

# Financial Management Meeting

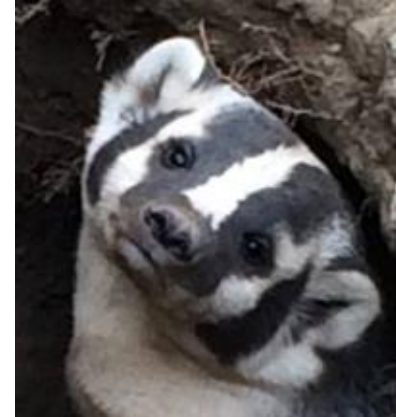
April 14, 2016



Kaminsky



Bucky



Dekker



**WISCONSIN**  
UNIVERSITY OF WISCONSIN-MADISON

# Agenda

**Welcome & Introductions**

**Introduction and Overview**

**Office of Internal Audit**

**Amanda Nehmer**

**15 mins**

**Financial Internal Control Update:**

**Capital Improvement Presentation**

**Martha Kerner**

**30 mins**

**Asset Management Updates**

**Amy Wilson**

**10 mins**

**FRAS Updates**

**Terminal Leave Accounting**

**WISDM/SFS Conversion to Exadata**

**Summer Service Encumbrances**

**Susie Maloney**

**Bridget Nettesheim**

**15 mins**

**Multi-City Airfare Reservations**

**Rusty Haines**

**5 mins**

**General Q&A**





UNIVERSITY OF WISCONSIN SYSTEM

# **Office of Internal Audit**

Amanda Nehmer

April 14, 2016

# **Introduction & Overview**

## **Office of Internal Audit**

# Introduction

- **Audit Director**
- **Education background**
- **Professional experience**



**Amanda Nehmer, CPA**

Audit Director

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# Office of Internal Audit

- **Mission:**
  - Provide independent, objective assurance and consulting services
  - Add value to the organization
- **Purpose:**

“The purpose of the **Office of Internal Audit** is to determine whether the **University of Wisconsin System’s** risk management, control, and governance processes, as designed and implemented by management, are adequate and functioning.”

# Office of Internal Audit (cont.)

- **Responsibilities:**
  - **Develop and Implement the Annual Audit Plan:**
    - Risk-based
    - Flexible to capture and evaluate emerging risks
    - Approved by Audit Committee of Board of Regents
  - **Maintain Professional Audit Staff:**
    - Vast array of knowledge, skills and expertise
    - CPA, CIA, CFE, CISA, etc.
    - Obtain continuing education credits to ensure current in industry and well-versed in effective and efficient audit techniques

# Office of Internal Audit (cont.)

- **Responsibilities:**
  - **Communicate to Management and Audit Committee:**
    - **Conduct research and analysis and communicate results**
    - **Issue periodic reports summarizing results of internal audit activities**
    - **Provide information related to emerging trends and successful practices in internal auditing**
  - **Other:**
    - **Maintain positive working relationships**
    - **Perform follow-up procedures on corrective action plans**
    - **Follow the International Standards for the Professional Practice of Internal Auditing and its Code of Ethics**



# Office of Internal Audit (cont.)

- **Authority:**
  - Unrestricted access
  - Obtain the necessary assistance of personnel in areas where audit is being performed
  - Maintain independence
- **Oversight:**

**Chief Audit Executive reports to:**

  - Board of Regents through the Audit Committee
  - System President

# Office of Internal Audit (cont.)

- **Standards of Audit Practice:**
  - Exercise professional objectivity
  - Wisconsin System of policies, state law, and federal law
  - Code of Ethics
  - International Standards for the Professional Practice of Internal Auditing
- **Approval:**
  - Office of Internal Audit Charter approved by Board of Regents

# Office of Internal Audit (cont.)

- **Helpful links:**
  - <http://www.bussvc.wisc.edu/intaudit/intaudit.html>
  - <https://www.wisconsin.edu/offices/office-of-internal-audit/>



