

Kansas Board of Regents

*Exit Analysis Related to the Retirement of Dr. Robert Hemenway
Chancellor of the University of Kansas*

Prepared by BKD, LLP

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Kansas Board of Regents

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SECTION 1: ENGAGEMENT SUMMARY

Engagement Overview, Scope and Approach

BKD, LLP (“BKD”) was engaged by the Kansas Board of Regents (the “Regents”) to assist the Regents in the performance of an exit analysis of certain non-State funded accounts administered and/or controlled by Chancellor Robert Hemenway of the University of Kansas (“KU” or the “University”) or his direct subordinates.

The key objectives of this engagement were:

1. to review management of all non-public accounts administered or controlled by Chancellor Hemenway or his direct subordinates for which they have significant discretion or latitude, and
2. to review relationships between the University and its affiliated corporations, with a specific interest in how conflicts of interest are managed.

An analysis of specific accounts and entities identified by the Regents and the Kansas University Endowment Association for the period July 1, 2003 through June 30, 2009 was conducted. The identified controlled entities included:

- University of Kansas Center for Research, Inc. (“KUCR”);
- University of Kansas Memorial Corporation, doing business as Kansas and Burge Unions (“Memorial Corporation”);
- Kansas Athletics, Inc. (“Athletics”);
- University of Kansas Student Assistance Corporation (“KUSAC”);
- University of Kansas Medical Center Research Institute (“KUMC RI”) and its subsidiary Research Properties, Inc.;
- The Student Union Corporation of the University of Kansas Medical Center (“Student Union Corporation”); and
- KU Health Partners, Inc. (“Health Partners”).

In addition, the following entities not controlled by KU voluntarily participated at the invitation of the Regents:

- University of Kansas Alumni Association (“Alumni Association”); and
- Kansas University Endowment Association (“KU Endowment”).

Lastly, payments of the following type were also sampled for review:

- Payments made to the Chancellor and his direct subordinates, especially those who serve in dual roles, and payments made to any of their related party interests.

In conducting our analysis, BKD:

- Interviewed Chancellor Hemenway and other key personnel of the University, KUCR, Memorial Corporation, Athletics, KUSAC, KUMC, KUMC RI and its subsidiary, Research Properties, Inc., Student Union Corporation, Health Partners, the Alumni Association, and KU Endowment.
- Analyzed specific account ledgers of and performed testing of certain account transactions from such specific account ledgers of the following entities:
 - KU Endowment
 - Athletics
 - KUCR
 - KUMC RI
- Analyzed Statement of Substantial Interest forms, conflict of interest forms, employment contracts and related documents for various individuals at Athletics; and
- Analyzed minutes of meetings of Boards of Directors and various committees for the relevant time period at Athletics, KUCR and KUMC RI.
- Analyzed audited financial statements to identify related party transactions and understand sources of revenue, expenses, assets and obligations shared between University affiliates.

Our services were provided in accordance with the Statement of Standards for Consulting Services promulgated by the American Institute of Certified Public Accountants and, accordingly, do not constitute a rendering by BKD or its partners or staff of any legal advice, nor do they include the compilation, review or audit of financial statements. Because our services were limited in nature and scope, they cannot be relied upon to discover all documents and other information or provide all analyses that may be of importance in this matter. For instance, any procedures we performed cannot be relied upon to give assurance that any defalcations or fraudulent transfers that might have taken place were discovered.

Scope Limitations

Not all information requested by BKD was available for our inspection. Specifically, documentation for the following disbursements in the Athletics department could not be located by Athletics department personnel:

- \$121,762 disbursed to XOS Technologies on August 13, 2003
- \$60,000 disbursed to HydroWorks on April 1, 2004

Additionally, the authorizing signatures or initials were not present on two KUCR disbursement transactions. Each of these transactions was under \$10,000 in amount.

