



May 19, 2008

Debbie Davenport
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

On behalf of Arizona State University (ASU), we acknowledge receipt of your performance audit for ASU on Capital Project Financing. We are most pleased with your report and conclusions that ASU is following nationally recommended practices and that there are no recommendations for ASU. My staff and I wish to thank you and your staff for the professional manner in which this audit was performed.

Sincerely,

Michael M. Crow
President

MMC:dq
/c

c: Carol Campbell, Executive Vice President and CFO
Gerald Snyder, Associate Vice President for Finance and Treasurer

al.43a-042

Office of the President
Fulton Center 410, 300 E. University Drive
PO Box 877705 Tempe, AZ 85287-7705
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May 27, 2008

Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Re: The University of Arizona – Capital Project Financing

Dear Ms. Davenport:

Please find a formal response from The University of Arizona to the recommendation offered in the revised preliminary report draft on capital project financing at the three state universities.

For that recommendation, the finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Best regards,

Robert N. Shelton
President

RNS/fr
Enclosures

c: Joel D. Valdez, Senior Vice President for Business Affairs
Floyd Roman, Assistant Comptroller



University of Arizona Capital Project Financing

Finding #1 Recommendation:

The University of Arizona should include provisions for monitoring compliance with IRS private use requirements in its debt management policy, as recommended by literature, and then finalize and implement it.

Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. The University's buildings and facilities are primarily utilized for student services, administration, teaching and basic research. In order to ensure compliance with IRS regulations on private use of buildings and facilities financed by tax exempt bonds, the Financial Services Office will coordinate with the Office of the Vice President for Research, Office of Technology Transfer, and Real Estate Administration to develop a system for monitoring any private use of those buildings and facilities. The system, once completed will be incorporated into the University debt management policy. The University anticipates finalizing its debt policy including provisions for monitoring IRS private use regulations by December 31, 2008.



NORTHERN
ARIZONA
UNIVERSITY

Office of the President

Northern Arizona University
PO Box 4092
Flagstaff, AZ 86011-4092

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928-523-1848 fax
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May 22, 2008

Ms. Debra Davenport
Auditor General
State of Arizona
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

We have received the Auditor General's report on capital project financing at the three state universities. Northern Arizona University has no significant issues or concerns with the report.

Attached is Northern Arizona University's response. We have agreed to implement your recommendation.

Sincerely,

John D. Haeger
President

**Northern Arizona University
Auditor General's Performance Audit
Capital Project Financing
May 2008**

Finding 2: Universities follow good debt management practices

Recommendation:

NAU should develop and implement a debt management policy or formal guidelines that include the elements recommended in literature.

Response:

The finding of the Auditor General is agreed to and the audit recommendation will be implemented. A policy is currently being drafted. It will be presented to university leadership for review and comment by July 2008 and implemented during Fall Semester 2008.



Arizona Board of Regents
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Arizona State University

Northern Arizona University

University of Arizona

May 23, 2008

Ms. Debra Davenport, Auditor General
State of Arizona
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Thank you for the opportunity to comment on the performance audit of capital project financing at the three state universities.

We appreciate the efforts of your audit team in developing their understanding of the university capital process and conducting this outside review. The experience has been helpful to us as we continue to look for ways to improve our processes.

We believe the report will be a useful reference document on the status, practices and oversight of the financing component of the university capital development process. In particular, we appreciate the findings related to debt management and third-party financing practices, as well as the building renewal funding history.

While the report did not have any recommendations for the Arizona Board of Regents, we will work with the universities to address the recommendations related to debt management policies and guidelines.

Thank you again for the opportunity to comment.

Sincerely,

Joel Sideman
Executive Director

c:
Regent Fred Boice
Sandra Woodley
Lorenzo Martinez
Rick Gfeller

Board Members: President Fred T. Boice, Tucson Robert B. Bulla, Scottsdale Ernest Calderón, Phoenix
Dennis DeConcini, Tucson Fred P. DuVal, Phoenix LuAnn H. Leonard, Polacca
Anne L. Mariucci, Phoenix Bob J. McLendon, Yuma
Governor Janet Napolitano Superintendent of Public Instruction Tom Horne
Student Regents: Mary Venezia, NAU David Martinez III, UA
Executive Director: Joel Sideman