2011-12 Systemwide GAAP Audit Plan

Above and Beyond – Across the Miles

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GAAP Reporting Requirements prior to 2011/12

• Beginning with 1996/97, CSU was required to issue the audited financial statements at two levels:
  • Annual systemwide financial statements
  • Biennial campus financial statements

• CSU needed the systemwide financial statements for debt issuance, funding raising, comparison with other higher education institutions, etc., but campus financial statements were added to meet the CFA’s request during the legislative process.

• The financial statement audit is in the same Government Code Section 12440.1 that addresses Direct Vendor Pay because it was attached to the Direct Vendor Pay legislation for expediency, even though financial reporting and direct vendor pay were not related.
Changes Sought by CSU

- In an effort to simplify the audit process and save money, a legislative proposal was submitted in the spring of 2011 to eliminate the requirement for biennial stand-alone campus financial statements.

- Due to objections from labor union and others, the proposed legislation was modified several times, then put on hold.

- To move it forward, CSU used another approach by adding it to the 2011 Budget Act as a trailer bill, which was soon passed.
New Reporting Requirements

New Requirements in GC Code Section 12440.1(c), effective 2011/12

• Stand-alone campus financial statements were eliminated.

• However, the basic financial statements (statement of net assets, statement of revenues, expenses, changes in net assets, and statement of cashflows) of each campus (without a separate auditor’s opinion) are required as an addendum to the systemwide financial statements.

• Summary information on related party transactions between the campus and its auxiliaries is also required in the addendum.

• Any additional information necessary shall be provided upon request.
Initial Plan for GAAP Reporting

• Eliminate all pass-down entries from the CO.

• Collect campus reporting packages without pass-downs entries.

• Enter the SRB and other systemwide transactions at the CO for consolidation.

• In the addendum, display the campus financial statements in a consolidation worksheet format with each campus and the systemwide in a separate column.
Concerns Raised

• Compliance with the legislative intent

• Incomplete campus financial information in the addendum without the pass-down entries and auxiliary organization financial data for the purposes of WASC, rating agencies, fund raising, etc.

• Impact of omission of pass-down entries on the calculation of campus Facilities and Administrative (F&A) cost proposal for Federal grants
Revised Plan for GAAP Reporting (for FY 2011-12)

• Continue to provide pass-down entries that are essential to the campus financial statements and eliminate only those that do not have material impact but require disproportionate amount of time to prepare.

• In the addendum, display the campus financial statements in the current reporting package format including both the university and auxiliaries for each campus.

• The number of PBC items may decrease as some of them may be provided centrally or eliminated.

• The audit timeline will be shorter because KPMG will use a different audit approach without the campus stand-alones and also the SCO requires an earlier submission of the GAAP information.
Details of Revised Plan for GAAP Reporting (for FY 2011-12)

As it relates to the pass-down entries...

- **Continue to** pass-down all SW Revenue Bonds (SRB) and Bond Anticipation Notes (BANS).

- **Continue to** provide Capital Outlay Summary, General Fund appropriation, State appropriation revenue noncapital summary schedule, Non-delegated CWIP, and GASB 45 Obligation Note

- **Eliminate** SWIFT investment pool in unrealized gain/loss SWIFT/SMIF investment earnings accrual Self-insurance liability ITRP

- **Eliminate** stand-alone footnote disclosures.
Details of Revised Plan for GAAP Reporting (for FY 2011-12)

As it relates to the SW financial statements and addendum…

- Revised opinion and SW Financial Statements

- **Addendum** will include all 23 campuses’ reporting package

- **Addendum** will also include summary transactions with auxiliary organizations behind each campus’ reporting package
Details of Revised Plan for GAAP Reporting (for FY 2011-12)

As it relates to the PBC items…

- Will have one Provide By Client (PBC) list

- All PBCs for all campuses will be submitted electronically to CO. Supporting documents available upon request.

- Based on materiality and account, KPMG will select campuses for fieldwork visit.

- Campus selection for interim fieldwork may not be the same campuses for fieldwork visit.
Details of Revised Plan for GAAP Reporting (for FY 2011-12)

As it relates to the PBC items…(con’t)

- All interim items have been removed and listed on a separate interim PBC list (e.g. entity level controls #31-44)

- Reporting packages will be produced centrally at CO

- Auxiliary auditors’ contact information will be produced centrally at CO

- Pledges receivable, unless material, have been removed from PBCs

- All SW produced schedules (e.g. investment rollforward) will be provided centrally at CO

- Standard reports and standard queries will be produced centrally at CO (UNDER REVIEW)
Details of Revised Plan for GAAP Reporting (for FY 2011-12)

As it relates to the audit timeline…

- **September 4** – Reporting package due, and 1st day of fieldwork, if selected
- **October 1** – Updated reporting package due (with aux orgs data, and GASB 45 data)
- **October 8** (Oct 17 in PY) – 1st KPMG approved submission of reporting package
- **October 19** (Oct 28 in PY) – 2nd (hopefully FINAL) KPMG approved submission of reporting package
KPMG Audit Approach (For FY 2011-12)

Expectations of what type of audit work the campuses should expect