Financial Internal Controls

Initiative Overview and Update

Financial Managers Meeting

August 12, 2014
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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
- **Conduct Business Services Interviews**
  - June 23-25
- **Close the loop with Financial Leaders**
  - Mid-August
- **Conduct Financial Leadership Interviews**
  - July 7-31

**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/intcntrls/intcntrls.html