Audit Readiness

February 2018

Agenda

1. Welcome
2. Training Approach
3. FAS Audit Services
4. Expenditures Audit and Important Dates
5. Of Auditor Interest:
   > Budget Reconciliation and Review
   > Object (Expense) Codes
   > ProCard Reconciliations
   > Food Approval and Recognition Programs
   > eReimbursement
   > eTravel
6. Further Resources
**Training Approach**

1. Provide information about the follow-up audit
2. Focus on areas Internal Audit will test
3. Provide baseline knowledge

Further Resources:
- eTravel Training February 14 and 16
- Your unit’s fiscal administrator/staff
- FAS staff and trainings
- UW Seattle online resources and training opportunities

**What to expect**

- Questions welcome at end of each section
- Bike rack/parking lot
- 10 minute break
- Free yourself from distraction (ex. cell phone, computer)
FAS – Audit Services

Jenny Albrecht, Kendra Yoshimoto, Sharon Sandler

> Auditor liaison and point of contact
> Work with the auditor to determine audit scope and timing
> Support units with entrance conference, fieldwork, conclusion and follow-up

Resource: FAS – Audit Services
https://www.uwb.edu/finance/audits

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UW Bothell Active Audits

<table>
<thead>
<tr>
<th>Unit</th>
<th>Auditor</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Advancement</td>
<td>UW Internal Audit</td>
<td>ProCard, eReimb, eTvi</td>
</tr>
<tr>
<td>2 Awards to employees</td>
<td>UW Internal Audit</td>
<td>Awards process</td>
</tr>
<tr>
<td>3 Commuter Services</td>
<td>Dept of Licensing</td>
<td>Data security</td>
</tr>
<tr>
<td>4 Expenditures (4 units)</td>
<td>UW Internal Audit</td>
<td>ProCard, eReimb, eTvi</td>
</tr>
<tr>
<td>5 Facilities Services</td>
<td>UW Internal Audit</td>
<td>Overtime process</td>
</tr>
<tr>
<td>6 Recharge of Fees</td>
<td>UW Internal Audit</td>
<td>Agreements with Cascadia</td>
</tr>
<tr>
<td>7 School of Business</td>
<td>UW Internal Audit</td>
<td>Comprehensive</td>
</tr>
<tr>
<td>8 UWB-IT</td>
<td>UW Internal Audit</td>
<td>Business continuity</td>
</tr>
</tbody>
</table>
Expenditures Audit and Important Dates

Expenditures Audit - 2017
Objective: “Determine if internal controls are sufficient to provide reasonable assurance that procurement card transactions, travel transactions and e-reimbursement transactions are properly authorized, valid, supported, accurately recorded and comply with University policies and procedures.”

Follow-Up Audit – June 2018
- Have audit recommendations been implemented?
- Entire campus subject to testing

IMPORTANT DATES - Internal Audit will return in June 2018 to test:
- Budget reconciliations and reviews – starting February 2018 – but go back to July 2017
- Object (Expense) Codes, ProCard Reconciliations, Food Approval and Recognition Programs, eReimbursement, eTravel – starting March 2018

Why we do this work...

A PROMISE Fulfilled
In the last decade, the Husky Promise program has helped more than 39,000 Washington students attend the UW - including these three alums.
Budget Reconciliation and Review

What did the auditors find?
- Not reconciled or reviewed timely
- Incorrect object codes

What did the auditors recommend?
- Ensure MyFD transactions are reconciled and reviewed timely
- Timely = within 45 days of month-end
- Object codes need to be accurate
Budget Reconciliation and Review – cont.

What is MyFinancial.desktop?
- Web interface that records financial transactions posted to a budget
- Use MyFD to reconcile and review transactions
- Requires ASTRA authorization to access your budgets (Cynthia Yee can help)

Budget Reconciliation and Review – cont.

What is a budget reconciliation?
- Performed by Budget Reconciler in MyFD
- Compare transactions to supporting documentation
- Resolve discrepancies
- Reconcile within 45 days of month-end close

What is budget review?
- Next step after budget reconciliation
- Performed by Budget Reviewer in MyFD
- Higher level budget review and analysis
- Follow up on unusual/unrecognized transactions
- Review within 45 days of month-end close
Budget Reconciliation and Review – cont.

