Financial Management Meeting

Agenda

Welcome & Introductions

Tuition and Fees
Student Payments

Procurement Card Policy

Year-End Calendar

Open Discussion

Carla Perez 30 minutes
Rusty Haines 30 minutes
Susie Maloney 15 minutes
Financial Internal Controls Initiative

Collection of Past Due Student Tuition/Fees

FMM Meeting
April 11, 2017
Agenda

- Background
- The new collection process
- Next steps
Background

- The revenue improvement team submitted a final report in April 2016; presented to AC May 19, 2016
- Recommendations included implementation of an automated collections and aging policy
- A team was launched in November 2016 to collect outstanding tuition balances
Uncollected Receivables

• Currently, UW-Madison does not have a write-off process for outstanding student account balances.
• Nearly $11 million is outstanding from 2016 and prior years.
• Outstanding balances have been categorized by year and by class.
Outstanding Tuition By Year

- **Prior**, $5,863,565, 54%
- 2016, $1,198,671, 11%
- 2015, $798,286, 7%
- 2014, $733,799, 7%
- 2013, $785,716, 7%
- 2012, $773,781, 7%
- 2011, $779,706, 7%
Current Process

Start

Student billed for semester

Made Pymt

No

Add late fee & hold on enrollment and transcripts

Monthly bill and eBill *

Yes

End

* Move to semester collection letter and ebills after not enrolled
Collection from Former Students

New process working with DOR (WI Department of Revenue)

- Held joint meetings with DOR to understand process
- Established memorandum of understanding to outline responsibilities of both parties
- Notification to former students planned for April 2017
  - Impacts all accounts with outstanding balances prior to August 31, 2016
- Plan for first transfer file May 2017
New Terms & Conditions for Students

Continue working with DOR (WI Department of Revenue)

• Proactive communication to existing and future students
• Revising internal collection process
• Introduce new terms and conditions required with enrollment for Fall 2017-2018
  • Students will electronically sign new Terms and Conditions Agreement at time of enrollment
Proposed Process

1. Past end of semester and not enrolled
2. Dept. of Revenue will use tools they have for collections and charge a fee
Communication

• Internal
  • Campus Executive Leadership
  • Deans, Directors and Advisors
  • Division CFOs

• External
  • Hardcopy letters to former students
  • Email bill to former students
Internal Email Notification

- Will be sending to all stakeholders to make aware of new process
- Using existing wisclists for contacts

Sample Letter

- Sending to former students with outstanding balance equal to or greater than $50.00
- Use the last known address
- Required to send 30 days before transfer to DOR

The Bursar’s Office is available to provide more information about process if requested
Next Steps

- Begin sending notification to former students April 2017
- Begin transferring outstanding balances to DOR during May 2017
Questions?
Student Payments Project

FMM Meeting
April 11, 2017
Background

- Departments have used multiple ways to pay students
- There have been questions as to how payments should be processed
- The terms that have been used for payments may vary from department to department – (award, scholarship, fellowship, etc.)
Survey to Departments
Student Payments

The Tax Compliance Office researched the issue of proper methods and proper reporting of payments made to UW students. The research included IRS regulations and how other higher education institution process payments to students to assure that the UW process we implement/clarify at UW Madison covers all the bases and protects the UW in the event of an audit. The Tax Compliance Office tried to summarize how the UW should be treating payments to students in the bullets below:

- Awards in the nature of a scholarship should be processed through the Student Information System (CIS), rather than through Accounting Services, in order to be captured for financial aid package considerations, as well as IRS 1098T Tax Form reporting. For tax purposes, a scholarship or fellowship may be defined as any amount paid to an individual “for the purpose of aiding a student’s study, training, or research.” See official IRS and NACUBO definitions at our Policy and Procedure: 601-Tax Compliance, Reporting, and Withholding on Non-Salary Payments under the header Definitions. These scholarship/fellowship payments should be coded to the Account Codes 57xx series, which are all scholarship/fellowship payments. Account Code 5711 is the main scholarship account code where the campus currently codes scholarship payments.

