Washington State University

Office of Internal Audit
Fiscal Year 2024 – Annual Report
July 1, 2023 through June 30, 2024

Internal Audit Services

- Planned audits to review the adequacy of internal controls in the areas of operations, fiscal/accounting, compliance and information technology
- Investigations of suspected employee misconduct in the areas of fraud, waste and abuse
- Advisory services includes serving as liaison between management and external auditors and providing guidance to members of the University community with issues that impact operations and systems of internal control

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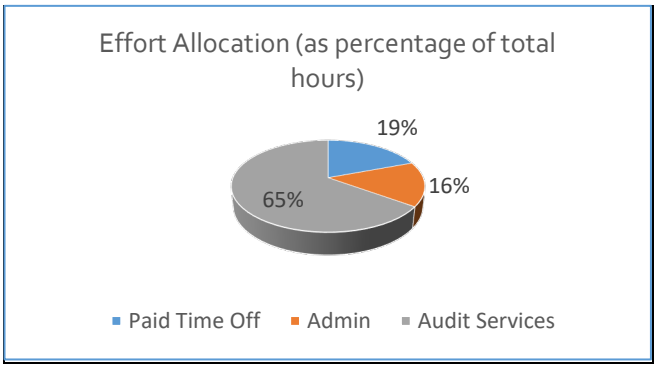
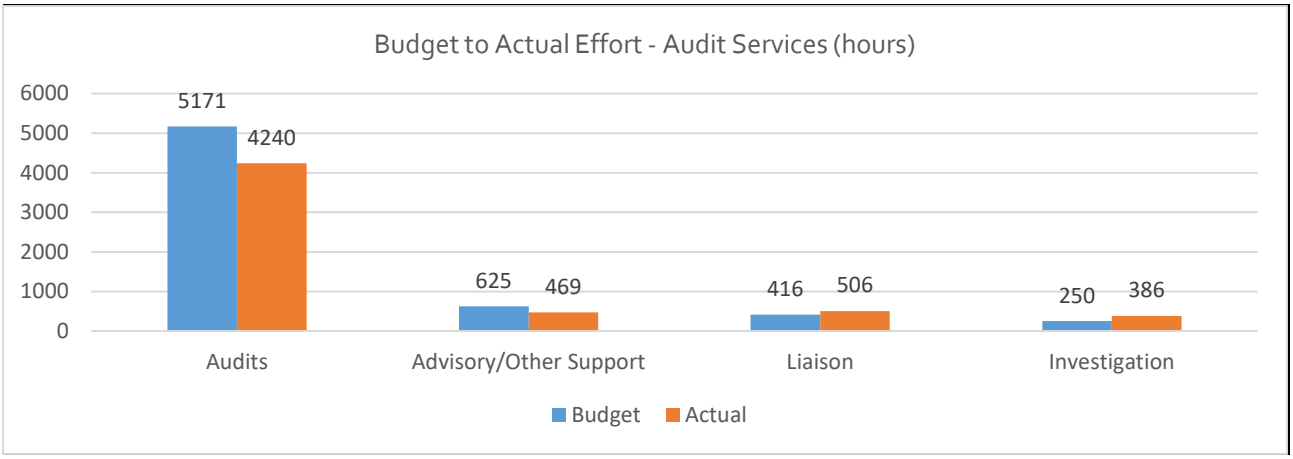
Personnel

Audit team:	Budgeted	Actual	
CAE	2080	2139	
Audit Manager	2080	1682	*
Sr Auditor	2080	1120	^
Sr Auditor		856	^
IT Auditor	2080	2078	
Auditor	1040	736	#
Intern	190	0	
Total hours	9550	8611	

*80% actual, due to LWOP
^Sr. Auditor separated Jan – direct hire of new Sr. Auditor with start date in Feb
#Auditor vacancy filled - start position Feb
No intern



65% (5601) of 8611 paid hours - audit plan/audit service activities. This is less than the budgeted amount of 6462 (projected to be 70% of available hours), in part due to additional admin time needed on separating and new employees.

