



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

UNIVERSITY OF ILLINOIS

**Single Audit and State Compliance Examination
For the Year Ended: June 30, 2010**

Release Date: April 7, 2011

Summary of Findings this Audit Cycle:

• Compliance and Single Audit	40
• Financial Audit (previously reported 1-12-11)	<u>3</u>
TOTAL findings	43

**Summary of findings from previous
audit cycle**

47

Findings repeated:

29

INTRODUCTION

The Financial Audit for the year ended June 30, 2010 was previously released on January 12, 2011. That audit contained three findings. This report addresses Federal and State compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 43 audit findings, three of which had been reported in the Financial Audit.

SYNOPSIS

- The University does not have adequate documentation of payroll and fringe benefit expenditures for employees at the Urbana campus who work on the Cooperative Extension Services program or the Hatch Grant under the Research & Development Cluster program.
- The University does not have an adequate process in place to determine the allowability of certain expenditures used to meet the cost share (matching) requirement of the Supplemental Nutrition Program.
- The University used an unsupported rate to value services of volunteers used to meet the cost share (matching) requirement of the Supplemental Nutrition Program.
- The University does not have adequate documentation to demonstrate it minimized the time elapsing between the draw (receipt) and expenditure of federal funds for individual awards funded with institutional letters of credit.
- The University does not adequately document cost transfers.
- The University did not obtain required certifications that certain vendors were not suspended or debarred from participation in federal assistance programs.
- The University does not properly calculate interest on federal funds drawn in advance.
- The University claimed expenditures under the Maternal and Child Health Services Block Grant Program and used expenditures to meet cost share requirements of the Research and Development Cluster that are unallowable.
- The University has not established adequate internal controls over contracts and leases to ensure they contain all necessary provisions, are properly executed prior to performance, and are filed with the Illinois Office of the Comptroller on a timely basis.

{Expenditures and Activity Measures are summarized on the reverse page.}

UNIVERSITY OF ILLINOIS
SINGLE AUDIT AND COMPLIANCE EXAMINATION
For The Year Ended June 30, 2010

FINANCIAL OPERATIONS	2010	2009
Operating Revenues		
Tuition and fees, net.....	\$ 823,488,000	\$ 743,286,000
Federal grants, contracts and appropriations.....	657,896,000	589,507,000
State and private gifts, grants and contracts.....	233,043,000	262,552,000
Hospital and medical activities.....	761,913,000	671,387,000
Auxiliary enterprises, net.....	368,515,000	348,134,000
Educational activities.....	251,770,000	253,203,000
Other.....	14,544,000	16,172,000
Total Operating Revenues.....	<u>\$ 3,111,169,000</u>	<u>\$ 2,884,241,000</u>
Operating Expenses		
Instruction.....	\$ 970,339,000	\$ 961,305,000
Research.....	652,229,000	630,127,000
Public service.....	395,343,000	383,429,000
Academic support.....	354,238,000	303,742,000
Hospital and medical activities.....	597,426,000	578,858,000
Auxiliary enterprises.....	310,794,000	306,967,000
Operation and maintenance of plant.....	269,739,000	274,373,000
Institutional support.....	228,610,000	229,737,000
Depreciation.....	208,885,000	203,477,000
Scholarships and fellowships.....	215,270,000	200,038,000
Other.....	138,702,000	137,134,000
Total Operating Expenses.....	<u>\$ 4,341,575,000</u>	<u>\$ 4,209,187,000</u>
Operating Income (Loss).....	\$ (1,230,406,000)	\$ (1,324,946,000)
NONOPERATING REVENUES (EXPENSES)		
State appropriations.....	\$ 672,300,000	\$ 699,038,000
Capital appropriations, gifts and grants.....	82,508,000	13,550,000
Private gifts and endowments.....	144,197,000	141,315,000
On behalf payments for fringe benefits.....	634,745,000	486,022,000
Other, net.....	126,758,000	(29,915,000)
INCREASE (DECREASE) IN NET ASSETS.....	<u>\$ 430,102,000</u>	<u>\$ (14,936,000)</u>
SUPPLEMENTAL INFORMATION (Unaudited)		
	2010	2009
Employment Statistics - Full Time Equivalent.....		
Chicago.....	13,357	13,503
Springfield.....	910	966
Urbana-Champaign.....	14,409	15,353
Total.....	<u>28,676</u>	<u>29,822</u>
Enrollment Statistics - Fall.....		
Undergraduate -		
Chicago.....	16,044	15,665
Springfield.....	3,027	2,889
Urbana-Champaign.....	31,477	31,417
Subtotal.....	<u>50,548</u>	<u>49,971</u>
Graduate -		
Chicago.....	10,796	10,170
Springfield.....	1,950	1,822
Urbana-Champaign.....	12,404	11,829
Subtotal.....	<u>25,150</u>	<u>23,821</u>
Total	<u>75,698</u>	<u>73,792</u>
PRESIDENT		
During Audit Period: B. Joseph White (7-1-09 thru 12-31-09), Interim President - Stanley Ikenberry (1-1-10 thru 6-30-10)		
Currently: Michael Hogan		