# Financial Internal Controls

## Capital Equipment

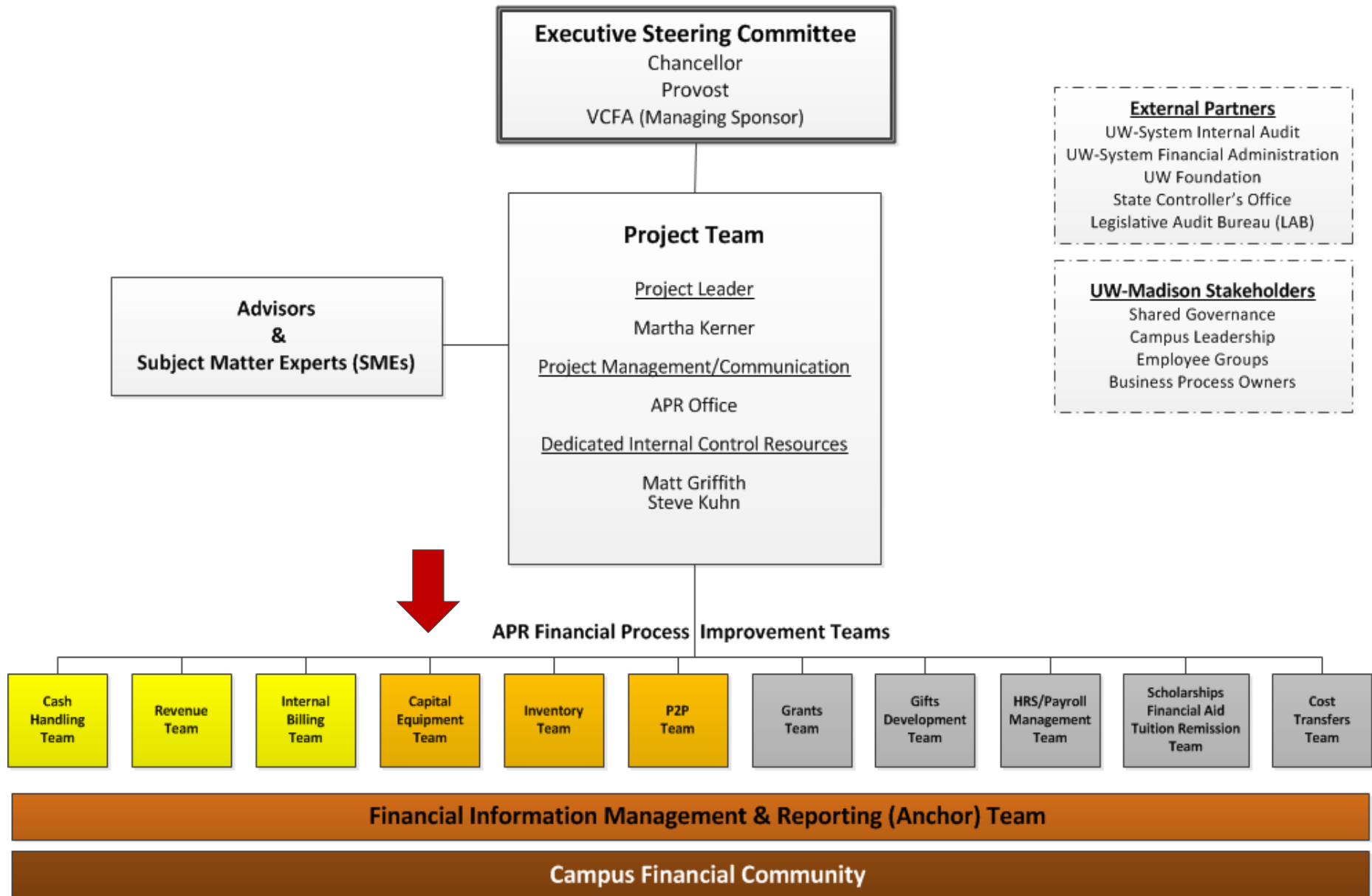
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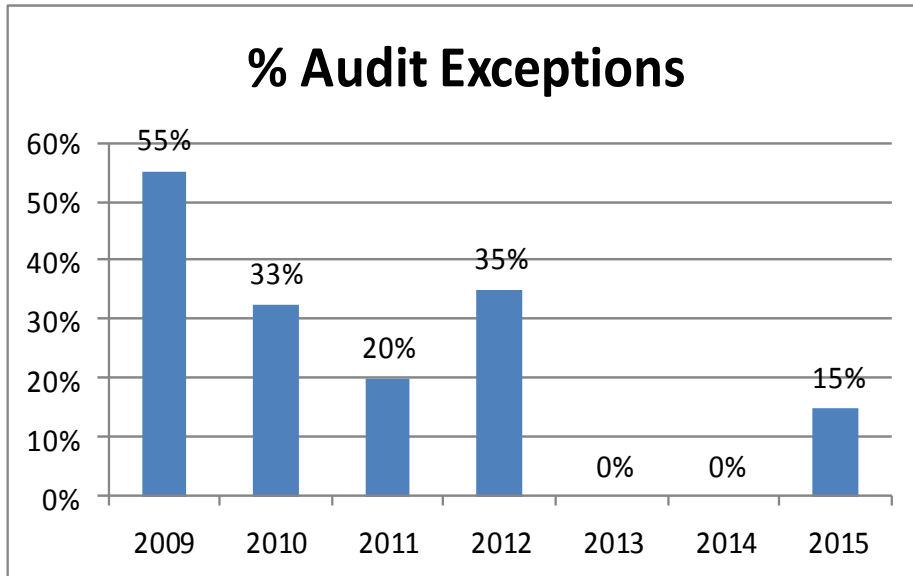
# Agenda

