2012 Presentation to the Audit Committee of The Nevada System of Higher Education
## 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 ensure that our people make correct and appropriate choices.
<table>
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<tr>
<th>Responsibilities</th>
<th>Audit scope and results</th>
<th>Quality of accounting practices and alternative treatments</th>
<th>Other matters</th>
<th>Technical updates</th>
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</table>

Responsibilities
Our responsibilities

We are responsible for:

• Performing an audit under US GAAS (and generally accepted government auditing standards)
• Forming and expressing an opinion about whether the financial statements prepared by management, with your oversight:
  – are materially correct
  – are fairly presented
  – conform with US GAAP
• Reading other information and considering whether it is materially inconsistent with the financial statements
• Reporting material federal awards non-compliance, as well as significant deficiencies, including material weaknesses, in internal control over financial reporting and federal award compliance.
• Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole.
• Forming opinions over compliance for direct and material compliance requirements associated with major programs.
• Communicating specific matters to you

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.
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 Organization'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

**Management**
Management is responsible for:

- Preparing and fairly presenting the financial statements in conformity 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
- Complying with provisions of federal awards
- Designing, implementing, evaluating, and maintaining effective internal control over compliance in federal awards
Audit scope and results
Horizon audit methodology

We approach our audits by:

- Understanding your business, including the environment your company operates in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas
**Audit timeline**

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Stage</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| March 2012          | Client acceptance            | - GT client reacceptance procedures  
|                     |                              | - Engagement letter signed                                                     |
| March – August 2012 | Planning                     | - Conduct internal client service team meeting  
|                     |                              | - Meet with management to confirm exceptions and discuss business risk  
|                     |                              | - Discuss scope of work and timetable  
|                     |                              | - Identify current year audit issues  
|                     |                              | - Develop audit plan that addresses risk areas and meets management expectations |
| May – September 2012| Preliminary risk assessment procedures | - Evaluate internal controls  
|                     |                              | - Coordinate planning with management and develop work calendar  
|                     |                              | - Perform interim federal compliance testing  
|                     |                              | - Review significant accounting policies, such as revenue recognition and review related contractual documents |
| September – October 2012 | Final fieldwork and deliverables | - Perform year-end procedures  
|                     |                              | - Issue opinions on the financial statements and relate reports  
|                     |                              | - Meet with management to discuss results  
|                     |                              | - Submit results to the Audit Committee                                         |
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 and the System-Related Organizations.**

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).
## Significant risks

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

<table>
<thead>
<tr>
<th>Areas of focus</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue recognition over tuition &amp; fees and grant revenue</td>
<td>GT completed substantive and analytical procedures over revenue</td>
</tr>
<tr>
<td>Fair value of financial instruments (alternative investments)</td>
<td>GT reviewed the System’s documentation over their process to value alternative investments and traced to supporting documentation, including audited financial statements of the respective alternative investments funds. GT also independently tested valuation of funds underlying investments where possible.</td>
</tr>
<tr>
<td>Financial reporting and disclosures</td>
<td>GT reviewed the financial statement and related disclosures for accuracy and completeness and traced amounts to supporting documentation.</td>
</tr>
<tr>
<td>Compliance with requirements of Student Financial Aid, Research and Development State Grant Program, CFDA 81.129, 93.723, and 93.724</td>
<td>GT audited the six programs noted here in accordance with the OMB A-133 Compliance Supplement. All findings are noted in the Schedule of Findings and Questioned Costs.</td>
</tr>
</tbody>
</table>
Summary of adjustments ($000s)