Why is this important?
- Ensures unauthorized charges have not occurred
- Ensures accuracy and validity of financial information

Who should reconcile?
- Knows University policies, budget restrictions, and reconciliation guidelines
- A single person should not be able to initiate, record and authorize a transaction

Who should review?
- Person accountable for the budget
- Budget Reconciler and Reviewer cannot be the same person

How do I meet Internal Audit’s recommendations?
- Identify budgets you are responsible for (IPB can assist)
- Identify the Budget Reconciler and Reviewer
- Ensure ASTRA access to the budgets in MyFD (Cynthia Yee can assist)
- Reconcile and review within 45 days of month-end
- Ensure object codes are correct
- IA will begin testing from February 2018 (but reconcile back to July 2017)
Budget Reconciliation and Review – cont.

If all this is new or confusing to you...

- FAS Tipsheet – Budget Reconciliation Tips
- Hands-on training with FAS staff – send email request to Jenny Albrecht
  [jennya1@uw.edu](mailto:jennya1@uw.edu)

Budget Reconciliation and Review – cont.

RESOURCES

- FAS budget Reconciliation Tipsheet

- About MyFinancial.desktop - Includes training resources
  [https://finance.uw.edu/myfd/](https://finance.uw.edu/myfd/)

- Reconciliation
  [http://finance.uw.edu/fr/internal-controls/reconciliation](http://finance.uw.edu/fr/internal-controls/reconciliation)

- Budget Reconciliation
  [http://finance.uw.edu/fr/gl-budget-reconciliation](http://finance.uw.edu/fr/gl-budget-reconciliation)

- Object (Expense) Codes
  [https://finance.uw.edu/fr/references/object-codes](https://finance.uw.edu/fr/references/object-codes)

- UW Bothell Institutional Budget and Planning – budget assistance
  [http://www.uwb.edu/administration-planning/planning-budget](http://www.uwb.edu/administration-planning/planning-budget)
Object (Expense) Codes

What did the auditors find?
- Incorrect object codes assigned to transactions
- Default ProCard object codes not changed to correct codes

What did the auditors recommend?
- Object codes need to be accurate
Object (Expense) Codes – cont.

What is an object code?
Six-digit numbers (XX-XX-XX) used to categorize expenses

(Major expense group – expense detail – dept. use)
- First two digits represent the major groupings of expenditures
- Second two digits provide more detail
- Last two digits are for departmental use

Examples:
04 = Travel
04-21 = Travel - Out of State Airfare

05 = Supplies and Materials
05-64 = Supplies and Materials - Office Supplies

Object (Expense) Codes – cont.

<table>
<thead>
<tr>
<th>Object Code</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-</td>
<td>Salaries and Wages</td>
</tr>
<tr>
<td>02-</td>
<td>Personal Service Contracts and Other Purchased Services</td>
</tr>
<tr>
<td>03-</td>
<td>Other Contractual Services</td>
</tr>
<tr>
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</tr>
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</tr>
<tr>
<td>06-</td>
<td>Equipment and Library Materials</td>
</tr>
<tr>
<td>07-</td>
<td>Retirement and Benefits</td>
</tr>
<tr>
<td>08-</td>
<td>Student Aid and Other Grants and Subsidies</td>
</tr>
<tr>
<td>09-</td>
<td>Debt Service</td>
</tr>
<tr>
<td>15-</td>
<td>Depreciation (Cost Centers Only)</td>
</tr>
<tr>
<td>21-</td>
<td>Cost Transfers</td>
</tr>
<tr>
<td>22-</td>
<td>Cost Sharing (Grant and Contract Accounting Only)</td>
</tr>
<tr>
<td>25-</td>
<td>Indirect Costs (Accounting Offices Only)</td>
</tr>
<tr>
<td>27-</td>
<td>Grant and Contract Expenditure Summary</td>
</tr>
</tbody>
</table>
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<th>Code</th>
<th>Title</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>04-10</td>
<td>In-State—Per Diem</td>
<td>The amounts paid for lodging and/or meal expenses incurred while traveling within the state boundary on official University business.</td>
</tr>
<tr>
<td>04-11</td>
<td>In-State—Air Fare</td>
<td>The amounts paid for air transportation expenses incurred while traveling within the state boundary on official University business.</td>
</tr>
<tr>
<td>04-12</td>
<td>Private Auto Mileage</td>
<td>The amounts paid as reimbursement for private car mileage incurred while traveling on official University business.</td>
</tr>
<tr>
<td>04-13</td>
<td>Car Rental</td>
<td>Amounts paid for commercial auto rental, not University Motor Pool.</td>
</tr>
<tr>
<td>04-15</td>
<td>Motor Pool Car Rental</td>
<td>Charges for use of a University Motor Pool vehicle while on official University business.</td>
</tr>
<tr>
<td>04-16</td>
<td>Other Travel Expenses</td>
<td>The amounts paid for all other costs incurred while traveling on official state business. Includes, but is not limited to: rail, bus, ferry, or taxi fares; parking fees; stenographic services; telephone calls; and other miscellaneous expenses.</td>
</tr>
<tr>
<td>04-20</td>
<td>Out-of-State—Per Diem</td>
<td>The amounts paid for lodging and/or meal expenses incurred while traveling outside the state boundary on official University business.</td>
</tr>
<tr>
<td>04-21</td>
<td>Out-of-State—Air Fare</td>
<td>Amounts paid for air transportation expenses incurred while traveling outside the state boundary on official University business.</td>
</tr>
<tr>
<td>04-31</td>
<td>Foreign—Air Fare</td>
<td>Amounts expended for air transportation incurred during foreign travel while on official University business.</td>
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</table>

