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August 30, 2019

Senator Robert Cowles
Co-Chair, Joint Legislative Audit Committee
Room 118 South, State Capitol
Madison, WI 53707

Representative Samantha Kerkman
Co-Chair, Joint Legislative Audit Committee
Room 315 North, State Capitol
Madison, WI 53708

RE: Follow-Up to UW System's Fiscal Year Audit Report 19-5

Dear: Senator Cowles and Representative Kerkman:

Thank you for the opportunity to update the Joint Legislative Audit Committee on progress made by the University of Wisconsin System Administration (UWSA) to address the Legislative Audit Bureau's (LAB) recommendations in the Fiscal Year Audit Report 19-5, *University of Wisconsin System Fiscal Year 2017-18*.

I want to take this opportunity to provide responses to each of the recommendations (in italics) from Audit Report 19-5 in the areas of Program Revenue Balances Reporting, Personnel Systems, and Relationships with Primary Fundraising Foundations, Real Estate Foundations, and Other Affiliated Organizations. Please find attached to this response a table which details the action steps considered to be complete and in progress for each area.

Specifically relating to Relationships with Primary Fundraising Foundations, Real Estate Foundations, and Other Affiliated Organizations, the Board of Regents, UWSA, and each institution continue to take action to ensure effective management and transparency of these organizations. In Audit Report 19-5, LAB included new recommendations or expanded upon the original 18-4 recommendations. I now consider all the 18-4 recommendations to be complete, with three recommendations requiring ongoing reporting and monitoring.

Subject to UWSA Policy 362, UWSA considers an "affiliated organization" to be "an entity that is legally distinct from the University but is organized and operated for the benefit and in support of the University and/or conducts activities that advance the mission of the University. Unless otherwise expressly authorized by the Board of Regents, affiliated organizations must hold a valid tax-exempt organization and corporate status under federal and applicable state law," with certain exclusions listed in the policy.

To ensure effective management and transparency, it is important for UW System, the legislature, and the Legislative Audit Bureau to agree upon the definition and nomenclature of each organization to clearly delineate the difference between a primary fundraising foundation, real estate foundation, and other affiliated organization. Each is unique in its purpose, the type of relationship with the university, and how it should be managed. This ongoing audit has been helpful to develop a new definition to capture “other affiliated organizations,” which are distinctly different from primary fundraising foundations and real estate foundations.

As we continue to develop policies and practices to manage “other affiliated organizations,” we ask the legislature and others to work with us to ensure we are all using the same definition. If there are suggestions or ideas regarding this definition, we welcome that feedback, too.

Program Revenue (PR) Balances Reporting

Recommendation: Provide guidance to University of Wisconsin institutions to ensure expenditures that are budgeted to be paid out of current-year revenues are not also reported as being funded from existing program revenue balances in the spending plans in the program revenue balances report and do so before preparing the program revenue balances report for fiscal year 2018-19.

Completed: As UWSA indicated in the May response to Audit Report 19-5, UWSA provided guidance to University of Wisconsin (UW) institutions to ensure expenditures that are budgeted to be paid out of current-year revenues are not also reported as being funded from PR balances. This was completed during the Office of Finance’s spring 2019 semester check-in with each campus. Further guidance was provided to institutional Chief Business Officers (CBOs) and budget officers at the June 21 meeting, and there was discussion at the April 18 meeting.

Recommendation: Provide guidance to University of Wisconsin institutions on performing a review of balances reported in the FY2018-19 program revenue balances report to ensure amounts are appropriately reported in the spending plans, and on considering available balances when establishing auxiliary services rates.

In Progress: UWSA provides annual budget instructions to all institutions indicating that balances should be used to mitigate or phase in necessary rate increases. UWSA also has a policy on auxiliary management; however, it is dated as it relates to the maximum balances allowed. As LAB acknowledges in the report, UWSA indicated this policy will be revised, and it is included in the list of policies to be revised for FY20.

Recommendation: Direct University of Wisconsin institutions to ensure appropriate department-level or centralized controls are in place to monitor department-level program revenue balances and their use.

In Progress: As UWSA continues to enhance and implement additional phases of its new budget planning and forecasting tool, Plan UW, we will continually refine how PR balances are reflected and monitored at the department-level.

Personnel Systems

In 2011, Wisconsin Act 32 required new personnel systems for UW System employees. The Act required the UW Board of Regents to develop a personnel system for all UW System employees

except UW-Madison employees. Subsequently, UW System created the University Personnel System (UPS). Act 32 also directed the UW-Madison Chancellor to create a separate personnel system for UW-Madison employees, which is HR Design. The responses below represent those from both UW System and UW-Madison and are labeled accordingly.

Recommendations for University Personnel System (UPS)

Recommendation: Ensure University of Wisconsin institutions have a systematic performance evaluation program established for awarding pay plan increases.

In Progress: Institution policies have been reviewed and recommendations made for a systematic performance evaluation program. Institutions will be required to submit an assurance statement attesting to compliance with Systemwide guidelines by December 31, 2019. These amendments are anticipated to be reviewed by governance bodies in the fall.

Recommendation: Ensure all University of Wisconsin institutions develop published guidelines for granting merit-based adjustments, including the level of documentation required to support the adjustments.

In Progress: Systemwide guidelines that include minimum standards and required documentation for merit increases have been developed. Institutions will review by August 31, 2019, and develop published guidelines by December 31, 2019. These amendments are anticipated to be reviewed by governance bodies in the fall.

Recommendation: Evaluate published guidelines of University of Wisconsin institutions to ensure compliance with University of Wisconsin System Administration policy.

Completed: An evaluation of published guidelines has been completed. Institutions will be informed of needed corrective actions by August 22, 2019, and institutions will revise published guidelines by December 31, 2019. These amendments are anticipated to be reviewed by governance bodies in the fall.

Recommendation: University of Wisconsin System Administration revise the merit-based salary adjustment policy to include guidance for University of Wisconsin institutions on which specific Human Resource System codes should be used to record merit-based adjustments.

Completed: The merit-based policy has been revised.

Recommendation: Provide guidance to University of Wisconsin institutions on extraordinary salary ranges by revising its policy to include the criteria to be considered and the documentation required to support an extraordinary salary range.