INTRODUCTION

The Financial Audit for the year ended June 30, 2010 was previously released on January 12, 2011. That audit contained three findings. This report addresses Federal and State Compliance findings pertaining to the Single Audit and State Compliance Examination. In total, this document contains 43 audit findings, three of which had been reported in the Financial Statement Audit.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE DOCUMENTATION FOR PAYROLL AND FRINGE BENEFIT EXPENDITURES

The University does not have adequate documentation of payroll and fringe benefit expenditures for employees at the Urbana campus who work on the Cooperative Extension Services (CES) program or the Hatch Grant under the Research and Development Cluster program.

**Effort certifications were not
obtained as required**

The University does not obtain effort certifications for employees who work on the CES program or the Hatch Grant under the Research and Development Cluster program as required by federal regulations. We reviewed a sample of 40 fringe payroll and fringe benefit expenditures totaling \$126,775 for the CES program noting that the effort of these individuals was charged to multiple activities; however, effort certifications were not obtained.

Additionally, we noted effort certifications were not obtained for any of the payroll charges used to meet the cost sharing (matching) requirements of the CES and the Hatch Grant. Total payroll and fringe benefit expenditures charged to the CES program for the fiscal year ended June 30, 2010 were \$3,493,800 and \$2,361,297, respectively. Total payroll and fringe benefit expenditures charged to the Hatch Grant for the fiscal year ended June 30, 2010 were \$3,369,407 and \$161,197, respectively. Total payroll and fringe benefit expenditures used to meet the cost sharing (matching) requirement of the CES program and Hatch Grant for the year ended June 30, 2010 were \$9,993,235 and \$15,180,773, respectively. No indirect costs were charged to the CES program or Hatch Grant.

**Bi-weekly reports do not include
activities of the employee as required**

We did note that bi-weekly time reports are prepared for most employees. However, these bi-weekly time reports, which are prepared on both a positive and negative (exception) basis depending on the type of employee, do not include activities of the employee as required by OMB Circular A-21.

Our audit identified other controls and processes that the University has implemented to mitigate the risk that payroll

Monthly review by principal investigators is not documented

costs are improperly charged to a federal program. These include required reviews and approvals of the initial appointments of employees (i.e., allocation of federal and nonfederal projects) and monthly reviews by principal investigators (PI's) of labor distribution reports and project ledgers. However, the monthly review by principal investigators is not documented.

Inadequate documentation and lack of required effort certifications may result in the federal funds being expended for unallowable purposes. (Finding 5, Pages 31-34)

We recommended the University implement procedures to ensure documentation exists to substantiate the after-the-fact confirmation of activity allowable to each federal grant and cost share by the respective employee, principal investigator, or a responsible official.

The University did not agree with auditors

University officials did not accept this finding. The University believes its systems provide sufficient documentation to meet the requirements for programmatic and financial reporting as outlined in the administrative manuals associated with these funding streams in addition to Circular A-21 requirements.

Auditors' comment

In an auditors' comment, we noted that bi-weekly time reports do not include the activities of employees. Although we acknowledge there are other controls and processes the University has implemented to mitigate the risk that payroll costs are improperly charged to a federal program, we believe the University is not in compliance with documentation requirements for payroll costs under OMB Circular A-21.

INADEQUATE PROCEDURES TO DETERMINE THE ALLOWABILITY OF COST SHARE EXPENDITURES

The University does not have an adequate process in place to determine the allowability of certain expenditures used to meet the cost share (matching) requirement of the Supplemental Nutrition Program (SNAP).

