



KANSAS BOARD OF REGENTS

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BOARD RELEASES KU & PSU MANAGEMENT REVIEWS

Independent Audits Reveal No Material Findings

(TOPEKA) – Today the Kansas Board of Regents, during its September meeting, released two reports regarding management exit reviews that were conducted at the University of Kansas (KU) and Pittsburg State University (PSU) due to recent leadership transitions at those institutions. Both reviews, conducted by outside and independent auditors, revealed no material findings.

The exit reviews, which were conducted by certified public accounting firms at the Board's request, were triggered when former KU Chancellor Robert Hemenway and former PSU President Tom Bryant announced they would be stepping down as state university CEOs. The intended purpose was to assist with the CEO transition process at KU and PSU by reviewing Hemenway's and Bryant's management of certain non-state accounts that were administered or controlled by them or their direct reports. A similar review was conducted at Kansas State University (KSU) earlier this year.

"The Board commends KU and Pittsburg State, and applauds the outstanding management practices in place at those institutions," said Regent Jill Docking of Wichita, Chair of the Kansas Board of Regents. "Audits are helpful and instructive tools, and it's clear that both universities did very well. The Board expects all of our institutions to continuously strive for improvement, and these audits provide some helpful recommendations to consider."

The KU review, conducted by BKD, LLP, and paid for by the KU Endowment, confirmed that accounts had been used and administered appropriately by the administration of former Chancellor Hemenway. The transactions analyzed were related to certain accounts of the following private non-state entities: KU Alumni Association, KU Athletics, KU Center for Research, KU Endowment Association, KU Health Partners, KU Medical Center Research Institute, KU Memorial Corporation, KU Student Assistance Corporation, Research Properties, and the Student Union Corporation of the KU Medical Center. The accounts reviewed were chosen because of former Chancellor Hemenway's access to and authority over them as KU's Chancellor.

The KU review, which mirrored the previous KSU management review that was conducted earlier in the year, and which was conducted by the same individual who performed the KSU review earlier this year, found "no identification of inappropriate disbursements of unrestricted funds," and offered only four minor recommendations for future consideration. The report stated that KU had "grown and prospered under Chancellor Hemenway's leadership," and that the Chancellor had "been successful in instilling a sense of responsibility and accountability throughout the organization." In addition, the report noted that "University personnel were responsive and helpful" regarding the auditor's requests for documents and interview time, and that "records were retrieved quickly and documentation produced appeared to be complete and well organized."

The PSU review, conducted by Diehl, Banwart, Bolton, CPAs P.A., and paid for by the PSU Foundation, confirmed that accounts had been used and administered appropriately by the administration of former President Bryant. The transactions analyzed were related to certain accounts of the PSU Foundation, a private non-state entity. The accounts reviewed were chosen because of former President Bryant's access to and authority over them as PSU's President. The report found "no material findings," and offered only three minor comments/recommendations for future consideration.

The Board directed KU Chancellor Bernadette Gray-Little and PSU President Steve Scott to review and implement recommendations contained in the reports, and to provide the Board with a status report during the Board's December meeting.

In June, the Board directed that similar independent reviews be conducted at Emporia State University (ESU), Fort Hays State University (FHSU), and Wichita State University (WSU). These reviews are currently underway and will conclude by the end of the calendar year.

In addition, the Board directed its Fiscal Affairs and Audit Committee to develop an official policy that would establish a regular and ongoing independent audit process for all six state universities. This new process will add an additional layer of accountability and transparency to what is already required by state law. Currently, Kansas law requires entities that are controlled by the state universities (alumni associations, athletics corporations, endowments/foundations, etc.) to annually submit an independent financial audit to the Legislative Division of Post Audit. However, these annual financial audits do not perform the same type of extensive analysis of transactions and review of the interplay between affiliated campus entities as the Board's recent reviews at KSU, KU, and PSU, and the ongoing reviews at ESU, FHSU, and WSU.

The KU and PSU reports can be found on the Board of Regents website at the following links:

<http://www.kansasregents.org/download/news/KU%20Report%20-%202009.pdf>

<http://www.kansasregents.org/download/news/PSU%20Report%20-%202009.pdf>

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About the Kansas Board of Regents:

The nine-member Kansas Board of Regents is the governing board of the state's six universities and the statewide coordinating board for the state's 32 public higher education institutions (seven public universities, nineteen community colleges, and six technical colleges). In addition, the Board administers the state's student financial aid, adult education, GED, and career and technical education programs. The Board also authorizes private proprietary schools and out-of-state institutions to operate in Kansas, and administers the Kan-ed network, a statewide network that provides broadband Internet access and distance learning capabilities for schools, hospitals, and libraries.

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