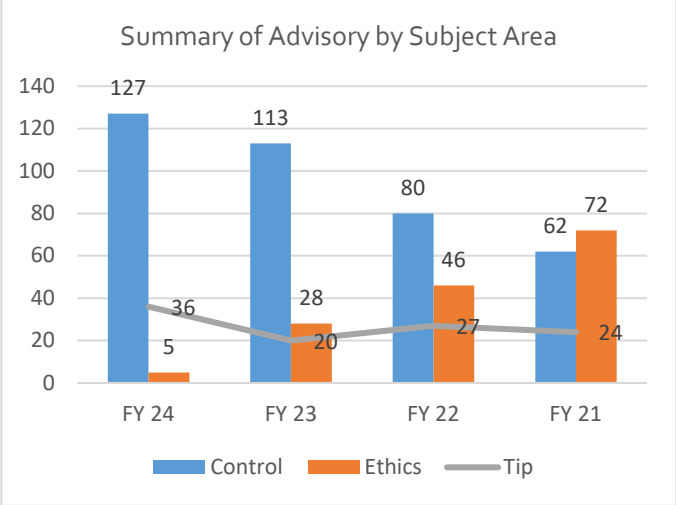


Washington State University

Summary of Planned Audits

FY 24 Audits	Purpose of Audit	Status
Clery Act Reporting	Second phase of Clery Act audit with focus on reporting processes	Controls Adequate - One Recommendation (Low Risk)
Small Works Roster	Review of bid process, management of roster and communications, compliance	Controls Adequate - One Recommendation (Low Risk)
Dept of Teaching and Learning	Review of unit level activity, pcard, payroll, travel expense, assets and compliance	Controls Adequate - Five Recommendations (Low Risk)
GLBA Safeguards	Refresh on IT safeguards in place to meet new federal requirements	All testing complete, pending report
Employee Recruitment Incentives	Evaluate new program introduced to provide incentives for new employees and referrals.	All testing complete, pending report
Dept of Pharmacy Dean's Unit	Review of unit level activity, pcard, payroll, travel expense, assets and compliance	All testing complete, pending report
Continuous Audit Program	Tests of transactions throughout year, as a result of data pull and application of selected queries: pcard, travel, payroll, required training	All testing complete, pending individual memo distribution and final report
Data Retention	Test retention (and disposal) of data (hard copy and electronic)	Planning complete, fieldwork rolled over to FY 25
Consulting Contracts	Evaluate process for executing consulting contracts and monitor of services performed	Rolled over to FY 25
Cash Advance	Review processes for approving and issuing advances, and accounting for use	Removed from plan due to resources, planning query development for inclusion in Continuous Audit program

Other Audit Services



Investigation:	36 tips → 19 investigations
Liaison:	90% - State Auditor Accountability, Performance Audit
Other: – facilitate training and educational announcements on internal controls, fraud, audit risks, cybersecurity controls, whistleblower investigation	

September 13, 2024

Karen Thomas Brown, Dean College of Education
Washington State University

Tariq Akmal, Chair Department of Teaching and Learning
Washington State University

Dear Dean Brown and Chair Akmal:

Following is the final report for our Department audit of Teaching and Learning. Management's response to recommendations has been included in the report. We concur with the actions planned and will perform a follow-up review within six months to determine whether the corrective actions have achieved the desired effect.

We appreciate the cooperation and assistance provided by your respective teams during this review. Please let me know if we can be of further service.

Sincerely,

Heather Lopez
Chief Audit Executive, Internal Audit

cc: Kirk Schulz, President
Chris Riley-Tillman, Provost and Executive Vice President
Matt Skinner, University Internal Control Officer
Thuy-Trang Thi Voulgarakis, Director Administrative Services, Education
Julie Killinger, Principal Assistant
Kris Nilsson, Fiscal Specialist 1

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EXECUTIVE SUMMARY

A Department audit was performed at the Department of Teaching and Learning, College of Education, in accordance with the FY 2024 audit plan. The Department of Teaching and Learning is one of three departments in College of Education. The Department offers programs in several areas but at its core teacher education, literacy and instruction.

A department audit has as its purpose to review certain processes in place at the distributed level and assess whether the department's controls are adequate to provide reasonable assurance that compliance requirements will be met, transactions will be timely and properly authorized and recorded, and assets are safeguarded.

For this department audit we evaluated controls and tested transactions in the following key functional areas:

- Purchasing card
- Payroll
- Travel
- Assets
- Compliance (specific to training)

Conclusion

Overall, the department has adequate controls over functions reviewed. Though some issues were noted during testing – included at Issues, Recommendations and Management Responses – these have been determined to hold low risk of significant impact to the Department's financial and compliance management.

SCOPE and AUDIT METHODOLOGY

Audit scope was limited to activity and transactions initiating or processed within the programs at Teaching and Learning, occurring FY 2023 and FY 2024 through December 31, 2023.

