, we recommend the adoption of a number of suggestions identified in the original proposal, as well as others noted in this report. It should be noted that many of the suggestions can be implemented and provide benefits in both a centralized and a two-center environment.

14

EXHIBIT 1

Consolidation of HRMS Databases

Assumptions:

- One database, Y or Z, would be rolled into the other.
- SCS resources will be dedicated to the project from start to finish.
- All current HRMS projects will be put on hold
- 0.25 FTE Project Manager for 8 months
- 2 FTE Programmer/Analyst for 8 months
- 0.5 FTE DB2 DBA for 8 months
- 0.25 FTE Systems Analyst for 4 months

Level of Effort (SCS Resources):

- Data Conversion – 4 months
- Application Program review and modifications – 4 weeks
- Batch Job Processing review and modifications – 2 week
- 3rd Party Vendor Interfaces – 2 weeks
- FOCUS – 4 days
- WEB Apps (ESS and Web Contracts) – 2 week
- Security review and revisions – 2 week
- Data Warehouse – unknown (institutions maintain independent data warehouses)
- Institution/User Testing - 4 months

Due to limited resources at SCS, SCS will need to contract outside consultants to assist with the project. PeopleStrategy, our vendor for the HRMS application would be the resource that SCS would contract with for support services. A cost estimate for these support services is 1.5 FTE for 8 months at approximately $30,000/FTE/month (not including travel and incidental expenses).

Sometime between July and December of this year, SCS will likely be involved with a project to upgrade the version of DB2 currently used, from version 8 to version 9. SCS estimates this to be a 4-month project. It would not be possible to run the DB2 project concurrently with the HRMS consolidation project.

Other mandatory/regulatory issues will need to be addressed as a project of this scope progresses. These mandatory/regulatory issues could affect the timeline for completion.

Other caveats – This information is predicated on the fact that there will be no significant change to business processes that might require development of an application modification to support the move to a consolidated database.

Attachment 2 – Ad Hoc Human Resources Group Report and Response to Comments

Red:　Vice Chancellor Comments

Blue:　Ad Hoc Group Response

Regents' Efficiency and Effectiveness Initiative for the Nevada System of Higher Education

Human Resources
Ad Hoc Review Group Report
April 27, 2011

Executive Summary

Without common systems to solve common business needs, NSHE campuses have developed a wide range of solutions, resulting in disparate processes and systems/tools that are effective. Shifting to a more system-wide focus in critical administrative and infrastructure areas will be challenging and new, current technologies will need to be purchased to achieve any significant return. Implementing best practices-oriented systems for payroll and human resources is, in our opinion, the logical vehicle for achieving greater efficiencies and effectiveness.

The initial three scenarios suggested for potential implementations do not achieve significant savings and efficiencies. That said, we have studied each scenario and offer cost estimates for their implementation.

There are four areas that we would suggest for further study.

- NSHE institutions should share and develop training programs in a manner that allows for customization/branding by each institution.

- NSHE institutions investigate the possibility of negotiating with State Personnel to provide greater autonomy to utilize our existing resources, technology and procedures to create classified recruitment efficiencies. We estimate that the implementation of all these measures would greatly reduce the "fill" time for classified recruitments, simplify the hiring process and result in some incremental savings in HR and departments.

- The Board of Regents should eliminate the requirement for annual Terms of Employment for faculty. Each institution should be allowed to "notify" faculty annually via print or electronic communication of minor changes to the Terms of Employment.

- NSHE institutions that do not have automated leave systems should strongly consider them. Savings will undoubtedly vary and will not be available as a "lump sum," but efficiencies are clearly achievable.

The experience within our group over the last few weeks has been very positive and one that we believe should and will occur more often. We each appreciate the opportunity afforded to us to examine how business is done between and within the HR offices within NSHE.

Comments in red below. There are several good ideas here worth pursuing. The heart of the report, however, that centralization doesn't save money, needs a lot more explanation. Thanks.

Bart

Charge and Composition of
Human Resources Ad Hoc Review Group

On March 30, 2011, the chief financial officers of UNLV, UNR and CSN asked staff to meet to discuss information on potential changes and any related savings tied to select specific NSHE HR Efficiency and Effectiveness suggestions. The ultimate product of the group discussion was to include estimated costs (base and one-time) and what requirements would be necessary to implement the proposals. The three specific scenarios proposals included:

Scenario 1 - BCS undertakes all classified functions for all southern Nevada institutions in the following areas: training, testing and classification with limited System oversight. BCN continues to provide the same level of service in these areas for northern institutions with limited System oversight

Scenario 2 - BCS undertakes all classified functions for all institutions and System Office (except DRI) in the following classified employee areas: training, testing and classification with limited System oversight.

Scenario 3 - BCN undertakes all classified functions for all institutions and System Office (except DRI) in the following classified employee areas: training, testing and classification with limited System oversight.

A full range of "other" less specific suggestions were also discussed. Our discussions produced additional suggestions and our report captures those suggestions too.

In accomplishing our review we were also asked to include discussion of baseline data/metrics that define current expenditures, resources and how these compare with others.

The chief financial officers established April 15, 2011 as the requested deadline for our final report.

Meetings were held via teleconference from 3:30 to 5:00 p.m. on April 4, April 6, April 8, April 13, and April 14. Additionally, subcommittees were formed to look at specific subject areas and numerous e-mail discussions transpired concerning the evaluation and formation of options and recommendations.

Representation on our ad hoc group included the following members:

BCN/UNR   Tim McFarling, Assistant Vice President, Human Resources
Kim Beers, Director, Human Resources Systems
Robin Freestone, Personnel Officer
Lori Rountree, Business Process Analyst

CSN   John Mueller, Executive Director of Human Resources
           John Scarborough, Director, Administrative Operations

UNLV/BCS   Larry Hamilton, Chief Human Resources Officer
           Jen Martens, Employment Manager
           Naomi Thomsen, Compensation & Salary Administration Manager

NSHE HR Staffing Prior to Changes Contemplated By Efficiency & Effectiveness Review

Over the last several years, seven of nine Human Resources areas within NSHE have seen reductions in their staffs and it is likely that all have seen reductions to student wage/operating budgets. These reductions, like all in the administrative areas on each campus, were proportionally larger so that reductions in our academic departments could be avoided or, at the very least, delayed in hopes of better economic conditions. These HR reductions and similar reductions in other campus support areas play a material part in our examination and estimations. It is inherent that efficiencies have been achieved as outputs and service levels have remained the same despite cuts to HR personnel.

A comparison of FY06 to FY12 shows on average, for all NSHE institutional HR offices, that just less than one in five HR positions have been eliminated. For CSN, UNLV and UNR/BCN, approximately one in four HR positions have been eliminated.

What are the FY 12 numbers based on – proposed budget based on governor proposal? The reported numbers from FY 2011 are much higher compared with these FY 12 numbers, e.g. CSN 17 versus 14 in FY 12, UNR 29.1 versus 24.75 in FY 12, UNLV 20 versus 19 FY 12. It also seems apparent that we really should break down HR staff by FTE for primary assignments as it is very difficult to determine functions. For example, the low FTE numbers reported for classification, testing and training suggests much higher FTE numbers for other functional areas. If we break it down by FTE for primary functions, it should be easier to understand how we are allocating scarce HR resources.

Response #1: In most cases, staff reductions since FY06 have been addressed through attrition instead of through notices and layoffs. In preparation for each future round of campus budget reductions, vacant positions became the primary initial source for reductions and remaining staff were then used to cover the duties and functions of the departed staff member. The result of this strategy over time has become that remaining staff have a broader scope than when initially hired and, in essence, staff are now increasingly more "generalist" than "specialist." It is interesting to note that the opposite was true when staffs were growing prior to FY06. During those times we each saw specialty positions in employee relations, staff development and compensation added to rosters. An old adage in the HR world is that training is "the last to come and the first to go" – in our collective experience, we too have seen that training and other specialist positions follow that staffing pattern as the "value added" tasks associated with these functions are "less core" than others.

We have added FY11 numbers to the chart below. The FY12 numbers remain for CSN, UNLV and UNR/BCN only. These numbers represent staffing levels that will be in place during the FY12/13 biennium. Regardless of any improvements to the funding levels received by NSHE institutions in the upcoming budget, these cuts will remain and dollars will be used on the academic side of each institution.

Additionally, for CSN, UNLV and UNR/BCN we have added a chart that breaks down FTE by primary function.

NSHE Professional & Classified Staffing for Human Resources
FY06 vs. FY11 & FY12 Staffing Levels

All NSHE Institutions			
		HR Staff	FY06 vs.
	FY06	FY11 *	FY11
CSN	18	17	(0.06)
DRI	4	4	-
GBC	4	4	-
NSC	1	4	3.00
NSHE	3	2	(0.33)
TMCC	8	6	(0.25)
UNLV	25	20	(0.20)
UNR / BCN	34	26 **	(0.24)
WNC	6	5	(0.17)
Totals:	103	88	(0.15)
Average Decrease ***:			(0.21)

NSHE Institutions in E&E Study				
		HR Staff		FY06 vs.
	FY06	FY11 *	FY12	FY12
CSN	18	17	14	(0.22)
UNLV	25	20	18	(0.28)
UNR / BCN	34	26 **	24	(0.29)
Totals:	77	63	56	(0.27)
Average Decrease:				(0.27)

* - FY11 counts from March 4, 2011 E&E Initial Report; Attachment 3 HR-Employee Headcounts Fall 10.xlsx

** - FY11 counts for UNR / BCN modified to exclude Workers' Compensation employees. No other HR entity in NSHE has responsibility for this function.

*** - Average Decrease does not include NSC, DRI and GBC data.

NSHE Human Resources Functional Organization Review FY12

General Description of Resources Allocated to the following Central Office HR functions/activities	CSN Number of FTE Assigned to this Responsibility in Central Office	UNR / BCN Number of FTE Assigned to this Responsibility in Central Office	UNLV Number of FTE Assigned to this Responsibility in Central Office
Training & Development	0.01	0.01	0.02
Classification Services	0.50	2.80	0.50
Testing	0.25	0.10	0.50
TOTAL Net FTE	0.76	2.91	1.02

Business Center Structure and Human Resource Functions

It should be noted at the outset of this report that the Business Center structure for Northern and Southern campuses within NSHE are structured differently. Business Center North (BCN) is a separate department serving UNR, TMCC, WNC, GBC and the NSHE system office classified employees. These Human Resources employees at BCN specialize in classified activities, rules, regulations and procedures – they represent a centralization that does not exist, and would need to be built, at BCS. UNLV Human Resources serves classified staff at UNLV and NSC. However, these classified Human Resource functions are integrated with faculty functions and the HR employees serve the entire UNLV employee population. CSN Human Resources is structured similarly to UNLV with Human Resources staff serving both faculty and staff populations. These differences in organizational structures, work processes and cultures make comparisons between the three entities difficult. The projected FTE costs/savings below are very preliminary and a detailed cost-benefit analysis must be conducted prior to implementation of any option.

Throughout the report, any proposal to centralize a function is met with an FTE assessment that requires more, not less, staffing to operate in a centralized environment. This is not logical and will need a reasoned explanation. If it is true that centralization takes more staffing, then we should looking at eliminating all centralized HR functions. In general, it does not appear that any value was given to garnering efficiency through specialization.

Response #2: Costs and FTE assessments for each scenario below would be "neutral" if the suggested action(s) represents only the basic movement of current effort and FTE from one campus to another. However, due to the inherent difficulty in recruiting for .25 or .50 FTE positions, we rounded up FTE to reflect whole positions that could readily be recruited and maintained. Because each HR department has a different structure, processes and employees performing tasks a direct comparison of FTE is not exact.

Cost Review of Scenario 1

Scenario 1 - BCS undertakes all classified functions for all southern Nevada institutions in the following areas: training, testing and classification with limited System oversight. BCN continues to provide the same level of service in these areas for northern institutions with limited System oversight.

Training: UNLV utilizes the online training resources available to provide required training for supervisors of classified staff. Other offered training at UNLV has been a function that subject matter experts within HR cover as time permits. The addition of CSN and NSC would require additional personnel at BCS in the form of support staff to ensure CSN and NSC supervisors of classified staff have accomplished required training. Initial outreach to the CSN and NSC Human Resources departments would need to occur frequently so as to ascertain and confirm supervisory relationships. BCS would need to document training and, as the required State trainings must be renewed every three years, contact with the supervisors and HR offices would be on going. Such expansion of services would require 0.25 additional FTE at the Personnel Analyst 1 level (Grade 32 - $10,027.62 yearly salary at step 01). It should be noted that this estimate is to <u>coordinate</u> training programs that have already been developed. The development costs for new training and revisions to programs within NSHE are not addressed. Resources for management development and leadership enhancement are critical to the system's future success. Since these resources do not currently exist, addressing this issue is beyond the scope of this report.

While not a big expense, who is documenting training at NSC and CSN now? Why is there additional FTE identified to track and coordinate, without any assessment of these functions being eliminated at CSN and NSC? The lack of emphasis on budgets for training portends a larger issue with the current decentralizing training model.

Response #3: Training is currently being tracked at very rudimentary levels; this is primarily due to reductions related to training as described in Response #1. In essence, each campus tracks only required training and does so in a sporadic manner as time permits or upon demand. Again, given that each campus uses only a partial FTE, the centralization of this function would require additional FTE because of the recruitment difficulties described before for position that are less than half-time.

Testing: NSC and CSN operate under traditional civil service examination models and the State exams are offered to all eligible applicants for open positions. UNLV operates under a model approved by the State Department of Personnel that permits testing of only those deemed as the top qualified applicants. Continuation of existing models by each campus would require the addition of 0.25 FTE to BCS at the Personnel Analyst 1 level (Grade 32 - $10,027.62 yearly salary at step 01) to address testing preparations, logistics, proctoring and scoring requirements. The reduction or reassignment of 0.25 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $10,027.62 yearly salary at step 01) could be possible given this shift.

What if the UNLV model was used for all institutions?

Response #4: While a movement to the testing model used at UNLV would decrease the number of applicants tested, our belief is that FTE would need to remain constant as the number of openings and testing dates would remain "constant" under either situation. Again, given that each campus uses only a partial FTE, the centralization of this function would require additional FTE because of the described recruitment difficulties for position that are less than half-time.

Classification: The current economic conditions have seen a downturn in the number of studies done for vacant and reclassified positions since 2008. The classification/recruitment unit is involved in evaluating skills of classified employees being notified of layoff and certifying the employee for the reemployment list. This activity has increased while classifications have decreased. The addition of CSN studies and a return to prior levels of volume for studies would require the addition of 1.0 FTE position; UNLV would fill this position at the professional level. Based upon prior hires and practices at UNLV, the position is estimated at a base salary of approximately $48,000. The reduction or reassignment of 0.50 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $20,055.24 yearly salary at step 01) could be possible given this shift).

Why would UNLV have to add 1 FTE but CSN would only reduce .25? It does not make sense that it would take 4 times the time for UNLV to do the work CSN is currently doing. Also, for these purposes, it wouldn't seem to be appropriate to base the FTE on a "return to prior levels of volume" as you would need to do that anyway. The review of the scenarios demonstrates how little bench strength there is in

these areas by institution, and presents an added advantage to centralizing the functions in some manner.

Response #5: Costs and FTE assessments would be "neutral" if the suggested action(s) represents only the basic movement of current effort and FTE from one campus to another. However, due to the inherent difficulty in recruiting for .25 or .50 FTE positions, we rounded up FTE to reflect whole positions that could readily be recruited and maintained. Classification FTE reduction for CSN was been modified to .50 FTE.

We agree that using the "return to prior levels of volume" for the purpose of this analysis could be a more appropriate measure. As such, under those conditions, additional reductions might be feasible. However, the desire of each campus would be to reallocate HR employees within each campus to areas that have seen substantial deductions since FY06. It should be noted that there are differences in how classification functions are performed at each institution. Additional comparison of processes and analytical techniques would need to be conducted to determine which process/technique would be the NSHE standard.

Total Cost Assessment: Implementation of Scenario 1 would require the addition of 1.50 FTE to BCS at the cost of approximately $68,055.24 (fringe expense, equipment and operating are not included). The reallocation or reduction of HR staff at CSN by 0.75 is estimated at $30,082.86 (fringe expense, equipment and operating are not included).

NOTE: All cost and savings estimates were self-reported and presented below

Additional Staff at BCS
Personnel Analyst 1 @ 0.25 FTE for Training	$10,027.62
Personnel Analyst 1 @ 0.25 FTE for Testing	$10,027.62
Classification Analyst (Professional) @ 1.00 FTE	$48,000.00
	========
	$68,055.24

Staff Reassignment/Reductions at CSN
Personnel Analyst 1 @ 0.25 FTE from Testing	$10,027.62
Personnel Analyst 1 @ 0.50 FTE from Classification	$20,055.24
	========
	$30,082.86

Cost Review of Scenario 2

Scenario 2 - BCS undertakes all classified functions for all institutions and System Office (except DRI) in the following classified employee areas: training, testing and classification with limited System oversight.

Training: UNLV utilizes the online training resources available to provide required training for supervisors of classified staff. Other offered training at UNLV has been a function that subject matter experts within HR cover as time permits. The addition of BCN, CSN and NSC would require additional personnel at BCS in the form of support staff to ensure BCN, CSN and NSC supervisors of classified staff have accomplished required training. Initial outreach to the BCN, CSN and NSC Human Resources departments would need to occur frequently so as to ascertain and confirm supervisory relationships. BCS would need to document training and, as the required State trainings must be renewed every three years, contact with the supervisors and HR offices would be on going. Such expansion of services would require 0.25 additional FTE at the Personnel Analyst 1 level (Grade 32 - $10,027.62 yearly salary at step 01). It should be noted that this estimate is to <u>coordinate</u> training programs that have already been developed. The development costs for new training and revisions to programs within NSHE are not addressed. Resources for management development and leadership enhancement are critical to the system's future success. Since these resources do not currently exist, addressing this issue is beyond the scope of this report.

Note: Same FTE assessment to add BCN to training function.

Response #6: Training is currently being tracked at very rudimentary levels; this is primarily due to reductions related to training as described in Response #1. In essence, each campus tracks only required training and does so in a sporadic manner as time permits or upon demand. Again, given that each campus uses only a partial FTE, the centralization of this function would require additional FTE because of the recruitment difficulties described before for position that are less than half-time.

The same FTE assessment is used as we do believe that centralization would standardize processes and require only the FTE stated.

Testing: NSC, CSN and BCN operate under traditional civil service examination models and the State exams are offered to all eligible applicants for open positions. UNLV operates under a model approved by the State Department of Personnel that permits testing of only those deemed as the top qualified applicants. Continuation of existing models by each campus would require the addition of 1.25 FTE to BCS at the Personnel Analyst 1 level (Grade 32 - $50,138.10 yearly salary at step 01) to address testing preparations, logistics, proctoring and scoring requirements. One of the additional BCS staff would need to be physically located in Reno to coordinate testing preparations, logistics, and proctor exams. The reduction or reassignment of 0.25 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $10,027.62 yearly salary at step 01) could be possible given this shift. The reduction or reassignment of 0.50 FTE at BCN at the Personnel Analyst 1 level (Grade 32 - $20,055.24 yearly salary at step 01) could also be possible.

Again, why is there a plus 1 FTE at BCS and only a .5 FTE reduction at UNR?

Response #7: While a movement to the testing model used at UNLV would decrease the number of applicants tested, our belief is that FTE would need to remain constant as the number of openings and testing dates would remain "constant" under either situation. Again, given that each campus uses only a partial FTE, the centralization of this function would require additional FTE because of the recruitment difficulties described before for position that are less than half-time.

Classification: The current economic conditions have seen a downturn in the number of studies done for vacant and reclassified positions since 2008. As such, much less FTE is currently devoted to these tasks – especially at UNLV. The addition of CSN and BCN studies with a return to prior levels of volume for studies would require the addition of 2.00 FTE positions; UNLV would fill these positions at the professional level. Based upon prior hires and practices at UNLV, each position is estimated at a base salary of approximately $48,000. There is a strong likelihood as the economy recovers that an additional classification FTE would be needed to adequately serve NSHE. The reduction or reassignment of 0.50 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $20,055.24 yearly salary at step 01) could be possible given this shift. The reduction or reassignment of 1.00 BCN HR FTE at the Personnel Analyst 1 level (Grade 32 - $40,110.48 yearly salary at step 01) could also be possible given this shift.

How many BCN positions are currently allocated to classification? Same comment before that it is not explained why more classification staff must be added compared with existing FTE devoted to classification by CSN.

Response #8: Approximately 2.5 FTE is currently assigned to the classification functions at UNR/BCN. The desire would be for each campus to reallocate employees within their HR office to areas that have seen substantial deductions since FY06. Costs and FTE assessments would be "neutral" if the suggested action(s) represents only the basic movement of current effort and FTE from one campus to another. However, due to the inherent difficulty in recruiting for .25 or .50 FTE positions, we rounded up FTE to reflect whole positions that could readily be recruited and maintained. Additionally, moving these FTE from one region of the state to another would be problematic as well. Classification FTE reduction for CSN was been modified to .50 FTE.

Total Cost Assessment: Implementation of Scenario 2 would require the addition of 3.50 FTE to BCS at the cost of approximately $156,165.72 (fringe expense, equipment and operating are not included). The reallocation or reduction of HR staff at CSN by 0.75 FTE is estimated at $30,082.86 (fringe expense, equipment and operating are not included). The reallocation or reduction of HR staff at BCN by 1.50 is estimated at $60,165.72 (fringe expense, equipment and operating are not included).

NOTE: All cost and savings estimates were self-reported and presented below

Additional Staff at BCS
Personnel Analyst 1 @ 0.25 FTE for Training	$10,027.62
Personnel Analyst 1 @ 1.25 FTE for Testing	$50,138.10
Classification Analyst (Professional) @ 2.00 FTE	$96,000.00
	========
	$156,165.72

Staff Reassignment/Reductions at CSN/BCN
Personnel Analyst 1 @ 0.25 FTE - Testing CSN	$10,027.62
Personnel Analyst 1 @ 0.50 FTE - Classification CSN	$20,055.24
Personnel Analyst 1 @ 0.50 FTE - Testing BCN	$20,055.24
Personnel Analyst 1 @ 1.00 FTE - Classification BCN	$40,110.48
	========
	$90,248.58

Cost Review of Scenario 3

Scenario 3 - BCN undertakes all classified functions for all institutions and System Office (except DRI) in the following classified employee areas: training, testing and classification with limited System oversight.

Training: BCN utilizes the online training resources available to provide required training for supervisors of classified staff. Other offered training at BCN has been a function that subject matter experts within HR cover as time permits. The addition of CSN, UNLV, and NSC would require additional personnel at BCN in the form of support staff to ensure required training has been accomplished by UNLV, CSN and NSC supervisors of classified staff. Initial outreach to the UNLV, CSN and NSC Human Resources departments would need to occur frequently so as to ascertain and confirm supervisory relationships. BCN would need to document training and, as the required State trainings must be renewed every three years, contact with the supervisors and HR offices would be on going. Such expansion of services would require 0.25 additional FTE at the Personnel Technician 2 level (Grade 27 - $ 8,169.30 yearly salary at step 01). It should be noted that this estimate is to <u>coordinate</u> training programs that have already been developed. The development costs for new training and revisions to programs within NSHE are not addressed. Resources for management development and leadership enhancement are critical to the system's future success. Since these resources do not currently exist, addressing this issue is beyond the scope of this report.

Why does BCN utilize the Personnel Tech 2 level for this work, while CSN and UNLV use a higher Personnel Analyst 1 level? Same comment as before as to how these functions are being handled currently and why there is no corresponding FTE reduction.

Response #9: UNLV and CSN have traditionally used a more "generalist" model with respect to these functions and the analysts would have higher level tasks in other functional areas thus warranting the higher (analyst) classification. On both campuses, the professional and classified functions are blended. These Human Resources employees at BCN specialize in classified activities, rules, regulations and procedures – they represent a centralization that does not exist, and would need to be built, at BCS.

Training is currently being tracked at very rudimentary levels; this is primarily due to reductions related to training as described in Response #1. In essence, each campus tracks only required training and does so in a sporadic manner as time permits or upon demand. Again, given that each campus uses only a partial FTE, the centralization of this function would require additional FTE because of the recruitment difficulties described before for position that are less than half-time.

The same FTE assessment is used as we do believe that centralization would standardize processes and require only the FTE stated.

Testing: NSC, CSN, and BCN operate under traditional civil service examination models and the State exams are offered to all eligible applicants for open positions. UNLV operates under a model approved by the State Department of Personnel that permits testing of only those deemed as the top qualified applicants. It is assumed that the testing process in place at UNLV would be utilized if BCN were to administer testing for UNLV, CSN and NSC. Continuation of existing models by each campus would require the addition of 1.00 FTE to BCN at the Personnel Analyst 1 level (Grade 32 - $40,110.48 yearly salary at step 01) to address testing preparations, logistics, proctoring and scoring requirements. All additional staff (1.00 FTE) would need to be physically located in Las Vegas to coordinate testing preparations, logistics, and proctor exams. It is questionable if centralization of the testing function is efficient as there would be significant coordination between BCN and UNLV to schedule testing rooms and proctors. The reduction or reassignment of 0.25 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $20,055.24 yearly salary at step 01) could be possible given this shift. The reduction or reassignment of 0.5 FTE at UNLV HR at the Personnel Technician 3 level (Grade 29 - $17,737.56 yearly salary at step 01) could be possible given this shift.

The report references 1.5 FTE additional staff but I only see 1.0 FTE added. What is the additional .5 FTE?

Response #10: The 1.5 reference was a typo and has been corrected to reflect 1.00 FTE.

Classification: The current economic conditions have seen a downturn in the number of studies done for vacant and reclassified positions since 2008. The classification/recruitment unit is involved in evaluating skills of classified employees being notified of layoff and certifying the employee for the reemployment list. This activity has increased while classifications have decreased. The addition of CSN, UNLV and NSC studies and a return to prior levels of volume for studies would require the addition of 1.00 FTE positions at the Personnel Analyst 1 level (Grade 32 - $40,110.48 yearly salary at step 01). There is a strong likelihood as the economy recovers that an additional classification FTE would be needed to adequately serve NSHE. The reduction or reassignment of 0.25 FTE at CSN HR at the Personnel Analyst 1 level (Grade 32 - $10.027.62 yearly salary at step 01) and a reduction or reassignment of 0.5 FTE from UNLV HR at the same level could be possible given this shift.

Same issues referenced before. Why is there a projected increase in staffing versus decreases at other institutions? Why is no operational efficiency achieved through centralizing this function?

