Your Speakers

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Wanda Lynn Riley has over twenty-four years of experience in public accounting and college and university administration. She has first-hand experience in higher education from account analyses to general ledger overhaul; financial statement auditing and compilation, internal financial, operational, compliance, performance, and investigative audits; policy evaluations and proposals; and risk management. She started her career as an auditor with Deloitte & Touche LLP, served as associate controller at Tuskegee University, director of Risk Management and Audit Services at Boise State University, and director of Audit and Advisory Services at UC Santa Barbara. She has also been a presenter for the Western Association of College and University Business Officers (WACUBO) and on the faculty for WACUBO’s Business Management Institute. She has her CFE and CCEP accreditations. She has a B.A. from Hampton University.

Jaime Jue
Associate Director, Audit and Advisory Services
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Jaime Jue is the Associate Director in the Audit and Advisory Services group at UC Berkeley. Prior to UC Berkeley, he was a Director at KPMG LLP in their Advisory Services practice. He focused on providing Fraud Risk Management, Dispute Advisory, Internal Controls, Forensic Accounting, and Internal Investigation services for Fortune 500 companies in the financial services, healthcare, technology, and retail industries. While at KPMG, he served as a national instructor for client service staff on topics related to fraud risk management, forensic accounting, engagement risk management, and effective reporting writing, among others. He has a Ph.D. from UC Berkeley in economic history and international economics. He is a Certified Internal Auditor and Certified Fraud Examiner.
Today’s Topics

• Why Shared Services?
• Genesis of Shared Services at Berkeley – Operational Excellence
• Experience of Other Universities – Harvard, Yale Michigan, and UT Austin
• How does it actually work?
• Auditing Shared Service Centers
  • Business Process Design
  • Enterprise Readiness Assessment
Learning Objectives

Understand:

• Potential benefits of implementing campus shared services
• Different approaches to campus shared services recently taken by Tier 1 research universities
• Key steps toward implementing shared services
• Separation of duties in end-to-end business processes between units, campus shared services, and central administrative units
• Auditing approaches for campus shared services
  • Business Process Design
  • Enterprise Readiness Assessment
Why Shared Services?
Why Shared Services?

- Serve as a catalyst for campus-wide improvements in service culture and performance management
- Provide professional development opportunities
- Generate significant savings that campus can redirect teaching, research, and public service missions
- Create best practices for service delivery and continuous improvement

Source: http://oe.berkeley.edu/campus-shared-services
Genesis of Shared Services at Berkeley – Operational Excellence
The OE Program began in the fall of 2009 with a comprehensive diagnosis of the campus operational and financial environment led by a campus steering committee and facilitated by the outside consultancy Bain & Company.

Through this diagnosis, the committee identified several key areas that offer significant opportunities to improve UC Berkeley’s operational effectiveness while reducing the costs of campus operations.

Taken together, the committee projected that UC Berkeley could potentially reduce its annual administrative expenses by $100 million; the Chancellor later chartered the effort with a goal of $75 million that leadership judged to be more achievable.

Source: http://oe.berkeley.edu/programs/oe-program
Bain & Company Review

Root Causes

UC Berkeley’s current state is a result of several root causes

- Budget cuts since 1990 have resulted in a reduction of services provided centrally
- Delegation of some central functions to local units
- Local dissatisfaction with level of service received from central units
- Units created their own organizations, systems and processes to meet local needs

Unintended consequences

- Local rather than pan-university optimization
- Redundancy
- Lack of standardization
- Complexity
- Increase in institutional risk

Bain & Company Review

Design Considerations

Grouping common admin functions has benefits, but involves design complexities

Objectives of grouping common functions
- Allow greater functional specialization for front-line staff and supervisors
- Optimize supervisory spans by creating scale
- Standardize to the most efficient processes
- Share knowledge and best practices

Key questions to be answered in Design stage
- Which services should be provided locally, through shared service centers, or centrally?
- How should units be grouped as customers of shared service centers?
- What are the appropriate reporting relationships for shared service centers?

