



HLC Accreditation 2016-2017

# Evidence Document

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Office of the President

Office of Internal Audit

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## Internal Audit: Activities and Plans

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**Additional information:** This information package includes reports ~~of~~ ~~the~~ ~~CFI~~ submitted by the WSU Office of Internal Audit to the Kansas Board of Regents Fiscal Affairs and Audit Committee.



WICHITA STATE  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

To: Kansas Board of Regents Fiscal Affairs and Audit Committee  
c/o Kitty DeMars

From: Chris Cavanaugh

A handwritten signature in black ink, appearing to read 'Chris'.

Date: Wednesday, January 6, 2016

Re: Internal Audit Activities and Plans

This memorandum is in response to the requirements of the Board Policy Manual (Chapter II, D, 5, b) that specifies:

“Each state university internal audit department shall report annually to the Board’s Committee on Fiscal Affairs and Audit, summarizing the prior year’s activities and audit plans for the coming year.”

And:

“Each completed internal audit reporting material financial weakness or fraud shall be submitted to the Board President and Chief Executive Officer who shall be responsible for recommending to the Committee on Fiscal Affairs and Audit any specific audit finding that should be further reviewed by the Committee.”

In regard to the first requirement, the attached schedules summarize internal audit activities completed in 2015 and planned for 2016. In regard to the second requirement, Wichita State University had no internal audits reporting material financial weakness or fraud in 2015.

The Board’s Internal Audit Function Policy also references the *International Professional Practices Framework* promulgated by the Institute of Internal Auditors, of which the *International Standards for the Professional Practice of Internal Auditing* is a mandatory element. In this regard, Standard 1110, Organizational Independence, specifies that:

“The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.”

I am taking this opportunity to confirm to the Kansas Board of Regents, through its Fiscal Affairs and Audit Committee, the organizational independence of the internal audit activity at Wichita State. Our reporting line is appropriate and effective and no restrictions have been placed on the scope of our work.

Please feel free to contact me should there be a need for additional information.

cc: John W. Bardo  
Andrew J. Schlapp

**Wichita State University  
Office of Internal Audit  
Calendar Year 2015 Activities**

<u>Internal Audit</u>	<u>Completion Date</u>
KMUW-FM Radio	January
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• CPB online Annual Financial Report</li> <li>• Both are required to fulfill CPB grant requirements</li> </ul>	
Student Government Association Two partial year audits completed	various
Business Procurement Card Transactions Three partial year audits completed	various
College of Education	July
<ul style="list-style-type: none"> <li>• Dean's Office</li> <li>• Sport Management</li> <li>• Curriculum and Instruction</li> <li>• Education Support Services</li> <li>• Human Performance Studies</li> <li>• Counseling, Educational Leadership, Educational and School Psychology</li> </ul>	
Wichita State University Intercollegiate Athletic Association, Inc.	October
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• NCAA agreed-upon procedures <ul style="list-style-type: none"> <li>○ Required procedures expanded this year</li> </ul> </li> <li>• Compile and organize data for tax return and review draft tax forms <ul style="list-style-type: none"> <li>○ IRS Forms 990 and 990-T</li> </ul> </li> <li>• Assist Sr. Associate AD for Business in preparing online NCAA Report</li> </ul>	
Review of university-controlled affiliated corporations	December
<ul style="list-style-type: none"> <li>• WSIA Investments Corporation</li> <li>• Wichita State Innovation Alliance, Inc.</li> <li>• Wichita State University Intercollegiate Athletic Association, Inc.</li> <li>• Wichita State University Union Corporation (d/b/a Rhatigan Student Center)</li> </ul>	
Other Internal Audit Initiatives	various
<ul style="list-style-type: none"> <li>• Updated <i>WSU Policies and Procedures Manual</i> (web-based)</li> <li>• Fulfilled professional continuing education requirements</li> <li>• Attended Regents auditors training day hosted by Pittsburg State University</li> <li>• Updated the following: <ul style="list-style-type: none"> <li>○ Internal Controls Self-Assessment Tool (available online)</li> <li>○ <i>Audit Update</i> newsletter covering sales tax fundamentals</li> <li>○ Internal Audit pre-audit presentation</li> </ul> </li> </ul>	

