Presentation Objectives

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

No. 68  Accounting and Financial Reporting for Pensions
No. 69  Government Combinations and Disposals of Government Operations
No. 71  Pension Transition for Contributions Made Subsequent to the Measurement Date
No. 72  Fair Value Measurement and Application
No. 73  Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68
Recent GASB Statements
(Cont’d)

No. 74  Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
No. 75  Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
No. 76  The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
GASB Statement No. 68
Accounting and Financial Reporting for Pensions
Effective for year ended 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 ended 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 ended 6/30/15

- **Primary effect** – Requires universities to report a deferred outflow of resources for employers share of IPERS contributions made after the measurement date and before the university’s year end.

- **Primary impact** – Not likely to significantly impact universities.
GASB Statement No. 72
Fair Value Measurement and Application
Effective for year ending 6/30/16

- **Primary effect** –
  - Addresses accounting and financial reporting issues related to fair value measurements.
  - Fair value is described as an exit price.
  - Requires the use of valuation techniques appropriate in the circumstances.
  - Techniques should be consistent with one or more of the following approaches:
    - The cost approach
    - The market approach
    - The income approach
  - Valuation techniques should be applied consistently.
GASB Statement No. 72
Fair Value Measurement and Application
Effective for year ending 6/30/16 (Cont’d)

- Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.
- Established hierarchy of inputs has three levels:
  - Level 1 inputs are quoted prices (unadjusted in active markets for identical assets or liabilities.
  - Level 2 inputs are inputs – other than quoted prices – included in Level 1 that are observable for the asset or liability, either directly or indirectly.
  - Level 3 inputs are unobservable inputs, such as management’s assumptions about certain aspects.
GASB Statement No. 72
Fair Value Measurement and Application
Effective for year ending 6/30/16 (Cont’d)

- **Primary impact** – For universities, investments will generally be measured at fair value. Donated capital assets will be valued at acquisition value – an entry price. Notes to financial statements will include disclosures about—

  - Fair value measurements
  - The level of fair value hierarchy
  - Valuation techniques

Investment disclosures will now be very similar to those in Foundation reports.
GASB Statement No. 73
Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68 Effective for year ending 6/30/16

- **Primary effect** – Addresses accounting and financial reporting by employers with pensions not within the scope of GASB 68. GASB 73 also clarifies certain provisions of GASB 67 and 68.

- **Primary impact** – No significant impact because University pension plans are within the Scope of GASB 68. The clarifications of GASB 67 and 68 limit the information universities may disclose in their notes to Required Supplemental Information.
GASB Statement No. 74
Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans
Effective for year ending 6/30/17

- **Primary effect** – Addresses accounting and financial reporting for the activities of other postemployment benefit plans other than pension plans. Also, establishes financial reporting standards for separately issued financial reports, specifies the required approach to measuring the OPEB liability and details the required note disclosures.

- **Primary impact** – Has little direct impact for universities.
GASB Statement No. 75
Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
Effective for year ending 6/30/18

- **Primary effect** – Establishes accounting and financial reporting requirements for government postemployment benefits provided by plans covered by the scope of GASB Statement No. 74. 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 OPEB liabilities.
GASB Statement No. 76
The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
Effective for year ending 6/30/16

- **Primary effect** – This statement reduces the GAAP hierarchy to two categories of authoritative GAAP.

- **Primary impact** – Entities should find it easier to identify authoritative GAAP.
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’d:

- 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

Iowa School for the Deaf, Iowa Braille and Sight Savings School, 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>Audit Area</th>
<th>U of I</th>
<th>ISU</th>
<th>UNI</th>
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Timeline of Audit Work

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<tbody>
<tr>
<td>Manager – Jim Cunningham</td>
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<td>Manager – Brian Brustkern</td>
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Mary Mosiman, Auditor of State, September 9, 2015
# Financial and Compliance
## Audit Hours and Fees & Expenses

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<th>Year</th>
<th>Hours</th>
<th>Fees &amp; Expenses</th>
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<td>FY2009 Actual</td>
<td>19,003</td>
<td>$1,318,292</td>
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<td>FY2010 Actual</td>
<td>17,525</td>
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<td>FY2011 Actual</td>
<td>17,429</td>
<td>$1,232,693</td>
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<td>FY2012 Actual</td>
<td>17,112</td>
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<td>FY2013 Actual</td>
<td>17,607</td>
<td>$1,295,341</td>
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<td>FY2014 Actual (A)</td>
<td>17,671</td>
<td>$1,311,552</td>
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<td>FY2015 Anticipated</td>
<td>18,200</td>
<td>$1,392,000</td>
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- Audit hours and fees and expenses in FY2009 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)
- FY2014 average rate per hour - $74.22 (including expenses)

(A) Prior year anticipated: 18,000 hours and $1,372,000 fees and expenses