Response #11: Costs and FTE assessments would be "neutral" if the suggested action(s) represents only the basic movement of current effort and FTE from one campus to another. However, due to the inherent difficulty in recruiting for .25 or .50 FTE positions, we rounded up FTE to reflect whole positions that could readily be recruited and maintained. Additionally, moving these FTE from one region of the state to another would be problematic as well. The desire would be for each campus to reallocate employees within their HR office to areas that have seen substantial deductions since FY06. Classification FTE reduction for CSN was been modified to .50 FTE.

Total Cost Assessment: Implementation of Scenario 3 would require the addition of 2.25 FTE to BCN at the cost of approximately $88,390.26 (fringe expense, equipment and operating are not included). The reallocation of reduction of HR staff at CSN by 0.50 FTE is estimated at $20,055.24 (fringe expense,

equipment and operating are not included). The reallocation or reduction of HR staff at UNLV by 1.00 FTE is estimated at $37,792.80 (fringe expense, equipment and operating are not included).

NOTE: All cost and savings estimates were self-reported and presented below

Additional Staff at BCN
Personnel Analyst 1 @ 0.25 FTE for Training	$10,027.62
Personnel Analyst 1 @ 1.00 FTE for Testing	$40,110.48
Personnel Analyst 1 @ 1.00 FTE for Classification	$40,110.48
	========
	$88,390.26

Staff Reassignment/Reductions at CSN/BCS/UNLV
Personnel Analyst 1 @ 0.25 FTE - Testing CSN	$10,027.62
Personnel Analyst 1 @ 0.50 FTE - Classification CSN	$20,055.24
Personnel Technician 3 @ 0.50 FTE - Testing BCS	$17,737.56
Personnel Analyst 1 @ 0.50 FTE - Classification BCS	$20,055.24
	========
	$67,875.66

Detailed Review of Training Functions

Section 284.498 of the Nevada Administrative Code requires training for supervisors of classified staff every three years. To satisfy this requirement, self-directed, online training was developed by the State of Nevada and is available for all NSHE institutions to use at their convenience through the Nevada Cooperative Extension website. The following sessions are available on-line:

- Interviewing and Hiring of State Employees
- Alcohol and Drug Testing
- Evaluating Employee Performance
- Handling Grievances
- Introduction to Equal Employment Opportunity
- Progressive Disciplinary Procedures
- Sexual Harassment Prevention

The establishment of NSHE access to this online training occurred in June 2010. This access eliminated the need for each campus to develop and facilitate in-person training and resulted in a savings of approximately .15 FTE NSHE-wide. Though critically important, training has never been an area where significant investments have been able to be made. Accordingly, training has always been a function that was ancillary to subject matter experts within our HR offices cover as time permits. With the availability of the online training, the time that staff had devoted to developing and facilitating these training sessions were re-allocated back to their primary HR job responsibilities.

It is important to note that while online training creates efficiencies, it also reduces the human and individual interaction with college/university staff and may be viewed across campuses as a service reduction. The value of live training extends beyond the classroom and is crucial to the relationship development between supervisors/managers and HR staff in addressing employee issues.

Our review of the training functions across NSHE HR shows that there are ways that we could better assist one another and thereby achieve some limited savings. We propose that when policies or programs are exactly the same for all NSHE institutions and training is necessary, NSHE HR representatives collaborate and develop non-branded, online (if possible) training to add to a consortium

of training opportunities, similar to the State-mandated model above. While this will not result in staff reductions for any institution, cost avoidance will be realized by avoiding the duplication of multiple individuals creating similar training products. Online training exists in the areas of sexual harassment for faculty, classified layoffs, and benefit information. These areas should be the first where further shared development occurs. Necessary coordination will occur through the already established NSHE Human Resources Advisory Council that is headed by Bart Patterson and includes each chief human resources officer within NSHE.

<u>**RECOMMENDATION:**</u>
NSHE institutions continue to share training programs that would be beneficial to all institutions. Future development should allow for customization/branding by each institution whenever possible.

Detailed Review of Testing Functions

The consolidation of testing functions would result in central management with continued activities in each specific geographic region. By and large, applicants are located and tested in the areas where they would be employed. As such, centralization would mean that testing locations, proctors and other administrative activities would be necessary away from the central office. In essence, the central office would no doubt end up needing to call each campus and ask for assistance in testing the applicants for their positions. With respect to testing, centralization would not be more efficient or produce savings and in fact would require additional coordination between a central office and testing sites.

Currently, all classified positions are posted and must be applied for via the state classified applicant system, NVAPPS. Given that all of the major institutions utilize an applicant tracking system (ATS) for faculty recruitment, we submit that classified recruitment could be accommodated in each institution's existing ATS and perhaps enhanced using the capability of the campus ATS. Advantages of this approach would be better service to applicants. While this proposal would require additional research to determine feasibility and how we might be able to meet Department of Personnel requirements, we offer it here as an improvement over current methods.

Additionally, we would suggest that NSHE investigate the possibility of negotiating with State Personnel to provide greater autonomy to utilize our existing resources, technology and procedures to create classified recruitment efficiencies. We estimate that the implementation of all these measures would greatly reduce the "fill" time for classified recruitments, simplify the hiring process and result in some incremental savings in HR and departments.

<u>**RECOMMENDATIONS:**</u>

A) Limit the number of applications received for high volume recruitments until recruitment needs are satisfied (e.g. Determine the cutoff for applications by a predetermined number of applications rather than a specific date). As pointed out later in the report, there are quite a few legal and policy issues associated with this approach.

B) Allow NSHE institutions to use their existing Applicant Tracking Systems (PeopleAdmin, Consensus, etc.) to accept, screen, and score application materials.

C) As accomplished with academic and administrative faculty searches now, propose the following procedure:

1) Once sufficient applications have been generated, hiring departments first evaluate applications and determine the "top qualified" pool.

2) HR representatives will verify minimum qualifications are met for "top qualified"

candidates and conduct an adverse impact analysis to ensure diversity of substantially equally qualified candidates exist within the "top qualified" pool.

      3) Hiring department will conduct interviews, which may include job sampling exercises and/or computer skills assessments to determine recommended candidate(s) for hire.

      4) HR will approve the process and recommended candidate(s) before the hiring department may convey an employment offer.

Detailed Review of Classification Functions

Classification includes review of new positions, promotions, demotions, reclassification of incumbents and duty updates. E-mail from Bart Patterson on March 25th presented the following scenarios for cost savings in the area of classification:

- BCS assumes responsibility for classification function for southern Nevada
- BCS assumes responsibility for classification function for all NSHE institutions
- BCN assumes responsibility for classification function for all NSHE institutions

In addition to the three scenarios listed above, the following additional options were considered:

- Cancel delegation agreements and return classification function to the state Department of Personnel.
- Develop employment classification outside the State of Nevada.
- Institute a moratorium on all reclassification requests for the next biennium.

Option 1: BCS assumes responsibility for classification function for southern Nevada

In FY11 UNLV has one employee performing classification duties. These classification functions comprise only .25 to .33 of the total job duties. Prior to July 31, 2008, the total FTE devoted to classification at UNLV was approximately 1.3 and included a full-time analyst devoted to the function. CSN employs five individuals who are trained to perform classifications, in addition to their other duties. Three Personnel Analysts perform the majority of work. The total FTE spent on the classification function is .33 to .50 FTE.

If additional work were delegated to UNLV, additional staff would be required. If staff were moved from CSN and NSC to accomplish this, there would be no change in salary; therefore no cost savings would be gained. If UNLV hired new staff to perform the work, additional cost would be incurred.

The advantage of this option is increased consistency in classification methodology, procedures and classification determinations. The disadvantage is lack of cost savings.

Option 2 and 3: BCS or BCN assumes responsibility for classification function for all NSHE institutions

It would be possible to address geographical differences by use of phone, SKYPE or distance education video systems. A desktop camera for SKYPE costs little. With a small outlay of cost, HR staff could install SKYPE, however, individuals at the other end of the computer would require a camera also. The drawback of distance education video systems is that academic/learning units typically have scheduling priority. The drawback of using phone for desk audit is inability to see the work performed and is less personal/customer service oriented.

How is this being done for WNC, GBC, TMCC, System Office and NSC without SKYPE?

Response #11: The preferable model with respect to conducting desk audits is to do them in person; this is done when travel is not a material obstacle. The State of Nevada uses two teams, one north and one south, to achieve this preference. The same could be done in NSHE. The "SKYPE" reference is listed as

a substitute should geographically based employees not be possible. Using "SKYPE" many on the advantages of the face-to-face conversations would be preserved. That said, phone interviews could be done in lieu of this technology or geographical staffing. While face to face contact is preferred, classification can be done via telephone. The real value in a regional approach is that the analyst performing the audit has better knowledge of the work units and organizational structure. Even if this function were to be centralized, the best quality work would be produced by assigning analysts to particular institutions.

If BCN were to acquire the classification function, additional staff would be required to accommodate the additional workload. It would difficult to move positions from UNLV/CSN to BCN as only small portions of whole positions are spent on the function (less than 1.0 FTE total); however, no salary savings would be gained. Most likely, additional staff would have to be acquired, creating additional cost.

If BCS were to acquire the classification function, additional staff would be required to accommodate the additional workload. It would be possible, but difficult to move positions from BCN or CSN to UNLV; however, no salary savings would be gained.

The advantage of this option is increased consistency in classification methodology, procedure and classification determinations. Through technology, geographic differences could be addressed. The disadvantage is a lack of cost savings and the lack of familiarity by the classification unit with the institutions being served.

Option 4: Return the classification function to the Department of Personnel

CSN points out that returning the function to DOP should only be considered if it does not necessitate the transfer of any funding or FTE from NSHE to the DOP or result in any additional assessment on NSHE from the State. If this is the case, then the savings realized may not be worth losing the benefits of having this work done by NSHE personnel. If faced with additional cuts beyond those already indentified for FY12/FY13 and with these caveats, UNLV would consider this plan as a one that should be studied further to determine if it is a valid alternative.

Why would we look at this as a serious centralization option, but not seriously consider centralization within NSHE?

Response #12: Our group discussion would have been better presented as simply a suggestion that NSHE investigate if the assessment paid to the State Department of Personnel could be reduced. Given our delegation agreements with the State Department of Personnel, only minimal services are actually provided directly to NSHE campuses and employees. While they do maintain the rules infrastructure, as well as hearing and appeal infrastructure, the cost-benefit ratio between our fees and those services seem to largely favor the State. As such, we believe that savings might be achieved if the assessment were reviewed and lessened. No one is seriously interested in seeing classification decisions going back to the State, though it could theoretically occur.

UNR does not consider this as a viable option. BCN states that the personnel assessment paid to DOP from NSHE is for personnel services rendered to NSHE from DOP; classification is one of those services. If NSHE returns the function, at least the money is not going to waste. But, there are no savings to realize. During the 2007 and 2009 legislative sessions, NSHE tried hard to renegotiate the personnel assessment structure; to no avail.

Why are there no savings to realize? What about internal staffing?

Response #13: The desire would be to reallocate employees to areas that have seen substantial deductions since FY06. Shifting the work could result in savings, however there is danger in that DoP may want to increase the assessment and NSHE institutions are relinquishing control.

CSN and BCN also point out that this option would not be popular with clients. Clients value having personnel familiar with the operations of the Universities/Colleges perform the classification work based on the unique needs of the campuses.

Similarly, BCN notes that classification is deeply interwoven into other aspects of human resources: compensation, employee relations and recruitment. HR is currently self-contained, having the resources, knowledge and information readily on hand to resolve HR issues that bleed into all areas. If the DOP were conducting classification, NSHE would have to rely on this external source for that knowledge, information and consultation.

Each institution possesses organizational knowledge (history, nuances and culture) acquired through the classification process. If no one in the local HR department or business center performed hands on, daily classification, that body of knowledge would quickly erode until it disappeared.

Classification affects employee morale and effort; and impacts the productivity and effectiveness of NSHE's workforce. Classification conducted by staff that is intimately familiar with campus cultures and structure contributes to a workforce that is stable and paid equitably. Classification is an integral part of total personnel management and to relinquish it would create a critical inefficiency.

An advantage is this option **MAY** result in cost savings to NSHE if DOP does not require FTE transfer or an increase NSHE assessment fees. Disadvantages include client dissatisfaction and frustration; probable increase in time to complete studies; and analysts performing the studies would not be grounded in the unique aspects and nuances of the work performed by the various NSHE institutions.

Option 5: Develop employment classification outside the State of Nevada

The universities and community colleges employ non-exempt employees in many classifications that are non-state funded. The source of these funds is grants and self-supporting activities. If the universities were able to develop an employee classification outside of the state classified system, research, service grants and self-supporting activities would be better served. Streamlined personnel rules would allow for efficiencies and flexibility in recruitment and employee performance related issues that would better serve projects with variable and short-term funding. A hybrid system that maintained the same classification, pay scale and benefit programs would ensure equity among non-exempt employees. Savings could be realized in recruitment, disciplinary process and layoff rules.

What is the scope of what is being suggested here? Is it solely for soft money positions?

Response #14: Our understanding is that the term and conditions of employment for State funded classified employees are subject to NAC in all instances, absent a change to the NRS. That said, in prior discussions with the State Department of Personnel, it has been indicated that non-State funded employees would not need to be covered similarly. The inclusion is primarily as a placeholder and discussion point as we would like to investigate this further. Several state agencies are able to utilize "unclassified" employees that are not covered by state classified rules. The soft funded positions are the most logical to move from the state classified system as state money is not involved.

The advantages of this option include streamlined rules resulting in efficiencies and savings. The disadvantages include the familiarity required to administer multiple classification processes; and the time and effort required to develop and maintain classification specifications for positions specific to higher education.

Option 6: Institute a moratorium on all classification requests for the next biennium.

A moratorium would eliminate the pay increases associated with upward reclassification, salary acceleration and temporary adjustments to salary. Classified pay would be frozen. There would be a 2-

year cost savings for Human Resources by reducing the time and FTEs necessary to review the reclassification requests.

The advantages of this option include temporary cost savings and possible reduction of FTEs.

The disadvantages include the following; the option may not be possible due to state regulations and NAC rules; classified employees are already affected by cost reductions through furloughs/reduced pay, increased benefit premiums, and the elimination of COLA and merit; classified employees may be assigned higher level responsibilities without compensation; and once the moratorium is lifted, there could be a "flood" of reclassification requests.

I agree there would appear to be significant legal restrictions and policy issues.

RECOMMENDATION:
The current structure of classification within the business centers and CSN is maintained.

Annual Contacts - Review of "Other" Suggestions

Board of Regents policy requires that all faculty be provided an employment contract; the duration of the contract shall not exceed twelve months and coincide with the fiscal year. Based on these requirements, all NSHE institutions produce annual employment contracts and/or a letter of renewal, for faculty not experiencing a contractual change. A survey of the NSHE universities revealed, less than 18 percent of faculty experience a contractual change effective each July 1, at the colleges it's less than 10 percent.

There is little significance to annual contracts. Strong consideration should be given to eliminating faculty contracts, or having faculty sign one contract upon hire, with all renewals and minor changes (e.g. responsibilities within the same Range/Rank, COLA and/or merit) handled by letter (electronic) renewal. Material changes (title, responsibilities of a different Range/Rank or promotion) would result in a new contract being executed. Further consideration should be given as to whether adjunct faculty employment can be processed without any contract at all. If the requirement of annual and adjunct contracts were eliminated, there would be a reduction in employee time across each campus devoted to processing employment contracts.

Anticipated benefits/improvements:

Some NSHE institutions use automated processes and can produce contracts quickly. At the majority of NSHE institutions the contacts are produced individually through HRMS. Contracts are labor intensive to produce, obtain required signatures, review, process and file. Electronic letters of renewal can be produced and distributed using software current utilized by all NSHE institutions through a mail merge from a spreadsheet or database to an email program. Letters would include electronic appointing authority signature and salary information (worksheet). It would be sent to the faculty's Employee Self Service (ESS) email address.

NSHE institutions that have already developed automated processes to produce employee contracts and electronic letters of renewal will share their programs and best practices with other NSHE institutions.

Cost saving:

- No additional output for software.
- Substantial saving in labor costs to produce electronic renewal letters, opposed to contracts or letters.

- Eliminates labor costs for distribution preparation that includes correlating, folding, stuffing and mailing.
- Eliminates costs associated with printing expenses, paper, envelopes and postage.
- Significant reduction in employee time devoted to processing contracts with an estimated 80% reduction in documents to review and file.

Considerable time is spent by departments disseminating and obtaining required signatures on contracts, as well as the time spent by the appointing authority to sign the contracts. No cost saving can be anticipated for the departments but that time could be reallocated to other work.

RECOMMENDATION:
The Board of Regents eliminates the requirement for annual Terms of Employment for faculty. Each institution should be allowed to "notify" faculty annually via print or electronic communication of minor changes to the Terms of Employment.

iLeave Solution - Review of "Other" Suggestions

UNLV Human Resources has agreed to purchase leave & time/attendance software from the APEX corporation. This company will also be providing software to the NSHE Chancellor's Office. A test environment for this software has been established and the software loaded on to a campus server at UNLV. Five pilot departments have been identified and will receive training on the software in April and May 2011. These departments will begin using the software for their employees and report successes and problems to Human Resources for resolution. Full campus implementation will follow in a phased approach. Employees will request leave through the web-based interface and supervisors will approve leave through that same interface. Leave keepers will monitor transactions on an exception basis only. It is anticipated that 90+% of transactions will require no intervention and only employee entry & supervisor approval. Current and future leave balances will be available and readily accessible through the web interface. Reports will be possible from the underlying database that supports the system. With this reporting capability the ability to obtain a June 30 point in time balance for booking leave liability will be achievable for FY12. At UNLV, this will replace an automated system that asked leave keepers to manually provide that data on an annual basis for each employee. While UNLV chose to implement this software via an on campus server, the software is also available directly from a server hosted by APEX.

NSHE institutions that do not have such automated systems should strongly consider them. Savings will undoubtedly vary and will not be available as a "lump sum," but efficiencies are clearly achievable.

Anticipated benefits/improvements:

Leave rules vary based upon the employee type of the individual and, in certain instances, how long the employee has worked for NSHE or the State. These rules are often difficult to understand and the current manual processes used to track leave are subject to simple arithmetic errors. The iLeave software is fully configurable so as to accommodate current and future changes.

Cost saving:

Both anticipated cost and reallocation savings are listed below. On average, we believe that this system will allow approximately $1,000 per employee/leave keeper to be redirected to other campus support activities each year.

How did the task force get to this number? How many leave keepers are there at CSN and UNR?

Response #15: The number of leave keepers at UNLV was misstated; the total for UNLV is approximately 120. Even so, the savings over a five year period would be estimated at $600K. For each leave keeper, the estimated savings is $1,000 per year using the estimated FTE reduction at the Grade 27, Step 05 level. UNR has 150 leave keeper positions on campus. UNR has not estimated the savings of an automated leave system as funds are not available for purchase and ongoing maintenance contract. The FTE devoted to leave keeping by individual employees ranges from less than 5% to 100%. In most cases, leave keeping is a small portion of the employee's job. Decreasing processing time may free up time for other functions, but in only a few cases could result in elimination of a position.

Annual Electronic Leave Keeping Reallocation Savings for NSHE (Estimated)

# Leavekeepers	FTE Reduction	Salary (Grade 27, Step 05) with 5% Proposed Reduction	Total Reallocation
600	3.0%	$ 33,701.36	$ 606,624.55

CSN submits that once the iLeave program is fully implemented on its campus, there would actually be a cost savings for Human Resources. The reduction or reassignment of 0.50 FTE at CSN HR at the Personnel Technician 2 level (Grade 27 - $16,338.60 yearly salary at step 01) could be possible given this shift. Consequently, the overall cost savings of implementation would essentially pay for the annual cost of the iLeave program at approximately $10,000 and then provide an approximate cost savings of $5,000 annually for the HR budget. Additionally, the impact of the implementation would be a significant increase in efficiency for processing and recording leave since this is currently a centralized manual HR process for professional leave. Classified leave is currently decentralized to non-HR leave keepers.

Investment Required:

The iLeave program costs for UNLV are included below as an example of the investment needed to achieve reallocations within our campus departments. Given these figures and an estimated leave keeper count of 300 – over a five year period UNLV will spend approximately $110,895 to achieve efficiencies totaling approximately $1.5M.

University of Nevada, Las Vegas
Implementation of iLeave for UNLV Campus
FY11 & Future FY Expenses

Description	Implementation Expenses	On-Going Expenses
Software - iLeave for unlimited employees and users, one entity	11,000.00	
Software - iLeave Instant Self Serve	995.00	
Licensing/Maintenance - iLeave Annual Fee	3,900.00	
Server - Hardware for Production & Test Environment	53,000.00	
FY 11 Total		
Licensing/Maintenance - iLeave Annual Fee		3,900.00
Server Software Maintenance (Annual)		4,500.00
FY 12 Total		
Licensing/Maintenance - iLeave Annual Fee		3,900.00
Server Software Maintenance (Annual)		4,500.00
FY 13 Total		
Licensing/Maintenance - iLeave Annual Fee		3,900.00
Server Software Maintenance (Annual)		4,500.00
FY 14 Total		
Licensing/Maintenance - iLeave Annual Fee		3,900.00
Server Software Maintenance (Annual)		4,500.00
FY 15 Total		
Licensing/Maintenance - iLeave Annual Fee		3,900.00
Server Software Maintenance (Annual)		4,500.00
FY 16 Total		

Miscellaneous - Review of "Other" Suggestions

1. Online benefits enrollment.

Continue to pursue with existing vendors. PEBP enrollment is the largest enrollment of all vendors and an online process is utilized. Other vendors have varying online capabilities that will continue to be developed in conjunction with the vendors.

2. Data Warehousing for all institutions.

All campuses have data retrieval capabilities that they can utilize. In some instances, the technology is dated but still useable. There is no cost savings in developing additional data warehouses.

3. NSHE licensing for CUPAHR (College and University Professional Association for Human Resources) Data on Demand – this may be more cost effective than individual institutions purchasing.

The administrative cost of coordinating all institutions in order to receive the discount may exceed the savings.

4. NSHE Purchasing contract for recruitment advertising – leverage system-wide needs for local and national advertising; e.g., Las Vegas Review Journal, The Chronicle of Higher Ed, and improve outreach under affirmative action/equal opportunity programs.

All institutions have followed the national trend of decreasing print advertising. The administrative costs of coordinating all institutions in order to receive a discount may exceed the savings. .

5. Scanning and imaging employee records. Reduce the need for paper retention of and transmittal of records.

Some campuses are currently utilizing document imaging for personnel files and other records. There is a tremendous labor cost in conversion from paper to electronic files. While these systems reduce file footprints, the handling time is not significantly reduced when paper has to be converted to images.

6. System-wide training initiatives – Consolidate purchasing power to offer training on campus; e.g., investigations training, managerial training, etc.

Development opportunities for all employee types have diminished in recent years. There is the possibility of cost sharing between campuses if training dollars are available. A regional approach would be the most practical to avoid travel costs.

7. Provide smaller institutions and System Office with the option to centralize the EEO function to ensure investigations are completed in a consistent manner and to ensure the development of consistent affirmative action plans.

Institutions have in the past shared EEO resources to conduct investigations. Regional institutions would have to evaluate this option to determine if this function can be shared between institutions.

8. Centralize NRAT (Non-Resident Alien Tax) to provide one source of expert advice and common purchase of associated Winstar software. If this idea is pursued, we will have to address issues associated with the importance of on-site review of legal documentation and in-person counseling.

Time did not permit full review of this suggestion. That said, typically the person performing this function on campus has additional duties not directly related to NRAT. A workload analysis would reveal if it were feasible to share this function between institutions.

9. Equity/compensation of staff should be centralized to ensure consistency between institutions (cited examples of institutions recruiting away staff of other institutions for similar jobs at a higher compensation).

Employee movement between campuses is a rare occurrence. The more common movement is for an employee to move from an institution to the system office. Centralized compensation would not prevent or discourage this. Additionally, regional market demand and competition must be considered. Employees performing compensation analysis have additional duties at each institution. Centralization would not eliminate the need for the other functions of the compensation staff to be performed at the institutions.

All of these are simply suggestions that came from someone and do not represent a recommendation. However, I am not sure I would describe movement between institutions as rare. I also don't think, however, that this is a problem or priority at this point.

Response #16: Our understanding is that this reference is a suggestion voiced at some point in the interview process, but is not a recommendation. We do believe that regional market demand and competition are considerations in salary determinations when any position is recruited and filled -- whether the new employee comes from across the street or across the country, a negotiation occurs and an offer is ultimately made and then considered. Centralizing to ensure consistency would, for all practical purposes, tend to dissuade current employees from exploring movements which, in many cases, are "win-

win" situations for all involved in that a resource remains available within the System. The resource is at a different location, but still within and available in the System.

10. New employee orientation via the web.

Sharing of online employee orientation programs would be beneficial for all institutions. Certain aspects of orientation can be "boilerplate". Other parts of orientation must be tailored to individual campus procedures and processes.

11. Establish a position in the System office to work on PERS/PEBP issues; Benefit Director/Coordinator.

The two business centers Benefit Managers have a good working relationship and problem-solving capabilities. The alternating RFP model used by the business centers is effective. Benefit professionals need to be accessible to the employees that the business center model sustains. The campuses would not support a loss of service at the business center level to support a centralized position.

In my opinion, something needs to be done to coordinate benefit issues internally, and more significantly, in our interactions with PEBP. Carla Henson used to perform that leadership role, but we haven't determined how to address this in a consistent way following Carla's retirement.

Response #17: We are supportive of discussions aimed at further addressing systematically approaches that might designate "go to" individuals for each of our various benefit offerings.

12. Develop better website links between employees and benefit vendors (RPA, Short term disability, Life).

This is an ongoing process with vendors.

13. Develop on-line training programs, such as sexual harassment training.

Sharing of online training orientation programs would be beneficial for all institutions. Certain training programs can be "boilerplate" and used by all institutions. Other programs may need to be tailored to individual campus procedures and processes

14. Evaluations. Consider significant changes in employee evaluations to streamline the way evaluations are conducted and to eliminate the requirement of annual professional evaluations, and/or change the format of evaluations to provide more effective and timely feedback.

Board of Regent's policy requires an annual evaluation for all faculties and it is unlikely that the Board would revise this requirement. Each campus has developed their own forms and has the autonomy to modify those forms as needed. As such, just as a supervisor can complete mid-year evaluations, a campus could explore the creation of multiple, point in time instruments that could culminate in an annual evaluation. Group consensus is that no NSHE-wide action is recommended and each campus, in coordination with their Faculty Senate, can explore such changes on their own.

15. Consider the value of continuing to establish salary schedules.

Elimination of salary schedules would create additional demand on compensation professionals. Hiring authorities would need individual market data as positions are filled. The absence of salary guidelines has the potential of creating inequities between similar positions.

16. Standardize more business practices based on "best practices."

This should be explored as opportunities become available.

17. Develop category for non-classified employees that work in soft funded positions.

See Option 5 under Review of Classification functions.