In progress: Systemwide policy for Extraordinary Salary Ranges (ESRs) has been reviewed. The criteria and documentation required are being added and will be reviewed by August 31, 2019. Amendments are anticipated to be reviewed by governance in the fall, and final adoption of Systemwide policy is expected by December 31, 2019.

Recommendation: Require University of Wisconsin institutions to develop guidelines for administering extraordinary salary ranges.

In Progress: An evaluation of published guidelines has been completed. These amendments are anticipated to be reviewed by governance bodies in the fall. Institutions will adopt guidelines by December 31, 2019.

Recommendation: *Evaluate whether University of Wisconsin institutions have developed guidelines and have consistently complied with those guidelines when administering extraordinary salary ranges.*

In Progress: Evaluation is complete. Institutions will be required to submit an assurance statement attesting to compliance with Systemwide guidelines by December 31, 2019.

Recommendation: *Review the grievance procedures of all UW institutions to ensure the procedures meet statutory requirements.*

Completed. Grievance procedures were reviewed. Proposed corrective actions will be reviewed by governance bodies in the fall, and guidelines that meet statutory requirements will be implemented by December 31, 2019.

Recommendations for HR Design Personnel System at UW-Madison

Recommendation: *The University of Wisconsin–Madison ensure its staff are trained in the policy and extraordinary salary ranges are approved only in compliance with its established policy.*

Completed: After an internal review of the LAB recommendations, UW-Madison found the current policy needed updating. In the years since the policy had been created, UW-Madison found electronic communications (ex. email, Job and Employee Management System) to be a much more efficient way to communicate on a large decentralized campus. As such, requests for ESRs are received by the Office of Human Resources (OHR) via email and a formal memo is not received due to the electronic, written nature of the request. In addition, the job postings and organizational charts are held in UW-Madison’s automated Job and Employee Management System (JEMS), which is accessible by the OHR. Therefore, requiring a copy of the job postings and organizational charts is redundant.

To address the redundancy and make a more efficient process for the approval of ESRs, the OHR revised its ESR policy in the following ways:

- Eliminated the need for a memorandum or letter, and instead relying on the electronic email as the documentation indicating a request for OHR to evaluate market information for an ESR.
- Eliminated the need for a copy of a job posting and organizational chart, and instead requiring email notification that there is a current automated human resources transaction in process at the time of the request.

These revisions to the policy will allow for more effective administration of the ESRs and address the findings of the LAB.

Recommendation: *The University of Wisconsin–Madison revise its grievance policy to ensure it meets statutory requirements.*

In Progress: Wis. Stats. 36.115(4)(b) indicates that the University personnel system must include “A hearing before an impartial hearing officer.” The LAB audit indicated the established hearing procedures for both faculty and academic staff “does provide standards for a fair and impartial

hearing.” UWS 11.11 indicates that academic staff holding a probationary appointment, or a member of the academic staff holding a fixed term appointment and having completed an initial specified period of time, shall have the ability to appeal their dismissal to an impartial hearing body.

UW-Madison’s Office of Legal Affairs, OHR, and the respective Secretaries of the Faculty and Academic Staff were consulted regarding this recommendation from LAB. These offices jointly recommend that language in Faculty Policies and Procedures (FPP) Chapter 9.07(b) and Academic Staff Policies and Procedures (ASPP) 9.01 be amended to indicate that the Committee on Faculty Rights and Responsibilities (CFRR) and the Academic Staff Appeals Committee (ASAC) serve the purpose of the impartial hearing panel requirements identified in Wis. Stats. 36.115(4)(b).

The Office of Legal Affairs, OHR, and Secretary of the Academic Staff recommended that ASPP 6.03 be amended to indicate that the highest level of appeal for fixed-term and probationary academic staff grievances is the Board of Regents.

These amendments are anticipated to receive a first reading for adoption before the respective shared governance bodies (Senate and Assembly) in October 2019, and a second and final reading before these bodies in November 2019. This timeframe accommodates when these governance bodies resume meeting in the fall semester.

Relationships with Primary Fundraising Foundations, Real Estate Foundations, and Other Affiliated Organizations

Recommendation: Require University of Wisconsin institutions to finish amending the operational agreements to correct the issues of noncompliance with the Board of Regents policy and to submit these amended agreements to the University of Wisconsin System Administration for review.

Completed: UWSA completed its review and attached the checklist from that review, which was also reviewed by Internal Audit. As noted in the checklist, all operational agreements have been reviewed and are compliant, with the exception of two items for the UW-Oshkosh foundation that could not be changed due to ongoing litigation. UW-Oshkosh, the UWO Foundation, and the Titan Alumni Foundation are in discussions about whether to merge the foundations or draft a new RPD 21-9 compliant MOU and operating agreement for the UWO Foundation.

Recommendation: Revise the spreadsheet used by the Office of General Counsel to review memoranda of understanding and operational agreements to ensure it includes clear criteria related to all requirements of the Board of Regents policy.

Completed: The UWSA Office of General Counsel (OGC) is continuously improving the checklist in consultation with Internal Audit. Internal Audit reviewed the Office of General Counsel’s 2019 Foundation MOU checklist in June and made recommendations to create additional columns within the checklist. These were items Internal Audit felt were material to Appendix A and should be included in the checklist to ensure institutions are in compliance with Regent Policy

21-9 Appendix A. Internal Audit also reviewed the remainder of the checklist against the available MOU’s and operating agreements for compliance.

Pursuant to the specific recommendation on page 68 of Audit Report 19-5, OGC will add an additional column to the checklist to document the rent or in-kind payments requirement for office space at a fair-market rate that is already required and captured as part of the calculation in the cost-benefit analysis in UWSA Policy 362 (“facilities support should be calculated as a product of square footage and fair market value for similar space”). Additionally, in response to the

recommendation from the LAB on page 69 of Audit Report 19-5, and pursuant to advice from Internal Audit, OGC added two additional columns to the checklist—the first to ensure there is a conflict of interest policy for the foundation being reviewed, and the second to ensure the foundation being reviewed has appropriate articles of incorporation, bylaws, and board member criteria. These new columns and their associated documents are being reviewed by Internal Audit and will be part of the full Foundation and Real Estate report to the Audit Committee of the Board of Regents in October 2019.

