

An aerial photograph of a city, likely Madison, Wisconsin, is shown in a monochromatic red color scheme. A large, white, stylized arrow points from the left side of the frame towards the right, passing behind the main title text. The city's skyline, including various buildings and green spaces, is visible in the background.

# **ADMINISTRATIVE TRANSFORMATION PROGRAM**

**UW-Madison Ambassadors Meeting | August 19, 2020**

# AGENDA



**Welcome**



**Ambassador  
Updates**



**ATP &  
Related Project  
Updates**



**Guest  
Speakers**



**Questions +  
Feedback**

# Ambassador Updates

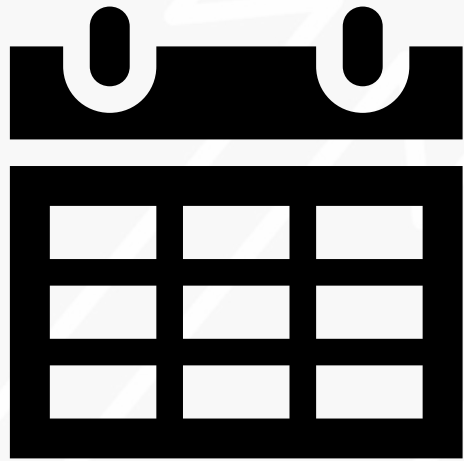
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- Ambassador webpage updates
- Ambassador spotlight questions forthcoming



# Upcoming Meetings

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**Next Madison Ambassador  
Meeting**  
September 16, 2020

**Celebration & Launch into the 2020-21 Academic Year!**

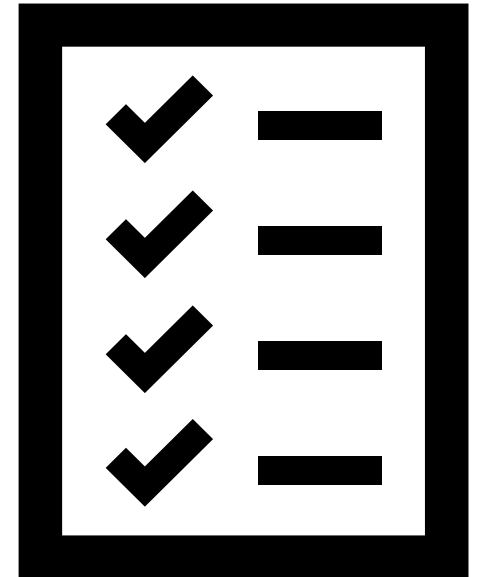
**Vice Chancellor Laurent Heller**, ATP Executive Sponsor  
**Nick Tincher**, ATP Program Director

**Guest Speaker: Corinne Hancock**  
Thriving in Chaos

# ATP Update - Key Takeaways

## Program-Level Updates

- **Preparation for October Board of Regents meeting**
  - ATP Leadership is updating business case
- **Procurement**
  - ERP software procurement meetings begin in August
  - Received and reviewed preplanning approach materials from two software-agnostic Systems Implementation (SI) vendors
  - Quality Assurance (QA) vendor statement of work to be finalized in the future
- **ERP Future State Planning**
  - Change Strategy team is working to formulate a stakeholder engagement plan
  - Preparing for the next round of strawman, core, and influencer meetings in late August



# ATP Update - Key Takeaways

## Workstream Updates

- **Change Strategy**
  - Developing change management strategies for Ancillary Systems and ERP Future State Support Model
  - Finalizing planning for Learning Liaisons kick-off meeting
  - Collaborating with workstreams to develop webpages
- **Benefits Realization**
  - Refining Benefits Realization framework
  - Developing a proposal to revise benefit categories and beneficiaries
- **Data and Reporting**
  - Developing report requirements by analyzing SQL statements
- **Enablement**
  - Providing support for recruitment of design team leads
  - Planning for Sept 24 virtual retreat
  - Reviewing user experience proposal
  - Developing internal communications plan