- Monetary student prizes/awards that may be processed via Accounting Services are those not in the nature of (1) a scholarship which should be processed through CIS, and (2) not considered payment for services rendered as, payments for services should be processed through Payroll (see flowchart Policy 601 at Employee Payment Flowchart). Student prizes/awards processed via Accounting Services are those awarded to students who have submitted entries to a judged competition, which was open to both students and non-students. A prize/award is any form of monetary payment to a student who has entered and won a judged competition, which was demonstrably open to both students and non-students. In order for a payment to a student to be considered a prize/award, there must have been a real possibility for non-students to have entered the competition and won the prize/award. If only UW Madison students were eligible to enter and win the competition, the transaction is a scholarship. An example of a prize would be a drawing for a gift certificate where everyone who attends an open lecture is entered into the drawing.
Tax Treatments of certain types of payments
Prizes and Awards

Form 1099-MISC, Miscellaneous Income

File this form for each person to whom you have paid during the year:

- at least $10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- at least $600 in:
  - rents;
  - services performed by someone who is not your employee;
  - prizes and awards;
  - other income payments;
  - medical and health care payments;
  - crop insurance proceeds;
  - cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish;
  - generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
  - payments to an attorney; or
  - any fishing boat proceeds,

In addition, use this form to report that you made direct sales of at least $5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.
Scholarships and Fellowships

Topic 421 - Scholarships, Fellowship Grants, and Other Grants

A scholarship is generally an amount paid or allowed to a student at an educational institution for the purpose of study. A fellowship grant is generally an amount paid or allowed to an individual for the purpose of study or research. Other types of grants include need-based grants (such as Pell Grants) and Fulbright grants.

Tax-Free

If you receive a scholarship, a fellowship grant, or other grant, all or part of the amounts you receive may be tax-free. Scholarships, fellowship grants, and other grants are tax-free if you meet the following conditions:

• You're a candidate for a degree at an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities; and
• The amounts you receive are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.

Taxable

You must include in gross income:

• Amounts used for incidental expenses, such as room and board, travel, and optional equipment.
• Amounts received as payments for teaching, research, or other services required as a condition for receiving the scholarship or fellowship grant. However, you don't need to include in gross income any amounts you receive for services that are required by the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.

How to Report

Generally, you report any portion of a scholarship, a fellowship grant, or other grant that you must include in gross income as follows:

• If filing Form 1040 (PDF), Form 1040A (PDF), or Form 1040EZ (PDF), include the taxable portion in the total amount reported on the "Wages, salaries, tips" line of your tax return. If the taxable amount wasn't reported on Form W-2, enter "SCH" along with the taxable amount in the space to the left of the "Wages, salaries, tips" line. If filing Form 1040NR (PDF) or Form 1040NR-EZ (PDF), report the taxable amount on the "Scholarship and fellowship grants" line.
Project Outcomes

• Process
  • Detailed process for processing payments for departments

• Definitions
  • Scholarships, Fellowships, Prizes, Awards, etc.
Next Steps

• Travel and Research payments will continue to be processed via PIR
• Prizes and awards will be processed through the Bursar Office for enrolled students
• The Survey will be going out to departments in the next week
• Process is located on the Bursar Website:
  • http://www.bussvc.wisc.edu/bursar/skolmenu.html
• Communication to Departments
Questions?
Financial Management Meeting

Procurement Card Policy

Rusty Haines
Accounting Services
Financial Internal Controls Initiative

Purchasing Card Compliance Implementation

Financial Management Meeting
April 11, 2017
Financial Internal Controls Project Structure

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

Advisors & Subject Matter Experts (SMEs)
- Administrative Council
- WI School of Business Faculty
- Additional SMEs & Consultants (as needed)

Project Team
- Project Leader
  - Martha Kerner

Project Management/Communication
- APR Office

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

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

Updated January 2017
Background

• The Procure-to-Pay (P2P) process improvement team submitted recommendations in June 2016, which were presented to the Administrative Council and VCFA Directors in July 2016. [www.bussvc.wisc.edu/intcntrls/communications.html](http://www.bussvc.wisc.edu/intcntrls/communications.html)

• Recommendations included restructuring the Purchasing Card Program and developing new policies and procedures.