Assumptions and Report Format Decisions

The complexity of the task ahead, along with the compressed time limits, pushed our group to discuss and then agree to common assumptions from which we would base our review, ideas and recommendations. The three-presented scenarios shared a focus on classified functions in the areas of training, testing and classification. As a result, we found that in addition to our whole group discussions, subcommittee meetings and discussions that focused on each item were extremely helpful and allowed for quicker movement toward our completion goal. Our report is structured in a similar way and the areas of training; testing and classification are each discussed as individual "chapters."

Below are some of the more critical assumptions that we used in order to focus and expedite our discussions.

Training
Assumption: The training discussion is limited to the mandatory classes for the supervisors of classified staff and other topics where a consistent NSHE wide policy exists.
We agreed that our discussion would be limited primarily to the six mandatory State Department of Personnel trainings for supervisors of classified staff. Additionally, we would look at sexual harassment training, classified layoff training, and any other additional training where a consistent NSHE wide policy existed. In the development of any NSHE wide policy training, content would be structured in a manner that could accommodate any institution-specific contact and reference information for questions or additional information follow-up. Discussions and recommendations would not include institution-specific training such as orientation, discipline, or employee relations.

Testing
Assumption: The testing discussion is limited to the State civil service testing requirement.
All agreed that discussions would center only on State civil service testing requirement for classified positions. While testing in the form of job sampling might occasionally occur for non-classified positions, such testing is so closely tied to interview visits that any "centralization" would be counterproductive.

Classification
Assumption: This classification discussion is limited to the classified system.
Consensus emerged that we would reference only classified position reviews, which would include new position review, promotional reviews, demotion review, submitted reclassification reviews and duty updates. Review and classification of Academic and Administrative Faculty were not included in the discussion, as these positions do not have much commonality across NSHE.

Attachment 3 – Ad Hoc Purchasing Group Report and Response to Comments

Red: Vice Chancellor Comments
Blue: Ad Hoc Group Response

TO: Gerry Bomotti, Senior VP Finance and Business - UNLV
                     Ron Zurek, Vice President Administration and Finance - UNR
                     Patty Charlton, Senior VP Finance and Facilities - CSN

DATE: April 27, 2011

RE: **Review of Effectiveness and Efficiency Proposals**

We appreciate the opportunity to provide the information included in this summary in response to the proposals included in Bart Patterson's 'Cost Assessments' email dated March 25, 2011. As requested in your email dated March 30, the Purchasing ad-hoc committee worked jointly on this response and we welcome the opportunity to answer any questions you have or provide additional information you may consider necessary.

The ad-hoc committee consisted of the following members:
UNLV	Sharrie Mayden, Director of Purchasing and Contracts
	Paula Gonzales, Assistant Director of Purchasing and Contracts
	Rolando Mosqueda, Contracts Administrator
UNR	Thomas Judy, Associate Vice President for Administration and Finance
	Kathy Schultz, Interim Director of Purchasing and Contracts
CSN:	Mary Kaye Bailey, Associate Vice President/Controller – Financial Services
	Mark Cahill, Interim Director of Purchasing
DRI	Steve Salaber, Associate Vice President Controller

The committee met by teleconference on the following dates:
April 1
April 6
April 12
April 15
April 26

The committee was tasked with reviewing the proposal from Bart Patterson; discuss any baseline data/metrics for the area that could help define where we are now in expenditures/resources and how this compares with others; discuss how to implement Bart's proposal estimating costs and requirements (base and any onetime); identify and highlight any other ideas that would lead to savings/efficiency improvements along with assumptions and potential savings.

Thanks for the report. The document represents a very good starting point in moving forward with possible options and in addressing challenges that will need to be met in order to attain more strategic purchasing system-wide.

Page **1** of **34**

Replies to Bart's comments are provided throughout. We are in agreement that there is still work to be done prior to moving ahead. At the end of the document is a list of items for consideration as next steps.

SYSTEM RECOMMENDATION COMPONENTS

<u>Key components of the "Proposed" changes to the Purchasing operational area scenarios are:</u>

Business Center South (BCS) assumes system wide responsibility for all RFPs/purchasing threshold of $50,000 (higher for construction) with System oversight.

Lower level purchasing below $50,000 is the responsibility of each institution. Each institution would be responsible for handling sole source/competitive exceptions with System policy direction and guidance.

BCS should include a cost assessment for a contract manager/negotiator position.

UNR and CSN should plan to provide some assistance with "on the ground" work for RFP/bid processing.

Since System office has no controller function, BCS would process their purchase orders.

If possible, provide a rough cost estimate for emphasis on strategic purchasing including:
- ➤ Contingent fee contract auditors
- ➤ Conversion of maintenance contracts to time and materials
- ➤ Energy efficiency/conservation measures
- ➤ More standardization of certain types of purchases (e.g. communication devices, computers, copiers)
- ➤ Spend analysis programs
- ➤ Policy changes providing more accountability (re: purchasing off negotiated price contracts)

All components of the "structural change scenarios" were to be based on the following assumptions:
1. The starting point for the assessment is after the application of the Governor's budget reductions.
2. Phase-in of up to one year.
3. Professional personnel reductions would largely be accomplished through notice of non-reappointment, reassignment, or attrition – not financial exigency
4. Any classified employee reductions would be through layoffs, transfer or attrition during the one year phase-in period.
5. Any cost associated with the additional staffing requirements or onetime expenses due to these changes would primarily occur in FY13.

IMPLEMENTATION CONSIDERATIONS OF SYSTEM RECOMMENDATION

Introduction of New Technologies

The recommendation creates an immediate need to address the lack of an end-to-end requisitioning software application for the System. Additionally, a central contracts databases and management tool will be necessary for real time visibility of the various contracts in place at each institution, and those resulting from solicitations processed by BCS. This may be achieved by utilizing current or pending software contracts. BCS is finalizing a contract for a document management system that could be used System wide for contract management and routing. Another software requirement will be an online supplier registration system to help streamline and manage supplier information, and to store data associated with each supplier.

The implementation of technology based procurement solutions is deemed critical to advancing the recommendation proposed by the System or any of the alternative options presented in this document. Refer to the automation priorities section of this report located on page 10 for more detailed information.

UNLV has undertaken efforts to address all three of these software/systems requirements and can assist in providing development (testing and planning) support as needed.

As you know, I absolutely recognize that we must standardize many aspects of our business operations in the area of purchasing, and apply technology solutions to reduce paper based processes, analyze spending and better maximize strategic purchasing opportunities. That being said, significant discussion and analysis needs to be undertaken to review available software options, including the long-term viability and completeness of any solutions before spending any significant money or time associated with implementing a software solution system-wide. I am very appreciative of UNLV efforts to move toward a solution, but in my opinion we need to be somewhat cautious about committing to a particular solution system-wide unless we are reasonably assured that the system is complete and won't simply be replaced by another software solution in a couple of years. I think we should create a task force to immediately start addressing these issues.

Also, while it is true that BCS couldn't function as effectively under the scenario proposed unless a technology solution is in place system-wide, the current reality is that BCN functions in a centralized purchasing role without a purchasing software solution, and CSN also processes purchasing transactions without any software solution.

Comments by BCN: BCN does currently function in a centralized purchasing role without purchasing software such as MUNIS. BCN does use a custom database (MS Access) to track requisitions, purchase orders and bids. There also are many custom reports available such as cost savings, vendor dollars spent, institution spend and change order tracking. BCN uses NOLIJ software to scan all purchase orders to electronic files. This system also sends electronic copies of the purchase orders via email to the BCN institutions excluding UNR. BCN is currently working with the system Risk Management office to share a common file for insurance

certificate information. All BCN transactions are processed through the Advantage Financial System.

Comments by CSN: CSN agrees that a task force should be created to address the software solution to ensure that the system is complete. CSN does not wish to invest in a system that may be replaced by the ERP in a couple of years.

Comments by BCS: The reality is there are three separate purchasing centers that have their own history and culture and any assumptions past that could be very inaccurate. Prior to moving all formal solicitations to BCS, there will need to be a mapping of how the process will actually work. The details on how to hand off the procurement once an award has been made. BCS is automated and we have data bases built to service our current customers to help us with items such as contract tracking which assists in the routing of documents and tracking of renewals. The insurance certificates are managed within this data base as well as contract documents. It will be more difficult for us to handle steps of the process for those institutions that are not integrated into our automated systems. This could result in reverting back to manual processes for some clients and using automated processes for others.

It is imperative that we get this task force looking at what we are going to do about automation. It is true that BCN and CSN function now without automation. However, the focus of this exercise is to be more efficient and effective. This should include making our processes better not continuing with the more inefficient processes in place whenever possible. Without addressing automation, we really cannot focus on efficiencies and effectiveness changes in Purchasing. It is important to consider that all of the external business models we are being bench marked against have strong automated purchasing processes. The centralized function proposed is less likely to move to the next level of success if automation is not included and could actually result in being more inefficient.

It always makes sense to evaluate the current available software options. However, we have to be realistic in these budget times. The odds are we will not be able to find funding for another software suite anytime soon. MUNIS was selected through a public solicitation where several purchasing solutions were evaluated based on cost and functionality.

At this point we haven't even evaluated the Oracle product to see if it will even suit our needs if and when we get funding for the financial suite. Most of these big systems still require additional software add-ons such as contract management, vendor registration support, detailed spend analysis applications, etc. and to add to this conversation these small additional software suites change and improve rapidly. (In fact, some of the local government agencies have been evaluating these types of software systems recently to see what they can find to use with their ERP systems.) It is difficult to support the status quo because we might be going to the Oracle product in a couple of years or maybe not. The longer we keep putting off at least an automated requisitioning system at the campuses the longer we are going to have the conversations regarding: fragmented processes; no way to do comparative reports between campuses; and we don't want to change software because a new one is probably coming sometime soon. We support getting the task force going.

To what extent does NSC utilize the Munis software system?

Comments by BCS: NSC utilizes MUNIS to automate their requisitioning process the same as UNLV. BCS is their purchasing office. Basically they are handled as if they were a department being serviced just like those at UNLV. There are differences in the coordination of the general counsel review portion of the procurement process and the contract approval delegations.

Impact on Business Center South

The assumption of System wide responsibility for all solicitations by BCS presents several significant challenges.

- BCS is currently not staffed appropriately to efficiently administer the approximately 80-100 formal solicitations processed by BCN and CSN collectively each year. Additional staffing (2-3 FTE's) will be needed at BCS to handle the increased workload.
  Could UNLV provide the basis for this assessment? How many FTE are currently dedicated to bid procurements at BCN, BCS and CSN? My recollection is that CSN had a very low number of bids. While I am sure some additional staffing may be required, I am assuming there would likely be an increase in system-wide solicitations, as well as the development of common templates for bid procurements for purchases that are typical for most institutions.

  Comment by CSN: CSN estimates about .10 FTE is used for bid procurements at CSN (currently handled by the Interim Director of Purchasing). CSN has taken advantage of existing contracts (State of NV, WSCA, etc.) where possible for commodities such as computers, phone equipment, office supplies, etc. in lieu of putting out a separate bid/RFP.

  Comments by BCN: Currently there are five FTE's at BCN who process bids. Bids are assigned by commodity. The five FTE's also process purchase orders and contracts. BCN does not have any dedicated bid processors. In FY10, BCN issued 69 bids.

  Comments by BCS: The three main purchasing centers likely do business very differently, so assuming that the number of bids for one center would accurately apply to the same operation in another center is likely misleading. It is likely each center has differences in terms of how they interpret and apply purchasing requirements, and any centralization would, by necessity, have to rely on a common set of assumptions. This could mean that each institution would see some changes in operation, or some might see major changes.

  We do not have FTE assigned exclusively to process Bids/RFPs. Our staff is assigned based on departments not on commodities or individual purchasing processes. (This is another area that will need to be looked at during our more detailed review of how the centers function.) There are times when campus wide solicitations are assigned out on top of the departmental assignments. The Director and Assistant Director also issue

Page 5 of 34

solicitations when warranted. The estimate of 2-3 FTE for UNLV to provide the services of all formal solicitations was a conservative estimate based on the current available staffing at UNLV taking into account their current work load; the estimated staff reductions that UNR predicted could result if all future formal solicitations were not processed through them; and the estimate given by CSN that they would not require significant numbers of formal solicitations in the future. However, UNLV is concerned that the data used as a basis for this number may not be accurate. Here are a few reasons for that concern:

One could come to the conclusion that doing all the bids and RFPs (Solicitations) in one house would provide for economies of scale due to the increase in system-wide solicitations. However, in looking at the data from just last year, most of the solicitations from BCN were for one time construction related projects and for specific one time equipment purchases. Moving the processing of them from one center to the other may not produce the volume of efficiency expected. BCS may inherent more individual single award solicitations if this one year's statistics are representative of every year.

It was reported that CSN did process a relatively small number of formal solicitations. However, there was no analysis done on their spend data or that of the other institutions to determine how their purchases were processed or how sourcing decisions were made on individual transactions. As noted their spend numbers are similar to those of BCS and BCN so it would seem there could be opportunities for more solicitations during any given time period. We should be cautious in relying solely on the raw numbers for one fiscal year in determining future workload. A more detailed analysis of the purchases will need to be done to see how FTE could be affected by the aggregate spend of the system. It has just been assumed at this point that our needs are very similar but once we get down to the individual transactions we may find that is or is not true.

We do agree that standardizing bid documents and templates is essential for efficiency. Standardization could help BCS be more efficient in preparing and issuing the solicitations for the other institutions. However, standardization will not address the volume of transactions that must be processed. BCS is not currently staffed to service the number of solicitations that were issued for the institutions last year. Not only should we consider standard documents but we should explore standardization of legal interpretations of purchasing related activities. There have been instances where BCS has experienced NSC's counsel interpreting topics differently than the same topics have been interpreted by UNLV's counsel. This can be counterproductive to customer service and is confusing and frustrating to the buying staff servicing both sets of customers and could be intensified with even more centralized formal solicitation processing. (Not to say this can't be worked out but it needs to be mentioned and addressed with moving forward.)

There should be an analysis done on how certain types of transactions are viewed/processed/interpreted/approved at each of the centers. One in particular is the submission, documentation, and approval process for competitive exceptions. Another is the interpretation of aggregate spend categories -vs- one time buys. BCS may find out that their processing methods and those of the other centers are significantly different

Page **6** of **34**

which could impact the staffing level needed to maintain consistency in one central office. The signature delegation levels at the three institutions currently are not the same. The level of counsel review on contracts differs among the group as well. BCS, as well as the others, use the contracts of other entities. The level of analysis used to determine when to use joinders, which joinder to use, and whether to do a solicitation may be different between the purchasing offices.

The details of the entire process for formal solicitations from developing the solicitation documents through the issuance of contracts and purchase orders for those solicitations will need to be process mapped to accurately determine staffing levels. Does BCS hand off at award and the institutions handle disputes, change orders, etc on their own or does BCS handle the process from "cradle to grave" as they do now? If the institutions will be handling their vendor files and purchase orders for under $50,000 would this include those for over $50,000 except for the solicitation issuance? There are too many variables to commit to a firm FTE estimation until the processes are mapped out and reviewed for best realignment options.

- Increased staffing requirement is not inclusive of a dedicated contract manager position which will focus on System contracting requirements and negotiation as opposed to specifically supporting additional solicitations assigned to a specific institution. The contract manager must have sufficient delegated contracting authority and active engagement with the Office of General Counsel.
- As there are some differences in the process followed for solicitations at the two business centers, it will be necessary to acclimate key BCN customers (specifically, planning and construction, DRI, UNR campus) of the nuanced changes.
- Data access for review of BCN and CSN current customers by BCS will need to be made available. This may include establishing accounts in additional ADVANTAGE instances or paperwork filed at BCN.
- Continued assessment of process initiated by the ad-hoc committee will need to be continued to ensure smooth transition of responsibilities to BCS

Impact on Business Center North

The System recommendation would require a great deal of coordination with BCS requiring BCN to allocate staff to assist with the "ground work" for solicitations such as job walks for construction projects. Currently, the majority of work performed by BCN Purchasing is for UNR; however, the other institutions' requests are given their proper urgency and review. BCN believes additional staffing would be required to accomplish the tasks being delegated to the individual institutions. It should be noted that none of the northern institutions have any purchasing infrastructure in place; rather they interact directly with BCN Purchasing. While some of the institutions have all requisitions pass through their Controller's offices, UNR does not have this process in place. Availability of funds is checked by BCN Purchasing at the time staff enters a requisition into the financial system. UNR does not have the resources to perform a pre-processing of purchase requisitions, nor to issue purchase orders.

At present, requisitions pass through the other institutions Controller's office but those requests do not meet all requirements needed to issue the purchase order. BCS must perform some level of review and verify some information. In addition, all these institutions lack specific knowledge of purchasing policies and procedures and as a result errors will likely occur the consequences of which could have significant consequences for the institution and/or NSHE.

Besides job walks for construction projects, what other bids require "ground work?" How is this ground work done for the other institutions besides UNR?

Comments by BCN: BCN attends job walks for all local BCN institutions. For locations outside of Reno, the end user will oversee the job walk and report back to BCN.

Comments by BCS: There are pre-proposal meetings not just the construction —"Job Walk" done for solicitations. This is a time where the requesting department meets with the interested vendors where they can ask questions and get a better understanding of the needs of the department. Purchasing staff conduct those meetings. The majority of formal solicitations are conducted for the local groups (i.e. NSC, TMCC) by the business centers in the north and the south and if we stay with the geographical minimum of two business centers, those for the remote facilities could be conducted by video/audio conferencing when necessary.

BCN Purchasing plays an important role with both internal and external audits of the Northern institutions. BCN is the key negotiator and assists to resolve issues during these audits. BCN frequently intervenes to correct renegade purchasing issues and inappropriate contract signing by BCN supported institutions. BCN Purchasing maintains Equipment Inventory and performs surplus property disposal for all Northern campuses. Those tasks would have to be assigned to the individual campuses.

We need to have a serious discussion about whether this type of audit function appropriately resides in a centralized purchasing office, and if so, consider alternatives for how that function may be performed.

Comments by BCN: BCN is involved at different levels with multiple types of audits.
1. Federal/internal/external audits of equipment
2. Purchasing violations ie Request for Payments, After-the-fact
3. Assist upon request – project audits ie West Stadium Parking Garage
4. Assist internal auditors with BCN audits

The impact of the System's recommendation on current staffing levels at BCN would be the result of no longer processing formal solicitations and not issuing purchase orders except those for UNR. Consequently, UNR projects that a minimum of five FTE will be required to sustain its operations

Could UNR please provide the basis for this assessment?

Impact on the College of Southern Nevada

CSN Purchasing can readily assist as a liaison with end users should BCS administer its formal solicitations. If purchasing bid limits were increased (see Attachment 6 *Other Purchasing Ideas,* Bart Patterson email dated 3/25/2011) that may further reduce the amount of solicitations originating from CSN.

Regarding the Strategic Purchasing Recommendations:
- Conversion of maintenance contracts to time and materials – CSN is currently collecting data for REMI Group analysis of possible conversions.
- Energy efficiency/conservation measures – Solar Projects have been recently completed or are in process on all three CSN main campuses.
- In regards to remaining strategic sourcing categories, CSN Purchasing is open to utilizing/implementing System wide contracts, monitoring use and requiring justifications of exceptions.

The most challenging implementation element is the current technology available at CSN to track spend. CSN can work with departments and vendors to try and gather/provide data in certain spend categories to help identify additional areas that may benefit from strategic purchasing. However, due to limits in technology, staffing challenges, and time constraints data collection would have a substantial impact.

Impact on Nevada State College and all Community Colleges Processing PO's under $50,000

The processing of purchases below $50,000 at each of the institutions is not insignificant. Attached, as Exhibit B, is a breakdown of the tasks associated with purchase orders including those under $50,000. As shown in the details, the proper execution of purchase orders requires considerable effort. Taking on this responsibility will no doubt require some additional staffing at each of the institutions, particularly in the Controller's office where it appears the recommendation assumes the tasks will be performed. It will be important that the System ensures smaller offices have sufficient segregation of duties. During committee discussions, it appeared there is existing concerns over the same staff setting up vendors in the system and processing limited purchase orders which does not provide adequate segregation.

I can only represent what was reported to me, namely that institutions would not be adding staff to cover these functions. We can go out to them again to request a reassessment based on the "tasks."

How many purchase orders are currently being processed by BCS or BCN, broken down by institution? What role does BCN currently play for the other institutions? For example, from my conversations with the institutions, they usually obtain their own quotes, select the vendor, etc. Even at UNR, does purchasing generate the quotes, or does the particular department or unit?

Moreover, much of the work on Exh. B is more of the audit function and has very little to do with strategic purchasing. Also. Am I correct that the institutions themselves handle receipt of goods and accounts payable, typically through the Controller's Office ? Not sure what "adequate segregation" means but again this appears to be directed toward some form of audit function. It seems like it is already a fragmented system and we probably ought to look at it from a complete process flow standpoint and separately think about how the audit function is performed.

Comments by BCN: BCN plays an important role with all institutions it serves. Correct that the other institutions send in requisitions with quotes attached to selected vendors but that does not guarantee that is the final selection. BCN staff look at all avenues for cost savings, contracted vendors, licenses if applicable, year to date spending. Institutions tend to select their "favorite" vendors often at a higher cost. They do not negotiate cost saving such as shipping charges or additional educational discounts. The object-sub-object coding is often wrong (what is equipment, sensitive equipment, hosting, paid participant). Other issues that arise is insurance requirement, obtaining W-9's and obtaining current quotes because the ones that are attached are expired. Receipt of good and accounts payable happen at each institution although BCN is tasked with assisting in invoicing problems, returns and other vendor related problems.

Comments BY CSN: During one of our meetings, Steve from DRI indicated the same employee at DRI performs both Purchasing (LPO's or DPO's) and A/P functions and that external audit does not do audits currently at DRI, therefore, segregation of duties is not reviewed. This would be true also for WNC, TMCC, GBC, and NSC as they are not audited at the same level as UNR, UNLV and CSN by external audit. However, if a bigger purchasing function is pushed out to these other campuses, the scope of Grant Thornton's audit for Purchasing and Fixed Assets could change depending upon the materiality. If that happens, segregation of duties could be a problem because at least at DRI it is not in existence and that could also be true for the other institutions as well. It would be a good idea for someone to run this by Grant Thornton or NSHE internal audit prior to implementing as this could impact staffing levels.

Segregation of duties is not an audit function. It is necessary in any organization to ensure effective internal controls. It reduces the risk of misappropriation and fraud by in this case, not allowing one person to order goods, receive them and pay for them.

Comments by BCS: Without knowing specifically who and in what context they were responding to Bart regarding adequately staffing, it is difficult to determine if we could agree on this assumption. It is important to consider that although the institutions believe they are qualified to handle their own procurements and that this can be accomplished without additional staffing, we, who have been trained, certified, and currently do this as our core mission, strongly suggest this part of the proposal be thoroughly vetted prior to future consideration. The lists of tasks on Ex. B are needed with every procurement transaction. The list is information to illustrate that there is much more to issuing purchase orders under $50,000 than we believe the institutions and the System are aware. As noted, the departments usually do obtain quotes; the issue is with the quality, completeness, and interpretation of those quotes. A great deal of the submissions by the departments contain errors even with them obtaining the quote directly from the vendor. They do not address shipping terms, lead times, indemnification ramifications and

other pertinent items. The purchase order is a contract and allowing individual institutions to issue contracts for goods and services under $50,000 may prove to be a risky proposition. The majority of requisitions coming into the purchasing office must be reviewed and edited to correct errors and omissions prior to issuance into a purchase order. This processing is done by professionals trained to provide adequate over site to protect the institutions. Putting the responsibilities of procurement contracting in the "Controller's office" or some other "quasi-purchasing office" at the institutional levels may appear on the surface to be efficient for them but most likely is not effective and not without risk. If it were that simple, it would be efficient to just increase the individual transaction limits on the Pcard for these transactions and not issue purchase orders. The departments do receive the goods and A/P pays the bills but that does not make them an expert on how to place the order, how to interpret the contractual content of the quotes, how to word the requirements on the purchase order. The purchasing department handles expediting, returns and disputes with the vendor. Not only do the departments get incomplete quotes but often times accept inadequate insurance certificates from their vendor. These groups would have to become very familiar with insurance requirements as well. There is already a perception expressed by vendors that departments "pick" their favorite vendor and the selections are not fair. While the departments do get quotes and suggest the vendor, currently the determination for award is made in the purchasing office and not with the department. This safeguard will be removed for all purchase orders under $50,000.

Strategic purchasing is not just looking at aggregate spend but it is also having the knowledge to know when you have received an incomplete quote or one that favors the vendor at our expense and other techniques such as negotiating more favorable pricing and other terms.

The segregation of duties concern stems from the proposed consideration of having the Controller's office at the smaller institutions creating vendor records, processing purchase orders, and issuing checks for the invoices. This could compromise internal controls. Internal controls are our safeguard to mediate the ability to commit fraud or the misappropriation of funds. Most of these offices do not appear to have adequate staffing to ensure appropriate segregation.

You are correct that it appears there is already a fragmented system in place. We absolutely agree that a process flow should be done and assessed prior to implementing any major changes. This will help the System office and others to better understand the procurement process as a whole and will help outline potential improvements to be gained by documenting what we do as individual institutions and as a system.

Implementation Costs

MUNIS – UNLV has discussed with Tyler Software the possibility of extending licensing and service of the MUNIS system to the other institutions within NSHE. Tyler has presented a quote with a onetime fee of $177,525 and a $32,718 recurring yearly maintenance fee (waived the first year). There will most likely need to be an investment in server hardware for application and database hosting depending on the configuration decided upon by the System. These fees quoted by Tyler are a starting point.

Supplier Registration – UNLV has already developed the program, hired a developer to complete and administer the program, and has purchased the hardware to host. The online supplier registration was designed to be scalable in the anticipation that this solution could be leveraged by other NSHE institutions. Projected cost for the System to implement this program would be additional server space and possible ongoing support considerations.

Contracts Database and Workflow – UNLV is currently working on a contracts database for the accurate and real-time tracking of active contracts. Document management software can be utilized to assist in record retention and workflow. A license to utilize the UNLV campus wide solution for document management is $2,400. Annual maintenance will be 20% of cost and equipment, implementation, and training would be additional.

Ongoing Costs

MUNIS recurring yearly maintenance fee of $32,718.

Document Management Software (if utilized) yearly maintenance fee will be 20% of concurrent license costs. The number of licenses needed will depend on the full scope of implementation.

