



October 28, 2016

Senator Bruce Burns, Chairman
Representative David Miller, Vice Chair
Management Audit Committee
Wyoming State Legislature
Cheyenne, Wyoming 82002

Dear Chairman Burns and Vice Chairman Miller,

The University of Wyoming appreciates the work of the Management Audit Committee and the Legislative Service Office Program Evaluation staff in developing the January 5, 2015 report titled "University of Wyoming: Effectiveness of Block Grant Funding." The University offers this response as the requested follow up and update to actions related to the evaluation, as requested in the committee's September 26, 2016 communication to the university.

The University's initial response to Management Audit, dated July 16, 2014, noted the audit was conducted during a period in UW's history that was "extraordinary by any measure." A new President had come and gone during the space of a few months in 2013, and numerous transitions were taking place among the university's senior leadership. Those transitions among the University's most senior administrative and academic positions reached important thresholds in 2016, with the arrival of University of Wyoming President Laurie Nichols, and Provost and Vice President for Academic Affairs Kate Miller. While some progress on issues associated with the Management Audit follow up was realized prior to their arrival, 2016 demonstrated movement on a number of fronts relevant to the audit. All are quite relevant to both the spirit and the detail of the Management Audit report.

1. The University has contracted for the development and implementation of new fiscal and management systems which will facilitate an extensive reworking of those systems identified as being in dire need of overhaul in the audit report. The systems will be ready for rollout in 2017, enabling dramatically different management of university finances, HR, and other essential elements.
2. The Huron Consulting Group was tasked with an examination of non-academic operations of the University, and elements of the consultant's recommendations are being included in university plans going forward.
3. The university has embarked on a vigorous strategic planning process under the leadership of Provost Kate Miller.
4. Significant reductions to the University of Wyoming's Block Grant and line item appropriations have been ordered by the legislature and the Governor. The university has identified and realized approximately \$19 million in ongoing budget reductions for FY 2017, and is in the process of identifying a minimum of \$10 million in additional reductions for FY 2018. The resulting spending reductions and redirection of resources

are relevant to the recommendations included in the audit, and will be discussed with the Joint Appropriations Committee in December, 2016.

5. A systematic process of developing a list of comparator institutions has been undertaken, and a list of eleven “close” peer institutions and nine “stretch” or aspirational institutions has been developed and approved by the Board of Trustees. The lists have many commonalities with the list developed by the LSO staff.
6. An extensive review of academic programs has led to recommendations to consider reducing the number of degree offerings at the university. The program review process will continue through the academic year.

The University of Wyoming Board of Trustees and the administration of President Laurie Nichols believe this is an important time for the university, and we are pleased to be able to provide the following update which outlines significant progress on issues identified in the 2015 Management Audit report, following the format requested in the committee’s September, 2016 letter to the university.

Sincerely,



Christopher Boswell
Vice President for Governmental and Community Affairs
University of Wyoming

Recommendation 3.1: The University should re-examine if the proportional budgeted allocation for Personal Services aligns with current goals and objectives.

Original 2015 Agency Response: *The University Partially Agreed. UW supports the notion of enhanced budget reporting. However, UW creates budgets on a functional basis depending upon the specific needs of the program or function, not by accounting code. Personal services will be the largest component of almost every program at a University.*

2016 Follow-up Response:

The University is striving to tie strategic planning efforts to its budget. Two current initiatives will move the University closer to that goal:

- 1) President Nichols has launched a robust strategic planning process which kicked off on September 23, 2016 and listening sessions are currently being held with campus constituents.
See <http://www.uwyo.edu/president/strategic-plans/>
- 2) A university-wide initiative to provide modern and sophisticated solutions for today’s demands and challenges on our University is underway by implementing the Oracle Fusion Cloud systems of Enterprise Resource Planning, Human Capital Management,

Grants Management, Budgeting & Planning, Supply Chain Management, and Reporting & Analytics. This effort will not only provide enhanced budget reporting but will transform the way the University does business.

See <http://www.uwyo.edu/wyocloud/>

Recommendation 3.2: The University should re-examine if proportional budgeted allocation for the various employee classifications aligns with current goals and objectives.

