Washington State University

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Office of Internal Audit
Fiscal Year 2025
January 23, 2025

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Internal Audit Services
- Planned audits to review the adequacy of internal controls in the areas of operations, financial, compliance and information technology
- Investigations of suspected employee misconduct in the areas of fraud, waste and abuse
- Advisory services including 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

Audit Resources: Personnel

The Internal Audit team:
- Chief Audit Executive
- Audit Manager - VACANT, posted
- IT Auditor
- Sr. Auditor
- Sr. Auditor - VACANT, to be posted February

Presented:
- IA Status FY 2025 – through December 31, 2024
- Final Audit Report, P 24-03 CPPS Dept Audit

Washington State University

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Office of Internal Audit
Fiscal Year 2025
Status through December 31, 2024

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Internal Audit engages in three primary activities – assurance audits, advisory services and investigations. The focus of our efforts is to assist management in the proper discharge of their duties by providing evaluation and feedback of internal control systems and operations.

This report includes update on the status of the current fiscal year audit plan including summary of reports issued in period.

Completion Rate of Current Audit Plan			
C = Report Issued, Audit Complete	13%	E = Prelim or Planning Engaged	33%
R = Fieldwork Complete, Pending Report	20%	N = Not yet Engaged, no Audit Work	33%

Expect 50% mid-year   43%

FY 2025 Audit Plan			
Project	*Status*	*Project*	*Status*
Dept Audit - CPPS (Pharmacy)	C	Rollover - GLBA Safeguards	R
Dept Audit - Govt Relations	E	Rollover - Pcard Admin	R
Dept Audit - Murrow	N	Rollover - Teaching & Learning	C
FERPA Compliance	E	Rollover - Hiring Incentive	R
Registered Student Organizations	E	Consulting Agreements	N
Enrollment Management	N	Tuition Waiver	N
Compensation	E	IT Security - Remote Work	N
Petty Cash	E		

Other Audit Services			
Advisories/Guidance:	76	*Liaison Services:*	
Tips - Fraud, Waste and Abuse:	14	- No active State Accountability or Single Audit	
Status: closed, no investigation	9	- Active: [Type]	
Status: active	3	[SAO - Fraud/Loss, time]	
Status: closed, with finding	2	[EEB - Ethics, Conflict]	

Washington State University

Completed Reports Summary

Planned Audits
P 24-03 Dept Audit – College of Pharmacy and Pharmaceutical Sciences (CPPS)
Some Improvement Needed: Department audit to focus on distributed processes at Dean's Administrative unit, including: purchasing card, payroll, people, travel, asset management, and compliance. General observations related to college develop and use of robust systems for ordering, inventory, and travel, run parallel to Workday. Issues noted during testing determined to be isolated and hold low risk of significant impact to the unit's financial, operational and compliance management.

Investigations
I 25-02 – Pcard Misappropriation
Issue identified during planned audit (Continuous Audit – test of pcard to expense report duplication). Employee used pcard for travel-related charges, then submitted pcard receipt for personal reimbursement. Total duplication found: $408.78. Recommendations to unit for recovery, review of discipline/corrective action, and, several internal control improvements needed.

I 25-03 – Abuse
Employee offer letter included relocation compensation to move to work location, employee took funds but never relocated. Recommendations to unit for clarity in offer letter and management oversight.

January 3, 2025

Mark Leid, Dean
College Pharmacy and Pharmaceutical Sciences
Washington State University

Dear Dean Leid:

Following is the final report for our department audit of the College of Pharmacy and Pharmaceutical Sciences, Dean's Administration. 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 staff 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
        Daryll DeWald, Executive Vice President Health Sciences
        Julie Akers, Executive Associate Dean, CPPS
        Sarah Kohler, Senior Director Administrative Services, CPPS
        Matt Skinner, University Internal Control Officer

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EXECUTIVE SUMMARY

A department audit was performed at the Deans Administration unit of the College of Pharmacy and Pharmaceutical Sciences (CPPS) in accordance with the FY 2025 audit plan. The audited department is one of eight cost centers and the primary business services unit for the college, offering administrative support college-wide.

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 and People
- Travel
- Asset Management
- Compliance (specific to training)

Conclusion
Overall, although Some Improvement is Needed, we found the college to be well managed and cognizant and observant of state and university expectations and policies concerning financial and personnel processes. Accordingly, we determined the department has adequate controls over the functions reviewed. Issues noted during testing (included at Issues, Recommendations and Management Responses) have been determined to hold Low Risk of significant impact to the unit's financial, operational, and compliance management.

BACKGROUND

The College of Pharmacy and Pharmaceutical Sciences (CPPS), founded in 1891, is one of the original areas of study of the university. The pharmacy program has been accredited since 1912 and relocated to Spokane from Pullman in 2013. CPPS is one of the three colleges on the WSU Spokane Health Sciences campus and offers three degrees – Bachelor of Science in Pharmaceutical and Medical Sciences, Doctor of Pharmacy, and Doctor of Philosophy in Pharmaceutical Sciences and Molecular Medicine. The degree programs aim to advance the university's mission for supporting rural health care education and research and the academic departments that support these degrees are committed to educating the best future scientists and health care providers.

CPPS has approximately 300 BS, PharmD and PhD students supported by 62 faculty and 50 support staff. In 2015, the college extended its PharmD program to Yakima, located on the Pacific Northwest University of Health Sciences. The college has over 250 experiential practice sites across Washington, California, Oregon and Idaho with faculty preceptors engaged to support pharmacy student education.

CPPS has a centralized model of administration which serves the college units and the two academic departments, Pharmaceutical Sciences and Pharmacotherapy. Much of the activity pertaining to

finance and personnel activities is initiated and executed at the Dean's level and through the Dean's Administration support staff in Business Services and Information Systems Services.

SCOPE and AUDIT METHODOLOGY

Audit scope was limited to activity and transactions initiated or processed within the programs at CPPS Deans Administration (CC0453), occurring FY 2024.

The overall intent was to perform most all testing remotely with heavy reliance on the transactions as posted in Workday, including business processes and supporting documentation as uploaded by administrative 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. This included walkthrough of two college-developed and maintained systems: Travel Tracker and Ordering System. We also had limited view of the unit's inventory/asset management system with walkthrough and screenshots to explain test results.
- 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.
    - Purchasing Card – reviewed security roles for appropriate segregation of duty. Scanned all of nearly $496,000 in purchasing card transactions. Performed limited data analysis on all transactions against expectations developed through planning efforts. Selected 13 transactions to test from request to purchase, in ordering system, and as recorded in Workday – test for approvals, support, allowability.
    - Payroll and People – reviewed payroll transaction trending across three years, with analysis of all transactions in FY 2024 against expectations developed from trending and planning activity. Selected 33 employees to review support for payroll activity, including to offer letters or change in pay and other approval support. For the same 33 employees we reviewed leave activity, determining all had regularly submitted/used leave as expected. We also performed calculations of time and leave accruals from time of hire through the December 16, 2020 Workday transition to assess whether balances were properly brought into Workday.
    - Travel – 20 of 72 expense reports reviewed to supporting records (Workday and Travel Tracker) and assessed for completeness, accuracy in coding, allowability against fund type, and appropriate authorization.
    - Asset management - CPPS has their own inventory system maintained by the IT department. Workday is being used in a limited capacity to track inventory, IT relies on their own system. It is apparent IT is very involved from the ordering to the receiving and then the tagging of the items. Nine assets were selected for site verify.
    - Compliance (specific to training) – Because of changes in delivery and due dates for required training, we tested compliance with requirement to complete EP 15 (Sexual Harassment and Discrimination) and EP 45 (Ethics). We limited test to those in CC0453 with hire date before July 1, 2023 (13) and reviewed for completion date of required training as recorded in Percipio.

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSES

Good practice observations:
- Procurement card verifications are consistently timely.
- All transactions for all functions tested had adequate support, in or outside of Workday, and for any questions asked, administration had ready answers that fully explained the activity, supporting the understanding that administration was actively involved in transactions at all levels.