Recommendation: Complete its review of the amended operational agreements by June 30, 2019, to ensure compliance with the Board of Regents policy.

Completed: UWSA completed its review and attached the checklist from that review, which was also reviewed by Internal Audit.

Recommendation: Advise chancellors to certify compliance with the Board of Regents policy only if the operational agreements are in place.

Completed: As UWSA indicated in the May 2019 and October 2018 responses, the certifications completed were done with the understanding that new operational agreements were still being finalized. However, we acknowledge this qualification should have been written on the certification form. Going forward, this should not be a concern since all operational agreements are in place.

Recommendation: Ensure all University of Wisconsin institutions are in compliance with the Board of Regents policy that prohibits University of Wisconsin employees from serving as voting members of the boards of directors of primary fundraising foundations and real estate foundations.

Completed: This prohibition is included in Regent Policy 21-9, and the single instance identified by LAB in Audit Report 19-5 is resolved.

Recommendation: Work with the Board of Regents to create a Board policy to govern the relationships between University of Wisconsin institutions and other affiliated organizations that are not primary fundraising foundations or real estate foundations.

In Progress: LAB's original recommendation from the 18-4 Report in March 2018 stated UWSA should "work with the Board of Regents to establish a policy governing the relationships between University of Wisconsin institutions and affiliated organizations that are not primary fundraising foundations or real estate foundations," which UWSA completed with the issuance of UWSA Policy 362 on January 25, 2019.

In Audit Report 19-5 from May 2019, LAB amended this recommendation to create a "Board Policy." Board leadership, including the Chair of the Audit Committee, were consulted during the creation of the UWSA policy. UWSA chose to accomplish LAB's original recommendation through UWSA policy to allow the policy to be amended more efficiently. LAB made additional recommendations in this report to strengthen the UWSA policy, and UWSA will consider those recommendations as well as putting it into Board policy.

Recommendation: Ensure this policy addresses University of Wisconsin employees serving on the boards of directors of other affiliated organizations that are not primary fundraising foundations or real estate foundations, University of Wisconsin employees working for these other affiliated organizations, and the terms under which University of Wisconsin institutions can provide support for these other affiliated organizations.

In Progress: Currently, Regent Policy 21-9 prohibits employees from serving as voting members on the boards of primary fundraising and real estate foundations. Board membership may vary significantly for other affiliated organizations depending on the nature of each relationship. UWSA indicated in the May response to Audit 19-5 that we will evaluate the best way to ensure board membership of other affiliated organizations as it relates to UW employees is appropriately managed as UWSA Policy 362 is implemented, which covers all affiliated organizations.

Recommendation: *Revise its cost-benefit report to provide a full accounting of all costs, time, and benefits of each relationship with an affiliated organization, including tracking employee time and adding a calculation of the net cost or net benefit, or a return on investment calculation.*

Completed via Alternative Method: As UWSA indicated in the May response to Audit 19-5, UWSA elected to not report net cost/benefit amount because intangible benefits are substantial in nature and cannot be captured in a “snapshot-in-time” calculation. As a result, UWSA believes a calculated bottom line may actually be misleading. In addition, UWSA stated in the June 2018 response that tracking time is not feasible because a university employee's work at the university and affiliated organization simultaneously serves the purposes of both organizations and therefore cannot be decoupled. To accomplish the spirit of LAB's recommendation, UWSA included a calculation of each employee's direct salary support, including fringe benefits, as part of the calculation of administrative support provided to affiliated organizations. UWSA evaluated the University of Minnesota's policy on College and University Related Foundations, which the LAB highlighted in its report, to inform the creation of UWSA's cost-benefit analysis. UWSA believes this policy goes above and beyond Minnesota's policy because it captures other affiliated organizations in addition to primary fundraising foundations.

Recommendation: *Amend the administrative policy to include guidance to University of Wisconsin institutions on the items required to be included in any written agreement with an affiliated organization that is not a primary fundraising foundation or real estate foundation.*

In Progress: Written agreements may vary significantly depending on nature of each relationship. As UWSA indicated in the May response to Audit 19-5, UWSA will evaluate the best way to ensure institutions have appropriate written agreements with other affiliated organizations as UWSA Policy 362 is implemented and trainings occur.

Recommendation: *Amend the administrative policy to explain how the cost-benefit report will be evaluated by University of Wisconsin System Administration and to specify the reporting that will be made to the Board of Regents.*

Completed: UWSA elected to give campus administrators the authority to make initial decisions on the relative importance and benefit of any specific affiliated organization, including taking into account the intangible or prospective benefits that an affiliated organization may provide to the institution. The UW System Office of Finance will receive and review the required cost-benefit worksheets. UWSA Policy 362 was revised in May 2019 to clearly note that UWSA will annually provide a summary of reported administrative support to and benefits received from foundations and other affiliated organizations to the Board of Regents. UWSA currently anticipates providing this information at the October 2019 Board of Regents meeting.

Recommendation: *Revise its administrative policy to require University of Wisconsin institutions to provide an accounting of the costs and benefits of the relationships with each affiliated organization to the University of Wisconsin institution.*

In Progress: As UWSA indicated in the May response to Audit Report 19-5, UWSA believes a materiality threshold is reasonable. Currently, the established threshold in UWSA Policy 362 is at \$100,000 of administrative support. This amount was chosen after considering the size of the UW System and each institution, materiality thresholds used for other evaluations, and the level of risk, both financially and reputationally, that these relationships present. The example of the UW-Oshkosh Business Success Center raised by LAB in Audit Report 19-5 is a good example of an organization that would have fallen under UWSA 362 since it received over \$100,000 in administrative support in two consecutive years.

Recommendation: Provide guidance and training to University of Wisconsin employees who also work for an affiliated organization.

In Progress: UWSA provided policy guidance to several campus stakeholder groups that interact with their campus foundations, including chancellors and chief business officers. UWSA also conducted an all-day workshop at the Annual Alumni Directors Meeting at UW-Oshkosh in June 2019, at which over 50 foundation personnel from across the UW System were present, to provide guidance, training, and roundtable discussions regarding UWSA and Board of Regent policies. An additional training will be conducted by the Association of Governing Boards (AGB) in November 2019 to share best practices from across the country. This training will be open to all affiliated organizations associated with the UW System, as well as chancellors, chief business officers, and other related campus/UW System staff.

