Financial Audit Results

Unqualified Opinion – Consolidated AFR
FY 2012 Revenues and Expenditures (in millions)

Revenues: $6,981
Expenditures: $6,930

Increase in Net Assets: $51M
FY 2012 Revenue (in millions): $6,981

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$1,702</td>
</tr>
<tr>
<td>Grants &amp; Contracts</td>
<td>$2,152</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>$1,631</td>
</tr>
<tr>
<td>Auxiliaries</td>
<td>$789</td>
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<tr>
<td>Gifts</td>
<td>$345</td>
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<tr>
<td>Sales &amp; Services</td>
<td>$152</td>
</tr>
<tr>
<td>Other</td>
<td>$210</td>
</tr>
</tbody>
</table>
FY 2012 Expenditures (in millions): $6,930

Financial breakdown:
- Salaries & Benefits: $4,122
- Supplies & Services: $1,607
- Depreciation & Interest: $582
- Scholarships: $352
- Utilities: $188
- Travel & Other: $79

Total Expenditures: $6,930 million
FY 2012 Balance Sheet Summary (in millions)

Net Assets: FY12 (millions)
Capital assets: $5,306
Restricted: 430
Unrestricted: (618)
Net Assets: $5,118
### Other Post-Employment Benefits (OPEB)

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unfunded Actuarial Accrued Liability</td>
<td>$3.49B</td>
<td></td>
<td></td>
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<tr>
<td>Net OPEB Obligation at June 30, 2012</td>
<td>$1,278.1M</td>
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<tr>
<td>FY 2012 Annual OPEB cost</td>
<td>$349.6M</td>
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<tr>
<td>Less: Premiums to cover retiree claims</td>
<td>$88.8M</td>
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<tr>
<td>= Increase in Net OPEB Obligation</td>
<td>$260.8M</td>
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</table>

In Millions

![Chart showing the breakdown of OPEB obligations over different fiscal years](chart.png)
Questions?
Board of Regents of the University System of Georgia

John M. Fuchko, III
Chief Audit Officer & Associate Vice Chancellor
Executive Summary

- **Number of Material Weaknesses level with FY11 and down from 5 institutions in FY12 to 3 institutions in FY11**
  - Overall number of Material Weaknesses and Significant Deficiencies up from 21 in FY11 to 23 in FY12
- **Number of Financial Statement findings down from 18 in FY11 to 15 in FY12**
  - Number of Financial Aid findings increased from 3 in FY11 to 8 in FY12
  - Increased Internal Audits of Financial Aid operations proposed in early 2012 and ongoing through FY13; expect continued focus on this area by external auditors
- **Consolidating institutions benefited from institution and USO work focused on financial operations and received greater audit scrutiny**
  - However, 3 Material Weaknesses and 4 Significant Deficiencies in FY11 reduced to 2 Significant Deficiencies in FY12
- **Comments focused on accounting and internal controls**
  - Both areas are incorporated into internal audits
  - Will continue work with Office of Fiscal Affairs and others to address through training, policy & procedures, and monitoring
Note: FY 2012 results represents both finalized and draft engagements. “Procedures” issues refers to issues identified in an Agreed Upon Procedures report while “Noted for Management’s Consideration” refers to issues identified in a Full Disclosure Management Report. “No Issues” refers to any report in which no published audit issues were raised with the potential exception of management letter comments.
Glimpse into the Future: Key Focus Areas

• Provide internal audit support to key initiatives, e.g., financial monitoring and post-consolidation reporting
• Conduct institutional engagements focused on:
  • Public Private Ventures
  • Targeted Financial Reviews
  • Presidential Transition
  • University System Office
  • Consulting Engagements
  • Cyclical Audits at Institutions without a Campus Auditor
• Conduct system-wide engagements for emerging, significant risks
• Provide overall assessment of financial management, risk management, internal controls, and institutional governance
• Support and develop Enterprise Risk Management; Compliance and Ethics Program. Focus is managing risk and preventing issues.
FY 2012 Audit – Management Follow-Up

• Corrective Action Plans from Institutions
• Debrief FY12 and Planning for FY13
• Fiscal-Year End Workshop
• Drive-In Workshops