



# The Annual Internal Controls Certification Process

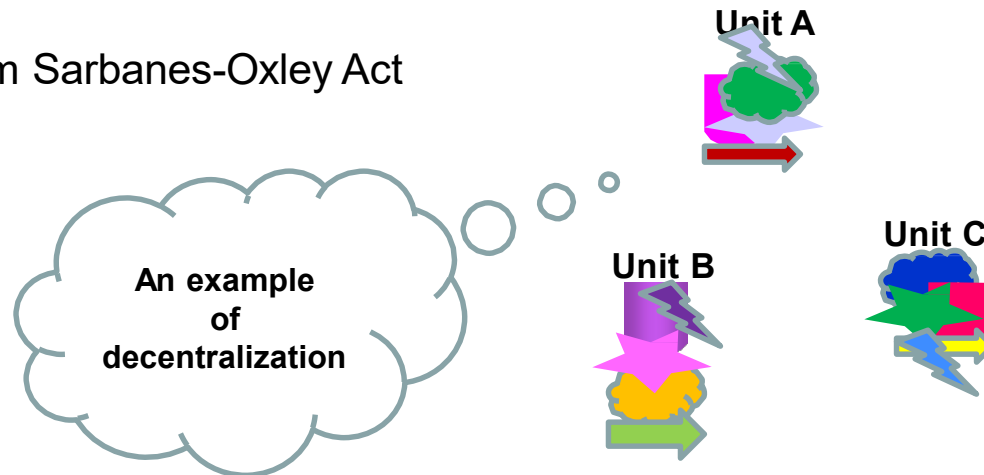


**The Office of Internal Controls**



# History

- Began with **2005 FY**
- **High degree of decentralization** in higher education
- Designed to **improve awareness and accountability** related to fiscal stewardship and internal controls
- Leverages **best practices** from Sarbanes-Oxley Act



# Annual Process



**September**

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

- Deans, Directors, Vice Presidents **sign annual Certification Form** to attest that they
  - ❑ Meet fiscal and stewardship responsibilities
  - ❑ Review & understand unit's financial performance and confirm it fairly represents activities
  - ❑ Aware of and committed to enforcing appropriate internal controls in unit
- Certification form submitted by **46 units** across campus each year
  - ❑ Schools/Colleges, Health System, Staffs, Flint, Dearborn
- Occurs **every September** after closure of prior fiscal year results
  - ❑ Early September: Certification Requests issued
  - ❑ End September: Certification Submissions due

# Unit Certification Timeline

## Event

- Roll-out control guidance and plans to units
- Units complete gap analysis
- Issue Certification Requests
- Signed Unit Certification Forms due
- Present Unit Certification Results to Regents

