

November 16, 2007

OFFICE OF THE PRESIDENT
TWAMLEY HALL ROOM 300
264 CENTENNIAL DRIVE STOP 8193
GRAND FORKS ND 58202-8193
(701) 777-2121
FAX (701) 777-3866

State Board of Higher Education Members
c/o William Goetz, Chancellor
North Dakota University System
600 E Boulevard Avenue, Dept. 215
Bismarck, ND 58505-0230

Legislative Audit and Fiscal Review Committee Members
c/o Jim Smith, Legislative Council
2nd Floor, State Capitol
600 E Boulevard Avenue,
Bismarck, ND 58505-0360

Dear All:

We wish to acknowledge and thank the auditors for the work that went into the performance audit of our School of Medicine and Health Sciences. The auditors have identified and given focus to a number of areas where clearly some improvement can, should, and will be made. Improvements can be made in any organization, of course, and a thorough review of the type that was conducted by the auditors and involving an external firm was likely to find some things that need to be addressed and we are grateful to have these. We have addressed each of the recommendations made as a result of the audit and our responses are contained in the audit report, itself. The purpose of this letter is to react to some of the general aspects of the review and some of the broader issues that may have set the performance audit into motion in the first place.

We have a full-court press on to expand and further develop the research program in the School of Medicine – all with the support and encouragement of the Governor, our Congressional Delegation, the Board of Higher Education, the Legislature and others. The mission statement of the North Dakota University System clearly indicates that universities should be about the business of discovering new knowledge (Exhibit A). Yet, the report seems to suggest that any expenditure of state dollars on research may be inconsistent with state law and is therefore somehow problematic. We note that the consultant's report did give considerable praise to the School of Medicine and its extraordinary run-up in externally sponsored research in some very important areas of medicine. I was particularly pleased to see DJW note that it appears the School of Medicine and Health Sciences generates a higher per faculty research productivity than many other community-based medical schools.

The audit report not only seems to suggest that spending money on research is wrong, this "implication" is compounded by the suggestion that it is also wrong that the auditors couldn't tell exactly how much state money is being spent on research. At any given moment, no one can actually tell, and this should be understandable. Teaching, research, and service are part of the assignment of every faculty member, and at any given moment, the proportion of time (our biggest expenditure of state money is, after all, faculty salaries) devoted to each of these

endeavors varies considerably. The federal government and other funding agencies that support research all do so with the understanding that the University also supports research, and that they are not the sole supporters of the research enterprise on our campus. This is also right and proper. The University has, as a part of its mission, to discover new knowledge, as well as to transmit it. Much of the scholarly work done by faculty is done without external support.

Research is critically important for every modern-day School of Medicine. We would not be able to maintain accreditation were the Medical School not doing first-class research, and we could not supply the first doctor to the first community in the state without having an accredited School of Medicine. Thus, we simply must find a balance among research and service and teaching and learning even with the very first appropriated dollar that comes to us each year.

Perhaps the auditors are simply saying that research expenditures are somehow not fully compatible with state law. We believe, however, that the legislative "intent" has always been that we sustain a fully accredited School of Medicine. In any case, perhaps the law does need updating.

We do not understand references to *ensuring that SMHS stay within their legislatively authorized* number of FTEs. At one time, universities were each limited to a specific number of FTEs. Our understanding now is that – thanks to flexibility with accountability legislation – this is no longer the case.

Concerning the use of "shadow systems" and the recommendation that we need to bring in yet more outside consultants to develop "better" systems of informing unit heads of their budget status: The State System, including its universities, has gone through a rather challenging time implementing the new PeopleSoft information/management system. Through this transition, particularly in the early stages, many units used some kind of "shadow system," some continuing to use an adaptation of the "Legacy" system. At great expense, much of it to pay for consultative help, the system has been refined and we have already done considerable training of personnel and will be doing more. We expect the PeopleSoft system and whatever modifications take place in it, will now be the one we use. We do not believe it is necessary to bring a firm in to help us develop what sounds like another shadow system for providing timely information to unit heads and managers. The fact is, we provide training and have provided training to unit heads and managers, and we now have what we believe will be a useful system for monitoring the fiscal aspects of our operations.

Concerning the issue of not doing surveys of how well individual communities in the state are served, if the law says we will do surveys, we should and will be doing surveys. I would like to point out, however, that the School has tried to stay abreast of the need for health care services through its Center for Rural Health. There are national data that show that North Dakota does very well, relatively speaking, in terms of health-care services and health-care outcomes, thanks in some measure to our School of Medicine and Health Sciences. It is well known that we have a distribution problem and that there are disparities. Indeed, this is a common problem nationally. The suggestion that we do better in trying to encourage physicians to serve small communities is well taken; however, we would like to have had more of an acknowledgment of our many past and current efforts to do exactly that. The Dean has made suggestions in

legislative testimony concerning ways to encourage communities and the State to partner and do better in effecting a more favorable distribution of physicians and other health care professionals.