Recommendation: Continue to work with the University of Wisconsin–Madison to establish a timeline to begin using the centralized vendor file for all financial transactions.

In Progress: As UWSA indicated in the May response to Audit Report 19-5, UWSA and UW-Madison put into place an alternative method to meet LAB's intent of being able to easily compile payment information to all affiliated organizations. UWSA will continue to work with UW-Madison as the UW System evaluates other system changes (cloud ERP, procurement automation) that affect the ability to move UW-Madison to a centralized vendor file. UWSA is implementing a procurement automation tool for all of the campuses, which will improve internal controls around vendor management.

Recommendation: Design and implement a procedure for independent and regular monitoring to ensure consistent use of the unique vendor identification numbers by all University of Wisconsin institutions.

In Progress: UW System has taken steps to ensure all payments to affiliated organizations can be identified. Through past and upcoming audits by Internal Audit, Plante Moran, and LAB, further assurance will be provided that vendor identification numbers are being used.

To ensure regular monitoring, Internal Audit reviewed the checklist and recommended that unique vendor identification numbers be added to the checklist. Internal Audit will audit other affiliated organizations in accordance with its 2020 Audit Plan that was approved by the Board of Regents. The audit will test compliance with UWSA Policy 362, specifically testing for vendor identification numbers and the cost benefit analysis developed by management. This audit is to be presented to the Audit Committee of the Board of Regents at the December 2019 meeting.

Recommendation: Direct the Office of Internal Audit to annually review a sample of payments from University of Wisconsin institutions to other affiliated organizations and determine the appropriateness of these payments.

In Progress: Internal Audit will audit the Institutional Relationships with Foundations and other affiliated organizations in accordance with its 2019 Audit Plan that was approved by the Board of Regents. The audit will consist of two parts. First, Internal Audit will select a sample of payments for testing as done in its 2019 audit of Transactions with Foundations. Second, Internal Audit once again plans to test for compliance with Regent Policy 21-9. This audit is to be presented to the Audit Committee of the Board of Regents at the October 2019 meeting.

Recommendation: Direct the Office of Internal Audit to determine whether University of Wisconsin institutions are complying with the Board of Regents policy.

In Progress: Internal Audit will audit the Institutional Relationships with Foundations and other affiliated organizations in accordance with its 2019 Audit Plan that was approved by the Board of Regents. The audit will consist of two parts. First, Internal Audit will select a sample of payments for testing as done in its 2019 audit of Transactions with Foundations. Second, Internal Audit once again plans to test for compliance with Regent Policy 21-9. This audit is to be presented to the Audit Committee of the Board of Regents at the October 2019 meeting.

I want to thank the LAB for its work. If you have any questions regarding this update, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Ray Cross". The signature is written in a cursive, flowing style.

Ray Cross
President

CC: State Auditor Joe Chrisman
Chief Audit Executive Lori Stortz
Board of Regents
Chancellors
UW System President's Cabinet

Action Steps Update from March 2018 18-4 Report		
LAB 18-4 Recommendation	UW Action	Status
Assign unique vendor ID to affiliated organizations.	UWSA can use an alternative method to meet LAB's intent as ongoing system upgrades continue.	Completed
Amend operational agreements to comply with the Board of Regents policy.	UWSA completed its review and attached the checklist, which was also reviewed by Internal Audit.	Completed
Require chancellors to certify compliance.	Certification is required, and caveat for this year was communicated in October 2018 response to JLAC.	Completed
Assess MOUs for compliance.	MOUs reviewed prior to issuance of 18-4; compliance assessed in FY19 audit.	Completed
Establish policy governing relationship between UW institutions and affiliated organizations that are not <u>primary</u> or <u>real estate</u> foundations.	UWSA Policy 362 issued on January 25, 2019, in consultation with Board, campus stakeholders, and best practices across country, and revised on May 29, 2019.	Completed
Resolve inconsistency between policy statement and policy regarding UW employees serving on boards of <u>primary fundraising</u> and <u>real estate</u> foundations.	Appendix A of Regent Policy 21-9 was modified to reflect the Board of Regents policy in February 2019.	Completed
Prohibit all UW employees from serving as voting members of Board of Directors of <u>primary fundraising</u> and <u>real estate</u> foundations.	Regent Policy 21-9 prohibits. UW-Milwaukee member identified by UWSA and LAB has been granted an exception.	Completed
Require UW employees to track the time they work for affiliated organizations, and provide guidance and training.	UWSA Policy 362 requires calculation of percentage of UW employees' salary and fringe assigned to any affiliated orgs activities paid by the UW and not directly and fully reimbursed by the affiliated orgs.	Completed
Provide UW institutions guidance on identifying affiliated organizations.	UWSA provided guidance to UW institutions and will have additional guidance and trainings.	Completed
Require UW institutions to annually report information about their relationships with affiliated organizations and determine whether the reported information complies with Board of Regent policy.	Required in Regent Policy 21-9 and in UWSA Policy 362. The Office of Finance is currently reviewing the reports and will report to the Board of Regents in October.	In Progress
Annually review payments to affiliated organizations.	Fiscal 2019 Audit Plan will audit compliance with Regent Policy 21-9 and UWSA Policy 362. Fiscal 2020 Audit Plan will audit compliance with UWSA Policy 362.	In Progress
Annually assess relationships with affiliated organizations and determine whether any changes are necessary.	Evaluated through annual audits and disclosures of affiliated orgs and analysis of affiliated orgs per UWSA Policy 362.	In Progress

