



**Auditor of State
David A. Vaudt**

***June 30, 2011 Audit Plan
for the Board of Regents
Audit/Compliance and Investment Committee***

August 4, 2011

Presentation Objectives

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

Recent Professional Standards

GASB Statements

No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

No. 59 Financial Instruments Omnibus

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

GASB Statement No. 54

Fund Balance Reporting and Governmental Fund Type Definitions Effective for year ended **6/30/11**

- Primary effect – establishes new fund balance classifications and clarifies the existing governmental fund type definitions.
- Primary impact – the universities report as an enterprise fund which is not a governmental fund type—**no impact to the universities.**

GASB Statement No. 57

OPEB Measurements by Agent Employers
and Agent Multiple–Employer Plans
Effective for year ended **6/30/11**

- Primary effect – addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers participating in agent multiple-employer OPEB plans.
- Primary impact – the universities have single-employer OPEB plans and due to the membership size of the university OPEB plans, the use of the alternative method is precluded—**no impact to the universities.**

GASB Statement No. 59

Financial Instruments Omnibus
Effective for year ended **6/30/11**

- Primary effect – updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools.
- Primary impact – the financial reporting is enhanced by providing more complete information through clarification of existing standards and more consistent measurements—**little impact to the universities.**

GASB Statement No. 60

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

- Primary impact – at this time it is unknown how many, if any, university SCAs exist. The universities will be researching applicable SCAs. **Not likely to have a significant impact to the universities.**

GASB Statement No. 61

The Financial Reporting Entity Omnibus
Effective for year ending 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—**little 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 ending 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 ending 6/30/13

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

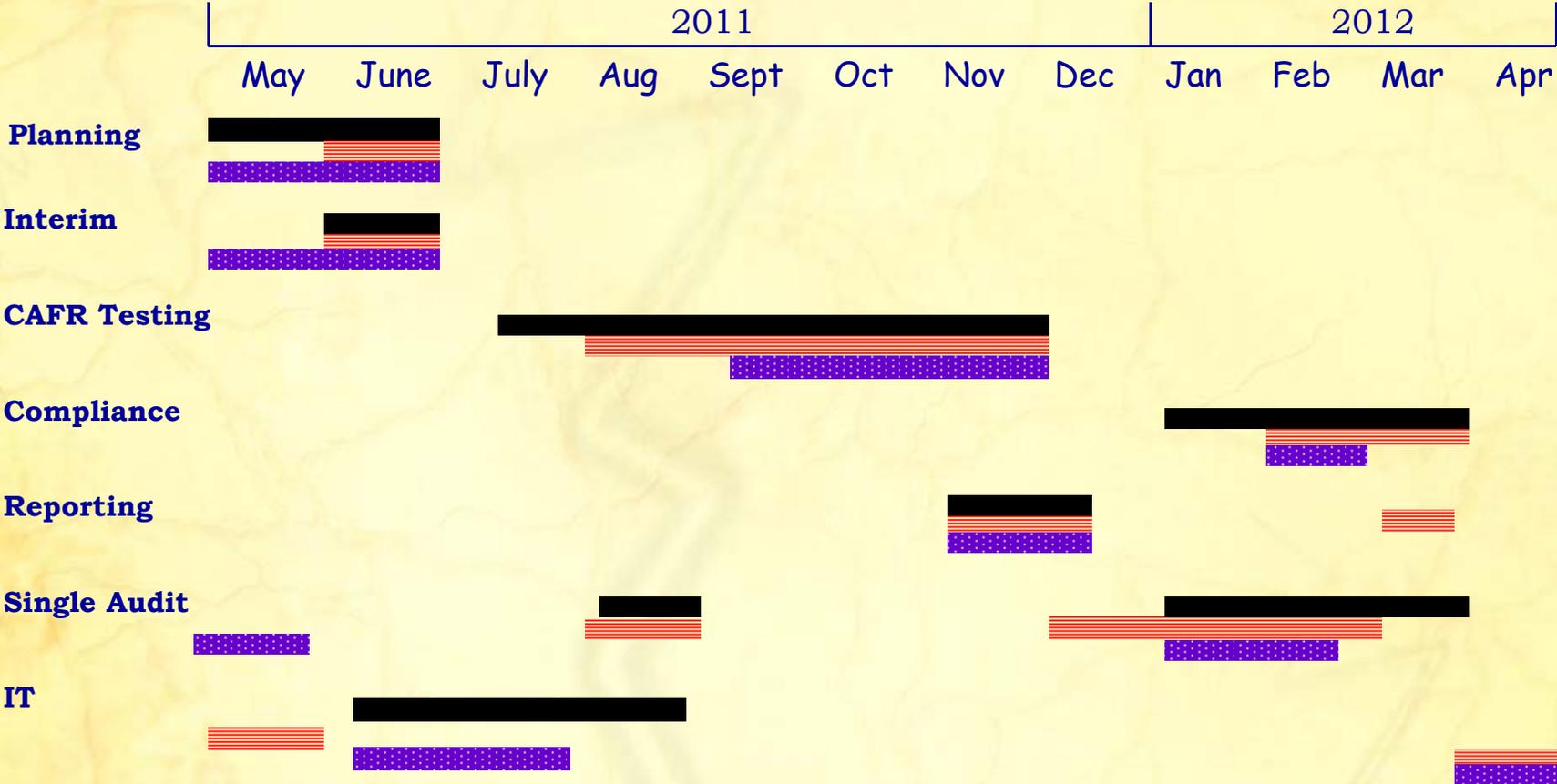
Special Schools and Board Office:

- 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	11.8%	11.2%	10.3%
Assets, liabilities & net assets	19.5%	20.5%	21.5%
Revenues & expenses	18.1%	16.4%	13.5%
Reporting	6.2%	5.7%	5.6%
Single Audit	25.2%	25.9%	26.4%
Supervision & review	10.5%	10.3%	10.4%
IT	8.7%	10.0%	12.3%

Timeline of Audit Work



U of I 	ISU 	UNI 
Manager – Ernest Ruben	Manager – Ron Swanson	Manager – Jim Cunningham
In-charge – Gwen Fangman	In-charge – Patty King	In-charge – Darryl Brumm

Financial and Compliance Audit Hours and Fees & Expenses

	<u>Hours</u>	<u>Fees & Expenses</u>
FY2003 Actual	<u>19,465</u>	<u>\$1,192,134</u>
FY2004 Actual	<u>18,022</u>	<u>\$1,068,945</u>
FY2005 Actual	<u>18,248</u>	<u>\$1,111,414</u>
FY2006 Actual	<u>17,397</u>	<u>\$1,090,366</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 (A)	<u>19,003</u>	<u>\$1,318,292</u>
FY2010 Estimated (B)	<u>17,500</u>	<u>\$1,212,000</u>
FY2011 Anticipated	<u>18,250</u>	<u>\$1,315,000</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)
- FY2010 average rate per hour - \$69.26 (including expenses)

(A) Prior year estimated: 19,100 hours and \$1,312,000 fees and expenses

(B) Prior year anticipated: 19,000 hours and \$1,305,000 fees and expenses