Capital Project Authorization
Implemented & Projected Process Improvements From Restructuring

December 2006

Background

In September of 2006, a team was formed to review the capital project authorization process at the University and investigate the additional flexibility and autonomy granted with the passage of the Restructuring Act and the Management Agreement. At the request of the Vice President for Management and Budget, the team examined internal management procedures and workflow to ensure they support an efficient capital project management process and take full advantage of the autonomy afforded under Restructuring. The team consulted with the appropriate stakeholders involved in the current pre-Restructuring process to complete process maps of the existing workflow and analyze workflows for change and improvement. The team’s efforts concluded with the proposal of two sets of improvement recommendations, recommendations related to Restructuring and other recommendations for improvement unrelated to Restructuring. The Office of Process Simplification assisted in meeting facilitation and process mapping. Team members included:

- Donald Sundgren, Facilities Management
- Richard Rice, Facilities Management
- Sack Johannesmeyer, Facilities Management
- Trish Clifton, Facilities Management
- Donna Cox, Facilities Management
- Don Crosby, Facilities Management
- Jeff Moore, Facilities Management
- Earl Ward, Facilities Management
- George Southwell, Facilities Management
- Melody Stowe Bianchetto, Budget Office
- Melissa Clarke, Budget Office
- Tom Leback, University Architect’s Office
- Lea Moore, Process Simplification

Restructuring Improvements from Budget Office

- Eliminated DGS/DPB approval of CO forms (CO-2, CO-6, CO-8). This is reflected on Page 3 of the Project Authorization and Approval Process Six-Year Plan & New Projects process flow document, the two steps following the “If CO-2” flow (see Facilities Management item labeled General Fund Project Execution).

- Eliminated the steps from Page 2 of the Project Authorization and Approval Process Six-Year Plan & New Projects process flow document for the following types of projects:
  - Medical Center Projects
  - Non-General Funded Projects having no E&G O&M funding requirement (most often renovations)
  - Auxiliary Projects (non-student fee funded)
  - This process will be handled using the administrative increase process for ‘sum sufficient’ authorizations (page 6 of the process flow document – Capital Project Authorization and Approval Process – Administrative Increases)

- Eliminated required detailed justification for state approval of cost increases for budget or scope for NGF projects. Currently this step still requires a FATS submission for the associated administrative increase. See Potential Future Process Improvements.

- Reduced paperwork for NGF projects; DPB no longer requiring the form C-1s or S-1s as part of the budget submission packet for NGF projects.
• Eliminated required state approval for bond funded NGF projects
  o More flexibility on funding sources.
  o Eliminates the need to initiate a project under a blanket authority for planning until such time as the bond authority can be obtained.
  o Simplifies management and accounting of project.

Potential Future Process Improvements for Budget Office

• Eliminate capital budgeting duplicative actions (Propose effective July 1, 2007)
  o Obtain DPB and DOA approval to eliminate the requirement that the University allot funds through the state’s accounting systems (FATS/CARS)
  o Recommend the university’s integrated system be used instead. The integrated system has built in budgeting functionality which enables tracking of capital authorizations and budgets.
  o Currently we’re maintaining budgets in both places and spending a good deal of time reconciling between CARS and the Integrated System. One set of books will create efficiencies and allows for better management of capital projects.
  o State’s accounting system only reports year-to-date expenditures and appropriation/allotment authorizations. This takes considerable time and effort to reconcile since capital projects are ‘project-to-date’ authorizations. The integrated system is designed to facilitate project to date budgets.
  o Coordinate with the state those “required” reporting elements and build those required fields into the day-to-day process
  o Recommend alternative periodic reporting from the integrated system be provided in place of the current process of submitted FATS requests to request allotment authority.

• Eliminate Reappropriation Process (Propose effective July 1, 2007)
  o Request DPB and DOA to allow automatic reappropriation of capital outlay projects. (Question: If capital outlay projects are no longer on CARS, will they have to be ‘re-appropriated’?)
  o Current process requires intense manual effort to report:
    ▪ The basis for justifying the carry forward of the project
    ▪ The status of the project (CO forms and respective approval dates)
    ▪ Budget status and carry forward requested amounts
    ▪ Amounts and the respective fund detail to be reverted
    ▪ Takes over 120-160 hours to complete this reporting for the state’s reappropriation process.
    ▪ Also requires considerable follow-up/reconciliation effort for reappropriations that are processed differently than anticipated.

• Suggest alternative reporting that can be automatically generated either from the integrated system or through use of the integrated system’s reporting tools.
  o Need to work with the state to determine the “required” reporting elements.
By building the “required” reporting elements into the integrated system’s budgeting process, the required reporting could be automatically generated in the future with only a cursory review of the report prior to submission to the state.

- Eliminate capital lease reporting requirement (Propose effective July 1, 2007)
  - Coordinate future expectations for capital lease reporting
    - Department of Treasury: Most recently in working through the LTAC lease, Janet Aylor and Evie Whitley expressed their view that the Dept of Treasury does not need to review the lease under Restructuring nor does it need to go before the State’s Treasury Board for approval.
    - General Counsel: Most recently on the LTAC lease, GC felt the Treasury Board’s approval was still a requirement
    - Others (DPB/DOA)
      - Determine University’s policies and procedures adequately address any University required actions prior to the signing of capital leases
      - Implement internal policy/procedures as may be required.

