WISCONSIN DEPARTMENT OF
Public Instruction

Internal Control Plan

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Bureau of Finance

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DPI Internal Control Plan
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Introduction

The Wisconsin Department of Public Instruction (DPI) has implemented a system of internal controls that among other things demonstrates to its stakeholders that it is operating in a responsible and sustainable manner. This document summarizes many of those efforts. In addition, there are detailed departmental policies, and specific program area procedures that are also a part of DPI's internal control environment.

Internal control is comprised of methods designed to provide reasonable assurance regarding the achievement of an organization's goals and objectives related to the effectiveness and efficiency of operations, reliability of reports, and compliance with applicable laws and regulations.

Federal and state authorities will assess as high-risk an entity that does not have and/or fails to follow adequate controls. This can lead to additional audits, required procedures, and reduced or eliminated funding, among other negative consequences.

Within state government, the Wisconsin Department of Administration (DOA) has agreements with each state agency making agencies responsible for ensuring that an adequate system of internal controls over accounting activities is in operation and functioning properly. All DPI employees play an important role in accounting activities.

DPI's Division of Management Services (DMS) – one of five divisions reporting to the State Superintendent's Office – coordinates and provides guidance for DPI's financial management and has a role in many of DPI's internal controls. DMS is comprised of the Bureaus of Finance, Human Resources, and Information Tech Services.

The following chapters discuss the five components of DPI's internal control structure. The components are **the control environment, risk assessment, control activities, information and communications, and monitoring**. These components, as well as numerous other portions of this plan, are defined and informed by the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Chapter One

Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Components of DPI's control environment include management's philosophy and operating style, integrity and ethical values, organizational structure, business plan, and human resource policies and procedures.

Components of the Control Environment

Management's Philosophy and Operating Style

The State Superintendent has created a Vision Statement of "Engaged learners creating a better Wisconsin together" and a Mission Statement of "To advance equitable, transformative, and sustainable educational experiences that develop learners, schools, libraries, and communities in Wisconsin."

Integrity and Ethical Values

The department is committed to creating an environment that fosters integrity and ethical values which can be evidenced in the work rules and code of ethics incorporated into the department's policy directives. Department policy is determined by the Office of the State Superintendent and issued to staff in the form of policy bulletins. All employees are responsible for developing an understanding and working knowledge of departmental policies and procedures through an extensive orientation process and ongoing access to the department's intranet site, FRED (Fast Reliable Employee Data). For employees with no access to FRED, their supervisors are responsible for orienting employees.

Employee work rules and a code of ethics have been established and/or adopted by the department to provide general guidelines to employees. Work rules are established to define, not restrict, the rights of employees and to assure attainment of the department's objectives through an orderly process. These work rules and codes of conduct are included on the department's intranet site under Human Resource's Policy Bulletins, Work Rules. Policy Bulletin 3.105 provides guidance for ethical behavior and references Wis. Admin. Code ER 46 and Chapter 410 of the Wisconsin Human Resources Handbook for additional support for its expectations from its employees. Employees are also required to attest they have read and understand work rules at their performance review.

Organizational Structure

The department is administered by an elected State Superintendent, who serves a four-year term. The Superintendent in turn appoints numerous personnel that collectively oversee all parts of the department. Roles and responsibilities have shifted over time and the department is currently engaging in a strategic planning process which may result in future reorganizations of the current structure. In general, there are six primary operational areas: Office of the State Superintendent, Division of Academics, Division of Access and Opportunity, Division of Government & Public Affairs, Division of Management Services, and Division of School & Library Operations.

More details of each of those areas can be found in the department's intranet site, Department Organization.

Human Resources Policies and Employee Training/Development

Since internal control is affected by the people of DPI, it is essential for DPI to recruit and retain competent individuals with the highest integrity and ethical values. DPI's Human Resources strives to ensure this through its hiring policies and procedures, as well as the establishment of employee development and training programs. DPI also participates in, and encourages use of, the state contracted employee assistance program, among other employee wellness initiatives.

The department has specific policies for the recruitment, interview process, and required examinations for new hires, the development of position descriptions, performing employee evaluations, and promoting an environment of continuous professional development. Specific policies are located on the department's intranet site, Supervisor's Toolkit. While there are DPI specific items and procedures; federal laws and regulations, Wisconsin laws and regulations, and DOA Department of Personnel Management policies and procedures underlie much of these items.

Incidence Management

DPI has established a Continuity of Operations Plan that will be used in case of emergencies that impact the safe and efficient operation of the department. General information about the plan is available on FRED under COOP. The plan provides the supervisory and other key leadership employees of DPI with an understanding of their responsibilities and the basic plan for addressing the recovery of operations and other safety and health concerns.

IT System Security

DPI has established a high level of security and appropriate use standards for its computer systems and programs to prevent, detect, and respond to negative occurrences within its IT environment(s). The areas covered include security breaches, disclosures of personal identifying information, and system failures or outages. DPI follows cybersecurity standards set by NIST (National Institute of Standards and Technology).

Some key employee-facing elements of the control environment include:

- Any new application or changes to current software must be tested by both IT staff and end users.
- Security measures are formalized through user access and passwords, and access to programs is monitored.
- Policies have been established to communicate appropriate use of computers/software including the Acceptable Use of Technology.
- All employees and volunteers are required to complete DOA's Enterprise IT Security trainings.

Chapter Two

Risk Assessment

Risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for determining how the risks should be managed.

Risk assessment includes:

- identification of non-financial compliance or reputational activities;
- identification of transaction cycles that comprise financial activities;
- identification of the control objectives for each financial transaction cycle; and
- identification and management of obstacles and risks associated with achieving each of those cycle's control objectives.

Non-financial compliance, reputational activities, and the attendant risks of not meeting those objectives are assessed and addressed at the program area level in DPI. There is no one specific method of proceeding. They are therefore not discussed further in this department-wide plan.

The major financial transaction cycles in DPI are:

- Purchasing
- Accounts Payable/Disbursements
- Receivables/Receipts
- Payroll
- General Ledger Accounting
- Grant Management/Federally Funded Employee Accounting

DPI's risk assessments of these cycles are:

FUNCTION	RISK
Purchasing	Moderate to High
Disbursement	Low
Receipt	Moderate
Payroll	Low
General Ledger	Low to Moderate
Grants Management	Moderate to High

More detailed analysis can be found in Appendices A through F.

Chapter Three

Control Activities

Control activities are the policies and procedures that help ensure management directives are executed. They help ensure that necessary actions are taken to address risks related to the achievement of DPI's goals and objectives. Control activities occur throughout DPI, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, performance measurement, security of assets, and separation of duties.

The primary objectives of internal control activities are to ensure:

- reliability and integrity of information;
- compliance with policies, plans, procedures, laws, and regulations;
- safeguarding of assets and information;
- effective and efficient use of resources; and
- accomplishment of established goals and objectives.

The costs of implementing a specific control should not exceed the expected benefits of the control.

Control Activities Implemented by DPI Include:

Organizational Separation of Duties

DPI strives to separate custodial responsibilities, accounting responsibilities, and operational responsibilities found in all its transaction cycles. Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets is intended to reduce opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

Performance Reviews

These control activities include reviews of actual financial performance versus budget, projections, and prior periods. Reviews relate different sets of data (operating or financial) to one another, together with analyses of the relationships and investigative and corrective actions.

Policies and Procedures

DPI has issued numerous policy and procedure directives regarding its financial processes. These policies and procedures guide DPI employees in the proper conduct of DPI's business. These policies are located on FRED, (as mentioned in Chapter One under Integrity and Ethical Values).

Information Processing Controls

These control activities include general controls and operational controls for processing transactions. General controls include items such as computer access, security, and backup procedures. Operational controls include specific input, processing, or data inquiry safeguards for computer software applications.

Authorization

Proper authorization is required for all material business transactions conducted by DPI. One example is STAR (State Transforming Agency Resources) approvals. Final approval of all STAR transactions must be made by someone other than the person who entered the transaction.

Documentation of Financial Events

All financial events are required to be adequately documented. Such documentation may include audit work papers, credit memos, billing notices, purchase orders, and invoices.

Physical Controls over Assets and Information

DPI's headquarters at 201 West Washington Avenue in Madison, Wisconsin (TGT) has a card access system that minimizes the possibility of intruders accessing information and assets. During business hours, employees are required to wear ID badges and guests must sign in with the security officer on the Plaza level, receive a visitor's badge, and be escorted by a DPI employee. Security cameras are located in select locations in TGT. In addition, all fixed assets are assigned a unique identifier and tagged if appropriate when purchased.

The Bureau of Finance coordinates a biennial inventory of DPI physical assets, both capital and non-capital. Only certain non-capital assets are tracked and inventoried – with an emphasis on those representing the largest risk to DPI. That includes items that may contain sensitive or otherwise protected data, and "walkable" type items that are of greater risk of theft.

In addition, the Bureau of Finance enters and maintains entries in STAR's Asset Management module for all capital and some non-capital assets. It also monitors and reviews financial transactions for appropriate treatment for tracking, and financial and other reporting.

Independent Reviews

While not technically controls, DPI's control environment is regularly reviewed at least in part by external and internal reviewers.

External reviews include the Wisconsin Legislative Audit Bureau's (LAB) annual work at DPI relating to the state's financial reports and federal grant audits. Additionally, DOA's State Controller's Office (SCO) periodically conducts audits of state agencies. DPI is subject to their review. Major granting authorities such as the U.S. Department of Education and U.S. Department of Agriculture periodically complete reviews to determine if any material non-compliance occurred in federal grants.

Internal reviews include completing and submitting DOA's monthly checklist. Several aspects of financial transactions are reviewed through the monthly checklist.

