Oregon State University
Information Services Budget Deficit Assessment
Report of the
Information Services Review
Task Force

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September 16, 1998

Introduction
In the summer of 1997, it was revealed that Information Services (IS) at Oregon State University had incurred a cumulative $5.6 million deficit in the 1995-97 biennium. Joy Hughes was the Associate Provost for Information Services during that biennium. However, at the time the deficits were reported, she had left OSU to assume a similar administrative position at George Mason University. Curt Pederson was appointed Associate Provost for Information Services in July 1997.

One of Associate Provost Pederson's first tasks was to prepare a budget reduction plan for Information Services. On September 19, 1997, a draft of the IS Budget Reduction Plan was presented to the President's Cabinet and distributed to other leadership bodies within OSU, including the Faculty Senate Executive Committee, Budgets and Fiscal Planning Committee, Instructional Development and Technology Committee, and Library Committee.

Following a review by these committees, the committee chairs (Faculty Senate President Anthony Wilcox, Paul Farber, John Block, and Carol Savonen, respectively) sent Associate

Provost Pederson a response to the draft Information Services Budget Reduction Plan. The letter expressed strong concern regarding the plan to drastically reduce the library's monograph budget, to discontinue the modem pool, and to disproportionately reduce the library budget relative to its role in creating the deficit. The letter also noted that the draft plan did not provide sufficient explanation or analysis of the Information Services deficit to satisfy the campus's need for a responsible accounting of the mistakes that had been made or to permit the Faculty Senate committees to offer constructive alternatives to the proposed plan for retiring the debt.

Faculty concern over the IS deficit and the deficit reduction plan was forcefully expressed at the November 1997 Faculty Senate meeting, where a report on the IS deficit was given by Associate Provost Pederson and interim University Librarian Karyle Butcher. Faculty senators voiced strong opposition to the plan to drastically reduce monograph purchases during the 1997-98 fiscal year and to further reduce serial acquisitions during 1998-99. These actions would accelerate the decline of a library that has not been properly funded through most of OSU's recent history. Senators made passionate and eloquent arguments in defense of maintaining or, preferably, increasing the monograph and serial funding, since the Library is central to the educational and scholarship activities of the University. Faculty also questioned the proposal to eliminate support for the modem pool, since a significant component of the curriculum at OSU utilizes email and the internet as the primary or as an adjunct method of instruction.

At the November Faculty Senate meeting, President Wilcox announced the formation of a task force to review the Information Service deficit and the draft deficit reduction plan. The members of the Information Services Review Task Force and the committees they represented were: Gary Beach, Library; John Block, Instructional Development and Technology; Bruce Sorte, Budgets and Fiscal Planning; and Anthony Wilcox, Executive (chair).

Charge of the Ad Hoc Committee

The charge of the Task Force was to:

- Analyze the causes of the Information Services budget deficit.
- Analyze where the budget deficits had occurred; i.e., in which accounts.
- Relate the budget deficit reduction plan to the Information Services units responsible for the overspending.
- Offer recommendations for preventing future budget deficits in Information Services, in particular, and other units on campus, in general.

Information Services Deficit: How It Happened
To understand the causes of the Information Services deficit, the IS Review Task Force conducted numerous interviews and reviewed several audits related to IS. Those interviewed included both current and past IS leadership (Joy Hughes, Curt Pederson, Karyle Butcher, Jim Corbett, and Jan Galloway), Provost Roy Arnold, and current and past

leadership in Finance and Administration (Lee Schroeder, Allan Mathany, and Robert Duringer). The audits were conducted for IS in September and October 1997 by Tom Pederson, CPA, and Gary Rodgers, CPA. The Task Force's analysis of the circumstances giving rise to the IS deficit follows.

Conversion to the Financial Information System
A key contributing factor in the development of the budget deficit in IS was the conversion in OSU's financial computing program that occurred in July 1995. At that time, the SCT BANNER Financial Information System (FIS) replaced the Financial Management System (FMS). While FIS had some distinct advantages over the old financial information program, one disadvantage was that it was initially very difficult to monitor unit budgets. Another financial program, Data Warehouse, was added approximately six months after the conversion to FIS, and this program facilitated the generation of reports necessary to closely monitor individual unit budgets. A considerable investment of time and effort by financial and business managers was required to implement and develop competency with the new FIS and Date Warehouse systems, and this process occurred slowly in many units at OSU, including Information Services.

