



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

University House Project

Eastern Michigan University

Report Number:
33-608-04L

Released:
July 2004

In June 2001, the Eastern Michigan University Board of Regents approved the construction of the University House as a \$3.5 million project. The University intended for the 10,000-square-foot multipurpose facility to showcase the University's research and scholarship activities, to host fund-raising events, and to house visiting scholars and dignitaries, as well as to serve as the official residence of the University President.

Audit Objective and Conclusion:

To identify, by source, the total amount of funding for the University House project.

As of December 2003, funding included \$229,500 in gifts and pledges, \$347,407 transferred from the auxiliary fund to the plant fund, and \$1,000,000 of future corporate royalties revenue. The source of remaining funding was the University's operating revenues. (Exhibit 1)

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Audit Objective and Conclusion:

To determine total expenditures related to the University House project.

Total direct expenditures as of December 2003 were \$5.3 million. Total other costs associated with the University House project were an additional \$0.7 million.

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Audit Objective and Conclusion:

To determine if operating revenues were used in funding the University House project.

Operating revenues were used in the University House project. We noted one material condition. The University used operating revenues to fund the University House project without obtaining approval from the Department of Management and Budget and the Joint Capital Outlay Subcommittee (Finding 1).

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Audit Objective and Conclusion:

To determine if the University House project funding and expenditures were accounted for in accordance with applicable statutes.

The University House project funding and expenditures were not accounted for in accordance with applicable statutes. We noted two material conditions. The University did not maintain sufficient budgetary control over the University House project expenditures (Finding 2). Also, the University did not comply with annual capital outlay appropriations acts

with respect to the University House capital outlay project (Finding 3).

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Audit Objective and Conclusion:

To determine if the University maintained sufficient management control over the University House project.

The University did not maintain sufficient management control over the University House project. In addition to the material conditions related to project financing, budgetary control, and the use and financing statement (Findings 1 through 3), we also noted a reportable condition related to the University's contract bidding process (Finding 4).

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Agency Response:

Our audit report contains 4 recommendations. The University's preliminary response indicated that it agrees with all 4 recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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