These items represent a few missing documents and authorizing signatures out of more than 150 KUCR transactions tested and out of more than 500 athletics transactions tested. These deficiencies appear to be isolated deficiencies in documentation, rather than evidence of systemic documentation or approval inadequacies.

Primary Findings

The University of Kansas system has grown and prospered under Chancellor Hemenway's leadership. Based upon our work and interviews we conducted, the Chancellor has been successful in instilling a sense of responsibility and accountability throughout the organization. BKD procedures resulted in no identification of inappropriate disbursements of unrestricted funds by the University, including KUMC, or affiliated corporations of the University and KUMC.

Significant progress and growth has occurred at the University during the tenure of Chancellor Hemenway. Notable accomplishments under Chancellor Hemenway's leadership include the following increases in key statistics between 1995 and today¹:

- 9% increase in overall enrollment
- 47% increase in minority enrollment
- 26% increase in first-time freshman enrollment
- 75% increase in minority first-time freshman enrollment
- 18% increase in total faculty
- 60% increase in women faculty
- 83% increase in minority faculty
- 140% increase in total research expenditures, and

¹ Based on statistics published by the University of Kansas at <http://chancellor.ku.edu/hemenway/index.shtml>

- Capital improvements of \$537 million at the Lawrence and Edwards campuses, and \$209 million in capital improvements at the University of Kansas Medical Center (“KUMC” or the “Medical Center”).

Under Chancellor Hemenway’s leadership, the University has focused on serving students and achieving a balance between academics and athletics. Chancellor Hemenway attributes all of these accomplishments to the team—a collection of many capable individuals all pulling together for the good of the students.

SECTION 2: ENGAGEMENT SCOPE AND APPROACH

Objective and Scope

The key objectives of this engagement were to:

1. evaluate whether financial transactions within the specified accounts that fell under the control of Chancellor Hemenway or one of his direct subordinates, for the period July 1, 2003 to the present, were spent for legitimate business purposes;
2. evaluate whether these disbursements were appropriately documented and approved; and to
3. review relationships between the University and its affiliated corporations with a specific interest in how conflicts of interest are managed.

Approach

In conducting our analysis, BKD:

- Interviewed key personnel of the University, KUCR, the Memorial Corporation, Athletics, KUSAC, KUMC RI, the Student Union Corporation of the Medical Center, Health Partners, the KU Endowment and the Alumni Association;
- Reviewed specific account ledgers of the KU Endowment, Athletics, KUCR and KUMC RI and performed testing of certain account transactions;
- Reviewed entity financial audit reports and annual reports for each entity, affiliation agreements, Statement of Substantial Interest forms, conflict of interest and employment contracts and related documents for various individuals; and
- Reviewed minutes of meetings of Boards of Directors and various committees of certain entities.

Interviews

We interviewed the following key personnel:

- Robert Hemenway, Chancellor of the University, Chair of the KUCR Executive Committee, Board member of KUMC RI and Executive Committee member of KUMC RI
- Theresa Gordzica, Chief Business & Financial Planning Officer of the University and Secretary/Treasurer of the University of Kansas Student Assistance Corporation, Executive Committee member of KUCR, Board member and Secretary/Treasurer of Kansas Athletics, Inc., and Compensation Committee member of Kansas Athletics, Inc.
- James Pottorff, General Counsel of the University
- Don Holland, Director of Internal Audit of the University
- Danny Anderson, Interim Provost of the University, member of the Board of Kansas Athletics, Inc., and member of the KUCR Executive Committee
- Diane Goddard, Vice President for Finance of the University
- Barbara Atkinson, Executive Vice Chancellor of University of Kansas Medical Center; Executive Dean of the School of Medicine; KUMC RI Board member; and member of the KUMC RI Executive Committee
- Ed Phillips, Vice Chancellor for Administration of the University of Kansas Medical Center, Chair of the University of Kansas Student Assistance Corporation, and member of the KUMC RI Board and Executive Committee
- Steve Warren, President of University of Kansas Center for Research, Inc. and Vice Provost for Research & Graduate Studies
- Linda Sadler, Chief Financial Officer, University of Kansas Center for Research, Inc. and Assistant Vice Provost for Research & Graduate Studies
- David Mucci, Director of University of Kansas Memorial Corporation
- Leah Reichert, Chief Financial Officer of University of Kansas Memorial Corporation
- Lew Perkins, Athletic Director of the University, Chair of the Board of Kansas Athletics, Inc. and member of the Compensation Committee of Kansas Athletics, Inc.
- Sean Lester, Associate Athletics Director of Kansas Athletics, Inc.
- Susan Wachter, Chief Financial Officer of Kansas Athletics, Inc.