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### Object (Expense) Codes – cont.

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Object (Expense) Codes – cont.

05 = Supplies and Materials
05-64 = Supplies and Materials - Office Supplies

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<td>05-64</td>
<td>Office Supplies&lt;br&gt;Paper, staplers, pens and pencils, and the like. For specific guidance on office supplies charged to sponsored projects, see Grants Information Memorandum, GIM 23, Attachment 1.</td>
</tr>
<tr>
<td>05-65</td>
<td>Training Supplies and Materials&lt;br&gt;Amounts spent for supplies and materials related to training programs.</td>
</tr>
<tr>
<td>05-90</td>
<td>Vivarium&lt;br&gt;The amounts expended for the purchase of animals by the Comparative Medicine cost center. No other budgets should use this code.</td>
</tr>
<tr>
<td>05-98</td>
<td>Resale Purchases&lt;br&gt;Amounts paid for the acquisition of merchandise purchased for resale, including purchase cost, freight-in costs, and inventory adjustments. Only for use by budgets in a proprietary fund (budgets in local programs 14-16 &amp; 25.).</td>
</tr>
<tr>
<td>05-99</td>
<td>Miscellaneous Consumables&lt;br&gt;Consumable supplies and materials (excluding food), replacement parts, and kits other than those described above. Use object code 05-40 for small equipment such as hard drives, keyboards, monitors, printers, and mice. Includes communications and training materials. Use object code 05-43 for computing supplies, object code 05-64 for office supplies, and object code 05-65 for training supplies and materials. Contact Equipment Inventory at 543-4663 or <a href="mailto:eio@uw.edu">eio@uw.edu</a> for more information.</td>
</tr>
</tbody>
</table>

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Object (Expense) Codes – cont.

Why are object codes important?

- Expenses put into correct transaction categories ("buckets")
- Able to analyze expenses from budget, unit, campus and University view
- Financial accounting requirement for correct UW financial statements
- Has tax implications

Example:
Many ProCard default object codes are 05-99 Miscellaneous; this is not helpful!
Object (Expense) Codes – cont.

How do I meet Internal Audit’s recommendations?

- eReimbursement and eTravel – ensure correct object codes at point of entry
- ProCard – ensure correct object codes when reconciling; change before the billing cycle closes
- Check object codes during budget reconciliation and review
- Make corrections via MyFD Expense Transfer system

RESOURCES

Object (Expense) Codes
https://finance.uw.edu/fr/references/object-codes
ProCard Reconciliation and Review

What did the auditors find?
- ProCard transactions not reconciled or reviewed timely
- Default ProCard object codes not changed (common default 05-99 Miscellaneous)

What did the auditors recommend?
- Ensure reconciliations are completed, reviewed and documented timely
- Ensure proper object codes
ProCard Reconciliation and Review – cont.

What is ProCard reconciliation?
- Performed by ProCard Reconciler
- Documented via (paper) UW Transaction Detail with Notes & Account Codes Report (TDR)
- Compare transactions to supporting documentation
- Resolve discrepancies
- Reconcile monthly and sign the TDR

What is ProCard review?
- The next step after ProCard reconciliation
- Performed by ProCard Reviewer
- Ensure reasonable and appropriate purchases
- Follow up on unusual/unrecognized transactions
- Review monthly and sign the TDR

Why is ProCard reconciliation and review important?
- Ensures unauthorized charges have not occurred
- Ensures accuracy and validity of financial information

Who should reconcile?
- Knows University policies, budget restrictions, and reconciliation guidelines
- A single person should not be able to initiate, record and authorize a transaction

Who should review?
- Higher level review and analysis
- Follow up on unusual/unrecognized transactions
- Budget Reconciler and Budget Reviewer cannot be the same person
ProCard Reconciliation and Review – cont.

What about ProCard transaction approval?