Information Services Organizational Structure
The restructuring of IS complicated the organization of its budgets. In 1995, Information Services comprised four departments: Kerr Library, Communication Media Center, Computing and Network Services, and Telecommunications. In addition to these units, there was also a budget for IS Administration. To unify IS across its units, Associate Provost Hughes reorganized it from a departmental structure to one involving teams. In the new structure, there was a fluidity in the membership of the teams. However, when team memberships changed, the department budgets were not always adjusted to reflect the movement in salary expenditures.

IS Business Manager Jim Corbett consolidated the IS budget in an attempt to make it correspond to the team model structure. Corbett and the other IS Administrators struggled with the extent to which the budget needed to reflect the new organizational structure. Consolidation made it difficult to determine who was accountable for the various parts of the budget, and it also made it very difficult to compare current expenditures in IS accounts with those of previous years. This confusion in tracking budgets was compounded by the late developing mastery of FIS and Data Warehouse within IS. One reason for this delay was the extended medical leave taken by Business Manager Corbett and the reluctance of Associate Provost Hughes to develop a plan to provide assistance during his absence. Although the business manager tried to maintain contact during his absence, IS was in serious need of better continuity and quality of information during this period.

The IS budget was being reorganized prior to developing sufficient competency with the FIS and Data Warehouse. Consequently, IS senior managers did not have access to current or accurate budget information. At the behest of Associate Provost Hughes, several members of IS leadership formed an IS Budget Task Force to work with Business Manager Corbett to design formats for budget reports that would be meaningful to each of their

units. However, this task was never completed. For much of the 1995-97 biennium, IS was operating without reliable budget information.

Lack of Budgetary Oversight
In the midst of these budgetary difficulties, two avenues of budgetary oversight of IS were missing one by choice, one by default. First, a budget service center for the "sixth floor" administrative units was created in response to recommendations contained in the Administrative Review Committee (ARC) report in 1992 and implemented following the Leadership Implementation Team (LIT) report in 1993. The service center provided periodic budget reports for the President's Office, Finance and Administration, Academic Affairs, Student Affairs, and University Advancement. Associate Provost Hughes decided to have IS monitor its own budget and elected not to participate in this new budget service center. Therefore, IS was not included in the periodic budget status reports generated by the service center. Second, prior to the conversion to FIS, the Office of Budgets and Planning had generated monthly institutional budget status-at-a-glance reports. These reports were used by the President's Cabinet to monitor the financial management of the individual units within OSU. FIS was not amenable to creating these reports, so they were no longer generated by the Office of Budgets and Planning. When Data Warehouse was installed, the capability to generate institutional summary budget reports existed once again, but the monthly budget status-at-a-glance reports were not reinstituted. Consequently, the President's Cabinet was no longer provided with the information necessary to monitor academic and administrative unit budgets and to notify units, such as IS, if they were overspending.

As a result of their problems using the financial information system and the absence of central budget oversight, IS was, in effect, operating in the dark with regard to their budget during the 1995-97 biennium (FY 96 and 97). Information Services had ended the previous biennium (1993-95) with a $600,000 surplus. By the end of FY 96, IS had incurred a deficit of $2.1 million, and, by the end of FY 97, the deficit had grown to $5.6 million.

University-Wide Budgeting Challenges
Irrespective of the ability to monitor budget activity, every unit within OSU experienced severe budgetary challenges during the 1995-97 biennium. In December 1996, the University had a $2.5 million reduction in its education and general funds budget as a result of a decline in student enrollment. This budget reduction was distributed across the academic and administrative units; however, the IS budget was not reduced. At this time when budgets were being reduced across campus, the cost of labor was increasing. In January/February 1997, unclassified staff received a 6% merit salary increase that was not funded by the Legislature until July 1997. In addition, an unfunded increase in student wages occurred in January 1997, when the minimum wage was increased to $6.00 an hour.

