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 Preliminary Recommendations

The purpose of this Report is to provide the Board with the status of the Efficiency and Effectiveness Review, to ask the Board to take action on certain recommendations identified in the conclusion of the Report and to obtain the Board’s input on issues and priorities as we go forward. Along with the recommendations, I have added a list of concerns that the Board should consider before taking action.

Review

Data requests were submitted to all institutions in the fall of 2010, followed by on-site visits with key institution and business center officials and employees in the areas under review. In addition, outside discussions were held with the Nevada Department of Personnel and the Nevada Purchasing Division. Research was conducted into similar reviews and initiatives in other states. Outside consultants have been retained on a limited basis to vet information and recommendations, including Guy Hobbs of Hobbs Ong, Brian Gordon and Jeremy Aguero of Applied Analysis, and Tom Akers of Akers & Associates. In addition, Gary Ghiggeri, former Nevada Senate fiscal analyst, was hired on a part-time basis to provide critical assistance with this initiative.

This review comes at a time of great uncertainty for higher education, with the Governor recommending significant reductions in state appropriations to higher education. In

1 The Hobbs Ong/Applied Analysis initial report is referenced as Attachment 9.
2 The Akers & Associates initial report is referenced as Attachment 5.
3 The Business Center North operating budget for FY 2010-11 is $2,139,664. The Governor’s Budget proposes a 28.5% reduction over the biennium in the Business Center North budget compared with FY 2010-11, which amounts to a funding reduction of $944,815. The Business Center South operating budget
addition, all of these business operation areas have already experienced significant budget reductions since 2007. It is difficult to fathom how NSHE and its institutions, including the business centers and operations, can continue to do business in the same manner given the level of previous reductions and the proposed additional reductions.

Based on the comments and recommendations of the Regents, the Chancellor’s Office will more fully evaluate the top recommendations and seek to establish projected savings from the initiatives.

At the outset, it is important to note that the departments under review are working hard with less staff. This review assumes that further reductions in staffing cannot be absorbed without operational changes.

**Ongoing Efforts**

The institutions and business centers have undertaken various efficiency and effectiveness measures in the last few years. Many of those initiatives were recently reported to the Legislature and are included as Attachment 1 and are also found on the NSHE website, pages 13-54 at http://www.nevada.edu/er/NSHE030311.pdf.

**Overall Structure of Business Operations**

Originally UNR, UNLV and the then Community College Division maintained their own business operations. In 1977, the legislature, as part of the appropriations act, directed the Board of Regents to establish one or two business centers and authorized transfers of positions and funds from all institutions and operations in order to accomplish the new structure. In response, the Board eliminated the Community College Division and established a two business center model based at UNLV and UNR.

The structure has challenges. The business centers were created to provide multi-institution services, but the employees report within the administrative structure of the two universities. This creates difficulty if there are disputes involving other institution customers, and creates at least the perception that favoritism/priority may be given to university customers. Other institutions are not involved in decisions about staffing and support of the Business Centers. For example, UNR reduced Business Center North staffing by about 23% FTE between FY 08 and FY 11 without any apparent input from impacted institutions. In addition, the multi business center model makes it challenging to implement multi-institution/system-wide initiatives, such as strategic purchasing, or to maintain consistency in application of classified employment rules, such as classification functions.

for FY 2010-11 is $1,839,443. The Governor’s Budget proposes an overall 27.6% reduction over the biennium in the Business Center South budget compared with FY 2010-11, which amounts to a funding reduction of $780,691. CSN is not separately budgeted as a business center, but the Governor’s proposed budget represents a 29.3% reduction from FY 2010-11.
While the business center model has largely continued in the north with BCN serving UNR, TMCC, WNC, GBC, DRI and the System Office, the business center concept has disintegrated in the south. CSN began establishing its own classified employee and purchasing functions in approximately 1996, so the only formal responsibilities that BCS maintains in these areas is for NSC, which is a relatively small part of the overall number of transactions performed by BCS. BCS continues to handle payroll functions for all southern Nevada institutions, and also maintains the primary administration of benefit programs for the southern Nevada higher education institutions.\(^4\)

There is no easy resolution of these issues. The Chancellor’s Office is not currently structured to undertake large scale business operations, and the creation of such a structure could potentially increase administrative costs. The System could likely undertake additional administrative oversight responsibility without much, if any, additional staffing in Payroll and limited functional areas of Human Resources and Purchasing. Alternatives could include some form of dual reporting of business centers to the Chancellor’s Office, or phasing changes in operation of certain business operations. As another alternative to structural changes, NSHE could create more formalized policies pertaining to staffing of business centers, including addressing issues and disputes involving non-university customers, and system-wide initiatives, such as strategic purchasing.

In addition to the issue of structure, NSHE will also have to address related issues. For example, the business center functions are largely state supported, but provide services to non-state funded programs and employees as well. While both BCN and BCS report assessing a certain portion of costs to non state funded programs, strong consideration should be given to more directly costing and assessing a portion of business operation costs to non state funded operations to recover costs incurred for services provided to those non-state funded operations. Consideration will also need to be given to the use of such funds.

An additional complication related to efficiency and effectiveness relates to allocation of “savings.” Although no specific cost savings assessments have been performed pertaining to any potential recommendations, any final plan should address the issue of an appropriate allocation of savings, with potential retention of some portion of “savings” to build the effectiveness of the business operations.