Chapter Four

Information and Communications

Pertinent information must be identified, captured, and communicated in a form and timeframe that enables people to carry out their responsibilities. Information systems produce reports containing operational, financial, and compliance-related information that make it possible to run and control the organization. They deal not only with internally generated data, but also information about external events, activities, and conditions necessary for informed decision-making and external reporting.

Effective communication must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as other government agencies, school districts, parents, and vendors.

Information System Environment

DPI uses a number of financial systems to conduct its financial responsibilities and provide financial information to agency decision-makers. The primary financial system used by DPI is the PeopleSoft ERP based State Transforming Agency Resource Tool (STAR). A number of interface or stand-alone information systems either feed accounting information into STAR, draw information from STAR, or provide greater detail on the information contained in STAR. All the information systems constitute the information system environment of the agency – an environment that is continually evolving.

STAR is an enterprise-wide system designed to provide consistency among state agencies. STAR maintains the state's finance, budget, procurement, business intelligence and human resource functions and is more cost-effective than having each agency support its own IT infrastructure. Further information regarding STAR and its various modules can be found on the DOA STAR Program Office webpage.

STAR Finance has a structured on-line capability to query financial data on a live basis through several tables. Detailed transactions can be found using various canned reports, queries, or drill down options. The system's major strength is that it is a full- functioning accounting system. Its weaknesses fall in the area of ease of use. It is not highly user friendly for data entry and the system is not flexible from an information reporting aspect.

STAR HCM is comprised of HR, payroll, benefit, and position applications. The integrated nature of STAR allows for the flow of information from HR to payroll and benefits, and to STAR Finance. DPI is a direct online user of the system for all its payroll transactions. The system provides both reports and online access to system payroll account data for payroll operations use. Its major weakness is that its emphasis is on employee payroll information, not financial or management information.

Position Management is completed in STAR HCM. The purpose of the system is to maintain authorization control of the full-time employees (FTE) authorized to a fund/appropriation in state agencies. This data is downloaded from STAR periodically and compared to the DOA budget system and internal DPI rosters. Variances are investigated and in most cases the variance is explained by a position being added outside of the budget process.

Biennial Budget System is an internet-based application using SharePoint. It is used primarily to transfer information between the State Budget Office at DOA and state agencies. The State Budget Office posts notices, alerts, and files to the budget system that state agencies can then access. Each agency has access only to information for agencies in which they have rights. Agency biennial budget requests, both narrative and numerical, are submitted via this system. Reports can be downloaded and/or printed according to each agency's need.

A/R System – DPI uses STAR and Quickbooks online general ledger application for recording billings, generating invoices, and monitoring collections for various types of DPI goods and services. Quickbooks is used for the DPI Residential Schools' student accounts, and for GEAR UP Trust processing. Normal DPI billing is done through STAR, including interagency billing. Receipts are deposited into State of Wisconsin accounts. DPI also uses an internet-based event management tool. The major strength of this software is that conference attendees can register online and make payments using credit cards or ACHs, the revenue for which is processed through U.S. Bank and recorded to STAR.

Capital Asset Inventory System – DPI uses STAR to record and manage capital assets. Generally, designated inventory coordinators update these systems manually using information from purchase orders and vouchers. These inventory coordinators are also responsible for recording disposals and completing physical inventories. Microsoft Office tools, primarily Excel, are used for trackable assets under $5,000.

Procurement – DPI utilizes STAR to procure goods and services. This system provides a structured, electronic approval-based process for procurement. Approval levels are established based on supervisory management and oversight.

Aid Payment Systems – DPI has developed FNS (Food Nutrition Services) and SAFA (State Aid Federal Aid) web-based application systems which allow DPI financial staff to enter payments (made electronically) to grant sub-recipients in Wisconsin. These systems interface with STAR daily. Approval levels are established. The systems require maintenance of chart of accounts and budgetary amounts which creates opportunity for errors and can be duplicative.

Information Systems Control

DPI's financial information applications function as a complex system that provides a variety of internal controls on financial transaction processing.

Physical Access – a major risk to any financial system is the threat of unauthorized access to the accounting records, which may allow undetected alteration, or omission of pertinent information about financial activities. These financial systems are physically located in DOA-DET's Data Centers. Only authorized staff that have undergone background checks are allowed physical access. DET policies comply with nationally recognized certification standards.

Network Access – DPI only allows agency issued hardware on the DPI network using Active Directory credentials. Only DPI employees, contractors, and authorized vendors are provisioned accounts. Wireless access to the DPI network is also restricted to agency issued devices and requires each device to authenticate using a DPI issued certificate in addition to the Active Directory credentials. All DPI issued devices are kept current on the latest operating system, anti-virus and anti-malware updates. All DPI Financial Systems accessed by an internet browser require HTTPS connections using Transport Layer Security (TLS).

Remote Access – every DPI laptop has virtual private network (VPN) capabilities for remotely accessing DPI resources. The hardware requires a DPI issued device certificate, in addition to the proper Active Directory credentials to gain access. This connection is made over an encrypted connection using TLS. Some authorized users can access their workstation remotely using a secured Remote Desktop Protocol over TLS connection.

User Authentication and Authorization – every financial system in place at DPI requires proper user authentication. Authorizations to financial systems are only granted by approved staff. When users are no longer employed or under contract with DPI, access is removed through the off-boarding process.

Communications Environment

This Internal Control Plan and the documents identified in Chapter 1 under "Documents Integral to the Control Environment" form the basis of providing a clear understanding of the individual roles and responsibilities pertaining to the internal control structure over financial activities within DPI. This formal written communication is amplified orally and through the actions of management in the agency. Knowledge of individual roles and responsibilities is sustained through both on the job training and periodic, formal training presentations that include internal controls as topic matter.

The department's intranet is a comprehensive communication tool to reach all DPI employees. The intranet contains periodic news items, website links for each division, organization charts, links to manuals and handbooks, employee directories and floor maps, and more. Also included are links to other various state forms and websites. Essentially, the intranet includes all you need to know about DPI - including policy bulletins, its functions, and its employees.

Chapter Five

Monitoring

Internal control systems need to be monitored. DPI utilizes processes that assess the quality of the system's performance over time. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of evaluations will depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upward, with serious matters reported to top management.

DPI's Bureau of Finance has primary responsibility for monitoring the department's internal control structure and the financial activity taking place within it. This monitoring is completed through both ongoing, day-to-day activities and formal requests for information, as well as procedures developed specifically as controls.

Staff in the Bureau of Finance serve as liaisons for financial audits and reviews by DOA, LAB, and federal agencies. They are also responsible for coordinating and monitoring the status of corrective action plans developed in response to any findings. This follow-up typically consists of periodic management reporting regarding progress in implementing procedural changes to resolve past audit issues. In this role, Bureau of Finance staff is often involved in transaction recording, procedural best practice, and compliance discussions with their DPI "customers." This gives the Bureau of Finance the opportunity to reinforce and direct day-to-day operations toward maintaining and improving internal controls. Bureau of Finance staff also provides substantive updates of the Internal Control Plan to the State Controller's Office.

DPI is continually monitoring its own control systems and working with outside parties to ensure compliance with their monitoring requirements. Those requirements include an annual review and test of the internal control structure related to processing financial information, which is done by LAB as a part of their audit of the state's financial reports and federal grant audits.

LAB reviews its findings with department personnel before their audit is finalized. DPI personnel prepare responses addressing each finding and recommendation. The signed response is included in the final report. LAB follows up on audit findings and recommended actions. Timing of the follow up depends on the nature of the finding. Critical findings are followed up on immediately; less critical findings are followed up on at least annually.

As a part of a cooperative agreement, the Department of Administration's State Controller's Office (SCO) audits DPI. If their audit reveals any weaknesses in the department's internal controls, DPI takes the required corrective action.

In addition to audits performed by external agencies, the Bureau of Finance performs periodic reviews of high-risk areas using the DOA Month End Checklist to identify errors. These review areas are in the major modules and general ledger. This control document is subject to revision based on DPI's actual findings and concerns raised by the reviews. Any potential risk areas are highlighted for management action. DPI will be expanding the Month End Checklist to include more specific high-risk areas as they are discovered in STAR.

In order to ensure the internal control structure continues to provide reasonable assurance that control objectives are met, the internal control plan will be reviewed annually at the same time the internal control certification and annual reporting requirements are completed. This review will be coordinated by the Bureau of Finance and involve managers from all relevant areas within the department.

Conclusion

Based upon the above and related materials, DPI has completed the following Risk Assessment and Control Matrix. Such a matrix provides an effective model to assess the department's profile of business risks and to evaluate the appropriate internal control processes in place to effectively manage those risks. Business cycles with high inherent risks and low control levels should be considered for more resources to mitigate or at least balance the exposure to risk.

	Inherent Risk Level			Control Level		
Financial Transaction Cycles	High	Moderate	Low	High	Moderate	Low
Purchasing	X			X		
Disbursement			X	X		
Receipt		X		X		
Payroll			X	X		
General Ledger		X		X		
Grants Management	X			X		

For the purposes of the matrix, the following definitions are used:

<u>Inherent Risk Level:</u>

High indicates that factors such as the external events, nature and type of transactions, changes in personnel, large volume of transactions, or high dollar value/impact make the financial transaction cycle very vulnerable to failure, mismanagement, errors, fraud, and abuse. These factors may negatively impact the control environment, defeat control activities, misstate financial reports, cause non-compliance with laws/regulations, or adversely impact the integrity of financial resources and DPI.

Moderate indicates a potential for failure or mismanagement, short-term delays in service delivery, or immaterial errors or losses.