# ATP Update - Key Takeaways

## Workstream Updates

- **Finance**

- Holding UDDS discovery interviews
- Obtaining sponsor feedback on a two-option accrual accounting approach

- **HR and Policy:**

- Meeting with Office of Strategic Consulting and UW System to discuss policy efforts
- Holding subject-matter-expert (SME) review of hiring and recruitment policies

- **IT**

- Presenting ancillary systems strategy overview to Information Technology Collaborative Coordination Committee (ITCCC)

- **RAMP**

- First round of vendor demos begin next week
- Gearing up to begin work on effort reporting, post-award scope, and cost-share approach



# P2P Automation Project - Key Takeaways

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- Execution phase is progressing to plan: Procurement, Integrations/Interfaces and Contracts Design Teams continue to meet and make decisions with guidance from consultants; Design Teams gained access to the application
- Heatmaps and themes from Baseline Tools Use and Satisfaction Survey results through 7/15 were shared with project team; Over 950 stakeholders have taken the survey to date
- Presentations to stakeholders over the past month include SMPH Fiscal Forum, L&S Money Managers, Housing, Wisconsin Union, Division of Business Services Purchasing and Accounts Payables Departments
- The next monthly project update email to stakeholders is planned for the week of 8/17
- Early work on the Learning and Development approach was shared with the project team
- **Requests of the ATP Ambassadors:**
  - If you haven't already, please take the [P2P Survey](#) and share the link with colleagues
  - If your school, college or division would like a P2P Automation Project presentation, please send a request through [the project website](#)
  - We'd like to ensure cross-campus representation for focus groups to review configuration in fall and user testing in early 2021– if individuals from your area would like to participate, have them submit a request through [the project website](#)

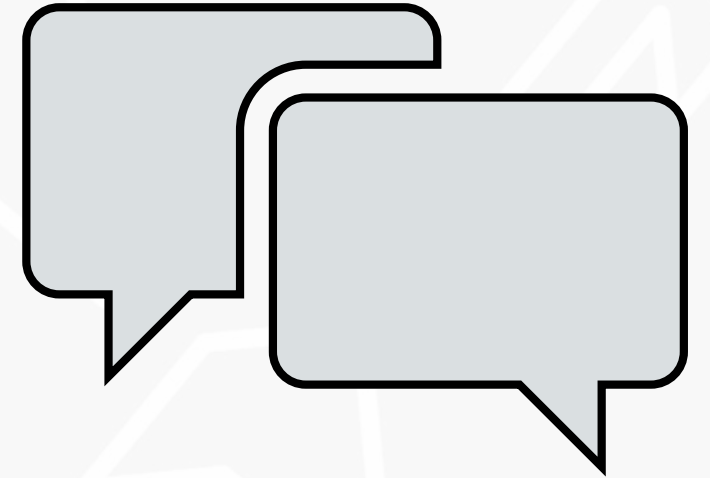


# Guest Speaker

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**Susie Maloney**

**ATP Finance Strategy Lead**



# ADMINISTRATIVE TRANSFORMATION PROGRAM

Accrual Accounting  
Recommendation



DRAFT



## Current Conditions

What are we not able to do that we want to do?



## Relevant Data

What have we done & what have we learned?



## Drivers to Change

What is driving the need to change?



## Desired Future

What will we be able to do that we can't do now?