**Payroll**

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

\(^4\) BCS and BCN also perform other functions for NSHE/other institutions such as risk management and workers compensation. Those areas are not included in this Report.
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**

<table>
<thead>
<tr>
<th></th>
<th>BCN/UNR General Fund</th>
<th>BCN/UNR Other Fund</th>
<th>BCS/UNLV General Fund</th>
<th>BCS/UNLV Other Fund</th>
<th>CSN General Fund</th>
<th>CSN Other Fund</th>
<th>Total General Fund</th>
<th>Total Other Fund</th>
<th>Total FTE's</th>
</tr>
</thead>
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</tr>
</tbody>
</table>

* 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. For example, original signatures are required on many payroll documents, such as any “exception pay,” and payroll may require such documents to be physically delivered. There is inconsistency between the offices on whether scanned documents are acceptable. Some institutions reported differences in the way payroll is administered between the offices, including the difficulty of administering one check where an employee is jointly employed by a southern and northern institution.
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. Centralize Payroll Operations

NSHE is continuing to investigate consolidation of payroll operations. No clear advantages were presented of the benefit of maintaining two separate payroll offices. Checks may be printed locally if an institution has the necessary equipment or batched for overnight shipping to the institution. The advantages of a single payroll operation likely include consistency of processing and reporting, and possible reduction or repurposing of personnel. Further study is required as to what, if any, additional costs for equipment and facilities may be required to achieve a consolidated office.

As an alternative, the System may consider whether it could process payroll through a third party provider, recognizing that an external provider may not provide the same audit function and level of service currently performed by the payroll offices. In addition, there would be challenges in processing “on demand” checks.

2. Emphasize shift to electronic transactions

   a. Eliminate delivery of remittance advices and replace with mandatory self-serve option.
   b. Take further steps to encourage or require direct deposit.\(^5\)
   c. Encourage use of self-serve for W-2’s.
   d. Where feasible, develop electronic means to process transactions.

Mandatory direct deposit will require a change in state law, see NRS 608.120, and a change in federal law, unless agreements are obtained to pay by direct deposit at the time of hire. However, encouraging direct deposit by, among other things, only making checks available on-site at a central campus location may reduce the number of paper payroll checks issued.\(^6\) Failure to provide a paper copy of W-2’s upon request may be contrary to federal law, but again, employees can be encouraged to obtain their W-2’s through the self serve portal. Enhancements to

\(^5\) 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.

\(^6\) UNLV/BCS indicates that its change to a central site location to pick up checks (instead of hand delivery) resulted in an increase in the use of direct deposit with over 75% of payroll processed by direct deposit in FY 2010 compared to about 55% in FY 2007.
the self serve portal design and content may be one way of encouraging these changes. Alternatives for payment such as debit cards for student and casual labor may be more attractive options for these categories of workers, although such programs may likewise face the same statutory/legal barriers as discussed in connection with direct deposit of checks.

3. Reduce the audit function performed by payroll

NSHE could require the institutions to be responsible for the accuracy of inputting HRMS and other payroll data, thereby minimizing the payroll review. This could create additional risks of improper payment or withholdings.

Other more specific ideas for consideration in the Payroll area are found in Attachment 2.

Human Resources

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. For example, PEBP continues to require submission of original forms for enrollment and any change in enrollment. Increases in efficiencies and reduction in paper driven processes in these areas will require cooperation of these state agencies.

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. 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.

<table>
<thead>
<tr>
<th>Human Resources Personnel – FY 2011</th>
<th>BCN/UNR General Fund</th>
<th>BCN/UNR Other Fund</th>
<th>BCS/UNLV General Fund</th>
<th>BCS/UNLV Other Fund</th>
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<th>Human Resources Personnel - Position Reductions 2007-2011</th>
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**Human Resources Recommendations**

1. Create 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.

7 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.
2. Consider Consolidation of Limited Human Resource Functions

Further consideration should be given to whether certain employment functions can be approached more efficiently and effectively through centralized administration. The functions for further review include the following areas:

a. Testing. Administer classified tests and scoring on at least a geographic basis with locations in the south and north.

b. Training. Develop and administer certain required classified and professional electronic training modules, and centrally create other training modules for use by the institutions.

c. Classification. Centralization of the classification function for classified employees should be further considered, which could improve consistency and create a stronger case for NSHE specific classifications.

d. Benefits. Benefit administration could be considered for centralization, in order to improve consistency and interact in a more unified way with PEBP, PERS and supplemental benefit vendors at a leadership level. NSHE should consider developing a position to provide leadership in this area, or assign responsibilities to existing employees. At the very least, certain types of benefit information should be centrally posted by NSHE for all employees with links to available online resources (PERS, PEBP, etc.). At the same time, consideration should be given as to whether business centers should continue to be involved in all benefit forms/transactions submitted to PEBP and supplemental benefit vendors.

e. Recruitment. While most recruitment functions appear best served at the institution level, certain aspects of classified recruitment could be more effectively performed at the NSHE/business center/institution level if NSHE received authority from the State to have more flexibility over the recruitment process.

f. Employee relations. Discipline functions are typically more effectively administered at the institution level. If NSHE received authority to develop its own classified employment discipline system, NSHE would have to examine carefully the most effective organizational structure for addressing these functions. Some thought should be given to creating trained pools of investigators and hearing officers in each geographic area to assist in the handling of disciplinary matters for all institutions.

g. Compensation. Further consideration should be given as to whether institution staff, after approval to hire by the appropriate business center, should be authorized to complete creation of an employment record for a classified employee without mandatory review by business centers.