Low indicates that, although errors and losses are possible, increased level of control, the type of transactions, volume and dollar value/impact make it highly unlikely that intentional mismanagement, errors, fraud, and abuse will occur in this cycle.

<u>Control Level:</u>

High indicates management has allocated extensive resources and implemented effective control procedures to manage risk and help ensure the cycle's control objectives are achieved.

Moderate indicates management has allocated some resources and implemented some control procedures; however, adding more resources and procedures at minimal to moderate cost would further eliminate risk and help ensure achievement of control objectives.

Low indicates management has not allocated sufficient resources or implemented adequate control procedures to effectively manage risk and provide reasonable assurance that the cycle's internal control objectives are achieved.

Appendix A

Purchasing Cycle Assessment

The purchasing cycle encompasses the procurement of goods and services for the department. The procurement process includes sub-processes specific to requisitions, purchase orders, bids, and contracts.

General Internal Control Objectives:

- Purchases are made from vendors capable of meeting the department's needs (e.g., specifications, quality, price, and timely delivery) via existing mandatory contracts, best judgment, and competitive solicitations; or upon established waiver processes.
- Procurement authority is determined for each purchase in order to follow the correct policies.
- With a few exceptions, transactions over $2,000 require pre-approval from the Assistant Superintendent of the purchasing division and the Deputy State Superintendent as the first step after deliverables are determined.
- Procurement transactions are approved internally or by the Department of Administration, State Bureau of Procurement prior to services beginning or order of goods.
- Requisitions are approved in advance of work being performed, based on required state and department authorization levels. Requisitions have accurate information including description of services or goods, cost, period of performance, supplier ID number, correct chartfields, and procurement authority.
- All service procurements have an associated contract that must be fully executed and attached to a requisition created in STAR.
- Ordered items have satisfied the state's procurement guidelines.
- Goods and services are paid for out of the correct funding sources.
    - Contract Specialists from the Business Services team are always available for questions pertaining to procurement, requisitions, contracting, and purchase orders.

Possible Risks:

- Missing or incorrect information/documentation on purchase order;
- Outdated price information or expired or incorrect contracts cited on the purchase order;
- Changes to the initial, approved purchase order (made by change order);
- Incorrect funding sources may be cited;
- Data entry errors may occur when keying from paper source documents;
- Unauthorized purchases may be made with department p-cards;

- Purchases may be made without the proper procurement authority (e.g., prior approval of a simplified bid, sole source request, signed contract, etc.);
- A fully executed contract is not in place prior to service starting;
- A purchase order is not in place prior to a purchase being made or a service starting.

Risk Discussion:

The department purchases goods and services in accordance with Wisconsin State Purchasing Law (Wis. Stats. Ch. 16, Subchapter IV, "Purchasing") and established policies and procedures set by the Department of Administration, State Bureau of Procurement (SBOP). Department policies and procedures are outlined in DPI Policy Bulletin 2.220 – Purchases of Materials, Services, and Equipment, which is posted on the department's intranet.

The department utilizes STAR to process, control, and monitor purchases of goods and services. STAR requisitions require levels of approvals, which are set by the department. Editing of requisitions at different approval levels is usually required before a requisition can be fully approved. These edits may re-trigger approvals depending on the edit. DOA Procurement Consolidated Agency Purchasing Services (CAPS), reviews and approves all requisitions because of work flow. However, they are only required to review and approve requisitions of $5,000 or greater. The Bureau of Finance reviews requisitions for appropriate account codes, contract legitimacy, appropriate procurement method, general content, correct attachments and terms, and funding availability. STAR runs purchase orders against available budgets. A budget exceptions query is reviewed daily and any necessary action is taken to clear any budget issues.

The originator of a requisition is usually a program office support staff person. Determination of need is made by the program area or team. The office support staff person, in association with their team, determines the content of the requisition. After the need for a good or service has been established, the program areas search VendorNet or work with a Bureau of Finance Contracts Specialist to determine the correct procurement method, including determination if a state contract can or must be utilized. Different procurement methods are available based on the situation, including best judgment, simplified bidding, sole source, official sealed bidding, request for proposals, bid waivers, or the use of DPI purchasing cards. Advance authorization is required for any event that costs more than $5,000 or collects revenue or utilizes an online registration tool contracted by DPI. An example of an event might be a conference or meeting.

The bidding procedures required by SBOP and DPI are shown in the following Bidding Procedures summary. There is also a wide variety of resources on FRED, including a contract management flowchart, and a DPI Purchasing Flowchart, which follows the Bidding Procedures summary.

Bidding Procedures

Mandatory Contracts - if a commodity or service is available on a mandatory contract, DPI must use that contract. Mandatory contracts can be found on DOA's VendorNet. Mandatory contracts are followed, regardless of dollar amounts.

If not available on a mandatory contract, the nature of the supplier, type of payment, type of item being procured, and dollar amount will affect the appropriate steps. DPI maintains templates for use in developing contracts.

Private Sector Suppliers

Formats:

- Contract for Services - purchase of services or commodities, not available on mandatory contracts.
- Personal Services Contract - services by an Individual/Sole proprietorship, $5,000 or less, six (6) months or less.
- Event Contracts
- Bus Transportation Contracts

Methods, non-mandatory contracts:

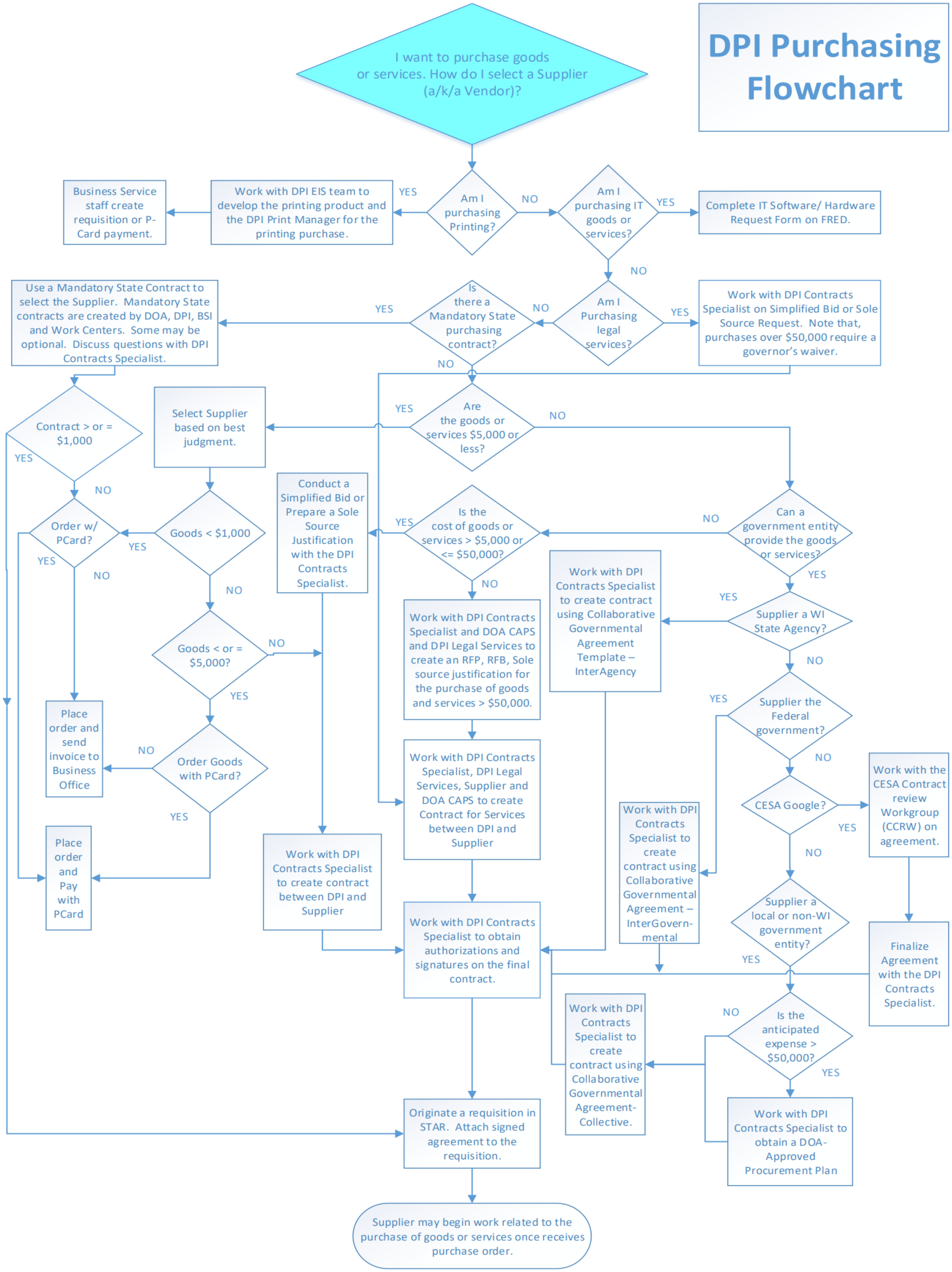
- Up to $5,000 (Best Judgment). The estimated cost of procurement is $5,000 or less, the agency may award to the vendor judged best able to supply.
- $5,000.01-$50,000 (Simplified Bidding). Simplified bidding takes place when three or more qualified suppliers are solicited to submit bids.
- Over $50,000 (Official Sealed Bid) Requests over $50,000 require a solicitation (RFB or RFP) to be conducted by DOA/CAPS.

Governmental Suppliers (leads to Collaborative Governmental Agreements)

- Interagency - purchases from another State of Wisconsin agency, including UW campuses, are exempt from the competitive bid process.
- Intergovernmental (Federal) and Collective (local governments, school districts, libraries, and CESAs) - purchases, excluding printing and stationery. The method for intergovernmental bidding is the same as private sector above.
- Intergovernmental-CESA For procurement purposes, CESAs are treated as local government entities, see Wis. Stat. § 16.70 (8). DPI has an approved procurement plan to enter into services with CESAs without further bidding.

