



UNIVERSITY
of ALASKA
Many Traditions One Alaska

Corrective Action Plan
Year Ended June 30, 2014

The following corrective action plan is prepared in accordance with Office of Management and Budget Circular A-133, Section .315(c). Accordingly, it is management's response to Findings 2014-001 and 2014-002 identified in the University of Alaska Audit in Accordance with OMB A-133 for the year ended June 30, 2014. The findings are presented below with management's response following:

Finding 2014-001 - Material Weaknesses in Internal Control Over Financial Reporting

Criteria – Per GASB Implementation guide Q&A 7.9.2 – “If library books are considered to have a useful life of greater than one year, they are capital assets and are depreciable”.

Condition – The University had historically not depreciated the capitalized library books.

Context – Approximately \$56 million in library books existed on the University's statement of net position as of June 30, 2014. The University restated net assets to record the estimated depreciation expense through June 30, 2013, by approximately \$44 million.

Effect – Capital assets (net of accumulated depreciation) were overstated by approximately \$44 million as of June 30, 2013.

Cause – The University interpreted and applied accounting principles in this particular area incorrectly, given the latitude with inexhaustible collections.

Recommendation – A review of all material accounting policies should take place to ensure applicable policies used to prepare the University's financial statements are consistent with generally accepted accounting principles. In addition, an analysis should be performed related to disposition of library books and the life should continue to be assessed as library materials change.

Views of responsible officials and planned corrective actions – Management view is that this finding is isolated to the specific matter of library books. The University had previously considered library books to be inexhaustible library collections, which are not depreciable under generally accepted accounting principles. Given the characteristics of

this matter, we do not view it as an internal control issue, but more a matter of professional judgment in applying this particular element of an accounting standard.

We agree with the audit observation. Accordingly, the University has since implemented depreciation for library books as further discussed in Note 17 of the financial statements, in accordance with GASB Implementation Guide Q&A 7.9.2. Disposition of library books and the useful life of library materials will be assessed in the capitalization and depreciation policy.

Contact Person – Wei Guo, Financial Accounting Director (907) 450-8063

Finding 2014-002 – Reporting – Significant Deficiency in Internal Controls and Instances of Noncompliance

Federal Program – Research and Development Cluster

Federal Agency – Various

Criteria – Federal Financial Reporting Instructions require recipients to report quarterly and semi-annual interim reports no later than 30 days after the end of each reporting period. Annual and final reports shall be submitted no later than 90 days after the end of each reporting period or the grant end date.

Condition – While management was aware of the reporting deadlines, procedures were not in place to ensure reporting was completed for all grants timely.

Context – During our testing of 25 reports, 6 reports were submitted after the due date.

Effect – The report was not submitted in the required time frame.

Cause – The University did not adhere to established internal controls governing timely submission of federal financial reports.

Recommendations – We recommend the University implement a University wide repository to track report requirements for each grant to ensure submissions are completed timely.

Views of responsible officials and planned corrective actions – The University concurs with the finding. While established internal controls are in place to ensure compliance with expectations regarding timely submission of federal financial reports, staffing shortages and change in personnel led to several report not being filed in a timely manner. We are giving to understand by the University of Alaska Fairbanks that the Office of Grants and Contracts is now fully staffed and personnel have been properly trained. Additionally, we are given the understand by the University of Alaska Fairbanks that they are taking steps to put in place a tracking mechanism for all federal grants with

reporting expectations specific to each grant. This will allow appropriate management monitoring and oversight of reporting expectations.

Contact Person – Wei Guo, Financial Accounting Director (907) 450-8063