Audit Summary

Washington State University
July 1, 2001 through June 30, 2002

ABOUT THE AUDIT

This report contains the results of our accountability audit of Washington State University for the period July 1, 2001, through June 30, 2002.

We performed 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. 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 noted certain issues we communicated to University management. We appreciate the University’s commitment to resolving these issues.

RELATED REPORTS

Our opinion on the state’s general purpose financial statements is expressed in the Washington State Comprehensive Annual Financial Report issued by the Office of Financial Management. In providing that opinion, we reviewed certain University account balances considered material to the state.

In addition, the report on compliance with federal requirements is provided within the State of Washington Single Audit Report.

We also provide an opinion on the University’s financial statements, which will be provided in a separate report. This report is issued by the University on an annual basis and includes the University’s financial statements and other required financial information.

CLOSING REMARKS

The Offices of Administration, Business Affairs, Provost and Academic Vice President, Internal Audit, and 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, and 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 establishing strong internal controls and ensuring compliance in a highly decentralized organization. We thank University management and personnel for their assistance and cooperation during the audit.
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ABOUT THE UNIVERSITY

Washington State University is a land grant university founded in 1890. In addition to the main campus in Pullman, the University also operates branch campuses in Spokane, Vancouver and Tri-Cities, as well as the Intercollegiate Centers for Nursing Education Center in Spokane. The University has Cooperative Extension offices in each of the state’s 39 counties, 10 regional learning centers, seven research and extension facilities, and 24 Small Business Development Centers statewide. The University offers more than 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. Dr. V. Lane Rawlins has served as Washington State University President since June 2000. The University has more than 9,000 employees including faculty, staff and administrative professional employees and temporary student employees. Statewide enrollment exceeds 22,000 students.

Significant current budgeted construction includes the Spokane Academic Center ($45 million), Johnson Hall addition ($40 million), Vancouver Multi-Media Building ($18.5 million), Vancouver Student Services ($15.6 million), Murrow Communications Building renovation ($12.7 million) and Shock Physics Building ($12.4 million).

AUDIT HISTORY

We audit the University annually. Although the past six audits of the University have reported areas of concern, findings have decreased from a high of four in 1996 and 1997 to no reported findings in 1999 and 2000, and one in 2001. We reported no findings in the current audit.

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 1996 to 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.
APPOINTED OFFICIALS

Regents are appointed by the Governor for six-year terms. The following regents served during the audit period:

Board of Regents:
President
Vice President

Robert D. Fukai
Joe King
William D. Marler
Kenneth Alhadeff
Phyllis J. Campbell
Elizabeth Cowles
Peter J. Goldmark
Dick Davis
V. Rafael Stone
Darren Eastman

Note: Steven R. Hill replaced Dick Davis during the audit period.

EXECUTIVE OFFICERS

President
Provost and Academic Vice President
Vice President for Business Affairs
Vice President for Student Affairs
Vice President for Information Systems and Chief Technology Officer
Vice President for University Relations
Vice President for University Development and President, WSU Foundation
Executive Budget Director

V. Lane Rawlins
Robert C. Bates
Gregory P. Royer
Charlene K. Jaeger
Mary M. Doyle
Sally P. Savage
Richard Frisch
Karl Boehmke

ADDRESS

University

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Audit Areas Examined

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In keeping with general auditing practices, we do not examine every portion of Washington State University's financial activities during each audit. 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. We also reviewed and relied on the work of other University auditors whenever possible. The following areas of the University were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the University's accountability in the following units and areas:

Billing and Cash Receipting, Petty Cash and Revolving Accounts

• Student Recreation Center receipting
• Athletics – season passes/guest tickets and summer camp tuition
• Student Telephone Tolls – accounts receivable
• Beasley Performing Arts Coliseum – imprest account activity
• Cougar Card activity – revenue holding account
• Recycling Center revenues
• Compost Center revenues
• Holland Library – interlibrary loans and film rentals
• Game and recreation revenue – golf fees
• Beasley Performing Arts Coliseum – ticket sales
• Housing and Dining – room, board and meals

In addition, we audited accountability and compliance with University policy and statutory regulations in numerous areas in the following units:

• College of Business and Economics
• Tri-Cities Branch Campus
• Student Publications

We also audited for the accountability and appropriate use of purchasing cards in 18 departments and units of the University.

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

• Accounts Payable
• University Receivables
• Sponsored Projects Finance Office
• Office of Provost and Academic Vice President
• Cash Management and Accounting
• Purchasing Office
• Human Resource Services
• Office of Business Affairs
• Payroll Services
**LEGAL COMPLIANCE**

While evaluating internal controls in selected University departments, we also audited each department’s compliance with certain state laws and regulations and University policies:

- Travel
- Open Public Meetings Act
- Legal and supported payments
- Monitoring of grants and contracts
- Cash management
- Use of state grant funds
- Ethics/conflict of interest laws
- Purchasing cards
- Imaged documents
- Long-term debt
- Restricted funds/indirect cost allocation
- Use of public resources

**FEDERAL PROGRAMS**

Higher education institutions are audited as a component unit of the state of Washington. The results are reported under separate cover as the Statewide Single Audit Report. For 2002, student financial aid programs were selected as major programs for statewide single audit testing. We reviewed the University’s compliance with federal requirements for the following programs:

- Return To Title IV
- Federal Perkins Loan
- Federal Work Study
- FISAP reporting
- Federal Supplemental Education Opportunity Grant

**FINANCIAL**

We examined the financial activity and balances of the University including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements