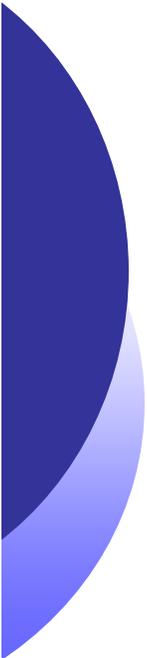




**Auditor of State
David A. Vaudt**

***June 30, 2009 Audit Plan
for the Board of Regents
Audit/Compliance and Investment Committee***

August 5, 2009



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. 49 Accounting and Financial Reporting for Pollution Remediation Obligations*
- No. 51 Accounting and Financial Reporting for Intangible Assets*
- No. 52 Land and Other Real Estate Held as Investments by Endowments*
- No. 53 Accounting and Financial Reporting for Derivative Instruments*
- No. 54 Fund Balance Reporting and Governmental Fund Type Definitions*
- No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 49

Accounting and Financial Reporting for Pollution Remediation Obligations Effective for year ended 6/30/09

- Primary effect – once any one of five specified obligating events occur, requires an estimate of the components of expected pollution remediation outlays and determination as to whether those outlays should be accrued as a liability or capitalized when goods and services are acquired
- Primary impact – little or no impact on Universities unless involved in pollution remediation obligating event



GASB Statement No. 51

Accounting and Financial Reporting
for Intangible Assets
Effective for year ending 6/30/10

- Primary effect – establishes accounting and financial reporting requirements for intangible assets
- Primary impact – requires identification and capitalization of significant intangible assets, including easements, patents, trademarks, and computer software



GASB Statement No. 52

*Land and Other Real Estate Held
as Investments by Endowments
Effective for year ended 6/30/09*

- Primary effect – requires endowments to report their land and other real estate investments at fair value
- Primary impact – land and other real estate investments of the Foundations will need to be revalued annually and reported at fair value; little or no impact

GASB Statement No. 53

Accounting and Financial Reporting for Derivative Instruments Effective for year ending 6/30/10

- Primary effect – addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments
- Primary impact – derivative instruments are generally reported at fair value and additional disclosure is required; little or no impact

GASB Statement No. 54

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

- Primary effect – establishes fund balance classifications and clarifies the existing governmental fund type definitions
- Primary impact – classify and report amounts in the appropriate fund balance classifications—restricted, committed, assigned, and unassigned—by applying accounting policies and disclosing those policies in the notes to the financial statements

GASB Statement No. 55

*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
Effective upon Release (4/12/09)*

- Primary effect – identifies the sources of accounting principles and the framework for selecting the principles used to prepare state and local government financial statements
- Primary impact – clarifies the sources of GAAP in a descending order of authority as follows: Official GASB Statements and Interpretations, GASB Technical Bulletins, AICPA Practice Bulletins, and Implementation Guides published by the GASB staff—little impact to the universities

Anticipated Audit Scopes, Approaches and Deliverables

Universities:

- Perform full scope audits, incorporating 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, continued:

- 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 Universities)



