



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA

Evaluation Report Summary / February 2010

MnSCU System Office

Major Findings:

- In fiscal year 2009, the Minnesota State Colleges and Universities (MnSCU) "system office" spent about \$89 million to administer and oversee a system of 32 public colleges and universities.
- In recent years, system office expenditures grew faster than MnSCU's other expenditures. The office's growth was largely due to expanded services to campuses, especially in information technology (IT).
- Campus officials have mixed views of the system office. They see some system office functions (such as legal and finance-related services) as critical supplements to what the campuses provide; they view some other functions (such as centralized fundraising) as adding little value.
- The system office has made important upgrades to MnSCU's IT network since 2007, while progress on IT projects intended to improve key MnSCU business functions has been mixed.
- There may be opportunities for efficiencies through multi-campus (or perhaps centralized) delivery of some administrative services now provided by each institution.
- The system office has taken steps to improve student credit transfer among campuses, but concerns expressed by campus officials and student associations suggest that

more work is needed. Also, the system office's past efforts to create "seamless" student services have had limited impact, although the office is now in the midst of a new effort.

- The Board of Trustees and chancellor have set clear goals for the system. Efforts to monitor progress toward these goals are improved but incomplete.

Recommendations:

- MnSCU leaders should consider changes in organization, staffing, and oversight for certain system office activities. MnSCU should improve its ability to measure the performance of system office and campus administrative activities.
- The Board of Trustees should exercise stronger oversight of the system office.
- MnSCU should delegate authority to classify employee positions to selected campuses, and it should foster multi-campus service delivery for certain administrative services.
- System office officials should improve the process for selecting and implementing new IT projects.
- The board should scrutinize professional/technical contracts more closely, and the system office should evaluate contractors' performance.

MnSCU needs a sizable "system office" to administer its current functions, but there should be greater oversight of the office's performance.

Report Summary

A system office of about 400 staff provides services to campuses, develops policies, helps ensure accountability, and advocates for resources to support MnSCU's mission.

In 1995, legislation created the Minnesota State Colleges and Universities (MnSCU) system by merging three separate systems for technical colleges, community colleges, and state universities. In fiscal year 2009, MnSCU's total revenues exceeded \$1.8 billion. MnSCU's 32 colleges and universities served about 143,000 full-year-equivalent students in for-credit courses in fiscal year 2009.

The system is governed by a 15-member Board of Trustees. A chancellor serves as MnSCU's chief executive officer and oversees a "system office" that in fiscal year 2009 spent \$89 million and had nearly 400 staff. This office provides services to campuses, develops system-wide policies, helps ensure system-wide accountability and fiscal integrity, and advocates for resources to support MnSCU's mission. MnSCU's 32 college and university presidents are employees of the system office, while other administrative staff for the institutions are not.

System office staffing and expenditures grew in recent years.

Between fiscal years 2002 and 2009, total system office spending (not counting compensation for presidents) grew by 52 percent, or 15 percent when adjusted for inflation. During this time, system office spending grew from 4.1 percent of total MnSCU spending to 4.6 percent. Between 2002 and 2009, the number of full-time-equivalent staff in the system office (not counting presidents) grew from 318 to 385.

This growth largely reflected expanded services to campuses, addressing a mix of system office and campus-level concerns. There has been particular growth in information technology (IT), which grew from 36 percent of system office spending in fiscal year 2002 to 55 percent by fiscal year 2009. Much of this growth has occurred since 2007, when MnSCU used a significant share of its increase in state appropriations for IT investments.

System office expenditures for professional/technical consultants increased from about 15 percent of system office spending in fiscal year 2002 to nearly 21 percent in fiscal year 2009. Most of these consultants were used for IT-related projects.

MnSCU needs a sizable system office to administer its current functions, but there is also a need for improved oversight of its performance.

By placing all MnSCU institutions under a system-wide governance structure in 1995, state policymakers voiced their support for an ongoing level of system-wide direction, support, consistency, and accountability. Fifteen years after the merger, there are still important system-level activities to accomplish within MnSCU and many campus demands for assistance.

National literature and data on other states provide little basis for assessing the proper role and size of a system office. Thus, it is important to consider the views of campus officials, who are direct users and observers of many system office services. In most areas in which the MnSCU system office provides services, a majority of campus presidents said those services are provided effectively and efficiently. However, the presidents are split between those who think the MnSCU system office is too large and those who think it is about the right size.

The "right" size of the system office depends partly on the division of administrative responsibilities between this office and the campuses. MnSCU should delegate additional authority for tasks—such as employee job classification—to campuses with demonstrated capabilities in these areas. However, there are other tasks—such as payroll processing or financial aid administration—in which it may make sense for services now provided by each campus to be delivered through multi-campus or even centralized arrangements.

Campus officials perceive that some system office activities "add value" to their own activities while others do not.

