Fiscal Year 2014 A-133 Audit Report and NCAA Agreed Upon Procedures Reports

UM

**A-133 Audit Report:** The University of Missouri A-133 Single Audit Report ("A-133 Report") for fiscal year 2014 was completed on March 16, 2015 and was submitted to the Federal Clearinghouse by the March 31, 2015 due date. The A-133 Report is a required audit that reviews the University’s compliance related to federal funding received both federal financial aid and federal grants and contracts. The full A-133 Report is available upon request.

Overall, the University’s compliance remained strong in fiscal year 2014 and improved on the results of fiscal year 2013. All major programs received unqualified opinions. The number of findings decreased from seven to four which was primarily driven by decreased findings in Student Financial Aid. The University has already addressed or will have addressed all findings by June 2015 and expects to improve on its current level of compliance.

A summary prepared by management of the audit results, including details of the causes and corrective actions for the findings, is included in the attached materials. Brief descriptions of programs included in the fiscal year 2014 audit are included along with a chart comparing results of the fiscal year 2014 and fiscal year 2013 A-133 audits. In response to findings identified in the University’s A-133 Report for fiscal year 2014, the University is in the process of implementing the Federal Funding Compliance Plan for fiscal years 2015 and 2016. The plan is included for your review.

**NCAA Agreed Upon Procedures Report:** The University of Missouri NCAA Agreed Upon Procedures Reports ("NCAA Reports") for fiscal year 2014 were completed by the January 15, 2015 deadline with no significant findings. The reports for the University of Missouri – Columbia and the University of Missouri – Kansas City are available upon request. The NCAA requires these reports to be completed annually for Division I institutions (University of Missouri-Columbia and University of Missouri – Kansas City) and every three years for Division II institutions (University of Missouri – St. Louis and Missouri University of Science and Technology).

At the April 2015 Board of Curators meeting, Susan Eickhoff, partner with KPMG, will present a summary of the A-133 Report and NCAA Reports.
Major Programs Audited for FY 2014

Research & Development Cluster – Represents all federally funded research activities, both basic and applied, and all development activities that are performed by all four campuses. In fiscal year 2014, the University expended $149,940,649 in federal funds related to Research & Development.

Student Financial Aid Cluster – Represents programs of federally funded general student assistance for all four campuses. In fiscal year 2014, the University expended $491,631,013 in federal student financial assistance.

Supplemental Nutrition Assistance Program (SNAP) - The objective of SNAP is to help low-income households buy the food they need for good health. The University of Missouri Extension Office in cooperation with the State administers this program. In fiscal year 2014, the University expended $7,974,558 in federal funds related to the SNAP Cluster.

Individuals with Disabilities Education Act (IDEA) – The objective of IDEA is to provide grants to States to assist them in providing special education and related services to all children with disabilities. In fiscal year 2014, the University expended $4,620,593 in flow through federal funds from the State Department of Elementary and Secondary Education.

Smith-Lever – Funds cooperative extension programs at Land-Grant Institutions for the development of practical applications of research knowledge related to agriculture, home economics, and rural energy and imparting this information to the general public. In fiscal year 2014, the University expended $11,365,004 in federal funds related to the Smith-Lever program.

USDA Foreign Ag Service – The objective of the Foreign Ag Service is to increase the capabilities of U.S. educational institutions to provide technical assistance in identifying and resolving international agricultural issues and problems. In fiscal year 2014, the University expended $4,867,773 in federal funds related to the USDA Foreign Ag Service.
The following chart compares results of the fiscal year 2014 and fiscal year 2013 A-133 audits:

<table>
<thead>
<tr>
<th>Major Program</th>
<th>2014</th>
<th></th>
<th></th>
<th>2013</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opinion</td>
<td>MW</td>
<td>SD</td>
<td>CO</td>
<td>Opinion</td>
<td>MW</td>
</tr>
<tr>
<td>Research &amp; Development Cluster</td>
<td>U</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>Student Financial Aid Cluster</td>
<td>U</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>U</td>
<td>1</td>
</tr>
<tr>
<td>HIT Regional Ext Centers</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>SNAP</td>
<td>U</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>HCIA</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>State Energy Program</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>SBDC</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>SAMSHA</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>U</td>
<td>0</td>
</tr>
<tr>
<td>IDEA</td>
<td>U</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Smith Lever</td>
<td>U</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>USDA Foreign Ag Service</td>
<td>U</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

| Total                                |      | 0  | 4  | 0  |       | 1  | 6  | 0  |

MW = Material Weakness  
SD = Significant Deficiency  
CO = Compliance only  
U = Unqualified Opinion  
Q = Qualified Opinion

A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.
**Student Financial Aid - Disbursements To or On Behalf of Students:** The University is required to notify the student or parent of the date and amount of the disbursement of a Direct Loan or Federal Perkins loan no earlier than 30 days before, and no later than 30 days after crediting the student’s account.

<table>
<thead>
<tr>
<th>Finding and Corrective Action</th>
<th>Accountability</th>
<th>Status of Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Missouri University of Science &amp; Technology did not send required notifications of credit to the student’s account to recipients of Federal Direct Loans and/or Federal Perkins Loans. The campus Student Financial Aid office automated its notification process in April 2014 to ensure disbursement notifications are sent daily.</td>
<td>- Campus Financial Aid Directors</td>
<td>Completed in April 2014</td>
</tr>
</tbody>
</table>

**Questioned Cost: $0**


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**Research and Development - Allowable Costs/Cost Principles:** The University is required to ensure that salary charges on Department of Health and Human Services awards do not exceed the salary cap.

<table>
<thead>
<tr>
<th>Finding and Corrective Action</th>
<th>Accountability</th>
<th>Status of Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University of Missouri Kansas City did not effectively monitor salary charges for one individual several DHHS awards. As a result, salaries charged were above the applicable salary cap limitation which resulted in unallowable benefits and indirect costs charged to two of the awards. The campus Sponsored Programs Office and this department have modified their monitoring process to detect any salaries charged above the cap.</td>
<td>- Sponsored Programs Administration and Campus Department</td>
<td>This will be completed by July 2015.</td>
</tr>
</tbody>
</table>

**Questioned Cost: $4,912**

*(Significant Deficiency – Finding 2014-002)*
**Research and Development – Equipment & Real Property Management:**  The University to maintain accurate equipment records and perform a semi-annual physical inventory as per University policy.

<table>
<thead>
<tr>
<th>Finding and Corrective Action</th>
<th>Accountability</th>
<th>Status of Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University of Missouri – Kansas City did not maintain support for their fall 2013 inventory, records were not properly updated to reflect the proper location of four pieces of equipment on the MS&amp;T, Kansas City, and St. Louis campuses. Three of those pieces of equipment were transferred to another institution.</td>
<td>UM System Surplus Property &amp; Asset Management</td>
<td>This will be completed by July 2015.</td>
</tr>
</tbody>
</table>

**Questioned Cost: $0**
*(Significant Deficiency – Finding 2014-003)*

**Research and Development- Reporting:** The University is required to report each first-tier subcontract with a value of $25,000 or more in Federal funds and any modification to that amount made on a Federal grant or contract that was issued on or after October 1, 2010 in accordance with the Federal Funding Accountability and Transparency Act (FFATA).

