

A Review of the Office of the Senior Vice President for
Business and Finance at Iowa State University

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A Review of the Office of the Senior Vice President for Business and Finance at Iowa State
University

The Spring, 2016 review of the Office of the Senior Vice President for Business and Finance was commissioned by the Iowa State University Faculty Senate in February, 2016. Typically, the review includes a review of the senior officer, in this case the Senior Vice President for Business and Finance, and the Office of the Senior Vice President for Business and Finance. This document is the review of the Senior Vice President's office and units that report to it. Even though the Senior Vice President is retiring later this year, a review of the Senior Vice President also was conducted and will be communicated to the Faculty Senate under separate cover.

On March 24, 2016, while the review of the office was being conducted, President Leath announced a reorganization of Business and Finance. As a consequence, the review of the Office of the Senior Vice President for Business and Finance was modified to focus on issues that the committee members believe wish to call to the attention to the leaders of the newly formed Divisions. This report, then, consists of observations of the committee, concerns identified by the committee, and aspects of the portfolio of responsibilities currently undertaken by the Senior Vice President that are not easily identified by a review of the Division's organizational chart or self-study.

Review Process

The committee collected information from a variety of sources in conducting this review. Sources included the self-study provided by the Senior Vice President for Business and Finance, the 2015 Senior Vice President for Business and Finance Annual Report (<http://www.vpbf.iastate.edu/sites/default/files/uploads/annual->

<reports/SVPBF%20Annual%20Report%20-%202015.pdf>), the 2010-2015 Vice President for Business & Finance Strategic Plan

(<http://www.vpbf.iastate.edu/sites/default/files/imported/pdf/StrategicPlan20102015.pdf>),

interviews with key staff members of Business and Finance (B&F) that have oversight responsibilities for units in the Division and who report directly to the Senior Vice President, key stakeholders who work with the Division including but not limited to a senior representative of each academic college, and other Senior Vice Presidents. Upwards of 20 interviews were conducted. An invitation was distributed to the Iowa State Community by electronic mail for comment on the Division yielding comments from 14 members of the University community. Documents reviewed included the B&F self-study, information from the Treasurer's office, and three reports from the 2006 review of the officer and office.

Our review was framed by the mission of Business and Finance. The mission statement, as published in its strategic plan and the 2015 annual report, is as follows:

Create, preserve, and enhance the cultural, fiscal, human, and physical environments that support the university in making Iowa and the world a better place.

We accomplish our mission by continuously:

- Focusing on our customers
- Valuing our people
- Improving our processes
- Connecting with our communities

Overall, it is important to emphasize that the staff members of B&F are perceived by their University colleagues as very competent, highly dedicated members of the University community. Much of their work is unknown to many members of the University faculty and staff since their goal is to provide assistance and support to help others accomplish their tasks. Regardless of the prominence of the work of B&F staff, it is important to recognize the dedication and loyalty of B&F staff members and unit heads. They make significant

contributions to advancing the University and their work is crucial to the success of Iowa State University.

Findings of the Review of Business and Finance

The Findings section of this report is divided into three parts:

1. Observations of the Committee,
2. Concerns of the Committee, and
3. Areas of Responsibility

that are important in the B&F portfolio but not part of the Organization Chart of the Division of Business and Finance.

Observations of the Committee

The following section is based on the comments or observations of those who were interviewed. We do not know the extent to which they are widespread; they simply may be the viewpoints of a few people. Unless otherwise noted, the comments or observations reflect responses from multiple interviewees. We do believe that these comments and observations provide an agenda for new leadership to review and investigate as desired.

- It is unclear to the committee how priorities are established as part of the work schedule developed by FP&M. We heard of too many cases that when assistance is sought from FP&M, the customer is left wondering as to when the project will be completed. In short, we think communication with customers should be enhanced. We understand that some projects may be far more complicated than it would appear to a lay person. Consequently, after an assessment of the complexity of a project has been completed, the customer should be advised as to when the project will be undertaken and the length of time it will take to complete the work. Certainly, such issues as parts that are difficult to procure or

unanticipated problems elsewhere in the University can disrupt work schedules, but in these cases customers ought to be brought up to date so that they are not left wondering when their project will be addressed.

