



University of Alaska

2013 Audit Planning

June 7, 2013 Audit Committee
Meeting

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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May 13, 2013

University of Alaska
Audit Committee

Dear Members of the Audit Committee

We are pleased to present our 2013 audit plan for the University of Alaska System (the Institution). This plan summarizes our audit, the scope of our engagement, and various analyses and observations related to the Institution's financial reporting. It also contains the audit committee communications required by our professional standards.

Our audit will be designed to express an opinion on the June 30, 2013 financial statements of the Institution and address current statutory and regulatory requirements. We will consider the Institution's current business needs, along with an assessment of risks that could materially affect the financial statements, and we will align our audit procedures accordingly. We will conduct the audit with the objectivity and independence that you, the University of Alaska System, expect.

We look forward to meeting with you to go over this plan as well as addressing your questions and discussing any other matters of interest to the Audit Committee.

Very truly yours,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Moss Adams LLP
Spokane, Washington

May 28, 2013

University of Alaska
Fairbanks, Alaska

Auditor independence, in fact and appearance, is essential so that the public may justifiably perceive the audit process as an unbiased review of management's presentation of financial information.

At least annually, we will disclose to the University of Alaska System (the Institution), the nature of all relationships between Moss Adams and the Institution that, in our professional judgment, may reasonably be thought to bear on our independence.

The only relationship between Moss Adams and the Institution as of the date of this letter that may reasonably be thought to impact our independence, is related to a fixed price contract with the University of Alaska Anchorage (UAA) related to construction project audit services for the UAA Sports Arena (Seawolf Arena). As part of this project, we are not making any management decisions or performing management functions. This project is being performed by our Business Risk Management and Control Solutions Group, which is also a separate team from the audit engagement team. Accordingly, relating to our audit of the financial statements of the Institution as of and for the year ended June 30, 2013, we confirm we are independent with respect to the Institution within the meaning of Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings.

This report is intended solely for the information and use of the Audit Committee, management, and others within the Institution and should not be used for any other purpose.

Very truly yours,

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Moss Adams LLP
Spokane, Washington

Our Audit Objectives and Scope

The scope of the June 30, 2013, audit is outlined in Moss Adams contract with the University of Alaska (UA 13-0083) dated February 19, 2013. We will audit the financial statements and compliance with federal laws and regulations (A-133) of the University of Alaska.

In performing our audit for 2013, our primary objectives are as follow:

- Perform an audit of the entity's financial statements in accordance with Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards;
- Obtain reasonable assurance about whether the financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and are free of material misstatements, whether caused by error or fraud;
- Communicate in writing to management and the Committee all material weaknesses and significant deficiencies in internal control and financial reporting identified during our audits;
- Complete communications required under professional standards on a timely basis.

Our Audit Responsibilities

Our responsibility, as described by professional standards, is to express an opinion based on our audit about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we will consider the internal control of the institution solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Our audit is not designed to identify all significant deficiencies, however we will report significant deficiencies identified during the audit to you.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. Should any of those matters be identified, we will get in touch with you to discuss.

Institution Responsibilities

The Institution is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. We may advise the Institution about appropriate accounting principles and their application and will assist in the preparation of their financial statements, but the Institution is responsible for the financial statements.

This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. The Institution is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Institution involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

The Audit Committee is responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Institution received in communications from employees, former employees, regulators or others.

The Institution is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management of the Institution is also responsible for identifying and ensuring that the Institution complies with applicable laws and regulations.

Our Communications Plan

Our communications plan with the Audit Committee are designed to comply with professional standards set by the AICPA.

Our formal communications will occur at the conclusion of our engagement, where we will present the results of our audit. We are also available to respond to the Committee members' questions or to be present at periodic meetings.

We also plan to communicate with management both in writing and verbally, throughout the year. We have created an audit timeline for the Institution which includes both regularly scheduled updates and timeframes for completion of audit work.

At the start of the audit, we hold an entrance meeting and at the end of each major segment of fieldwork, we hold an exit meeting . At these entrance and exit meetings, we invite all Institution personnel who are involved in the audit, subject to the discretion of Institution management.

About Our Audit Approach

In developing our audit strategy, we start by assessing the areas of risk for the Institution. We consider the business, environmental and internal risks coupled with actions taken by the Institution to counter those risks. We conduct risk assessment interviews to help identify areas of risk already identified by Institution management. We obtain an understanding of significant accounts and internal controls over major transaction cycles and perform walkthroughs of process and control procedures to verify the design and implementation of controls are as described.

Once we have developed an understanding of areas of risk, we narrow those down to determine the areas of highest risk; risks that could lead to material misstatements in the Institution's financial statements. We evaluate relative levels of inherent risk and control risk at the Institution and using that information tailor our audit programs to address those areas of risk.

