OSU FY2013 Audit Results

Agenda

• Introductions
• Responsibilities Under US Generally Accepted Auditing Standards (GAAS)
• Financial Audit
  – Scope
  – Results
• Required Communications
  – Auditor’s Communication with Those Charged with Governance
  – Communication of Internal Control Related Matters Identified in an Audit
• Questions
Responsibilities Under US Generally Accepted Auditing Standards (GAAS)

• Responsible For
  − Expressing an opinion on whether financial statements are in conformity with U.S. Generally Accepted Accounting Principles in all material respects.
  − Expressing an opinion only over information identified in our report. Other information included in your financial statement package was read/reviewed, but not subject to testing.
  − Performing audit in accordance with required auditing standards.
  − Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon with the System.
Responsibilities Under GAAS (continued)

• An Audit in Accordance with GAAS
  – Does not relieve management of responsibilities.
  – Includes consideration of internal control as a basis for audit procedures, but not to opine on effectiveness of internal controls.
Financial and Compliance Audit

• Scope
  – Financial statement audit of Oregon State University
    ◊ Performed internal control testing, including Information Technology control testing
  – Discretely presented component units audited by other auditors
  – No testing of federal programs as directed by State Audits Division
Financial and Compliance Audit (continued)

- Results
  - Financial Statements
    - Independent Auditors’ Report
      - Received unqualified opinion
    - Report on internal control over financial reporting, compliance, and other matters
      - No issues were noted
    - Management Letter
    - IT control recommendations reported to campuses
Required Communications

• Auditor’s Communication with Those Charged with Governance
  – Qualitative aspects of accounting practices
    ◊ Accounting policies
    ◊ Accounting estimates
    ◊ Sensitive financial statement disclosures
  – Difficulties encountered in performing the audit
    ◊ None
  – Uncorrected misstatements
    ◊ None
  – Corrected misstatements
    ◊ See exhibit
Required Communications (continued)

- Auditor’s Communication with Those Charged with Governance (continued)
  - Disagreements with Management
    ◊ None
  - Representations by Management
    ◊ See exhibit
  - Significant issues discussed with Management prior to retention
    ◊ None
  - Consultations with other accountants
    ◊ None
Required Communications (continued)

- Auditor’s Communication with Those Charged with Governance (continued)
  - Significant issues discussed prior to engagements
    - None
  - Other audit findings or issues
    - Separate letter
  - Group audits
  - Other information in documents containing audited financial statements
Required Communications (continued)

• Communicating Internal Control Related Matters Identified in an Audit
  – Defines deficiency, significant deficiency, and material weakness
  – Other matter communicated through a management letter
    ◊ Accounting for completed construction projects
Other Communications

- Management and staff were very cooperative and helpful
Questions
Oregon University System Fiscal Year 2014 Audit Entrance Conference Agenda

• Introductions
• Scope of Audits
• Responsibilities under GAAS
• Risk Assessment
• Fieldwork Timing and reporting Timeline
• Audit Success Factors
• Questions
Engagement Team

Jean Bushong
Engagement Principal

Craig Poppenhagen
Second Principal

Caroline Wright
Engagement Director

Jake Huolihan
Senior Associate
Scope of the Audit

• Financial Statement Audits
  – System
  – Oregon Tech
  – Oregon State University
  – Portland State University
  – University of Oregon
  – Western Oregon University
Scope of the Audit

• Single Audit under direction of State Audit Division:
  – Research & Development Cluster
    ◊ Several campuses

• Other procedures
  – Agreed Upon Procedures
  – Component Unit
Responsibilities under US Generally Accepted Auditing Standards

• Responsible For

  – Expressing an opinion on whether financial statements are in conformity with U.S. Generally Accepted Accounting Principles in all material respects.

  – Expressing an opinion only over information identified in our report. Other information included in your financial statement package was read/reviewed, but not subject to testing.

  – Performing audit in accordance with required auditing standards.

  – Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon with the System.
Responsibilities Under GAAS (continued)

• An Audit in Accordance with GAAS
  – Does not relieve management of responsibilities.
  – Includes consideration of internal control as a basis for audit procedures, but not to opine on effectiveness of internal controls.
Risk Assessment

Prior Year Knowledge/Team Brainstorming Session

Interviews with Management and Finance Committee

Regulatory Reports

Inherent Risk/Other

Risk Assessment
Risk Assessment and Significant Accounts/Transactions

- Perform risk assessment to determine material accounts/transactions.
- Include those accounts that are quantitatively and/or qualitatively material. Matter of auditor judgment.
- Will obtain an understanding of risks (risk of error, fraud, and/or noncompliance) and control environment for each.
- Nature of the account/transaction and risks identified will dictate if test of operating effectiveness is performed.
Fraud – Our Responsibilities

• Fraud – intentional act that results in material misstatement in financial statements
  – Fraudulent financial reporting
  – Misappropriation of assets

• Auditors must:
  – Gather information on risks of material misstatement due to fraud
  – Assess these risks after taking into consideration of internal controls
  – Respond to results

• Audit procedures must include:
  – Consideration of fraud risks in planning
  – Identification of entity’s programs and controls to prevent fraud
  – Interviews of personnel
  – Test journal entries
  – Respond to fraud risks
  – Communication about fraud to management and audit committee

• Interview Finance Committee
Fieldwork and Reporting Timeline

- Pre-engagement procedures – March 2014
- Interim Fieldwork – April 2014
- Final Fieldwork – September – October 2014
- Reports due – October 31, 2014
- Presentation to the Audit Committee – December/January
Fieldwork and Reporting Timeline

- Pre-engagement and Internal Planning Procedures – March 2014
  - Engagement acceptance process
  - Determination of audit approach
  - Preparation of PBC listing
  - Preparation of internal control memos
  - Internal planning meeting
  - Planning discussions with management
  - Administrative procedures
  - Preparation of audit programs
Fieldwork and Reporting Timeline

- Interim Fieldwork – April 2014

  - Audit planning meetings
  - Internal control testing
    ◊ Financial statement controls
    ◊ Federal program controls
    ◊ IT controls
  - Sampling
  - Required fraud procedures
Fieldwork and Reporting Timeline

- Research and Development Cluster Compliance Audit – July 2014
  - Sampling of grant programs
  - Review of the SEFA
  - Reviewing grants for compliance
Fieldwork and Reporting Timeline

• Final Fieldwork – September & October 2014
  – Substantive procedures
  – Review of financial statements and footnotes
  – Completion of R&D compliance testing
Audit Success Factors

Communication
- Weekly status meetings.
- Timely communication with management regarding issues noted during the audit.
- Synergies obtained through System-wide audit.

Availability
- Accessibility to audit contacts.
- Principals/manager available.

Deliverables
- Coordination/project management.
- Timely receipt of audit requests.
- Timely review of financial statements.
- Adherence to agreed upon timelines.
Questions
Jean Bushong, CPA
Principal
jean.bushong@CLAconnect.com
303-779-5710