

COUNCIL FOR ADMINISTRATIVE AND FINANCIAL AFFAIRS (CAFA)

“Best Practices” for Financial and Administrative Operations

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Outline

- Background
- Process and Identification
- Results
- Future Challenges

ESTABLISHING SYSTEM-WIDE BEST PRACTICES FOR FINANCIAL AND ADMINISTRATIVE OPERATIONS

“Best Practices” Comprise Several Critical Elements:

EFFECTIVENESS: To set and achieve realistic and measurable goals.

EFFICIENCY: To achieve goals with minimal expenditure of resources.

ADOPTABILITY: To implement identified best practices at different institutions throughout the SUS.

FLEXIBILITY: To adopt best practices with due deference to change and different circumstances within multiple institutions.

HARMONY: To minimize the negative effects of internal and systemic strain as best practices are adopted.

The Eight Best Practices Are (in order of extent of adoption):

1. E-Commerce
2. Collection Agency Contracts
3. Purchasing Cards (P-Cards)
4. Vehicle Purchasing
5. Maintenance Service Agreements
6. Strategic Sourcing in Purchasing
7. FICA Alternative Plans
8. Performance Contracting

BEST PRACTICE No. 1

E-COMMERCE

PREMISE: To conduct business activities via the internet as opposed to traditional, face-to-face, location-specific interactions.

CAVEAT: Significant financial investments in hardware, software, upgrades, and training.

SYSTEM-WIDE APPLICATIONS: Different IT architectures and business operations inhibit system-wide applications. However, one institution may adopt another's e-commerce application (if technically feasible).

BEST PRACTICE No. 2

COLLECTION AGENCY CONTRACTS

PREMISE: Institutional contracts with debt collection agencies to recover long-term student debts in areas such as tuition, fees, housing, parking, and library.

CAVEATS: Compliance with critical federal and state rules. Staff effort expended to conduct financial reconciliations with collection agencies. Necessity that collection agencies have surety bonds. Potential to alienate future alumni donors.

SYSTEM-WIDE APPLICATIONS: Currently in system-wide operation. A Request for Proposals (RFP) resulted in debt collection contracts with ten collection agencies.

BEST PRACTICE No. 3

PURCHASING CARD (P-CARD)

PREMISE: To facilitate purchasing through issuance of P-Cards to departments, primarily for travel expenses and small commodity purchases.

CAVEATS: High administrative costs if minimal P-Card usage; ,Wide differences in bank rebates depending upon contracts; High administrative overhead in reconciling P-Card invoices; Potential damage to local business (bank) relationships.

SYSTEM-WIDE APPLICATIONS: Greater advantages and benefits to all institutions should a consolidated contract be signed with single bank.

BEST PRACTICE No. 4

VEHICLE PURCHASING

PREMISE: To benefit from "strength in numbers", i.e., to purchase motor vehicles in volume at reduced prices.

CAVEATS: Potential damage to local business/alumni/donor relationship; Time gaps between manufacturers' cut-off purchase dates and end of fiscal year.

SYSTEM-WIDE APPLICATIONS: Currently, SUS institutions participate in state-wide DMS vehicle purchasing contracts. Some institutions participate in county or municipal contracts. It is critical to identify and quantify the types of vehicles needed by most SUS institutions.

BEST PRACTICE No. 5

MAINTENANCE SERVICE AGREEMENTS

PREMISE: To service a multitude of items—new or out-of-warranty—by contracting with private organizations.

CAVEATS: Excluded parts and services; Working hours and response time of service personnel; Loaner equipment; Insurance coverage and bonding of service technicians.

SYSTEM-WIDE APPLICATIONS: Because of different size, operations, and equipment among SUS institutions, any system-wide service agreements must provide for maximum applications.

BEST PRACTICE No. 6

STRATEGIC SOURCING IN PURCHASING

PREMISE: Achieving bottom-line savings through improvements in institutional purchasing practices.

CAVEAT: Monitoring performance of outside consultants if institution does not conduct its own strategic purchasing practices, i.e., research and negotiations.

SYSTEM-WIDE APPLICATIONS: Provides the greatest benefit to large institutions because of sheer volume of commodities purchased.

BEST PRACTICE No. 7

FICA ALTERNATIVE PLAN

PREMISE: To accrue considerable savings by administering a pre-tax, tax-deferred contribution plan for specified employees only, i.e., institution avoids 6.2% FICA contribution.

CAVEATS: Only applicable to part-time/seasonal/temporary employees; Not applicable to following employees groups: students, fellows, graduate assistants, phased retirees, and/or rehired retirees.

SYSTEM-WIDE APPLICATIONS: The value of this best practice correlates with the number of eligible employees at the individual institution. Each institution must quantify its eligible population and determine the popularity and feasibility of the Plan.

BEST PRACTICE No. 8

PERFORMANCE CONTRACTING

PREMISE: To minimize utility costs, an institution contracts with a vendor to: audit buildings; determine cost savings; prepare designs; and perform construction based on the design.

CAVEATS: Recommended when institutional monies are either non-existent or earmarked for other purposes; Excessive profits and overhead charged by contractors.

SYSTEM-WIDE APPLICATIONS: Potential savings may accrue to all SUS institutions if they band together to execute system-wide contracts.