

December 9, 2003

UNIVERSITY OF IDAHO MANAGEMENT REVIEW RELEASED

BOISE - The State Board of Education released the 600-page University of Idaho Management review to the public. The report, prepared by Holland and Hart of Boise, details the financial transaction and project history.

In April, the Board committed to undertake a full financial and management review including personnel issues related to the University of Idaho (UI) and the University of Idaho Foundation (UIF) in the \$136 million University Place- Boise project. University officials authorized loans to the foundation, however the State Board of Education was not notified nor did the Board approve the transactions.

"With the release of the report, the public can work with the State Board to ensure that steps are taken to require a higher level of accountability by university administrators, the Legislature and the State Board of Education. I hope the public will read the report and get a better understanding of the history and complexity of the project," said Idaho State Board of Education President Blake Hall. "The Board is looking to the future to ensure that this type of situation does not happen again. In the State Board meeting in Pocatello, I formed a subcommittee chaired by Rod Lewis to review the report and to create recommendations for future Board policies and procedures."

"We appreciate the significant effort undertaken by independent council Larry Prince and by the accounting firm of KPMG in completing this comprehensive, detailed report of activities leading to the financial problems associated with the University Place project. In keeping with the public trust accorded to the State Board of Education, we believe it was appropriate and necessary to appoint an independent council to investigate these matters fully," said Rod Lewis, chairman of the subcommittee responsible for the University of Idaho management review. "It is critical that the financial problems which arose in developing this project as well as the loans incurred by the U of I Foundation be carefully examined not only to help remedy existing issues, but to ensure that these same problems do not arise again in the future."

We look forward to reviewing carefully the results of Mr. Prince's report and developing strong guidelines and policies and procedures to resolve this matter and to improve financial accountability throughout Idaho's higher education system going forward."

The executive summary as published by Holland and Hart and the accounting firm KPMG included the following points:

"We believe that the UI (University of Idaho) had a fiduciary duty to disclose all relevant, material information to the SBOE. Though we found no state statute that concerns disclosures to a state agency, we believe that officers of UI, as agents of the SBOE, owe fiduciary duties to the SBOE, including the duty to fully disclose relevant, material information needed by the SBOE to make an informed decision. This duty requires more than merely avoiding false information; it requires UI employees to fully communicate material, relevant information; even if the precise question is not asked. We believe UI officials breached this duty by in some instances, providing misleading information to the SBOE and in not fully disclosing material, relevant information. When responding to written questions and testifying before the SBOE, it appeared to us that UI officials carefully chose their words and only responded to the precise question posed nothing more and in some instances their responses were misleading." -Holland & Hart

"Based on the information we reviewed, it appears the Project was not adequately planned, executed, monitored or reported. Our review uncovered what we believe are significant control and process weaknesses, exposing the UI and the UIF to unnecessary risks and costs for a project of this magnitude. Due to the nature and significance of our findings, we believe a complete re-engineering of the processes, policies, procedures and controls associated with capital projects is required." - KPMG