

## **REPORT DIGEST**

### **SOUTHERN ILLINOIS UNIVERSITY AT EDWARDSVILLE FOUNDATION FINANCIAL AUDIT FOR THE ONE YEAR ENDED JUNE 30, 1995 AND COMPLIANCE AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1995**

#### **SYNOPSIS**

- Investment managers were not evaluated based upon returns net of management and custodial fees. As a result, the Foundation may have been paying excessive management and custodial fees.
- The Foundation did not properly segregate duties or maintain adequate supporting documentation for all expenditures.

## **FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS**

### **INVESTMENT MANAGERS NOT PROPERLY EVALUATED**

During our analysis of investment returns for the years ended June 30, 1995 and 1994, we noted investment managers were not evaluated based upon returns net of management and custodial fees. The Foundation's Investment Committee uses a quarterly report prepared by the bank to evaluate the performance of investment managers. The rates of return used for this analysis do not consider management and custodial fees. As a result, the Foundation may be paying excessive management and custodial fees. (Finding 1, page 14)

We recommended that Foundation officials evaluate investment managers based upon their rate of return net of all fees. Current agreements with managers should be reevaluated periodically based upon net returns achieved.

Foundation officials responded that they currently evaluate investment earnings in relation to each investment manager as well as other financial indices. They said the Investment Committee reviewed investment manager fees at their last meeting and approved reducing fees by approximately 20%.

### **WEAKNESSES IN PROCESSING EXPENDITURES**

During our expenditure testing we noted a lack of segregation of duties and a lack of supporting documentation. Due to the Foundation's small staff, expenditures to a fiscal officer were not always properly approved by someone else. Also, expenditures were not always supported by adequate documentation. (Finding 2, page 15)

Foundation officials agreed with our recommendation to correct these weaknesses. They stated a written policy specifying the appropriate supporting documentation and authorization for all expenditures was implemented in September 1995.

### **OTHER FINDING**

The remaining finding and recommendation is less significant and has been given appropriate attention by Foundation management. We will review progress toward implementation of our recommendations during our next compliance audit. Foundation responses were provided by Mr. John Oxford, SIUE Director of Developmental Services.

### **AUDITORS' OPINION**

Our auditors stated the June 30, 1995 financial statements of the Foundation are fairly presented.

\_\_\_\_\_ WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

## **SUMMARY OF AUDIT FINDINGS**

Number of This Audit  
Prior Audit

Audit findings 30

Repeated audit findings 00

Recommendations implemented or  
not repeated 03

## **SPECIAL ASSISTANT AUDITORS**

Grant Thornton LLP were our special assistant auditors for these audits.

**SOUTHERN ILLINOIS UNIVERSITY AT EDWARDSVILLE FOUNDATION  
FINANCIAL AND COMPLIANCE AUDIT  
For The Two Years Ended June 30, 1995**

<b>FINANCIAL OPERATIONS (ALL FUNDS)</b>	<b>FY 1995</b>	<b>FY 1994</b>
<b>REVENUES</b>		
Contributions and Gifts	\$ 1,466,223	\$ 1,356,369
Investment Revenue	246,186	411,519
Support from University	193,000	225,400
Other Revenues	<u>365,518</u>	<u>251,467</u>
Total <b>Revenues</b>	<u>\$ 2,270,927</u>	<u>\$ 2,244,755</u>
<b>EXPENDITURES</b>		
General and Operating	\$ 378,542	\$ 498,176
Scholarships and Distributions	1,084,654	1,732,986
Other Expenditures	<u>37,105</u>	<u>36,136</u>
Total <b>Expenditures</b>	<u>\$ 1,500,301</u>	<u>\$ 2,267,298</u>
<b>SELECTED ASSET BALANCES (ALL FUNDS)</b>	<b>AT JUNE 30, 1995</b>	<b>AT JUNE 30, 1994</b>
Cash and Investments	\$ 5,571,395	\$ 5,257,007
Plant and Equipment	414,434	430,148
Other Assets	<u>136,232</u>	<u>146,408</u>
Total Assets	<u>\$ 6,122,061</u>	<u>\$ 5,833,563</u>

**FOUNDATION EXECUTIVE DIRECTOR**

During the Audit: Dr. James Buck  
Currently: Dr. James Buck