Financial Management Meeting

Agenda

9:30 a.m. Welcome & Introductions

9:45 a.m. Featured Topics
  • UW Foundation System Conversion     Steve Hudson, Chief Financial Officer (30 mins)
     Geoff McCloskey, Senior Director of Finance & Controller
  • Internal Controls Update              Martha Kerner (30 mins)

10:45 a.m. Accounting Services Updates
  • Year End Recap/Balances/Feedback       Dan Langer/ Susie Maloney (10 mins)
  • P-Card System Conversion              Rusty Haines (5 min)
  • WISER – Travel and Expense Demo       Stefanie Merucci/Jim Ekenberg (10 mins)
  • Accounting Services Transitions       Dan Langer (5 mins)

11:15 a.m. Other Q&A

11:30 a.m. Adjourn
Fund Finances - A New Design
New Constituent Relationship Management (CRM) System
New Technology Platform

Financial Edge

Critical need for updated, supported accounting system
Opportunity to incorporate standard industry design
Need for robust, flexible reporting capabilities
Design Objectives

‘Internal’
✓ Stability; strong support
✓ Scalable; Flexible
✓ Integration with broader strategy
✓ Efficient processing and reporting

‘External’
✓ Enhanced data transparency
✓ Simplified fund infrastructure
✓ Ease of information access
### Current State (Example: Sister Funds)

<table>
<thead>
<tr>
<th>Current State</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>12751234</td>
<td>32751234</td>
</tr>
<tr>
<td>Created in tandem with '32' Fund as pre-endowment holding fund</td>
<td>Long-Term Endowment or Quasi-Endowment Fund</td>
</tr>
<tr>
<td>Usually 8 digits; sometimes alpha-digits. Older funds at 7 digits</td>
<td>Usually 8 digits; sometimes alpha-digits. Older funds at 7 digits</td>
</tr>
</tbody>
</table>

### Future State

<table>
<thead>
<tr>
<th>132751234</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Fund, with both long- and short-term components</td>
</tr>
<tr>
<td>All 9-digits, beginning with '1'; legacy digits embedded</td>
</tr>
<tr>
<td>Conversion Table will be provided</td>
</tr>
</tbody>
</table>

### Current State (Example: Short Term Fund only)

<table>
<thead>
<tr>
<th>Current State</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>12751234</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>112751234</th>
</tr>
</thead>
<tbody>
<tr>
<td>112751234</td>
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</tbody>
</table>
## Account Structure

### Current State (Example: Sister Funds)

<table>
<thead>
<tr>
<th>Account</th>
<th>12751234</th>
<th>32751234</th>
<th>Future State</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Short-Term Spendable -OR-To Be Endowed</td>
<td>Spend Plan Income Available</td>
<td>132751234</td>
</tr>
<tr>
<td>115</td>
<td>N/A</td>
<td>Book Value of Fund</td>
<td></td>
</tr>
<tr>
<td>116</td>
<td>N/A</td>
<td>Current Market Value of Fund</td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td></td>
<td></td>
<td>Short-Term Spendable Cash</td>
</tr>
<tr>
<td>1005</td>
<td></td>
<td></td>
<td>Spend Plan Income Available</td>
</tr>
<tr>
<td>1010</td>
<td></td>
<td></td>
<td>Cash To Be Endowed</td>
</tr>
<tr>
<td>1150</td>
<td></td>
<td></td>
<td>Fund Book Value</td>
</tr>
<tr>
<td>1160</td>
<td></td>
<td></td>
<td>Fund Market Value (Incr.)</td>
</tr>
<tr>
<td>1240</td>
<td></td>
<td></td>
<td>Pledges Receivable</td>
</tr>
</tbody>
</table>
## Account Structure - Example