**Wichita State University  
Office of Internal Audit  
Calendar Year 2016 Plans**

<u>Internal Audit</u>	<u>Probable Date</u>
KMUW-FM Radio	January
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• CPB online Annual Financial Report</li> <li>• Both are required to fulfill CPB grant requirements</li> </ul>	
Restricted Disbursements from the Wichita State University Foundation	Winter/Spring
Business Procurement Card Transactions	
Two to four partial year audits during the course of the year	various
Other audits as may arise or to be determined	various
Wichita State University Intercollegiate Athletic Association, Inc.	October
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• NCAA agreed-upon procedures               <ul style="list-style-type: none"> <li>○ Required procedures expanded this year</li> </ul> </li> <li>• Compile and organize data for tax return and review draft tax forms               <ul style="list-style-type: none"> <li>○ IRS Forms 990 and 990-T</li> </ul> </li> <li>• Assist Sr. Associate AD for Business in preparing online NCAA Report</li> </ul>	
Review of university-controlled affiliated corporations	December
<ul style="list-style-type: none"> <li>• WSIA Investments Corporation</li> <li>• Wichita State Innovation Alliance, Inc.</li> <li>• Wichita State University Intercollegiate Athletic Association, Inc.</li> <li>• Wichita State University Union Corporation (d/b/a Rhatigan Student Center)</li> </ul>	
Other Internal Audit Initiatives	various
<ul style="list-style-type: none"> <li>• Conduct search to fill Internal Auditor vacancy</li> <li>• Update <i>WSU Policies and Procedures Manual</i> (web-based)</li> <li>• Fulfill professional continuing education requirements</li> <li>• Attend Regents auditors training day hosted by Emporia State University</li> <li>• Develop and provide internal control training as an outreach and feedback initiative</li> </ul>	



WICHITA STATE  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

To: Kansas Board of Regents Fiscal Affairs and Audit Committee  
c/o Kitty DeMars

From: Chris Cavanaugh

A handwritten signature in black ink, appearing to read 'Chris'.

Date: Tuesday, January 6, 2015

Re: Internal Audit Activities and Plans

This memorandum is in response to the requirements of the Board Policy Manual (Chapter II, D, 5, b) that specifies (among other things):

“Each state university internal audit department shall report annually to the Board’s Committee on Fiscal Affairs and Audit, summarizing the prior year’s activities and audit plans for the coming year.”

And:

“Each completed internal audit reporting material financial weakness or fraud shall be submitted to the Board President and Chief Executive Officer who shall be responsible for recommending to the Committee on Fiscal Affairs and Audit any specific audit finding that should be further reviewed by the Committee.”

In regard to the first requirement, the attached schedules summarize the internal audits completed in 2014 and planned for 2015. In regard to the second requirement, Wichita State had no internal audits reporting material financial weakness or fraud in 2014.

The Board’s Internal Audit Function Policy also references the *International Professional Practices Framework* promulgated by the Institute of Internal Auditors, of which the *International Standards for the Professional Practice of Internal Auditing* is a mandatory element. In this regard, Standard 1110, Organizational Independence, specifies that:

“The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.”

I am taking this opportunity to confirm to the Kansas Board of Regents, through its Fiscal Affairs and Audit Committee, the organizational independence of the internal audit activity at Wichita State. Our reporting lines are appropriate and effective and no restrictions have been placed on the scope of our work.

Our risk assessment process has identified certain units or processes as worthy of attention each year, with the balance of our activities identified in consultation with WSU President John Bardo and the members of his executive team. Annual audit engagements include the following:

WSU Intercollegiate Athletic Association – Athletics is a high-profile area at most NCAA Division I institutions and WSU is no exception. We collaborate closely with the external auditors on both the financial statement audit and the NCAA-mandated agreed-upon procedures.