Institutional Demands on Information Services
While suffering the impact of increased labor costs along with the rest of campus, there were additional budgetary demands being placed on IS. The reduced student enrollment meant a reduction in the revenue generated by the Technology Resource Fee (a $50 fee

assessed to all students each term). The Valley Library expansion fund-raising campaign was discontinued by the OSU Foundation before all the funds were committed. The Library was forced to cover the remaining costs of the campaign, which totaled approximately $250,000. In addition, several new services and support operations were being expected of IS for the University without a corresponding increase in the resources required to fund these initiatives by the central administration. Examples of initiatives undertaken by IS included providing World Wide Web access and web page development for the campus, installation and maintenance of student information kiosks, and the wiring of all University residence halls for internet access.

Information Services Deficit: Analysis
Managing the new budgetary demands created by the unfunded initiatives and the unfunded pay increases required a level of expertise in the financial information system and control over spending authority that did not exist in IS at that time. By summer and fall of 1996, IS senior managers were aware that they did not have accurate or reliable budget information. For this reason, according to Associate Provost Hughes, there was an agreement among IS leadership that they would not commit to new expenditures until the budget was straightened out. The audits revealed that Computing and Network Services and Communication Media Center did not adhere to this mutual agreement. While IS did not know their exact budget balances during this time, Associate Provost Hughes was convinced that they were within their budget. According to Hughes, IS did not knowingly overspend on technology expenditures or encumbrances with any explicit or tacit understanding that the University would cover these costs or that the overruns would be covered by funds the University anticipated receiving in the upcoming biennium (1997-99).

While Associate Provost Hughes felt that IS was operating within budget for the 1995-97 biennium, she made it known to the President and Provost that IS would require additional funding for the 1997-99 biennium. Hughes informed the IS Review Task Force that she was dismayed when she learned that IS had incurred a $5.6 million deficit under her leadership. At the time of the discovery, she had already accepted a new position at George Mason University.

The $2.1 million deficit in FY 96 and the $5.6 million total deficit in FY 97 were identified during a University-wide budgetary analysis that is routinely conducted by the Office of Budgets and Planning at the conclusion of each fiscal year. Information Services was informed that their unit was running a significant deficit in 1996. Associate Provost Hughes established an IS Budget Task Force that was charged with verifying this figure and, if it was found to be accurate, identifying the problem. Apparently the IS Budget Task Force did not complete its analysis. Information Services had received reports of budgetary overspending before, but felt that they could demonstrate that the reports were inaccurate due to a failure to account for such factors as encumbrances which had not been cleared from FIS or personnel who had not been removed from the budget when they left.

Ultimately IS had lost faith in the budget reports they received, whether they came from their own business manager or from the Office of Budgets and Planning. While they recognized there were probably internal problems with financial management, they did not initiate effective steps to solve them. They did not accept an invitation made by Bob Duringer, Director of Business Affairs and the person responsible for implementing the FIS system, to receive assistance from a FIS team. Nor did the IS Budget Task Force fulfill its charge to bring order and clarity to the IS budget. This failure in fiscal leadership and management, coupled with a realigned organizational structure that introduced confusing multiple layers of spending authority within their unit, occurred at a time when they were experiencing serious budgetary challenges. The combination of these and other factors, such as inadequately trained fiscal managers and insufficient oversight by the Office of Budgets and Planning, left them vulnerable to the major financial problem that resulted.

Budget Analysis

Where the Budget Deficits Occurred
The budget analysis conducted by the IS Review Task Force determined that Information Services was allocated a budget of $26,214,390 by OSU during the 1995-97 biennium (July 1, 1995 to June 30, 1997), and they spent $31,648,511, which was an over expenditure of $5,434,121. Approximately 40% of the over expenditure occurred in the first year of the biennium and 60% in the second year.

