



Audit INSIGHTS

Western Washington University

Office of the Internal Auditor

October 2004

Welcome ...

to the first edition of **Audit INSIGHTS!** You may be wondering why the auditor is publishing a newsletter. The focus of this newsletter is to provide you with information on good business practices, internal controls, compliance requirements and timely need to know information. Each issue will contain articles on a variety of topics geared towards increasing awareness and understanding of operational and compliance issues to assist management, faculty and staff in implementing and maintaining well controlled work environments. This newsletter is also intended to increase awareness about the Office of the Internal Auditor with the hope that employees will use the Internal Auditor proactively when they have questions but are unsure about who to ask. Internal Audit can also assist when situations arise that may need an objective opinion. I hope that you find this newsletter useful and encourage departments to post it where other employees can read it. In addition, each newsletter can be found on my web site at <http://www.wvu.edu/depts/internalaudit/>.

Your Responsibilities...

MANAGERS AND SUPERVISORS are responsible for establishing appropriate controls and monitoring their effectiveness to provide reasonable assurance that the goals and objectives of their department are being met. What does this mean? It means that managers and supervisors must understand the key risks in their operations and have a working knowledge of the controls that mitigate those risks. Internal Audit can help evaluate your procedures, controls, risks and make suggestions.

Are Your Controls Effective?

DO THEY:

Prevent or detect deviations early to limit costly errors?

Provide reasonable (not absolute) assurance of achieving objectives?

Operate cost effectively when compared to the costs of the potential errors?

OR ARE THEY:

Excessive or redundant?

Missing? Ignored?

Out of date?

Poorly communicated or misunderstood?

Who is Internal Audit and What Do You Do?

How many audit staff members do you have?

The university's one and only internal auditor is Kim Herrenkohl. Kim is a CPA and CIA with 17 years of internal auditing experience.

Do you work for Western Washington University?

The internal auditor is a university employee, unlike the many external auditors on campus who are employed by outside organizations such as the State Auditor's Office, KPMG, Peterson Sullivan, and various other governmental audit entities.

Who do you report to?

To maintain proper independence, Western's internal auditor reports to President Karen Morse.

What do you audit?

The goal of the office is to assist the Board of Trustees, President and university management in the discharge of their oversight, management and operating responsibilities. This is done by providing analyses, appraisals, recommendations and information about the activities that are reviewed. In order to make this process work effectively, the internal auditor is available to work with departments at their request. In addition, Internal Audit performs scheduled audits based on an annual audit plan which is developed by the Internal Auditor, with input from the campus, and approved by the President. Internal audit performs several types of traditional audits such as:

- **Financial related** - Audits with emphasis on university finance.
- **Operational** – Audits focus on effectiveness, efficiency, accomplishment of the function's objectives and safeguarding assets.
- **Compliance** – As a public agency, the university has many compliance requirements covering areas such as ethics, student financial aid, appropriateness of expenditures, etc.
- **Investigations** – Occasionally we investigate allegations of fraud, waste or abuse.

Can university employees call the Internal Auditor?

Yes, you can call the Internal Auditor. As a matter of fact, it is encouraged. If you are considering making a change to a process and would like an objective perspective or if you have a nagging question or concern but have not known who to ask...please feel free to call me at 650-3435. A common misconception is that internal auditors only know about finance. As you can see from the different types of audits listed above, internal auditors get involved in more than just numbers.

For more information about internal audit, visit my web site at <http://www.wvu.edu/dept/internalaudit/>



Contact Internal Audit

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FRAUD BYTES

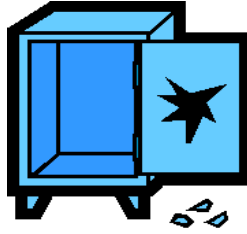
What Should I Do If I Suspect A Loss?

