

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee****2013 Audit Plans – KPMG and Peterson Sullivan**

For information only.

Attachments

1. KPMG - University of Washington, 2013 Audit Plan
2. Peterson Sullivan - University of Washington, Metropolitan Tract Audit for the Year Ending June 30, 2013
3. Peterson Sullivan LLP - University of Washington, Audits of Housing and Dining System and Retail and Remote Food Services for the Year Ending June 30, 2013
4. Peterson Sullivan LLP - University of Washington, Audits of Departments in Student Life for the Year Ending June 30, 2013
5. Peterson Sullivan LLP - University of Washington, Commodore Duchess, Radford Court and Nordheim Court Audits for the Year Ending June 30, 2013



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2013 Audit Plan
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I. Executive Summary

Scope of Audit

We will audit the balance sheet of the University of Washington (the University) as of June 30, 2013, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit, however we will not express any opinion on the effectiveness of internal controls over financial reporting.

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

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

Coordination with Other Auditors

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

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

Tentative Timetables

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

Responsibilities of management and KPMG

Responsibilities of Management

- Adopting sound accounting policies
- Fairly presenting the financial statements in conformity with generally accepted accounting principles
- Establishing and maintaining effective internal control over financial reporting (ICFR)
- Identifying and confirming that the Company complies with laws and regulations applicable to its activities
- Making all financial records and related information available to the auditor
- Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to, management's:
 - Disclosure of all significant deficiencies, including material weaknesses, in the design or operation of ICFR that could adversely affect the Company's ability to initiate, authorize, record, process, or report financial data
 - Acknowledgement of their responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud

The Board is responsible for:

- Oversight of the financial reporting process and oversight of ICFR

Management and the Board are responsible for:

- Establishing and maintaining internal controls to prevent, deter, and detect fraud
- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards
- The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities.

Responsibilities of KPMG

- Forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles
- Evaluating whether the Company's controls sufficiently address:
 - a) Identified risks of material misstatement due to fraud
 - b) The risk of management override of other controls
- Communicating to the Board in writing all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management deficiencies that, in our professional judgment, are of sufficient importance to merit management's attention
- Conducting our audit in accordance with professional standards
- Complying with the rules and regulations of the Code of Professional Conduct of the AICPA, and the ethical standards of relevant CPA societies and relevant state boards of accountancy
- Planning and performing our audit with an attitude of professional skepticism
- Communicating all required information, including significant matters, to management and the Board

KPMG Quality Control Procedures

- Annual concurring partner review process
- Internal Quality Performance Review
- Internal in-depth reviews every five years associated with debt financings
- PCAOB/External Peer Review – PriceWaterhouse

II. Financial Reporting Entity

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

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

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

II. Financial Reporting Entity (continued)

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

2012 Assets (in millions)	Entities	Financial Statements
\$ 8,403	University of Washington Research, Teaching, and Public Service Activities (Main Campus)* UW Medical Center* Commuter Services* Intercollegiate Athletics* Internal Lending Program* Airlift Northwest* Housing and Food Services Metropolitan Tract	University of Washington Financial Report
\$ 80	Wholly Owned Insurance Company Portage Bay Insurance*	
\$ 167	Affiliated Organizations – Medical entities University of Washington Physicians* University of Washington Physicians Network*	
\$ 401	Affiliated Organizations – Real Estate Properties Washington Biomedical Research Properties I Washington Biomedical Research Properties II Washington Biomedical Research Properties III TSB Properties	
\$ 884	Affiliated Organizations (discretely presented components) UW Medicine/Northwest* Valley Medical Center*	
Organizations Not included in University of Washington Annual Report		
Harborview Medical Center* University of Alumni Association* University of Washington Foundation* Henry Gallery Association, Inc. Washington Law School Foundation Washington Pulp and Paper Foundation		

* Audited by KPMG LLP (KPMG).

III. Scope of Our Audits

University Financial Report

We will audit the balance sheet of the University as of June 30, 2013 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

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

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

University of Washington Medical Center

We will audit the financial statements of the University of Washington Medical Center as of June 30, 2013. We will conduct our audit in accordance with U.S. GAAP. We will provide an audit report on the UW Medical Center and will use our audit as support in our overall opinion on the University.

