

VCAD FINANCIAL POSITION
Prepared 10/04/12

	FY06	FY07	FY08	FY09	FY10	FY11	FY12
BASIS Budget (includes carryforwards)	\$4,221,360	\$4,247,209	\$4,595,301	\$4,193,137	\$4,016,559	\$4,639,346	\$4,818,078
BASIS Expenses	(\$6,753,821)	(\$7,148,962)	(\$7,888,358)	(\$7,939,511)	(\$8,379,572)	(\$9,186,232)	(\$10,510,351)
Realized revenue	\$396,440	\$418,055	\$480,644	\$375,672	\$181,485	\$192,618	\$499,052
Reimbursements from Foundation	\$2,911,012	\$3,021,105	\$3,236,022	\$1,866,905	\$3,834,358	\$1,121,450	\$1,324,846 (1)
Net transfers	(\$56,095)	\$158,347	\$136,606	\$1,276,614	\$892,787	\$1,275,243	\$1,417,014
BASIS Operating Balance	\$718,895	\$695,753	\$560,214	(\$227,183)	\$545,617	(\$1,957,576)	(\$2,451,360) (2)
VCAD FDN Balance	(\$647,354)	(\$405,830)	(\$1,339,823)	(\$1,787,203)	(\$2,464,769)	(\$1,999,361)	(\$1,889,559)
	<u>\$71,541</u>	<u>\$289,923</u>	<u>(\$779,609)</u>	<u>(\$2,014,386)</u>	<u>(\$1,919,152)</u>	<u>(\$3,956,937)</u>	<u>(\$4,340,920)</u>
Chancellor FDN Balance	\$10,195,305	\$10,765,343	\$8,093,277	\$7,962,880	\$8,954,317	\$10,457,494	\$11,143,433 (3)
	<u>\$10,266,847</u>	<u>\$11,055,267</u>	<u>\$7,313,668</u>	<u>\$5,948,494</u>	<u>\$7,035,166</u>	<u>\$6,500,557</u>	<u>\$6,802,513</u>
VCAD FTE as of July 1, each FY	104	103	111	116	118	120	131

(1) So that the true BASIS Operating Balance was displayed at 6/30/11, "Reimbursements from Foundation" for FY11 were reduced \$2,091,705 to eliminate the effect of an accounting entry to establish an account receivable. The receivable represented reimbursements due from the Foundation to cover company 0392 expenses. This entry was reversed in July 2011.

(2) A receivable of \$2,451,360 was recorded between the University and the Foundation at June 30, 2012. An additional \$1,355,056 was discovered after year-end closing due to a receipt deposited in the wrong account. A correction was made in FY13 to move the funds to the correct account, thus effectively increasing the deficit amount at June 30, 2012 to \$3,806,416.

(3) Chancellor FDN balances are included on this worksheet, because during the years researched, these funds were available for use by VCAD Financial staff. Whether or not the funds were used appropriately, is being addressed by further research.

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
University of Arkansas
Administration Building, Room 316
Fayetteville, AR 72701
Phone (479) 575-4547
Fax (479) 575-2336

Subject: Re: Advancement Financial Position
Date: Friday, October 5, 2012 2:34:14 PM Central Daylight Time
From: Donald O. Pederson
To: Jean E. Schook
CC: Denise B. Reynolds, Brad Choate

I would like to see the following changes to the spreadsheet.

The first one does not change the basic conclusions but helps illustrate the difference between budget and carry forward – separate budget and carry forward which can then be added as available E&G resources.

Secondly, one cannot just look at the transfers from the Foundation to BASIS but there must also be a full accounting of the available resources from the Foundation some of which are spent directly in support of VCAD and not through BASIS. Since there is discretion on how much is transferred to BASIS, leaving this out is not appropriate. Part of the issue is that the Q4 distribution is always after closing requiring the confusing receivable booked and then reversed. This could be avoided by shifting the resources one quarter and using the funds actually paid in the fiscal year instead of spending ahead of each quarter.

From: Jean Schook <jschook@uark.edu>
Date: Thursday, October 4, 2012 5:45 PM
To: Don Pederson <dop@uark.edu>
Cc: "Denise B. Reynolds" <dreynol@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.

