

Financial Management Meeting

August 11, 2016

Contributing to the Wisconsin Idea through Financial Responsibility



Cranberry Farming



Limnology Research



Landscape Ecology



WISCONSIN
UNIVERSITY OF WISCONSIN-MADISON

Agenda

Welcome & Introductions

**UW System Intern Audit
Update & Plan**

Amanda Nehmer

30 minutes

**Capital Equipment Physical
Inventory Results**

**Matt Griffith
Amy Rognsvoog**

30 minutes

General Q&A





UNIVERSITY OF WISCONSIN SYSTEM

Office of Internal Audit

Amanda Nehmer

August 11, 2016

Introduction

- **Audit Director**
- **Education background**
- **Professional experience**



Amanda Nehmer, CPA

Audit Director

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Mission & Purpose

- **Mission:**
 - Provide independent, objective assurance and consulting services
 - Add value to the organization
- **Purpose:**

“The purpose of the Office of Internal Audit is to determine whether the University of Wisconsin System’s risk management, control, and governance processes, as designed and implemented by management, are adequate and functioning.”

Annual Audit Plan

Responsibilities (as documented in the Internal Audit Charter):

Develop and Implement the Annual Audit Plan:

- **Risk-based**
- **Flexible to capture and evaluate emerging risks**
- **Approved by Audit Committee of Board of Regents**

Annual Audit Plan (cont.)

Risk Assessment

- **Risk Assessment Survey (200+ participants)**
- **Emerging Risks (previous audits, hotline investigations, higher education publications, Big 10 peers, etc.)**
- **Specific Requests**
 - **Audit Committee**
 - **Management (consulting engagement)**

Annual Audit Plan (cont.)

Link to 2017 Audit Plan

<https://www.wisconsin.edu/internal-audit/download/Audit-Plan-Fiscal-2017-Approved.pdf>

Engagement Topics

Continuous Auditing	Objectives/Procedures
Purchasing Cards	<ul style="list-style-type: none"> • Risk-based identification of purchasing card expenditures that may not be allowable, using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable. • Ensure consistent testing methodology for institution data submitted to UW System Administration.
Travel and Expense Reimbursement	<ul style="list-style-type: none"> • Risk-based identification of travel expenditures that may not be allowable, using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable.

Engagement Topics (continued)

Payroll	<ul style="list-style-type: none"> • Systematic identification of payroll conditions or trends that warrant further review or investigation. Examples may be overload payments, termination payments, supplemental pay and pay adjustments. • Retired and rehired annuitants.
Audits (FY2016-FY2017)	Objectives/Procedures
Cash Handling	<ul style="list-style-type: none"> • Review internal controls over the process. • Test a sample of transactions for compliance. • Recommend possible closure of accounts. • Given large scope, audits will be performed in fiscal 2016 and 2017.
International Education (IE)	<ul style="list-style-type: none"> • Review policies in place over the IE Department business practices. • Test a sample of students in the program. • Review international programs (travel arrangements, health insurance). • Given large scope, audits will be performed in fiscal 2016 and 2017.

Engagement Topics (continued)

FY2016 Audits In Process	Objectives/Procedures
Code of Ethics, Conduct and Governance	<ul style="list-style-type: none"> • Review and evaluate applicable policies. • Validate management's processes to comply with policies. • Test compliance with policies.
Auxiliary Services <ul style="list-style-type: none"> • UW-Madison – Union • Other Institutions – Parking 	<ul style="list-style-type: none"> • Review of policies and activities. • Testing of transactions and activities for compliance. • Review and evaluate chargebacks.
Emergency Preparedness	<ul style="list-style-type: none"> • Review policies in place for different scenarios. • Interview staff responsible for the emergency plan. • Audit the emergency plans.

Engagement Topics (continued)

FY2016 Audits Deferred	Objectives/Procedures
System Security and Access (Information Technology)	<ul style="list-style-type: none"> • Uniform information technology framework and standards across the System. • Review structure, governance, implementation, etc. • Review information technology security framework.
Data Integrity, Definition, Governance, and Ownership – Top Three Systems/ Applications (Information Technology)	<ul style="list-style-type: none"> • Document the users of the data and those with ownership. • Review provisioning, de-provisioning, and administrator, application, and operating system access. • Review current standard definitions

Engagement Topics (continued)

FY2017 New Audits	Objectives/Procedures
<p>Federal TriO Programs</p> <ul style="list-style-type: none"> • TriO consists of Upward Bound, Talent Search, Student Support Services, Educational Opportunity Centers, and the Ronald E. McNair Post-Baccalaureate Achievement Program. 	<ul style="list-style-type: none"> • Examine services, activities and expenses for federal eligibility and allowability. • Review and test physical and administrative controls over payments and distributions to participants. • Review and determine if there is appropriate oversight of the program activities, particularly those involving minors.
<p>Facilities</p> <ul style="list-style-type: none"> • Scope limited to supplies inventory used for maintenance, repairs and construction 	<ul style="list-style-type: none"> • Review and test physical and administrative controls over inventory. • Review and test methodology and procedures for chargebacks. • Examine how inventories are valued and presented for financial reporting purposes.

