



The Annual Internal Controls Certification Process

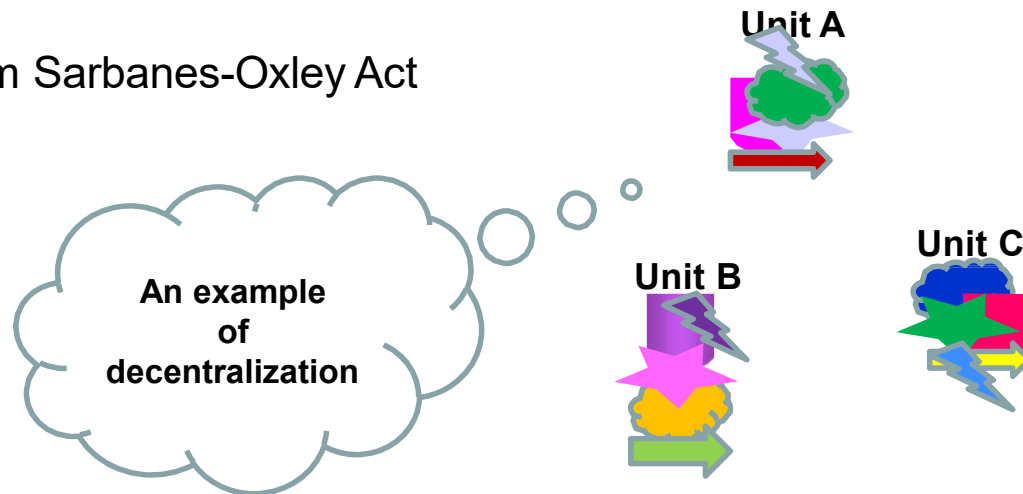


The Office of Internal Controls



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

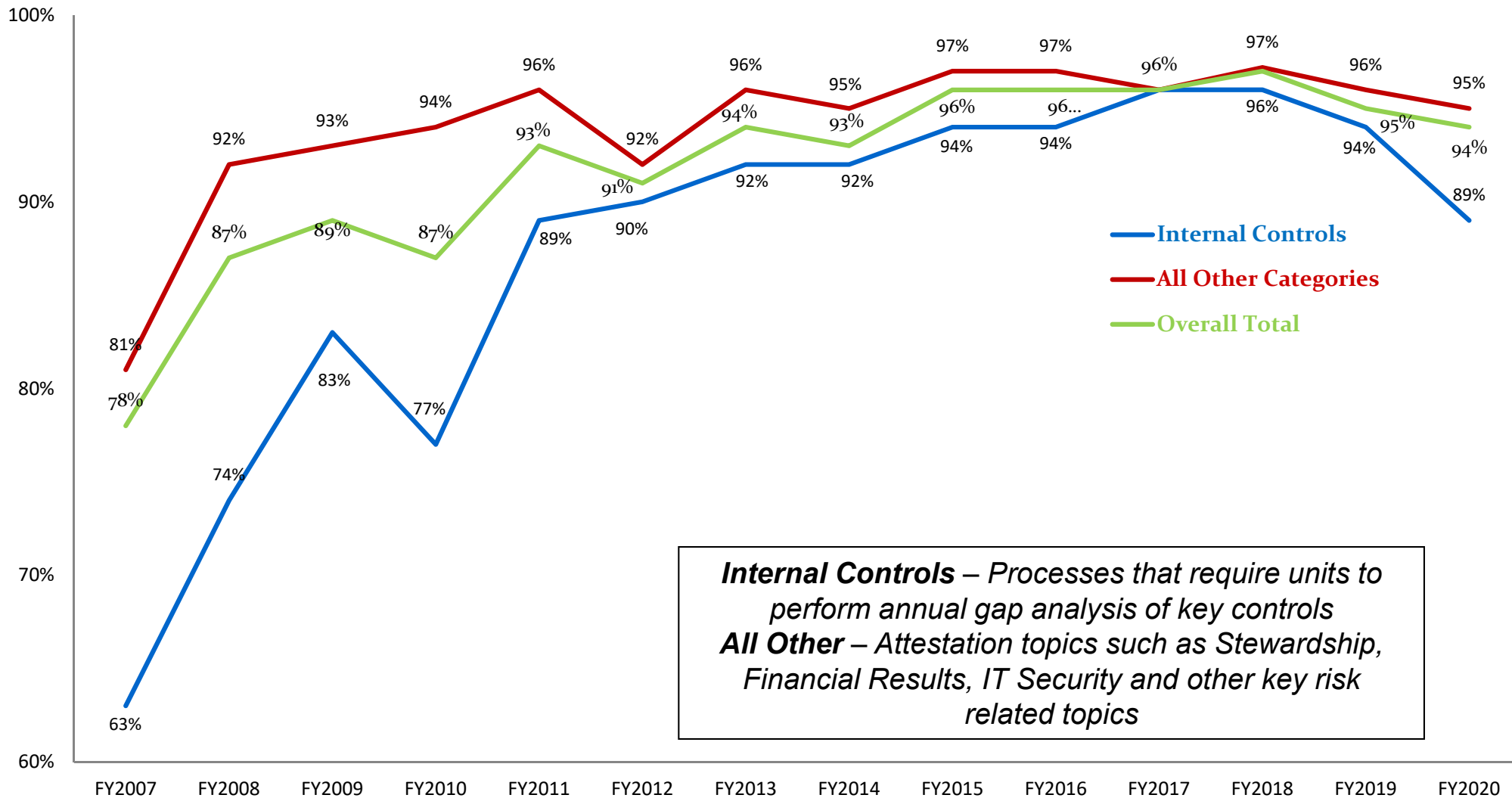
Early Sept

End Sept

November

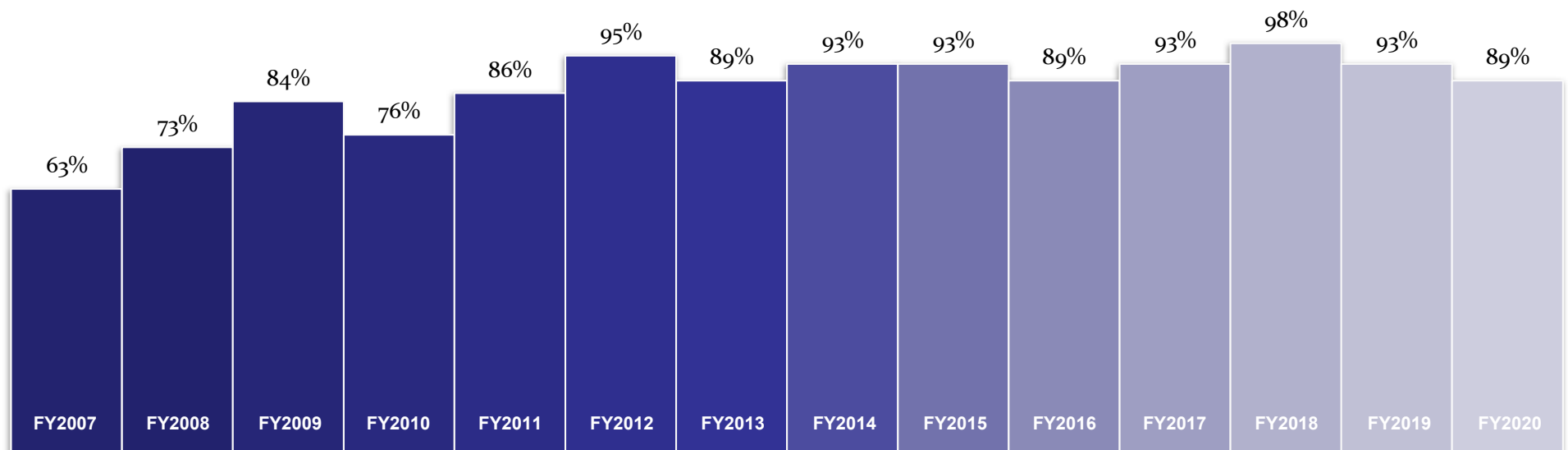
FY 2020 Unit Certification Results

Trend of “Yes” Responses



FY 2020 Unit Certification Results

"Yes" Responses – Employment Process*



*Employment was the only gap analysis process in scope for FY 2020. Other processes included in alternating year approach:

PCard	Travel & Expense
Cash Handling	Financial Aid
Journal Entries	Gift Cards
Capital Equipment	
Financial Stewardship of Gifts	
Human Subject Incentive Program	