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

Brad's Thoughts October 8, 2012

- **Financial Summary:**
 - Annual amount needed to fund current program: \$4,340,920 Annual deficit averaged over FY10-FY12 is \$4.84 million and was \$5.2 million for FY12. Variation is dependent on inflation of expenses and the variation in Foundation earnings
 - Deficit amount (as FY13 receivable from Foundation): \$3,806,416 This amount does not resolve problem.
 - The problem lies with how personnel have/have not been funded, not with operational expenditures. Solution may require addressing both.
- **Fundamental Problem:**
 - Approximately sixty percent of advancement staff is not funded in the E&G budget.
 - The advancement budget has become too dependent upon annual investment income from the foundation. Not really since Foundation revenue has been more or less constant and it is the unfunded increases in personnel and operating costs that lead to deficits.
 - Combining chancellor and VCAD foundation accounts in the past allowed Joy to use all funds to show a balanced budget and "mask" the true financial situation.
- **Ideas to Fix the Situation (in addition to changes already made):**
 - Create a pro forma describing a revenue and expense plan to eliminate the budget issue over several years. Clearly a requirement but not a solution
 - Reduce or eliminate advancement's reliance on soft money for personnel. To accomplish this, use one-time funds and permanent budget to balance the annual budget over a number of years. Begin by using primarily one-time funds and decrease those funds over a few years. One-time funds will be reduced as we are able to

increase permanent budget allocation over a period of years. **Not a VCAD solution**

- In addition to possibly using one-time and permanent budget, implementing a gift tax is another option to consider. Using FY '12 data, a gift tax of 10% would have generated \$4.5M and a tax of 15% would have generated \$6.8M. We currently charge 15% for annual fund gifts but do not tax other gifts. Data is provided on what a number of other intuitions are charging. **This is a VCAD solution that just affects the revenue side.**
- **Nothing is suggested that affects the expense side.**

Subject: RE: FY2009 Emails on Foundation Fund Management by ATHL and Development/Advancement
Date: Monday, October 22, 2012 4:43:17 PM Central Daylight Time
From: Brad Choate
To: Donald O. Pederson
CC: G. David Gearhart

Don, note the following additional email, that you neglected to include, from you to Joy thanking her for "the quick and positive response. I appreciate your cooperation". It appeared to me, and apparently you, that the problem had been resolved. The accusation in your email that your request was disregarded appears to not be accurate.

From: Don Pederson [mailto:dop@uark.edu]
Sent: Tuesday, April 28, 2009 5:20 PM
To: Joy M. Sharp
Cc: Brad Choate; G. David Gearhart
Subject: Re: [Fwd: FW: 0392 deficits]

Thank you very much for the quick and positive response. I appreciate your cooperation. - dop.

Joy M. Sharp wrote:
I will start the process for transferring funds to cover the balance.

Joy Sharp
Director of Budget and Human Resources
Division of University Advancement
416 Administration Building
University of Arkansas
Fayetteville, Arkansas 72701
(479) 575-5661 office
(479) 575-4913 fax

From: Don Pederson [mailto:dop@uark.edu]
Sent: Tuesday, April 28, 2009 5:17 PM
To: Brad Choate; Jeff Long
Cc: G. David Gearhart
Subject: [Fwd: FW: 0392 deficits]

The University does not currently have the liquidity it has had in the past and so Fayetteville Policy and Procedure 305.1 was revised in January to address the issue. I call your attention to the paragraph:

"Foundation Funds (0352, 0362, and 0392) - Foundation funds should be brought into the University accounting system in a timely fashion (neither prematurely nor with great delay) with respect to the expenditure payments they are to cover."

I also call to your attention current deficits in your accounts that need to be addressed immediately:

0392-93200-00-0000 Athletic Foundation Salary Reimbursement: (\$4,058,884.40)

0392-01070-62-0000 Office of University Development: (\$1,576,195.09)

TOTAL: (\$5,635,079.49)

We are carefully monitoring our liquidity during May, June and July and are taking all available measures including this one to assure that we have sufficient liquidity for regular activities.

Please let me know if you are unable to eliminate the current deficit by May 1. Furthermore, any expenditures for the remainder of this fiscal year must be matched by Foundation transfers within a few days. - dop.