- Judy Pottorff, Corporate Counsel of Kansas Athletics, Inc.
- Greg Kopf, Executive Director of University of Kansas Medical Center Research Institute
- Steven Geiger, Chief Financial Officer of University of Kansas Medical Center Research Institute
- Mike Keeble, President/Treasurer of The Student Union Corporation of the University of Kansas Medical Center; Associate Vice Chancellor of Finance, KUMC; member of Board and Finance Committee of KUMC RI
- Karen Miller, President of KU Health Partners, Inc., Senior Vice Chancellor for Academic and Student Affairs, and Dean of the School of Nursing & Allied Health for KUMC
- George Gunderson, co-Treasurer of KU Health Partners, Inc. and Administrative Officer for the School of Nursing, KUMC
- Duane Boettcher, co-Treasurer of KU Health Partners, Inc. and Administrative Officer for the School of Allied Health, KUMC
- Kevin Corbett, President of the University of Kansas Alumni Association
- Dwight Parman, Chief Financial Officer of the University of Kansas Alumni Association
- Dale Seuferling, President of the Kansas University Endowment Association
- Clark Cropp, Senior Vice President for Administration of the Kansas University Endowment Association

SECTION 3: FINDINGS AND RECOMMENDATIONS

University of Kansas Center for Research, Inc.

Scope

Our work at KUCR involved interviewing Steve Warren, President and Linda Sadler, Chief Financial Officer. We analyzed KUCR's fiscal year-end audited financial statements for 2003 through 2008. We reviewed selected board meeting minutes. We tested more than 150 KUCR disbursement transactions to evaluate whether the transactions were for legitimate business purposes and were appropriately documented and approved.

Overview

KUCR is a non-profit organization that operates under the administrative jurisdiction of the University of Kansas. It is a component unit of the University and administers sponsored agreements to conduct research and training for the University. KUCR's revenues and other support are derived principally from federal, state and private grants and its activities are conducted principally in Lawrence, Kansas.²

Findings and Recommendations

Documentation was incomplete for three of the disbursement transactions tested, each item under \$10,000 in amount. Two of the items were supported with invoices, but an authorization signature or initials could not be located. A supporting invoice for one of the disbursement amounts was not located. These deficiencies, in three out of more than 150 transactions tested, appear to be isolated deficiencies in documentation, rather than evidence of systemic documentation or approval inadequacies.

No other findings or recommendations resulted from the work on KUCR.

University of Kansas Memorial Corporation

Scope

Our work at the Memorial Corporation involved interviewing David Mucci, Director and Leah Reichert, Chief Financial Officer. We also analyzed Memorial Corporation's fiscal year-end audited financial statements for 2003 through 2008.

Overview

The Memorial Corporation operates under the administrative jurisdiction of the University and is subject to all of the regulations and administrative policies of the University. The Memorial Corporation functions as concessionaire to the University for the purpose of operating various enterprises within the Kansas Union Building, the Burge Union, the Edwards Campus Union, residential dining halls, and other University properties.³

Findings and Recommendations

No findings or recommendations resulted from the work on Memorial Corporation.

² According to the notes to the 2008 KUCR audit report

³ According to the notes to the 2008 Memorial Corporation audit report

Kansas Athletics, Inc.

