Oregon State University
Fiscal Year 2015
Financial Statement and Compliance Audit
Agenda

Introductions

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Responsibilities under US Generally Accepted 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.
  - Performing audit in accordance with required auditing standards (Government Auditing Standards, former OMB Circular A-133).
  - Communication of significant matters related to audit, information required by law/regulations, or other information agreed upon with the University.
Responsibilities under GAAS

- An audit in accordance with GAAS:
  - Does not relieve management of responsibilities.
  - Includes consideration of internal control as basis for financial audit procedures, but not to opine on effectiveness of internal controls.
    ◊ Required to report material weaknesses and significant deficiencies noted during the course of our audit.
  - Is designed to obtain reasonable, but not absolute, assurance about whether statements are free of material misstatement.
Generally Accepted Government Auditing Standards

- Increased auditing standards versus GAAS.
- Design audit to provide reasonable assurance (but not absolute) of detecting material misstatements that result from noncompliance.
- Audit committee required communications
  - Nature and extent of planned testing and reporting on compliance with laws and regulations and internal control over financial reporting.
- Additional reporting requirements
  - Report on Compliance with Laws and Regulations on Internal Control Over Financial Reporting
  - Fraud/illegal acts
OMB Circular A-133

- An audit in accordance with OMB Circular A-133:
  - An opinion on whether University complied, in all material respects, with compliance requirements of major programs tested.
  - Includes consideration of internal control as basis for financial audit procedures, but not to opine on effectiveness of internal controls.
  - Evaluation of presentation of the schedule of expenditures of federal awards accompanying financial statements in relation to financial statements as a whole.
Scope of Engagements

- Fiscal Year 2015 Financial Statement Audit
- NCAA Agreed Upon Procedures
- OMB Circular A-133 Single Audit
Engagement Results

- Financial Statement Audit
  - Unmodified Report
  - GASB Statement No. 68 Implemented
  - Change in entity
    - First year stand-alone
    - Separation impact reported
Financial Statements

GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

- Restated FY 2015 to reflect net pension liability and deferred inflow. Net impact - $74.5 million reduction beginning net assets.
- End of FY2015 reflected a Net Pension Asset of $40.8 million
- New disclosures/supplementary information
Note For Next Year

Net Pension Asset of $40.8 million reported as of 6/30/15 expected to swing to Net Pension Liability for 6/30/16.

Based upon Moro Decision, balance would have been $47.7 million liability.

See Note 20 for more information.
Financial Statements

Change in Entity

Positive impact to bottom line of $224.7 million

Reported as a “Special Item” on page 20. Additional information also provided at Note 18.

Included:
- State paid debt removed: $223 million
- Cash from closing of OUS: $3.4 million
- Other: ($1.9 million)
NCAA Agreed Upon Procedures

• Set of procedures defined by NCAA.

• Some changes in procedures in FY15.
  – One of changes: Agree NCAA Membership Financial Reporting System and athletic squad lists provided by University.
Single Audit Results

First year of stand-alone Single Audit for OSU.

Report expected to be issued in February.

Major programs tested:
- Student Financial Aid
- Research and Development Cluster
- Land Grant (Cooperative Extension)

Results: Information is subject to change, but near completion.

Reportable items and management response scheduled for review at March Executive and Audit Committee meeting.

Expect minimal changes.
Required Communications

• Auditors’ Communication with Those Charged with Governance
  
  – Qualitative Aspects of Accounting Practices
    ◊ Accounting Policies
    ◊ Accounting Estimates
    ◊ Financial Statement Disclosures
  
  – Difficulties Encountered in Performing the Audit – None
  
  – Uncorrected Misstatements – See Exhibit
  
  – Corrected Misstatements – See Exhibit
Required Communications

• Auditors’ Communication with Those Charged with Governance (continued)
  
  – Disagreements with Management – None
  
  – Management Representations – See Exhibit
  
  – Management Consultations with other Independent Accountants – None
  
  – Significant Issues Discussed with Management Prior to Engagement – None
  
  – Other Audit Findings or Issues – See Management Letter
Required Communications

• Auditors’ Communication with Those Charged with Governance (continued)

  – Audits of group financial statements
    ◊ See Exhibit for passed adjustment related to the Foundation
    ◊ No other significant matters

  – Quality of component auditor’s work
    ◊ No concerns over component auditor’s work

  – Other Information
    ◊ Limited procedures performed over MD&A and the “Message from the President”
Management Letter – Financial Reporting

- No material weaknesses.
- No significant deficiencies.
- Two other matters:
  - Bank Reconciliations
  - Capitalized Interest
Emerging Developments

• Perkins Loan Program Extended

• Changes to Single Audit
  – Issuance of the Uniform Grant Guidance regulations
  – Replaces OMB Circular A-133

◊ Codifying eight circulars into one streamlined set of guidelines.

  • Impact to procurement policies, reporting, SEFA presentation, indirect cost determination, time and effort reporting, etc.
  • Change to audit requirements – Major Program determination and other thresholds.
Questions?
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