III. Scope of Our Audits (continued)

In addition to issuing an opinion on the consolidated financial statement of the University of Washington we will also issue reports on the following departmental financial statements:

Intercollegiate Athletics (ICA)

An audit of the ICA will be performed for the year ended June 30, 2013. We will conduct our audit in accordance with U.S. GAAP.

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

Commuter Services

An audit of the Commuter Services department will be performed for the year ended June 30, 2013. We will conduct our audit in accordance with U.S. GAAP.

Internal Lending Program

An audit of the Internal Lending Program will be performed for the year ended June 30, 2013. We will conduct our audit in accordance with U.S. GAAP.

Airlift Northwest

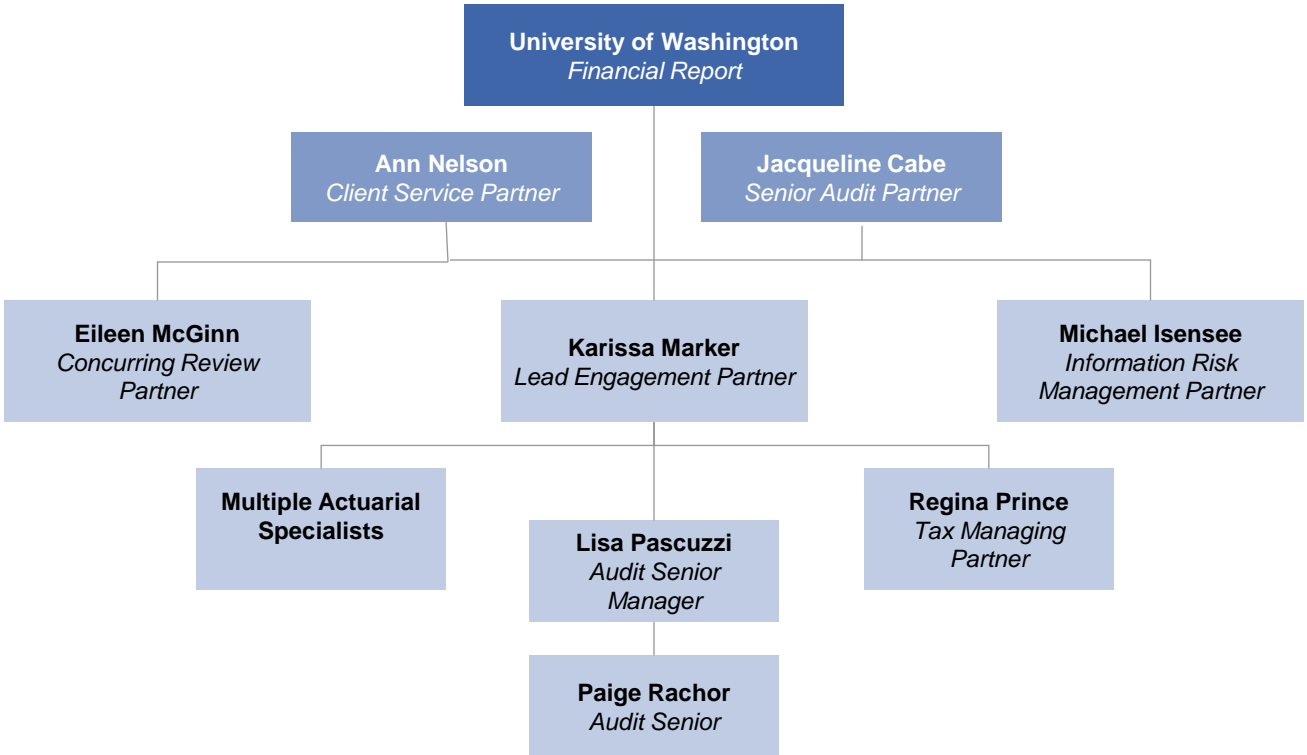
An audit of Airlift Northwest will be performed for the year ended June 30, 2013. We will conduct our audit in accordance with U.S. GAAP.