The overall intent was to perform most all testing remotely with heavy reliance on the transactions as recorded in Workday, including business processes and supporting documentation as uploaded by department personnel. Within this framework, procedures to meet audit objectives included:

- Identify and test internal controls relative to objectives.
- Interview personnel and perform walkthrough of processes integral to the function.
- Obtain and review policies, procedures and other documents as necessary.
- Perform tests on transactions selected from the scope period – review from reported activity, to transactions, to supporting records of approval.

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSES

For functions tested, we have the following observations and recommendations:

1. Purchasing card

We reviewed expenses against CC0003 via purchasing method of purchasing cards ($175,377, 839 PCard verifications, 12 cardholders used cards to charge against this account). A total of 55 transactions ($11,543 - 9% of total) were selected via random sampling for test to support, ensure proper approvals were in place and to assess allowability. While tests focused on primary cardholder Kris Nilsson (with $129,530 expense) we did review some transactions initiated by other cardholders to ensure appropriate approvals were present to allow charge against CC0003.

Good practice observation:

We noted, at time of data pull, the primary cardholder was timely in procurement card verifications.

Exception:

- Receipts for several transactions (as uploaded to Workday) were not in sufficient detail to identify what was purchased.
- Request to serve food form, where required, was not always uploaded and/or signed by approving official.

Recommendation:

Better effort is needed to ensure support for transactions is complete and uploaded with transaction record in Workday.

Management Response: *T&L Fiscal personnel will ensure transactions are complete per BPPM Policy. Each person involved in both sets of transactions will be checking for any missing details in future transactions. Moving forward:*

- *Each transaction will be checked for transactional notes and details.*
- *Food forms will be signed, attached, and uploaded.*

2. Payroll

We pulled all payroll expense charged against CC0003 for the scope period, by pay period, and reviewed for unusual trending across periods (in scope and beyond scope – to last half FY 2021 for perspective), and by pay component. We selected 15 employees (Faculty, Administrative Professional and Civil Service) to test to support for position and pay in Workday. We then selected six employees to test time and leave records up to the December 16, 2020 transition into Workday to gain assurance the balances were adequately reviewed prior to uploading in the new tracking system.

Exception:

- Offer letters or support for pay, or changes in pay, were not located in Workday for five of 15 employees tested. Offer was located for one individual but the document in Workday was not signed.
- Isolated – we encourage management to evaluate, in consult with HRS, having an overtime eligible position, working hybrid/remote, also holding an ADR.

Recommendation:

Regular processes should ensure all pay- or position-affecting support is uploaded to Workday.

Management Response: *We will ensure that any changes in pay will be documented at the departmental level with copies of those letters. These have mostly been handled at the college level and we did not receive copies, only an email or verbal notification of the action taken.*
Auditor note: *If pay- or position-affecting support is uploaded to Workday it will be made available to authorized reviewers, and employee, at both college and department level, eliminating the need for multiple copies.*

Time/leave reports for six employees were reviewed in full, from time of hire and against present or requested Position Action Forms. Tests performed to ensure appropriate rate of accrual, carryforward and calculation – and the amounts entered in Workday as starting balance were correct and supported. All but one record reviewed had missing months. Assumptions made by auditor related to accuracy of carry forward amounts when documentation was missing (with exception of one record). All records showed evidence of corrections at some point – not an exception, rather, this is positive indication of review.

Exception:

- For four records, balances brought into Workday were correct and supported.
- Two records had exception:
    - TW: May 2020 should be full month sick leave accrual (8 hours) per PAF, but only accrued 4, thus, ending balance at October 2020 short 4 hours.
    - JK: multiple errors and incorrect use and completion of leave reports. This is a long time employee – we have shared the record with HRS to perform a comprehensive review and confirm accuracy of balances.

Recommendation:
We recommend unit confirm audited balances for records noted to hold errors in balances transitioned to Workday and work with HRS and/or Mod on making necessary corrections.

Management Response: *We will confirm audited balances are transitioned to Workday and work with HRS on making corrections.*

Recommendation:
Time and leave reports for employees in employ since before May 2005 still have social security numbers. Although these records are reportedly held in locked cabinet with limited access, efforts should be made to permanently redact the PII (personally identifiable information) from these records.

Management Response: *These have already been redacted.*

3. Travel

For the period of review, there was $174,217 (275 expense reports) charged against CC0003, for 73 different workers. We reviewed transactions against expectations developed in planning. There were 21 expense reports reviewed to supporting records (in Workday) and assessed for completeness, accuracy in coding, allowability against fund type, and appropriate authorization.

We did not always see a department approval form (required) for each Expense Report but for the most part, transactions reviewed were adequately explained or supported. No exception.

4. Assets

Asset management is a responsibility that falls to department management. For Teaching & Learning, this responsibility is shared with College administration, specifically the Academic Technology Officer. When new devices are needed, the ATO assists with the purchase, and, at the time of machine set up in Active Directory (AD), applies a naming convention to track location and user. InTune and JAMF are used in concert with AD to identify devices, location and user. The ATO also performs the biannual physical inventory.

There may exist a lack of segregation of duties with regard to asset management – with college personnel performing acquisition, management and confirming physical inventory/existence of assets, and finally, surplus and update of records. We will defer formal recommendation in the area of asset management until system administrators finalize anticipated updates to property policies, including as tied to tools such as InTune and JAMF. For the five devices we selected for confirm – no exceptions.

5. Compliance (specific to training)

There are a few subjects that the University has declared important enough to require annual training/refreshers for all personnel, including:

- EP 15, Sexual Harassment and Discrimination
- EP 45, Ethics
- Safety
- Cybersecurity
- Hazing Prevention
- Unconscious Bias

All employees are able to set up accounts, using WSU network ID, in Percipio, where they will be able to find these courses by assignment or by search 'required trainings'. There have been updates to the Percipio system that coincide with changes in contractual terms. The system was updated January 2024 and better captures, in one place, required and optional core courses and assignments.

We pulled the list of all courses completed in the system through December 19, 2023 (date when system prepared for conversion to update). We also pulled all positions paid on CC0003 and reporting to SP001706 and made a selection of 27 individuals to match to the Percipio reports. All of the individuals selected have hire dates before scope period and were still in employ at December 2023. For all records, there were a very small handful whom have completed some of the required courses.

Most of the University required trainings are driven by legislature (e.g. Unconscious Bias) or significant risk factors indicating the need for increased awareness (e.g. CyberSecurity, EP 15).

Recommendation:
We recommend department management implement processes to remind employees of training requirements and monitor for compliance.

Management Response: *The required trainings on Percipio have been included in the start of the year letter to faculty and graduate students. The Department Chair will run an "audit" in December and May and contact faculty who need to complete their trainings.*

BASIS OF REVIEW

CRITERIA
University policy at BPPM and Workday Standards/Reference Guides primary criteria.

Required trainings notated on Human Resource Website and in individual policies.

AUDIT STANDARDS
Our office follows the guidelines as promulgated by the Institute of Internal Auditors' "International Standards for the Professional Practice of internal Auditing" (IIA Standards), in carrying out the planning and engagement of audit activity. The IIA Standards require we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we included such tests of the records and other procedures as we considered necessary in the circumstances.

The WSU Office of Internal Audit is not in full conformance with the IIA Standards in that a quality peer review has not yet been performed.

AUDIT TEAM INFORMATION
Internal auditors assigned to the audit included Tricia Fiscus and Heather Lopez.

For questions regarding this project, contact Heather Lopez, Chief Audit Executive:

Email: hlopez@wsu.edu
Phone: (509) 335-2001
Website: http://www.internalaudit.wsu.edu

Rating	AUDIT RISK RATING CRITERIA
High	***Risk has a high impact and is highly likely to occur*** *This is a high priority issue – immediate management attention is required. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:* • *Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited* • *Serious violation of University strategies, policies, or values* • *Serious reputation damage, such as negative publicity in local, regional or national media* • *Significant adverse regulatory impact, such as loss of operating licenses or material fines*
Moderate	***Risk has a high impact and low likelihood, or low impact and high likelihood*** *This is a medium-priority issue – timely management attention is warranted. This is an internal control or risk management issue that could lead to:* • *Financial losses* • *Loss of controls within the organizational entity or process being audited* • *Reputation damage, such as negative publicity in local or regional media* • *Adverse regulatory impact, such as public sanctions or immaterial fines*
Low	***Risk has a low impact and low likelihood*** *This is a low priority issue – routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the unit or process being audited. Risks are limited.*
	Areas of Proficiency Positive statements where internal controls, governance or risk management processes were adequately established and functioning well for each of the audited area/systems.

Table of Opinion Methodology

Satisfactory	• Control environment is adequate • No findings noted • Management's control environment appears sound • All high level risks adequately controlled
Some Improvement Needed	• Control environment is adequate but some exceptions exist • Some control weaknesses and/or opportunities for improvement observed • Management's control environment appears otherwise sound • High level risks are adequately controlled
Major Improvement Needed	• Control environment is not adequate and significant exceptions exist • Some high level risks are not adequately controlled • At least one finding is rated "high" • Immediate safety and soundness are not threatened, but management's control environment requires improvement • Significant exposure to fraud or security vulnerabilities

May 3, 2024

Leslie Brunelli, Executive Vice President for Finance and Administration
Washington State University

Dear Vice President Brunelli:

Following is the final report for our audit of Clery Act Reporting. Management's response has been included in the report. We concur with the actions planned and will perform a follow-up review, according to timelines of implementation identified by management, to determine whether the corrective actions have achieved the desired effect.

We appreciate the cooperation and assistance provided by your staff during this review. Within the Executive Summary we provide a brief background that this is the second of two audits over a less than two year period with a goal of evaluating compliance with Clery Act. Of significance, it is apparent there has been a significant investment in energy and skill towards building a stronger program that meets the spirit and intent behind Clery Act requirements. We commend the terrific leadership and engagement from the WSU Pullman Police Department, Compliance and Civil Rights, Compliance and Risk Management and all the system partners that work to ensure WSU's Clery program meets desired outcome of reliable and accurate campus safety and security reporting.

Please let me know if we can be of further service.

Sincerely,

Heather Lopez
Chief Audit Executive, Internal Audit

cc: Kirk Schulz, President
Elizabeth Chilton, Chancellor WSU Pullman
Vicky Murray, Associate Vice President for Public Safety
Gary Jenkins, Chief of Police
Dawn Daniels, Assistant Chief of Police
Deanne Anderson, Manager
Sharyl Kammerzell, Associate Vice President, Finance and Administration
Holly Ashkannejhad, Director CCR

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EXECUTIVE SUMMARY

The Clery Act program was audited in FY 2023 in accordance with that year's audit plan. That audit resulted in the communication of ten recommendations in four primary control areas. As of the date of this audit report seven of those recommendations have been verified as resolved with the remaining three scheduled for resolution at the end of this calendar year, in line with the timeline provided by management.

This audit of Clery Act Reporting was not meant to address those prior audit issues. Rather, the purpose for this audit was to focus on areas not fully incorporated in the first audit, to determine if processes in place are sufficient to mitigate the risk of non-compliance or potential penalties resulting from non-compliance, as related to Clery Act reporting requirements.

Audit objectives were designed to provide reasonable assurance for the following:

- The Annual Security Report is published timely and adequately supported.
- The Criminal Offenses reported in the DOE Campus Safety and Security Survey (for WSU Pullman) are properly categorized/classified and supported.

Conclusion

Overall, we concluded internal controls were adequate to ensure objectives are met. While we found one exception for correction, it has been determined to hold low risk of significant impact to program objectives.

BACKGROUND

The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act), in §485(f) of the Higher Education Act of 1965, as amended, (HEA), 20 U.S.C §1092(f),[1] is a Federal consumer protection statute designed to provide transparency around crime policy and statistics. Each institution that participates in the Federal student financial aid programs under Title IV of the Higher Education Act (HEA) must certify and comply with the Clery Act. The Clery Act requires colleges and universities report campus crime data, support victims of violence, and publicly outline the policies and procedures they have put into place to improve campus safety.

There are many requirements under the Act that institutions are required to comply with. The Clery Act obligations at WSU impact and involve multiple departments, campuses and extension facilities. The System Clery Committee provides leadership and accountability by coordinating systemwide efforts to ensure compliance with the tenets of the Clery Act. The WSU Pullman Chief of Police has been designated the Clery Coordinator and, in that role, convenes the System Clery Committee under the umbrella of the University Compliance Committee.

Compliance with Clery Act includes the need to publish an Annual Security Report (ASR), maintain crime logs, issue timely warnings and maintain crime statistics. WSU publishes the Annual Fire and Security

[1] §485(f) of the Higher Education Act of 1965, as amended, (HEA), 20 U.S.C §1092(f)

Report (AFSR) each October and submits crime and fire statistics to U.S. Department of Education (DOE) in December.

SCOPE and AUDIT METHODOLOGY

Audit scope is limited to review of required Clery Act information, including the crime statistics for 2022 calendar year as reported to DOE via the Campus Safety and Security Survey and the institution's required ASR.

Procedures to meet audit objectives included:

- Interview of key personnel, auditor observation and review of requested supporting documentation.
- Confirmed evidence of quality reviews of data tables and reports used to compile statistics and review of the ASR prior to publication.
- Reviewed the DOE Campus Security Survey for each campus and compared the statistics to the same categories and numbers as included in the published ASR.
- For two campuses (WSU Tri Cities and WSU Pullman), compared prior two year reported figures to ensure consistent numbers reported for the required three years (e.g. 2022 report will include statistics from 2021 and 2020; pull 2021 report and verify statistics reported for 2020 and 2021 in the 2021 report agree to same years as reported in 2022 report).
- Specific to WSU Pullman:
  - Performed qualitative review of additional information provided in ASR.
  - Reviewed two judgmentally selected months of daily crime logs/statistics and verified that all instances which warrant inclusion in the ASR were present by tracing from the source document to tabulation form/ASR, verifying the date/time, location, and nature of the crime for each Clery reportable crime within each of those two month's crime logs.
  - Performed analytics on reported statistics – tested for duplicates, assessed efficiency/effectiveness of the design of table/assignment of unique characters.
  - From 2022 ASR report, judgmentally selected two offenses listed from each of two tables (On-Campus Property table and Non-Campus Student Housing Facilities table) and verified every instance of that type of offense, vouching to the supporting documentation to verify that it should be included in the 2022 ASR report. Verification included date/time, location, and nature of the crime.
  - Selected two instances of hate crimes listed from 2022 and vouched to the supporting documentation to verify that it should be included in the 2022 ASR report. Verification included date/time, location, and nature of the crime.
  - Identified two offenses in table as 'unfounded' – vouched to supporting documentation to verify disposition properly verified by appropriate authority.

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSE

Issue 1: Crime Statistic Double Counted, Low Risk

The Crime statistics for the Mt. Vernon Campus are compiled via request for records from the Skagit County Sheriff's office. When preparing the 2022 statistics, management requested statistics for 2020, 2021 and 2022. A burglary occurring 9/5/2021 was properly reflected in the 2021 Statistics – however, it was again included in the 2022 Statistics. Crime statistics are supposed to be reported within the ASR that corresponds to the time frame that the crime was reported. If statistics are improperly reported then the university may be assessed penalties by the Dept of Education. The error likely happened because management requested and received more than one year worth of statistics and didn't properly exclude the prior year's offense.

Recommendation:
When preparing the most recent year ASR, management should take care that records requested match the year being reported. It may be helpful to request only the year being reported and, as related to prior years', only ask for that data if there have been any changes to the numbers reported since the last submission.

Management Response and Corrective Action Plan, with timeline for implementation
The Clery Manager will develop a process to review crime statistic accuracy for each campus prior to annual ASR publication. The process will be documented in writing and will be implemented for crime statistics published in the 2024-2025 ASR.

BASIS OF REVIEW

CRITERIA
The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) in §485(f) of the Higher Education Act of 1965, as amended, (HEA), 20 U.S.C §1092(f)

AUDIT STANDARDS
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The WSU Office of Internal Audit is not in full conformance with the IIA Standards in that a quality peer review has not yet been performed.

AUDIT TEAM INFORMATION
Internal auditors assigned to the audit:

Lead Auditor	Aaron Alonzo

For questions regarding this project, contact Heather Lopez, Chief Audit Executive:

Email:	hlopez@wsu.edu
Phone:	(509) 335-2001
Website:	http://www.internalaudit.wsu.edu

Rating	AUDIT RISK RATING CRITERIA
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Major Improvement Needed	• Control environment is not adequate and significant exceptions exist • Some high level risks are not adequately controlled • At least one finding is rated "high" • Immediate safety and soundness are not threatened, but management's control environment requires improvement • Significant exposure to fraud or security vulnerabilities

September 12, 2024

Leslie Brunelli, Executive Vice President for Finance and Administration
Washington State University

Dear Vice President Brunelli:

Following is the final report for our audit of Small Works Roster. Management's response has been included in the report, with full copy attached. We concur with the actions planned and will perform a follow-up review, according to timelines of implementation identified by management, to determine whether the corrective actions have achieved the desired effect.

We appreciate the cooperation and assistance provided by your staff during this review. Please let me know if we can be of further service.

Sincerely,

[redacted]
Heather Lopez
Chief Audit Executive, Internal Audit

cc: Kirk Schulz, President
Dave Cillay, Interim Chancellor WSU Pullman
Olivia Yang, Associate Vice President, VP for Finance and Administration
Joseph Kline, Assistant Vice President, Facilities Services
Kate Kamerrer, Assistant Vice President, Capital Budget and Facilities Business Operations
Maja Huff, Director, Public Works Procurement-Contracts and Diversity

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EXECUTIVE SUMMARY

The WSU Small Works Roster procurement program was audited in accordance with the FY 2024 audit plan. The purpose of this audit was to assess the university's processes for managing the contractor list and awarding process for public works projects that qualify, due to dollar threshold and type of project, to be awarded through use of the SWR in lieu of public advertisement for bids.

The following audit objectives were developed to provide reasonable assurance that:

- The management of the small works roster complies with applicable laws, regulations, and university policies.
- The processes for managing the small works roster are efficient and effective.
- Documentation and records related to the roster, and projects awarded off the roster, are properly maintained and are adequate to support activity.

Conclusion

Overall, we concluded internal controls were adequate to ensure objectives are met. While we found an exception during transaction testing this issue has been determined to hold low risk of significant impact to program objectives.

BACKGROUND

The State of Washington allows for a procurement method known as the Small Works Roster (SWR). The intent of the SWR is for state agencies like WSU to have at the ready a list of contractors that they can routinely solicit to bid on projects under $300,000 ($350,000 effective July 1, 2024) without having to go through a more rigorous, expensive and time intensive bidding process like Solicitation of Public Works Bid.

Requirements for managing an agency roster include annual publish of the existence of the roster and solicitation for contractors to apply for placement on the roster, vetting each of the contractors on that list to ensure that they are licensed to do business in the state of WA and appropriately insured for the type of contracts they may respond to solicitation for bid, and, an annual publish of all small works contracts awarded in the year.

Because there may be small works projects at university locations across the state, the solicitation for contractors is typically posted in multiple daily newspapers in various geographic locations statewide.

For the calendar year 2023 WSU approved 45 contractors to be listed on the SWR. In that same year, there were four public works projects advertised to be bid out from the roster. At the time of our audit (calendar year 2024) the number of active contractors enrolled on the SWR was 48 with three public works projects noted to be eligible for bid via SWR.

SCOPE and AUDIT METHODOLOGY

Audit scope was limited to the 2023 and 2024 calendar year small works rosters and related project activities occurring through June 30, 2024.

Procedures to meet audit objectives included:

- Interview of key personnel, auditor observation, and review of requested supporting documentation.
- Compare requirements of applicable RCWs and WACs to departmental policy, SWR application data collected from contractors, and departmental procedures.
- Review of annual announcements of the SWR, specifically verifying their timeliness and adequacy.
- Verify management processes and procedures to vet contractors are adequate and in alignment with legislative requirements.
- Determine if contractors are adequately informed of each project and respective project bid deadline and encouraged to bid.
- Verify contractors are notified timely of the results of bidding process for each project and that there is a publicly known and adequate process to mediate any alleged instance of bias or partiality favoring one contractor over another.
- Review project files to evaluate the management of projects throughout the bidding process.

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSE

Issue 1: Timing of Annual Notice and Scope of SWR is not Defined or Consistent, Low Risk

At least annually, the university is required to advertise the existence of the small works roster and solicit for contractors to apply for placement on the roster. The regulations (RCW or WAC) do not specify when, other than annual, this posting should occur. In February 2023 the advertisements for SWR and contractors was posted with notation to apply by April 1, 'in order to best be eligible for all projects bid via the 2023 Small Works Roster'. Because it was known the regulations, including dollar threshold, would be changing in 2024, an advertisement did not go out in spring of 2024. Instead, management determined to carry over the list of contractors from the 2023 posting to fulfill any projects engaged the first half of calendar year 2024 and then post a new notice mid year to solicit for applications after the July 1, 2024 changes took effect. Historically the 'year' for the SWR was purportedly a calendar-basis but going forward management has indicated the year will be fiscal. There were three small works projects awarded in the first half of calendar year 2024 to contractors that had applied for the 2023 (calendar-year) SWR. It is acknowledged that the regulations permit contractors to apply at any time for the rosters.

> **Recommendation:**
> *Protocols should define in writing what time of year the notice of the roster and solicit of contractors is to be posted and for what period (calendar or fiscal).*

Management Response and Corrective Action Plan, with timeline for implementation:

We acknowledge the irregularity in posting the annual Small Works Roster advertisement late for 2024. As you noted in the summary, in anticipation of changes to the legislation we delayed our annual advertisement. While we did communicate the delay to firms already on the Small Works Roster, we did not consider the impact to firms not on the roster.

Our policies and procedures will be updated to clearly define the start and end date of the annual year for the WSU Small Works Roster. We will coordinate with the Department of Enterprise Services to be sure that there is continuity between agencies where appropriate before setting that defined schedule. The policy will state the year (fiscal or calendar) and will provide guidelines for when advertisements should be placed to have a "new" roster at the start of each year. I anticipate our policy will be updated by October 1, 2024, at the latest.

BASIS OF REVIEW

CRITERIA
RCW 39.04.350 - Bidder responsibility criteria—Sworn statement—Supplemental criteria.
RCW 39.04.151 - Small works roster—State agencies, authorized local governments may establish—Municipal research and services center—Rules.
WAC 504-50-080 – Small Works Roster- Procedures for Use.

AUDIT STANDARDS
Our office follows the guidelines as promulgated by the Institute of Internal Auditors' "International Standards for the Professional Practice of internal Auditing" (IIA Standards), in carrying out the planning and engagement of audit activity. The IIA Standards require we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Accordingly, we included such tests of the records and other procedures as we considered necessary in the circumstances.

The WSU Office of Internal Audit is not in full conformance with the IIA Standards in that a quality peer review has not yet been performed.

AUDIT TEAM INFORMATION
Internal auditors assigned to the audit:

Lead Auditor	Aaron Alonzo

For questions regarding this project, contact Heather Lopez, Chief Audit Executive:

Email:	hlopez@wsu.edu
Phone:	(509) 335-2001
Website:	http://www.internalaudit.wsu.edu

Rating	AUDIT RISK RATING CRITERIA
High	***Risk has a high impact and is highly likely to occur*** *This is a high priority issue – immediate management attention is required. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:* • *Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited* • *Serious violation of University strategies, policies, or values* • *Serious reputation damage, such as negative publicity in local, regional or national media* • *Significant adverse regulatory impact, such as loss of operating licenses or material fines*
Moderate	***Risk has a high impact and low likelihood, or low impact and high likelihood*** *This is a medium-priority issue – timely management attention is warranted. This is an internal control or risk management issue that could lead to:* • *Financial losses* • *Loss of controls within the organizational entity or process being audited* • *Reputation damage, such as negative publicity in local or regional media* • *Adverse regulatory impact, such as public sanctions or immaterial fines*
Low	***Risk has a low impact and low likelihood*** *This is a low priority issue – routine management attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the unit or process being audited. Risks are limited.*
	Areas of Proficiency Positive statements where internal controls, governance or risk management processes were adequately established and functioning well for each of the audited area/systems.

Table of Opinion Methodology

Satisfactory	• Control environment is adequate • No findings noted • Management's control environment appears sound • All high level risks adequately controlled
Some Improvement Needed	• Control environment is adequate but some exceptions exist • Some control weaknesses and/or opportunities for improvement observed • Management's control environment appears otherwise sound • High level risks are adequately controlled
Major Improvement Needed	• Control environment is not adequate and significant exceptions exist • Some high level risks are not adequately controlled • At least one finding is rated "high" • Immediate safety and soundness are not threatened, but management's control environment requires improvement • Significant exposure to fraud or security vulnerabilities

WASHINGTON STATE UNIVERSITY

September 11, 2024

Heather Lopez
Chief Audit Executive
Office of Internal Audit

Dear Heather,

Thank you for meeting with us this morning to review the audit results of our Small Works Roster. We appreciate the thoroughness and professionalism of your team throughout the audit process.

We acknowledge the irregularity in posting the annual Small Works Roster advertisement late for 2024. As you noted in the summary, in anticipation of changes to the legislation we delayed our annual advertisement. While we did communicate the delay to firms already on the Small Works Roster, we did not consider the impact to firms not on the roster.

Our policies and procedures will be updated to clearly define the start and end date of the annual year for the WSU Small Works Roster. We will coordinate with the Department of Enterprise Services to be sure that there is continuity between agencies where appropriate before setting that defined schedule. The policy will state the year (fiscal or calendar) and will provide guidelines for when advertisements should be placed to have a "new" roster at the start of each year. I anticipate our policy will be updated by October 1, 2024, at the latest.

Thanks again for your guidance and professionalism. We always appreciate the opportunity to work with and learn from you and your staff.

Sincerely,

[redacted]

Kate Kamerrer
Assistant Vice President, Capital Budget and Facilities Business Administration
Facilities Services

cc: Olivia Yang, Associate Vice President, VP for Finance and Administration
Joseph Kline, Assistant Vice President, Facilities Services
Maja Huff, Director, Public Works Procurement-Contracts and Diversity