



MONTANA UNIVERSITY SYSTEM
Office of the Commissioner of Higher Education

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February 16, 2006

Mr. Scott A. Seacat
Legislative Auditor
Legislative Audit Division
State Capitol, Room 135
P.O. Box 201705
Helena MT 59620-1705

Dear Mr. Seacat:

During the presentation and discussion of the Financial-Compliance Audit of the Office of the Commissioner of Higher Education, we were asked to present a plan to address the two recommendations included in the audit report. The recommendations focus upon the improper transfer of indirect cost recoveries into a university Designated Subfund and a corresponding recommendation to reimbursement the state's General Fund \$756,060.

The Office of the Commissioner of Higher Education has taken the following steps to address those recommendations. As of the beginning of FY 06, we have ceased transferring indirect cost recoveries to Designated Subfunds. We will also transfer the remaining Designated Subfund balance of approximately \$114,000 to the state's General Fund in partial satisfaction of the \$756,060 recommended amount, leaving a balance of approximately \$642,000.

During our January 31 discussion, we reviewed MCA 17-7-304(1) which states that, "any unexpended balance in any specific appropriation may be used for the years for which the appropriation was made." During the years in question, the Office of the Commissioner of Higher Education reverted a total of \$702,835 unexpended General Fund, which according to the above referenced statute, any unrestricted portion of the reverted appropriation may have been used to satisfy a portion of the \$642,000. Since the net impact on the General Fund of this effort would be zero, we both agreed to forgo this particular action.

The only remaining course of action available to the Office of the Commissioner of Higher Education is to reduce discretionary expenditures, wherever possible, in an effort to increase our General Fund reversions for this biennium. We will take every practical step available to us to maximize the General Fund reversion of the Office of the Commissioner of Higher Education.

We hope that you will find this to be an acceptable response to the audit committee discussion.

Sincerely,

Mick Robinson
Associate Commissioner for Fiscal Affairs