Engagement Topics (continued)

FY2017 New Audits	Objectives/Procedures
Payment Card Industry Compliance	<ul style="list-style-type: none"> • Review internal controls over the process. • Test for compliance with policies, procedures and The Payment Card Industry Data Standard (PCI DSS). • Given large scope, audits will be performed in fiscal 2017 and 2018.
Human Resource System Segregation of Duties (SOD)	<ul style="list-style-type: none"> • Review the SOD matrix. • Evaluate the matrix for inappropriate “conflicts”. • Review the policy for the conflict review reports at institutions and test the process.
DoIT	<ul style="list-style-type: none"> • Review and evaluate roles, governance and project prioritization for internal and external clients. • Evaluate and test the external and internal billing processes.

Engagement Topics (continued)

FY2017 New Audits	Objectives/Procedures
Research	<ul style="list-style-type: none"> • Inquire of institutions as to the status of implementation of <i>Uniform Guidance</i> and its impact on proposal submission, pre-award, post-award monitoring; and project close-out. • Review and test status of implementation of <i>Uniform Guidance</i> with respect to sub-awards.
Internal Control and Compliance Structure and Governance	<ul style="list-style-type: none"> • Review and assess how the System and institutions organize, manage, and coordinate internal controls and compliance. • Compare current structure to peers and professional standards.
Clery Audit Follow-up	<ul style="list-style-type: none"> • Review Clery audits performed by an independent consultant in fiscal 2016. • Obtain evidence of management's work to address material findings.

Engagement Topics (continued)

FY2017 New Audits	Objectives/Procedures
Fair Labor Standards Act	<ul style="list-style-type: none"> • Review management's plan to comply with an increase in the minimum income threshold for exempt employees. • Test selected employee payroll information for compliance.
Tuition and Enrollment Management	<ul style="list-style-type: none"> • Review policies for collection of tuition as it relates to enrollment and changes to enrollment (i.e. drops). • Test compliance with policies at selected institutions.
NCAA Athletics Division I Audits	<ul style="list-style-type: none"> • Agreed upon procedures audits over financial matters (Green Bay, Milwaukee). • Audit of compliance with NCAA rules (Madison).

Consulting/Committee Work

Title
UW-Madison Financial Internal Control Initiative
Travel and Expense Reimbursement Operations
UW Information Assurance Committee
Performance Workgroup



Property Control Update

Fiscal Year 2017



*Financial Management Meeting
August 11, 2016*

Amy Rognsvoog & Matt Griffith - Property Control Office
Accounting Services- Division of Business Services
Property@bussvc.wisc.edu

What does the Property Control Office do?

- Laws exist that require the University to track and report on purchases of property.
 - Federal granting agencies.
 - State agencies.
 - UW-System.
 - Internal control best practices.
- As custodians of the property, we are here to maintain standardization in reporting throughout the University.
 - Maintain an effective and efficient system for the tracking of property items
 - Understand the policies and regulations associated
 - Develop training & communications relative to property policies and procedures
 - Work with Departmental Property Administrators (DPAs) on a routine basis to assist with questions or concerns
 - Audit our system records by conducting physical examinations of the property

What do we inventory?



Acquisition costs
GREATER THAN
\$5,000.00
(Per item or fabrication)



Useful life
GREATER THAN
1 year



Moveable items
(Not attached to a building)

Look for the tags!!

