Treasurer's Town Hall

J. Michael Gower

Executive Vice President, University Finance and Administration
University Treasurer

September 12, 2018

Camden Campus Center

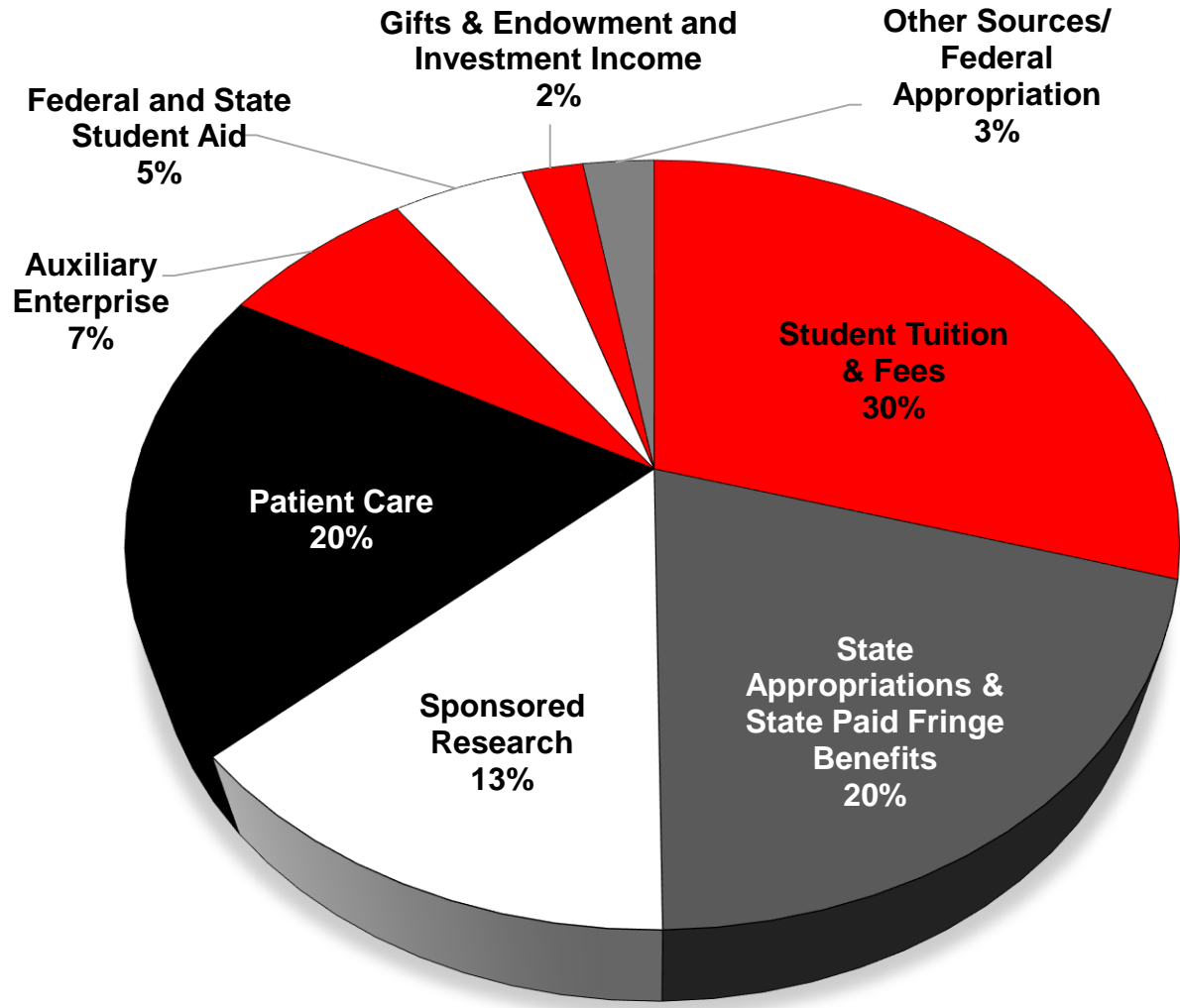RUTGERS

- **Welcome**   Mike Gower

- **FY19 and FY20 Budgeting and Planning**   Kathy Dettloff

- **Budget Planning and Forecasting**   Chris Bailey

- **FY18 Year-End Activities**   Ernie DiSandro

- **Project Management Office**   John Fahey

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Kathy Dettloff

Vice President, Finance and Budget

Tuition and Fees and other Student Charges (~30%)	Student affordability and access, federal changes to financial aid and student support, as well as public scrutiny on rising costs
