Welcome to the Spring Business Managers’ Meeting

May 14, 2019
Today’s Agenda

1. Sign up for “Business Manager” emails
2. Accounting at WMU
3. Why should you care?
4. Best Practices
   a) Accounting
   b) Purchasing
   c) Accounts Payable
   d) Facilities & Debt Planning
   e) Grants & Contracts
   f) Internal Audit
5. Year-end Reminders
6. Upcoming Changes
Accounting at WMU

- WMU has a decentralized accounting system
- Accounting Services relies on departments to perform detailed accounting functions
Accounting at WMU: People Involved

- Administrative Assistants
  - Responsible for daily operations and reconciling department activity

- Budget Analysts
  - Responsible to monitoring budgets and reconciling department activity

- Business Managers
  - Responsible for ensuring integrity of financial information

- Directors/Deans/VPs
  - Accountable for financial activity
Why should you care?

• WMU has an external audit performed each year
• WMU submits its audited financial statements to the State of Michigan
• WMU has a decentralized accounting system
  • The information coming out is only as good as the information going in
• Accounting information is used to make decisions
# Statement of Revenue, Expenses, and Changes in Net Position:
## Operating Expenses

<table>
<thead>
<tr>
<th>Operating Expenses</th>
<th>6/30/2018</th>
<th>6/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>193,630,674</td>
<td>190,080,133</td>
</tr>
<tr>
<td>Departmental research</td>
<td>17,048,388</td>
<td>21,009,881</td>
</tr>
<tr>
<td>Public service</td>
<td>8,809,490</td>
<td>9,588,232</td>
</tr>
<tr>
<td>Academic support</td>
<td>56,777,590</td>
<td>60,953,342</td>
</tr>
<tr>
<td>Student services</td>
<td>22,200,013</td>
<td>21,862,784</td>
</tr>
<tr>
<td>Institutional support</td>
<td>48,719,073</td>
<td>42,939,451</td>
</tr>
<tr>
<td>Operations and maintenance of plant</td>
<td>39,353,643</td>
<td>38,403,964</td>
</tr>
<tr>
<td>Scholarships and fellowships</td>
<td>16,342,991</td>
<td>20,705,883</td>
</tr>
<tr>
<td>Auxiliary activities</td>
<td>85,511,688</td>
<td>88,009,586</td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,641,519</td>
<td>29,065,518</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>8,122,534</td>
<td>15,202,096</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>525,157,603</strong></td>
<td><strong>537,820,870</strong></td>
</tr>
</tbody>
</table>
Financial Accounting and Reporting

Josh Renoos, Director
Anna Kniffin, Assistant Director
Angela Miller, Accounting Analyst
1. Journal Entries:
   • Payroll journal entries
   • Journal entries to grant funds (25-30)
   • Transfer/support journal entries
2. Account classifications
3. Funds 23 and 24
4. Deficits
# Accounting: Payroll Journal Entries

<table>
<thead>
<tr>
<th>Phone ext + initials</th>
<th>Internal Description</th>
<th>Journal Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>74727srm</td>
<td>Transfer payroll charges</td>
<td>071018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Row #</th>
<th>Delete Row</th>
<th>Account</th>
<th>Fund</th>
<th>Department</th>
<th>Amount</th>
<th>Glow Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>3311</td>
<td>23</td>
<td>2807610</td>
<td>550.00</td>
<td>23456,Y50,Bronco,Buster</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>3311</td>
<td>23</td>
<td>2905520</td>
<td>-550.00</td>
<td>23456,Y50,Bronco,Buster</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>3211</td>
<td>26</td>
<td>7025670</td>
<td>275.00</td>
<td>356719,SM1812,Montgomery,NSF</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>3211</td>
<td>11</td>
<td>1230500</td>
<td>-275</td>
<td>356719,SM1812,Montgomery,NSF</td>
</tr>
</tbody>
</table>
1. All journal entries made to grant funds (25-30) go to Grants and Contracts to review.