<table>
<thead>
<tr>
<th>Description</th>
<th>Increase (Decrease) to:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>Recorded adjustments</td>
<td></td>
</tr>
<tr>
<td>AJE #1: To reclassify GBC equity</td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, net</td>
<td>1,460</td>
</tr>
<tr>
<td>Restricted - Expendable - Capital Projects</td>
<td></td>
</tr>
<tr>
<td>AJE#2: To reclassify UNR deferred refunding cost from other assets to long-term debt</td>
<td>(1,528)</td>
</tr>
<tr>
<td>Net impact</td>
<td>$ (1,528)</td>
</tr>
<tr>
<td>Unrecorded adjustments</td>
<td></td>
</tr>
<tr>
<td>PAJE # 1: To pass on disclosing immaterial component units (UNLV)</td>
<td></td>
</tr>
<tr>
<td>Net impact</td>
<td>$ 833</td>
</tr>
</tbody>
</table>

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements. As such, we request that these unrecorded adjustments be corrected.
## Internal control matters

Several compliance and internal control deficiencies associated with the six major federal programs are summarized in the Summary of Findings and Questioned Costs in the OMB A-133 reporting package.

Control deficiencies that are of a lesser magnitude than a significant deficiency were communicated to management. We provided you with a copy of that communication.
Other required communications

Disagreements with management

We had no disagreements with management whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the organization's financial statements or the audit report.

Management's consultations with other accountants

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

Significant issues discussed with management

No significant issues communicated with management
Other required communications (continued)

**Difficulties encountered during the audit**

No difficulties were encountered

**Other information in documents containing audited financial statements**

We did not identify material inconsistencies or misstatements of fact

**Other findings or issues**

No other findings or issued noted.
Quality of accounting practices and alternative treatments
Quality of accounting practices and alternative treatments

Accounting policies
Accounting policies are disclosed in Note 2 of the financial statements, and appear consistent and appropriate.

Accounting estimates
Significant accounting estimates include the fair value of alternative investments. Management has informed us that in determining the appropriateness of this fair value determination, they evaluated all significant information from fund managers, including audited financial statements of the funds invested in.
Quality of accounting practices and alternative treatments (continued)

Disclosures

Financial statement and related disclosures appear to be clear and complete. Disclosures are presented with overall neutrality, consistency, and clarity.
Other matters
### Deliverables

<table>
<thead>
<tr>
<th>Deliverables</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Report on the 2012 financial statements</td>
<td></td>
</tr>
<tr>
<td>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.</td>
<td></td>
</tr>
<tr>
<td>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133</td>
<td></td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td></td>
</tr>
<tr>
<td>Provide timely and appropriate communication with management and the Audit Committee regarding technical audit, accounting, and internal control matters.</td>
<td></td>
</tr>
<tr>
<td>Issue written communications to management and the audit committee describing significant deficiencies and/or material weaknesses, if any, noted during our audit</td>
<td></td>
</tr>
<tr>
<td>Data Collection Form to be submitted to Single Audit Clearinghouse (review and approval of form completed by System Management)</td>
<td></td>
</tr>
</tbody>
</table>
## New Accounting Pronouncements

<table>
<thead>
<tr>
<th>Summary</th>
<th>Effective Date</th>
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</thead>
<tbody>
<tr>
<td>• GASB STATEMENT NO. 60 <em>ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS</em></td>
<td>• Fiscal 2013</td>
</tr>
<tr>
<td>• GASB STATEMENT NO. 61 <em>DEFINING THE FINANCIAL REPORTING ENTITY</em></td>
<td>• Fiscal 2013</td>
</tr>
<tr>
<td>• GASB STATEMENT NO. 63 <em>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</em></td>
<td>• Fiscal 2013</td>
</tr>
<tr>
<td>• GASB STATEMENT NO. 65 <em>ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES</em></td>
<td>• Fiscal 2014</td>
</tr>
<tr>
<td>• GASB STATEMENT NO. 68 <em>Accounting and Financial Reporting for Pensions</em></td>
<td>• Fiscal 2015</td>
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</tbody>
</table>
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 Web site

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.
This communication is intended solely for the information and use of management and the Audit Committee of the Nevada System of Higher Education and is not intended to be and should not be used by anyone other than these specified parties.