

**FY13 Balanced Budget Guidelines for VCAD September 30, 2012**

Item #1. You have indicated that you believe you have found sufficient savings to balance the FY13 expenditures and revenues. **Request #1: Please send the expenditure reductions (amounts and descriptions) to Denise and to me for review.** I need Denise to have them to put them in context of other expenditures for me as she sorts the expenditure by unit out.

Item #2. There may be more reductions required as your current commitments for salary and fringe benefits consume almost all your revenue from all your sources (E&G, Foundation, and UA Endowment basis points).

**FY13 Expected Revenue**

\$5,051,417	E&G
\$4,500,000	Expected Foundation Distributions (includes Chancellor Society)
\$275,000	Expected UA Endowment Basis Points
<u>\$200,000</u>	Expected UA Transfers Unrestricted
\$10,026,417	Total Revenues for Advancement

**FY13 Commitments**

\$7,061,695	Current staff salaries and the associate fringe benefits are
\$2,111,447	Fringe benefits of salaries
\$9,173,142	Subtotal of current staff salaries and fringe benefits
\$425,000	Debt Service (approximate)
\$428,275	Operating expenses exclusive of debt service ( <u>from both E&amp;G and Foundation</u> )
\$10,026,417	Total Expenditures for Advancement (including Chancellor)

Note: Need to pull the Chancellor and Chancellor's Society out of both Revenue and Expenditures

I am fairly certain that Advancement cannot operate with current staffing and have sufficient operating funds with the reductions you have described so far. What you list in #1 will probably have to be a starting point for #2. The reductions in Item #1 above were based on earlier understanding of balances for FY12. I do not have an analysis of what appears to be an increase in salaries in FY13 but the explanation may be that there were a number of appointments of staff during FY12 that would have to have the salary and fringe annualize (i.e., the costs would have been less in FY12 due to the partial year appointments). I cannot directly compare the expected total expenditures because I do not have budgets for Advancement that incorporates the expenditures from all sources. In order to get a good picture of the FY13 problem, I need clear budget requirements by unit for FY13. **Request #2: Please provide unit budgets (total budgets regardless of the source of funds so anything anticipated from either E&G or Foundation funds should be included) for everything other than current staffing salaries and fringes (i.e.,**

**operating expenses, additional staff salaries, and anything not covered by those two).** In other words, just providing what is to be cut or saved as in #1 above is not sufficient. My guess is that merely taking FY12 expenditures as the basis for FY13 is not adequate but Denise is still trying to sort out FY12 for us. The complications are that there were no budgets (back to 2006) to bounce expenditures off of and it appears that expenditures for units were made in other units without adequate documentation to further confuse things.

Item #3. You have bypassed financial controls by giving your staff your password. **Request #3: Please change your password immediately and do not give it to any other person as campus policy clearly states.** I can provide the reference to the written policy if you require it. Denise can help you change your password but she should not know what it is.

Item #4. To prevent confusion, there needs to be clarity among your managers and all staff in Advancement that all financial issues are to go through Denise. **Request #4: Please put in writing to Joy Sharp what her duties are with a copy to me and specifically instruct her not to manage the financial affairs of Development or any other unit. Also instruct her to turn in her P-Card.** Make sure your managers understand this and that they make sure their staff understands it. Denise will provide P-Card services and work with units on how to handle purchases.

Item #5. Nothing in the first 4 items addresses the deficit from the last two years. Denise's latest numbers which I have not had time to understand yet suggest that the deficit is over \$5 million even with some back adjustments of funds that should have been requested from E&G and were not (and which will be made up if I can verify that they were missed). Quite frankly at the moment, I cannot see how you can address the deficit without a reduction in force or activities. That is a decision with major impact on the ability of Advancement to carry out its mission so I have no requests for this item at this time. It may become clearer what kind of request I need on this one at a later time.

## **Gloria Sutherland**

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**From:** G. David Gearhart  
**Sent:** Monday, October 01, 2012 2:51 PM  
**To:** Gloria Sutherland  
**Subject:** FW: Actions Needed  
**Attachments:** Financial Control Circumstances VCAD.docx

Copy for my desk. This one is different than the one I just sent.