Purchasing deadlines are established so that spending for goods and services takes place in the same year the purchased items are used or services performed. All purchasing activity after the specified deadline must be reviewed and authorized by the Bureau of Finance Director. Purchasing deadlines also function as a buffer period during which insufficient funding issues can be resolved.

DPI Purchasing Flowchart



Note: The term "Contract" used in this flowchart refers to a legally binding agreement between a buyer (DPI) and a seller (supplier) to provide goods or services in return for compensation. Other terms may be used in lieu of Contract. If the essence of an exchange relationship is the same, this procurement process should be followed.

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Purchasing Internal Control Strengths:

- Purchasing policies and procedures are documented and available to employees on DPI's intranet site FRED.
- Purchasing and payables are two separate functions.
- Purchases are reviewed and authorized prior to the purchases being made; invoice payments are made only after proper authorization of the purchase.
- Purchase order dollar limitations are enforced; the Bureau of Finance reviews the chart strings for all purchases.
- End-of-year purchasing activity is restricted, with exceptions for certain approved items.
- The ability to grant budget transfers is centralized in the Bureau of Finance.

Purchasing Internal Control Weaknesses:

- The linkage between contract terms and purchase order activity is manual, which could result in inappropriate payments.
- Requisition approval can be delayed by approvers, which could delay timely purchases. Career and Technical Service Organizations do not follow the same procurement rules as the rest of the department by design, making it difficult to communicate the rules and manage processes.
- The linkage between Contract Management and requisition entry is manual, which could result in required requisitions failing to be entered.
- STAR workflow does not allow for additional approval workflows without manual intervention. Specifically, DPI is a CAPS agency. If the Bureau of Finance accountants do not manually add Purchasing staff into the workflow, DPI Purchasing staff would not see the requisition.
- DPI staff may not be aware of procurement rules even with written, established, and published guidelines, and the procurement training that is offered to staff multiples times throughout the year and is required by DPI policy to be taken by any staff member who is overseeing a DPI contract.
- P-card purchases may include unallowable items that cannot be returned to the supplier.

Risk Assessment: High

Control Assessment for this cycle: High

The control activities over purchasing meet the internal control objectives identified above. The department has procedures in place for proper separation of duties and sufficient authorization through STAR. The contracting, bidding, and payment roles support the internal control objectives and provide a system for protection of the department's interests.

Appendix B

Disbursement Cycle Assessment

The disbursement cycle encompasses payment of invoices from external vendors, other funding groups in the agency/state department, and claims for reimbursement for non-employees. This includes sub-processes specific to purchase orders, purchasing card expenditures, travel vouchers, non-employee claims, and funding to state schools.

General Internal Control Objectives:

- Invoices are reviewed, and payment approved, by appropriate staff.
- Disbursements comply with the State's Prompt Payment Law (Wis. Stat. secs. 16.528 and 16.53 (2) to (11)).
- Payment transactions are properly recorded, including appropriate encumbrance adjustments.
- Payment is made only after verification that the goods and/or services have been received.
- Payments are made for the correct contracted prices for goods and services.
- Payments are charged to the correct chart string.
- Invoice discrepancies are resolved before payment is made.

Possible Risks:

- Purchasing cards may be used for unnecessary or unauthorized purchases.
- Payment and/or encumbrance information may be keyed into STAR incorrectly.
- Payments may not be made within 30 days.
- Invoices may not be properly reviewed or approved.
- Expense reimbursement rules are complex and may be misinterpreted by staff.
- Employees may overcharge for travel and expenses, based on DOA/DPI guidelines.
- Employees may not inquire about government discounts while traveling.
- Payments could be sent to the wrong recipient or be lost in the mail.
- Suppliers may not invoice promptly and therefore result in exceeding federal project closure deadlines, potentially jeopardizing federal reimbursement and future funding.

Risk Discussion:

Supplier invoices are sent directly to the Bureau of Finance (primarily through a dedicated shared group email) where the invoice is logged and assigned to the appropriate financial specialist. The financial specialist will contact the program staff familiar with the purchase. The program staff will review the invoice for accuracy and authorize for payment.

Once proper approvals are received, the financial specialist will enter a voucher into STAR, and receipt payments against any applicable purchase order in STAR. A different financial specialist will perform a pre-audit, and finally an accountant will approve the voucher. Contracts and other supporting documentation may be reviewed during this process when information is not inclusive on the purchase order/requisition. At the residential schools, a similar approval process is used with the program areas. However, vouchers do not always get pre-audited by a separate financial specialist, and vouchers are approved by the schools' business director.

The department also issues U.S. Bank Procurement Cards (p-cards) to employees to pay for low-dollar purchases for the department's program needs. P-cards are issued through the procurement card administrator after supervisor approval, which creates a liability for the department, not the individual. New purchasing cards are issued upon expiration, unless the cardholder requests cancellation of the account or the employee's manager removes approval.

Cardholders must reconcile transactions in STAR for each p-card statement and attach supporting documentation in STAR and enter coding. Supervisors then must approve the transaction and coding in STAR. If the deadlines are missed, then a scanned copy with proper approvals and receipts must be submitted to the Bureau of Finance.

This two-step process provides support for payments made to U.S. Bank and allows the p-card holder the opportunity to transfer costs from the default chart string to a more appropriate one. The department has issued user guidelines for p-cards (P-card Manual) and has set limits.

The department reimburses its employees for all reasonable and necessary travel expenses incurred in the performance of official state business in accordance with department travel policy which is supplemented by DOA and the uniform travel schedule amounts included in the Compensation Plan guidance. Employees are to use good judgment when incurring travel costs and the department provides guidance on lodging and meal reimbursement levels. The department also contracts with suppliers of lodging services for events. All employees are asked to request government discounts whenever possible.

Employee reimbursements, including travel expenses, are submitted via STAR with supporting documentation in the Expense Module. Supervisors then review/approve the travel expenses. The Bureau of Finance performs a pre-audit of travel vouchers to monitor expense reimbursements and ensure that DPI guidelines are followed. DPI policy does not allow for travel advances.

Aid payments make up the vast majority of DPI's expenditures. The Bureau of School Financial Services utilizes DPI-built FNS and SAFA systems to properly request and approve payments using electronic and manual workflow processes. Proper authorization, budget availability, and program assignment are critical elements of the School Financial Services review process. Approved transactions are interfaced into STAR on a weekly basis. Some transactions require STAR approval, which is added after review by Bureau of Finance accountants.

DOA issues payments entered in STAR by DPI. Payments are issued based upon the supplier and method selected by DPI. Suppliers are set up and maintained by DOA, but DPI is responsible for coordinating the establishment of that supplier information. The Bureau of Finance submits this information to DOA through STAR Finance. This includes bank account information for ACH payments, mailing addresses, and W-9s. Once submitted to DOA, DPI does not retain copies of the W-9s and has a dedicated SharePoint site with limited access to manage electronic versions until they can be destroyed.

For non-aid recipients, the program areas are responsible for obtaining the information from the recipients and confirming identities. For aid recipients, DPI has created an IT system (Aids Banking) that entities can use to provide the information. DPI establishes the supplier's access to Aids Banking once they receive a valid FEIN, Legal Entity Name, and DUNS number / UEI (Unique Entity Identifier). DPI structured Aids Banking to require multiple verifications and authorizations to submit information.

Non-employee claims for reimbursement are submitted to the Bureau of Finance for payment on

DPI forms, which include a supervisor's approval. They are paid in the same process as invoices from other suppliers.

If an employee has concerns about potential fraud, non-compliance, or mismanagement and is not comfortable reporting to their supervisor, the protections and procedures of the Wisconsin Whistleblower Act (Wis. Stat. Chapter 230) are available. The DPI Employee Handbook (available on FRED) contains information about this in Section VI-6 and directs employees to either the affirmative action officer or human resources director.

Internal Control Strengths:

- Program area approvals and Bureau of Finance reviews are necessary before non-aid payments are made, including procurement card payments.
- The disbursement function is separate from the purchasing function.
- Prior to disbursement, the receipt of goods and services and approvals are obtained, and documentation is attached to the transaction, which is reviewed by an Accounts Payable approver in the Bureau of Finance.
- Employees are provided guidelines on items that can be reimbursed and acceptable reimbursement rates.
- STAR serves as an internal control for authorization to purchase and disbursement against purchase orders.
- Pre-audits and Accountant reviews serve to validate that all voucher payments are appropriate and charged to the correct funding source.