- Eliminate the required CNJ form for all projects (GF and NGF) submitted; The CNJ form duplicates information provided within the narrative of the H-1 form.

**Restructuring Improvements from Facilities Management**

- **Code Official Design Review Authority** – Held previously but required an annual request to DGS for such authority, now held permanently as a part of restructuring, the annual application is eliminated. This authority has reduced review times on the order of one to two months.

- **Fire Safety Code Review Authority** – (Previously done by BCOM). Facilities Management hired a certified Fire and Safety Code official to the Code Review Unit. This eliminated BCOM fire and safety reviews, saving a minimum of fifteen days review time for each review.

- **Building Permit Approvals** – Held previously but required an annual request to DGS for such authority. Currently held permanently as a part of restructuring, the annual application is eliminated.

- **CUO Approvals** – Previously the occupancy inspections were conducted by BCOM and CUO’s were issued by BCOM for all except Medical Center uses. Under Restructuring and the establishment of the University Code Official, Facilities Management now holds this authority. This allows for more timely occupancy of completed facilities and more consistent inspection protocol.

- **General Fund Project Execution Approvals** – Previously, the following approvals and/or forms were required of/by DGS or DPB:
  - Project Authorization Form CO 2 – DGS and DPB approval required
  - Schematic Design Approval Form CO 4
  - Preliminary Design Approval Form CO 5
  - Contract Award Authorization Form CO 8 – DGS and DPB approval required
  - Final Design Approval Form CO 6
  - Change Order Approval Form CO 11
  - Change Order over 25% contract value Approval Form CO 6 – DGS approval required (now these approvals are provided locally and the CO Forms have been eliminated and all necessary approvals use our simplified HECO Forms).
  - All forms are now in an excel format making for a very efficient electronic processing.
Currently, Facilities Management is redesigning the excel forms to match our PIMs budgeting format further enhancing our electronic processing and filing.

Currently, Facilities Management is redesigning the excel project authorization forms to match our PIMs budgeting chart of accounts format which will further enhance electronic processing and filing. The chart of accounts modifications can not be completed until the University is no longer tied to the State’s CARS system. This disconnect with CARS is dependent on Finance action and is not anticipated until July 2008.

- **General Fund Project Management Manual** – Previously, Facilities Management utilized the DGS project management procedures as contained in the CPSM for General Fund project management. Today, the HECOM governs General Fund and the Non General Fund project management and has been revised to embrace the above process gains.

**Potential Financial Improvements for Facilities Management**

- If de-coupling occurs from CARS (state financial system). Dependent on Finance action, expected July 2008.
  - Eliminates reconciliation between state and University systems. Streamlines process and saves time.
  - May reduce need for us to initiate and get approval of “FATS” transactions. Special consideration will have to be determined for general funds projects, but not necessarily for non-general fund projects. This would speed up the process of setting up capital projects in Oracle and establishing funding plans for these projects.
  - Would decouple the chart of accts from codes that are part of the state system. There are state codes associated with Facilities Planning and Construction’s chart of accounts. If it is determined to not move forward with modifying the chart of accounts, Facilities Management does not have to be concerned with maintaining structure to the state system.

- Annual re-appropriations process may be eliminated or reduced. This is to be determined and is dependent on required Budget Office negotiations with DPB.

**Other Process Improvements Identified By Facilities Management**

- The Higher Education Pilot Program had recently granted authority to UVA to use Design Build and CM procurement strategies for General Funded projects. Previously this program had granted UVA authority to use these procurement strategies for Non General Funded projects. The Higher Ed Pilot Program required reauthorization each biennium by the General Assembly. Restructuring provides this authority permanently and also granted unlimited use of competitive negotiation. All of these procurement strategies involve the use of contractor selection by considering technical variables and price. The aggressive use of these strategies will continue to bring value in the execution of capital projects.

- The Project Information System (PIMS) is a valuable web mounted project status and financial system. Facilities Management continues to enhance the accuracy of this system by making more processes electronic and improving the real time information displayed. As noted above the revised chart of accounts is not expected to be complete until July 2008, at which time the conversion of all other HECO forms currently in OmniForm format will be converted to Excel format.

- The Desk Top Project Management web mounted system provides current samples and templates of the many documents needed in the execution of a capital project. Continual enhancements are made to the utility of this system in support of the numerous project management administrative duties and responsibilities. A formal review of the Desktop was completed in December 2006 with all suggested samples and templates to be mounted by the end of February 2007.
• Due to the increase in the capital project execution workload and the staffing necessary to complete execution, Facilities Management is implementing a multi-team arrangement which includes a senior supervisory project manager and subordinate project managers/construction administration managers. These personnel changes are expected to be in place by October 2007. This teaming arrangement provides for corroboration among team members for resolution of the numerous issues attendant to the execution of any complex project resulting in more timely and accurate conclusion of project problems. Additionally, this arrangement provides for a career progression with the attendant advantages in retaining a highly qualified staff. A process improvement retreat is planned when this reorganization has been implemented and will occur before the end December 2007.

• Increase CFO Contract signature authority to expedite construction awards and starts is under consideration. This is to be determined as it is dependent on General Counsel and VP Finance action.

• Further delegation of contract and change order authority is under consideration. This is to be determined as it is dependent on General Counsel and VP Finance action.

**Conclusion**

In February of 2006, the team will reconvene to discuss the progress and status of the recommended improvements. Each department is accountable to implementing the improvements, and Process Simplification will continue to track the project outcomes.