- Must be at appropriate level (can’t approve supervisor’s reimbursement)
- Must be documented, preferably in advance
- Can always be documented with transaction
- Can be documented at TDR level *if appropriate*

Note: Auditors will always look for documented approval because...
The Seattle Times

Former UW employee charged in $252,000 theft

Originally published May 4, 2011 at 6:27 pm Updated May 4, 2011 at 10:46 pm

An executive assistant at the University of Washington Medical Center has been charged with 19 counts of theft after he was accused of embezzling $252,059 from the hospital.

Jennifer Sullivan
Seattle Times staff reporter

A former executive assistant at the University of Washington Medical Center has been charged with 19 counts of theft after he was accused of embezzling more than $250,000 from the hospital.

Elisha Gustav Lang, 38, worked at the UW from July 2007 until he was fired in May 2010, according to charges filed last week in King County Superior Court.

What went wrong?

Hired 2007:
- While facing felony theft charges in King County
- 1992 criminal conviction for theft in Arizona

Promoted in 2008:
- Given a UW credit card
- Given UW travel account for travel and related expenses
- Given authority to approve his own charges

How was it discovered?
How to Reconcile

FAS Tipsheet provides step-by-step instructions
http://www.uwb.edu/getattachment/finance/forms-and-guides/ProCard-Reconciliation-Tips.docx

Highlights:
- Print TDR on the second business day of the month
- Assemble the ProCard packet:
  - Receipts must be itemized
  - Attach Food Approval Form
  - Attach Perjury Statement for missing receipts
  - Attach Refund Statement
- Make budget and object code changes in PaymentNet4
- Sign and Date the TDR: ProCard Reconciler and Reviewer
- Submit to Cynthia Yee in FAS

Quick Reminders
- Single transaction limit is $3,500; monthly limit is $20,000
- Never split charges to stay under $3,500
- Never use ProCard for travel expenses
- Understand the use tax process in PaymentNet

Tip - UW Seattle ProCard website lists allowable and unallowable expenditures
ProCard Reconciliation and Review – cont.

How do I meet Internal Audit’s recommendations?

- Ensure reconciliations are completed, reviewed and documented timely
- Check for proper object codes and make changes in PaymentNet4
- Ensure approval is documented by the right person

Tips:

- Reconcile throughout the month
- Evaluate ProCard needs in your unit; close unnecessary accounts

Note: FAS not a complete control

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ProCard Reconciliation and Review – cont.

RESOURCES

Procurement Card
https://finance.uw.edu/ps/how-to-buy/procurement-card

Reconciling ProCard
http://finance.uw.edu/ps/how-to-buy/procard/reconciling-procard

ProCard Use Tax Process
http://finance.uw.edu/ps/how-to-buy/procard/resources#tax
Food Approval and Recognition Program

What did the auditors find?
- Form not completed or completed after the fact
- List of attendees not maintained

What did the auditors recommend?
- Documented and approved recognition policy
- Fiscally prudent purchases
- Comply with UW policies and procedures
Recognition Program

Recognition program requirements

- Documented and approved recognition policy
- Approval at the Dean/Vice Chancellor level

Employee recognition policy elements

- Definition of purpose, criteria, and budget
- Selection often executed by a committee
- Definition of award eligibility, frequency and process

Note: Implement for events starting March 1, 2018 onward

UW Bothell IT Recognition Program

IT Staff Recognition Awards

Information Technologies is proud to offer a staff recognition program to celebrate our staff members’ exemplary performance. The recognition program is designed to be fair, doable, and fun.

- Recognize and encourage the exemplary work done by IT Staff.
- Align our core values to everyday IT work.
- Document major staff accomplishments.

Award process

Eligibility

All regular IT Staff, including temporary staff and project appointments are eligible to receive awards. Student workers and Directors are generally ineligible, unless the IT Directors Team decides to make a specific exception.

Nominations

Nominations are accepted any time throughout the year via webform:
https://catalystuw.edu/webq/survey/shelley/205574

Anyone with a UW NetID may nominate IT staff for an award.

Selection Process

The Assistant Vice Chancellor for IT will officially select all award recipients. The IT Directors team will serve as the awards committee and is charged with making recommendations to the AVCIT.
UW Bothell IT Recognition Program

Types of Awards

Outstanding IT Staff Member of the Year
Recognizes one person each year for the most outstanding performance as a part of the IT team. The most outstanding IT team member each year will be the person who most consistently demonstrates our values in everything he or she does. Check out [http://www.uwb.edu/it/about-it/mission](http://www.uwb.edu/it/about-it/mission) for our values.