State Appropriations (~20%)	Constrained State government spending not keeping pace with the growth of the University
Patient Care (~20%)	Impact of health care reform, federal and state health care spending
Grants and Contracts (~13%)	Significant federal government spending cuts expected to impact revenue

Note: The remaining 17% is comprised of various revenue sources.
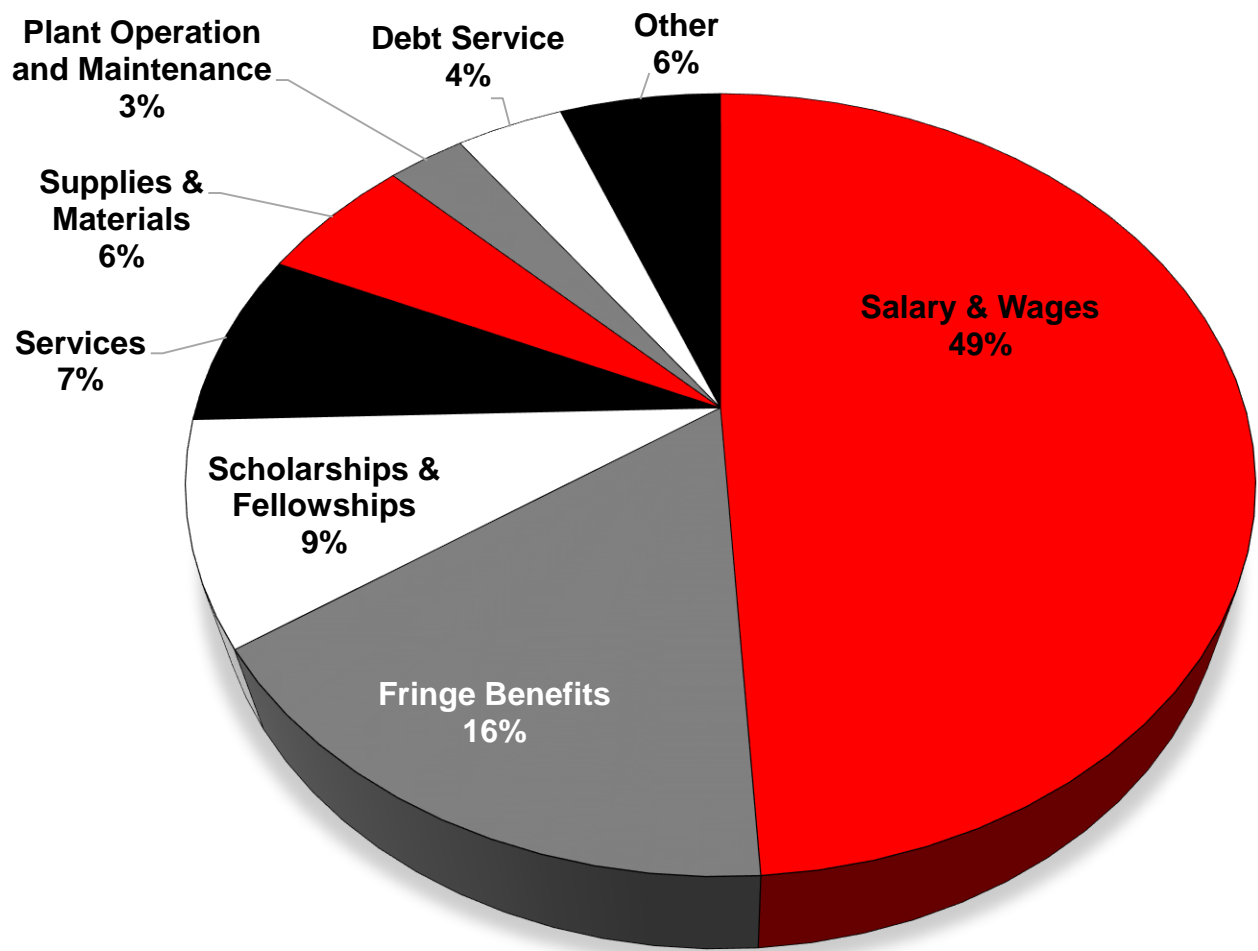
Salary and Wages (~49%)	24 labor unions with negotiated, mandatory annual salary increases
Fringe Benefit Costs (~16%)	Dictated by the state based on cost projections; the University pays approximately 40% of all benefit costs
Financial Aid (~8%)	Providing access through affordability with Rutgers Institutional Aid
All Other (~27%)	Areas where the University can look for efficiencies and cost control

