



UNIVERSITY of WASHINGTON

FY2020 Annual Review Narrative Response for: **205 - Finance**

Confirmation and Final Submission

1) Please briefly describe your campus's annual internal budget development process. *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Finance utilizes its annual planning strategic process to support fiscal vitality, future planning and staff engagement. The process is a roadmap towards building a cohesive and stable organizational path forward – a needed strategy given recent substantial changes for the Finance organization, including:

- Multi-changes in organizational structure in past four years;
- Startup of Financial Transformation* (FT) project;
- Moving Integrated Service Center (ISC) from UWIT to Finance in July 2018 and changes within Finance in the payroll and HR functions.

** FT is referenced in this document, however the full project scope will be reviewed independently given the different key success factors relative to Finance operations.*

ABOUT US

Finance (org code: 20502) is a diverse organization that supports a broad range of UW services. Annual funding of approximately \$50M primarily consists of GOF, DOF, and self-sustaining. There are approximately 425 staff members (~350 salaried staff, ~ 75 hourly students), distributed among four AVPs with eighteen unique service lines and Finance Transformation project.

AVP Unit	Eighteen service lines
Controller’s Office Sue Camber, AVP	Equipment Inventory Financial Accounting Grant & Contract Accounting Management Accounting & Analysis Research Compliance & Operations Cost Accounting & Analysis Student Fiscal Services
Enterprise Services Ann Anderson, AVP	Creative Communications – Mail, Design and Print Services Procurement Services (including Travel) Tax Office Integrated Service Center Office of Public Records Records Management Data Group Global Operations Support
Treasury Chris Malins, AVP	Asset Liability Management Treasury Operations Financial Forecasting and Analysis
Finance Modernization Ed Loftus, AVP	Finance Transformation of UW Financial Accounting System <i>FT budget and programmatic vitality will be reviewed independently</i>

METHODOLOGY

Finance utilized a “top down” and a “bottoms up” strategic planning and budgeting process. Finance VP & AVP leaders held a strategic planning retreat in September 2018 to establish organization direction and strategic objectives. These priorities were reviewed by a new director level management team (Finance Action Leadership Group – FLAG). Risks and opportunities were identified based on performance gaps and assessment of future landscape. These reviews were supported by unit/employee level input on risks, challenges and opportunities facing the department. Senior leaders also completed a maturity assessment of all central finance processes, scoring maturity on people, processes and systems. Resources were aligned towards highest overall Finance priorities and balanced with unit business goals to ensure a cohesive 2020 plan. Finally, a separate strategic plan for the ISC has been developed.

ENGAGING STAFF & LEADERS

Finance is engaging employees at every level by establishing goals, setting expectations, and fostering team work:



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- Creation of Finance Leadership Action Group
- Continue application of LEAN to eliminate waste, increase efficiency and improve service to campus:
 - Translation and alignment of Finance goals to the front-line business processes;
 - Managers working at grassroots level to identify operational road blocks, actionable trends, and resource shortfalls; and
 - All staff adopting a process improvement mindset.
- Multi-prong approach to building a culture of excellence
 - Updating Departmental values and norms
 - Revisiting recognition program that reinforces operational excellence
 - Developing coaching and mentoring programs that enhance organization bench-strength and future preparedness.

2) What are 3-5 key elements of your campus's current strategic plan? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Finance performance management system is structured to tie departmental strategic objectives to unit level performance plans. This management system is structure around a LEAN process improvement approach which emphasizes maintaining an organization focus on continuous improvement, with clear goals and measurable outcomes. Under this structure, the department measures itself on over 100 weekly/monthly goals, routinely reevaluating its performance and adjusting tactics to meet strategic targets.

Under this system, all units organize their work and performance targets around five strategic themes that establish long-term direction. Themes are broadly defined to allow diverse businesses in aligning their unit roadmaps and goals towards a common Finance framework. The Department then establishes annual goals to advance these themes.

