



STATE OF WISCONSIN

Legislative Audit Bureau

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Joe Chrisman
State Auditor

February 8, 2012

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2011, and June 30, 2010. UW System's financial statements and our unqualified audit opinion on them, dated December 21, 2011, have been included in UW System's 2011 Annual Financial Report, which is enclosed. This report will be presented to the UW Board of Regents at its meetings on February 9 and 10.

General Purpose Revenue (GPR), which is shown as State Appropriations on UW System's financial statements, increased 5.5 percent, from \$974.4 million in fiscal year (FY) 2009-10 to \$1,028.3 million in FY 2010-11. This funding does not include GPR funding that is used to repay debt on academic facilities, which is technically debt of the State of Wisconsin and not UW System. Such debt service payments totaled \$73.1 million for FY 2010-11 and \$52.7 million for FY 2009-10.

From FY 2009-10 to FY 2010-11, operating revenues increased by \$215.2 million, or 6.9 percent. Tuition and Fees, which accounted for 32.3 percent of total operating revenues in FY 2010-11, increased by \$67.0 million to \$1,074.9 million. Federal grants and contracts revenue increased from \$813.3 million in FY 2009-10 to \$871.3 million in FY 2010-11. Other significant operating revenues of the UW System include state, local, and grants and contracts; sales and services of educational activities; and sales and services of auxiliary enterprises.

Operating expenses increased by \$172.6 million from \$4.1 billion in FY 2009-10 to \$4.3 billion in FY 2010-11. Salaries and fringe benefit expenses, which comprise 66.4 percent of total operating expenses, increased by \$103.5 million. Supplies and services expenses, which comprise 25.0 percent of total operating expenses, increased by \$30.3 million.

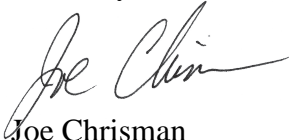
Beginning in April 2011, the UW System's new Human Resource System (HRS) was used to calculate and produce employee payroll checks and maintain employee-related information. Because HRS was operational for only three months during our audit period, our review was

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Page 2
February 8, 2012

limited. However, we identified concerns with access granted to users of the system and made a recommendation to UW System to improve controls in this area. We will perform a full review of HRS as part of our FY 2011-12 audit, and determine whether UW System took necessary steps to address the concerns we noted.

Enclosed is a management letter, which includes an auditor's report on compliance and internal control over financial reporting, as required by *Government Auditing Standards*. This letter was provided to the UW System and includes our concern regarding HRS security, as well as the status of two continuing internal control concerns identified during prior audits.

Sincerely,



Joe Chrisman
State Auditor

JC/CS/bm

Enclosures

cc: Senator Mary Lazich
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Julie Lassa
Representative Kevin Petersen
Representative Robin Vos
Representative Andy Jorgensen
Representative Jon Richards

Kevin P. Reilly, President
University of Wisconsin System