Original 2015 Agency Response: *The University noted this recommendation as indeterminable. The academic enterprise comprises more than 50% of total salaries at UW. A substantial number of classified personnel are directly assigned to academic units. However, UW creates budgets on a functional basis depending upon the specific needs of the program or function, not by the relative proportion of position classifications.*

2016 Follow-up Response:

Please see Follow-up Response to Recommendation 3.1

Recommendation 3.3: The University should re-examine the current balance of Section I and Section II funding for the Division of Athletics and ensure that the established balance aligns with current goals and objectives.

Original 2015 Agency Response: *The University noted this recommendation as indeterminable. Intercollegiate Athletics is the one UW division that relies on nearly an equal allocation of Section I and Section II revenues. Due to recent changes resulting from NCAA actions that have occurred and will occur, there will be what amounts to “de-regulation” of former limitations on athletics spending in a variety of areas. UW will need to aggressively pursue external funding and also explore with policymakers the possibilities for additional Section I support if UW to be competitive in the Mountain West Conference. Enhanced reporting will clarify the complexities associated with this mix of funding.*

2016 Follow-up Response:

Athletics is not unique in this respect. Other units including, but not limited to, University Operations, The Outreach School and the Division of Information Technology have both Section I and Section II budgets. Through the aforementioned strategic planning process, and in conjunction with the WyoCloud initiative, the concept of Section I vs. Section II funding will be thoroughly examined and the distinction will likely be eliminated. A new budget model based on best practices in higher education will be implemented in order to better align budget practices with University goals and objectives.

Recommendation 4.1: The University should re-examine its current list of comparator institutions, the 50 Public Research Universities, that is used to establish market comparator faculty salary data.

Original 2015 Agency Response: *The University Agreed. There has been a lack of clarity and consistency in UW's use of comparator institutions with respect to faculty compensation. UW is committed to identifying a methodology to identify comparator institutions to use as a basis for discussions with regard to faculty salary levels on a continuing basis.*

2016 Follow-up Response:

Institutional peers for the University of Wyoming were developed during the summer of 2016 and subsequently approved by the UW Board of Trustee. These peer institutions all represent 4-year public research universities in the United States that have significant similarities with UW.

Peer institutions were selected by first ranking the similarity of each public research institutions in the US to UW, and then selecting the final peers through a vetting process which involved campus leaders.

The initial ranking process compared 192 public research universities in the US across 44 different variables sourced from The Carnegie Foundation, The National Center for Education Statistics (NCES), The National Science Foundation (NSF), The College Board and The National Association for College and University Business Officers (NACUBO). Each university was ranked based on similarities with the University of Wyoming. Universities with more data points similar to UW ranked highest.

The resulting list was vetted by campus leadership to select the final peers. This process resulted in splitting the list into two parts, one list of 'Close Peers' – the universities most similar to UW, and of list of 'Stretch Peers' – universities that in many ways are similar to UW, but in enrollment and/or research output are larger than UW.

The final lists:

<i>Close Peers</i>	<i>Stretch Peers</i>
University of Idaho	Kansas State University
University of Nevada-Reno	University of Nebraska-Lincoln
New Mexico State University-Main Campus	West Virginia University
University of Rhode Island	Colorado State University-Fort Collins
Utah State University	Clemson University
University of Maine	Texas Tech University
Oklahoma State University-Main Campus	University of New Mexico-Main Campus
Montana State University	Washington State University
South Dakota State University	University of Utah
The University of Montana	
North Dakota State University-Main Campus	

Recommendation 4.2: The University should establish multiple lists of comparator institutions used to conduct faculty market salary analysis for presentation to stakeholders including the

Board and the Legislature. At a minimum, salary data from aspirant institutions should be separately identified and analyzed.

Original 2015 Agency Response: *The University noted this recommendation as indeterminable. The 7 comparator institutions identified in the LSO audit are not the appropriate comparator institutions for faculty salaries or for any other purposes of comparison. By law, the state has determined that UW should pursue Tier I status in engineering, and has also established a process to pursue excellence through a science initiative. These are the first two of what will presumably be more efforts to strengthen UW as an institution.*

2016 Follow-up Response:

The approved institutional Close and Stretch peers should be acceptable for salary comparisons on an institution-wide level. However, it should be noted that although these peers measure institutions that are very similar to UW, these institutions may not fully comprise the market for faculty at UW.

For more selective assessment, colleges and departments may develop selective comparator lists of peer institutions with comparable programs. These comparators are of value for colleges and certain disciplines, but will not serve as comparators for the institution as a whole.

