

Agenda  
**Board of Regents**  
**Audit Committee**  
Friday, September 27, 2013; \*7:30 a.m. – 9:00 a.m.  
UAS Recreation Center, Room 116  
University of Alaska Southeast  
Juneau, Alaska

*\*Times for meetings are subject to modifications within the September 26-27, 2013 time frame.*

**Committee Members:**

Kenneth Fisher, Committee Chair  
Timothy Brady

Michael Powers  
Patricia Jacobson, Board Chair

**I. Call to Order**

**II. Adoption of Agenda**

**MOTION**

**"The Audit Committee adopts the agenda as presented.**

- I. Call to Order**
- II. Adoption of Agenda**
- III. Executive Session**
- IV. New Business**
  - A. Discussion with External Auditors**
- V. Full Board Consent Agenda**
  - A. Approval of Revisions to Regents' Policy 05.07.040 – University of Alaska Postsecondary Education Savings Program: Introduction and Regents' Policy 05.07.042 – Trust Responsibilities**
  - B. Approval of the Education Trust of Alaska Governance and Investment Policy**
  - C. Approval of Regents' Policy 05.02.090 - Financial Fraud, Waste and Abuse**
  - D. Acceptance of the University of Alaska Foundation FY14 Operating Budget**
- VI. Annual Reports**
  - A. 2013 UA Identity Theft Prevention Program Report**
  - B. UA Statewide Office of Audit and Consulting Services Fiscal Year 2013 Annual Report**
- VII. Ongoing Issues**
  - A. Final Audit Issued**
- VIII. Future Agenda Items**
- IX. Adjourn**

**This motion is effective September 27, 2013."**

### **III. Executive Session**

#### **MOTION**

**"The Audit Committee of the Board of Regents goes into executive session to discuss matters the immediate knowledge of which would have an adverse effect on the finances of the university related to fraud. This motion is effective September 27, 2013."**

*(To be announced prior to commencing executive session:)*

The Audit Committee of the Board of Regents goes into executive session at \_\_\_\_ a.m. Alaska Time in accordance with AS 44.62.310. The session will include members of the Board of Regents, Chief Audit Executive Pittman, General Counsel Hostina, and other university staff designated by the audit chair and will last approximately \_\_\_\_\_.

*(To be announced at the conclusion of executive session:)*

The Audit Committee of the Board of Regents concluded an executive session at \_\_\_\_ a.m. Alaska Time in accordance with AS 44.62.310 to discuss matters the immediate knowledge of which would have an adverse effect on the finances of the university related to fraud. The session included members of the Board of Regents, Chief Audit Executive Pittman, General Counsel Hostina, and other university staff designated by the audit chair and lasted approximately \_\_\_\_\_.

### **IV. New Business**

#### **A. Discussion with External Auditors**

Tammy Erickson and Pam Cleaver, engagement partners from Moss Adams, will discuss the status of the annual financial audit and the federal single audit with the committee.

### **V. Full Board Consent Agenda**

#### **A. Approval of Revisions to Regents' Policy 05.07.040 – University of Alaska Postsecondary Education Savings Program: Introduction and Regents' Policy 05.07.042 – Trust Responsibilities Reference 49**

The president recommends that:

#### **MOTION**

**"The Audit Committee recommends that the Board of Regents approve revisions to Regents' Policy 05.07.040 – University of Alaska Postsecondary Education Savings Program: Introduction and Regents' Policy 05.07.042 – Trust Responsibilities as presented. This motion is effective September 27, 2013."**

#### RATIONALE AND RECOMMENDATION

The board was informed on August 9, 2013, via a memo from Ashok Roy, vice president for finance and administration, regarding the proposed modifications to Regents' Policies 05.07.040 and 05.07.042. Vice President Roy and Jim Lynch, associate vice president for treasury and procurement services, will answer any questions regarding the policies or the college savings program.

- B. Approval of the Education Trust of Alaska Governance and Investment Policy Reference 50

The president recommends that:

#### MOTION

**"The Audit Committee recommends that the Board of Regents approve the Education Trust of Alaska Governance and Investment Policy as presented. This motion is effective September 27, 2013."**

#### BACKGROUND

The Alaska Legislature established the Advance College Tuition Fund in 1990 and the Higher Education Savings Trust 2000. The Board of Regents was charged with the implementation and administration of these programs. On April 1, 2001, the board established the Education Trust of Alaska (Trust) as a separate entity in order to consolidate and facilitate the administration of these two programs. Since that time, the Trust has operated in accordance with the terms of the enabling statutes, the Declaration of Trust, the program's General Conditions and its three authorized plans. However, the Trust has grown significantly in recent years and garnered national attention as one of the best programs in the country. In order to better document its governance process, a more formal structure is being proposed through this separate administrative and investment policy for the Trust and modification of the current Regents' Policy.

