University of Wisconsin–Stout

Internal Control Plan
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Introduction

This Internal Control Plan is prepared in accordance with the delegation agreement signed between the State Controller and the University of Wisconsin System Administration (UW System Administration) entitled “Cooperative Agreement on Accounting, Auditing, and Internal Control Activities.” The framework of the plan is modeled on the University of Wisconsin System Internal Control Plan of 2005 and the University of Wisconsin – Milwaukee Internal Control Plan of 2008. For the most part, the processing of financial transactions takes place at UW-Stout and most of the relevant controls are exercised at that level. Therefore, UW System Administration will sign a delegation agreement with UW-Stout that is similar in content and format to the delegation agreement it has signed with the State Controller.

Every organization exists to achieve some purpose or goal. The University’s goals are outlined in its mission statement (page 5). It is the role of management to provide the leadership needed for the University to achieve its goals and objectives. Internal controls are a coordinated set of policies and procedures for achieving management objectives.

UW-Stout developed its Internal Control Plan effectively balancing risks and controls. Well-balanced risks and controls provide for “reasonable assurance” of attainment of financial and compliance goals. Balance can be achieved when internal controls are proactive, value-added, and cost effective.

The plan that follows is divided into five sections:

**Control Environment:** This section describes the mission, governance structure and strategic planning process followed by the University of Wisconsin-Stout (UW-Stout) as well as the organizational structure for UW-Stout. System-wide codes of conduct are referenced and information is provided relative to the preparation of financial statements and the conduct of financial and management audits. The Chancellor’s statement of support for internal accounting controls is provided in Appendix D.

**Risk Assessment:** This section lists the eight major processing cycles that have been identified by the UW Institutions and UW-Stout. Typical subcycles within each of these major cycles are listed in Appendix E. The UW institutions have adopted a common approach to assessing risks that is described in this section. The detailed instructions for completing the risk assessment are presented in Appendix G and an example of a completed risk assessment for UW-Stout’s revenue and disbursement subcycles is included as Appendix H.

**Control Activities:** As described in this section, internal control objectives have been defined for the revenue, disbursement (payroll and nonpayroll), and financial reporting cycles; the objectives for these three cycles are presented in Appendixes I, J, K, and L. The UW institutions have adopted a common approach to documenting internal controls that specifically identifies the control activities that are designed to meet each internal control objective and evaluate their effectiveness. This format for documenting internal control activities will be adopted as an adjunct to such documentation as may exist at present in procedure manuals, audit workpapers and other forms. In their initial internal control plan each UW institution will document control over its major source of revenue (academic student fees), local check writing process, and procurement card process in this format.

**Information and Communication:** This section describes the major means by which information about the internal control environment is communicated throughout the UW System. Communication can take such forms as policy manuals, financial reporting manuals, policy memoranda and scheduled staff meetings. Information provided should be appropriate in content, timely, current, accurate and accessible.
Monitoring: This section describes the process for monitoring the functioning of internal control systems. It is the responsibility of management to continually monitor control activities to ensure that they function properly and take the necessary action to resolve potential problems or weaknesses in a timely manner.
Control Environment

The University of Wisconsin System (UW System) was created on October 11, 1971 by Chapter 100, Laws of 1971, which combined two public university systems of the state under a single board of regents. It consists of 13 universities, 13 two-year colleges, the University of Wisconsin-Extension and System Administration. The control environment for the UW System as a whole is described below.

Mission and Strategic Planning

UW System

As established by section 36.01(2) of the Wisconsin Statutes the mission of the University of Wisconsin System is:

“… to develop human resources, to discover and disseminate knowledge, to extend knowledge and its application beyond the boundaries of its campuses, and to serve and stimulate society by developing in students heightened intellectual, cultural, and humane sensitivities; scientific, professional, and technological expertise and a sense of purpose. Inherent in this broad mission are methods of instruction, research, extended training, and public service designed to educate people and improve the human condition. Basic to every purpose of the system is the search for truth.”

Long-range planning and future development of the institutions are carried out in accordance with specific missions for each institution adopted in 1974 and revised in 1988 after public hearings throughout the state.

Select Mission of the University of Wisconsin–Stout

In addition to the system mission, the University of Wisconsin–Stout has the following select mission:

University of Wisconsin-Stout, as a special mission institution, serves a unique role in the University of Wisconsin System. UW-Stout is characterized by a distinctive array of programs leading to professional careers focused on the needs of society. These programs are presented through an approach to learning which involves combining theory, practice and experiment. Extending this special mission into the future requires that instruction, research and public service programs be adapted and modified as the needs of society change.

(a) The university offers undergraduate programs leading to professional careers in industry, commerce, education and human services through the study of technology, applied mathematics and science, art, business, industrial management, human behavior, family and consumer sciences, and manufacturing-related engineering and technologies.