Finally, the university will continue to make use of faculty salary information as available through the annual Oklahoma State University survey of doctoral degree granting institutions.

Recommendation 5.1: The Board of Trustees should approve a formal compensation policy that better defines allowable instances of discretionary salary increases, such as retention offers and equity salary increases.

Original 2015 Agency Response: *The University noted this recommendation as indeterminable. Top performing faculty are in high demand in an extremely competitive environment. These faculty may receive unsolicited offers from other institutions, or for a variety of reasons, faculty may begin to test the market. It is impractical to further reduce Block Grant commitments to UW units to set aside funding for this purpose on an ongoing basis for each budget period.*

2016 Follow-up Response:

This is a work in progress. The university is in the process of establishing the initial framework of a compensation policy which incorporates a significantly more defined retention compensation strategy than has been employed by the university in the past. The university recognizes faculty and staff compensation can no longer be as closely tied to state appropriations, and opportunities to provide compensation adjustments will require new revenue measures as well as redirection of existing university resources. Such efforts are underway as outlined in 2016 Follow-up Response 8.1.

Recommendation 5.2: The Board Trustees should approve a compensation policy that provides for a dedicated funding source for off-cycle salary increases including increases for tenure and promotion, retention offers, and equity increases.

Original 2015 Agency Response: *The University of Wyoming, Board of Trustees disagreed. The rationale behind these recommendations is flawed as reflected in the narrative of the agency response.*

Additional agency narrative for Recommendations 5.2 through 5.4 (excerpts): *These recommendations suggest that within its existing resources, UW should be able to establish policies so that employees receive regular pay raises...Recommendation 5.4 urges the Board of Trustees to adopt a compensation policy to provide salary increases at a consistent frequency and to do so to maintain market competitive salary levels “within the flexibility of block grant funding...” Considered together, the foregoing suggests that higher education institutions in Alaska are able to implement salary increases within existing, unchanging resources... To be clear, UW is not asking for a change in the state budget process. UW does contend that the conclusions in the audit report identified above cannot be supported. If UW is to maintain salaries at competitive levels without additional resources, UW must make significant reductions in expenditures in other areas. Over time, that will necessarily result in elimination of major programs and services. See also the response under Recommendation 10.6.*

2016 Follow-up Response:

Please see 2016 Follow-up Response 5.1.

Recommendation 5.3: The Board of Trustees should approve a compensation policy to ensure salary increases are administered consistently to prevent discrepancies among the position categories.

Original 2015 Agency Response: *The University of Wyoming and Board of Trustees disagreed. Refer to response summary under Recommendation 5.2.*

2016 Follow-up Response:

Please see 2016 Follow-up Response 5.1.

Recommendation 5.4: The Board of Trustees should approve a compensation policy to allow for salary increases at a consistent frequency. The policy should include focus to provide consistent salary increases to maintain market competitive salary levels for faculty within the flexibility of the block grant funding.

Original 2015 Agency Response: *The University of Wyoming and Board of Trustees disagreed. Refer to response summary under Recommendation 5.2.*

2016 Follow-up Response:

Please see 2016 Follow-up Response 5.1

Recommendation 5.5: The Board of Trustees should vote to update the faculty workload regulation to establish minimum teaching requirements consistent with the prevailing University mission. Once completed, the University should review current supplemental compensation administered to ensure consistency amongst the divisions and compliance with the updated University faculty workload regulation.

Original 2015 Agency Response: *The University of Wyoming, Board of Trustees agreed. The referenced UW Regulation 5-807 is, like several university regulations, admittedly out of date. No substantive changes have been made in well over 20 years. The regulation should reflect the current environment where faculty engage in teaching, research and service to accomplish UW's mission. There will need to be flexibility so that faculty can respond quickly to meet the demands in all three areas in an ever changing environment.*

2016 Follow-up Response:

In May, 2016, President Nichols established a new standardized baseline for assigning teaching responsibilities to tenure stream faculty and extended term lecturers, effective Academic Year (AY) 2016-17. Consistent with UW Regulation 5-807 and guidance documents from the Office of Academic Affairs that provide a standardized metric for determining teaching load, standard job descriptions now reflect the following distribution of duties:

- *Tenure Stream Faculty:* Teaching (62.5%; 15 credits or 3-2 load), Research/Creative Activity and Service (37.5%; distribution between duties).
- *Extended Term Lecturers:* Teaching (87.5%; 21 credits or 4-3 load), Professional Development, Advising, and Service (12.5%; distribution between duties).

