

Financial Internal Controls

Internal Billing Team

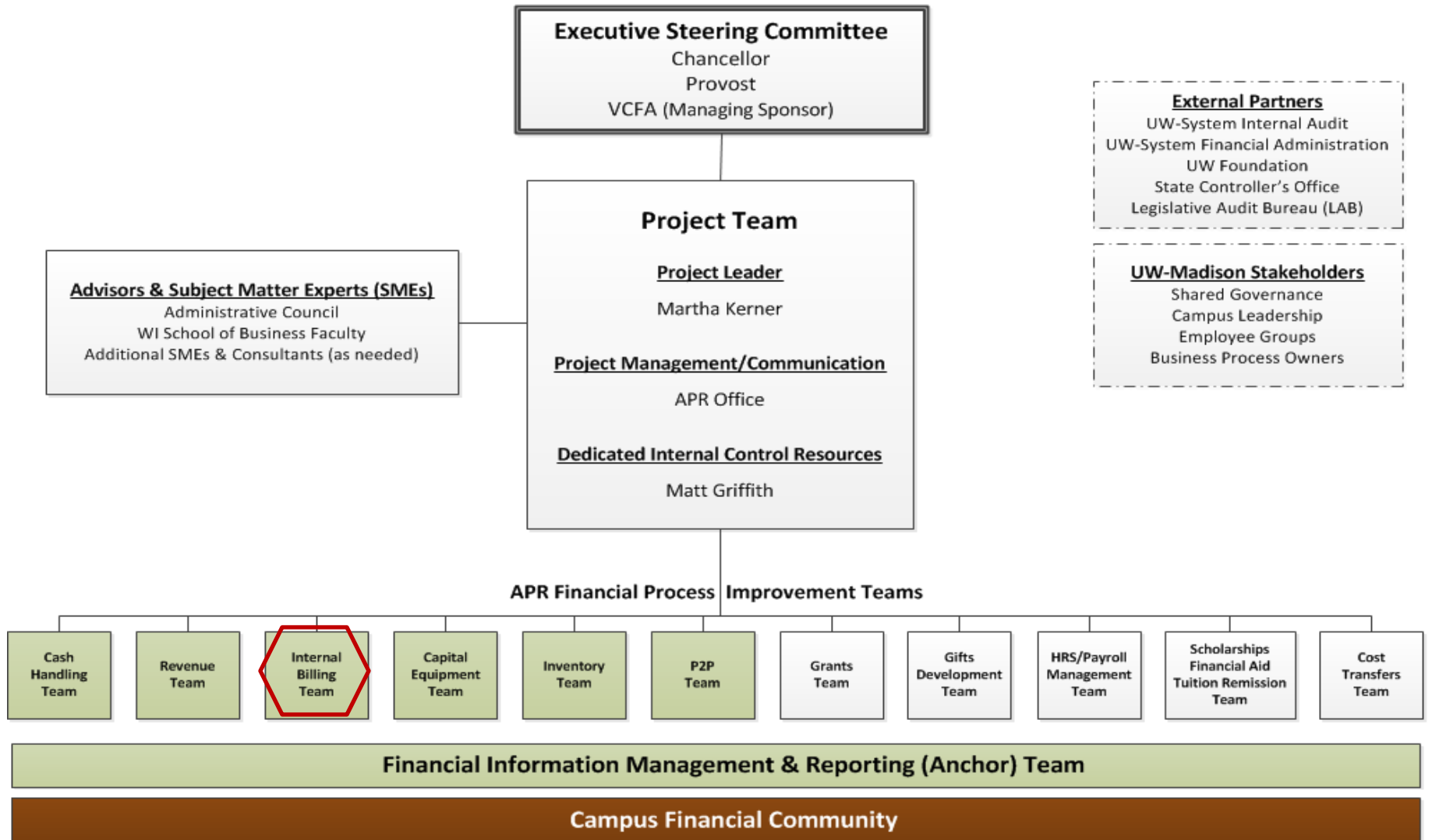
Administrative Council Meeting
July 28, 2016



Agenda

- I. Refresh: Goals and Background
- II. July 21, 2016 Final Report: Team Discoveries, Observations and Recommendations
- III. Next Steps