- FP&M staff members too often seem to underestimate the costs of renovation and construction projects. When buildings are renovated or remodeled, the opinion of some of our interviewees is that the actual costs of the project often exceed the estimated costs even when the project includes a contingency fund designed to address unanticipated costs. This is not necessarily the consequence of unanticipated problems arising in the renovation process but, rather, is a function of costs being underestimated. When this occurs the unit for which the renovation is being conducted has no choice but to “find” additional resources, which is not necessarily easy, or cut elements out of the project. In short, customers desire more accurate estimates of costs.
 - The overhead built into construction projects seems to be excessive. Customers would like to have a better understanding of the services provided by ISU for construction or renovation projects, how these fees were determined and what options, if any, they might have for controlling these costs. It is important to remember that customers, in most cases, only engage in construction projects on only an occasional basis and frequently they are new to the process. They need to be “educated” as to the elements that are part of the cost of construction and renovation projects. They also need a better understanding of the services that are provided by the University and those that are considered “extra” costs that are built into the costs of construction. Similarly, how these costs are calculated is a mystery to some customers and better communication about the costs associated

with a construction project, such as planning, architecture and engineering fees that are charged by the University to its customers need substantial clarification.

Rates and fees are available on the FP&M website

(<http://www.fpm.iastate.edu/fees/>); how they are established is not reported.

- Customers report that they feel like they have few options if the quality of work provided by contractors external to the University is substandard. Examples of substandard work by external contractors were provided where remedying the problem was difficult and in the end not to the satisfaction of the customer. More vigorous representation of the customer by University liaisons with contractors was reported as being highly desirable by members of the University community.
- Related to the items above, there is an impression that the University representatives who work with external contractors seem to represent the interests of the contractors to the University's customers rather than the needs and desires of University customers to the contractors. For example, in issues where the quality of work is of concern to the University customer, the contractor's position seems to be represented by FP&M rather than the reverse. Members of the University community find this dynamic frustrating.
- In the current environment, customers think they pay more but get less service than in previous years. There is no way for the committee to verify or refute this observation. But, those who expressed it believed it to be the case. The observation, in our view, probably reflects a need to increase communication between various units in Business and Finance with the larger University community. One element of improved communications could be efficiency studies conducted by FP&M that would reflect the extent to which industry standards are met or exceeded by FP&M staff. Members of the

University community currently have no way of knowing whether FP&M staff complete their assigned responsibilities efficiently or not. It is important to note that the use of disciplinary standards is central to the evaluation of other units in the University as well as the individual performance of faculty and staff through the peer review process or through benchmarking with peer institutions. If such comparison studies have been utilized by FP&M we are unaware of them; consequently, they should be undertaken if they have been not conducted or if they have been, they should be publicized widely on campus as well as to external stakeholders.

- Similarly, more information needs to be provided to the larger University community about what has changed in B&F over the years and what has stayed the same. For example, has the number of staff been increased or reduced? Has the number of square feet assigned to B&F on a per employee basis increased, remained constant, or declined? Have budgets tracked the University budgets, increased at a faster rate, or declined? How has the implementation of the RMM model affected B&F units? Our assumption is that the history of B&F has been similar to the rest of the University, but we do not know the answers to these questions and we encountered serious doubts raised by a number of the people we interviewed.
- Has FP&M tightened its belt the way other units did in the era of budget cuts? Similar to the previous item, the impression is that FP&M has not absorbed budget cuts in this century to the degree other units have had to address budget reductions. We are aware of a significant reduction in the number of custodial employees that occurred in the 1990's. We are less certain about the extent to which staffing levels have been adjusted in recent years due to budget reductions.