Our Risk Assessments and Response

Financial Close and Reporting Process

Financial Close and Reporting Risks:

- Trial balance journal entries made to create financial statements contain errors
- Excel spreadsheets used to calculate financial statement entries contain errors
- Creation of financial statements is dominated by one or two people without adequate review procedures
- Financial statements and footnotes do not contain required GAAP disclosures
- Entries that occur only once a year are of heightened risk for error

Our Planned Audit Response:

- Review internal controls over financial close and reporting process
- Select and test a sample of journal entries used to create financial statements
- Review spreadsheet formulas and recalculate entries on a test basis
- Review financial statements and footnotes for required GAAP disclosures
- Analytically review financial statements and compare to our independently developed expectations

Significant Audit Areas for 2013

- *Compliance audit (see next page)*
- *Investments*
- *Sources of revenue such as tuition and contributions*
- *Debt and compliance with covenants*
- *Other Risks or Significant Audit Areas (that may arise during our audit procedures)*

Compliance Audit Information

Major Programs to be audited in 2013

- Research & Development Cluster
- ARRA - Broadband Technology Opportunities Program (BTOP)

Note: Final major program determination is not able to be completed until after “year end”. The plan above is subject to additional programs based on total expenditures of federal funds and could possibly be impacted by expenditures of stimulus funding, regardless of dollar amount.

Materiality

Our assessment of materiality is based on both quantitative and qualitative factors in establishment of an appropriate base for calculating financial materiality. We consider the risk of material misstatement at the financial statement level, and in relation to classes of transaction, account balances, and disclosures.

Reporting

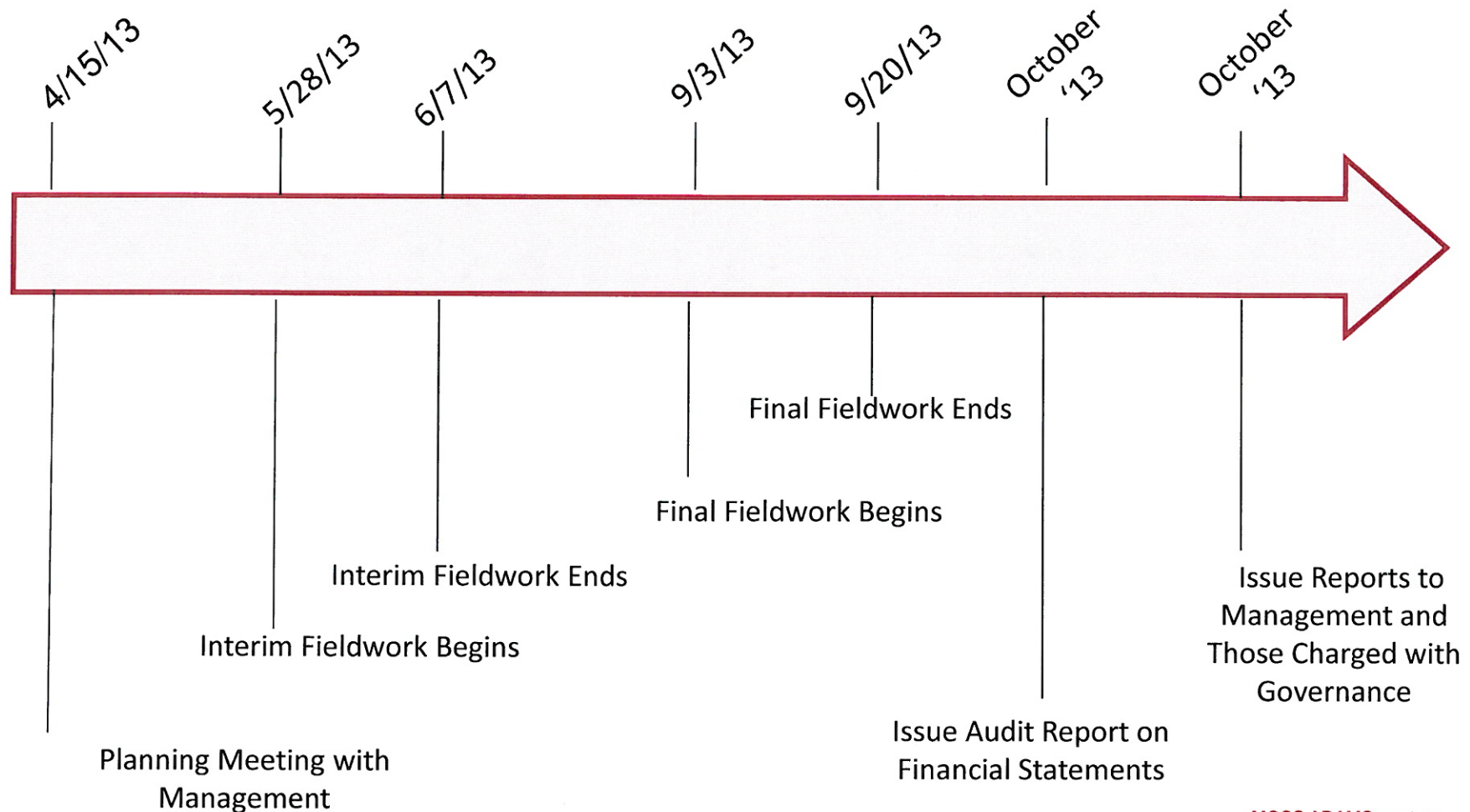
- Audit Opinion on Financial Statements
- Audit Report on Internal Control over Financial Reporting in Accordance with *Government Auditing Standards*
- Audit Opinion on Compliance with OMB Circular A-133
- Communication Internal Control Related Matters Identified in an Audit
- Communications with Those Charged with Governance

