

External Auditors

POLICY

Washington State University cooperates with and assists external auditors or investigators whose responsibilities involve examination and confirmation of University transactions. External auditors seek to assure that WSU has legally received and expended funds in accordance with generally accepted accounting principles and standards.

External Auditor Defined

An external auditor is defined as any non-WSU auditor, e.g., state, federal, private firm. An audit can be initiated in any of the following ways:

- WSU invitation
- Legally-mandated requirements
- Funding agent or agency request

University Liaison

As part of the coordination process, the Internal Audit Office serves as a liaison between central administrative offices, University departments, and external auditors or investigators.

University personnel or offices receiving documents or communications from external auditors or investigators are to ensure that the Vice President for Finance and Administration and the Internal Audit Office receive copies.

INITIAL CONTACTS

Central Administration

The first contact with WSU central administrators is generally a telephone call followed by a written notice from the external agency. The written notice should contain the following information:

- A description of the scope, review period, and purpose of the audit or investigation.
- The date the auditors or investigators will be on campus.
- The department or unit which is the primary contact.

Entrance Conference

Generally, external auditors conduct an entrance conference with central administrators. A representative of the Internal Audit Office may attend the entrance conference.

The entrance conference identifies the purpose, scope, and timing of the audit; the information required by the auditors; the personnel who need to interact with the auditors; and the physical facilities needed to accommodate the audit.

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Unit Contact

The first contact with the unit usually occurs when an external auditor or investigator arrives at the unit facility.

Identification

University personnel who are contacted by external auditors or investigators should request identification that indicates the agency or organization name.

If the individual presents a business card as identification, University personnel should compare it with another form of identification, e.g., a driver's license. A business card alone is not sufficient identification.

Notify Internal Audit

When a University department is contacted, the department administrator is to contact the Internal Audit Office as soon as feasible and inform that office of the audit or investigation.

INTERVIEWS

If requested by the external auditors, the administrator of the audited department arranges interviews with appropriate employees. Scheduled interviews and arrangements insure the following:

- Proper employees are available to assist the auditors.
- Relevant records are assembled and available.
- The interview is scheduled around departmental activities.

Interviews Regarding Effort Certification

External auditors are to conduct employee interviews regarding personal effort for sponsored projects in the presence of a designated representative of the audited department. There may be situations in which a designated central University staff member and/or a representative of the Internal Audit Office is present.

RECORD ACCESS

University records are available for audit purposes subject to the normal privacy safeguards and availability. The University Records Retention program allows destruction of records within prescribed time limits (see *BPPM 90.01*).

NOTE: Auditors are not required to complete Public Records Request forms to obtain access to records.

Controller's Office

Auditors are to utilize records in the Controller's Office as follows:

- Controller's Office personnel assist the auditors in locating the records they need to review. The auditors are instructed where to return the records. All refiling is done by WSU employees.

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Controller's Office (cont.)

- Records older than two years are normally transferred to the inactive file storage area. Auditors should contact the Controller's administrative secretary for information about the location of the inactive records.
- If it is necessary to remove a record from the Controller's Office, the auditor must insert an *Out* card with the document number, complete name of the auditor, and the date. The *Out* card replaces the file.

Other Offices

If the auditor must examine subsidiary accounting records in another office, he or she must make arrangements through the appropriate department administrator.

Record access procedures in departments other than the Controller's Office should be similar to those described above.

Follow-up Visits

External auditors make arrangements for follow-up visits to departments if the additional visits are conducted within a reasonable time after the initial visit and are not made as part of a separate audit. Otherwise another entrance conference may be required.

EXIT CONFERENCE

In most cases, the external auditor holds an exit conference at the conclusion of the audit. Those audits that result in a report delivered to a sponsor rather than to the University also include an exit conference. The exit conference informs University representatives of the audit findings, clarifies possible ambiguities, and seeks agreement upon the facts at issue.

If the external auditors feel that the audit does not require a formal exit conference, the department administrator is notified by the external auditor that the audit is completed. The department representative then notifies the Internal Audit Office of the external auditor's decision. There may be occasions when the Internal Auditor requests an exit conference.

The external auditor and the department administrator arrange the exit conference. After the exit conference has been arranged, the department administrator notifies the Internal Audit Office. Depending upon the scope of the audit, a representative of the Internal Audit Office may attend the exit conference.

AUDIT REPORT FACTS

Every effort is made to ensure the correctness of facts included in the audit report. The parties may review and suggest modifications to a draft audit report.

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Audit Findings

Preliminary comments from University personnel on findings concerning a specific transaction in an audit may be required. The auditors must provide sufficient information to enable the University to adequately review the questions and provide a meaningful response. Information requests must include references to the specific grant or policy.

Response to State Audits

The following applies to unit responses to post-audit memorandums prepared by the State Auditor's Office. A post-audit memorandum includes audit findings and recommendations for improvement. The State Auditor's Office addresses the memorandum to the department chair or equivalent administrator and to the individuals in the unit with whom the auditors worked. The State Auditor's Office sends a copy to the Internal Audit Office.

Response (cont.)

The department chair prepares a preliminary response within ten working days of receiving the post-audit memorandum. The response memorandum describes corrective actions taken by the department, how the unit will avoid repeat findings, protect University resources, and ensure policy compliance. If the unit has not yet taken corrective action, the response memorandum must include a specific date by which corrective action will be completed.

NOTE: Internal auditors and/or state auditors may visit the audited unit at a later date to ascertain the status of any corrective action.

The department chair routes the preliminary response to the Internal Audit Office where it is reviewed for policy compliance and completeness.

After review, the Internal Audit Office notifies the unit to prepare a final response. The unit routes the final response to the regional State Auditor's Office and sends copies to the Vice President for Finance and Administration, Office of Internal Audit, the dean or area supervisor, and the Controller.

QUESTIONS

Direct questions concerning interaction with external auditors to the Internal Audit Office.