(b) The university integrates the humanities; arts; and natural, physical and social sciences into its undergraduate programs. Experiences in these areas provide a foundation for the major field of study, promote continuing personal and professional growth, and prepare the student to deal constructively with issues and opportunities of the future. The university places special emphasis upon student development.

(c) The university’s programs center on human development and interpersonal relationships, efficient and effective practices in industry, commerce, education and human services and the relationships of individuals to their environment and to society.
(d) The university develops new educational strategies, provides opportunities to learn through involvement and experimentation, and creates a climate of inquiry. The university experiments with new instructional methods in the interest of improving the learning process.

(e) The university expects scholarly activity including research, scholarship, development and creative endeavor that supports its programs at the baccalaureate level, its select graduate programs and its select mission.

(f) The university, through outreach and public service, addresses the needs of society and contributes to the welfare of the state and to its economic and technological development and cooperates with University of Wisconsin-Extension.

(g) The university cooperates with the other University of Wisconsin institutions; the Wisconsin Technical College System, and other state and national agencies; and participates in statewide, national, and international programs.

**Governance**

As provided in Chapter 36 of the Wisconsin Statutes, primary responsibility for the governance of the system is vested in the Board of Regents which is responsible for establishing policies and rules for governing the system, planning to meet future needs of the state for collegiate education, setting admission standards and policies, reviewing and approving university budgets and establishing the regulatory framework within which the individual units are allowed to operate with as great a degree of autonomy within the controlling limits of system-wide policies and priorities established by the board.

**Organizational Structure**

**UW System**

The Board of Regent appoints the president of the system, the chancellors of the 13 universities, UW Extension and UW Colleges, and the deans who head each of the 13 two-year colleges. The President and Chancellors are charged with implementing regent policies and with administration and operation of the institutions. UW System Administration is responsible to the president and assists the Board of Regents in establishing policies, reviewing the administration of policies and planning the programmatic, financial and physical development of the system. As executive heads of their respective faculties and institutions, the Chancellors are responsible for the administration of their units including curriculum design, degree requirements, academic standards, grading system, faculty appointments, auxiliary services and budget management. Faculty, academic staff and students share in the governance of the institutions as provided by law subject to the responsibilities and powers of the board, the President and Chancellors.

The President of the UW System is served by three vice presidents, including an executive senior vice president and deputy for administration, a senior vice president and deputy for academic affairs, and a vice president for finance. The President is also served by legal counsel and by an associate vice president for budget and planning. Each vice president is responsible for formulating, interpreting and implementing policies within his/her assigned area of responsibility, and for a level of institutional oversight which is respectful of the autonomy provided each UW institution by law. Responsibility for the major business functions of the UW System is divided among two vice presidents. The vice president for finance is responsible for accounting, internal audit, trust funds management, purchasing, and risk management. The executive senior vice president and deputy for administration is responsible for human resources and government relations. Another cabinet officer, the associate vice president for budget and planning, is responsible for both development of the capital and operating budgets. Responsibility for learning and information technology resides with the senior vice president and deputy for academic affairs. (See Appendix A for a high-level UW System Administration organization chart.)
UW-Stout

The Chancellor of UW–Stout is served by a special assistant, three Vice Chancellors, including Provost and Vice Chancellor, Vice Chancellor for University Advancement and Marketing and Vice Chancellor for Administrative and Student Life Services as well as the Chief Information Office and an assistant for Equal Opportunity/Affirmative Action. (See Appendix B for an executive level UW-Stout organization chart.) The Chief Financial Officer is the Vice Chancellor for Administration and Student Life Services. The Controller reports to this position. The UW-Stout Office of the Controller services the University community in achieving its primary purpose of instruction, research and public service. It strives for open and honest communication, respects others’ values and viewpoints and works cooperatively in a diverse, multi-cultural environment. The Office of the Controller is charged with the responsibility to define, document, implement, and communicate fiscal policy, account for resources and to issue financial reports. The Office attempts to meet accountability requirements while remaining responsive to the needs of students, faculty and staff at UW-Stout. The Controller’s staff is committed to satisfying customer’s needs with quality service.

The Controller’s Office is responsible for the following functions:

- Accounting and Financial Reporting
- Accounts Payable
- Travel Management
- Contingent Fund Services
- Cashiering Services
- Student Account billing & collecting
- Financial Aid Distributing
- Student Loan Accounting
- Accounts Receivable
- Purchasing
- Surplus Property
- Asset Management

Code of Conduct

Chapter 19.45 Wisconsin Statutes governs university employees’ standard of conduct. It is further codified by Wisconsin Administrative Code, Rules of the Board of Regents – UWS 8; and chapter 24 of the Employment Relations Merit Recruitment and Selection manual.

Financial Statements

The University of Wisconsin System publishes an Annual Financial Report containing statements prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants’ Audit and Accounting guide Audits of Colleges and Universities. These financial statements are audited by the State of Wisconsin’s Legislative Audit Bureau (LAB). Additionally, the University of Wisconsin System, as a member of the National Association of College and University Business Officers (NACUBO), complies with their accounting standards and practices.

