

MINUTES OF THE MEETING
OF THE LEGISLATIVE SUB-COMMITTEE ON APPROPRIATIONS FOR EDUCATION

February 2, 1977
8:00 A. M.
Room 132
State Capitol Building
Subject: University System
Accounting

The meeting was called to order by Chairman Carroll South.
The following members were present.

Sen. Matt Hims1 (Vice-President)
Sen. Larry Fasbender
Rep. Oscar Kvaalen
Rep. Jack Moore
Rep. Ora Halvorson

Those present for the meeting who testified were as follows:

John Donwen, Department of Administration
Doyle B. Saxby, Department of Administration
Ron Near, Office of the Commissioner of Higher Education
Dale Tomlinson, University of Montana
Ed Bohaus, University of Montana
Larry Clinton, Northern Montana College
Victor Burt, Montana Tech
Mike McGinley, Associated Students, U of M

Chairman South opened the meeting by saying that he realizes the University has some unique needs in the area of accounting. SBAS may or may not be able to meet all these needs. We have representatives here from the university system and the Department of Administration. He called first upon Doyle B. Saxby, Deputy Director of Department of Administration, for his testimony concerning his work with SBAS system of accounting.

Mr. Saxby testified that he is involved with state-wide accounting system throughout the state. He said that seven years ago it was merely a state effort and now it is involved mostly with the university system. He distributed a prepared handout which described financial sub-systems for the University of Montana, (Chart I), Current Status, (Chart II), and Objectives (Chart III). He quoted a portion from HB 271 which was passed two years ago which stated in part that all monies collected or received by university units subject to this account from any source whatsoever including federal grants for research...shall be deposited in the state treasury."

Also, in Sub-Section 5, it said that by 7-1-76 all assets, liabilities, bills, receipts and expenditures for each university system shall be accounted for in a uniform manner in a centralized accounting system which shall be totally and consistently with the requirements and guidelines of the Industrial Audit Guide, Audits of College/Universities of the American Institute of Certified Public Accounts and College of Universities Business Administration prepared by the National

Association of College and Business Officers. It was the intent of the legislature that the duplication of accounting systems not occur and to insure uniformity in a statewide accounting system. The Department of Administration and the Budget Director assisted the Board of Regents in developing and implementing a centralized system. At the time no additional money was given to work out the additional needs of the University system. The amount of \$182,282.00 was set forth at that time but they did not get the money. There was nothing allocated to pick up their side of the program and because of this, we haven't been able to fully develop the program.

A year ago a letter was written by the Dept. of Administration to Dr. Pettit expressing concern for the program, its lack of development, and that time for completion was limited. Dr. Pettit wrote back saying he shared their concern--that they had not been able to implement their part of to as quickly as they had hoped either. Mr. Saxby feels that SBAS has not had a fair chance to be developed and that it could be modified to do a good job for the university system.

In March, 1976, an in-depth review was made and completed of SBAS. This evaluation was made by Archie Anderson, Inc., They found some problems but they found some very favorable things in the state-wide budgeting system. They concluded that SBAS is the best alternative for meeting most of the requirements of HB 271. The evaluation concluded that if SBAS were modified it would meet unique requirements of the university. He elaborated on specific modifications that could be made. The budget request for estimated costs for FY 77 is \$174,500.00. The project would be due to be completed in the Fall of 1979.

Mr. Ron Near, Director of Management Systems for the Commissioner of Higher Education, testified that he didn't feel the conversion project was going as well as Mr. Saxby would indicate. He said they have proceeded through the short-term recommendation of the Archie Anderson evaluation plan but the long-term recommendation of the Archie Anderson evaluation plan but the long-term recommendations to the larger units hadn't even been started. He recognized many problems for the university systems. The system is controlled by administration. He said that he didn't see any possibility of the project being completed or even started very soon. He said that if we intend to pursue the SBAS system, we must make these improvements as quickly as possible. "We will really be hurting if we are any later than September of this year." He also said that in areas in which he was responsible which is in the sub-systems on campus, that no progress has been made in that work either. He said that he was concerned regarding this work, too, but because of lack of finances and problems of coordination, nothing had been done.

Quite frankly, he said, that he took the job with the Commissioner's office because it was the conclusion of that office that the university system should use SBAS. He said that he had worked a great deal of his career developing that system, enjoyed the work, and felt that it could be modified to satisfy the needs of the university system. He said that he was sure that SBAS could be modified but that nothing

has been done. Had the Commissioner's office had a different conclusion--i. e., that SBAS couldn't be modified to work for the universities--he would not have taken the job. So, that is "my commitment to SBAS". I began with enthusiasm, he said, but this is no longer true. I would now recommend that the state pursue a different effort and abandon the conversion to SBAS. There are systems that are designed specifically for colleges and universities. He said that there is a base system at MSU that can be used system-wide. He said that he would not recommend operating from a central computer because of the cost involved in transmitting to and from. He said that it is necessary to get into tele-processing and remote job entry if this thing is going to work. He estimated cost at being \$100,000 for acquisition and about \$40,000 a year to operate.

