



**Auditor of State  
Mary Mosiman**

***June 30, 2013 Audit Plan  
for the Board of Regents  
Audit/Compliance and Investment Committee***

**August 8, 2013**

# Presentation Objectives

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

## **Recent GASB Statements**

- No. 60 Accounting and Financial Reporting for Service Concession Arrangements
- No. 61 The Financial Reporting Entity: Omnibus
- No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

## **Recent GASB Statements, cont.**

- 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

# **GASB Statement No. 60**

Accounting and Financial Reporting for Service  
Concession Arrangements  
Effective for year ended **6/30/13**

- Primary effect – improves financial reporting related to certain service concession agreements (SCAs) where a government transferor conveys to an operator (governmental or non-governmental entity) the right and related obligation to provide services through the use of public infrastructure or another asset (a facility). The operator collects fees for the services from third parties and pays the government transferor significant consideration for the SCA.

## **GASB Statement No. 60, cont.**

Accounting and Financial Reporting for Service  
Concession Arrangements  
Effective for year ended **6/30/13**

- Primary impact – at this time it is unknown how many, if any, university SCAs exist. The universities are researching applicable SCAs—**not anticipated to have a significant impact to the universities.**

# **GASB Statement No. 61**

The Financial Reporting Entity: Omnibus  
Effective for year ended **6/30/13**

- Primary effect – improves financial reporting by modifying certain requirements for inclusion of component units (CUs) in the primary government financial reporting entity.
- Primary impact – the Foundations, which represent the primary CUs of the universities, are discretely presented—**no significant impact to universities.**

# **GASB Statement No. 62**

Codification of Accounting and Financial Reporting  
Guidance Contained in Pre-November 30, 1989 FASB  
and AICPA Pronouncements  
Effective for year ended **6/30/13**

- Primary effect – incorporates into GASB’s authoritative literature certain financial reporting guidance included in the following pronouncements issued on or before 11/30/89, which does not conflict with or contradict GASB pronouncements:
  - ◆ Financial Accounting Standards Board (FASB) Statements and Interpretations
  - ◆ Accounting Principles Board Opinions
  - ◆ Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures

## **GASB Statement No. 62, cont.**

Codification of Accounting and Financial Reporting  
Guidance Contained in Pre-November 30, 1989 FASB  
and AICPA Pronouncements  
Effective for year ended **6/30/13**

- Primary impact – the financial reporting consistency will be enhanced by codifying all sources of GAAP for state and local governments—**no impact to the universities.**

## **GASB Statement No. 63**

Financial Reporting of Deferred Outflows of Resources,  
Deferred Inflows of Resources, and Net Position  
Effective for year ended **6/30/13**

- Primary effect – Provides financial reporting guidance for deferred outflows and deferred inflows of resources first introduced by GASB Concepts Statement No. 4, Elements of Financial Statements.

## **GASB Statement No. 63, cont.**

Financial Reporting of Deferred Outflows of Resources,  
Deferred Inflows of Resources, and Net Position  
Effective for year ended **6/30/13**

- Primary impact – Requires deferred outflows of resources to be reported in a separate section following assets and deferred inflows of resources to be reported in a separate section following liabilities. Also, replaces the term “net assets” with the term “net position.” GASB 65 designates certain items be reported as the deferred outflows and inflows—**minor impact to universities.**

## **GASB Statement No. 65**

Items Previously Reported as Assets and Liabilities  
Effective for year ending 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 ending 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 ending 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. 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.

## **GASB Statement No. 68, cont.**

Accounting and Financial Reporting for Pensions  
Effective for year ending 6/30/15

- 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. 70**

Accounting and Financial Reporting for  
Nonexchange Financial Guarantees  
Effective for year ending 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.

# 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

# Anticipated Audit Scopes, Approaches, and Deliverables

## Universities, cont.:

- Issue separate financial statements for each university
  - ◆ Anticipate unqualified 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**