- Refresh: Capital Equipment Project Background
- Phase 1 Team: Key Findings & Recommendations
- Phase 2 Team: Work Completed to Date
- DPA Roles & Responsibilities
- Capital Equipment Policy Excerpt

# Financial Internal Controls Project Structure



# Capital Equipment Audit Results



## Stop-Gap Results

Fiscal Year	Equipment Sample Size	# of Audit Exceptions	% Audit Exceptions
2009	20	11	55%
2010	40	13	33%
2011	40	8	20%
2012	40	14	35%
2013	40	0	0%
2014	40	0	0%
2015	40	6	15%

- Legislative Audit Bureau (LAB) performs the annual OMB Circular A-133 audit and randomly selects a sample of federally funded capital equipment.
  - Assessing whether equipment is properly tagged, tracked and reported.
  - Improvements are measured by comparing the proportion of audit exceptions to the sample size.





# Phase 1: Key Findings

- The Capital Equipment process has never been clearly defined, documented, trained or prioritized. As a result there has been unnecessary complexity, confusion, inconsistency and neglect.
- A hybrid model with roles for the Property Control Office and Departmental Administrators (DPAs) may be ideal. DPAs are closest to daily activities and personnel, but not set up for success: lack training, support and out of the loop for most asset transactions.
- Capital equipment tracking issues are intertwined with the campus disposal process through SWAP. An overall disposal process improvement is necessary.
- A significant technology investment will be required to gain process control and efficiency.

# Phase 1: Recommendations

1. Reduce complexity and unnecessary asset tracking.
2. Acknowledge mobile nature of capital assets.
3. Broaden, empower and strengthen support for DPA role and make it a focal point for asset activity.
4. Reduce time to tag and capitalize assets.
5. Optimize the tagging technology (investment requirement).
6. Strengthen periodic inventory practices and allow reasonable time to conduct inventory.
7. Increase control of disposals and transfers.
8. Improve overall campus disposal process.
9. Clearly document and train on all property control processes / procedures and improve their accessibility.
10. Migrate to electronic workflow with integrated information exchanges.
11. Select and implement an enterprise system for end-to-end integrated financial and asset information, history and electronic processing workflow.
12. Optimize Property Control group's focus and foster asset management culture change across campus.



# Phase 2: Work Completed to Date

## Implemented Oct 2015:

- New, high-visibility asset tags

## Changes in Process and Policy:

- Mapped and re-designed process for transfers
- Created or clarified definitions associated with capital equipment
- Created process for fabrications as a part of acquisition
- Requested new account codes from UW-System
- **Drafted a consolidated Capital Equipment Asset policy**
- **Defined new DPA role and responsibilities**

## Asset Management Software & Electronic Workflow:

- Selected PeopleSoft Asset Management Module
- Creating team to design bolt-on



# DPA Role: Managing a Pivotal Change

## DPA Responsibilities:

- Conduct physical inventories
- Engage on all transactions across capital equipment's life-cycle

## Leadership Needs to Provide:

- Documented, easily accessible policies and procedures
- Defined DPA duties, comprehensive training and certification
- Resources for technology to manage and report capital equipment assets
- DPA access to asset management database: read, write and reporting capabilities
- Support from central campus and within campus units



# DPA Roles & Responsibilities

- ✓ Delegation, Training and Certification
- ✓ Tagging
- ✓ Tracking
- ✓ Overseeing Disposition Process
- ✓ Capital Asset Inventories
- ✓ Regulatory Audits
- ✓ Local Awareness Activities

# Capital Equipment Policy Excerpt

## *IV. Departmental Property Administrator*

- A. Every campus division (school, college, administrative unit) must designate at least one Departmental Property Administrator (DPA). Property Control will formalize this designation through a Delegation Agreement with the DPA. [Link to Delegation Agreement and Procedure]*
- B. The DPA must manage capital equipment for his or her individual Unit(s) for the equipment's entire lifecycle, from arrival on campus through final disposition. Personnel designated as DPAs must undergo training and certification, administered by Property Control. [Link to Procedure 50X]*



# Thank You

# Asset Management Updates

Amy Wilson  
Asset Management  
Accounting Services





# FRAS Updates

Susie Maloney and Bridget Nettesheim  
Financial Reporting, Analysis & Systems  
Accounting Services



# Terminal Leave - Definition

- ***Faculty/academic staff*** who have completed 10 or more fiscal years of continuous service may convert up to 40 hours of unused leave to an “Annual Leave Reserve Account (ALRA)” at the end of the fiscal year.
- ***Classified/University staff***, dependent on their number of years of service, may transfer a certain amount of unused annual leave to “sabbatical” or “banked” leave at the end of the calendar year.
- The banked leave does not expire and accumulates from year to year.
- At the time an employee retires or terminates employment, he or she may elect to receive a lump sum payment of the ALRA or sabbatical account balance.

# Terminal Leave

- Effective July 1, 2016, UW System is implementing a change in accounting for and paying lump sum terminal leave.
- Moving away from Cash Basis to developing a Pool for lump sum payments
- Creation of Terminal Leave Allocation/Pool Account
  - Terminal Leave rate will be charged on all funding strings associated with salary payments
    - Excluded are stand alone GPR and the related PR funds:
      - Wisconsin State Laboratory of Hygiene (WSLH) - Funds 117, 127, 130
      - Wisconsin Veterinary Diagnostic Lab (WVDL) - Funds 126, 165, 166
  - Pooled in a newly formed campus-wide account
  - Pooled account will house lump sum funds until the unused leave benefits are paid out

# Terminal Leave - Current

Currently, the University treats payments for unused leave on a cash accounting basis.

Issues with our Current Method:

- Employees having large accumulated balances can inhibit movement of the employees across units due to reluctance to hire employees with large balances they may need to fund at termination.
- Many units lack resources/flexibility necessary for substantial payouts:
  - When funding is General Purpose Revenue (GPR), the source is certainly allowable, but having enough unused GPR funds to cover these payouts is challenging for most units.
- When funding is on a grant or sponsored project, the current method is compliant with the Uniform Guidance; however requiring short term funds to pay for these long term liabilities is arguably not an appropriate use of the funds.
- Per GAAP accounting rules, leave benefits should be recorded as a liability at the time the benefit is earned.

# Terminal Leave - Future

Effective July 1, 2016, the University will charge a leave benefit rate at the time annual leave is earned and record the leave benefits as a liability.

- Rate will be calculated based on a three year average of lump sum payouts.
  - FY 2017 Rate based on FY 2013-2015
    - Academic - 0.26%
    - University Staff - 0.33%
- Any positive or negative recovery would be taken into account in the development of future rates.
- The rate will be charged monthly on all funding strings associated with salary payments (excluding WSLH and WVDL) and pooled in a newly formed campus-wide project, 136-980100-1-AAB1193.
- The pool will house the funds until unused lump sum leave benefits are paid out.
- New accounts have been created for the payments – only to be used on AAB1193.
  - 1009 – Faculty – Terminal Leave – Lump Sum
  - 1056 – Academic Staff – Terminal Leave – Lump Sum
  - 1545 – University Staff – Terminal Leave – Lump Sum