Scope

Our work at Athletics involved interviewing Lew Perkins, Athletic Director; Sean Lester, Assistant Athletic Director; Susan Wachter, Chief Financial Officer; and Judy Pottorff, Corporate Counsel to Athletics. We analyzed Athletics' fiscal year-end audited financial statements for 2003 through 2008. We reviewed selected Board of Directors and Compensation Committee minutes regarding Athletics. We tested approximately 500 Athletics' disbursement transactions to evaluate whether the transactions were for legitimate business purposes and were appropriately documented and approved. We also reviewed employment contracts and related documentation for the athletic director, men's and women's head basketball coaches and the head football coach.

Overview

Athletics, a Kansas not-for-profit corporation, operates under the administrative jurisdiction of the University and is subject to all of the regulations and administrative policies of the University. Athletics operates the varsity intercollegiate athletics programs at the University in facilities that are owned by the University. The primary source of revenues and support for the program are athletic event ticket sales, conference revenue distributions and contributions.⁴

As a separate legal entity, Athletics has control of its non-restricted funds, from which it compensates its employees and pays its expenses. In reviewing the various employment contracts, we tested salary and bonus payments and verified that they ran through Athletics' payroll system resulting in W-2 compensation to the recipient. Only the men's head basketball coach has a personal corporation through which he receives media related compensation. Athletics reports that compensation on a Form 1099. Athletics' corporate counsel indicated that the services for which the men's head basketball coach receives compensation are related to media and personal appearances that are outside of his duties to Athletics as a coach. Athletics sold the men's head basketball coaches' appearance rights to IMG, the global sports, entertainment and media marketing company. The appearances are reportedly scheduled by IMG and agreed to by the coach without the input of Athletics.

In conjunction with our review of selected employment contracts within Athletics, we inquired as to the process for hiring coaching staff and negotiating their compensation. Athletics' corporate counsel indicated that the scouting of coaching staff and initial contact is usually handled by the athletic director with appropriate input and involvement from his staff and others. A general offer will be agreed upon within Athletics and will involve the Chancellor's approval at certain levels. The Athletics Director will present the

⁴ According to the notes to the 2008 Athletics audit report

general offer to the prospective coaching staff. That individual's advisors and Athletics' corporate counsel will then negotiate the details. We were told that no coaching contracts are extended without the involvement of Athletics' corporate counsel and other appropriate parties.

Findings and Recommendations

During our interview with him, the Athletics Director confirmed a third party company as a source of income as is stated on his Statement of Substantial Interest form filed with the State of Kansas; that third party company is also a vendor of Athletics. We verified that this disclosure was made on the Statement of Substantial Interest form filed with the State of Kansas. The Athletics Director stated that his business relationship with the company was in no way related to its business with Athletics, and that he was not aware that it was a relationship that should be disclosed to the University or the Athletics organization.

BKD recommends that a copy of the Electronic Statement of Substantial Interests Form should be attached to the Athletics conflict of interest form and that annually disclosures on these forms should be compared to a list of vendors provided by the Athletics accounting department. This process would facilitate identification of relationships requiring evaluation.

BKD also recommends that the Athletics Director's relationship with this vendor be independently evaluated for appropriateness under the policies established within Athletics and the University.

University of Kansas Student Assistance Corporation

Scope

Our work at KUSAC involved interviewing Ed Phillips, Chair and Theresa Gordzica, Secretary/Treasurer of KUSAC. We also analyzed KUSAC's fiscal year-end audited financial statements for 2007 and 2008.

