

**WASHBURN UNIVERSITY BOARD OF REGENTS**  
**Audit Committee Meeting**  
**November 14, 2008**

Regents Present: Jim Lagerberg, chair, Maggie Warren, Jim Roth, Bob Storey

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

BKD Staff Present: Abe Cole

- Minutes of the July 25, 2008 meeting were approved as distributed.
- Fiscal Year 2007-2008 Annual Audit Report -
  - Abe Cole of BKD, LLP, reviewed the draft letter to the Audit Committee required by SAS 61. This new standard requires annual written communication of specific information to those charged with governance.
  - No unusual accounting policies or transactions were noted during the audit.
  - Mr. Cole noted in the handling of WEA it is necessary to rely on another audit firm for their numbers. Since Washburn reports under GASB and WEA reports under FASB it makes the handling of WEA rather cumbersome.
  - Regent Roth asked if it is better to have the same or different auditor for the university and the endowment association. Mr. Cole said there are pros and cons to both and he would advise the Regents if there was ever a problem with the current arrangement.
  - There were no discrepancies with Management's Discussion and Analysis (MDA) and there were no disagreements with management while doing the audit.
  - Approximately 150 hours were added to the audit to address the new risk assessment auditing standards.
  - Internal controls are broken down into material weaknesses, significant deficiencies, and control deficiencies. There were no reportable material weaknesses or significant deficiencies. The following control deficiencies were noted:
    - Scholarships were awarded over the budgeted amount. Guidelines and processes have been put in place by management to avoid over-awarding scholarships in the future.
    - Both the cashiers and the Registrar's Office have access to student payments. They can make billing adjustments and write-offs to student accounts. Management has implemented several controls involving segregation of duties to mitigate the risk of material misstatement.
    - IT personnel are not prohibited from changing master files and resolving input errors. ISS plans to review personnel duties and system access.
    - Mr. Cole suggested management compile historical collection info to be used in the calculation of the allowance for doubtful accounts. Chris Leach said we have referred about \$1,000,000 in unpaid student accounts to collection agencies and ultimately expect to collect around 50% of the accounts. The student is charged the collection fee so there is no cost to the University. Vice President Hill said outside collection agencies have only been used in the last few years so there isn't a lot of historical data yet, however, University Bursar, Rich Selden, is starting to compile the data.
  - Although not considered material weaknesses or deficiencies, other suggestions included establishing a formal antifraud policy and a formal IT disaster recovery plan. Vice President Hill said if we lose power our IT system is kept going by a generator. Management is also looking at having a server off-site to be able to recover information.
  - Assets are down about \$5 million because of the investment decline and approximately \$6 million overall from last year.
  - Regent Warren asked about the eight-year deferred maintenance loan, noting we will need to be conservative. Vice President Hill said annual capital projects and the loan payments come from the Debt Retirement and Construction Fund. Annual capital budgets presented to the Board for approval will contain allowances for the loan repayment.

- Total liabilities decreased about \$2.2 million and total equity is down \$3 million.
  - Total operating revenue is up from \$40.1 million to \$41.6 million.
  - Net assets are down from \$14.1 million to \$13.7 million.
  - Mr. Cole pointed out Note 11 in the audit which addresses the transfer of Kaw Area Technical School as of July 1, 2008, and the interest free deferred maintenance funding from the State.
  - He also said about one third of the audit time was spent on financial aid and there were no reportable findings.
  - It was moved and seconded to accept the preliminary audit report. Motion carried. The final report should be available for the December Board of Regents meeting.
- Meeting was adjourned.