



STATE OF WISCONSIN

## Legislative Audit Bureau

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Janice Mueller  
State Auditor

February 3, 2010

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed our financial audit of the University of Wisconsin (UW) System for the years ended June 30, 2009 and 2008. UW System's financial statements and our unqualified audit opinion on them, dated December 11, 2009, have been included in UW System's 2009 Annual Financial Report, which is enclosed. This report will be presented to the UW Board of Regents at its meetings on February 4 and 5.

General Purpose Revenue (GPR), which is shown as State Appropriations on UW System's financial statements, increased 6.1 percent, from \$953.6 million in FY 2007-08 to \$1,012.1 million in FY 2008-09. This funding does not include GPR funding that is used to repay debt on academic facilities, which is technically debt of the State of Wisconsin and not UW System. For FY 2008-09 such debt service payments totaled \$123.9 million.

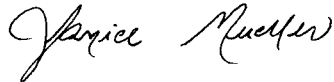
Operating revenues increased by \$245.0 million, or 9.3 percent, from FY 2007-08. Federal grants and contracts revenue accounted for the largest portion of this change, increasing from \$630.9 million in FY 2007-08 to \$733.4 million in FY 2008-09. We also note that tuition and fees increased by \$49.9 million.

UW System's total operating expenses were \$4.0 billion in FY 2008-09. Operating expenses increased by \$184.2 million, or 4.8 percent from FY 2007-08. Salaries and fringe benefits increased by \$113.8 million and supplies and services expenditures increased by \$45.2 million. Salaries and fringe benefits represented 66.5 percent of all UW System operating costs, while supplies and services accounted for 26.2 percent.

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Enclosed is a management letter, which includes an auditor's report on compliance and internal control over financial reporting, as required by *Government Auditing Standards*. This letter was provided to the UW System and includes three internal control concerns we identified during our audit and that are required to be reported under these standards.

Sincerely,



Janice Mueller  
State Auditor

JM/CS/bm

Enclosures

cc: Senator Robert Jauch  
Senator Mark Miller  
Senator Robert Cowles  
Senator Mary Lazich

Representative Andy Jorgensen  
Representative Mark Pocan  
Representative Bill Kramer  
Representative Samantha Kerkman

Kevin P. Reilly, President  
University of Wisconsin System