<table>
<thead>
<tr>
<th>Finding and Corrective Action</th>
<th>Accountability</th>
<th>Status of Corrective Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>The University did not report subaward modifications made on four federal awards due to a manual process that was not performed for the four months noted in the finding. The University will modify the process to ensure that all subaward modifications are identified. This modification will fully mitigate the risk of non-compliance.</td>
<td>Controller’s Office</td>
<td>This will be completed by April 2015.</td>
</tr>
</tbody>
</table>

**Questioned Cost: $0**
*(Significant Deficiency – Finding 2014-004)*
Agenda

- OMB Circular A-133 single audit results
- NCAA agreed-upon procedures results
- Audit plan for the fiscal year ending June 30, 2015
- KPMG’s Audit Committee Institute

Attachments - Material written communications between KPMG
  - Engagement letter for the NCAA procedures
  - NCAA management representation letters
  - OMB Circular A-133 single audit management representation letter
OMB Circular A-133 Single Audit Results
OMB Circular A-133 Single Audit Results

- Overview of the Schedule of Expenditures of Federal Awards
- Summary of Major Programs
- OMB Circular A-133 Opinions
- Major Program Results
### Overview of the schedule of expenditures of federal awards

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face of Schedule of Expenditures of Federal Awards</td>
<td>$728,632,147</td>
</tr>
<tr>
<td>Plus: Net Impact of Campus-Based Loan Programs</td>
<td>39,451,181</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards Subject to Compliance Requirements</strong></td>
<td><strong>$768,083,328</strong></td>
</tr>
</tbody>
</table>

1 Includes $7.1 million of American Recovery and Reinvestment Act (ARRA) funding, and approximately $19 million in expenditures (ARRA and non-ARRA) provided to subrecipients.
Summary of major programs

- Major Federal award programs subject to audit
  - Student Financial Assistance Cluster – $531.1 million, including loan programs (includes – $187 thousand of ARRA outstanding loans)
  - Research and Development Cluster – $149.9 million (includes $1.8 million of ARRA expenditures)
  - Supplemental Nutrition Assistance Program Cluster (SNAP) – $7.9 million (no ARRA expenditures)
  - Special Education Cluster (IDEA) – $4.6 million (no ARRA expenditures)
  - CFDA # 10.500 – Cooperative Extension Service – $11.4 million (no ARRA expenditures)
  - CFDA # 10.960 – Foreign Agriculture Service Program – $4.9 million (no ARRA expenditures)

- All other Federal award programs listed in the Schedule of Expenditures of Federal Awards were not major programs
OMB Circular A-133 Report Opinions


### Student financial assistance cluster major program results

<table>
<thead>
<tr>
<th>Report finding reference</th>
<th>Compliance requirement</th>
<th>Classification of finding – Internal control</th>
<th>Classification of finding – Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-001</td>
<td>ST&amp;P – Disbursements to or on behalf of students</td>
<td>Significant Deficiency</td>
<td>Other Instance of Noncompliance</td>
</tr>
</tbody>
</table>

Opinion for the Student Financial Assistance Cluster Major Program – Unmodified
## Research and development cluster major program results

### Report finding reference | Compliance requirement | Classification of finding – Internal control | Classification of finding – Compliance
---|---|---|---
2014-002 | Allowable Costs/Cost Principles | Significant Deficiency | Other Instance of Noncompliance
2014-003 | Equipment and Real Property Management | Significant Deficiency | Not applicable
2014-004 | Reporting | Significant Deficiency | Other Instance of Noncompliance

Opinion for the Research and Development Cluster Major Program – Unmodified
All other major program results

- Unmodified opinion and no findings reported related to compliance or internal control over compliance for the following remaining major programs:
  - Supplemental Nutrition Assistance Program Cluster (SNAP)
  - Special Education Cluster (IDEA)
  - Cooperative Extension Service
  - Foreign Agriculture Service Program
NCAA Agreed-Upon Procedures Results
NCAA Agreed-Upon Procedures Results

- National Collegiate Athletic Association (NCAA) establishes agreed-upon procedures report requirements
  - Required annually for Division I Institutions
  - Required every three years for Division II Institutions

- Overview of NCAA Agreed-Upon Procedures

- Independent Accountants’ Report on Applying Agreed-Upon Procedures
  - University of Missouri – Kansas City, report dated January 14, 2015
  - University of Missouri – Columbia, report dated January 14, 2015
Audit plan for the fiscal year ending June 30, 2015
Audit plan for the fiscal year ending June 30, 2015

- KPMG Audit Team Roles

- Responsibilities

- Scope of Audit Services for the Year Ending June 30, 2015

- Audit Timeline

- Involvement of Others in Auditing Procedures

- Preliminary Risk Assessments

- Accounting and Regulatory Matters
### KPMG audit team roles

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
<th>Contact details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Susan Eickhoff</td>
<td>Lead Engagement Partner</td>
<td>Phone: (314) 244-4024</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-mail: <a href="mailto:seickhoff@kpmg.com">seickhoff@kpmg.com</a></td>
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<tr>
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</tr>
<tr>
<td></td>
<td></td>
<td>E-mail: <a href="mailto:mstromp@kpmg.com">mstromp@kpmg.com</a></td>
</tr>
<tr>
<td>Christina Renz</td>
<td>Engagement Senior Manager</td>
<td>Phone: (314) 244-4200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-mail: <a href="mailto:crother@kpmg.com">crother@kpmg.com</a></td>
</tr>
<tr>
<td>Samantha Mueller</td>
<td>Engagement Manager</td>
<td>Phone: (314) 244-4264</td>
</tr>
<tr>
<td></td>
<td></td>
<td>E-mail: <a href="mailto:soberkfell@kpmg.com">soberkfell@kpmg.com</a></td>
</tr>
</tbody>
</table>
Responsibilities

- Management’s Responsibilities
- The Audit Committee’s Responsibilities
- Management and the Audit Committee’s Responsibilities
## Scope of Audit Services for the Year Ending June 30, 2015

### Scope of Work
- Audit of the financial statements of the:
  - University of Missouri System
  - University of Missouri Health Care (MU Health Care)
  - Capital Region Medical Center
- Independent Auditors’ 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*
- Single Audit in accordance with OMB Circular A-133
- Minimum Agreed-Upon Procedures required by the NCAA for:
  - Columbia
  - Kansas City
  - Rolla
  - St. Louis

