Finance Town Hall

ACCOUNTABILITY ★ SUPPORT ★ COLLABORATION
UNDERSTANDING ★ TRUST ★ STRATEGIC ALIGNMENT
HOW WE WORK
Before we begin

We are recording. Attendees have been placed on mute.

We will address questions at the end of each presentation.

If you have questions for the presenters, use the Q&A function.

If you want to talk with other participants, please use the chat.
Agenda

Meet the Presenter
J. Michael Gower
Trends in Higher Education

Meet the Presenters
Maggie Quinn
Procurement Policy Update

Meet the Presenter
Doug Horr
Embracing Excellence and Empowering Change

Meet the Presenter
David B. Moore
Fiscal Year 2024 Budget

Q&A

Conclude
J. Michael Gower | Executive Vice President-Chief Financial Officer & Treasurer

J. Michael Gower is the Executive Vice President - Chief Financial Officer & University Treasurer at Rutgers, The State University of New Jersey, where he leads financial management and planning, procurement, and strategic administrative system initiatives. As part of his role at Rutgers, Gower was responsible for the financial integration of former units of the University of Medicine and Dentistry of New Jersey (UMDNJ) into the university.

On the Agenda

Trends in Higher Education
Trends in Higher Education
Growing number of US colleges and universities face deficits as revenue and expenses misalign

Low net tuition revenue growth, the end of federal pandemic aid and inflation are among the greatest credit risks for both public and private universities through at least 2024.

LOWER RISK

State funding for public universities

Higher ed inflation

Macroeconomic uncertainty, impacting:
- Borrowing costs
- Endowment performance
- Philanthropy
- Fed. funds rate, 6/30
- YOY state funding

Source: Moody's Investors Service

Gross Domestic Product Growth

Source: Federal Reserve Bank of NY
Maggie Quinn | Director of Procure-to-Pay Operations

Maggie is the Director of Procure-to-Pay (P2P) Operations, University Procurement Services. Maggie is a member of the Procurement Leadership Team and responsible for leading purchasing, accounts payable and contracting activities across the university. Maggie currently serves as the President of the New Jersey Higher Education Purchasing Association.

On the Agenda

University Procurement and Payment Policy Update

Q&A
University Procurement and Payment Policy 20.1.11 Update

August 2023
Procurement Policy Changes

Federal Regulation Changes

- In November 2020, the federal government made changes to Uniform Guidance (UG) which outlines the methods of procurement to be used for the acquisition of goods and services using federal funds.

Key UG changes:

1. Micro-purchase threshold (one quote) increased to $50K
2. Formal bid threshold increased to $250K
3. Geographical preferences in evaluation of bids limited (Federal Funds)
4. Institutions may self-certify thresholds with cognizant agency
Procurement Policy Changes

University Procurement Policy is fully aligned with Uniform Guidance thresholds

- Single quote threshold increased from $10K to $50K
- Formal bid threshold increased from $150K to $250K
- Incorporated guidance to prevent restrictions of competition

Additional changes:

- Eliminated limited delegation of procurement authority for Athletics
- Raised Board of Governors Waiver of Bid approval from $1M to $5M
- Included Chief Financial Officer Waiver of Bid approval from $1M and $5M
- Included Board of Governors approval for Formal Bid awards over $10M
- Included Finance & Facilities meeting and annual Board of Governors reporting requirements for waiver of bids between $1M and $5M and formal bid awards between $1M and $10M
Questions
Comments
Doug Horr, CIA, CCEP | Chief Audit Executive

Doug rejoined Rutgers Audit and Advisory Services as the Chief Audit Executive in 2023, having previously served the university from 1988 to 2005. He is an audit, compliance and risk management professional having worked for four institutions and consulted at a number of others. He holds certifications as an Internal Auditor and Compliance & Ethics Professional and is a past-president of the Association of College and University Auditors. Doug holds a BS-Public Finance from Indiana University and an Ed.M. in Higher Ed Administration from Rutgers.

On the Agenda

Embracing Excellence and Empowering Change
Audit & Advisory Services

Embracing Excellence and Empowering Change
The Board of Governors’ Committee on Audit establishes and authorizes AAS as part of its oversight role

**Authority**
- Authorized full, free, and unrestricted access to any and all of Rutgers’ records, physical properties, systems, and personnel necessary to achieving its goals

**Objectivity**
- Remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, and report content, to permit maintenance of a necessary independent and objective perspective

**Purpose**
- Assist University management and the Committee in assessing risks and evaluating both the design and operating effectiveness of controls that address those risks
- Promote effective controls and improved processes in a cost-effective manner

**Professionalism**
- Practices in accordance with The Institute of Internal Auditors’ Professional Practices Framework, which includes the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards)
Our Vision

To serve as a catalyst for enhancing the University's ability to deliver the highest quality education, promote groundbreaking research and serve our local, national and global communities.
What We Do: What are internal auditing’s objectives?