The financial statements do not include the accounts of the UW Hospital and Clinics Authority (UWHCA), a legally separate public authority, except as described in a note to the financial statements describing the effect of the various affiliation and operating agreements between the UW System and UWHCA. The financial statements do not include the accounts of various legally independent and fully self-governing support organizations such as foundations, booster clubs, and alumni groups; funds contributed to the UW System by these organizations are reported at the time they are received and expended. Post-retirement benefit plans for UW System employees are administered by the State of Wisconsin’s Department of
Employee Trust Funds. The assets and liabilities of these programs are reported by the State of Wisconsin and not by the UW System.

Audit

The financial statements of the UW System are audited by the Legislative Audit Bureau (LAB). Therefore, additional audit work is performed beyond what would otherwise be required based only on inclusion in the State of Wisconsin’s Comprehensive Annual Financial Report. In addition, the LAB performs an organization-wide audit of the UW System in compliance with the federal government’s requirements under OMB Circular A-133. This audit is in conjunction with all State of Wisconsin agencies.

UW System Administration’s Office of Operations Review and Audit is responsible for providing objective review and analysis to assure that UW System programs, policies and practices are conducted in accordance with state and federal law and Board of Regents policy. Reporting through the Vice President for Finance, the Director of Operations Review and Audit is responsible directly to the Board of Regents and provides regular reports to the Audit Subcommittee of the Business and Finance Committee. In recent years the Office of Operations Review and Audit has, at the direction of the Board of Regents, concentrated on programmatic and management audits.

UW Stout is served by one internal auditor. By agreement with the Vice President for Finance, the institutional auditor performs certain financial audits formerly performed by UW System Administration’s Office of Operations Review and Audit. UW System Administration’s Office of Operations Review and Audit coordinates training opportunities for auditors located at the UW institutions and works with the institution auditors to ensure audits are performed in certain core areas, including cash handling and auxiliary operations.

Chief Executive Officer’s Statement of Support

The Chancellor of UW-Stout’s Statement of Support for Internal Accounting Controls is included as Appendix D.
Risk Assessment

Transaction Cycles

The UW institutions have identified the following major transaction cycles pertinent to their operations:

- Revenue Cycle
- Disbursements Cycle
- Cost Allocations Cycle
- Property Control Cycle
- Cash and Investments Management Cycle
- Budget Management Cycle
- Debt Management Cycle
- Financial Reporting Cycle

Transaction Subcycles

Typical subcycles within each of these major cycles are listed in Appendix E.

Weighting of Risk Factors

Each institution has performed a risk assessment for its own revenue and expenditures subcycles using a common methodology which is based on weighting of five different factors:

1. The materiality of the dollars associated with that type of transaction (40%);
2. Known problems such as inadequate separation of duties, prior audit findings, etc. (20%);
3. Time elapsed since last audit coverage of the subcycle (10%);
4. Management/process factors such as complexity of the operation, recent changes in process, personnel turnover, management quality, prior history, quality of internal controls (to the extent known), source of input, degree of automation, impact of inadequate controls, etc.; (20%) and,
5) Public factors such as political sensitivity the potential impact of adverse publicity; regulatory or compliance concerns (10%).

For each subcycle a rating from one to five is assigned to each of these risk factors where 1 is “essentially no risk,” 2 is “little risk,” 3 is “average risk,” “4 is high risk,” and 5 is “maximum risk.” The ratings assigned are then weighted by the percentages shown above to determine an overall measurement of risk.

Each institution has completed a risk assessment for its revenue and disbursement subcycles. See Appendix G for instructions to institutions on risk assessment and Appendix H for an example of one such completed assessment. The risk assessment for the revenue and disbursement cycles will be updated on an ongoing basis. Risks will be similarly assessed and documented for other cycles in future internal control plans.
Control Activities

For the most part, the processing of financial transactions takes place at each of the UW institutions and most of the relevant controls are exercised at that level. In some cases, additional controls are exercised either by the UW Processing Center (which posts transactions originating at individual UW institutions to a systemwide transaction database) or by UW-System Administration (particularly, as it relates to setting policy).

Control objectives have been established for revenue, disbursement and financial reporting cycles. 1 Revenue cycle control objectives are identified in Appendix I. Disbursements cycle control objectives have been segregated into payroll subcycle, Appendix J, and non-payroll subcycle, Appendix K. Financial reporting control objectives are identified in Appendix L. The other major cycles will be documented in future internal control plans.

To assess and document the internal control objectives, the UW institutions have agreed upon a format with categories for Control Objective, Risk If Objective Is Not Met, Control Activities, and Evaluation and Conclusions. For this initial control plan, each institution has documented its internal controls over its major source of revenue (academic student fees) and over its local checkwriting process in this format. See Attachment M for an example of one institution’s format for evaluation of controls over academic student fees.

