

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** January 21, 2009

Agenda Item: Metropolitan State University Contract Approval

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires Board of Trustees approval of all contracts valued greater than \$2 million.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Sue Hammersmith, President, Metropolitan State University
Murtuzza Siddiqui, Interim Vice President for Administration and Finance

Outline of Key Points/Policy Issues: Metropolitan State University is requesting approval of a professional/technical services contract estimated to total \$4,500,000 through the end of the current contract, which is in effect through December 31, 2010. The contract with Bryant Rolstad Consultants, LLC is to educate Wound, Ostomy and Continence (WOC) Nursing students through the Web. WOC Nursing is a specialty within nursing dedicated to the care of patients with a wound or ulcer, ostomy and bowel or bladder incontinence.

Background Information: As part of an Office of the Legislative Auditor compliance audit of professional/technical contracts of various state agencies, the auditors raised three issues regarding a contract between Metropolitan State University and with Bryant Rolstad, Consultants, LLC:

- No RFP – the contract was not competitively bid and was not identified as a sole source contract;
- the contract duration exceeded five years;
- Metropolitan State University exceeded its signature authority of \$50,000.

The lack of an RFP or sole source approval for the current contract period cannot be remedied. The term of the contract can be approved by the Vice Chancellor – Chief Financial Officer, albeit retroactively. The value of the contract is now expected to exceed the Board policy threshold of \$2 million and requires approval by the Board of Trustees.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION

Metropolitan State University Contract Approval

BACKGROUND

Board Policy 5.14, Procurement and Contracts, requires prior approval by the Board of Trustees for contracts exceeding \$2,000,000. The proposed action item is for Board approval of a professional/technical services contract estimated to total \$4,500,000 through the end of the current contract, which is in effect through December 31, 2010.

Since 2001, Metropolitan State University has engaged in a contractual relationship with Bryant Rolstad Consultants, LLC to educate Wound, Ostomy and Continence (WOC) Nursing students in an online format. WOC Nursing is a specialty within nursing dedicated to the care of patients with a wound or ulcer, ostomy and bowel or bladder incontinence. The webWOC Nursing Education Program at Metropolitan State University premiered in the summer of 2001 with four students. According to the terms of the contract, the contractor is paid 92% of the tuition collected from the students. The University keeps the remaining 8% for the administration. Since the inception of the program, the number of enrolled students significantly exceeded the expectations and has grown to a range of 160 to 240 students annually, depending upon the course. The contractors have been paid an average of \$250,000 annually since 2001. However, over the past couple of years, the number of students enrolled has increased significantly. The University estimates that the annual average for 2009 and 2010 will be about \$900,000 for each year. The contract has been in place since 2001 and will terminate at the end of 2010.

Last year, the Office of the Legislative Auditor conducted a compliance audit of professional/technical contracts of various state agencies, including selected contracts at certain MnSCU institutions. As part of this audit, the auditors raised three issues regarding the contract between Metropolitan State University and Bryant Rolstad, Consultants, LLC:

- No RFP – the contract was not competitively bid;
- the contract duration exceeded five years;
- Metropolitan State University exceeded its signature authority of \$50,000.

The first, issue, lack of an RFP (or sole source approval, if that would have been an appropriate consideration) for the current contract period, cannot be remedied retroactively. The second issue regarding the term of the contract can be resolved through approval by the Vice Chancellor – Chief Financial Officer, albeit retroactively. The third issue requires approval by the Board of

Trustees, since the value of the contract is now expected to exceed the Board policy threshold of \$2 million.

Due to a high volume of staff turnover in the University's Financial Management Office, the University indicated it had been a challenge to maintain continuity and retain adequate staff knowledge. The University acknowledges that it was not in compliance with Board policies and the related system procedures. Since the audit, Metropolitan State University has implemented a number of system improvements. 1. The University has hired an experienced contracts and grants manager to oversee the procurement and contracting areas; 2. The University has undertaken a diligent effort to educate staff regarding the Board policies, pertaining to procurement, with defined dollar thresholds and signature authority; 3. Procurement staff received training and guidance from the Vice Chancellor's staff; 4. The University has also installed an organized method of defining and tracking delegation of authority. The University has already made significant improvements in this area and is committed to continuous improvement.

The University is in the process of preparing an RFP to continue this program after the expiration of the current term of the contract.

The University has been in contact and has been seeking guidance from Vice Chancellor King's office over the past few months as it proceeds to remedy this situation as well as implement proper procedures to prevent this situation from repeating. Although there have been procedural problems with the contract, the services paid for have been provided and the program has been very successful from an educational perspective. As the University prepares an RFP for the new contract, it will be mindful of its obligations to follow appropriate procedures and obtain necessary approvals, and its commitments to students already admitted to this specialty program.

RECOMMENDED COMMITTEE ACTION

The Finance/Facilities Policy Committee recommends that the Board of Trustees approve the current contract between Metropolitan State University and Bryant Rolstad Consultants, LLC for estimated total expenditures not to exceed \$4,500,000.

RECOMMENDED BOARD ACTION

The Board of Trustees approves the current contract between Metropolitan State University and Bryant Rolstad Consultants, LLC for estimated total expenditures not to exceed \$4,500,000.

Date Presented to the Board: January 21, 2009