

WASHBURN UNIVERSITY BOARD OF REGENTS
Audit Committee Meeting
December 11, 2006

Regents Present: Nancy Paul, chair, Blanche Parks, Mayor Bill Bunten, Maggie Warren, Ben Blair

Staff Present: Jerry Farley, Wanda Hill, Tom Ellis, Denise Ottinger, Al Dickes, David Monical, Chris Leach, Rhonda Thornburgh

BKD Staff Present: Abe Cole

- Minutes of the February 8, 2006 meeting were approved as distributed.
- Fiscal Year 2005-06 Annual Audit Report -
 - Abe Cole of BKD, LLP, distributed the *Report to the Audit Committee - Audit Results 2006*, along with a draft management letter.
 - Mr. Cole said the audit was designed specifically to express an opinion on the financial statements of the University; issue a management letter to management and the committee; and audit and report on the Federal Student Financial Aid Program in accordance with OMB A-133 requirements.
 - The principal areas of audit emphasis were -
 - Valuation of receivables, including receivables from WEA
 - Valuation of cash and investments
 - Testing of fixed assets
 - Properly accrued liabilities
 - Restrictions on fund balances
 - Compliance with federal student financial aid requirements
 - Audit results –
 - A clean opinion was given on compliance with financial reporting and internal controls.
 - No findings or weaknesses reportable under OMB A-133 or Government Auditing Standards were noted.
 - No audit adjustments were recorded.
 - Passed adjustments were reviewed by Mr. Cole.
 - Required communications were discussed.
 - There were no difficulties, disagreements with management, or consultations with other accountants in performing the audit.
 - Management letter was reviewed. Suggestions for improvement included:
 - implementation of a formal ethics policy;
 - engaging a collection agency to collect delinquent student accounts to improve collections and keep aged receivables to a minimum;
 - Chris Leach said an RFP for collection agency services is already in final stages of review and will soon be issued.
 - review and refining the allowance for doubtful student accounts based on historical basis rather than using a flat percentage rate;
 - setting up reserves for delinquent property taxes based on historical collections; and
 - formalizing the policy to approve construction change orders.
 - New Risk Assessment Audit Standards –
 - Mr. Cole indicated the Sarbanes-Oxley auditing standards are trickling down to non-profit organizations and the new standards will have an impact on the 2007 and 2008 audits. Auditors will not be able to sign off on the audit until all outside information is received. More testing and control work will be required.
 - Regent Paul noted accounts receivables had increased quite a bit this year but receivables from WEA were quite a bit lower. Chris Leach indicated as we've gone to the allowance approach a combination of increased tuition rates plus carrying things on the books a little longer has

increased the receivables. He said WEA has been trying to improve cash management by retaining earnings longer so they can continue to invest the funds as long as possible.

- Regent Blair asked about the reserve funds to pay for the Stoffer project and how we determine when transfers should be made. Chris Leach said the money has been transferred to the capital account over several years time.
 - Mayor Bunten indicated he still has concerns about tuition increases and hopes we can level off future increases.
 - Copies of the final audit will be distributed by Mr. Cole at the Regents meeting on Friday.
 - It was moved and seconded to approve the 2006 Audit Report and to recommend approval to the full Board of Regents.
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- The next committee meeting will be held one hour prior to the January 26, 2007 Board of Regents meeting. Mr. Cole will plan to attend.
 - Meeting was adjourned.