"Yes" Response:

1st 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

Gap Analysis Process	FY2019	FY2020	FY2021	Comments
Employment	X	X	X	Annually - higher risk / significant materiality
Concur	X	Adjusted For Pandemic		Alternate Concur & P-Card
P-Card				Delete for FY21 (activity down 75%)
Cash / Checks	X			Alternate Cash/Checks & Credit Card
Credit Card			X	Alternate Cash/Checks & Credit Card
Gift Cards				Delete for FY21 (activity down 80%)
Journal Entry	X			Alternate Gift Cards & JE (lower risk processes)
Financial Aid			X	Alternate Every Other Year
HSIP	X			Alternate Every Other Year
Stewardship of Gifts	X			Alternate Every Other Year
Capital Equipment	X		X	Alternate Every Other Year (after 2020)

Notes:

- 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
- Units are still expected to have proper controls in place for all processes, even if not part of Annual Unit Internal Controls Certification

Departmental Gap Analysis Approach

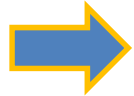
Department	Employment	P-Card	Journal Entries	Cash Handling	Gifts	Gift Cards	Employee Travel & Expenses (Concur)	Human Subject Incentive Payments (HSIP)	Unit Administered Financial Aid	Capital Equipment
Department 1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Department 2	✓	✓	✓	✓			✓			✓
Department 3	✓	✓			✓		✓			
Department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

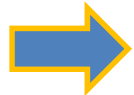
University of Michigan (Directional)

Employment



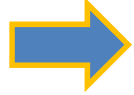
Process over **\$4.4 billion** in employee compensation annually

P-Card



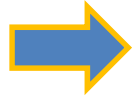
Approximately **6,000** P-Card holders with open cards across campus

Journal Entries



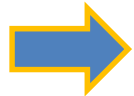
Process approximately **100,000** journal entries annually

Cash Handling



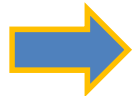
Processing over **30,000** departmental deposits, totaling over **\$500 million** annually

Gifts



Approximately **\$400 million** in gift fund balance
Approximately **\$320 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

1st 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

2nd Mechanism: Gap Analysis On-Line Tool in MReports

An example for the PCard process

Compliance Tab

Gap Analysis

The screenshot shows a web browser window with the URL <https://mreports.umich.edu/MReports/Pages/GapAnalysis.aspx>. The page title is "M-Reports: Gap Analysis". The browser's address bar shows the URL. The page has a navigation menu on the left with categories like "Dept Empl Comp", "Faculty Pay", "Staff Pay", "Overtime Pay", "Temp Pay", "Retro Pay", "Internal Controls Other Reports/Tools", "Gift Fund Analysis", "Cash Deposit Controls", "Credit Card Controls", "P-Card/T&E Controls", "Gap Analysis", "Sub-Certification", "Internal Controls Guides", "User Guide", "Access Validation", "Access Validation", "Secondary Security Report", "Other Useful Reports", "Gap Analysis Executive Summary", "Sub-Certification Executive Summary", "Pay History Analysis", and "FinMgmt Report Library". The "Compliance Tab" is selected in the top navigation bar. The "Gap Analysis" link is highlighted in the left sidebar. The main content area displays the "FY2015 GAP ANALYSIS BY DEPT - P-CARD - 415900 OFFICER EDUCATION PROGRAM". It includes a "P-Card" section with a status of "Employment *Includes Implementation of SSC* **Journal Entry - Revisions Pending - DO NOT ANSWER AT THIS TIME**". Below this are sections for "Cash Handling - Cash/Checks", "Cash Handling - Credit Card", "Gift Cards", "Employee Travel & Expense (Concur)", "Human Subjects Incentive Program", "Unit-Administered Financial Aid", and "Financial Stewardship of Gifts". The "Key Roles" section is also visible. The "P-CARD OWNER CRITERIA" section includes a question "Is Control in Place?" with radio buttons for "Yes", "No", and "NA". There are text input fields for "Comments:", "Corrective Action Plan:", and "Timing for Corrective Action Plan:". The page is displayed at 100% zoom.

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 University of Michigan procedure documents, illustrating written procedure documentation.