## Timing

Jan – Jun

Feb – Sept

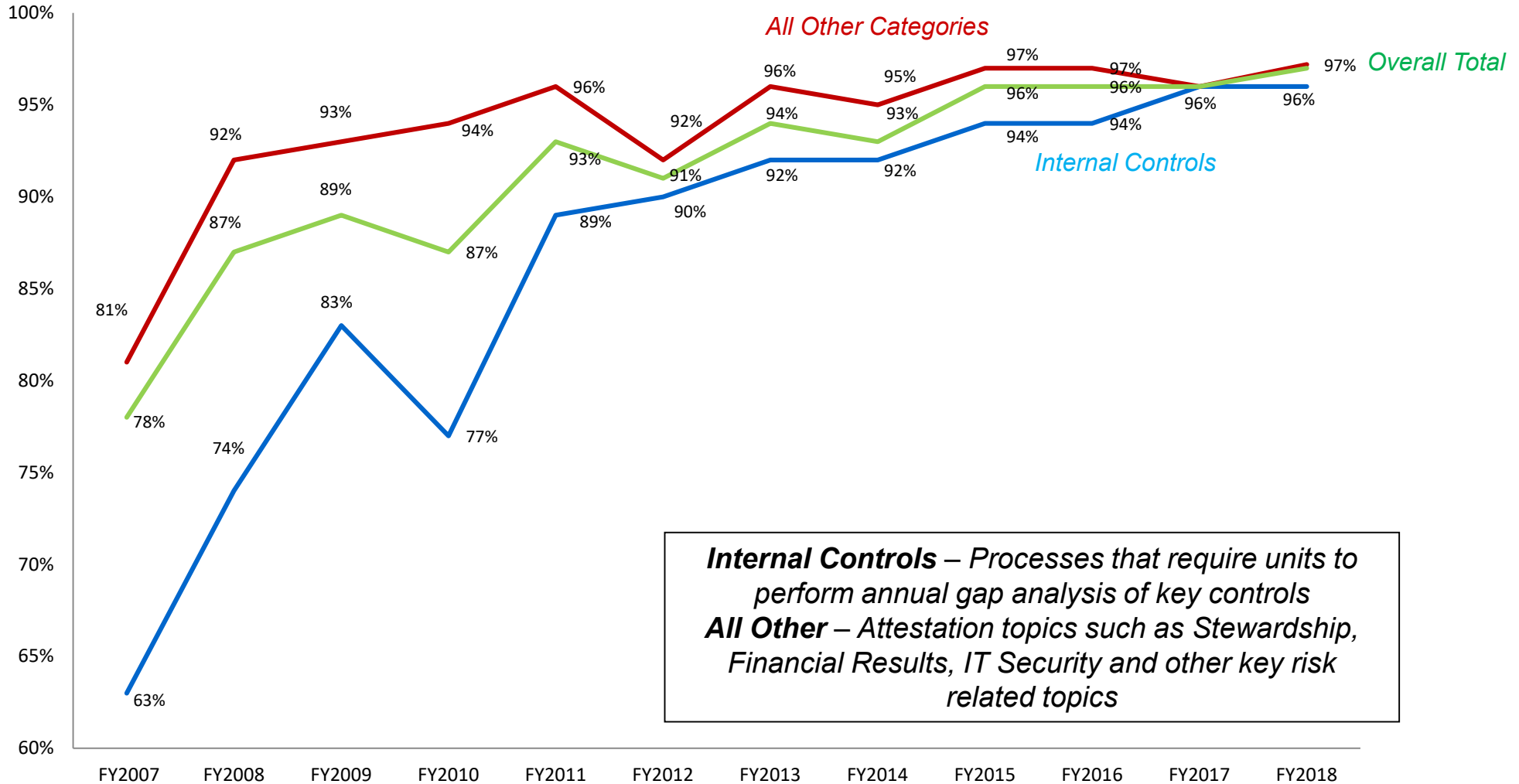
Early Sept

End Sept

November

# FY 2018 Unit Certification Results

## Trend of "Yes" Responses

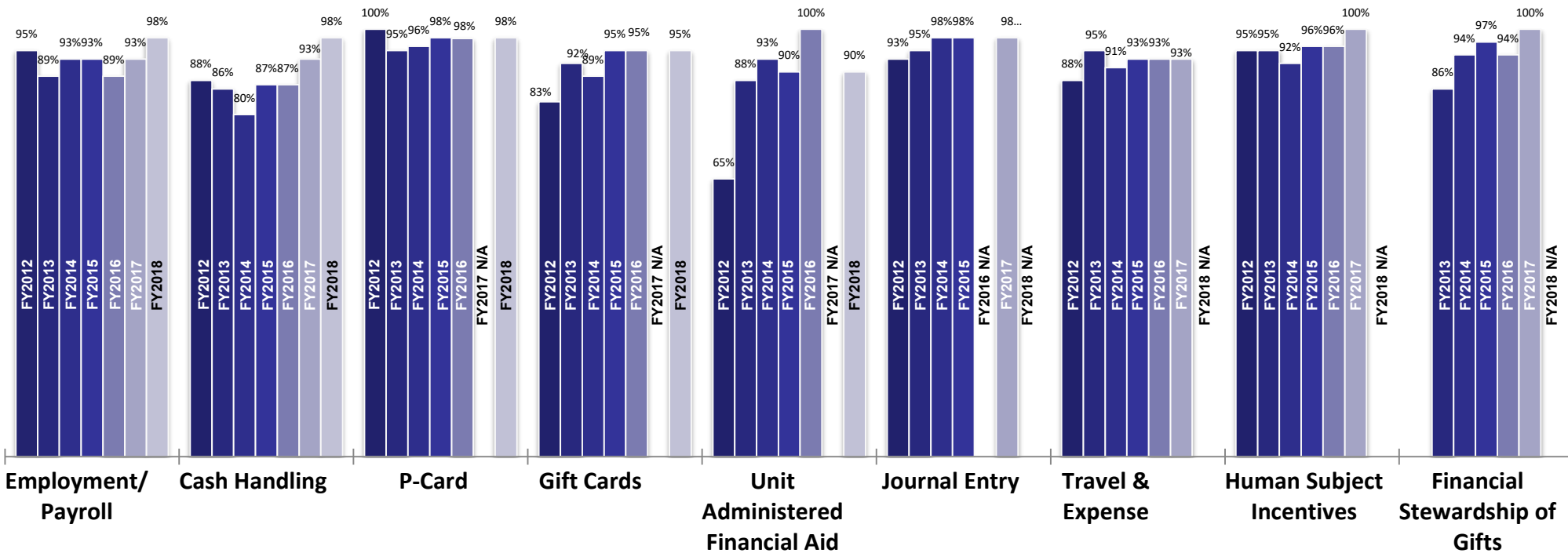


**Internal Controls** – Processes that require units to perform annual gap analysis of key controls  
**All Other** – Attestation topics such as Stewardship, Financial Results, IT Security and other key risk related topics

# FY 2018 Unit Certification Results

## "Yes" Responses - Internal Controls

■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018



**"Yes" Response:**  
**1<sup>st</sup> Year** – Gap analysis completed and plans in place for addressing control gaps within the next 12 months  
**On-Going** – Unit has completed annual gap analysis and proper controls are in place

# Key Unit Operational Elements/Tasks

- Internal Controls Gap Analysis
- Written Procedure Documentation
- Management Oversight Reporting
- Department Sub-Certification

# Key Unit Operational Elements/Tasks

- **Internal Controls Gap Analysis**
  - Written Procedure Documentation
  - Management Oversight Reporting
  - Department Sub-Certification



# What is a Gap Analysis?

- **Annual review** of key unit internal control points for *select* financial related processes highlighted in the Unit Certification process
  - ✓ Employment
  - ✓ P-Card
  - ✓ Journal Entries
  - ✓ Cash Handling (Cash/Credit Card)
  - ✓ Gifts
  - ✓ Gift Cards
  - ✓ Employee Travel & Expense (Concur)
  - ✓ Human Subject Incentive Payments (HSIP)
  - ✓ Unit Administered Financial Aid
  - ✓ Capital Equipment
  
- Annual review **validates controls are in place** to
  - Minimize risk
  - Improve efficiency and effectiveness
  - Accommodate for changes in people, process, systems
  - Unintended/unknown implications

# What is a Gap Analysis?

- **Not all** financial related processes **apply** to all units/departments

**Examples:**

- Unit did not have any gift card usage in the FY
- Unit did not have any Human Subject Incentives in the FY

- Should be **completed by individuals involved in process** (i.e. handling cash, processing journal entries, etc.)



