

**The University of Akron
Administrative Activities Review
Treasury Services**

Basic Facts and Descriptions of Treasury Services

Mission and Goals

Treasury Services performs many vital functions for The University of Akron including cash management, endowment investment administration, and producing various reports for the University's Board. Treasury Services is also responsible for many aspects within The University of Akron Foundation, a not-for-profit organization operated exclusively, yet separately, for the benefit of The University of Akron. This includes processing of expenditures, endowment and non-endowment investment administration and reporting, college/department reporting, life income and charitable gift annuity management, the preparation of financial reports, and Foundation board reports. Department goals include timely dissemination of scholarship projection information, timely and accurate filing of all necessary tax forms, clean and accurate external audit, as well as educating partners and end-users.

Services

Treasury Services performs many major services throughout the year as summarized below. Services performed for both institutions are noted as well as the frequency of each service.

I. Endowment management – UA and UAF – Monthly

The majority of both institutions' endowments are invested with Cambridge Associates. The maintenance is outsourced for the Foundation and still managed in house for the University. Both institutions maintain a handful of separately invested endowments that are managed in house. Funds are held with various custodians including: Key Bank, Huntington, PNC, Fifth Third, Morgan Stanley, TD Ameritrade, Vanguard, Merrill Lynch, and Oak Associates.

Once data is received from each of the various investment institutions it is input into Excel and later entered into Financial Edge (FE) through a journal entry.

Endowment management mostly follows the 80/20 rule whereby managing the majority of the funds held at Cambridge takes up little time compared to the management of the separately invested endowments. A full analysis needs done to look at each separately invested endowment to determine if any efficiencies can be realized. This project would take collaboration with the CFO as well as the Foundation Investment and Executive Committees.

II. Endowment distributions – UA and UAF – Quarterly

Once all endowment data is recorded in FE through June 30th, endowment values and attributes are exported out of FE and into Excel. Once in Excel, each endowment is examined to determine its' distribution for the following fiscal year.

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Distributions are uploaded annually into PeopleSoft and withdrawn quarterly from the endowment.

Once established and calculated, the process is typically self-sustaining for the year. Often time's changes arise after final calculations have taken place, which puts a strain on resources and introduces more room for human error.

III. Endowment projections – UA and UAF – Annually

Endowment projections are critical to scholarship granting departments across campus. The distributions supplement scholarships provided by the University budget and can mean the difference to a student's attendance.

Each year there is a push to get projections to departments across campus earlier than before. In FY18, projections were done twice with a basic "preliminary projection" being communicated across campus in November and a final projection calculated in March. This has challenged the standard methodology of determining whether an endowment is underwater. Historically, underwater status has been determined when comparing the December market and gift values. If the need to provide data in the fall persists, steps will need taken to change the process by which underwater status is calculated.

IV. Cash management – UA and UAF – Daily

The Foundation's cash is held at PNC whereas the University's cash is held at JPMorgan Chase. Each day bank activity is reviewed for each institution. The University maintains various cash portfolios across JPMorgan Chase, US Bank, and PNC Bank overseen by UA staff, PFM, and Legacy Asset Management. Regardless of the custodian and investment manager, activity is recorded in Excel, PeopleSoft, and FE on a regular basis for each investment.

The UA cash portfolios managed by PFM and Legacy require little oversight. The UAF cash portfolio invested in conjunction with PNC requires a significant amount work for a relatively small pool of funds with very little return.

V. Year-end financial statements – UAF – Annually

Each year, after fiscal year end, Treasury Services works with the CFO and external auditors to prepare annual financial statements.

The audited financial statements are presented to the Foundation's board at its annual meeting each October.

Working with the external auditors is very labor intensive and requires a lot of time.

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VI. Board reports – UA and UAF – Quarterly

Each quarter reports are prepared, in Excel, for presentation to the University’s Board of Trustees and the Foundation’s Investment and Executive Committees. These reports compile balances, performance, and activity of operating and endowment funds into a narrative and numerous supporting exhibits.