3. Reduce Redundancy Between Business Center Human Resource Functions and Institution HR Personnel

There remains some level of confusion (at least at the institution level) between the responsibilities of the business center and those of the institution human
resource personnel. In many situations, institution human resource personnel may
work up the entirety of a classified employment transaction, such as a recruitment,
new hire, classification or adjustment to pay, and then the entirety of the
transaction may be reviewed again by the business center. Serious consideration
should be given to whether many classified employment transactions should
simply be administered at the institution level, with audit of a limited number of
transactions. At the very least, there should be a clear understanding as to what
matters are handled by institution personnel and which matters are handled by
business center personnel.

4. Improve Efficiency in Transactions

A number of ideas should be pursued to reduce the number of personnel dedicated
to processing transactions.

a. Eliminate Annual Contracts. 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 and compensation.
Employment of full-time and adjunct professional employees is largely
governed by the NSHE Code and/or Board policy. Moreover, there is little
significance to fiscal year contracts. Strong consideration should be given to
eliminating professional contracts, or having professional employees sign one
contract upon hire, with all renewals or changes (e.g. title, duties, and
compensation) handled by letter (electronic) renewal. 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
was eliminated, there would be a significant reduction in employee time
devoted to processing employment contracts.

b. Review signature/approval requirements. Human resource documents should
be reviewed as to whether signature is required, and the levels of approval that
are required. Consideration should be given to eliminating signature
requirements and reducing the levels of approval where appropriate.

c. Leave and Time/Attendance Software. The leave approval and accounting
process is time consuming. DRI, TMCC and UNLV have developed
electronic leave programs that extend to some employee/departments. The
System Office and UNLV are planning to pilot an inexpensive leave and time
and attendance module that may serve as a bridge until an integrated software
program is implemented that will interface with payroll.

Other more specific ideas for consideration in the Human Resources area are identified in
Attachment 4.
Purchasing

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. 8

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. 9 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. 10 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

8 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.
9 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.
10 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. 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 (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 36 bids/rfps with a dollar value of $40,539,546 (average of $1,126,098 per 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 4,097 purchase orders in FY 2010 (average of $9,843 per 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.

A comparison chart of the purchasing centers is below.

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11 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.

12 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.

13 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.
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.

The interaction between business centers and the institutions they serve is generally good, but it appears that limited focus has been given to working with each institution to identify contracts that may reduce costs. There is no formal interaction among the NSHE purchasing centers (although interaction has greatly increased based in part on the supply chain inclusion program and this efficiency and effectiveness initiative), nor is there formal interaction with the State Purchasing Division on strategic purchasing/planning. The business centers do informally consult each other on existing contracts, and can also consider existing state and local governmental contracts to “buy off” those contracts if favorable pricing has been obtained. However, there are currently no system-wide purchasing contracts in place except in the area of software and supplemental benefits. Recently a system-wide software task force has developed, and library personnel are talking regularly about ways to more effectively purchase library resources that may be used system-wide. These are positive developments. In addition, purchasing units and institutions can consistently look to purchase from other applicable national, state and local contracts to reduce staff time devoted to new RFP’s and preparation and negotiation of contracts.

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**

1. Consider consolidating bid procurement

   Administration of bids is a specialized activity and in many cases requires a
   significant level of expertise for certain types of bids (e.g. construction bids,
technology contracts). Further consideration should be given as to whether the system
   and its institutions may become more efficient and effective by centralizing bid
   procurements and development of other large scale contracts that would also benefit
   from system-wide strategic purchasing initiatives.

   As an alternative, NSHE could develop policies designed to require collaboration
   between business centers and other state and local entities, initiate more system-wide
   planning and interaction for large scale purchasing, and adopt strategic purchasing
   initiatives applicable to each business center/institution to more closely manage
   departmental/unit spending.

2. Consider decentralizing issuance of purchase orders

   It appears that most purchase requisitions have already gone through business
   office/controller review at the institution level, and the business center functions as
   essentially an audit to issue the purchase order. Consideration should be given as to
   whether purchase orders should continue to be the form of purchasing authorization,
   and if so, whether non business center institutions should be given the authority to
   issue their own purchase orders for transactions under the bid requirement level
   (currently $50,000). Any such authority could come with an overlay that addresses
   strategic purchasing initiatives. In addition, consideration would have to be given
   about other responsibilities that would flow from such a policy change, such as terms
   of the contract, obtaining business license and insurance information, and the like.

3. Improve efficiency and effectiveness of transactions

   NSHE critically needs a more robust financial system. UNLV is developing an
   interface to accomplish electronic payables through ACH transactions and UNR is
   working on an e-payables project to interface with the banking contract, but this is
   only a part of a complete financial system that would allow for e-procurement,
   consistency in data, ease in issuing financial reports, e-payables, and a host of other
   business related functions.

4. Look to external sources to improve efficiencies
A number of possible alternatives exist that could save money, including:

a. Converting 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. The State has a contract with The Remi Group to offer 26% reduction in equipment maintenance costs based on such a program. NSHE is currently exploring where that contract may be effectively implemented.\(^{14}\)

b. Hire outside consultants to examine spending stream and identify savings.\(^{15}\)

c. Hire cost auditors on a contingency basis to identify overcharging on contracts.\(^{16}\)

d. Review and implement where feasible recommendations of outside consultants. The initial report of Akers & Associates pertaining to measures that may be considered is included as Attachment 5.