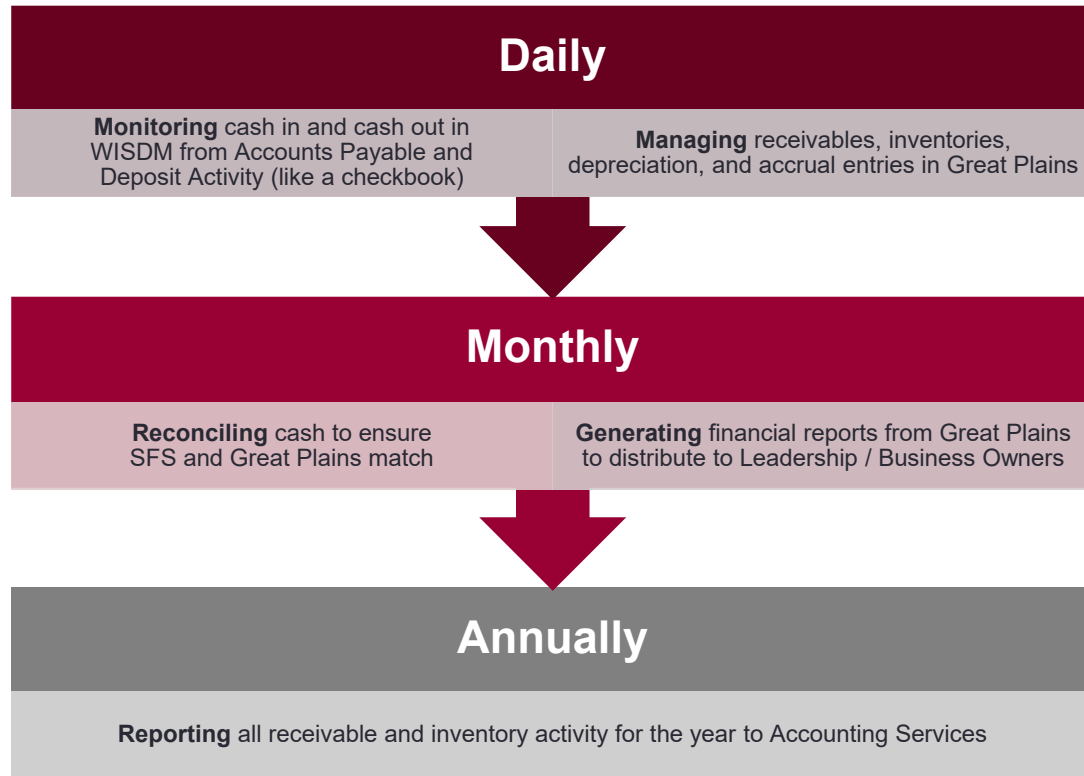


## Questions & Feedback

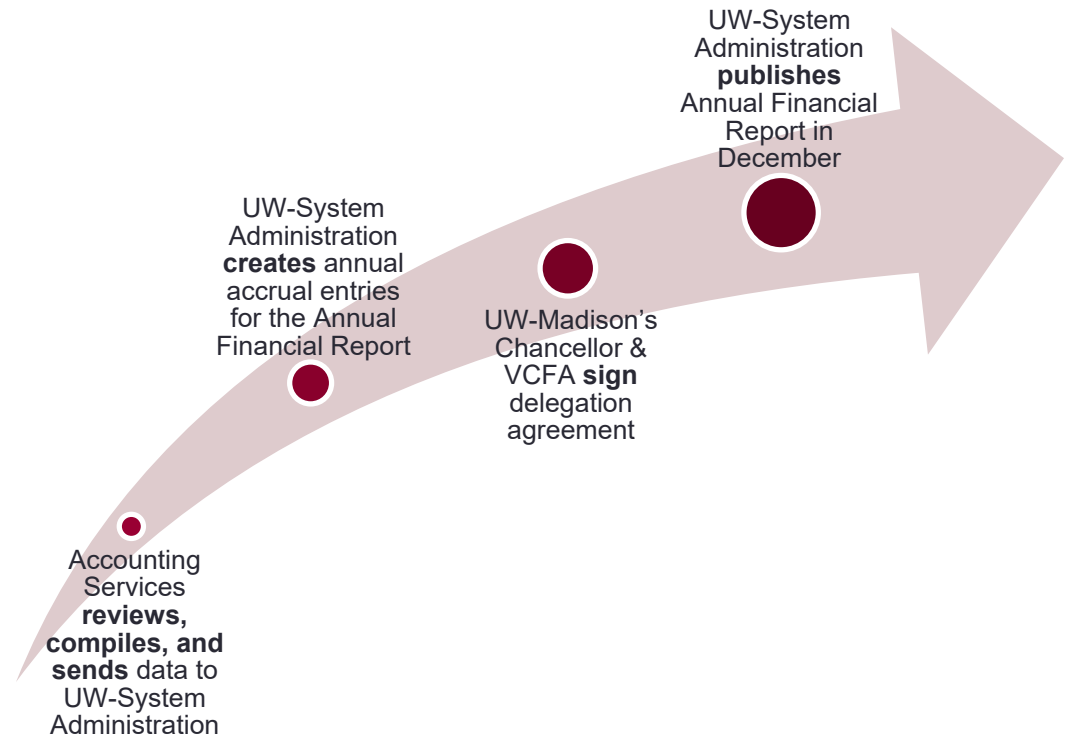
What is missing?

