



UNT | SYSTEM™

Audit Committee Meeting Agenda

December 14, 2015
University of North Texas System
Room 712 A & B
1901 Main St.
Dallas, Texas

Monday, December 14, 2015

2:30 pm Call to Order

Briefing(s):

Planning the 2015 External Audit

- Bon Kohnle, Grant Thornton, Partner
- Juliet Williams, Grant Thornton, Manager

3:00 pm Recess to Executive Session (Room 711)

Government Code, Chapter 551, Section .071 - Consultation with Attorneys Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers

- Consultation with counsel regarding confidential legal matters, including pending, threatened, and contemplated litigation or settlement offers
- Consultation with counsel regarding contemplated, ongoing and/or finalized investigations and any findings, conclusions or recommendations related to those investigations
- Consultation with counsel on the status of negotiations and/or compliance with contracts and agreements, including but not limited to research grants and contracts, including legal obligations and duties and any and all related facts
- Consultation with counsel regarding legal duties and responsibilities of members of the Board of Regents, and System and University officers and employees

Government Code, Chapter 551, Section .074 - Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Discipline, or Dismissal of Officers or Employees

- Consideration of individual personnel matters related to the appointment, employment, evaluation, reassignment, discipline and dismissal of System and Institution officers or employees

Reconvene in Open Session.

4:30 pm Adjourn



Presentation to the Audit Committee of the Board of Regents - Planning the 2015 Audit

University of North Texas System

December 14, 2015

Attendees:

Ben Kohnle – Partner

Juliet Williams – Manager

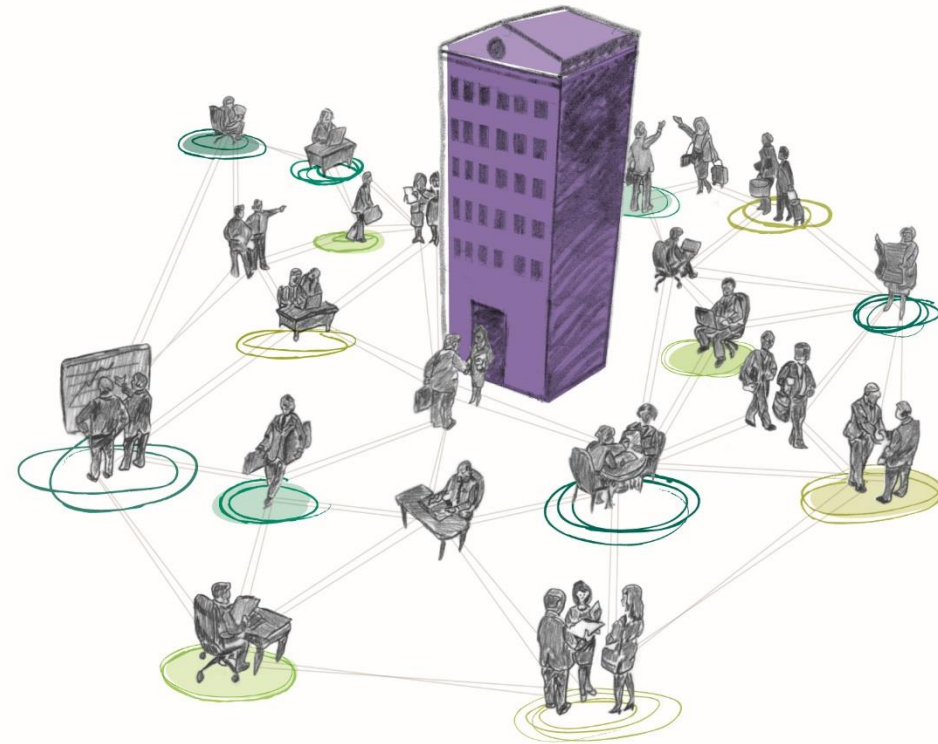


Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Our responsibilities

We are responsible for:

- Performing an audit under US GAAS and GAGAS of the financial statements prepared by management, with your oversight
- Performing a SACS Review under SSARS of the financial statements of UNT prepared by management.
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose

Responsibilities for other information in documents containing audited financial statements:

- Read the other information (we do not corroborate it)
- Consider whether it is materially inconsistent with the financial statements
- Call to management's attention identified material inconsistencies or misstatements of fact, if any

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.



Those Charged with Governance and Management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the System's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