Greater productivity and more consistent service delivered by specialists

Note: "Common admin functions" include HR, finance and IT

Operational Excellence

The Operational Excellence (OE) Program is a multi-year, multi-project initiative that is building administrative excellence to support UC Berkeley's academic excellence. The OE Program consists of three phases--Diagnostic, Design, and Implementation--followed by a transition to operations.

By employing best practices in project management and other key disciplines and engaging leadership, faculty, staff, and students campus-wide, we are making excellent progress towards achieving our savings goals, building efficient and effective operations, and cultivating a culture of continuous improvement.

Source: http://oe.berkeley.edu/programs/oe-program
Experience of Other Universities – Harvard, Yale, Michigan, and UT Austin
Shared Services at Harvard University

- Building & Facilities
- CommuterChoice
- Dining
- Fleet Management
- Housing
- ID Cards
- Mail
- Parking
- Printing
- Real Estate
- Shuttles & Vans
- Sustainability
- Tools
- Travel Safety
- Utilities

Source: http://campusservices.harvard.edu
Shared Services at Yale University

Source: http://yss.yale.edu
Shared Services at Yale University

Financial Management

- Monthly Financial Review
- Monthly Budget Monitoring
- Quarterly Budget Forecasting
- Management Reporting
- Ad Hoc Analysis
- Annual Budget Process

Source: http://yss.yale.edu
Shared Services at Yale University

Transactional Processing

- Limited Procurement
- Limited Accounting
- Accounts Payable

Source: http://yss.yale.edu
Shared Services at the University of Michigan

- Financial Services
- HR Services

Source: http://ssc.umich.edu/
Shared Services at the University of Michigan

August 2014

- Accounts Payable
- Accounts Receivable
- Human Resources (Benefits & Data Management)

Shared Services Implementation Plan

- The first set of Shared Services Center (SSC) processes transitioned to the SSC on August 4, 2014
- In January 2015, the AST executive sponsors and project leadership confirmed the approach and timing of the winter 2015 transition
- The next set of processes planned for the SSC are targeted to transition in April 2015

http://ssc.umich.edu/communications
In 2012, a group of 13 alumni and business leaders were asked to examine UT Austin's administrative structure and operations with the goal of increasing business productivity. Their recommendations, recorded in the report, Smarter Systems for a Greater UT, were released to campus in January 2013.

One major recommendation of the committee was to consolidate certain administrative functions across campus to increase efficiency - a model known as shared services.

Source: http://www.utexas.edu-transforming-ut/shared-services
In 2013, Accenture was engaged to gather data and to educate our campus on what others in higher education were doing with shared services. This work was published in the UT Shared Services Draft Plan. Accenture has since completed its work and left the campus in February 2014.
Shared Services or Shared Suffering: UT’s Plan to Cut 500 Jobs
Critics charge lack of transparency

BY LIZZIE JESPERSEN, FRI., JAN. 24, 2014

Some faculty members will be returning to UT this semester with plans to educate their university beyond course curricula. The controversial subject they will dissect, complete with petition rhetoric and a real-life economic case study, is “Shared Services.”

The Shared Services business model, currently being implemented at select UT colleges as a pilot program, suggests eliminating 500 administrative positions in finance, procurement, human resources, and information technology. A number of these jobs would then be centralized in a “Shared Services Contact Center,” where employees are each assigned specific functions instead of serving as a department’s Jack-of-all-
Shared Services at the University of Texas Austin

April 2014

Source: The Daily Texan, April 13, 2014
Shared Services at the University of Texas Austin

April 2014

Source: The Austin Chronicle, April 18, 2014
Shared Services at the University of Texas Austin

April 2014

Source: The Texas Observer, April 23, 2014

UT-Austin Students Arrested After Protesting Job-Cutting Plan

by Miriam Rodriguez Published on Wednesday, April 23, 2014, at 5:23 CST
Shared Services at the University of Texas Austin

May 2014

How does it actually work?
Shared Services at Berkeley

In 2010, UC Berkeley decided to move forward with creating a campus-wide shared services solution. Aside from achieving savings, the goal is to create a high-quality, reliable administrative infrastructure for all departments on campus.