The notation by the auditors that there was a year in which the Advisory Council only met once is also well taken. We will make sure that does not happen again. Many of the other points relative to the Medical Center's Advisory Council are also well taken. We have made most of the suggested changes in how this group operates already. We do need to fit this group more effectively into the mechanism(s) by which the State Board and the Legislature assess the needs of, and set the appropriate budget for, the School of Medicine and Health Sciences. The Advisory Council does, of course, have both Legislative and State Board representation on it.

I found the discussion about residency training interesting and deserving of more in-depth consideration. All of us have an interest in seeing the people of North Dakota well served, and we certainly recognize that residency training is an important aspect of this. More consideration needs to be given to the limited number of family practice residency candidates. Perhaps if we wish to attract more family practice residents to our state, we should (as suggested by the Dean in legislative testimony) finance a loan forgiveness program for candidates coming to a residency program in our state. This would help those interested in family medicine resist the temptation to go into more lucrative specialties and subspecialties. I believe this would go far toward populating our existing family practice residency programs, and maybe even one more.

We've addressed forthrightly and directly the problem of the adequacy of our family practice residency training facilities with the State Board and with the Legislature on several occasions. Some of the financial issues illuminated in the audit are at least partly the result of the fact that we have had to find ways to finance needed facilities on our own.

A number of good suggestions were made by the auditors concerning performance measures for monitoring the effectiveness of the operations of the school. We also appreciate, and will act upon, the suggestions about improving the school's annual report format and the recommendations that have to do with the Dean having more of a formal governance structure involving personnel in the School of Medicine and Health Sciences more completely.

We note that there were a number of instances found by the auditors where documents were not properly signed and annual evaluation documents were not completed or not properly signed by faculty. This is clearly a violation, not only State Board policy but also of University of North Dakota policy, and must be addressed immediately by the Dean and all of the personnel in the School of Medicine and Health Sciences. The problem with annual evaluations suggests some inattention to well-published and well-established University policies. This too must and will be corrected.

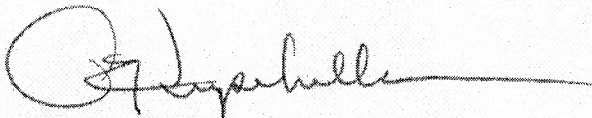
We note too, with some chagrin, the absence of written agreements, etc., concerning applicable expenditures, the management of contracts, and issues having to do with moving expenses that all need to be corrected. We are grateful to the auditors for pointing these things out.

An overarching issue which must be considered when reviewing the performance of the School of Medicine and Health Sciences is the relative adequacy of state support. This is certainly

relevant to the issue of "performance." A number of suggestions are made for increasing our level of clinical research and other suggestions, all of which would be costly. It would have been helpful for the report readers to know that the Medical School has had no "real" increase in its budget appropriation over a long period of time (Exhibit C). In spite of this, it has accomplished much – due in large part to its increased ability to leverage external funding.

In summary, we very much appreciate the thoroughness of the audit conducted by the State Auditor's Office. This audit will no doubt bring improvements to the operations and management in the School of Medicine and Health Sciences. I want to be sure that all concerned know that we have one of the finest schools of medicine in the United States in an absolute sense and certainly for the dollar. This has been validated by external review. The School of Medicine passed its last accreditation review, which is based on a national standard, with flying colors (summary attached as Exhibit B). We have one of the nation's finest teaching programs of any medical school in the country. We have established a number of outstanding research programs that bring credit to the University and the State from the national and international level. Despite the fact that there are improvements that need to be made, the Medical School is delivering a fine result to the people of North Dakota. Even given the conclusion that the Dean needs to make improvements in his management style, and in the way he manages the people-aspects and politics of tough decisions, much – certainly not all – of the credit for the enhanced status of our Medical School goes to Dean H. David Wilson. Dean Wilson was named this fall the Chair of the Council of Deans of all the medical schools in the country, a testament to his stature in American medical education. By virtue of his involvement in the Association of American Medical Colleges and the American Medical Association, the Dean has done an exemplary job of both helping to shape, and bringing news of directions in medicine and medical education to the University of North Dakota. We, the people of the great state of North Dakota, are the better for it.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles E. Kupchella", with a long horizontal flourish extending to the right.

Charles E. Kupchella
President

CEK/pb
Attachments
c: Jason Wahl, Office of the State Auditor