



**Auditor of State  
Rob Sand**

***June 30, 2019 Audit Plan  
for the Board of Regents  
Audit and Compliance Committee  
September 18, 2019***

# **Presentation Objectives**

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

# Recent GASB Statements

## **Fiscal Year 2019:**

- No. 83      Certain Asset Retirement Obligations (FY19)
- No. 88      Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (FY19)

## **Fiscal Year 2020:**

- No. 84      Fiduciary Activities (FY20)
- No. 90      Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61 (FY20)

## **Fiscal Year 2021:**

- No. 87      Leases (FY21)
- No. 89      Accounting for Interest Cost Incurred before the End of a Construction Period (FY21)

## **Fiscal Year 2022:**

- No. 91      Conduit Debt Obligations (FY22)

# **GASB Statement No. 83**

Certain Asset Retirement Obligations

Effective for year ending 6/30/2019

## ■ Primary effect –

- This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset.

## ■ Primary impact –

- This Statement requires disclosure of information about the nature of the AROs, the methods and assumptions used to estimate the liabilities and the estimated useful lives of the associated tangible assets.

# **GASB Statement No. 88**

Certain Disclosures Related to Debt, including Direct Borrowings and  
Direct Placements

Effective for year ending 6/30/2019

## ■ Primary impact –

- This statement requires additional information related to debt be disclosed in notes to financial statements, including unused lines of credit and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance related consequences and significant subjective acceleration clauses.

## ■ Primary impact –

- University notes to financial statements will include the above information, where applicable. The notes to financial statements will also disclose the information for direct borrowings and direct placements separately from other debt, where applicable.

# **GASB Statement No. 84**

## Fiduciary Activities

Effective for year ending 6/30/2020

### ■ Primary effect –

- This Statement established criteria for identifying fiduciary activities of all state and local governments.

### ■ Primary impact –

- Business type activities may report assets with a corresponding liability that otherwise should be reported in a custodial fund in the statement of net position of the business-type activity if those assets, upon receipt, are normally expected to be held for three months or less.

# **GASB Statement No. 90**

Majority Equity Interests – an Amendment of GASB  
Statements No. 14 and No. 61  
Effective for year ending 6/30/2020

## ■ Primary effect –

- This Statement establishes criteria for reporting a majority equity interest in a legally separate organization.

## ■ Primary impact –

- This Statement requires a majority equity interest in a legally separate organization be reported as an investment if a government's holding of the equity interest meets the definition of an investment.
- All other holdings of a majority equity interest in a legally separate organization should be reported as a component unit

# **GASB Statement No. 87**

## Leases

Effective for year ending 6/30/2021

### ■ Primary effect –

- This Statement requires recognition of certain lease assets and liabilities for leases previously classified as operating leases.
- Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.
- Short term leases are not subject to GASB 87 requirements.
  - A lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised

# **GASB Statement No. 89**

Accounting for Interest Cost Incurred before the End of a  
Construction Period

Effective for year ending 6/30/2021

- Primary effect –

- This State requirement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred.

- Primary impact –

- Universities will no longer capitalize interest cost during the period an asset is under construction.

# **GASB Statement No. 91**

## Conduit Debt Obligations

Effective for year ending 6/30/2022

### ■ Primary effect –

- This Statement establishes a single method for reporting conduit debt obligations by issuers and eliminates the diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

### ■ Primary impact –

- No impact expected.

# Anticipated Audit Scopes and Approaches - 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 and Approaches - Universities