5. Emphasize strategic sourcing\(^{17}\)

\(^{14}\) 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 has already initiated the program and has identified initial savings, largely in lab equipment maintenance. UNLV is still investigating where the program may be effective.

\(^{15}\) 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 reduced costs of goods and services by over $250 million. The State of Minnesota contracted with TruSource (TrueSource has since been acquired by Procuri.) 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 contingent fee options are available.

\(^{16}\) 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. This is a revenue contract which did not require the Board of Examiners approval and was exempt from competitive bidding since it was for professional services (NAC 333.150). 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 such as office supplies.

\(^{17}\) It will be difficult to quantify projected savings from such initiatives. In several high profile (and expensive) efficiency and effectiveness reviews that have been conducted elsewhere (e.g. University of
a. Increase strategic planning among business centers and with state/local purchasing agents to develop system-wide contracts on common purchases (e.g. office supplies, computers, furniture, telecommunications, lab supplies and equipment).
b. Draft and negotiate contracts that permit other institutions to later buy off the contracts at reduced price points for volume.
c. Pre-approve services consultants at negotiated rates.
d. Although BCN and BCS already post contracts and opportunities on web sites, NSHE should consider developing a web portal to advertise business contracts system-wide to increase end purchaser knowledge of suppliers under contract, and enhance local and MWDBE spending.
e. Link to applicable State of Nevada contracts and contracts of other governmental purchasing entities.
f. Create incentives to purchasing off of system-wide contracts (or disincentives for purchasing off contract).
g. Consider ways in which P-Card use can be increased, but tailored to require or limit purchases to take advantage of negotiated contracts (e.g. office supplies). One way would be to increase individual transaction limits to $5,000.
h. Consider policies that require more standardization in purchasing (e.g. computers, telecommunications, certain software, etc.).
i. Develop contract negotiators and procurement specialists in key areas as a system-wide resource.
j. Develop policies to address strategic purchasing policies to address aggregate spend issues (small purchases that do not individually meet bid thresholds but cumulatively constitute significant expenditures).

6. Invest portion of contract savings in strategic sourcing initiatives, recognizing that any such investment would have to look carefully at the return on investment given that it is likely that any expenditure reductions will primarily be utilized to support academic programs.

When funds are available, NSHE would be well served to dedicate more resources to contract management, negotiation and strategic sourcing, resources that may provide a significant return on investment.

Other more specific ideas for consideration in the Purchasing area are identified in Attachment 6.

California, University of North Carolina) estimates have projected, upon full implementation of such initiatives, ongoing savings of approximately 10% from total commodity and services spending (but excluding utilities, leases, travel and employee reimbursements). NSHE would likely need to hire outside expertise to evaluate our spending in order to develop confidence in savings projections. In addition, NSHE may be wise to be more conservative in its estimates, particularly given the lack of a robust e-procurement and financial system. In addition, institutions have already taken, in some form, many of these steps to reduce commodity and services contracts. For example, UNLV has identified several hundred thousand dollars in savings through various changes in purchasing contracts over the last biennium, which would mean that further savings in those particular areas is unlikely.
Administrative Structure

NSHE typically has very low administrative costs in terms of comparing the percentage of resources devoted to non-instructional areas. See Attachment 7. Further analysis of the levels of administration and supervisor/employee/student ratios could be examined in later phases of review.

Other Areas Identified to Improve Efficiencies

A number of areas were identified that could improve efficiencies in a variety of areas, including:

1. Electronic signatures. Develop and emphasize use of electronic signatures. Full adoption of these strategies may require legislative action.
2. Many documents are still hand-delivered. Prior to implementation of electronic processes, scanned documents should be acceptable to conduct most business operations.
3. Review administrative approval levels. All institutions should examine what approvals are required, whether signature is required, and clarification of the acceptability of faxed/scanned documents in lieu of original.
4. Internal Audit. 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.
5. Reporting. Evaluation of what reports are truly necessary, although creation of a centralized data warehouse may obviate the need for each institution to run its own reports.

Other more specific ideas for consideration are identified in Attachment 8. In addition, the outside consultants, Hobbs Ong and Applied Analysis, have also identified a number of additional areas for review and consideration in their initial review of the recommendations. See Attachment 9.

Specific Initiatives Requiring Legislative Action

1. In general, restructuring of business operations will require flexibility in the budget authorization bill to move funds and retain/allocate savings between institutions.
2. Mandatory direct deposit will require a change in state law. See NRS 608.120.
3. Statutory change to permit bid of architectural services.
4. Elimination of certain reports will require consultation with the legislature.
5. Exemptions of projects from Public Works Board management.
6. Clarification or elimination of any state approval of use of electronic signatures.
7. Changing performance bond requirements may require revising/amending NRS 339.025 for Public Works projects. It appears to be permissive at the discretion of the State Purchasing Administrator under NRS 333.360.
Request for Board Approval of the Following Immediate Recommendations

The Chancellor requests Board approval of the following initial steps:

1. Approval to further investigate consolidation of payroll operations, and if feasible, bring forward a specific proposal to the Board of Regents in June.
2. Approval to seek legislative authorization to reallocate budgeted funds between functions and institutions pertaining to the business operations under review.
3. Direction to develop policies to be presented to the Board to eliminate annual contracts effective FY 2012 for professional faculty, including adjunct faculty.
   a. Option A – No contracts
   b. Option B – One time contract upon initial hire
4. Direction to the Chancellor to develop strategic purchasing policies to optimize leverage of system’s purchasing dollars.
5. Direction to the Chancellor to develop a single classified delegation agreement with the State.
6. Direction to the Chancellor to further study and bring forward to the Board a specific proposal to centralize bid procurement, decentralize purchase orders, and further enhance effective use of p-cards.
7. Direction to develop policies to encourage electronic transactions including electronic signature.
8. Direction to the Chancellor as to what, if any, legislative measures to pursue.
9. Direction to the Chancellor to further investigate and provide recommendations on changes to the structure of NSHE human resources operations.
10. Direction to continue investigation of efficiency measures based on the priorities indicated by the Board.

Concerns with Recommendations

While all institutions are supportive of some of the recommendations and many support all of the primary recommendations, significant concerns were expressed by some institutional personnel about any structural/reorganization changes. The primary concerns include the following:

1. Concern that the relatively small budgets at issue are not significant given the magnitude of proposed budget cuts and that System/Institutional personnel time could be better invested focusing on other areas;
2. Disagreement with certain criticisms of the current structure of business operations;
3. Lack of data to demonstrate cost savings and lack of specific proposals from which to develop cost data;
4. Lack of comparative data measuring NSHE business operations against other higher education or public agency business operations and recognizing that NSHE administrative staffing cost may already be below average;
5. Concern that System may have to add staffing to accomplish recommendations;
6. Concern whether any kind of dual reporting to System and an institution is workable;
7. Concern that most recommendations cannot be achieved without implementation of new finance and human resource ERP systems, concern about the timing of any such implementation in the immediate future, and concern over implementation costs (including campus costs); and
8. Skepticism about whether any savings can be realized from structural changes or strategic sourcing, and objection to directing any savings toward strategic sourcing/technology initiatives given the significant budget reductions proposed by the Governor.

List of Attachments

1. NSHE Efficiency Report to Legislature
2. Other Payroll Ideas
3. System-Wide HR Report
4. Other Human Resources Ideas
5. Akers Outside Consultant Initial Report
6. Other Purchasing Ideas
7. Chancellor’s Administrative Costs Report
8. Other Ideas
Other Payroll Ideas

1. Have SCS develop the time summary reports in excel format on Xnet (the reports are currently available in PDF format).
2. 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.
3. Allow NSHE institutions to upload payroll batch files for review by Payroll.
4. Institute an electronic Time and Attendance System with the capability to interface with HRMS either real time or via batch upload. Departments are already able to do this at some institutions.
5. Pay casual labor and students through debit cards.
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Notes:
- Full-time employees include all those with FTE of .5 or above.
- The following tabs are based on the data reported by the NSHE institutions to the System Office in the fall of 2010.
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Notes

Full-time employees include all those with FTE of .5 or above.
### Human Resources

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<th>UNR</th>
<th>NSC</th>
<th>CSN</th>
<th>GBC</th>
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<sup>a</sup> Does not include benefit eligible employees served at CSN and NSC, and does not include classified employees served at NSC
<sup>b</sup> Includes UNSOM employees; does not include classified and benefit eligible employees at TMCC, GBC, WNC, DRI who may receive some BCN services
<sup>c</sup> Of the 20 positions; 9 positions are funded by BCS
<sup>d</sup> Of the 38 positions 9.96 positions are funded by BCN; and 9 are located in UNSOM HR;

### BCN-HR

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*BCN-HR primarily assists the campuses with the recruitment, records, and employee relations functions

### BCS-HR

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*BCS Assists CSN and NSC On Benefits, and NSC On Classified Recruits

### BCN Benefits

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<th>WNC</th>
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### BCS Benefits

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Other Human Resources Ideas

1. Online benefits enrollment.
2. Data Warehousing for all institutions – NSC and other smaller entities with NSHE do not have the resources to create and support this function.
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.
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.
5. Scanning and imaging employee records. Reduce the need for paper retention of and transmittal of records.
6. System-wide training initiatives – Consolidate purchasing power to offer training on campus; e.g., Investigations training, managerial training, etc.
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.
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.
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).
10. New employee orientation via the web.
11. Establish a position in the System office to work on PERS/PEBP issues; Benefit Director/Coordinator.
12. Develop better website links between employees and benefit vendors (RPA, Short term disability, Life).
13. Develop on-line training programs, such as sexual harassment training.
14. Evaluations. Consider significant changes in employee evaluations to stream-line 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.
15. Consider the value of continuing to establish salary schedules.
16. Standardize more business practices based on “best practices.”
17. Develop category for non classified employees that work in soft funded positions.
Per review of existing NSHE procurement policies, procedures, and automated systems, the following “preliminary” recommendations are proposed:

<table>
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<th>Item No.</th>
<th>Recommendation</th>
<th>Benefit/Savings</th>
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</thead>
<tbody>
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<td>1.</td>
<td>Re-register non-MUNIS vendors/suppliers</td>
<td>Eliminate duplicate maintenance of vendor tables through out the system.</td>
</tr>
<tr>
<td>2.</td>
<td>Allow other business units to use on-line registration system</td>
<td>Capture consistent data.</td>
</tr>
<tr>
<td>3.</td>
<td>Review products/services for possible outsourcing opportunities</td>
<td>Printing, travel, contract labor, and project management internal staff resources can be reduced or re-assigned.</td>
</tr>
<tr>
<td>4.</td>
<td>Set-up web-based contract listing by government entity.</td>
<td>Use joiner clause to save on bidding costs. May lead to volume discounts.</td>
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<tr>
<td>5.</td>
<td>Create preferred vendor catalog list on-line</td>
<td>Can reduce supplier sourcing costs and support negotiated prices in-advance.</td>
</tr>
<tr>
<td>6.</td>
<td>Implement supply chain inclusion sourcing on-line tools.</td>
<td>Can reduce overall diversity initiative expenses by using pre-developed state-wide tools.</td>
</tr>
<tr>
<td>7.</td>
<td>Develop centralized commodity coding system by using “key descriptor” field. Business units would not be able to modify.</td>
<td>Can assist with management reporting and sourcing/bidding.</td>
</tr>
<tr>
<td>8.</td>
<td>Review and evaluate the optimum number of suppliers to have under system-wide contracts.</td>
<td>Will reduce overall costs to maintained supplier relations by consolidating large spend items with</td>
</tr>
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</table>
fewer vendors.

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Recommendation</th>
<th>Benefit/Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Require larger suppliers to implement “supply chain inclusion” programs. This 2\textsuperscript{nd} Tier contracting can support our local small businesses.</td>
<td>Ensure that local small businesses are not locked out of the strategic purchasing initiatives implemented.</td>
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<tr>
<td>10.</td>
<td>Further review and analyze how streamlining the “formal” procurement function into one Purchasing Profit Center can reduce costs or improve operations. Each business would be charged for the services provided.</td>
<td>Can reduce the number of purchasing centers by one or two.</td>
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<tr>
<td>11.</td>
<td>Appoint an Advisory Group from the private sector. The business leaders would oversee the implementation process of the initiatives approved.</td>
<td>Ensure the strategy is implemented effectively.</td>
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Other Purchasing Ideas

1. Establish a central committee/group to determine which software should be utilized by NSHE. Also, establish a process where software that is developed at one institution is utilized to address similar work at other institutions. Have software used by institutions licensed and maintained centrally.

2. Use open source when feasible.


4. Increase the purchasing limits in the two main purchasing areas in order to help limit staff requirements.
   a. Commodities/Non-Construction
      i. Currently NSHE requires:
         1. $25,000 to $50,000 (2 informal written quotes)
         2. Over $50,000 (formal sealed bids)
      ii. Suggested changes to:
         1. $25,000 to $100,000 (3 informal written quotes)
         2. Over $100,000 (formal sealed bids)
   b. Construction Work
      i. Currently NSHE requires:
         1. $25,000 to $100,000 (3 informal written quotes)
         2. Over $100,000 (formal sealed bids)
      ii. Suggested changes to:
         1. $75,000 to $150,000 (3 informal written quotes)
         2. Over $150,000 (formal sealed bids). Note: This may require a change in NRS 338 regarding bid of public works.

5. Increase purchase amount requiring issuance of a purchase order from $2,000 to $5,000 (and correspondingly increase p-card transaction limit to $5,000), particularly if purchasing card programs can be expanded to process these smaller dollar transactions. This could create additional risk exposure for improper financial transactions.

6. Develop system-wide purchase of anti-virus software and centralized team to apply patches.

7. Develop a consulting pool available statewide.

8. Statutory change to permit bid of architectural services.

9. Review competitive exception policies.

10. Consider adding responsibilities to business center operations. If the business center operations continue in the current form, consideration should be given as to whether those operations should have added responsibilities. For example, the current system makes the purchasing center responsible to issue purchase orders, but the institution is responsible for handling payables. Consideration should be given to whether the business center should centrally handle more business office functions.

11. Standardize more business practices based on “best practices.”

13. Legal departments of institutions should work together to standardize certain contract language such as athletic coach contracts, and develop more specific expertise such as in tax and research compliance.
There has been a lot of discussion lately regarding higher education staffing and administration across the country. Sometimes the discussion has been productive but most often it has been the victim of incomplete analysis or misleading statistical manipulation. Such is the case with the recent “report” prepared by the Goldwater Institute and referenced by the Nevada Policy Research Institute (NPRI) that I am sure you all recently received and which was used to accuse our two State Universities of administrative bloat. While the report NPRI cited did in fact deal with that exact subject, the actual hard data in the report did not condemn Nevada higher education as was intimated. It is noteworthy when an independent third party uses empirical data that shines a favorable light on the Nevada System of Higher Education, and it is particularly significant when that same third party does so while attempting to make a very critical case against staffing and administration levels in U.S. higher education.

You have undoubtedly heard me say, probably many times, that the Nevada System of Higher Education is a lean organization and wondered how we actually rank nationally. The data in the Goldwater report, which are directly from the US Department of Education, speak for themselves.

