

**VII. STANDING COMMITTEES****B. Finance, Audit and Facilities Committee****2012 Audit Plans – KPMG and Peterson Sullivan**

For information only.

***Attachments***

1. KPMG University of Washington 2012 Audit Plan
2. Peterson Sullivan LLP University of Washington Metropolitan Tract Audit
3. Peterson Sullivan LLP University of Washington Audits of Housing and Dining System and Retail and Remote Food Services
4. Peterson Sullivan LLP University of Washington Audits of Departments in Student Life



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Higher Education

# University of Washington

2012 Audit Plan

Audit

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# I. Executive Summary

## Scope of Audit

We will audit the balance sheet of the University of Washington (the University) as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit, however we will not express any opinion on the effectiveness of internal controls over financial reporting.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we will express no such opinion.

Additionally, we will report separately on our audits for the UW Medical Center, Intercollegiate Athletics, the Parking System and the Internal Lending Program. We also issue reports on many of the audits of component units, including the discretely presented component unit UW Medicine/Northwest. See page 4 for those reports.

## Coordination with Other Auditors

We will coordinate and rely on audit testwork performed by the following other auditors: Peterson Sullivan, Shallo, Galluscio, Bianchi and Fucito, the Washington State Auditor's Office, and the University's Internal Audit Department as considered necessary.

This coordinated approach allows us to reduce duplicative testwork during the audit of the University and increase overall efficiency.

## Tentative Timetables

Our timetable is expected to be similar to that of the previous year. We will coordinate with the Office of Financial Management and Internal Audit for a more detailed schedule of events and prepare an outline of specific data requirements, timelines, and individuals responsible.

## II. Financial Reporting Entity

The financial statements of the University of Washington consist of (a) the University of Washington, (b) organizations for which the University is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete if excluded.

The definition of the reporting entity is based primarily on the notion of financial accountability. An entity is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the entity. An entity may also be financially accountable for governmental organizations that are fiscally dependent on it.

An entity has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the entity (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

## II. Financial Reporting Entity (continued)

The following illustration depicts the entities included in the University of Washington Annual Report.

2011 Assets (in millions)	Entities	Financial Statements
\$ 8,013	<b>University of Washington</b> Research, Teaching, and Public Service Activities (Main Campus)* UW Medical Center* Parking System* Intercollegiate Athletics* Internal Lending Program* Airlift Northwest* Housing and Food Services Metropolitan Tract	<b>University of Washington Financial Report</b>
\$ 77	<b>Wholly Owned Insurance Company</b> Portage Bay Insurance*	
\$ 138	<b>Affiliated organizations – Medical entities</b> University of Washington Physicians* University of Washington Physicians Network*	
\$ 459	<b>Affiliated Organizations – Real Estate Properties</b> Washington Biomedical Research Properties I Washington Biomedical Research Properties II Washington Biomedical Research Properties III TSB Properties Twenty-fifth Avenue Properties	
\$ 1,178	<b>Affiliated Organizations</b> UW Medicine/Northwest* Valley Medical Center*	
	<b>Organizations Not included in University of Washington Annual Report</b> Harborview Medical Center* University of Washington Alumni Association* University of Washington Foundation * Henry Gallery Association, Inc. Washington Law School Foundation Washington Pulp and Paper Foundation	

\* Audited by KPMG LLP (KPMG).

# III. Scope of Our Audits

## University Financial Report

We will audit the balance sheet of the University as of June 30, 2012 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America U.S. GAAP. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we will express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In planning and performing our audit of the financial statements, we consider internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. If, however, during our audit, we note matters involving internal control and other operational matters, they will be presented for your consideration. These comments and recommendations, all of which will be discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies.

An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion.

This audit meets the needs of the board of regents and the administration to manage the University and assist in meeting the University's financial reporting requirements as a public agency and the State of Washington.

## University of Washington Medical Center

We will audit the financial statements of the University of Washington Medical Center as of June 30, 2012. We will conduct our audit in accordance with U.S. GAAP. We will provide an audit report on the UW Medical Center and will use our audit as support in our overall opinion on the University.

