Audit Summary

Washington State University
July 1, 2000 through June 30, 2001

ABOUT THE AUDIT

This report contains the results of our independent audit of Washington State University for the period July 1, 2000, through June 30, 2001.

We preformed audit procedures to determine whether the University complied with state laws and regulations, its own policies and procedures, and federal grant requirements. Our work focused on specific areas that have potential for abuse and misuse of public resources. Audit procedures performed included an evaluation of internal controls established by management.

RESULTS

In most areas we examined, the University complied with state laws and regulations and its own policies and procedures. In general, the University's internal controls allow officials to effectively operate the University and safeguard its assets. The University’s methods of accumulating and reporting financial data are reliable. University officials have processes in place to provide reasonable assurance that the University's objectives are met. These internal controls are designed to safeguard University assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to applicable policies.

We identified one condition related to the return of student financial aid funds to the Department of Education, which is reported in the 2001 Statewide Single Audit Report to be issued in March 2002.

We also noted several issues we communicated to University management.
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Description of the University

Washington State University
July 1, 2000 through June 30, 2001

ABOUT THE UNIVERSITY

Founded in 1890, Washington State University is located in Pullman and is the state’s land-grant University with one of the largest residential campuses west of the Mississippi. In addition to its branch campuses in Spokane, Tri-Cities and Vancouver, the University operates the Intercollegiate Centers for Nursing Education Center in Spokane with satellite nursing centers in Yakima. The University has cooperative extension offices in all 39 counties, 11 regional learning centers, seven research and extension facilities in various locations, and 24 Small Business Development Centers statewide. The University offers nearly 150 major fields of study. Degree and non-degree courses are available through regional learning centers around the state and through the Distance Degree Programs. Bachelor’s degrees are available in all major areas, with master and doctoral degrees available in most.

The University is governed by a nine-member Board of Regents, appointed by the Governor and confirmed by the State Senate. In June 1998, a student regent position was added, bringing the number of regents to 10. University President, Dr. V. Lane Rawlins has served as Washington State University President since June 2000. The University employs approximately 5,500 faculty, staff and administrative professional employees and an additional 6,000 temporary student employees. Enrollment at the University exceeds 20,000 students.

Significant current budgeted construction projects include the Johnson Hall Addition ($49 million), Center for Undergraduate Education ($41.6 million), Spokane Health Sciences Building ($38.9 million), Spokane Riverpoint Academic Building ($45.3 million), and the Campus Infrastructure Project ($23.7 million).

The University's faculty, administrators and staff are very successful at negotiating and receiving grants and contracts for research, scholarship and other sponsored programs. During fiscal year 2001, the University spent $95.9 million in sponsored programs. Approximately 31 percent of total sponsored program money was spent through the College of Agriculture and Home Economics.

APPOINTED OFFICIALS

Regents are appointed for six-year terms. An existing regent continues to serve until the Governor names a replacement or re-appoints the regent. The following regents currently provide oversight of University operations:

Board of Regents:
President
Robert D. Fukai
Joe King
Kenneth Alhadeff
Phyllis M. Campbell
Elizabeth Cowles
Darren Eastman
Peter J. Goldmark
Steven R. Hill
William D. Marler
V. Rafael Stone
Executive Officers
President V. Lane Rawlins
Academic Vice President and Provost Robert C. Bates
Vice President for Business Affairs Gregory P. Royer
Vice President for Information Technology Mary M. Doyle
Vice President for Student Affairs Charlene K. Jaeger
Vice President for University Relations Sally P. Savage

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Audit Areas Examined

Washington State University
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In keeping with general auditing practices, we do not examine every portion of the Washington State University's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the University were examined during this audit period:

LEGAL COMPLIANCE

While evaluating internal controls in selected University departments, we also audited each department's compliance with state laws and regulations, and University policies. Areas tested in these departments were selected based on an analysis of the department's activities and our assessment of the highest risk of noncompliance, misappropriation or misuse. Areas included in department audits encompassed billing and receipting, payroll, and purchasing cards.