# Terminal Leave - Future

## Terminal Leave Allocation for All Funds

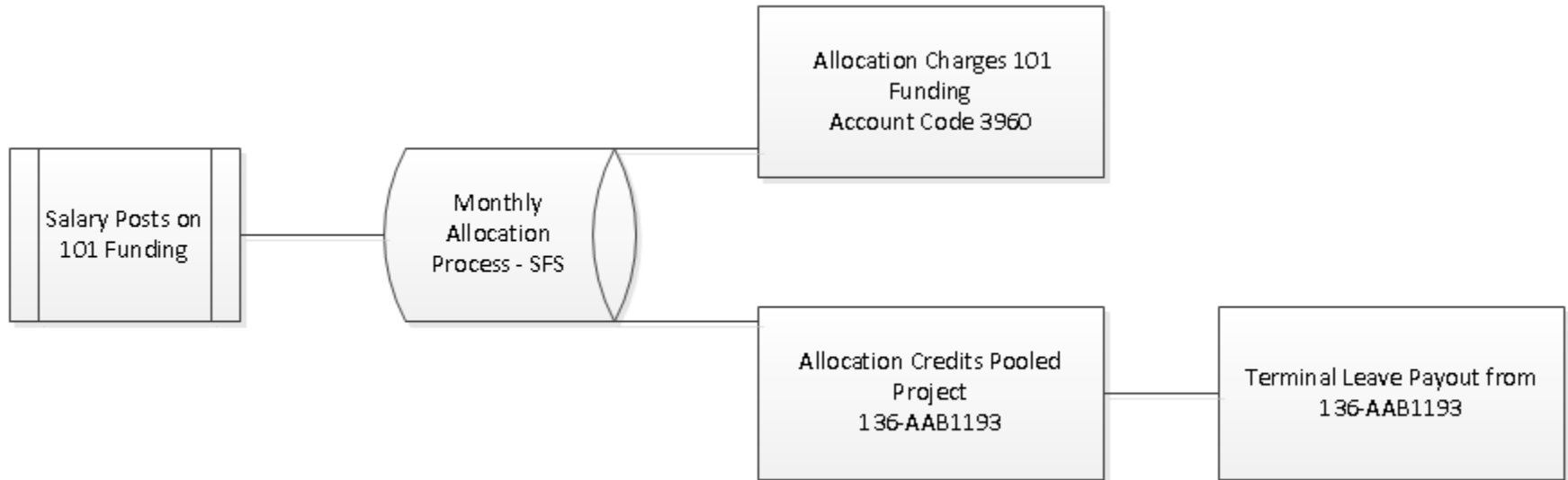
### **Sponsored Projects Funds – 133,135,142,144,161,233**

- Terminal leave rate will be included in the fringe rate.
- Existing fringe allocation process will charge sponsored projects on account 1975-1979 and credit the Fringe Pool (1330001, 1440001, etc.)
- 2<sup>nd</sup> allocation process will transfer terminal leave % from Fringe Pool to Terminal Leave Pool 136-980100-1-AAB1193

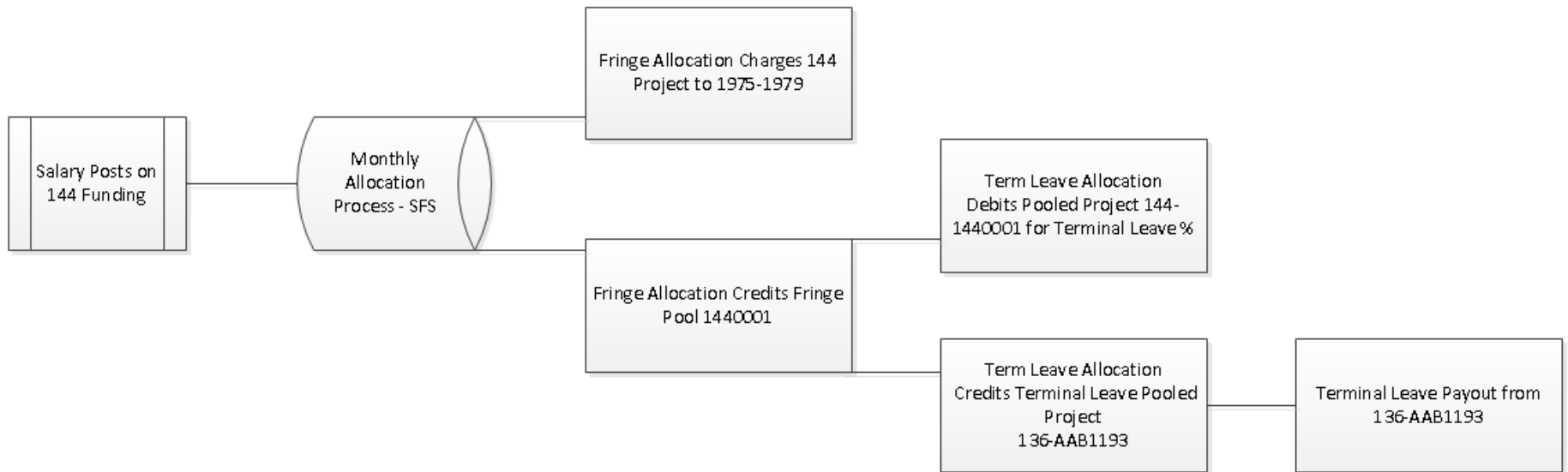
### **All other funds (excluding 117, 126, 127, 130, 165, 166)**