## III. Scope of Our Audits (continued)

### **Intercollegiate Athletics (ICA)**

An audit of the ICA will be performed for the year ended June 30, 2012. We will conduct our audit in accordance with U.S. GAAP.

We will be performing required agreed-upon procedures to meet the requirements of the National Collegiate Athletic Association (NCAA).

### **Parking System**

An audit of the Parking System will be performed for the year ended June 30, 2012. We will conduct our audit in accordance with U.S. GAAP.

### **Internal Lending Program**

An audit of the Internal Lending Program will be performed for the year ended June 30, 2012. We will conduct our audit in accordance with U.S. GAAP.

### **Airlift Northwest**

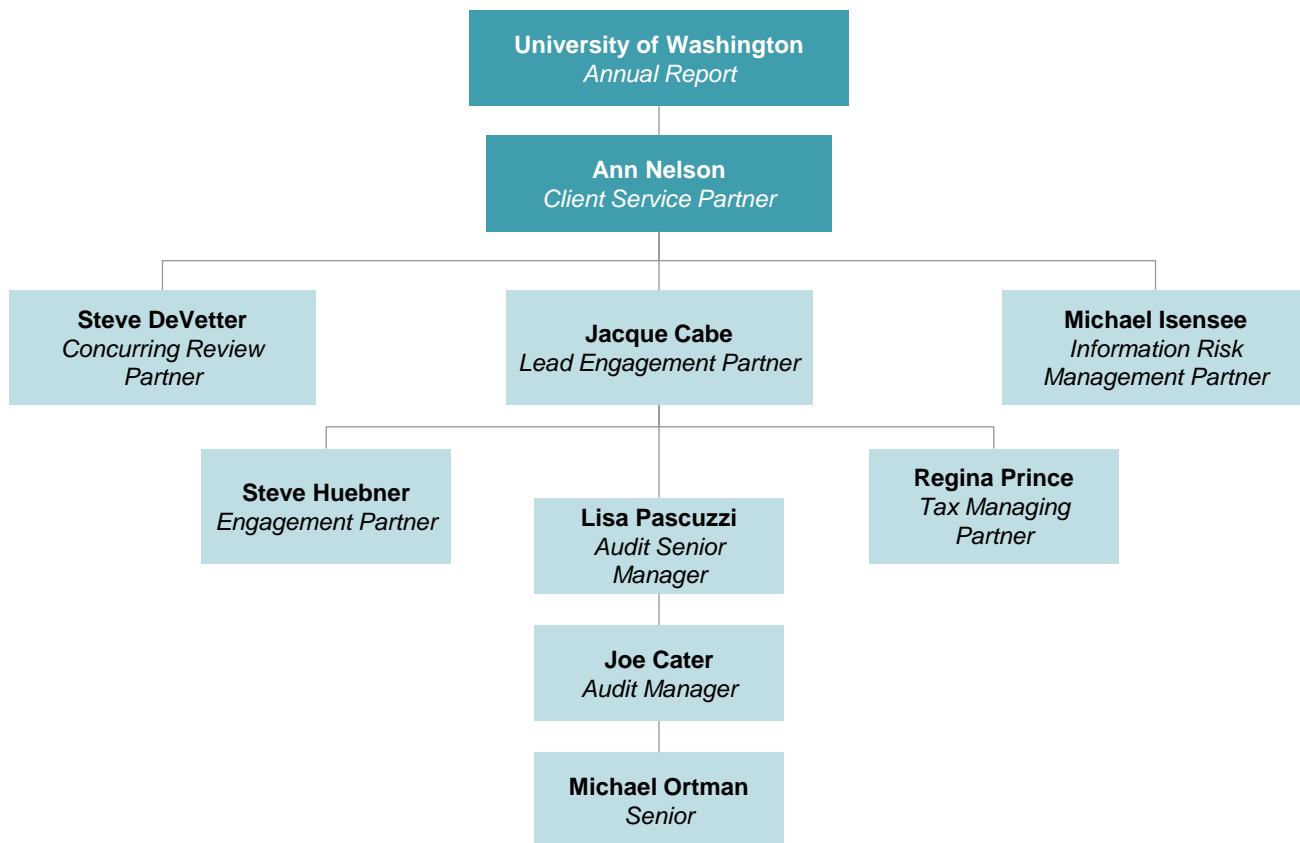
An audit of Airlift Northwest will be performed for the year ended June 30, 2012. We will conduct our audit in accordance with U.S. GAAP.

