



**Auditor of State
David A. Vaudt**

***June 30, 2012 Audit Plan
for the Board of Regents
Audit/Compliance and Investment Committee***

August 3, 2012

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

Recent GASB Statements, cont.

- No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
- No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions**
- No. 65 Items Previously Reported as Assets and Liabilities
- No. 66 Technical Corrections—2012—An Amendment of GASB Statements No. 10 and No. 62

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 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 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—**no 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—**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 ending 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 ending 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. 64

Derivative Instruments: Application of Hedge
Accounting Termination Provisions
Effective for year ended **6/30/12**

- Primary effect – Enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced.
- Primary impact – The universities are generally restricted as to the use of derivative instruments where hedge accounting applies—**minor to no 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.**

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

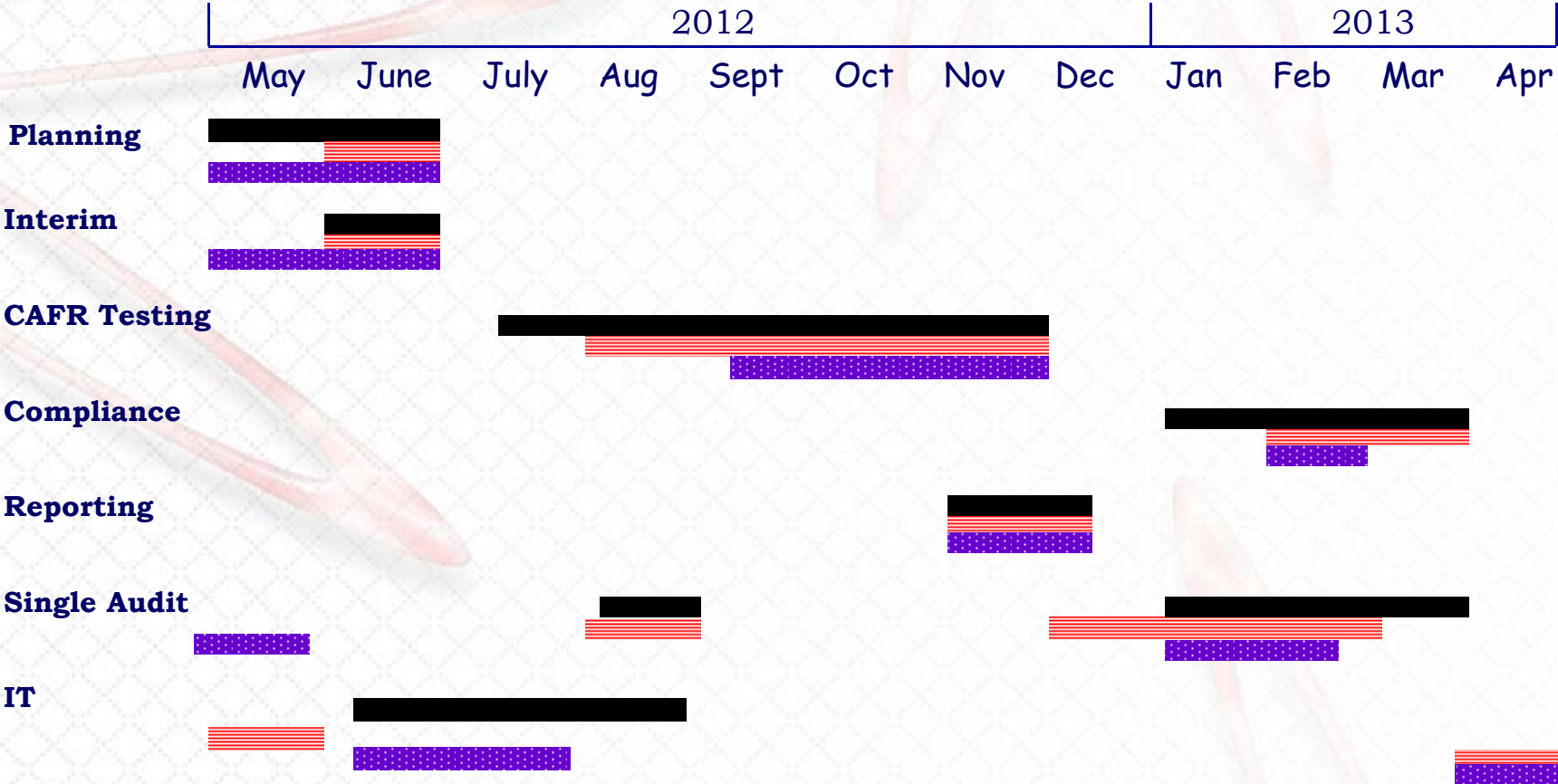
Special Schools and Board Office:

- 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%	8.4%
Assets, liabilities & net assets	19.5%	20.5%	20.5%
Revenues & expenses	18.3%	18.4%	16.7%
Reporting	6.1%	6.1%	6.0%
Single Audit	25.2%	24.9%	26.2%
Supervision & review	10.4%	10.3%	11.8%
IT	8.7%	8.6%	10.4%

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>Fiscal Year</u>	<u>Hours</u>	<u>Fees & Expenses</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 (A)	<u>17,525</u>	<u>\$1,215,519</u>
FY2011 Estimated (B)	<u>17,400</u>	<u>\$1,231,000</u>
FY2012 Anticipated	<u>18,400</u>	<u>\$1,341,000</u>

FY2011 estimated average rate per hour - \$70.75 (**including** expenses)

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

(B) Prior year anticipated: 18,250 hours and \$1,315,000 fees and expenses