- University Audits noted the **more robust** the gap analysis **process**, the **better** the department **controls**

# Alternating-Year Gap Analysis Approach

<u>Gap Analysis Process</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>Comments</u>
Employment	X	X	X	Annually - higher risk / significant materiality
Concur	X		X	Alternate Concur & P-Card
P-Card		X		Alternate Concur & P-Card
Cash / Checks	X		X	Alternate Cash/Checks & Credit Card
Credit Card		X		Alternate Cash/Checks & Credit Card
Gift Cards		X		Alternate Gift Cards & JE (lower risk processes)
Journal Entry	X		X	Alternate Gift Cards & JE (lower risk processes)
Financial Aid		X		Alternate Every Other Year
HSIP	X		X	Alternate Every Other Year
Stewardship of Gifts	X		X	Alternate Every Other Year
Capital Equipment			X	Added in FY19 - Will Alternate Every Other Year
<u>Notes:</u>				
<ul style="list-style-type: none"> <li>The gap analysis guidance for all processes will be updated and available on the Internal Controls Website each year as reference, even if not required as part of the Annual Unit Internal Controls Certification</li> <li>Units are still expected to have proper controls in place for all processes, even if not part of Annual Unit Internal Controls Certification</li> </ul>				

# Departmental Gap Analysis Approach

Department	Employment	P-Card	Journal Entries	Cash Handling	Gifts	Gift Cards	Employee Travel & Expenses (Concur)	Human Subject Incentive Payments (HSIP)	Unit Administered Financial Aid	Capital Equipment
Department 1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Department 2	✓	✓	✓	✓			✓			✓
Department 3	✓	✓			✓		✓			
Department 4	✓	✓		✓	✓		✓			✓
Department 5	✓	✓	✓		✓		✓			
Department 6	✓	✓			✓		✓			
Department 7	✓	✓		✓	✓		✓			✓
Department 8	✓	✓	✓		✓		✓			
Department 9	✓	✓		✓		✓	✓			✓
Department 10	✓	✓			✓		✓			

✓ = Department to complete gap analysis & sub-certification

# Why perform a GAP Analysis?

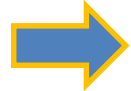
University of Michigan (Directional)

**Employment**



Process over **\$3.5 billion** in employee compensation annually

**P-Card**



Approximately **6,000** P-Card holders with open cards across campus

**Journal Entries**



Process approximately **100,000** journal entries annually

**Cash Handling**



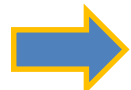
Processing over **30,000** departmental deposits, totaling over **\$500 million** annually

**Gifts**



Approximately **\$230 million** in gift fund balance  
Approximately **\$300 million** in gift expenses annually (does not include transfers)

**Credit Cards**



Over **500** Credit Card Merchants

# How to perform a Gap Analysis

- Process consists of **assessing series of control points/questions**
- Different mechanisms available to facilitate gap analysis process:

## 1. Gap Analysis **On-line** Tool in MReports

- ❑ Eliminates use of Excel spreadsheets
- ❑ Records prior year responses
- ❑ Easier mechanism to distribute to multiple individuals and departments
- ❑ Automatically summarizes multiple departments to highlight trends, common issues, etc.