In January 2013, Campus Shared Services (CSS) began implementation efforts to provide support to the campus faculty, staff and students in an effort to reduce the cost and compliance risks that are created by redundant work and paper-based systems. The implementation work will conclude by the end of March 2015, and the next phase will be to focus on service delivery. This has an impact on everything we do in CSS – how we interact with our campus colleagues, how we approach our work, and how we ensure we are meeting the service needs of the campus.
How does it actually work?

- Standardized business processes / process transformation
- Assigned service teams / matrixed reporting
- Separation of duties
  - Shared Services
  - Central Administrative Units
  - Individual Units
- Ticketing / Workflow System
- Quality Assurance
- Financial Model
Shared Services at the Berkeley Matrixed Organization

Updated as of 12/01/14
Shared Services at the Berkeley Governance

Decision Process

The CSS project has a collaborative design and decision making process. Originally more than 19 work groups made up of staff subject matter experts from different academic and administrative units worked with the CSS team to develop recommendations that were brought to the CSS Steering Committee and CSS Liaison Group for input. Currently several senior advisory groups continue to provide input and guidance for CSS operations.

Key recommendations are reviewed by the CSS sponsors (John Wilton and Keith Gilless), the Council of Deans, Cabinet, and the OE Coordinating Committee and then taken to the OE Executive Committee for a final decision. (Decisions are posted as soon as they are finalized.)
Shared Services at the Berkeley Process Transformation and Innovation

Process Transformation & Innovation – About Us
Meet The PTI Team
For a high-level CSS PTI Organizational Chart, click here.

George Noble (Certified Master Black Belt)
Director, Process Transformation & Innovation
gnoble@berkeley.edu

George is a Lean Six Sigma Certified Master Black Belt who graduated from UC Davis with majors in Mathematics and Statistics and a minor in Education.

George joined UC Berkeley in late 2011 as one of the first CSS employees. He helped build the foundation of CSS for IT and RA functions, along with all supporting systems. He brings over 25 years of experience leading operations, developing people, and improving processes and performance. He has improved processes in just about every area of an organization including Research Administration processes at Lawrence Berkeley National Laboratory; IT and Financial processes at Sun Microsystems and Merrill Lynch; Sales and Operations processes at GE; and built a shared service model for Human Resources at a Silicon Valley company.
Toward a goal of operational excellence, CSS is currently developing a consistent, systematic and standardized methodology of measuring the organization in terms of the following areas:

- Productivity
- Service Satisfaction
- Cost Savings
- Staff Satisfaction
- Reduction of Unit’s or Faculty Administrative Burden
- Risk Mitigation

Benchmarks and baselines are being established using data currently available. These measurements are used to address any service issues, process gaps, and opportunities for service improvement in a timely fashion.
Departmental Administration ("Core") Services:

Academic Divisions will pay for Departmental Administration services through a 2% assessment on all non-contracts and grants expenditures.

Research Administration:

All Academic and Administrative Divisions will have access to Research Administration services without any periodic or per-use charge after the Division makes the initial ICR and unrestricted budget contributions to the CSS RA budget.

