

WASHBURN UNIVERSITY BOARD OF REGENTS
Audit Committee Meeting
January 17, 2011

Regents Present: Blanche Parks, Acting Chair, Christel Marquardt, Dan Lykins

Staff Present: Jerry Farley, Rick Anderson, Nancy Tate, Randy Pembroke, Cindy Hornberger, Richard Liedtke, Chris Leach, Rhonda Thornburgh, JuliAnn Mazachek, Loren Ferre, Bill Roach, Russ Jacobs, Dorothy Hedman

Students Present: Lucas Mullin, Regina Budden

RubinBrown Staff Present: Kaleb Lilly, Chester Moyer, Tim Hall

Board Chairperson Marquardt announced that since Audit Committee members Lagerberg, Bunten, and Moses were all unable to attend the meeting, Regents Parks, Lykins, and Marquardt would be appointed to the Committee for this meeting. She asked Regent Parks to chair the meeting in Regent Lagerberg's absence. The meeting was called to order at 3:00 p.m. by Acting Chair, Blanche Parks.

1. Minutes of the December 3, 2010 meeting were approved as distributed.
2. The RubinBrown auditors gave a summary presentation of the Washburn University annual audit for Fiscal Year 2009-2010.

Mr. Lilly complimented University management and staff on the open communication and cooperation provided to the auditors. He noted Washburn has a very experienced and dedicated accounting staff.

Mr. Moyer discussed the required communications which include:

- an unqualified opinion on the Washburn and KTWU financial statements;
- report on compliance and internal control over financial reporting in accordance with Government Auditing Standards;
- compliance and internal control over federal financial assistance in accordance with OMB A-133; and
- report on agreed-upon procedures according to NCAA regulations, which is required to be done every three years.

In answer to a question regarding an unqualified opinion, Mr. Lilly said controls are tested at a high level. As part of a financial statement audit, auditors are not required to give an opinion on the effectiveness of internal controls. They test for compliance and are required to report anything significant.

Management judgments and accounting estimates –

- When asked how depreciable lives are determined, Mr. Lilly said it is up to management, is open to interpretation, and just needs to be reasonable. President Farley said the best source is our auditor. Mr. Lilly said they rely primarily on internal knowledge and benchmark based on reporting they have done for other institutions.
- Regent Parks asked how uncollected accounts receivables are handled. Mr. Leach said a few years ago the University engaged two collection agencies who work primarily for higher education. He indicated that procedures have been put in place to try to avoid having students get in that position to start with. The State set off program has also helped since we are now allowed to have tax checks held until accounts receivables are paid. He added that

less than \$15,000 is written off each year by the University. President Farley said holds are put on transcripts until balances are paid and we continue to track accounts receivables as long as we are legally allowed to do so.

IT recommendations –

- Although no significant deficiencies or material weaknesses were found, best practices to consider include:
 - developing formal policies for information security,
 - developing an IT controls self assessment, and
 - consider an ongoing Banner committee.
 - Strengthening password complexity and reviewing user access and security were also recommended.
 - Business recovery should be reviewed and tested periodically.
 - Security awareness surveys should be considered.
- Accounting recommendations include:
 - creation of a formal, University-wide record retention policy;
 - elimination of corrective, one-sided journal entries; and
 - implementation of a formal fraud detection policy;
 - re-assessment of estimates for capitalized purchases such as library books; and
 - give consideration to obtaining independent appraisals for valuation of large donations.

Mr. Hall reviewed the schedule of revenues and expenses. Regent Marquardt inquired why net tuition is less than last year. Mr. Anderson said it is due to an increase in overall scholarships and a substantial increase in Pell grants. Mr. Lilly invited board members to contact him regarding any future questions that may arise.

3. Supplemental Audit Schedules –

- KTWU audit - A clean, unqualified opinion with no compliance issues.
- NCAA agreed upon procedures – is to be conducted every three years to evaluate compliance with the NCAA bylaws. No reportable issues were noted.

4. Management Response – Mr. Leach said the administration will begin to implement the auditor recommendations in the next few months as outlined in the response letter. Bob Stoller will be working on the IT recommendations. Mr. Anderson said after Dr. Pembroke is on board a revised position description will be drafted for the ISS Director position.
5. It was moved and seconded to recommend approval of the June 30, 2010 audits, along with the supplemental schedules, at the January 26, 2011 Board of Regents meeting.
6. Next meeting will be coordinated with Chairperson Lagerberg at a later date.
7. Meeting was adjourned at 3:57 p.m.