Strategic Themes	Key FY20 Goals	New FY 2020 Budgetary Request/Impacts
Create an administrative culture where each individual is empowered, service-oriented, ethical, and accountable	<ul style="list-style-type: none"> • Continued use of LEAN at unit level to eliminate waste, increase efficiency and improve service to campus • Enhance annual campus finance “checklist” • Evaluate and implement select campus wide financial training 	<ul style="list-style-type: none"> • No Provost requests but continued support of LEAN will require contribution for any Finance surplus/reserves/
Establish robust financial management based on people, processes, and systems	<ul style="list-style-type: none"> • Enhance Enterprise strategic financial forecasting , analysis & reporting • Strengthening cash management and Treasury Operation functions • Optimize capital structure with innovative financing opportunities • Meet new Grant compliance requirements 	<ul style="list-style-type: none"> • None for Treasury/Enterprise financial forecasting/analysis. Reallocation/reorganization of existing resources will be sufficient • Provost request for 2 FTEs related to compliance requirements for Grant and Contracts
Implement enterprise systems that are cost effective, as one of the enabling foundations for UW’s success	<ul style="list-style-type: none"> • Lead FT program and support project through substantial commitment of contributed labor. • (Given focus on FT, UW Finance is intentionally not making major investments in other new systems or processes.) • Enhance Workday HRP performance and strengthen and improve ISC service to campus 	<ul style="list-style-type: none"> • FT supported by program budget, approved separately. • Backfill to support contributed labor will be covered out of anticipated modest net revenue for FY 2020. • Provost Reinvestment funding request for 4 FTEs and \$2m Temp funds for ISC



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	<ul style="list-style-type: none"> Strengthen Workday HRP 	
Develop a high-performing organization that will attract and retain the best faculty, staff, and students	<ul style="list-style-type: none"> Continued development of FLAG leadership team Stabilize and improve operations (e.g. ISC, Office of Public Records) Develop organizational development plan, including employee training, career development and cross training. Stand up central Finance Shared Services to achieve scaled efficiencies and a strategic approach to HR and Finance functions. 	None. Use existing resources.
Advance innovative, high-impact strategic initiatives across the University	<ul style="list-style-type: none"> Develop, in conjunction with campus partners, faculty housing down payment program. Develop optimized financing for UDSB Develop innovative financing framework, establish priority transactions, and evaluate/executed identified transactions. Improve institutional level financial reporting and analysis Improve Whitebirch 5-year forecasting tool, working with other units (e.g. OPB) to expand its use and application. Improve partnership with UW Medicine to strengthen overall University sustainability (financial position), particularly in capital access. Implement faculty down payment assistance program. 	<ul style="list-style-type: none"> Provost request for 1 new FTE for down payment assistance program administration. Reallocate existing resources to provide more central financial analysis capability.

3) What major obstacles or institutional barriers currently do, or likely will, hinder execution of your strategic plan? What are you doing to address these challenges? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Major obstacles or institutional barriers	What are you doing to address these challenges?
FT project will draw deeply on Finance expertise, impacting daily operations and service levels to campus	<ul style="list-style-type: none"> Restructuring operational business units to support success of FT Limiting new initiatives outside of FT Reevaluating service levels and focusing on highest priorities Continuing to improve processes to create efficiencies
Increasing federal compliance complexity without additional permanent resources/funding	<ul style="list-style-type: none"> Seek Provost funding to help resource this direct impact to UW research community. Continue application of LEAN to improve business processes.
Increasing public records requests	<ul style="list-style-type: none"> Updating technology and identifying policy and process improvement opportunities, including near term replacement of existing technology platform (in process), establishment of campus points-of-contacts to