Document 1: P-Card Procurement

SECTION: Purchasing
SUBJECT: P-Card Management – Process Documentation
APPLIES TO: All P-Card Holders

NOTE: Changes for FY2012 are identified in red text

P-Card Procurement Overview
The objective of the P-Card management process is to ensure the use of the P-Card is consistent with University as well as local procurement guidelines

Activity	Responsibility	Reference/Comments
KEY ROLES Below is the criteria for supporting rationale for someone within the [insert name of school/college/unit/department] to be a P-Card holder, as determined by [insert appropriate person/position].		
TRAINING On-line training must be completed before a card is ordered for new card holders	P-Card Applicant	See http://finance.umich.edu/resources/newtraining/purchasing for P-Card Holder training.
P-CARD APPLICATION Obtain the P-Card Application, instructions, and Cardholder Agreement form from the Procurement Services web site.	P-Card Applicant	The application form and instructions can be found at: http://finance.umich.edu/resources/newtraining/purchasing
Complete the P-Card Application.	P-Card Applicant	The applicant must initial the summary information at the top.
Sign the P-Card Application. Read and sign the P-Card Cardholder Agreement once fully.	P-Card Applicant	

Document 2: Journal Entry Overview

SECTION: Financial Operations
SUBJECT: Processing of Journal Entries – Documented Procedures
APPLIES TO: All Direct General Ledger Entries

NOTE: Changes for FY2012 are identified in red text

Journal Entry Overview
Ensure accurate financial reporting and appropriate allocation of G... before a means to correct errors or allocate charges that the system...

Activity	Responsibility	Reference/Comments
[insert appropriate person/position]	Admin. Accountant, Data Processor, etc.	This is equivalent to the M-Pathways. An M... be completed and a cancel/revoke order to process https://accessregistry.michigan.edu/Home
[insert appropriate person/position]	Unit Liaison	
[insert appropriate person/position]	Department Manager, Accounting	This is equivalent to the "Authorizer" role in M-Pathways. Individuals should not be approving their own JE's

Document 3: Gift Card Process

SECTION: Purchasing
SUBJECT: Gift Cards – Process Documentation
APPLIES TO: Purchasing, ordering and disbursing of gift cards

NOTE: Changes for FY2012 are identified in red text

Gift Card Overview
The objective of the gift card process is to ensure all gift cards are obtained, tracked and distributed consistent with University guidelines.

Gift Card Process

Activity	Responsibility	Reference/Comments
PURCHASING-APPROVING In [insert name of school/college/unit/department], gift cards may be used for the following reason(s) situation(s): • [insert examples of gift card usage (e.g. employee recognition, patient reimbursement, etc.)]		
Determine the number of gift cards needed for a 30 day cycle.		
Purchase gift cards using [insert name of appropriate procurement method used (e.g. P-Card, etc.)]	[insert person(s) determining gift card usage purchasing gift cards]	
Reverses the gift card purchase to return it was appropriate and valid.	[insert person(s) reversing purchase]	
DISTRIBUTING-TRACKING Individuals handling gift cards should complete the cash handling training course - listed for the Treasury Department.	[insert person(s) approving purchase]	
	[insert gift card custodian]	
		Individuals should not be approving their own request/purchases of gift cards.

The AGILINC course number for the Cash Handling Course is TME101

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
KEY ROLES		
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]:		
TRAINING		
On-line training must be completed before a card is ordered for new card holders	PCard Applicant	See http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training for PCard training.
PCARD APPLICATION		
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 http://procurement.umich.edu/card-programs/purchasing-card-pcard/application-training .
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.)

Employment



Has time been entered timely and properly approved?

Are overtime, temp and retro pay reasonable?

P-Card



Are P-Card holders appropriate?

Are credit limits appropriate compared to spend levels?

Cash Handling



Have proper individuals taken cash handling training?

Are credit card merchants PCI compliant?

Concur



Are proper individuals approving expenses?

Are spending levels and patterns appropriate?