There are various ways to review a budget. Two common approaches are to consider the budget at the program (e.g., Library) level or at the line item/category (e.g., salaries) level. The IS Review Task Force found that it was very difficult to estimate where this deficit had occurred programmatically. IS had not carefully assigned expenditures to the programmatic units. Depending on the sources of data and how expenditures were allocated to the program areas, significantly different estimates of how the deficit was incurred can be obtained. However, using information supplied by IS, the Office of Budgets and Planning, and extracting data from the Financial Information System (FIS), the IS Review Task Force has estimated responsibility for the deficit as follows:

- Administrative Services - $317,514 (6% of the total deficit)
- Computing and Network Services - $1,809,242 (33%)
- Communications Media Center - $1,018,515 (19%)
- Library - $751,417 (14%)
- Technology Resource Fee - $477,786 (9%)
- Telecommunications - $1,059,647 (19%)

Budget information, as mentioned above, can also be summarized by line items/categories. It was very difficult to understand the IS deficit in terms of expenditure categories. IS did not budget their funds at the same level of specificity used in assigning their expenditures. The IS expenditures were sorted amongst a number of detailed account codes. However, they did not assign budgets to those account codes from their more general account codes (e.g., a Services and Supplies FY 97 budget of $7,589,093 with expenditures of $0; and a

Contract Maintenance/Repair FY 97 budget of $0 with expenditures of $345,303). It is often appropriate to budget to a higher level of specificity than actual expenditures, if the amounts are relatively small or the distinctions among the account codes are not significant. As noted above, that was not always the case. Still, using information supplied by IS and the Office of Budgets and Planning, the IS Review Task Force estimated in which budget categories the deficit had been incurred. Approximately 70% of the deficit consisted of Service and Supplies expenditures, 15% was in salary costs, and 15% was from over-spending the equipment budget.

Relating Deficit Repayment to Responsibility for Creating the Deficit

The deficit repayment plan developed by IS distributed the responsibility to repay the deficit according to the each programmatic unit's ability to absorb budget reductions, not according to their role in creating the deficit. This approach was taken for three reasons: 1) IS needed to develop their plan quickly because FY 98 was just beginning; 2) distributing the reductions according to the role played in generating the deficit would have resulted in the elimination of the Communication Media Center; and 3) the state of the IS financial records hindered performing an analysis of deficit responsibility. Since the IS budgets were not well maintained and are still not precise, it may never be possible to determine how the deficit repayments relate to how the deficit was incurred in several of the IS programmatic units (e.g., Communication Media Center and Computing and Network Services).

The deficit responsibility of Telecommunications and the Technology Resource Fee could be attributed with confidence because each is a self-sustaining funding unit, which requires separate budgeting. Subtracting the Telecommunications and the Technology Resource Fee deficits ($1,059,647 and $477,786, respectively) from the total deficit gives the amount of the deficit that will be repaid by the other IS units ($3,896,688). The proportion that IS Administration, Library, Computing and Network Services, and Communication Media Center contributed to creating that deficit and the proportion each has agreed to pay back as part of the IS deficit reduction plan is shown in the following table.

Table 1. Deficit Responsibility and Deficit Repayment Plan for Specific IS Units

	Admin.	C&NS	CMC	Library
Deficit Responsibility	$317,514	$1,809,242	$1,018,515	$751,417
	8.1%*	46.4%	26.1%	19.3%
Agreed to Pay Back	$549,433	$1,200,180	$763,751	$1,383,324

14.1%   30.8%   19.6%   35.5%

* Percentages given are each unit's proportion of the IS deficit remaining
after the Telecommunications and Technology Resource Fee deficits have
been subtracted from the total (see text above).

Admin.: IS Administrative Services; C&NS: Computing and Network Services;
CMC: Communication Media Center.

Telecommunication and Technology Resource Fee. OSU is requiring IS to reduce its budget
from a continuing service level until the deficit is "repaid". As noted above, this repayment
appears directly related to the deficit incurred in two programmatic units -
Telecommunications and the Technology Resource Fee. Neither Telecommunications nor
the Technology Resource Fee receive education and general funding from the Legislature.
Telecommunications is a self-sustaining funding unit that generates its resources by
charging for its services. The Technology Resource Fee receives its funding from a $50 per
term fee charged to each student enrolled at OSU. Telecommunications repaid its deficit by
the end of FY 98, and the Technology Resource Fee will repay its deficit by the end of FY 99.

