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Southern
Illinois University
School of Medicine

Physicians & Surgeons

March 22, 2007

Honorable William G. Holland
Auditor General
State of Illinois
Iles Park Plaza
740 East Ash
Springfield, IL 62703-3154

Dear Mr. Holland:

The following is the Southern Illinois University Physicians & Surgeons, Inc.'s response to the Fiscal Control and Auditing Act which you have requested that we respond to annually.

The objectives of the system of the internal fiscal and administrative controls of the SIU Physicians & Surgeons, Inc. are to provide reasonable assurance that:

1. resources are utilized efficiently, effectively, and in compliance with applicable law;
2. obligations and costs are in compliance with applicable law;
3. funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation;
4. revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over resources; and
5. funds are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

The concept of reasonable assurance recognizes that the cost of inherent control should not exceed the benefits expected to be derived therefrom, and that the benefits consist of reductions in the risks of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, legislative restrictions, and other factors.

Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Nonetheless, the necessary measures to assure that the evaluation, identified in the first paragraph, has been conducted in a thorough and conscientious manner.

To the best of my knowledge, the systems of internal fiscal and administrative controls of SIU Physicians & Surgeons, Inc. comply with the requirements of this Act.

Sincerely,

David J. Tkach
Chief Executive Officer

SIU Physicians & Surgeons, Inc. - Administrative Offices

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cc: Peter R. Cadwell, Chief Financial Officer and Treasurer/Secretary
M. Elizabeth Collier, Executive Director, Financial Affairs
Ronald Cremeens, Executive Director of Audits—SIU (letter only)