Cost share requirement approximately \$7.5 million

The University is required to meet a cost share requirement of approximately \$7.5 million relative to the SNAP program. The expenditures used to meet the cost share requirement include expenditures for teacher salaries made by public school districts at which nutrition education programs are presented. The value of the expenditures made by public school districts for teacher's salaries are estimated by the University based upon an hourly rate derived from the average annual wage expenditures reported to the Illinois State Board of Education (ISBE).

Value estimated by University

Specifically, the University computes hourly rates for each school district based upon average annual wage expenditures

The University lacks sufficient documentation to ensure teacher salaries used for SNAP cost share were not funded by other Federal Programs

reported to ISBE and multiplies the applicable school district's rate times the number of teacher hours documented by the school district and University personnel delivering the program. However, in determining the estimate of the value of time spent by the teachers in the educational programs, the University does not have sufficient documentation to ensure that teacher salaries being used to meet the SNAP cost share were not funded by other federal programs operated by the school district.

No after-the-fact verification

We did note the University receives a certification at the beginning of the year from participating school districts stating that teachers participating in the SNAP educational programs will not be charged to another federal program. However, there is no after-the-fact verification to substantiate that participating teacher salaries were not funded by other federal programs.

As a result, it is possible that the value of the teacher salaries used to meet the University's cost share requirement under the SNAP program may also have been charged to another federal program or used to meet a cost share requirement of another federal program by the school district which is not allowable under SNAP program regulations.

Teacher salary expenditures used to meet the cost sharing requirement of the SNAP program were \$1,812,524 for the year ended June 30, 2010.

Failure to ensure expenditures used to meet cost share requirements are not used for other federal programs may result in unallowable expenditures being used to meet cost share requirements. (Finding 7, Pages 37-39)

We recommended that the University implement procedures to verify expenditures used to meet the SNAP cost share requirement have not been reimbursed under another federal program or used to meet cost share requirement of another federal program. In addition, the University should be using actual wages for the teachers participating in the educational program.

University did not agree with auditors

University officials did not accept this finding. The University stated that under this program, the mandatory cost-share is a one-to-one match of direct expenditures, up to the maximum award amount of approximately \$7.5 million.

The University also stated in their response that the UI Extension has procedures to verify that teacher salaries used as in-kind cost share are not directly reimbursed from any other federal source of funds. The UI Extension offices require potential program contributors to submit Form A, Confirmation of Community In-Kind Cost Share Contributions. This form, signed by contributors, states, "I

confirm the Source of Funding for these contributions are NOT directly or indirectly from Federal Government or Private Monies.” The form provided by the school officials certifying the source of funding for the teacher salaries has been accepted by the sponsor as documentation supporting this portion of the required cost-share.

Auditors’ Comment

In an auditors’ comment, we noted the Form A discussed above is obtained from potential program contributors in advance of the performance of the services (i.e., at the beginning of the program year). There is no after-the-fact verification to substantiate that participating teacher salaries were not funded by other federal programs. As a result, it is possible that the value of the teacher salaries used to meet the University’s cost share requirement under the SNAP program may also have been charged to another federal program or used to meet a cost share requirement of another federal program by the school district which is not allowable under SNAP program regulations.

Additionally, the University computes hourly rates for each school district based upon average annual wage expenditures reported to ISBE, not the actual salary of the teachers that provided services under the SNAP program. Accordingly, we do not believe there is an adequate process in place to determine the allowability of these expenditures used to meet the cost share (matching) requirement.

Further, the grant agreement between Illinois Department of Human Services and the University requires the University to provide matching expenditures (cost share) of \$11,587,136 from non-federal sources over the term of the grant, which covers more than the current year. Of this amount, an allocable portion for the current year based on a one-to-one ratio is \$8.1 million.

UNSUPPORTED VOLUNTEER RATE USED FOR COST SHARE REQUIREMENT

The University used an unsupported rate to value services of volunteers used to meet cost share (matching) requirement of the SNAP Program.

In-kind contributions from local governments

The University is required to meet a cost share requirement of approximately \$7.5 million relative to the SNAP program. The expenditures used to meet the cost share requirement are funded by several sources, including in-kind contributions from local governmental entities at which nutrition education programs are presented. The in-kind contributions from the local governments include an estimated value for the time spent by volunteers who assist University personnel during the educational programs.

Estimated hourly rate

The University has established an estimated hourly rate of \$18.97 and \$20.25 which is used to value the services of the volunteers. Management stated the rate was based on an estimated dollar value of volunteer time published by a not-for-profit organization that was established to serve as a leadership forum for charities, foundations, and corporate giving programs. Management further stated that volunteers were performing specialized tasks including materials translation, food preparation demonstrations, and the delivery of curriculum.