Library. The IS Review Task Force's analysis of the IS budget deficit estimated that the
Library overspent its budget by $751,417 during the 1995-97 biennium. At the February
1998 Faculty Senate meeting, OSU President Paul Risser informed the faculty that OSU and
IS administrators had assigned the Library deficit at $625,000 and that the Library was
committed to repay this deficit within two years. The figure cited by the President is
$124,417 lower than that determined by the IS Review Task Force, which may be due to
differing interpretations when categorizing budget indexes in the two analyses and/or
their analysts may have made some decisions regarding attribution that we were not in a
position to make. In any event, the Task Force does not take issue with the deficit figure
given by the President.

In the discussion that followed the President's comments at the Faculty Senate meeting,
faculty senators offered compelling arguments for raising the budget of the Valley Library
to the standard befitting a Carnegie Research I institution and urged the President to make
a commitment to do so, rather than allowing the proposed reductions in the monograph
budget to occur. In response, President Risser pledged that funding would be found to
prevent the cut in the monograph budget for the 1997-98 fiscal year.

IS leadership informed the IS Review Task Force that the President's commitment to
restore the monograph budget was achieved through the transfer of $200,000 from
University reserves and $100,000 from a Library endowment. In a subsequent meeting of
IS Review Task Force members with Provost Arnold, the Provost said that the University
was committed to providing $322,000 to the monograph budget for FY 98 and FY 99. Two
years of this level of University support to the monograph budget approximately equals the
designated deficit for the Library and, thus, would retire its debt. However, University

Librarian Butcher informed the Task Force that the infusion of money to restore the monograph budget does not forgive the Library's debt.

As noted above, the Library's share in paying back the deficit is considerably greater than its responsibility for it. The Library is paying back $1,383,324 of the IS deficit, at a rate of approximately $230,000 over six years. According to Butcher, the President has committed to a plan to increase the Library's base budget from $6,877,800 to $7,223,200 over a three-year period. The increase has not been implemented yet, and, if it begins in FY 99, much of that increase will be negated by the deficit repayment. The Library is reducing its expenditures by not filling vacant positions, by reducing the number of its student workers, and by cuts in the services and supplies budgets. In addition, contrary to perceptions of faculty subsequent to the commitment made by the President at the Faculty Senate meeting, cuts may still occur in the monograph budget, since the transfer of funds to sustain growth has not occurred and due to the ongoing deficit responsibility to which the Library is being held.

Computing and Network Services and the Communication Media Center. As presented in the table, Computing and Network Services and the Communication Media Center are paying back a lesser share of the deficit than their responsibility in creating it. They will be paying back approximately $1,200,180 and $763,751, respectively. The Task Force requested copies of the strategic plans describing how the repayment will be accomplished in these units, but none were provided.

Status of IS Deficit Reduction
The deficit that was incurred by IS during the 1995-97 biennium and the progress made in reducing the deficit in FY 98 is illustrated in Figure 1. The deficit is separated into several parts: Telecommunications, Technology Resource Fee, and Educational and General Funding (IS Administration, Communication Media Center, Computing and Network Services, and Library). The total deficit is also plotted. In the first year of the deficit reduction plan, the $5.4 million deficit has been reduced to $3.0 million, or a deficit reduction of approximately $2.4 million. In eradicating its deficit in one year, Telecommunications accounted for $1.1 million of the IS deficit reduction. The Technology Resource Fee deficit was reduced by half ($238,893) in FY 98, and the remaining half is to be repaid during FY 99. The remaining $2.8 million deficit is to be repaid by IS Administration, Communication Media Center, Computing and Network Services, and the Library over the next five fiscal years.

Budget Implications
OSU and IS do not have sufficient budget history from 1995 to the present to know what the current service levels are and to assure the faculty that the Library, Computing and Network Services, or the Communication Media Center will receive adequate support in 1998-99 to provide essential services. Information Services is engaged in a process to assess customer needs. If that process is not accelerated and used to build new budgets based upon current and projected needs and resources (zero-base budgeting), independent of previous historical funding, IS will continue to manage their budget primarily on a line-

item basis rather than a programmatic basis. Programmatic budgeting allows resources to be allocated directly to the needs or purposes that fulfill the mission of the unit. Line item budgeting is indirect and requires an inference for each budget item (e.g., individual salaries) to determine how that expense will contribute to meeting unit needs.

