



**Washington State Auditor's Office**

Government that works for citizens

# **Accountability Audit Report**

## **Central Washington University**

**For the period July 1, 2013 through June 30, 2015**

**Published July 25, 2016**

**Report No. 1017131**





## Washington State Auditor's Office

July 25, 2016

Board of Trustees  
Central Washington University  
Ellensburg, Washington

### Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for University operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the University's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## AUDIT SUMMARY

### Results in brief

In the areas we audited, University operations complied with applicable requirements and provided adequate safeguarding of public resources. The University also complied with state laws and regulations and its own policies and procedures in the areas we examined.

### About the audit

This report contains the results of our independent accountability audit of the Central Washington University from July 1, 2013 through June 30, 2015.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the University's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Billings & accounts receivables – student financial services
- Tuition waivers
- Unrelated Business Income (UBI)
- Cash receipting – student financial services
- Subrecipient agreements
- Payroll
- General disbursements including procurement cards, fuel cards, travel and petty cash
- Cost allocations
- Land contract

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Central Washington University July 1, 2013 through June 30, 2015

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Central Washington University. The State Auditor's Office has reviewed the status as presented by the University.

<b>Audit Period:</b> July 1, 2009 – June 30, 2010	<b>Report Ref. No:</b> 1005589	<b>Finding Ref. No:</b> 1				
<b>Finding Caption:</b> The University's controls over accounts receivable are not adequate reducing the likelihood of collecting all amounts that are owed.						
<b>Background:</b> The University reported \$5.3 million and \$6.6 million in student accounts receivable for fiscal years 2009 and 2010. The State Administrative and Accounting Manual requires state agencies to develop written procedures to ensure they follow up on past due receivables in a prompt and cost-effective manner. The manual also requires agencies to prepare monthly aging reports for review by management. The University did not update its 1994 accounts receivable policy to reflect new practices and procedures when it began using a new billing system. The Student Financial Services Department prepares aging reports monthly, but management does not always review them in a timely manner. We also found the University was not following up on overdue accounts in a timely manner. Specifically we noted: <ul style="list-style-type: none"><li>• The initial past due notices for five accounts totaling \$12,396 were not sent until 158 to 271 days after the accounts became past due. University policy states an overdue notice will be sent on accounts when they are more than 30 days past due.</li><li>• Three accounts totaling \$10,540 were not sent to collections until 367 to 468 days after the accounts were past due. The Administrative and Accounting Manual suggests accounts be sent to collections when they are 90 days past due.</li></ul> In addition, the accounts receivable policy does not address whether interest will be charged on overdue student accounts.						
<b>Status of Corrective Action:</b> <table><tr><td><input type="checkbox"/> Fully Corrected</td><td><input checked="" type="checkbox"/> Partially Corrected</td><td><input type="checkbox"/> Not Corrected</td><td><input type="checkbox"/> Finding is considered no longer valid</td></tr></table>			<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid
<input type="checkbox"/> Fully Corrected	<input checked="" type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected	<input type="checkbox"/> Finding is considered no longer valid			

**Corrective Action Taken:**

*CWU initiated changes to the policies and procedures to address the finding recommendations and used this thorough review process to develop and implement other office procedures:*

**Recommendations:**

- *Update its accounts receivable policy to include current system and practices*
- *Establish control for a timely follow up on overdue receivables*

**Action:**

*We updated the accounts receivables policy to reflect the new PeopleSoft billing system and to adhere to the State Administrative and Accounting Manual receivables policy requirements. The policy was reviewed periodically to determine its effectiveness and to make changes if necessary.*

*In 2013 the initial policy was updated to incorporate the PeopleSoft system functionality. The collection process moved from a manually intensive workload to an enterprise system managed effort using the PeopleSoft Collection module. Some of the updates were; system generated past due communications, final notice communications, email notifications, and enhancements to the bill generation process. The collection module also included a collection center featured to be used to record payment arrangements, contact with customers, and to manage the aging of the account. These updates reduced the amount of manual work required to process the notifications on past-due accounts and provided a systemic process for standardizing the collection activities.*

*The next update to the policy was done in 2014 to address concerns with the timing of the collection module generated letters and the expected follow up by the collector(s). The previous policy was specific on the timing of the past-due communications and the follow up but we had not anticipated the issue with the various type of accounts that required different collections efforts. The initial setup of the system was having difficulty addressing the difference between a current student and non-students or inactive students when generating communications and identifying students for follow up. Students were receiving final notices and collection letters when they were still enrolled or active for the quarter. This also added active students to the follow up reports that the collectors needed to sort through. The issue occurred because currently enrolled students are on academic calendar and not a fiscal calendar and therefore they may be active for 3 months before they become inactive and we can proceed with a final notice and then place with an external collection agency. The policy was updated to allow for the different types of students to be processed concurrently without creating an additional burden on the collectors.*

*The latest was updated and revised in 2015-16 to address payment arrangements, to again address students transitioning from active to inactive, and to streamline the process for non-student accounts. The policy established specific guidelines for acceptable payment within a year because the previous policy did not specific a minimum amount or repayment period. It also establishes the grouping of past-due accounts by; active students, withdrawn students,*

