University Financial Services

September 2019

UFS Advisor

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Treasurer's Message

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Susan I. Krauss

Last September, the University announced its historic fundraising campaign, "Kentucky Can: The 21st Century Campaign", to expand access to education at the University of Kentucky and accelerate UK's efforts to solve the Commonwealth's most challenging health and economic issues. Specifically, the $2.1 billion "Kentucky Can" campaign focuses on three major areas of support:

- Funding UK LEADS and other scholarships to ensure more students have access to a UK education and can graduate on time with reduced debt
- Enhancing academic and research initiatives focused on the state's most pressing challenges including opioid addiction, cancers, heart disease and diabetes
- Growing the University's endowment to more than $2 billion to fund recruitment and retention of leading scholars and support of initiatives that provide a foundation for the work of faculty, staff and students.

Why is growing the University's endowment important? An endowment provides a stable and reliable source of revenue, which is critical to the University of Kentucky at a time of declining state appropriations.

For fiscal year 2019-20, endowment spending distributions represent $24.2 million or 0.6% of the $4.2 billion operating budget. I would like to empathize this statistic: <u>UK's $1.5 billion endowment is generating less than one percent of the operating budget.</u> To be a great institution, we must increase the level of operating budget support generated from the endowment.

The following three strategies should be pursued towards achieving this goal:

- Support the efforts of the Kentucky Can campaign to grow the value of UK's endowment through additional gifts;
- Consider a revision to endowment spending policy to increase the effective spending rate;
- Develop strategies to increase utilization of endowment spending distributions.

Treasurer's Message, continued

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To assist with this endeavor, we recently formed an Endowment Advisory Committee comprised of college deans and senior administrators to advise on the endowment spending policy and utilization of endowment spending distributions. We are excited about the work of the new Committee and look forward to sharing more with you in the coming months.

Below is the approved committee charter.

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Endowment Advisory Committee Charter
Approved August 26, 2019

Committee Goals:

1) Evaluate the University's Endowment spending policy and compare to alternative policies in order to determine the optimal future spending policy, which should accomplish the following:
    a. Generate a reliable and steadily growing income stream to support endowment beneficiaries;
    b. Provide for long-term growth of the Endowment;
    c. Preserve the inflation-adjusted value of the Endowment.

2) Develop policies and/or incentives to ensure appropriate Endowment utilization (use of endowment spending distributions).

In order to accomplish the above, a benchmarking study of peer institution policies will be completed by UK investment staff and a spending policy forecasting analysis will be completed by FEG, UK's endowment investment consultant. The Committee will evaluate the benchmarking and forecasting analyses, and any other information deemed necessary, and make recommendations on future policies to executive leadership.

Committee Members:
Jennifer Bird-Pollan, Chair, University Senate
Lisa Cassis, Vice President for Research
Craig Collins, Chief Financial Officer, UK HealthCare
Nancy Cox, Dean, College of Food, Agriculture and Environment
Bob DiPaola, Dean, College of Medicine
Mark Kornbluh, Dean, College of Arts and Sciences
Angie Martin, Vice President for Financial Planning and Chief Budget Officer
Mike Richey, Vice President for Philanthropy
Simon Sheather, Dean, Gatton College of Business and Economics
Lisa Wilson, Associate Provost for Finance and Administration

Other Attendees:
Kristina Goins, Investment Operations Analyst
Susan Krauss, Treasurer
Kim Lush, Endowment and Gift Accounting Director
Eric Monday, Executive Vice President for Finance and Administration
Nancy Rohde, Senior Investment Analyst
Todd Shupp, Chief Investment Officer

Treasurer's Message, continued

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UFS recently completed our Periodic Review Implementation Plan, which sets forth our goals for the upcoming five years. The periodic review, initiated in FY17, was conducted In accordance with Administrative Regulation 1:4, which requires review and assessment of all major educational and administrative units to ensure the University maintains institutional effectiveness, in accordance with accreditation standards set forth by the Southern Association of Colleges and Schools Commission on Colleges, the University's accrediting body.