### Applicable Financial Reporting Framework
- U.S. Generally Accepted Accounting Principles

### Applicable Auditing Standards
- Auditing standards generally accepted in the United States of America
- *Government Auditing Standards*

### Other Terms of the Engagement
- Management Letter, if applicable
- Presentation to communicate audit plan and audit results
# Audit timeline

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Conduct planning meetings and risk assessment procedures</td>
<td>Perform final control and substantive audit procedures</td>
<td>Issue Agreed-Upon Procedures Reports for NCAA</td>
</tr>
<tr>
<td>Plan and perform interim control and substantive procedures</td>
<td>Issue reports and communications to management</td>
<td>Perform remaining control and compliance procedures for OMB Circular A-133 Single Audit</td>
</tr>
<tr>
<td>Begin planning and control and compliance procedures for OMB Circular A-133 Single Audit</td>
<td>Continuation of control and compliance procedures for OMB Circular A-133 Single Audit</td>
<td>Issue OMB Circular A-133 Single Audit Report</td>
</tr>
<tr>
<td></td>
<td>Perform agreed-upon procedures for NCAA</td>
<td></td>
</tr>
</tbody>
</table>

On-going identification, communication, and resolution of key risks and issues
Involvement of others in auditing procedures

- Use of Specialists
  - Information Risk Management
  - KPMG Actuaries
  - Tax Review Specialists
  - Valuation Specialists, as considered necessary

- External Experts
  - Valuation of:
    - investments, including alternative investments
    - self-insurance liabilities
    - pension and other postemployment benefit obligations
    - derivative instruments
    - in-kind contributions, as deemed appropriate

- Service Organizations
Preliminary risk assessments

- Financial statement level risks
  - Valuation of Alternative Investments, and Valuation of Derivative Instruments
  - Regulatory Compliance
  - Accounting for Gifts/Contributions and Presentation of Net Position
  - Risk Management
  - General Information Technology Controls
  - Patient Medical Service Revenues, Receivables, Bad Debt Expense, Contractual Allowances and Third Party Settlements
Accounting and regulatory matters

The following accounting pronouncement and/or regulations were recently issued and/or newly applicable:

- GASB No. 72, *Fair Value Measurement and Application*
KPMG’s Audit Committee Institute

Upcoming Events

- KPMG/ACI/National Association of Corporate Directors (NACD) Quarterly Audit Committee Webcast Series
  - Future 2015 Webcasts
    - June 25, 2015
    - September 24, 2015
  - Previous Webcasts available for replay

Audit Committee Institute Roundtable Series

Resources

- ACI website: www.kpmg.com/aci
- ACI mailbox: auditcommittee@kpmg.com
- ACI hotline: 1-877-KPMG-ACI
Contacts

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(314) 244-4024
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Christina Renz
Senior Manager
KPMG LLP
(314) 244-4200
crother@kpmg.com
September 15, 2014

Dr. Brian Burnett
Chief Financial Officer
University of Missouri System
215 University Hall
Columbia, MO 65211

PRIVATE

This letter is an addendum to the engagement letter dated March 26, 2014, as authorized by the University of Missouri System (the University), and sets forth our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. Except as specified herein, all provisions of the March 26, 2014 engagement letter remain in effect until either the Board of Curators or we terminate the agreement or mutually agree to the modification of its terms.

We will apply the following agreed-upon procedures of the National Collegiate Athletic Association (NCAA) outlined in the accompanying Appendix to the Department of Intercollegiate Athletics of the University of Missouri’s Columbia and Kansas City campuses (Columbia and Kansas City, respectively) as of and for the year ended June 30, 2014. These procedures have been requested and agreed to by University management. These procedures may be changed or modified by mutual agreement between the University and KPMG LLP (KPMG) if, for example, unforeseen circumstances arise. KPMG will promptly discuss any such circumstances with the University and, likewise, the University agrees to promptly notify KPMG if modifications of the procedures are requested. This engagement is solely to assist University management in evaluating whether the Statements of Revenues and Expenses (the Statements) of the University are in compliance with the NCAA Bylaw 3.2.4.16 for the year ended June 30, 2014 for the Columbia and Kansas City campuses. University management is responsible for each Statement and compliance with those requirements. We understand that each statement will be presented in conformity with U.S. generally accepted accounting principles.

At the conclusion of the engagement, the University’s management agrees to supply us with representation letters that, among other things, will confirm management’s responsibility for the sufficiency of the agreed-upon procedures for its purposes and the fair presentation of the specified elements, accounts, or items of the Statements in conformity with U.S. generally accepted accounting principles.

Our engagement to apply agreed-upon procedures will be performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make
no representation regarding the sufficiency of the procedures either for the purpose for which our report is being prepared or for any other purpose.

Because the agreed-upon procedures referred to above do not constitute an audit, we will not express an opinion on any of the elements, accounts, or items of the Columbia and Kansas City Intercollegiate Athletics Department Statement of Revenues and Expenses. Our reports will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those referred to above.

Our reports will include a list of the procedures performed (or reference thereto) and the related findings. Our reports will also contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We have no responsibility to update our reports for events and circumstances occurring after the date of such reports.

Our reports are intended solely for the use of University management and members of the Board of Curators of the University, and are not intended for use by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. If you request that additional specified users of the reports be added, we will require that they acknowledge, in writing, their agreement with the procedures and their responsibility for the sufficiency of the procedures for their purposes.

If we are unable to complete the agreed-upon procedures referred to above, we will discuss the matter with you during the engagement. In such circumstances, we may conclude that we will not issue a report as a result of this engagement.

While our reports may be sent to University management electronically for your convenience, only the hard copy reports are to be relied upon as our work product.

Because of the importance of management’s representations to the effective performance of our services, the University hereby releases KPMG and its personnel from and against any claims, liabilities, costs, and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. In accordance with the foregoing release, KPMG shall not be responsible for any damages suffered or incurred by the University that are attributable to any misrepresentations in the representation letter referred to above or any damages that are punitive in nature, or that are not measured by the University’s actual damages. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

The work papers for this engagement are the property of KPMG. In the event KPMG is requested pursuant to subpoena or other legal process to produce its documents relating to this engagement for the University in judicial or administrative proceedings to which KPMG is not a party, the University shall reimburse KPMG at standard billing rates for its professional time and expenses, including reasonable attorney’s fees, incurred in responding to such requests.
We shall be pleased to discuss this letter with you at any time. For your convenience in confirming these arrangements, we enclose a copy of this letter. Please sign and return it to us.