General observations:
- The unit (the college) makes regular and full use of systems that were developed internally, before Workday. This includes an ordering system and a travel tracking system.
  - Ordering system - Transactions still flow through Workday as appropriate. The ordering system is used primarily to allow end-user request for purchase and manage the flow of purchase requests and purchase orders. Current staff are familiar with both the ordering system and Workday and do not find using both systems inefficient even if there appears to be some redundancy. New, future staffing, however, may find it difficult to have to learn two systems. There is no unit expectation that the ordering system replaces Workday – all transactions are still processed and recorded in Workday. There is also no unit expectation that all entries in the ordering system will fully reconcile with transactions recorded in Workday. For instance, 8 of 13 pcard transactions had appropriate approvals and support in Workday but the purchases could not be located in the ordering system by pcard verification worktag. Because it is not a unit expectation to have full reconcile by worktag number we did not cite this as an exception. Indeed, we believe it would be counterproductive and inefficient to recommend management ensure all entries in the ordering system reconcile to activity recorded in Workday. Instead:
    - Management should look to the functionality and reporting that is currently available in Workday, working with Modernization, if necessary, to see where there may be improvements to reports that would better meet needs not currently met or not considered to be met (thus, subsidized by the unit's ordering system). We don't think the ordering system in whole is invaluable or should be scratched – it seems to provide for valuable and timely request activity. Rather, there may be opportunity to reevaluate the unit's processes within the Workday environment, reducing reliance on the ordering system to only those functions or processes that Workday cannot support.
    Management Response:
    We appreciate your thoughtful advice. We have taken your comments into consideration. Currently, we find our Ordering System to be very valuable. Besides submitting order requests, our researchers use it for tracking their purchases and supplier confirmations, and supervisors/PI's use it for ease of reviewing past purchases by laboratory members. On the administrative side, this system interacts with and automatically updates our college departmental inventory system. Until Workday can more easily track departmental inventory (less than $5,000 equipment), we will continue to utilize our Ordering System. Finally, it interacts with the campus chemical inventory database updating the

campus research unit on the chemicals purchased by CPPS and located in our laboratories.

o Travel Tracker – this system captures all travel-related activities for employees, from request for travel to conference registration, from airfare to expense claims. Because the information is captured by traveler it is much easier for the unit to perform searches and collect information for budgeting, trending and approval purposes. For example, the system captures for an employee, approval to travel, and for that travel, approval and record of expense for conference registration, airfare, per diem and miscellaneous. Workday is able to capture approvals (Spend Authorization), that may be tied to actual expenses (Expense Report), but the total expenses per trip if include anything paid via pcard or other means is not easily found in Workday. Our review of this system, the flow of transactions, and results of tests, found this system provides value to the unit beyond that currently afforded by Workday.

Issues and Recommendations:

While there were no significant exceptions in areas tested, we had the following as a result of testing:

Purchasing Card – review of all transactions in period, 13 transactions to support. *No exception.*

Payroll – Reviewed support for pay and time and leave submissions for reasonableness for 33 employees and confirmed via recalculation beginning Workday leave balances for four employees. *No exception.*

Travel – Reviewed 20 expense reports to support. *No exception with support.* The CPPS Travel Tracker does not capture dates of submission, so we were unable to test for departmental pre-approval.

> **Recommendation:** *Add capture dates of submission to ensure pre-approval process is happening.*
> **Management Response:**
> *The travel tracker will include the date when travel is approved in the system. This update will be implemented by December 31, 2024.*

Assets – Site verify of nine assets, selected via random sample of all assets tied to CPPSCC0453, verification achieved remotely via IT Director recording of asset in situ. Limited exception in that one asset recorded as Loaner in IT inventory record still assigned (Issued) as Business Asset to an employee that has separated.

> **Recommendation:** *Ensure 'Issued to' in Workday is current – update for all separated or separating employees.*
> **Management Response:**
> *Per your recommendation all Assignees to property in Workday have been removed. Per your recommendation, when departures occur, we will confirm that any property assigned in workday, will have the assignee removed.*

Compliance (specific to training) – Eight of 13 employees tested did not complete required trainings within the six-month complete period. Six of the eight completed the trainings, but after the six-month period. Two of the eight have no records of training in Percipio.

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

Management Response:
We have confirmed that HRS LOD will begin sending reminder messages at regular intervals after January 1, 2025.   Pharmacy Business Services will expect employees to heed these reminders. We will provide support to our employees to access the new assignments at the start of each six-month period. We will double check at the end of 5 months to confirm who still needs to complete their training and send a personal reminder to each employee, offer assistance with accessing the trainings, and clarify expectations that the training be completed by the end of the month.   At the end of the six-month period, a message will be sent by the Dean with a copy to HRS notifying the employee that they are out of compliance on required trainings and have three business days to complete the training.

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 media publicity* • *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