# CURRENT CONDITIONS

A financial reporting cycle for a **Financial Program Manager in Housing** involves...



This financial reporting cycle ends 6 months later.



# Interview Guide



Current accounting method(s)



Financial reports



Users



System capabilities



Skillset challenges



Applicable accruals



Level & frequency preferences

# INTERVIEWS – UW MADISON



# INTERVIEWS - COMPREHENSIVES

Eau Claire

River Falls

Superior

Green Bay

Oshkosh

Platteville

Stout

Stevens Point

Whitewater

Cash

Accrual



# INTERVIEW DATA

## 01-Accrual

Accruals are necessary for management level decision making and to eliminate the spend and maintenance of ancillary technology.

## 02-Level

Most interviewees indicated a desire for sub-department level accruals. This makes sense for most transactions, especially ones that can be done systematically, but certain accruals like capital/depreciation, debt, or pension liabilities should be done at a divisional level.

## 03-Frequency

Most interviewees indicated a desire for monthly accruals. The new ERP can be designed to do many accruals systematically/daily. A select few would need to be done manually and monthly.

# PEER INSTITUTIONS – BIG 10



## University of Michigan

- Majority of users do not understand or use accrual accounting
- Units generally operate on a cash-basis
- Reports are full accrual at the end of FY
- State appropriations received monthly
- Central ensures all departmental accruals are reversed before booking year-end entries
- Majority of accruals are processed manually and managed by Central



## University of Iowa

- Majority of users understand the concepts of accrual accounting
- State appropriations received monthly
- Accrual entries are processed daily and monthly
- Accruals are managed at the college/unit, division, and central levels
- Central manages debt, interest, compensated absences, deferred liabilities
- Majority of accrual journal entries are processed by systems that send journals to the general ledger
- Encumbrances are used as a general planning tool to avoid budget overspending and predict cash outflow



## Michigan State University

- Half of users understand concepts of accrual accounting
- Users do not receive accrual statements until year-end close
- State appropriations received monthly
- Monthly accrual statements are prepared for leadership
- Accrual entries are managed centrally and processed in the financial system at year-end
- Units are consulted to provide certain accruals (A/P, A/R)
- Units are allowed to spend earned revenues less an indirect revenue share fee of 2%
- Encumbrances are a budget management function



## Ohio State University

- Majority of users understand the concepts of accrual accounting
- State appropriations received monthly or quarterly
- Accruals are processed monthly, quarterly, and annually
- Many of the monthly accruals are estimates that are refined or calculated in depth at year-end
- Central manages the majority of accruals
- Encumbrances are a budget management function
- Accrual transformation occurring with Workday implementation (go live 1/7/21)



## University of Minnesota

- Majority of users do not understand or use accrual accounting
- State appropriations received monthly
- Accruals are processed biannually
- Central manages the majority of accruals
- Decentralized and mostly manual entries
- Encumbrances are a budget management function