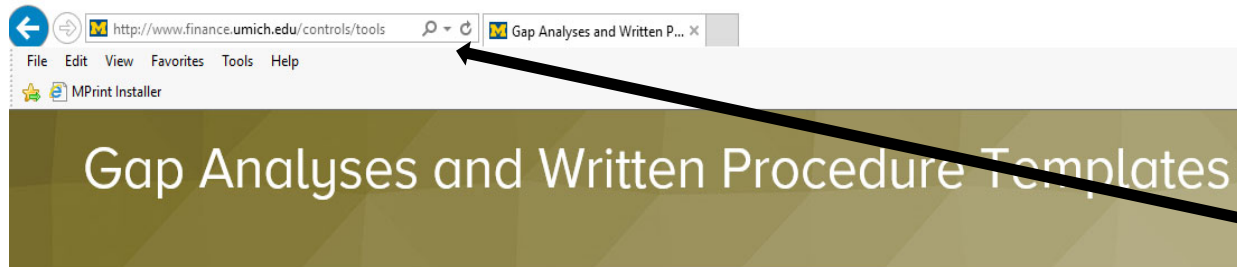
Gifts



Are there gift funds with negative balances?

Are gift balances being used?

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	Click here for Excel document	Click here for Word documents	Click here for M-Reports
Journal Entry	Click here for Excel document	Click here for Word document	N/A
Cash Handling (Cash/Checks)	Click here for Excel document	Click here for Word document	Click here for M-Reports
Employee Travel & Expense (Concur)	Click here for Excel document	Click here for Word document	N/A
Human Subjects Incentive Program	Click here for Excel document	Click here for Word document	N/A
Financial Stewardship of Gifts	Click here for Excel document	Click here for Word document	Click here for M-Reports
Capital Equipment *New for FY19*	Click here for Excel document	Coming Soon!	N/A

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

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

Compliance Hotline

- 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

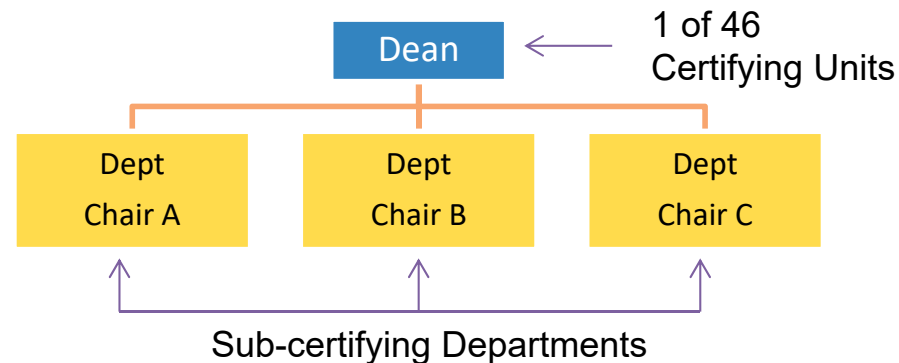
- Either complete via a **hard copy or on-line** in MReports
- Does not replace official unit hard-copy certification form to be signed by Deans/VPs/Directors and submitted to the Office of Internal Controls.

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

Sub-Certification

MY CRITERIA: EVPAA [Save] [Reset to Default] [Manage Criteria]

Departments: Academic & Budget Affairs, Academic & Educational Affairs, and more... (click here to update criteria)

FY2015 SUB-CERTIFICATION STATUS BY DEPARTMENT

2015 [All] [Printable Version]

Dept ID	Dept Description	Approval Reminder	Status	Not Applicable	Approve	Approval Last Updated	Questionnaire Last Updated
415900	Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
416000	Air Force Officer Education Pg		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
417000	Army Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
418000	Navy Officer Education Program		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
435113	Graham Sustainability Inst.		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
496000	Knight-Wallace Fellows		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
510000	Ofc Provost & Exec VP Acad Aff		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
510200	SACUA		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
512000	Ofc Vice Prov Acad Grad Studie		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
513000	VProv Digital Educational Init		Not Started	<input type="checkbox"/>	<input type="checkbox"/>		
513200	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
 - ❑ Kay Bressler, Internal Controls Data Analyst: (734)763-4359 or bressler@umich.edu
 - ❑ Cory Belote, Internal Controls Coordinator: (734)615-0121 or ctremp@umich.edu
- University Audits website: <http://www.umich.edu/~uaudits/>
- Compliance Resource Center: <https://ogc.umich.edu/compliance-resource-center/>
- Compliance Hotline: <https://compliance.umich.edu/report-a-concern/>



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