No documentation to substantiate what services each volunteer was performing

However, there was no documentation to substantiate what services each volunteer was performing and how it correlated to the hourly rate of \$18.97 or \$20.25. As there is no documentation on the specific services provided by the volunteers and a clear link to specialized skills and corresponding values, we believe the minimum hourly wage rate of \$7.25 (in effect during fiscal year 2010) should be used to value these services. As a result, the contributed volunteer services could be overstated by as much as \$203,595.

Questioned costs of \$203,595

Failure to appropriately value volunteer services may result in the University not meeting its cost share requirement. (Finding 8, Pages 40-42)

We recommended that the University implement procedures to ensure rates established to value volunteer services are consistent with the services being provided by the volunteer.

University did not agree with auditors

University officials did not accept this finding. The University disagreed that the rate used for volunteer services is undocumented and disagreed that the federal minimum hourly wage rate is a more appropriate estimate of the value of these services.

The federal SNAP guidelines do not require that the rate used for costing volunteer activities be specifically approved. Per the federal SNAP guidelines, the value of a volunteer's time should be computed on a reasonable hourly basis in accordance with the duties being performed. The volunteers provide highly specialized skills, serving as interpreters in classroom settings to assist Hispanic, Chinese, and Somalian students. Using the minimum wage to cost these services would not properly reflect the true value of these services that are critical to the program.

Auditors' Comment

In an auditors' comment we noted that although management made a general statement that volunteers performed specialized tasks, there is no documentation to substantiate what services were actually provided, nor is there a clear link to specialized skills and corresponding values for the services provided.

INADEQUATE DOCUMENTATION FOR INSTITUTIONAL LETTER OF CREDIT CASH DRAWS

The University does not have adequate documentation to demonstrate it minimized the time elapsing between the draw (receipt) and expenditure of federal funds for individual awards funded with institutional letters of credit.

The University has established several institutional letters of credit (LOC or LOCs) with federal funding agencies to facilitate cash draws on federally sponsored projects. There are usually numerous individual awards that are drawn from the same LOC.

Cash draws are calculated weekly

Cash draws for each LOC are calculated weekly by the University's Grants and Contracts Office using a set of queries from the general ledger which summarizes the "claim on cash" (cash basis expenditures less previous cash draws applied) for each grant under the respective LOC and subtracts the aggregate amount of prior draws that have not been applied to the individual awards.

Auditors were unable to determine compliance with cash management regulations

Because the calculation for cash draws is performed in total at the LOC level and cash draws are only applied once a month, it is not possible to determine the cash position of an individual grant or whether the University has minimized the time elapsing between the draw down and expenditure of federal funds for each individual grant. Accordingly, we are unable to determine whether the University is in compliance with the cash management regulations.

Failure to adequately document institutional LOC cash draws may result in excessive federal funds being drawn in advance of program expenditures resulting in an interest liability to the Federal government. (Finding 10, Pages 45-46)

We recommended that the University apply cash after each draw and document the amount of the cash draw applicable to each award.

University did not agree with auditors

University officials did not accept this finding. The University stated this is a repeat finding from FY09 and that the Department of Health and Human Services (HHS) in coordination with the Department of Education and the National Science Foundation, issued on February 14, 2011, a Management Decision Letter (MDL). According to the MDL, "The audit finding is not sustained based on our review..."

The University subsequently received a letter on March 10, 2011, from HHS that states "The purpose of this communication is not to reverse our decision(s) but to clarify the nature of the finding and the direction that the University needs to take in correction of the issue(s)". The University will seek further guidance from HHS.

Auditors' Comment

In an auditors' comment we noted that we were not able to determine the cash position of an individual grant or whether the University had minimized the time elapsing between the draw down and expenditure of federal funds for each individual grant.

INADEQUATE SUPPORTING DOCUMENTATION FOR COST TRANSFERS

The University does not adequately document cost transfers.

The University has formal policies and procedures which outline the documentation required to support cost transfers and a standard form has been developed to assist the University in collecting supporting documentation for each cost transfer.

The standard form provides a series of potential reasons a cost transfer may be required and prompts the preparer to other sections of the form to provide additional supporting documentation as prescribed by University policy. The form is required to be certified by the principal investigator or another responsible official and must be reviewed and approved by the Grants and Contracts Office.