From: Donald O. Pederson

Sent: Monday, October 22, 2012 4:27 PM

To: Brad Choate

Subject: FY2009 Emails on Foundation Fund Management by ATHL and Development/Advancement

Attached are a series of emails from FY09 asking VCAD/Advancement to manage their UA Foundation funds better. Athletics, also included in the emails, resolved their part of the problem completely to my satisfaction during subsequent years. Advancement never did.

As can be seen in the email copies, on April 28, 2009, the Development UA Foundation deficit was \$1.57 million. On June 24, 2009, the Development UA Foundation deficit was \$1.15 million. On closing FY09 (June 30) including the non-marketable valuations that were booked by the Foundation for FY09, the Advancement (including Development) UA Foundation deficit was \$1.79 million. This Foundation year end deficit continued to exist at the level of \$2-2.5 million for subsequent years in spite of the request that it be dealt with.

While I don't think it is the responsibility of Financial Affairs or Finance and Administration to manage your budgets or actual expenditures as you assert in your response to Jean Schook's report, we nevertheless did provide information about a specific problem when it was discovered. That information and request was disregarded and contributed to the overall problems outlined in the report.

From: Don Pederson [mailto:dop@uark.edu]
Sent: Thursday, November 06, 2008 8:19 AM
To: Brad Choate
Subject: Re: Discuss Exception to Policy 330.1

To be clearer, I meant not on all kinds of transactions as the policy outlines the different kinds. - dop.

Don Pederson wrote:

Not on all transactions I would hope so which ones in the policy? - dop.

Brad Choate wrote:

I think Joy should approve \$50K and below; I would approve anything above \$50K

Brad Choate

Vice Chancellor for Advancement

University of Arkansas

416 Administration Building

Fayetteville, Arkansas 72701

479/575-6800

uark.edu

From: Don Pederson [mailto:dop@uark.edu]
Sent: Thursday, November 06, 2008 8:12 AM
To: Brad Choate
Subject: Re: Discuss Exception to Policy 330.1

If you want to discuss the rationale for the materiality thresholds, which ones and to what levels would you propose they be changed so I can have some internal discussions prior to our meeting? - dop.

Brad Choate wrote:

When: Monday, November 10, 2008 10:00 AM-10:30 AM (GMT-06:00) Central Time (US & Canada).

Where: ADMN 416

Brad would like to discuss an issue Don & Brad have communicated via e-mail

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**Please consider the environment
before printing this email. - dep.**

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**Please consider the environment
before printing this email. - dep.**

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**Please consider the environment
before printing this email. - dep.**

Subject: RE: Discuss Exception to Policy 330.1
Date: Thursday, November 6, 2008 9:59 AM
From: Brad Choate (Julie) <Choate@uark.edu>
To: "Donald O. Pederson" <dop@uark.edu>

Don,

Below is what I suggest. This will be more efficient, keep things moving in a time sensitive way, yet still provide the financial oversight and approval that is needed. Joy is a proven veteran and clearly should have these responsibilities. I think keeping the approvals at the current very high level is not good for an organization of our size. We need to be more nimble and efficient. I think this proposal provides the proper balance between being efficient and being responsible. Thanks for your help.

Business Affairs

Requisitions current \$10,000 proposed \$30,000 (this would cover most of the transactions that are time sensitive)

UPAYS current \$500 proposed \$5,000 (this would cover most of the adjusting entries for gifts and are time sensitive)

Human Resources

All transactions current \$35,000 proposed \$50,000

Financial Affairs

Internal invoices current \$25,000 proposed \$35,000

Funds transfers current \$25,000 proposed \$50,000

Expenditures current \$25,000 proposed \$50,000

Brad Choate

Vice Chancellor for Advancement

University of Arkansas

416 Administration Building

Fayetteville, Arkansas 72701

479/575-6800

uark.edu <uark.edu>

Dave and Don,

While I was very surprised with the content of the October 19, 2012 memo from Jean Schook to Don concerning Advancement's financial issues I do appreciate Don sharing a copy with me. I would like to share a few thoughts on this entire financial issue and then address the contents of that memo. My goal all along has been and continues to be to fix the identified problems and to create a funding plan that allows Advancement and the University to accomplish its mission.