- Here is what they look like:
 - Existing Tag Stock

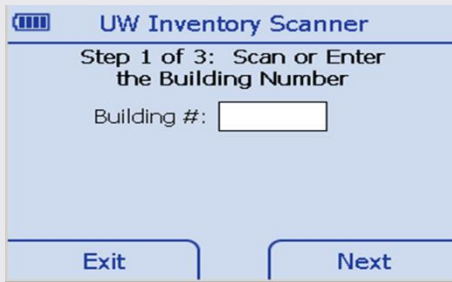
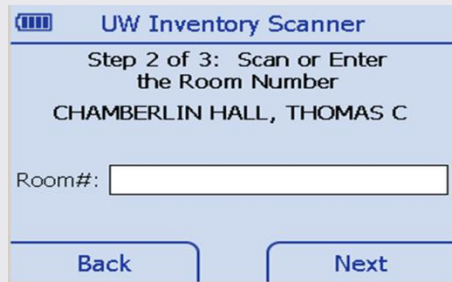
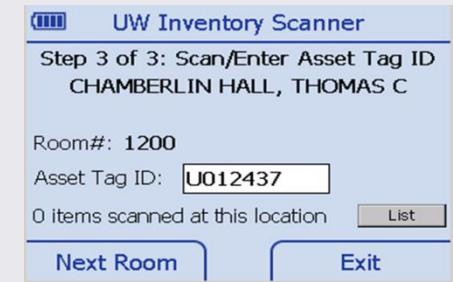


- Newly Redesigned Tag Stock



How does Property Control conduct inventories?

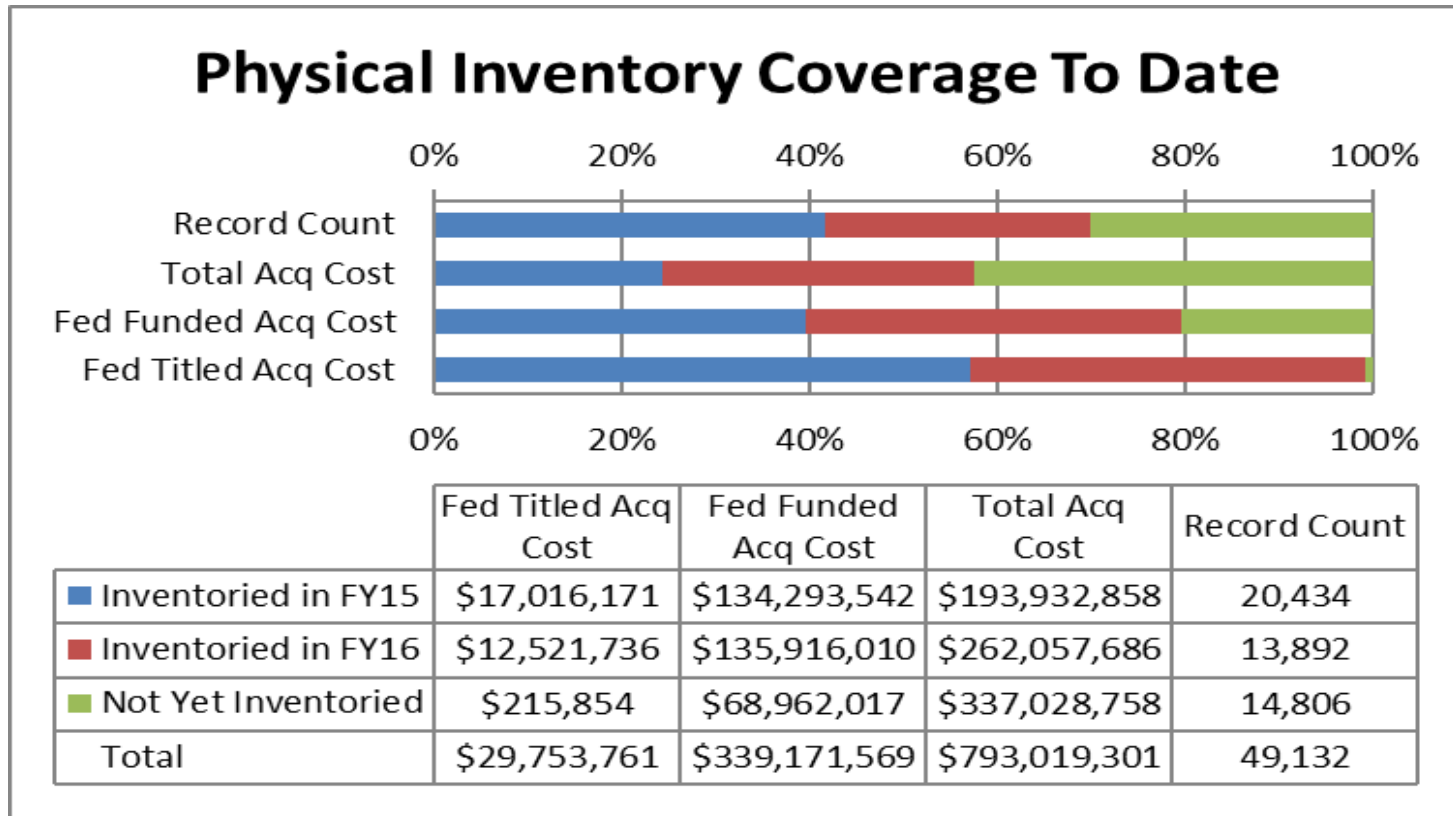
- **Phase 1:** Property Control gives the DPA a barcode scanner. The DPA follows step-by-step prompts to scan all tags in their area.

 <p>UW Inventory Scanner</p> <p>Step 1 of 3: Scan or Enter the Building Number</p> <p>Building #: <input type="text"/></p> <p>Exit Next</p>	 <p>UW Inventory Scanner</p> <p>Step 2 of 3: Scan or Enter the Room Number</p> <p>CHAMBERLIN HALL, THOMAS C</p> <p>Room#: <input type="text"/></p> <p>Back Next</p>	 <p>UW Inventory Scanner</p> <p>Step 3 of 3: Scan/Enter Asset Tag ID</p> <p>CHAMBERLIN HALL, THOMAS C</p> <p>Room#: 1200</p> <p>Asset Tag ID: <input type="text" value="U012437"/></p> <p>0 items scanned at this location <input type="button" value="List"/></p> <p>Next Room Exit</p>
<p>Step 1: Scan or enter the building you are in.</p>	<p>Step 2: Scan or enter the room number you are in.</p>	<p>Step 3: Scan all asset tags you can find in the room.</p>

- **Phase 2:** Property Control gives the DPA a list of their un-scanned items for a final search. If the DPA cannot find items, Property Control removes them from active records. If items are found later, Property Control will restore them to active records.

How much property has been inventoried to date?

- Fiscal Year 2014: Engaged a third party to inventory all property and re-tag with barcodes. Before this, tags were not machine-readable.
- Fiscal Year 2015: Inventoried eight departments with highest volume.
- Fiscal Year 2016: Inventoried 29 departments with property that belongs to the US government (must be inventoried every two years).



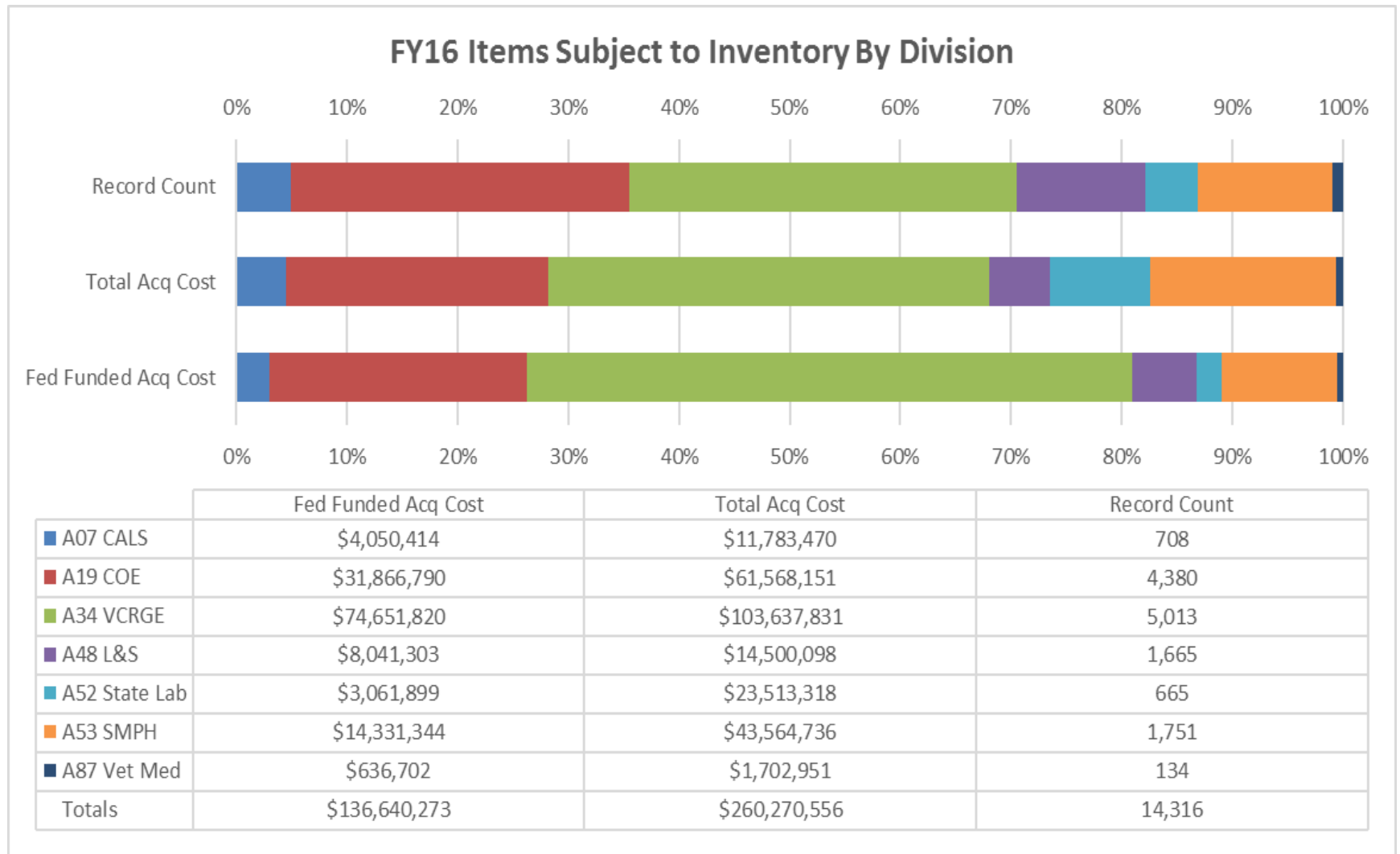
Who participated in Fiscal Year 2016? (1 of 2)