Very truly yours,

KPMG LLP

Susan J. Eickhoff
Partner

cc: Ms. Pamela Q. Henrickson, Chair of the Audit Committee of the Board of Curators
    Mr. Timothy M. Wolfe, President of the University of Missouri System
    Mr. Ryan Rapp, Controller of University of Missouri System

ACCEPTED:

THE CURATORS OF THE UNIVERSITY OF MISSOURI

Authorized Signature

Brian D. Burnett, Ph.D.
Vice President for Finance &
Title Chief Financial Officer

Date 9/24/14

APPROVED AS TO LEGAL FORM

9-24-14
National Collegiate Athletic Association Agreed-Upon Procedures

We will apply the following agreed-upon procedures to the National Collegiate Athletic Association (NCAA) to the Department of Intercollegiate Athletics of the University of Missouri’s (the University) Columbia and Kansas City campuses (Columbia and Kansas City, respectively), where applicable, as of and for the year ended June 30, 2014:

1) Obtain Columbia’s and Kansas City’s Department of Intercollegiate Athletics Statement of Revenues and Expenses (Statement of Revenues and Expenses) for the year ended June 30, 2014 from management. We will compare and agree the total for each category of operating revenues per the respective Statement of Revenues and Expenses to the general ledger.

2) Recalculate the mathematical accuracy of operating revenues within the Statement of Revenues and Expenses for the year ended June 30, 2014.

3) Compare revenue and expenditure amounts per the Statement of Revenues and Expenses for the year ended June 30, 2014 to revenue and expenditure amounts per the Statement of Revenues and Expenses for the year ended June 30, 2013. Select all balances which increased or decreased more than $100,000 and 10% from the prior year and obtain from management an explanation as to the nature of the increase or decrease.

4) Compare revenue and expenditure amounts per the Statement of Revenues and Expenses for the year ended June 30, 2014 to the budgeted amount per a budgetary schedule provided by management. Select all balances which increased or decreased more than $100,000 and 10% from budget estimates and obtain from management an explanation as to the nature of the increase or decrease.

5) Obtain and inspect supporting general ledger transaction detail for revenue and expenditure amounts. Recalculate the revenue and expenditure amounts recorded in the general ledger transaction detail and agree the total to the total recorded in the Statement of Revenues and Expenses.

6) Obtain the reconciliations of football (Columbia) and men’s and women’s basketball (Columbia and Kansas City) ticket revenues between the sales journal maintained by the respective Department and the University’s general ledger and recalculate totals.

7) Select a sample of ten transactions from the detail of ticket sales revenue which includes football (Columbia), and men’s and women’s basketball (Columbia and Kansas City). For these transactions, compare and agree tickets sold, complimentary tickets provided, and unsold tickets to the supporting documentation for the related revenue reported in the respective Statement of Revenues and Expenses and the related attendance figures.
8) Inquire as to the existence of student fees revenue. Obtain supporting documentation, including allocation journal entries, for ten student fees transactions. We will compare and agree the amounts to the general ledger.

9) For guarantees revenue, select a sample of five games of guarantees revenue and obtain the related supporting documentation, including check copies, cash receipt reports, deposit slips, and contractual agreements. We will recalculate the supporting documentation and compare and agree the amounts to the general ledger.

10) For contributions revenue, compare and agree a sample of ten contributions to supporting documentation and the general ledger. Include within the sample any contributions greater than 10% of the total contributions, if any.

11) For direct institutional support revenue, compare and agree a sample of ten receipts to supporting documentation and the general ledger.

12) Obtain and inspect management’s calculation of indirect facilities and administrative support revenue and recalculate totals. Compare and agree a sample of ten receipts to supporting documentation and the general ledger.

13) For NCAA/Conference Distributions including All Tournament revenues recorded by the Department, compare and agree a sample of ten receipts to supporting documentation and the general ledger.

14) Inquire as to the existence of any media contracts related to the University’s participation in revenues from broadcast, television, radio and Internet rights, and obtain from management a listing of revenues from broadcast, television, radio, and Internet rights and recalculate totals. Compare and agree a sample of ten receipts to the related contract, payment received, and the general ledger.

15) For program sales, concessions, novelty sales and parking revenue, compare and agree a sample of ten receipts from the supporting schedules to supporting documentation. Recalculate the supporting documentation and compare and agree amounts to the general ledger.

16) Inquire as to the existence of any agreements related to the University’s participation in revenues from royalties, advertisements and sponsorships. Obtain a listing of all royalties, licensing, advertisements, and sponsorships and recalculate totals. Compare and agree a sample of ten receipts to the related contract, the payments received, and the general ledger.

17) Inquire as to the existence of any institutional sports camp and clinics. Obtain and inspect supporting documentation for a sample of ten sports camp revenue receipts. Recalculate the supporting documentation and compare and agree amounts to the general ledger.
18) Obtain supporting documentation, including allocation journal entries, for allocated endowment and investment income. Using a level of precision of 3%, recalculate the respective Department’s allocated investment income based on the monthly average cash balance, as provided by University management, multiplied by the applicable allocation factor as defined by University policy for one investment allocation entry.

19) For other revenues, obtain and inspect supporting documentation for a sample of ten receipts. Recalculate the supporting documentation and compare and agree amounts to the general ledger.

20) For athletic student aid, obtain and inspect supporting documentation for five athletic student aid recipients. Recalculate the supporting documentation and compare and agree amounts to the general ledger.

21) For guarantees expenses, select a sample of five games and obtain the related supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

22) Obtain and inspect a listing of head coaches and assistant coaches employed by the University during the year. Select a sample of five coaches’ contracts that must include football (Columbia), and men’s and women’s basketball (Columbia and Kansas) from the listing. Compare and agree the financial terms and conditions of each selection to the related coaches’ salaries, benefits, and bonuses recorded by the University. Obtain and inspect W-2’s, 1099s, etc. for each selection. Compare and agree to the related coaching salaries, benefits, and bonuses paid by the University during this period to the related contract and the University’s general ledger.

23) For support staff/administrative salaries, benefits, and bonuses paid by the University and related entities, select a sample of 20 support staff/administrative personnel employed by the University for the Department. Obtain and inspect W-2’s, 1099s, etc. for each selection. Recalculate the supporting documentation and compare and agree amounts to the general ledger.

24) Inquire as to the existence of any severance payment expenses. Select a sample of five employees, if applicable, of the Department receiving severance payments by the University. Compare and agree each severance payment to the related termination letter or employment contract and the University’s general ledger.

25) Obtain the University’s recruiting expense policies and compare and agree to existing institutional-and NCAA-related policies to ensure that the University’s policies contained the provisions within the NCAA-related policies. Select a sample of five recruiting expense payments by the University. Recalculate the supporting documentation and agree amounts to the general ledger.
26) Obtain the University’s team travel policies and compare and agree to existing institutional- and NCAA-related policies to ensure that the University’s policies contained the provisions within the NCAA-related policies. Select a sample of five team travel expense payments by the University. Recalculate the supporting documentation and agree amounts to the general ledger.