My team and I have worked diligently with Don, Jean, and our new fiscal officer, Denise Reynolds for several weeks to help identify what caused our financial issues and to identify remedies. I want to give special recognition to Denise for her efforts. She inherited a huge mess and has been excellent in helping identify issues and suggest solutions. Together, we approached the task as a three-fold mission. First, identify the cause of the problem, secondly quantify the size of the problem, and finally develop solutions to the problems.

The source of the problem was quickly identified as Joy Sharp who has been an employee of the university for approximately 38 years and has been the budget person for Advancement for decades. Joy clearly became overwhelmed with the duties of her position as the complexity of the budget grew over the years and ultimately worked to deceive us. As hard as that is for me to accept, the evidence makes that clear: Once she found she was unable to manage the budget accurately, she took a series of actions over several years to conceal her mismanagement.

Above OK.

One of my first decisions upon becoming VCAD was to move Joy's office from University House to my office. My objective was to have the long-time Advancement budget person immediately available to me on a daily basis. Upon making that move, Don, you told me it was the best move I could have made upon my arrival. Joy was held up to me, and to all of us, as an outstanding person, a valuable employee and a person who knows the university's systems, policies and procedures very well. I was told by

everyone and felt confident that I had an excellent budget person.

OK insofar as it goes.

The root causes of this financial issue have been brewing for many years and were not made known to me until July 2012. Rather than admit that problems were brewing Joy moved funds to create temporary fixes. Ultimately, the problems became so large that sufficient funds were not available to “mask” the problem. I use the word “mask” because Jean Schook used that word to describe her view of the issue in multiple meetings with Denise and me. True but exacerbated by lack of oversight on the part of VCAD. Further, neither the University financial system nor its staff notified me that there was a problem with my budget or budget person until the University of Arkansas Foundation brought the problem to the attention of my office and the VCFA in July 2012. All unit leaders, be they the chancellor, vice chancellors or deans, rely on their budget manager to provide accurate information and the Foundation and University budget systems to identify and notify these leaders should red flags arise. It appears that red flags should have been apparent to Financial Affairs staff for years yet I was not notified until July 2012. Disagree with who is ultimately responsible.

At multiple meetings, Jean Schook told me in the presence of Denise Reynolds that she did not think an audit was needed since an audit would not tell us anything we did not already know. Jean does not include that opinion in her memo. Further, Jean and Denise have stated to me in multiple meetings there was no way I could have known that these problems existed because the information I was being given was so inaccurate. True because of no oversight. With proper oversight it would not have been so easily masked. Never in any conversations with Jean did she share with me the charges contained in her October 19, 2012 memo. It was not Jean’s job to charge the VCAD with lack of control and financial oversight. Her assignment was to get the facts. I later asked her for a written assessment of whether an audit was necessary. She had mixed feelings because of exactly what you have indicated above so gave me a complete assessment without a recommendation at my request.

I have worked very hard and in good faith to accomplish the three-fold mission outlined above. We have identified the cause of the problems, we have quantified the problem and now we are working on solutions. I must admit that I was very shocked and dismayed to read Jean's memo. Most of the issues Jean included in the memo have already been addressed. We need to turn our attention and energy to creating a budget that is accurate and funds our mission. Dave and Don, when we met on Monday October 15, 2012 the focus of that meeting was to do just that, move forward with solutions to the financial issues. Don and I left that meeting with the charge to create a financing plan that would eliminate an accumulated deficit as well as address the issue of unfunded positions in Advancement so we could move forward. With Don's help we should have such a plan ready to share very soon. OK but does not address the lack of financial control by VCAD.

Now, I would like to turn to the details and accusations Jean included in her memo. I want to address them without being overly defensive but I am sure you can appreciate that challenge.