G. David Gearhart  
Chancellor  
University of Arkansas  
425 Administration Building  
Fayetteville, Arkansas 72701  
479-575-4140  
479-575-2361 (Fax)  
[gdgearh@uark.edu](mailto:gdgearh@uark.edu)  
[www.uark.edu](http://www.uark.edu)

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**From:** Donald O. Pederson  
**Sent:** Saturday, September 29, 2012 6:43 PM  
**To:** G. David Gearhart  
**Subject:** FW: Actions Needed

Wanted you to have a fuller picture of my concerns about Advancements past fiscal control. - dop

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**From:** Don Pederson <[dop@uark.edu](mailto:dop@uark.edu)>  
**Date:** Saturday, September 29, 2012 6:40 PM  
**To:** Brad Choate <[Choate@uark.edu](mailto:Choate@uark.edu)>  
**Cc:** Dave Gearhart <[gdgearh@uark.edu](mailto:gdgearh@uark.edu)>  
**Subject:** Actions Needed

I am attaching the document "FY13 VCAD Budget 28 Sept 2012" so I can keep the formatting I drafted. It has some specific actions you must take to move us down the road in the right direction. Nevertheless, I am very concerned about the accumulated deficit and the outlook for FY13 which I attribute to inadequate fiscal procedures the most immediate of which I have addressed previously or now in the attachment. I have asked Jean Schook and Denise Reynolds for additional information on last years expenditures that I think are needed before I make further recommendations to the chancellor on the issue we discussed yesterday.

Though I still want to gather a bit more information before we make the decision on audit, let me outline some of the information I have. I will distinguish what I know directly and what I know indirectly.

Brad gave his BASIS password to Joy (direct).

Denise had to show him how to log on to BASIS so apparently he never approved purchases in BASIS (direct)

Betty initiated many expenditures (indirect but will be able to verify though not sure if I can verify that a number were outside of Development)

The expenditures for other units were often run through Development (indirect but should be able to verify)

Joy approved most of the Advancement purchases (direct but am checking)

Joy had opportunity to approve for Brad and many approvals show proximate timing (indirect but am checking)

Joy directed Foundation funds to come by check to her rather than the preferred and more efficient process of a wire transfer directly to the Treasurer's Office (direct)

Denise inherited a new laptop and empty filing cabinets. Fortunately the files on Joy's computer were backed up at ITS and appear to be intact but Joy's computer went with her and she left an empty filing cabinet in the office as well. (direct)

Joy made a serious error in moving a large sum of money. Though no fraud existed, it violated some fund requirements and was made possible by the circumstances. (direct)

So, Joy had the opportunity (with her sister) to initiate, approve, receive funds, and hide or obfuscate the record which violates basic sound practice and policy to reduce the risk of fraud. This alone warrants an audit but I want to check the items I know only indirectly to be sure. Denise and Jean are working on it now and should have something to me even while I am out of town

## Gloria Sutherland

---

**From:** G. David Gearhart  
**Sent:** Monday, October 01, 2012 2:53 PM  
**To:** Gloria Sutherland  
**Subject:** FW: Actions Needed

copy to my desk.

G. David Gearhart  
Chancellor  
University of Arkansas  
425 Administration Building  
Fayetteville, Arkansas 72701  
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[gdgearh@uark.edu](mailto:gdgearh@uark.edu)  
[www.uark.edu](http://www.uark.edu)

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**From:** Donald O. Pederson  
**Sent:** Saturday, September 29, 2012 8:47 PM  
**To:** G. David Gearhart  
**Subject:** Re: Actions Needed

Right. But just want to make sure you understand that all I see now is the opportunity for fraud. I have nothing to suggest Joy took anything. However, the circumstances, that could have resulted in fraud and might not have, DID result in a very bad fiscal situation. - dop.

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**From:** Dave Gearhart <[gdgearh@uark.edu](mailto:gdgearh@uark.edu)>  
**Date:** Saturday, September 29, 2012 8:28 PM  
**To:** Don Pederson <[dop@uark.edu](mailto:dop@uark.edu)>  
**Subject:** Re: Actions Needed

I'm speechless.

G. David Gearhart  
Chancellor  
University of Arkansas

On Sep 29, 2012, at 6:43 PM, "Donald O. Pederson" <[dop@uark.edu](mailto:dop@uark.edu)> wrote:

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**Date:** Saturday, September 29, 2012 6:40 PM  
**To:** Brad Choate <[Choate@uark.edu](mailto:Choate@uark.edu)>  
**Cc:** Dave Gearhart <[gdgearh@uark.edu](mailto:gdgearh@uark.edu)>  
**Subject:** Actions Needed

I am attaching the document "FY13 VCAD Budget 28 Sept 2012" so I can keep the formatting I drafted. It has some specific actions you must take to move us down the road in the right direction. Nevertheless, I am very concerned about the accumulated deficit and the outlook for FY13 which I attribute to inadequate fiscal procedures the most immediate of which I have addressed previously or now in the attachment. I have asked Jean Schook and Denise Reynolds for additional information on last years expenditures that I think are needed before I make further recommendations to the chancellor on the issue we discussed yesterday.

