Questions for Leaders

Erwin Carrow, Director of IT Audit

We have three strategic priorities:

Are You PCI Compliant? by Scott Woodison, Director of Compliance & Enterprise Risk

Copier Security by Sterling Roth

Editor's Note:

Public Private Venture Program: The Continuing Disclosure Certification Filing

by James F. Winters, III, Public Private Venture Auditor

Overview:

The Continuing Disclosure Certificate filing is for the benefit of the bond holders and is a required annual filing by the foundation. The purpose of the filing is to provide assurance to the bond holders and to comply with the filing requirements as stated in the Official Statement published by the bond underwriter at the time the bond was issued. It is the foundation's management responsibility to insure that the requirements as stated in the Continuing Disclosure Certificate are performed in an accurately and timely manner. It is recommended that these disclosures have an appropriate review by members of the foundation's management team. The Continuing Disclosure Certificate should be filed and records maintained to show proof of delivery and copies of the contents. It is recommended that the annual filing and any reporting of special events be reported to the foundation's board of directors and the event recorded in the board minutes. A notification to the college/university management team should also be evidenced. The Continuing Disclosure Certificate filing is required annually and for the reporting of significant events. This document is signed by the authorized representative of the foundation's real estate LLC.

Procedures for the Annual Filing:

Review the requirements for the Continuing Disclosure Certificate and identify the disclosure requirements including the names and addresses of the receivers. Identify and update the list of names and addresses of the National and State Repositories. This will include the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) system. The timing for filing the disclosure annually no later than 150 days after the fiscal year end.

Identify the information that needs to be included with the filing of the annual disclosure certificate. The following are examples of the information that is included.

- i. Audited Financial Statements accompanied with the audit report prepared by a CPA.
- ii. A notice indicating any accounting principles that changed for the previous fiscal year. If there have been no changes, it is recommended to have a statement confirming that there have been no changes to the accounting principles during the past fiscal year.
- iii. A statement indicating that the fiscal year has not changed.
- iv. The reportable information for the preceding fiscal year may include; analysis of State General Fund Receipts, summary of appropriation allotments to the Board of Regents, actual to bond pro forma analysis, enrollment numbers, admissions, tuition, fees, and a reference to the official statements of all other debt issues.

Procedures for a Significant Events Filing:

Examples for filing a "Notice to Repositories of the Occurrence of a Significant Event" include:

- i. Principal and interest payment delinquencies.
- ii. Unscheduled draws on the debt service reserve.
- iii. Unscheduled draw on credit enhancements.
- iv. Substitution of credit of liquidity providers.
- v. Rating changes.

Once a bond is paid in full, identify and perform the requirements for notification for bonds that have been paid in full.

It is recommended that copies of these filings be sent to the Bond Issuer, Underwriter, Trustee, the Chief Business Officer for the college/university and to the foundation's board of directors. This event should be recorded in the foundation's board minutes.

Reminders:

This document is signed by the authorized representative of the foundation's real estate LLC.

Review the procedure for document retention for these filings.

Discuss with the University System Office any communications with Moody's or Standard & Poor's.

HOPE….for Compliance

by Beverly A. Boggs

Editor's Note: We appreciate Dr. Beverly Boggs' contribution to our newsletter. She is the Executive Director of Academic Admissions and Student Financial Aid at the Medical College of Georgia.

It is no secret among Student Aid professionals that the convoluted rules associated with HOPE eligibility make the process of ensuring compliance an enormous exercise. I am sure there are seasoned professionals in the state of Georgia who can recite the HOPE eligibility rules in their sleep and possibly even have Banner developed with such sophistication as to answer every challenge. With that being said, there is no replacement for human intelligence and review to ensure full compliance. I can share some lessons learned that have helped us manage this massive program. The actions described here aren't all inclusive, but have provided some much needed management techniques to give us "HOPE" for compliance.

HOPE….for Compliance cont'd by Beverly A. Boggs

Preliminary Assessment by Michael J. Foxman

The most successful audit projects are those in which there is a constructive relationship between the audit team and the institution to be audited. One means of achieving such a relationship is to partner upfront, performing a preliminary assessment of operations. Approximately six to eight weeks prior to the start of fieldwork, we arrive on-site for one to two days to meet with the senior management team and perform this preliminary assessment.

What is the purpose of the preliminary assessment?

The goal is to identify areas where OIAC can provide analysis and assistance that will most benefit the area audited or the institution as a whole. The preliminary assessment serves as a tool where we become acquainted with the unique operational issues specific to a campus. The objective is to develop a more complete understanding of the areas which will be audited, prior to the engagement.

Although our risk assessment process identifies areas of potential risk exposure, faculty and staff are most familiar with the daily challenges and opportunities of campus life. Any new developments that may have occurred since the last audit are discussed through interviews with key personnel. Changes in operations and policies and procedures are reviewed. The survey helps to perform an initial assessment of internal controls related to the recording of business transactions, safeguarding assets, compliance with policies and procedures, and promotion of operational efficiency.

The preliminary assessment period is also when institution personnel can convey their areas of concern. We believe that there is benefit to conversation with stakeholders and obtaining their assessment of potential areas of audit focus by asking, “What should we be doing for you?”

What takes place during the preliminary assessment?

The audit team:

reviews prior audit reports and other existing information about the institution (much of this is done at our office and will not affect your daily work),

interviews key employees on how processes work,

performs initial assessment whether the processes are functioning as described, and

identifies any additional processes that present risks.

To provide you with the deepest insights, our initial audit plan must remain flexible. The planning of an audit is an iterative, continuous process. We view each audit assignment in the same manner as our audit plan – focus on the high-risk areas that offer the greatest value for resources expended.

At the end of the preliminary assessment stage, the audit team discusses any changes to the planned audit strategy and approach. After reviewing relevant background information and considering the results of this review as a whole, the audit team will identify potential objectives that provide a value-added service to the campus. Where practicable, audit objectives will include items suggested by the management. The audit project manager identifies the final audit objectives and submits these to audit management for approval. Once final objectives are approved, original budgets and timeframes set for the project are adjusted, as needed. The final objectives and information about any changes to the expected duration of the project will be communicated to campus management.

Discussion on Derivative Instruments by Eddy A. Hicks

Editor's Note: We appreciate Eddy Hicks' contribution to our newsletter. He is the Accounting Manager for Statewide Accounting and Reporting in the State Accounting Office of Georgia.

The Government Accounting Standards Board (GASB) has issued Statement No. 53 (Statement), *Accounting and Financial Reporting for Derivative Instruments.* This Statement was issued June 2008 with an implementation date effective for financial statements issued after June 15, 2009.

In preparation for the implementation of this Statement, the State Accounting Office (SAO) distributed a survey to all organizations included in the State of Georgia financial reporting entity. Our objectives for this survey were to introduce the Statement and to create awareness of derivatives and their use.

The SAO has created a policy titled "Derivative Instruments". This policy was distributed for a 30 day solicitation of comment from State organizations on May 12, 2010. A link to the policy will be posted to the Accounting Policy Manual (Revised) index under Derivative Instruments on the SAO's website and should be available by mid June.

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Discussion on Derivative Instruments cont'd by Eddy A. Hicks

Interest rate swaps:

A rate swap contract is one that has a variable payment based on the price of an underlying interest rate or index. For example, in order to reduce the risk of rising interest rates, and potentially increase interest expense, an agency might enter into an interest rate swap for bonds that have been issued with a variable rate. At the same time, they enter into a contract with a counterparty to pay a

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TOPICS AND PRESENTERS

Opening Address
Dr. Susan Herbst, Chief Academic Officer/Executive Vice Chancellor, University System of Georgia
John Fuchko, Chief Audit Officer/Associate Vice Chancellor, University System of Georgia

Current Perspectives on Internal Audit
Dr. Richard Clune, Associate Professor, School of Accountancy; Director, Internal Audit Center; Kennesaw State University

Developing an Antifraud Program
Scott Stevenson, Director of Special Projects, Internal Audit Dept, Emory University
Joe Oringel, Managing Director, Visual Risk IQ

Fraud, Law Enforcement & the Internal Audit Function: A Panel Discussion

Save the Date cont'd

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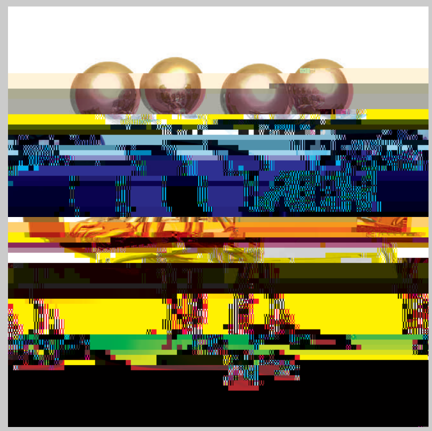

Ask the auditor: If you have a control or ethics question that has been bothering you, it is a good bet someone else in the system is wondering the same thing. We invite you to send your question to Karen.lamarsh@usg.edu and we may feature it in the next or future issues of the Straight & Narrow.

Any other comments or questions?

Contact Karen LaMarsh at Karen.lamarsh@usg.edu

We are looking for suggestions and feedback.