University of North Carolina
Major Efficiency Initiatives 2006-2012

o **PRESIDENT'S ADVISORY COMMITTEE ON EFFICIENCY AND EFFECTIVENESS (PACE)**

- Early in 2006, former President Bowles established the President's Advisory Committee on Efficiency and Effectiveness (PACE), a blue ribbon committee of North Carolina's leaders chaired by Krista Tillman, then CEO of BellSouth Corporation.

- The PACE performed a comprehensive review of the UNC System, made recommendations for operating more efficiently, and established principles to promote the continuous identification and implementation of efficiency enhancing measures moving forward.

- In the first year, the PACE recommendations saved the University $32 million. More importantly, best practices and improvements proposed by the Committee have enabled the University to avoid another $170 million in projected expenditures.

o **BAIN & COMPANY REVIEW**

- Through funding provided by an anonymous donor, UNC-Chapel Hill engaged Bain & Company to review campus operations and identify areas for improvement. The result was Carolina Counts, a campus-wide effort to reduce overlap in administrative functions, streamline operations, and simplify unnecessary bureaucracy, thereby focusing resources on the academic mission of the university. The Bain report was shared with all campuses so that each institution could review the recommendations and implement those parts that were applicable.

o **UNC FINANCE IMPROVEMENT AND TRANSFORMATION PROGRAM (UNC FIT)**

- **Process Improvement Initiative**
  - ➢ Launched in 2008, the UNC FIT Process Improvement Initiative implemented best practices and common financial standards to strengthen the fiscal integrity of all UNC institutions. Through this initiative, tools have been created for the President and Chancellors to monitor financial processes and detect and fix potential fiscal challenges early, rather than relying on financial audits to reveal those challenges after the fact. Potential savings and value-added efficiencies gained through the performance improvement initiative are achieved through:
    1) Business process improvements and standardization in general accounting, financial aid, contracts and grants, student accounts and capital assets processes;
    2) Alignment with the Office of State Controller's EAGLE program for compliance with NC General Statute 143D -The State Government Accountability and Internal Control Act;
    3) Improved system-wide financial accountability through the reporting tools that monitor compliance with newly established standards; and
    4) Improved control environment by implementing an internal control self-assessment tool.

- **Payroll Shared Service**
  - ➢ When the Office of the State Controller migrated from Central Payroll to the BEACON system, the University needed a payroll system that was integrated with the Banner software used by most UNC campuses. Rather than implement individual payroll systems at each of the nine campuses that previously utilized central payroll, the University established a shared service payroll center. All nine campuses are now operational on that center. The success of this project will lead to other shared service initiatives that will ultimately result in more efficient and effective operations. Savings and value-added efficiencies achieved by processing payroll through the center include:
    1) Business process improvements in Payroll primarily, but also in HR and Finance functions;
    2) Reduction in duplicative efforts by bundling core competencies and consolidating payroll back office processing activities;

3) Quality assurance by establishing formal service level agreements, change control procedures and data quality standards;

4) Improved control environment; and

5) Better system-wide IT coordination and technology synergies by establishing a common technology baseline for payroll processing.

o **INFORMATION TECHNOLOGY EFFICIENCY INITIATIVES**
- **Central Contracting / Combined Pricing Initiative (CPI)**
  - ➢ The UNC General Administration Information Resources Division, working with the campus chief information officers, has negotiated University-wide contracts with vendors for the most commonly used hardware and software products.
  - ➢ The purchasing power provided by leveraging the strength of all 17 UNC institutions is far greater than that of an individual school or of a consortium of schools.
  - ➢ UNC has negotiated vendor contracts that guarantee higher discounts (lower prices) to the UNC system than to any individual institution. In practice, CPI provides smaller UNC institutions with purchasing strength that they could not have achieved on their own.