### **Affiliated Organizations**

An audit of each of the following affiliated organizations will be performed for the year ended June 30, 2012: Portage Bay Insurance, University of Washington Physicians, University of Washington Physicians Network, University of Washington Alumni Association, UW Medicine/Northwest, Harborview Medical Center, Valley Medical Center, and University of Washington Foundation. We will conduct our audits in accordance with U.S. GAAP.



# IV. KPMG LLP (KPMG) Team Overview



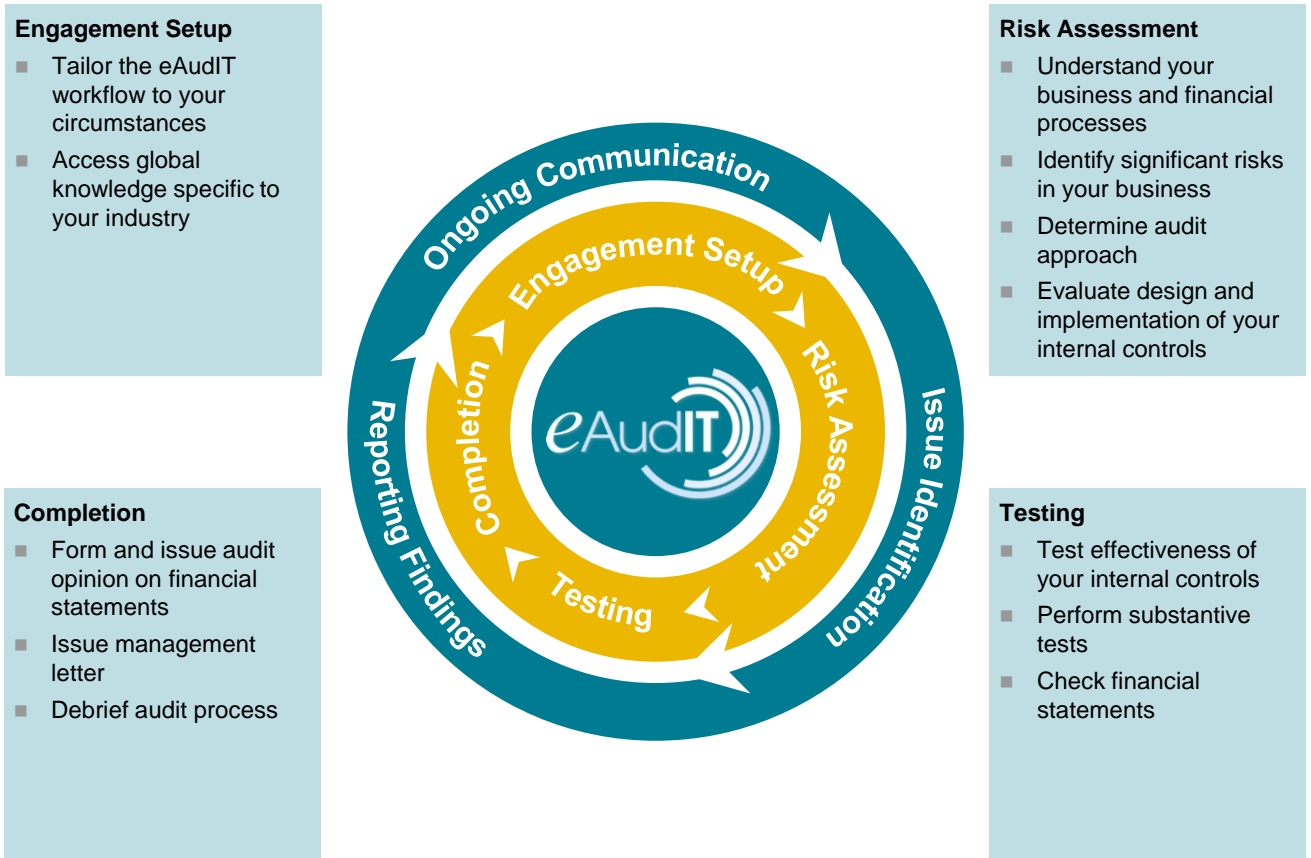
## Individual Department and Auxiliary Audits:

UW Medical Center	Airlift Northwest	Parking System	Intercollegiate Athletics	Internal Lending Program
Amy Banovich Audit Partner	Tom Evert Audit Partner	Steve Huebner Audit Partner	Steve Huebner Audit Partner	Steve Huebner Audit Partner
Sarah Tallon Audit Sr. Manager	Tara Crawford Audit Manager	Joe Cater Audit Manager	Joe Cater Audit Manager	Joe Cater Audit Manager
Lindsey Mandel Senior	Meagan Rosson Senior	Michael Ortman Senior	Michael Ortman Senior	Michael Ortman Senior

# V. KPMG Audit Process

We apply our audit process through our four-step audit approach. Each step allows us to identify more clearly the University's business risks, and hence our audit risks, and to focus our audit approach on the risks of material misstatements in the financial statements.

An overview of KPMG's standard four-step audit approach follows:



## IT General Controls

Throughout the audit phases outlined above, KPMG will be testing IT General Controls in Access to Programs and Data, Program Change, Program Development, Computer Operations, and End-User Computing. In addition, when applicable, KPMG will also test IT application controls in the areas of; application access (segregation of duties), key reports, key calculations, and interfaces (to ensure completeness and accuracy of data transfer).

# V. KPMG Audit Process (continued)

## In Scope Applications

<b>University of Washington</b>	
<b>Audit program, and relevant audit objective references</b>	<b>Application Name</b>
Student Database	SDB
Human Resources and Payroll	Higher Education Payroll and Personnel System (HEPPS)
General Ledger	FAS/FIN
Expenditures	eProcurement
Expenditures	PAS

<b>University of Washington Medical Center</b>	
<b>Audit Program, and relevant audit objective references</b>	<b>Application Name</b>
General Ledger	PFM
AR/Billing	EPIC

<b>Harborview Medical Center</b>	
<b>Audit Program, and relevant audit objective references</b>	<b>Application Name</b>
General Ledger	PFM
AR/Billing	EPIC

<b>Valley Medical Center</b>	
<b>Audit Program, and relevant audit objective references</b>	<b>Application Name</b>
General Ledger	McKesson
AR/Billing	STAR

