

Members of the Authority
Johnson County Education Research Triangle Authority

We have performed the procedures enumerated below, which were agreed to by the Johnson County Education Research Triangle Authority (Authority), solely to assist you in determining whether the use of monies from the Authority for the period ending June 30, 2013 is in accordance with the budgets approved by the Authority and the Board of Regents, and in accordance with the provisions of K.S.A. 19-5001 through 19-5005. The Authority is responsible for the use of monies in accordance with the statutes cited. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are as follows:

Procedure 1: In accordance with K.S.A. 19-5005(c), we tested that no more than 2% of funds collected in any fiscal year were allocated to administrative expenses of the Authority or its board of directors. We calculated the ratio of total administrative expenses to total collections for the period ending June 30, 2013.

Findings: No exceptions were noted.

Procedure 2: In accordance with K.S.A. 19-5005(a), we tested that funds appropriated by Johnson County to the Authority were remitted by the Authority in equal shares for the University of Kansas Edwards Campus in Overland Park, Kansas State University Innovation Campus in Olathe, and the University of Kansas Medical Center's Johnson County campus (the Universities). We confirmed with the Johnson County treasurer all amounts remitted by them to the Authority, and then calculated the amounts transferred out of the Authority's bank account to the Universities.

Findings: No exceptions were noted.

Procedure 3: In accordance with K.S.A. 19-5005(b), we will perform procedures to determine that expenditures are in compliance with the purposes of the Johnson County Education Research Triangle Authority Act (JCERTA).

- We obtained an understanding from each of the Universities regarding how their allocation of funds has been budgeted or otherwise approved to be spent for the current fiscal year.
- We obtained an understanding from each of the Universities regarding their process for monitoring and approving expenditures incurred from their JCERTA funds.

- We obtained detail transaction listings from each University of their receipts from the Authority, and expenditures incurred during the fiscal year ending June 30, 2013.
- We selected a sample of transactions from the Universities' expenditure transaction listings. Three samples were selected as follows:
 - 1) Construction / bond project expenditures: We tested all individual transactions over \$100,000.
 - 2) Payroll expenditures: We obtained a list from each University of those employees whose salary is being paid in full or in part with funds under the Act. We selected 10-12 employees from each University to perform the following procedures:
 - Obtained job position description and read to ensure description appears to support activities that are for allowable purposes under the Act.
 - Obtained quarterly certification (or similar documentation) showing how time for each employee is allocated between JCERTA-supported activities vs. other activities of the University.
 - For two judgmentally-selected pay periods during the fiscal year, verified that time / salary expense actually charged to JCERTA activities was in agreement with the allocation noted in the previous step.
 - 3) Other non-payroll expenditures: For all other transactions, we used a sample size of 75 (25 from each University), and judgmentally selected items from across all the expenditure type categories (for example, supplies, travel, advertising, construction costs less than \$100,000, etc.)
- For each item in the selected sample, we:
 - obtained supporting documentation and determined if the expenditure appeared to be for allowable purposes under the Act.
 - tested whether the expenditure was properly supported and approved in accordance with each University's policies.

Findings: See Appendix A for a summary of testing performed on expenditures for the Universities. We had the following observations and recommendations:

At one University, one of the expenditures tested was incorrectly purchased from JCERTA funds and should have been purchased from University funds. Information was subsequently provided by the University, indicating the JCERTA account was reimbursed in the amount of \$154. We viewed the check written from the University to reimburse the JCERTA funds.

University Response: The \$154 payment was paid by mistake from JCERTA funds. It was coded and assigned to be paid from non-JCERTA funds, but through clerical error was paid from JCERTA funds. That payment has been reimbursed to the JCERTA account to correct the error.

We do not express an opinion or any form of assurance on the response noted above.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance with K.S.A 19-5001 through 19-5005. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Members of the Authority of the Johnson County Education Research Triangle Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2013
Wichita, KS

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2013**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>KU Edwards</u>
<u>Construction / Bond Expenditures Tested from Bond Accounts</u>	
KU Edwards Campus: Bond construction costs	\$ 55,108.66
KU Edwards Campus: Debt service payments	1,589,790.00
	<u>\$ 1,644,898.66</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	\$ 40,511.16
Other:	
Equipment and signage	183,069.78
Programs	497,170.00
Scholarships	55,500.00
Consultants	30,825.00
Advertising	30,190.00
Public relations / marketing	25,936.25
Security costs	36,633.23
Subscriptions	6,058.00
	<u>\$ 905,893.42</u>
Grand Total Tested	\$ 2,550,792.08
Total Expenditures for the Period	\$ 4,146,247.00
Percentage Tested	62%

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2013**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>KUMC</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	\$ 60,235.11
Other:	
Clinical research facility project costs: equipment	34,028.36
Clinical research facility project costs: medical supplies	9,679.06
Clinical services (University of Kansas Hospital Authority Settlement Costs)	728,874.30
Equipment lease (mass spectrometer)	133,263.98
Real estate tax	2,352.00
Consultants	4,990.00
Utilities	35,753.62
Travel / conference registrations	7,633.20
Landscape, custodial, security	15,230.00
Repairs and maintenance	5,886.41
Temp employment placement services	2,245.20
	<u>\$ 1,040,171.24</u>
Grand Total Tested	\$ 1,040,171.24
Total Expenditures for the Period	\$ 5,303,248.00
Percentage Tested	20%

**Johnson County Education Research Triangle Authority
Transaction Testing: Summary
Year ended June 30, 2013**

The following summarizes items tested as part of Procedure 3 described on the previous pages. This is not a summary of the entire population of expenditures for the period.

	<u>K-State</u>
<u>Construction / Bond Expenditures Tested from Bond Accounts</u>	
K-State Olathe Innovation Campus: Debt service payments	\$ 752,815.33
	<u>\$ 752,815.33</u>
<u>Expenditures Tested from JCERTA Tax Collections</u>	
Payroll	\$ 74,923.50
Other:	
Furniture and equipment	100,949.75
Programs	4,250.00
Administrative	18,999.64
Advertising	5,535.00
Public relations / marketing	10,592.72
Travel / conference registrations	3,508.18
Repairs and maintenance	5,152.72
General liability insurance	34,089.00
	<u>\$ 258,000.51</u>
Grand Total Tested	\$ 1,010,815.84
Total Expenditures for the Period	\$ 4,756,877.00
Percentage Tested	21%