Auditor of Public Accounts Update

May 17, 2012
Stephen G. Walker
Auditor of Public Accounts

Office Audit Update

- FY11 Audits
- Future Audits
- Special Projects
Office Audit Update – FY11 Audits

- Completed 7 out of 14 University Audits
  - VMI, VSU, NSU, CWM, CNU, LU, UMW nearing completion
- All Unqualified Opinions
- No Material Weaknesses in Internal Control

Office Audit Update – FY11 Audits

• Management Recommendations
  – IT Security
  – System Access
  – Treatment of Capital Leases
  – Terminated Employees

Office Audit Update – Future Audits

Project Manager: Andy Powell
In-Charge: Stephen Walker (UVA)
In-Charge: Ashley Baily (UVAMC)

Project Manager: Andy Powell
In-Charge: Steve Vecchione

Project Manager: Karen Helderman
In-Charge: Josh Fox & Chadam Hover

Office Audit Update – Special Projects

- No Specific Higher Education Projects
- Other Related Projects
  - Managing Separation of Duties in a Virtual Environment
  - Security of Internet Facing Websites
  - Vehicle Usage
  - Feasibility of Using CPA Firm

Audit Timing Project

- Survey Results
- Project Plan
- Pilot Schools
Audit Timing Project – Project Plan

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Audit Timing Project – Pilot Institutions

• Beginning 1/1/2013
• Five Pilot Schools
  – VCU, UVA, GMU, ODU, JMU
• VCU, UVA
  – Audit first 6-8 months of FY13
• GMU, ODU, JMU
  – Audit 18-20 months of FY12-13

Audits of Group Financial Statements

- Impact
- APA Responsibility
- Management Responsibility
Group Audits – Why It Matters

Impact on APA relationship with Foundations and Foundation auditors

More documentation required on consolidation process

Increased analysis of subsequent events

Audits of Group Financial Statements

• Part of the Clarity Standards
  – AU-C 600

• Effective for Fiscal Years Ending After December 15, 2012

Group Audits – Definitions

• **Group**: All the components whose financial information is included in the group financial statements

• **Group Auditor**: The APA

• **Group Management**: You

• **Group-Wide Controls**: Controls designed, implemented, and maintained by group management over group financial reporting.

Group Audits – Definitions

• **Component**: An entity for which component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements

• **Component Auditor**: An auditor who performs work on the financial information of a component that will be used as audit evidence for the group audit

Group Audits – APA Responsibility

• Develop Component Materiality
• Obtain an understanding of the consolidation process
  – Instructions issued by group management to components
• Understand group-wide controls
Group Audits – APA Responsibility

• Obtain an understanding of component auditors
  – Professional and competent
  – Independent
  – Ability to provide information on consolidation process

• Obtain significant findings and adjustments

Group Audits – Management Responsibility

- More support for consolidation process
- Communication of process to components
- Review of component subsequent events
- Understanding group-wide controls
Audits of Group Financial Statements

- More Documentation
- More Auditing
- More Communication

GAO Yellow Book Update
GAO Yellow Book Update

- Issued December 2011
- Major Changes
  - Independence
  - Reporting of Various Attestation Engagements
  - Reporting of Fraud

Component Unit Presentation
Questions?