Overview

KUSAC was created on February 20, 2006 as a Kansas not-for-profit corporation. The primary purpose of KUSAC is to serve as the sole agent on behalf of the University for participation in the Federal Family Education Loan Program ("FFEL") and other loan programs as authorized by state and federal law. The loans are provided to qualified students attending the University through the FFEL program administered by the United States Department of Education. KUSAC primarily earns revenues through the origination of loans. These loans are initiated by KUSAC and sold to a loan servicer.⁵

⁵ According to the notes to the 2008 KUSAC audit report

Due to changes in the structure of federal student loan subsidies, KUSAC management has determined that it is no longer economically viable to participate in the FFEL program and it intends to discontinue KUSAC operations and transfer remaining net assets to other related programs as determined on a needs basis. As of August 11, 2009, approximately \$52,000 of net assets remained in KUSAC.

Findings and Recommendations

No findings or recommendations resulted from the work on KUSAC.

University of Kansas Medical Center Research Institute

Scope

Our work at KUMC RI involved interviewing Greg Kopf, Executive Director of KUMC RI and Steven Geiger, Chief Financial Officer of KUMC RI. We analyzed KUMC RI's fiscal year-end audited financial statements for 2003 through 2008. We reviewed selected Board of Director minutes regarding KUMC RI and Research Properties, Inc. We tested approximately 100 KUMC RI disbursement transactions to evaluate whether the transactions were for legitimate business purposes and were appropriately documented and approved.

Overview

KUMC RI, a non-profit organization, manages grants and contracts and earns contract administration fees in connection with projects conducted by principal investigators who serve as faculty at the University of Kansas Medical Center. The mission of KUMC RI is to promote additional medical research at KUMC. Funding for research activities of KUMC RI is derived from federal and state grants, privately funded grants by corporations and other not-for-profit organizations, royalties and licensing fees.⁶

BKD procedures included discussion of conflict of interest policy with the KUMC RI executives and Board Members. The policy was described as a "zero dollar threshold" policy that rejected the concept of an acceptable level of transaction that was too small to consider. Under this policy, gifts can not be received by individuals regardless of nature or value. This policy requires complete transparency for any employee relationship or investment. Management considers identifying and managing such potential conflicts to be important for the business and critical for the integrity of the Medical Center Organization.

⁶ According to the notes to the 2008 KUMC RI audit report

The Precede Fund is managed by KUMC RI and is a funding vehicle for investments in early-stage companies, potentially including those in the Research Properties, Inc. incubator. Potential conflicts of interest related to individuals' investments in the Precede Fund or directly in incubated companies is evaluated by a board that includes the Chief Executive Officer of KUMC RI and the CEO of the Kansas Technology Enterprise Corporation ("KTEC.") "KTEC is a private/public partnership established by Kansas to promote technology based economic development. KTEC assists Kansas entrepreneurs and technology companies by supporting the development and commercialization of new technologies through a statewide network designed and built to support researchers, entrepreneurs, and technology companies through each phase of the technology life cycle."⁷

Findings and Recommendations

No conflicts have been identified by the board regarding investments in these companies.

Research Properties

Overview

Research Properties, Inc. is a tax exempt subsidiary of KUMC RI. Research Properties, Inc. holds the title to real estate used in the operations of KUMC RI.

The current incubator facility, operated for the benefit of the bioscience community in the metro-Kansas City area, is designed as a place for start-up companies to develop intellectual property and commercialize it for the marketplace. This limited services facility leases space to tenants but does not offer management services or take equity positions in incubated company. Furthermore, we were told that no University or KUMC/KUMC RI faculty or employees hold board or management positions in any incubated company.

Findings and Recommendations

Over the course of several years, various recommendations have surfaced that the incubator be discontinued due to its underutilization by start-up companies and its resultant required funding by KUMC RI. However, due to a commitment to investing in bioscience activities and innovation, the Chancellor of the University and the Executive Vice Chancellor of KUMC have supported the continued existence of the incubator.