Audit Timing

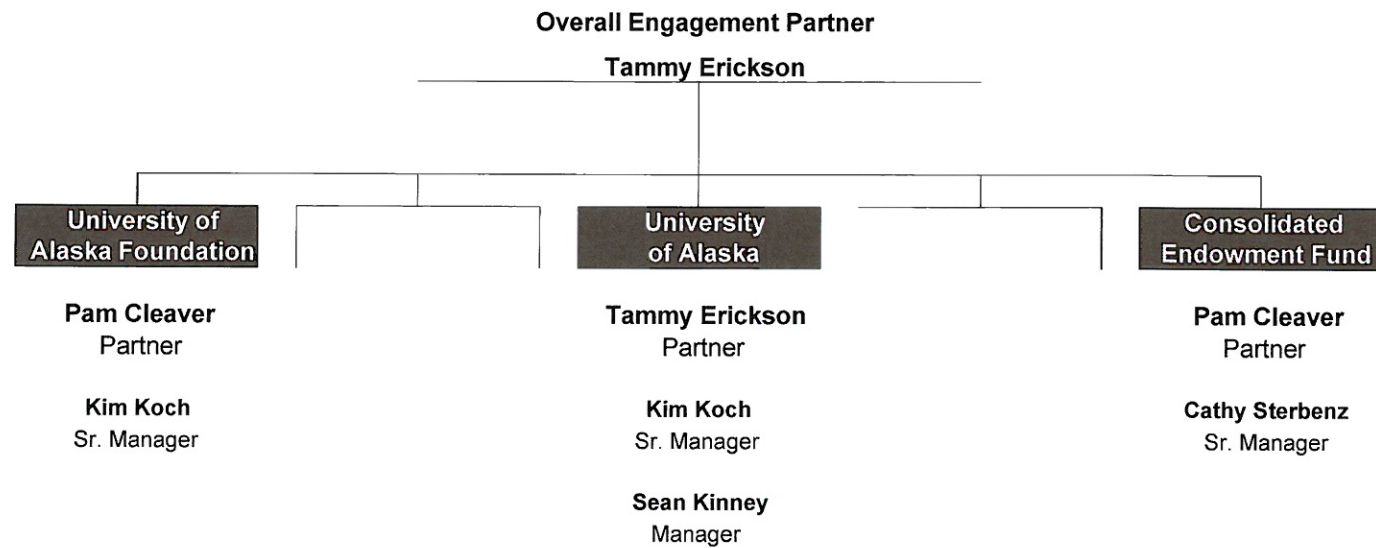
We have provided the following outline of our anticipated timing for our audit:

- Meet with Institution management to understand Institution's activities for 2013. (**April 2013**)
- Develop an understanding of internal controls and perform preliminary account balance risk evaluation (**May 2013**)
- Perform interim audit fieldwork procedures including tests of internal controls (**May 2013**)
- Meet with the Committee to discuss audit plan for 2013 (**June 2013**)
- Perform substantive audit procedures (**September 2013**)
- Meet with the Committee to discuss progress of the audit (**September 2013**)
- Issue reports (**October 2013**)
- Meet with the Committee to communicate the results of our audit and internal control recommendations. (**December 2013**)

AUDIT TIMELINE



Moss Adams, LLP Service Team



New Accounting & Reporting Standards for June 30, 2013 Audit

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements

GASB Statement No. 61, The Financial Reporting Entity Omnibus, an amendment of GASB Statements No. 14 and No. 34

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

AICPA Clarified Audit Standards: Statement on Auditing Standards 122 – 126. New standards will require a few changes to our audit approach, but the most significant observable change will be in the auditor's report.