## 2. Gap Analysis **Excel Spreadsheet**

- ❑ Lists control points in easy to use “tool” format

# How to perform a Gap Analysis

## 1<sup>st</sup> Mechanism: Gap Analysis Excel Spreadsheet

An example for the PCard process

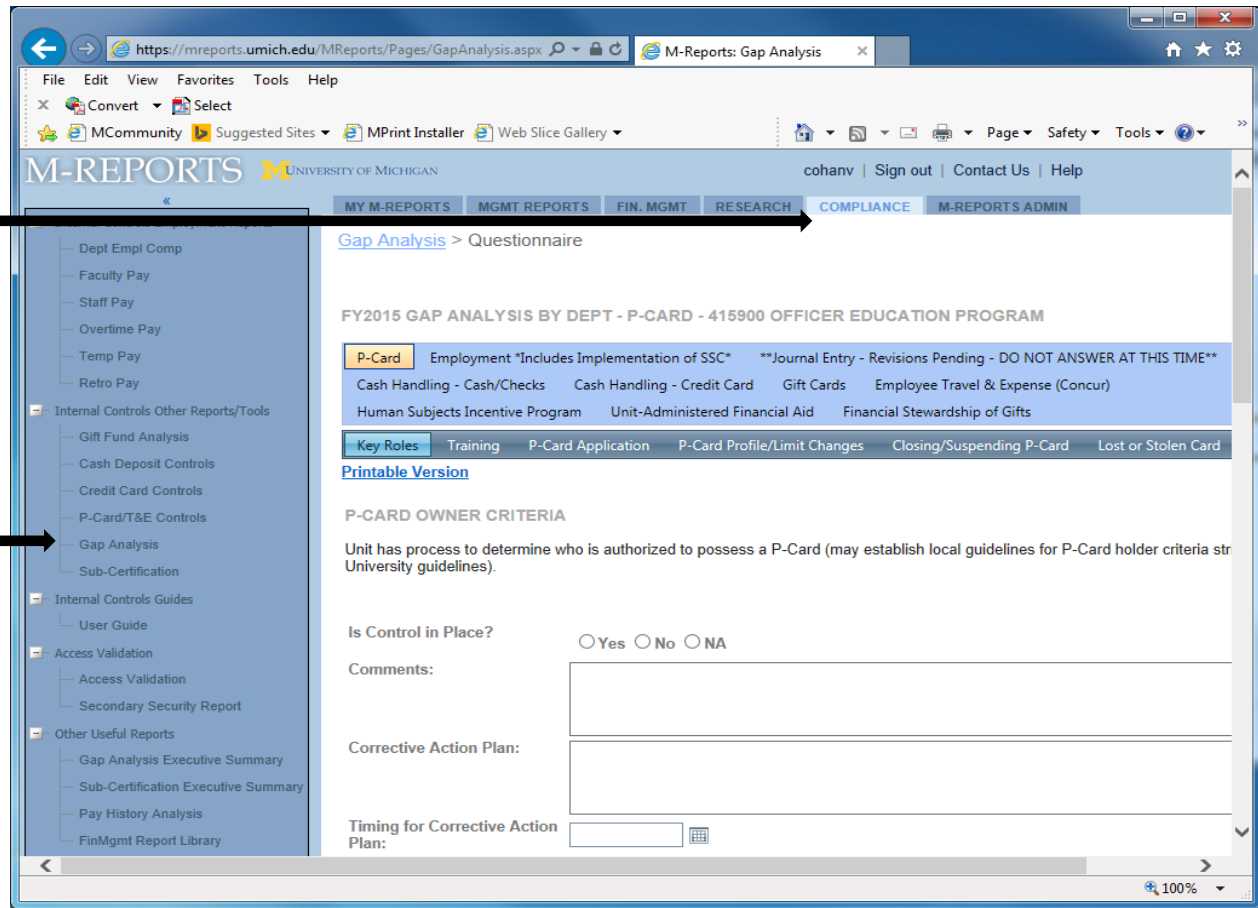
Key Roles	Is Control in Place? Y/N	Comments	Corrective Action Plan	Timing
Unit has process to determine who is authorized to possess a PCard (may establish local guidelines for PCard holder criteria stricter than university guidelines).	N	Process does not exist for who is authorized to possess a Pcard	John Doe will document procedures, identify key activities, roles, and responsibilities related to the possession of a PCard	3/5/2019

# How to perform a Gap Analysis

## 2<sup>nd</sup> Mechanism: Gap Analysis On-Line Tool in MReports An example for the PCard process

Compliance Tab

Gap Analysis





# Key Unit Operational Elements/Tasks

- Internal Controls Gap Analysis
- **Written Procedure Documentation**
- Management Oversight Reporting
- Department Sub-Certification

# What is written procedure documentation?

- Documented procedures = key control
  - Clarify roles and responsibilities
  - Ensure process is happening as intended
  - Help with employee turnover (expected/unexpected)

The image displays three overlapping document pages from the University of Michigan Finance department, illustrating written procedure documentation. The pages are titled 'P-Card Procurement', 'Gift Card Process', and 'Journal Entries'. Each page includes a header with the University of Michigan logo and the Finance department name. The 'P-Card Procurement' page details the process from key roles to application completion. The 'Gift Card Process' page outlines the purchasing and tracking procedures. The 'Journal Entries' page describes the authorization and recording process. The documents use a consistent format with sections for 'Activity', 'Responsibility', and 'Reference/Comments', and include various links and notes for users.