There has been limited measurement and board oversight of the system office's performance. The board is uniquely situated to monitor the system office, and it should play a stronger oversight role—for example, by reviewing more expenditure information and periodically reviewing the performance of specific activities.

The system office provides a wide range of services and performance varies.

The MnSCU system office consists of ten divisions, which address the following areas: (1) academic and student affairs, (2) finance and facilities, (3) information technology, (4) human resources, (5) legal counsel, (6) government relations, (7) public affairs, (8) development and fundraising, (9) diversity and multiculturalism, and (10) internal auditing.

Campuses perceive that some of these divisions have been especially helpful in "adding value" to their own services. For example, a survey of presidents showed widespread opinion that the system office's legal, internal audit, and finance-related services are provided effectively and efficiently.

On the other hand, presidents expressed skepticism about the need for a system office Development Division. Campuses have their own foundations that conduct fundraising, subject to oversight by this division. Over the past four years, the division's fundraising efforts for system-wide purposes have yielded limited return on its expenditures.

The Academic and Student Affairs Division has some responsibilities fundamental to a higher education system, such as helping to ensure student success and overseeing the academic programs offered by campuses. However, the division's performance has been mixed. For example, easier student credit transfer among campuses was a key goal of the MnSCU merger, and the system office has implemented some helpful steps. But MnSCU's student associations and many

campus officials cite the need for additional actions to facilitate transfer or better inform students about the transferability of credits. Also, the system office's past efforts to promote "seamless" student services—especially for the benefit of students enrolled at multiple campuses—have had limited impact so far.

In some academic areas—such as oversight of campuses' customized training programs, coordination of professional development for faculty members, assistance to campuses in developing curriculum, and oversight of fire services training programs—the Board of Trustees and chancellor should carefully consider what role, if any, the system office is best suited to perform. In addition, the board should reconsider its credentialing policies for two-year college faculty. In most fields, the system office has not yet implemented new minimum standards in response to the board's 2006 credentialing policy, and many campus officials perceive this process to be rigid and impractical.

Since 2007, the system office's Information Technology Services Division has successfully upgraded MnSCU's IT network, providing a more stable, reliable foundation for technology services throughout the MnSCU system. However, the system office's process for setting priorities among individual IT projects has not been very effective. For example, the projects initially selected exceeded staff resources and did not adequately recognize project interdependencies. In addition, the system office's management of IT projects has been weak, with too little input regarding user needs, too little user support once projects were implemented, and too little evaluation of contractors' performance.

The system office has implemented useful approaches for ranking investment priorities for capital projects and evaluating building conditions. However, the board and chancellor should consider options for streamlining the process for managing capital projects, particularly for institutions that have (or could develop) project management expertise. Also,

The system office has established a more stable information technology network, but its management of individual IT projects has been weak.

improved system office guidance regarding design and budget parameters might help campuses avoid some capital planning expenditures.

The MnSCU system's goals and board-chancellor relationship have improved over time.

In 2000, a report by the Office of the Legislative Auditor concluded that the five-year-old MnSCU system was moving in the right direction but had some unresolved governance problems. At that time, MnSCU leaders had not articulated sufficiently clear goals, they did not track progress toward these goals, and there was conflict in the board-chancellor relationship.

Today, MnSCU's goals—as expressed in its strategic plans—are clearer and more accepted by institution leaders than they were in 2000. For example, 84 percent of presidents in 2009 said that the board had done an "excellent" or "good" job of defining MnSCU's mission, compared with 48 percent of presidents in 2000.

The board and chancellor have taken important, but incomplete, steps to improve system-wide accountability. The board has adopted an "accountability dashboard," and the system office is tracking performance in six of ten areas in which the board wants measures. The chancellor evaluates presidents annually based on progress toward key goals, although some presidents question the timeliness of the process and the adequacy of the targets.

The current chancellor and board have a strong working relationship with each other. In addition, a majority of MnSCU presidents give the chancellor favorable ratings for his efforts to communicate with them. However, most presidents also think the board and system office sometimes involve themselves in issues the presidents believe are best left to campuses. Comments from campus officials indicate continuing tension about how MnSCU should balance the need for uniform, system-wide policies in certain areas with the desire of institutions for a reasonable amount of flexibility and autonomy.

Summary of Agency Response

In a letter dated February 1, 2010, MnSCU Board of Trustees Chair David Olson and MnSCU Chancellor James McCormick described the OLA evaluation as "a thorough, professional review" and said "we have already begun to look at how some [of OLA's recommendations] may be implemented."

Chair Olson and Chancellor McCormick said it was "rewarding" to learn that, for 93 of 106 services addressed in an OLA survey, a majority of presidents said the system office's services were described as efficient and effective. "While the report notes some of the challenges we will encounter in moving to seamless student services and improving the information technology infrastructure, it also reinforces many of our current strategies and initiatives," they said.

The full evaluation report, *MnSCU System Office*, is available at 651-296-4708 or:
www.auditor.leg.state.mn.us/ped/2010/mnscu.htm