Action Steps Update from May 2019 19-5 Report		
LAB 19-5 Recommendation	UW Action	Status
Information Technology		
No Recommendations	UWSA is implementing its 24-month workplan.	N/A
Tuition		
No Recommendations	Since 2009, UW institutions enroll the same percentage of WI high school graduates and are attracting more talent to the state.	N/A
Program Revenue (PR) Balances		
Provide guidance to institutions on the spending plans in the PR balances report.	UWSA provided guidance during the Office of Finance's spring 2019 semester check-in and to institutional CBOs and budget officers at meetings on April 18 and June 21.	Completed
Provide guidance to institutions on reviewing balances reported in FY2018-19 PR balances report.	UWSA's policy on auxiliary management is under revision.	In Progress
Ensure department-level or centralized controls are in place to monitor department-level PR balances.	UWSA's newly implemented budget planning and forecasting tool, Plan UW, will allow department-level monitoring.	In Progress
Personnel Systems		
Ensure institutions have a systematic performance evaluation program for pay plan increases.	Institution policies reviewed and recommendations made. Institutions will submit statement attesting to compliance by December 31, 2019.	In Progress
Ensure institutions develop published guidelines for granting merit-based adjustments.	Systemwide guidelines developed. Institutions will review by August 31, 2019, and develop published guidelines by December 31, 2019.	In Progress
Evaluate published guidelines by institutions to ensure compliance with UWSA policy.	Evaluation of guidelines completed. Institutions will be informed of corrective actions and revise guidelines by December 31, 2019.	Completed
Revise policy to include guidance for institutions on which codes should be used to record merit-based adjustments.	The merit-based policy has been revised.	Completed
Provide guidance to institutions on Extraordinary Salary Ranges (ESRs).	Systemwide policy for ESRs reviewed. Criteria and documentation reviewed by August 31, 2019. Final adoption by December 31, 2019.	In Progress
Require institutions to develop guidelines for administering ESRs.	Evaluation of guidelines completed. Institutions will adopt guidelines by December 31, 2019.	In Progress
Evaluate whether developed guidelines have consistently complied with guidelines when administering ESRs.	Evaluation is complete. Institutions will submit statement attesting to compliance with guidelines by December 31, 2019.	In Progress
Review grievance procedures of all institutions to ensure procedures meet statutory requirements.	Grievance procedures reviewed. Proposed corrective actions will be reviewed by governance bodies in the fall, and guidelines that meet statutory requirements will be implemented by December 31, 2019.	Completed
Ensure UW-Madison staff are trained in the policy and ESRs are approved in compliance with policy.	UW-Madison Office of Human Resources revised its ESR policy to allow for more effective administration of ESRs.	Completed

Revise UW-Madison grievance policy to ensure it meets statutory requirements.	UW-Madison's faculty and staff governance bodies are considering recommended policy revisions at their fall meetings.	In Progress
New Recommendations for Affiliated Organizations Not included in March 2018 Report 18-4		
Revise spreadsheet used to review MOU and operational agreements.	UWSA General Counsel in consultation with Internal Audit revised the checklist.	Completed
Work with Board of Regents to create a Board policy to govern the relationships with <u>other</u> affiliated organizations.	LAB amended 18-4 recommendation to specify this should be Board policy. UWSA completed 18-4 recommendation with issuance of UWSA Policy 362 on January 25, 2019.	In Progress
Ensure policy on <u>other</u> affiliated organizations addresses administrative support and employees working for or serving on the boards of directors.	UWSA will evaluate best way to appropriately manage board membership of <u>other</u> affiliated organizations with implementation of UWSA Policy 362.	In Progress
Revise cost-benefit report to include tracking employee time and adding calculation of return on investment.	UWSA included a calculation of each employee's direct salary support, including fringe benefits, as part of the calculation of administrative support provided to affiliated organizations.	Completed via Alternative Method
Amend administrative policy to include guidance to institutions on written agreement with <u>other</u> affiliated organizations.	UWSA will evaluate the best way to ensure institutions have appropriate written agreements with <u>other</u> affiliated organizations with implementation of UWSA Policy 362.	In Progress
Amend administrative policy to explain how the cost-benefit report will be evaluated by UWSA and reported to the Board of Regents.	UWSA elected to give campus administrators authority to make initial decisions. UW System Office of Finance will receive cost-benefit worksheets and share reports with Board of Regents.	Completed
Revise administrative policy to require institutions to provide an accounting of the costs and benefits of the relationships with each affiliated organization to the UW institution.	UWSA believes a materiality threshold is reasonable and will collect cost-benefit reports for those that meet the threshold.	In Progress
Provide guidance and training to UW employees who also work for an affiliated organization.	UWSA provided policy guidance to campus stakeholders and has additional training efforts underway.	In Progress
Develop a procedure to ensure consistent use of unique vendor ID numbers by all institutions.	UW System has taken steps to ensure all payments to affiliated organizations can be identified.	In Progress
Direct Internal Audit to determine whether UW institutions are complying with the Board of Regents policy.	The Fiscal 2019 Audit Plan was approved by the Board of Regents in June 2018 and will include whether institutions are complying with Regent Policy 21-9 and UWSA Policy 362. Fiscal 2020 Audit Plan will audit compliance with UWSA Policy 362.	In Progress