These distributions can be adjusted at the discretion of the Department Head and Dean. All adjustments must be approved by the Vice President of Academic Affairs. A guidance document was created to outline criteria that are used at the discretion of department heads and deans to make adjustments to the standard teaching load.

Criteria for adjusting *tenure stream faculty's* teaching load fall into four categories: (1) Excellence in research and creative activity, including scholarship associated with the transfer of University technology to the private sector; (2) Graduate student research supervision; (3) Teaching related adjustments associated with large classes and non-classroom teaching; and (4) Professional service, including administration, coordination and advising of graduate and undergraduate programs, cooperative extension, statewide engagement, and clinical/professional practice.

Criteria for adjusting teaching load for *extended term lecturers* fall into three categories: (1) Large classroom teaching; (2) Instructional laboratory teaching; and (3) Non-classroom teaching.

During the summer, department heads worked with faculty to adjust AY 2016-17 job descriptions where needed. Annual reviews will be conducted for all faculty job descriptions and adjustments will be made when appropriate.

The Faculty Workload Policy (UW Regulation 5-807) and employment provisions applicable to all personnel, including supplemental compensation (UW Regulation 4-2), will be studied as part of Board of Trustees directive to conduct an institution-wide review all university regulations.

Recommendation 6.1: The University should report disaggregated Section I financial information for public consumption such as individual expenditures, vendor payments, and individual fund balances.

Original 2015 Agency Response: *The University of Wyoming agreed. There needs to be a substantial investment in UW fiscal reporting and transparency. UW supports this recommendation including modifications to the Wyoming Transparency in Government Act.*

2016 Follow-up Response:

The 2016 Wyoming Legislature recognized the need for this substantial investment and appropriated \$5 million in one-time general funds towards this goal. The Legislature also directed the University to utilize an additional \$5 million from its existing block grant. The four year cost of implementing the WyoCloud solution is approximately \$21.25 million. University non-appropriated funds have been identified and will be used to fully implement the Oracle systems mentioned in Follow-up Response to Recommendation 3.1.

Recommendation 6.1 (MFLC): For purposes of transparency, the Legislature may wish to consider amending W.S. 9-2-1035 et seq., the Wyoming Transparency in Government Act, to include the University in the definition of a “participating state entity” and to require the University to make “reports, financial audits, budgets or other financial documents that are used to allocate, appropriate, spend and account for government funds” available on the Public Finance and Expenditure of Funds website. Please note that this was a matter for Legislative Consideration.

Original 2015 Agency Response: *The University of Wyoming agreed.*

2016 Follow-up Response:

Please note, no University response required.

Recommendation 7.1: The University should identify key academic measurable indicators that are applicable across colleges and departments and incorporate those indicators into the institution-wide strategic plan, division-level plans, college-level plans, department-level plans, and the report cards.

Original 2015 Agency Response: *The University of Wyoming partially agreed. With respect to Recommendations 7.1 through 7.3, the University specifically responded: UW supports the*

notion that UW should identify clear plans, but also identify resources necessary to accomplish these goals and objectives. The UW President will serve in the leadership role for this University-wide effort and assign responsibilities across campus to ensure that the planning effort is accomplished as envisioned. The notion of a small number of academic measures applicable to all academic units fails to recognize the depth and scope of the University mission. To overstate the point, a low quality academic program with a high number of graduates may well be more cost effective than an extremely high quality program with fewer graduates. But the latter is a far more desirable outcome.

2016 Follow-up Response:

Provost and Vice President for Academic Affairs Kate Miller has been designated as the chair of the Strategic Planning Leadership Council, which will serve as the steering committee for the strategic planning process. Following an extensive series of campus wide and statewide discussions, the leadership council is scheduled to begin drafting the strategic plan in January, 2017, with presentation of a draft to the campus community and stakeholders in March. The revised plan then will be presented at a town-hall meeting for consideration by the governing bodies of Faculty Senate, Staff Senate and the Associated Students of UW. Following approval by the Board of Trustees, the plan will be implemented at the start of the 2017-18 fiscal year, with college and unit plans finalized in fall 2017.

The University of Wyoming's Strategic Plan will have metrics as an essential element of the planning process and follow-through. Specific metrics will be developed as the planning process unfolds over the course of the coming months, and an Annual Report Card of Progress will be a tracking component of the strategic planning process over time.