KMUW-FM Radio – Licensed to WSU, KMUW operates at 89.1 FM. An annual financial statement audit is required to secure grant funding from the Corporation for Public Broadcasting. From a risk assessment perspective, KMUW's profile is not equal to the Athletic Association's, but its principal revenue sources are donor gifts (in the form of memberships and underwriting) and federal and state grant awards.

Student Government Association (SGA) – Because of SGA's control over significant student fee revenue and because the SGA treasurer and other officers turn over every year, regular audit attention has proven to be worthwhile. To ensure timeliness of resolving issues, we conduct two to four mini-audits each year as our schedule permits rather than an annual audit.

Business Procurement Card Transactions – With knowledge of high-profile procurement card frauds at other universities, our risk assessment analysis mandated that we initiate a periodic review of such purchases at WSU.

Restricted Disbursements from the WSU Foundation – Gifts made to the Wichita State University Foundation for the benefit of WSU are often restricted to a specific or limited purpose by donors. However, after the Foundation disburses such restricted funds to WSU, it does not have the means to verify compliance with restrictions attached to payments made to WSU. We provide that verification.

In addition to the internal audits completed during the year, I oversaw or participated in the following activities and initiatives:

- As an offshoot of an audit of official hospitality reimbursements:
  - Suggested revisions to the university's official hospitality policy and reimbursement process that were subsequently adopted
  - Teamed with the Academic Affairs Budget Analyst to develop and conduct a training module covering the official hospitality revisions for which we had more than 70 persons attend over two sessions
- Met monthly with the Associate Director of Financial Operations for Accounts Receivable to discuss topics of mutual interest, particularly those pertaining to the processing of monies received in departments across campus

- Provided counsel to Rhatigan Student Center (RSC) staff regarding problems with the stored value stripe on the Shocker Card (student and staff identification card) and established recurring meetings between RSC staff and Information Technology Services staff
- Provided counsel to RSC staff and Vice President for Administration and Finance regarding the proper accounting treatment for improvements made by the RSC to facilities owned by the State of Kansas
- Provided counsel to Housing and Residence Life staff, Director of Financial Operations and Business Technology, and Vice President for Administration and Finance regarding the need to keep separate accounting records for Shocker Hall and Fairmount Towers (even though the two facilities have certain shared expenses) in order to fulfill Shocker Hall bond covenants
- Assisted Housing and Residence Life staff with securing from the Physical Plant Department advance notice of labor charges incurred and direct utility billings to allow for improved review and control of residence hall expenses
- Collaborated with the Senior Associate Athletic Director for Business Operations and the Athletic Association's external auditors to address the unrelated business income tax ramifications of the Athletic Association's new multimedia agreement with CBS Collegiate Sports Properties
- Met with the General Counsel and newly-hired Chief Information Officer for introductions and to establish relationships for possible future collaborations
- Participated in quarterly conference call with counterparts at other Kansas Board of Regents universities to discuss topics of mutual interest
- Served on the search committee finance team for interviewing KMUW-FM General Manager candidates
- Led search committee to fill an internal auditor vacancy
- Fulfilled professional continuing education requirements as a certified public accountant and certified fraud examiner
- Posted updates to the *WSU Policies and Procedures Manual* maintained on the university's website, and provided occasional editorial assistance as needed

Please feel free to contact me should there be a need for additional information.