- *Thank you to those who participated!*
- Divisional leadership accepted the process as a control activity.
- Departments also accepted the process. It is important to recognize that much of the work falls on the DPAs and their departments. Their engagement has been the most critical part in success of the project.

#	Department				
1	0728 CALS Bacteriology	11	1975 COE Mat Sci & Engr	21	4897 L&S Zoology
2	0746 CALS Nutrition Sci	12	1999 COE Wis Engy Inst	22	52XX State Lab Hygiene
3	0748 CALS Plant Pathology	13	3486 VCRGE Moleclr Bio	23	5312 SMPH Biostat & Med
4	1912 COE Chemical Engr	14	3487 VCRGE Waisman	24	5342 SMPH Medicine
5	1925 COE Elec & Com Engr	15	3488 VCRGE Primate Res	25	5359 SMPH Oncology
6	193516 COE Env Chemistry	16	3489 VCRGE Phys Sci Lab	26	5360 SMPH Ophtha & Vis Sci
7	193523 COE WEMPEC	17	3493 VCRGE Icecube	27	5389 SMPH Psychiatry
8	193560 COE Mat Sci Center	18	3495 VCRGE Wis Inst Disy	28	5393 SMPH Radiology
9	194X COE Biomedical Engr	19	4811&2 L&S Astronomy	29	8741 SVM Comparative Bio
10	1962 COE Mechanical Engr	20	4813 L&S Botany		