To pay for Research Administration, Central Campus will establish an operating budget for CSS. The budget allocation for CSS will be funded from the indirect cost generated by sponsored activity and by reclaiming all RA-designated unrestricted budget used to pay for RA from the Division. The current ICR distribution model used to return ICR funds to Divisions will be ‘turned-off’ and replaced with a new ICR distribution model.
Separation of Duties – Human Resources

Process Examples

Source: Berkeley Campus Shared Services, Human Resources / Academic Personnel Support Service Menu, October 25, 2013
Separation of Duties – Human Resources
Process Examples

• Recruitment
• New Hire/Onboarding
• Compensation
• Benefits & Leaves
• Employee Relations
• Records Management
• Separations
## Separation of Duties – Human Resources

**Employee Relations**

<table>
<thead>
<tr>
<th>Role of Unit</th>
<th>Role of CSS</th>
<th>Role of Central Campus</th>
</tr>
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<tbody>
<tr>
<td>• Escalated issues to HR</td>
<td>• Counsel and advise unit and employee on policies</td>
<td>• Coordinate complex cases</td>
</tr>
<tr>
<td>• Makes decisions in consultation with CSS / Central HR</td>
<td>• Advise on disciplinary actions &amp; assist in preparing documentation</td>
<td>• Manage Investigations</td>
</tr>
<tr>
<td>• Employee Relations (initial contact)</td>
<td>• Assist with preparation of complaint &amp; grievance material</td>
<td>• Review disciplinary actions and layoffs</td>
</tr>
<tr>
<td>• Learning and development opportunities</td>
<td>• Union booklet distribution</td>
<td></td>
</tr>
<tr>
<td>• ASMD Coordination</td>
<td>• ASMD Coordination (and ASEs)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Berkeley Campus Shared Services, Human Resources / Academic Personnel Support Service Menu, October 25, 2013
Auditing Shared Service Centers
Auditing Shared Service Centers – Business Process Design

- Audit Objective
- Scope
- Planning
- Audit Procedures
- Observations
- Lessons Learned
Auditing Shared Service Centers – Business Process Design

• Audit Objective
  Evaluate the design and implementation of standardized processes and key internal controls that support critical end-to-end business functions in Business and Financial Services, Human Resources, and Research Administration

• Planning
Auditing Shared Service Centers – Business Process Design

• Observations
• Lessons Learned
Auditing Shared Service Centers – Enterprise Readiness Assessment

- Audit Objective
- Scope
- Planning
- Audit Procedures
- Observations
- Lessons Learned
Audit Objectives

• McGladrey LLP was engaged to assist with a current state assessment and gap analysis against the approved project plan and to provide a gap analysis against relevant leading practices in shared service center implementation and service delivery at comparable organizations.

• More specifically, the objective of the engagement was for McGladrey to provide an independent assessment on whether senior management can be reasonably assured that the management objectives related to the Campus Shared Services implementation are (1) currently being met as of December 31, 2013 or (2) will likely be achieved by December 31, 2014.
Audit and Advisory Services outlined the following objective categories for evaluation relative to the approved project plans. They are excerpted from the CSS team’s foundation charter documents.
Auditing Shared Service Centers – Enterprise Readiness Assessment

Management Objectives – Cost Savings

• Fundamental management assumptions underlying multi-year cost savings model at the time the project was approved are still reasonable and applicable.
• Cost savings to date are in line with projections made at the time the project was approved or as subsequently approved.
• Management estimates of future cost savings are still reasonable, achievable and sustainable.
• Administrative costs have been reduced in line with the cost savings model proposed at the time the project was approved or as subsequently approved.
• The pricing model for provision of services at standard, minimum levels as well as those above are sustainable.
• Additional services above standard, minimum levels have established prices that cover incremental costs of service.
Auditing Shared Service Centers –
Enterprise Readiness Assessment

How McGladrey’s Observations were presented:

A Summary of the Original Baseline
• Approved, documented plans that act as the baseline against which we compared project progress

A Summary of Current State Observations Regarding Project Progress
• Notable efforts undertaken
• Areas for potential risk and management attention

Recommendations for Facilitating CSS Excellence
• Recommendations for additional actions to aid implementation and enhance effectiveness of controls

Evaluation Criteria
• Further assessment criteria from McGladrey experience working with other organizations establishing shared services centers

Risk Rating and Conclusion
• Our team’s assessment of potential threats to the success of the project
Learning Objectives

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Questions

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