Internal Control Weaknesses:

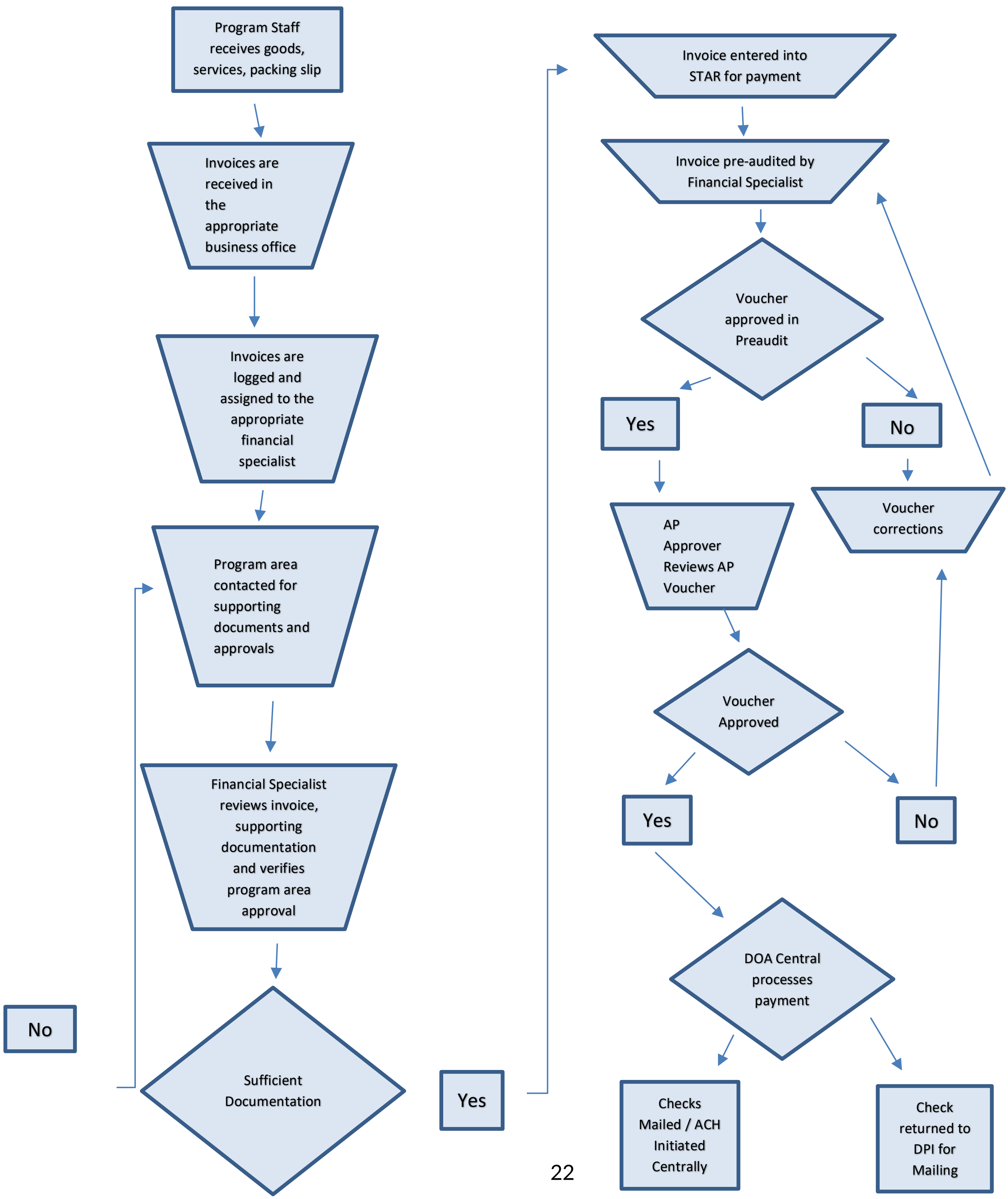
- Payments are not always made within 30 days, which does not comply with the State's Prompt Payment Law.
- There is no coordinated process for obtaining government discounts for lodging, except for contracts, and employees may forget to request government discounts for lodging.

Risk Assessment for this cycle: Low

Control Assessment for this cycle: High

The control activities over disbursements meet the internal control objectives identified above. The agency has procedures in place for proper separation of duties, processing controls, and sufficient authorization through STAR. In addition, the agency has ongoing performance reviews of amounts charged to the different funding sources including periodic projections and monitoring of these costs against appropriated funding amounts.

Accounts Payable Process Flowchart – Non-Aid Payments



Appendix C
Receipt Cycle Assessment

The receipt cycle includes both the billing cycle and the cash receipts cycle.

Billing Cycle Assessment

General Internal Control Objectives:

- Invoices are created and mailed on a timely basis.
- Invoices are valid with correct identification of goods or services provided and accurate contracted rates and terms of payment.
- Outstanding aged accounts receivable are monitored, and follow-up is performed on a regular basis (statements are sent monthly).
- Payments on invoices are properly recorded and classified on a timely basis.
- Write-offs are properly authorized.

Possible Risks of this Cycle:

- Billing and collections for fees and services is not entirely controlled by the financial accounting system (Lock Box or Quickbooks).
- Invoices may not be prepared for goods or services.
- Invoices may not be valid.
- Invoice payments may not be properly recorded or classified on a timely basis.
- Past due accounts receivable may not be monitored, or follow-up performed on a timely basis.
- Receivables may become uncollectable.

Discussion of Risk:

DPI bills for goods and services such as publication sales, conference registrations, non-cash draw grants, and other miscellaneous items. DPI primarily uses STAR for billing and receiving. Quickbooks is used for student or trust accounts. In more limited situations, program areas will determine and request fees or aid repayments outside a formal STAR invoice process.

STAR invoice requests can come from the program area or the accounting area. The Accounts Receivable (AR) Financial Specialists generate invoices as requested. Once payments have been received, the financial specialist keys the payment into STAR. Statements are sent on a regular basis and/or forwarded to the State of Wisconsin Department of Revenue’s collection agency.

Cash Receipts Cycle Assessment

General Internal Control Objectives:

- Funds received are logged and recorded at the amount received and deposited timely.
- Funds not deposited immediately are safeguarded against theft or loss.
- Receipts are properly classified, and unidentified receipts are investigated/resolved timely.
- Receipts are posted correctly to STAR or Quickbooks.
- Refunds of expenditures are supported by appropriate documentation.

Possible Risks:

- Receipts may not be promptly deposited.
- Checks may not be restrictively endorsed.
- Money may not be adequately safeguarded from loss or theft.
- Receipts may be recorded in the incorrect accounts or incorrect classifications.
- Duties may not be adequately separated or supervised.
- Bank reconciliations may not be done in a timely manner.

Risk Discussion:

DPI collects revenues for multiple purposes, including conference registration fees, teacher licensing, GED fees, donations, publications, sales tax, and federal grant costs. Collection occurs for the main office in Madison or the residential schools in Janesville and Delavan. Receipts are collected via online credit card transactions, ACH, cash, check, or by DOA for central federal grant draws. DPI does not accept or handle credit card information – customers enter and pay through a third-party maintained portal. Conference attendees can both register and pay for the conference by credit card or ACH which has reduced the number of checks and the corresponding risks. Of the department's approximately 650 FTE employees, no more than 30 have the possibility of handling funds while only around eight employees handle funds routinely.

Electronic receipts are deposited into source specific US Bank accounts by the processors and swept into central State of Wisconsin accounts daily. The sweep process also sends data to DOA, which uploads the receipts into STAR via special treasury GL Journals. For electronic payments, a deposit entry is generated – leading to a GL Journal. DPI regularly reconciles the source specific bank accounts to the STAR treasury journals.

Receipt Cycle Summary

Internal Control Strengths:

- The billing cycle is separate from the receipts cycle.
- The program areas verify billing/receipt transaction prior to deposit.
- Aged receivables are monitored, and follow-up is performed in a timely manner in STAR.
- Collection support is requested from external sources within DOA guidelines.
- Accounts are reviewed periodically by accountants independent of the billing/receipt cycle.

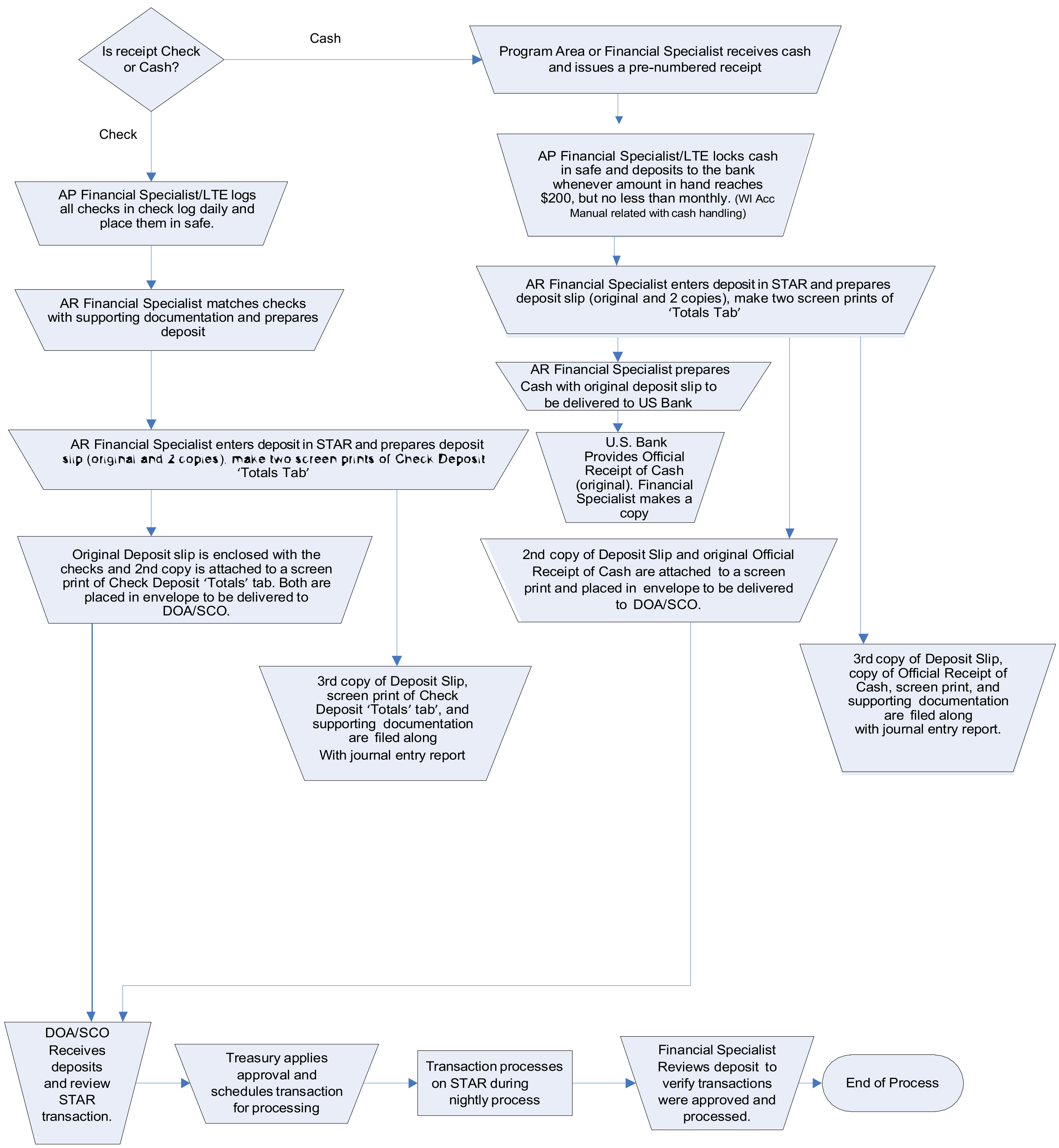
Internal Control Weaknesses:

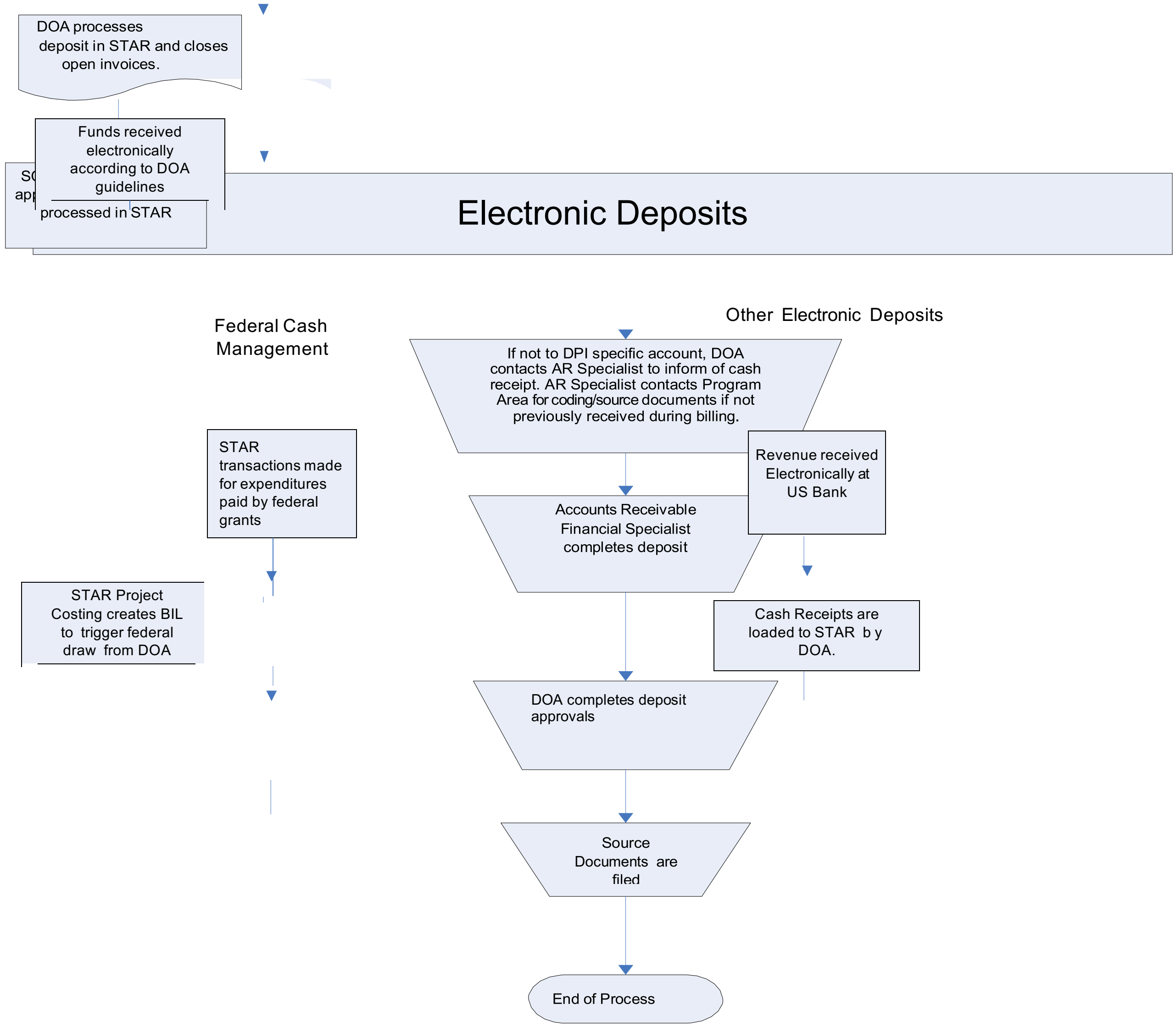
- Billing activity may be performed by the program staff outside of STAR with minimal review by the Bureau of Finance.
- Communication by program areas to the Bureau of Finance about persons/organizations that owe funds to DPI is not always timely and results in an unacceptable level of write offs.
- Program areas may hold checks/cash too long, raising the potential for loss.

Risk Assessment for this cycle: Moderate

Control Assessment for this cycle: High

Physical Cash Receipts Process Flowchart




DOA processes deposit in STAR and closes open invoices.
Funds received electronically according to DOA guidelines
processed in STAR
Electronic Deposits
Federal Cash Management
Other Electronic Deposits
If not to DPI specific account, DOA contacts AR Specialist to inform of cash receipt. AR Specialist contacts Program Area for coding/source documents if not previously received during billing.
STAR transactions made for expenditures paid by federal grants
Revenue received Electronically at US Bank
Accounts Receivable Financial Specialist completes deposit
STAR Project Costing creates BIL to trigger federal draw from DOA
Cash Receipts are loaded to STAR b y DOA.
DOA completes deposit approvals
Source Documents are filed
End of Process

Appendix D

Payroll Cycle Assessment

The payroll and labor reporting cycle encompasses the bi-weekly pay process, employee utilization of STAR ESS in the HCM module of STAR, position and pay rate approvals, payments for employee net pay and tax and benefit requirements, interface with other state agency systems, and charges to the appropriate funding source.

General internal control objectives of this process:

- Payrolls are accurately calculated on the basis of authorized rates of pay and approved hours worked/leaves of absence.
- Payroll transactions are accurately recorded in STAR HCM (agency payroll system), MyETFBenefits (agency benefit system), and STAR Finance.
- Reconciliations between DOA Central Payroll (CP) and DPI payroll data are completed, and any variances resolved.
- Employees shown on the payroll records are authorized and hired in accordance with state personnel rules and regulations.
- Payroll deductions are made in accordance with legal requirements including ERISA, employee benefit selection, and contractual agreements.
- Employees are paid timely on a bi-weekly basis for properly recorded work time and approved absences.
- Confidential employee data (e.g., bank account numbers, and social security numbers) is appropriately safeguarded.
- Employee benefits are properly administered in accordance with ERISA, Compensation Plan, and federal and state tax laws.

Inherent risks of this cycle include:

- Transactions may not be recorded in a complete or timely manner or improperly recorded as to amount, funding source, employee classification, or agency policy.
- Unsupported or unauthorized balances or transactions may appear.
- Last-minute or retroactive adjustments may significantly affect financial results or cause processing errors.
- Documentation may be missing or altered.
- Pay or deductions may be incorrectly calculated and paid to employees.
- Incorrect processing of bank routing or account numbers may result in missing or delayed payments.
- Confidential data may be compromised.
- Interfacing between STAR HCM and MyETFBenefits may lead to delays and errors in benefit coverage.
- An accountant may incorrectly allocate leave.

Discussion of Risk:

Much of this cycle is controlled through DOA policies and procedures. Risk related to the DOA CP is low and DPI can enter and modify account and reporting categories for payroll (PR) transactions in STAR.

STAR HCM is the agency's primary labor allocation to appropriate funding. The Payroll team receives direction for funding allocations from the Office of Policy & Budget (OPB) when employees are hired and any changes to the employee work assignments occur. These employee work assignments are made at the direction of the OPB team. DPI employees utilize an online application, STAR ESS, to record their weekly time worked, overtime, or absences. All time recorded by employees is approved by their respective supervisors on a weekly basis.

Employees provide their benefit selection and tax deductions at time of hire, annually, or for any life changing event to the Payroll team at DPI. These selections may be entered in STAR ESS by the employee or entered into STAR HCM by Payroll. All changes regarding benefits and tax deductions made by Payroll require documentation prior to entry into the payroll system.

STAR HCM calculates employee pay and respective STAR Finance chartfield entries for each pay period. DOA loads each pay period into STAR Finance. DPI accountants reconcile HCM and Finance data for each pay period, review the pay period entries for reasonableness, and allocate expenditures related to leave across actual work time.

DOA CP performs an annual WRS reconciliation, contacting the Payroll team as questions arise regarding individual employees. They work together to resolve any issues. The Payroll team also runs reports and enters WRS earnings into MyETFBenefits monthly.

DOA CP audits benefits on an ongoing basis and contacts the Payroll team as questions arise. They work together to resolve any issues.