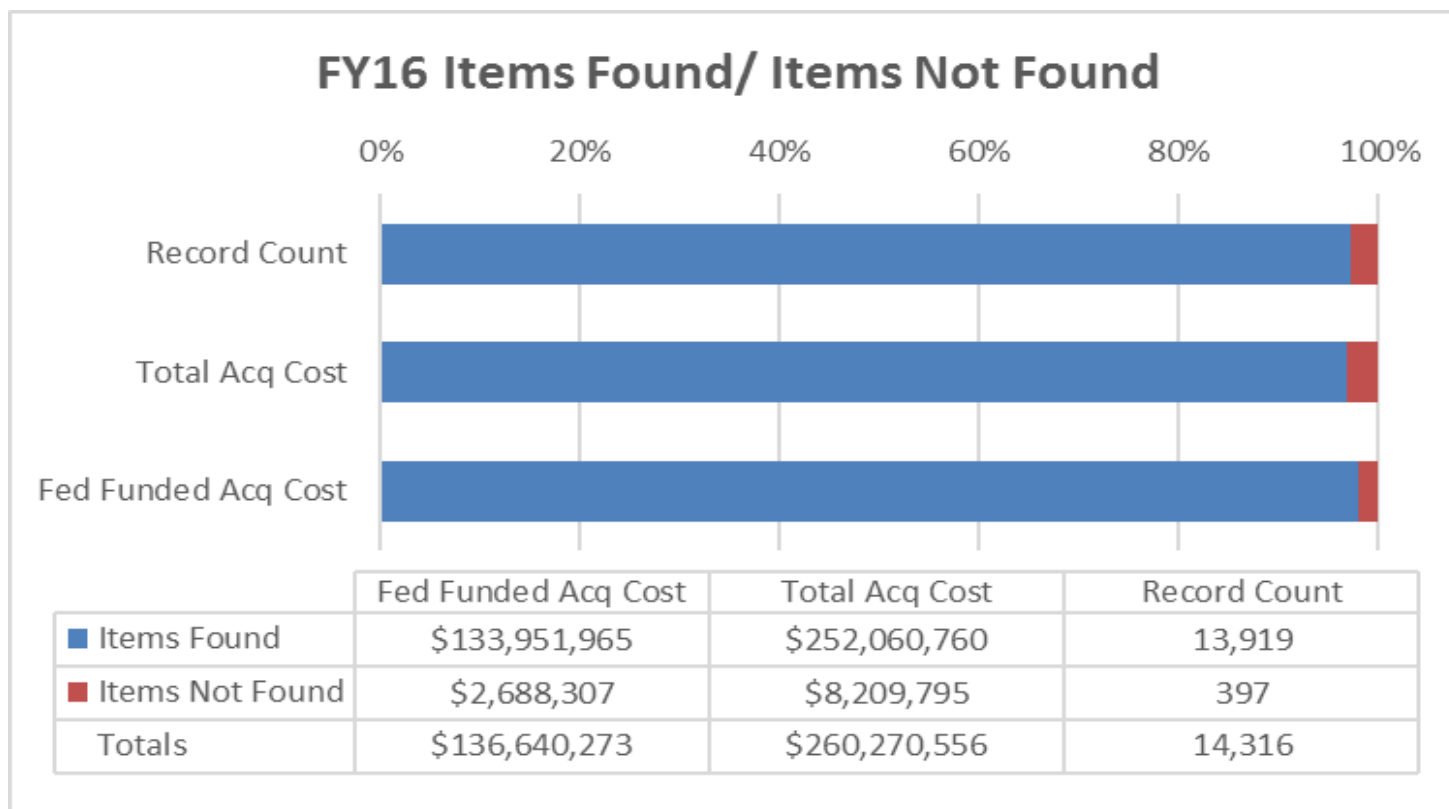
Who participated in Fiscal Year 2016? (2 of 2)

- Results show engagement of entire campus in this process.



What did we learn in Fiscal Year 2016? (1 of 5)

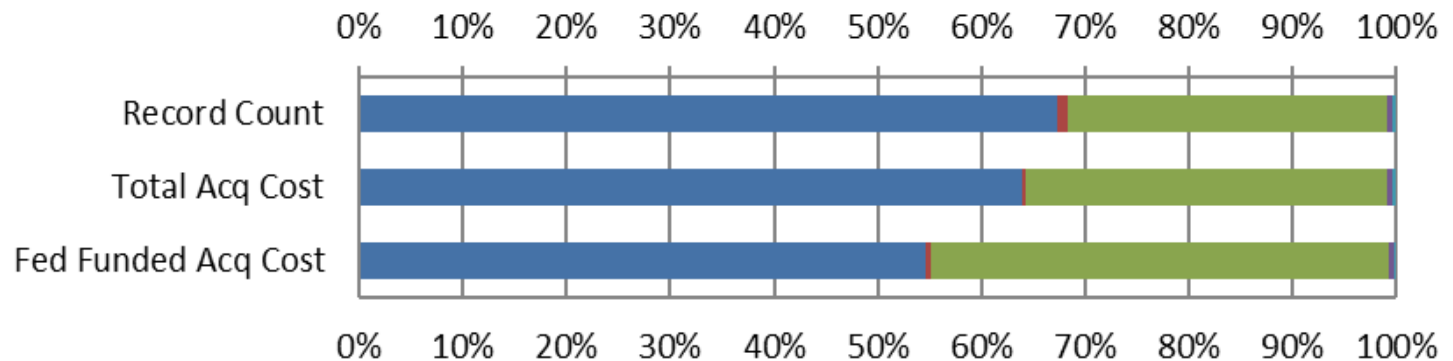
- We found 98% of items subject to inventory this year.
 - This is good, but an error rate of 2% is too high. To address this:
 - We are working on a better way to get information (more on this later).
 - We plan more inventories to detect and correct errors when they occur.



What did we learn in Fiscal Year 2016? (2 of 5)

- Most items were inventoried using barcode scanners (Phase 1)
- This is good news because it means increased efficiency.