This format for documenting internal control activities will be adopted as an adjunct to such documentation as may exist at present in procedure manuals, audit workpapers and other forms. Clearly, given the number of subcycles that have been defined, documenting internal controls in a prescribed format will be a significant undertaking for each UW institution. This will be accomplished by institution internal auditors during the course of their normal audit schedule and will be undertaken with a view toward the overall risks associated with each subcycle as identified in the Risk Assessment section of the plan.

Future internal control plans will report on newly documented subcycles and on updates to previously documented subcycles.

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1 The Arthur Andersen publication *A Guide for Studying and Evaluating Internal Accounting Controls* (January 1978) was used extensively as an aid in identifying these internal control objectives for these cycles.
Information and Communication

Information and communication are the identification, capture, exchange of information in a form and time frame that enable people to carry out their responsibilities, and are essential to affecting control.

Information systems produce reports containing operational, financial, and compliance-related information that management utilizes to manage and control the organization. Formal information and communication systems include sophisticated computer technology to simple staff meetings to provide input and feedback data relative to operations, financial reporting, and compliance objectives. Informal information and communication systems include conversations with customers, suppliers, regulators and employees that provide critical information needed to identify risks and opportunities.

Each UW institution will include the following information and communication activities in their internal control plan:

- Accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both.
- Adequate source documentation exists to support amounts and items reported.
- Recordkeeping system is established to ensure that accounting records and documentation retained for the time period required by applicable requirements; such as provisions of laws, regulations, contracts or grant agreements applicable to specific programs.
- Reports provided timely to managers for review and appropriate action.
- Accurate information is accessible to those who need it.
- Reconciliations and reviews ensure accuracy of reports.
- Established internal and external communication channels.
  - Staff meetings.
  - Bulletin boards.
  - Memos, circulation files, email.
  - Surveys, suggestion box.
- Employees’ duties and control responsibilities effectively communicated.
- Channels of communication for people to report suspected improprieties established.
- Actions taken as a result of communications received.
- Established channels of communication.

Each UW institution has the responsibility to ensure that information about the organization’s plans, control environment, risks, control activities, and performance is communicated up, down, and across campus organizational.

Information related to internal control activity is communicated primarily via the internet. Documents including but not limited to the Preaudit Manual; Financial and Administrative Policies; Financial Reports; Financial Reporting Due Dates; UW System Shared Financial System; as well as links to other external financial sites can be accessed on the UW System Financial Administration web page: http://www.uwsa.edu/fadmin/.

Financial administration policies which specifically address internal control issues include:

- Purchasing Responsibility and Authority (G8)
- Uninsured Personal Property Losses or Damages (F41)
- Breach of Fiscal Integrity (F16)
- Loss Fund Operations (F35)
Monitoring

Monitoring is the process that assesses the quality of internal control performance over time. Management’s role in monitoring the internal control system is critical to its effectiveness.

Each UW institution will include the following monitoring activities in their internal control plan:

- Ongoing monitoring built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports.
- Periodic site visits performed at decentralized locations and checks performed to determine whether procedures are being followed as intended.
- Follow up on irregularities and deficiencies to determine cause.
- Internal quality control reviews performed.
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
- Internal audit routinely tests for compliance with Federal, State, and UW System requirements.
- Management reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action.

Management will focus their monitoring activities on high-risk areas. Internal control systems will be monitored during the course of scheduled UW System internal audits, are routinely subject to assessment by external audit entities, and also in connection with audits performed by institution internal auditors including, but not limited to, the periodic review of transactions or basic sampling techniques to provide a reasonable level of confidence that controls are functioning.

In addition, once every three years, in accordance with the Cooperative Agreement on Accounting and Internal Accounting Control Activities between the Department of Administration and the University of Wisconsin System, the Vice President for Finance will certify to the State Controller’s Office that the internal accounting controls at each institution have been reviewed and any material weaknesses in those controls has been corrected. Plans to correct weaknesses will also be communicated to SCO.
Appendix D

Statement of Support for Internal Accounting Controls
University of Wisconsin-Stout

Recognizing that a vital component of UW-Stout’s mission is to safeguard its assets and ensure the proper use of resources, the chief administrative officers of UW-Stout accept responsibility for the implementation and utilization of this Internal Control Plan.

I affirm the University of Wisconsin-Stout’s total and ongoing commitment to implementing and maintaining appropriate safeguards over the financial assets placed in our care.