If you have not yet seen the report, it is at [http://www.goldwaterinstitute.org/article/4941](http://www.goldwaterinstitute.org/article/4941). While there are many innuendos and false conclusions in the narrative, the substance of the report is located in the appendices. I would call your attention to one in particular, and reiterate that it is directly from the Goldwater study:

2007 Full Time Employees Per 100 Students (Table A5 pages 7 of 8 and 8 of 8)

<table>
<thead>
<tr>
<th>Employees/ 100 Students</th>
<th>Total Employees</th>
<th>Admin. Employees</th>
<th>Instruction/ Research/ Service Employees</th>
<th>Clerical Employees</th>
<th>Other Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNR</td>
<td>17.0</td>
<td>4.2</td>
<td>5.6</td>
<td>2.9</td>
<td>4.4</td>
</tr>
<tr>
<td>UNLV</td>
<td>11.7</td>
<td>3.8</td>
<td>3.4</td>
<td>1.7</td>
<td>2.8</td>
</tr>
<tr>
<td>National Average</td>
<td>24.3</td>
<td>9.4</td>
<td>7.0</td>
<td>3.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>

| UNR as a % of National Avg. | 70% | 45% | 80% | 85% | 100% |
| UNLV as a % of National Avg. | 48% | 40% | 49% | 50% | 64% |

In every category Nevada’s Universities fall below – often well below – the national average for staffing to student ratios. The data for both universities, and UNLV in particular, undeniably show we are running our institutions with fewer employees. In fact, from that same table, UNR ranks the 28th leanest and UNLV the 19th leanest of the 198 institutions studied. But is this a necessarily good thing? Is it good to have fewer employees involved in instruction and research, for example? Is it good to have fewer employees in place to serve students in all the ways that contribute to higher success rates?
This conversation began with the issue of ‘administrative bloat’ and the Goldwater Institute’s assertion that public subsidies to higher education, both state and federal, have enabled huge increases in administrative services that do not serve the students well. This is an impossible assertion to support in Nevada. Additionally, even though our Nevada numbers fall well below national averages in the administrative ratio above, I want to take exception to the report definitions which are constructed to report “administration” as high as possible. In the Goldwater study, ‘Admin’ includes such things as academic advisors, student counselors, and reference librarians. While I philosophically disagree that these are ‘administration,’ regardless of what you call them, they are, in today’s world, essential to student success. We are significantly lagging in student support personnel. I am able to report that prior to recent budget cuts Nevada universities had, over the course of many years, slowly been closing this gap on necessary student support personnel crucial to student success although I am not optimistic that any progress will be made in this area in the near future. While the Goldwater and NPRI analysis condemned UNR and UNLV for incremental progress in this area, increasing the availability of these professionals to our students is not ‘administrative bloat’ – this is giving our students the resources they need to succeed.

Let me bring one final point to your attention. The data set that the Goldwater study uses is for fiscal year 2006-07. This was a special year for us in that it was the last fully funded year before the State of Nevada began budget cuts. Since then the NSHE and all State agencies have undergone a series of debilitating cuts that have changed the picture drastically. I am sure that updated data would undoubtedly show an even bleaker picture for NSHE as we have consistently made every effort to protect the instruction function – at the expense of other areas including student support.

Do not take this letter as saying that our ratios and operations can’t be improved. The Board of Regents has mandated a comprehensive Efficiency and Effectiveness initiative, the purpose of which is to find places where we can save costs in our support services and reallocate those resources to the students – both in the classroom and in support areas.

I again reaffirm my commitment to you that not only is the Nevada System of Higher Education a lean organization, but that we are fully committed to spending our scarce resources in ways that achieve the maximum benefit to our students and our state. Every dollar we receive from the State of Nevada is added to the fees paid by students to provide the best educational experience possible. I hope that these facts, as opposed to recent spin, will assist you as you consider the very difficult decisions ahead for you and Nevada. The Nevada System of Higher Education stands ready to assist you and the state in our economic recovery, and I would welcome the opportunity to discuss any of these issues with your further.

Sincerely,

Daniel J. Klaich, Chancellor
Other Specific Ideas

1. Review efficiency of Board meetings regarding number of required institution personnel.
2. Develop culture of savings, including assessment of what communications/materials can be sent via electronic delivery, such as annual reports, promotional materials and holiday greetings.
3. Further consider whether campus police departments should be consolidated.
4. Consider designing a bonus plan or incentives for employees that develop cost cutting/efficiency ideas that are implemented.
5. Clarify and expand authority of NSHE to perform construction and remodeling work outside of Public Works Board, recognizing that some institutions may not have that expertise.
6. Look at whether savings and better benefits could be achieved if NSHE pursued other health insurance options for employees and retirees.
7. SCS should investigate a single data center model with disaster prevention/back up and perhaps various applications externally hosted.
8. Convert to 100% of electronic deposit for payroll and travel reimbursement. Mandate the use of electronic notification for payments.
9. Eliminate State Bonding requirements from State Contracts; the cost of the “bond” is funded by the using agency since the contractor adds this amount into the contract cost. The purchase of the performance and payment bonds should be at the discretion of the agencies and dependent on the size of the project.
10. Eliminate the following reports currently required by the System Office/Legislature:
   a. Transfer of Expenses from Non State to State Budgets after May 1st.
   b. State budget transfers over $100,000.
   c. Quarterly self-supporting budget revisions and additions.
   d. Quarterly fiscal exception reports.
   e. Quarterly All Funds Report.
11. Change current requirements for specific reports; update to require self-supporting budgets at $100,000 instead of the long standing threshold of $25,000 (Board Handbook Title 4, Chapter 9, Section 2).
12. SPWB exemption for projects, at the option of the institution where it has the expertise (SPWB would be the building official but the institution would have the authority and responsibility for the projects).
13. Reduce master plan updates (Board Handbook Title 4, Chapter 14).
14. Eliminate use of credit cards for paying registration fees (or institute a fee). Rely on other electronic options (debit, checking account, installment payment vendor, etc.), with the institution being able to keep accrued savings. Alternatively, charge a fee for use of credit cards.
15. Eliminate the current requirement for everyone to review and sign their monthly (non-cellular) phone bill. One alternative may be to develop taxable cell phone allowance policies.
16. SCS should develop as a “best practices” organization to convey knowledge and methods to institutions.
17. SCS and institutions should look seriously at cloud computing and other efficiency options, such as a centralized help desk, and leveraging hardware purchases, software and computer/network security.