Ron Near called upon Lou Lucke from MSU to testify as to problems of operation directly involved in the accounting system at the university. He said that he would recommend that monies continue to flow through the treasury but that initial disbursements be made from a contingent revolving account or a checking account in a bank and the checking account replenished periodically by claim through the treasury. He said that he would interface with SBAS as other state agencies are doing. He said that he still feels that SBAS can be modified, but time is critical. He said that they don't have elaborate sub-systems that take a receipt, completely analyze it, put it into an accounts receivable file or something and print a detailed report. I understood that SBAS would be our base operating system which I now think would be a bad option. He said if there is a computer at the satellite station and it has the capacity to run this system. He thinks it would be better than tele-processing. He discussed how each university unit is using SBAS and to what extent. There has been no progress on campuses pending information as to what base station is going to be used.

Chairman South said, "Are you saying then that SBAS can be modified and work for the university system?"

Mr. Near said, "It could be."

Chairman South: Is it that the Department of Administration needs to get together with the people at the university system and with some dollars, it could work?"

Mr. Near: "Dollars and time are very critical. If we did it within a reasonable time span, it would cost 3/4 of a million."

Chairman South said that it seemed that some blame might be cast upon SBAS at U of M and MSU but he said that if anyone had read the legislative audits at both of these campuses, they would find that the accounting system in both schools was nothing short of a mess before they were ever involved with SBAS. He said that he didn't see how a delay would make it any worse than it has been for some time. He asked Ron Near if he was aware of these reports. He said that he was aware of the reports but "since there are representatives here from both universities, I would rather they respond to your comment."

Chairman South: If I could go back to the \$750,000 figure that

you gave...if it is going to take that much money, how do we appropriate it?

Ron Near: If the money is there, it doesn't matter how it is appropriated. It probably should be divided in some way. He spoke of the system that he would now recommend be used. It is called the Rochester System, marketed by Information Associates and used by 37 colleges and universities. It has recently been installed at the University of Colorado.

Senator Fasbender: Can you be sure that the present computer is going to be able to handle all of the entries?

Ron Near: The present computer is going to be able to handle it. I don't think that is a major issue at all. After the last Legislature we had authority to buy a Model 158. We are not anywhere near capacity on it. It has been enhanced by IBM just recently and we can add more to it.

Chairman South: What can be purchased for the \$100,000 you spoke of earlier?

Ron Near: It is a basic accounting system pretty much without any extras. It does most of the base operations and base out-puts for a university system. It doesn't have any sub-systems for accounts receivable or accounts payable. It does approximately the same thing that SBAS does.

Chairman South: Whose computer would you be using?

Ron Near: We would be using the MSU, U of M and Eastern computers and also Tech's. Northern and Western are the only ones without computer gear. They have some computer equipment in their budget somewhere. If they didn't have hardware, we'd have to route them through one of the computers.

Chairman South: Where would the central computer be? For example, if our Fiscal Analyst wanted to check on some information, what would she have to do.

Ron Near: There would be computer service between each of the campuses assuming they were there. If Western is working through U of M, then that access would be through U of M. But there would not be a central computer because that would cost too much money.

Chairman South: One of the problems that this committee has is accountability and finding out the information that we need. For example, we have not yet received a financial report from Western for FY 75. And we don't have a financial report from any of the units for 76. It is really hard for us to make decisions because of not having these reports and not knowing what money is in accounts. I tend to think that a centralized accounting system where the information is available to us is going to benefit everyone in the long run. The trust that will be built between the university people and the legislature and then there is the accountability factor. Two years ago we were very much aware that we didn't have half the information that we needed. The last legislative audit

reports indicated that the accounting systems on campus were very poor. We're expected to get the information that we need now when the legislative auditors couldn't get it in four or five months.

Senator Fasbender: Why isn't the central system better than a unit system?

Ron Near: The problem is the geographical system between the central computer and the units. Part of the work is done at MSU and put in a box and sent by bus to Helena where work is completed. Some information comes back daily and some at the end of the month. We can't operate like this if we are going to try to improve the operation of the universities. Part of the problem of using a central computer is our ability to go to that system transaction by transaction and the cost involved.

Senator Fasbender: Would there be individual computers operating on each campus?

Ron Near: I'm a little out of my field when I get into this depth with computers but I think they could stand alone or with terminals.

Ron Near referred this question to Lou Lucke who discussed communication costs versus computing costs. He said if you go into Northern's request with us, you'll find their bill plus communications is adequate to justify their own installation.


Chairman South called upon the campuses for comment.

There was testimony by Dale Tomlinson, University of Montana; Ed Bohaus, University of Montana; Larry Clinton, Northern Montana; Victor Burt, Montana Technology; and Mike McGinley, Associated Students, University of Montana. They all spoke of similar problems with computers, the accounting systems within the particular system in which they were working. They all agreed that something must be done--that whether it would be best to modify SBAS and allow it to operate or go to another system, that the present accounting system on campus is most inefficient.

Ron Near again expressed concern that the issue is urgent--even if it costs some additional money--we must move with all due dispatch.

A tape has been made of this meeting and is on file in the office of the Fiscal Analyst.

The Meeting was adjourned at 10:15 A. M.



 CARROLL V. SOUTH, CHAIRMAN



 Betsy Clark, Secretary