27) Obtain from management a listing of expenses by the University for equipment, uniforms and supplies provided to men’s and women’s teams and recalculate totals. Select a sample of five payments from the listing and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

28) Obtain from management a listing of expenses by the University for game expenses other than travel for men’s and women’s teams and recalculate totals. Select a sample of five payments from the listing and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

29) Obtain from management a listing of costs incurred by the University associated with fundraising, marketing and promotion for men’s and women’s teams and recalculate totals. Select a sample of five payments from the listing and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

30) For institutional sports camp and clinics noted, obtain from management a listing of costs incurred by the University associated with institutional sports camps and recalculate totals. Select a sample of five payments from the listing and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

31) Obtain from management a listing of direct facilities, maintenance and rental expense, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

32) Obtain from management a listing of expenses by the University in support of spirit groups expense, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

33) Obtain from management a listing of expenses by the University for indirect facilities and administrative support, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

34) Obtain from management a listing of expenses by the University for medical expenses and medical insurance premiums for student-athletes, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.
35) Obtain from management a listing of expenses by the University for memberships, conferences and association dues for men’s and women’s teams, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

36) Obtain from management a listing of expenses by the University for other operating activities, select a sample of five expenses from the listing, and obtain supporting documentation. Recalculate the supporting documentation and agree amounts to the general ledger.

37) Obtain and inspect a detail listing of capital assets of the Department of Intercollegiate Athletics as of June 30, 2014 for Columbia and Kansas City. Verify mathematical accuracy of the detail listing of capital assets, and agree to amounts presented within the respective Notes to the Statement of Revenues and Expenses.

38) Obtain and inspect repayment schedules for all outstanding debt of the Department of Intercollegiate Athletics as of June 30, 2014 for the Columbia and Kansas City campuses. Recalculate the annual maturities, consisting of principal and interest, provided within the repayment schedules obtained. Compare and agree the outstanding principal maturities to the amounts presented within the respective Notes to the Statement of Revenues and Expenses.

39) Inquire as to the existence of any coaching other compensation and benefits paid by a third party and support staff/administrative other compensation and benefits paid by a third party. For any coaching other compensation and benefits paid by a third party and support staff/administrative other compensation and benefits paid by a third party noted, obtain from management a listing of such coaching other compensation and benefits paid by a third party and support staff/administrative other compensation and benefits paid by a third party and recalculate totals. Compare and agree a sample of five coaching other compensation and benefits paid by a third party and five support staff/administrative other compensation and benefits paid by a third party to the contractual agreement or supporting documentation, including W-2’s, 1099s, etc. and the University’s general ledger. Agree coaching other compensation and benefits paid by a third party and support staff/administrative other compensation and benefits paid by a third party expenses to the related compensation and benefits provided by a third party revenues recorded.
January 14, 2015

Ladies and Gentlemen:

In connection with your engagement to apply agreed-upon procedures, which were agreed to by the management of the University of Missouri – Kansas City (the University), solely to assist us in evaluating whether the Statement of Revenues and Expenses (the Statement) of the University is in compliance with Section 6.2.3 of the Constitution of the National Collegiate Athletic Association (NCAA) for the year ended June 30, 2014, we confirm:

1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.

Further, we confirm that, to the best of our knowledge and belief, the following representations made to you during your agreed-upon procedures engagement:

2. We have prepared the Statement of Revenues and Expenses completely, accurately and in accordance with NCAA guidelines for the year ended June 30, 2014.

3. We are responsible for the subject matter and, when applicable, the assertion.

4. We are responsible for the fair presentation of the subject matter prepared in conformity with Section 6.2.3 of the Constitution of the NCAA for the year ended June 30, 2014.

5. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.

6. We have made available to you all related financial records and data.
7. We have advised you of all actions taken at meetings of the Board of Curators and committees of the Board of Curators that may affect the subject matter.

8. We have reviewed a draft of your report of findings dated January 14, 2015, and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.

9. We take responsibility for the sufficiency (nature, timing and extent) of the agreed-upon procedures for our purposes.

10. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.

11. Your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

12. We have responded fully to all inquiries made to us by you during your engagement.

13. We have communicated to you all known matters contradicting the subject matter or the assertion.

14. No procedures have been performed since the date of your report and you have no responsibility to update your procedures.

15. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.

16. The University has complied with all NCAA legislation that would have a material effect on the subject matter or the assertion in the event of noncompliance.

17. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.
Very truly yours,

The University of Missouri – Kansas City

Dr. Brian Burnett
Vice President for Finance and Chief Financial Officer
University of Missouri System

Lee E. Marion
Chancellor
University of Missouri – Kansas City

Ryan Rapp
Controller
University of Missouri System

Carla E. Wilson
Director of Athletics
University of Missouri – Kansas City

Patricia L. Baldwin
Administrative Business Manager, Intercollegiate Athletics
University of Missouri – Kansas City

April 9-10, 2015
KPMG LLP  
10 South Broadway  
Suite 900  
St. Louis, MO 63102

January 14, 2015

Ladies and Gentlemen:

In connection with your engagement to apply agreed-upon procedures, which were agreed to by the management of the University of Missouri – Columbia (the University), solely to assist us in evaluating whether the Statement of Revenues and Expenses (the Statement) of the University is in compliance with Section 6.2.3 of the Constitution of the National Collegiate Athletic Association (NCAA) for the year ended June 30, 2014, we confirm:

1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.

Further, we confirm that, to the best of our knowledge and belief, the following representations made to you during your agreed-upon procedures engagement:

2. We have prepared the Statement of Revenues and Expenses completely, accurately and in accordance with NCAA guidelines for the year ended June 30, 2014.

3. We are responsible for the subject matter and, when applicable, the assertion.

4. We are responsible for the fair presentation of the subject matter prepared in conformity with Section 6.2.3 of the Constitution of the NCAA for the year ended June 30, 2014.

5. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.

6. We have made available to you all related financial records and data.
7. We have advised you of all actions taken at meetings of the Board of Curators and committees of the Board of Curators that may affect the subject matter.

8. We have reviewed a draft of your report of findings dated January 14, 2015, and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.

9. We take responsibility for the sufficiency (nature, timing and extent) of the agreed-upon procedures for our purposes.

10. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.

11. Your report is intended solely for use by us and the other specified parties, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.

12. We have responded fully to all inquiries made to us by you during your engagement.

13. We have communicated to you all known matters contradicting the subject matter or the assertion.

14. No procedures have been performed since the date of your report and you have no responsibility to update your procedures.

15. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.

16. The University has complied with all NCAA legislation that would have a material effect on the subject matter or the assertion in the event of noncompliance.

17. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.
Very truly yours,

The University of Missouri – Columbia

[Signature]

Dr. Brian Burnett
Vice President for Finance and Chief Financial Officer
University of Missouri System

[Signature]

R. Bowen Loftin
Chancellor
University of Missouri – Columbia

[Signature]

Ryan Rapp
Controller
University of Missouri System

[Signature]

Michael F. Alden
Athletics Director, Intercollegiate Athletics
University of Missouri – Columbia

[Signature]

Kevin Hayward
Associate Athletics Director, Intercollegiate Athletics
University of Missouri – Columbia

April 9-10, 2015
March 16, 2015

KPMG LLP
10 South Broadway
Suite 900
St. Louis, MO 63102

Ladies and Gentlemen:

We are providing this letter to confirm our understanding that the purpose of your testing of transactions and records relating to the University of Missouri System’s federal programs (A-133 audit) was to obtain reasonable assurance that the University had complied, in all material respects, with the requirements of laws, regulations, contracts, and grants that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. We reaffirm the representations made to you in our letter dated October 10, 2014.

We confirm, to the best of our knowledge and belief, the following representations made to you during your A-133 audit:

1. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements.

2. We are responsible for understanding and complying with the requirements of laws and regulations and the provisions of contracts and grant agreements related to each of the University’s federal programs.

3. We are responsible for taking corrective action on audit findings of the compliance audit.

4. We are responsible for the design and implementation of programs and controls to prevent and detect fraud in the administration of federal programs. We have no knowledge of any fraud or suspected fraud affecting the entity’s federal programs involving:
   a. Management, including management involved in the administration of federal programs.
   b. Employees who have significant roles in internal control over the administration of federal programs.
   c. Others where the fraud could have a material effect on compliance with laws and regulations, and provisions of contract and grant agreements related to its federal programs.

5. We are responsible for the presentation of the schedule of expenditures of federal awards (SEFA) in accordance with OMB Circular A-133 and:
   a. The methods of measurement or presentation of the supplementary information have not changed from those used in the prior period.
b. The significant assumptions or interpretations underlying the measurement or presentation of the supplementary information are reasonable and appropriate in the circumstances.

Additionally, we confirm, to the best of our knowledge and belief having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, as of March 13, 2015, the following representations made to you during your A-133 audit:

6. The University is responsible for complying, and has complied, with the requirements of OMB Circular A-133.

7. The University has prepared the SEFA in accordance with the requirements of OMB Circular A-133 and:

   a. Has included all expenditures made during the year ended June 30, 2014 for all awards provided by federal agencies in the form of grants, American Recovery and Reinvestment Act (ARRA) awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

   b. Appropriately identified and separated all ARRA awards, if any, within the SEFA.

8. The University has complied with requirements of laws and regulations, and the provisions of contracts and grant agreements related to each of its federal programs except as identified in the schedule of findings and questioned costs.

9. We have disclosed to you any interpretations of any compliance requirements that have varying interpretations.

10. The University has established and maintained effective internal control over compliance for federal programs that provides reasonable assurance that federal awards are administered in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on a federal program.

11. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over compliance that we have identified, which could adversely affect the University’s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, and the provisions of contracts and grant agreements. Under standards established by the American Institute of Certified Public Accountants, a deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program.

   A “material weakness” is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. A “significant deficiency” is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

April 9-10, 2015
12. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.

13. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to major federal programs.

14. We have made available all documentation related to the compliance requirements, including information related to federal financial reports and claims for advances and reimbursements for major federal programs.

15. We have identified and disclosed to you all questioned costs and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.

16. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor’s report.

17. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor’s report.

18. The University is in compliance with documentation requirements contained in OMB Circular A-21, "Cost Principles for Educational Institutions" for all costs charged to federal awards, including both direct costs and indirect costs charged through indirect cost rate proposals. Costs charged to federal awards are considered allowable under the applicable cost principles contained in OMB Circular A-21.

19. Federal financial reports and claims for advances and reimbursements are supported by the accounting records from which the financial statements have been prepared.

20. The copies of federal financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

21. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. If applicable, the University has issued management decisions on a timely basis after receipt of subrecipient audit reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and has ensured that subrecipients have taken appropriate and timely corrective action on such findings.

22. We have considered the results of subrecipient audits and have made any necessary adjustments to the University accounting records.

23. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133.

24. If applicable, we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

25. The University has accurately completed Part I of the data collection form.
26. We have advised you of all contracts or other agreements with service organizations.

27. If applicable, we have disclosed to you all communications from its service organizations relating to noncompliance at the service organizations.

28. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.

29. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent to the date as to which compliance is audited.

30. We have advised you that it does not participate in the zone alternative.

31. We have disclosed to you all known reportable events related to the zone alternative as specified under 34 CFR section 668.175(d)(2)(ii). Furthermore, the University has timely notified the Secretary of Education of the reportable event within 10 days in the required manner.

32. We have disclosed to you all known legal proceedings that have been initiated against the University for any violation of any loan agreements or any failure to pay creditors.
Very truly yours,

THE UNIVERSITY OF MISSOURI SYSTEM

Timothy M. Wolfe  
President

Brian D. Burnett, Ph.D.  
Vice President for Finance and Chief Financial Officer

Ryan Rapp  
Controller

Eric Vogelweid  
Assistant Controller

Susan Cessac  
Manager, Cost Analysis
Members of the Audit Committee of the Board of Curators
University of Missouri System:

We have completed our Single Audit of the University of Missouri System in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2014 and Minimum Agreed-Upon Procedures required by the NCAA for the University of Missouri System Collegiate Athletics Departments of the Columbia and Kansas City campuses for the fiscal year ended June 30, 2014.

Under our professional standards, we are providing you with the enclosed information related to the results of our audit and agreed-upon procedures, as well as our independent external audit plan for the fiscal year ending June 30, 2015.

This report to the Audit Committee of the Board of Curators is intended solely for the information and use of the Board of Curators and University management and is not intended to be and should not be used by anyone other than these specified parties. This report is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

We wish to express our gratitude for the cooperation and courtesy extended to us by all University personnel. Should you have any questions or additional requests as you review our presentation or talking points attached hereto, please do not hesitate to contact me at 314-244-4024.