Ed Nieskes
Director, Business and Financial Services

Diane Moen
Vice Chancellor, Administrative and Student Life Services

Charles W. Sorensen
Chancellor
Appendix E

UW System Institutions: Typical Subcycles

Disbursement Cycle

Payroll and Fringe Benefits Subcycle
  Unclassified Payroll
  Classified/LTE Payroll
  Student Payroll

Payroll Adjustments/Special Payrolls

Vendor Payments Subcycle
  Check with order
  Paid by contingent fund check
  Paid by state check
  Petty cash fund disbursements
  Blanket order purchases
  Procurement fund purchases

Construction Payments Subcycle

Financial Aid Subcycle

Disbursements of Outlying Operations Subcycle

Study abroad and foreign research programs

Cost Allocations Cycle:

GPO Pool Cost Distribution

Chargeback Operations
  Various subdivisions

Centralized Services Chargeback to Auxiliary Operations

Indirect Costs/Overhead

Property Control Cycle:

Land and Buildings

Library Holdings

Special Collections

Capital Equipment

Non-capitalized Equipment

Retail Sales Inventory
Physical Plant Supplies Inventory

Property Control Cycle (continued):

Stores

Other Supplies Inventories

Cash and Investment Management Cycle:

Bank and Custodial Accounts
  Deposit Accounts
  Contingent Fund Accounts
  Change and Petty Cash Funds
  Agency Accounts

Endowment

Budget Management Cycle:

GPR appropriations

PR appropriations

Debt Management Cycle:

Capital Leases

Installment Purchases

Building Corporations

State of Wisconsin General Obligation Bonds
  Academic Facilities (GPR supported)
  Self Amortizing (PR supported)

Financial Reporting Cycle:

Management Reporting

Grant and Contract Reporting

GAAP Basis Financial Reporting
  Current Funds
  Loan Funds
  Endowment Funds
  Plant Funds
  Agency Funds
Appendix E (continued)
UW System Institutions: Typical Subcycles

Revenue Cycle:

Academic and Segregated Fees Subcycle
  Credit Instruction
  Outreach Instruction

Auxiliary Operations Subcycle
  Residence Halls (room and board)
  Dining facilities
  Student Center activities
    Food service
    Conferences and registrations
    Student organizations
    Activities/Programming
  Bookstore
  Textbook Rental
  Parking
  Camps
  Ticket Sales
  Space and Facility Rentals
  Other

Service Centers Subcycle
  Stores
  Physical Plant
  Fleet
  Copy Centers

Sales and Services of Educational Activities Subcycle
  Conferences
  Field Stations and Farms

Sponsored Projects Subcycle
  Federal grants and contracts
  State grants and contracts
  Private grants and contracts

Contract Services Revenue Subcycle
  Dining
  Bookstore

Gift Subcycle

Investment Income Subcycle
Appendix F
UW-Stout: Typical Subcycles

Revenue Cycle:

Academic and Segregated Fees Subcycle
  Credit Instruction
  Outreach Instruction
  Study Abroad
  Laptop Fees
  Seg Fees

Auxiliary Operations Subcycle
  Residence Halls (room and board)
  Dining Services
  Student Organizations
  Activities/Programming
  Catering
  Parking
  Camps
  Ticket Sales
  Space and Facility Rentals
  Athletics
  Shoppes@Stout
  Surplus
  University Recreation

Service Centers Subcycle
  Stores
  Physical Plant
  Fleet
  Copy Centers
  Mail Services

Sales and Services of Educational Activities Subcycle
  Conferences

Sponsored Projects Subcycle
  Federal grants and contracts
  Non federal grants and contracts
  TAPS

Contract Services Revenue Subcycle
  Bookstore
Appendix F (continued)
UW-Stout: Typical Subcycles

Disbursement Cycle

Payroll and Fringe Benefits Subcycle
- Unclassified Payroll
- Classified/LTE Payroll
- Student Payroll
- Payroll Adjustments
- Fringe Benefits
- Salary Cash Transfers

Vendor Payments Subcycle
- Invoice Payments
- Procurement card purchases
- Wire Transfers/ACH
- Travel Expenses
- IIA’s
- Laptop Lease
- ASSA’s

Financial Aid Subcycle
- Returns
- Student Refunds

Cost Allocations Cycle:

System Invoice Payment Allocations

Centralized Services Chargeback to Auxiliary Operations

Indirect Costs/Overhead

Property Control Cycle:

Land and Buildings

Library Holdings

Special Collections

Capital Equipment

Non-capitalized Equipment

Retail Sales Inventory

Physical Plant Supplies Inventory

Stores Inventory
Appendix F (continued)
UW-Stout: Typical Subcycles

Surplus Inventory

Other Supplies Inventory

**Cash and Investment Management Cycle:**

Bank and Custodial Accounts
  - Deposit Accounts
  - Contingent Fund Accounts
  - Change
  - Agency Accounts
  - Flex Line Accounts

**Budget Management Cycle:**

GPR appropriations
  - Fund 102
  - Fund 109
  - Fund 114
  - Fund 118

PR appropriations
  - Fund 123
  - Fund 131
  - Fund 133
  - Fund 150

Other Appropriations
  - Fund 144
  - Fund 145
  - Fund 147
  - Fund 148
  - Fund 990
  - Fund 991
Appendix G
Risk Assessment Instructions

1. Define revenue and expenditure subcycles as appropriate for your institution. The list provided is merely illustrative.

