Pre-Proposal Conference Summary

Background

The University of Virginia is seeking proposals for a new budgeting and forecasting tool. We currently use Oracle for our financial system and utilize the Grants Accounting module for all expenditure transactions. As such, all expenses are budgeted at a project level. Revenues are budgeted in the General Ledger system. There are basically two charts of account with some common elements that link.

We are open to any format of implementation (cloud-based, hosted, on premise).

We are currently considering a re-imagining of our chart of accounts, so the tool we choose must have the flexibility to adjust should a new COA be implemented.

The proposal that was submitted is for the Academic division of the University of Virginia. The Academic division consists of 11 schools, including the School of Medicine, 20+ centers and institutes, the College at Wise, auxiliaries, athletics and administrative support. The Health System and University Physicians Group, along with the foundations (of which we have close to 30) are not part of this RFP, but the ability to integrate these areas will be taken into consideration when choosing a vendor. From the SOM perspective; however, the tool must have the ability to capture clinical revenues.

Budget Process

The current process involves schools and units entering their proposed budgets into an Excel spreadsheet that is then submitted via a Sharepoint site. FP&A reviews the spreadsheets, checks for errors and uploads the file into an Oracle table that is then accessed via our current reporting system, Discoverer, to view the budgets in summary format.

The request for additional funding is handled manually with a separate spreadsheet that is submitted and then consolidated manually into Excel.

We recently completed a comprehensive review our current budgeting & forecasting process and timeline and have developed a future state mapping of how we see the budget and forecasting process to look at the end of this implementation. As part of this project; however, we would expect a review of the individual school/units needs as it relates to the elimination of shadow systems.

The tool should have the ability for an end user to enter a requested budget, include any comments and attach supporting documentation.

The tool should have the ability to test validation – ie. ensure that specific business rules are met – a specific project number can only be used with a certain award number. Certain accounts can only
be budgeted by specific organizations, salary budgets cannot be budgeted without a position number, etc.

We currently do not use position control/budgeting. Our HR function is currently involved in a multi-faceted redesign that includes a new HR system. They are considering SAP and Workday. They will be moving to a position centric system, but will not be implementing position budgeting as part of that project.

The tool that we look to implement must be able to talk to the HR tool, pull in position level details including position, salary and labor distribution and allow for a single position to be split between multiple GL strings. The system must also have the ability to calculate fringe benefits rates based on pre-determined fringe chargeback percentages identified by employee type. Currently, there are four fringe rate categories and approximately 10 employee classifications.

Timeline

FP&A provides budgeted amounts for UG tuition and general fees, summer session tuition & fees, F&A/indirect cost projections, Endowment income, utilities and debt service. We also provide the assumptions for salary and fringe increases. Tuition & Fee increases for other programs are submitted and reviewed by the Provost’s Office, but are calculated and budgeted by the individual school or unit.

Administrative Support units or “Service centers” develop their budgets beginning in October for the upcoming year. They have historically managed to a “target” or the amount of the budget they had in the prior year’s budget. They are responsible for managing their total net budget. Administrative budgets are submitted in December in an effort for FP&A to calculate total allocated costs.

The schools and units or “activity centers” develop their budgets beginning in October, as well, but do not have to submit until early February. They are responsible for budgeting all revenues, including graduate tuition, special fees, including differential tuition amounts, grants, gifts and other revenue. They are also responsible for budgeting all expenses including anticipated increases for salary and fringe.

Day to Day operations

Because we are utilizing the Grants Accounting module for all expense budgeting activity, FP&A is responsible for handling all budget transactions in the system. In order to adjust a budget, we are required to install, budget and fund lines. When budgets changed, all three steps are required and are handled by FP&A. This process is very time consuming and is generally only processed once or twice per month as an upload. We currently have no automated way of tracking revised budgets.

The tool would not only be used to create budgets, but to also manage and maintain budgets, forecasts and actuals throughout the fiscal year. It should have the ability to track multiple budget versions both during the budget development process (scenarios), as well as during the fiscal year (revised).
University Financial Model

In Fall 2014, the University implemented HPCM to automate the revenue and cost allocations as part of the University Financial model, a modified RCM. The customized module is used during the budget process to determine allocated UG revenues, as well as the cost allocations for the service centers. At this time, we are not looking to replace this system, but need to ensure that the tool chosen has the ability to “talk” to HPCM in some way shape or form. As part of the HPCM implementation, we purchased ESSBASE, OBIE, Hyperion Planning, HPCM and FDMEE (which we use to load the data from Oracle). We do not own DRM or Financial Reporting.

Reporting

The University currently utilizes Oracle Discoverer for reporting. We are in the process of implementing a Qlik product. We are also creating a data warehouse. The tool will eventually pull all data (actuals and budget) from the data warehouse.

The tool must have the ability to provide ad hoc reporting of data that has been entered into the system to allow end users the opportunity to review results prior to final submission. We expect the tool to access actuals from the data warehouse and provide budget vs. actuals analysis for multiple years, to be used both during the budget development process, but also through the fiscal year. We would be looking for a tool that would have the ability to schedule report delivery (either financial reports or audit reports) to tool users.

Multi-year forecasting

The current multi-year forecasting is very decentralized. OFP&A has developed a high-level forecasting model in Excel to provide a 7 year projection for total Academic unit operations (excluding College at Wise). Each of the schools, as well as a number of centers & institutes) have created their own forecasting model (again, in Excel) to project out between 3 and 7 years. There is no central format for the forecast, no communication annually of assumptions and there is no consolidation of the forecasting models when the Academic divisions’ forecast is developed. Additionally, the Treasury office is utilizing Future Perfect to project cash, managed outside of OFP&A.

We are looking for a forecasting tool that has the ability to breakdown forecasts to various schools, centers & institutes, consolidates to create a comprehensive multi-year forecast that would include income statement, balance sheet and cash flow by unit. We would also look to a tool that has the ability of pulling in financial data from outside of the university (ie. foundations) so that schools and units with foundations can develop consolidated statements. This information would remain at the school level and not consolidated to the total Academic division level.

The tool should be agile enough to allow the individual schools to use various drivers when building their forecasts.

Capital Planning
Currently, the capital planning process is outside of the operating budget process and is not part of the scope of the budgeting tool project; however, we would want to see functionality in the multi-year forecasting tool that would allow for capital planning. A capital project should consider the following:

- Construction costs
- Square footage
- On-going operating expenses
- Debt
- Consideration of gifts/grants and the cash flows associated with the gift.

**Resources for the Project**

For the project, I will be acting as the Project sponsor for the implementation. The OFP&A team members will all be involved in some aspect of the project. We would like the proposals to identify the total need, as we are anticipating the need to hire a full time project manager to manage the day to day implementation. The Director of Budgets & Special Projects, along with a Business Intelligence Analyst and a Budget Analyst will be dedicating approximately 25% of their time to the project. We will also be utilizing budget administrators from a number of the schools and units to be engaged in various aspects of the project as a pilot group, as well as user acceptance, as well as a partial resource from our IT team to assist on the technical side. We would look to the implementation team to provide the “heavy lifting” on the project, as we would not have the bandwidth to do this alone.

**Overall**

As you can see from what I have described, we have a very manual, time consuming and labor intensive budget process that has not kept up with the changing needs of the University. We have made great strides in identifying what needs to change and have worked through the integration of the University Financial Model to make adjustment to the process to make it more streamlined, but without a budgeting and forecasting tool, we are paralyzed. Excel can only go so far and as the University continues to grow and the Board of Visitors looks to our team for more advanced analytics, we need the tools to get us there.