Anticipated Audit Scopes, Approaches, and Deliverables

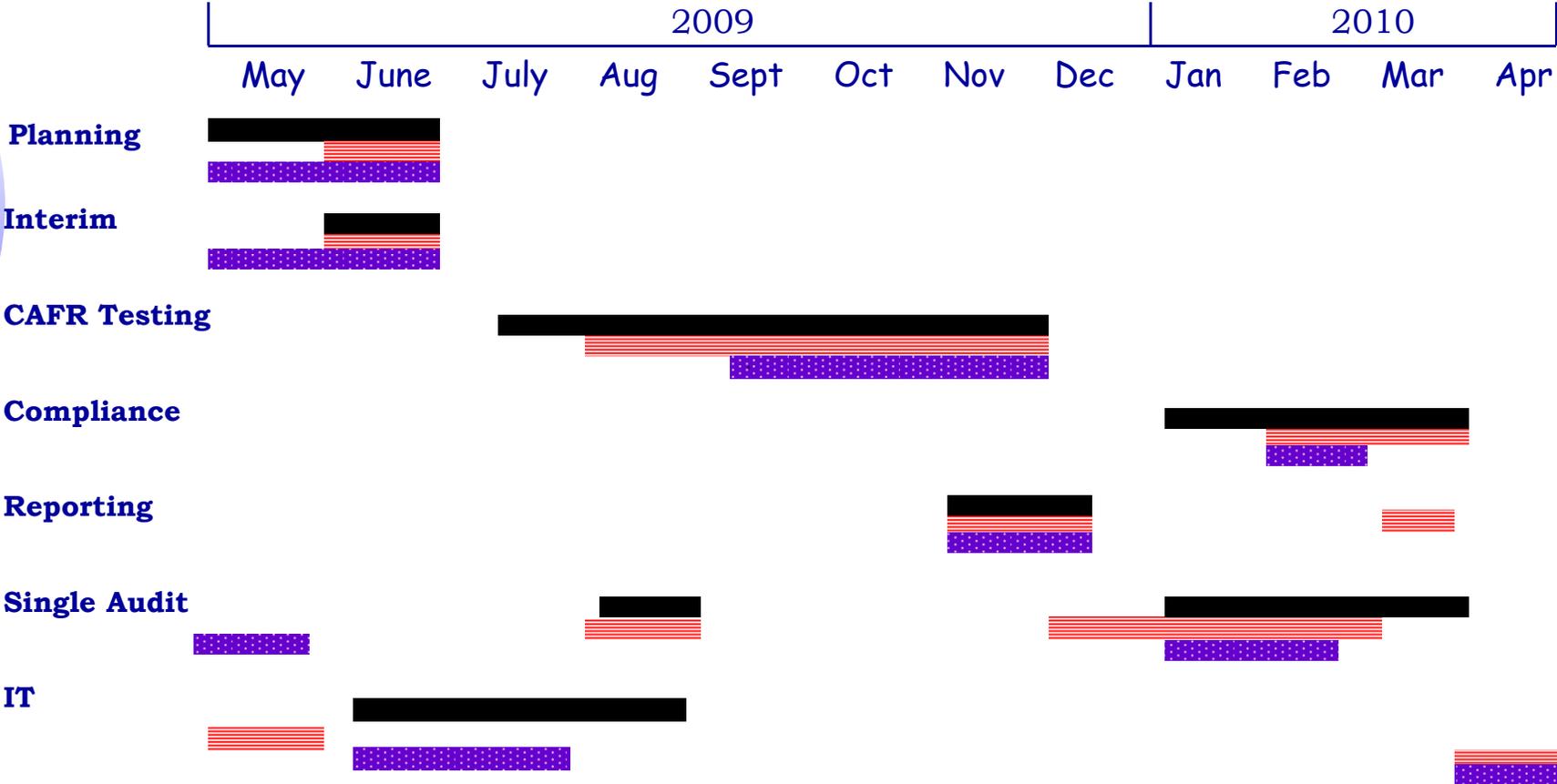
Special Schools and Board Office:

- 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%	10.7%
Assets, liabilities & net assets	19.5%	20.5%	20.4%
Revenues & expenses	18.5%	16.4%	16.6%
Reporting	6.2%	5.7%	5.4%
Single Audit	25.2%	24.9%	24.5%
Supervision & review	10.1%	10.3%	9.7%
IT	8.7%	11.0%	12.7%

Timeline of Audit Work



U of I 	ISU 	UNI 
Manager – Michelle Meyer	Manager – Ernest Ruben	Manager – Joe Marturello
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 (A)	<u>18,067</u>	<u>\$1,213,336</u>
FY2008 Estimated (B)	<u>19,000</u>	<u>\$1,283,000</u>
FY2009 Anticipated	<u>19,000</u>	<u>\$1,283,000</u>

- FY2008 and FY2009 audit hours and fees and expenses increased primarily due to:
 - additional audit procedures related to the 2008 flooding at U of I
 - replacing separate bond audits with segment footnote information in University reports (offset by the additional approximately 2,000 hours and approximately \$150,000 of fees and expenses for separate bond audits eliminated beginning in FY2009)
- FY2009 average rate per hour - \$67.53 (including expenses)

(A) Prior year estimated: 17,900 hours and \$1,192,000 fees and expenses

(B) Prior year anticipated: 17,500 hours and \$1,212,000 fees and expenses