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	achieve more targeted responses to public records requests, and evaluation of institutional risk appetite related to public records requests.
Current financial systems lack robust reporting capabilities and datasets	<ul style="list-style-type: none"> In the short-term, Finance is balancing the appropriate level of resources to build interim tools to address immediate urgent needs. In the long-term, FT project will enhance institutional reporting capabilities through FT.
Difficulty with user acceptance of Workday. Incomplete WD systems configuration. Increase volume of WD project with no additional resources.	<ul style="list-style-type: none"> Development and implementation of ISC Strategic Plan Establish stronger ISC governance and user groups. Developing WD optimization program and reporting strategy Seeking institutional (Provost) funding to achieve targeted, campus-requested improvements, over a shorter period of time.
Loss of Finance LEAN Team - a critical resource in supporting Finance's operational excellence	As the decision has been made NOT to support LEAN processes centrally, Finance will be required to use some of its net revenue to support the ongoing program out of temporary funds. This approach is suboptimal as it does not match permanent funding with a permanent business requirement.

4) Over the next year, could any of your planned strategic activities result in material changes to revenues or expenditures, faculty or staff workload, or the student experience within your campus and/or another unit/campus? *Question Type: Free Text, Word Limit: 500, Required For: All Units*

Strategic Initiatives	Campus Impact
Evaluation of University capital capacity	Potentially a material change of capital capacity for UW as a whole and UWM in particular.
UW Medicine financial sustainability	Partnering with others in developing an institutional strategy to supporting UW's healthcare mission.
Deferred maintenance backlog	Developing a strategy in conjunction with Capital Planning and OPB to reduce deferred maintenance backlog.
Student internship experience	Creating new Finance student internship opportunities and providing student employment related to their field of study.
Workday Optimization	Streamlining and improving Workday business processes, user experience and reporting.

5) What is your unit doing to effectively use resources in a way that benefits your campus and/or other units/campuses? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Administrative Units*

Finance continues to do "more-with-less" using the continued application of LEAN in business operations. Efficiencies are achieved through process improvements, standardization, and consolidation. Every employee is expected to contribute and help support this effort.

INCREASED PRODUCTIVITY

Through the application of LEAN and tight budgetary management, UW Finance FTEs have grown much more slowly than the volume of work. In addition to higher workloads, work complexity has also increased requiring skilled workers. Finance has maintained service levels despite higher workloads and increased complexity. The table highlights productivity gains in key Finance units.

Finance & Procurement FTE's vs business volumes

	2008	2018	% Change
FTE's	214	180	-16%



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UW Revenue (\$B)	\$3.5	\$6.4	83%
Grants (\$B)	\$1.0	\$1.4	40%
Students	46,653	58,681	26%
Bonds (\$B)	\$1.0	\$2.4	140%
Contract Spend (\$B)	\$1.30	\$2.30	77%

This data is supported by the results of the Hackett benchmarking study which showed that “enterprise” (i.e. central) finance units were staffed at levels at or below peer institutions, unlike the rest of campus.

IMPROVEMENT METRICS

Finance continues to focus on improving customer value. Embedded in the Finance improvement culture are front-line workers engaged in solving problems, leaders supporting innovative thinking, and LEAN coaches (until Feb 15th, 2019). Some examples of recent improvements include:

- Recovered over \$195,000 of University funds from 2017-2018 by reconciling outstanding field advances.
- Saved \$25,000/annum (and 26,000 lbs. of CO2 emissions) by transitioning upper campus mail truck to bicycle delivery. In addition, reduced by 10% time to deliver mail.
- Improved Procurement Customer Service 24 hour email customer response from 46% in 2017 to 93% in 2018
- Improved GCA same day customer response from 48% in 2015 to 93% in 2018.
- Eliminated 92% of GCA aged receivable backlog from December 2017 to November 2018.
- Reduced by 60% time to complete Faculty Effort Certification with new certification process – making it easier and convenient for campus research departments.
- Reduced by 25% unreconciled items over 90 days in the University’s General Ledger 1150
- Completed UW financial report process earlier than prior years. Received BOR approval and a clean audit opinion in November 2018.

6) What are you doing to improve the experience and outcomes of students on your campus? What could the University do to support your efforts? *Question Type: Free Text, Word Limit: 500, Required For: UWB, UWT, UWS Academic Units, UAA, Graduate School*

Not Applicable