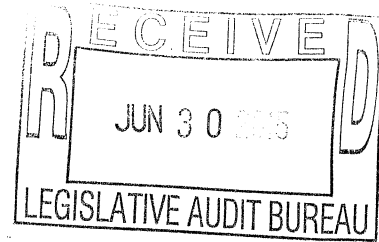




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DATE: June 30, 2015

TO: Senator Robert Cowles
Representative Samantha Kerkman
Co-Chairs, Joint Audit Committee

FROM: Ray Cross *Ray Cross*

RE: Audit Follow-up

Thank you for this opportunity to update the Joint Audit Committee on progress made by the University of Wisconsin System to address issues noted in Audit Report 15-1, our annual financial audit. In that report, the Legislative Audit Bureau provided four recommendations to improve the accuracy and usefulness of our new program revenue balances report. This letter reports the status of those recommendations, as required by June 30th, which include:

- providing additional guidance to institutions related to the categorization of federal indirect cost reimbursement balances;
- providing additional guidance to institutions related to documentation required to support balances categorized as reserves, the definition of reserves, and the relationship between reserves maintained by UW System Administration and those maintained by the institutions;
- including additional information when an institution's reserves and undocumented balances exceed 12.0 percent of the expenditures from the program revenue source during the fiscal year; and
- considering additional review of the categorization of program revenue balances, including review by UW System's Office of Internal Audit.

For the first three recommendations, UW System Administration has clarified and/or developed documentation to guide institutions in their reporting of program revenue balances. A teleconference for UW staff was held in May 2015 to highlight these documents and the clarifications. Additional teleconferences are scheduled to address further institutional questions and to reinforce the key principles and changes for balance reporting. These will be held throughout the development of the program revenue balances report for fiscal year 2015.

Addressing the fourth recommendation, the Board of Regents approved the fiscal year 2016 internal audit plan at its June 2015 meeting. This audit plan includes a review of the program revenue balances report. Specifically, the UW System Office of Internal Audit anticipates reviewing the accuracy of balance classifications and evaluating a sample of the source documents supporting those classifications. The final Internal Audit report(s) will be provided to the Board of Regents' Audit Committee.

I want to thank the Legislative Audit Bureau for its work. It was very helpful in affirming the overall format and structure of the UW System's program revenue balances report as well as highlighting areas where further improvements could be made. If you have any questions regarding these issues, please do not hesitate to contact me or Senior Vice President David Miller.

cc: Chancellors
State Auditor Joe Chrisman
Senior Vice President David Miller
Associate Vice President Julie Gordon
Associate Vice President Freda Harris
Chief Audit Executive Lori Stortz