Affiliated Organizations

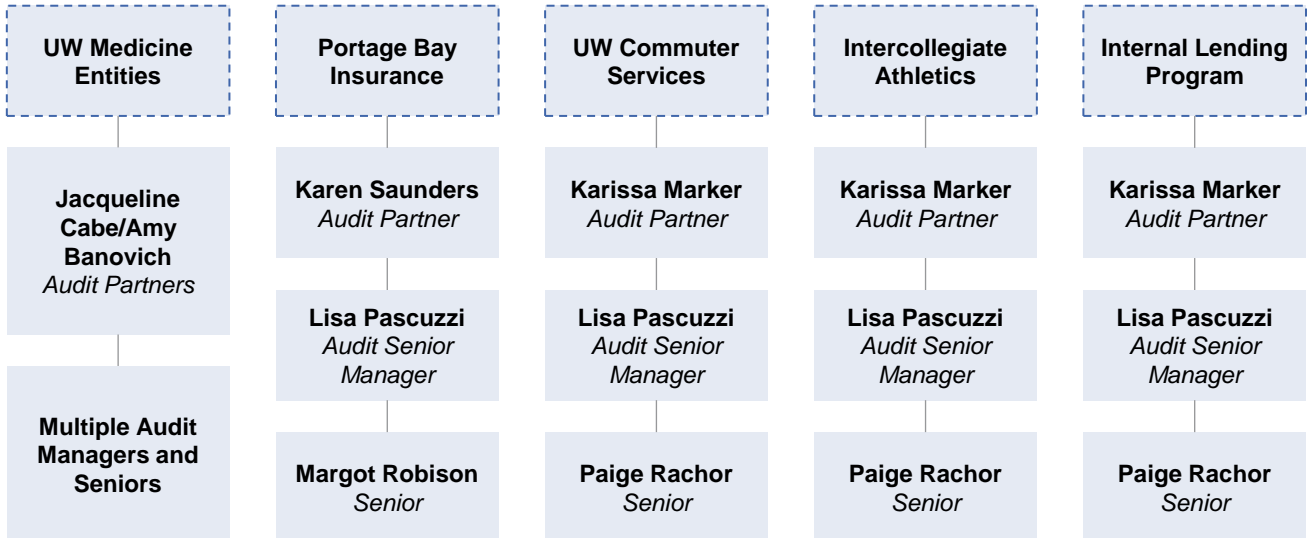
As shown in the table on page 4 there are several other organizations that we perform audits over as well. We refer to these as the Affiliated Organizations. Some of these entities are considered component units of the University and are either shown blended or discretely in a separate column of the financial statements. While others are not included at all in the financial report of the University of Washington.

An audit of each of the following affiliated organizations will be performed for the year ended June 30, 2013: Portage Bay Insurance, University of Washington Physicians, University of Washington Physicians Network, University of Washington Alumni Association, UW Medicine/Northwest, Harborview Medical Center, Valley Medical Center, and University of Washington Foundation. We will conduct our audits in accordance with U.S. GAAP.