Certification required

During our testwork over 164 cost transfers recorded during the year ended June 30, 2010, we were initially provided brief journal entry descriptions as the supporting documentation for each of the cost transfers selected. The journal entry descriptions consisted of a few sentences which generally stated an error had occurred in the original entry and that a transfer was required. These descriptions did not provide sufficient information to allow an independent party to understand the reason the cost transfer was required.

Descriptions did not provide sufficient information

Upon further investigation and inquiry, the University was able to provide other support which better described the reasons for some of the cost transfers tested. However, the standard cost transfer form was not completed in accordance with University policy for a majority of the transfers tested. Upon further inquiry, we noted these transfers were initiated by the Grants and Contracts Office in closing out projects and that the standard cost transfer forms were not completed for any cost transfers prepared by the Grants and Contracts Office.

Standard cost transfer form was not completed for a majority of the transfers tested

Failure to adequately document cost transfers may result in unallowable costs being charged to federal programs. (Finding 12, Pages 52-55)

We recommended that the University implement procedures to ensure cost transfers are adequately documented

and supported in accordance with University policy.

University did not agree with auditors

University officials did not accept this finding. The University stated that every campus has formal written policies for cost transfers and that these policies are followed by Grants Office personnel during their review of cost transfers posted to sponsored project funds. The GC-81 form was not designed for, nor is there a requirement for it to be completed for, transfers made by internal Grants Office personnel in the course of making an administrative adjustment or closing out an award.

Auditors' Comment

In an auditors' comment we noted that the nature and reason for the cost transfer not being adequately documented had to be supplemented through inquiry of University personnel in response to our questions. We understand University policy to require a specific form to be completed to support cost transfers; however, several of the cost transfers were not supported with the standard cost transfer form.

SUSPENSION AND DEBARMENT CERTIFICATIONS NOT OBTAINED FROM VENDORS

The University did not obtain required certifications that certain vendors were not suspended or debarred from participation in federal assistance programs.

Some expenditures tested did not obtain a suspension and debarment certification

During our review of 240 contractual expenditures for various federal programs we noted 10 expenditures for which the University did not obtain a suspension and debarment certification from the vendor. Additionally, the University did not perform a verification check with the "Excluded Parties List System" (EPLS) maintained by the General Services Administration for the vendors.

Upon further review, we noted the University does not obtain a suspension and debarment certification or perform a verification check with the EPLS from vendors for which it procures goods through a purchase order (i.e. no signed contract). All vendors in our sample for which the University entered into a signed contract appropriately contained a suspension and debarment certification from the vendor.

Failure to obtain the required certifications or perform verifications with the EPLS could result in the payment of federal funds to vendors that are suspended or debarred from participation in federal assistance programs. (Finding 20, Pages 80-83)

University agrees with auditors

University officials accepted the finding and stated that the University's Purchasing Department has established procedures and trained staff to perform verification checks using the Excluded Parties List System (EPLS).

FAILURE TO PROPERLY PERFORM INTEREST CALCULATIONS ON FEDERAL ADVANCES

The University does not properly calculate interest on federal funds drawn in advance.

The University receives federal funds on an advance basis under the Research and Development Cluster, Cooperative Extension Services, Supplemental Nutrition Assistance Program, Education and Human Resources, AIDS Training and Education Centers, and Maternal and Child Health Services Block Grant.

Interest calculation methodology has not been approved

During our testwork, we noted the University has not performed an interest calculation for any of the programs or grants on which it received advance funding as required by federal regulations. The University calculated interest on the net cash position of all its federal awards as of June 30, 2010; however, this methodology has not been approved by the University's federal cognizant agency, the U.S. Department of Education.

Failure to properly perform required interest calculations results in noncompliance with cash management regulations. (Finding 21, Pages 84-86)

We recommended that the University implement procedures to properly calculate interest on federal funds received in advance of expenditures and to remit any interest earned to the appropriate federal agencies as required by federal regulations.

University did not agree with auditors

University officials did not accept this finding. The University stated that the methodology is being addressed by their cognizant agency for clarification and guidance on this issue. The University has not yet received a response.

Auditors' Comment

In an auditors' comment we recommended that the University work with their Federal cognizant agency (U.S. Department of Education and OMB) to determine whether interest calculations should be performed at a lower level, such as by individual letter of credit, program, or federal agency.