BCS is not staffed to handle the entire volume of bid and RFP processing across the system. Therefore there would be a need to increase the staffing level by 2 to 3 professional positions on campus to provide adequate development of solicitation documents with an estimated base salary range of $60,000-$70,000. In addition to hiring one contracts manager (professional negotiator) position in FY13 with an estimated base salary range of $85,000-$100,000. There is a possibility of relocation of current staff from BCN for these positions. The contracts negotiator would be focusing on more strategic goals and would not be hired to assist in the execution of the everyday solicitation activities which would now be centered at BCS. The contracts negotiator should have sufficient delegated reviewing authority so that this critical role adds value and efficiency to the contracting process. This would include an appropriate relationship with the General Counsel's office to ensure compliance with NSHE policy and institutional requirements.

Strategic Purchasing

A full vetting of the System's goals with regards to strategic purchasing will need to be detailed. Those goals then must be aligned with the current environment of each purchasing center. Prioritization of strategic purchasing must be articulated by the System office with the understanding that BCS is responsible for this objective on behalf of all institutions within NSHE.

I'm not sure what is meant by aligning goals to the current environment of each business center.

Comments by BCS: To be successful, BCS cannot customize every solicitation for the convenience of individual institutions at the expense of the system as a whole. It is important that the institutions are all on board with the concept of strategic purchasing and understand the objectives of the solicitations that BCS issues and awards for this purpose. Many individuals do not graciously embrace being told how to spend their department's funds. This could be

Page **12** of **34**

exacerbated by further consolidation into one center for all formal solicitations. It has been mentioned that the institutions are concerned that their level of customer service may suffer if they are forced to use one of the Business Centers to process their requests. The business centers have experienced differing interpretation of system policies, state regulations and established purchasing policies from the institutions business officers and their legal counsel. It is important that there are more cohesive discussions when strategic initiatives are being addressed to avoid any misunderstandings at the institutions.

BCS has undertaken strategic sourcing in specific areas and can expand the approach at a System level with the cooperation of the other NSHE institutions. For example,

- Contingent Fee Contract Auditors
  The State of Nevada contract for contingent fee contract auditors, Chartwell Advisory Group, has been reviewed and discussed internally by UNLV and CSN including discussion with the state purchasing office who has already utilized the contract. Assessment of viability is currently underway.
- Conversion of Maintenance Contracts to Time and Materials
  Limited conversion of some maintenance contracts to time and materials based arrangements has been initiated at UNLV with the Remi Group. Though savings with Remi can be substantial, the challenge is not all equipment is eligible for their program.
- Energy Efficiency/Conservation Measures
  Identifying energy efficient products during the solicitation process that can reduce long term cost. An example at UNLV is a current review being performed by Xerox to determine potential cost savings associated with transitioning campus departments away from local desktop printers to centralized multifunction printers factoring in volume and energy consumed by all printer models.
- More Standardization of Certain Types of Purchases (e.g. communication devices, computers, copiers)
  Campus standardization of telephones, all-in-one printer/copier units, and software is underway at UNLV. Great strides can be made in this area specifically computers, peripherals, specialized software, and lab supplies. The standardization concept would extend to not only parts and models, but to specific suppliers that can furnish these.
- Spend Analysis Programs
  Holistic spending analyses are performed at BCS which include all procurement methods (e.g. purchase order, PCard, payment voucher) through evaluations of data by commodity/service or vendor. The results of the analyses assist Purchasing management in determining where it is feasible to positively impact pricing, availability, and terms through open competition or renegotiation with existing suppliers.
- Policy Changes Providing More Accountability (re: purchasing off negotiated price contracts)
  BCS currently reviews and adopts negotiated price contracts from a variety of sources (Nevada State Purchasing, Clark County, E&I, WSCA, etc.) when it is in its best interest.

Additionally, BCS has undertaken steps to limit off contract spending on key commodities including office supplies and computers. This two prong approach -- to aggregate spending power and to identify existing sourcing contracts -- results in overall cost savings. A similar process can be duplicated at a System level, again, with the focus being driven by the System office.

Timeline

The various components of the System's recommendation can be implemented within one year and will be completed in phases. Assumptions detailed in this document will impact the success of implementation. Specifically:

- BCS assuming formal solicitation responsibility for System would take 3-6 months to fully implement though the shifting of all incoming solicitation requests could begin as soon as additional staff is hired. Additional staffing at BCS to assist with this increase workload is needed (see Implementation Consideration page 3).
- Purchases <$50,000 being managed by the individual institutions would take 2-4 months to fully implement. Sufficient staffing and training will be needed.
- BCS processing purchase order for the System office could begin immediately. As BCS is already paperless, the System office would need to be converted to MUNIS.
- Contracts manager position not funded until FY13.
- BCS and BCN could develop a formal process for how BCN staff will provide support when BCS is processing a solicitation for a remote customer. This process will take 1-3 months.

KEY ISSUES TO BE ADDRESSED IF SYSTEM'S RECOMMENDATIONS ARE IMPLEMENTED

Standardization of Documents

Each institution's procurement documents must be limited to three types - Purchase Orders, PCard transactions, and Payment Vouchers (for limited types of purchases like magazine subscriptions and utilities). All Limited Purchase Order programs, Department Purchase Order programs, and all other types of procurement documents used must be eliminated. This will assist in spend analysis as well as discourage rogue spending.

Good discussion to have irrespective of structure.

Mandatory use of BCS/NSHE Solicitations/Contracts

The institutions should be mandated to use existing BCS/NSHE contracts for purchases under $50,000. If they are allowed to continue to buy off of contract, strategic objectives cannot be reached.

The institutions should not be allowed to request separate or duplicate solicitations for identical goods and or services. If institutions continue to request duplicate solicitations it defeats the purpose of efficient processing.

Standardization of Policies and Procedures

The policies and procedures used by BCS for solicitations would be utilized for all institutions alike. There would have to be a concerted effort on the part of all institutions to process items in the same manner as BCS currently has in place. Currently there are a number of processes that the three main purchasing offices do differently, and this does not account for the smaller institutions. In order to be efficient in processing all formal solicitations there would have to be an established process and commitment by the institutions to accept and abide by the established process.

One example of differing processes is the selection of professional services. Another example is in the level of contract review and signature authority levels within the three major offices. The level of support and review as well as the differing opinions by each of the campuses general counsel's office was found to vary. It will be difficult for BCS to manage an effective operation unless these differing philosophies are addressed prior to implementation.

This would need to be addressed. It is likely that the counsel role would be provided by System in this context.

Comments by BCS: Yes, discussions would be helpful. If the System is used in this context, does that mean BCS consults with System counsel for formal solicitations and continue with campus counsel for our "under $50,000 purchases" and campus related contracts?

CONCERNS WITH IMPLEMENTING THE SYSTEM'S RECOMMENDATION

System Wide Automation

The recommendation does not adequately address the need to automate many of the currently manual processes nor does it address the impact that not adopting automated solutions would have on the successful implementation of strategic sourcing. The discussions of the committee revealed the contrasting ways in which data is entered and complied. A requisite to creating baselines against which progress in the areas of sourcing contracts, reducing off contract spend and increasing leveraged buying is the realization of a System wide approach to automation and new technologies. Much of the gains desired by this exercise will be limited unless technology based solutions are evaluated and implemented across the System.

Impact on Customer Service

The ability to provide adequate customer service to all eight institutions in regards to issuing all bids and RFP's out of BCS would most likely suffer. It will still be imperative that BCS have the ability to interact directly with the customers it will be servicing throughout the System and

to discuss their exact requirements and concerns. This will create a redundancy as both BCN and BCS staff will be interfacing with customers attempting to elicit the same information.

This issue currently exists with respect to BCN and BCS served institutions so it is not unique. It may be worthwhile to have some discussions about how this model works in the University of Maine System and University of Colorado Central Administration.

Comments by BCS: We agree that more discussion with these groups is needed. We have had a brief discussion with the University of Maine System. During that very preliminary discussion we learned that they have a strategic sourcing group in the system office and two business centers that service their universities and community colleges.

Lacks a Control Mechanism for Aggregate Spend

A clear understanding of what each institution is currently doing and the risk that it presents to the state and NSHE Purchasing guidelines, laws, and policy is important. It is a misnomer that the only means of procurement that each institution will use is a purchase order or PCard, and that the aggregate totals of all procurements for a specific commodity/service at each institution will be tracked. During our data gathering exercise we discovered that there was potentially four to five million dollars in procurement related activities that were processed outside of the business centers and the established PCard programs in the form of departmental purchase orders of numerous types and varying dollar values; payment vouchers; and other such "purchase order" documents. Each transaction has a low single transaction amount but there are no monthly limits set resulting in additional ways for a significant aggregate dollar amount to be spent without regards to purchasing policies; supporting initiatives such as diversity and sustainability; buying off of negotiated contracts; and possibly ignoring aggregate spend bidding thresholds. These alternative sourcing documents don't appear to be monitored adequately. These types of purchases would need to be analyzed in detail to determine how they would impact the core aspects of the System's recommendations. It should be noted that these types of documents facilitate "rogue" spending and can be counterproductive to other purchasing initiatives. To continue this practice will necessitate the need to conduct more frequent compliance reviews. These documents are typically completely eliminated by PCard programs. For example, CSN has an LPO program and is also working to implement a PCard program. The LPO program should be eliminated and the PCard fully implemented.

This issue is not necessarily unique to the particular purchasing structure. While one completely centralized operation would provide perhaps the most effective means of driving strategic purchasing initiatives (albeit with noted geographic limitations), as pointed out elsewhere in this report it is not the only means. I think BCN would have to acknowledge that generally they don't drive analysis or strategic purchasing for other institutions that they serve besides UNR under the current model.

Comments by BCN: All BCN institutions profit from BCN initiated contracts/agreements. Contracts such as CDW-G, Dell and HP are based on total volume of BCN spend. In fact, as previously stated, often BCN finds different vendors with better terms, accesses contracts not considered by the campuses, and corrects contract terms on requisitions submitted by other

institutions. In addition, BCN negotiates terms (freight etc.) and price on purchase requests by other institutions.

Comments by CSN: CSN monitors the Payment Voucher expenditures by requiring/reviewing exception memos related to Purchasing violations. All LPOs are also reviewed by the Purchasing staff and included in consideration of aggregate spending levels. The LPO review includes monitoring expenditures that would be "rogue" or outside of the scope of what is allowable (based on the LPO policies in place) so it currently allows more control than the P-card.

Comments by BCS: Strategic purchasing is done at the individual purchase level. It is not something that kicks in at a dollar threshold. We do not wait for an aggregate spend potential before strategizing for the best provider, the best price, or the best delivery terms. BCS participates in strategic solicitations with not only BCN but with many local entities all ready without this initiative. We actually provide our requirements (product descriptions, packaging quantities required, and total estimated usage figures) to the lead entity. We issued a solicitation for janitorial services for UNLV offices as well as offices for NSC to receive a discount for the combined volume for both institutions. We have combined CSN's requirement with ours in the past for filter services and supplies. We have found that aligning with the Clark County School District has been more beneficial than utilizing the State's contracts for several purchases. Of course we consider drive analysis and strategic purchasing for NSC as we do for ourselves. We would not be doing our job or requiring them to do formal solicitations if this were the case.

Consequences of Further Decentralization

It is not apparent, even after a careful review of the assumptions and costing estimates related to the recommendations, how substantial and long term savings will be realized. Parts of the recommendation could move the System further from realizing the true strength of its buying power, and provides no roadmap for data standardization and sharing. Additionally, the natural synergy between BCN, BCS, and CSN will not be realized by fragmenting responsibilities between each or by relegating core purchasing responsibilities among the several institutions. While it is true that increased insight and collaboration is necessary, this can be accomplished through enhanced and unified technologies and strong leadership at the institution and System level.

Again, see note above. On the one hand it is argued that proposal will move things away from strategic purchasing, but on the other suggests that strategic purchasing can be accomplished through strong leadership. I'm not sure what this means or how it would work effectively in practice.

Comments by BCS: Strategic purchasing is not waiting to happen until changes are made. Strategic sourcing is already being done in the purchasing offices. To continue those efforts and to elevate to a more strategic system level approach will be impacted by the decisions we make moving forward with any changing of structure. It is important to consider any barriers we currently face in our strategic focus and those we anticipate will or could impact a more global focus as we select the next steps.

There would not appear to be any immediate cost savings with regards to staff reductions and may result in increased staffing requirements at the smaller institutions. Implementing the proposal at face value without addressing many underlying issues and concerns before attempting the implementation will not move the System forward to become more efficient and will not result in the attainment of cost savings through strategic sourcing.

From the numbers self-reported by BCN and BCS alone, it would seem to be a reduction in staffing.

Comments by BCN: The proposal to eliminate a BCN purchasing office and shift certain duties to campuses, such as purchase order of $50,000 and under and other needed local support, will not necessarily result in savings as the campuses would then have to staff those functions which are not so staffed now. It should be noted that reducing central costs while transferring them and the related responsibilities to the campuses may look good from the higher level but places a burden on the local campuses which are already being impacted with current budget reductions. Simply stated the campuses do not have the means to support such a transfer of costs. Further, this discussion completely ignores the equipment inventory function which is currently staffed by BCN purchasing for northern institutions.

Comments by CSN: Based on current projected budgets, CSN staffing is being reduced.

Comments by BCS: As mentioned previously, the staffing estimates were very preliminary in nature and based on general data given. The implementation of the proposal is not guaranteed to be done adequately with staff reductions. The reductions would not be an immediate cost savings and should not be set in stone until further discussions have occurred.

As presented, the System recommendation for the realignment of procurement services does not take into consideration the layered nature of public purchasing and the disadvantages associated with the decentralization of low dollar purchases. This decentralization of purchases is inherently contradictory to all aspects of strategic purchasing.

Again, a completely centralized model may be more effective for strategic purchasing. I think we should talk more with other systems that utilize this approach as to how they drive strategic purchasing in such a model.

Comments by BCS: Absolutely agree more discussion will be beneficial to assess what approach should be considered. The conversation should be detailed in nature on their successes; how they define those successes; how automation fits into their practices; and any details on pitfalls and things to avoid.

As noted previously, we did have a brief discussion with the Maine System. We did not get a chance to discuss in great detail their actual processes, how many institutions they have in their system, student count etc. They did not mention that the institutions were issuing their own purchase orders. Our interpretation of their process was the two business centers purchasing offices do the purchasing for the campuses and the system office handles the more involved

strategic initiatives. We did ask them how well their strategic group is in accomplishing their goals with delegating purchases of a large threshold ($50,000) outside of the strategic group. This arrangement does impact their ability to be as successful as they could be. They were not able to mandate the use of their contracted vendors to the campuses. Their response was that the only way it is at all successful is the fact that they have great automation and they make it as easy as they can to get their institutions to purchase off of their catalogs, etc. They have spent a great deal of time ensuring that they make purchasing as easy as possible at the campus level to get them to use their suggested vendors and to utilized contracts negotiated by the system. The conversation was brief and further conversation with this group is recommended as well as conversations with Colorado.

The ad-hoc committee is not contending that there is not a need to assess and implement efficiencies and effectiveness and to expand our vision of more strategic purchasing objectives or that there is no way to achieve this. However, it is our professional opinion that there are other ways to achieve those goals that should be considered prior to implementing the proposal brought forward by the System. The alternative options detailed later in this document provide a roadmap for moving forward taking into consideration the need to realize cost savings, to provide support for campus customers, and the unique challenges presented by the current decentralized nature of procurement services within the System.

AUTOMATION PRIORITIES

The ad-hoc committee is recommending other options for consideration, some of which can be implemented immediately while others will require additional discussion. However, we all agree that automation must be part of any solution that is chosen. The three software systems that we are recommending be adopted are the MUNIS system, a supplier registration system, and a contracts management tool; each is described in more detail below.

The ad-hoc committee strongly agrees that a fundamental requirement to consider prior to endorsing any recommendations regarding the efficiency and effectiveness of the procurement functions of the System is to automate what is currently mostly a manual system. In order to have the information needed to make smart purchasing decisions one must first have a foundation that allows collection and management of a consistent set of data elements, so that comparisons across campuses are valid and not subject to the different operating and inputting systems of each. This is not just a fundamental requirement for this project, but for almost any process like this. Currently, MUNIS is in use by UNLV (Purchasing module) through an active contract as a result of a competitive solicitation. UNLV has undertaken negotiations with Tyler Inc. to leverage the existing contract to provide MUNIS for the remaining NSHE institutions. MUNIS has responded with an initial proposal to allow all remaining NSHE institutions use of the MUNIS software and services for a one time investment of $177,525 and a recurring maintenance fee of $32,718. Of course this pricing is preliminary and we would expect to be able to negotiate more favorable pricing once there is an effort to consider expansion of the application throughout the system. The MUNIS software will not only rid NSHE of the antiquated and inefficient paper requisitioning method, but will allow for a single point of data entry, collection, coding, and reporting. The adoption of MUNIS will be an opportunity for NSHE institutions to agree on and implement a single commodity code structure. From this,

Page **19** of **34**

normalized reporting can be easily obtained which can then be used to determine where and how strategic purchasing can be effective.

Another aspect is the roll out of the automated web based supplier registration application developed by UNLV. This application will allow suppliers to log into the application and provide and update their vendor profiles including the ability to sign up for the Bank of America EFT system to facilitate automated vendor payments. This application was developed with the intent of having this data imported into the MUNIS system and then integrated into Advantage. UNLV will be using this application in the third quarter of this calendar year. The application could be modified to include data imports into the other instance of MUNIS for BCN during the implementation phase of MUNIS automated requisitioning. It is understood that MUNIS is a "bolt-on" application for the PeopleSoft financial system. However, it is already implemented at two of the institutions and could provide an automated requisitioning solution until such time when the system can financially and technically support a full blown financial system. In addition to the software cost, there would be additional nominal costs for hardware related items.

A contracts database and workflow system is necessary for any System wide approach to strategic sourcing and the consolidation/standardization of certain commodities and services. Visibility of contracts, and the specifics of each (pricing, term, renewal status, supplier contact information, etc.), will be needed by the individual institutions within NSHE. UNLV is developing an approach to address this need. Storage, license, and support costs will need to be considered by the System should this solution be adopted. Specific figures are dependent on the number of concurrent licenses needed and the whether a hosted or non-hosted environment is selected.

If these software systems are all in place, BCS would have the ability to understand and monitor purchasing across the System, and this data would be the key requirement in management's ability to make decisions that improve the process and lead to any savings.

With regards to the use of MUNIS, the committee supports the assumption that automating procurement functions will greatly enhance efficiency, help to achieve strategic purchasing goals and, ultimately, enhance service to the customer. It may be beneficial to analyze the benefits that MUNIS offers NSHE institutions and business centers versus those that could be realized through other available automated procurement software. This evaluation would have to take into account the System's stated goals and the value that is being offered by the MUNIS system. (Some committee members expressed the desire to evaluate other similar software options prior to implementing MUNIS. However, the majority of members were concerned that other software programs would be more cost prohibitive given the budget reductions and overall lack of resources.)

If we do move forward with this system-wide, we will need to think about a funding model.

ADDITIONAL AD HOC COMMITTEE RECOMMENDATIONS

It is the view of the ad-hoc committee that the System's recommendation, in its current form, is inadequate to meet the cost savings objectives of the System, does not account for the disparate

purchasing cultures at each institution, and fails to provide a coherent strategy to effectively employ strategic purchasing across the System. The options below will provide opportunities for savings while maintaining the forward momentum already realized in System wide procurement.

Option 1: The establishment of two Business Centers.
NOTE: CSN DID NOT SUPPORT THIS OPTION AND THEIR COMMENTS ARE INCLUDED ON THE NEXT PAGE:

A central component of this option would be the implementation and use of the MUNIS software system wide, vendor registration system, and a document management/contracts system.

Technical support for MUNIS will be an effort that will require System resources. As an application to be utilized system wide, MUNIS will be run on two separate instances (one for BCS and the other for BCN) but will be accessible by each institution through a web based interface. Server and administrative support is required and could be centralized through System Computing Services. At the least, System Computing Services technical support is pivotal in the proposed rollout of MUNIS to the remaining NSHE institutions.

Another aspect of this option is the roll out of the automated web based vendor registration application developed by UNLV. This application will allow suppliers to log into the application and provide and update their vendor profiles. This application was developed with the intent of having this data imported into the MUNIS system and then integrated into Advantage. UNLV will be using this application in the third quarter of this calendar year. The application could be modified to include data imports into the other instance of MUNIS for BCN during the implementation phase of MUNIS automated requisitioning.

The establishment of two Business Centers to manage all aspects of procurement for NSHE institutions. Both BCS and BCN currently have the collective knowledge, experience, and processes to handle purchasing related activities for the institutions situated in the south and north respectively. This option assumes that existing purchasing staff at any institution impacted would be absorbed into the reporting structure of BCS or BCN.

Each of the business centers would continue to process formal solicitations that are specific to that campus and the other institutions they service. This option is based on the fact that Nevada is a large state with one main population center, Las Vegas, and one secondary population center, Reno, with the rest of the state being rural. Some suppliers do business in the entire state; however, there are others who operate in either the North or the South. It could be very costly for a supplier who operates in the South to begin doing business in the North and vice versa. Even if they attempt to do this to get the business, they will pass on the additional cost to NSHE. This may cause a situation where either the South or the North is subsidizing the other. When it makes sense BCS will take advantage of economies of scale and process an institution wide solicitation. This option also will assist each business center in making decisions about using other public entities' contracts. For example, BCS may want to take advantage of a Clark County contract, but it may not be available or be cost effective for BCN to use that same contract. This option allows for a great deal of flexibility as each procurement decision is made in the best interest of NSHE without sacrificing one institution for another.

All formal solicitations for institutional wide application, those for the system office and those focusing on more strategic purchasing initiatives would be handled by BCS. This would include the hiring of an additional contract manager/negotiator position funded in FY13 by the System office. The estimated salary range is $85,000- $100,000. By FY13 much of the standardization of processes and the ability to generate reports would be in place whereby the additional person could help facilitate some of the more aggressive strategic initiatives that we would now be in a better position to succeed.

This recommendation is not unanimous, however, as CSN has concerns that BCS does not have the capability to properly service their campuses due to their growth and the volume of purchasing transactions which would have the potential to severely impact the CSN programs and college communities. As the only opposing members of the ad-hoc group, CSN does not support this recommendation and provides the following justification for their opposing view: "CSN's Purchasing grew out of the necessity to properly provide purchasing support and timely service and our needs have only increased since then. CSN currently performs similar transactional volumes to the business centers, services multiple campus locations and has a number of dissimilar programs that would not realize any benefit of being absorbed into BCS. Our contention for Option 1 is that CSN Purchasing could still be maintained as a separate center. An absorption of staff doesn't generate any System savings and CSN would still readily be able to participate in the benefits of strategic sourcing. CSN does support automation where possible, consolidating and streamlining bid processes, and to further enhance strategic purchasing goals, implementing greater usage of state-wide contracting for office supplies, computer purchases and other commodities utilized throughout NSHE."

I think there are two major areas that would need to discussed here. First, is most purchasing really still tied to a geographic area? How much of our spending really translates to locally owned and operated businesses. I suspect it is a very low percentage compared to the Office Depot's, Fischer Scientific, IBM, Xerox, multi state construction firms, etc. How does the State of Nevada do this with offices all over the State? The costs of transporting goods North and South may or may not be a factor depending on location of distribution centers but wouldn't that or couldn't that be factored into the structure of the RFP to make it more transparent? Wouldn't a full strategic purchasing plan look at all available contracts, regardless of geographic location? The comment also suggests that there would be no geographic centered purchasing under a centralized bid procurement center, but I am not sure why that is the assumption.

Comments by BCN: Some purchasing is definitely tied to geographical areas such as construction and certain services.

Comments by BCS: There was not enough time to gather the specific data to determine how much (by total dollar or number of individual transactions) is tied to geographic area. This is another statistic to look at during our continued discussions. Caution should be taken in comparing our practices and what works well for the State and for us. We are state entities but our missions and requirements are not the same. Modeling ourselves after what the State does may not be in our best interest. (We have been successful in obtaining more favorable contracts

Page **22** of **34**

with our local government entities and utilizing the contracts from the CCSD which has a larger budget than the State to help leverage better pricing).

As to centralization, and impacts on CSN (or UNR or UNLV if there was one purchasing center), we would have to seriously examine why the model broke down in the south. We would also have to have serious discussions about the governance of the business center. The objective of the proposed scenario was to strike a balance between institutional autonomy and centralization. It doesn't mean that it is not without its own challenges and limitations.

Comments by BCN: As stated above, some purchasing is tied to geographical areas such as construction and certain services. Institutional autonomy without oversight will pose many challenges including as noted above compliance issues and contracting concerns. It should be noted that the business center in the north did not break down, served its purpose, and benefitted the institutions well. We are still of the opinion that the model of two business centers, with more cooperation and standardization, will serve the system as a whole much better, being more responsive to and more closely identified with the regionally close institutions.

Comments by CSN: The breakdown in the model of the south was the inability of BSC to properly provide customer service and timeliness in regards to the growing size and needs of CSN and the fact it services multiple campuses. In essence CSN is very similar to a Business Center.

Comments by BCS: It is agreed that a serious examination should be done to see what assumptions were made in the past and whether they still hold true and whether the existing structure is working efficiently or is equal to or even less efficient than it was perceived in the past. Looking at the past will provide additional information. However, how we are currently functioning and how well we will function after initiating any changes we assess as valid maybe more relevant than the past. There may have been inadequate funding issues in the past or any number of reasons. Striking a balance between institutional autonomy and centralization is important. However, the task at hand is efficiency and effectiveness of the procurement process and an emphasis on more concentrated strategic system wide purchasing. The Purchasing process is just one of the first to be examined. This balance will be a key component in all examinations of efficiency and effectiveness with a system perspective. The same concerns will most likely be raised when the efficiency and effectiveness of other areas suggested by our consultants such as IT support, and legal counsel are examined. Discussions regarding governance will be key to the success of any implementation with a system wide focus.

Option 2: Procurement responsibilities would shift to the individual NSHE institutions inclusive of formal solicitations, purchase order processing, PCards, and related processes.

A central component of this option would be the implementation and use of the MUNIS software system wide, vendor registration system, and a document management/contracts system.

It is recommended that MUNIS still be adopted as the electronic requisitioning software for the System, and that it run on two instances (one at UNLV and the other at UNR). Institutions could access MUNIS and carry out their requisition/purchase order processing separate from each other

with no central coordination by UNLV or UNR. The costs for MUNIS with this option would be the same as option 1. CSN could be integrated into the UNLV instance and all of the institutions in the north could be integrated into the BCN (UNR) instance.

Each institution would be responsible for their purchasing functions. Daily direction for all procurement services would come from management at each institution with general guidance from the System office. This solution could potentially force the smaller institutions to hire additional staff to handle to additional workload. This option will not provide the level of strategic sourcing that would be available in option 1.

The ad hoc committee does not recommend option 2.

Option 3: BCS to process all system wide strategic procurements with BCN and CSN continuing to process solicitations specific to the departments and campuses they serve.