<Financial Control Circumstances VCAD.docx>

## **Gloria Sutherland**

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**From:** G. David Gearhart  
**Sent:** Monday, August 06, 2012 5:51 PM  
**To:** Brad Choate; Joy M. Sharp  
**Cc:** Donald O. Pederson  
**Subject:** Foundation accounts

I just learned from Dianna that the Chancellor's Society funds are much lower than we thought. Apparently we only have about \$110,000 in the quasi account down from \$500,000 in the report I received in December and \$80,000 below the recent report of two weeks ago. That is dangerously low.

Dianna also tells me that my chancellor's deferred income account has no funds in it at all. That is the account that was supposed to pay my deferred income of \$225,000 on July 1 as authorized by the BOT. Those funds were provided by DOP permanently four years ago into your budget so that you could fund it.

I know you are working on answers to what happened and Don's folks are assisting you, but I feel that we must come to closure on the reasons for this budget short fall sooner rather than later.

If you don't have an answer to me by end of week I feel an obligation to involve our auditors.

I don't want to simplify things, but someone should be able to add up all income from last year and compare it to all expenditures and answer what happened.

I'm starting to lose patience on this and believe I'm owed an answer by Friday at noon.

It is not in our best interests to involve the auditors as that information goes to the BOT, but I feel I have a fiduciary responsibility to get answers and that may be the only way.

This needs to be an absolute priority.

G. David Gearhart  
Chancellor  
University of Arkansas

## **Gloria Sutherland**

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**From:** G. David Gearhart  
**Sent:** Wednesday, September 26, 2012 9:57 AM  
**To:** Brad Choate  
**Cc:** Mark Edward Power; Bruce Pontious  
**Subject:** RE: Will

Will was already well aware of the issue and asked me about it. Rumors are quite rampant. I think you will find knowledge to be very widespread. You can't move Joy over to University House without talk. I did not lie about the problem but rather was direct with Will. I don't plan on keeping it a secret from anyone who asks me. It has placed us in a real difficult position in funding vital programs. \$3.9 million is a huge hit for the University. People need to know why we will not be able to fund projects.

I still have no report on why this happened. You need to concentrate on that instead of who knows about this catastrophe. Someone needs to tell me how your budget got so out of control. I'm still waiting for an answer.

I'm also being told that there has been no budget formulated since I left the office in 2008. Could this possibly true? I left the division with budget files and spreadsheets.

I'm not very wild about getting e-mails like this. I don't like lectures from people that work for me. particularly when you have such a sizeable deficit. The largest in our modern history.

G. David Gearhart  
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[www.uark.edu](http://www.uark.edu)

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**From:** Brad Choate  
**Sent:** Wednesday, September 26, 2012 9:26 AM  
**To:** G. David Gearhart  
**Subject:** Will

You should know that after you had dinner with Nate and Will, and apparently talked with them about our budget situation, Will went to Mark quite concerned. I don't know who else he has talked with. It would probably be better to keep this info among those with need to know. I just thought you should know.

Brad Choate



## Gloria Sutherland

---

**From:** G. David Gearhart  
**Sent:** Monday, October 01, 2012 2:52 PM  
**To:** Gloria Sutherland  
**Subject:** FW: Actions Needed

Copy to my desk.

G. David Gearhart  
Chancellor  
University of Arkansas  
425 Administration Building  
Fayetteville, Arkansas 72701  
479-575-4140  
479-575-2361 (Fax)  
[gdgearh@uark.edu](mailto:gdgearh@uark.edu)  
[www.uark.edu](http://www.uark.edu)

---

**From:** G. David Gearhart  
**Sent:** Saturday, September 29, 2012 8:04 PM  
**To:** Donald O. Pederson  
**Subject:** Re: Actions Needed

Thanks Don.

I simply can't believe Brad could get us in this mess. It appears to me that he has been terribly irresponsible and even negligent in his leadership. He hired staff without having any requests for additional income. He has exhibited a total lack of knowledge of his operations.