Extraordinary Service Awards
Recognizes IT staff members each year for extraordinary service (but they could also recognize one person, or nobody). These awards may be given based on the following criteria:

- Innovation
- Customer Service
- Project management
- Service management
- Professional development
- Going WAY above and beyond
- Process improvement

To be considered "extra-ordinary" on this already extraordinary team is a high standard, indeed.

Food Approval

Purchases allowed on State funds:

- **Business** meetings
- **Training** events, including student orientations
- **Formal** recognition events

Note: Food must be **integral** – necessary to the completeness of the event

Specifically NOT allowed:

- Normal daily business of employees
- Regularly scheduled meetings
- Open houses
- Receptions for new employees
- Alcoholic beverages
- Food over per diem
- Hosting and entertaining
- Graduation events
- Lobbying, elections, election celebrations
Food Approval – cont.

Limits to remember
- Meal per diem $19/$22/$33 for Seattle/Bothell
- Recognition - $200 limit per individual or group; only light refreshments
- Refreshments - $5 per person for large events

Example: If a group of five people are recognized, $200 limit (not $200 per person = $1000).

Food Approval – cont.

FISCAL RESPONSIBILITY

Does your food purchase with student/taxpayer funds...
> Comply with the UW Food Policy?
> Support the mission of the University?
> Is it the best use of funds?
> Would these people be pleased to learn of your purchase?

Students, parents, taxpayers, auditors, reporters, donors...
OH NO! DO I HAVE TO CANCEL MY EVENT???

How do I meet Internal Audit’s recommendations?

- Request is fiscally responsible and compliant
- Submit form to FAS two weeks prior to the event
- Ensure food purchased aligns with food approval form
- Maintain a list of invitees/attendees in your unit
- Maintain formal recognition policy in your unit
Food Approval – cont.

RESOURCES

Food Approval
https://finance.uw.edu/food-approval

Develop a Recognition Program
http://hr.uw.edu/talent/recognition/employee-recognition/develop-recognition-program/

eReimbursement
**eReimbursement**

What did the auditors find?
- No audit findings for UW Bothell!

Assume eReimbursements will be audited in June 2018
- (Assume) In accordance with University policies and procedures

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**eReimbursement – cont.**

What is eReimbursement?
*System to reimburse individuals* for purchases of goods they have made on behalf of the UW

“Last resort on rare occasions”
- When other procurement methods are not an option
- Using personal funds should be done only as a last resort
eReimbursement – cont.

What is NOT allowed on eReimbursement

- Payments to vendors
- Payments for personal services
- Refunds from revenue budgets
- Prizes and awards for UW employees or students
- Travel
- Housing
- UW Tuition
- Parking reimbursement

What will Internal Audit look for?

- Allowable reimbursements
- Pre-approval documentation
- Stated business purpose
- Correct object codes
- Food approval forms if applicable
- Supporting documentation
- Proof of delivery
eReimbursement – cont.

RESOURCES

FAS Tipsheet – Reimbursement Tips
http://www.uwb.edu/getattachment/finance/forms-and-guides/eReimbursement-Tips.docx

Reimbursements
https://finance.uw.edu/ps/how-to-pay/reimbursements

eTravel
What did the auditors find?

- “Over per diem” lodging not preapproved
- No documentation to support conference hotel over per diem
- Inadequate receipts
- Travel expenses improperly paid via eReimbursement or ProCard

What did the auditors recommend?

- Ensure pre-approval and proper documentation for “over per diem” lodging
- Adequate receipts and documentation
- Use eTravel for travel expense reimbursements

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**eTravel Trainings**

**UW Seattle Travel Office**

**Wednesday, February 14**
1:00 – 4:00
UWBX-102M/N

**Friday, February 16**
9:00 – 12:00
DISC-464
eTravel – cont.

RESOURCES

Multiple FAS Tipsheets for travel:
http://www.uwb.edu/finance/forms-and-guides

Further Resources
Further Resources

FAS Audit Readiness Trainings
2/12: 9:00 – 12:00 DISC-464
2/12: 1:00 – 4:00 UW1-361
2/13: 9:00 – 12:00 UWBX-102M/N

UW Travel Office Trainings
2/14: 1:00 – 4:00 UWBX-102M/N
2/16: 9:00 – 12:00 DISC-464

- Your unit’s fiscal administrator/staff
- FAS staff
- FAS Forms and Guides website: http://www.uwb.edu/finance/forms-and-guides
- FAS Trainings: http://www.uwb.edu/finance/training
- UW Seattle online resources and training opportunities

FAS Website Demo – www.uwb.edu/finance
Thank you