# V. KPMG Audit Process (continued)

## Overview of Audit Procedures

### Balance Sheet as of June 30, 2011

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> <li>■ Cash and Investments</li> <li>■ (\$3.6 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Accounting for and control over cash and investments focused on the completeness, existence, accuracy, and valuation.</li> </ul>	<ul style="list-style-type: none"> <li>■ Test account reconciliations</li> <li>■ Confirm key cash and investment balances</li> <li>■ Procedures in accordance with the AICPA practice aid to test the existence and valuation of investments with special emphasis on alternative Investments, subprime, derivatives, and other hard-to-value investments</li> </ul>
<ul style="list-style-type: none"> <li>■ Accounts Receivable – Patient Services</li> <li>■ (\$262 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Existence of receivables</li> <li>■ Reasonableness of contractual and bad debt allowances</li> <li>■ Collectibility of receivables</li> </ul>	<ul style="list-style-type: none"> <li>■ Substantive audit and controls procedures to test reasonableness of accounts receivable, contractual allowance, and bad debt reserves</li> <li>■ Understand any changes in reserve methodology</li> <li>■ Accounts receivable testing for existence of account balances</li> <li>■ Test account reconciliation</li> </ul>
<ul style="list-style-type: none"> <li>■ Accounts Receivable – Grants and Contracts</li> <li>■ (\$164 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Existence of receivables</li> <li>■ Accuracy of receivables</li> <li>■ Collectibility of receivables</li> </ul>	<ul style="list-style-type: none"> <li>■ Evaluate internal controls</li> <li>■ Select a sample and agree to underlying contracts.</li> <li>■ Assess the validity and collectibility of billed and unbilled receivables.</li> </ul>
<ul style="list-style-type: none"> <li>■ MetroTract</li> <li>■ (\$115 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper recording of net assets of MetroTract</li> </ul>	<ul style="list-style-type: none"> <li>■ Obtain and review the audit report of Peterson &amp; Sullivan</li> </ul>
<ul style="list-style-type: none"> <li>■ Capital Assets</li> <li>■ (\$3.2 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper capitalization and classification of assets</li> <li>■ Appropriate depreciation/amortization</li> <li>■ Safeguarding assets</li> </ul>	<ul style="list-style-type: none"> <li>■ Review a reconciliation of capital asset activity</li> <li>■ Test and evaluate internal controls over capital asset additions</li> <li>■ Test a sample of significant additions and retirements by examining supporting documentation.</li> <li>■ Test the reasonableness of useful lives of sampled additions.</li> </ul>

## V. KPMG Audit Process (continued)

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> <li>■ Accounts Payable and Accrued Liabilities</li> <li>■ (\$377 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Recognition of transaction in proper accounting period</li> <li>■ Accuracy of amounts recorded and assessment of management's estimates</li> </ul>	<ul style="list-style-type: none"> <li>■ Perform review of subsequent disbursements in management's liability estimation method.</li> <li>■ Review reasonableness and test the underlying data of the Triangle Accrual</li> <li>■ Review reasonableness of balances compared to expectations</li> </ul>
<ul style="list-style-type: none"> <li>■ Self Insurance Reserve</li> <li>■ (\$50 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Valuation of management's estimates for legal liabilities</li> </ul>	<ul style="list-style-type: none"> <li>■ Obtain and review actuarial calculation</li> <li>■ Test the underlying data of the actuarial calculation</li> </ul>
<ul style="list-style-type: none"> <li>■ Long-term liabilities</li> <li>■ (\$1.6 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper classification</li> <li>■ Compliance with financial covenants</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm balances</li> <li>■ Test disclosure and classification</li> <li>■ Test financial covenants</li> </ul>
<ul style="list-style-type: none"> <li>■ Net Assets</li> <li>■ (\$5.7 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper classification of restrictions</li> </ul>	<ul style="list-style-type: none"> <li>■ Review reasonableness of balances compared to expectations</li> </ul>

### Statement of Revenues, Expense, and Changes in Net Assets for the year ending June 30, 2011

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> <li>■ Student tuition and fees</li> <li>■ (\$595 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Accounting for and control over the tuition cycle</li> <li>■ Proper accounting for scholarship allowances</li> </ul>	<ul style="list-style-type: none"> <li>■ Review reasonableness of balances compared to expectation on a per student basis</li> <li>■ Test and evaluate internal controls</li> </ul>
<ul style="list-style-type: none"> <li>■ Patient services</li> <li>■ (\$1.1 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper recording of revenues</li> <li>■ Proper cut-off of revenue between periods</li> <li>■ Accuracy of recording of contractual deductions and bad debts from as deductions from revenue</li> <li>■ Proper recording of charity care amounts in accordance with charity care policy</li> </ul>	<ul style="list-style-type: none"> <li>■ Charge capture testing for appropriate capture of revenues at set charge master rates</li> <li>■ Revenue cut-off testing for appropriate revenue recognition</li> <li>■ Test and evaluate internal controls</li> </ul>
<ul style="list-style-type: none"> <li>■ Grants and Contracts revenue</li> <li>■ (\$1.3 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper recording of revenues and collections</li> <li>■ Accuracy of account balances</li> </ul>	<ul style="list-style-type: none"> <li>■ Test and evaluate internal controls</li> <li>■ Test accuracy and eligibility of sampled expenditures that drive revenue recognition</li> </ul>

