



INDIANA UNIVERSITY

**ANNUAL REPORT 2018–2019**

Vice President & Chief Financial Officer

## Vice President & Chief Financial Officer AY 18-19 Annual Report

Indiana University's financial management included careful planning, analysis, and calculation in close partnership with the President, Executive Vice Presidents, Vice Presidents, Campuses, and Responsibility Centers. Over the years, this partnership has led to our strong financial condition as one of only seven Aaa rated institutions. As we look at the challenges ahead of us, we will continue to work with our partners across the University to ensure the financial resources are in place to fund the University's academic, research, and societal development missions.

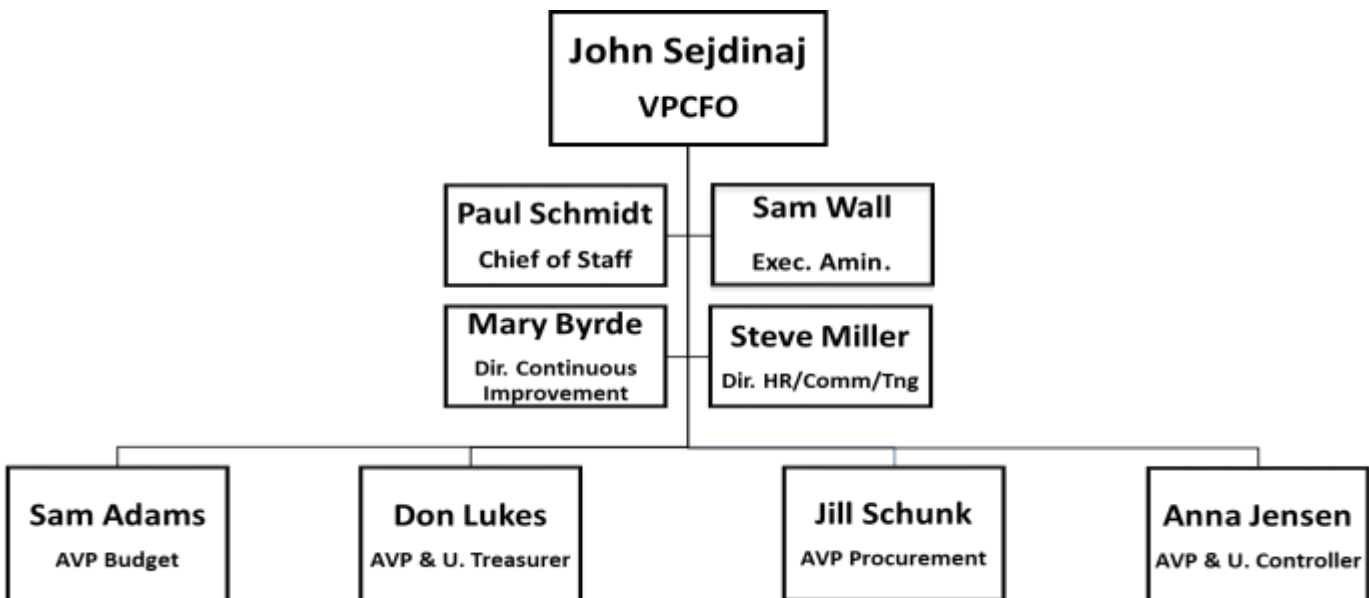
### CFO Division Mission, Vision, and Values

**Our Mission:** We serve Indiana University's mission by promoting the well-being of our employees and the financial health of our university.

**Our Vision:** We aspire to be trusted partners to all, interacting with respect, integrity, and accountability. We will be an engaged workforce who values collaboration, professional growth, and each other.

**Our Values:** Collaboration, Integrity, Trust, Respect, and Growth

### VP & CFO Organization and Structure



## **Fiscal Highlights by Unit:**

### **Office of the Controller - Financial Management Services**

The unit welcomed a new Associate VP and University Controller in January 2019, Anna Jensen, as well as a new Chief Accountant, Cassie Amadio. Both were already part of the team and continue the important work of leading IU's financial reporting, compliance, and internal controls activities.

#### **Cost Accounting and Cash Control**

Members of the Cost Accounting and Cash Control function successfully negotiated the 2018 Indirect Cost Proposal to achieve a 1% increase in the University's Facilities & Administration rate from 57.5% to 58.5%. This additional indirect cost recovery (ICR) dollars is estimated to return an additional \$2 million per year to the institution when fully realized.

#### **University Tax Services**

Tax services prepared 54,000 W-2 forms for employees, 122,000 1098-T forms for students and more than 10,000 miscellaneous tax forms for the 2019 reporting year. The team continues to refine internal controls, streamline processes and create better avenues for customer service related to tax reporting.

