WASHBURN UNIVERSITY BOARD OF REGENTS  
Audit Committee Meeting  
March 11, 2008

Regents Present: Jim Lagerberg, chair, and Maggie Warren

Staff Present: Jerry Farley, Wanda Hill, JuliAnn Mazachek, Tom Ellis, Rhonda Thornburgh, Chris Leach

BKD Staff Present: Abe Cole

- Minutes of the November 29, 2007 meeting were approved as distributed.

- Fiscal Year 2007-08 Annual Audit Engagement Letter -
  - Abe Cole of BKD, LLP, distributed the BKD document, Washburn University Audit Committee Meeting Agenda, which outlined the Fiscal Year 2007-08 audit proposal.
  - The audit will be done in accordance with generally accepted auditing standards and OMB A-133 requirements.
  - A separate audit will be done for KTWU.
  - Mr. Cole pointed out BKD maintains its independence by not making management decisions and is not economically dependent on the University.
  - President Farley said the University would be completing a 990T, which is very different from the 990 being filed by WEA and other non-government entities. He mentioned an article in the recent AGB Trusteeship magazine which discusses the detailed information and documentation now required by the revised 990 form.
  - Audit Timeline:
    - Late July - Interviews with management will be conducted and student financial aid testing will be done. An extra week will be added this year for the new auditing standards that will be required. New forms will be used for internal controls. The auditors will check 35 – 50 key controls and sample test them. These will need to be done prior to the audit fieldwork.
    - September – Fieldwork will be done. Management letter and audit results will be prepared.
    - Late October – Draft audit will be issued.
  - A new set of auditing standards, referred to as "The Risk Assessment Suite," will be required with this audit. These standards include more in-depth evaluation, documentation, and testing. The additional cost for the Risk Assessment Suite will be a line-item fee not to exceed $11,000.
  - Critical audit areas will include:
    - Investments
    - Receivables
    - Property and Equipment
    - Accounts Payable and Accrued Liabilities
    - Debt Covenants
    - Net Assets
    - WEA and Law School Foundation Component Units
    - Financial Aid Testing
  - The BKD fraud consideration approach will include audit team brainstorming sessions, interviews with employees, and evaluation of unusual transactions. It will also involve an unpredictable element which BKD includes in every audit.
  - Mr. Cole said it is important to have open communication with the committee and with management. He asked if the committee had any concerns or specific areas needing review. There were none. He said the University’s excellent financial team makes their job much more effective.
  - Regent Warren said it was very difficult switching to a new auditor after so many years with the previous firm; however, everyone has been very pleased with the professional services provided by BKD.
  - It was moved and seconded to recommend Board of Regents approval of the BKD audit services proposed in the engagement letter. Motion carried.
• NCAA Compliance Reporting Agreed Upon Procedures -
  • This report is to be done every three years and maintained internally. It is not filed with the NCAA but
    is to be on file at the University. The report is to be done as of June 30, 2007.
  • President Farley noted the NCAA has not explained or advised the University about this requirement.
  • Specific Athletics procedures and controls will be reviewed and tested. Although it is not required that
    the report be done by the University auditor it must be done by an independent accountant. Since
    BKD is already familiar with University procedures, it makes sense for them to also do the NCAA
    required agreed upon procedures.
  • The cost for the NCAA Agreed Upon Procedures, in an amount not to exceed $12,000, will be taken
    out of FY08 reserve funds.
  • BKD will issue a separate engagement letter for the NCAA report.
  • It was moved and seconded to recommend Board of Regents approval of the NCAA Agreed Upon
    Procedures to be performed by BKD. Motion carried.

• Mr. Cole asked if the committee wanted to meet with him without management being present. The
  committee agreed it was not necessary.

• President Farley asked Mr. Cole if he wished to meet with the committee without management being
  present. Mr. Cole indicated he did not.

• The committee agreed it would not be necessary for Mr. Cole to attend the March 21, 2008 Board of
  Regents meeting.

• Meeting was adjourned.