	A	B	C	D	E	F	G	H	I	
1				General Checklist - Attribute 1		General Checklist - Attribute 2		General Checklist - Attribute 3		
2	Directing Institution	Name of Primary or Real Estate Foundation	Assigned Reviewer	Clearly establishes the working relationship between the University and Foundation.		Assures the preservation of mission alignment over time		Is periodically reviewed, assessed, and adapted in keeping with changing circumstances and the passage of time.		
3	Campus	Foundation	Assigned Reviewer	Working relationship		Mission alignment		Regular review		
4				Condition Met	Location of provision	Condition Met	Location of provision	Condition Met	Location of provision	
5	UW-Eau Claire	UW-Eau Claire Foundation	Jennifer Lattis	Yes	MOU	Yes	MOU	Yes	MOU	
6	UW-Eau Claire	UW-Barron County Foundation	Wade Harrison	As of July 1, 2019, the UW Barron County Foundation does not exist as a corporate entity. It is a reporting unit of the UW-Eau Claire Foundation and is bound by the agreements that govern the main foundation.						
7	UW-Green Bay	UW-Green Bay Foundation	Tom Stafford	Yes	MOU pp. 1-5 and operational agreement	Yes	MOU p. 1-2	Yes	MOU p. 4	
8	UW-Green Bay	UW-Manitowoc Foundation	Tom Stafford	Yes	MOU pp. 1-5	Yes	MOU pp. 1-2	Yes	MOU p. 7	
9	UW-Green Bay	UW-Marinette County Foundation	Tom Stafford	Yes	MOU pp. 1-5	Yes	MOU pp. 1-2	Yes	MOU p. 5	
10	UW-Green Bay	UW Sheboygan Foundation	Tom Stafford	Yes	MOU pp. 1-2	Yes	MOU p. 1	Yes	MOU p. 1	
11	UW-La Crosse	UW-La Crosse Foundation	Tom Stafford	Yes	MOU pp 1-7 and operating agreement	Yes	MOU pp. 2-3 and 4	Yes	MOU p.7-8	
12	UW-Madison	University of Wisconsin Foundation	Quinn/Legal Affairs	Yes	MOU ss. 4 and 5	Yes	MOU ss. 4.3; 4.10	Yes	MOU ss. 4.10, 5.1.3	
13	UW-Milwaukee	UWM Foundation	Matt Lind	Yes	MOU	Yes	MOU §§ 1, 2, 5, 6, 7, 8, 10, 12	Yes	MOU §§ 8, 12	
14	UW-Milwaukee	Washington County Campus Foundation	Matt Lind/Joely Urdan	Yes	MOU	Yes	MOU, § 1	Yes	MOU, § 7	
15	UW-Milwaukee	UW-Waukesha Foundation	Matt Lind/Joely Urdan	Yes	MOU	Yes	MOU, § 1	Yes	MOU, § 7	
16	UW-Oshkosh	Titan Alumni Foundation	Jennifer Lattis	Yes	MOU	Yes	MOU (Terms); Op. Ag	Yes	MOU term; Op Ag sec. 4	
17	UW-Oshkosh	UW-Oshkosh Foundation	Noah Brisbin	Yes	MOU pp. 1-2	Yes	MOU p. 1	No		
18	UW-Oshkosh	UW-Fond du Lac Foundation	Noah Brisbin	Yes	MOU pp. 1-3	Yes	MOU pp. 1-3	Yes	MOU p. 7	
19	UW-Oshkosh	UW-Fox Valley Foundation	Noah Brisbin	Yes	MOU pp. 1-3	Yes	MOU pp. 1-3	Yes	MOU p. 7	
20	UW-Parkside	UW-Parkside Foundation	Jennifer Lattis	Yes	MOU/Operating agreement	Yes	MOU	Yes	MOU, p. 5	
21	UW-Platteville	UW-Platteville Foundation	Jennifer Lattis	Yes	MOU etc.	Yes	MOU § 10	Yes	MOU § 10	
22	UW-Platteville	Friends of the Campus (Baraboo Sauk County)	Jennifer Lattis	Yes	MOU pp. 1-3	Yes	MOU pp. 1-3	Yes	MOU p. 7	
23	UW-Platteville	Richland County Campus Foundation	Jennifer Lattis	Yes	MOU	Yes	MOU	Yes	MOU § 7	
24	UW-River Falls	UW-River Falls Foundation	Noah Brisbin	Yes	MOU pp. 1-3	Yes	MOU pp. 1, 4	Yes	MOU p. 7	
25	UW-Stevens Point	UW-Stevens Point Foundation	Matt Lind	Yes	MOU	Yes	MOU §§ 1, 2, 6, 7, 13.3	Yes	MOU §§ 8, 13	
26	UW-Stevens Point	UW Wausau Campus Foundation (previously UW-Marathon County Foundation)	Matt Lind	Yes	MOU	Yes	MOU, § 1	Yes	MOU, § 7	
27	UW-Stevens Point	University Center Foundation (UWSP at Marshfield)	Matt Lind	Yes	MOU	Yes	MOU, § 1	Yes	MOU, § 7	
28	UW-Stout	Stout University Foundation	Noah Brisbin	Yes	MOU pp. 1-4	Yes	MOU pp. 1, 4	Yes	MOU p. 8	
29	UW-Superior	UW-Superior Foundation	Noah Brisbin	Yes	MOU pp. 1-4	Yes	MOU pp. 1, 3	Yes	MOU p. 6	
30	UW-Whitewater	UW-Whitewater Foundation	Matt Lind	Yes	MOU pp. 1-4	Yes	MOU p. 1	Yes	MOU pp. 3, 6	
31	UW-Whitewater	UW-Rock County Foundation	Matt Lind	Yes	MOU	Yes	MOU, § 1	Yes	MOU, § 7	