⁷ KTEC web site home page <http://www.ktec.com/sec_about/about.htm

A new incubator facility, the Breidenthal incubator, is planned as a larger full-service facility with expanded technical support services and management services. It is hoped that the increased size of the Breidenthal incubator will address many of the issues that caused the existing incubator to languish, namely an appropriate mixture and size of laboratory and office facilities. It was beyond the scope of this engagement to determine whether this is a realistic expectation. KUMC personnel have described external and internal funding commitments to the Breidenthal incubator and have expressed confidence in the desirability of the new incubator, given various studies addressing the needs of start-up companies in the bioscience space. Both, the existing incubator and the new Breidenthal incubator are located in space within close proximity to each other near KUMC.

It is anticipated that the Breidenthal incubator may take equity positions in incubated companies under certain circumstances. We recommend that the incubated companies be formally included in the conflict of interest policy and reviewed to ensure that any possible future equity and or board or management relationships between the University, KUMC and their affiliated corporations and personnel are appropriately identified and managed. The University and KUMC leadership have agreed to consider this recommendation.

The Student Union Corporation of the University of Kansas Medical Center

Scope

Our work at the Student Union Corporation involved interviewing Mike Keeble, President/Treasurer. We also analyzed The Student Union Corporation's fiscal year-end audited financial statements for 2003 through 2008.

Overview

The Student Union Corporation is a not-for-profit service organization. Its mission is to serve the interests of students, faculty, alumni, friends and visitors to the KUMC campuses in Kansas City, Kansas and Wichita, Kansas. It provides bookstores and vending machines through third-party contracts, as well as other services.⁸

The Student Union Corporation has no employees. Mr. Keeble manages the performance of the outsourced vendors. A part-time external accountant pays the bills and records transactions. Checks can be signed by Mr. Keeble or the outside accountant.

⁸ According to the notes to the 2008 Student Union Corporation audit report

Findings and Recommendations

Mr. Keeble agrees that the small size of the Student Union Corporation makes segregation of duty internal controls related to the protection of cash difficult to accomplish. As a circumventing control, members of the Student Union Corporation board, excluding student members, review check account and investment account activity quarterly for appropriateness of disbursements. This duty is rotated between the board members on a voluntary basis.

BKD recommends that the Student Union Corporation further strengthen its internal controls over cash by identifying a KUMC or University accounting employee, outside of the Student Union Corporation if necessary, that could be responsible for receiving and independently reconciling the Student Union Corporation bank statement and investment account on a monthly basis.

KU Health Partners, Inc.

Scope

Our work at Health Partners involved interviewing Karen Miller, President, and George Gunderson and Duane Boettcher, co-Treasurers. We also analyzed Health Partners' fiscal year-end audited financial statements for 2003 through 2008.

Overview

Health Partners, which is affiliated with KUMC, is a not-for-profit corporation. Members of the professional staff of Health Partners serve on the faculty of the School of Nursing or the School of Allied Health of the Medical Center.⁹ Health Partners is an entity used to separate the provision of medical services from the academic activities for personnel that perform work for both the hospital and the medical school.

Findings and Recommendations

No findings or recommendations resulted from the work on Health Partners.

⁹ According to the notes to the 2008 K.U. Health Partners audit report

University of Kansas Alumni Association

Scope

Our work at the Alumni Association involved interviewing Kevin Corbett, President and Dwight Parman, Chief Financial Officer. We also analyzed the Alumni Association's fiscal year-end audited financial statements for 2007 and 2008.

Overview

The Alumni Association is a non-profit entity separate and independent from the controlled corporations of the University. It coordinates its efforts with the University and reports to the Chancellor. Its mission is to strengthen the University of Kansas by informing, engaging and mobilizing the KU community.

President Kevin Corbett and his staff of more than 40 people work hard to produce outstanding alumni programs, publish the *Kansas Alumni* magazine, maintain the Association's database of more than 440,000 records and keep the Adams Alumni Center running smoothly. The Alumni Association is the sole guardian of alumni records for the University of Kansas and houses biographical information on more than 440,000 graduates, former students and friends of the University.¹⁰

The activities of the Alumni Association are funded through membership dues, royalties, contributions, sales & commissions, investment income, external grants and some University support. Its spending is primarily on programs which support activities ranging from social events to recruiting to support of sports teams.