Board members use these reports to help fulfill their fiduciary duties over the investment of the University and Foundation’s operating and investment funds.

Often times, board deadlines make it challenging to obtain information from the various data sources in a timely manner.

VII. Accounts payable management – UAF – Bi-Weekly

Treasury services maintains 100% of the accounts payable process for the Foundation. Requisitions come in from across campus as well as various external vendors on a regular basis. Each req. is reviewed for accuracy and processed through FE before checks are printed, signed, and disbursed to the vendor.

The University is the Foundation’s most frequently paid vendor. Other frequently used vendors include Buckingham Doolittle, Blackbaud, Ford Motor Credit, and the Treasurer State of Ohio.

The entire process is very labor intensive and manual from creating and entering invoices to printing checks to mailing them to vendors. Approximately 900 invoices were entered and paid across 100 checks, monthly ACHs, and quarterly wires throughout FY18.

VIII. ACH payments to annuitants – UAF – Monthly

The majority of the Foundation’s payments to annuitants are outsourced to PNC. These payments are recorded in the Foundation’s general ledger and reconciled to the bank activity. There are a few managed in house for various reasons. In order to complete the in house process each month, Payroll, Development, and Controller’s office are all involved.

The end users are the income recipients receiving their funds.

ACH payments are run through JPMorgan Chase and a check is written from the Foundation to the University to reimburse for this monthly expense. The Foundation’s banking abilities are much less sophisticated than the University’s, making this an impossible task without the University’s assistance.

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IX. NACUBO Study – UA and UAF – Annually

Treasury services works independently to compile data from the prior fiscal year to respond to the approximately 20-page questionnaire relating to the investment and performance of the University and Foundation's endowments.

After our data is submitted, NACUBO compiles it with all other respondents of the study to be used as a metric and comparison tool for higher education institutions across the country.

Challenges arise in completing this questionnaire as NACUBO continually changes the format and questions asked within the study. There is no way to prepare for these changes in advance requiring additional time taken out of an already busy time of year to respond to the study.

X. Gift and pledge reconciliation – UAF – Monthly

Each month, reports are run in PeopleSoft's Campus Solutions to obtain Development's gift and pledge records and compared with reports from FE. The data is reconciled in excel and necessary journal entries are entered into FE. At year-end, extensive receivable and discount calculations are performed for all outstanding pledges.

This very time intensive project could benefit from efficiencies realized through a shared database with Development.

XI. Various tax filings – UAF – Annually

The Foundation is responsible for filing a number of tax forms annually including form 990, 1099, 1099R, 5227, and K-1. The 990 is prepared in conjunction with CliftonLarsonAllen and the other returns are prepared in conjunction with PNC. The returns range from being prepared 100% in house to 100% outsourced. For example, the 1099s are prepared 100% in house and the 1099Rs, 100% by PNC.

End users for the individual and trust returns are the donors/income recipients. The 990 is viewed and used across many audiences including potential donors.

Outsourcing the majority filing of these forms has benefited the department greatly in providing a level of expertise not otherwise available.

XII. Ad hoc requests – UA and UAF

Requests come from any of the following individuals/groups of individuals on a regular basis: Controller's Office, Development Office, various academic units, CFO,

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external public records requests. Quarterly, various standard reports are run in FE and distributed to interested parties across campus.