IV. KPMG LLP (KPMG) Team Overview



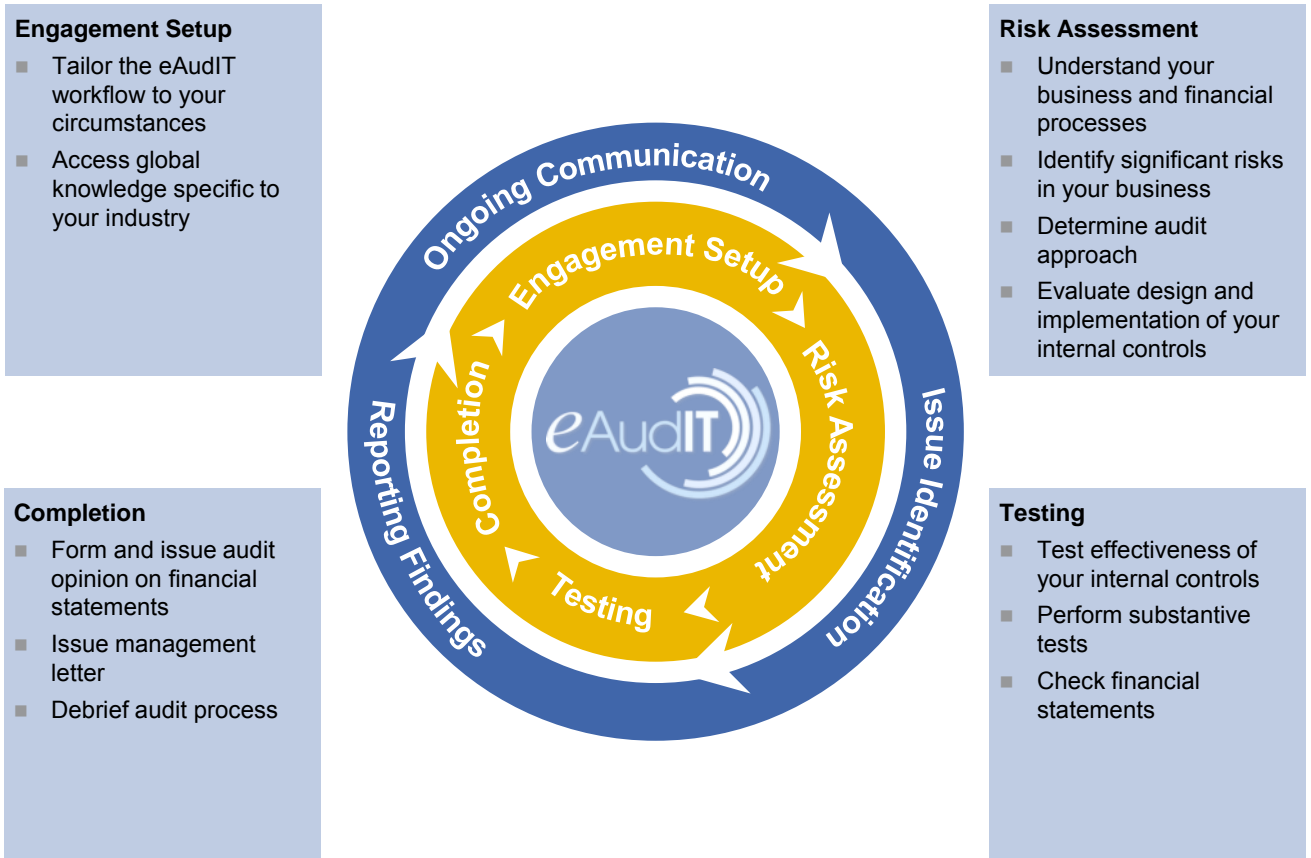
Individual Department and Auxiliary Audits:



V. KPMG Audit Process

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

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



IT General Controls

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

V. KPMG Audit Process (continued)

In Scope Applications

<i>University of Washington</i>	
Audit program, and relevant audit objective references	Application Name
Student Database	SDB
Human Resources and Payroll	HEPPS
General Ledger	FAS
Expenditures	PAS
<i>University of Washington Medical Center</i>	
Audit Program, and relevant audit objective references	Application Name
General Ledger	PFM
AR/Billing	EPIC
<i>Harborview Medical Center</i>	
Audit Program, and relevant audit objective references	Application Name
General Ledger	PFM
AR/Billing	EPIC
<i>Valley Medical Center</i>	
Audit Program, and relevant audit objective references	Application Name
General Ledger	McKesson
AR/Billing	STAR

V. KPMG Audit Process (continued)

Overview of Audit Procedures

Balance Sheet as of June 30, 2012

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> ■ Cash and Investments ■ (\$3.9 billion) 	<ul style="list-style-type: none"> ■ Accounting for and control over cash and investments focused on the completeness, existence, accuracy, and valuation. 	<ul style="list-style-type: none"> ■ Test account reconciliations ■ Confirm key cash and investment balances ■ Procedures in accordance with the AICPA practice aid to test the existence and valuation of investments with special emphasis on alternative Investments, subprime, derivatives, and other hard-to-value investments
<ul style="list-style-type: none"> ■ Accounts Receivable – Patient Services ■ (\$272 million) 	<ul style="list-style-type: none"> ■ Existence of receivables ■ Reasonableness of contractual and bad debt allowances ■ Collectibility of receivables 	<ul style="list-style-type: none"> ■ Substantive audit and controls procedures to test reasonableness of accounts receivable, contractual allowance, and bad debt reserves ■ Understand any changes in reserve methodology ■ Accounts receivable testing for existence of account balances ■ Test account reconciliation
<ul style="list-style-type: none"> ■ Accounts Receivable – Grants and Contracts ■ (\$165 million) 	<ul style="list-style-type: none"> ■ Existence of receivables ■ Accuracy of receivables ■ Collectibility of receivables 	<ul style="list-style-type: none"> ■ Evaluate internal controls ■ Select a sample and agree to underlying contracts. ■ Assess the validity and collectibility of billed and unbilled receivables.
<ul style="list-style-type: none"> ■ MetroTract ■ (\$114 million) 	<ul style="list-style-type: none"> ■ Proper recording of net assets of MetroTract 	<ul style="list-style-type: none"> ■ Obtain and review the audit report of Peterson & Sullivan
<ul style="list-style-type: none"> ■ Capital Assets ■ (\$3.6 billion) 	<ul style="list-style-type: none"> ■ Proper capitalization and classification of assets ■ Appropriate depreciation/amortization 	<ul style="list-style-type: none"> ■ Review a reconciliation of capital asset activity ■ Test and evaluate internal controls over capital asset additions ■ Test a sample of significant additions and retirements by examining supporting documentation. ■ Test the reasonableness of useful lives of sampled additions.

