

Financial Internal Controls

Revenue Team

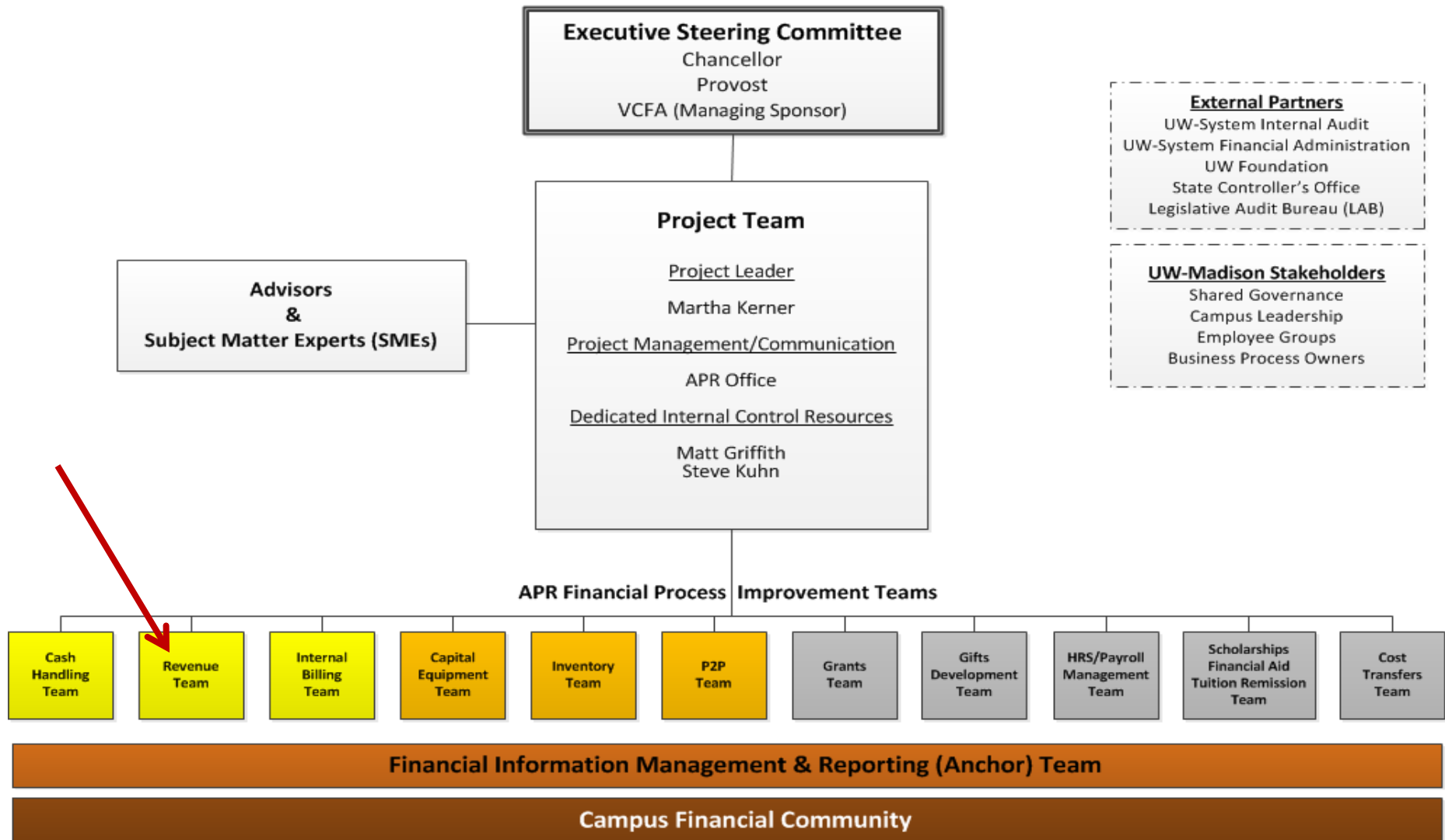
VCFA Meeting
May 23, 2016



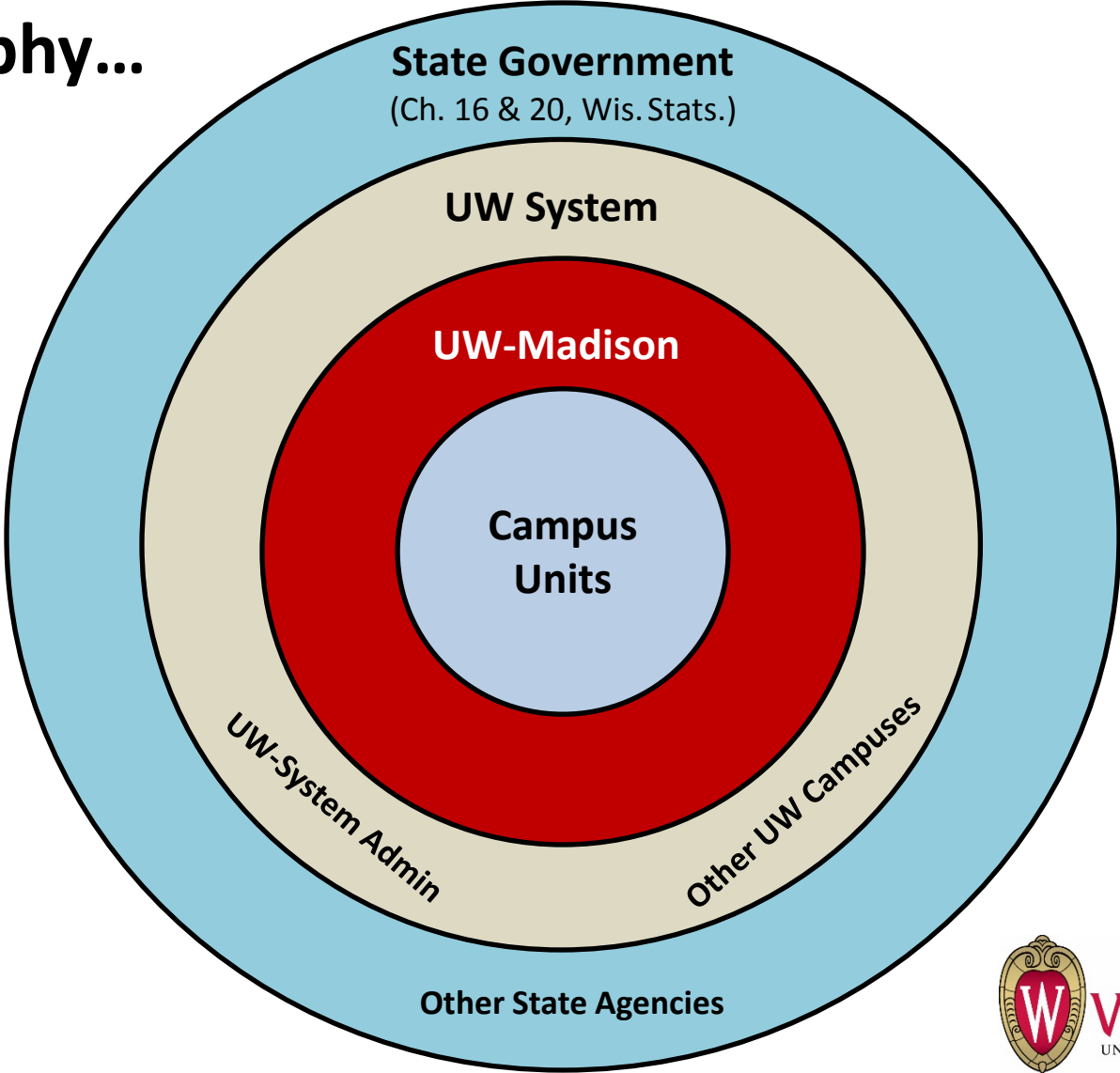
Agenda

- I. Refresh: Revenue Team Background / Goals
- II. April 29, 2016 Report: Team Discoveries, Observations and Recommendations
- III. What to Anticipate Next

Financial Internal Controls Project Structure



Knowing Our Geography...



Revenue Team Goals

1. Control common revenue cycle activities.
2. Provide accurate information for accrual-basis financial reporting.
3. Allow for central aging of AR and tracking of related write-offs.
4. Ensure the completeness of all contractual revenue streams.
5. Meet requirements for sales taxes and unrelated business income taxes.
6. Introduce continuous monitoring and improvement activities.
7. Promote the prevention and detection of fraud.
8. Accommodate the diverse business needs of UW-Madison divisions.



Recommendations:

Implement a campus-wide billing and receivable system and supporting policy

Observations:

- There is no institutional billing and receivable system.

Recommendation:

- Implement an institutional billing and receivable system that supports the tracking and aging of AR.
- Draft policy that requires units generating revenues to utilize the campus system or certify their alternate system meets standards.



Recommendations:

Identify a process owner

Observations:

- There is no institutional invoicing process/ownership.

Recommendation:

- Create an institutional invoicing and receivables centralized shared services office that supports both accrual and cash methods of accounting and supports an institutional billing and receivable system.

Recommendations:

Create a website/portal front end that allows entry of billing data

Observations:

- There is no institutional electronic method for billing processes.

Recommendation:

- Create a website portal that allows for data entry of billing information by campus units.

Recommendations:

Electronic payment options

Observations:

- Lack of consistency and controls re: deposit of checks, payment application and revenue recognition on campus.

Recommendation:

- Implement the ability to accept multiple payment options including ACH, check, online payment, or credit card via an online portal.