A central component of this option would be the implementation and use of the MUNIS software system wide, vendor registration system, and a document management/contracts system.

BCS to process solicitations with system wide implications. For solicitations for which it makes sense that the System approach the contracting of a specific commodity or service as a whole, BCS will process and administer the solicitation. Examples would include banking, office supplies, maintenance services, etc. All other responsibilities for BCS, BCN, and CSN would remain the same.

The majority of members of the ad hoc committee do not recommend option three. However the following comments are from CSN: "In regards to Option 3, CSN is prepared to support System-wide strategic procurement initiatives and assist in any capacity to identify areas of opportunity within the CSN procurement environment."

ADDITIONAL COMMENTS AND SUGGESTIONS

Regardless of the model selected, the following efficiencies and considerations must be emphasized. Though many of these are already taking place, their refinement and clarification will strengthen procurement services at the institutional level, and increase cost savings opportunities for the System.

1. Continue the efforts of the purchasing ad-hoc committee and broaden its purview. The committee should continue to meet and focus on standardization, collective purchasing, baseline data points, and best practices. This committee needs to be empowered by their respective institutions, with the expectation that the System will support the initiatives of the committee.

2. Standardization must include PCard, construction and software procurements, and commodity codes. Additionally, contract and solicitation boilerplates should be reviewed to determine where similar language is relevant and useful.

3. Establish mandatory purchasing goals for each institution and for System procurement services as a whole. It is not acceptable to allow any one institution to not develop and implement systems and/or processes that will increase efficiencies resulting in cost savings for the System. PCard, requisitioning, and payment voucher processes are just a few that require streamlining. Many of the current processes in place are cumbersome and need to be revised or eliminated.

4. It was evident during the purchasing ad-hoc committee's review of processes at BCN, BCS, CSN and the individual institutions there are not only some inefficient processes (and in some cases nonexistent) but that they did not comply with NSHE guidelines or state regulations. Mandated goals should not only affix efficiency expectations, but should require adherence to all standard and obligatory purchasing guidelines.

5. The elimination of DPO and LPO's is essential. This rogue spend must be channeled through PCards or purchase orders. It is not easy to readily discern what this type of spend is used for, and it provides a substantial audit exception.

6. Continue fostering a culture of collaboration between the institutions of NSHE. This goes beyond simply standardizing documents and processes. The distinctly unique approaches to procurement among the business centers and institutions create an obstacle to consolidated purchasing responsibilities. Campus customers have come to expect a certain response to their inquiries, both in terms of time to complete and requirements placed on them by Purchasing, that are difficult to adjust, much less from a remote location. As the System considers shifting purchasing responsibilities to BCS, it is imperative to take into account the impact that this will have on customer service both near and long term.

7. Create a better understanding of strategic purchasing and how it is to be implemented for the System. Strategic purchasing implies more than collective purchasing by the institutions for basic commodities and services, or using a single solicitation to contract for items to be used for by multiple campuses. Strategic purchasing requires reviewing aggregate spend (PCard and purchase orders) to determine potential savings opportunities. Further, strategic purchasing will require normalized data to allow for sufficient review of the mix of commodities and services being utilized by the institutions within the System. The varied aspects of strategic purchasing will require adequate

resources to assist in the review and implementation of all processes created to address this goal (including a contract manager for negotiations).

CONSIDERATIONS IF AUTOMATION RECOMMENDATION IS NOT ACCEPTED

Should the individual institutions issue their own purchase orders this would mean the use of paper requisitioning to those institutions and in the case of NSC, a reversion back to paper requisitions and manual input.

Each institution would have to establish a process of vendor application processing, approval, and input. Not all institutions manage vendor files but it would be necessary if they are to create their own purchase orders.

The sharing of information would be challenging. It would be necessary for UNLV to review information such as current fiscal year aggregate spend for a specific commodity/service or spend history with a particular vendor in order to thoroughly prepare formal solicitations on behalf of other NSHE institutions. This type of data sharing would be crucial.

The recommendation does not adequately address our immediate need for better reporting capabilities which is crucial to becoming more efficient and effective and is an important requirement for strategic sourcing initiatives. The technology currently in place for the System makes available some of the data needed, but requires intensive mining and compilation of that data.

BUDGET TRENDING INFORMATION

	Projected FY11/12		FY10/11		FY09/10		FY08/09		FY07/08	
	State Funded	Non-State Funded	State Funded	Non-State Funded	State Funded	Non-State Funded	State Funded	Non-State Funded	State Funded	Non-State Funded
Positions by FTE										
BCN	5.66	4.34	7.56	4.84	6.66	5.34	8.66	5.34	10.43	3.57
BCS	11.53	3.47	12.53	3.47	14.03	3.47	18	3.47	22.03	3.47
CSN	5	0	7	0	6	0	5	0	5	0
TOTAL FTE	**17.19**	**7.81**	**20.09**	**8.31**	**20.69**	**8.81**	**26.69**	**8.81**	**32.46**	**7.04**
Salaries/Benefits										
BCN	$476,990	$265,521	$651,212	$263,720	$580,374	$326,836	$770,996	$332,764	$820,075	$225,281
BCS	$847,863	$207,870	$980,801	$218,811	$1,032,821	$235,758	$1,273,892	$237,690	$1,434,347	$228,238
CSN	$346,826	$0	$461,466	$0	$448,397	$0	$396,446	$0	$378,884	$0
Sub-Total	**$1,324,853**	**$473,391**	**$1,632,013**	**$482,531**	**$1,613,195**	**$562,594**	**$2,044,888**	**$570,454**	**$2,254,422**	**$453,519**
Operating										
BCN	$69,000	$14,425	$77,000	$6,426	$77,273	$6,734	$59,453	$7,193	$70,620	$6,482
BCS	$108,810	$0	$108,810	$0	$157,055	$0	$115,426	$0	$127,434	$0
CSN	$10,000	$0	$10,000	$0	$5,428	$0	$5,663	$0	$7,548	$0
Sub-Total	**$187,810**	**$14,425**	**$195,810**	**$6,426**	**$239,756**	**$6,734**	**$180,542**	**$7,193**	**$205,602**	**$6,482**

TOTAL BCN FUNDING	$545,990	$279,946	$728,212	$270,146	$657,647	$333,570	$830,449	$339,957	$890,695	$231,763
TOTAL BCS FUNDING	$956,673	$207,870	$1,089,611	$218,811	$1,189,876	$235,758	$1,389,318	$237,690	$1,561,781	$228,238
TOTAL CSN FUNDING	$356,826	$0	$471,466	$0	$453,825	$0	$402,109	$0	$386,432	$0
TOTAL FUNDING	$1,859,489	$487,816	$2,289,289	$488,957	$2,301,348	$569,328	$2,621,876	$577,647	$2,838,908	$460,001

COMPONENTS OF A STRATEGIC PURCHASING PROGRAM

Most institutional strategic purchasing plans involve most of the following characteristics. It is helpful to this discussion to outline these aspects.

- In strategic purchasing a review of the amount of money spent in each category of goods and services is used to analyze and identify opportunities for cost and sourcing improvement.

- Strategic purchasing requires the ongoing assessment of supplier performance and requires developing relationships with critical suppliers.

- Strategic purchasing teams frequently update and add technologies that measurably reduce costs, decrease cycle time, and make the purchasing process more efficient.

- Strategic purchasing teams use project management practices to map out both recurring activities and one-time projects.

- Strategic purchasing teams consolidate spend across all parts of their organizations and enter into contracts with a limited supply base to serve the needs of the entire organization.

- Strategic purchasing requires regularly documenting changes that forecast changes in price levels, availability, and markets to ensure a competitive advantage for the System.

- Strategic purchasing necessitates involvement by procurement staff at the early stages of specification development, lending specialized knowledge in material availability, cost drivers, standard parts, and reliability of supply.

- Strategic purchasing teams develop tools (e.g., document templates) so repetitive tasks can be done more quickly and error-free.

- Strategic purchasing teams don't blindly accept the suppliers and products that are currently available. They work with suppliers to develop new capabilities or products that will improve cost or quality.

- Strategic purchasing looks to identify ways to automate, delegate, or eliminate tactical, non-value-added work.

As a comprehensive approach to purchasing services for the System, strategic purchasing poses substantial potential for cost savings, value, product selection, and an overall efficient sourcing model. If strategic purchasing is the preferred model moving forward, then it is critical to review any shifting of purchasing responsibilities in that context.

Institutional strategic purchasing does not in itself imply a consolidation of procurement services in a single office. However, it does require a centralized responsibility for its various aspects and can be inhibited in an environment that is too decentralized. Consideration of a more fragmented and decentralized assignment of purchasing responsibility within the System, specifically purchase orders to the individual institutions, is problematic to the successful adoption of a strategic sourcing methodology. This arrangement would lend itself to increasing the need for more in depth compliance reviews at the individual institutions.

In as much as strategic purchasing is technical in nature, a culture of change, open-mindedness, and collaboration are crucial to its success. Currently within NSHE there are some positives in this regard. However, the Purchasing offices are still viewed as obstacles to timely procurement by some departments and/or institutions. The changing of a culture willing to work towards a common purchasing strategy is possible if the System is committed to delivering the message as one voice. A culture change will not occur by empowering individual institutions with the ability to procure their own goods and services, thereby diluting the aggregate spending power needed to drive prices down.

BASELINE AND OTHER BASIC METRICS

Comparative Data
The ad-hoc committee thought it is important to look at comparative data relative to how we compare to others outside our System in order to adequately review the given recommendation. Due to time limitations we were unable to gather current statistics from others.

The following comparative data was collected at the end of FY09 by the UNLV Purchasing Department. While the data is not for FY10 (as that of the internal comparative data collected by the System and the additional internal data presented in Exhibit A), the data is current enough to be relevant.

PURCHASING RELATED COMPARATIVE DATA

FY09 Data	Student Enrollment	Average PO Spend for FY08/FY09	All Purchasing Related Staff	Dollar Thresholds for Formal Solicitations

		College of Southern Nevada	42,000	$35,000,000	6	$50,000 Commodities; $100,000 Construction
1		Iowa State University	26,000	$144,776,679	15	$10,000 for goods & tech services; $25,000 professional services; $100,000 capital construction (handled by different department)
	*	University of Colorado	30,000	$319,606,473	16	Commodities - $10,000 for informal, $150,000 for formal Services; $25,000 for informal, $150,000 for formal
	*	University of Montana	14,000	$138,000,000	9	$25,000
		University of Nevada Reno	17,000	$117,100,000	10	$50,000 Goods & Services, $100,000 for Construction
1		University of New Mexico	32,000	$300,000,000	16	$20,000 for goods and services; $50,000 for professional services
		University of North Texas	35,000	$139,359,231	11	$25,000 or more
1	*	University of Oklahoma	30,000	$320,000,000	25+	$50,000
1		University of Southern California	33,500	$495,377,730	17+	$5,000
	*	University of Washington	47,000	$450,000,000	15+	Personal Services = $5K Goods and Services = $3500 IT - $100 K
1	*	University of Wisconsin	42,000	$278,500,000	20+	$5,000 - $25,000 quotes; $25,001 formal bid
1		Wayne State University	33,000	$141,188,657	16	$20,000
1		University of Nevada Las Vegas	28,000	$73,403,595	13	$50,000 Commodities; $75,000 Professional Svcs; $100,000 Construction

PCARD COMPARATIVE DATA

		FY09 data	Responsible Dept	# Dedicated Staff Support	Avg. Yearly Dollar Spend	Single Transaction Amount	Monthly Limit Per Cardholder	Who Performs Formal Audits
		College of Southern Nevada	Purchasing	.25	$347,000.00	$1,000	$5,000	Purchasing
1		Iowa State University	Purchasing	2	$23,000,000	$3,000	$10,000	Purchasing
	*	University of Colorado	Purchasing	3	$90,000,000	$5,000	Varies by cardholder	Purchasing
	*	University of Montana	Controller	2	NR	$5,000	$25,000	Accounts Payable
		University of Nevada Reno	Controller	4	$24,000,000	$2,000	$5,000	Internal Audit
1		University of New Mexico	Purchasing	7	$45,000,000	$5,000	$20,000	Purchasing
		University of North Texas	Purchasing	2	$11,500,000	$2,000	$10,000	Purchasing
1	*	University of Oklahoma	Purchasing	4	$60,000,000	$5,000	$25,000	Purchasing

1		University of Southern California	Business Svcs.	2	$35,000,000	$2,500	$5,000	Business Svcs.
	*	University of Washington	Controller	5	$70,000,000	$3,300	$10,000	Purchasing and Internal Audit
1	*	University of Wisconsin	Controller	2	$60,000,000	$5,000	No Limit	Internal Audit
1		Wayne State University	Purchasing	2	$12,000,000	$1,000	$10,000	Purchasing
1		University of Nevada Las Vegas	Purchasing	2	$14,000,000	$5,000	$10,000	Internal Audit

COMPARATIVE DATA FOR CAMPUS INITIATIVES

		FY09 data	Supplier Diversity Program and Dedicated Staff	Sustainable Purchasing Program and Dedicated Staff
		College of Southern Nevada	None	None
1		Iowa State University	None	None
	*	University of Colorado	1.5 FTE	.5 FTE
	*	University of Montana	None	None
		University of Nevada Reno	None	None
1		University of New Mexico	None	None
		University of North Texas	None	None
1	*	University of Oklahoma	None	None
1		University of Southern California	2 FTE	1 FTE
	*	University of Washington	None	None
1	*	University of Wisconsin	4 FTE	None
1		Wayne State University	Shared Responsibility for All Staff	None
1		University of Nevada Las Vegas	.5 FTE	.5 FTE

Notes:

All offices handle contracting negotiations (but the actual level of involvement is not addressed)

All handle maintenance of insurance certificates for suppliers except the U. of Colorado and the U. of New Mexico)

* These offices don't handle construction projects

1 - Purchasing staff is responsible for administration of automated purchasing systems with some support from IT

Typically when analyzing comparative data there would be standard ratios to consider such as raw data comparing total purchasing staff to total purchasing volume. However, the raw data gathered for the survey, listed above, has a much more complex dimension that is often not discernable by a cursory review of the results. The staffing needs must be based not only on volume, but on areas of responsibility, levels of service, expectations, etc. Each institution's processes and procedures vary as well as how they report data. It is difficult to account for these variations when attempting to establish a comparative baseline. One cannot use spend totals or even transactions (purchase orders and PCard) to determine adequate staffing levels for a

purchasing office. While it is true that a higher volume of solicitations, contracts, purchase orders, and PCard transactions may require a department to staff up to handle the throughput, distinctions in the procedures and requirements employed to process each will reflect in the staffing totals.

For instance, the University of New Mexico spends $45 million through their PCard program with a support staff of seven FTEs. The volume of transactions on the PCard itself (144,000) does not necessitate the staffing level for UNM, instead it is the processes in place to ensure compliance and reduce risk to the program. The UNM PCard staff performs 100% audits which includes scanning in all original documents and associating those with the cardholders' electronic file. Similar to UNM, UNR PCard staff performs 100% audits which include scanning in all original documents and associating those with the cardholders' electronic file. Dissimilarly, the University of Colorado processes $90 million on their PCard program, has a staff of only three FTE's and performs only spot audits.

To best gauge staffing ratios one must consider the totality of the tasks performed within a Purchasing office and the long term strategies in place to handle campus requests. The UNLV Purchasing Department is responsible for not only purchase order processing and formal solicitations, but also the university PCard program, contracting, after the fact payment voucher processing, and IT functions related to its electronic requisitioning software. A similar analysis would need to be done for the other two business centers to properly assess staffing needs.

A more in depth analysis of the data supports the conclusion that the most appropriate factor in determining proper staffing levels in a purchasing department is not the sheer volume of purchase orders or other procurement related transactions but is the complete process, from beginning to end, in place to complete these. If more scrutiny by purchasing staff is desired when putting together a solicitation or is needed in the review of PCard transactions then additional staffing is required. The same is true if there is an expectation that cycle time on purchase orders and bids will remain low, that new technologies will be explored and implemented, or that customer service and supplier interaction will continue to be priorities. In this regard, UNLV Purchasing is not overstaffed. Indeed, staffing levels have decreased as has the volume of overall transactions. But at the same time there are new requirements for transactions we process (supplier licensing, renegotiation of prices on current contracts, reducing payment voucher use, etc.). Additionally, Purchasing has taken a pro-active approach to sourcing requirements impacting the entire campus (campus contracts and on-call contracts have been put in place after discussion with campus customers and ongoing reviews of purchase order and PCard spending) and has implemented new technologies to create efficiencies (MUNIS Dashboard, enhancing the contracts database, one-screen workload review, supplier registration, etc.). It is imperative that these activities, which add value to the procurement process and customer experience, be accounted for when evaluating staffing ratios relative to other institutions. Similar examination should be done to determine how the other two purchasing centers conduct their procurement functions prior to moving forward with any recommendations for change.

The information considered by the System when making its recommendations was not inclusive of how diverse the responsibilities, policies, procedures, etc. are among the three main purchasing centers as well as how the other smaller institutions process purchasing related

Page **31** of **34**

transactions. Therefore, the ad-hoc committee spent a great deal of time gathering more data to demonstrate areas of similarity and areas of dissimilarity. These items are relevant in whether or not the recommendations given are feasible and to what degree they are even practical. The committee did not have adequate time to do a thorough analysis on single transactions which could take several weeks or months to properly analyze. However, the additional information we compiled and discussed provided us enough detail to provide a list of assumptions that would have to be examined prior to going forward with those recommendations presented by the System Office and to allow us to provide optional recommendations for consideration. A spreadsheet of additional general information is provided as Exhibit A.

COMMITTEE SUMMARY AND RECOMMENDATION

In conclusion, some of the proposed changes to the procurement structure like standardization and strategic purchasing which includes spend analysis are great ideas and the purchasing ad-hoc committee supports these measures wholeheartedly. Some of the other ideas such as contingent fee contract auditors, energy efficiency and conservation measures are also supported by the purchasing ad-hoc committee. Bart Patterson's efforts on these matters should be applauded because we think that if they are approached and implemented properly NSHE will benefit greatly. The proposal to have each institution procure goods and services under $50,000 concerns us greatly as we believe that if this is implemented the results will have a negative impact on our ability to fully meet the objectives of strategic purchasing and will actually cost NSHE a great deal rather than produce the desired savings.

The final recommendation of the ad-hoc committee comprises a majority and minority view on the best course to follow. Regardless of the selection, the ad hoc committee anticipates continued discussion on how best to implement.

A majority of the committee believes that option 1 (pg. 11 Additional Ad Hoc Committee Recommendations) presents the optimal structure whereby standardization and strategic purchasing initiatives can be effective and cost savings realized. Through the establishing of two business centers, comprehensive purchasing services can still be provided for all institutions within NSHE while providing for a centralized environment to manage the direction of NSHE's procurement strategy.

This recommendation is not unanimous, however, as CSN has concerns that BCS does not have the capability to properly service their campuses due to their growth and the volume of purchasing transactions which would have the potential to severely impact the CSN programs and college communities. As the only opposing members of the ad-hoc group, CSN does not support this recommendation and provides the following justification for their opposing view: "CSN's Purchasing grew out of the necessity to properly provide purchasing support and timely service and our needs have only increased since then. CSN currently performs similar transactional volumes to the business centers, services multiple campus locations and has a number of dissimilar programs that would not realize any benefit of being absorbed into BCS. Our contention for Option 1 is that CSN Purchasing could still be maintained as a separate

Page 32 of 34

center. An absorption of staff doesn't generate any System savings and CSN would still readily be able to participate in the benefits of strategic sourcing. CSN does support automation where possible, consolidating and streamlining bid processes, and to further enhance strategic purchasing goals, implementing greater usage of state-wide contracting for office supplies, computer purchases and other commodities utilized throughout NSHE."

The proposal by the System, though not ideal, could be supported by the ad hoc committee. The concerns outlined in this document demonstrate that should the System's recommendation be adopted a great deal more dialogue would be necessary to gauge and understand its impacts versus its benefits.

The entire committee does not recommend the implementation of option two. And the majority of members do not recommend option three. However the following comments are from CSN: "In regards to Option 3, CSN is prepared to support System-wide strategic procurement initiatives and assist in any capacity to identify areas of opportunity within the CSN procurement environment."

We thank you for the opportunity to respond to the proposal and would welcome the chance to discuss the details of this report.

Next step consideration comments:

The ad hoc group is in agreement that a task force should be formed to further examine our options for efficiencies and effectiveness. We are always willing to consider improvements in our processes.

The limitations of automation are apparent in our current environment. It appears addressing automation is an important component of this efficiency and effectiveness review. It would make sense to determine funding options and the amount available before continuing much further with our assessment of consolidation or not.

The time spent upfront analyzing and planning is well worth doing not just implementing changes without thorough analysis. We have a good start with the transactional raw data already collected and we should continue with a more in depth analysis of the actual processes used to complete those transactions. It is important to review the 'nuts and bolts" processing of the everyday purchasing transactions currently in place at each institution and then map out and agreed upon how those processes will be handled in the future prior to implementing any changes.

Standardization has already been a topic of discussion between the two business centers. The two business centers had already begun discussions regarding standardization of many of our forms and processes prior to this exercise. CSN has begun to follow their lead and often times calls for assistance in preparing their bid packages. It is important to assess the definition of "quality" or

Page 33 of 34

expectations for transaction processing (i.e. what is required when approving a competitive exception) as a part of standardization process.

It is important to consider what responsibilities currently reside in each of the offices and how any of the structural changes implemented will impact those offices. In particular: In one office some staff assist with Fixed Assets as well as provide clerical assistance to buyers; one office has its own computer technical support; one office is currently only responsible for their own procurement transactions.

We have to keep in mind that each of these "centers" has already taken cuts to their staffing levels. They do not have excess staff to assign solely to large undertakings such as this task force or the implementation of complex software systems. Therefore, the expectation for fully implementing significant system wide processes as well as cultural institutional changes should reflect these staffing limitations taking into account their current everyday workload.

It is vital that we look closely at the actual processes and successes we are being benchmarked against to ensure we are interpreting their processes correctly. We would not want to move forward on any inaccurate assumptions on our part.

We absolutely agree that a process flow should be done and assessed prior to implementing any major changes. This will help the System office and others to better understand the procurement process as a whole and will help outline potential improvements to be gained by documenting what we do as individual institutions and as a system. Then we can compare where we are with what others especially those that have been chosen to be benched marked against are doing.

APPENDIX 2

Huron Consulting Report – August 2015

Nevada System of Higher Education

**Shared Service Delivery
Opportunity Assessment**

Discussion Document

August 6, 2015

HuronEducation

YOUR MISSION | **OUR SOLUTIONS**

HuronEducation

Table of contents

Huron Education

Summary

In 2012 – 2103 Huron assisted NSHE with a Business Process Redesign (BPR) project. The initiative was a systemic and careful review of major business processes across NSHE to identify opportunities for the establishment of consistency and effectiveness among the Institutions and to enable the Institutions to continue to fulfill their missions with the lowest administrative overhead required. The project focused on key processes and sub processes in Human Resources including Recruiting, Onboarding, Payroll Administration, Benefits Administration, Position Description and Budgeting and Personnel Administration; and, in Finance including General Accounting, Accounts Payable, Accounts Receivable, Procurement, Budgeting, Grants and Contracts, Travel Accounting, Asset Management, and Treasury Management. As part of the review and development of recommendations, Huron identified several processes or components of processes that met initial criteria as candidates for delivery through a shared services model.

Huron considered candidate administrative functions to be those that are highly transactional, have predictable outcomes, are (or should be) consistent across institutions/organizations, and do not require proximity to customers for a significant component of the function's activities. Of the candidate administrative processes identified in Huron's initial assessment, NSHE has decided to further explore the transition of Payroll Processing, Benefits Administration and Procurement to a formalized shared services delivery model.

Huron has reviewed the shared services approach adopted at several other Higher Education systems and institutions and has identified several governance models and success factors that it considers to be key to the transition. Shared service models include but are not limited to the following:

- **"School Based Model"** or "**Service Pods**" is one where two or more institutions form a partnership or arrangement to deliver certain administrative functions to the members of the group or partnership
- **Multiple Regional Centers** or "**Coordinated Model**", establishes a centralized leadership organization that manages regionalized shared service administrative units, each supporting a subset of customer institutions or organizations
- A "**Center Led Model**" or "**Single Shared Service Center**" represents a service unit, under central management/leadership that provides services to all institutions or units that make up the organization

Based on the transactional nature of these functions and the capacity of NSHE's new administrative technology to support a distribution of "local" and "centralized" roles in the administrative process, Huron believes that the "Center Led Model" would provide the greatest benefit to the NSHE institutions. Given the diversity of the NSHE Institutions and the importance of ensuring consistent delivery of services to meet the needs of each organization, Huron believes that the best governance structure for the single shared service units is one where each shared service unit operates under the guidance of an advisory board made up of representatives from the "customer" institutions. The service center staff would ultimately report to the system office. An important factor in shared service center success is the establishment of Service Level Agreements that establish the roles and responsibilities of both customer and service center, set expectations for both, and set performance indicators.

The recommended approach for implementation of the Shared Services model follows five phases that begins with a detailed planning exercise that includes a plan for communication and change management and completes with post implementation monitoring and optimization.

A number of Higher Education Systems and Institutions have moved, or are in the process of moving, certain administrative functions to Shared Service environments. Those cited in this document include:

- University of Maine System
- University of North Texas System
- University of California
- University of New Hampshire System
- University of Kansas
- University of Georgia

HuronEducation

Background

As part of its continuous improvement commitment to deliver more efficient and effective processes for administrative and support services, the Nevada System of Higher Education (NSHE) has executed a number of initiatives over the course of the past several years aimed at the objective of establishing consistent, best practice administrative policies and procedures. In 2011, NSHE conducted the Efficiency and Effectiveness Study to review various ways in which administrative functions could be reorganized to provide improved service, consistent administrative effectiveness, and to identify opportunities for greater cost efficiency. Shortly thereafter, NSHE kicked off its iNtegrate 2 initiative targeted at transforming administrative functions in Human Resources and Finance through the implementation of redesigned business processes, updated administrative service delivery mechanisms and the migration of its centralized legacy mainframe Financial and Human Resources/Payroll applications to a modern ERP solution.

Huron provided assistance to NSHE with two initial steps in connection with iNtegrate 2. Huron worked with NSHE to complete a project to establish non-system specific chart of accounts design recommendations to support common fiscal management and reporting practices across the institutions. And, in 2012-2013, Huron conducted a review of major business processes and sub-processes in key Human Resource Administration and Financial Administration functions across the System's eight institutions and system office.

NSHE has identified Workday as the Human Resource and Finance administrative systems that will be deployed to support its transformation vision, and, is in the process of implementing the technology.