cc: John W. Bardo  
Ted D. Ayres  
Julene Miller

**Wichita State University  
Office of Internal Audit  
Internal Audits Completed in Calendar Year 2014**

<u>Internal Audit</u>	<u>Completion Date</u>
KMUW-FM Radio	January
<ul style="list-style-type: none"><li>• Audited financial statements</li><li>• CPB Annual Financial Report</li><li>• Both are required to fulfill CPB grant requirements</li></ul>	
Student Government Association	
Three partial year audits completed January, May and November	
Business Procurement Card Transactions	
Two partial year audits completed January and July	
Official Hospitality Reimbursements	May
Physical Plant Remodeling and Improvement Account	May
Center for Entrepreneurship Financial Review Follow-up	July
Intercollegiate Athletic Association	October
<ul style="list-style-type: none"><li>• Audited financial statements</li><li>• NCAA agreed-upon procedures</li><li>• Compile and organize data for tax return</li><li>• Assist Sr. Associate AD for Business in preparing EADA Report (Equity in Athletics Disclosure Act)</li></ul>	
Restricted Disbursements from the WSU Foundation	October
Review of IRS Form 990 for University-controlled affiliated corporations	December
<ul style="list-style-type: none"><li>• Wichita State University Innovation Alliance, Inc.</li><li>• Wichita State University Intercollegiate Athletic Association, Inc.</li><li>• Wichita State University Union Corporation (d/b/a Rhatigan Student Center)</li></ul>	

**Wichita State University  
Office of Internal Audit  
Internal Audits Planned for Calendar Year 2015**

<u>Internal Audit</u>	<u>Approximate Timing</u>
KMUW-FM Radio	winter
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• CPB Annual Financial Report</li> <li>• Both are required to fulfill CPB grant requirements</li> </ul>	
Student Government Association	
Two to four partial year audits during the course of the year	various
Business Procurement Card Transactions	
Two to four partial year audits during the course of the year	various
College of Education	winter/spring
<ul style="list-style-type: none"> <li>• Dean's Office</li> <li>• Curriculum and Instruction</li> <li>• Counseling, Educational Leadership, Educational and School Psychology</li> <li>• Human Performance Studies</li> <li>• Sport Management</li> <li>• Education Support Services</li> </ul>	
University Conferences and Non-Credit Programs	winter/spring
Shocker Hall and Fairmount Towers financial review	spring/summer
Intercollegiate Athletic Association	summer/fall
<ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• NCAA agreed-upon procedures</li> <li>• Compile and organize data for tax return</li> <li>• Assist Sr. Associate AD for Business in preparing EADA Report (Equity in Athletics Disclosure Act)</li> </ul>	
Restricted Disbursements from the WSU Foundation	fall
Review of IRS Form 990 for University-controlled affiliated corporations	fall
<ul style="list-style-type: none"> <li>• Wichita State University Innovation Alliance, Inc.</li> <li>• Wichita State University Intercollegiate Athletic Association, Inc.</li> <li>• Wichita State University Union Corporation (d/b/a Rhatigan Student Center)</li> </ul>	



WICHITA STATE  
UNIVERSITY

OFFICE OF INTERNAL AUDIT

To: Kitty DeMars  
(For the Kansas Board of Regents Fiscal Affairs and Audit Committee)

From: Chris Cavanaugh

A handwritten signature in blue ink, appearing to be 'C. Cavanaugh', written over the printed name.

Date: Thursday, January 2, 2014

Re: Internal Audit Activities and Plans

This memorandum is in response to the requirements of Chapter II, Section D, Item 5 (b) of the Board Policy Manual that specifies (among other things):

“Each completed internal audit reporting material financial weakness or fraud shall be submitted to the Board President and Chief Executive Officer who shall be responsible for recommending to the Committee on Fiscal Affairs and Audit any specific audit finding that should be further reviewed by the Committee.”

And:

“Each state university internal audit department shall report annually to the Board’s Committee on Fiscal Affairs and Audit, summarizing the prior year’s activities and audit plans for the coming year.”

In regard to the first requirement, Wichita State had no internal audits that identified material financial weakness or fraud during the past year. In regard to the second requirement, I have delineated the internal audits we completed in 2013 and the audits we have planned for 2014 on the attached schedules.

A significant accomplishment this past year was the completion of our first Quality Assurance Review in February. When I made my annual trip to Topeka to meet with the Fiscal Affairs and Audit Committee, I reviewed the report with the committee and provided each member with a copy of the review report. The satisfactory results of our Quality Assurance Review demonstrate our conformance with and commitment to the *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors (as specified by the Board’s Internal Audit Function Policy).

