Financial Internal Controls
Capital Equipment
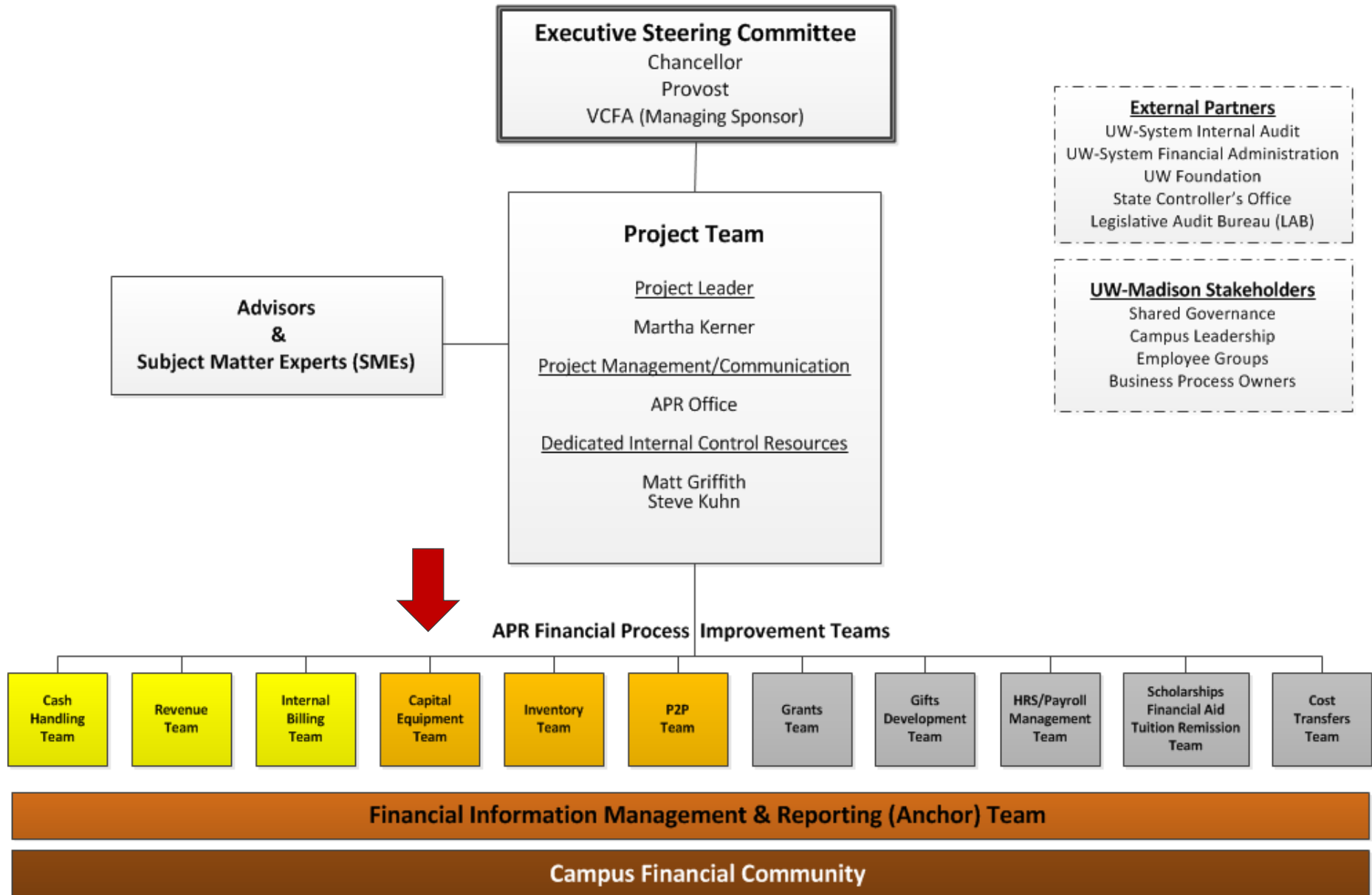
VCFA Directors Meeting
March 28, 2016

WISCONSIN
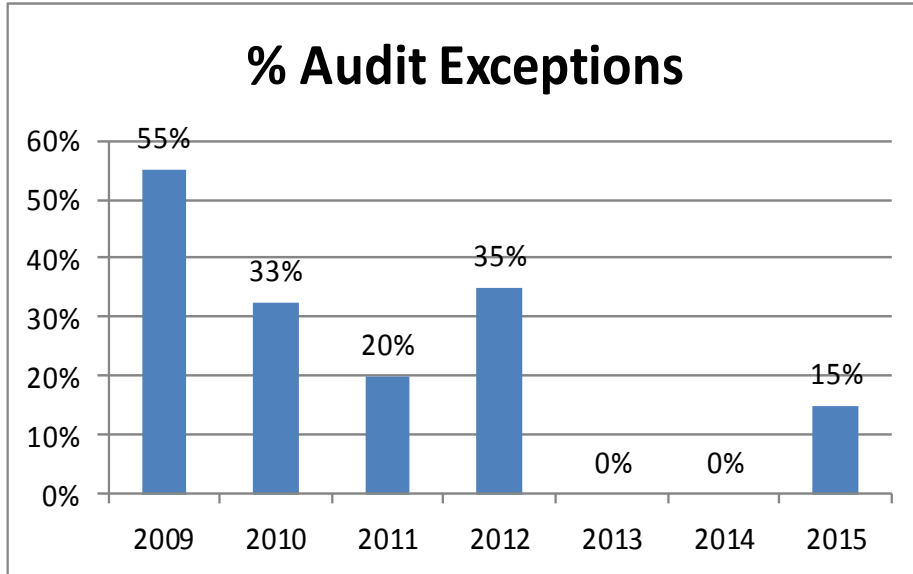UNIVERSITY OF WISCONSIN–MADISON

Agenda

- Refresh: Capital Equipment Project Background

- Phase 1 Team: Key Findings & Recommendations

- Phase 2 Team: Work Completed to Date

- DPA Roles & Responsibilities

- VCFA Directors Request & Support

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

Capital Equipment Audit Results

% Audit Exceptions

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%

Chart bar values by year: 2009: 55%, 2010: 33%, 2011: 20%, 2012: 35%, 2013: 0%, 2014: 0%, 2015: 15%

Stop-Gap Results (2013–2014)

- 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.

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4

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.

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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.

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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

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Request to VCFA Directors…

1. Feedback on DPA policy language and DPA roles and responsibilities

   ➢ Send to Gerry Pelanek by April 8th

2. Review/revise DPA assignment(s) in your unit

   ➢ Send name(s) to Gerry Pelanek by May 1st

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