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UNIVERSITY
of ALASKA

Many Traditions One Alaska

MEMORANDUM

TO: Board of Regents

THRU: Patrick K. Gamble, President KG

FROM: Ashok Roy, Vice President for Finance & Administration/CFO AR.

C.C.: Chair Jacobson, Regent O'Neill

DATE: May 13, 2014

SUBJECT: Common Issues & Risks for Audit Committee Focus

The attached presentation is in response to a request from Regent Powers from the April meeting.

With the approval of the Chair of the Audit Committee and Chair of the Board, I am sending the presentation out ahead-of-time so that it does not take away from the next Board meeting.

Common Issues & Risks For Audit Committee Focus

Presentation to: Audit Committee

June 6, 2014

Ashok K. Roy, Ph.D., CIA, CFSA, CBA
Vice President for Finance & Administration/ CFO



“ The Audit Committee serves as the institution’s *first line of defense* when considering *financial reporting, internal control, compliance, and risk management.*”

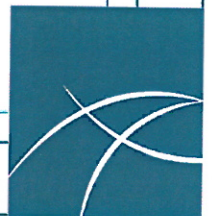
-AGB Effective Committee Series

1) Financial Statements, Adequacy of Internal Controls, Compliance, and Strategic Risks

1.1. Challenges/ vulnerabilities (could be possible game changers)

Revenue Trends (5 years)

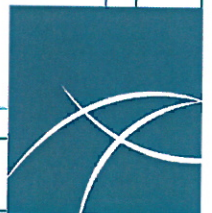
- What steps are we taking to address declining enrollment, GF revenue?
- Grants... will we see growth? Where?
- Endowment/ Gifts... will we see growth?





Costs Trends (5 years)

- What are expenditures per 100 headcount of students?
- What is the cost associated with raising \$1?
- What is the number of staff FTEs per 100 headcount of students?
- What are facilities expenditures per 2,000 gross square feet?
- What are the research expenditures per researcher FTE?



1.2. New accounting standards:

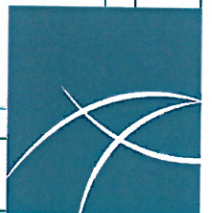
- What are the new GASB requirements for FY14 and how will they impact the university?

1.3. Compliance:

- Is the university in compliance with federal and state laws and regulations (including FERPA, PCI, Red Flag, OSHA, Form 990T tax returns, A-133, NCAA, financial statements audits, granting agency audits)?

1.4. Component units:

- Which of the university's component units (Nanook Innovation Corporation, Seawolf Holdings) have had significant activity?




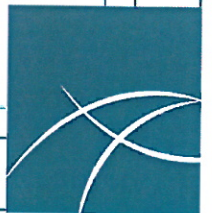


1.5. Enterprise risk management


- What risks are acceptable and how do they align with *Shaping Alaska's Future*?
- What is our risk tolerance? How much financial risk is the university willing to take? What risks are we clearly unwilling to take?
- Do we have a true understanding of whether our risks reflect the real operating environment?
- Have we clearly identified management's decision making responsibilities with regard to risk?
- Do we look out for conflicts of interest?

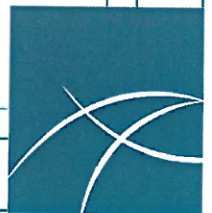


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- What risks are posed by adapting to new business models driven by changes in say, student loan programs/ federal funding/ grants/ clinical trials/ accreditation, etc.?
 - When was our Business Continuity/ Disaster Recovery Plan last updated?




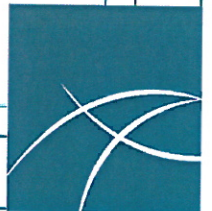
2) Education Trust of Alaska and the University Pension Funds

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- Are the trusts in compliance with the Internal Revenue Code and regulatory requirements?
 - Are the investments managed in a prudent manner?
 - Is the University correctly assessing its potential liabilities?




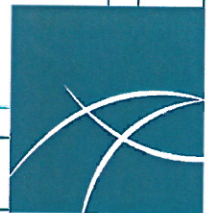
3) Land Grant & Inflation Proofing Funds

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- Are the investments managed in a prudent manner?
 - Can the investment portfolio return support continued spending in a persistent down market environment?
 - Is the spending rate set at an appropriate level?




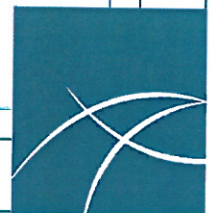
4) Operating Funds


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- Are the investments managed in a prudent manner?
 - What is the level of appropriate risk in the portfolio?
 - Is there adequate liquidity?



5) Cyber- Security (potential impact on university finances, reputation, are huge): Cyber-attacks are no longer a matter of *if*, but *when*


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- What is our cyber risk?
 - Where do the greatest cyber threats and risks to the university's highest value assets come from?
 - How are human capital and financial capital aligned to confront the greatest threats we face?
 - Do we use a cyber-security scoreboard for principal risk areas/incidents/ trending, etc.?

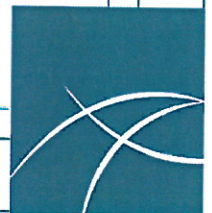


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- Are there clear institutional protocols protecting the confidentiality of personally identifiable information?
 - Are there proprietary rights for information created, received and maintained (email, course related material, institutionally owned software, etc.) by faculty/ staff/ students located on-premises or in the cloud?
 - Is there a clean delineation of intellectual property rights or ownership?




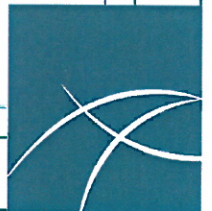
6) External Auditor

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- How does the university's financial health compare to last year?
 - Is the audit opinion "unqualified?"
 - Were any internal-control issues?
 - How comfortable are you with management's accounting estimates?
 - Is there any evidence of fraud?
 - Any issues with management that the committee should be aware of?




7) Internal Audits

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- Provide trends
 - Is the cycle-time to get reports out reasonable?
 - Do you track major findings and closure rates?
 - How does your team search for fraud?



8) Title IX: Sexual Misconduct



55 higher education institutions are currently under review by the U.S. Department of Education Office of Civil Rights. AGB in conjunction with the National Association of College & University Attorneys has asked Board members to satisfy themselves that University administrators are addressing the issue in a way that protects students, faculty, staff, and the University.