Very truly yours,

Susan J. Eickhoff
Partner
University of Missouri System
Talking Notes for Board of Curators Meeting
April 9 and 10, 2015

OMB Circular A-133 audit results for fiscal year 2014
NCAA agreed-upon procedures results for the fiscal year 2014
Independent external audit plan for fiscal year 2015

I. Agenda
a. OMB Circular A-133 single audit results for the fiscal year ended June 30, 2014
b. NCAA agreed-upon procedures results for the fiscal year ended June 30, 2014
c. Audit plan for the fiscal year ending June 30, 2015
d. Material written communications between KPMG and management subsequent to the last audit committee of the board of curators meeting
   i. Engagement letter for the NCAA procedures for the fiscal year ended June 30, 2014
   ii. University of Missouri – Kansas City NCAA management representation letter
   iii. University of Missouri – Columbia NCAA management representation letter
   iv. OMB Circular A-133 single audit management representation letter

II. OMB Circular A-133 Single Audit results for the fiscal year ended June 30, 2014
a. Overview of the schedule of expenditures of federal awards
   i. Face of Schedule of Expenditures of Federal Awards: $728,632,471
   ii. Plus: Net Impact of Campus-Based Loan Programs: $39,451,181
   iii. Total Expenditures of Federal Awards Subject to Compliance Requirements: $768,083,328
   iv. The Total Expenditures of Federal Awards Subject to Compliance Requirements includes $7.1 million of American Recovery and Reinvestment Act (ARRA) funding, and approximately $19 million in expenditures (ARRA and non-ARRA) provided to subrecipients.
b. Summary of major programs
   i. Major Federal award programs subject to audit
      1. Student Financial Assistance Cluster – $531.1 million, including loan programs (includes – $187 thousand of ARRA outstanding loans)
      2. Research and Development Cluster – $149.9 million (includes $1.8 million of ARRA expenditures)
      3. Supplemental Nutrition Assistance Program Cluster (SNAP) – $7.9 million (no ARRA expenditures)
      4. Special Education Cluster (IDEA) – $4.6 million (no ARRA expenditures)
      5. CFDA # 10.500 – Cooperative Extension Service – $11.4 million (no ARRA expenditures)
      6. CFDA # 10.960 – Foreign Agriculture Service Program – $4.9 million (no ARRA expenditures)
   ii. All other Federal award programs listed in the Schedule of Expenditures of Federal Awards were not major programs and thus not subject to the audit requirements prescribed by OMB Circular A-133

c. OMB Circular A-133 Report Opinions

d. Student financial assistance cluster major program results
   i. Report finding 2014-001
      1. Compliance requirement: ST&P Disbursements to or on behalf of students
      2. Classification of finding – Internal control: Significant Deficiency
      3. Classification of finding – Compliance: Other Instance of Noncompliance
   ii. Opinion for the Student Financial Assistance Cluster Major Program: Unmodified

e. Research and development cluster major program results
   i. Report finding 2014-002
      1. Compliance requirement: Allowable Costs/Cost Principles
      2. Classification of finding – Internal control: Significant Deficiency
      3. Classification of finding – Compliance: Other Instance of Noncompliance
   ii. Report finding 2014-003
      1. Compliance requirement: Equipment and Real Property Management
      2. Classification of finding – Internal control: Significant Deficiency
      3. Classification of finding – Compliance: Not Applicable
   iii. Report finding 2014-004
      1. Compliance requirement: Reporting
      2. Classification of finding – Internal control: Significant Deficiency
      3. Classification of finding – Compliance: Other Instance of Noncompliance
   iv. Opinion for the Research and Development Cluster Major Program: Unmodified

f. All other major program results
   i. Unmodified opinion and no findings reported related to compliance or internal control over compliance for the following remaining major programs:
      1. Supplemental Nutrition Assistance Program Cluster (SNAP)
      2. Special Education Cluster (IDEA)
      3. Cooperative Extension Service
      4. Foreign Agriculture Service Program

III. NCAA agreed-upon procedures results for the fiscal year ended June 30, 2014
a. National Collegiate Athletic Association (NCAA) establishes agreed-upon procedures report requirements
   i. Required annually for Division I Institutions (University of Missouri – Columbia and University of Missouri – Kansas City)
   ii. Required every three years for Division II Institutions (University of Missouri – St. Louis and Missouri University of Science & Technology)

b. Overview of NCAA Agreed-Upon Procedures:
   i. Management of the System dictates scope of procedures based upon minimum guidelines established by the NCAA
   ii. Procedures performed over the Statement of Revenues and Expenses
      1. Comparison of current year revenues and expenses to prior year revenues and expenses
      2. Comparison of current year revenues and expenses to budgeted revenues and expenses
      3. A selection of activity of revenues and expenses is inspected for test work, based upon sample sizes provided by System management
iii. Procedures performed over the Notes to the Statement of Revenues and Expenses, as applicable
   1. Capital assets
   2. Debt

IV. **Audit plan for the fiscal year ending June 30, 2015**
   a. KPMG Audit Team Roles
   i. Susan Eickhoff: Lead Engagement Partner with overall authority and responsibility for services provided to the University of Missouri System.
   ii. Michele Stromp: Concurring Review Partner and serves as a resource who reviews reports and other information on which KPMG will opine or attest to help ensure that the form, content, and disclosures meet the latest firm and professional standards.
   iii. Christina Renz: Engagement Senior Manager and serves as a day-to-day audit liaison between the University of Missouri System and KPMG.
   iv. Samantha Mueller: Engagement Manager and serves as a day-to-day audit liaison between the University of Missouri System and KPMG.

b. Responsibilities:
   i. Management is responsible for:
      1. Adopting sound accounting policies
      2. Fairly presenting the financial statements in conformity with generally accepted accounting principles
      3. Establishing and maintaining effective internal controls over financial reporting (ICFR)
      4. Identifying and confirming that the University complies with laws and regulations applicable to its activities
      5. Making all financial records and related information available to the auditor
      6. Providing unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence
      7. Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to management’s:
         a. Disclosure of significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the University’s ability to record, process, summarize, and report financial data
         b. Acknowledgement of their responsibility for the design and implementation of programs and controls to prevent and detect fraud
         c. Responsibility for adjusting the financial statements to correct material misstatements relating to accounts or disclosures and for affirming to the auditor that the effects of any uncorrected misstatements aggregated by the auditor are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
   ii. The Audit Committee is responsible for:
      1. Oversight of the financial reporting process and ICFR
      2. Oversight of the establishment and maintenance by management of programs and internal controls designed to prevent and detect fraud.
   iii. Management and the Audit Committee are responsible for:
      1. Establishing and maintaining internal controls to prevent, deter, and detect fraud
      2. Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards
iv. The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities

c. Scope of audit services for the year ending June 30, 2015
   i. Scope of work:
      1. Audit of the financial statements of the:
         a. University of Missouri System
         b. University of Missouri Health Care (MU Health Care)
         c. Capital Region Medical Center
      2. Independent Auditors’ 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*
      3. Single Audit of the University of Missouri System in accordance with OMB Circular A-133
      4. Minimum Agreed-Upon Procedures required by the NCAA for the University of Missouri System Collegiate Athletics Departments of the Columbia, Kansas City, Rolla, and St. Louis campuses
   ii. Applicable financial reporting framework: U.S. Generally Accepted Accounting Principles
   iii. Applicable auditing standards:
      1. Auditing standards generally accepted in the United States of America as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants
      2. *Government Auditing Standards*
   iv. Other terms of the engagement
      1. Management Letter, if applicable
      2. Presentation to communicate audit plan and audit results