Safeguard assets

Safeguard assets

Compliance with laws, regulations, policies

Accomplishment of objectives

Reliability and integrity of information

Effective and efficient use of resources
Rutgers Audit Universe

- 29 Schools
- 300+ Centers
- 400+ Graduate programs
- 22,000 Faculty & Staff
- 400+ laws and regulations
- $875M Research
- 900 Buildings
- 9,000 Int’l Students & Scholars
- 400+ International programs
- 1300+ Clinical professionals
- 2.8M Patient visits
Developing the Annual Plan

Information Gathering:
- Interviews with university leaders
- Surveys to operating units
- Discussion with external auditors

Analysis:
- Aggregate data and extract themes
- Compare with prior year data to evaluate trends
- Assess emerging risks in higher education
- Benchmark with peer institutions

Senior Leader and Audit Committee Buy-in:
- Draft audit plan based on available staff hours and competencies
- Discuss draft plan with key senior clients
- Obtain Executive level input
- Discuss with Audit Committee Chair

Present for Audit Committee Approval:
- Once approved, work commences in new fiscal year

Once approved, work commences in new fiscal year.
Enhancing Efficiency

Key to completing the approved audit plan is enhancing our audit processes, including:

- Simplifying management practices in the department
- Standardizing programs for certain types of audits
- Shortening time spent with clients through smaller, risk-focused audits
- Enhancing client communication throughout audit
- Re-working our audit follow-up process
The IIA’s Three Lines Model

GOVERNING BODY
Accountability to stakeholders for organizational oversight
- Governing body roles: integrity, leadership, and transparency

MANAGEMENT
Actions (including managing risk) to achieve organizational objectives
- First line roles: Provision of products/services to clients, managing risk
- Second line roles: Expertise, support, monitoring and challenge on risk-related matters

INTERNAL AUDIT
Independent assurance
- Third line roles: Independent and objective assurance and advice on all matters related to the achievement of objectives

KEY:
↑ Accountability, reporting
↓ Delegation, direction, resources, oversight
↔ Alignment, communication coordination, collaboration

EXTERNAL ASSURANCE PROVIDERS

Lines of Defense
AAS performs audits based on assessments of the University’s risks and control systems.

This includes assessments of the controls pertaining to compliance, predominantly at the business unit level and entity (university) level.

The primary components of an effective system of internal controls are also the essential elements of an effective compliance program.
Audit vs Compliance: Differences vs similarities

1. Implementing written policies and procedures
2. Designating a compliance officer and/or compliance committee
3. Risk Assessment
4. Standards and Controls
5. Training and Communication
6. Reporting
7. Monitoring and Audits

Committee of Sponsoring Organizations Enterprise Risk Management Cube
Meet the presenter

David B. Moore | Vice President for Financial Planning and Analytics – Chief Budget Officer

David is responsible for developing and implementing comprehensive financial strategies that support the mission, strategic plan, and core academic and administrative objectives of Rutgers University. David provides universitywide leadership and broad strategic oversight of financial planning, budgeting, and data analytics that will advance the transformation of the university’s financial functions, shaping how the university makes decisions, and impacting long-term planning for the university.

On the Agenda

FY 2024 Budget Update
FY 2024 Budget Update
Rutgers’ annual budget reflects the values of the university in fulfilling its core priorities of outstanding teaching, research, service, and clinical care, while providing the best academic and research experience for our students.

The University’s FY 2024 total budget is a statement of our priorities; a statement of our values while taking steps to preserve access and affordability.
This budget spends $5.4 billion on the things that are most important to us.

- 77% of the budget is spent on our core missions of student instruction, research, public service and patient care
- 15% is spent on administration, operations and maintenance
- 5% is spent on auxiliary enterprise (housing and dining)
- 3% is spent on Athletics
Total University Spending

This budget spends $5.4 billion on the things that are most important to us.

- **Classroom instruction and academic support**, which makes up one-third of the total budget, includes faculty compensation and staff support for academic units, libraries and deans’ offices comprise 33% of the budget or $1.77 billion.

- **Student scholarships, financial aid and services, public service, extension and patient care** comprise 32% of the budget, or $1.69 billion.