# KEY TAKEAWAYS

- UW-Madison & Comprehensives
  - Most of our conversations about a transition to accrual were well-received, more concern from the comprehensives who are currently operating mostly in cash basis.
  - Many interviewees had concerns about the need for training
  - There is a large variation in how UW-Madison units are currently managing accruals due to ancillary technology differences and a lack of standardization
  - Budget Office / Accounting Office reporting relationships vary among all campuses
- Big Ten Institutions
  - Most operate in cash and report accruals only at year-end with the exception of Ohio State and University of Iowa
  - State appropriations are received in cash via wire transfer / ACH every month

# DRIVERS TO CHANGE



## Financial data integrity and control is improved

Potential to misrepresent data  
Delays in identifying problems & risks  
Financial data is open to interpretation  
Inexperienced financial staff reporting on transactions



## Financial data is more consistent and transparent

Different fund sources are reported in different ways (GPR vs. PR)  
Accrual accounting is being performed in different ways, using different systems  
Financial reports are being developed at Division or Department Levels due to lack of accruals in SFS



## University activities are better managed

Difficult to determine if we are living within our “operational” means  
Inability to match revenues and expenses for rate setting  
Unable to determine if RPAs are profitable  
Difficult to decide whether or not we should be doing business with customers



## Financial data is available more frequently

Lack of visibility and transparency  
Inaccurately tracked cash flows and projections  
Difficulty managing commitments against future cash flows



## Financial reports are distributed timely & accurately

“Phone in method” to create the Annual Financial Report  
Time-consuming manual accruals & reporting at year-end  
Financial reports may not be entirely accurate  
Inconsistency in financial statements (matching principle doesn’t work)



## Assets and liabilities are better managed

Various methods of tracking and reporting outstanding accounts receivable, inventory, purchase orders, and commitments

# DESIRED FUTURE STATE



## Monthly Modified Accruals

- All funds
- Most entries systematically generated in new ERP



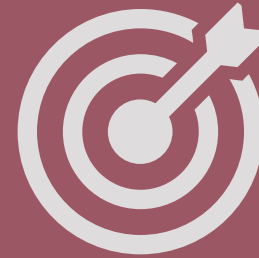
## Reporting Layers

- Report cash or accrual
- Ability to level up or down depending on user's needs



## Training

- Develop qualifying competencies for Accrual Accounting



## Year-end Reporting

- Manual activity significantly reduced
- Shortened timeline



## GPR Recorded as Revenue



# Auxiliary - Housing Cash vs. Accrual Comparison: Jan 2019

- Unearned Revenue
- Accrued Salary
- Accounts Payable
- Prepaids
- Depreciation

Cash					
Account	Budget	January	Actuals	Encumbrances	Balance
<b>REVENUE</b>					
Revenue & Sales Credits					
Revenues	-	16,909,525.78	16,909,525.78	-	(16,909,525.78)
Sales Credits	-	302,584.23	302,584.23	-	(302,584.23)
<b>TOTALS</b>	-	17,212,110.01	17,212,110.01	-	(17,212,110.01)
<b>EXPENSES</b>					
Expenses					
All Salaries	2,066,391.67	1,514,024.48	1,514,024.48	(1,371,316.35)	1,923,683.54
Fringe Benefits	671,441.67	587,276.19	587,276.19	-	84,165.48
Services & Supplies	3,296,534.44	1,846,102.00	1,846,102.00	576,152.12	874,280.32
Capital	789,231.18	31,668.51	31,668.51	(31,828.51)	789,391.18
Financial Assistance	1,015,925.00	2,500.00	2,500.00	-	1,013,425.00
<b>TOTALS</b>	7,839,523.94	3,981,571.18	3,981,571.18	(826,992.74)	4,684,945.50
Beginning Fund Balance			48,596,287.05		
Plus Current Month Revenue			17,212,110.01		
Less Current Month Expense			3,981,571.18		
Ending Fund Balance			61,826,825.88		