Policies and Procedures to Avoid Future Deficits

OSU administrators, faculty, students, and alumni were preoccupied with the financial problems of the University during 1997-98. The IS Review Task Force has tried to determine whether similar financial difficulties could happen again or whether policies and procedures have been created and implemented to assure the financial soundness of individual operating units at OSU. Typical practices, policies and procedures might include:

1) Consider fiscal management skills as important attributes when hiring administrators.

2) Provide fiscal training for existing administrators and on-site consulting/assistance for those operating units that need help.

3) Maintain sufficient depth of personnel in the central administration so operating units who temporarily or permanently lose the services of their essential fiscal manager(s) can obtain assistance.

4) Conduct internal audits of all academic and administrative units. Require corrective actions of the audited unit if budgetary problems are identified. Summarize the findings and make the information available to the campus community.

5) Issue and enforce policies that require programmatic budgeting.

6) Issue and enforce policies that require rebudgeting when over-expenditures by account code exceed $5,000.

7) Meet regularly with administrators to review budget status and work collaboratively to specifically address any problem areas.

8) Develop a stepwise process that eventually centralizes fiscal responsibility for units that fail to meet their commitments to attain sound fiscal management.

9) Initiate and maintain a campus-wide budget process that builds unit budgets based upon current needs and resources independent of historical budgeting.

10) Encourage, protect, and listen to people who raise questions about the fiscal integrity of operating units.

11) Demand that administrators work collaboratively to resolve fiscal issues that cross organizational boundaries.

IS has implemented a number of fiscal controls that are consistent with the policies recommended above (see Appendix A).

Recommendations

This investigation has identified several deficiencies that have existed and may continue to exist with regard to how IS, as well as other units on campus, conduct their fiscal management operations and budgetary responsibilities. The IS Review Task Force, therefore, recommends that the following be implemented during the 1998-99 fiscal year.

1. Improve the fiscal practices of academic and administrative units of OSU by implementing the policies and procedures listed in the previous section.
2. Ensure that quarterly budget meetings of the President's Cabinet and the Deans continue. When problems are identified at these meetings, all participants should work collaboratively to review the specific issues, and the administrative or academic unit with budget difficulties should make commitments that will improve their budget situation.
3. Reinstate and continue the monthly Budget Status-At-A-Glance reports produced by the Office of Budgets and Planning for review by the President's Cabinet.
4. Develop and distribute monthly and quarterly budget reports in two forms:

   a. Budget summary that indicates: what has been spent; what is committed; and what is left.

   b. The percentage of what has been spent at particular times of the year compared to patterns in previous fiscal years.

5. Formalize the budgeting practices at OSU to assure that business managers know how to build budgets, how to correct budget problems, how to make an OPE correction, how to analyze a budget, and so forth.
6. Update and distribute the OSU Budget Handbook on a regular basis.
7. Develop training workshop opportunities for individuals across campus with budgetary and fiscal responsibilities. The Office of Budgets and Planning and the Office of Business Affairs should jointly offer this training program.
8. Implement a process that progressively removes budget authority from units that are unable to balance their budgets.
9. Conduct regular budget and financial audits of administrative and academic units.
10. Build unit budgets based upon current needs and resources, independent of historical budgeting.
11. Create reporting responsibilities for the University Librarian to both the Associate Provost for IS and to the Provost and Executive Vice President. The University

Librarian should report to the Associate Provost for IS in areas that relate to integrating information services, and to the Provost and Executive Vice President for Academic Affairs in areas relating to the role of the Valley Library in the academic mission of the University.

12. Secure from Central Administration a commitment that the IS deficit reduction must not involve the serials and monograph acquisition budgets. The Valley Library collection, whether paper or electronic, is considered by the IS Review Task Force to be essential to the instructional and scholarly missions of the University.

13. Limit the Valley Library deficit-reduction payback to the level of its overspending in creating the deficit, which was $751,417.

14. Require that the funds used to restore the monograph budget (University reserve funds and Library endowment funds) also reduce the deficit payback expected of the Library.