Due to their cross-cutting nature, several topics will be studied and discussed as the strategic plan is developed during the 2016-2017 academic year. The topics with a brief description follow.

- 1. University Structures & Organization:** Examine and discuss the current University structure regarding effectiveness and efficiency including the extent to which the current structure aligns like-disciplines/functions to encourage interdisciplinary work and/or streamlined services. Within the structure, other organizational functions/processes will be discussed as well.
- 2. Extended Education & Lifelong Learning (off campus):** Delivery of learning including off-campus enrollment, online education, and credit and non-credit bearing lifelong learning opportunities including conferences and training.
- 3. Undergraduate Recruitment and Enrollment (on campus):** Enrollment, undergraduate recruitment, on-campus undergraduate enrollment including international recruitment and students from under-represented groups.
- 4. Diversity and Inclusion:** Diversity, inclusion and internationalization at UW including overall campus climate and efforts to increase diversity and expose UW

students to international experiences. This team will interface with the Undergraduate Recruitment and Enrollment team as needed.

5. **Academic Programs, Curriculum and Academic Quality:** The portfolio and quality of academic program offerings, including accreditation of programs, the standards and processes currently used to ensure that programs are rigorous and reputable, and the resources necessary for programs to achieve these standards. Identify the current and future areas of academic excellence and how excellence will be maintained or achieved. Included in the charge to this team will be discussion of teaching and learning, interdisciplinary and multidisciplinary degrees/curricula/collaboration, classrooms to facilitate active learning, faculty development for active and team-based learning.
6. **Information Technology:** The technology infrastructure and support structures including networking, classroom technology, learning platforms and portals, website, and the effectiveness to which UW uses technology to communicate both on and off campus. This team will interface with extended education, academic programs, and research as needed.
7. **Student Success:** UW's student success programming, and its effectiveness in improving retention, transfer, 4-year graduation rate, student engagement and satisfaction.
8. **Research, Scholarship and Graduate Education:** The quality and quantity of research and scholarly outcomes including interdisciplinary and multidisciplinary research. In concert, discuss the portfolio and quality of graduate programs.
9. **Engagement and Outreach; Economic Development and Vibrant Communities:** Efforts of the university to engage with external audiences and provide outreach programming to meet the needs of these audiences. Discuss the role of the university in innovation, and the state and region's economic development including community development.
10. **Resource Alignment, Revenue and Budgeting Model:** Exploring new revenue generation and current and potential university budgeting models including the degree to which academic responsibility (decisions) are aligned to revenue generation (consequences). Discuss the university's financial services and processes.
11. **Design, Master Plan and Campus Aesthetics:** The university master plan (capital facilities plan and campus master plan) with attention to function, design, aesthetics, and sustainability.
12. **Athletics:** UW's position as a Division I, high performing athletic program.

Recommendation 7.2: The University should assign primary responsibility for coordinating strategic planning efforts to a centralized authority or person.

Original 2015 Agency Response: *The University of Wyoming agreed.* Refer to response summary under Recommendation 7.1.

2016 Follow-up Response:

President Nichols has designated Provost and Vice President for Academic Affairs Kate Miller as the chair of the university's strategic planning process.

Recommendation 7.3: The University should continue forward with the planning and reporting process as envisioned by President McGinity. This process should include the use of performance metrics that are uniform across all academic units to assist Legislators and the public in assessing the University's achievements.

Original 2015 Agency Response: *The University of Wyoming partially agreed.* Refer to response summary under Recommendation 7.1.

2016 Follow-up Response:

Please see the follow-up response to 7.1

Recommendation 8.1: The Board of Trustees should adopt a tuition and fee policy to guide future tuition and fee decisions. In doing so, the University and the Board should consider criteria from the Wyoming Community College Commission tuition policy as well as other states' policies, laws, and practices.