d. Audit Timeline
   i. April – June 2015
      1. Conduct planning meetings and interim procedures related to the financial statement audits
      2. Complete risk assessment procedures and confirm preliminary risks
      3. Arrange audit logistics
      4. Determine overall audit strategy
      5. Determine planned audit approach for the financial statement audits
      6. Understand accounting and reporting activities
      7. Plan and perform interim control and substantive procedures related to the financial statement audits
      8. Evaluate entity level controls
      9. Evaluate design and implementation and test the operating effectiveness of selected controls including information technology general controls
      10. Begin planning and performing control and compliance procedures related to the OMB Circular A-133 Single Audit
   ii. July – December 2015
      1. Perform final control and substantive audit procedures related to the financial statement audits
      2. Form audit conclusions related to the financial statement audits
      4. Issue letter to management on deficiencies in internal control, if applicable
      5. Continuation of planning and performing control and compliance procedures related to the OMB Circular A-133 Single Audit
6. Perform minimum agreed-upon procedures required by the NCAA for the Collegiate Athletics Department

iii. January – March 2016
   1. Issue Independent Auditors’ Reports on Minimum Agreed-Upon Procedures required by the NCAA for the Collegiate Athletics Departments
   2. Perform remaining control and compliance procedures related to the OMB Circular A-133 Single Audit
   3. Form audit conclusions related to the OMB Circular A-133 Single Audit
   4. Issue OMB Circular A-133 Single Audit

e. Involvement of others in auditing procedures
   i. Use of KPMG Specialists
      1. Information Risk Management
      2. KPMG Actuaries
         a. Self-Insurance Liabilities
         b. Pension and Other Postemployment Benefit Obligations
      3. Tax Review Specialists
      4. Valuation Specialists, as considered necessary
   ii. External Experts used by the University of Missouri System
      1. Valuation of investments, including alternative investments
      2. Valuation of self-insurance liabilities
      3. Valuation of pension and other postemployment benefit obligations
      4. Valuation of derivative instruments
      5. Valuation of in-kind contributions, as deemed appropriate
   iii. Service Organizations
   iv. NOTE: The list of specialists above highlights significant involvement of others in the audit process; however, it is not intended to highlight all others involved in the audit process.

f. Preliminary risk assessments
   i. Financial statement level risks
      1. Valuation of Alternative Investments, and Valuation of Derivative Instruments
         a. Alternative investments are recorded based upon estimated fair value provided by the management of the alternative investment partnerships or funds. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for the investments existed. Additionally, the System has entered into derivative agreements (such as interest rate swap agreements). Such agreements must be recorded in accordance with GASB No. 53, Accounting for Derivative Instruments, which includes recording such agreements at fair value.
         b. We will update our understanding of management’s process used to determine the estimated fair value of investments (including alternative investments), the availability of information used in determining estimated fair value of investments, and exposure related to valuation. For alternative investments, we will further understand the extent of the System’s investment in alternative investments. We will understand the level of visibility into underlying securities, and perform procedures necessary to ascertain existence and valuation. As it relates to derivative instruments recorded at fair value, we will obtain an understanding of management’s process used to value such agreements, and perform procedures to ensure proper accounting and disclosure of such agreements.
2. Regulatory Compliance
   a. The System receives substantial funding from Federal sources and pass-through entities to support research activities, student financial assistance programs, and other initiatives of the System. This funding is often subject to regulations impacting the manner in which such funding is spent, as well as other regulations that must be followed.
   b. We will update our understanding of management’s process to monitor compliance requirements accompanying the receipt of Federal and pass-through entities funding. We will inspect contracts and agreements and test the System’s compliance with applicable rules and regulations, and consider the impact of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Final Rule (Uniform Guidance) issued by OMB on December 26, 2013.

3. Accounting for Gifts/Contributions and Presentation of Net Position
   a. U.S. generally accepted accounting principles includes requirements regarding the presentation, classification, and recording of gifts/contributions. The presentation of gifts/contributions within the statement of revenues, expenses, and changes in net position varies depending upon the type of gift/contribution and whether eligibility requirements exist related to the recording of the gift/contribution. Additionally, gift instruments must be reviewed to ensure accurate presentation within net position
   b. We will obtain an understanding of the System’s controls and perform substantive procedures to ensure that gifts are accurately recorded and classified within the statement of revenues, expenses, and changes in net position, as well as within the proper net position category.

4. Risk Management
   a. The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees.
   b. We will update our understanding of the self-insurance risk programs of the System, as well as significant actuarial assumptions utilized in developing the estimated self-insurance liabilities. We will utilize a KPMG actuary to perform an actuarial analysis of the estimated self-insurance liabilities.

5. General Information Technology Controls
   a. General information technology controls have a pervasive impact on controls throughout the System.
   b. The engagement team includes KPMG Information Risk Management professionals, who will perform walkthroughs and tests of design and operating effectiveness related to general information technology controls related to the key financial accounting and reporting systems. Procedures will be performed related to access to programs and data, program changes, program development, computer operations, and end-user computing.

6. Patient Medical Service Revenues, Receivables, Bad Debt Expense, Contractual Allowances and Third Party Settlements
   a. Patient medical service revenues and receivables are recognized at the time of service according to established billing rates. As a result of contractual agreements in place with third-party payors, patient care reimbursement will differ from these established rates.
b. We will perform procedures related to the patient care process to ensure controls are properly designed and operating effectively to ascertain the completeness, existence, accuracy, and valuation of patient care revenues and receivables, and related to the charge capture to ensure proper charges entered into the system exist and are accurate. Additionally, we will perform substantive procedures over the net patient care revenues and net patient care receivables.

g. Accounting and regulatory matters
   i. The following accounting pronouncements and/or regulations were recently issued and/or newly applicable for the year ending June 30, 2015, and will be assessed for applicability to the University of Missouri System, University of Missouri Health Care, and/or Capital Region Medical Center:
      1. GASB No. 72, *Fair Value Measurement and Application* – Effective for Financial Statements for Periods Beginning after June 15, 2015 with earlier implementation encouraged

h. KPMG’s Audit Committee Institute
   i. Upcoming Events
      1. KPMG/ACI/National Association of Corporate Directors (NACD) Quarterly Audit Committee Webcast Series
      2. Future 2015 Webcasts
         b. September 24, 2015
      3. Previous Webcasts available for replay
         a. June 26, 2014 – *Transitioning to COSO 2013: Considerations for the Audit Committee*
         b. March 27, 2014 – *Cyber Insecurity: How Safe Can the Company’s Data Assets Be?*
         c. September 25, 2013 – *Managing Risk for Strategic Value and Competitive Advantage*
   ii. Audit Committee Institute Roundtable Series
   iii. Resources
      1. Audit Committee Insights (email newsletter): [www.kpmginsights.com](http://www.kpmginsights.com)
      2. ACI website: [www.kpmg.com/aci](http://www.kpmg.com/aci)
      3. ACI mailbox: auditcommittee@kpmg.com
      4. ACI hotline: 1-877-KPMG-ACI