V. KPMG Audit Process (continued)

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> ■ Accounts Payable and Accrued Liabilities ■ (\$442 million) 	<ul style="list-style-type: none"> ■ Recognition of transaction in proper accounting period ■ Accuracy of amounts recorded and assessment of management's estimates 	<ul style="list-style-type: none"> ■ Perform review of management's liability estimation method. ■ Review reasonableness and test the underlying data of the Triangle Accrual ■ Review reasonableness of balances compared to expectations
<ul style="list-style-type: none"> ■ Self Insurance Reserve ■ (\$63 million) 	<ul style="list-style-type: none"> ■ Valuation of management's estimates for legal liabilities 	<ul style="list-style-type: none"> ■ Obtain and review actuarial calculation ■ Test the underlying data of the actuarial calculation
<ul style="list-style-type: none"> ■ Long-term liabilities ■ (\$1.9 billion) 	<ul style="list-style-type: none"> ■ Proper classification ■ Compliance with financial covenants 	<ul style="list-style-type: none"> ■ Confirm balances ■ Test disclosure and classification ■ Test financial covenants
<ul style="list-style-type: none"> ■ Net Assets ■ (\$5.7 billion) 	<ul style="list-style-type: none"> ■ Proper classification of restrictions 	<ul style="list-style-type: none"> ■ Review reasonableness of balances and net assets calculations

Statement of Revenues, Expense, and Changes in Net Assets for the year ending June 30, 2012

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> ■ Student tuition and fees ■ (\$681 million) 	<ul style="list-style-type: none"> ■ Accounting for and controls over the tuition cycle ■ Proper accounting for scholarship allowances 	<ul style="list-style-type: none"> ■ Review reasonableness of balances compared to expectation on a per student basis ■ Test and evaluate internal controls
<ul style="list-style-type: none"> ■ Patient services ■ (\$1.1 billion) 	<ul style="list-style-type: none"> ■ Proper recording of revenues ■ Proper cut-off of revenue between periods ■ Accuracy of recording of contractual deductions and bad debts from as deductions from revenue ■ Proper recording of charity care amounts in accordance with charity care policy 	<ul style="list-style-type: none"> ■ Charge capture testing for appropriate capture of revenues at set charge master rates ■ Revenue cut-off testing for appropriate revenue recognition ■ Test and evaluate internal controls
<ul style="list-style-type: none"> ■ Grants and Contracts revenue ■ (\$1.3 billion) 	<ul style="list-style-type: none"> ■ Proper recording of revenues and collections ■ Accuracy of account balances 	<ul style="list-style-type: none"> ■ Test and evaluate internal controls ■ Test accuracy and eligibility of sampled expenditures that drive revenue recognition

V. KPMG Audit Process (continued)

Financial Statement Caption	Audit Considerations	Key Audit Procedures
<ul style="list-style-type: none"> ■ Auxiliary Enterprise revenue ■ (\$161 million) 	<ul style="list-style-type: none"> ■ Proper consolidation of entities 	<ul style="list-style-type: none"> ■ Obtain and review departmental and component unit statements for proper inclusion in the financial statements
<ul style="list-style-type: none"> ■ Salaries and Benefits ■ (\$2.4 billion) 	<ul style="list-style-type: none"> ■ Recognized in proper accounting period ■ Accuracy of amounts recorded 	<ul style="list-style-type: none"> ■ Test and evaluate the internal controls ■ Review reasonableness of balances compared to expectation
<ul style="list-style-type: none"> ■ State Appropriations ■ (\$218 million) 	<ul style="list-style-type: none"> ■ Accuracy of amounts recorded 	<ul style="list-style-type: none"> ■ Confirm balances with information provided from the state accounting system
<ul style="list-style-type: none"> ■ Investment gain ■ (\$34 million) 	<ul style="list-style-type: none"> ■ Accuracy of amounts recorded 	<ul style="list-style-type: none"> ■ Confirmation of amounts with the custodian ■ Obtain and review the SOC1 internal control report provided by the service organization.

