# Financial Internal Controls Initiative

## Overview & Update

_____

Martha Kerner, CPA

Assistant Vice Chancellor for Business Services

February 10, 2016

# Presentation Objectives:

I.  Report on Work to Date

II. Highlight Discoveries

III. Connection to the COSO Framework

IV. Provide Glimpse into the Future

WISCONSIN
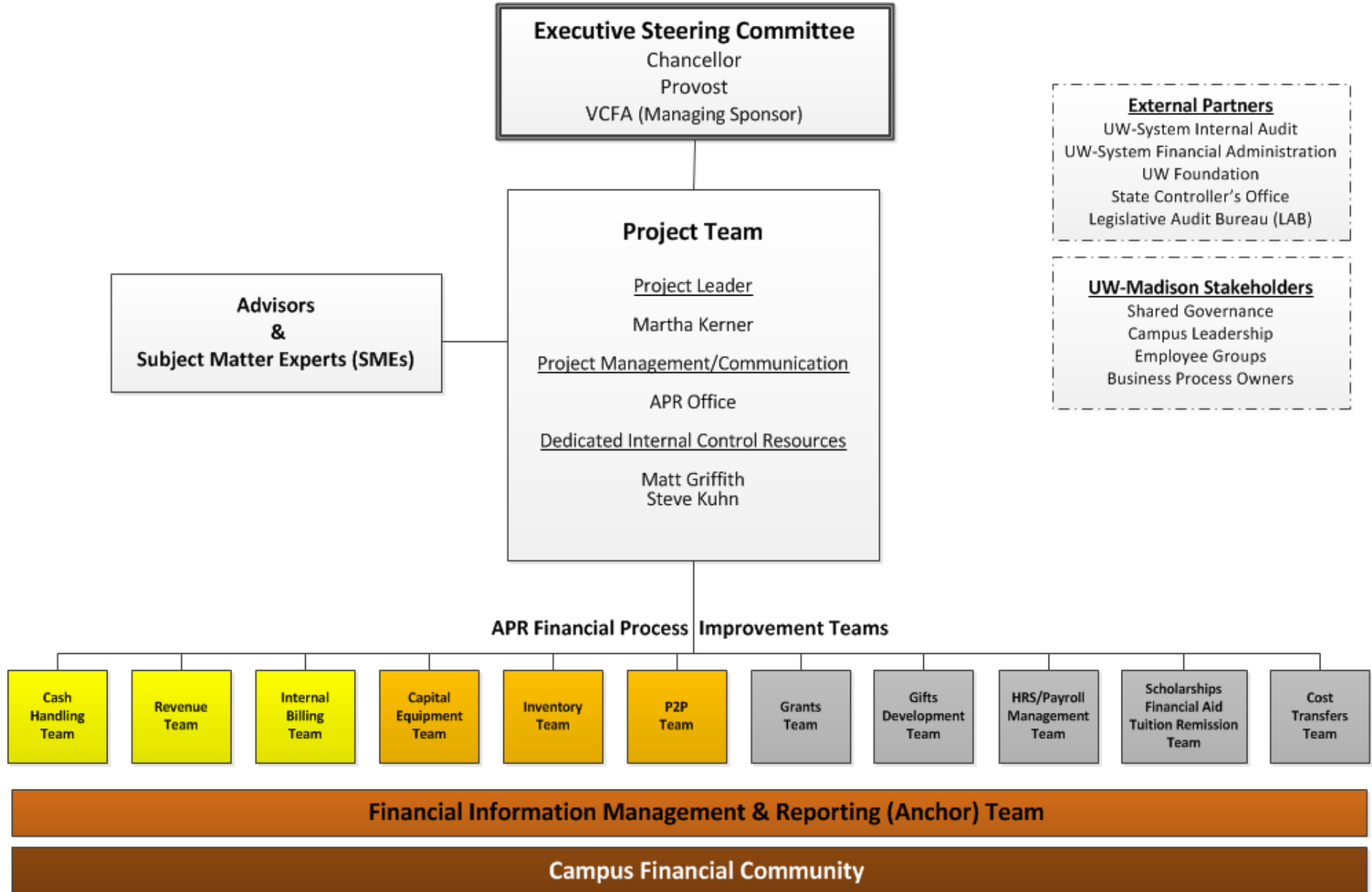UNIVERSITY OF WISCONSIN–MADISON

# Why Internal Controls?

Because Internal Controls are a framework - supported by policies, processes and procedures - which an organization uses to:

- Accomplish its goals and objectives;

- Protect its resources, both tangible (e.g., property, funds) and intangible (e.g., reputation, good will);

- Maintain compliance with laws and regulations; and

- Ensure the reliability of financial information.

WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

# Work to Date:

- ❑ 3 annual Forums (so far) to engage / inform campus
- ❑ Retained PwC to conduct a comprehensive risk assessment
    - ▪ 3 campus-level recommendations
    - ▪ 12 process-level recommendations
- ❑ Created a project structure and launched 7 process improvement teams
    - ▪ 1 team in implementation phase (Capital Equipment)
    - ▪ 6 teams in recommendation phase

**WISCONSIN**
UNIVERSITY OF WISCONSIN–MADISON

# Financial Internal Controls Project Structure

**Executive Steering Committee**
Chancellor
Provost
VCFA (Managing Sponsor)

**External Partners**
UW-System Internal Audit
UW-System Financial Administration
UW Foundation
State Controller's Office
Legislative Audit Bureau (LAB)

**Project Team**

Project Leader

Martha Kerner

Project Management/Communication

APR Office

Dedicated Internal Control Resources

Matt Griffith
Steve Kuhn

**Advisors
&
Subject Matter Experts (SMEs)**

**UW-Madison Stakeholders**
Shared Governance
Campus Leadership
Employee Groups
Business Process Owners

**APR Financial Process Improvement Teams**

| Cash Handling Team | Revenue Team | Internal Billing Team | Capital Equipment Team | Inventory Team | P2P Team | Grants Team | Gifts Development Team | HRS/Payroll Management Team | Scholarships Financial Aid Tuition Remission Team | Cost Transfers Team |
|---|---|---|---|---|---|---|---|---|---|---|