VCAD provided inadequate and essentially no oversight of the financial activities of the Division: This is absolutely inaccurate. Trusting information I was given by Joy and relying on the University's financial systems and staff to identify anything that looked out of the ordinary proved insufficient. I provided significant oversight of the financial activities of the Division. However, the two systems of checks and balances that all senior administrators rely on--the long-time budget officer in Advancement and the University's own mechanism for validating that budget officer's accounting—both failed. I had formal monthly meetings with Joy and countless informal meetings to discuss financial activities and never once did she indicate that financial problems existed or that she was experiencing any difficulties performing her job. In fact, only a few days before this problem was made known to me Joy asked to add a person to assist in her office. We were experiencing delays in reimbursement of expenses. I personally had significant delays, the chancellor had delays, and most of our staff had delays. On more than one occasion the Chancellor and I, and others, discussed that Joy had more to do than she could get done and may need help. As a result, I was predisposed to agree

to Joy's request for staffing help. However, the first question I asked was do we have the funds for such a position. The answer I received was "yes". Only a few days later I was made aware of our true financial position. When Joy told me we had funds for the position should I have called the VCFA and asked him to confirm Joy's answer? If every budget manager on campus had to ask for such confirmation it would be an impossible situation for all involved. It is unreasonable to expect that I, or any other budget manager would go to such extremes. No mechanism of financial control is stated. Relying on VCFA to confirm basic budget issues is not the appropriate mechanism since no one in Finance and Administration is involved in the day to day activities. We rely on the unit to monitor and maintain its financial health. Our controls on password putting the responsibility in the unit were bypassed.

VCAD provided log in credentials: This statement is accurate and I do regret making this decision. It was made in an effort to be efficient and to provide a way to move projects forward when I was traveling. The only time this tactic was to be employed was if I was out of town, the request was for more than \$10,000 and Joy received my approval. I do not recall if we ever used such a tactic and the work done by Jean, Denise and myself has not identified any inappropriate expenditure. This is clearly not true since the available revenues were significantly overspent. It would not surprise me if other senior officials on campus have, on occasion or on an ongoing basis, granted similar log in credentials to their top budget officers as well. Two wrongs don't make a right.

VCAD did not exercise proper oversight over the activities of the Division, nor monitor the resources available to support operations as evidenced by: his delegation to the Director all responsibility for transaction review and approval for all Division transactions processed through the University BASIS system and for those processed directly from Foundation accounts; his complete reliance on information and reports prepared by the Director with no effort to validate or question unexpected results; and failure to consider the likelihood of conflict of interest violations or observe that the conflict did indeed occur with the Director and a family member also employed in the Division. This is inaccurate. I did not delegate all responsibility for transaction review and approval for all Division

transactions. That statement is simply inaccurate. There is no evidence (documentation) that you were involved in any financial transactions. That is clearly an audit finding. I didn't question unexpected results because neither the Director nor anyone in Financial Affairs ever made me aware of unexpected results. As Jean Schook stated to me "there is no way you could have known what was going on because the accounting was so sloppy". As for the conflict of interest comment, once we began unraveling the financial situation Denise discovered that indeed Betty Sharp and Joy had worked together to process some payment forms. Jean's memo quantifies those as "many" transactions. I am aware of less than ten. Denise and I reviewed those transactions and found each to be appropriate expenditures that I, or others on my team, had approved. There is no reason that Joy and Betty should have taken such action when following simple approved procedures would have worked well. Not clear if you are defending the previous activities as acceptable but since they allowed the overexpenditure, they were not acceptable. Also, it is important to note that while Joy and Betty should not have and did not need to take these actions, their actions did not produce any results that would not have occurred if proper procedures had been followed. Lack of evidence of fraud does not mean the increased risk was not present and these same procedures resulted in significant and inappropriate overspending. It appears to me to again be an example of naïveté and a lack of understanding the importance of following proper procedures rather than any sinister motives. The net result of their actions is exactly what we wanted to occur if they had followed proper procedures. Did the opportunity for foul play exist? Of course, but none took place. Also, it should be noted that most if not all of these transactions were relatively small dollar transactions. While there is no evidence that the lack of financial oversight worked for the authenticity of the transactions, this same lack of financial oversight did not work for spending the right amount of resources.