Original 2015 Agency Response: *The University of Wyoming, Board of Trustees agreed.* With respect to Recommendations 8.1 through 8.2, the University specifically responded: *UW's Board of Trustees has recently embarked on an effort to adopt a tuition and fee policy. The policies of the Wyoming Community College Commission and institutions in other states may well be useful to inform that effort. But first and foremost, tuition should be increased to generate revenue to fund clear UW goals and objectives developed through a planning process and substantial engagement with stakeholders and policymakers. There also needs to be a clear understanding of what the state, through the block grant or otherwise, will fund to accomplish these mutually agreed upon goals and objectives.*

2016 Follow-up Response:

The University of Wyoming Board of Trustees has adopted a tuition policy which identifies an annual tuition increase of four percent, but requires that any tuition increase be acted upon annually by vote of the board. Separately, in the fall of 2016, President Nichols appointed a faculty and staff committee tasked with making recommendations on revenue enhancement in the face of impacts from reduced state appropriations. The committee has forwarded a proposal to implement program fees to maintain and improve student success while covering the costs of instruction in high-cost programs. The proposed program fees provide a mechanism for the university to more closely tie the true cost of education to the students most likely to benefit from a course of study. The proposed fees were established after the committee reviewed other institutions' efforts to generate revenues, while remaining justified on the basis of program cost and market competitiveness. Significant discussion and opportunities for input are expected prior to UW trustee action on the proposal, which is expected in 2017.

Recommendation 8.2: The Board of Trustees should take into consideration the amount of general fund support and the total cost of attendance to students when making comparative tuition and fee assessments.

Original 2015 Agency Response: *The University of Wyoming, Board of Trustees agreed. Refer to response summary under Recommendation 8.1.*

2016 Follow-up Response:

Please see follow-up response to Recommendation 8.1.

Recommendation 9.1: The Board of Trustees should vote to update its Internal Audit Bylaws with respect to the following areas:

- Include specific wording to encourage flexibility with respect to allotted time when setting the FLAC agenda based on concurrence between the Division of Administration and the Internal Auditor;
- Require that FLAC make formal reports to the Board with respect to each audit;
- Require that the Board take formal action on accepting or rejecting FLAC reports;
- Require audited divisions and colleges to attend FLAC meetings to discuss audit findings and recommendations; and,
- Update the name of the committee from the Audit and Fiscal Integrity Committee to the Fiscal and Legal Affairs Committee.

Original 2015 Agency Response: *The University of Wyoming and Board of Trustees agreed.*

With respect to Recommendations 9.1 through 9.3, the University specifically responded: *Outdated Bylaws and regulations should of course be updated. The admittedly austere internal audit function should focus to the greatest extent practicable on high risk areas defined through some mutually acceptable means. The UW Executive Council tends to discuss a host of routine, yet important, UW business at its meetings. If there is a significant policy change being considered, it does make sense to apprise the Internal Auditor.*

2016 Follow-up Response:

The Board of Trustees is drafting amendments to the Bylaws of Trustees of the University of Wyoming, including the recommendations under 9.1. These amendments will most likely be voted on during the November or December 2016 Board of Trustees meeting.

Recommendation 9.2: The Internal Auditor should schedule higher risk areas for routine audits in the annual audit plans as discussed in this finding.

Original 2015 Agency Response: *The University of Wyoming agreed. Refer to response summary under Recommendation 9.1.*

2016 Follow-up Response:

The Internal Auditor's audit plans are based on high risk areas as identified through risk analysis, discussions with University leaders and quarterly discussions with regional

audit directors of various universities. As new or high risk areas are identified they are incorporated into the audit schedule. The Internal Auditor also participates in webinars that discuss new and emerging risks. In the past two years the audit schedule has been changed in response to newly identified high risks areas.

The Management Audit Committee also recommended that the Internal Auditor incorporate the following areas into routine audits: (1) budgetary transfers; (2) Dean authority to manage budgets once caps are set by Division of Administration; (3) safeguards related to existing policy and procedures; and (4) expenditure sampling and review as routine audits. The Internal Auditor has done this.

Recommendation 9.3: The University and the Board of Trustees should ensure that ongoing formal communication exists between the Internal Auditor and the advisory groups with respect to policy and systemic changes or identified risks at the University.

Original 2015 Agency Response: *The University of Wyoming and Board of Trustees agreed.* Refer to response summary under Recommendation 9.1.

2016 Follow-up Response:

The President of the University has invited the Internal Auditor to attend monthly Executive Council meetings. Additionally, the Internal Auditor will be provided an opportunity to submit feedback and comments on modifications to regulations and policies as articulated in the University's follow-up response to Recommendation 10.5 (see below).