# Units don't have to start from scratch



SECTION: Purchasing  
 SUBJECT: PCard Management – Process Documentation  
 APPLIES TO: All PCard Holders

## PCard Procurement Overview

The objective of the PCard management process is to ensure the use of the PCard is consistent with university as well as local procurement guidelines

### PCard Procurement

Activity	Responsibility	Reference/Comments
<b>KEY ROLES</b>		
Below is the criteria or supporting rationale for someone within the [insert name of school/college/unit/department] to be a PCard holder, as determined by [insert appropriate person/position].		
<b>TRAINING</b>		
On-line training must be completed before a card is ordered for new card holders	PCard Applicant	See <a href="http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training">http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training</a> for PCard training.
<b>PCARD APPLICATION</b>		
Complete the online PCard Application. The application process includes acceptance of the PCard Cardholder Agreement as well as attesting to completing PCard training.	PCard Applicant Administrator	Applying for a PCard is an on-line process which can be found at <a href="http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training">http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training</a> .
As part of the on-line process, the applicant must select the appropriate individual to approve the request in the unit.	PCard Applicant	The application is routed to the individual selected for unit approval.

- Templates are located on the **Internal Controls website**: <http://www.finance.umich.edu/controls/tools>

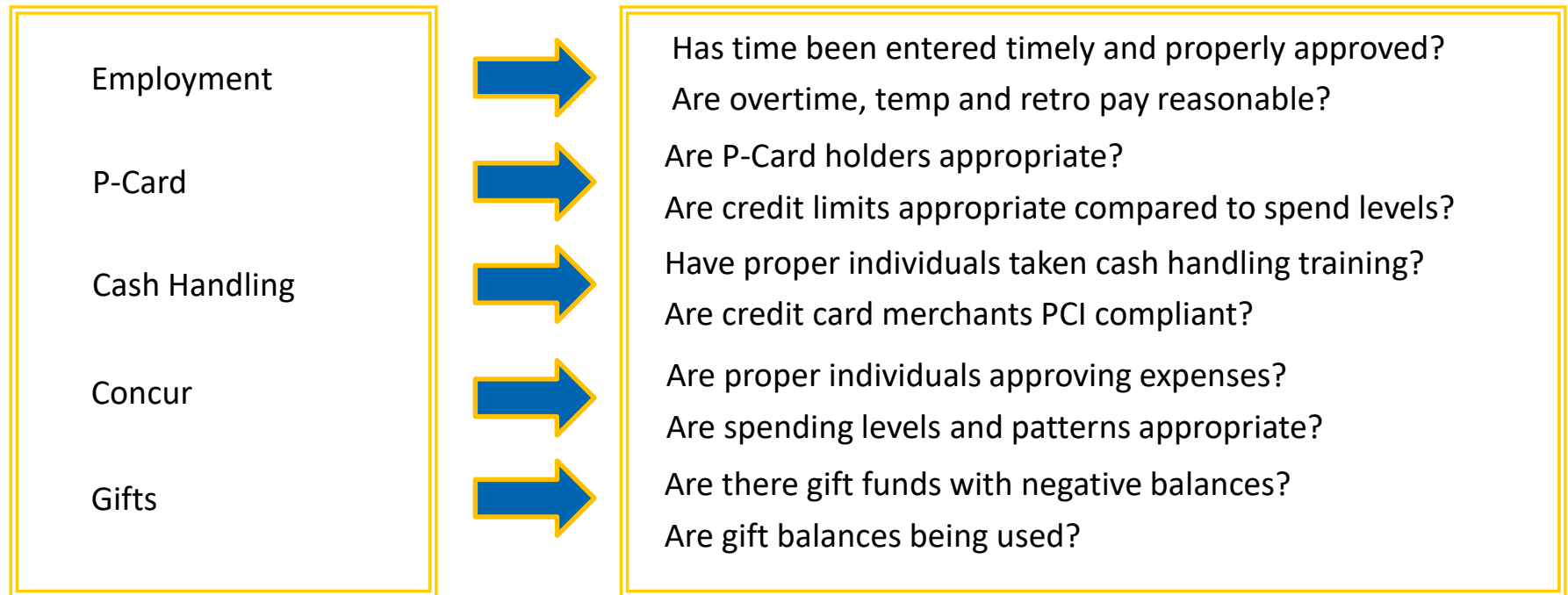
- Key control points** from internal control gap analysis tool
- Units can **customize templates as appropriate** to reflect unit specific procedures
- Links to related training, websites, etc