Coordination with Other Auditors

When necessary we will coordinate with the following other auditors.

Auditor	Item
Peterson Sullivan	Audit of Metro Tract, Housing and Food Services
Washington State Auditor's Office	Audit of University of Washington Annual Report
University of Washington Internal Audit	Various
Shallo, Galluscio, Bianchi and Fucito	Audit of Various Real Estate Component Units

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

Utilization of Internal Audit

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

VI. New Accounting Pronouncements

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

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

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

Summary of Statement No. 65, *Items Previously Reported as Assets and Liabilities*

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

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Summary of Statement No. 68, *Financial Reporting for Pensions – an amendment of GASB No. 27*

The requirements of this Statement are effective for periods beginning after June 15, 2014.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Summary of Statement No. 69, *Government Combinations and Disposals of Government Operations*

The requirements of this Statement are effective for periods beginning after December 15, 2013.

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

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

VII. Tentative Timetable

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

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

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Peterson Sullivan LLP
University of Washington Metropolitan Tract Audit
For the Year Ending June 30, 2013

The following is a summary of the services we will provide for the **University of Washington Metropolitan Tract** for 2013. Our general audit plans and related timelines are also included.

SUMMARY OF SERVICES TO BE PROVIDED

We will perform the following audit services:

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

SUMMARY OF AUDIT PLANS

Metropolitan Tract

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

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

Also, the master lease with Unico is expiring in October 2014 and we are aware that plans are being discussed as to how the Metropolitan tract properties should be managed after the lease expires. If any of the plans are firmed up before the financial statements are issued, we will be cognizant to ensure that any significant subsequent events or commitments are properly disclosed in the footnotes.

Rainier Tower Sublease

The Rainier Tower sublease financial results are included in the Metropolitan Tract financial statements. We audit this activity and also audit the separate results of operations for the Rainier Tower on a stand-alone basis. We expect to focus our audit procedures on rental revenue recognition (including lease compliance) and capital expenditures.

Instances of fraud (if any) noted during the audits will be communicated to the appropriate governing body.

Fairmont Olympic Hotel

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

Unico Properties, Inc.

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

AUDIT TIMELINE

Our audit procedures are expected to take place as follows:

- Procedures related to the Unico activity begin mid June 2013.
- Procedures related to the Fairmont begin mid July 2013.
- The Metropolitan Tract audit begins during the second week of August 2013.
- The Rainier Tower audit begins the second week of August 2013.
- Reports for Fairmont and Unico are prepared for the year ended December 31, 2012, and will be issued by September 15, 2013 or sooner.
- Reports for the Metropolitan Tract and Rainier Tower are prepared for the year ending June 30, 2013, and will be issued by September 25, 2013, or sooner.

**Peterson Sullivan LLP
University of Washington
Audits of Housing and Dining System and
Retail and Remote Food Services
For the Year Ending June 30, 2013**

The following is a summary of the Services we will provide for the **University of Washington Housing and Dining System and Retail and Remote Food Services** for 2013. Our general audit plans and related timelines are also included.

SUMMARY OF SERVICES TO BE PROVIDED

We will provide the following audit services:

- **Housing and Dining System (“H&D”)**
- **Retail and Remote Food Services (“R&R”)**

SUMMARY OF AUDIT PLANS

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

We will follow up on the issues related to the period-end closing (primarily related to disposal of capital assets and accrual of the interest payable) noted during the prior fiscal year. We will evaluate any procedural changes made during this fiscal year to remediate the issues.

AUDIT TIMELINE

Our audit procedures are expected to take place as follows:

- Audit planning meeting with the University personnel in April and May 2013
- Inventory (R&R) observation at the end of June 2013.
- Internal control procedures in mid August 2013.
- Audits begin in September 23, 2013.
- Audit reports are prepared for the year ending June 30, 2013, and will be issued by October 31, 2013.