We are grateful to members of the campus community for participating in focus groups that provided valuable feedback. And we are grateful to the following members of the External Review Committee:

Penny Cox, Chair, Associate Vice President for Administration
Craig Collins, Vice President and Chief Financial Officer, UKHC
Judy Duncan, Assistant Vice President for Research
Greg Laur, Senior Executive Director of Philanthropy Administration
Barry Poynter, Vice President & Treasurer, Eastern Kentucky University
William E. Thro, General Counsel

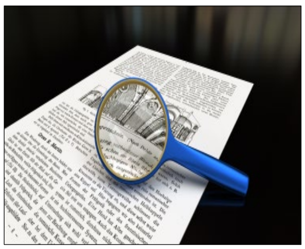
Based on feedback from the focus groups and recommendations from the External Review Committee, UFS has created a new position that will provide additional infrastructure to the UFS leadership team and amplify our efforts to increase collaboration with campus partners on policy development and to provide more training to business officers/others. Below is the job summary for the **Assistant Treasurer/Training & Policy Director**, along with a link to the related job posting. Applications will be accepted until October 9th and we will form a search committee soon to assist with this important hire.

Job Summary:
The Assistant Treasurer will provide leadership with the promotion of excellent customer service and development of professional knowledge through training and development programs focused on the University's financial policies, procedures, and systems. The incumbent will serve as the primary UFS liaison with campus in the formulation, implementation, interpretation and communication of financial and administrative policies. This position will also assist the Treasurer with asset/liability management and financial accounting/reporting through promotion of stewardship and accountability of University assets, liabilities, fund balances, revenues and expenditures.

Additional responsibilities will include:
- Identifies opportunities and develops plans for career development and cross-training of UFS employees.
- Researches and recommends improvements geared toward process and customer service efficiencies.
- Assists in identifying ways to automate functions and increase internal controls.
- Collaborates with the Treasurer to manage and maintain relationships with vendors, banks, and other financial service providers/advisors.
- Leads financial due diligence efforts to assess financial risks of projects and initiatives.
- Provides backup and continuing support for critical treasury-related departments/functions (e.g, Treasury Services, Debt & Liquidity, Investments/Endowments, etc.)

Link to posting: https://ukjobs.uky.edu/postings/248745

Focus on Business Procedures



E-6-2 Revenue Producing Activities

July 11, 2019

This BPM was updated to include a link to the Revenue Producing Activities Questionnaire.

E-14-1 Tax-Advantaged Bond Post Issuance Compliance

July 1, 2019

This BPM was updated to address a recent revision by the SEC to rule 15c2-12 related to continuing disclosure filings. The updated policy details the process the University will follow related to the two new material event filings-see section (IX)(B). The updated policy also shifts the responsibility of filings to the MSRB for continuing disclosure from individuals within Accounting and Financial Reporting Services to the individuals within University Financial Services Administration.

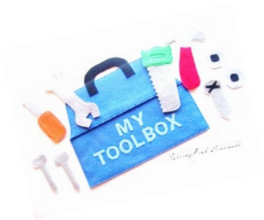
Facilities and Administrative Rate Proposal Status

The Facilities and Administrative (F&A) Rate is a mechanism used by the federal government to reimburse Universities for their costs related to infrastructure support of sponsored research and other sponsored projects (sponsored projects). This F&A rate is basically an overhead rate that is calculated as a percentage of the overhead cost associated and allocable to sponsored projects, divided by the direct costs of sponsored projects. Periodically, the University of Kentucky provides this detailed calculation to the Department of Health and Human Services and enters into a negotiation process to arrive at an approved rate. The approved rate is then added to invoices based on the direct costs incurred on the sponsored project.

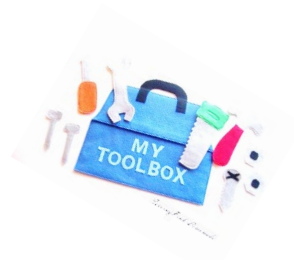
The University’s F&A rate was calculated to be 54.67% based on fiscal year 2015 cost information, and after negotiations, DHHS approved the current rate of 53% for organized research.

The University will request an extension to our current rate for two years and complete the calculation/negotiation of the F&A rate process using fiscal year 2021 cost information. Assuming the request is approved, the University plans to conduct space surveys over the fall/winter in an effort to ensure that all research-intensive buildings are properly coded and fully utilized prior to submission of the rate calculation in two years. This strategy should enable UK to be in a stronger position to negotiate an increase to current rate of 53.0%.