Accrual					
Account	Budget	Jan	Actuals	Encumbrances	Balance
<b>REVENUE</b>					
Revenue & Sales Credits					
Revenues	-	4,340,268.78	4,340,268.78	-	(4,340,268.78)
Sales Credits	-	302,584.23	302,584.23	-	(302,584.23)
<b>TOTALS</b>	-	4,642,853.01	4,642,853.01	-	(4,642,853.01)
<b>EXPENSES</b>					
Expenses					
All Salaries	2,066,391.67	1,647,102.48	1,647,102.48	(1,371,316.35)	1,790,605.54
Fringe Benefits	671,441.67	587,276.19	587,276.19	-	84,165.48
Services & Supplies	3,296,534.44	3,714,165.00	3,714,165.00	576,152.12	(993,782.69)
Depreciation	789,231.18	882,668.51	851,000.00	(31,828.51)	(29,940.32)
Financial Assistance	1,015,925.00	2,500.00	2,500.00	-	1,013,425.00
<b>TOTALS</b>	7,839,523.94	6,833,712.18	6,802,043.67	(826,992.74)	1,864,473.01
Beginning Fund Balance			48,596,287.05		
Plus Current Month Revenue			4,642,853.01		
Less Current Month Expense			6,802,043.67		
Ending Fund Balance			46,437,096.39		

# AUXILIARY – HOUSING ACCRUAL REPORT

## Future state shows:

- Balance Sheet
  - Accounts Receivable
  - Inventory
  - Prepaid Expenses
  - Accumulated Depreciation
  - Unearned Revenue
  - Accounts Payable

Balance Sheet			
Assets	Beginning of Month	End of Month	Change
Cash	32,748,129.00	47,944,756.00	15,196,627.00
Accounts Receivable	2,637,663.00	3,951,280.00	1,313,617.00
Inventory	1,599,170.00	1,657,887.00	58,717.00
Prepaid Expenses	666,822.00	42,991.00	(623,831.00)
Prepaid - Debt Service Fund (DSF)	(2,957,841.00)	(4,289,458.00)	(1,331,617.00)
Bond Proceeds	7,144,844.00	7,144,844.00	-
Construction in Progress (CIP)	44,357,360.00	45,688,976.00	1,331,616.00
Property, Plant, & Equipment (PP&E)	308,789,745.00	308,854,125.00	64,380.00
Accumulated Depreciation	(118,034,625.00)	(118,885,625.00)	(851,000.00)
<b>Total Assets</b>	<b>276,951,267.00</b>	<b>292,109,776.00</b>	<b>15,158,509.00</b>
<b>Liabilities</b>			
Salaries & Fringe Payable	-	133,078.00	133,078.00
Unearned Revenue	5,609,898.00	18,601,057.00	12,991,159.00
Accounts Payable	2,894,422.00	5,386,316.00	2,491,894.00
Long-term Debt Payable	190,632,940.00	190,632,940.00	-
<b>Net Position</b>	<b>77,814,007.00</b>	<b>77,356,385.00</b>	<b>(457,622.00)</b>
<b>Total Liabilities and Net Position</b>	<b>276,951,267.00</b>	<b>292,109,776.00</b>	<b>15,158,509.00</b>