2. For each subcycle rank each risk factor from 1 - 5 where: 1 is "essentially no risk;" 2 is "little risk;" 3 is "average risk;" 4 is "high risk;" and 5 is "maximum risk."

   The individual risk factors are defined as follows:

   - Materiality -- The relative magnitude of revenue or disbursements processed through this subcycle.
   - Known problems – An example of this would be known internal control weaknesses such as inadequate separation of duties or adverse prior audit findings.
   - Recency of prior audit -- Assuming the audit included a positive assessment of the adequacy and functioning of internal controls, a recent audit reduces the risk factor assigned (subject to known changes since the audit).
   - Management / Process factors -- Includes:
     - Impact of inaccurate data, adverse activity, service delays
     - Complexity of the operation
     - Quality of internal controls (to the extent known)
     - Management quality
     - Prior history
     - Personnel turnover
     - Recent changes to process
     - Sources of input
     - Degree of automation
     - Opportunities for improvements / cost savings
     - Management's preference/interest in reviewing
   - Public factors -- Includes:
     - Impact of adverse publicity
     - Political sensitivity
     - Regulatory / compliance concerns

3. Determine the overall risk factor for the subcycle by weighing the individual factors as follows: materiality 40%; known problems 20%, recency of prior audits 10%; management/process factors 20%; public factors 10%. A formula to calculate this composite risk factor has been entered on the template.
# Appendix H

## Risk Assessment for Revenue Subcycles at UW - STOUT

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### Assessment of Risk

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25
## Appendix H (continued)

Risk Assessment for Revenue Subcycles at UW-Stout

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### DISBURSEMENTS SUBCYCLE

Payroll and Fringe Benefits Subcycle

- Unclassified Payroll: 4 2 2 2 4 3
- Classified/LTE Payroll: 4 2 2 2 4 3
- Student Payroll: 4 2 2 2 4 3
- Payroll Adjustments: 1 1 1 2 3 1.4
- Fringe Benefits: 4 2 2 2 4 3
- Salary Cash Transfers: 2 3 3 2 2 2.3

Vendor Payment Subcycle

- Invoice Payments: 5 2 3 3 4 3.7
- Pcard Purchases: 5 2 3 2 4 3.5
- Wire Transfers/ACH: 2 2 3 1 2 1.9
- Travel Expenses: 3 2 3 2 3 2.6
- IIA’s: 1 2 3 2 2 1.7
- Laptop Lease: 4 2 3 2 4 3.1
- ASSA’s: 1 3 3 3 2 2.1

Financial Aid Subcycle

- Returns: 3 2 3 2 4 2.7
- Student Refunds: 5 2 3 2 4 3.5
### Appendix H (continued)

Risk Assessment for Revenue Subcycles at UW-Stout

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Risk Assessment for Revenue Subcycles at UW - STOUT

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### Appendix H (continued)

Risk Assessment for Revenue Subcycles at UW-Stout

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**Cash & Investment Management Cycle**

Bank and Custodial Accounts

- Deposit Accounts
- Contingent Fund
- Change Funds
- Agency Accounts
- Flex Line Accounts
### Appendix H (continued)

Risk Assessment for Revenue Subcycles at UW-Stout

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#### BUDGET SUBCYCLES:

**GPR appropriation Subcycle:**

- Fund 102 Carryover: 4 2 3 2 3 3
- Fund 109 - Energy Costs: 4 3 3 2 2 3.1
- Fund 114 - Lab Mod: 2 2 3 2 2 2.1
- Fund 118 - Ind/Econ Devl Res: 1 2 3 2 2 1.7

**PR appropriations:**

- Fund 123 - Principal Repaymt: 4 2 3 2 2 2.9
- Fund 131 - carry forward: 4 2 3 2 2 2.9
- Fund 133 - Gifts: 4 3 3 3 3 3.4
- Fund 150 - Fed IDC: 3 2 3 3 3 2.8

**Other appropriations:**

- Fund 144 - Fed Aid: 5 3 3 4 4 4.1
- Fund 145 - Workstudy: 5 3 3 4 4 4.1
- Fund 147 - Stdnt Loans: 5 3 3 4 4 4.1
- Fund 148 - Pell: 5 3 3 4 4 4.1
- Fund 990 - Revenue Clearing: 5 2 3 4 4 3.9
- Fund 991 - Travel Advance: 2 2 3 2 2 2.1
Appendix I
Control Objectives for Revenue Cycle

Authorization objectives:
1. Students/Customers should be authorized in accordance with management’s criteria.
2. Fees for services should be authorized in accordance with management’s criteria.
3. Adjustments to revenues, and account distributions should be authorized in accordance with management’s criteria.
4. Processing procedures should be established and maintained in accordance with management’s criteria.