- We think it is important to note that the construction industry in the contemporary economic environment in central Iowa has plenty of work and finding contractors to take on projects is not always easy. It is highly desirable to conduct projects in the summer when the University is not as busy as during the academic year, but contractors evidently have sufficient work from school districts and other entities to stay busy in the summer. Consequently, the University has to compete to secure contracts in the summer or arrange for projects to be conducted during the academic year, which is very difficult in that contractors have to “work around” class schedules, and University faculty and staff may have to be displaced from normal work stations. A healthy construction industry has many positive dimensions to it, but it does create additional challenges for securing contractors who can complete work on a timely basis at a reasonable cost.
- Certain units are characterized as cost centers (for example, Stephens, Fisher, Scheman), and for them subsidies may be provided if their expenses exceed their revenues. We do not know how often this is the case and it is important to note that the units are under a new management arrangement, which makes conducting an historical analysis difficult. We are cognizant of the challenges of arts and conference programming and realize that exigencies outside the control of management can have an adverse effect on revenues. We are less certain of the process that is used to provide assistance to these units in the case of budget challenges. Our view is that decisions to provide assistance to these units needs to be part of a larger discussion about the University budget, rather than internally to Business & Finance.
- Similar to the previous item, Environmental Health & Safety (EH&S) faces significant problems due to the nature of the unit’s work. That is, this unit must respond to

unpredictable problems and challenges that arise during the course of a typical fiscal year. The unit has no choice to but to take appropriate actions in a variety of situations that can be very costly and for which the unit does not have funding. In these circumstances, the VP has reallocated funds from other Business and Finance units to remedy the problem. Clearly, unpredicted health and safety problems must be addressed and funds need to be identified to support whatever action E&HS staff members need to take. We are concerned, however, about budgeting decisions being made internal to Business and Finance without involving stakeholders outside Business and Finance. In addition, we think a broader conversation about financing EH&S would be quite educational for members of the university community, given the increasing complexity of the regulatory environment in which the University operates.

- Purchasing, too often in the opinion of some, appears to represent vendor needs rather than ISU customer needs. We heard from several of the people we interviewed that when they had a request that was outside of normal parameters that “vendors might not like it,” meaning that the request would be difficult to fulfill or might require something far outside the norm. While we can appreciate how important good working relationships are for the University with its vendors, we also believe that meeting the needs of faculty and staff should be paramount in unusual transactions. Framing the difficulty of fulfilling an unusual request differently than “our vendor won’t like it” seems essential in meeting the needs of the University community.
- Similarly, we heard of times when a researcher required a unique piece of equipment for a project but did not receive the level of support required from Purchasing to secure it. It is important to note that ISU has a very sophisticated faculty who are engaged in highly

complex research projects, at times requiring equipment that is available from a single source or may not have an equivalent, meaning that there is only one piece of equipment that will meet the requirements of a research project. In circumstances such as this, it is important for Purchasing to take the position of resolving the situation in the faculty member's favor.

- The attitude of B&F staff members needs to be one of “How can we help you?” More than once we heard that the attitude of staff appears to be “make the problem go away.” We don't know the extent of this impression but we do think it merits further study since so many of the B&F staff appear not only to be highly committed to being helpful and but also very dedicated to the University.
- One person indicated that the process by which travel is managed is inefficient and not as helpful as it might be. From this person's point of view, management of international travel is particularly challenging. We do not know how widespread this concern is but given that ISU's faculty, staff and students travel outside the US with frequency, it merits a review.
- Resources are a problem for units in B&F. Among the problems that were identified in addition to those noted above, are the following:
 - Inadequate storage for resource recovery. One person reported that a significant amount of furniture had to left in academic buildings because no room was available for it to be stored in resource recovery. We understand that additional warehouse facilities are in the process of being procured; whether this additional space will alleviate this concern is unknown.