UNALLOWABLE COSTS CHARGED TO FEDERAL PROGRAM

The University claimed expenditures under the Maternal and Child Health Services Block Grant to the States (MCH Block Grant) program and used expenditures to meet cost share requirements of the Research and Development Cluster that are unallowable.

We reviewed 40 other than personnel expenditures (totaling \$127,402) charged to the MCH Block Grant program and 41 expenditures (totaling \$18,802,603) used to meet cost sharing requirements of the Research and Development Cluster. Some of matters noted follow:

Expenditure documentation consisted of solely of budgetary documents

- Two subrecipient expenditures in the amount of \$3,950 which were used to meet cost share requirements of a Research and Development Cluster award at the Chicago campus were not adequately supported. Specifically, we noted the documentation for these expenditures consisted solely of budgetary documents.
- Three subrecipient expenditures in the amount of \$57,250 which were used to meet cost share requirements of Research and Development Cluster awards at the Urbana campus did not contain sufficient details to determine the nature of types of expenditures. Specifically, we noted the documentation for these expenditures consisted solely of a letter obtained from the subrecipient certifying the total cost share amount.

The only documentation provided consisted of a letter obtained from the subrecipient certifying the cost share amount

Failure to properly determine the allowability of costs in accordance with program regulations may result in costs inconsistent with program objectives being charged to federal programs or result in the University not meeting its cost share requirement. (Finding 24, Pages 93-95)

We recommended the University implement procedures to ensure only expenditures made for allowable costs are claimed.

University did not agree with auditors

University officials did not accept this finding. The University stated that they believe that certified statements from their research partners are sufficient documentation for the amount of third party cost share but will consider asking for additional information.

Auditors' Comment

In an auditors' comment we noted that the University did not receive sufficient information to determine the nature of the expenditures provided by the subrecipient to meet its cost share requirement. The information received simply included a dollar amount which is less detailed than the information required by the University for federal expenditures reported by its subrecipients. As documentation requirements pertaining to cost sharing expenditures are the same as federal expenditures, we do not believe the documentation received for cost share expenditures provided by subrecipients is adequate under OMB Circular A-21.

CONTRACTS AND REAL ESTATE LEASES NOT PROPERLY EXECUTED

Need to improve internal controls

The University has not established adequate internal controls over contracts and leases to ensure they contain all necessary provisions, are properly executed prior to performance, and are filed with the Office of the Comptroller on a timely basis.

During our review of 60 contracts during the year ended June 30, 2010, some of the items we noted are as follows:

- 56 contracts did not contain the signature of the employee signing on behalf of the University Comptroller.
- 15 contracts were executed subsequent to performance of the contract. The contract execution dates ranged from one day to 717 days after the beginning of the contract start date.
- 2 contracts were not published in the Illinois Procurement Bulletin.
- 23 contracts did not include the federal identification number for the vendor.
- 2 contracts did not include any of the required certifications.
- 12 contracts were not timely filed with the Office of the Comptroller. The late filings ranged from one to 60 days late.

During our review of 25 real estate leases executed during the year ended June 30, 2010, some of the items we noted are as follows:

- 12 leases were executed after the lease term began. The lease execution dates ranged from seven days to 205 days after the beginning of the lease term.
- 12 leases did not include the federal identification number for the lessor. (Finding 35, Pages 123-124)
This finding was first reported in 2003.

University agrees with the auditors

We recommended that the University establish appropriate procedures to ensure all contracts and leases are completed, approved, and executed prior to the start of the services and lease term. We also recommended that the University ensure that all signatures, clauses and certifications are obtained prior to execution for their contracts and leases and they are filed with the Office of the Comptroller.

University officials accepted the recommendation and stated that they will continue to examine and improve procedures to ensure contracts and leases are properly approved and executed prior to the start of the services and lease terms, that appropriate clauses and certifications are obtained in advance and that all applicable contracts and leases are filed with the Office of the State Comptroller. (For the previous University response, see Digest Footnote #1.)

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

The financial audit reports were previously released. Our auditors state the June 30, 2010 financial statements are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:TLK:pp

SPECIAL ASSISTANT AUDITORS

KPMG were our special assistant auditors.

DIGEST FOOTNOTES

#1 – Contracts and Real Estate Leases Not Properly Executed – Previous University Response

Accepted. The University will continue to examine and improve procedures to ensure contracts and leases are properly approved and executed prior to the start of the services and lease terms.