Revenue Recommendations

Collections and aging

Observations:

- No comprehensive institutional policy or process for the aging and collection of accounts receivable.

Recommendation:

- Draft a policy which covers collection, aging, allowance, and write-off policies.

Recommendations:

Certification of alternate systems

Observations:

- Need to maintain alternate billing and receivables systems to meet the unique operational needs of certain campus units.
- Balance with consistent internal controls and need for enterprise book of record.

Recommendation:

- Create a process and draft a policy to support the certification of alternate systems on an annual basis by the central campus unit to ensure that all alternate systems are meeting requirements.



Recommendations:

Revenue recognition - deferred revenue

Observations:

- There are a number of contracts on campus that potentially provide for payments to be received at a different time than the service is being performed.

Recommendation:

- For revenue sources based on a long term contracts, evaluate the appropriateness of current revenue recognition practices and draft policy re: proper revenue recognition under accrual basis of reporting.

Recommendations:

Considerations for tuition revenue & systems

Observations:

- Tuition is the largest source of revenue on campus.
- Tuition revenue is currently accounted for on a cash basis.

Recommendation:

- Modify the Integrated Student Information System (ISIS) so that it can be used as a sub ledger for the reporting of tuition based receivables and revenues in an accrual basis.

Recommendations:

Campus-wide technology exploration

Observations:

- UW- Madison currently owns the rights to the PeopleSoft Billing and AR.
- Research and Sponsored Programs utilizes the AR module.

Recommendation:

- Study the use of the PeopleSoft Billing and AR modules to see if it can at minimum meet the same standards being required of the alternate systems.

What to Anticipate Next (Overall)

- Review reports and recommendations from other financial process improvement teams launched so far.
- Align and prioritize recommendations.
- Assess the timing/launch of other five teams.
- Develop implementation plans and timelines.

Questions / Comments