In the course of an employee's job, they may become aware of or suspect that the university has experienced a loss due to an unauthorized taking of university (or public) funds or property or other illegal activity. Whether you are part of departmental management, a faculty or staff member, or a student employee you are responsible for reporting known or suspected dishonest acts by employees, outside contractors or vendors.

According to Washington State law, the university is required to report suspected or known losses of public funds and other illegal activities to the State Auditor's Office. As part of this process, Western needs to have an internal reporting process which includes notifying appropriate university departments of the known or suspected loss. The university is currently working on an official policy and procedure which will detail the responsibilities of each participant in the process. However, until the university's policy has been officially adopted, the following general reporting structure should be followed:

- The employee who suspects or knows about the loss should first notify University Police and their supervisor (unless they suspect that their supervisor might be involved, then they should contact their supervisor's boss.)
- The supervisor or supervisor's boss should report the situation to their division's Vice President (VP).
- The division VP should report to the VP for Business and Financial Affairs (BFA).
- The VP for BFA should report to the Internal Audit and State Auditor's Offices.

Known or suspected losses include but are not limited to, any misappropriation of funds, securities, supplies, furniture, equipment or other asset. It does not include such things as regular inventory shortages, regular cash shortages, or vandalism to university facilities. If you have any questions about whether or not you should report suspicions, you may call the Internal Auditor to get more information. Employees and departmental management should not attempt to conduct their own investigation nor alert suspected employees of an impending investigation. Departments should take action to safeguard relevant records. I will let you know in a future newsletter when the university's policy is available.



Ask the Auditor ...



Do you have a question about business practices, controls, fraud, ethics or a related matter? We will publish selected questions and responses in future "Ask the Auditor" features.

Q. A visitor to our department received a parking ticket during their visit. Can our department pay the ticket?

A. The university is not allowed to spend university funds (chart 1) or funds in a WWU Foundation account (chart 2) to pay for parking violations of university employees, students or visitors. This would be considered a gift of public funds. University parking citations can be appealed. Contact the university's Appeals Program at 650-7624 or access the citation appeal rules online at https://www.ps.wvu.edu/parking/rules/appeal_process.aspx for more information.

Q. As a faculty member, I receive textbooks from publishers for use as a "desk" copy or for review purposes and I would like to dispose of some of these textbooks. What should I do with these textbooks?

A. In September 2003, the Executive Ethics Board issued an official opinion titled "Selling Textbooks Sent to Faculty for Evaluation or Review". This opinion provides the following options for disposing of "review or desk copy" textbooks:

1. Give the textbooks to the university; or
2. Donate the textbooks to a charitable organization (Note: University employees are not allowed to sell the textbooks and then donate the proceeds to a charitable organization.); or
3. Dispose of the textbooks through the university's surplus property procedures.

MONEY ❖ MATTERS



RECEIVING MONEY - Along with the job of receiving and/or processing money

at Western goes many responsibilities for maintaining proper accountability and security for the funds. The following procedures are necessary to provide adequate security over funds received:

- All money received by a department must be documented by a receipt (hand written, cash register or computer system receipt.) Handwritten receipts must be pre-numbered and all receipts must note the mode of payment.
- Departments must maintain daily cash receipt records reflecting the amount of money received by the department.
- When money is transferred from one employee to another, written documentation acknowledging the transfer of responsibility for the specific amount of money must be generated and retained.
- Cash and checks must be securely locked when the person responsible is away from their work area.
- For proper accountability, funds should be maintained under the sole control of responsible employees. No one other employee should be able to gain access to another employee's monies.
- Money received by a department must be deposited with the University Cashier no later than the day after receiving the funds (unless other arrangements for deposit have been approved by the University Cashier's Office or the total cash receipts on hand are under \$500. However, regardless of the amount on hand, the money must be deposited weekly.)
- Someone other than the employee that received the money should verify that it was deposited intact.
- Employees receiving cash and checks must balance their funds each day and appropriately record over and short situations in Banner.
- Departments are encouraged to maintain written policies and procedures for processing cash receipts.