In addition, we audited the following areas for compliance with certain applicable state laws and regulations:

- Contracts and agreements
- Travel advances and expenses
- Personal use of state resources
- Open Public Meetings Act
- Legal and supported payments
- Ethics/conflict of interest laws
- Purchase card usage
- Imaged documents
- Long-term debt

INTERNAL CONTROL

University management has delegated responsibility for establishing and maintaining an adequate system of internal control to the dean and chief financial officer of each unit. Some units and areas tested were selected based on an analysis of the department’s activities and our assessment of the highest risk of noncompliance, misappropriation or misuse. Other departments and areas of audit were selected on a rotating basis over the course of several years. This is in keeping with general auditing practices where we do not examine every portion of the University’s financial activities during each audit. We evaluated internal controls in the following units and areas:

Billing and Cash Receipting:

- Student recreation center
- Butch's Bistro
- Extended University services
- Telecommunications/IT revenue
- Department of Intercollegiate Athletics – summer camp revenues
Cash Receipting, Petty Cash and Revolving Accounts:

- Surplus stores
- Attorney General’s Office
- Purchasing/Vehicle Licensing
- Performing Arts Coliseum (Beasley)
- CUB F, S &A
- ICNE – Spokane

Microbiology Emergency Loan Account
Health and Wellness Center
(Pharmacy)
Instructional Support Services
Receiving and Delivery
Technical Services

Payroll (follow-up):

- Department of English
- Department of Political Science
- Social and Economic Sciences Research Center

International programs
Department of Teaching and Learning
Nuclear Research Center
Creamery

Merchandise/Consumable Inventory (follow-up):

- Veterinary Micro-Pathology Lab
- Publications

Energy program
Power plant

Purchasing Cards (follow-up):

- Department of Chemistry
- International programs
- Office of the President

Facilities operations
College of Education

We also audited the University’s internal controls over processing transaction and information through central department’s including:

- Accounts payable
- University receivables
- Payroll services
- Sponsored Projects Finance Office
- Office of Provost and Academic Vice President
- Cash management and accounting
- Property and merchandise inventory
- Purchasing office
- Human Resource Services
- Office of Business Affairs

FINANCIAL AREAS

In auditing the state’s financial statements, we reviewed certain University account balances considered material to the state. Whenever possible, we reviewed and relied on work performed by other University auditors.

The results of the University’s financial activities are reflected in the state of Washington’s general purpose financial statements. Those statements are audited separately and reported in the state’s Comprehensive Annual Financial Report, issued by the Office of Financial Management.

In addition, we provided an independent auditor’s report on the financial statements presented in the University’s published financial report. This report is issued by the University on an annual basis.
FEDERAL PROGRAMS

For federal purposes, we audit the state as a single entity. The results are reported under separate cover as the Statewide Single Audit Report. For 2001, the Cooperative Extension Services program was selected as a major program. We reviewed the University’s compliance with the requirements of this federal program including spending grant funds for allowable purposes, matching and reporting requirements.

Student Financial Aid programs are reviewed on a cyclical basis for all Universities and four-year Colleges. The University was selected for compliance review during the audit period. In addition, we reviewed the University’s compliance with federal regulations governing federal cash management.

While auditing selected University expenditure transactions for state legal compliance, if applicable, we also audited the transactions for compliance with federal regulations governing grants in the areas of spending grant funds for allowable purposes.
Audit Overview

Washington State University
July 1, 2000 through June 20, 2001

AUDIT HISTORY

We audit Washington State University annually. Although the past seven audits of the University have reported areas of concern, findings have decreased from a high of five in 1994 to no reported findings in 1999, 2000 and 2001.

In response to each of these reports, University management took steps to make improvements and correct conditions noted in the findings. The majority of the findings from 1994 through 1998 related to weakness in internal controls at the college, unit or department level. Over the years, the University has developed training classes, set up task forces and improved University policies and procedures to address these concerns. We believe this reflects the University’s desire and commitment to implement and maintain strong financial and compliance systems with sufficient internal controls.

CONCLUSIONS

In general, the University complied with state laws and regulations and its own policies and procedures. However we did note several issues we communicated to University management.

The Offices of Business Affairs, Provost and Academic Vice President, Internal Audit, and Business Services/Controller are committed to establishing strong internal controls and ensuring compliance with legal requirements in this highly complex organization. Safeguarding assets was a major focus of our audit. We reviewed how various colleges, units and departments established internal controls related to cash receipting, payroll, purchasing cards, property and merchandise inventory. During the current audit, University management continued to strengthen policies and guidelines related to internal controls. These guidelines were formalized in the Business Policies and Procedures Manual. In addition, the importance of these guidelines was communicated in meetings to deans and administrative managers of all University colleges and administrative units. We believe this should increase awareness of the need for sufficient internal controls to reduce the potential for fraud and abuse.

We appreciate the University’s commitment to establish strong internal controls and ensure compliance in a highly decentralized organization. We thank University management and personnel for their assistance and cooperation during the audit.