18. Record retention. NSHE should adopt its own record retention policy and implement a system so that documents are routinely destroyed in accordance with the policy.

19. Develop a Centralized fringe benefit pool. DRI currently operates in this manner which allows grant funds to be more fully applied to administrative costs.

20. Common, system-wide chart of accounts should be developed.

21. Revisit Inventory Control and Sensitive Equipment Policies to raise thresholds.

22. Review surplus property disposition rules.
March 3, 2011

Mr. Bart Patterson, Vice Chancellor of Administrative and Legal Affairs  
Nevada System of Higher Education  
5550 W. Flamingo Road, Suite C-1  
Las Vegas, Nevada 89103  

SENT VIA EMAIL: (Bart_Patterson@nshe.nevada.edu)

RE: Review of Efficiency and Effectiveness Preliminary Recommendations

Dear Mr. Patterson:

Per your request, Hobbs, Ong & Associates and Applied Analysis have jointly reviewed the Nevada System of Higher Education (NSHE) Efficiency and Effectiveness Preliminary Recommendations memorandum dated February 16, 2011. Overall, we found the document to be carefully prepared, well presented and an excellent example of fiscal responsibility. As we discussed in our recent telephone call, we do have a few recommendations and general comments regarding the memorandum and the underlying effort. This letter summarizes these recommendations and comments.

First, we believe the effort undertaken should be extended to other administrative and shared services within the university system. The memorandum focuses primarily on payroll, human resources and purchasing. To the extent appropriate, we would recommend extending this effort to include finance and internal audit, information technology and systems, fleet services (automobiles), building and grounds maintenance, legal, and other similar shared or organization-wide NSHE functions. In our experience these other areas may contain similar opportunities for efficiency and savings.

Second, we believe the report would be strengthened by including a review and analysis of generally comparable higher education systems. Respecting that NSHE is unique in any number of ways, exploring how administrative and shared services are provided in other states, caseload comparisons, allocation methodologies as well as average costs of services would provide a meaningful benchmark for the relative efficiency of NSHE and where other opportunities might exist.

Third, we would recommend that additional effort be directed toward measuring the fiscal implications of the strategies outlined in the memorandum. Not only would this provide greater meaningfulness to the overall conclusions, but it will also provide an order-of-magnitude ranking allowing recommendations to be compared against one another in terms of potential cost savings.
Importantly, we would expect that this costing exercise may reflect additional expenses during the implementation phase of some strategies. As such, preparing fiscal estimates that reflect near-term costs/savings as well as long-term benefits over a five or ten-year horizon may be necessary to achieve the desired end.

Finally, the memorandum tends not to consider the possibility of outsourcing all or parts of the services being considered. Perhaps these services can be provided at a lower cost internally; however, we believe the overall conclusions would be more robust if supported by comparisons to: (1) what cost NSHE currently incurs in providing the services, (2) what the cost would be if the efficiency measures recommended were undertaken, and (3) what the cost would be to have the private sector provide the service. Beyond just the private sector, consideration should also be given to consolidating selected services with other public sector entities where positive economies could be achieved. Clearly, this would be an extension of the previous recommendation to measure the fiscal implication of the strategies.

In addition to general conclusions above, we had a few specific thoughts regarding the memorandum’s findings. They are listed below.

1. Developing a system in which payroll processing is streamlined and/or consolidated. We understand there are two payroll cycles for classified employees per month, while professional employees are remunerated once per month, on a different date. The resulting three pay cycles per month may provide an opportunity to align timing within the month or reduce one or two of the cycles altogether. While there may be operational or legal challenges in achieving this, it should be considered. Outsourcing the payroll function to third parties and/or other agencies should also be considered.

2. Consider centralizing selected functions within human resources that make financial and operational sense, including areas such as benefits and training.

3. With a recommended review of information technology systems included above, automation across all functions should be closely examined and considered. While some do not provide for such opportunities, activities like on-line training courses (e.g., administrative functions or employee awareness videos) could reduce overall travel times and eliminating schedule challenges with coordinating large groups of employees.

4. Technology-related grant opportunities should be sought out as a potential cost mitigation factor if investments are required in this area. The nature of such opportunities should be carefully considered to ensure one-time grants do not result in longer-run fiscal commitments.
We very much appreciate the opportunity to assist you with this important project. Should you have any questions or should you require anything further from us, please do not hesitate to contact Guy Hobbs at (702) 733-7223 or Jeremy Aguero at (702) 967-3333.

Respectfully yours,

Guy Hobbs, Managing Director
Hobbs, Ong & Associates

Jeremy Aguero, Principal
Applied Analysis