VCAD did not monitor his own personal reimbursement claims. Again, this is absolutely inaccurate. I personally monitored my reimbursements; my wife Julie monitored my reimbursements; and my assistant Laura Villines monitored reimbursements. Jean uses one example of me being double reimbursed to justify this statement. Out of thousands of reimbursements

made to me this is the only time such a situation occurred and it has been corrected. To use a one-time simple mistake in the context of other such serious accusations is shocking. I suspect that similar honest mistakes happen regularly throughout the University. It is very common for the University to owe employees thousands of dollars in reimbursements. Employees are expected to “front” much of the operational costs of the University and then be reimbursed. While I had several people in my office and home personally watching my reimbursements and others in Financial Affairs doing the same this one mistake did occur and was corrected. Don, when you made me aware of this double reimbursement and told me you had sent the information to Joy we both said it would be interesting to see how long it took for her to bring it up. She never did and we addressed it when Denise joined us. **It is incomprehensible that VCAD did not address a several thousand dollar discrepancy when Joy did not.**

VCAD didn't retain copies of budget reports.....: Our financial and personnel files were kept in Joy's office and on her computer. It seems unreasonable to expect me to keep copies of all files in my office. The example of a report that Jean sites in her memo that shows an \$11 million shortfall in budget was apparently created after this problem was unearthed. Jean states that a cursory review should have detected the unreasonableness of the information contained. That is of course true if such information had been available to me. Once again, I am shocked at this accusation from Jean since she said to me in the presence of Denise “there is no way you could have known what was going on because the accounting was so sloppy”. **Joy could not provide budgets that made any sense and should not have made sense to you. The simple task of matching budgets to revenues and expenditures to budgets is something that VCAC should have been able to accomplish.**

VCAD did not monitor spending of Foundation funds...: This is an inaccurate statement. Spending of Foundation funds was monitored, however, to use Jean's word, Joy “masked” the problem by moving funds around.

Increase in staff from 2008 through 2012: The accusation here is that I relied completely on the Director's assertion that funds were

available. That is a true statement. As noted above, I trusted Joy to give me accurate numbers and the University's Financial Affairs staff and system to contact me if they detected any problems with our finances. Again, VCAC confirms lack of financial oversight.

Units within Advancement did not have sufficient information about unit budgets: This is the heart of the issue, none of us had sufficient or accurate information specifically because the university's own system of checks and balances that should have flagged financial problems failed us. VCAC continues inappropriately to make the case that all the financial oversight skipped him.

This is a sad and terrible situation for all involved. I believe that Joy is a good person and intended no harm. Unfortunately, it appears that rather than share that long simmering problems were developing and increasing, she chose to conceal her mismanagement of the budget and engaged in a pattern of activity that deceived me and the other Advancement leaders about the true state of our finances. She "masked" the problems and did not make any of us aware of the problems. Further, she violated simple procedures unnecessarily by using her sister to help process a few transactions. While the outcome of violating those simple procedures did not result in any inappropriate expenditure it illustrates her level of thinking. Joy began working at the University before she got her degree. She worked and went to school, got her degree and went on to earn a masters degree. She had been in the same position for many years and it appears the position outgrew her. I am confident she intended no harm. Nevertheless, her actions and inactions have led us to this point. Lack of financial oversight allowed all this to happen to Joy.

Further, it appears the University's checks and balances failed. Why was I not notified years ago by the Financial Affairs staff of a problem that has been in the making for many years? If when Joy had first began to "mask" the problems the Financial Affairs staff had contacted me rather than Joy, this situation could have been avoided. If VCAC had been more diligent in simple reviews at a high level, the problems could have been avoided.

There is plenty of blame to go around in this sad situation and I do not think

it does anyone any good to point fingers. If my response to Jean's accusations seem defensive or looks like finger pointing on my part I am sorry. The tone and accusations in the memo were very shocking to me and contrary to what Jean told Denise and me. I simply want to set the record straight. VCFA states there is plenty of blame to go around but only mentions Joy and Finance and Administration. It is not Finance and Administrations responsibility to manage the resources of a unit and Joy was put in the position through inattention and expectations of managing incorrectly.

The problems that caused this situation have been remedied. The scope of the financial problem we need to solve has been identified. I would like to finish and implement the plan you, Don and I discussed in your office Monday.

Brad Choate
Vice Chancellor for Advancement
University of Arkansas
[479 575 6800](tel:4795756800)

Sent from my iPad