- **Shared Banner ERP Hosting and Central Disaster/Recovery**
  - ➢ A major collaborative initiative has been developed for the creation and replication of a central IT infrastructure for hosting campus ERP and Disaster/Recovery applications.
  - ➢ Significant cost reductions and more effective human resource utilization are now being experienced at four UNC institutions that are being served by in a centrally hosted environment.
  - ➢ Three additional institutions are currently migrating from their local IT infrastructure to the centrally hosted environment. Additional institutions are now considering a similar migration, which would result in even greater system efficiency and cost savings.

o **ENERGY EFFICIENCY INITIATIVES**
- **Energy/Water Reduction and Building Operational Efficiency**
  - ➢ Under General Statute 143-64.12, which passed in 2007, UNC institutions are required to reduce energy consumption per gross square foot by 30% by the year 2015 as compared with energy consumption for the 2002-03 fiscal year.
  - ➢ UNC institutions have embarked on numerous and ongoing initiatives to both reduce energy and water usage and to strategically improve efficiencies of building and system operations.
  - ➢ The use of Guaranteed Energy Savings Performance Contracts is one mechanism for financing and implementing energy conservation measures. This process provides for future energy savings to be used to pay for the installation of energy-saving measures, under contract with a competitively selected energy services company.
  - ➢ These improvements will generate cost savings sufficient to pay for the projects, replace aging and inefficient equipment, and improve building system controls and infrastructure.
  - ➢ Annual cost savings upon completion of all projects now approved and under construction are estimated at $9 million. Additional projects are anticipated, including a system-wide lighting performance contract.
  - ➢ The University pursued and implemented $7 million in ARRA (American Recovery and Reinvestment Act) grant-funded specific energy efficiency projects across a number of campuses.

- o **E-PROCUREMENT INITIATIVE**
  - **SciQuest E-Procurement Tool**
    - ➤ Thirteen UNC campuses have now implemented NC-based company SciQuest's E-Procurement tool enabling fully integrated business-to-business electronic commerce for UNC.
    - ➤ Significant savings and efficiencies are being achieved as the initiative becomes fully operational and strategic sourcing is implemented at the system level.
    - ➤ Immediate cost avoidance savings have been realized as campuses leverage e-catalog maintenance and contracts in a common purchasing portal.
    - ➤ The SciQuest application enables efficient automated payment functionality with vendors allowing for electronic invoicing, reducing transaction processing time and potentially capitalizing on performance rebates.
    - ➤ Further, should the state adopt the SciQuest E-Procurement system in response to the Governor's State Purchasing Transformation Initiative, savings could be even greater as all state agencies use a single E-Procurement tool.

- o **ELIMINATION OF REDUNDANT DATA PROCESSING SYSTEMS**
  - **Elimination of UNC Financial Data Mart System**
    - ➤ UNC eliminated the requirement that campuses feed financial transactions to a data mart housed at UNC General Administration after an analysis determined that the same data is available in the NC Accounting System (NCAS) Decision Support System (DSS) and that UNC could extract reports from the NCAS.
    - ➤ Utilizing NCAS DSS ensures that detailed, accurate and consistent financial reporting is available to UNC leadership, the Office of State Budget and Management, the Office of the State Controller, and the legislative Fiscal Research Division.
  - The **Human Resources Data Mart** has been established to manage UNC personnel information, eliminate redundancies and allow for maximum use of limited IT resources.

- o **BOARD POLICY DISCUSSION, JUNE 14, 2012**
  - **Additional Shared Services**
    - ➤ During the policy discussion, Vice President for Finance Charlie Perusse will discuss seven areas now being studied that have the potential to allow the University to operate more effectively and efficiently. Some of these are already existing areas of collaboration that will be studied for additional opportunities, and some are new areas under review. The seven areas are:
      - ❖ Advancement
      - ❖ Residency Determination
      - ❖ Financial Aid Verification
      - ❖ Internal Audit
      - ❖ Procurement
      - ❖ e-Journals
      - ❖ Ground Transportation
  - **Conversation with UNC Chancellors**
    - ➤ Following the presentation led by Vice President Perusse, the Board will have an opportunity to converse directly with UNC Chancellors about the steps that they have taken to increase operational effectiveness. Since the Board heard a presentation on academic efficiency efforts in April, the focus at this meeting will instead be on operational efficiencies. The Chancellors will share their experiences and welcome guidance from Board members on potential areas of focus.