Transaction processing objectives:
1. Only students/customers who meet management’s criteria should be accepted or approved before services are provided.
2. Each authorized application should be accurately processed in a timely fashion.
3. All, and only, services provided should result in a billing.
4. Each billing should be prepared accurately and promptly.
5. Accountability for cash items received should be established before the cash can be misdirected.
6. Billings should be accurately and promptly classified, summarized, and reported.
7. Costs of services provided and related expenses should be accurately and promptly classified, summarized and reported.
8. Cash items received should be accurately and promptly classified, summarized and reported.
9. Adjustments to revenues, costs distributions, student/customer accounts and account distributions should be accurately and promptly classified, summarized and reported.
10. Billings, collections and related adjustments should be accurately applied to the proper accounts.

Classification objectives:
1. Journal entries should be prepared each accounting period for billings, costs of services and service-related expenses, cash items received and related adjustments.
2. Revenue journal entries should summarize and classify activities in accordance with management’s plan.
3. Tax information derived from revenue activities should be accurately and promptly reported.

Substantiation and evaluation objectives:
1. Recorded balances of accounts receivable and related transaction activity should be periodically substantiated and evaluated.

Physical safeguard objectives:
1. Access to cash and cash items received should be permitted only in accordance with management’s criteria until control is turned over to the treasury cycle.
Appendix I (continued)
Control Objectives for Revenue Cycle

2. Access to billing, cash collection, and receivable records; critical forms; processing areas; and processing procedures should be permitted only in accordance with management’s criteria.
Appendix J
Control Objectives for Disbursement Cycle – Payroll

Authorization objectives:

1. Employees should be hired in accordance with State/UW rules and criteria.
2. Compensation rates and payroll deductions should be authorized in accordance with State/UW rules and criteria.
3. Adjustments to payroll disbursements, employee accounts, and account distributions should be authorized in accordance with State/UW rules and criteria.
4. Processing procedures should be established and maintained in accordance with management’s criteria.

Transaction processing objectives:

1. Only those requests that meet State/UW rules and criteria should be approved.
2. Labor used should be accurately and promptly reported.
3. Amounts due to, or on behalf of, employees and the accounting distribution of such amounts, should be computed accurately and recognized as liabilities promptly.
4. Each payroll-related disbursement of cash should be based upon a recognized liability, be accurately prepared, and be appropriately authorized.
5. Amounts due to, or on behalf of, employees should be accurately and promptly classified, summarized, and reported.
6. Payroll disbursements and payroll-related adjustments should be accurately and promptly classified, summarized and reported.
7. Compensation for labor services, payroll disbursements, and related adjustments should be accurately applied to the proper employees’ accounts and related subsidiary ledgers.

Classification objectives:

1. Journal entries for amounts due to, or on behalf of, employees, payroll disbursements, and related adjustments should be prepared each accounting period.
2. Tax information derived from payroll activities should be accurately and promptly reported.

Substantiation and evaluation objectives:

1. Recorded balances of payroll-related accounts, and related transaction activity, should be periodically substantiated and evaluated.

Physical safeguard objectives:

1. Access to personnel, payroll and disbursement records; critical forms; processing areas; and processing procedures should be permitted only in accordance with management’s criteria.
Appendix K
Control Objectives for Disbursement Cycle – Non Payroll

Authorization objectives:
1. Vendors should be authorized in accordance with management’s criteria.
2. The types, estimated quantities, and prices and terms of goods and services needed should be authorized in accordance with management’s criteria.
3. Adjustments to cash disbursements, vendor accounts, and account distributions should be authorized in accordance with management’s criteria.
4. Processing procedures should be established and maintained in accordance with management’s criteria.

Transaction processing objectives:
1. Only those requests of vendors for goods or services that meet management’s criteria should be approved.
2. Only requested goods and services should be accepted.
3. Goods and services accepted should be accurately and promptly reported.
4. Amounts due to vendors for goods and services accepted, and the accounting distribution of such amounts, should be computed accurately and recognized as liabilities promptly.
5. Each disbursement of cash for goods and services accepted should be based upon a recognized liability, be accurately prepared and be appropriately authorized.
6. Amounts due to vendors should be accurately and promptly classified, summarized, and reported.
7. Cash disbursement and purchasing-related adjustments should be accurately and promptly classified, summarized and reported.
8. Liabilities incurred, cash disbursements, and related adjustments should be accurately applied to the proper vendors’ accounts.

Classification objectives:
1. Journal entries for amounts due to vendors, cash disbursements, and related adjustments should be prepared each accounting period.
2. Purchasing journal entries should summarize and classify economic activities in accordance with management’s plan.
3. Tax information derived from purchasing activities should be accurately and promptly reported.

Substantiation and evaluation objectives:
1. Recorded balances of accounts payable, and related transaction activity, should be periodically substantiated and evaluated.
Appendix K (continued)

Control Objectives for Disbursement Cycle – Non Payroll

Physical safeguard objectives:

1. Access to purchasing, receiving, and disbursement record; critical forms; processing areas; and processing procedures should be permitted only in accordance with management’s criteria.
Appendix L
Control Objectives for Financial Reporting Cycle

Authorization objectives:

1. Journal entries should be authorized in accordance with management’s criteria.

2. Financial reporting cycle processing procedures should be established and maintained in accordance with management’s criteria.