G. David Gearhart  
Chancellor  
University of Arkansas

On Sep 29, 2012, at 6:43 PM, "Donald O. Pederson" <[dop@uark.edu](mailto:dop@uark.edu)> wrote:

Wanted you to have a fuller picture of my concerns about Advancements past fiscal control. -  
dop

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**From:** Don Pederson <[dop@uark.edu](mailto:dop@uark.edu)>  
**Date:** Saturday, September 29, 2012 6:40 PM  
**To:** Brad Choate <[Choate@uark.edu](mailto:Choate@uark.edu)>  
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asked Jean Schook and Denise Reynolds for additional information on last years expenditures that I think are needed before I make further recommendations to the chancellor on the issue we discussed yesterday.

<Financial Control Circumstances VCAD.docx>

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**From:** G. David Gearhart  
**Sent:** Monday, October 01, 2012 2:54 PM  
**To:** Gloria Sutherland  
**Subject:** FW: Actions Needed  
**Attachments:** FY13 VCAD Budget 28 Sept 2012.docx; Savings from FY12.xlsx

Copy for my desk.

G. David Gearhart  
Chancellor  
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Fayetteville, Arkansas 72701  
479-575-4140  
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gdgearh@uark.edu  
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---

**From:** Brad Choate  
**Sent:** Sunday, September 30, 2012 12:16 PM  
**To:** Donald O. Pederson  
**Cc:** G. David Gearhart; Denise B. Reynolds; Jean E. Schook  
**Subject:** FW: Actions Needed

Don, below is an update on the requests made in your September 29, 2012 email to me with four items to address. I hope we can work as a team to get to the root issue and find a solution. No one wants this more or quicker than me. Also, as you consider next steps I request that you talk directly with Bruce, John, Graham and Dan about this issue.

### **Item #1**

Your statement that I have indicated that I believe I have found sufficient savings to balance the FY13 expenditures and revenues is not correct. I have never made such a statement. I did share with you a list of expenditures from FY12 that will not be repeated in FY13 and suspect this is what you are referencing. Further, upon being made aware of this situation I immediately met with the budget managers and implemented additional reductions. I have shared both of these lists with Denise previously and attach them to this email for your information (one file, two tabs). While these are significant numbers and should be very helpful, until we have a specific target number I can't tell if these cuts are sufficient to balance FY13. I need help from Denise and your office to determine that number. My team is already working on these issues and stand ready to help in any way possible. We have held on implementing further reductions until Denise or someone can tell us exactly our budget situation. Last week Denise told me she thought she would get to the bottom of this in two more weeks.

### **Item #2**

In addition to Denise's efforts to unwind Joy's budget work, I have asked Bruce, John, Dan and Graham to share their operating budgets as requested. Hopefully, this information can be added to what Denise discovers to bring some of these numbers into focus. Maybe we can "reverse engineer" those numbers and help Denise with what information Joy left behind. You mention staff salaries for FY13. There were only four additions to

the staff in FY12 so there should not be any significant salary increases beyond approved salaries. Also, you may have included salary savings in your calculations however I cannot tell if this is so from what you have shared. This number will help the situation and it could be as much as \$150K or more.

**Item #3**

I will change my Basis password first thing Monday. As I shared with you, I was told that Basis could not be accessed remotely. Given that my job requires me to be out of the office a significant amount of time and given the trust we put in Joy and others who deal with confidential information I gave her my password to use only with my prior consent. Joy handled many confidential items with finances and human resources and this was one of them. Other need to know personnel have access to passwords such as those in information technology having staff's passwords to Outlook and similar programs. I am not arguing the point, I simply want to be certain you know that my sharing this information with our budget person was not done with ill intent. I will make the change.

**Item #4**

I previously have made it very clear to Joy and our staff that she is to no longer manage any financial affairs for Advancement. I will share a copy of the letter from me to Joy that Scott Varady and I wrote removing her from her old job and offering her new position in a separate email. I will send that letter to you Monday. If, after reviewing that letter, you think I need to document something additional to Joy I will be happy to do so. Also, I will instruct her to turn in her P-Card and confirm with her that she is in no way to be involved with financial affairs unless directly asked to do so by you, Denise or me. In the letter you will see we told her she may be required to assist with the transition to Denise, other than that she should have no involvement with financial affairs.

**Item #5**

While there is no request from you related to Item #5, I want to note that if Denise thinks our deficit is now \$5M that is yet another surprise to me. The number she gave me is \$3.5M.