The *International Standards for the Professional Practice of Internal Auditing* is a mandatory element of the *IPPF*. Attribute Standard 1110, Organizational Independence, specifies:

“The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.”

I am taking this opportunity to confirm to the Kansas Board of Regents, through its Fiscal Affairs and Audit Committee, the organizational independence of the internal audit activity at Wichita State University. Our reporting lines are appropriate and effective and no restrictions have been placed on the scope of our work.

Last year the Fiscal Affairs and Audit Committee inquired whether our audits had unearthed any identifiable trends. The audits we completed in 2013 did not. Rather, the issues we encounter and comment on are typically a diverse lot. To illustrate, consider that for an internal audit of WSU's Fairmount College of Liberal Arts and Sciences, we addressed the following topics:

- Reproduction and sale of course packs
- Periodic testing of emergency shower and eye wash stations in laboratories
- Collection and deposit of placement exam fees
- Oversight of Puebla, Mexico summer program finances

Our risk assessment process has identified certain units or processes as worthy of attention each year, with the balance of our activities identified in consultation with WSU President John Bardo and the members of his executive team. Annual audit engagements include the following:

WSU Intercollegiate Athletic Association – Athletics is a high-profile area at most NCAA Division I institutions and WSU is no exception. We collaborate closely with the external auditors on both the financial statement audit and the NCAA-mandated agreed-upon procedures.

KMUW-FM Radio – Licensed to WSU, KMUW operates at 89.1 FM. An annual financial statement audit is required to secure grant funding from the Corporation for Public Broadcasting. From a risk assessment perspective, KMUW's profile is not equal to the Athletic Association's, but its principal revenue sources are donor gifts (in the form of memberships and underwriting) and federal and state grant awards.

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Business Procurement Card Transactions – With knowledge of high-profile procurement card frauds at other universities, our risk assessment analysis mandated that we initiate a periodic review of such purchases at WSU.

Restricted Disbursements from the WSU Foundation – Gifts made to the WSU Foundation for the benefit of WSU are often restricted to a specific or limited purpose by donors. However, after the Foundation disburses such restricted funds to WSU, it does not have the means to verify compliance with restrictions attached to payments made to WSU. We provide that verification.

In addition to the internal audits we completed during the year, Internal Auditor Clarice Maseberg and I assisted with or participated in the following activities and initiatives (I have parenthetically noted those pertaining to only one of us):

- Posted updates to the *WSU Policies and Procedures Manual* maintained on the university's website

- Adopted the *WSU Internal Audit Manual* which has the primary two-fold purpose to 1) ensure conformance with the *IPPF* and the Kansas Board of Regents Internal Audit Function Policy and 2) ensure consistency and continuity of operations
- Met individually with each member of the president's executive team to solicit input regarding internal audit priorities for the year
- Met monthly with the Associate Director of Financial Operations for Accounts Receivable to discuss topics of mutual interest, particularly those pertaining to the processing of monies received in departments across campus
- Updated our Controls Assessment Tool, an online primer that delineates and explains internal control concepts applicable to most all university departments
- Updated our *Audit Update* newsletters for topics pertaining to:
  - Sales tax fundamentals
  - Contracts and contract processes
  - Security of credit card data
- Participated in Payment Card Industry (PCI) credit card data security meetings
- Through the business procurement card bank, received relevant training and obtained electronic access to WSU's transaction records to enhance the scope and effectiveness of our audits of procurement card transactions
- Fulfilled professional continuing education requirements, in part by attending the Big 12 Internal Auditors Conference hosted by Oklahoma State University
- Attended the Association of College and University Auditors annual conference, held this year in Norfolk, Virginia (Maseberg)
- Served as editor for *College and University Auditor*, the thrice-annually published journal of the Association of College and University Auditors (Maseberg)
- Provided counsel to University Housing and Residence Life staff regarding a sales tax matter pertaining to repair and maintenance expenditures and corresponded with Kansas Department of Revenue staff to resolve the matter (Cavanaugh)
- Assisted in the selection of a new external audit firm for Wichita State University Union Corporation d/b/a Rhatigan Student Center (Cavanaugh)
- Served on the search committee to select a financial assistant to the KMUW General Manager (Cavanaugh)

