Auditor of State
Mary Mosiman

June 30, 2014 Audit Plan for the Board of Regents
Audit/Compliance and Investment Committee
September 10, 2014

Presentation Objectives

- Recent Professional Standards
- Anticipated Audit Scopes, Approaches, and Deliverables
- Anticipated Timelines and AOS Staffing
- Anticipated Hours and Fees
**Recent GASB Statements**

No. 65  Items Previously Reported as Assets and Liabilities  
No. 66  Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62  
No. 67  Financial Reporting for Pension Plans  
No. 68  Accounting and Financial Reporting for Pensions  
No. 69  Government Combinations and Disposals of Government Operations  
No. 70  Accounting and Financial Reporting for Nonexchange Financial Guarantees  
No. 71  Pension Transition for Contributions Made Subsequent to the Measurement Date.

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**GASB Statement No. 65**  
**Items Previously Reported as Assets and Liabilities**  
**Effective for year ended 6/30/14**

- **Primary effect** – Reclassifies certain items previously reported as assets and liabilities to deferred outflows or deferred inflows of resources and limits the use of the term *deferred* in financial statement presentations.

- **Primary impact** – For universities the gain or loss on current and advance refundings of debt will be reported as deferred inflows or outflows and debt issuance costs will be expensed instead of capitalized and amortized—**minor impact to the universities.**
GASB Statement No. 66
Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62
Effective for year ended 6/30/14

- **Primary effect** – Improves accounting and financial reporting by resolving conflicting guidance in Statements No. 54 and No. 62, and amends Statement No. 10.
- **Primary impact** – Universities use the business-type activities reporting model—minor to no impact for universities.

GASB Statement No. 67
Financial Reporting for Pension Plans
Effective for year ended 6/30/14

- **Primary effect** – Addresses accounting and financial reporting for the activities of pension plans administered through trusts which have specific characteristics. Also establishes financial reporting standards for separately issued financial reports, specifies the required approach to measuring the pension liability and details the required note disclosures.
- **Primary impact** – Has little direct impact for Universities.
GASB Statement No. 70
Accounting and Financial Reporting for Nonexchange Financial Guarantees
Effective for year ended 6/30/14

- **Primary effect** – The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate it is more likely than not the government will be required to make a payment on the guarantee.

- **Primary impact** – Not likely to significantly impact universities.

GASB Statement No. 68
Accounting and Financial Reporting for Pensions
Effective for year ending 6/30/15

- **Primary effect** – Establishes accounting and financial reporting requirements for government employee pensions provided by pension plans covered by the scope of GASB Statement No. 67. Establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. Also, addresses note disclosure and required supplementary information requirements.

- **Primary impact** – For universities, the statement of net position will include a liability for the university’s portion of IPERS and other similar pension plans.
GASB Statement No. 69
Government Combinations and Disposals
of Government Operations
Effective for year ending 6/30/15

- **Primary effect** – Provides guidance for government combinations and disposals.
- **Primary impact** – Not likely to significantly impact universities.

GASB Statement No. 71
Pension Transition for Contributions Made Subsequent to the Measurement Date
Effective for year ending 6/30/15

- **Primary effect** – Requires universities to report a deferred outflow of resources for employers share of IPERS contributions made between the beginning of the measurement period and the university’s year end.
- **Primary impact** – Not likely to significantly impact universities.
Anticipated Audit Scopes, Approaches, and Deliverables

Universities:
- Perform full scope audits, incorporating other auditors’ separate audits of the UIHC and the Foundations
  - Use risk-based approach
  - Coordinate with Internal Audit
  - Review internal controls for significant accounting transaction cycles
  - Review and test controls for transaction cycles related to activities subject to the Single Audit Act (Federal financial assistance)
  - Perform Single Audit compliance procedures

Universities, cont.:
- Issue separate financial statements for each university
  - Anticipate unmodified opinions
  - Issue internal control letters and reports of recommendations on internal control and compliance matters
  - Issue reports of recommendations resulting from information technology reviews
- Issue State of Iowa Single Audit Report (which includes Federal financial assistance compliance by the universities)
Anticipated Audit Scopes, Approaches, and Deliverables

Special Schools and Board Office:

- Perform limited scope audits
  - Review internal controls for significant accounting transaction cycles
  - Perform Single Audit compliance procedures, if applicable
- Issue reports of recommendations on internal control and compliance matters

Audit Areas

Universities

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<th>U of I</th>
<th>ISU</th>
<th>UNI</th>
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<tr>
<td>Planning, internal control &amp; compliance</td>
<td>12.0%</td>
<td>11.2%</td>
<td>7.7%</td>
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<td>Assets, liabilities &amp; net position</td>
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<td>Revenues &amp; expenses</td>
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Timeline of Audit Work

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<tr>
<td>Manager – Jim Cunningham</td>
<td>Manager – Ernie Ruben</td>
<td>Manager – Brian Brustkern</td>
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<td>In-charge – Gwen Fangman</td>
<td>In-charge – Janet Mortvedt</td>
<td>In-charge – Darryl Brumm</td>
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Financial and Compliance Audit Hours and Fees & Expenses

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<th>Fiscal Year</th>
<th>Hours</th>
<th>Fees &amp; Expenses</th>
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<td>FY2008 Actual</td>
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<td>FY2009 Actual</td>
<td>19,003</td>
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<td>FY2010 Actual</td>
<td>17,525</td>
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<td>FY2011 Actual</td>
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<td>FY2012 Actual</td>
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<td>FY2013 Estimated</td>
<td>17,600</td>
<td>$1,296,000</td>
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<tr>
<td>FY2014 Anticipated</td>
<td>18,000</td>
<td>$1,372,000</td>
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- Audit hours and fees and expenses in FY2008 and subsequent years increased primarily due to replacing separate bond audits with segment footnote information in University reports (offset by the elimination, beginning in FY2009, of the additional approximately 2,000 hours and approximately $150,000 of fees and expenses for separate bond audits)
- FY2013 average rate per hour - $73.64 (including expenses)

(A) Prior year estimated: 17,100 hours and $1,234,000 fees and expenses
(B) Prior year anticipated: 18,200 hours and $1,353,000 fees and expenses