15. Rename the Faculty Senate Instructional Development and Technology Committee and revise its standing rules. With the creation of the Technology Resource Fee Committee (a University committee comprised of faculty, students, and administrators), the ID&T Committee is no longer responsible for determining the recipients of the Technology Resource Fee grants to support faculty utilization of technology in instruction. However, faculty input is needed into IS decision making affecting faculty and their working/teaching environment. A new committee, named the Information Services Committee, can retain those aspects of the ID&T Committee's charge that relate to the use of technology to support the curriculum and to enhance instruction, which was accomplished through interfacing with the CMC. However, this committee can also serve as the means of formal faculty input into matters affecting faculty work that are within the domains of Computing and Network Services and Telecommunications. Examples of some relevant IS decisions or ongoing questions for which Faculty Senate input is or has been lacking are: the conversion of the campus email program and community server system, with its resulting expense for computer hardware upgrades; the requirement that departments and colleges provide their own network administrators; the decision to make MS Word the campus standard; and whether a network operating system will be designated. Faculty input is also important as IS makes decisions regarding how it will reduce its deficit over the next five years while still providing necessary services to the campus.

16. Review the rate structure of Telecommunications. The rapidity with which Telecommunications retired its debt raises the question as to whether they may be overcharging for their services. The review should be by a group that includes IS and Telecommunications administration and staff, and representatives from Finance and Administration, the Faculty Senate Budgets and Fiscal Planning Committee, and the new IS Committee.

17. Request that Information Services articulate a vision for computing at OSU that includes network operating systems, personal computer operating systems, and supported software. The user community should have input into this vision, for example, via the Faculty Senate IS Committee recommended above.

Summary

The Information Services deficit placed an enormous strain on OSU finances because it occurred at a time when the University's budget reserves were virtually depleted. OSU had absorbed two rounds of budget reductions due to a decline in student enrollment, and had fulfilled an unfunded Legislative mandate by providing a 6% salary increase to unclassified staff. Therefore, the University required IS to develop a stringent deficit reduction plan. At the same time, other units on campus were required to maintain a positive budget balance sufficient to offset the deficit in IS and several other units (e.g., Intercollegiate Athletics, the College of Science).

The study conducted by the IS Review Task Force identified several underlying causes of the deficit. Key among them were the slow acceptance and development of competencies to work with a new Financial Information System and the reorganization of the IS leadership structure. Converting to FIS required campus business managers to learn a new system, and it caused the discontinuation of monthly, university-wide, summary budget reports. These reports were an important periodic assessment of the financial management of the campus units. Even when the capability to generate the reports was restored with the installation of Data Warehouse, they were not resumed. The reorganization of IS units into a team model approach introduced confusion into the organization of the IS budgets and diffused the control over budget spending authority. The confusion was compounded by the slow rate of mastery of FIS within IS.

Information Services management is to be faulted for failing to integrate its financial management with its revised organizational structure, and for failing to recognize that its business office required assistance from the Office of Finance and Administration. University leadership bears the responsibility for failing to maintain the system of budgetary oversight that would have given early warning to the developing problems in IS, for failing to assume greater responsibility for financial management in IS during FY 97 after it ended FY 96 with a $2.1 million deficit, and for failing to develop a comprehensive training program to build and maintain financial management skills for administrators and their fiscal managers.

The IS Review Task Force's analysis of the deficit determined that Computing and Network Services was responsible for 33% of the $5.4 million deficit; Telecommunications was responsible for 19%; Communication Media Center, 19%; the Library, 14%; the Technology Resource Fee, 9%; and Administrative Services, 6%. Telecommunications has repaid its deficit, and the Technology Resource Fee deficit will be repaid by the end of FY 99. The deficit for the other IS units totaled approximately $2.8 million at the end of FY 98, and they are scheduled to have this repaid by the end of FY 03.

The Library is currently obligated to make a deficit reduction payback of $1,383,324, even though their overspending was, by our analysis, $751,417. The IS Review Task Force opposes the decision to require a deficit repayment by the Library that is disproportionate to its responsibility in creating the deficit. With a budget that is approximately half of the

total IS budget, the Library has a greater capacity to absorb budget cuts than other IS units. However, a sense of fairness and an understanding of the central importance of the Library to the University dictate that we not take this opportunistic approach to reducing the deficit.