- **Sponsored research and other sponsored programs** include funds spent on research associated with federal, state and nongovernmental grants and contracts: $658.5 million, or 12%.
Total University Spending

This budget supports operations across all campuses of Rutgers University

- **Administration and Operations** includes support for central administrative offices as well as support for Rutgers facilities including upkeep and utilities costs: $823 million, or slightly over 15% of total

- **Auxiliary Enterprise** includes housing and dining operations as well as parking and transportation costs: $251 million, or just under 5% of total

- **Athletics** includes the 24 men’s and women’s Division 1 sports programs at RU-New Brunswick: $159 million, or 3% of the total. It is important to note that nearly three-quarters of this amount is supported through funds generated by Athletic program.
Total University Cost Drivers

Upward Pressure on Cost

- Student support
- Financial aid
- Negotiated salary increases
- Fringe benefit associated with salary increase
- Fringe benefit increases for rising health care premiums and pension contributions
- Increases due to inflation in energy and other utility commodities
- Increases across all non-personnel categories: Example – Supplies, Travel, and Contracted Services
Total University Revenue

Where does this funding come from? That, too, is a statement of our values.

* Miscellaneous Sources primarily includes: Auxiliary Enterprise, Student Aid, Athletics, Gifts and Contribution, and Endowment and Investment Income.
Tuition and Fees
Despite actions necessary to address inflationary pressures, Rutgers remains among the most affordable major public research universities in our peer groups.

The FY 2024 budget includes a 6.0% increase in tuition and a 6.0 increase in mandatory fees for most undergraduate and graduate programs. For a typical undergraduate Arts and Sciences student who is a New Jersey resident, that will equate to, on average, $387 per semester for tuition and $100 for mandatory fees.
Keeping Rutgers Affordable
Preserving and Improving Access and Affordability

Overview

- Programs designed to make college more accessible and affordable; offering “last dollar” financial aid for students
- Complements Garden State Guarantee Program from State of New Jersey

Each program consists of three funding tiers:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Adjusted Gross Income (AGI)</th>
<th>Out-of-Pocket Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>$0-$65,000</td>
<td>$0</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$65,001-$80,000</td>
<td>No more than $3,000</td>
</tr>
<tr>
<td>Tier 3</td>
<td>$80,001-$100,000</td>
<td>No more than $5,000</td>
</tr>
</tbody>
</table>
**Improvements to Federal and State Financial Aid Programs**

**Garden State Guarantee** includes New Tier 3

- **Adjusted Gross Income (AGI)**
  - New Tier 3: $80,001 - $100,000

- **Out-of-Pocket Cost**
  - No more than $5,000

**Additional NJ Tuition Aid Grant (TAG) Funding**

- **FY 2024 Additional Funds**
  - $15 Million

- **NEW Base Amount**
  - $493 Million

**Pell Grants** increased in 2023 and there could be more in 2024

- **Pell Grant to increase by $500**
Future Opportunities and Challenges

• Enrollment strategy

• Maximize use of assets

• Revenue diversification

• Cost increases – salary and fringe benefits

• Inflationary pressures

• Decline in traditional high school graduates
Rutgers University Budget Process

Budget Planning (July-December)

Unit Budget Preparation
UBO provides guidance to central and Chancellor Cost Centers (CC)

Central and local CCs begin developing budget

Review and Recommendations
Review central CC budget with Budget Advisory and University Budget Committees

Decisions made; allocation letters sent to central CC to complete budgets

Budget Development (January-June)

RCs Budget Development and Consolidation
RCs develop budgets, prepare for Chancellor meetings

RCs meet with Chancellor Offices to review, refine budget

Chancellor Offices submit RC budget to UBO, review with EVP-CFO for university consolidation

Proposed budget for next fiscal year presented to F&F Committee and Board of Governors

Acronyms
CC – Cost Center
EVP-CFO – Executive Vice President-Chief Financial Officer
F&F – Facilities & Finance
RC – Responsibility Center
UBO – University Budget Office
State of New Jersey Budget Process

Budget Development
(July-March)

- **Agency Budget Preparation**
  - Gov/OMB review priorities, update economic forecast, set preliminary revenue estimates
  - Rutgers generates and submits Budget Initiative Form requests

- **Review and Recommendations**
  - Gov/OMB review, analyze agency budget requests; develop recommendations
  - Gov makes final decisions, introduces budget to Legislature

Budget Deliberation
(February-June)

- **Legislative Action**
  - Review, analyze budget
  - Review, analyze, revise revenue estimates
  - Review, analyze, refine recommendations for appropriations

- **Gov Review**
  - Gov signs, vetoes/returns to Legislature with amendments
  - Gov signs final Appropriations Bill into Law

Acronyms
Gov. – Governor
OMB – State of NJ Office of Budget and Management
Questions
Comments
Finance Town Hall

Thank you!

J. Michael Gower  Maggie Quinn  Doug Horr  David B. Moore

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