



STATE OF WISCONSIN

Legislative Audit Bureau

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Janice Mueller
State Auditor

February 7, 2007

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2006 and 2005. UW System's financial statements and our unqualified audit opinion on them, dated December 15, 2006, have been included in the UW System's 2006 Annual Financial Report, which is enclosed. The annual report will be presented to the UW Board of Regents at its February 2007 meeting.

General purpose revenue (GPR) funding, which is shown as State Appropriations on UW System's financial statements, decreased 0.4 percent, from \$897.0 million in fiscal year (FY) 2004-05 to \$893.4 million in FY 2005-06. This funding does not include GPR that is used to repay debt on academic facilities, which is technically debt of the State of Wisconsin and not of UW System. For FY 2005-06, GPR funding for these debt service payments totaled \$117.1 million.

Total revenue earned through UW operations increased from \$2.3 billion in FY 2004-05 to \$2.4 billion in FY 2005-06, primarily because of increases in revenues from student tuition and fees and from auxiliary enterprises, which include student housing and food service. Revenues from tuition and fees increased from \$721.6 million in FY 2004-05 to \$772.8 million in FY 2005-06, primarily because tuition rates increased approximately 7.0 percent. Revenue from auxiliary enterprises increased by \$22.2 million during the same time period.

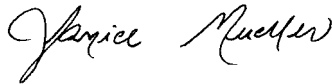
Total operating expenses for FY 2005-06 were \$3.5 billion, which reflects an increase of 2.7 percent over the prior year. This increase is largely the result of two types of expenses: supplies and services, which increased \$30.2 million (3.5 percent), and salaries and fringe benefits, which represent 67.4 percent of all operating costs and increased \$53.9 million (2.3 percent).

Government Auditing Standards require us to provide an auditor's report on compliance and internal control over financial reporting. That report accompanies this letter and it notes that

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we identified two internal control concerns that are required to be reported under these standards. First, we found computer programmers are granted access to implement computer program changes without independent oversight and review, increasing the risk that programmers could make and conceal inappropriate or unauthorized changes to the programs they maintain. UW System Administration staff agree with our findings in this area but express concerns over the costs to implement our recommendation. Second, we note UW System lacks an enterprise-wide business resumption plan, increasing the risk that, in the event of an emergency, business functions could not be resumed in a timely manner. UW System Administration staff agree and note that an enterprise-wide business resumption plan is currently under development.

Sincerely,



Janice Mueller
State Auditor

JM/CS/bm

Enclosures

cc: Senator Julie Lassa	Representative Samantha Kerkman
Senator Russ Decker	Representative Kitty Rhoades
Senator Alan Lasee	Representative David Cullen
Senator Robert Cowles	Representative Joe Parisi