• A team was launched in November 2016 to implement these recommendations.
Purchasing Card Compliance Implementation Overview

Objective: Stronger Internal Controls

Phase 1
Address purchasing card compliance issues

Phase 2
Move to a 1:1 purchasing card relationship

Phase 3
Eliminate use of purchasing cards for internal purchases
April 2017

- Additional updates will be presented to Administrative Council and VCFA Directors.
- New policy will be shared with stakeholders.
- Additional information will be distributed to campus units to aid in developing plans for transitioning away from designated use:
  - Summary of feedback provided by campus units regarding alternatives to designated use.
  - Suggested first steps in developing a transition plan.
By May 1, 2017

- New purchasing card policy will go into effect.
  - New policy and procedures will be published.
  - Purchasing card website will be refreshed.
  - Applicant agreement for new cardholders will be revised.
  - In-person training will be updated.
  - Designated User Form will be obsoleted; removed from website.
- Compliance tracking and enforcement for will begin for purchases posted on or after May 1.
- No new purchasing cards with designated users will be issued.
Cardholders with designated users should be in the process of transitioning to an alternative so they are prepared for a mass reissue of purchasing cards with no designated users in mid-December.

Also by May 1, 2017

- Moving away from designated use
By July 1, 2017

- Project team will share new plans to approve all purchasing cards for travel and to consolidate purchasing card training.

August 1 - October 31, 2017

- Updated online refresher training will be available:
  - Training will reflect all new policy and procedures.
  - Travel training and purchasing card training will be combined.
December 15-31, 2017

• All purchasing cardholders will be issued new cards.
  o New cards will have new account numbers, expiration dates, and CVV codes.
  o No new cards will be set up with designated users.
• Any cards reissued before this time will be reissued as usual under the current process: card number will remain the same and expiration date and CVV code will change.

Note: Timing of mass reissue is deliberate: it is a quiet time for travel and aligns with the beginning of enforcement of Phase 2.
Compliance Errors During Current Audit Cycle

- We are currently in the middle of an audit cycle (11/5/16 - 3/10/17).
- No transactions from the current audit cycle will result in a warning, however, compliance issues will be communicated to the cardholder, site manager, and Divisional Business Office.
- Starting with the next audit cycle, any transactions with a posting date of 5/1/17 or later will be subject to the warning and revocation process for non-compliance.

<table>
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<tr>
<th>1st compliance error</th>
<th>Compliance error after written warning</th>
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<tr>
<td><strong>Written warning</strong></td>
<td><strong>Revocation of purchasing card(s)</strong></td>
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| • Warnings will be kept on file in the Purchasing Card Program Office for two years.  
• After two years, warnings will be expunged. | • All purchasing cards issued to the cardholder will be revoked.  
• The cardholder may reapply for a purchasing card one year after revocation.  
• If the application is approved, training will be required. |
Next Steps

P-Card Compliance Implementation Team

- Present updates to Administrative Council and VCFA Directors.
- Share new policy with stakeholders.
- Communicate updates via Purchasing Card Newsletter.

Financial Managers

- Familiarize yourself with the information you received today.
- Reinforce communication within your division at staff meetings and via other channels when the opportunities arise.
- Continue to help frame this new process as part of the overall Financial Internal Controls initiative supported by the VCFA.
Questions?

Information on the Financial Internal Controls initiative is available at http://www.bussvc.wisc.edu/intcntrls/intcntrls.html
Year-End Calendar

Susie Maloney
Accounting Services
Thank you for attending.

Future Financial Management Meetings
Rooms 1106 & 1108, 21 N Park Street
9:30 am - 11:30 am

June 13, 2017
August 8, 2017
October 10, 2017
December 12, 2017