



UW-Madison Financial Forum February 25, 2014

Forum Attendee Questions and Responses

- Q)** How is depreciation of capital equipment handled? Is there a formula so that departments know when the equipment is fully depreciated and can be sent to SWAP? There is an education gap. The financial people at the department level are trained poorly. This needs to change in order to implement good internal controls.
- A)** Useful life and depreciation on capital equipment is aged depending on the type of capital equipment purchased over \$5,000; computers, laboratory research equipment, etc. It's important to note that, although a piece of capital equipment may be fully depreciated, it may not necessitate shipping the equipment to disposal as it may continue to be useful. It is recognized there is a need to address and strengthen education and training in various financial activities, including personnel having equipment management and accounting responsibilities. One of the outcomes of the recent capital equipment inventory has been to help identify areas for improved controls, expected to include improvements to policies and procedures and related training.
- Q)** How do you make the business case for improving monitoring and controls return on investment?
- A)** The institution has a responsibility to its constituents for good fiscal stewardship. Monitoring controls contribute to reducing the volume of transaction level auditing procedures through monitoring tools and practices with materiality levels, allowing personnel to spend more time on planning and analysis of use of resources and less transaction level audit and review activities.
- Q)** Say there is an organization (\$60-\$100 million budget) that is "functioning", but lacks any structure, has no real processes and no one really knows the best way to accomplish anything. Things get done just to get them off your desk. What is the best way to improve the process?
- Staffing?
Structure?
Policy/procedures?
Reporting?
- A)** This may not be an uncommon example at the University and is one of the reasons for the comprehensive financial risk assessment planned for near term following the financial forum. One objective out of that risk assessment is a gap analysis and identification of control gaps and improvement opportunities; which may include assessing financial competencies; training needs backup and support in key financial activities, transaction processing activities, system needs, monitoring tools, etc.



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- Q)** UW-Madison Financial Managers are often in limited positions serving at the pleasure of the Department Deans. This does not seem to be a best practice from a risk and moral hazard perspective. It would seem these positions need more independence.
- A) The internal control initiative to assess and, where appropriate enhance, campus financial controls would provide further assurance the financial environment encourages ethics, integrity and accountability among other related core values such that reporting relationships should not deter individuals from coming forward through appropriate channels should there be a matter requiring disclosure through a non-traditional reporting structure. The institution truly requires tone from the top throughout the institution such that the issues are able to be surfaced.
- Q)** Is the purpose of sub-certification primarily developing a two-way communication process? What do you do regarding continuity in the “training” process to insure staff are processing items correctly?
- A) If the University chooses to go forward with some form of a certification at the school, college and auxiliary unit level following a planned financial control risk assessment, the intent would be to ensure the large, decentralized campus community responsible for financial activities is engaged in a periodic process to confirm proper financial training, communication, processing and reporting activities are operating throughout the institution and, where gaps are present, they are identified and opportunities to mitigate them considered where deemed practical.
- Q)** What, if any, additional resources specifically staffing, were required for Indiana University’s sub-certification?
- A) Indiana University didn’t really add resources. There was a ramp-up effort and a time effort/shift of duties early-on, but there was not an awareness there was a substantial burden to personnel at the institution.
- Q)** How do internal controls work with huge software implementations that cost \$100’s of millions of dollars?
- A) The primary components of an internal control framework would apply to effectively planning, managing and monitoring the implementation. The objective of a successful implementation on time and within budget would be managed through an evaluation of the related control environment, assessment of risks to achieving objectives, control activities to help mitigate risks, a process of information and communication and monitoring activities towards achieving a successful implementation.
- Q)** How do you get professors to buy-in to best practices? (They) See dollars as their own so typically they don’t care about best practices-they have a “just make it happen” attitude.
- A) Although there may always be situations difficult to overcome, the financial control initiative will be an engaged effort which appropriately involves all university governance constituents.



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- Q)** Because internal controls take time to implement, how can we ensure that we are not years behind in the controls we implement?
- A) There isn't necessarily an assurance that the university is lagging; there are many things the university does well and does collaboratively. Further, leadership believes this is the right time and opportunity for this effort. It should be noted that both our visiting colleague from Indiana University, Joan Hagen, and third parties observing recent activities such as the equipment inventory and the financial forum have expressed that UW-Madison has a unique, engaged approach, intended to build momentum towards a successful financial control initiative.
- Q)** Often in sweeping changes like this, the individual can only wait. What can an individual do while these processes are being developed?
- A) This financial control initiative will have a campus-wide engagement, communication and change management strategy. As individuals engaged and affected by this effort, staying current on progress, indicating your interest in being involved through surveys and discussion within your university area and becoming better informed about good financial controls are just some of examples an individual can take to be involved and likely contribute as this initiative progresses.
- Q)** Will the university be reviewing our internal billing processes?
- A) The financial risk assessment will surface short and longer term gap areas for which opportunities to strengthen controls are identified. Recognizing the volume and variety of internal billing which occurs throughout the institution, it's expected this will be an area requiring attention at some stage in the financial control initiative.
- Q)** The UW-Madison has provided me over the years various training specific to its campus and paid for for-credit courses of a financial, administrative and leadership nature for the purpose of at least in part to put an investment in me as their financial specialist employee in order to do the best job I can and perhaps that I will build my career here on campus. I am sure there are others at this same stage of their careers. How does the University manage their investment in these employees? Where/what are the internal controls on the University's investment in human resources?
- A) It's intended the performance review system combined with personnel taking the opportunity to express their interest in participating in special projects and/or seek new opportunities as they become available are a few examples of the venues available for individuals to progressively manage their career path. Further, the HR Design program includes formal programs and processes to further develop, manage and motivate the number one asset of the institution, its people.