**Financial Information Management & Reporting (Anchor) Team**

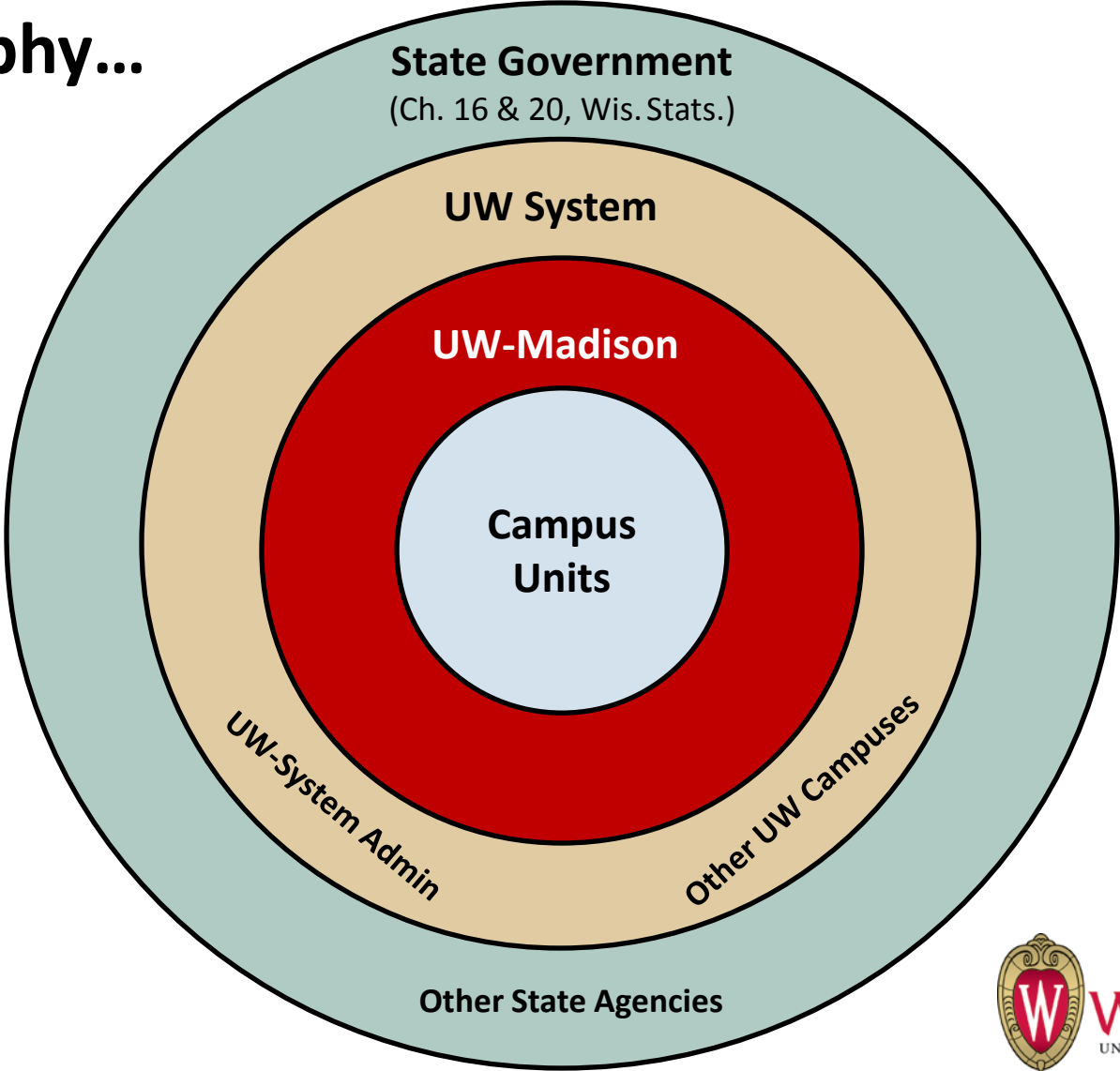**Campus Financial Community**

# More Work to Date:

❑ Teams have:
  - Analyzed financial data from across campus
  - Interviewed hundreds of people
  - Mapped and walked dozens of processes
  - Begun to design the future state

*"Before you can create the roadmap, you need to know the geography."*

Dr. Larry Rittenberg, CPA, Professor Emeritus
Accounting and Information Systems
Wisconsin School of Business

WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

# Knowing Our Geography…



State Government
(Ch. 16 & 20, Wis. Stats.)

UW System

UW-Madison

Campus Units

UW-System Admin

Other UW Campuses

Other State Agencies

WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

# Many discoveries…

- Great people with great ideas
- Lacking systems, tools and infrastructure to implement
- Unclear definitions and inconsistent financial vocabulary (e.g., widespread but varying use of "sales credits")
- Disconnected or misunderstood campus financial processes from end to end
- Inconsistent or nonexistent policies and procedures
- Gaps in controls around transactions and system access

**WISCONSIN**
UNIVERSITY OF WISCONSIN–MADISON

# COSO Integrated Framework



The "COSO Cube" sets out:

- Identify objectives of internal controls
- Define key elements and principles
- Define requirements for effectiveness

# Making the Framework Ours

| | Addressed | In Progress | Not Started |
|---|---|---|---|

**Control Environment**
1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

| Addressed | In Progress | Not Started |
|---|---|---|
| ✓ | | |
| | ✓ | |
| | ✓ | |
| ✓ | | |
| | | ✓ |

**Risk Assessment**
6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

| Addressed | In Progress | Not Started |
|---|---|---|
| ✓ | | |
| ✓ | | |
| ✓ | | |
| ✓ | | |

**Control Activities**
10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

| Addressed | In Progress | Not Started |
|---|---|---|
| | ✓ | |
| | ✓ | |
| | ✓ | |

**Information & Communication**
13. Uses relevant information
14. Communicates internally
15. Communicates externally

| Addressed | In Progress | Not Started |
|---|---|---|
| | ✓ | |
| | ✓ | |
| | | ✓ |

**Monitoring Activities**
16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

| Addressed | In Progress | Not Started |
|---|---|---|
| | | ✓ |
| | | ✓ |

**W WISCONSIN**
UNIVERSITY OF WISCONSIN–MADISON

# The future will include…

- ✓ Efficiencies from improved workflow, less rework, and less redundancy
- ✓ Expanded funding string and comprehensive chart of accounts that allows units flexibility while prescribing enterprise definitions
- ✓ Consistently applied policies and procedures for financial processes

**WISCONSIN**
UNIVERSITY OF WISCONSIN–MADISON

# The future will include…

- ✓ The ability to produce both cash and accrual-based financial reports (unit to enterprise level)
- ✓ Training for staff and development of competencies for new processes and systems
- ✓ Appropriate controls to mitigate risk

**WISCONSIN**
UNIVERSITY OF WISCONSIN–MADISON

# What's Next?

❑ Six teams will finalize future-state recommendations (Spring 2016):

- ▪ Improved processes and customer experience
- ▪ Appropriate financial controls

❑ Subsequent teams will be formed to implement those recommendations (Mid 2016)

❑ Five additional process teams will be launched (Mid 2016)

- ▪ Grants
- ▪ Gifts / Development
- ▪ Scholarships / Financial Aid / Tuition Remission
- ▪ HRS / Payroll Management
- ▪ Cost Transfers

WISCONSIN
UNIVERSITY OF WISCONSIN–MADISON

# Thank You

For more information, visit:

bussvc.wisc.edu/internalcontrols