

SECTION VI

ADMINISTRATIVE PROCESSES

6.1 Organization and Administration

The University of Kentucky is a land-grant institution with appropriate governance and administrative structures. It brings together its various resources and allocates them effectively toward meeting the institution's mission and goals. The resources are directed to three primary purposes: (1) instruction at all levels including undergraduate, graduate, postdoctoral, professional and lifelong education; (2) research, scholarships and creative activities; (3) outreach and public service to support the citizens of the Commonwealth of Kentucky.

6.1.1 Descriptive Titles and Terms

The *Governing Regulation: The President of the University*, the *Graduate School Bulletin*, and the *University Bulletin* indicate that names, titles and descriptions of administrators and academic divisions, academic programs, and names of degrees awarded are accurate and appropriate.

6.1.2 Governing Board

The Board of Trustees of the University of Kentucky is the legal body responsible for the institution and policy making as described in *Governing Regulation: Governance of the University of Kentucky*. The Board establishes institutional policies and secures financial resources to support the goals.

6.1.3 Advisory Committees

While the institution has lay advisory committees, the information is not readily available. The Committee endorses the suggestion of the self-study, “to collect descriptions, constitutions, minutes of meetings and other documents related to all lay advisory committees”

6.1.4 Official Policies

The institution has an official publication, *Governing Regulation: University Organization*, which describes the organization and the role of the faculty. *Governing Regulation: Regulations Affecting Academic Employment* speaks to tenure and employment security. Due process and other procedures that affect faculty and other personnel are found in the *Administrative Regulation* document.

6.1.5 Administrative Organization

Since the current president took office on July 1, 2001, significant changes in the institution’s administrative structure have been recommended and approved by the Board of Trustees. A different organizational model (i.e., provost rather than chancellor) has been enacted. A dramatic shift has occurred in the organizational chart with a resulting annual savings of \$1.25 million. New emphases and new positions have been created, such as the Vice President for Corporate Relations and Economic Outreach and the Vice President for Academic Outreach and Public Service. (Recommendation 28) The Committee recommends that the institution provide evidence of the current duties and responsibilities of administrative officials who report directly to the chief executive officer. These should be clearly defined and known to faculty and staff.

(Suggestion 19) The Committee suggests that the institution develop procedures for the evaluation of the effectiveness of all administrators, including the chief executive officer.

6.2 Institutional Advancement

The institution has embarked upon a \$600 million capital fund-raising campaign. The advancement program is related to the purpose and mission of the institution and is led by qualified professionals.

6.2.1 Alumni Affairs

The University of Kentucky's Alumni Association is active and promotes the involvement of former students and families. The many publications include an alumni survey, newsletter, magazine, and web page.

6.2.2 Fund Raising

The fund raising plan has been fully executed through the Strategic Plan (1998) and the 21st Century Campaign for the University of Kentucky. There are policies and procedures for fund raising that the institution follows carefully.

6.3 Financial Resources

The Committee notes that several subsections in this portion of the institutional self-study do not directly or adequately address the "must" statements as set forth in the *Criteria for Accreditation*. As a consequence, an e-mail questionnaire was circulated to the deans, which provided helpful information. In addition, the Committee requested and received supplemental information from the administration.

6.3.1 Financial Resources

Based on a review of the self-study and additional information provided by the office of the Vice President for Fiscal Affairs and Information Technology (VP-FA), it appears that the University of Kentucky possesses sufficient funds to support all of its programs. Selected enrollment and financial data demonstrate the financial stability essential for the successful operation of the institution. Also, these data, when compared to the recently designated benchmark institutions, indicate that UK ranks in the middle of the group.

A theme throughout this section of the self-study is that the institution may not equitably distribute resources to all of its programs. The Committee reviewed the most recent accreditation reports of the Colleges of Medicine, Architecture, Engineering, Law, Pharmacy, and Dentistry. Each report, with the exception of the College of Law, found funding to be adequate. Although officials of the College of Law noted a deficiency in funding, recent improvements and an expectation of additional enhancements in the future were acknowledged. In view of the fact that funding issues may relate to the distribution of funds, the Committee agrees with the suggestion in the institutional self-study that the President continue to explore the optimal utilization of financial resources.

6.3.2 Organization for the Administration of Financial Resources

It is the Committee's opinion, after reviewing the organizational chart of the Office of the Controller and Treasurer, that the business affairs of the institution are organized in a manner that is consistent with the purpose of the University.