Business Officer's Toolkit



Quick Facts and Tips to Help You Do Your Job



Tips for Maintaining PO's throughout the Fiscal Year

As a new year begins, it is very important for vendor relationships and good accounting practices to review your PO's throughout the fiscal year and resolve any issues timely. Resolving issues as they occur will also save time at fiscal year-end. Here are some tips that should help you maintain your PO's:

1. Process goods receipts on your PO's as ordered items arrive in your office. Do not wait for the invoice to be posted to process a goods receipt.
2. Return damaged items timely and review for proper credits and rebill invoices on the PO. Work with the Purchasing Contracting Officer if credit memos are not posted timely.
3. Contact the Purchasing Contracting Officer if you need assistance working with a vendor on returning and arranging replacement of damaged items.
4. Be certain to transmit vendor invoices that are inadvertently sent to the departments to APS timely. It is recommended that invoices be emailed to APPOinvoices@uky.edu.
5. If you are invoiced for an item(s) that you did not receive, contact the Purchasing Contracting Officer immediately if you need assistance in obtaining a credit memo for the extra item(s).
6. Use SAP t-code Z_MMEKPO to review open PO's on your cost object monthly or quarterly throughout the fiscal year. Review the "Open" and "Receipt vs Inv" columns for PO's that have a balance. Balances in these columns could indicate open encumbrances or an imbalance between the invoicing and the goods receipts posted to the PO's.
7. Contact information:
   a. Purchasing: http://www.uky.edu/Purchasing/purchemail.htm
   b. Accounts Payable Services: APPOinvoices@uky.edu

Concur Implementation Update

Exciting changes are coming to the travel and procurement card (procard) reconciliation processes with the implementation of SAP Concur. As part of the Our Path Forward plan for the University, SAP Concur Travel and Expense modules were purchased to improve travel and procard workflows, standardize business procedures, and enhance the user's experience with mobile support.

After gathering benchmark data on business policies, a campus-wide team was formed by University Financial Services (UFS) and the Provost's Office to review current travel and procurement policies. This group of travelers, business officers, and financial office staff were charged with evaluating the requirements related to those policies in order to streamline the processes while remaining compliant with federal, state, sponsor, and university regulations. With these concerns in mind, the team recommended changes related to areas such as travel incidentals, per diems, and receipts.

Once the policies were determined, the Concur Implementation Team, composed of personnel from Information Technology Services and UFS, polled campus areas regarding travel and procurement card expense request and reimbursement processes. Workflows and task delegations were also discussed in order to better understand the ways in which campus conducts business and maintains its compliance with University regulations.

Over the last few months, the Concur Implementation Team has been working diligently to make accounting, technical, and training business decisions.

- On the accounting side, the expense structure of University's Concur site is being encoded with specific hierarchies related to policies for travel or expenditures (procard reconciliation). Travel and procard expenses will be linked to expense types, business purposes, and trip and traveler types. In this way, general ledger codes will be programmed into the system. The user will not need to enter the six-digit general ledger account, thereby ensuring the accuracy of the accounting data and significantly decreasing journal voucher corrections. The team is currently finalizing the hierarchies and expense types, determining audit rules for online edits, validating information in the Concur training system, and establishing fields and forms.
- The technical team has been working on the interfaces between Concur and SAP. Employee data is being compared across all systems to ensure consistency among SAP Concur, SAP, and the university's travel partner AAA. For example, the email address in Concur Travel has now been standardized as userID@uky.edu and duplicate traveler logins are being eliminated. The team is also configuring the upload files to SAP Concur and is scrutinizing the incoming feed to determine the best methods for sending the travel and expenditure data and attachments to SAP.
- Campus training for SAP Concur will commence prior to the rollout of the system. Courses and materials are being developed for related campus training topics that will be available through myUK Learning.

The Concur Implementation Team appreciates all of the assistance we have received from the campus community, our Huron consultants, and our bank and travel partners. With the revised policies and implementation of SAP Concur, the team is striving to provide a more user-friendly and flexible process for travel and procard expenditures.

Training Opportunities

We are seeking your input on future topics for the sessions. Just click on the feedback link to submit your suggested presentations or questions to be addressed. Or you may email Lexi Bugay your ideas.

Training Class	Date	Time	Location
Concur Online Booking Tool	9/25/2019	10:30am-12:00pm	Peterson Service Building Room 307
Cash Handling Operations	10/15/2019	9:00am-11:30am	Peterson Service Building Room 307
Travel Services	11/14/2019	10:30am-12:00pm	Peterson Service Building Room 307
Cash Handling Operations	11/18/2019	1:30pm-4:00pm	Peterson Service Building Room 307
Concur Online Booking Tool	11/21/2019	8:30am-10:00am	Peterson Service Building Room 307
Advanced Concur Online Booking Tool	11/21/2019	10:30am-12:00pm	307 Peterson Service Building

For more information or to register for these courses visit your myUK Employee Self Service Training page.

We are beginning to plan The Hand in Hand training sessions for the Fall. If you have a suggestion for a topic for the Hand in Hand training, please email Lexi Bugay at alexis.bugay@uky.edu.