

# Financial Internal Controls

Inventory Team

&

Cash Handling and Deposit Team

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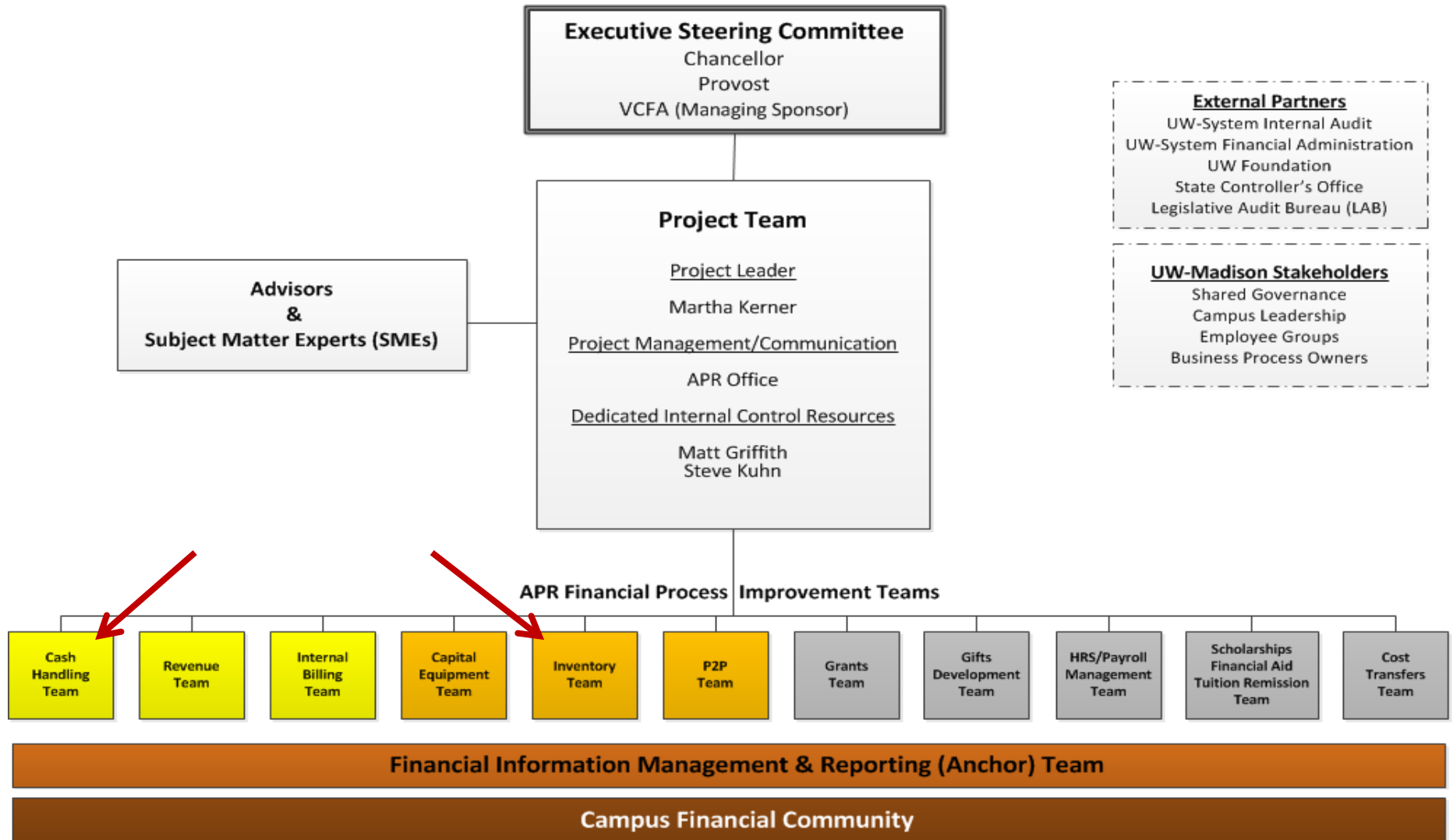
VCFA Directors Meeting  
July 11, 2016



# Agenda

- I. Refresh: Teams' Background / Goals
- II. Review June 21, 2016 Reports: Team Discoveries, Observations and Recommendations
- III. Next Steps

# Financial Internal Controls Project Structure



# Inventory Team...

## Goals

1. Record, safeguard inventory items on hand.
2. Provide accurate information for financial reporting.
3. Meet managerial cost controls.
4. Promote fraud prevention and detection.
5. Introduce continuous monitoring and improvement.

# Inventory Team...

## Background

- Inventory: resale items or consumable supplies, sold or consumed within one year.
- Past three fiscal years: UW-Madison reported inventory valuations of \$27.6 to \$29.0 million.
- Values submitted to UW-System to fulfill GASB requirement to report GAAP financial statements.

# Inventory Team...

## Discoveries and Observations

- Inventory definition and valuation lack clarity.
- Policies and procedures not well defined.
- Most units observed conduct physical counts, but processes vary.
- Wide variety of inventory types.
- Many wanted to comply but didn't know how.

# Inventory Team...

## Key Recommendations

- Develop an understanding of inventory.
- Identify a process owner for central oversight.
- Develop policies and procedures.
- Accurately track, value inventory for reporting.
- Establish a new process for year-end reporting.
- Create an electronic workflow for reporting.