2. 4995 and 8995 are for transfers between different departments.
   - Use 4995 and 8995 when one department is giving “support” or “funding” to a different department.
   - If a specific expense being reimbursed, move the entire expense amount and use the original account code.
Accounting: Account Classifications

1xxx  Asset
2xxx  Asset (Construction in Progress)
3xxx  Payroll expense
4xxx  Expenses other than payroll – Vouchers & Procards
6xxx  Liabilities
7xxx  Long-term liabilities
8xxx  Revenues (income) – Deposits
9xxx  Fund balance
  • Fund balance carry-forward account is 9200
  • Journals should never be posted against 9200
Accounting: Funds 23 and 24

1. Fund 23: Designated Fund
2. Fund 24: Designated Gift Fund
3. Transfers (4995/8995) from the General Fund (fund 11) to the Designated Funds (funds 23 and 24) are not allowed unless approved by Accounting Services or the University Budget Office.
4. Transfers (4995/8995) to the Designated Gift Fund (fund 24) should only be from the WMU Foundation (fund 54) unless approved by Accounting Services on an exception basis.
## Accounting: Deficits

### Summary Information

<table>
<thead>
<tr>
<th>Account</th>
<th>Adjusted Budget</th>
<th>Actuals</th>
<th>Commitments</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract Expense</td>
<td>0.00</td>
<td>1,250.00</td>
<td>0.00</td>
<td>-1,250.00</td>
</tr>
<tr>
<td>Fees/Comp/Contracts Subtotal</td>
<td>0.00</td>
<td>1,250.00</td>
<td>0.00</td>
<td>-1,250.00</td>
</tr>
<tr>
<td>Support To Oth Funds</td>
<td>0.00</td>
<td>19,857.78</td>
<td>0.00</td>
<td>-19,857.78</td>
</tr>
<tr>
<td>Transfers/Support Subtotal</td>
<td>0.00</td>
<td>19,857.78</td>
<td>0.00</td>
<td>-19,857.78</td>
</tr>
<tr>
<td>Other Expenses Subtotal</td>
<td>0.00</td>
<td>21,107.78</td>
<td>0.00</td>
<td>-21,107.78</td>
</tr>
<tr>
<td>Total Expenses Subtotal</td>
<td>0.00</td>
<td>21,107.78</td>
<td>0.00</td>
<td>-21,107.78</td>
</tr>
<tr>
<td>Net Revenue/Expenses Subtotal</td>
<td>0.00</td>
<td>21,107.78</td>
<td>0.00</td>
<td>-21,107.78</td>
</tr>
<tr>
<td>Fund Balance July 1</td>
<td>0.00</td>
<td>-16,503.74</td>
<td>0.00</td>
<td>16,503.74</td>
</tr>
<tr>
<td>SUMMARY BALANCE</td>
<td>0.00</td>
<td>4,604.04</td>
<td>0.00</td>
<td>-4,604.04</td>
</tr>
</tbody>
</table>
Accounting Questions
Purchasing

Wendy Vander Meulen, Director
Tom Ramsdell, Manager
Jacqueline Michels, Purchasing Agent
1. University Bid Policy:

<table>
<thead>
<tr>
<th>Purchase Amount</th>
<th>Purchase Authorization</th>
<th>Procurement Method</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $5,000</td>
<td>Department</td>
<td>None required</td>
<td>Pro-Card (preferred) or voucher</td>
</tr>
<tr>
<td>$5,000 - $10,000</td>
<td>Department submit Purchase Requisition to Purchasing</td>
<td>Three supplier quotations</td>
<td>AP Pays with invoice (PO) or Voucher (Contract)</td>
</tr>
<tr>
<td>$10,000+</td>
<td>Department submit Purchase Requisition to Purchasing</td>
<td>Competitive Bid</td>
<td>AP Pays with invoice (PO) or Voucher (Contract)</td>
</tr>
</tbody>
</table>

2. Exceptions to competitive bid requirement:
   - Facilities Management Time & Materials Contracts (use up to $25K)
   - Consortium Contracts (must be approved by purchasing)

3. Sole Source Justification Form must accompany Purchase Requisition Form for any sole/single source request
Purchasing: Process

1. **Department:** Submit Purchase Requisition & Supporting Documentation
2. **Purchasing:** Competitive Bid Process (if required)
3. **Department & Business Services/Legal:** T&C / Contract Review Process
4. **Purchasing:** Issue PO or Vendor Contract
5. **Department:** Receive goods and/or services and vendor submits invoice (to AP for PO, to Department for Contract)
6. **Payment Completed:** PO: AP verifies receipt, pays. Contract: Department verifies receipt, submits voucher for payment.