Internal Control Strengths:

- Positions are authorized and funding support managed centrally and reviewed by the OPB.
- Payroll processing is completed by DOA CP administering multiple calculations throughout payroll processing week. The Payroll team runs reports during processing week to identify errors.
- Recorded time worked in STAR ESS is submitted bi-weekly and requires supervisor approval. The hours worked on the payroll records are supported by the time reported.
- Bi-weekly reconciliations are performed of payroll costs between STAR HCM and STAR Finance.
- Business rules are codified for STAR HCM in a series of edits, which prevent the Payroll team from making certain entries. For example, account numbers or closed projects.
- Access to each area with the STAR HCM system requires specific authorization and this access is properly controlled through security roles.
- Payroll transactions are properly signed and authorized. Procedures are written and accurately followed.
- STAR HCM and STAR Finance share common data such as funding assignments, rates of pay, and employee time distribution.
- DOA and DPI personnel and payroll information matches, based on an extensive review

process.
- Most employees participate in the electronic direct deposit program.

Internal Control Weaknesses:

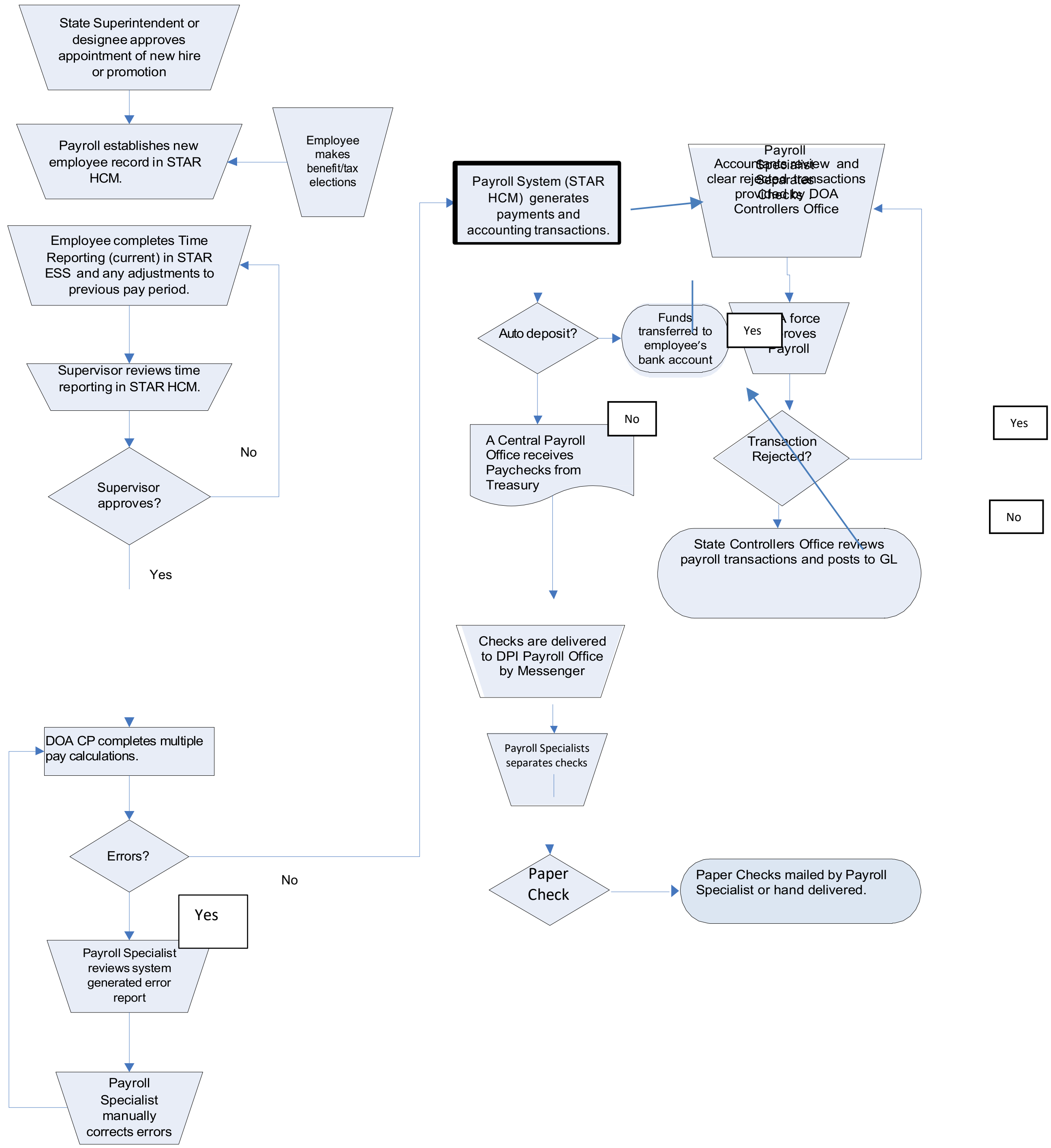
- Non-wage payments to employees/nominal compensated employees (i.e., education reimbursements and moving allowances) are not centrally coordinated by DOA in order to ensure compliance.
- When an error is revealed, determining corrective action requires extensive time from the Payroll team to solve. The complexities of STAR HCM, coupled with its conflicting functionality, require thorough, consistent auditing, and require the Payroll team to work with DOA and STAR Finance to determine corrective actions and best practices.
- The interface and match between MyETFBenefits and STAR HCM increases the probability for errors and requires manual verification.
- Inaccurate paychecks/deposits can be created due to the hand-off of information between the agencies and DOA/ETF and quick turnaround requirements.
- Non-material changes and adjustments may be made in HCM that have a material effect in Finance, without specific notice being made to the Bureau of Finance.

Risk Assessment for this cycle: Low

Control Assessment of this cycle: High

The control activities over payroll meet the internal control objectives identified above. The agency has procedures in place for proper separation of duties, processing controls, and sufficient authorization through STAR HCM and STAR Finance. In addition, the agency has ongoing performance reviews of amounts charged to the different funding sources, including periodic projections and monitoring of these costs against appropriated funding amounts.

Payroll Processing Flowchart



Appendix E

General Ledger Cycle Assessment

General Internal Control Objectives:

- Ensure that documents in STAR are current and approved.
- Ensure data in the General Ledger is accurate, secure, and consistent with all other financial and business applications.
- Ensure that data generated on other systems is interfaced with STAR Finance in a timely and accurate manner.

Possible Risk:

- Pending items may not be reviewed timely and disbursements may be delayed.
- Interface transactions loaded as approved and scheduled may be rejected during the nightly cycles and may delay payments.
- Reports from STAR are not user friendly and DPI relies on pivot tables to sum up transactions.
- Insufficient electronic edits on documents provide for the opportunity of approving incorrect account codes.
- Longer processing time, coupled with the amount of manual work required, increases the risk of missed deadlines and undetected errors.
- STAR and support systems that interface with STAR are extremely complex to manage because there are a wide variety of data management technologies of varying age that are interconnected across multiple computing platforms.
- Excessive amounts of manual processes inherent in the current systems may increase the possibility of data manipulation or fraud.

Discussion of Risk:

The DPI's internal General Ledger is maintained on STAR Finance. All current transactions are queued for approval or auto approved. This includes both directly keyed and interfaced transactions. Financial Specialists and Accountants review the modules for unposted transactions monthly as required by the DOA month end checklist. Numerous account reviews and reconciliations also occur throughout the year.

STAR Finance contains budgetary controls that track expenditures and prevent certain transactions from proceeding. In addition to DOA maintained appropriation level spending limits, DPI maintains an operating budget that allows it to reduce the number of coding errors.

Interface documents include weekly grant and aids payments using payment vouchers. All cash receipt vouchers, travel vouchers, and journal entries are keyed directly or uploaded into STAR as well as some payment vouchers.

STAR processes daily scheduled and interfaced transactions on a nightly basis. These transactions are run against the tables set up in STAR. Transactions may be rejected during the nightly cycle.

Adjustments to the General Ledger recorded transactions can only be made by a journal entry. All non-residential school journal entries are reviewed by a Bureau of Finance accountant who did not initiate the entry. The transaction can be keyed directly into STAR or keyed into a spreadsheet that can be loaded into STAR. Documents are reviewed, approved, and forwarded for final approval. Most journal entry transactions are the result of federal grant management, cost allocations, a review, or reconciliation activity. Access to submit or approve a journal is limited by assigned security roles in STAR Finance. DPI, under guidance of DOA, performs annual reviews of that access.

Internal Control Strengths:

- STAR transactions are reviewed for inconsistent appropriation, project/activity combinations, budget reference, department, and account numbers.
- Unposted transactions are reviewed to ensure documents are current.
- The Bureau of Finance conducts frequent internal control activities to ensure accuracy and reliability of data in all financial systems using the Monthly Checklist as a basis.
- The transaction cycle for General Ledger activity includes sufficient separation of duties that provides assurances of accuracy and department policy adherence.

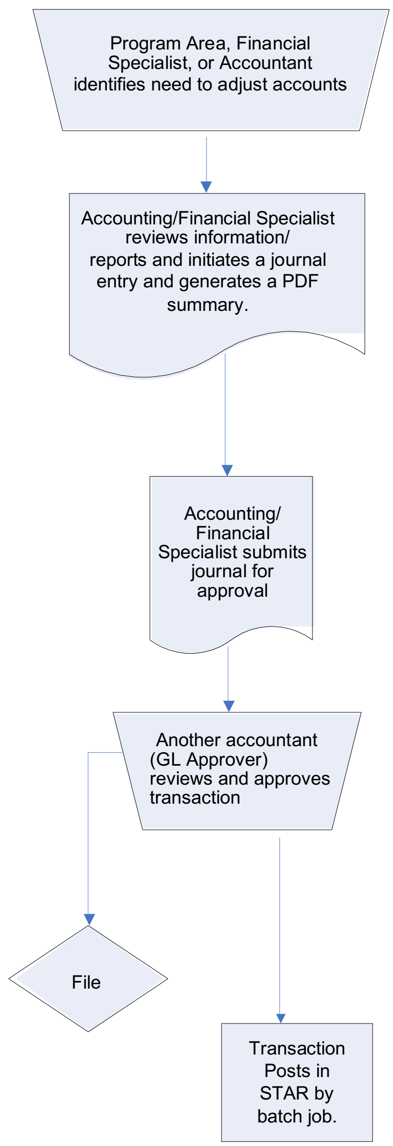
Internal Control Weaknesses:

- Transactions not submitted will not be reviewed timely and result in transactions not posting to all support systems timely.
- Support systems do not have the same level of centralized controls.