Financial Internal Controls Project Structure



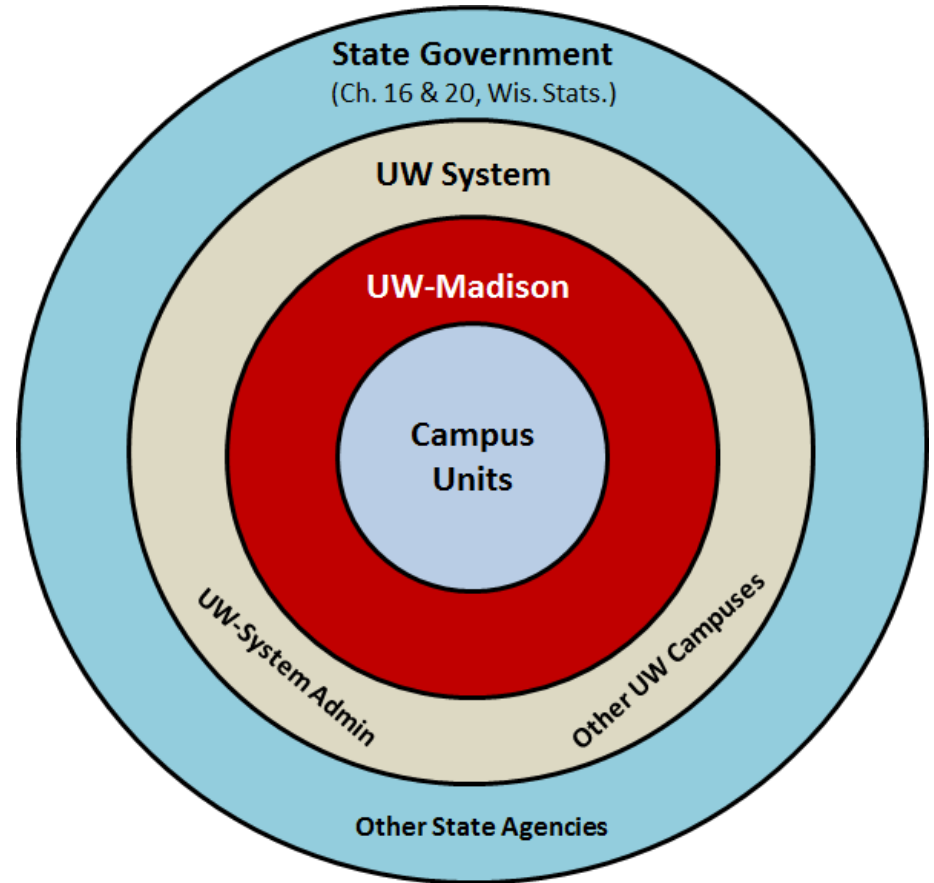
Goals from Team Charter

Design a comprehensive institutional internal billing process, and recommend policies, procedures, training, charge thresholds, payment vehicle guidelines and monitoring activities.

Background

Definition: Internal Billing includes only transactions involving the sale and purchase of goods or services between entities on the UW-Madison campus.

External Customers
(faculty/staff, students, other public)

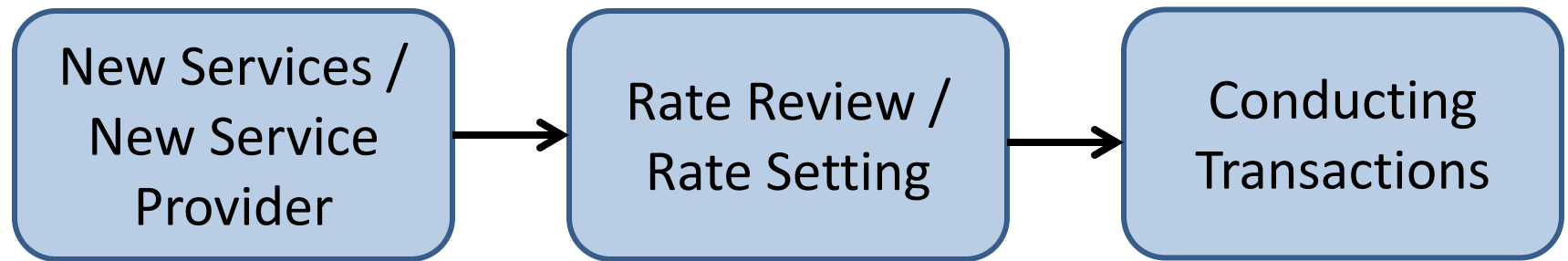


We buy from each other...



High Level Internal Billing Process

Three main process areas:



Post Benchmarking:
Largest Control Gaps to Close

Most Vocal
Campus Pain
Point

FY15 Campus Data: Provider Dynamics

- 787 campus service providers, internal billing sales activity totaling over \$342.5M and 500,000+ transactions. Mix of provider sources:
 - Auxiliary operations - 10%
 - Campus central services - 15%
 - Academic - 75%
- 28% of service providers account for over 97% of internal billing sales dollars.
- 62% of service providers make up only 1% of internal sales dollars
- 42% of service providers conducted \$10K or less in internal sales
- Most frequent (23%) internal sales range was \$10K - \$50K



Team Discoveries and Observations

- Virtually no central oversight of operations and variable levels of oversight at division and department
 - Rates haven't been consistently reviewed for breakeven
 - Provider's sales often subsidize department budgets or need to be subsidized by department budgets
 - Significant gaps in knowledge/skills to set appropriate rates
- Gaps, inaccuracies and lack of clarity in policies and procedures
- Wide variation in billing systems, invoice timing, content, availability of supporting details, and when the funds are moved

Why is it critical to get it right?

- Meet compliance requirements to avoid fines, loss of future grant award revenue and other reputational risks
 - For internal sales transactions, rates must be appropriate and consistent while fully covering, but not exceeding, the costs of providing the product/service.
- Ensure timely billing before grants close and institution must absorb costs
- Avoid errors and unnecessary re-work activity

Team Recommendations

1. Adopt National Council of Research Administrators (NCURA) Best Practices' recommendations to mitigate compliance risks.
2. Identify a process owner to lead a central office with authority to provide oversight and guidance, coordination of processes and procedures, and assure compliance with all state and federal internal billing regulations.
3. Implement a mandatory application process for all service/product providers.
4. Implement mandatory rate review and rate adjustment cycles.
5. Implement reporting requirements for all providers of internal products and services.
6. Utilize billing systems that adequately meet the needs of buyers and sellers across campus.
7. Establish requirements for standardized invoice guidelines, deadlines and supporting detail.
8. Establish standardized payment procedures for internal buyers.
9. Update and/or create related policies, procedures and forms for accuracy and clarity, and ensure that all are easily accessible to campus.
10. Initiate internal billing training programs to educate users about policies, procedures and risks.



What's Next

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