# Key Unit Operational Elements/Tasks

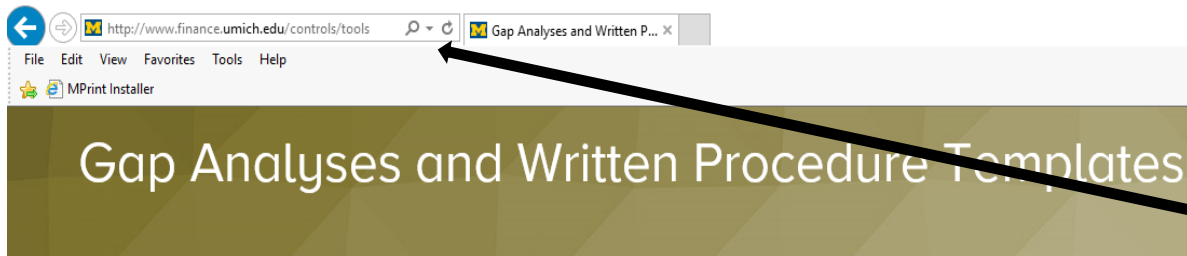
- Internal Controls Gap Analysis
- Written Procedure Documentation
- **Management Oversight Reporting**
- Department Sub-Certification

# What is Management Oversight Reporting?

- Monitoring/oversight = **key control**
  - ❑ Helps to highlight if operating controls are working
  - ❑ Identifies trends/exceptions
  - ❑ High level summaries (by month/year, comparing to prior years, etc.)



# How to access Management Oversight Reports



Home / Internal Controls / Gap Analyses and Written Procedure Templates

FY2019 Processes	Gap Analysis Tool	Written Procedure Templates	Management Oversight Reports
Employment	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word documents</a>	<a href="#">Click here for M-Reports</a>
Journal Entry	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word document</a>	N/A
Cash Handling (Cash/Checks)	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word document</a>	<a href="#">Click here for M-Reports</a>
Employee Travel & Expense (Concur)	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word document</a>	N/A
Human Subjects Incentive Program	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word document</a>	N/A
Financial Stewardship of Gifts	<a href="#">Click here for Excel document</a>	<a href="#">Click here for Word document</a>	<a href="#">Click here for M-Reports</a>
Capital Equipment *New for FY19*	<a href="#">Click here for Excel document</a>	Coming Soon!	N/A

## News

Compliance Hotline

[Click here](#) for a copy of all gap analysis tools.

Not Required for 2019 Certification	Gap Analysis Tool	Written Procedure Templates	Management Oversight Reports

- All oversight reports can be found on the Internal Control website: <http://www.finance.umich.edu/controls/tools>
- Some oversight reports are in **Business Objects** and some are in **MReports**
- A listing of additional internal control related reports is also available on the website

# Key Unit Operational Elements/Tasks

- Internal Controls Gap Analysis
- Written Procedure Documentation
- Management Oversight Reporting
- **Department Sub-Certification**

# What is Department Sub-Certification?

- **Provides support/basis** for Dean/Director/Vice President Certification

## Sub-Certification vs. Certification

Sub-certification is **performed at the department level** in order to support the Certification of Financial Results & Internal Controls that the Dean/VP/Director signs

## Sub-Certification Answers

- YES - All work completed...
- PARTIALLY - Completed some but not all work...
- NO - Have not yet started...