- Some buildings are inadequate. An example is the ISU Police Department that is located in the Armory Building. While the location of ISUPD is relatively central in a geographic sense to the campus, the armory is a building that appears to be inadequate for a contemporary institutional law enforcement agency.
- Staffing is inadequate in many units. The consequence is that training or updating the skills of staff members is very challenging. Staff are needed to meet the needs of the University community to the point where if they are assigned to training activities, their responsibilities go unaddressed. This problem is chronic across the University but is especially acute in areas related to public health and safety.
- Related to the resource problems identified in the previous item, several people observed that even if enrollment does not increase in the next few years, the university will need to take significant steps to meet the needs of its stakeholders, and this process may take from five to ten years. Growth has been addressed in many units by asking faculty and staff simply to work more efficiently, effectively or both. In many units, including B&F, the work of University employees has been heroic. But the committee believes there is significant evidence to suggest that relief needs to be provided or the quality of the experience provided by the University for its stakeholders will be diluted in undesirable ways.
- The effectiveness of advisory committees was questioned in some of our conversations. Whether this means that the frequency, substance or both of advisory committees needs to be enhanced is not clear to us. We do believe, however, that having advisory committees is desirable, as was recommended in the review of this area years ago, but we

also believe that such committees need to be effective or committee meetings are not a good use of the time devoted to them.

- Though not the charge of this committee, we did learn that CyRide transportation system has been challenged to provide adequate service for the increasing members of the campus community. For example, as members of the campus community participate in increasing numbers at the Research Park and the Applied Science Complex, CyRide routes may need to be adjusted to accommodate riders who need to access these facilities.

Comments from the Committee

The depth of this review was restricted by time constraints; consequently, this section was characterized as observations of the committee. We do not know the extent to which there is widespread agreement with these observations and have included them as issues that can be reviewed by new leadership. We do know that the FP&M website, for example, has a wealth of information. What is unclear is how various policies and procedures were developed, and the extent to which they are current since, for example, the “Who Pays for What Manual” has a publication date of June, 2009 (http://www.fpm.iastate.edu/Who_Pays_Manual.pdf). Without question, B&F has experienced an increasingly-challenging workload that has accompanied the growth of the University. But some of the issues would be of concern whether the University had grown or not. In short, many of these items may serve as points of discussion and our hope is that they are useful as new leaders assume their positions.

Concerns of the Committee

Members of this review committee have identified some concerns related to the operation of B&F. They are identified and described in this section of this review.

- Transparency. To be blunt, too many of those we interviewed from outside B&F find the operations of the units of B&F less than transparent. For example, costs associated with services provided seem to be determined arbitrarily in spite of the publication “Who Pays for What Manual.” Customers do not understand why they have to pay for routine services when B&F units receive general funding for their operations. Simply put, some B&F units suffer from public relations problems.

We believe that leaders in B&F are aware of these concerns and have begun to take steps to address them, but more needs to be done. Such questions as “Why is there such a high level of overhead associated with construction and renovation projects?” “What are we getting for our money?” “Why do we have to use B&F services for work on facilities when we could get the work done elsewhere for a lower cost?” need to be answered. Our view is that facility-related issues are not as simple as some would surmise. In fact, the use of services provided by B&F often involves organized employees where costs can be substantial. In addition, certain standards established by the State of Iowa or other governmental entities that ISU must meet may add to the cost of various projects. Our view is that this concern, related to transparency, is significant and needs to be addressed as soon as possible.

- Accountability. Related to the concern of transparency is that of accountability. That is, a number of people interviewed openly wondered about the level of accountability of some of the units in B&F. Expressed elsewhere in this report was the impression that some B&F staff seem to be more concerned about keeping vendors and contractors happy rather than viewing their principal stakeholders as members of the university community. In addition, when work is substandard, or the special needs of a university customer were

not met, the interviewees indicated that they felt as though they had no recourse to remedy the situation. While we are confident that a system of accountability does exist, and that problems can be rectified, we are equally confident that members of the University community do not necessarily know the processes available to them or the steps they need to take to reach a satisfactory resolution of their problems.

Accordingly, we think it is incumbent on B&F leaders to take action to develop a more responsive system of accountability. Members of the University community will not automatically know how to resolve problems as may arise from interactions from members of B&F. How to do so needs to be much clearer than presently is the case, and it may be useful to appoint customer service representatives who can assist in resolving problems and concerns as quickly as possible in many of the units.