## V. KPMG Audit Process (continued)

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> <li>■ Auxiliary Enterprise revenue</li> <li>■ (\$154 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Proper consolidation of entities</li> </ul>	<ul style="list-style-type: none"> <li>■ Obtain and review departmental and component unit statements for proper inclusion in the financial statements</li> </ul>
<ul style="list-style-type: none"> <li>■ Salaries and Benefits</li> <li>■ (\$2.3 billion)</li> </ul>	<ul style="list-style-type: none"> <li>■ Recognized in proper accounting period</li> <li>■ Accuracy of amounts recorded</li> </ul>	<ul style="list-style-type: none"> <li>■ Test and evaluate the internal controls</li> <li>■ Review reasonableness of balances compared to expectation on a per FTE basis</li> </ul>
<ul style="list-style-type: none"> <li>■ State Appropriations</li> <li>■ (\$297 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Accuracy of amounts recorded</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirm balances with information provided from the state accounting system</li> </ul>
<ul style="list-style-type: none"> <li>■ Investment gain</li> <li>■ (\$395 million)</li> </ul>	<ul style="list-style-type: none"> <li>■ Accuracy of amounts recorded</li> </ul>	<ul style="list-style-type: none"> <li>■ Confirmation of amounts with the custodian</li> <li>■ Obtain and review the SAS 70 internal control report provided by the service organization.</li> </ul>

### Coordination with Other Auditors

When necessary we will coordinate and rely on audit testwork performed by the following other auditors.

Auditor	University Component
Peterson Sullivan	Metro Tract, Housing and Food Services
Washington State Auditor's Office	Research – Compliance with Laws and Regulations Statewide Debt
University of Washington Internal Audit	Various
Shallo, Galluscio, Bianchi and Fucito	Various Real Estate Component Units

This coordinated approach allows us to reduce duplicative testwork during the audit of the University and increase overall efficiency.

### Utilization of Internal Audit

KPMG will utilize the staffing resources of University of Washington Internal Audit to reduce related audit fees. This is the second year we will work with internal audit in a direct assist role as they perform some of the external audit procedures on the audits of the University of Washington Financial Report, the University of Washington Medical Center, and Harborview Medical Center.

## VI. New Accounting Pronouncements

### **Summary of Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34* (Issued November 2010)**

The requirements of this Statement are effective for periods beginning after June 15, 2012.

The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—*and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

### **Summary of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (Issued December 2010)**

The requirements of this Statement are effective for periods beginning after December 15, 2011.

The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

### **Summary of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Issued June 2011)**

The requirements of this Statement are effective for periods beginning after December 15, 2011.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

We are working with management to understand these requirements and their application in the University's financial statements for this fiscal year.

## VII. Tentative Timetable

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
LEAN process improvements	●	●	●	●								
Initial planning meetings				●								
Present audit plan to board of regents' finance and audit committee				●								
Planning meetings with University of Washington finance department				●								
Interim fieldwork				●	●							
Final fieldwork							●	●	●	●		
Financial statements Preparation and reporting									●	●		
Presentation of financial statement and management letter to board of regents' finance and audit committee												●

We will coordinate with the controller's office a more detailed schedule of events, which outlines specific data requirements, timelines, and individuals responsible for each will be prepared.



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**Peterson Sullivan LLP**  
**University of Washington Metropolitan Tract Audit**  
**For the Year Ending June 30, 2012**

The following is a summary of the services we will provide for the **University of Washington Metropolitan Tract** for 2012. Our general audit plans and related timelines are also included.