### Current State (Example: Sister Funds)

<table>
<thead>
<tr>
<th>Account</th>
<th>Account Title</th>
<th>12751234</th>
<th>32751234</th>
<th>132751234</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>Cash - Checking</td>
<td></td>
<td>71,000</td>
<td></td>
</tr>
<tr>
<td>110</td>
<td>Income Available to Spend</td>
<td></td>
<td></td>
<td>24,000</td>
</tr>
<tr>
<td>115</td>
<td>Book Value-Principal</td>
<td></td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>116</td>
<td>Market Value-Principal</td>
<td></td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>1000</td>
<td>Cash - ST Spendable</td>
<td></td>
<td></td>
<td>21,000</td>
</tr>
<tr>
<td>1005</td>
<td>Cash - LT Spendable</td>
<td></td>
<td></td>
<td>24,000</td>
</tr>
<tr>
<td>1010</td>
<td>Cash - To Be Endowed</td>
<td></td>
<td></td>
<td>50,000</td>
</tr>
<tr>
<td>1150</td>
<td>Fund Book Value</td>
<td></td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>1160</td>
<td>Fund Market Value (Incr)</td>
<td></td>
<td></td>
<td>250,000</td>
</tr>
<tr>
<td>1240</td>
<td>Pledges Receivable</td>
<td></td>
<td></td>
<td>100,000</td>
</tr>
<tr>
<td>Other</td>
<td>Stocks Held / Bonds Held</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>Real Estate / Life Ins</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other / Etc...</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Introducing Net Asset Classes (NAC’s)

- Unrestricted Funds 10-Prefix
- Temporarily Restricted Funds 20-Prefix
- Permanently Restricted Funds 30-Prefix

**EXAMPLE:**

10-1150-132751234

Unrestricted $  
Book Value (Account)  
Fund
Fact Pattern:
- Beg MV of Fund = $750,000
- Beg BV of Fund = $500,000
- New Gifts = $25,000 [$25,000]
- Net Market Performance = 10% [$75,000]
- Recapture Fee = 1% [$7,500]
- Spend Plan Income Bal = $9,000
- Spend Plan Allocation = 4.5% [$33,750]
- Reinvest SPA @ 50% [$16,875]

<table>
<thead>
<tr>
<th>Account Number</th>
<th>110</th>
<th>115</th>
<th>116</th>
<th>1005</th>
<th>1010</th>
<th>1150</th>
<th>1160</th>
<th>1240</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balances</td>
<td>9,000</td>
<td>500,000</td>
<td>750,000</td>
<td>9,000</td>
<td>500,000</td>
<td>250,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>33,750</td>
<td>25,000</td>
<td>75,625</td>
<td>33,750</td>
<td>25,000</td>
<td>25,000</td>
<td>75,000</td>
<td>(25,000)</td>
</tr>
<tr>
<td></td>
<td>(16,875)</td>
<td>16,875</td>
<td>75,625</td>
<td>(16,875)</td>
<td>(25,000)</td>
<td>16,875</td>
<td>(7,500)</td>
<td>(33,750)</td>
</tr>
<tr>
<td>Ending Balances</td>
<td>25,875</td>
<td>541,875</td>
<td>825,625</td>
<td>25,875</td>
<td>-</td>
<td>541,875</td>
<td>283,750</td>
<td>75,000</td>
</tr>
</tbody>
</table>
Primary:
- Fund Information
- Fund Balance Report
- Fund Activity (detail) Report

Other:
- Outstanding Pledge Report
- Donor Revenue Report
Fund Finances – General:

✓ Access Freeze – 7/23 @ 5pm
✓ Fund Admin Freeze – 7/31 @ 5pm
✓ Final (July) Gift Processing – 8/8 @ 5pm
✓ Final Gift Reconciliation – 8/12
✓ Accounting* / Gift Systems DOWN - 8/12
✓ **Advancement Resources** LIVE – 9/2

*Disbursements to Continue!

Campus Access (CA):

✓ CA Message – 7/25  [Covers 7/31+]
  ✓ Reminder Message 8/8
✓ CA DOWN – 8/12 @ 5pm
✓ CA (Back) UP – 8/15  [Gift Data thru 7/31; Disb. data thru 8/12]
  ✓ Deposit / Check Request Forms still available via static web page
✓ CA GONE – 8/21 @ 5pm  (Redirect to follow; 9/2)
Contacts

Geoff McCloskey
Controller
greg.mccloskey@supportuw.org
608.890.2603

Sally Erdmann
Senior Director, Fund Accounting
sally.erdmann@supportuw.org
608.263.3176

Brian Hettiger
Director of Fund Administration
brian.hettiger@supportuw.org
608.265.5893
Financial Internal Controls

Initiative Overview and Update

Financial Managers Meeting

August 12, 2014
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<td>The vision</td>
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<td>Initiative objective and approach</td>
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<td>Guiding framework - COSO</td>
<td>7-9</td>
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<td>Steps to building UW-Madison financial internal controls framework</td>
<td>10</td>
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<td>The risk assessment</td>
<td>11-12</td>
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<tr>
<td>Key financial/administrative processes identified</td>
<td>13</td>
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<tr>
<td>Stakeholder engagement</td>
<td>14</td>
</tr>
<tr>
<td>Questions / feedback</td>
<td>15</td>
</tr>
</tbody>
</table>
The Underlying Premise

What

- We need reliable, timely, and informative processes to sustain the greatness of this University.