The President regularly reports through the proper channels to the governing board on the financial and business operations of the University.

The Committee reviewed the credentials of the chief business officers and found that they have the necessary experience and training to enable the business office to serve the educational goals of the University and to assist in furthering its stated purpose.

6.3.3 Budget Planning

A review of the University's budget and the supplemental information provided to the Committee makes it clear the budget is appropriately detailed and adequately supports the strategic plans of the majority of colleges

In prior years, the evaluation of the budget process appears to have been informal. The University has recently established a task force to develop a formal process for evaluating its budgeting procedures. (Recommendation 29) The Committee recommends that the institution finalize and implement its process for evaluating budget planning.

The budget is presented by the President through proper channels to the governing board for approval.

6.3.4 Budget Control

In spite of weaknesses in the self-study, the Committee, through discussions with budget staff, believes there is an adequate system in place to ensure that budgetary plans of the governing board and the President are implemented.

Monthly budget statements are provided to major budgetary units. The self-study identified some problems with the accuracy and clarity of these reports. In response, regular training is offered for users in an effort to mitigate the concerns.

It appears to the Committee that budget revisions are made when conditions require changes. There is sufficient evidence that budget revisions are communicated to those affected within the institution; however, responses are not always timely. The Committee determined that the process for handling and reporting financial revisions has been changed to provide more timely notification to those affected by changes.

6.3.5 The Relation of an Institution to External Budgetary Control

After a review of additional information provided by the University administration and by observation and interviews with appropriate administrative personnel, the Committee is of the opinion that once funds are appropriated, creating a budget, establishing priorities, and controlling expenditures are responsibilities managed by the University under the jurisdiction of its governing board and subject to its policies. Further, it is the opinion of the Committee that neither budgetary techniques nor financial officers outside the institution are permitted to exert undue influence on the educational function of the University.

6.3.6 Accounting, Reporting, and Auditing

The University's accounting system follows generally accepted accounting principles as established for public universities by the Governmental Accounting Standards Board. The Committee examined copies of quarterly financial reports prepared for review by the chief executive officer and the Board of Trustees.

The Committee reviewed the most recent annual audit reports prepared by independent auditors not connected with the institution. It appears, based on the notes to the financial statements, that the auditors used as a guide *Audits of Colleges and Universities*, a publication of the AICPA.

Through interviews with internal audit personnel and reviews of recent audit reports, the Committee determined that an effective program of internal audit and financial control is in place at the University.

6.3.7 Purchasing and Inventory Control

The University has a centralized purchasing division that directs all acquisitions of the institution, including hospital purchasing and capital construction procurement. Kentucky Revised Statutes and the governing board provide authority to purchase and guidelines to develop policies and procedures. A cursory review of the UK business procedures manual indicates that required processes insulate purchasing personnel from improper pressures of external political or business interests.

The University has established central storerooms to serve appropriate offices across campus. Annual physical inventories, subject to observation by the internal audit office, are conducted. External auditors review inventories and inventory procedures for supplies and capitalized equipment as a part of the annual audit.

It is the opinion of the Committee that the University has proper systems for the control of purchasing and inventory management.

6.3.8 Refund Policy

The Committee reviewed the published refund policy of the University and is of the opinion that it is consistent with generally accepted refund practices in higher education and is applicable to all students.

6.3.9 Cashiering

The Committee reviewed information provided by business affairs personnel including the cash operations manual and the most recent external audit and related management letter. It is the opinion of the Committee that there are adequate procedures for the management of University funds. Further, the cashiering function is centralized in the business office and there is an appropriate system for the receipt, deposit, and safeguarding of institutional funds.

Based upon an examination of the commercial crime coverage policy maintained by the University, it appears that all persons handling institutional funds are adequately bonded.

6.3.10 Investment Management

The Committee reviewed the University's written statement of its investment policies and guidelines, which were approved by the Board of Trustees. The investment policies and guidelines are subject to regular evaluations.

6.3.11 Risk Management and Insurance

Information provided in the self-study report, supplemental information provided by business affairs administration, and discussions with the Controller and Treasurer, indicate that the institution has a comprehensive risk management program, including

provisions for risk transfer (insurance). Building insurance is provided through the Commonwealth of Kentucky's risk management program for fire and tornado damage; other risks are managed through the institution's risk management program.

6.3.12 Auxiliary Enterprises

The Committee's review of financial reports and the external audit report in addition to discussions with financial and business affairs personnel indicate that auxiliary services are documented and operated in a fiscally responsible manner.