---

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**To:** Brad Choate  
**Cc:** G. David Gearhart  
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## **Jean E. Schook**

---

**From:** Brad Choate  
**Sent:** Thursday, October 04, 2012 5:10 PM  
**To:** Jean E. Schook  
**Cc:** Denise B. Reynolds  
**Subject:** Don Email

Email from Jean to Don; cc: Brad and Denise

Don, after several days of review of the Advancement budget situation I would like to provide you with the attached spreadsheet and a few initial thoughts:

1. I feel the problem is with unfunded personnel, not operational spending.
2. This issue has been building for many years and is not a one year problem.
3. It is clear the information provided to Dave Gearhart when he was VCAD and subsequently Brad Choate was inaccurate.
4. Funds from the foundation have been available over the years to "mask" the deficits in the 0392 accounts. In FY '11 sufficient foundation funds were no longer available to provide such masking and the problem was revealed.
5. There are significant inaccuracies in the system concerning staffing and budget units. For example, Stephanie McGuire who works in the VCAD office is listed in Development and is paid from the World Trade Center. These types of inaccuracies in the accounting system further confused salary and fringe requirements.
6. In summary, we have two areas requiring action:
  - a. We need to immediately begin to identify ways to address the remainder of FY '13's budget. Brad, Denise and his team have already begun that process.
  - b. We need to begin conversations about the longer term "fix" for the unfunded positions.

Don, as a next step I recommend a phone call as soon as you are available with Brad, Denise and me. Please let me know your availability. Thank you.

Brad Choate  
Vice Chancellor for University Advancement  
University of Arkansas  
416 Administration Building  
Fayetteville, AR 72701  
479 575 6800



**From:** Jean Schook <[jschook@uark.edu](mailto:jschook@uark.edu)>  
**Date:** Thursday, October 4, 2012 5:45 PM  
**To:** Don Pederson <[dop@uark.edu](mailto:dop@uark.edu)>  
**Cc:** "Denise B. Reynolds" <[drevnol@uark.edu](mailto:drevnol@uark.edu)>, Brad Choate <[Choate@uark.edu](mailto:Choate@uark.edu)>  
**Subject:** Advancement Financial Position

Don, after several days of review of the Advancement budget situation I would like to provide you with the attached spreadsheet and a few initial thoughts:

1. I feel the problem is with unfunded personnel, not operational spending. I do not disagree but if the personnel are required within the current available resources, there are insufficient funds for operating no matter what is cut on the operational side.
2. This issue has been building for many years and is not a one year problem.
3. It is clear the information provided to Dave Gearhart when he was VCAD and subsequently Brad Choate was inaccurate.
4. Funds from the foundation have been available over the years to "mask" the deficits in the 0392 accounts. In FY '11 sufficient foundation funds were no long available to provide such masking and the problem was revealed. The masking may be more a question of which 4 quarters are used than over spending the annual amount (except for the last two years).
5. There are significant inaccuracies in the system concerning staffing and budget units. For example, Stephanie McGuire who works in the VCAD office is listed in Development and is paid from the World Trade Center. These types of inaccuracies in the accounting system further confused salary and fringe requirements.
6. In summary, we have two areas requiring action:
  - a. We need to immediately begin to identify ways to address the remainder of FY '13's budget. Brad, Denise and his team have already begun that process.
  - b. We need to begin conversations about the longer term "fix" for the unfunded positions.

Don, as a next step I recommend a phone call as soon as you are available with Brad, Denise and me. Please let me know your availability. Thank you. I don't have a lot of time left this afternoon here but if you can get everybody on the phone before the next hour is up, it will work. I need to be finished by 3:30pm CDT. Call my cell if you can get everybody together 479-409-4856.

Jean E. Schook  
Associate Vice Chancellor for Financial Affairs / Treasurer  
University of Arkansas  
Administration Building, Room 316  
Fayetteville, AR 72701  
Phone (479) 575-4547  
Fax (479) 575-2336