Note: Specific requirements for purchases made with Federal funding (visit purchasing website at wmich.edu/purchasing)
Purchasing Questions
Payroll and Disbursements

Lisa Bettis-Cooper, Associate Director
Ashley Nugteren-Wallace, Assistant Manager
1. All purchases over $5,000 require an Independent Contract, Vendor Contract, or Purchase Order.

2. Independent Contracts should be forwarded to Business Services prior to Payroll and Disbursements.

3. Receipts are not accepted in lieu of an invoice.

4. Vouchers containing alcohol, flowers, or sponsorships should be forwarded to the Provost Office and/or Business and Finance for approval before Payroll and Disbursements.

5. Updated Generic and Travel Expense Vouchers are available on our website.
https://wmich.edu/payroll/accounts-payable/forms.
Cyber Security

1. All purchases over $5,000 require an Independent Contract, Vendor Contract, or Purchase Order.
2. Increase potential for risks exists for payment instructions delivered via email.
3. Fees assessed to WMU for returned wire transfers with incorrect instructions are passed to the initiating department.
Voucher Questions
1. Memberships such as Amazon Prime and Costco are not allowable procurement purchases.

2. Auxiliary Enterprise facilitates Technology purchases.

3. Departments are required to keep all backup documentation for procard transactions.

4. Notification to Payroll and Disbursements is required when an employee or grant terminates with an active procard.

5. Activation of a new procard uses the cardholders WIN number as the Verification ID.

6. Transactions should be signed off before month end. Purchases cannot be re-allocated after the last business day of the month.
Procurement Card Questions
1. Travel authorizations for international travel are routed to Export Control for approval before the ticket can be booked.

2. Approvers should reassign their workflow when they are going to be out of the office.

3. The HR Supervisor is first on the workflow even when a traveler is traveling on behalf of another department. The HR Supervisor needs to approve the TA so it will route to the appropriate approver in the actual department.

4. Travel reimbursements are to be submitted after the travel event occurs.
Travel Updates

1. Budget flights are now available for booking with AAA but are not refundable or exchangeable.

   **Basic Economy Fare Information!**
   - Seat assignments assigned at check-in*
   - Not eligible for upgrades*
   - No flight changes or refunds*
   - Board in last group

   *Rules apply to all passengers including elite frequent flyers!

2. New travel profile set-up is available online.

3. Attachment functionality is available to attach an Excel or Word document to an authorization if traveling with a group of students.
Travel Authorization Questions
Facilities and Debt Planning

Lori Prichard, Assistant Director
Traci Hansen, Financial Analyst
Facilities & Debt Planning

Purposes of the department are:

1. Safeguard fixed assets by tagging purchased equipment and performing physical inventories

2. Monitor construction-in-process projects
   - Set up, track and close
   - Transfer funding
   - Monitor budget
   - Capitalize or expense at project completion
Facilities & Debt Planning

Equipment qualifying for capitalization:

1. Acquisition cost of $5,000 or more,
2. Ability to function on its own,
3. Tangible property, and
4. Useful life at least two years
Facilities & Debt Planning

- 4452 – Software – all computer software should be charged to this account regardless of cost
- 4481 – Office Supplies – equipment costing less than $5,000
- 4570 – Supplies – procurement card purchases for equipment costing $5,000 or more should be reallocated to account 4850
- 4826 – Fabricated Equipment – grant funds (25-30) purchase of component pieces that will be combined to form equipment with a final cost of $5,000 or more
- 4850 – Equipment Over $5,000 – Equipment costing $5,000 or more
- 4865 – Technical Initiatives – Computers and related hardware costing less than $5,000
- 8980 – Miscellaneous Income – Proceeds received from the sale of equipment
Facilities & Debt Planning
Questions
Grants and Contracts

Betty McKain, Director
Shellie Mosher, Assistant Director
Grants & Contracts

ALWAYS follow University Policies and Procedures

Additional Requirements for Grants

1. Purchasing
   • Purchase Requisitions over $25,000 require grants and contracts approval before sending to purchasing
   • New requirement for sole source on purchase requisitions over $10,000 on Federal grants
     https://wmich.edu/logisticalservices/purchasing/purchase-process
Grants & Contracts