**SUMMARY OF SERVICES TO BE PROVIDED**

We will perform the following audit services:

- **Metropolitan Tract:** The audit of the Metropolitan Tract represents the majority of the audit work we perform. Incorporates all of the properties within the Metro Tract (including the Cobb Building).
- **Rainier Tower Sublease:** We audit the results of operations specifically associated with the Rainier Tower sublease on a stand-alone basis.
- **Fairmont Olympic Hotel:** We audit the schedule of gross rental income and percentage rent, including amounts due to the University. We also perform various tests associated with lease compliance.
- **Unico Properties:** We audit the schedule of gross rental income and percentage rent, including amounts due to the University. Again, we perform various tests associated with lease compliance. This also includes certain lease compliance agreed-upon procedures related to the Cobb Building.

**SUMMARY OF AUDIT PLANS**

Metropolitan Tract

We focus our audit procedures in the areas deemed to be the highest risk. At the Metropolitan Tract, we have determined that cash, accounts receivable from Unico, and the rental revenue stream (including lease compliance) represent the largest dollar value and the highest volume of activity and, therefore, the highest audit risk.

We are very much aware of the relationship with Unico (and the significance of the contract completion date of 2014). We are sensitive to the effect of this on our audit and the financial statements. For instance, the non-competition agreement with Unico is no longer in effect.

In addition, the real estate market and the hotel market in the area are in recovery, so we expect the operating results of Metropolitan Tract to show some positive change in general. If the operating results are contrary to our expectations, we will further investigate to focus on the causes. We prepare our audit programs to focus audit efforts in these areas.

#### Rainier Tower Sublease

The Rainier Tower sublease financial results are included in the Metropolitan Tract financial statements. We audit this activity and also audit the separate results of operations for the Rainier Tower on a stand-alone basis. We expect to focus our audit procedures on rental revenue recognition (including lease compliance) and capital expenditures. The property management functions were transferred to Unico from Kidder Mathews as of July 1, 2011, so this will be incorporated into our audit plan.

#### Fairmont Olympic Hotel

The financial results from the Fairmont Olympic Hotel are included in the Metropolitan Tract financial statements. We also audit the financial results related to the revenue and percentage rentals on a stand-alone basis. We focus our audit procedures on Fairmont revenue as this is the driver as to amounts paid to the Metro Tract. We test revenue recognition, completeness of reported revenue, and proper classification and presentation of revenue. In addition, we perform certain agreed-upon procedures related to the Fairmont activity. These procedures include, but are not limited to, testing to ensure that the Fairmont classifies revenue properly in accordance with the lease, and testing to see that capital expenditures meet certain requirements.

We are aware that the owners of the Fairmont are considering the possibility of selling the property. This will be taken into account when we perform audit and agreed-upon procedures.

#### Unico Properties, Inc.

The financial results from the Unico Properties are included in the Metropolitan Tract financial statements. We audit this activity and also audit the financial results related to the gross rental income and percentage rentals on a stand-alone basis. We focus our audit procedures on revenue recognition and revenue classification between commercial space and office space. We will also select applicable tenants and test the calculation of percentage rents. In addition, we will perform certain agreed-upon procedures related to lease compliance. These procedures include, but are not limited to, lease compliance with the Cobb lease and the allocation of parking revenue.

## **AUDIT TIMELINE**

Our audit procedures are expected to take place as follows:

- Procedures related to the Unico activity begin mid June 2012.
- Procedures related to the Fairmont begin during the second week of August 2012.
- The Metropolitan Tract audit begins during the third week of August 2012.
- The Rainier Tower audit begins the last week of August 2012.
- Reports for Fairmont and Unico are prepared for the year ended December 31, 2011, and will be issued in October 15, 2012 or sooner.
- Reports for the Metropolitan Tract and Rainier Tower are prepared for the year ending June 30, 2012, and will be issued by October 15, 2012, or sooner.

**Peterson Sullivan LLP  
University of Washington  
Audits of Housing and Dining System and  
Retail and Remote Food Services  
For the Year Ending June 30, 2012**

The following is a summary of the Services we will provide for the **University of Washington Housing and Dining System and Retail and Remote Food Services** for 2012. Our general audit plans and related timelines are also included.