Findings and Recommendations

No findings or recommendations resulted from the work on the Alumni Association.

¹⁰ KU Alumni Association website: http://www.kualumni.org/kuaa_aboutus_home.html

Kansas University Endowment Association

Scope

Our work at the KU Endowment involved interviewing Dale Seufferling, President, and Clark Cropp, Senior Vice President for Administration. We also analyzed the KU Endowment's fiscal year-end audited financial statements for 2007 and 2008. We tested more than 600 KU Endowment disbursement transactions to evaluate whether the transactions were for legitimate business purposes and were appropriately documented and approved.

Overview of Discretionary Funds

The Kansas University Endowment Association maintains custody and invests both restricted and unrestricted funds donated to the University and invested funds of other component unit entities of the University. The disbursement transactions tested for authorization and appropriateness of business purpose included not only general unrestricted disbursements of the KU Endowment, but also disbursement of funds related to KUMC, the Memorial Corporation, Athletics and KUMC RI.

Findings and Recommendations

BKD noted that an obligation of KUMC and KUMC RI for a series of settlement back payments to some inventors of intellectual property was partially paid with funds from the Medical Center Development Fund held by the KU Endowment for the benefit of KUMC. BKD raised a question about whether the distinct financial reporting identity of KUMC and KUMC RI was maintained if KUMC's portion of the settlement was paid with funds held by KU Endowment. The portion of the payment made through KU Endowment was appropriately sourced from the Medical Center Development Fund, which are funds for the benefit of the Medical Center.

BKD acknowledges the response to this finding and has no specific recommendation.

CONCLUSION

The University of Kansas system has grown and prospered under Chancellor Hemenway's leadership. Based upon our work and interviews we conducted, the Chancellor has been successful in instilling a sense of responsibility and accountability throughout the organization. BKD procedures resulted in no identification of inappropriate disbursements of unrestricted funds by the University, including KUMC, or affiliated corporations of the University and KUMC.

Interviews of executives throughout the University reflected an awareness of the necessity to identify and manage potential conflicts of interest.

BKD found one circumstance where the Athletics Director personally receives income from a contract with a company that is also a vendor of Kansas Athletics, Inc. BKD has not evaluated the appropriateness of this relationship. This gives rise to the following two recommendations:

1. BKD recommends that a copy of the Electronic Statement of Substantial Interests Form should be attached to the Athletics conflict of interest form and that disclosures on these forms should be compared annually to a list of vendors provided by the Athletics accounting department. This process would facilitate identification of relationships requiring evaluation.
2. BKD also recommends that the Athletics Director's relationship with this vendor be independently evaluated for appropriateness under the policies established within Athletics and the University.

BKD has two other recommendations that result from general observations of the BKD project team during the course of the work:

1. It is anticipated that the Breidenthal incubator may take equity positions in incubated companies under certain circumstances. We recommend that the incubated companies be formally included in the conflict of interest policy and reviewed to ensure that any possible future equity and or board or management relationships between the University, KUMC and their affiliated corporations and personnel are appropriately identified and managed. The University and KUMC leadership agreed to consider this recommendation.
2. The Student Union Corporation of the University of Kansas Medical Center has recognized its challenge in the area of segregation of duty internal controls related to cash and investments. Management should seek to further address this challenge by identifying an accounting employee that can reconcile the cash and investments account on a monthly basis.

All University personnel were responsive and helpful in regard to BKD's requests for documents, interview time and additional explanations. Records were retrieved quickly and documentation produced appeared to be complete and well organized, even though requests covered a six year time period.

BKD would be delighted to make its project team available to discuss any of the findings and recommendations in this report. This firm also welcomes discussion with the Kansas Board of Regents or University personnel about ideas for supporting the University's objectives in this subject area prospectively.