NSHE/Huron Business Process Review

The iNtegrate 2 Business Process Redesign (BPR) project, was a systemic and careful review of major business processes across NSHE to identify opportunities for the establishment of consistency and effectiveness across the Institutions and to enable the Institutions to continue to fulfill their missions with the lowest administrative overhead required. The project's objectives included:

- Evaluation of major administrative processes and development of recommendations for improved efficiency and delivery
- Development of consistent process and workflow recommendations across the NSHE institutions
- Identification of administrative system requirements based on process recommendations, to be used to evaluate application and vendor options.

Huron's project approach emphasized three major phases made up of a Current State Assessment, Identification of Opportunities for Business Process Redesign and Development of Recommendations for Redesign; and, an Analysis of Opportunities for Efficiency and Effectiveness Improvement through Alternative Service Delivery Mechanisms. The review represented a broad analysis of Human Resources and Finance administrative functions and focused on the following major processes and their key sub-processes:

Human Resources	Finance
• Recruiting • On-Boarding • Personnel Administration • Position Description/Creation • Position Budget Control • Benefits Administration • Payroll Processing	• General Accounting • Accounts Receivable • Accounts Payable • Procurement • Budgeting and Reporting • Grants and Contracts • Travel Accounting • Asset Management • Treasury Management

Business Process Review Results and Recommendations

Based on the current state review, work with institution subject matter experts and administrative function owners, as well as knowledge of practices employed at institutions outside of NSHE, recommendations were developed for consistent administrative processes across the NSHE organization. In connection with the key processes and sub-

HuronEducation

processes in each major administrative area, a Business Process Reengineering (BPR) packet was developed that provided a process overview, recommended future state process flows, and identified key changes from current state, dependencies on policy update or change, potential implementation challenges, technology requirements and reporting requirements.

Alternate Service Delivery Candidate Functions

Huron conducted an analysis of the administrative functions under review to determine if any represented reasonable candidates for delivery through a shared or alternative administrative service structure. This analysis included a high-level assessment of each process area to determine those that had the "make-up" necessary to enable delivery via an alternative model, such as a highly transactional nature, stable and predictable transaction volumes and proximity requirements. This analysis identified 10 process areas where the overall process or a sub-process meets the criteria for consideration for service delivery via an alternative model, such as an internal service center, center of expertise or outsourcing arrangement. The scope of Huron's analysis did not encompass an in depth analysis of each candidate function to determine potential impact or benefit of delivery via and alternate approach and did not include development of detailed business cases for change.

Huron identified the following processes and/or sub processes as meriting further analysis and assessment for delivery via an alternative model:

Human Resources	Finance
• Recruiting • Employee Tracking • Benefits Administration • Payroll Processing • Position Description • Personnel Administration	• Accounts Payable • Procurement • Travel Accounting • Treasury Management

Administrative Systems Implementation

NSHE has selected Workday as the administrative technology solution to support its administrative services transformation and improvement. As part of the configuration of the Workday applications and workflow design, NSHE will incorporate redesigned business processes and future structures for the delivery of services. There are a number of technology considerations important to the successful roll out of common business processes and potential shared service delivery. For example:

- Will all NSHE Institutions share a common instance of the Human Capital Management and Finance Applications?

- Will the application readily allow for local (institutional based) initiation of a transaction to be processed outside of the institution by a shared service unit?

- Will the technology allow for locally configured workflows for approvals, and establishment of institutional roles and responsibilities?

Shared Service Considerations

In its initial assessment of administrative functions that may be delivered through an alternative mechanism, Huron suggested three service delivery options for consideration: internal service centers (shared service); Centers of Excellence, and, outsourcing. Of Huron's initial list of ten candidate business functions, NSHE has decided to explore further the formalization of a shared service delivery structure for Payroll, Benefits Administration and Purchasing. The following sections of this document provide an overview of shared services in higher education, high level recommendations for organization structure and governance models based on successful implementations at other higher education organizations, and, key considerations in the transition to shared services. In addition, the document cites shared service implementations at several higher education institutions.

HuronEducation

Shared Services – Conceptual Overview

"Shared services" is a term defining an operational philosophy that involves centralizing those administrative functions of an organization that were once performed in separate divisions or locations. Examples of services that can typically be shared among the various business units of an organization include finance, purchasing, inventory, payroll, hiring, and information technology. Oganizations that implement shared services may attain cost savings by standardizing practices and procedures and by creating economies of scale. Under shared services, an organization "centralizes" certain adminstrative functions. The centralized functions—or shared services organizations—often charge the different organizations for the use of their services. In some cases shared services organizations may offer their services to outside customers on the open market.

Shared service centers offer an opportunity to redefine how common administrative business functions that support an organization's mission are conducted. A key concept in adoption of shared services is that historically decentralized support in administrative areas/functions such as human resources, accounting and budgeting and information technology can be reorganized with a focus on improvement to service by developing specialized skills in staff and consistent use of technology to support the administrative functions.
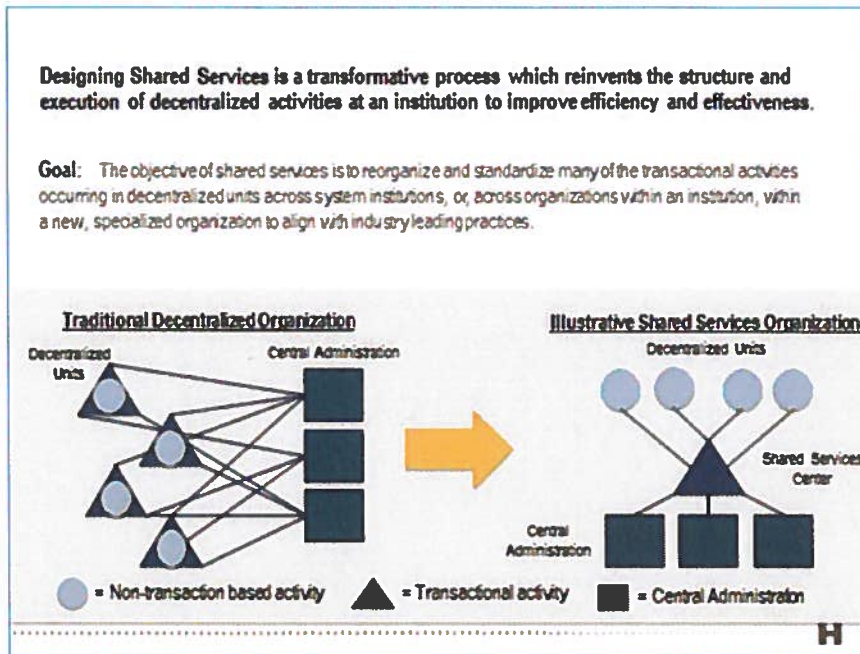
Higher Education institutions that have implemented shared service models for the delivery of certain adminstrative support functions have experienced a number of resulting benefits, including:

- More effective service for staff, faculty and principal investigators. Well formed and managed service centers establish standards for accountability, authority and responsibility. In addition, staff working in the shared service units have better opportunity to develop their knowledge in the function subject matter, thereby increasing their effectiveness.
- Improved compliance and accountability. The shared service model allows for deeper training and oversight of functional staff, reducing the compliance risks that exist when administrative services are broadly distributed across organizations.
- Staff retention and talent development. In a typical, decentralized environment unit based generalists have limited opportunities to establish a career path, have few mentors and limited peer networks. Shared services often correct the resulting difficulties in attracting and retaining best staff.
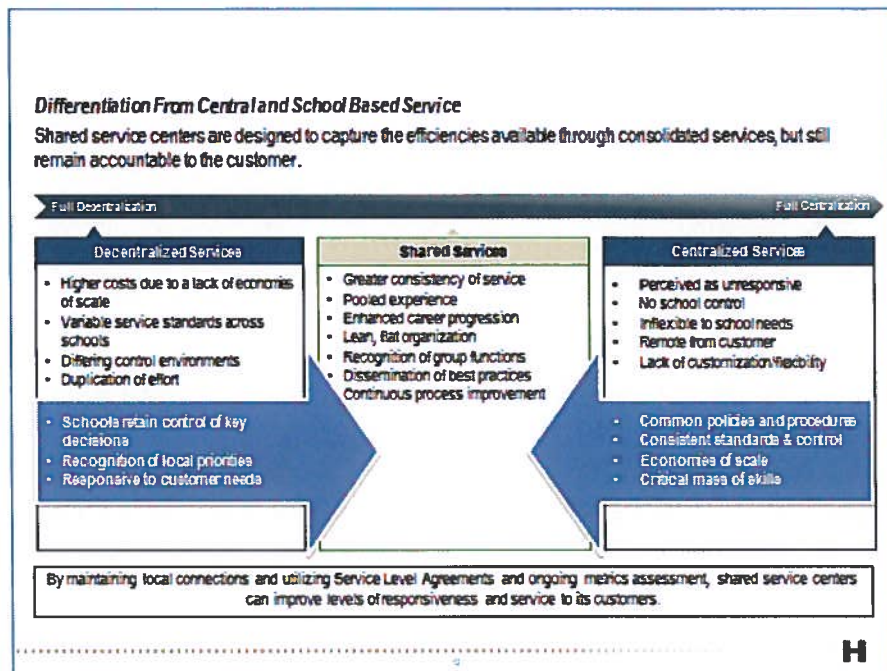
A consistent theme in successful transitions to Shared Services is that the model allows for the development of strong skill sets and knowledge in the center's individuals that perform and deliver the services thus building efficiencies. Yet, the service center remains responsible and accountable to the units that it serves. Challenges often cited when services are delivered centrally such as inflexibility to meet local needs, perceptions of unresponsiveness or remoteness from cusomers; as well as, concerns with decentralized services such as inconsistency in approach and results, higher cost due to inefficiencies, or duplication of administrative effort can be addressed in a well structured and managed shared service structure. A key factor is ensuring that the customer base is a part of the governance of the center and can retain control over elements of the service workflow that are specific to their organization.
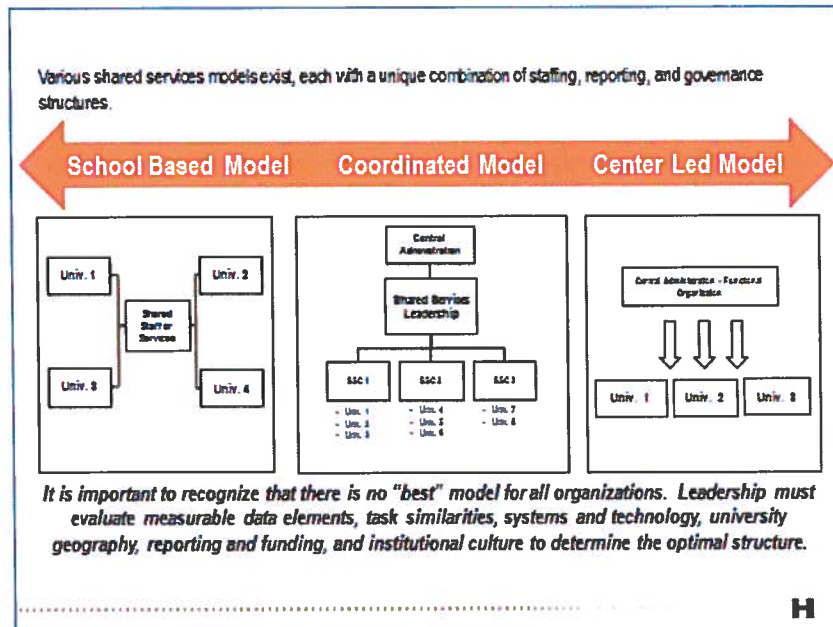
Shared Service Models in Higher Education

A number of different Shared Service models exist both from the perspective of service delivery as well as governance of the service organization and processes. The graphic below provides examples of three models employed in higher education:

1. A **'School Based Model"** or **"Service Pods"** is one where two or more institutions form a partnership or arrangement to deliver certain administrative functions to the members of the group or partnership. The shared service organization may be managed as a separate entity or it may exist within the organizational structure of one of the institutions served. In such a model, staff members at the institution or unit level have organized around functional tasks, with responsibility for a narrower span of tasks than generalists. These staff members may serve multiple units. This model typically emerges organically in response to staffing challenges, or is driven by leaders seeking the benefits of staff with deeper expertise.
2. **"Multiple Regional Centers"** or **"Coordinated Model"**, as depicted in the graphic above, establishes a centralized leadership organization that manages regionalized shared service administrative units, each supporting a subset of customer institutions or organizations. A network of regional centers offers a balance between the efficiency gained by consolidating staff expertise with the opportunity to maintain relationships with the institutions/units served, acknowledging the uniqueness of the service's different customers.
3. A **"Center Led Model"** or **"Single Shared Service Center"** represents a service unit, under central management/leadership that provides services to all institutions or units that make up the organization. This is considered the most efficient model. Knowledge of the unique attributes of indivdual units is traded for expertise in specialized transactions, functional areas and/or institutional policies and procedures. For this reason, the model works best in connection with administrative services that are highly transactional in

nature and are consistent from customer organization to customer organization. The single shared service center is often manifested as a transactional processing entity for a central office. In this model the central office is a policy-setting, training and review body; the shared service center is the processing and customer facing entity. A critical enabler to the success of such a model is technology that provides self service at the customer level that allows for the local initiation and

Various shared services models exist, each with a unique combination of staffing, reporting, and governance structures.

School Based Model — **Coordinated Model** — **Center Led Model**

It is important to recognize that there is no "best" model for all organizations. Leadership must evaluate measurable data elements, task similarities, systems and technology, university geography, reporting and funding, and institutional culture to determine the optimal structure.

approval of transactions that are then accessed by the service center for processing. In contrast to a "typical" central service, a shared service center will include a specific focus on accountability to the customer. This is often in the form of Service Level Agreements, including clearly defined and tracked metrics, an advisory board made up of customers and mechanisms for continuous improvement.

NSHE leadership has identified three administrative functions to be further evaluated for delivery through a shared services model, Payroll, Benefits Administration and Purchasing. Given the transactional nature of these functions and the capacity of NSHE's new administrative technology to support a distribution of "local" and "centralized" roles in the administrative process, Huron believes that the "Center Led Model" would provide the greatest benefit to the NSHE institutions.

HuronEducation

Candidate Functions

As described in the background section above, Huron's business process analysis conducted between October 2012, and May 2013, identified 10 administrative process areas where the overall process or a sub-process meets the initial criteria for potential service delivery through shared services or other alternative delivery model such as a "center of excellence" or outsourcing. The ten administrative functions that were identified as meriting further consideration for full or partial shared service delivery were made up of six Human Resources related processes or sub process,

- Recruiting
- Benefits Administration
- Payroll Processing
- Employee Tracking
- Personnel Administration
- Position Description

And, four Finance administrative functions,

- Accounts Payable
- Procurement
- Travel Accounting
- Treasury Management

NSHE, through further analysis, has determined that three administrative areas from the list above, Payroll Processing, Benefits Administration and Procurement can best be delivered through a well-structured shared service model.

Huron agrees that these functional areas represent strong examples of administrative services that can be delivered in a shared services environment and present an opportunity for more efficient service delivery, consistent processes and improved customer service.
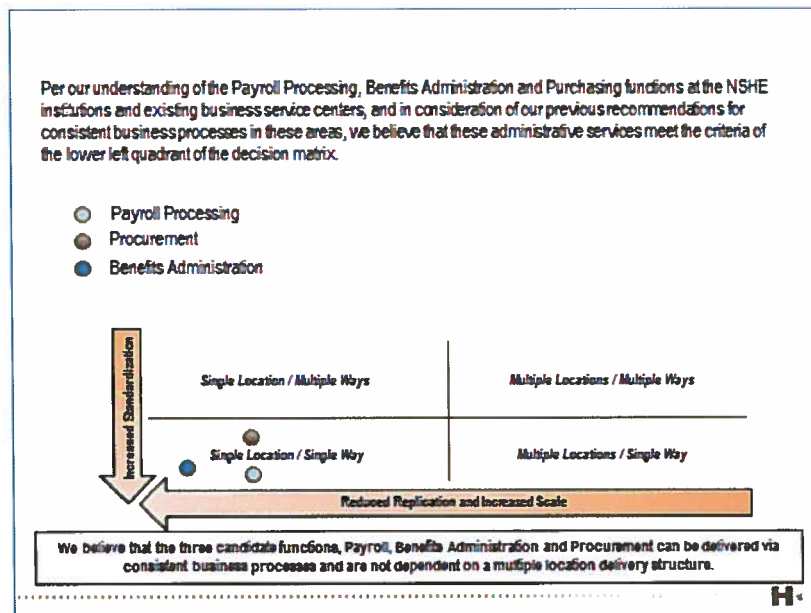
In evaluating administrative activities for potential consolidation in a shared service environment, Huron follows a set of guiding principles. These include the following:

- The administrative activities can be delivered via shared service in proportion to the degree to which they are repeated; amenable to scale; and subject to specific knowledge, skills and/or abilities

HuronEducation

- Administrative activities should be localized in proportion to the degree to which they directly support demonstrably unique local needs and/or the direct execution of mission related activities, and

- Apart from how activities are organized (e.g., localized, regionalized), the default approach should be to standardize wherever possible

Overall, Huron's key hypothesis is that administrative functions and activities that are highly transactional, can be performed using consistent processes across institutions, and are not unique to an institution or organization, are the best candidates for shared service delivery.

Shared Service Indicators – Candidate Functions

Huron established a number of indicators based on these guiding principles and evaluated the three candidate functions, along with others, to determine the extent to which these emerged in connection with Payroll Processing, Benefits Administration and Procurement. In all three cases the indicators were sufficiently reflected to elevate the consideration of these functions. It should also be noted that each of these functions is currently organized into the north and south business service centers and already demonstrate a form of shared service delivery.

Payroll Processing – Shared Service Indicators

Huron made the following observations regarding Payroll Processing:

Transactional in nature, not strategic

The payroll processing processes, including the review and update of employee information, processing and distributing paychecks and pay liabilities are transactional and administrative in nature. Even exception processes to address issues are fairly standard and transactional. The more strategic elements of payroll, such as policy development, are allocated to NSHE and institution leadership and drive the transactional process execution.

Consistent, Customer-oriented

Issuing paychecks correctly and in a timely manner is likely the most important element of any human resource process given how impactful it is to all NSHE employees. However, the process of issuing payments themselves is fairly transactional and consistent from employee to employee. The transactions and tasks are standard and operational and reliant on high-quality customer service, which can be improved via a "one-stop shop" for employees through a tiered delivery framework and streamlined Payroll administration.

Stable, predictable transactions

Payroll processes are generic and generally follow the same major process framework across standard employee types such as Exempt Employees and Positive Pay Employees. In addition, the utilization of technology in the future state will further automate and standardize the transactions and facilitate any subsequent error resolution.

Understood, reliable volume of standard transactions

The recommended future state NSHE Payroll Processing process recommendations represent a steady state in terms of predictable and consistent transaction volumes across institutions due, in part, to consistent levels of employees from pay cycle to pay cycle with only exceptions, such as late time sheets and manual checks, requiring process variations.

Benefits Administration– Shared Service Indicators

Huron made the following observations regarding Benefits Administration:

Transactional in nature, not strategic

Some specific Benefits Administration processes are highly transactional, specifically those processes of receiving Public Employees Benefits Program (PEBP) data and uploading it to the HR and Payroll systems, managing the grant-in-aid and tuition fee waiver processes and approving leave requests that have been approved by supervisors. Strategic and non-transactional process elements such as determining employee eligibility requirements or approval designations should remain at the appropriate NSHE/institutional level.

Consistent, Customer-oriented

Benefits Administration is a critical element of the employee experience, and these transactions are highly customer oriented, though not necessarily customer facing. Furthermore, the State or Nevada Administrative Code (NAC) governs the NSHE benefits and therefore the processes are guided by a standard framework and guidance.

Stable, predictable transactions

The majority of Benefits Administration transactions involve standardized, routine processes. The transactions that may be more case-dependent, such as reviewing and approving leave requests; can remain the responsibility of the local Human Resource units and representatives.

Understood, reliable volume of standard transactions

The peak volume impacting Benefits Administration occurs during open enrollment, which occurs through the e-PEBP enrollment system at the same time each year

Procurement– Shared Service Indicators

Huron made the following observations regarding Procurement:

Transactional in nature, not strategic

Procurement processes to review requisitions, set and update encumbrances and create and update purchase orders are operational and administrative. Administering the Request for Proposal process is more involved, yet the management and assistance steps are operational in themselves. Strategic actions related to Payables, such as the development of policy on the use of P-Cards, is driven at the NSHE, or even at the State level, and these decisions drive the transactional processes that can be executed by an internal service center.

Consistent, Customer-oriented

Purchasing processes are highly customer facing, as it is important that users are able to procure their goods and services in a timely manner and in accordance with their need specifications. However, the NSHE and State of Nevada purchasing rules require a level of consistency to ensure that purchases are compliant. Administering these processes centrally within NSHE can help ensure the right level of expertise is applied to sometimes complicated processes.

Stable, predictable transactions

Procurement processes, supported by a standardizing technology, are highly consistent, especially because purchasing processes are highly governed by NSHE and State of Nevada Requirements. Though each purchase action may be subject to a variety of rules/requirements on the NSHE and/or vendor side, the required knowledge and expertise is applicable to all actions.

Understood, reliable volume of standard transactions

Procurement is an on-going and constant process with a fairly standard level of activity. The use of technology to capture metrics, including transaction volumes, cycle times and types will enable NSHE to better understand the volume and cost of purchasing transactions in the future.

Institutional Feedback on Process Service Delivery Recommendations – Candidate Functions

The development of Business Process recommendations as part of Huron's prior work took an iterative approach and allowed for the participation of subject matter experts and administrative leadership across the NSHE Institutions. In its final deliverables, Huron provided documentation of the NSHE Institution representative comments and Huron's response. For the most part, the institutional comments cited concerns, considerations or agreement with recommended business processes. The majority of considerations raised focused on the processes themselves primarily with regard to nuances that exist across the institutions and the capacity of common practice to meet any existing, unique needs.

As part of the development of this update to our Shared Service recommendations, Huron reviewed NSHE's prior comments to determine if any identified concerns or considerations related to alternative service delivery or centralization to a service center. The following lists those comments that should be considered further as NSHE

HuronEducation

continues to evaluate and prepare for updates to its delivery model in Payroll Processing, Benefits Administration and Procurement.

Payroll Processing– Shared Service Consideration

Based on our review of NSHE Institution comments on business process recommendations, one emerges as relevant as NSHE considers a centralized shared service

Institution Bsns Prcs Comment summary	Huron Prior Response	Further Consideration
With regard to liability reconciliations done separately north and south. Leaders felt that physical consolidation of staffing for payroll across NSHE would gain no savings and would not be recommended. The Comment goes on to suggest that the liability reconciliation be split between north and south each taking a different element of the process	Huron's prior response highlighted that the recommendations focused on the process and not the organizational aspects of the process. Detailed organizational decisions, including location of specific sub processes and allocation of resources, are points for consideration during the implementation phase.	The implementation of the new workday technology should allow for the seamless passing of information between institutions and service centers and should eliminate need for proximity to the customers. As stated previously, a detailed business case that articulates costs and returns related to the transition to a centralized shared service has not been conducted and should be part of the detailed evaluation and planning for transition. The analysis should include a high level assessment of impact resulting from a singular shared service structure.

Benefits Administration– Shared Service Consideration

Based on our review of NSHE Institution comments on business process recommendations, none emerged as specifically shared service related. However, several comments focused on the need for localized approval and management involvement in certain elements of Benefits Administration. One of the key components of movement to shared service structure is a clear delineation of local responsibilities versus the transactional processing that will be done within the center. As such, as NSHE considers the transition of Benefits Administration to a centralized shared service it will need to consider which steps in the Benefits Administration process are best held within the institutions and which can reasonably be executed by the center.

Procurement– Shared Service Consideration

During the process development phase of work a number of procurement related considerations were raised by NSHE institutions. Most of these focused on the business processes themselves and highlighted institutional needs related to vendor management, contracting processes and institutional approvals and establishment of purchasing agreements. Based on our review of NSHE Institution comments on business process recommendations, two emerged as specifically related to the concept of relocating purchasing services to a centralized service center.

Institution Bsns Prcs Comment summary	Huron Prior Response	Further Consideration

If we intend to use one database for suppliers, the system must allow for the suppliers to note that they only service certain institutions or regions, etc.	Huron recognizes that Nevada's population is predominantly located in the northern and southern regions of the state; the sources of supply share this same geographic distribution. Systems used to support the competitive bid and request for proposal processes will need to be able to allow institutions to identify what region the supplier primarily serves. This will allow institutions and Purchasing to evaluate supplier proposals accordingly, especially for those suppliers who are limited in scope to one of the two regions.	NSHE's new administrative system should allow for the capture of multiple information facets related to each vendor. Processes associated with central shared service procurement functions will need to address the balance between NSHE wide vendor use and regional needs.
One institution cited the following related to regionalized institution centers. "Due to the geographics of the state it is important to consider that the purchasing centers often work with other local public agencies that are in the same proximity for better pricing and available supplier base."	Huron recognizes that the geographic realities of the state provide opportunity to work with other close by entities on bidding opportunities, incorporating those entities into a more highly automated solicitation system could present challenges.	As part of the consideration of movement to a centralized shared service center, assessment of procurement strategy and capacity to "regionalize" certain procurements will be necessary.

HuronEducation

Shared Service Delivery - Approach

As described previously, there are several models for delivering shared services that have emerged in higher education. Determination of the model that works best is driven by the nature of the service/function and the culture of the organization or the organizations that make up the system. The sections below provide a summary of the shared service models previously discussed, Huron's recommendation for a governance structure based on our understanding of NSHE and the services to be provided, and consideration of technology in developing a center.

Service Center Structure/Geography

There are a variety of models that can be implemented to realize the benefits of shared services. NSHE should consider what is the optimal model in the context of its unique culture. A key consideration in establishing an optimal model is the nature of the services that will be delivered through a shared mechanism. More transactional processes that do not require immediate proximity to customers are candidates for single, centrally located delivery units.

School Based Collaborations - As described previously, school based collaborations often arise out of a staffing need or shortage, or in response to the need for specialized services. These are typically locally established and may reflect the collaboration of as few as two units. This model focuses on the unique needs of each "customer" and typically has reporting relationships to one of the institutions or units. While this model can offer advantages over a decentralized, generalist model, the benefits are marginalized by the distribution of staff, the lack of staff specialization and a commonality of processes and procedures. This model can offer an introduction to the concept of shared service in the university environment, giving institutional leadership an opportunity to begin to develop comfort with the concept of shared (versus "owned") staff.

Regional Networked Centers - A network of regional centers offers a balance between the efficiency gained by consolidated staff expertise with the opportunity to maintain relationships with the institutions or units served. This maintains an ability to acknowledge the uniqueness of the different organizations served. In this model, shared service center staff may be assigned to specific institutions, or organizations within an institution, and may meet regularly with the institution's leadership and staff. While accountable to institution leaders, center staff typically report through a separate reporting structure that focuses on the customer service aspect of the center.