Dollars in Thousands

Revenue (Sources of Funds)	New Brunswick	Newark	Camden	RBHS	Central	Total
Student Tuition and Fees	681,868	265,970	113,688	181,971	39,784	1,283,282
Federal and State Student Aid	0	0	448	0	211,691	212,139
Federal Appropriation	6,857	0	0	0	0	6,857
NJ State Appropriations	203,013	30,630	16,671	183,656	0	433,971
State Paid Fringe	126,561	39,957	18,689	173,860	85,674	444,742
Grants and Contracts	198,101	20,358	12,885	237,827	4,663	473,833
Facilities and Administrative Recoveries	50,366	4,411	673	51,700	1,498	108,647
Gift and Contribution Revenue	20,501	2,839	585	9,920	442	34,286
Endowment and Investment Income	23,204	3,484	1,094	10,863	25,111	63,756
Healthcare Revenue	0	0	15	570,941	0	570,956
Affiliated and House Staff	0	0	0	286,041	5,673	291,714
Other Sources Revenue	71,384	5,740	3,005	12,787	14,549	107,464
Auxiliary Revenue	264,610	21,998	11,307	12,692	0	310,606
Total Revenue	**1,646,465**	**395,388**	**179,059**	**1,732,258**	**389,085**	**4,342,25**

Total Revenue	1,646,465	395,388	179,059	1,732,258	389,085	4,342,255
Expense (Uses of Funds)	*New Brunswick*	*Newark*	*Camden*	*RBHS*	*Central*	*Total*
Salaries and Wages	638,399	160,605	87,557	908,678	303,598	2,098,837
Salary Contingency	15,320	3,586	1,707	18,001	2,800	41,414
Fringe Benefits	218,850	53,379	28,487	300,610	111,507	712,833
Total Compensation	872,569	217,570	117,751	1,227,289	417,905	2,853,084
Supplies and Other	91,149	14,254	5,661	100,200	34,026	245,290
Scholarships and Fellowships	81,418	27,292	16,154	25,140	250,095	400,098
Travel	25,705	3,523	2,574	8,802	3,811	44,415
Plant Operation and Maintenance	61,114	5,136	3,083	6,884	46,414	122,630
Debt Service - Principal and Interest	39,336	10,072	2,517	7,595	110,821	170,341
Other Operating Expense	79,513	16,394	15,153	58,896	50,449	220,405
Professional Services	102,027	18,239	8,486	92,336	52,499	273,587
Provision for Initiatives and Contingencies	32,274	5,477	(23,458)	1,768	20,444	36,504
Total Expense	1,385,106	317,957	147,920	1,528,909	986,462	4,366,354
Transfers	22,189	4,242	6,658	(1,183)	(31,907)	0
Cost Pool Transfers	(282,043)	(84,498)	(37,299)	(220,040)	623,881	0
Change in Fund Balance	1,505	(2,826)	498	(17,873)	(5,403)	(24,099)
Plant Fund Transfers *	(34,525)	(2,619)	(628)	12,750	0	(25,022)
Use of Prior Year Net Assets **	33,020	5,445	130	5,123	5,403	49,121
Change in Fund Balance Operations	0	0	0	0	0	0