**Peterson Sullivan LLP
University of Washington
Audits of Departments in Student Life
For the Year Ending June 30, 2013**

The following is a summary of the services we will provide for the **University of Washington Departments within Student Life** for 2013. Our general audit plans and related timelines are also included.

SUMMARY OF SERVICES TO BE PROVIDED

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

Audit:

- **The Husky Union Building ("HUB") (formerly Student Activities and Union Facilities)**
- **Associated Students of the University of Washington ("ASUW")**
- **Graduate and Professional Student Senate ("GPSS")**
- **Student Publications**
- **Student Facilities Fees – Seattle Campus** (audited every year - not just the two-year cycle).

SUMMARY OF AUDIT PLANS

HUB/ASUW/GPSS/Student Publications

Other than cash, these entities have very limited assets and liabilities. The majority of the audit work focuses on cash receipts for services provided and transfers from student fees. We expect to focus our work primarily on cash receipts associated with services provided.

Operating costs are primarily salaries, which we will audit in detail. Also, we will make sure related party disclosures are complete.

Instances of fraud (if any) will be communicated to the appropriate governing body.

We did not note any material weaknesses during our financial statement audits for the year ended June 30, 2011 and no material weaknesses were noted during our internal control reviews for the year ended June 30, 2012.

Student Facilities Fees – Seattle Campus

We have determined that student facilities fees receipts, debt service payments, and cash disbursements made to various entities in the University of Washington represent the largest dollar value and the highest volume of activity and, therefore, the highest audit risk. The audit is done on the cash basis of accounting. We did not note any material weaknesses during our financial statement audit for the year ended June 30, 2012.

AUDIT TIMELINE

Our audit procedures are expected to take place as follows:

- Student Facility Fees – Late July 2013
- Student Publications – Mid August 2013
- HUB/ASUW/GPSS - early September 2013

Audit reports are prepared for the year ending June 30, 2013, and will be issued by mid October 2013.

Peterson Sullivan LLP
University of Washington
Commodore Duchess, Radford Court and Nordheim Court Audits
For the Year Ending June 30, 2013

The following is a summary of the services we will provide for the **Commodore Duchess Apartments, Radford Court Apartments, and Nordheim Court Apartments** for 2013. Our general audit plans and related timelines are also included.

SUMMARY OF SERVICES TO BE PROVIDED

We will perform an audit for the following housing properties:

- **Commodore Duchess Apartments and Radford Court Apartments:** These properties, previously leased to an unrelated third party, were transferred back to the University in July 2011. This is the second year of the audit after management of the properties was returned to the University. We audit the result of these rental properties for the year ending June 30, 2013.
- **Nordheim Court Apartments:** The management of this property, also previously leased to an unrelated third party, was transferred back to the University in July 2012. This will be the first year that the property is audited by us, and we will audit it for the year ended June 30, 2013.

The operations for these properties are presented in a combined financial statement (with supplementary combining information). All of the above properties were managed by the Real Estate Office of the University. A third party management company provides on-site management of the properties.

SUMMARY OF AUDIT PLANS

As noted above, we will audit each property separately; however, the basic financial statements of these properties are presented on a combined basis with the combining statement of assets, liabilities, and net assets and the combining statement of revenue, expenses, and changes in net assets as supplementary information. For the year ending June 30, 2013, the financial statements will not be comparative (single-year presentation) as the results of Nordheim will be added for the first time.

We focus our audit procedures in the areas deemed to be the highest risk. For these properties, we have determined that rental revenue represents the largest dollar value and the highest volume of activity and, therefore, the highest audit risk. We will also test to ensure whether all appropriate balances of assets and liabilities were transferred from the former entity to the University. Additionally, the properties have an agreement with UW Real Estate and the Housing Food Services of the University in which the properties are required to pay administration fees to UW Real Estate and make an annual distribution to the Housing Food Services. We will review the calculation of these amounts and ensure that they are properly calculated and recorded.

Instances of fraud (if any) will be communicated to the appropriate governing body.

AUDIT TIMELINE

Our audit procedures are expected to take place as follows:

- The audits will be performed in late July 2013.
- The report will be issued by September 15, 2013