#### **Operations and Systems Administration**

Initiatives to improve the financial health of the university through process improvement, protection of university resources, and cost reduction:

- Internal financial statements were created in conjunction with Auxiliary Accounting for fiscal officers, including the Balance Sheet, Income Statement, and Cash Flow Statement. These new documents standardized reporting, provided an improved presentation, and are published in an application that will be further developed for use as a Fiscal Officer Toolkit
- FMS Customer Service satisfaction surveys, improvements and expansions to the Collection Management System emails and letters provided for Student Loans, and a new Revenue Processing Activity Questionnaire (RPAQ) application to allow monitoring for unrelated business income tax (UBIT) and Sales Tax reporting

#### **Accounts Payable**

The Accounts Payable team focused on the implementation of the new Procurement system, BuyIU. The staff has been involved in new process development, testing, and navigating the transition to a "Digital Mail Room" (DMR), whereby previous manual processes are being replaced by electronic ones.

#### **Auxiliary & Recharge Accounting**

Over the past last three years, Recharge Accounting Services has dedicated a majority of its time to improving compliance for \$250 million in Service Center accounts (those accounts with

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interdepartmental charges) in accordance with Federal Uniform Guidance. As part of this effort, embedded controls were activated in the Financial system and new documentation, training and policies were created ensuring the accounts are in compliance with federal accounting standards.

Additionally, the Auxiliary Accounting team has completed its initial set of internal financial reports for fiscal officers in a standalone application developed by the Controller's Office development team.

### **University Collections and Loan Services**

University Collections and Loan Services continues to expand their collection portfolio. The University Collections team has had significant success in unifying the collection processes across the various campuses for improved efficiency, greater student service, and improved compliance.

## **Office of the Treasurer**

Treasury personnel focused on process improvement, broadening collaboration, and improving employee engagement and significant progress was made on each of these fronts.

### **Progress on Strategic Goals**

- Parking: Implemented salary bands into rate structure at all campuses
- Financial Literacy: Expanded scope and reach of 529 Plan initiative
- Insurance Review: Insurance coverage review was completed
- Investment Income Review: Completed board approved allocation to equity

### **Investments and Efficiencies**

- Capital Finance: Commercial paper program has saved approximately \$350,000 in interest expense. Based on prior refunding activity, debt service savings for FY19 was \$1.7 million
- Bursar: \$80,000 in savings in FY19 from departmental staff reorganization, nearly \$50,000 in savings from other process changes to student payment processes, and a new payment plan provider was implemented. Account write-offs decreased by 21%, totaling \$1.5 million
- Financial Literacy: Student borrowing is down \$126 million since 2012 when office was started

### **Investments and Financial Analysis**

- Financial Literacy: Hosted 6<sup>th</sup> annual Financial Education and Financial Wellness Summit in Bloomington. A new record of 360 attendees and over 190 institutions participated. Also launched the Higher Education Financial Wellness Alliance, which furthers IU leadership nationwide in student financial wellness programming and policy discussion
- INLOCC: Department working in collaboration with Environmental, Health, and Safety to optimize inspection processes and coordinate First Aid Training

## **University Budget Office**

Goals were focused on three primary initiatives: transitioning the University to a multiyear budget planning model, identifying efficiencies in time and effort in the University budget construction calendar, and redesigning and reorganizing the UBO service model to provide budget and administrative support to campuses and University Administration. Significant progress was made in these areas.



### University Budget Operations

- Provided budget construction and administrative support for fiscal officers across all campuses and university administration. Collaborated with operating units to develop a common basis for assessing fiscal performance compared to operating plans
- Provided decision support with our ability to deliver accurate, timely, and informative reports from a wide variety of sources for internal and external users
- Managed the Bicentennial Match Program and the Faculty Endowment Match Program for all campuses

### Financial Analysis and Planning

- Collaborated with campuses, State Relations, and other key fiscal units to create the 2-Year Operating Appropriation Request, and submitted to the Indiana Commission for Higher Education and Indiana Office of Management and Budget
- Created and launched a new online fee portal to collect and manage all student fees that was used to develop fee requests for the 2019-21 Tuition Hearing
- Launched a new 5-Year planning model that was used to develop budget parameters for the 2019-21 biennium and construct the FY2020 budget
- Launched a new 2-Year Credit Hour and Tuition Revenue tool to enhance accuracy, accountability, and reporting capabilities related to revenue projections
- Developed and implemented the University Fiscal Analysis (UFA) report. The UFA is used to develop and track the FY21 budget outlook as presented to the Board of Trustees in June 2019

### Office of Procurement Services

Two major university wide systems were implemented, Procure to Pay (BuyIU) and Travel & Expense (Chrome River). Following implementation, focus shifted to continuous improvement of both systems to create the optimum operating solutions and efficiencies for system users and customers.