	J	K	L	M	N	O	P	Q
1	General Checklist - Attribute 4		General Checklist - Attribute 5		General Checklist - Attribute 6		General Checklist - Attribute 7	
2	Ensures that the Foundation has policies, resolutions, and/or controls that define the circumstances, if any, in which University employees can approve transactions and enter into obligations on behalf of the Foundation. These policies, resolutions, and/or controls must define circumstances (e.g., dollar limits, long-term contracts) for which formal pre-approval and/or post-transaction review by the Foundation's Board is required.		Ensures that the Foundation and the University define the services and support to be provided by the Foundation, including any fundraising activities, and the services and support to be provided by the University. Specific details regarding the services and support provided respectively by the Foundation and the University may be contained in a separate, operational agreement between the University and the Foundation that is reviewed and renewed annually.		Outlines methodology for any additional compensation or benefits to be paid to University leaders (compensation, housing, car, etc.) and that it be evaluated by both the University and Foundation to be appropriate, at market value, and defensible. The methodology chosen should express the clear understanding that the additional compensation or benefits is intended as remuneration for activities, such as fundraising, undertaken on behalf of the Foundation. (Note: This methodology needs to be included in MOU's only if applicable, i.e. if university chancellors or other leaders are paid (or are contemplated to be paid) any additional compensation or benefits.)		Establishes guidelines and conditions under which the MOU may be terminated and outlines a process for an orderly separation as well as the distribution of Foundation assets consistent with its articles of incorporation and bylaws.	
3	Financial transactions controls for University employees		Services provided defined		Compensation package methodology		Separation clause	
4	Condition Met	Location of provision	Condition Met	Location of provision	Condition Met	Location of provision	Condition Met	Location of provision
5	Yes	Operating agreement/By-laws 7.2	Yes	Operating agreement	Yes	MOU B.4.	Yes	MOU
6								
7	Yes	MOU p. 3	Yes	MOU pp. 1-5, operating agreement	N/A	N/A	Yes	MOU p. 5
8	Yes	MOU p. 5	Yes	MOU	Yes	n/a	Yes	MOU p. 7
9	Yes	n/a	Yes	MOU	Yes	n/a	Yes	MOU p. 5
10	Yes	MOU p. 2	Yes		Yes	n/a	Yes	MOU p. 1
11	Yes	MOU p. 4	Yes	MOU pp. 2-4 and operating agreement	N/A	MOU p.2 states foundation will not pay such compensation	Yes	MOU p. 8
12	Yes	UW-Madison employees have no authority to approve transactions or enter into obligations on behalf of the UW Foundation, so these circumstances are not defined. MOU ss. 4.1, 5.2.2, 5.4; UW-Madison Administrative Policy 131, sec. II.	Yes	MOU ss. 5.	Yes	MOU ss. 4.8 and 4.9 authorize UWF to provide funds to support the UW salaries of UW employees, but does not authorize UW employees to receive payment for services rendered to perform UWF. Any salary support for the Chancellor must be approved by BOR and UW System President.	Yes	MOU sec. 7 defines termination process. UW Foundation Articles of Incorporation define process of dissolution and distribution of UW Foundation assets.
13	Yes	MOU, §§ 2, 6, 10	Yes	MOU, § 8; Letter from UWM attesting that it provides no services or support to the UWM Foundation	N/A	MOU, §§ 6-8	Yes	MOU, § 12
14	Yes	MOU, § 5.B.	Yes	MOU, § 4	Yes	MOU, §§ 2, 3	Yes	MOU, § 7
15	Yes	MOU, §§ 5-6	Yes	MOU, § 5.B.	Yes	MOU, §§ 2, 4	Yes	MOU, § 7
16	Yes	Funds disbursement policy	Yes	MOU C(3)(6); Op AG Exh. B	Yes	N/A	Yes	MOU term, op. ag. 4
17	N/A	MOU § 1.05 and MOU Art. 3 describe Foundation fiscal policies and independence from UWO	Yes	MOU pp. 1-2, 5-6	N/A		No	Termination provision at MOU § 11
18	Yes	MOU p. 5	Yes	MOU pp. 2-6, OA	Yes	n/a	Yes	MOU p. 7
19	Yes	MOU p. 5	Yes	MOU pp. 2-6, OA	Yes	n/a	Yes	MOU p. 7
20	Yes	transaction policy	Yes	Operating agreement, para. 2	N/A		Yes	MOU, p. 5
21	Yes	transaction approval policy	Yes	OA §2&3	N/A		Yes	MOU §10.03&10.04
22	Yes	MOU p. 5	Yes	Operating agreement	Yes	n/a	Yes	MOU p. 7
23	Yes	MOU § B	Yes	Operating Agreement	Yes	MOU § 3	Yes	MOU § 7
24	Yes	MOU pp. 4, 6, OA	Yes	MOU pp. 2-6, OA	N/A	OA pp. 2-3	Yes	MOU p. 7
25	Yes	MOU § 3	Yes	MOU § 8; operating agreement	Yes	MOU § 7	Yes	MOU § 13
26	Yes	MOU, §§ 5-6	Yes	MOU, § 4; operating agreement	Yes	MOU, §§ 2, 4	Yes	MOU, § 7
27	Yes	MOU, §§ 5-6	Yes	MOU, §§ 3-5; operating agreement	Yes	MOU, §§ 2, 4	Yes	MOU, § 7
28	Yes	MOU p. 3	Yes	MOU pp. 2-7, OA	Yes	MOU p. 3	Yes	MOU pp. 8-9
29	Yes	MOU p. 4	Yes	MOU pp. 1-5, OA	N/A	MOU p. 2, OA p. 1	Yes	MOU p. 6
30	Yes	MOU pp. 2-6	Yes	p.3; Operating Agreement	N/A	MOU p. 1	Yes	MOU p. 6
31	Yes	MOU, §§ 5-6	Yes	MOU, §§ 3, 5.B.; operating agreement	Yes	MOU, § 2	Yes	MOU, § 7