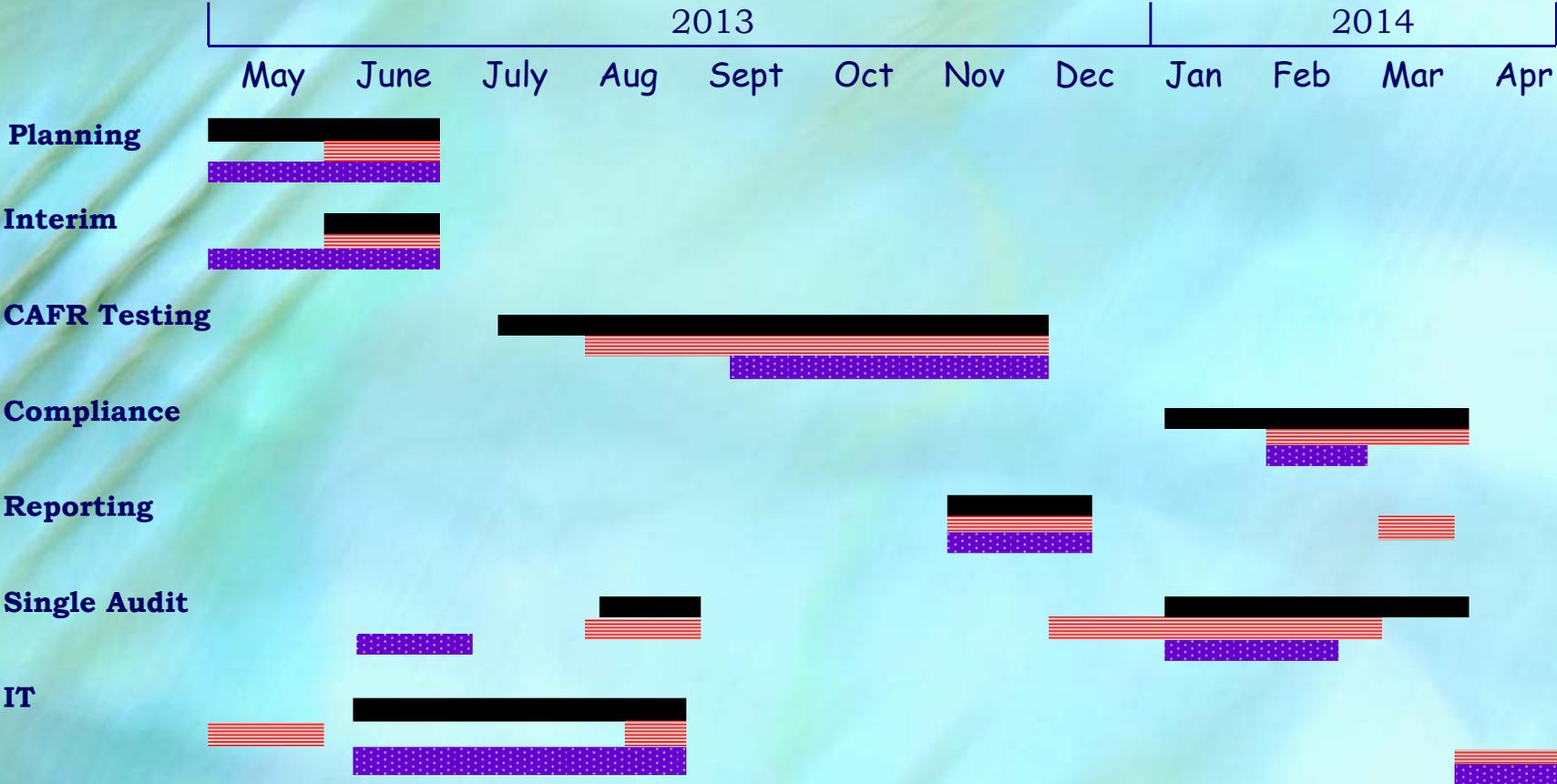
## **Special Schools and Board Office:**

- 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

	<u>U of I</u>	<u>ISU</u>	<u>UNI</u>
Planning, internal control & compliance	12.0%	11.2%	8.8%
Assets, liabilities & net position	20.0%	20.5%	22.8%
Revenues & expenses	18.5%	17.9%	16.6%
Reporting	6.4%	6.1%	4.9%
Single Audit	23.5%	25.4%	26.5%
Supervision & review	11.0%	10.3%	11.2%
IT	8.6%	8.6%	9.2%

# Timeline of Audit Work



<b>U of I</b> 	<b>ISU</b> 	<b>UNI</b> 
<b>Manager – Jim Cunningham</b>	<b>Manager – Ernie Ruben</b>	<b>Manager – Brian Brustkern</b>
<b>In-charge – Gwen Fangman</b>	<b>In-charge – Patty King</b>	<b>In-charge – Darryl Brumm</b>

# Financial and Compliance Audit Hours and Fees & Expenses

	<u>Hours</u>	<u>Fees &amp; Expenses</u>
FY2007 Actual	<u>18,067</u>	<u>\$1,213,336</u>
FY2008 Actual	<u>19,005</u>	<u>\$1,289,282</u>
FY2009 Actual	<u>19,003</u>	<u>\$1,318,292</u>
FY2010 Actual	<u>17,525</u>	<u>\$1,215,519</u>
FY2011 Actual (A)	<u>17,429</u>	<u>\$1,232,693</u>
FY2012 Estimated (B)	<u>17,100</u>	<u>\$1,234,000</u>
FY2013 Anticipated	<u>18,200</u>	<u>\$1,353,000</u>

- 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)

- FY2012 average rate per hour - \$72.16 (including expenses)

(A) Prior year estimated: 17,400 hours and \$1,231,000 fees and expenses

(B) Prior year anticipated: 18,400 hours and \$1,341,000 fees and expenses