*inactive students, and external organizations and customers. The grouping will allow us to target and improve the collection efforts by generating communications and follow up efforts based on the specific past-due group. This includes identifying the accounts that follow the fiscal year and those that follow the academic calendar. In the previous policy the change to address the timing for the active students caused timing issues for the other groups.*

**Recommendations:**

- *Prepare and review monthly accounts receivable aging report*

**Action:**

*We created an aging receivable report for management to review at the end of each month. The report lists all of the past-due receivables that have not been written-off and lists the type of receivable such as tuition. It aggregates by the total number of days an account is past-due and it aggregates by the collection status such as; internal, external agency, and payment arrangements. The report is used to compare the receivables from month to month and to identify any possible issues in the overall receivables.*

**Recommendations:**

- *Evaluate whether interest should be charged on overdue accounts*

**Action:**

*We have established a policy to charge a 1% interest on past-due accounts which we implemented in fall of 2014. This charge is assessed monthly using the PeopleSoft system on all allowable aged accounts.*

**Other outcomes:**

1. *We updated and implemented a write-off process for uncollectable accounts which enabled us to properly account for uncollectable receivables. The change included procedures for identifying uncollectible accounts, the preparation for approval by CWU management and how the system will identify and account for uncollectible accounts that have been written-off. This process is executed annually using the PeopleSoft system and was first implemented in Fiscal Year 2014 which included accounting for the previous years*

<b>Audit Period:</b> July 1, 2009 – June 30, 2010	<b>Report Ref. No:</b> 1005589	<b>Finding Ref. No:</b> 2
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**Finding Caption:**

The University issued \$145,719 in ineligible or unallowable tuition waivers, sixty percent of which went to dependents or spouses of employees.

**Background:**

The University waived \$7.2 million in student tuition during fiscal year 2010. State law authorizes universities to waive tuition for a variety of reasons, including for students with low income, high academic achievement, athletic achievement or performing arts achievement. In addition, universities are allowed to waive a portion of tuition fees for its employees'

dependents or spouses who are not residents of Washington state. However, only the difference between the non-resident tuition and the resident tuition may be waived.

State law also grants universities general authority to waive tuition charges for other purposes. The University is responsible for establishing criteria for determining eligibility to prevent misuse or abuse of waivers. The University's Financial Aid Handbook identifies eligibility for different waiver types.

The financial aid and enrollment management department misunderstood state law by approving full waivers instead of partial waivers for employee dependents or spouses that were not residents. In addition, management uses tuition waivers to recruit and retain students instead of following the University's established eligibility criteria. Also, there is no review process in place to ensure that students who receive waivers are eligible, that the waivers are consistently applied and comply with University policy and state law.

For fiscal year 2010 and the first two quarters of fiscal year 2011, the University issued \$145,719 in tuition waivers to students who were either not eligible or in excess of allowed amounts.

**Status of Corrective Action:**

☒ Fully  
Corrected

☐ Partially  
Corrected

☐ Not Corrected

☐ Finding is considered no  
longer valid

***Corrective Action Taken:***

***Recommendations:***

- *Eligibility criteria for all tuition waivers.*

***Action:***

*The Tuition Waiver Council was established to administer the tuition waivers. The council is responsible for reviewing request for new tuition waivers from CWU departments and then recommending them for budgetary approval to the Chief Financial Officer and then for the approval of the President.*

***Recommendations:***

- *Internal controls that include a review process to ensure students meet state law and University policies.*

***Action:***

*The approved tuition waivers are then communicated to the Financial Aid office for processing. The Financial Aid office is responsible for monitoring the waivers quarterly to validate that students maintain their eligibility and for ensuring compliance with applicable state laws. On a quarterly basis the Financial Aid office submits reports to the Tuition Waiver Council to update them on the waiver activity.*

*Note: These were similar recommendations as the State's Tuition Waivers Accountability Audit.*



## RELATED REPORTS

### Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at [www.ofm.wa.gov](http://www.ofm.wa.gov).

A summary of the audit for the period ending June 30, 2015, can be found at: <http://www.sao.wa.gov/resources/Pages/AnnualReports.aspx>

Our opinion on Central Washington University's basic financial statements, Athletic Department statements and System statements are included in separate University reports. These reports are available on our website, <http://portal.sao.wa.gov/ReportSearch>.

### Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

### Special investigations

During the current audit period, the State Auditor's Office issued a report pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

### Other reports

During the current audit period, the State Auditor's Office issued an examination report on the University management's assertion regarding pensionable wages and contributions reported to the Washington State Department of Retirement Systems. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE UNIVERSITY

Central Washington University is located in Kittitas County. The University, formerly Central Washington State University, became a comprehensive university in 1977. The University serves over 10,000 students each quarter at its main campus in Ellensburg as well as at seven satellite centers located around the state.

The University has an annual operating budget of approximately \$200 million with approximately 3,000 employees. An eight-member Board of Trustees, appointed by the Governor, is responsible for oversight of University operations.

Contact information related to this report	
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*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Central Washington University at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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