**Subject:** Follow-up

**Date:** Thursday, October 4, 2012 6:26:02 PM Central Daylight Time

**From:** Jean E. Schook

**To:** Donald O. Pederson

Just wanted to let you know that the email just sent was composed by Brad. He asked that I send it, though I can't understand what difference it makes. Didn't seem like something I wanted to challenge as I agree for the most part with the conclusions. I'm still not ready to conclusively say there are no other problems though. I think a call would be helpful, so that everyone is on the same page. The purpose of the worksheet is to try to see any trends or to identify when the problems began. Looks like something changed in FY11, but the problem probably started earlier than that. We didn't book any receivables due to deficits until Fy11 – one small receivable was booked in Fy09, but this clearly looked like a timing issue. My best guess is that Joy was using Foundation funds to pay maintenance expenses using direct pays and funding salaries through 0392. As long as the foundation would allow her to draw down accounts to a deficit (probably up through Fy10) she could cover what she needed on 0392 and run the deficit in the foundation. I'm still not exactly clear what happened in Fy11 that would have increased expenditures as much as accounting indicates. One thing for sure though she couldn't draw down enough funds to cover 0392 expenses as that would have put the accumulated deficit in the Foundation at over \$4M. From Financial Affairs' perspective at Fy11 we had no reason to think the reimbursement would not come in Fy12 for the receivable, but now we understand that couldn't happen. In my mind the \$1.3M deposit error was an attempt to cover up the unpaid Fy11 account receivable balance. I'm sure you will have questions, but wanted to offer a little behind the scenes before we talk with the group.

Jean E. Schook  
Associate Vice Chancellor for Financial Affairs / Treasurer  
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Administration Building, Room 316  
Fayetteville, AR 72701  
Phone (479) 575-4547  
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## **Jean E. Schook**

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**From:** Brad Choate  
**Sent:** Thursday, October 04, 2012 5:10 PM  
**To:** Jean E. Schook  
**Cc:** Denise B. Reynolds  
**Subject:** Don Email

Email from Jean to Don; cc: Brad and Denise

Don, after several days of review of the Advancement budget situation I would like to provide you with the attached spreadsheet and a few initial thoughts:

1. I feel the problem is with unfunded personnel, not operational spending.
2. This issue has been building for many years and is not a one year problem.
3. It is clear the information provided to Dave Gearhart when he was VCAD and subsequently Brad Choate was inaccurate.
4. Funds from the foundation have been available over the years to "mask" the deficits in the 0392 accounts. In FY '11 sufficient foundation funds were no long available to provide such masking and the problem was revealed.
5. There are significant inaccuracies in the system concerning staffing and budget units. For example, Stephanie McGuire who works in the VCAD office is listed in Development and is paid from the World Trade Center. These types of inaccuracies in the accounting system further confused salary and fringe requirements.
6. In summary, we have two areas requiring action:
  - a. We need to immediately begin to identify ways to address the remainder of FY '13's budget. Brad, Denise and his team have already begun that process.
  - b. We need to begin conversations about the longer term "fix" for the unfunded positions.

Don, as a next step I recommend a phone call as soon as you are available with Brad, Denise and me. Please let me know your availability. Thank you.

**Brad Choate**  
Vice Chancellor for University Advancement  
University of Arkansas  
416 Administration Building  
Fayetteville, AR 72701  
479 575 6800



**From:** Jean Schook <jschook@uark.edu>  
**Date:** Thursday, October 4, 2012 5:45 PM  
**To:** Don Pederson <dop@uark.edu>  
**Cc:** "Denise B. Reynolds" <dreynd@uark.edu>, Brad Choate <Choate@uark.edu>  
**Subject:** Advancement Financial Position

Don, after several days of review of the Advancement budget situation I would like to provide you with the attached spreadsheet and a few initial thoughts:

1. I feel the problem is with unfunded personnel, not operational spending. I do not disagree but if the personnel are required within the current available resources, there are insufficient funds for operating no matter what is cut on the operational side.
2. This issue has been building for many years and is not a one year problem.
3. It is clear the information provided to Dave Gearhart when he was VCAD and subsequently Brad Choate was inaccurate.
4. Funds from the foundation have been available over the years to "mask" the deficits in the 0392 accounts. In FY '11 sufficient foundation funds were no longer available to provide such masking and the problem was revealed. The masking may be more a question of which 4 quarters are used than over spending the annual amount (except for the last two years).
5. There are significant inaccuracies in the system concerning staffing and budget units. For example, Stephanie McGuire who works in the VCAD office is listed in Development and is paid from the World Trade Center. These types of inaccuracies in the accounting system further confused salary and fringe requirements.
6. In summary, we have two areas requiring action:
  - a. We need to immediately begin to identify ways to address the remainder of FY '13's budget. Brad, Denise and his team have already begun that process.
  - b. We need to begin conversations about the longer term "fix" for the unfunded positions.

Don, as a next step I recommend a phone call as soon as you are available with Brad, Denise and me. Please let me know your availability. Thank you. I don't have a lot of time left this afternoon here but if you can get everybody on the phone before the next hour is up, it will work. I need to be finished by 3:30pm CDT. Call my cell if you can get everybody together 479-409-4856.

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