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University of Alaska Audit Results June 30, 2012

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Agenda

1.0 Audit Status

2.0 Significant Findings From the Audit

- Areas of Interest
- Corrected and Uncorrected Misstatements
- Omissions and Other Errors in Financial Statement Presentation and Disclosure
- Significant Deficiencies and Material Weaknesses in Internal Control
- Accounting Policies and Practices
- Other Matters

3.0 Independence

Appendix:

- A. Responsibilities
- B. KPMG's Audit Committee Institute

1.0 Audit Status

Audit Status

Significant Changes to our Audit Plan

There have been no significant changes to our audit plan

Pending Matters

- None

2.0

Significant Findings From the Audit

Areas of Interest

Opinion on financial statements	Unqualified opinion on financial statements.
Federal A-133 audit results	Approximately \$329 million in federal awards. Five major programs audited. Two of the five were major programs because of ARRA monies. Unqualified opinion on compliance for each major program. No findings or questioned costs. No material weaknesses in controls over compliance. No significant deficiencies reported over compliance.

Corrected Misstatements – Fiscal 2012

\$(Million)

Description of Adjustment	Debit	Credit	Effect of Misstatement on ICFR
None			Not applicable

Uncorrected Misstatements – Fiscal 2012

\$(Million)

Description of Adjustment	Quantitative Income Statement Effect
Impact of reversal of 2011 uncorrected misstatements	\$(1.5)
Accrual of accounts payable	4.8
Total	3.3
Increase in net assets	153.7
Percentage	2.1%

Omissions and Other Errors in Financial Statement Presentation and Disclosure

Description	Corrected/ Uncorrected	Identified Internal Control Deficiency
None noted		

Significant Deficiencies and Material Weaknesses in Internal Control

Material Weaknesses

Description	Identified By	Status
None noted		

Significant Deficiencies

Description	Identified By	Status
None reported		

Accounting Policies and Practices

Significant Judgments and Estimates	Comments
Self insurance liabilities of \$14.3 million	Actuarial report review by KPMG actuary, methods and assumptions reasonable
Alternative investments of \$26.0 million	Obtained annual audited financial statements and interim financial statements for majority to test valuation
Depreciation expense of \$58.4 million Capital additions of \$203 million	Reviewed useful lives assigned to additions and found them to be reasonable

Other Matters

Other Information in Documents Containing Audited Financial Statements	No matters to report
Significant Difficulties Encountered During the Audit	No matters to report
Disagreements with Management	No matters to report
Management's Consultation with Other Accountants	No matters to report
Significant Issues Discussed, or Subject to Correspondence, with Management	No matters to report
Other Findings or Issues Relevant Regarding Oversight of the Financial Reporting Process	No matters to report
Communications with the Firm's National Office	No matters to report

3.0

Independence

Independence

Non-audit services or other relationships that may reasonably be brought to bear on independence include:

- Routine tax advice related to unrelated business income tax issues

In our professional judgment, we are independent with respect to the University, as that term is defined by the professional standards.

Appendix A

Responsibilities

Responsibilities

Management is responsible for:

- Adopting sound accounting policies
- Fairly presenting the financial statements in conformity with generally accepted accounting principles
- Establishing and maintaining effective ICFR
- Identifying and confirming that the University complies with laws and regulations applicable to its activities
- Making all financial records and related information available to the auditor
- Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to management's:
 - disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the University's ability to record, process, summarize, and report financial data; and
 - acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud

Responsibilities (continued)

The Audit Committee is responsible for:

- Oversight of the financial reporting process and ICFR

Management and the Audit Committee are responsible for:

- Establishing and maintaining internal controls to prevent, deter, and detect fraud
- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities.

Responsibilities (continued)

KPMG is responsible for:

- Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee are presented fairly, in all material respects, in conformity with generally accepted accounting principles
- Planning and performing the audit to obtain reasonable – not absolute – assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. Because of the nature of audit evidence and the characteristics of fraud, we are able to obtain reasonable, but not absolute, assurance that material misstatements will be detected.
- Evaluating:
 - (a) whether the University’s controls sufficiently address identified risks of material misstatement due to fraud; and
 - (b) controls intended to address the risk of management override of other controls
- Communicating to you in writing all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management all deficiencies noted during our audit that are of sufficient importance to merit management's attention
- Conducting our audit in accordance with professional standards
- Complying with the rules and regulations of the Code of Professional Conduct of the American Institute of Certified Public Accountants, and the ethical standards of relevant CPA societies and relevant state boards of accountancy
- Planning and performing our audit with an attitude of professional skepticism
- Communicating all required information, including significant matters, to management and the Audit Committee

Appendix B

KPMG's Audit Committee Institute

KPMG's Audit Committee Institute (ACI)

Communicating with Audit Committees Since 1999

Upcoming Events

- 3rd Annual Audit Committee Issues Conference

- Anchorage – May 3, 2012

This conference brings together Audit Committee members from various Alaska Native Corporations to discuss challenges, practices, and priorities shaping Audit Committees and Board agendas. Also included in the agenda will be KPMG's national partner for government contracting and a transactions services partner. They will be discussing the risks audit committees and board should consider.

- Audit Committee Quarterly Webcast Series – 2012

- Dates TBA (11:00am-12:15pm EST)

A quarterly webcast providing updates and insights into issues affecting Audit Committee/Board oversight – from key accounting and regulatory changes to developments in risk oversight.

Recent Publications

- ACI's Today's Top To-Do's for Higher Education Audit Committees – released August 2012
- ACI's Ten To-Do's for Audit Committees in 2012 – released December 2011
- Is Governance Keeping Pace With Technology, Business Change? – released March 2012

Resources

- *Audit Committee Insights – U.S. and International editions (biweekly electronic publications):* www.kpmginsights.com
- ACI Website: www.auditcommitteeinstitute.com
- ACI mailbox: auditcommittee@kpmg.com
- ACI hotline: [1-877-KPMG-ACI](tel:1-877-KPMG-ACI)

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