Recommendation 10.1: The University should immediately strengthen internal controls to prevent deficit spending practices from becoming a systemic problem. At a minimum, it should take action on recommendations made as part of the College of Arts and Sciences Change in Management audit university-wide.

The University of Wyoming agreed.

Original 2015 Agency Response: With respect to Recommendations 10.1 through 10.2, the University specifically responded: *UW agrees that substantial resources should be devoted to a new accounting system and to use that new system to monitor the financial health of UW units.*

2016 Follow-up Response:

See Follow-up Response to Recommendation 6.1.

Recommendation 10.2: The University should re-evaluate its accounting system to ensure the system meets budgetary and expenditure needs at the division and department levels. At a minimum, it should reconsider establishing more specific budgeting categories within PISTOL to meet budgetary needs and reduce risk of under budgeting and over expenditure. Or, the University should continue to strengthen internal controls within the various shadow accounting systems.

Original 2015 Agency Response: *The University of Wyoming agreed.* Refer to response summary under Recommendation 10.1.

2016 Follow-up Response:

See Follow-up Response to Recommendation 6.1.

Recommendation 10.3: The University should revise current practices to monitor and promote the financial health of each division or department including but not limited to revision of the deficit escalation processes to ensure appropriate action is taken to resolve budget issues, and policy is established to ensure appropriate action is taken to resolve budget issues.

Original 2015 Agency Response: *The University of Wyoming agreed.*

With respect to Recommendations 10.3 and 10.5, the University specifically responded: *UW's Board of Trustees and the administration believe it is essential to establish policies regarding budget transfers, and to use the new accounting system to ensure that there is compliance with established policy. That is a clear initiative of President McGinity.*

2016 Follow-up Response:

The accounting system components of WyoCloud are scheduled to go live on July 1, 2017. Internal controls will be established regarding budget transfers during the design and configuration phase of the implementation. In the meantime, the University has implemented prohibitions on transfers from Personal Services budgets to Support Services budgets and vice versa. An exception request process has been established with Vice Presidential approval required to deviate from the established policy.

Recommendation 10.4: Budget transfer policies should be revised.

- The Board of Trustees should create formal policy establishing criteria for permissible budget transfers. The policy should include procedure of reporting modification to the approved budget at the desired level as well as reporting of budget transfers outside of the approved budget from reserve accounts.
- The University should revise current policy to ensure that funds are not transferred contrary to policy; that budgeting efforts align with University goals and objectives; and, that adequate safeguards to prevent risk of financial mismanagement.

Original 2015 Agency Response: *The University of Wyoming and Board of Trustees agreed. As part of the transparency effort, UW policies should be reviewed, updated, and made easily accessible to UW personnel and the public.*

2016 Follow-up Response:

Huron Consulting is the University's implementation partner in the WyoCloud initiative. A comprehensive examination of current business processes is underway and as a result of business process mapping, policies and procedures are being formally documented. As the implementation progresses numerous policies and procedures will be modified (or added or eliminated) to reflect best practices in higher education financial management. It is anticipated that this comprehensive set of policies and procedures will be presented

to the Board of Trustees in order to establish formal policy, not just for budget transfers, but for the myriad safeguards necessary to detect and minimize, if not prevent, financial mismanagement. These policies and procedures will be made easily accessible to UW personnel and the public.

With respect to current budget transfer policy, see Follow-up Response to Recommendation 10.3. For responses regarding efforts to align University budgets to goals and objectives, see Follow-up Response to Recommendations 3.1 and 3.3.

Recommendation 10.5: The University should consolidate policies to a central public location. Additionally, the University should review and update existing policies and procedures.

Original 2015 Agency Response: *The University of Wyoming agreed. Refer to response summary under Recommendation 10.3.*

2016 Follow-up Response:

At the September 2016 Board of Trustees meeting, the Board approved a review of UW's current regulatory structure over the next year and a half, to include the following: (1) phasing out Presidential Directives; (2) defining regulation versus policy/procedure and pulling all policy together into one university policy and procedure manual that will be made accessible to the public; (3) creating a new "look" for the regulations, updating the regulations as needed, and implementing policies/procedures; and (4) drafting a process for modifying regulations and policies/procedures, including review by campus constituents, Vice Presidents, the President, and the Board.

The Management Audit Committee also recommended (1) updating the University's Cash Handling Policy; and (2) making the Official University Travel and Reimbursement Policy, the Procurement Service Manual, and the Procurement Card Policies and Procedures accessible through a public centralized location. The University's Policy on Receipt and Handling of University Funds was revised on June 3, 2015. All policies will be made accessible to the public during the regulatory structure review mentioned above.