- New monthly charge for Terminal Leave Allocation
- Allocation will charge non-sponsored funding on new account 3960 (Transfers – Term Leave Allocated) and credit the Terminal Leave Pool 136-980100-1-AAB1193

# Terminal Leave Allocation Flow Chart – Non-Sponsored



# Terminal Leave Allocation Flow Chart – Sponsored





# Terminal Leave - FAQs

- Lump Sum vs. Extended Time on Payroll?
  - Policy approved by CBO's covers lump sum payments only.
  - Per UWMSN Vacation Policy – employees get to choose lump sum or extension on payroll while using up ALRA/sabbatical.
    - Policy: <https://kb.wisc.edu/ohr/policies/page.php?id=53409>
    - Section VI.a.

*An employee who terminates employment or retires is eligible to receive a lump-sum payment for any remaining vacation and/or banked vacation hours. If the termination is not the result of layoff or termination for cause, UW–Madison will allow employees to extend their termination date beyond the last day worked by the amount of their vacation and/or banked vacation hours. Employees may also elect to use some leave to remain on payroll and receive the rest as a lump sum payment.*

# Terminal Leave Implementation Strategy

- Department of Health & Human Services
  - Notified by RSP in letter dated November 30, 2015
- System-wide policy development in process
- Service Center
  - Configuration for payouts
  - HRS KB documents
  - Future affinity group calls
  - Communication and instruction for HR staff

# Terminal Leave Questions Received

- Is this intended to pool for all terminal leave?
  - No, only lump sum payouts. Based on most recent three years 0,26% for academic personnel and 0.33% for university staff.
- Will this change the way campus units report accrued liabilities for terminal leave, for example auxiliary units?
  - Terminal leave rate intended to cover one year of lump sum payouts
  - Liability should remain

Other Questions?

# WISDM/SFS Conversion to Exadata Summer Service Encumbrances



# Multi-City Airfare Reservations

Rusty Haines  
Travel and Cards  
Accounting Services



# What are the airlines doing?

- United, Delta and American have changed how they price multi-city itineraries. Previously priced them as non-refundable one-way fares. Now price them as fully refundable one-way fares.
- Cost difference can be substantial.
- Affects all reservation channels and is not a Concur/Fox issue.

# What is the solution?

- Contact a Fox agent directly to reserve multi-city itineraries.
- Agents at Fox will reserve “stacked” one-way fares.
- Unfortunate side-effect is multiple change fees if itinerary changes.

# What are we doing?

- Presentations to FMM and Division Coordinators.
- Notifications to travelers on the Concur front page (see next slide) and TravelWise.



**PLEASE READ BEFORE BOOKING AIR TRAVEL:** American, Delta, and United have made a system change that had an unintended pricing consequence for reserving multi-city air travel reservations (a stay over in each city and not just a connection). This pricing issue is not unique to Concur or Fox. All agencies and booking applications including the airlines' sites are affected. If you need to book a multi-city reservation, please call Fox directly using the contact information listed below. The agents at Fox will assist you with selecting a fare that best meets your needs. For more detailed information on the multi-city airfare changes, please see [UW TravelWise](#).

**Thank you for attending.**

## **Future Financial Management Meetings**

Rooms 1106 & 1108, 21 N Park Street

9:30 am - 11:30 am

**2016**

June 16

August 11

October 13

December 15