- 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

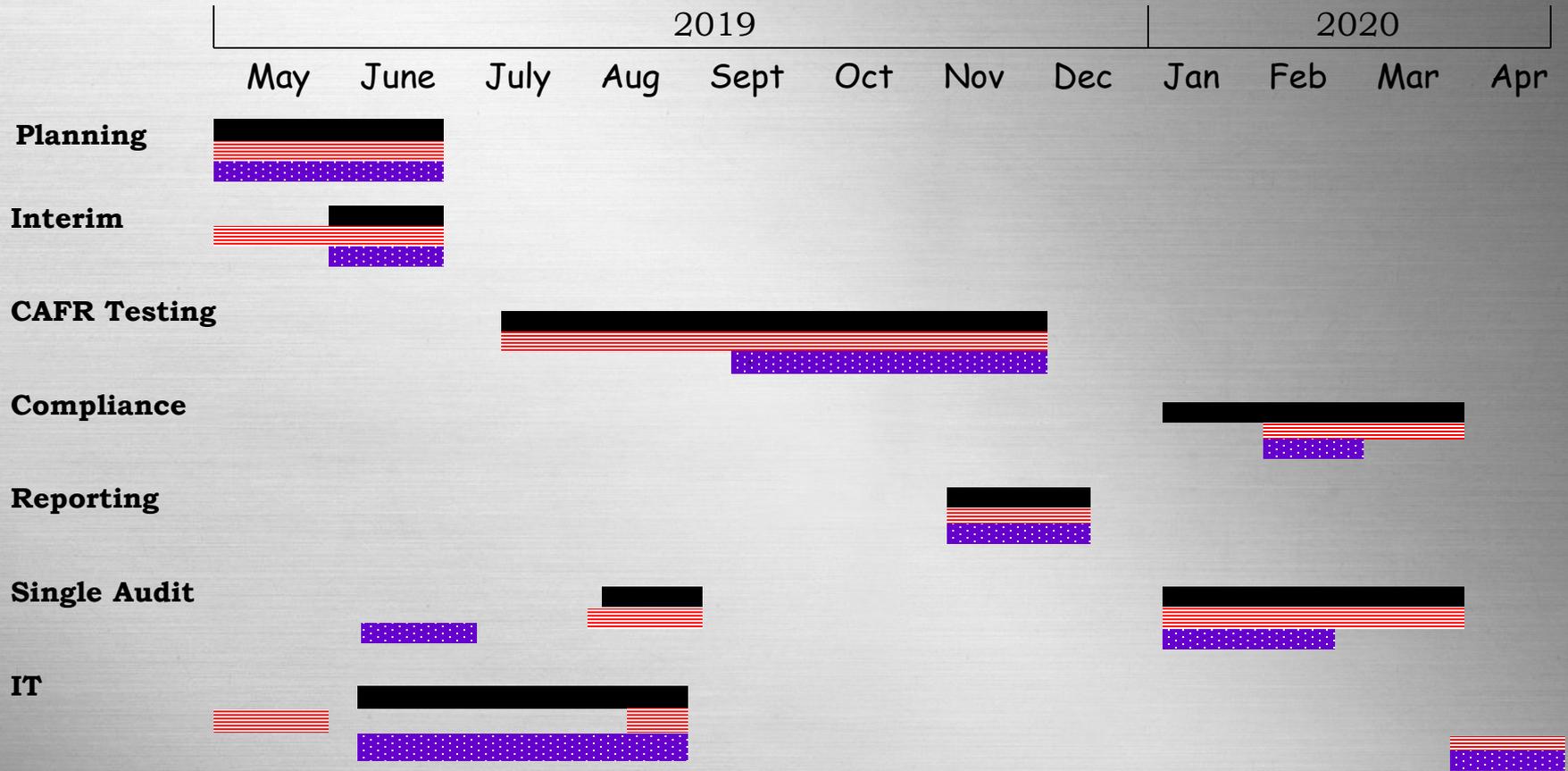
# **Anticipated Audit Scopes & Approaches Iowa Braille & Sight Saving School, Iowa School for the Deaf, Board of Regents Office**

- Perform limited scope audits
  - Review internal controls for significant accounting transaction cycles
  - Review compliance
  - 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	11.5%	11.4%	9.6%
Assets, liabilities & net position	19.9%	19.4%	18.6%
Revenues & expenses	17.0%	19.0%	11.5%
Reporting	6.1%	5.3%	5.7%
Single Audit	26.3%	25.9%	25.2%
Supervision & review	12.1%	11.6%	14.0%
IT	7.1%	7.4%	15.4%

# Timeline of Audit Work



<b>U of I</b> 	<b>ISU</b> 	<b>UNI</b> 
<b>Manager – Gwen Fangman</b> <b>In-charge – Jesse Harthan</b>	<b>Manager – Janet Mortvedt</b> <b>In-charge – Jenny Lawrence</b>	<b>Manager – Brian Brustkern</b> <b>In-charge – Kelly Hilton</b>

# Financial and Compliance Audit Hours and Fees & Expenses

	<u>Hours</u>	<u>Fees &amp; Expenses</u>
FY2012 Actual	<u>17,118</u>	<u>\$1,236,489</u>
FY2013 Actual	<u>17,607</u>	<u>\$1,295,341</u>
FY2014 Actual	<u>17,671</u>	<u>\$1,311,552</u>
FY2015 Actual	<u>17,120</u>	<u>\$1,339,697</u>
FY2016 Actual	<u>17,734</u>	<u>\$1,379,032</u>
FY2017 Actual	<u>17,890</u>	<u>\$1,398,816</u>
FY2018 Actual (A)	<u>16,988</u>	<u>\$1,390,416</u>
FY2019 Actual Anticipated	<u>18,600</u>	<u>\$1,526,000</u>

■ FY2018 average rate per hour – \$81.85 (including expenses)

(A) Prior year anticipated: 18,800 hours and \$1,514,000 fees and expenses