- Customer-orientation. This item blends with those identified above and to a certain extent overlaps with them. As was indicated above, we heard from several of the people we interviewed as well as from the comments received that members of the University community get the impression that in some cases addressing the needs of vendors and contractors is more important than representing the needs of institutional members. This observation is rooted in concerns about work being completed on time, the difficulty that some encounter in purchasing items that are required for unique, highly sophisticated projects, and meeting standards of excellence in providing services. If a construction project is not completed to the satisfaction of the unit funding it, the unit's interests need to be represented until the matter is resolved. If a world-class faculty member needs a unique piece of equipment, and attests to the fact that a research project depends on having the equipment, it should be procured. These matters illustrate grave concerns

since they cut to the heart of the University. Facilities need to be developed to meet the needs of users, not the contractor constructing them. Faculty research is a crucial element of an AAU university and if faculty cannot complete work to their satisfaction, they can find another institution with which to affiliate and they will take external funding with them. This matter truly is not negotiable. Units that provide service to the University must, at their core, have a customer-orientation.

- Adequate funding. We learned from many of our interviewees that units in B&F are chronically underfunded, have too few staff, and use a “band aid” approach to balancing their budgets. ISUPD should not have to scramble to arrange funding for contemporary protective gear. E&HD should not be routinely underfunded given its mission of resolving safety issues on campus. ISU ought to have a real estate office or at a minimum, a person assigned to manage the University’s real estate interests. Tax issues are left to a number of staff to address as part of their portfolio rather than having an office, or at least a full time staff person, dedicated to these matters. These problems may reflect the substantial growth of the University in the past few years.
- Adjusting to university growth. As is the case with a number of units on campus, both academic and non-academic, the University’s growth has stretched resources to the point where questions are raised quite openly about the institution’s ability to provide the type of education that historically marked the Iowa State experience for students. B&F has not been immune from these challenges. A thorough review of unit functions, organizational structures, funding, and staffing is in order in our opinion. We trust that new leadership will undertake such a review with the goal being to lead units that are dedicated to providing the best possible services utilizing the resources made available to them.

Responsibilities Assumed by Business and Finance that are not Part of the Organization Chart

The VP has assumed a number of responsibilities that are not included in the Division's organizational chart but, rather, fall under the category of "... coordinates and negotiates agreements with the City of Ames, Story County, and state agencies..." This portion of his responsibilities has grown in complexity over the years and include the following:

Real Estate. Iowa State University does not have an office dedicated to managing, procuring, and selling real estate. It is common that Universities as large and complex as ISU have an office dedicated to real estate responsibilities (see, for example, Indiana University, <http://www.indiana.edu/~rleadmin/>). The VP, it was widely acknowledged, has a superb command of the real estate environment in which the various activities of Iowa State University are conducted. With his retirement, concern has been expressed that whoever replaces him will have far less understanding of the real estate market, much to the university's detriment.

Tax Office. As is the case with having a real estate office, major universities often have a Tax Office to deal with such issues as institutional tax compliance, international tax issues, sales taxes and so on (see "Tax Takes a Front Seat," http://www.nacubo.org/Business_Officer_Magazine/Magazine_Archives/October_2008/Tax_Takes_a_Front_Seat.html). Examples of such offices can be found at the University of Minnesota (<http://tax.umn.edu/>) and the University of Michigan (<http://www.finance.umich.edu/tax>). In other cases, tax compliance is assigned to an office where the activity is coordinated by staff members dedicated to addressing tax issues, such as can be found at Georgia Tech (<http://www.controller.gatech.edu/tax-compliance>) or Purdue University (<https://www.purdue.edu/business/payroll/taxes/>). A number of people at ISU currently deal with tax issues but there is no central office similar to what can be found at the universities

identified above that coordinate compliance with various taxing authorities. Given the increasing complexity of the tax code, it may be in ISU's interest to establish such an office.

