

Report Highlights

OPEGA Report No.
SR-MEIF-14

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Maine Economic Improvement Fund – Allocations and Expenses Consistent with Statutory Intent, Performance Reporting and Fiscal Monitoring Need Improvement



What was the general focus of this review?

OPEGA's review focused on how the University of Maine System (UMS) allocates Maine Economic Improvement Fund (MEIF) resources, expenses supported by MEIF and the metrics used to measure accomplishments attributable to the Fund.

What issues did OPEGA identify during the course of this review?

- UMS has not established, nor reported on, measurable goals and objectives for MEIF as required by statute.
- Some metrics included in MEIF Annual Reports were inaccurate and/or inconsistently calculated and reported.
- UMS has not provided the Legislature with the MEIF Task Force Report required by P.L. 2011, ch. 698 that was due January 2013.
- Carry forward balances at University of Maine (UMaine) and University of Southern Maine (USM) reflect practices that may need adjustment to fully utilize MEIF resources and minimize financial risks associated with over-commitments.
- UMS does not consistently utilize accounting data fields to facilitate monitoring and reporting MEIF expenses. Campuses use separate databases to track and manage their MEIF-related grants and cost-share commitments.

What specific questions did this review focus on, and what are OPEGA's answers?

1. *What process is used to allocate MEIF to the target areas established in statute and to specific projects within those target areas?*

The University of Maine System and its campuses have established procedures and processes to allocate MEIF for uses consistent with the governing statute. UMS uses MEIF to support research and development infrastructure and capacity, such as particular departments, facilities and equipment, as well as for funding specific research and development projects. Key methods to ensure consistency with statute are contained in UMS' processes for determining which infrastructure functions and specific projects to support with MEIF, and for reviewing, approving and monitoring MEIF budgets.

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OPEGA found individuals at UMS, UMaine and USM responsible for those decisions and budgetary activities are familiar with eligible MEIF target areas, the Fund's statutory purpose and restrictions. We also observed that the Board of Trustees is generally aware of statutory restrictions on MEIF and the Fund's overall purpose. Processes administered by UMS, UMaine and USM to select and approve specific projects for funding differ in some ways, but all include procedures to ensure MEIF-funded projects are consistent with the Fund's governing statute.

2. *What is MEIF being spent on and are the expenses consistent with statutory intent?*

MEIF expenses over the five-year period (FY09-13) spanned all seven target sectors and were contained in five general categories: Compensation, Supplies and Services, Transfers & Construction, Student Aid, and Business Travel. Compensation and Supplies and Services were the two largest expense categories and together accounted for 96% of MEIF expenses over the period.

Compensation accounted for 76.3% of MEIF expenses and experienced a 10.4% increase over the period. This category includes salaries, non-student and student wages, and employee benefits. Supplies and Services accounted for 19.7% of MEIF expenses and experienced a decrease of almost 30% since 2009. This category primarily includes non-employee services; supplies and materials; memberships, dues, and fees; equipment; rentals and leases; and utilities.

Overall, the types of MEIF expenses appear consistent with statutory intent by virtue of being associated with one of the seven target sectors and activities consistent with the general MEIF purposes described in statute.

3. *What metrics does UMS use to measure accomplishments attributable to MEIF? Are these results being accurately tracked and reported? Are there other metrics that might be used to measure success?*

Although UMS has not established measurable goals and objectives for MEIF, MEIF Annual Reports in the last five years have regularly reported three metrics related to MEIF at UMaine and USM. These are: the total value of new applied research and development (R&D) grants and contracts in the seven target sectors obtained each year; the ratio of those new R&D grants and contracts to the MEIF appropriation for each year (leverage ratio); and, the number of positions supported by MEIF.

OPEGA found that the leverage ratios reported in the most recent Annual Reports to the Legislature were incorrect. We also found that the number of positions supported by MEIF were calculated differently by UMaine and USM, characterized differently in different sections of the Annual Reports and, where UMaine characterized the positions as "Full-Time Equivalents," calculated inaccurately. Lastly, we noted that none of the metrics reported have included data for funds used by UMS for the Small Campus Initiative.

Since the reported metrics are not linked to any particular goals or objectives, targets or trends, there is little context to evaluate how they represent achievements related to MEIF. There may be other more appropriate metrics for measuring how effectively UMS uses MEIF to advance the statutory purposes for the Fund and/or the overall R&D goals of the University System and State.