# Cash Team...

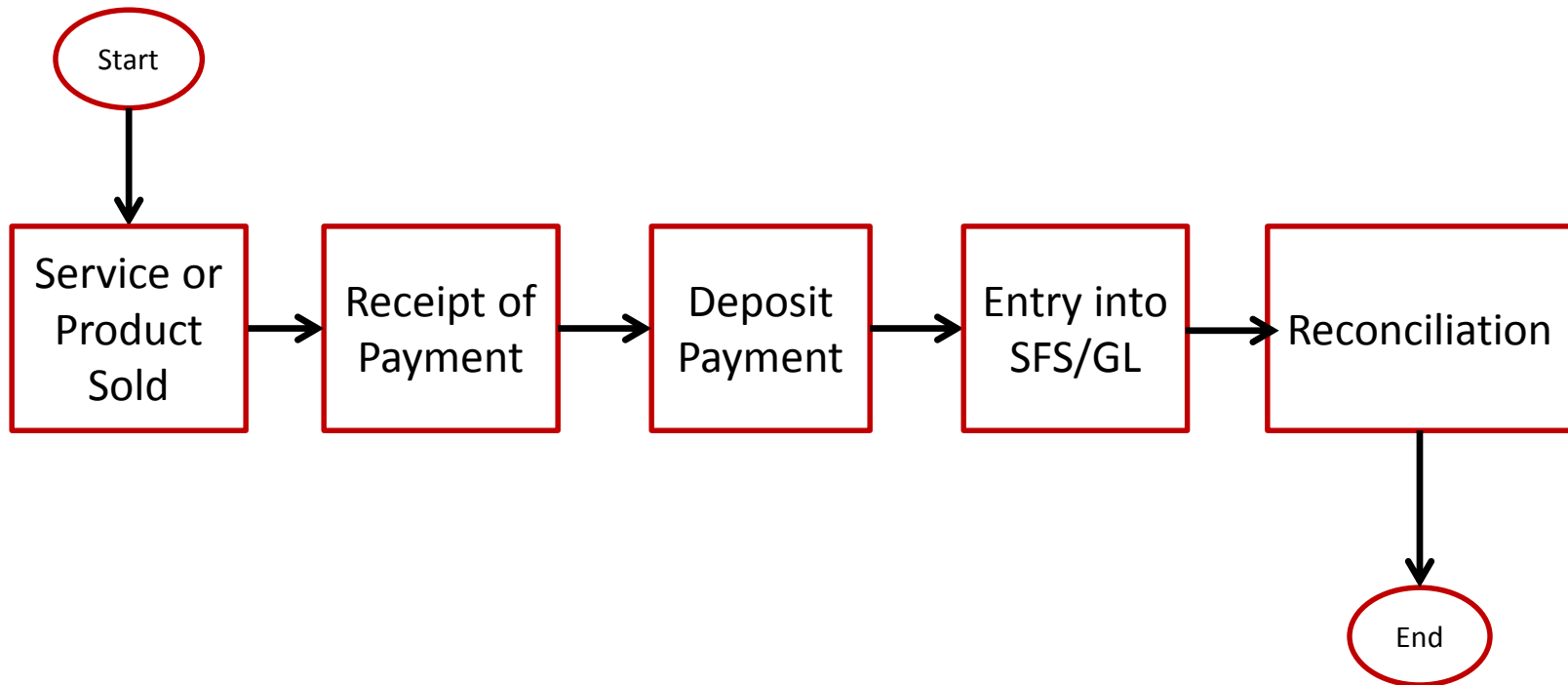
## Goals

1. Control the receipt, deposit, and safeguarding of cash across UW-Madison.
2. Provide accurate information for financial reporting.
3. Meet applicable state, federal, and industry requirements.
4. Introduce continuous monitoring and improvement activities.
5. Promote the prevention and detection of fraud.
6. Accommodate the diverse business needs of UW-Madison divisions.
7. Optimize the number of areas where cash is received and held.





# High Level Cash Process



# Cash Team...

## Key Recommendations

- ❑ Establish a consistent cash management process, from payment receipt to completed bank deposit, that includes controls to secure and accurately account for funds in a timely manner.
  - Minimum requirements for control at point of receipt.
  - Establish electronic payments with automatic deposit as the primary method of receipt.
  - Channel payments to central remittance locations to minimize departmental deposits; one option is lockboxes.
  - Activities must include a reconciliation of cash receipt in SFS GL to their own records.

# Cash Team...

## Key Recommendations

- ❑ Strengthen or create a central office to monitor and report on processes for cash handling operations across campus.
  - Central unit should assist, train, oversee and monitor campus units that receive cash.
  - Set minimum requirements for controls at point of receipt.
  - Anchor minimum with policy and procedures.
- ❑ Implement a central shared invoicing system.
  - Consistent remittance information and workflow that feeds into a central A/R system.
  - Eliminate time gaps, data entry errors and lost and unidentified items.
  - Expand the use of electronic forms of payment.



# Cash Team...

## Key Recommendations

- ❑ Streamline the cash advance process and improve controls.
  - One central office should be responsible for advancing cash to employees, monitoring outstanding advances, collecting cash back and taking action if cash becomes past due.
  - Require repayment of advances within 90 days.
  - Establish minimal requirements for cash advances.

# What's Next?

- Identify dependencies with other teams.
- Align and prioritize recommendations
- Develop implementation plans and timelines.

# Questions / Comments