The separate governance and investment policy of the Trust (Reference 50) describes and defines the roles and responsibilities as they relate to the Board of Regents, the Audit Committee, the chief financial officer, the trust administrator, the investment advisor, and the program manager; sets out the primary investment goal, the investment philosophy, the investment options to be offered by the Trust; and formalizes a conflicts of interest policy and a privacy policy.

Several changes to the current Regents' Policies 05.07.040 and 05.07.042 regarding the college savings program as presented in Reference 49 are

also being recommended in order to be consistent with the delegations of duties identified in the separate policies of the Trust.

#### RATIONALE AND RECOMMENDATION

The board was informed on August 9, 2013, via a memo from Ashok Roy, vice president for finance and administration, regarding the proposed modifications to the current policies and the new policy for the Education Trust of Alaska. Vice President Roy and Jim Lynch, associate vice president for treasury and procurement services, will answer any questions regarding the policies or the college savings program.

- C. Approval of Regents' Policy 05.02.090 – Financial Fraud, Waste and Abuse Reference 51

The president recommends that:

#### **MOTION**

**“The Audit Committee recommends that the Board of Regents approve Regents’ Policy P05.02.090 - Financial Fraud, Waste and Abuse as presented. This motion is effective September 27, 2013.”**

#### RATIONALE AND RECOMMENDATION

The University of Alaska does not have a high-level policy statement to communicate its intent that indicates how fraud, waste and abuse of university resources are expected to be reported. This new policy forms a best practice that aids in setting the tone and expectation for reporting incidents through established channels. The expectation of a policy that addresses fraud, waste and abuse is highlighted by the Audit Committee Charter in the Board of Regents’ Bylaws, BL07.G.3.k and G.3.m:

BL07. Committees of the Board of Regents  
G. Audit Committee Charter

3. ... The principal duties and responsibilities of the committee include:

k. maintaining adequate policies and procedures for addressing complaints regarding accounting controls and reports of financial fraud;

m. the development and monitoring of the university’s conflict of interest policies, principles of employee conduct, and fraud policy;...

Vice President Roy and Nichole Pittman, chief audit executive, will answer any questions regarding the policy as presented in Reference 51.

- D. Acceptance of the University of Alaska Foundation FY14 Operating Budget Reference 52

**MOTION**

**“The Audit Committee recommends that the Board of Regents accept the University of Alaska Foundation Operating Budget for FY14 as presented and approved by the Foundation’s Board of Trustees at its June 12, 2013 meeting. This motion is effective September 27, 2013.”**

**BACKGROUND**

In 2007, the foundation and the university finalized a process that clearly defined the role and responsibilities of the foundation as they relate to the university. As part of the process, the foundation established a financial plan to underwrite the costs of the foundation’s programs and operation. In an effort to foster a cooperative and transparent working relationship, the foundation’s annual operating budget, as approved by the Foundation’s Board of Trustees, is presented to the Board of Regents for the board’s acceptance.

**FY14 BOARD OF TRUSTEES APPROVED OPERATING BUDGET**

At its June 12, 2013 meeting the UA Foundation Board of Trustees approved a FY14 budget that is relatively similar to that approved for FY13.

The FY14 budget shows a slight increase in revenue, despite a decrease in institutional support and a projected reduction in administrative fees on new gifts. The increase is the result of improved investment returns which favorably impact revenue from the annual endowment administrative fee.

FY14 expenses are comparable to those in the FY13 budget. The FY13 actual expenses were considerably under budget as a result of positions that were left unfilled while foundation leadership assessed current staffing and highest priority needs going forward. The FY14 budget includes an addition of a planned giving staff member and a prospect research and management officer to fill two of those positions. These two new positions and realignment of current staff will focus attention on areas of greatest opportunity for fundraising, both at the major academic units and the foundation.

Jim Johnsen, vice chair of the UA Foundation Finance and Audit Committee, will answer any questions members of the committee may have.

**VI. Annual Reports**

- A. 2013 UA Identity Theft Prevention Program Report Reference 53

Vice President Roy will review the 2013 UA Identity Theft Prevention Program Report and answer any questions members of the committee may have. This is an information item; no action is necessary.

- B. UA Statewide Office of Audit and Consulting Services Fiscal Year 2013 Annual Report Reference 54

Nichole Pittman, chief audit executive, will review the UA Statewide Office of Audit and Consulting Services Fiscal Year 2013 Annual Report and answer any questions members of the committee may have. This is an information item; no action is necessary.

The report offers a high-level yet comprehensive view of the department's activities for the fiscal year. It is intended to fulfill standards promulgated by the International Institute of Internal Auditors for communication to senior management and the board. The report also highlights completed audits and projects; the final status of the FY2013 annual audit plan; and a current status of the FY2014 annual audit plan. It also describes departmental goals and accomplishments by four strategic areas: audit engagements, staffing, quality assurance and outreach.

**VII. Ongoing Issues**

- A. Final Audits Issued

Nichole Pittman, chief audit executive, will review the final audits issued since the last Audit Committee meeting and answer any questions members of the committee may have. This is an information item; no action is necessary.

**VIII. Future Agenda Items**

**IX. Adjourn**