Please feel free to contact me should there be a need for additional information.

cc: John W. Bardo  
Ted D. Ayres  
Julene Miller

**Wichita State University  
Office of Internal Audit  
Internal Audits Completed in Calendar Year 2013**

<u>Internal Audit</u>	<u>Completion Date</u>
Quality Assurance Review	February
KMUW-FM Radio	February
Fairmount College of Liberal Arts and Sciences <sup>1</sup>	
• Mathematics and Statistics	March
• Chemistry	March
• Modern and Classical Languages and Literatures	March
• History	March
• Biological Sciences	April
• Intensive English Language Center	April
• Geology	April
• Summer Program in Puebla, Mexico	April
• Fairmount Center for Science and Mathematics Education	April
• Philosophy	April
• Women's Studies and Religion	April
• Physics	May
• English	June
Business Procurement Card Transactions	August
Restricted Disbursements from the WSU Foundation	September
Student Government Association <sup>2</sup>	October
Intercollegiate Athletic Association	October
Review of IRS Form 990 for University-controlled affiliated corporations <sup>3</sup> (Kansas Board of Regents Financial Reporting Requirement)	November
Center for Entrepreneurship Financial Review	November
Athletic Association ticket procedures <sup>4</sup>	December

<sup>1</sup> We made our department visits and completed most of our audit procedures in the spring and then placed the audit on hold to allow time for college personnel to take action in response to some of our preliminary observations. We then issued our final internal audit report in December. Because it was not practical to cover all the units within Fairmount College at once, we split the audit in two. We previously audited the dean's office and the academic departments in the social and behavioral sciences in 2012.

<sup>2</sup> Two partial year mini-audits, the first in April and the second in October.

<sup>3</sup> Wichita State University Intercollegiate Athletic Association, Inc. and Wichita State University Union Corporation

<sup>4</sup> Draft report has been circulated. The final report may reflect a January completion date.

**Wichita State University  
Office of Internal Audit  
Internal Audits Planned for Calendar Year 2014**

<u>Internal Audit</u>	<u>Approximate Timing</u>
KMUW-FM Radio <ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• CPB Annual Financial Report</li> </ul>	winter
Employee reimbursements for hospitality expenses	winter/spring
Physical Plant Remodeling and Improvement Department	winter/spring
University Conferences and Non-Credit Programs	winter/spring
Office of the Registrar follow-up <sup>1</sup>	spring
Heskett Center follow-up <sup>2</sup>	spring
Intercollegiate Athletic Association <ul style="list-style-type: none"> <li>• Audited financial statements</li> <li>• NCAA agreed-upon procedures</li> <li>• Assist Sr. Associate AD for Business in preparing EADA* Report</li> </ul>	summer/fall
* Equity in Athletics Disclosure Act	
Restricted Disbursements from the WSU Foundation	fall
Review of IRS Form 990 for University-controlled affiliated corporations <sup>3</sup> (Kansas Board of Regents Financial Reporting Requirement)	fall
Student Government Association <sup>4</sup>	spring/fall
Business procurement card transactions <sup>4</sup>	spring/fall

Internal audits for 2014 were identified through a formal risk assessment and planning process where we solicit input from the members of the president's executive team individually, evaluate suggestions relative to available audit resources, and then seek collective approval for the resulting list.

<sup>1</sup> Our December 2011 audit was prompted by the former registrar's impending retirement. We plan to follow up with the new registrar to assess her progress in addressing the items covered in the audit report.

<sup>2</sup> Our June 2012 audit was prompted by the resignation of the former director. We plan to follow up with the new director to assess his progress in addressing the items covered in the audit report.

<sup>3</sup> Wichita State University Intercollegiate Athletic Association, Inc. and Wichita State University Union Corporation

<sup>4</sup> We plan to conduct two or three partial year mini-audits during the course of the year for this subject.