Recommendation 10.6: The University should ensure that existing policy and procedures related to all expenditure types is current and consistent with statute. The University should also instigate safeguards to assure those policies and procedures are followed.

Original 2015 Agency Response: *The University of Wyoming agreed. This recommendation should be implemented as part of efforts to address compensation issues as identified in recommendations 5.2, 5.3, and 5.4*

2016 Follow-up Response:

See Follow-up Response to Recommendation 10.4

Recommendation 10.7: The University should review and revise policies on supplemental pay and monetary staff awards. In addition, it should ensure that safeguards are in place to enforce existing policy.

Original 2015 Agency Response: *The University of Wyoming agreed.*

2016 Follow-up Response:

Supplemental pay: The Office of Academic Affairs has initiated an internal review of salary policy for administrative appointments in academic units, including employees who hold dual titles (e.g., department head/professor). Included in the review are college level policies pertaining to supplemental pay for department heads. This review is being conducted with the intent of standardizing processes used in academic units for supplemental pay faculty receive when they take on additional duties. Upon conclusion of the review, revisions to university governing documents will be made where appropriate.

The Office of General Counsel will work with the Vice President for Administration and the Associate Vice President for Human Resources to address any issues regarding supplemental pay of staff.

Monetary staff awards: The College of Arts & Sciences has put in place safeguards to enforce its employee recognition program, including final review and approval by the Dean's Office. The Office of Academic Affairs will continue to work with other colleges as needed to address any similar issues.

In addition to the recommendations above, the LSO asked the university to provide written response to the following supplemental questions:

1. Please summarize the total legislative appropriations and any other University resources budgeted (from January 2015 through June 30, 2018) to implement a new fiscal accounting and reporting system, as well as expenditures through September 15, 2016).

Response:

\$21.25 million estimated cost over four years (through 2019):

- \$5 million – one-time general fund appropriation from 2016 Wyoming Legislature;
- \$5 million – directive from 2016 Wyoming Legislature to utilize existing block grant; and
- \$11.25 million – University non-appropriated funds.

\$350,002 expenditures through September 15, 2016:

- \$296,502 on software
- \$53,500 on consultant workspace

Note that significant consulting work has been accomplished and invoices for that work are forthcoming.

- a. Please describe which steps have been completed to plan and contract for a new fiscal accounting and reporting system, including what portions of the system have been developed, tested, and/or fully implemented through September 15, 2016.

Response:

Contracts with Oracle for the software and with Huron Consulting for implementation support have been signed and design and configuration work is underway for the financial components of the system: Enterprise Resource Planning, Grants Management, and Supply Chain Management. Testing of these systems began the week of October 24, 2016. Budgeting & Planning and Human Capital Management systems will follow in the next implementation phase.

- b. Please describe the University's updated plan for and progress toward hiring, staffing, and adequately training all appropriate University personnel in the use of the new fiscal accounting and reporting system with updated policies and procedures.

Response:

Part of the Huron engagement is assisting in designing training for the operation of the new systems and assisting in the delivery of the initial training of campus personnel. Training materials will then be maintained and used by UW to continue to train new and existing employees as system functionalities are enhanced or upgraded. Huron is also assisting the University to design a personnel support structure for the new system and making suggestions for staffing levels.

- c. Please describe how the new fiscal accounting and reporting system will track the funds of different Section budgets of the University's overall budget (i.e. Section I and Section II).

Response:

Design of the new system's Chart of Accounts is nearing completion and Proof of Concept testing began the week of October 24, 2016. The concept of Section I and Section II funding will likely be replaced by Unrestricted and Restricted fund types complemented by a hierarchy of distinguishing characteristics that will allow the University to track and report revenues and expenditures in myriad ways, providing the transparency and accountability desired by all University stakeholders. It is too early in the process to provide a detailed description of the Chart of Accounts' capabilities.

- d. Please describe how the new fiscal accounting and reporting system will track funds based on revenue sources (i.e. tuition and fees, State general funds, Abandoned Mine Land (AML) funds, etc.).

Response:

See 1. c above.

2. Please provide additional information you deem necessary for the Legislature to consider moving forward.

Response:

No additional information deemed necessary at this time