Affiliated Offices and Organizations

The VP serves on a number of boards and other organizations within Iowa State University, broadly defined. Among them are the following:

Alumni Association (Board of Directors, Treasurer, Nonvoting)

ISU Research Foundation (Board of Directors, Ex-officio Member)

ISU Foundation (Governor)

ISU Research Park (Member, Board of Directors)

Agricultural Endowment

The Senior Vice President also works with the Government of the Student Body in determining student fees. As students contemplate proposing fee adjustments to fund projects or offices, they work closely with the VP. This task will have to be assigned to someone in the future.

Liaison Relationships External to ISU

The VP serves as an official or unofficial representative from ISU to a number of entities that are external to ISU. In some cases, the working relationship is informal in that the VP has established a relationship with leaders of these organizations over the years and they work with him on an as-needed basis to address issues of mutual interest. The relationship that has been developed between the University and local governmental agencies was described for the committee members as being among the most positive in the country and contributing to this relationship has been the tireless work and interest of the VP in sustaining positive, external relationships over the years. Among these relationships are the following:

City of Ames

Story Country

Ames Chamber of Commerce

Ames Convention and Visitors Bureau

Ames Economic Development Commission (Board Member)

Ames Transit Agency (CyRide) (Board Member)

Comments from the Committee

There very well may be other organizations or functions that are undertaken by the VP or his staff that we are not aware of. That does not mean that these responsibilities are unimportant or trivial. Rather, they reflect the growth and development of the University and the environment in which it functions. As these activities have grown, the current VP has accepted the responsibilities and has, in many cases, been the person that those organizations have looked to for leadership or he simply has taken on the responsibilities. The result has been that the University and its constituent organizations have been served well. We do, however, wish to point out our concerns that a new VP in addition to undertaking the oversight and leadership responsibilities assigned will have a steep learning curve so that she or he can represent the University well to these, and perhaps other, constituencies.

The matters of real estate and tax also reflect the growth of the University and an increasingly complex external environment. That the University does not have a real estate office has not been of great concern because while the current VP is incredibly knowledgeable about the real estate market. It is unlikely that a new person will have the depth and sophistication concerning the real estate market of the current VP. Accordingly, we recommend a review of the oversight that is provided for real estate with perhaps creating an office or at least a person whose primary responsibility would be supervision of the University's real estate

holdings. Similarly, ISU currently has a number of offices and persons who deal with various aspects of the tax environment. This circumstance seems antiquated particularly in lieu of the increasingly regulated environment in which the University functions. Other models that AAU members employ for addressing tax issues have been referenced earlier in this report. Similar to real estate, we think an immediate review of the approach the University is taking toward tax compliance be undertaken.

Final Comments

The mission statement of Business and Finance was used to frame this report. In returning to the mission statement, we think that two elements of it, those related to focusing on customers and connecting with communities, need to be emphasized in any further study of the units that comprise B&F. We believe that further efforts need to be undertaken in those areas based on our findings.

The 2006 review of the Office of Business and Finance included three recommendations that we think remain contemporary. They include:

1. Acknowledge the positives. There is no question that B&F has many, many staff and unit heads who are highly dedicated, extremely loyal and do excellent work. We do not want to lose sight of that conclusion. As was stated in the 2006 report, “Overall, this dedicated group should be thanked for their quality performance.” We agree with this conclusion and want to reiterate the University community’s appreciation for their work.
2. Improve communications. Much of the work of B&F is not well understood by the University community and we think it is incumbent for units that are a part of B&F to be engaged with the balance of the University on a more systemic basis. That is, they

- need to reach out to the campus to explain their functions, and as services are provided, that those who are served understand what can and cannot be done.
3. Look to the future. As was observed in the 2006 report, “ISU is actively engaged in a process of change.” Without reiterating all of the question raised in the 2006 report, the need for a thorough review of functions and services of B&F is overdue. We trust that this report will provide a basis for a serious examination of the units that comprise B&F.

In closing, we wish to express our appreciation to everyone from the ISU community who was involved in this review. The level of cooperation was superb and we trust that our observations will be useful as the University moves forward.