6.4 Physical Resources

Ten of the twelve deans responding to the Committee's e-mail questionnaire confirmed the lack of sufficient space to appropriately serve the needs of their colleges as reported in the self-study. This condition was noted in the special accreditation reports issued to colleges with professional programs. The self-study, in Section 6.3.1, states, "there is more than \$330 million worth of new capital construction underway at the University funded by both self-generated revenues and state aid." It appears that the campus construction will go a long way toward correcting space deficiencies in the various colleges. Most of the deans were aware of plans to improve the availability and adequacy of space.

The Committee reviewed the recently completed space study conducted by the Council on Postsecondary Education. While this study indicated excess space might exist on campus, a major concern appeared to be the suitability of assigned space,

an issue that may not have been addressed in the study. (Recommendation 30) The Committee recommends that the institution continue to seek revenue sources to implement its plan to provide adequate space to serve the needs of the institution.

6.4.1 Space Management

The adequacy of assigned space is an area of concern expressed by deans responding to the e-mail questionnaire. (Suggestion 20) The Committee suggests that the institution critically evaluate the quality of all its space, prioritize its space needs, develop a schedule for renovation or replacement of its deficient space, and share the information throughout the campus.

6.4.2 Buildings, Grounds and Equipment Maintenance

As noted in the institutional self-study, maintenance of the University's current physical plant and the lack of a central record keeping system for maintenance needs and actions are of particular concern. There were mixed responses from the deans regarding satisfaction of maintenance and custodial services. These responses also bring into question the functionality of plans that may exist for the upkeep of University property.

The Committee discussed the adequacy of campus maintenance with the VP-FA and the Director of Physical Plant. They provided useful data on routine, preventive, and deferred maintenance.

The physical plant director was surprised at the comments in the self-study and stated that members of the self-study committee did not contact him during the development of this section of the report. This may indicate a communications weakness that could be addressed by developing a procedure to broadly communicate across

campus the current status of deferred maintenance projects. (Suggestion 21) The Committee suggests that the Physical Plant Department develop and implement a method to broadly communicate the status of deferred maintenance projects across campus.

6.4.3 Safety and Security

The Environmental Health and Safety web page along with information provided in the self-study present evidence that the University has taken steps to provide a healthful, safe and secure environment for all members of its campus community. The seventh annual safety and environmental report jointly submitted to the Vice President for Auxiliary and Campus Services by the Environmental Health and Safety Division and the Committee on Environmental Health and Safety provides information on the effectiveness of the program and issues of concern. The annual OSHA report for the campus indicates a decrease in the number of reportable injuries, which speaks to the effectiveness of the University's plan.

The campus police department's web page is accessible and provides helpful safety information to members of the University community. A review of the most recent annual crime report required by state and federal law does not indicate an unusually high incidence of crime on campus.

6.4.4 Facilities Master Plan

The institution has a facilities master plan for the orderly development of the institution.

6.5 Externally Funded Grants and Contracts

A representative of the Committee met with the Vice President for Research and the Controller and Treasurer to discuss the system for managing externally funded grants and contracts. It appears from these discussions and from a review of the forms used to approve grant applications and establish faculty work assignments that this system is comprehensive. Faculty workload requirements referenced in the faculty handbook are provided by administrative regulation published on the University's website. A primary use of the form for distribution of effort used in the grant reporting system is to establish faculty work assignment for the term and to evaluate the faculty success on work performed during the term. The vice president's office monitors grants and contracts to ensure institutional control over research and instruction. No evidence was found that support for general institutional activities are endangered by the grants activities.

Grants awarded and contracts made appear to be for a specified time period. Indirect cost recoveries are for the support of grant activities and for the enhancement of other grant-related costs.

6.6 Related Corporate Entities

The Committee tested compliance with this section of the *Criteria* by reviewing documentation maintained by the University outlining the mutual relationship and benefits for the following related corporate entities: the University of Kentucky Athletic Association; the University of Kentucky Research Foundation; and the Fund for Advancement of Education and Research in the University of Kentucky Medical Center. The most recent audited financial reports and the charters and bylaws of the three units also were reviewed.

In the opinion of the Committee, it is the practice of the University to maintain appropriate documentation that outlines its relationship to corporate entities with which it is associated, including data on board members, their relationship to the University and compensation, if any. The entities whose files were examined appear to complement the purpose of the University.