2. Accounts Payable
   • Procards- Forward procard monthly statement with required signatures, all receipts to grants and contracts within 20 days after statement is available. Also required for reallocations
   • Vouchers-
     • subcontract vouchers (account codes 4825 and 4816) should be sent to grants and contracts before going to AP
   • Independent Contracts
     • Exhibit B required for Federal grants
     • Exhibit C required for National Science Foundation grants

3. Payroll
   • Submit appointment forms as soon as you are made aware someone will be working on a grant
     • If the award is not received and the Proposal Review and Approval form (PAF) was completed a Pre-Award Account form (backstop) can be completed to establish the grant account
4. Plant Accounting
   • All equipment records need to be kept until the equipment is disposed
   • Grant account needs to be indicated on Surplus Equipment form so that the form routes to grants and contracts for review. Sponsor approval may be required before disposing equipment

5. Accounting
   • JES-always forward documentation (copies of receipts, invoice, vouchers, etc…) to grants and contracts
   • Limited account codes can be used on grant accounts
Grants & Contracts Questions
Internal Audit

Sandy Streb, Director
Joan Beffel, Information Systems Auditor
Internal Audit

- Conduct Audits
- Provide Advisory Services
- Complete Special Reviews and Investigations
- Serve as a Liaison with External Audit
- Report Out to the Audit Committee and Senior Leadership
Internal Audit

Our Mission

Internal Audit provides independent, objective assurance and advisory services designed to add value and improve Western Michigan University’s operations.

We help the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

WESTERN MICHIGAN UNIVERSITY
Internal Audit

Understanding Risks

The degree to which activities are exposed to the potential for ineffective or inefficient use of resources; the inappropriate disclosure of data; or to forms of fraud, waste, and abuse which could result from inadequate controls.
Internal Audit

Fraud must be considered when assessing risks

- Do we have enough documentation so that someone would not question what we did?
- Are our controls strong enough to prevent fraud?
- Where did my cookie go?
- How do we prevent fraud?
- How could someone alter our records?
- Do we put so much pressure on employees to perform well that they might report fraudulent data?
- Where are our weaknesses?
- Is anyone in a position to make decisions that could benefit their family or friends?
- How do we know our controls are working?
- How do we protect against fraud?
- What would fraud look like for our area?
Internal Audit

Internal Controls Help Mitigate Risks

• Protect assets
• Ensure records are accurate and reporting is reliable
• Promote operational effectiveness and efficiency
• Encourage adherence to policies, procedures, rules, regulations, and laws

Having risks isn’t bad. Not managing them is.
Internal Audit

Internal Control Examples

Home
You review bills and credit card statements before paying them.

Office
Invoices and p-card charges match and have corresponding source documents.

Home
You keep your tools and lawn equipment locked in your garage or shed.

Office
Assets (tools, computers, equipment) are properly secured.
Internal Audit

Internal Control Examples

Home
Your children ask permission to borrow your car.

Office
Authorizations are required for certain activities.

Home
You keep your pin number separate from your credit card.

Office
Computer passwords shouldn’t be documented near the computer.
Internal Audit

Examples of Recent Findings

- Lack of sufficient documentation with expenses.
- Lack of approvals.
- Noncompliance with the University’s Contracting practices.
- Nepotism concerns.
- Improperly classified transactions.
Internal Audit

Contact Information

Sandy Streb
sandra.streb@wmich.edu
387-2893

Joan Beffel
Joan.Beffel@wmich.edu
387-3862

We also have an Online Reporting

Http://www.WMUhotline.ethicspoint.com

or

https://wmich.edu/policies/whistleblower
Internal Audit Questions
Year-end Reminders

1. Get your invoices to Accounts Payable by Wednesday, July 3, 2019. Accounts Payable will put the invoice in the current fiscal year no matter when you give them the invoice.

2. You will have until Monday, July 8, 2019 to make journal entries (JES) for fiscal year ending June 30, 2019.

3. Watch for the year-end newsletter for more information.
Upcoming Changes

1. Accounting manual available now (also GLOW and JES)
2. 4999 and 8999 going away
   • Use 4995 and 8995
3. Deactivating many infrequently used accounts
4. Gathering information about leases
5. Automating emails for deficit fund balances in funds 21, 23, and 24
6. New JES coming
7. New checklist for Federal funds purchases > $10,000
Thank you for attending!