FY16 Items Found by Phase

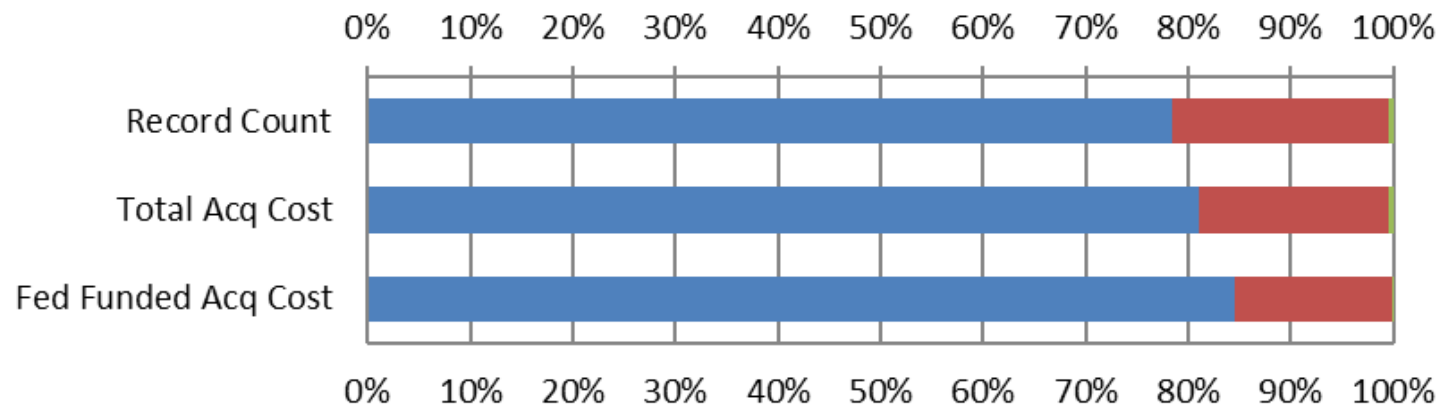


	Fed Funded Acq Cost	Total Acq Cost	Record Count
■ 1- Phase 1	\$73,151,221	\$160,982,274	9,365
■ 2- Phase 1 (Other Dept)	\$578,353	\$994,454	151
■ 3- Phase 2	\$59,153,895	\$87,587,720	4,283
■ 4- Follow up	\$810,042	\$1,313,251	56
■ 5- N/A Item Added After Inventory	\$258,454	\$1,183,062	64
Totals	\$133,951,965	\$252,060,760	13,919

What did we learn in Fiscal Year 2016? (3 of 5)

- Most items were found in the location we expected to find them.
- About 20% of items were found in a new location.

FY16 Items Found by Result

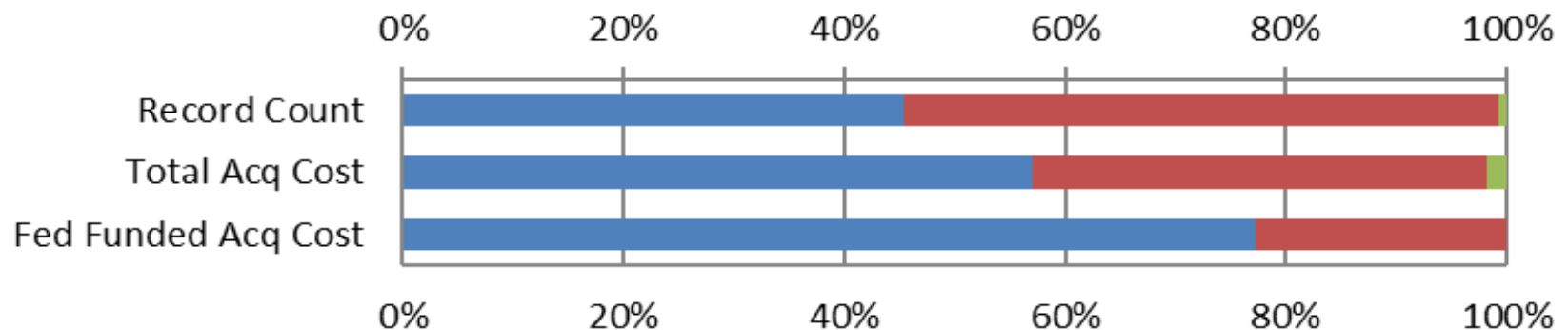


	Fed Funded Acq Cost	Total Acq Cost	Record Count
■ 1- Same Location	\$113,343,047	\$204,214,216	10,916
■ 2- New Location	\$20,350,464	\$46,663,482	2,939
■ 3- N/A Item Added After Inventory	\$258,454	\$1,183,062	64
Totals	\$133,951,965	\$252,060,760	13,919

What did we learn in Fiscal Year 2016? (4 of 5)

- Of items not found, we only know what happened to about half.
 - In about half of cases, DPAs determined what had happened to items that could not be found. We call these *accountable dispositions*.
 - We removed the remainder of items as *unaccountable dispositions*.