# GPR - BIOCHEMISTRY

## Cash vs. Accrual Comparison: July-Dec 2019

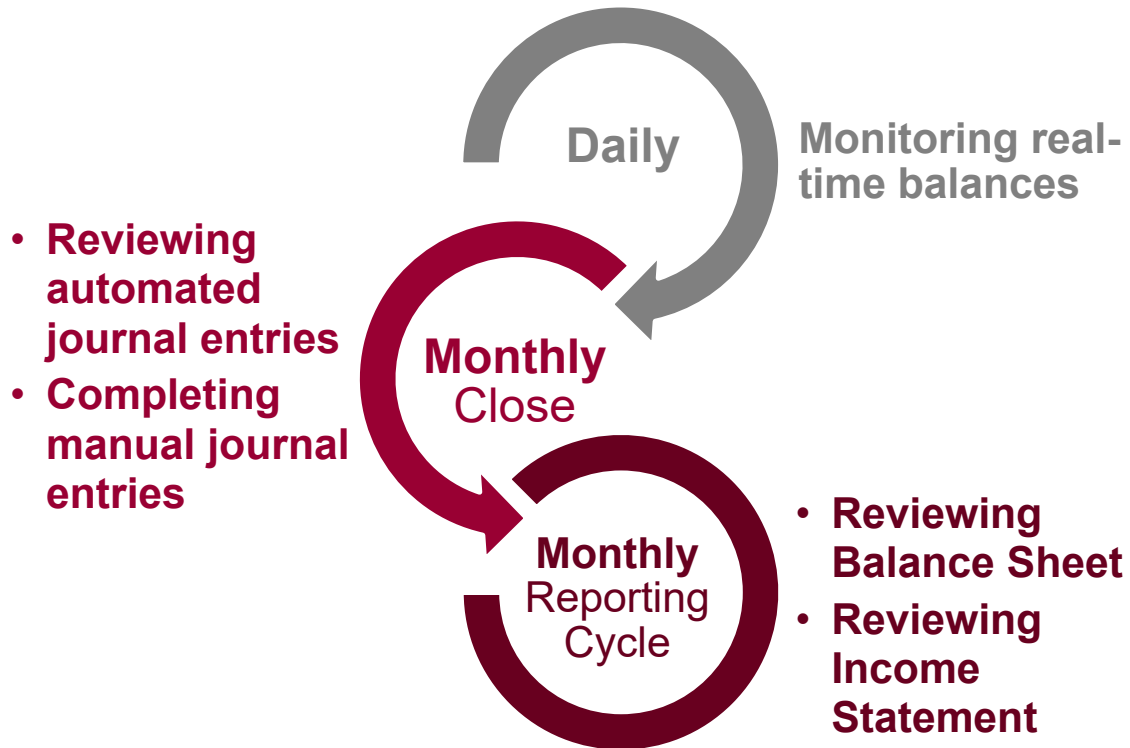
- Record Revenue
- Accrue Salary
- Accrue Accounts Payable
- Prepaids
- Year End Payables

Cash					
Account	Budget	December	Actuals	Encumbrances	Balance
<b>EXPENSES</b>					
<b>Expenses</b>					
-All Salaries	5,839,141.80	534,500.69	2,699,404.94	2,772,885.21	366,851.65
-Services & Supplies	135,037.02	4,108.63	47,589.53	18,276.58	69,170.91
-Capital	-	-	8,878.51	-	(8,878.51)
<b>Non-Categorized Accounts</b>					
-Non-Categorized Accounts	-	2,666.66	10,666.64	-	(10,666.64)
<b>Sales Credits</b>					
-[9050] Sales Credits-Internal	-	(4.91)	(28.40)	-	28.40
<b>TOTALS</b>	<b>5,974,178.82</b>	<b>541,271.07</b>	<b>2,766,511.22</b>	<b>2,791,161.79</b>	<b>416,505.81</b>