Critical enablers for the establishment and success of regional centers include the following:

- High degree of technology self service capability at the customer unit level
- Training and regular communication between Shared Service leadership and among regional units is necessary to ensure consistent processes and service delivery
- Service center focuses on accountability to customers
    - Service Level Agreements
    - Defined and tracked metrics
    - Customer advisory boards/committees
- Continuous Process improvement

Single Center - A single Shared Service Center represents the most efficient model. In this model, knowledge of the unique attributes of each institution, or organizations within the institutions, is traded for expertise in specialized transactions, functional areas and/or institutional policies and procedures. The single shared service center is often manifested as a transactional processing unit for a central office. Roles between the system wide central office and institutional administration are distinct in that the central office/institutions are the policy setting, auditing and training bodies and the shared service center is the processing and customer facing entity. Unlike a typical central service, a single shared service center will include and maintain a specific focus on accountability to the customer.

HuronEducation

Critical enablers for the establishment and success of single service centers are similar to those related to regional centers and include the following:

- High degree of technology self service capability at the customer unit level
- Training and customer support
- High degree of change management and communication
- Service center focuses on accountability to customers
  - Service Level Agreements
  - Defined and tracked metrics
  - Customer advisory boards/committees
- Continuous process improvement

Shared Service Model Recommendation

The administrative functions that NSHE is considering for shared service delivery are, for the most part, currently being delivered in a form of shared service (regional) model. Based on our understanding of the Payroll Processing, Benefits Administration and Procurement functions, we believe that a single shared service delivery model would provide the NSHE System and its Institutions with the greatest opportunity for attaining desired benefits.

This recommendation is based on the following observations and criteria:

- Each of the functions, Payroll Processing, Benefits Administration (certain elements) and Procurement is highly transactional, predictable and consistent
- Workday technology should allow for localized entry of transaction requests, development of local approvals and management and the development of process workflows to a shared unit for processing
- The nature of these transactions should not require proximity to the requestor or customer institution for processing

Payroll Processing	Benefits Administration	Procurement
• Transactional	• Transactional	• Transactional
• Stable/predictable processes	• Consistent across institutions	• Consistent across institutions
• Proximity not necessary	• Stable/predictable processes	• Stable/predictable processes
	• Proximity not necessary	• Predictable volumes

Technology Dependencies

In order to successfully establish a centralized, single shared service delivery unit there are certain dependencies on the Workday technology to support the functions.

Our understanding is that the NSHE institutions will share a common instance of the Workday applications. As such, the flow of data and transaction requests from institutional departments, through institutional approvals and on to the service centers for processing should be sufficiently configurable.

Some key considerations for the Workday configuration include the following:

- Self service capability at the institutional and sub unit level in the areas of procurement, payroll (updates and labor distributions) and benefits administration will be required to initiate transactions and eliminate duplication of data entry
- The technology should allow for configurable approval work flows that will support transaction approvals within each institution and accommodate the unique organizational structure of each of the institutions. In addition the capacity for transactional approvals based on funding or transaction nature will be required
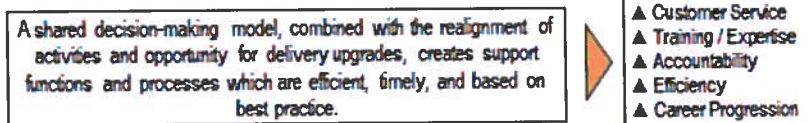
- The technology should provide reporting and transparencies related to transactional status and support the reporting against agreed upon performance indicators.

Shared Service Center - Governance

Decisions regarding the administrative structure or governance of single shared service centers are a key element in the successful operation of the center and in the level of acceptance and agreement gained in the transition to the new administrative service delivery model. It is important that Single Shared Service Centers maintain a specific focus on accountability to their customers. This is often attained through the development and execution of service level agreements that include clearly defined and tracked metrics, the establishment of an advisory board of customers, and mechanisms for continuous process improvement.

Shared Service Center Governance

With the right accountability structure in place, shared services can promote continuous innovation and superior customer service; however, proper accountability and customer input is necessary for success.

A shared decision-making model, combined with the realignment of activities and opportunity for delivery upgrades, creates support functions and processes which are efficient, timely, and based on best practice.	▲ Customer Service ▲ Training / Expertise ▲ Accountability ▲ Efficiency ▲ Career Progression

High levels of customer input are necessary for a successful shared service	
Shared Input / Decision-making	- Comprised of customers who meet regularly to review the shared service against the service level agreement (SLA)
Customer Surveys	- Frequent after go-live, then annual - expect a potential drop in satisfaction followed by steady increase
Employee / University Relationships	- Critical to creating informal feedback loops - Help identify problems early on
Cost	- Driven by meaningful, transparent metrics - Controlled by customer input

H

Given the diversity of the NSHE Institutions and the importance of ensuring consistent delivery of services to meet the needs of each organization, Huron believes that the best governance structure for the single shared service units is one where each shared service unit operates under the guidance of an advisory board made up of representatives from the "customer" institutions. The service center staff would ultimately report to the system office.

Advisory Boards should be comprised of customers and stakeholders and should provide guidance and feedback as well as articulate customer needs. Boards may include administrator as well as faculty representation from across the NSHE institutions.

Example

HuronEducation
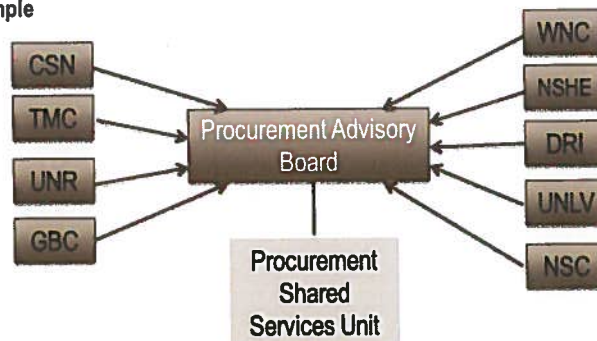
Service Agreements

As mentioned above, the establishment of service level agreements is a key factor in the success and acceptance of a single service center arrangement. Huron recommends that service level agreements be established should NSHE move forward with this service delivery structure for Payroll Processing, Benefits Administration and Procurement.

The Service Level Agreements establish the structure for the collaboration effort between the Institutions and the service center and clearly define roles and responsibilities as well as set the expectations of both the customer and the service delivery unit.

Key elements of the Service Level Agreements should include the following:

- Articulate general information regarding the service center
    - Purpose and objectives
    - Mission
    - Governance structure
- Define the Shared Service Components
    - Operating hours/expectations for response
    - Roles and services provided
    - Institutional responsibilities/Shared service responsibilities
- Identify mechanisms for monitoring shared services performance
    - Transaction tracking, key performance indicators, process for request escalation, issue resolution procedure

HuronEducation

Shared Services Implementation Overview

Based on Huron's experience with and observations of the implementation of shared services structures in Higher Education we recognize that the transition can be challenging. We focus on a methodical, five phased approach for the implementation of the alternative service delivery model and understand that change management is an integral and important component of the full project lifecycle.

Implementation Overview

Our recommended approach for the transition to shared services guides the initiative from the initial planning stages through to post implementation monitoring and optimization. As described further below, emphasis on communication and change management is important from the beginning of the project through the post implementation phase.

Phase 1: Plan	Phase 2: Assess	Phase 3: Design	Phase 4: Implement	Phase 5: Optimize

The following highlights the key outcomes of each phase of the implementation approach. It is important that stakeholders within the institutions understand and participate in the initiative so that institutional knowledge development is integral to the development of the service delivery unit.

Phase	Primary Outcomes
1) Plan	• Develop guiding principles/vision, draft project charter, identify key stakeholders, establish advisory committees and establish project team. • Develop detailed project task plan and communications and change management plan
2) Assess	• Update recommended business processes based on delivered Workday functionality, assess Workday capacity for SS structure, organization structure, and staffing, and identify key improvement opportunities • Develop business case, including costs, benefits, key assumptions, and risk factors as well as a high-level implementation roadmap
3) Design	• Determine organizational structure and staffing requirements and complete detailed new organization design • Design new processes, including enabling technology, roles and responsibilities matrix, and process documentation • Develop and validate new governance model and structure • Identify facility and logistical requirements and develop a facilities and logistics plan • Complete deployment planning, prepare facilities and workspace, and finalize transition steps and timing
4) Implement	• Support execution of transition plan to operationalize shared services • Facilitate change management and training
5) Optimize	• Monitor new processes, monitor progress, and identify / resolve issues • Measure defined KPIs, implement continuous process improvement, and conduct customer and employee satisfaction assessments

Considerations for a Shared Services Implementation

It is important that the efforts related to the transition to shared services focus not only on the design of the center, but also on change management. Risks to a successful implementation can be managed with leadership support and reasonable involvement of customers.

(BOARD OF REGENTS 12/03/15 & 12/04/15) Ref. BOR-21, Page 118 of 148

HuronEducation

Key Considerations

- Leadership attention to the design of the shared services model as well as the change management challenges of transition is significant and important
- It is important to consider and balance the goals and objectives of the implementation with the realities of the diverse culture and operating structure of the NSHE Institutions

Success Factors

- Leadership support is needed both across the institutions and centrally in order to ensure adoption of the shared services model and reduce likelihood of redundant administrative practices
- Institutional and intra institutional expectations regarding the shared service delivery should be clearly articulated and managed
- A learning curve should be anticipated and incorporated to customer and stakeholder expectations. This is true of the overall process redesign as a result of the Workday implementation as well as a transition of the agreed upon functions to a shared service model
- The implementation of shared services requires a firm design framework that can address the perceived unique needs of each institution
- Transition support (help desk, functional support) on both the customer and shared services side is required. This may be incorporated to the planned support structure for the system transition.

The graphic below summarizes some of the key considerations, risks and challenges that exist in higher education as organizations such as NSHE transition to Shared Services. As indicated above, many of these concerns can be mitigated through leadership involvement and keen attention to change management.

Key Considerations

The higher education environment poses unique challenges which need to be addressed to realize the value of shared services.

Common Implementation Challenges

Leadership & Governance
- Insufficient support from institutional leadership
- Lack of a strong governance model
- Unrealistic targets or expectations of new model
- Insufficient engagement of appropriate stakeholders
- Natural institutional resistance to change
- No clear stakeholder roles & responsibilities

Change Management & Communication
- Organizational performance or case for change not rooted in detailed analyses
- No KPIs to measure baseline with future success
- Lack of a comprehensive change management plan
- Underestimating the human element
- Limited opportunity for stakeholder input and/or feedback
- Lack of ongoing, targeted communication

HuronEducation

Shared Services – Higher Education Examples

While the corporate world has embraced shared services across multiple entities for many years, large scale shared services across university campuses are a relatively new delivery model. Given this, we often look to case studies and examples to test for both proof of concept, and to identify lessons learned. This helps ensure that missteps might be avoided in the transition to shared services, and that successes and best practices that may translate to a successful deployment of shared services are considered. The examples presented below parallel the transition to shared services at NSHE to varying degrees, however, there are aspects of each of the implementations cited that may help inform the service delivery design for the System.

A number of Higher Education institutions and systems have established service centers in connection with various administrative functions. As described in the previous sections of this document there are a number of factors and considerations that impact the overall success of transition. Each of the examples listed below highlight certain of these key considerations or success factors.

Accountability

The governance model for shared services is critical to the ongoing success of these efforts. While the service delivery design of the **University System of New Hampshire's** shared services is different from that which NSHE is considering, the governance model that the system has employed to balance the needs of four very different campuses (one of which only offers online degrees) is an excellent study in effective governance. It should also be noted that this system faced challenges with the transition to shared services—primarily in managing component institution's perception that their needs would not be met. This was largely overcome with the establishment of central governance and advisory committees.

Likewise **the University of North Texas System** established shared services in a number of functional areas and placed the delivery of services and governance of service organizations under the system office. One of the keys to the successful delivery of services was the establishment of advisory/steering committees made up of institutional representatives.

Scope and Functions

The **UCPATH** project, while still a work in progress and the University of Georgia System work suggest that system-wide standardization and, as noted with Georgia, even outsourcing are possible.

Likewise, the **University of Maine System** began an assessment of the procurement and sourcing opportunity several years ago, and has realized success here; while the system is not necessarily an exact parallel to NSHE, the services are run with a system orientation. From a sourcing perspective, Maine's rural geography and localized nature of services reflects many of the same considerations relevant to the NSHE institutions. It is noted that **University System of New Hampshire** services are run from the flagship campus. This model is sometimes adopted in cases where there is a significant level of infrastructure and/or expertise built up at one of the campuses. Given an effective governance structure, this can be an effective shared service approach when expanded to serve multiple campuses.

Service Levels

The work across the **University of Georgia System** is an interesting assessment of the importance of establishing and maintaining service level agreeemnts and clearly define expectations. **The University of North Texas** also cites the importance of the establishment of service agreements to establish shared and localized roles and to ensure understanding of responsibilities.

Change Management

As NSHE moves through the design of the service delivery model, the implementation at the **University of Kansas** is a model for change management. As we look across the higher ed landscape at service center efforts that have struggled, the challenges are generally not caused by a lack of real benefits of this model, but rather by a lack of the change management necessary to gain buy-in and support across the institution. The importance of strong change management is also cited by University of North Texas Shared Services leadership as a key element of transition success. The initial move to shared services at UNT was established by a Board of Regents order in 2009. Given that the decision to move to shared services was not achieved through committee consensus or institutional

HuronEducation

participation, it was important to employ strong communication and change management effort to overcome institutional hesitation and gain concept acceptance.

University of North Texas System

Centralized IT services, HR services and procurement and payables services

Overview	The University of North Texas System is made up of three separate institutions (University of North Texas, UNT Dallas, and UNT Health Sciences Campus) as well as a system office all located in the Dallas/Fort Worth, TX metropolitan area. Shared services at UNT consist of IT Services, HR Services and Business Services (procurement and accounts payable). IT Services provides a full complement of IT support system-wide. HR Services provide talent management and benefits administration to all system members while also offering support to campus HR teams. Business Services provides payroll, procurement and communications services system-wide.
Shared Services Scope	• Human Resources (including Benefits Admin) and Payroll Processing, IT support, procurement and payables • Currently moving to a "consolidated controller" structure where institutional controllers report to the system office with a dotted line to the individual institutions
Organization/Governance Model	• Central functions are not all housed in one location. For example, central IT Services, HR Services and Business Services are each in separate locations. • Service centers are managed by the System Office. • Certain services such as procurement and payables are delivered from a central shared service facility, others such as certain HR and IT services are delivered via central units and locally embedded resources
Observations	• UNT System began exploring a shared services model in 2008, a Board order in late 2009 set forth a plan for transition and implementation of shared IT Services began in 2011. • Human Resources, Payroll, Procurement, Accounts Payable have been delivered as shared services for the past 3-4 years • A slow rollout of services allowed shared services to build momentum along the way and gained buy-in from the ultimate customers of the services provided. • Shared services leadership cites the importance of change management in gaining acceptance • Since the initial roll out of shared services, UNT(S) has or is in the process, of expanding its shared services environment to include institutional controller functions

University System of Georgia

Outsourced benefits administration and payroll services

Overview	The University System of Georgia (USG) consists of 27 institutions throughout the state of Georgia. USG Shared Services provides benefits administration as well as payroll services to member institutions. In 2008, USG began to explore the possibility of implementing shared services system-wide. After selecting ADP as a partner to deliver these services, USG began to implement this solution system-wide, to be supported by a Shared Services Center.
Shared Services Scope	• Human Resources and Payroll Processing
Organization/Governance Model	• The Shared Services Center at USG manages the Benefits Administration and Payroll Services that are provided by ADP, a leading provider of payroll services. • Shared Services at USG are housed in a single building and serve all member institutions.

Observations	• Outsourcing is an option for some functions that are traditionally managed by distributed staff at each institution. • The successful partnership with ADP to deliver these services illustrates that such services can be provided by a central authority regardless of management control.

University of Maine System

Centralized HR, Research admin, finance and IT

Overview	Many of the administrative and policy functions of Maine's seven public universities and eight university outreach centers are overseen by centralized operations called System-wide Services, or SWS. SWS provides efficient support for common university needs and services such as human resources, information technologies, government relations, financial management, and administrative services. Statewide operations also include the Chancellor's office; senior System officials involved in statewide coordinating functions and services; and the staff assistant to the Board of Trustees.
Shared Services Scope	• Processes administrative functions and transactions related to Human Resources, Payroll, Finance Administration, Certain IT Support, Management Functions and Academic Support.
Organization/Governance Model	• The University of Maine System Office has oversight of all shared functions • There is one Shared Service Center to support all ME Universities • The model continues to evolve, with a current initiative to shift CFO reporting to the central administration
Observations	• Buy-in and support for centralization is inconsistent, with pockets of opposition • Service agreements and change management efforts are key elements of user acceptance process • The centralized governance, service delivery center model represents, in our experience, the most efficient approach

University of Kansas

Regional Shared Service Centers

Overview	In spring 2011, the University of Kansas undertook a comprehensive initiative to improve service and reduce costs across administrative functions. One key initiative to drive transformational change was the implementation of a network of five regional shared service centers to provide human resource, accounting and research administration services to campus. Initial plans called for nine regional centers, however, after implementation began it was determined that they could achieve the same objectives through five centers. In summer of 2015, four of the five service centers are operational, with the final center scheduled to be online by the end of 2015.
Shared Services Scope	• Human Resource, Accounting and Research Administration to be delivered through five regional centers.
Organization/Governance Model	• Five Regional Centers • Service centers are established within the Lawrence Campus
Observations	• Units and schools require transition support to reorganize internally after staff shift • These transitions take time and service levels will continuously evolve • Communication and a well-executed change management plan are critical for success

HuronEducation

University of California PATH Center

System Led HR Shared Service Center/Center of Excellence

Overview	The UC PATH (Payroll, Academic Personnel, Timekeeping, and HR) Center, located in Riverside, CA is a shared services center that will processes certain human resources and payroll transactions for the entire UC system with an overall goal to standardize and streamline all HR processes across the campuses. The center will manage a single, new payroll and human resources technology system. The PATH center is currently in a pilot phase with the UC System Office of the President. The first campus' HR and Payroll services will be deployed to the PATH center in 2015 with the remaining campuses rolled out in 2016.
Shared Services Scope	• Will process Payroll and certain other Human Resource transactions for all campuses across the UC system
Organization/Governance Model	• The UC System Office of the President launched the initiative for all campuses to participate • There will be one Shared Service Center to support all UC Universities
Observations	• While shifting transactional activities to the UC Path center will allow the Centers of Excellence across the system to focus on higher-level strategic activities, communicating this value is difficult. • A major challenge to the project included finding and commonality among the campuses for how to approach system data and administrative processes. • The Centralized governance model and establishment of service agreements supports consistent service delivery across the customer campuses

University System of New Hampshire

UNH Based System wide IT Support

Overview	The University of New Hampshire CIO is responsible for UNH IT as well as enterprise IT services for the three sister schools within the USNH, based on a partnership established 15 years ago. UNH provides ERP support for document management, HR, Finance and SAP systems, with the schools operating under a single instance of each software solution. In addition, UNH provides helpdesk support for network and application support (each campus has its own helpdesk for faculty and student desktop issues). A recent collaboration between all four institutions, the USNH System's Office, and the Gartner Group informed a Long range Technology Plan (LRTP) and calls for a multi-year investment of $28MM across the system. Future plans include planning for a cross-campus Business Intelligence initiative as well as developing a shared identity management system. Campuses fund these operations through an allocation model developed and executed at the system level, with quarterly usage and metric reports provided to each CIO. Governance is provided through multi-campus user communities which prioritize projects. In addition, a Service Level Agreement is being developed to clarify expectation.
Shared Services Scope	UNH provides ERP systems, access to the Internet, networking, and IT Security for the campuses that make up the system
Organization/Governance Model	System consists of four separate campuses. IT services are established under one of the campuses (UNH) and support other campuses in the system.
Observations	• Staging IT operations on one campus affords all campuses a higher degree of expertise and service • Given that the support unit is managed under one of the institutions, without clear service level agreements, including metrics which are tracked, there is a risk that

	service and quality will degrade over time

APPENDIX 3

NSHE Centralization Special Committee Findings – October 2-15
Shared Services Structure
Benefits
Payroll
Purchasing
State Classified

Shared Services Structure

NSHE Shared Services Organizational/Structural Options for Consideration

General Background:
NSHE has had interest in looking at "shared services" options to deliver administrative support to units well before the Workday implementation (thru the efficiency and effectiveness initiative), but certainly the Workday implementation has increased the interest in identifying a specific path towards this goal. After some discussion and review, and in large part based on the Huron business process review (which did not include any cost/benefit analysis for NSHE), NSHE has identified four (4) specific initial targets for "shared services" implementation:

　　*State Classified

　　*Benefits

　　*Payroll

　　*Purchasing/Procurement

Evaluations of the detail individual components of each of these targets has suggested areas where centralization within NSHE makes sense, along with areas where regional support options are feasible and local campus activities are critical. Those four draft documents, while identifying the recommended approach for each component of a business transaction, did not address how best to structure these services within NSHE to be able to best capture the efficiencies available, while still supporting an effective approach that would work for NSHE. The purpose of this document is to review options for the administrative structures for NSHE to best capture efficiency and effectiveness in these four areas for NSHE.

Definition of Shared Services:
"Shared Services" as a title is a relatively new concept, and does not have one universal definition. It initially most often describes large campuses/institutions and their goal to change the highly decentralized administrative activities at the college/unit level and consolidate this staffing into a centralized structure (usually to save money and address efficiency goals). The University of Michigan and the University of California, Berkley are two examples that have received a good deal of attention. This "shared services" approach often reverses a decentralized staffing structure that in general NSHE never actually implemented (for example, fully functioning HR, Purchasing, OSP and other administrative support offices at the College level, and now being centralized at the University level). The primary reason NSHE never implemented this more decentralized administrative structure may include lack of resources, which is especially true after the great recession budget cuts often were the largest in the administrative areas of NSHE institutions. If you look at IPEDS data now (at least for UNR and UNLV) you will see staffing levels in the area that captures HR/Payroll/Purchasing which are

below peer institutions, so one should assume as a minimum that a general working assumption is that NSHE is likely not currently overstaffed in these areas.

Some "shared services" examples are broader than individual campus models, but few, if any, of these examples match the existing conditions within NSHE and provide a clear road map for how to implement "shared services" within NSHE.

The Business Center North (BCN) and Business Center South (BCS) models/structures were created decades ago, and are actually early examples of "shared services" models aimed to capitalize on savings from economies of scale to deliver administrative services to NSHE institutions that as a whole are non-homogenous. One could say that NSHE has actually been a leader in "shared services" approaches to delivering administrative support services.

Review of Shared Services Structure Options for NSHE:
What is the best structure for NSHE to deliver administrative services in these four (4) areas, under Workday assumptions, balancing campus services and responsiveness (effectiveness) with efficiency and cost? The Workday implementation will standardize all business processes and major policies for all of NSHE, therefore this is a major benefit in supporting the "shared services" goal and gives additional flexibility in options to best approach an organization structure to deliver these services.

Most of the activities associated with the four target areas (State Classified; Benefits; Payroll; Purchasing/Procurement) highlight the opportunity for centralized functions but also indicate the need for some campus level (or at least regional) presence. This is particularly true on the larger campuses where the majority of these services are delivered. When considering the various options, the variables listed below all seem to play an important role.

Administrative Structure Options/Variables:

1. Centralized:
   a. Geographically – i.e. all staff in one/two physical locations.
      i. One location for entire state
      ii. 2 locations – one in each major population center of the state.
   b. Virtual – alignment of authority and responsibility for staff without regard to geography. There are many options to consider here, but at least two of which currently exist to come extent in NSHE now: the Workday Model – a lead person for the overall activity, with designees or SME's at each main NSHE location, depending on the level of need; General Counsel Model – legal staff have campus direct reporting but also a reporting line to the NSHE General Counsel.
   c. Some combination of both of those noted above. Some geographic centralization by region (north/south) combined with a virtual alignment that had some contacts for the function at each campus, as appropriate.
2. Reporting Alignment for area:

    a. NSHE central office (note: in general NSHE does not currently have experience in directly managing any of these four areas).

    b. An NSHE campus on behalf of NSHE but formally linked with a prime NSHE contact. This approach could allow for more backup of overall staffing, since most shared services functions are not easy to totally separate from existing and broader campus functions (e.g. "state classified" from all other employee groups). This could provide more staff backup for vacations, illness, turnover, etc.

3. Advisory/Oversight Body. For any structure it does seem desirable to create a working group that routinely reviews the performance of the function and receives feedback from each NSHE unit and also is able to provide feedback to the NSHE units. At some point "service level agreements/expectations" should be developed, but that may be something best addressed (or at least addressed at a more detailed level) after the initial structures are up and active and have some experience functioning. Additionally, when there are service level agreements/expectations developed they must be carefully and appropriately aligned with the staffing/resources provided to the support area, since they are inexorably linked. The advisory/oversight body could rotate chairs/leadership and function similar to, but more formally and focused than, existing NSHE structures (RMS; Controllers; etc.). The Advisory/Oversight body would report in to a prime NSHE contact, and this body would have appropriate "customers/clients" from NSHE institutions. Annual planning and budget submissions would be developed and submitted to the NSHE prime contact and eventually reviewed with the advisory/oversight body (the RMS funding structure is similar to this). The annual planning and budget activities would include appropriate and regular customer service surveys as part of that process.

4. Funding. The funding for the shared services offices will need to be managed at a centralized level. After initial set up of the structure and resources, there would need to be an annual planning and budget process, involving the shared services office and the Advisory/Oversight body, to arrive a final recommendation for resources. This resource request would need to be reviewed and acted on at the NSHE level.

Other Key Variables to Consider:

Establish Advisory/Oversight Body:
Establish the Advisory/Oversight body first, so they can have direct input into the implementation of the final organizational structure to support Shared Services.

Staffing and Budget:
Create shared services offices and leadership/organizational structure of those offices, as well as budget for offices. Address appropriate transition issues at that time.

Appropriate Contributions for Funding Shared Services Offices:

How to fund these shared services activities so all NSHE institutions have some role in supporting the costs (like the NSHE annual non-state assessments) is an important question? At a minimum the structure cannot be set up such that an NSHE institution has some authority over an activity, but no responsibility for it. Authority and responsibility should be linked in any approach adopted.

Office Space:
Space for Offices. How to identify office and other space for the activity such that it does not negatively impact one NSHE institution (specifically if this is not a campus based shared services structure).

