



STATE OF ARKANSAS

# House of Representatives

December 18, 2013

The Honorable John Threet  
4th Judicial District Prosecuting Attorney  
Washington County Courthouse  
280 North College, Suite 301  
Fayetteville, AR 72701

Dear Sir:

I read the Bercaw report of your investigation of the University of Arkansas' Division of Advancement with interest. I am appreciative of your careful investigation into the reported matters and your subsequent evaluation of the facts and evidence uncovered. I see no reason to disagree with your decision not to prosecute in the matters detailed in the report.

I am concerned that your report does not address a matter I have brought up in each of the Legislative Audit Committee meetings where the investigative report on the Division of Advancement has been discussed. My specific concerns are as detailed in the paragraphs that follow.

Appendix C-1 of the Legislative Audit Committee's Investigative Report contains a letter from Jean Schook, Associate Vice Chancellor for Financial Affairs, to Donald Pederson, Vice Chancellor for Finance and Administration. That letter is dated October 19, 2012.

In her letter to Pederson, Schook conveys her concerns, referencing 'likelihood of conflict of interest violations, intentional effort to disguise, misdirection of funds, risk of fraudulent activity, deliberate efforts to disguise' and further notes that no review of records to identify misappropriated resources had been performed at the time of her letter. She makes at least 7 specific references to concerns about the veracity and accuracy of Division accounting records. Chancellor David Gearhart was copied on this letter.

REPRESENTATIVE

Nate Bell

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DISTRICT 20

Counties:

Part Polk

Part Montgomery

Part Sevier

COMMITTEES:

Revenue and Taxation

Sales, Use, Miscellaneous Taxes and  
Exemptions Subcommittee

State Agencies and Governmental  
Affairs

Chairperson,  
Elections Subcommittee

Joint Committee on Energy

Legislative Joint Auditing Committee

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On October 25, 2012, legislative auditors conducted the exit conference for the regular audit of the fiscal year that ended on June 30, 2012. At that conference, neither the Treasurer or the Vice Chancellor for Finance & Administration disclosed that they had knowledge of any of the information reported in the Schook letter. Vice Chancellor Pederson signed the Management Representation Letter that day. A portion of that letter reads as follows: **“We have no knowledge of any allegation of fraud or suspected fraud affecting the entity involving:**

- a. Management
- b. Employees who have significant roles in internal control, or
- c. Others where fraud could have **a material effect on the financial statements.**

The letter also states, **“We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.”**

The referenced content of the letter is contained in the Legislative Audit Investigative Report of page A-6.

As previously noted, Vice Chancellor Pederson made these representations to Legislative Audit employees on October 25, 2012, six days AFTER receiving the Schook letter, which contained at least 7 references to potentially fraudulent activity.

ACA 10-4-416 (b) (f) states the following: Any person knowingly providing false documents, records, or other data to the Legislative Auditor or his or her authorized assistants, upon the finding by a circuit court, shall be guilty of providing false information and shall be punished in the same manner as a person guilty of tampering with a public record, [§ 5-54-121](#).

The undersigned members of the Arkansas General Assembly and I respectfully request that you carefully review Vice Chancellor Pederson’s written representation to our audit team for compliance with Arkansas Code, both specifically as noted above and for any other violation of law. Your evaluation of this matter will be greatly appreciated.

Sincerely,

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Nate Bell  
State Representative  
District 20



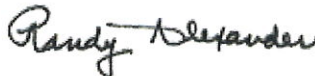
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State Representative  
District 70



Charlene Fite  
State Representative  
District 80



Bob Ballinger  
State Representative  
District 97



Randy Alexander  
State Representative  
District 88

Alan Clark  
State Senator  
District 13



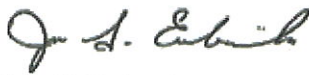
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State Representative  
District 39



John K. Hutchison  
State Representative  
District 52



Jim Dotson  
State Representative  
District 93



Jon S. Eubanks  
State Representative  
District 74



Andy Mayberry  
State Representative  
District 27



Kim Hammer  
State Representative  
District 28



Charlotte Vining Douglas  
State Representative  
District 75



Debra M. Hobbs  
State Representative  
District 94

NB/adp

cc: The Honorable Larry Jegley, 6th Judicial District Prosecuting Attorney  
The Honorable Dustin McDaniel, Attorney General of Arkansas