Notes:

 *Operating funds budgeted for deferred maintenance

**Prior year funds set aside for one-time strategic initiatives

Chris Bailey

Assistant Vice President, Financial Planning and Budget

FY 2018 Q1

- **July**: Start of fiscal year post-approval from Finance & Facilities (F&F) Committee, Board of Governors (BOG)
- **August**: Units spread approved fiscal year budget by month
- **September**: Revenue and expense training for cost centers in Enterprise Planning and Budgeting (EPB)

FY 2018 Q2

- **October**: Cost center budgeting in EPB
- **November**: Workforce Planning training
- **December**: Budget Committee final review of cost pool requests

FY 2018 Q3

- **January**: Q2 forecasts due; finalize FY2020 cost pool budgets; responsibility center budgeting
- **February**: Allocations finalized for responsibility centers; Budget Office requests tuition and fee rates
- **March**: Finalize central- and campus-based cost center budgets; tuition and fee rates due

FY 2018 Q4

- **April**: Responsibility Center budgets due; Q3 forecasts are due to the Budget Office
- **May**: Develop consolidated University Board Budget
- **June**: Final FY2020 Budget Prepared for F&F and BOG meetings in July

In January 2019, EPB will replace the Hyperion Planning application for the FY20 budget process. With this transition comes the development of a workforce planning module.

- University's first workforce planning tool; testing and training in November/December.

- Workforce planning tool will address HR and Budget needs to plan by employee for compensation-related expenses.

- Units will be able to align Budget and HR strategy with the units priorities.

- Workforce planning will assist in annual budget process, create stronger and more accurate forecasting model, track vacancy rates, and allow for a better allocation of resources when setting goals and priorities.

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Starting in January, for FY19 and prospectively, units will generate quarterly forecasting reports, which will have the following benefits:

- Compile comprehensive amounts of data from the previous month, quarter, or year into meaningful information that you can use to reveal important trends.

- Monitor your unit's progress to ensure you are on track to meet end of year goals.

- Identify risks and challenges early.

- Help you assess how well your budget was structured and what revenue/expense lines may need to be assessed further in the next budget process.

- A reliable forecast will make future resource planning and allocations easier.

- Precise budgeting and forecasting should allow your unit to accurately tell its story through the numbers.

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Ernie DiSandro

Interim University Controller

- On May 31st, Ernie DiSandro began serving as Interim University Controller

  - Lead the University Controller's Office through this transition period

  - Manage year-end close, ensuing audits

  - Provide key services to the University community

- Cross validation rules (CVRs) control the combination of values that can be created when selecting chart of account (COA) segments.

- CVRs define which COA segments can be used together.

- CVRs are in the general ledger and all sub-ledgers, including Projects and Accounts Payable.

- RU Marketplace and PeopleSoft systems adhere to the same rules.

- CVRs help determine how accounting information is collected, categorized and stored for reporting purposes.

75+ CVRs

in the system today

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- Sub-ledger accounting rules (SLAs) determine how sub-ledger transactions are recorded in the general ledger.

  - Project Costs

    - Sponsored Projects

    - Non-Sponsored Projects

    - Natural Account

  - Facilities & Administration (F&A) Indirect Cost Recovery

  - Grant Fund Type

  - Payroll

- Internal Purchase Order (IPO) forms updated with correct account value for suppliers.

- IPO requisitions with incorrect Account values will be automatically rejected. Requisition must be cancelled and resubmitted with the correct account value.