Office Infrastructure:
Equipment, furniture and other infrastructure issues would need to be addressed as part of the transition, both in the short term but also in the longer term relative to how these issues were addressed through a normal planning and budget process (more complicated if this is not a campus based shared services structure).

Schedule for Shared Services Structure Implementation:
Schedule for implementing the approved structural approach to shared services within NSHE: Pre Workday implementation; at the Workday implementation; at some time post-Workday implementation. The implementation of Workday, especially since all HR/Payroll/Finance functions will come up at one time, will be a huge challenge and NSHE needs to be cautious as to how many changes at one time are feasible. The implementation of Workday will also change most all business processes that exist now into a standard process for NSHE –doing all this as well as implementing new organizational structures for the delivery of many of the combined Workday services will fully stress all individuals involved. It seems as though the two best schedule options for implementing shared services structures are ASAP before the October 2016 implementation, or after that implementation (but in no case at the exact same time). If the structure for the shared services offices adopted is the one with "leads" and "designees" (so mirrors the Workday implementation structure) it could be a relatively easy transition (Note: This is not to suggest the current Workday project leads and designees are the recommended leads/designees for these services, but just as a reference to the possible project structure).

Notes and assumptions:

This summary and suggested organizational structure is not based on a specific cost/benefit analysis for any of the target areas. The Workday system implementation offers opportunity for improvements in business process effectiveness and efficiency in some of these areas, but many of those gains are not dependent on a change in organizational structure. While centralization may well create efficiencies, it could be at the expense of effectiveness in some cases. Some of the assumptions for this "shared services" initiative include the following:

*Shared services will have a system-level reporting component in order to improve the opportunity for standardization of business processes and delivery of uniform service levels to all campuses.

*Shared services will have a state-wide responsibility component with an objective to prevent duplication of activities where feasible.

Attachment: DRAFT proposed organizational structure model for Shared Services in NSHE

Benefits

BENEFITS

Note 1: The Workday project will standardize all business processes

Note 2: For the larger institutions, staff are responsible for multiple functions, to include benefits and other HR activities, and this allows for more depth and breadth of staff to support overall campus needs. Pulling out the benefits functions may have negative impacts on overall campus efficiency and service levels to employees.

Note 4: There is no universal definition of "centralization", and this can be geographic and/or virtual depending on the needs and requirements.

Note 5: The issues of "quality of service/effectiveness" vs "efficiency" needs to evaluated for all business transactions being discussed.   As noted below, some functions may well be candidates for centralization, but it could be at the expense of effectiveness. Also, in some cases some portions of the functions can be centralized but some portions need to have local/campus activities.

Note 6: The BCN and BCS structures, in some cases, have institutions input/originate actions but they are then checked/verified to determine compliance with policies. NSHE should review whether or not, under Workday, it wishes to hold all NSHE institutions accountable for their responsibilities and review compliance through electronic audits (which will be much more feasible under Workday)

Note 7: Even if there are specific areas that the System agrees should be "centralized", there should also be a discussion of the exact timing of that centralization - specifically pre or post workday implementation.

TASK	CAN BE SHARED/Centralized	Should NOT BE SHARED/Centralized	Option for sharing on a regional basis (includes economies of scale)	Overall Recommendation	Comments
PEBP					Assume we will not have an efficient and electronic option for working with PEBP when Workday goes live. (i.e. thru workday vs treating PEBP as a separate system, as we do now)
Enrollment	Yes			Central and work out some efficient process with PEBP	PEPB currently will not accept anything but wet signatures on PEBP forms
Termination	Yes			Central and work out some efficient process with PEBP	
Customer Service	Yes, for some aspects	After PEBP contact and for other general questions	Yes	Some central and some local role	
Reconciliation of deduction	Yes			Central	Data assumed availble for review by all appropriate on-site employees.
Revisions/Changes (post initial sign up - like qualifying events, etc.)	Yes, may have a role	Yes, but may send supporting documents to a central office	Yes	Some central and some local role	
Eligibility and ACA tracking	Yes			Central	
Benefits orientation and open enrollment		Yes	Yes	Local	But can be supported by centralized automated training materials and information
PERS/RPA					PERS has taken electronic documents from NSHE in the past. Assume they would continue. However, PERS has also required wet signatures on paper forms.

Enrollment PERS	Yes, if PERS will take electronic feed	More local involvement if PERS requires wet signatures	Yes	Work with PERS on taking electronic data and centralize	NSHE sends electronic files to PERS now so they check on eligibility. This can be centralized
Enrollment RPA	Yes, with local data input			Central	
Termination PERS	Yes, if electronic feed	Local if requires wet signatures	Yes	Yes, if electronic feed to PERS	
Termination RPA	Yes, with local data input			Central	
Customer Service - both		Yes	Yes	Campus level, with regional shared services	Assume could have central web site information; FAQ's and other help material provided with a consistent format and content.
Reconciliation of files - Both	Yes			Central	Campus/unit contacts needed for questions.
Revisions/Changes: moves between options		Yes	Yes	Local	Usually requires local discuss with someone with expertise
RPA - Loans	Yes			Central	
RPA Distribution	Yes			Central	
Retirement Planning	Some options	Yes	Yes	Local, with regional shared services	Central materials can be developed and maintained.
Phased in retirement		Yes	Yes	Local, with regional shared services	
Supplemental Benefits Managed by NSHE					
Enrollment	Yes			Central	
Termination	Yes			Central	
Contract Renewals	Yes			Central	
Customer Service		Yes, including questions	Yes		Some central role for FAQ's and other information that would be available for all NSHE institutions
Reconciliation of deductions	Yes			Central	
Revisions/Changes	Yes			Central	
Supp. Benefits managed by PEBP (life, LTD, etc.)	Need to work with PEBP	May require local action		Needs work with PEBP	If we can move PEBP to use of electronic information, this can be centralized.
457 Plan	Yes			Central	
Termination Processes					
Term of HR Record	Yes			Central	Transition process with site records may be needed.
Exit process to include Return of Property		Yes		Local	Workday to provide automated process to assure all issues are addressed
COBRA	Yes		Yes	Central	For both PEBP and 125 Plan options
Death of an employee		Yes		Needs to be initiated locally	Support can be provided regionally/centrally as needed.
Overpayment Collections	Yes	Campus input on what makes the most sense for the specific situation.		Central	Assume there will be consistent and reasonable options available centrally, to address the unique situations presented

Grant In Aid					Workday is not able to accommodate GIA benefits at this time. More review is taking place to see if this might change. However, at this point in time it is assumed that Workday will not be able to support GIA. Additionally, currently there are multiple differences in how NSHE institutions support state classified GIA (number of credits, book voucher, spouse option, etc.). If the policies for State Classified GIA are standardized and Workday can support GIA, this function could be centralized (note: Academic and Admin faculty GIA is assumed to be standardized now).
Processing of Applications		Yes		Local, unless policy and Workday issues addressed	
Reconciliation		Yes		Local, unless policy and Workday issues addressed	Assume you could centrally review iNtegrate 1 data for grade achievement for state classified
Billing to other institutions		Yes		Local, unless policy and Workday issues addressed	
Leave Management					Workday has an automated leave management system, which everyone will use, but the input will be locally. Also, it is noted that many employee relations issues/discussions include special leave needs, and this is best handled at the local level.
Time off Request		Yes		Local	
FMLA		Yes	Yes	Local, with regional or central shared services	Belief this requires local discussions with employee
CAT leave		Yes	Yes	Local, with regional shared services	If centralized would need to discuss one NSHE level leave bank (disagreement on the benefits and if this would be a best practice, and some employees might stop contributing if they believe it may be used by another campus)
ESSL		Yes	Yes	Local, with regional or central shared services	
Complex leave issues		Yes	Yes	Local, with regional or central shared services	
Policy interpretation and information	Yes		Yes	Central	
General Items:					
On-going training of campus personnel	Could have central packaged information, including i-videos, FAQ's, etc.	Some activity locally	Yes	Some central and some local actions	Includes campus level information and benefit training sessions
Contact for customer services/questions	Could have some central information and FAQ's, etc.	Some activity locally	Yes	Some central and some local actions	

General benefit information and updates and newsletters to employees	Yes			Central	
Benefits advise		Yes	Yes	Local, with regional shared services	Would include on-site retirement consultant information and other benefit related activities.
Benefits reports - #, eligibility, etc.	Yes			Central	
Policy development and compliance	Yes	With local implementation		Central	
State agency and federal relations	Yes			Central	

Payroll

PAYROLL

Note 1: The Workday project will standardize all business processes

Note 2: For the larger institutions (BCN/BCS), staff are responsible for multiple functions, to include payroll and benefits and other activities, and this allows for more depth and breadth of staff to support overall campus needs. Pulling out the Payroll functions may have negative impacts on overall campus efficiency

Note 3: There is no universal definition of "centralization", and this can be geographic and/or virtual depending on the needs and requirements.

Note 4: The issues of "quality of service/effectiveness" vs "efficiency" needs to evaluated for all business transactions being discussed. As noted below, some functions may well be candidates for centralization, but it could be at the expense of effectiveness. Also, in some cases some portions of the functions can be centralized but some portions need to have local/campus activities.

Note 5: The BCN and BCS structures, in some cases, have institutions input/originate actions but they are then checked/verified to determine compliance with policies. NSHE should review whether or not, under Workday, it wishes to hold all NSHE institutions accountable for their responsibilities and review compliance through electronic audits (which will be much more feasible under Workday)

Note 6: It is assumed that Workday will allow the ability to combine processing activities within the new payroll system, and the Workday system will eliminate the current system limitation and enable the consideration of further statewide consolidation of payroll activities between the two regional business centers. In addition, the payroll centers rely significantly on employee self-service for functions such as W-4 processing, direct deposit maintenance, and delivery of payroll advices and tax documents. We anticipate this functionality will be replaced with similar functionality in Workday.

Note 7: Even if there are specific areas that the System agrees should be "centralized", there should also be a discussion of the exact timing of that centralization - specifically pre or post workday implementation.

Activity	Can be Shared/Centralized	Should Not be Shared/Centralized	Option for sharing on a regional basis (includes economies of scale)	Overall Recommendation	Comments
Regular cycle check and ACH net payroll disbursements (check and ACH file processing)	Yes			Central	
Time transaction processing (processing automated file interfaces and/or other time data entry)	Yes			Central	Like most things, the data has to be initiated locally
Handwrite check file processing		Initiate locally	Yes	Initiate locally	
Handwrite check/Direct Deposit/ACH printing and distribution	Only if central authorization is needed in Workday (assume it is not)	Yes		Checks need to be printed locally, but with central coordination. Direct deposits can be sent centrally to financial institutions.	Initiate all actions locally with appropriate approvals. Preferable to be able to print locally at each NSHE campus, but at a minimum there needs to be printing in Elko, Reno, and Las Vegas
Other non-routine urgent processing exceptions (adjustments, buyouts, etc.)		Initiate locally		Need local control	Initiate all actions locally with appropriate approvals
Connections to HR/hiring processes & activities (new employee processing and orientation)		Initiate locally		Local	
Deduction processing (disbursement to vendors and reconciliation)	Yes			Central	

Task					
Tax compliance and reporting, including multi-state compliance and year-end (W-2) reporting	Yes, and should evaluate outsourcing with Workday partners			Central	Look at return on investment for outsourcing with a Workday partner, and if this is not feasible keep in-house and central.
Non-resident alien tax compliance (generally not handled in the Payroll Office now, but must be carefully coordinated)	Some role for central expertise. Need to define the specific office to provide such, however.	Locally at campus level for interaction with employee.	Yes	Local interaction but with some central expertise as an option.	All NSHE institutions need to use same Software, which needs to be integrated with Workday. Currently it is believed all NSHE institutions use WindStar (should consider a central contract). It should be noted that the function of dealing with the non-resident population whether faculty, staff or student, requires direct (face-to-face) personal contract and is best performed locally at the individual campus level. It is not a payroll function at most campuses now.
Legal holds (garnishments, levies, etc.) administration and processing	Yes, and should evaluate outsourcing with Workday partners			Central	Look at return on investment for outsourcing with a Workday partner
Stale check processing	Yes			Central	Tied with banking, and need for 1 bank account for all payroll
Year-end activities (fiscal)	Likely, but need more evaluation of Workday		Yes	Likely central, but would require coordination with campuses for fiscal year end payroll activity	
Year-end activities (calendar)	Yes			Central	
Signature delegations and approvals		Yes, thru Workday automated workflow		Accomplished thru automated workflow	
Handling of overpayments/collections (during or at end of employment)	Yes	But need local involvement		Central	Assume there will be consistent and reasonable options available centrally, to address the unique situations presented, the setup of payment plans, etc.
Training of all campus personnel on overall process steps	Could have central packaged information, including i-videos, FAQ's, etc.	Some activity locally	Yes	Some central and some local actions	
Employee self-service development and maintenance.	Yes			Central support for Workday assets	
Customer service contacts for questions, including Institutional liaison to central payroll office including student employment interface	Could have some central information and FAQ's, etc.	Some activity locally		Some central and some local actions	

Purchasing

Purchasing/Procurement

Note 1: The Workday project will standardize all business processes

Note 2: There is no universal definition of "centralization", and this can be geographic and/or virtual depending on the needs and requirements.

Note 3: The issues of "quality of service/effectiveness" vs "efficiency" needs to evaluated for all business transactions being discussed. As noted below, some functions may well be candidates for centralization, but it could be at the expense of effectiveness. Also, in some cases some portions of the functions can be centralized but some portions need to have local/campus activities.

Note 4: The BCN and BCS structures, in some cases, have institutions input/originate actions but they are then checked/verified to determine compliance with policies. NSHE should review whether or not, under Workday, it wishes to hold all NSHE institutions accountable for their responsibilities and review compliance through electronic audits (which will be much more feasible under Workday)

Note 5: Even if there are specific areas that the System agrees should be "centralized", there should also be a discussion of the exact timing of that centralization - specifically pre or post workday implementation.

Note 6: Some NSHE institutions manage the Pcard program through their purchasing office, and some outside of the purchasing office. The current Pcard standard limits differ based on institution, for example: UNLV $5k per transaction/$10k/month; CSN $2k per transaction/$5k per month; UNR $2k per transaction but will move to $5k in most cases if requested/$10k per month. It was noted some other NSHE institutions may have different limits from these as well.

Note 7: Some NSHE institutions allow LPO type transactions outside of the Pcard and the central purchasing review. UNLV does not allow any; CSN at $1k or less; UNR up to $5k and assumed $2k at some other BCN units

Note 8: Based on the evaluations to date, it is assumed that Workday has an automated requisition system, but not a full functioning automated purchasing/contracting module. There are significant holes in the Workday purchasing system that should be carefully reviewed and in some cases may require augmentation.

Note 9: While there are many activities that can be "centralized" in the purchasing/procurement area, in many cases there will still be a need for a local campus contact for a host of activities.

Note 10: Purchasing/procurement needs to be carefully managed from a central perspective such that one "NSHE" price that provides some institutions a discount over what exists locally but requires other institutions to pay a higher cost than what exists locally is not the outcome. The best prices for the local institutions must be the goal.

Activity	Can be Shared/Centralization	Should not be Shared/Centralized	Option for sharing on a regional basis (includes economies of scale)	Overall Recommendation	Comments
Negotiating a system wide contract for PCard program	Yes			Central	Done now
PCard Monthly payment to the bank (reconciliation mapper maintenance.)	Yes, if Workday has the electronic capability to do this (not sure currently)			Address Workday issues before can finalize	Need to closely monitor Workday capability.
Approval of individual Pcards to employees w/ limits		Initiate locally		Initiate locally	See note 6 above
Issuance of individual Pcards (coordination with bank), as well as taking cards away if needed	Yes	Some local activity needed to deliver card and perhaps provide training/requirements to individual in the use of the card.		Some central and some local	Training could be standardized/centralized and be provided on-line complete with on-line testing, with cards delivered to campus representative to issue. Work with local site on violation issues.

Activity					Comments
Customer Service for cardholders (granting $ limit exceptions and daily administration)	Some central role	Initiated locally (e.g. limit exceptions, etc.)	Yes	Some central and some local	May need some NSHE standards/limits. In general these activities are directly with the bank, and it would make he most sense to have the activity initiated locally vs sending all the campus activity to a central office.
PCard transaction compliance reviews/audits	Yes, some central role	May need some local follow-up as well	Yes	Some central and some local	NSHE should coordinate with System Audit to seek their input on this item as well. There is some significant local accountability for the Pcard program, along with some central office role.
Record Retention for PCard documentation (merchant receipts)	Yes, through Workday System			Central	General agreement, but not total, that the electronic attachments by Workday should be supplemented with an overall electronic document management/imaging system that would allow better access to records
Issuance of POs for small dollar requisitions through automation.	Yes			Central	
Generation of Competitive Exception documentation for consideration (and other exceptions like conflict or potential conflict compliance)	Yes, some central role	Must be initiated locally	Yes	Some central and some local	UNR noted their concern that the current authority by the President to grant exceptions should not be lost and is important, specifically regarding conflicts of interest issues.
Issuance of campus specific solicitations (e.g. - construction projects, A/E agreements, one time equipment purchase)	Yes, some central role	Some important local responsibilities, to include participation in evaluation of bids, having locations for bid submissions by deadlines, etc.	Yes	Some central and some local	Note: This is an area where Workday has some significant holes, and a 3rd party system to augment the Workday product should be considered.
Issuance for System wide solicitations (e.g. - Banking Services and other services that are not impacted by local market pricing fluctuations)	Yes			Central	Done now
Contract negotiations in general (Contracts Counsel reviews including legal sufficiency)	Yes			Central	Business terms of contract negotiations would be separate from this. However, it would be beneficial to be working from a standard set of general terms and conditions for all of NSHE. Need to coordinate on most effective time when legal engages in the process.
Tier I and II Reporting Consolidation	Yes			Central	WD may need third party augmentation to allow this in an efficient manner.

Diversity Issues and Outreach Coordination	Yes, with local support as well	Some local presence for outreach	Yes	Some central and some local	
Supplier Registration/ Self Service	Yes, but Workday is lacking in this area and this must be addressed			Address Workday issues before can finalize, but desire it to be fully self service.	Workday is totally lacking in this area and NSHE needs to consider options to augment this important area.
Utilizing local public entities contracts	Yes, with local support as well	Need local connections/communications	Yes	Some central and some local	Overall goal is to achieve the best rate for all institutions. Some local contracts won't work for all NSHE but some may
Conducting pre proposal meetings and job walks	Could have some central component	Mostly a local activity	Yes	Mostly local with some central/regional support available.	
Signature delegations and approvals for requisitions	Yes, part of the Workday system			Central	Assume ability to use P-cards for small purchases and some level of overall signature delegation.
Signature delegations for individual contracts that are campus specific	Workday does not support this, but could be a Central activity if this was addressed	Likely need local support unless Workday changes		Address Workday issues before can finalize	Workday has a major hole in this area and NSHE should consider augmenting Workday in this area. No contracts management system with electronic signatures exist in WD. WD should be augmented with a Contract Management System so all contracts would be recorded and accessible through that system.
Ongoing training of campus staff	Could have centralized online information, including i-videos, FAQ's, etc.	Some activity locally	Yes	Some central and some local	
Customer Services/Questions	Could have some central information on-line, including FAQ's, etc.	Some activity locally would be desirable.	Yes	Some central and some local	
Issuance and negotiation of On-Call type contracts (e.g. Construction)	Yes, but with local coordination to assure the best local price.			Mostly Central	Need to assure local units get the best price
Develop standardized contracts for campus use	Yes			Central	

Execute/Administer standard contracts (Including on-call construction)	Yes			Central	
Utilization of local contracting opportunities	Yes	But need local contacts as well	Yes	Some central and some local	
Regular cycle check and ACH net A/P Disbursements (check and ACH file processing)	Yes			Central	
Supplier invoice processing (A/P area which is part of Workday procurement)	Yes			Central	
Fixed Assets/Sensitive Equipment tagging	Yes, some central role	Some local role required as well	Yes	Some central and some local	Workday does not have a fixed asset system. NSHE should look to augment Workday in this important area. WD does have an asset tracking system that is logged at the individual employee level (not department) which may work for "sensitive" items tracking.
Website Administration/Content/Solicitation Information	Yes			Central	Assume campus provides input on content
Strategic Sourcing (focus on contracts and pricing)	Yes			Central	Strategic sourcing initiative will need to have a reasonable and effective "balance", especially with P-card use, so strategic sourcing is not at the expense of effective and important campus operations (e.g. "penny wise/pound foolish")
Relationship Management	Yes	Some local role required as well		Mostly Central	

State Classified

STATE CLASSIFIED

Note 1: The Workday project will standardize all business processes

Note 2: For the larger institutions, staff are responsible for multiple functions, to include state classified; Academic Faculty; and Administrative faculty, and this allows for more depth and breadth of staff to support overall campus needs. Pulling out the state classified may have negative impacts on overall campus efficiency and may require additional staff as there will not be crossover between employee types.

Note 3: Workday will create one NSHE portal for all position recruitment, which will centralize many functions currently handed at the campus level. This is true for State Classified as well as Academic and Administrative Faculty. There will be a separate portal for each institution for hiring so each campus can brand their recruitment efforts.

Note 4: There is no universal definition of "centralization", and this can be geographic and/or virtual depending on the needs and requirements.

Note 5: The issues of "quality of service/effectiveness" vs "efficiency" needs to evaluated for all business transactions being discussed. As noted below, some functions may well be candidates for centralization, but it could be at the expense of effectiveness. Also, in some cases some portions of the functions can be centralized but some portions need to have local/campus activities.

Note 6: The BCN and BCS structures, in some cases, have institutions input/originate actions but they are then checked/verified to determine compliance with policies. NSHE should review whether or not, under Workday, it wishes to hold all NSHE institutions accountable for their responsibilities and review compliance through electronic audits (which will be much more feasible under Workday)

Note 7: It was noted that there are new federal regulations, which, if approved, will impact the wage threshold for employees to be exempt from overtime. This may require NSHE to consider federal wage and hour non-exempt positions outside of the state classified.

Note 8: The issues of "Casual Labor" was raised in this discussion of state classified, as there are different policies followed both north and south. BCN tracks casual labor so they are credited if they move to state classified positions, but BCS and CSN do not. This policy issue needs to be resolved as part of the Workday effort as soon as possible, and it will have impacts on the Workday implementation relative to casual labor. There was a meeting between UNR, UNLV and CSN on 7/21/15 and a common practice can be adopted for all institutions that will result in casual labor being considered nonclassified for all of NSHE. Subsequent discussion between NSHE institutions occurred during Workday Design Sessions in mid-August, 2015. Research indicated that considering casual labor as "nonclassified" was problematic due to other usage of the term within NRS and NAC. The suggestion to address this issue is now one whereby the NSHE Board of Regents Handbook would be modified to include the following statement: "Temporary hourly employees of the Nevada System of Higher Education (NSHE) are excluded from classified service and therefore are not subject to the provision of Title 4, Chapter 6, Section 2.1." This suggestion is being vetted by NSHE General Counsel for submission to the NSHE Board of Regents.

Note 9: During the discussion of State Classified it was noted that NSHE needs to find a way out of NVAPPS if they are going to use Workday recruitment in an effective manner, otherwise we will have to maintain two data bases for positions. Representatives from NSHE (including NSHE General Counsel and CHRO's from System, CSN, UNLV & UNR) met with representatives from the State DHRM - Department of Human Resources Management (including the Director) in Carson City on September 19, 2015 and agreed in principle to the creation of a single delegation agreement between DHRM and NSHE which would include NSHE using applicant tracking systems other than NVAPPS. The schedule for non-usage of NVAPPS could occur on a time schedule decided by NSHE, including a schedule as early as January 1, 2016 if any NSHE institution desired. At this same meeting, DHRM and NSHE agreed that the scope of the governance and regulation of classified employees for all non-recruitment rules would be determined sometime after the implementation of Workday at NSHE.

Note 10: Unrelated to State Classified, the issue was raised as to examining Workers Comp management within NSHE to determine if there were any opportunities to shared services. The appropriate BCN and BCS individuals should be brought together to discuss

Note 11: Even if there are specific areas that the System agrees should be "centralized", there should also be a discussion of the exact timing of that centralization - specifically pre or post workday implementation.

TASK	CAN BE SHARED/Centralized	Should NOT BE SHARED/Centralized	Option for sharing on a regional basis (includes economies of scale)	Overall recommendation	Comments
CLASSIFIED					

Position Classification (New)	Yes - but may not be effective		Yes, and such is the case now with BCN	Campus Level, with regional shared services	Strong feeling that this is best handled by local campus level staff, as it requires face to face meetings, desk audits and interactions with employee and supervisor
Position Reclassification (Promotion)	Yes - but may not be effective		Yes, and such is the case now with BCN	Campus Level, with regional shared services	Option for campus to use regional center.
Out of Class Adjustments	Yes - but may not be effective		Yes, and such is the case now with BCN	Campus Level, with regional shared services	
Recruitment Internal	Central Workday portal (need to have campus identity)	Hire process with supervisor and dept. needs local staff	Yes, for compliance issues and AA	Some central activities and some campus	There is work needed on Workday to allow applicants to easily see positions by institution and region.
Recruitment External	Central Workday portal (need to have campus identity)	Hire process with supervisor and dept. needs local staff	Yes, for compliance issues and AA	Some central activities and some campus	There is work needed on Workday to allow applicants to easily see positions by institution and region.
Hire Process		Yes	Yes, and such is the case now with BCN	Campus based	All processes are initiated locally under Workday
On-Boarding		Yes	Yes, and such is the case now with BCN	Campus based	All processes are initiated locally under Workday
Layoff		Yes	Yes, and such is the case now with BCN	Campus based, but may need some support based on economy of scale	Layoff tracking may require some broader oversight, which include central.
Exit from Job		Yes	Yes, and such is the case now with BCN	Campus based	All processes are initiated locally under Workday
Position Mgmt, Budget / Position Control		Yes - campus level financial decisions		Campus based	
Discipline	Could have central assistance/specialized expertise		Yes, and such is the case now with BCN	More effective as campus based	
Grievance	Could have central assistance/specialized expertise		Yes, and such is the case now with BCN	More effective as campus based	
Evaluation		Yes - local function		Campus based	
Step Increases	Yes, w/ automated workflow			Central/Workday	
On-call, shift differential, etc.	Yes, w/ automated workflow			Central/Workday	Actions initiated at campus level
Overtime	Yes, w/ automated workflow			Central/Workday	Actions/approval initiated at campus level
Signature delegation & approvals	Part of Workday workflow			Central/Workday	
General Items:					

On-going training of campus personnel	Some aspects can be centralized - web based training materials, including video's	Some aspects require local staff	Yes, and such is the case now with BCN	Some central activities and some campus
Contact for customer services/questions	Some aspects can be centralized, like FAQ's and web/email based contacts for general questions.	Some aspects require local staff	Yes, and such is the case now with BCN	Some central activities and some campus