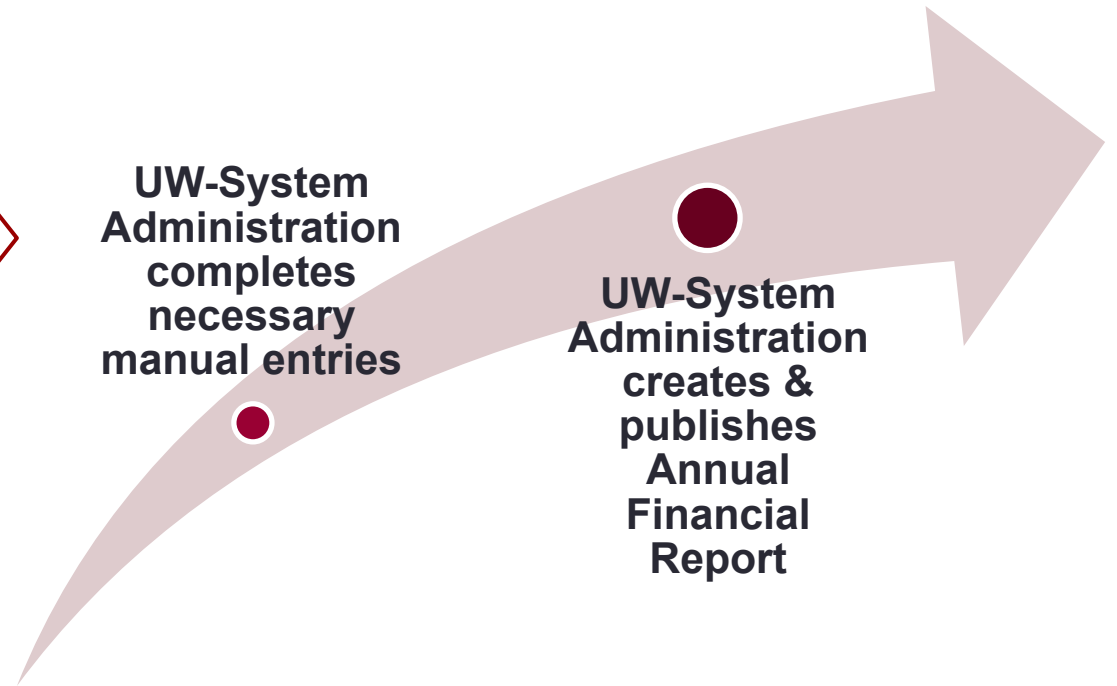
Accrual					
Account	Budget	December	Actuals	Encumbrances	Balance
<b>REVENUE</b>					
Revenue		497,848.24	2,987,089.41		
<b>TOTALS</b>	<b>-</b>	<b>497,848.24</b>	<b>2,987,089.41</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>					
<b>Expenses</b>					
All Salaries	5,839,141.80	547,834.02	2,712,738.27	2,772,885.21	353,518.32
Services & Supplies	135,037.02	44,608.63	88,089.53	18,276.58	28,670.91
<b>Non-Categorized Accounts</b>					
Non-Categorized Accounts	-	2,666.66	10,666.64	-	(10,666.64)
<b>Sales Credits</b>					
[9050] Sales Credits-Internal	-	(4.91)	(28.40)	-	28.40
<b>TOTALS</b>	<b>5,974,178.82</b>	<b>595,104.40</b>	<b>2,811,466.04</b>	<b>2,791,161.79</b>	<b>371,550.99</b>
<b>BALANCE</b>			<b>175,623.37</b>		

# FUTURE CONDITIONS COMPARISON

A financial reporting cycle for U-Madison involves...



The annual financial reporting cycle ends in 2-3 months, after.



A man with a beard, wearing a plaid shirt, stands in the foreground on the right, speaking into a microphone. He is positioned behind a table with a laptop that has several stickers on its lid, including a bulldog and an Apple logo. The background shows a large, modern lecture hall with many people seated at long tables, listening. The room has large windows and a balcony with a glass railing. A banner hangs from the ceiling with the word "FORWARD" and the phrase "ALWAYS FORWARD OR NOT AT ALL".

# Questions or Feedback?

# Ambassador Action Items

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- ✓ Share slide content with unit
- ✓ P2P requests: survey, presentation requests, focus group participants
- ✓ Reflect on Ambassador role in ATP Engagement Strategy
- ✓ Consider Accrual Accounting recommendation
- ✓ Submit feedback via [Ambassador Feedback Portal](#), as applicable



An aerial photograph of a city, likely New York City, showing a dense urban landscape with numerous buildings and a body of water in the background. A large, semi-transparent red arrow is superimposed on the left side of the image, pointing diagonally upwards and to the right. The word "THANK YOU" is written in large, bold, white capital letters across the center of the image, partially overlapping the red arrow and the city background.

# THANK YOU

**See you for our September 16 celebration!**