	R	S	T	U	V	W	X	Y	Z
1	General Checklist - Attribute 8		General Checklist - Attribute 9		General Checklist - Attribute 10		General Checklist - Attribute 11		Govern
2	Defines reciprocal responsibilities and mutual expectations regarding the frequency, content, and method of reporting between the University and Foundation, including a requirement for an annual independent audit of the Foundation be provided to the University if the Foundation receives annual contributions of \$500,000 or more. MOUs with Foundations that have annual contributions over \$300,000 and less than \$500,000 must require the Foundation to provide to the University a financial statement reviewed by an independent CPA. MOUs with Foundations that have annual contributions less than \$300,000 must state that the Foundation will provide an annual financial report to the University for informational purposes and potential review.		Describes generally the terms and processes by which Foundation funds and gifts, including gifts-in-kind, will be provided to and accepted by the University. Specific details regarding these terms and processes may be contained in a separate, operational agreement between the University and the Foundation that is reviewed and renewed annually.		Defines terms for the Foundation's use of the University's name, branding, and other University intellectual property.		Requires Foundation books and records be maintained in a professional manner and be available for review by the University.		If the foundation board of directors includes institutions, the employees shall not constitute an ex-officio and nonvoting member of the provision may be granted with the approval of the General
3	Reporting obligations defined		Gift acceptance (Terms and process defined)		Branding (Name use) terms defined		Bookkeeping and review		Member
4	Condition Met	Location of provision	Condition Met	Location of provision	Condition Met	Location of provision	Condition Met	Location of provision	Condition Met
5	Yes	MOU	Yes	MOU paras. 3, 4, 7	Yes	MOU	Yes	MOU	Yes
6									
7	Yes	MOU p. 3	Yes	MOU p. 4 and operating agreement	Yes	MOU p. 5	Yes	MOU p. 4	Yes
8	Yes	MOU p. 5	Yes	MOU p. 6	Yes	MOU p. 3	Yes	MOU p. 6	Yes
9	Yes	MOU p. 3	Yes	MOU p. 4	Yes	MOU p. 2	Yes	MOU p. 4	Yes
10	Yes	MOU p. 1	Yes		Yes	MOU pp. 1-2	Yes	MOU pp. 1-2	N/A
11	Yes	MOU pp. 5 7	Yes	MOU p. 6 and operating agreement	Yes	MOU p. 2	Yes	MOU p. 7	Yes
12	Yes	MOU ss. 5.2.3, 5.2.4.	Yes	MOU ss. 5.2.2, 5.3.3, 5.4; UW-Madison Administrative Policies 130 and 131.	Yes	MOU Exhibit A, Amended and Restated Trademark License Agreement	Yes	MOU ss. 5.2.1, 5.2.3, 5.2.4.	Yes
13	Yes	MOU, §§ 10	Yes	MOU, §§ 6-8	Yes	MOU, § 1	Yes	MOU, §§ 10	Yes
14	Yes	MOU, § 5.B.	Yes	MOU, §§ 5-6	Yes	MOU, § 4	Yes	MOU, §§ 4, 5.B.	Yes
15	Yes	MOU, § 5.B.	Yes	MOU, §§ 5-6	Yes	MOU, § 4	Yes	MOU, §§ 4, 5.B., 6.B.	Yes
16	Yes	MOU D2(c)	Yes	MOU B8, D(1) & (4)	Yes	MOU intro	Yes		Yes
17	Yes	MOU § 9.01	Yes	MOU §§ 1.04, 1.05	Yes	MOU Art. 2	N/A	MOU §§ 1.03, 4.03, 9.01	N/A
18	Yes	MOU pp. 5, 6	Yes	MOU pp. 5-6	Yes	MOU p. 3	Yes	MOU pp. 4, 6	Yes
19	Yes	MOU pp. 5, 6	Yes	MOU pp. 5-6	Yes	MOU p. 3	Yes	MOU pp. 4, 6	Yes
20	Yes	MOU, p. 4	Yes	OA section 4	Yes	MOU p. 1	Yes	MOU, p. 4	Yes
21	Yes	MOU § 6.06, 6.07, 7.05, 7.06, 7.07	Yes	MOU 7.03 and Gift-in-kind pol	Yes	MOU § 1.0	Yes	MOU § 3.5, 7.03, 7.06, 7.07	Yes
22	Yes	MOU pp. 5, 6	Yes	MOU pp. 5-6	Yes	MOU p. 3	Yes	MOU pp. 4, 6	Yes
23	Yes	MOU § 5.B.	Yes	MOU § 6	Yes	MOU § 4	Yes	MOU § 6.B.	Yes
24	Yes	MOU pp. 4-6	Yes	MOU p. 5	Yes	MOU p. 1	Yes	MOU p. 6	Yes
25	Yes	MOU §§ 7, 8, 11	Yes	MOU § 5-8	Yes	MOU § 2	Yes	MOU §§ 7, 8, 11	Yes
26	Yes	MOU, § 5.B.	Yes	MOU, §§ 3, 5-6	Yes	MOU, § 4	Yes	MOU, §§ 4, 5.B., 6.B.	Yes
27	Yes	MOU, § 5.B.	Yes	MOU, §§ 3, 5-6	Yes	MOU, § 4	Yes	MOU, §§ 4, 5.B., 6.B.	Yes
28	Yes	MOU pp. 6, 8	Yes	MOU p. 7	Yes	MOU p. 1	Yes	MOU p. 8	Yes
29	Yes	MOU pp. 4-5	Yes	MOU p. 5	Yes	MOU pp. 1-2	Yes	MOU p. 4	Yes
30	Yes	MOU p. 5	Yes	MOU pp. 2-6; Operating Agreement	Yes	MOU p. 3	Yes	MOU pp. 4-5	Yes
31	Yes	MOU, § 5.B.	Yes	MOU, §§ 3, 5-6	Yes	MOU, § 4	Yes	MOU, §§ 5.B., 6.B.	Yes

	AA	AB	AC
1	ance		
2	any employees of the UW System or UW e a majority of the board. In addition, any oundation board of directors shall serve as e foundation board; exceptions to this 'the System President in consultation with Counsel.	Operating Agreement Status	Explanation if operating agreement has not been finalized
3	ship	Operating Agreement Status	Completion date or Explanation
4	Location of provision		
5	Bylaws 4.3.D	Completed	11/2/2018
6			
7	MOU p. 3 and foundation bylaws	Completed	12/13/2018
8	MOU p. 3	Completed	7/25/2019
9	MOU p. 2	Completed	6/19/2019
10		Completed	7/17/2019
11	MOU, p. 3	Completed	11/16/2018
12	MOU sec. 4.6. prohibits senior UW leadership from serving on the UW Foundation board in any capacity. As a matter of custom and practice, no regular full-time University employees are ever appointed to the UW Foundation board.	No Facilities Use/Operating Agreement.	Other items covered in MOU. Foundation is operated by its own employees out of its own facilities. Any instances of use by the UW Foundation of UW facilities are covered by stand-alone lease agreements.
13	MOU § 2.05; Regent Policy 21-9	No Facilities Use/Operating Agreement.	UWM does not provide any material support to its foundation, so no operating agreement is required.
14	MOU p. 3	Completed	6/21/2019
15	MOU 3.4	Completed	6/21/2019
16	Bylaws, 5.3	Completed	5/4/2018
17	MOU § 3.05	No Operating Agreement	2010 MOU contains elements included in other institution/foundation OAs; UW Foundation's bankruptcy proceeding interrupted MOU/OA development process
18	MOU p. 3	Completed	7/23/2018
19	MOU p. 3	Completed	7/23/2018
20	MOU p. 3	Completed	3/6/2019
21	MOU § 7.02(1)	Completed	2/21/2018
22	MOU p. 3	Completed	4/29/2019
23	MOU § 3	Completed	4/30/2019
24	MOU, § 4	Completed	2/12/2019
25	MOU § 3.4; Regent Policy 21-9	Completed	4/24/2019
26	MOU, § 4; Regent Policy 21-9	Completed	4/30/2019
27	MOU, § 4; Regent Policy 21-9	Completed	4/22/2019
28	MOU p. 4	Completed	10/30/2017
29	MOU p. 2	Completed	4/2/2019
30	MOU p. 3; Regent Policy 21-9	Completed	11/15/2017
31	MOU, § 4; Regent Policy 21-9	Completed	4/24/2019