Critical decisions need to be made by campus leadership. The IS Review Task Force supports President Risser's commitment to increase the base budget of the Library over the next few years and his pledge to prevent reductions in the monograph budget. In addition, the Task Force urges University and IS administrations to accept our recommendations concerning the Library. One effect of adopting the Task Force's recommendations will be to shift greater deficit payback responsibility to the Communication Media Center and Computing and Network Services. While their deficit payback burden may then be consistent with their role in creating the deficit, the cuts could render these units incapable of delivering the level of service the campus requires. Administration and faculty must expeditiously work together to determine whether resources should be redirected to meet campus priorities for IS support and services.

Studying the IS deficit offers the campus an opportunity to recognize and correct the deficiencies in University budgetary and fiscal management practices that allowed this problem to occur. To this end, the IS Review Task Force has outlined policies and procedures that would ensure better fiscal management for the institution and its units, and which would greatly reduce the risk of future budget deficits. At the time of the Task Force's review (1997-98), following two years of deficits, IS had not yet developed a careful budget system and the Office of Finance and Administration had not committed significant resources to help IS do so. To their credit, IS administration has implemented procedures to address some of the fiscal control problems that caused the deficit, they have been successful in managing their total budgeted resources in FY 98, and central administration has monitored the total expenditures in IS. In addition, IS intends to develop a detailed budget system in FY 99. There is clear evidence that the University is now conducting itself in a fiscally responsible manner. Nonetheless, the fiscal vigilance that is evident today may be relaxed when we emerge from this deficit unless OSU implements and enforces additional budgetary policies and procedures such as those described in this report.

Finally, the Task Force forwards for the University's consideration a set of recommendations that, if implemented, would not only improve the fiscal management of the institution, but would at the same time, enhance the support and services that is provided to the campus by Information Services. Several of the recommendations specifically address the status of the Valley Library during this period of deficit reduction. The University's requirement for the Library's resources and services is incompatible with the IS deficit reduction plan. It is the hope of the IS Review Task Force that the University's response to the IS deficit, of which this report is a part, will leave a legacy of sound fiscal management throughout the institution, a responsive system of support and services provided by IS, and a renewed commitment to achieving a quality research library.

In closing, the IS Review Task Force wishes to express its appreciation to the leadership of Information Services Associate Provost Curt Pederson, University Librarian Karyle Butcher, and Business Manager Jim Corbett for fulfilling their promise of providing full disclosure during the course of our study. We are also grateful for the open and frank assistance provided by Allan Mathany, Director of the Office of Budgets and Planning during this review.

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Appendix A

Information Services
Fiscal Controls
Policies and Procedures

Accounting:
Consolidation of accounting staff in a single work area

Limitation of FIS access (query versus data entry versus approval)

Addition of an Accountant 2, with emphasis on financial analysis and departmental auditing

Cost Analysis of all Fees

Consolidation of all procurement Card reconciliation

FIS Transactions - Business Manager approval only
Budget:
Budget organization returned to unit concept - Library, Telecommunications, CMC, etc.

Operational units receive monthly reports

Meetings held with operational units if significant variations from budget are noted
Purchasing:
Signature Limits - Managers, Business Manager, Associate Provost

All major vendors are being reviewed for appropriateness in competitive bid process
Travel:
Reduction in travel funds

"Participatory Policy" in travel expense

All travel in an operational area must be approved by the Manager of the area; and all travel by Managers must be approved by the Associate Provost.
Personnel Action:
All personnel actions (reclassifications, filling of vacancies, establishments, etc.) must be approved at Management Group level

No personnel actions will be processed unless funding is firmly identified
Contracts and Agreements:
All agreements, contracts, etc. must be initialed by the appropriate member of the Management Group before submission to the IS Business Manager and Associate Provost for Information Services.

All personal service contracts must be approved by IS Business Manager and Associate Provost before being sent to contracts office.

All agreements between IS and other University Departments must be:
a. In writing

b. Initialed by the appropriate member of the Management Group

c. Approved by IS Business Manager and Associate Provost

JSC / March 11, 1998