**SUMMARY OF SERVICES TO BE PROVIDED**

We will provide the following audit services:

- **Housing and Dining System**
- **Retail and Remote Food Services**

**SUMMARY OF AUDIT PLANS**

We focus our audit procedures in the areas deemed to be the highest risk. For both of these audits, we have determined that capital assets, accounts payable, accrued expenses, deferred revenue, long-term debt and residence hall or food/catering revenues represent the largest dollar value and the highest volume of activity and, therefore, the highest audit risk. We expect a substantial increase in capital asset activity and the related loans from the internal lending program in accordance with the University's capital improvement plan.

We will follow up on the issues related to the period-end closing (primarily footnote disclosure related) noted during the prior fiscal year. We will evaluate any procedural changes made during this fiscal year to remediate the issues.

**AUDIT TIMELINE**

Our audit procedures are expected to take place as follows:

- Audit planning meeting with the University personnel in May 2012.
- Internal control procedures and sample selection in August 2012.
- Audits begin in mid September 2012.
- Audit reports are prepared for the year ending June 30, 2012, and will be issued by October 31, 2012.

**Peterson Sullivan LLP  
University of Washington  
Audits of Departments in Student Life  
For the Year Ending June 30, 2012**

The following is a summary of the services we will provide for the **University of Washington Departments within Student Life** for 2012. Our general audit plans and related timelines are also included.

**SUMMARY OF SERVICES TO BE PROVIDED**

We perform audits for the departments listed below in every other year and perform internal control reviews in years when audits are not performed (except for Student Facilities Fees - Seattle Campus, which is audited every year). The Student Life activities are on a full-audit cycle in 2013, so for the fiscal year ending June 30, 2012, we will perform the following internal control reviews (in addition to the audit of the Student Facilities Fees).

**Internal control reviews:**

- **Student Activities and Union Facilities ("SAUF")**
- **Associated Students of the University of Washington ("ASUW")**
- **Graduate and Professional Student Senate ("GPSS")**
- **Student Publications**

**Audit:**

- **Student Facilities Fees – Seattle Campus** (audited every year - not just the two-year cycle).

**SUMMARY OF INTERNAL CONTROL REVIEW PLANS**

We will examine the effectiveness of the internal control over reporting maintained by the above departments based on the criteria established in *Internal Control – Integrated Framework issued by the committee of Sponsoring Organization of Treadway Commission*.

### SAUF, ASUW, and GPSS

We will issue one combined report for our reviews for SAUF, ASUW, and GPSS because all of the departments operate within the same accounting system and being managed by the same personnel. We focus on the significant processes, which are cash receipts/revenue, cash disbursements/expenses, and payroll. For the internal control reviews conducted for the year ended June 30, 2010, and the financial statement audits for the year ended June 30, 2011, we did not note any material weaknesses.

### Student Publications

We will issue a stand-alone report for our review for Student Publications because it operates with its own accounting system. Again, we focus on the sufficient processes, which are cash receipts/revenue, cash disbursements/expenses, and payroll. We did not note any material weaknesses during our review for the year ended June 30, 2010. We also did not note any material weaknesses during our financial statement audit for the year ended June 30, 2011.

## **INTERNAL CONROL REVIEW TIMELINE**

Our review procedures are expected to take place as follows:

- Reviews begin in the mid September 2012
- Internal control review reports will be issued by mid November 2012.

## **SUMMARY OF AUDIT PLAN**

### Student Facilities Fees – Seattle Campus

We have determined that student facilities fees receipts, debt service payments, and cash disbursements made to various entities in the University of Washington represent the largest dollar value and the highest volume of activity and, therefore, the highest audit risk. The audit is done on the cash basis of accounting. We did not note any material weaknesses during our financial statement audit for the year ended June 30, 2011.

## **AUDIT TIMELINE**

Our audit procedures are expected to take place as follows:

- Audits begins in the mid September 2012
- Audit reports are prepared for the year ending June 30, 2012, and will be issued by mid November 2012.