

BOARD OF REGENTS - STATE OF IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
JUNE 30, 2013

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State

BOARD OF REGENTS - STATE OF IOWA

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Board of Regents – State of Iowa

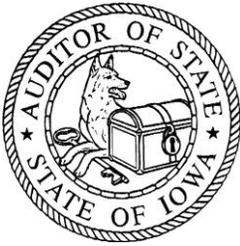
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Board of Regents – State of Iowa



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Members of the Board of Regents – State of Iowa:

We have performed an agreed-upon procedures engagement to analyze cash and cash equivalents as listed in the June 30, 2013 Statement of Net Position for each of the three Iowa public universities. Accordingly, we have applied certain procedures to selected accounting records and related information of the three Iowa public universities as of June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The analysis performed:

- Used the Universities' respective Charts of Accounts to identify how the Universities determined the account codes for cash, cash equivalents and investments,
- Determined if the definitions for cash, cash equivalents and investments are the same for the Universities,
- Identified the purpose of the cash and cash equivalents and what unit "owns" the funds and
- Determined the amount, if any, of these balances which are State funds.

The results of the performance of the procedures are included in the Background Information and Conclusions and the Summaries of the June 30, 2013 Cash and Cash Equivalents Reported in the Statement of Net Position of Each Iowa Public University presented on pages 7 and 9, respectively.

We were not engaged to and did not conduct an audit of the analysis of cash and cash equivalents, the objective of which is the expression of opinions on the Universities' cash and cash equivalents. Had we performed additional procedures, or had we performed an audit of the Universities' analysis of cash and cash equivalents, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Board of Regents - State of Iowa and other parties to whom the Board of Regents – State of Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Board of Regents - State of Iowa and the financial accounting staff of the Iowa public universities during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 8, 2014

Board of Regents – State of Iowa

Background Information and Conclusions

The Board of Regents – State of Iowa engaged the Office of Auditor of State to analyze cash and cash equivalents as reported in the June 30, 2013 Statement of Net Position for each of the three Iowa public universities.

Since mid-May 2014, multiple meetings have occurred between Board office staff, Office of Auditor of State staff and the Universities' financial accounting staff responsible for preparing the audited financial statements of each University.

Guidance for reporting cash and cash equivalents is found in Governmental Accounting Standards Board (GASB) Statement No. 9, "Reporting of Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting".

- Paragraph 9 of GASB Statement No. 9 defines cash equivalents as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.
- Paragraph 11 of GASB Statement No. 9 states: "Not all investments that qualify are required to be treated as cash equivalents. An entity should establish a policy concerning which short-term, highly liquid investments (that satisfy the definition of cash equivalents in paragraph 9) it will treat as cash equivalents."

This guidance allows significant variation in reporting certain assets as a cash equivalent or as an investment in audited financial statements and can lead to significant differences in how cash and investments are reported. One University generally reported all amounts which qualified as a cash equivalent (per the GASB definition) as a cash equivalent in the financial statements. Another University generally reported amounts as an investment when the cash equivalents were part of the Board of Regents' approved investment strategy, such as the Diversified Operating Portfolio or Diversified Intermediate Portfolio.

Each University is currently reporting cash and cash equivalents in accordance with GASB Statement No. 9. However, as a result of the variations in the application of GASB Statement No. 9, the same cash and cash equivalents components were not consistently reported in the Universities' audited financial statements.

To eliminate this inconsistency, the Board of Regents Investment Policy has been revised and has incorporated language which narrows the definition of cash equivalents. The revised cash and cash equivalents definition reports internally managed funds purchased and maturing within 90 days as cash and cash equivalents and reports all externally managed funds as investments, regardless of the cash and cash equivalents they may contain.

The Universities will apply this definition to the amounts reported in the audited financial statements for the year ended June 30, 2014, which will include both fiscal year 2014 and restated (where applicable) fiscal year 2013 amounts since comparative statements will be presented.

The Board Office and University financial accounting staff agreed to this categorization of cash and cash equivalents reported in the respective audited University financial statements. At its next meeting, the Board of Regents – State of Iowa will be asked to approve the revisions to the Board's Investment Policy which defines cash and cash equivalents. The Office of Auditor of State concurs with this change because of the increased consistency the change will bring to the Universities' financial statements.

Board of Regents – State of Iowa

Summaries of the June 30, 2013 Cash and Cash Equivalents Reported in the Statement of Net Position of Each Iowa Public University

The following summarizes the purpose of the various components of the June 30, 2013 cash and cash equivalents for each of the three Iowa public universities.

Purpose	Amount	Description
University of Iowa:		
Agency	\$276,526,311	Cash held for others as an Agent
Endowments	252,490,778	GASB 45 (OPEB) quasi - endowment
Auxiliary Enterprises	518,750,496	Majority of this is UIHC and Iowa River Landing
General Education	38,624,832	Amounts to about 6 % of total General Educational Fund expenditures
Hospital/Health	84,548,043	Hospital/Health care accounts
Organized Activities	335,721,143	Numerous organized activities accounts including UIHC/Health Care
Other Appropriations	204,531	Miscellaneous special appropriations
Student Loan Funds	10,751,475	Federal Perkins/Health and other loans
Investment Pool	<u>(784,336,269)</u>	Covered by investments of the respective funds
Total	<u>\$733,281,340</u>	Agrees to total cash and cash equivalents in the University's Statement of Net Position
Iowa State University:		
Agency	\$ 76,750,130	Cash held for others as an Agent
Endowments	887,641	Endowments
Auxiliary Enterprises	96,903,538	Athletics, Residence, Health, Utilities, etc.
General Education	40,168,745	Amounts to about 7.8 % of total General Educational Fund expenditures
General Buildings	25,177,028	Includes Lagomarcino, Mackey Auditorium, Marston Hall and Agronomy roof
Organized Activities	238,918,576	Numerous organized activities accounts
Contracts/Grants	(13,986,295)	Contract/Grant disbursements awaiting reimbursement
Student Loan Funds	6,368,217	Federal Perkins/Health and other loans
Investment Pool	<u>(259,608,418)</u>	Covered by investments of Organized Activities
Total	<u>\$211,579,162</u>	Agrees to total cash and cash equivalents in the University's Statement of Net Position
University of Northern Iowa:		
Agency	\$ 7,757,117	Cash held for others as an Agent
Auxiliary Enterprises	4,069,419	Athletics, Residence, Health, Utilities, etc.
General Education	4,112,522	Amounts to about 2.6 % of total General Educational Fund expenditures
Student Loan Funds	1,550,956	Federal Perkins/Health and other loans
Plant Funds	39,795,790	Primarily revenue bond sinking accounts and reserves
Investment Pool	<u>(30,102,490)</u>	Covered by investments for Restricted Funds
Total	<u>\$ 27,183,314</u>	Agrees to total cash and cash equivalents in the University's Statement of Net Position

The following summarizes the June 30, 2013 cash and cash equivalents which were disbursed on July 1, 2013 for payroll and bond principal and interest for each of the three Iowa public universities. Payroll for Iowa State University and the University of Northern Iowa was paid on June 30, 2013.

	University of Iowa	Iowa State University	University of Northern Iowa
Payroll	\$ 139,935,997	-	-
Bond principal and interest	31,001,787	21,425,361	19,028,641

Board of Regents - State of Iowa

Staff

This agreed upon procedures engagement was performed by:

James Cunningham, CPA, Manager
Ernest Ruben, CPA, Manager
Brian Brustkern, CPA, Manager

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State