

WASHBURN UNIVERSITY BOARD OF REGENTS
Audit Committee Meeting
November 29, 2007

Regents Present: Jim Lagerberg, chair, Maggie Warren, Ben Blair

Staff Present: Jerry Farley, Wanda Hill, Denise Ottinger, Robin Bowen, Tom Ellis, Al Dickes, Chris Leach, Rhonda Thornburgh, Richard Martin

BKD Staff Present: Abe Cole

- Minutes of the June 4, 2007 meeting were approved as distributed.
- Fiscal Year 2006-07 Annual Audit Report -
 - Abe Cole of BKD, LLP, distributed a draft letter to the Audit Committee. This is the communication required by SAS 61. This new standard requires annual written communication of specific information to those charged with governance.
 - Mr. Cole said the auditors are required to identify internal control deficiencies, breaking them into the three categories of material weaknesses, significant deficiencies, or control deficiencies.
 - No reportable material weaknesses or significant deficiencies were found during the audit. Two items involving conflicting duties were noted under control deficiencies.
 - The first involved duties of the accounts payable clerk. Management has responded by transferring the reconciliation of the accounts payable subsidiary ledger to the general ledger to personnel with no accounts payable duties. The reconciliations will also be reviewed periodically by the Director of Finance.
 - The second involves access to student payments by cashiers and registrar employees who also make billing adjustments, credit memos, and write offs to student accounts. Management controls require student receipts to be provided upon payment. All adjustments to student accounts must be approved by the Director of Finance or the Bursar. Mr. Leach said the probability of risk is low, since the majority of student payments are now made on-line, taking the cashiers out of the loop.
 - Mr. Cole noted Footnote #1 of the report is the best place to find accounting policies.
 - Mr. Cole said to keep in mind the auditors do not audit every transaction but set scopes of testing to determine University compliance with policies and financial reporting regulations.
 - There were no disagreements with management or with the financial statement prepared by management. BKD has no conflicts or financial arrangements with the University.
 - The auditors conducted many internal conversations to understand the reconciliations of amounts due the University from WEA. There were substantial differences due to the accounting treatment by the University and WEA. President Farley indicated this will be an ongoing problem and will need to be reconciled every year.
 - When asked whether internal control audits were done at the University, President Farley indicated an internal control audit was done four years ago and they will continue to be done periodically. Mr. Cole said no prescribed time is suggested for internal control audits, however, he would advise to have audits done regularly if there is management turnover or if there are significant changes in processes. President Farley said with the addition of Kaw Area Technical School we may want to do another internal control audit.
 - Mr. Cole said most organizations do not have enough staff to completely segregate duties, but there should be checks and balances on the various duties. He said most crucial is to ensure there are compensating controls in place.
 - Mr. Cole briefly reviewed the draft Audit Report. Total non-operating revenue went from \$40.1 million to \$40.3 million. The increase in net assets was \$10.2 million in FY07 compared to \$4.2 million in FY06.
 - A significant amount of audit time was spent on the student financial aid cluster, due to the large dollar amount involved in this area. No reportable matters were found.
 - Mr. Cole expressed his thanks to University management and staff for their attention to the audit. He said it was a good team effort.

- It was moved and seconded to recommend approval of the FY 2006-2007 Annual Audit to the Board of Regents at the December meeting. Motion carried.
- President Farley asked Mr. Cole to attend the December Board of Regents meeting to answer any questions that may be asked.
- The committee agreed it would not be necessary for the Regents to go into executive session at the December meeting to discuss the audit with Mr. Cole.
- Meeting was adjourned.