Management

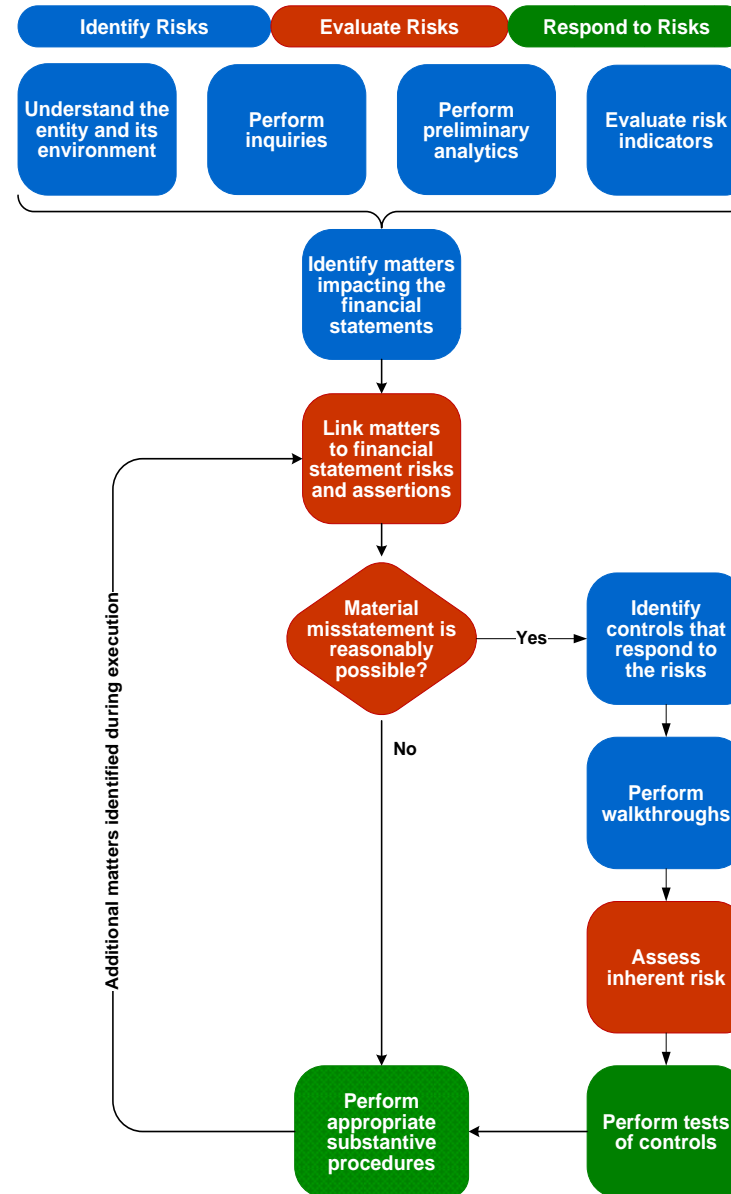
Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations

Horizon audit methodology

We approach our audit by:

- Understanding the System's business, including the environment it operates in
- Using that knowledge and understanding to analyze the System's financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



Audit timeline

- | | |
|---|---------------------|
| • Audit Committee meeting (discuss audit approach) | December 14, 2015 |
| • Planning | December 1 – 18 |
| • Final fieldwork | April 11 – June 15 |
| • Weekly status meetings | Wednesday, time TBD |
| • Closing meeting with management | TBD |
| • Audit Committee meeting (discussion of audit results) | TBD |
| • Issue financial statements | TBD |

Engagement team:

- | | | |
|---|--|---------------|
| • Ben Kohnle, Engagement Lead Partner | Ben.Kohnle@us.gt.com | (214)561-2260 |
| • Debbie Rollins, Engagement Concurring Partner | Debbie.Rollins@us.gt.com | (214)561-2368 |
| • Juliet Williams, Manager | Juliet.Williams@us.gt.com | (214)283-8199 |



Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- We believe that **total assets** is the appropriate benchmark for the System.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



Use of the work of others

Specialists

The audit team will utilize an actuary within our Compensation and Benefits Consulting Practice to review the work of actuaries used by the System.

Subcontractor

Additionally, the audit team will receive direct assistance from an independent subcontractor during our audit testing, Dan Serna, of Serna & Company, P.C. and Calvin Webb of Gradient Solutions. This work will be reviewed and managed by the Grant Thornton engagement team.

Assistance will be provided by Mr. Serna and his staff in the following areas:

- Testing of identified balances using procedures provided by and reviewed by GT personnel
- Provide comments based on reading of the financial statements and other related reports

Mr. Webb specializes in the use of computer data acquisition and analysis primarily for governmental entities. Assistance will be provided by Mr. Webb and his staff in the following areas:

- Computer data analysis in the areas of payroll, disbursements, vendor and human resources and identify potential matters that may require further investigation.



Areas of Audit Focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

| Areas of focus | |
|---|---|
| Cash and cash equivalents | Tuition and fee revenue, discounts and allowances |
| Investments and investment return | Federal, State and Other grant revenue |
| Accounts receivable and other assets | Legislative appropriations |
| Capital assets, depreciation and amortization | Other revenues |
| Notes, loans and revenue bonds payable | Operating expenses |
| Accounts payable and other liabilities | Intercomponent Transfers |
| Payroll and related liabilities | Implementation of new standards |
| Net position classification | |



Selected pronouncements effective for the year ended August 31, 2015

| ASU | Effective date | Impact |
|---|---|--|
| GASB 68 , Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 | Fiscal years beginning after June 15, 2014. Earlier application is encouraged. | Addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the certain characteristics. |
| GASB 71 , Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 | Fiscal years beginning after June 15, 2014 (<i>should be applied simultaneously with the provisions of GASB 68</i>) | This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. |



Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website
(https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.



Grant Thornton's Client Service Cycle

Grant Thornton's Client Service Cycle is our model for delivering high quality, personalized service. Our commitment to this recurring process helps us ascertain that you receive the full benefits of working with us, year after year.

- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?



This communication is intended solely for the information and use of management and the Audit Committee of the Board of Regents of The University of North Texas System and is not intended to be and should not be used by anyone other than these specified parties.



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