## Sub-Certification Completion

- Either complete via a **hard copy or on-line** in MReports
- Does not replace official unit hard-copy certification form to be signed by Deans/VPs/Directors and submitted to the Office of Internal Controls.

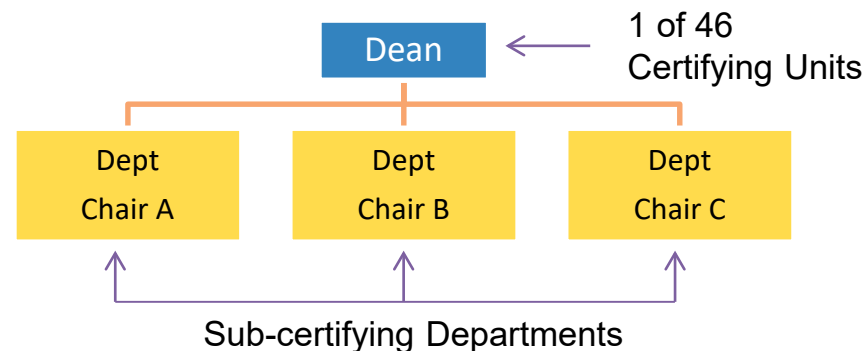


# What is Department Sub-Certification?

- Certification/Attestation Categories
  1. Stewardship
  2. Financial Results
  3. Internal Controls / Risk Management

## Examples

- ❑ Conflict of Interest
- ❑ Information Assurance
- ❑ “Red Flags” Identify Theft



# How to perform Department Sub-Certification

- Approver/Certifier can **log into MReports** and answer the Certification questions his/herself and then approve by checking the box
- Approver/Certifier could **appoint someone** else to answer the questions on their behalf. They would still need to log to confirm answers and approve.
- MReports requires **Duo Two-Factor Security**

Compliance  
Tab

Choose  
Dept ID

Sub-  
Cert

Dept ID	Dept Description	Approval Reminder	Status	Not Applicable	Approve	Approval Last Updated	Questionnaire Last Updated
<a href="#">415900</a>	Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">416000</a>	Air Force Officer Education Pg		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">417000</a>	Army Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">418000</a>	Navy Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">435113</a>	Graham Sustainability Inst.		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">496000</a>	Knight-Wallace Fellows		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">510000</a>	Ofc Provost & Exec VP Acad Aff		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">510200</a>	SACUA		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">512000</a>	Ofc Vice Prov Acad Grad Studie		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">513000</a>	VProv Digital Educational Init		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
<a href="#">513200</a>	Museum of Art		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		

# Internal Control Related Resources



- The Office of Internal Controls website: <http://www.finance.umich.edu/controls>
  - ❑ Provides guidance, support tools, and documents
  - ❑ Helps units across campus manage financial related processes
- Contact The Office of Internal Controls: <http://www.finance.umich.edu/controls/contact>
  - ❑ Brent Haase, Internal Controls Manager: 734.763.0260 or [haasebr@umich.edu](mailto:haasebr@umich.edu)
  - ❑ Kay Bressler, Internal Controls Data Analyst: 734.763-4369 or [bressler@umich.edu](mailto:bressler@umich.edu)
  - ❑ Emily Robert, Internal Controls Analyst: 734.615.0121 or [shiea@umich.edu](mailto:shiea@umich.edu)
- University Audits website: <http://www.umich.edu/~uaudits/>
- Compliance Resource Center website: <https://compliance.umich.edu/>
- Compliance Hotline website: <http://compliancehotline.umich.edu/>