Risk Assessment for this cycle: Low to Moderate

Control Assessment for this cycle: High

GL Journal Transaction Process Flowchart



Appendix F

Grants Management Cycle Assessment

General Internal Control Objectives:

- Proper specifications and guidelines for program spending are provided with the grant application/approval process.
- Program managers are capable of monitoring the proper allocation of grant funds.
- Funds are managed to provide optimal benefit to the intended recipients.
- Funds are spent in a timely manner, prior to termination of grant period.
- All costs are properly charged to the correct grant.

Possible Risks:

- Spending may be made in excess of grant funds available.
- Charges may be inappropriately applied to the wrong grant.
- Sub-grants may not be monitored.
- The department could be identified as a high-risk agency which could affect receipt of future grant awards or increased documentation requirements.

Discussion of Risk:

Grants received by the department go through several different processes depending on the type of grant. All grants awarded to and applied for are reviewed by Bureau of Finance accountants to verify budget amounts, rates, coding, and grant periods. The procurement, disbursements, receipts, payroll, and general ledger cycles relate to the grants management cycle. The control activities identified in those cycles assist in verifying compliance with grant requirements and accurate reporting.

DPI's Policy Bulletin 2.410 Coordination of Federal Grants Management outlines the procedures the DPI follows when applying for federal grants. In addition, DPI has created multiple tools, processes, and forms to assist and guide grant management – all of which are available on FRED.

For department awarded grants, Local Educational Agency (LEA) grant applications are approved by DPI program staff. Grant awards are signed by the Assistant State Superintendents. Copies of approved grant applications are forwarded to the appropriate grant accountant. For federal awards, DPI has created an electronic management resource called WISEgrants for both DPI and recipients. The Bureau of School Financial Services processes grant claims for over 80 state and federal grant programs.

There is no single stand-alone software package or system for grant accounting, rather a series of separate Excel spreadsheet files are used to reconcile to the STAR records. SAFA and FNS are subsystems used to upload payment information into STAR.

Internal Control Strengths:

- The State Superintendent reviews and signs grants prior to acceptance.
- Payments or disbursements are audited, or an audit is performed of the grant recipient after payment.
- Grant expenditure data is made available to program managers.
- Accountants monitor and project grant spending and balances and review with management and program managers.
- LEA Financial Audits are reviewed by the Bureau of School Financial Services or, in some cases, by the Bureau of Education Options.

Internal Control Weaknesses:

- Grants maybe approved that do not adhere to DPI policy.
- Grant awards are occasionally received after the beginning of the grant period.
- Application of grant policies and standards may vary within the department due to each program area having responsibility for grant specific procedures and controls.

Employee Time Reporting for Federally Funded Programs

Overview:

Federal guidelines require every employee working to support a federal cost objective to certify time and effort. How often an employee is required to report depends on the type of position funding and whether an employee works outside of budgeted fund sources. All employees (permanent, project and limited term) are required to follow these procedures. DPI employs approximately 650 classified staff and eight unclassified staff.

Process:

Classified Staff Time and Effort Reporting in STAR HCM

Staff enter time worked into the STAR HCM system using Task Profiles that tie to coding for their actual work efforts. Task Profiles have a description field to aid in accurate selection. Paid leave time is allocated by Bureau of Finance accountants for each pay period proportionally across actual work time for that pay period.

Unclassified Staff Time and Effort Reporting

Positions with multiple funding sources that support federal programs are required to report their time on a quarterly sampling basis. The sample is made up of four randomly selected pay periods (one per each fiscal quarter) prior to the fiscal year. Employees are sent notifications prior to the reporting period of the sampling pay period. During the period, the employee enters hours worked for each funding source in a time sheet. It is signed by the employee and their supervisor and submitted to the Bureau of Finance.

The Bureau of Finance confirms receipt of all expected sheets, reviews time reports received, and calculates needed adjustments to the employee's default reporting. After review, adjustments are incorporated into a journal entry, which then follows the journal entry approval process.

Possible Risks:

- Time reporter does not submit time sheets timely.
- Funding changes occur that are not adjusted until after the reporting period.
- Time reporter does not select correct task profile/task group.
- Accountant incorrectly allocates leave.

Risk Discussion:

At mid-year and at the end of the fiscal year, a review is made by an accountant to ensure employees required to report have reported and that adjustments have been processed. Any findings are corrected. The adjustment process has been modified to reduce risk of errors. Excel spreadsheets with formatted cells are used to calculate adjustments and then are loaded to a final spreadsheet which is loaded to a journal uploader in STAR.

Internal Control Strengths:

- A mid-year and end of year review is performed.
- Accounts are reviewed prior to final adjustments.
- Excel spreadsheets with formulated cells are used to limit mathematical errors.
- The vast majority of employees direct report time and effort for their actual work time rather than utilizing the quarterly process.
- Employees reporting under this method are being transitioned to direct reporting.

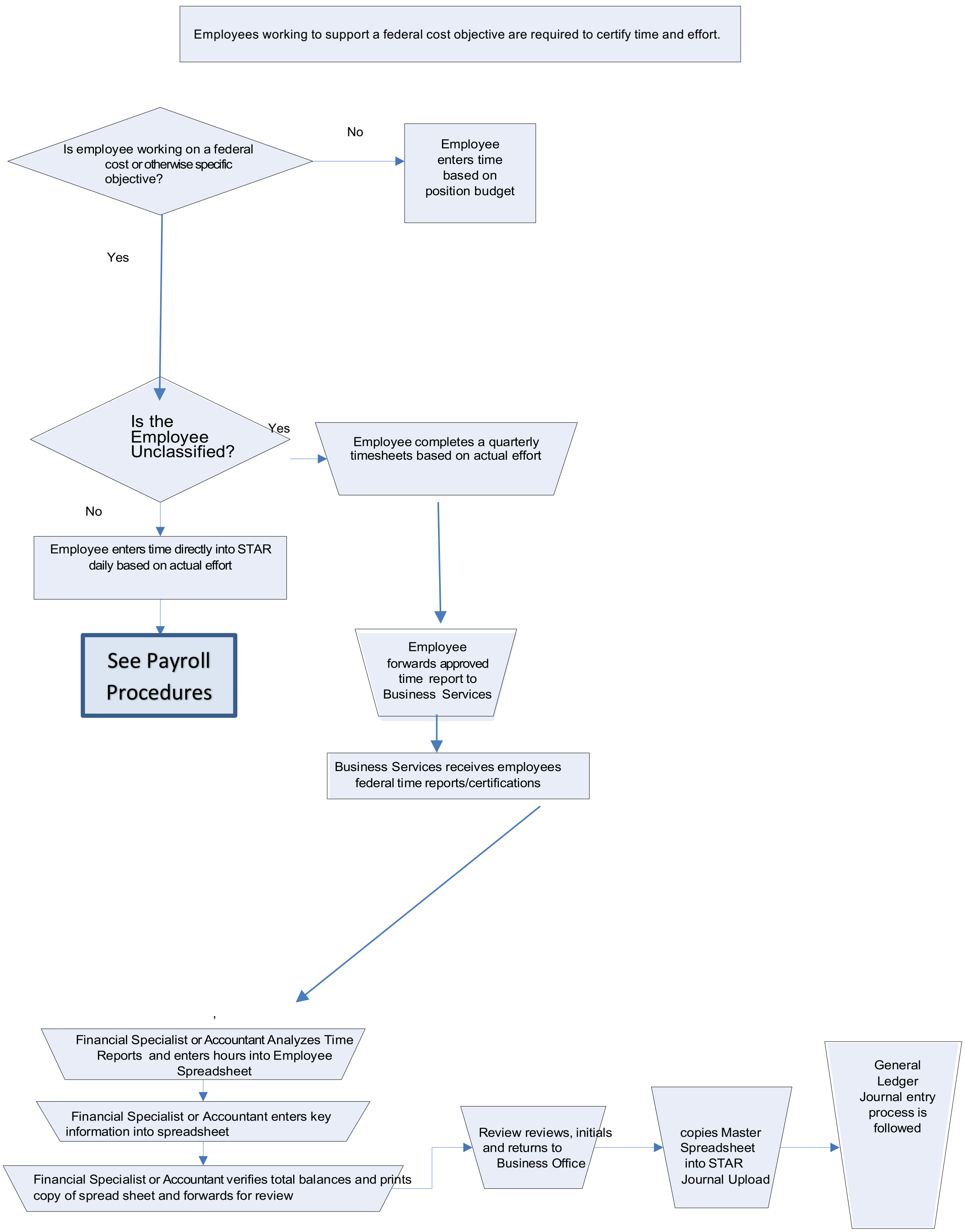
Internal Control Weaknesses:

- Time reports are manual.
- Process is detailed and a step may be missed.

Risk Assessment for this cycle: Moderate to High

Control Assessment for this cycle: High

Employee Time Reporting for Federally Funded Programs Flowchart



Appendix G
Attachments

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