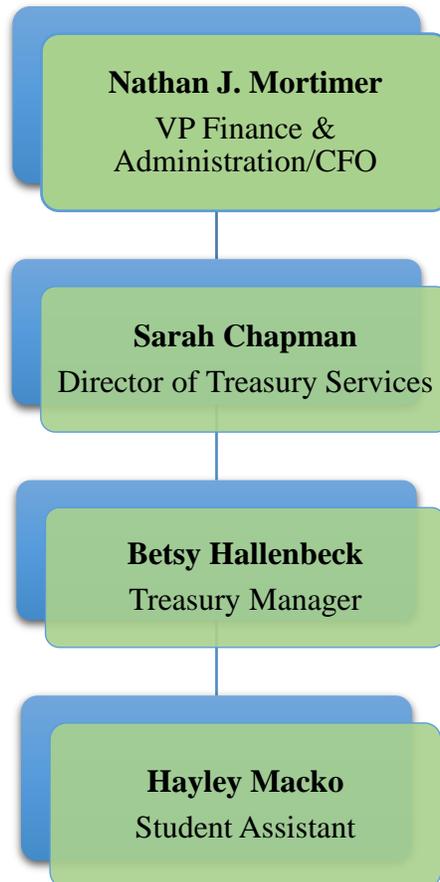
The end user is typically the individual requesting the report/data. In most cases when the request is coming from the Development Office, the end user is a donor.

Responding to external requests, preparing reports, and answering questions could be a full time job in itself. The help of a student assistant is paramount in completing these requests in a timely manner.

Resources

I. Personnel

Currently two full time contract professionals and one part time student assistant run Treasury Services. See org chart below:



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II. Financials

In addition to university budgeted resources (depicted below), some of our department expenditures (salaries, technology, mailing, etc.) run through the Foundation’s budget. In the chart below, Supplies & Services include expenditures such as printing, shredding, mail, and signage. Communications expenses represents telecom charges. In FY18, this expense was moved to the Foundation budget.

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Twelve Months Ended June 30:

	2014			2015			2016			2017			2018			2019
	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget
Expenses:																
Administration Salaries	\$103,513	\$103,513	\$0	\$68,094	\$68,095	\$0	\$30,403	\$30,403	\$0	\$2,209	\$2,501	(\$291)	\$6,204	\$6,204	\$0	\$6,070
Student Assistant Salaries	4,990	4,990	0	6,805	6,581	224	6,578	5,936	642	8,050	8,050	0	10,581	10,581	0	7,065
Fringe Benefits	84,402	84,402	0	75,427	75,427	0	59,010	59,010	0	320,412	320,412	0	135,054	135,053	0	0
Supplies & Services	7,626	7,626	0	472	188	284	1,000	55	945	494	494	0	0	0	0	0
Communications	1,275	1,275	0	1,228	1,228	0	1,200	1,105	95	1,105	1,105	0	0	0	0	0
Total Expenses	<u>\$201,806</u>	<u>\$201,806</u>	<u>\$0</u>	<u>\$152,026</u>	<u>\$151,519</u>	<u>\$508</u>	<u>\$98,192</u>	<u>\$96,510</u>	<u>\$1,682</u>	<u>\$332,271</u>	<u>\$332,563</u>	<u>(\$291)</u>	<u>\$151,839</u>	<u>\$151,839</u>	<u>\$0</u>	<u>\$13,135</u>

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III. Equipment and Technology

Each full time contract professional and student assistant needs a working computer equipped with Microsoft. Financial Edge is used for keeping the books for the Foundation and for University endowment allocations. PeopleSoft Financials and Campus Solutions is also used.

IV. Space

Each full time contract professional and student assistant need a desk space of their own. In addition, we file a number of paper statements and store old ledgers and paper files, which takes up roughly the equivalent of three small office size spaces. Specifically, in our current setup, we have three desk space offices (one also functions as storage for the Budget department), two small offices that are used as storage with file cabinets, and one large storage room that is shared with the Budget department.

Future Plans

Potential Changes

We would like to upgrade our software package to the Financial Edge NXT program. It comes with a three-year contract and an additional cost of \$3,000 in the first year and a \$3,000 cost or \$3,000 savings the following two years. Any additional costs could be covered by the Foundation budget. Savings would be realized if we do not continue the training package for the new software after the first year.

Trends

Upcoming changes to audit requirements will require a lot of extra time and research to ensure proper implementation. Any changes with external partners requires additional time and resources to develop the new relationship. Most notably the contract with Cambridge is up for renewal this December, which will potentially require an RFP along with the potential of switching over the endowment(s) portfolio to a new investment manager.