

## **Recommendation of the Financial Management Advisory Committee (FinMAC)**

Recommendation Tracking Number: FinMAC 2

Name: Internal/External Sales Issues

Date: February 7, 2013

### **Recommendation**

The University's External/Internal Sales Office (EISO) and Budget Office should apply the University's Risk Recalibration and Operational Excellence principles to approvals and oversight of internal and external sales activities.

FinMAC believes a more risk-based and operational excellence-focused approach to granting approvals and providing oversight of internal and external sales activities would entail at least the following changes to current practices:

- a. Decentralization of approvals for low risk external sales to colleges.
- b. More active support from the EISO for rate development for those departments that request such assistance.
- c. A streamlined, optimally-timed and better coordinated approach for collecting annual information from departments for the Budget Office and EISO.
- d. A shift from a predominantly compliance-enforcement approach to a more compliance-stewardship approach for achieving compliance.
- e. Reduced reporting requirements for low risk ISOs.
- f. Targeted focus on new ISO activities.
- g. Leadership from the EISO to establish consistent documentation standards and risk-based justification standards across the University for recording internal sales.

Because this is a complex topic and internal /external sales activity is so varied across the University, FinMAC also recommends that some of its members work with the Central units as they look at these and other ways to improve EISO processes.

### **Rationale**

The amount of time spent and uncertainty created by the current processes is very inefficient. Interactions between the EISO and departments are often drawn out, with little predictability, and too much conflict and frustration, thereby creating risk for the university.

### **Workload impact for departments (high, medium, low):**

Number of departments affected by this recommendation: **High**

Amount of workload reduced if these recommendations are implemented: **High**

### **Vote Summary**

<b>Name</b>	<b>Representing</b>	<b>Vote</b>
Wendy Berkowitz	University Services	Yes
Sue Bosell	UMD	Yes
Gina Danyluk	AHC VP Office	Yes
Karen Dewanz	CFANS	Yes
Sarah Goulet	Veterinary Medicine	Yes

Brent Gustafson	CLA	Yes
Jill Merriam	SVP Acad Affairs/Provost	Yes
Anne Mockovak	Medical School	Not in attendance
Dave Pappone	CSE	Yes
Tom Quinn	U Stores	Yes
Michelle Wills	Carlson School	Yes

In the course of discussing these topics, the following Pain Points were identified. We provide them, not as recommendations, but as topics for future consideration and investigation.

### **Pain Points**

1. Given the challenges of getting even the lowest risk external sales approved through the EISO and OGC, a number of departments have told their faculty to stop pursuing these activities or to conduct them under the authority of the Regents' Consulting Policy. Streamlining this process could potentially bring more revenue, with little attendant risk, to the University.
2. The EISO Office should devote more effort to helping units with rate development when requested and less effort on approvals that do not add value to the overall process. Specifically, determination of market rate is the single most problematic area of the external sales business plan when the product/service is new or when there is otherwise no comparable data to be found, yet departments are essentially on their own to find this information. A Central resource to help units determine the market rate would save time during the approval process and reduce the potential for compliance issues.
3. Per the annual budget instructions, there are two separate procedures for submitting ISO information. Information flows to the Budget Office during the budget process and there is an entirely separate, multi-stage process with the ISO office after fiscal year-end. The separate requirements are confusing to units and result in effort duplication. Having one streamlined process that is appropriately timed will reduce effort and eliminate confusion without increasing risk to the institution.
4. Periodic ISO audits make use of a multiple page Recharge Center Rate Review Checklist. Essential and significant findings are subsequently reported to the unit and must be addressed in a Management Action Plan. Essential findings must be corrected within three months of the date of the memo while significant and useful findings must be corrected during the recharge center's next budget cycle. While units are advised of compliance issues following such an audit, they are not offered specific guidance in terms of how to resolve them. We suggest for consideration a more tailored approach than the current practice of simply reporting the issue. The ISO reviewer could first attempt to better understand the ISO activity and then do a risk assessment to identify the likelihood that federal grants may be overcharged. Based on that assessment and its knowledge of the practices of other ISOs across the University, the EISO should offer specific suggestions on how those risks can be mitigated.