



STATEMENT BY PRESIDENT KERWIN TO AU COMMUNITY ON AMERICAN UNIVERSITY OF NIGERIA

I want to inform you of a development with American University of Nigeria (AUN). First, it might be helpful to supply some background on our mission with AUN, so that you may understand the context of the issue and our actions and response.

As I've mentioned periodically in my campus updates, AUN is the independent university in western Africa that AU has assisted in establishing. AUN offers an American-style higher education in an area where it is much needed. For the past six years, we have provided a variety of services and expertise, helping to develop systems that will allow AUN to thrive. AUN launched a growing university that is well on its way to meeting its goals. More information on AUN's progress is available online (www1.american.edu/ia/pdf/AU_AUN_Achievements.pdf).

Many U.S. universities are engaged in such relationships overseas, lending their names, offering expertise, and, in some cases, establishing full campuses. In the case of AUN, American University is engaged through a formal contract with AUN to provide management consulting services. Critical early funding came from AUN's founder, Atiku Abubakar, who is the former vice president of Nigeria. Over the course of the initial five-year contract, AU was paid approximately \$7.8 million for consulting services and approximately \$6.2 million in funds that went toward payroll and benefits for senior administrators at AUN.

As part of a long-standing inquiry, the U.S. Senate Committee on Homeland Security and Governmental Affairs' Permanent Subcommittee on Investigations (PSI) examined four cases focused on the business practices of several influential foreign individuals and their financial transactions with U.S. banks and other entities. One case study is devoted to the financial dealings of Mr. Abubakar and his wife, Jennifer, who is an AUN board member and AU alumna. AU fully cooperated with the PSI's case history. On February 4, the PSI held a hearing to present its findings and issue a report referencing a range of issues about the four cases; one section on the Abubakars and their financial activities includes a reference to American University for our work with AUN and two non-U.S. accounts from which we initially were paid.

In its report, the PSI used the payments made to AU to illustrate the need for a higher level of scrutiny of foreign payments. The report also reaffirms that the university has no legal obligation to inquire into the sources of foreign payments. However, based on the PSI's recommendations, AU moved promptly to change the AUN contract to address the source and manner of payments.

Additionally, in the course of the inquiry, the PSI notified AU that statements of gifts and payments reported to the Department of Education were incomplete. As a result, we corrected the disclosure and are in full compliance with this requirement.

I want to assure the AU community that we have been forthright in our business practices with AUN and any other entities abroad, following the law and working to address the significant challenges that come with doing business in developing parts of the world.

In our close review of all activities with AUN officials and the founder, we confirmed that we were conscientious, raising questions along the way and making course corrections as necessary. While much has been accomplished, AUN has challenges ahead, and we continue to believe our assistance will be valuable in the years to come. I will continue to keep the university community apprised of any other developments that relate to AU.

February 5, 2010