Transaction processing objectives:

1. Only those journal entries that meet management’s criteria should be approved.

2. Journal entries should be prepared accurately and promptly.

3. Relevant disclosure data should be gathered accurately and promptly.

4. Relevant disclosure data should be accurately summarized and reported.

5. All approved journal entries should be accurately posted to the proper general ledger accounts.

6. General ledger balances should be accurately and promptly reported.

7. Translation and consolidation of financial reports should be accomplished accurately and promptly.

Classification objectives:

1. Financial reporting journal entries should classify economic activities in accordance with management’s plan.

Substantiation and evaluation objectives:

1. Reports should be prepared accurately and promptly, be prepared on consistent bases, and fairly present the information they purport to display.

Physical safeguard objectives:

1. Access to accounting and financial records, critical forms, processing areas, and processing procedures should be permitted only in accordance with management’s criteria.
Appendix M
Worksheet for Evaluating Control Objectives and Activities
University of Wisconsin-Stout

Cycle: Revenue
Subcycle: Academic and segregated fees for credit instruction

Objectives
1. Only qualified students are admitted.

Risk factors
A. Failure to comply with faculty, UW System and Board of Regent policies.
B. The University’s reputation could be damaged.
C. Students may fail coursework at an unacceptable level.
D. Student athletes may be in violation of NCAA rules.
E. The University may violate federal regulations (e.g., INS, Department of Education, financial aid, etc.).

Control activities
1. Student credentials come directly from third parties

Evaluation and conclusions
1. All admitted students are properly categorized as to standing and status (e.g., undergraduate, graduate, resident, nonresident, Minnesota resident, etc.).

Risk factors
A. Failure to comply with faculty, UW System and Board of Regent policies.
B. University revenues may be over or understated for financial reporting purposes.
C. Correcting individual student accounts may be time consuming and expensive.
D. Collecting underbilled accounts may be problematic, resulting in more bad debts.

Control activities
1. All students’ standings and statistics verified before acceptance.

Evaluation and conclusion
1. Only admitted students who are in good standing are permitted to register.

Risk factors
A. Failure to comply with faculty, UW System and Board of Regent policies.
B. The University’s reputation could be damaged.
Appendix M (continued)
Worksheet for Evaluating Control Objectives and Activities
University of Wisconsin-Stout

Risk factors (continued)

C. Properly admitted students may be unable to enroll in certain classes because they are already full.
D. Uncollectible student accounts may increase.

Control activities

1. Placement and removal of holds tightly controlled and documented.

Evaluation and conclusions

1. All student fee schedules are properly authorized and approved.

Risk factors

A. Failure to comply with faculty, UW System and Board of Regent policies.
B. A liability and interest may accrue for amounts overcharged students.
C. May not be able to collect undercharged amounts from students.

Control activities

1. Board of Regents must approve academic fees annually.

Evaluation and conclusion

1. All registered students are billed according to respective course loads, status and fees.

Risk factors

A. University revenues may be over or understated for financial reporting purposes.
B. Correcting individual student accounts may be time consuming and expensive.
C. Collecting underbilled accounts may be problematic, resulting in more uncollectible accounts.
D. Financial aid disallowance may result.

Control activities

1. All student billing done through a single centralized source.

Evaluation and conclusion

1. All student remittances are properly recorded and credited in a timely manner; resulting cash receipts deposited intact in a timely manner and a liability for deferred revenue recognized as appropriate.
Appendix M (continued)

Worksheet for Evaluating Control Objectives and Activities
University of Wisconsin-Stout

Risk factors

A. Student remittances may be lost, stolen or credited to the wrong student.
B. Students may not be admitted or permitted to register.
C. The accounts receivable balance, cash or deferred revenue balances on the University’s financial statement may be inaccurate.
D. Students may be improperly assessed late charges.
E. State may lose interest on funds not deposited on a timely basis.

Control activities

1. Students should make tuition and fee payments online.

Evaluation and control

1. All student billings are reconciled to the general ledger and recognized as revenue in the appropriate period.

Risk factors

A. University financial statements may be inaccurate.

Control activities

1. Reconciliation of the general ledger and student system completed in a timely manner.

Evaluation and control

1. Student records are adequately safeguarded.

Risk factors

A. Unauthorized access to student records may occur.
B. Transactions may be processed against student accounts without proper approval (e.g., adds, drops, refunds, adjustments, waivers).
C. Student accounts may be fraudulently or accidentally changed.
D. Financial aid disallowance may result.
E. Violations of FERPA (Buckley Amendment) may occur.
F. The University’s financial statements (revenue and accounts receivable) may be inaccurate.

Control activities

1. Only authorized personnel have access to student records.