- **~5,500 purchase orders have mismatched accounts and suppliers. Beginning September 10, we will issue reports to Chancellor and central unit representatives. Outstanding balances should be used or IPOs should be closed by Dec. 31, 2018.**

- UCO will make correction entries monthly for FY18 to reclassify invalid IPO entries to the right accounts. **Units that making corrections should stop, as we are handling them centrally.**

- December 31, 2018 is the deadline to cancel existing IPOs where the account does not match the IPO supplier, and to re-create them with the correct Account in the 74xxx series.

Available Now	Funding Transfers
	Expense Recoveries
	Faculty Funds
	Reimbursement for Relocation Expenses

To Be Developed and Made Available Based on Business Need and Risk	Salary / Wage / Fringe Manual Adjustments in General Ledger
	Accounting for Internally Designated Funds
	Accounting for Use of Prior Year Balances / Reserve Funds
	Accounting for Educational Opportunity Fund Program
	Standard Month End/Year End Close Procedure
	Internal Charges and Service Centers
	Designated Projects – Funding Deficits and Project Close-out

May 31, 2018	• Audit Committee presentation on audit plan
Interim Fieldwork Jun. 4-29, 2018 (financial statements) Jul. 30 - Aug. 24 (single audit)	• Update our understanding of accounting and reporting activities • Evaluate design and implementation of selected controls, including IT general and application controls • Test operating effectiveness of selected controls • Plan and perform substantive procedures on certain accounts as of interim date • Begin test work for Federal and State of New Jersey student financial assistance

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Final Fieldwork Aug. 20 – Nov. 9, 2018	• Plan and perform substantive procedures on other accounts, and roll forward procedures • Perform remaining audit procedures • Form audit conclusions • Discuss key issues with management
Oct./Nov. 2018	• Audit Committee meeting • Audit process debrief • Issue report on financial statements • Issue management letter, if applicable
Dec. 2018 – Mar. 2019	• Issue additional reports

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Date	Action
Monday, August 20	KPMG Year End Audit Fieldwork Began
Thursday, September 13	August FY18 Period Close
Wednesday, October 10	September FY18 Period Close
Tuesday, October 30	Audit Committee Meeting

John Fahey

Project Executive

Project	Status
Sponsored Projects Review	• **Completed**: Verified expense and balance information for ~5,600 active projects, reviewed FY18 activities to support the FY18 audits. 100% response rate from principal investigators and business managers. • Ongoing: Financial review and reconciliation of remaining open contracts, compliance review and close out of expired contracts (~7,000 projects). Target completion by end of December 2018. • Ongoing: Process reviews, training and review of potential system enhancements in progress.

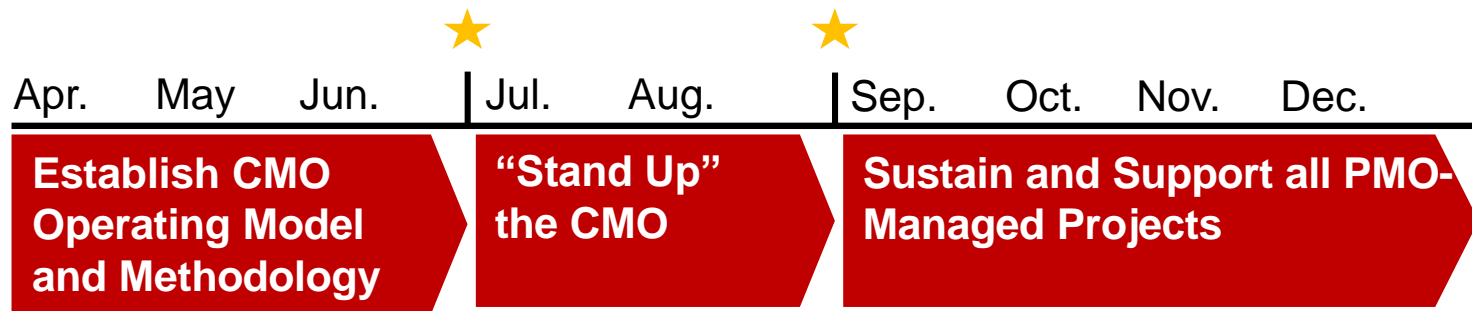| Project	Status
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Chart of Accounts	• **Completed**: Activated internal and system controls ensure FY2019 will have accurate and easily reportable data; finalized accounting policies and procedures; and put rules into place that will prevent the inappropriate use of the chart of accounts.