Why

- Without an accurate picture of what and how we’re doing, we’re at risk for loss of:
  - Reputation
  - Funding
  - Independence

Why now

- Higher education landscape is more complicated than ever.
The Vision

What

• To be the most effective public research university from a financial and administrative standpoint.

How

• The fewer resources we spend on infrastructure, the more we have available to support areas of mission.
In other words...
Initiative Objective & Approach

Objective

• Establish a “UW-Madison financial internal controls framework.”

Approach

• Don’t just meet current standards. Raise the bar.
Guiding Framework

How do we know what areas to look at?

• COSO Internal Controls Framework is our guide
• What is COSO?

• Committee of Sponsoring Organizations of the Treadway Commission (COSO)

• Joint initiative of:
  • American Accounting Association
  • American Institute of CPA’s
  • Financial Executives International
  • The Association of Accountants and Financial Professionals in Business
  • The Institute of Internal Auditors

• Dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence
The COSO Internal Controls Framework

The “COSO Cube” sets out:
- Definition of internal control
- Categories of objectives
- Components and principles of internal control
- Requirements for effectiveness
How we’re using the COSO framework for UW-Madison:

Current Focus on Risk Assessment:

- Identify where we should focus our resources

- Will lead to defining other framework elements for UW-Madison; no longer generic, but what internal financial controls mean to us
Steps to Building UW-Madison Financial Internal Controls Framework

1Q14
Financial Forum & initiative kick-off

2Q14
Planning

2Q14 - 3Q14
Review campus administrative & financial processes to develop our Risk Assessment Matrix

3Q14
Prioritization & consensus building

3Q14
Begin process improvement projects to address control gaps

4Q14+
Continue to build/enhance the financial internal control environment
Conducting the Risk Assessment

Risk Assessment Objectives

• Identify and prioritize significant financial risks facing the institution
• Understand the key processes impacted by those risks
• Identify the departments where the processes are resident
• Understand quantitative and qualitative factors influencing risk
• Identify opportunities to improve the management of these risks through internal controls and/or process improvement recommendations, and
• Help prepare UW Madison to perform risk assessments in the future

Risk Assessment Partners

• Office of the VCFA - Executive Sponsor
• Business Services - Business Owners
• Administrative Process Redesign - Project Management
• PricewaterhouseCoopers (PwC) - Consultants
• Representation from across campus - Stakeholders
Preparation for the Risk Assessment

- Review Financial Data & Audit Reports
  - Validated

- Conduct Business Services Interviews
  - June 23-25

- Conduct Financial Leadership Interviews
  - July 7-31

- Close the loop with Financial Leaders
  - Mid-August

WE ARE HERE
Key Financial/Administrative Processes Identified

- Capital Equipment
- Gifts/Development
- Revenue
- Procure to Pay
- Grants
- Inventories
- Payroll System (HRS) Management
- Scholarships/Financial Aid/Tuition Remission
- Cash Receipts/Deposits (Point of Sale)
- Financial Reporting
- Cost Transfer
- Internal Billing
Stakeholder Engagement

APR training is recommended for team members

http://www.apr.wisc.edu/trainingreq.htm
Questions / Feedback?

For more information, visit:

http://www.bussvc.wisc.edu/intcntrlsls/intcntrlsls.html
WISER Overview

WISER (Phase I)

a) New and improved way to view travel and expense data
b) Changes the look of WISER and effectively provides detailed expense reporting submitted from e-Reimbursement and the Guided Expense Tool (GET)
c) Makes WISER more of a two-way data gatherer/communicator
d) Began appearing as a WISDM menu option in July 2014

WISER (Phase II)

a) Will transition and improve WISDM search functionality such as Department, Department Roll-Up and project searches to WISER
b) All of WISDM functionality will eventually migrate to WISER.
c) Work has begun to engineer the Department Searches into WISER functionality
d) Dates will be assigned as tasks and development are fully identified

Demonstration on WISER Expense

If you want to learn more about WISER, go to the Business Services shared financial web page and select WISER. Communicate any comments or suggestions to SFSMSN@bussvc.wisc.edu.
Questions?
Future Financial Management Meetings
Rooms 1106 & 1108, 21 N Park Street
9:30-11:30AM

2014
October 14
December 9