FY16 Items Not Found by Type

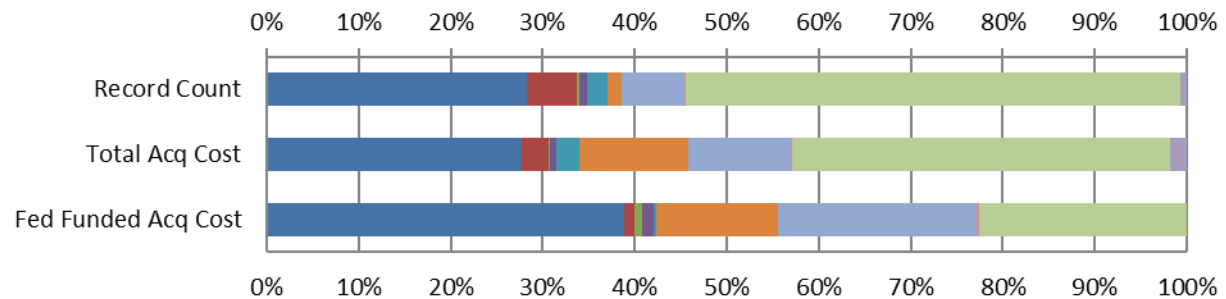


	Fed Funded Acq Cost	Total Acq Cost	Record Count
Accountable	\$2,074,632	\$4,678,518	180
Unaccountable	\$613,675	\$3,382,152	214
Recordkeeping error	\$-	\$149,126	3
Totals	\$2,688,307	\$8,209,795	397

What did we learn in Fiscal Year 2016? (5 of 5)

- Of *accountable dispositions* (#1-7), most items had been deemed surplus to departmental need. Property Control did not get instruction to remove these items at the time disposition occurred.
- Of *unaccountable dispositions* (#8-9), most were deemed lost.
- We also found a few *recordkeeping errors* (#10) on our part.

FY16 Items Not Found by Disposition



	Fed Funded Acq Cost	Total Acq Cost	Record Count
1- Surplus	\$1,046,315	\$2,272,220	112
2- Cannibalized	\$28,913	\$237,451	22
3- Delivered per contract	\$20,000	\$20,000	1
4- Junked (FP&M)	\$36,103	\$52,908	3
5- Returned to Vendor	\$6,520	\$204,040	9
6- Traded in	\$354,892	\$979,208	6
7- Transferred/ sold to outside institution	\$581,890	\$912,691	27
8- Stolen	\$5,007	\$5,007	1
9- Lost	\$608,668	\$3,377,145	213
10- Deemed Non-capital	\$-	\$149,126	3
Totals	\$2,688,307	\$8,209,795	397



Moving Forward: System Development

Manage Scope to Deliver Before Next LAB Audit

Asset Management Phase 1a & 1b

Phase 1A

- Migrate CEIMS data to AMM
- Fabrication Support
- Batch upload interface for new asset entries
- Current barcode inventory system & associated reports
- Financial calculations & reporting (depreciation, etc.)

Phase 1B

- Bolt-On/DPA User Interface (Note: Shifting DPA User interface to Phase 1B also drove workflow to 1B)

Phase 2 or later

- PeopleSoft AMM Physical Inventory
- Procure to Pay Interface/module
- Upgrade to PeopleSoft v9.2



What do we look forward to in FY17

Quarter 1 (July –Sept.)

- PeopleSoft Asset Management Module system development meetings conducted between Accounting Services, Administrative Process Redesign Team (APR), DoIT, UW Systems, and third party consultant
- Training materials and procedures for Phase 1 of Asset Management System launch completed by Accounting Services – Property Control

Quarter 2 (Oct. –Dec.)

- Training sessions to be conducted by Property Control for all Department Property Administrators
- Supporting policies will be rolled out
- Asset Management Module Project Go Live (Est. November 2016)

Quarter 3 (Jan. – Feb.)

- Annual inventories to start (Est. December 2016)
- Phase 1B - DPA User Interface (Est. launch January 2017)

Questions?



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FOR ZEBRAS IT'S NOT A PARTY UNTIL
SOMEONE BRINGS THE BAR-CODE SCANNER.

Amy Rognsvoog & Matt Griffith - *Property Control Office*

Accounting Services- Division of Business Services

Property@bussvc.wisc.edu

Thank you for attending.

Future Financial Management Meetings

Rooms 1106 & 1108, 21 N Park Street

9:30 am - 11:30 am

2016

October 13

December 15