### Supplier Diversity (Rob Halter)

- Awarded Regional Corporate Volunteer of the Year Award by Great Lakes Business Council
- Re-elected Chairman of the National Minority Supplier Development Council Suppliers of the Year Selection Committee
- Presentation to the State of Indiana Governor's Commission for Minority, Women, and Veteran Owned Small Businesses on the state of Supplier Diversity at Indiana University
- Elected Treasurer of the Board of Directors of the Mid-States Minority Supplier Development Council

### Major Purchasing Requests for Proposal (RFP)

- Big Red 200 High Performance Computer
- Enterprise Web Analytics Platform. Savings of \$521,000
- Graduate School Online Application Software. Savings of \$124,849
- Elite Strings Auction – Jacobs School of Music. Auction proceeds of \$1,495,140
- Background Checks – Big 10 Academic Alliance (BTAA) RFP led by IU. Estimated 50% savings
- Medical & International Student Insurance
- Beer and Wine Concessionaire Services (pilot program for Memorial Stadium)



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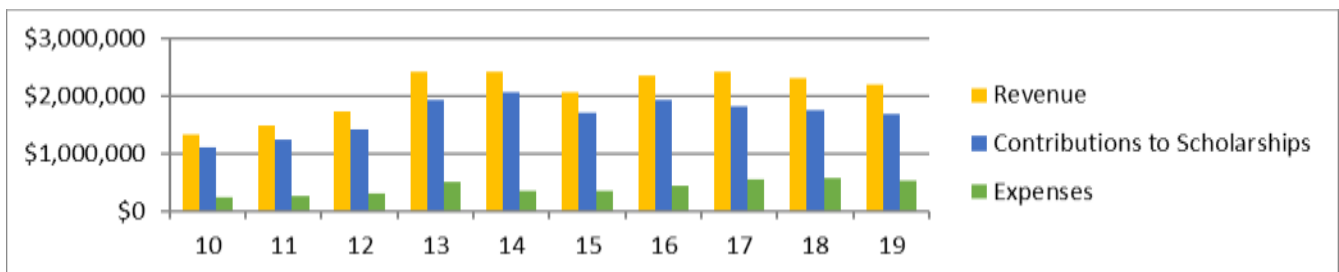
- Chemical Water Treatment Program RFP. Cost Savings of \$88,206
- IUPUI Campus Shuttle Service RFP. Cost savings of \$2,798,086 (10 yrs), \$279,809 annually
- Express Package & Delivery Services RFP. Cost savings estimated to be \$1,497,384 annually
- Shield Wall - Collaboration with Los Alamos National Laboratory. Cost savings of \$1,098,928
- Automated Bio-banking Storage System. Cost savings of \$482,153
- Scientific Supplies – BTAA RFP. Estimated cost savings of \$9,000,000

Total economic impact from Indiana University includes \$898 million total spend across all categories (construction, goods, professional services) and \$536 million in Indiana. IU's diversity spend with minority, women, and veteran owned businesses totalled \$87.69 million with \$84.22 million in Indiana.

### Sponsorships, Licensing, & Trademarks

Licensing & Trademarks serves the University by promoting, protecting, and monetizing the University's name, wordmarks, trademarks, logos, slogans, and depictions of campus buildings and landmarks. The office has generated over \$44.8 million in royalty revenue since the office was opened in 1986, which funds scholarships. Licensing and Trademarks licenses almost 400 vendors who produce over 30,000 branded IU items each year.

#### Licensing Revenue:



Sponsorships, Licensing, & Trademarks will transition during AY 19-20 to the newly created Office of Business Partnerships. Val Gill, the Director, will become the Associate Vice President for Business Partnerships and will report to the Vice President for Research with a dotted line to the Vice President and Chief Financial Officer.

### Office of the Director of Continuous Improvement

The Continuous Improvement Committee projects for the year are summarized below:

- Fee Remission Review: Simplified & standardized the fee remissions process in order to reduce duplication of effort
- Non-Employee Travel Review: Simplified process for arranging non-employee travel and for reimbursing non-employees
- I-9 Centralization – Sponsored by IU HR: Researched and implemented an optional service for centralizing processing of I-9s to enhance compliance
- New Hire Orientation Review – Sponsored by IU HR: Researched reasons employees skip new hire orientation, with the goal of improving attendance by removing barriers to participation

Various projects within and outside the CFO organization used the Lean methodology for process improvement. Each was focused on identifying and implementing efficiencies.



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- Matching Programs
- College Human Resources: Reviewed human resource processes, from posting positions to hiring staff, in order to identify areas to improve efficiency and compliance
- IU Health Center: Reviewed the full patient experience from appointments to checking out in order to identify opportunities to improve patient experience
- Research Participant Payments: Evaluated ways research participants are compensated
- Commencement Flooring: Conducted a lease versus buy analysis of commencement flooring and chairs in partnership with Event Services
- Athletics Scholarship Process: Documented the process for Athletic Scholarships
- Summer Pay at Regional Campuses: Reviewed the process for summer pay at the regional campuses in partnership with the AVP of Campus Administration and each regional campus Vice Chancellor for Administration and Finance

Developed and delivered Lean training for those interested in participating in continuous improvement outside the VPCFO organization. Training is titled Lean Participant Training, and is similar to an industry Yellow Belt level training. Including CFO and HR staff who work on the Continuous Improvement Committee, 70 staff from 15 units have completed Lean Participant Training over the last 2 years.

A process improvement overview class is under development, which will be offered through the IU Human Resources Organizational Development program. It starts in fall 2019, and offers an overview of Lean principles and simple process improvement tools.



INDIANA UNIVERSITY  
OFFICE OF THE VICE PRESIDENT & CHIEF FINANCIAL OFFICER

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