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Chart of Accounts	• **Completed**: Activated internal and system controls ensure FY2019 will have accurate and easily reportable data; finalized accounting policies and procedures; and put rules into place that will prevent the inappropriate use of the chart of accounts.
Student Experience Improvement Initiative	• **Completed**: Opened RU–Camden one stop service center. Co-located staff from Registrar, Financial Aid, and Student Accounting in Records Hall on RU–New Brunswick campus. • Ongoing: Validating system requirements and unique use cases, System selection expected by end of December 2018. • Planned: One stop service centers for RU–New Brunswick (Spring 2020), and RU–Newark (Fall 2020 or January 2021).

| Project	Status
Financial Management	• **Completed**: Account Reconciliation module pilot (Plant Funds). Expansion to other units in progress. • **Completed**: Financial Consolidation and Close module launch. Roll out in progress to support year-end close and audit, "final" launch to be complete in Sep. 2018, not including cash flow process (pending requirements validation and testing)

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Reporting and Analytics	• **Completed**: Gathering and analyzing data and report requirements for reporting optimization • Ongoing: Formation of Center of Excellence in partnership with University Controller's Office and Office of Information Technology. Includes finalizing governance models, deliverables and timelines.

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Procurement	• **Completed**: Purchasing card (P-Card) pilot • **Completed**: Travel card pilot. Full roll out scheduled for Dec. 2018 • Total Contract Manager in progress, scheduled completion date under review.

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| Apr. | May | Jun. | ★ Jul. | Aug. | ★ Sep. | Oct. | Nov. | Dec. |

Establish CMO Operating Model and Methodology → **"Stand Up" the CMO** → **Sustain and Support all PMO-Managed Projects** →

- CMO will track and manage data in PMO Projects Portfolio. This includes Cornerstone projects, as well as initiatives for University Human Resources and University Procurement Services, for example.

- The CMO Operating Model and Change Management Playbook will be leveraged to apply a consistent end-to-end Methodology for all UFA PMO projects.

- Continue to host knowledge transfer sessions with PMO leadership, Project Managers and project teams.
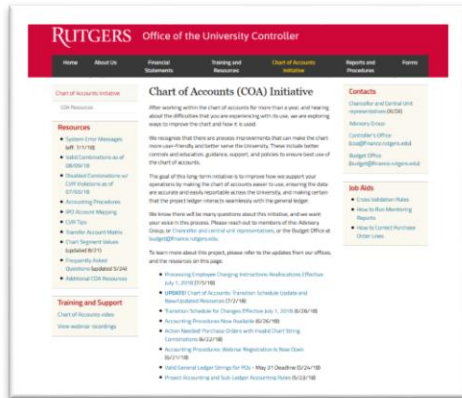
Chart of Accounts
Website
Open forums
Webinars

Cornerstone
Budget Planning and Forecasting
Reporting Optimization
Student Experience

**Student Experience
Improvement Initiative**

- Revising and creating new templates and tools to standardize and upgrade our approach to project communications.

- Making better use of current and new technology to engage people in ways that do not rely on email communication.

- Partnering with the UFA Change Management Office and project teams to improve adoption of new systems and processes.

Classroom	
Month	**Employees Trained**
February	750
March	493
April	459
May	519
June	394
July	263
August	204
Total	*3082*

Webinars	
Month	**Employees Participated**
February	23
March	13
April	160
May	540
June	260
July	436
August	285
Total	*1717*

Updated through August 31, 2018

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