

## Medical Education, Research, and Public Health Grants

*Medical College of Wisconsin*

*UW School of Medicine  
and Public Health*

August 2015

# Report Highlights ■

***Endowments were established at each of Wisconsin's two medical schools when Blue Cross Blue Shield became a for-profit corporation.***

***The schools were required to set aside 65.0 percent of their endowed funds for medical education and research projects and 35.0 percent for public health projects.***

***As of December 31, 2013, the endowment balances were \$428.0 million for MCW and \$381.2 million for UW.***

***We found both schools generally complied with requirements they had established for awarding and monitoring their grant funding.***

Under the terms of a March 2000 order issued by the Office of the Commissioner of Insurance, Blue Cross Blue Shield United of Wisconsin converted from a nonprofit hospital service membership corporation to a for-profit, publicly held stock insurance corporation and provided \$630.4 million to endowments held by the Medical College of Wisconsin (MCW) and the University of Wisconsin (UW) School of Medicine and Public Health. The order specified that 35.0 percent of funds be allocated for public health programs and 65.0 percent be allocated for medical education and research programs.

The Commissioner's order required that each school obtain a program audit every five years. In May 2010, we completed the first of these audits covering the period from 2004 through 2008 as report 10-6. At the request of the Joint Legislative Audit Committee, we completed a second audit covering the period from 2009 through 2013 by analyzing:

- implementation of the recommendations we made in report 10-6;
- oversight of the programs by the Wisconsin United for Health Foundation, Inc. (Foundation) and the Office of the Commissioner of Insurance;
- each school's process for awarding grants and the adequacy and effectiveness of their efforts to monitor and oversee grantees; and
- policy issues related to the use of program funds.

We conducted the same analyses for both schools, but we did not directly compare performance because each school established separate programs with independent planning and governance systems.

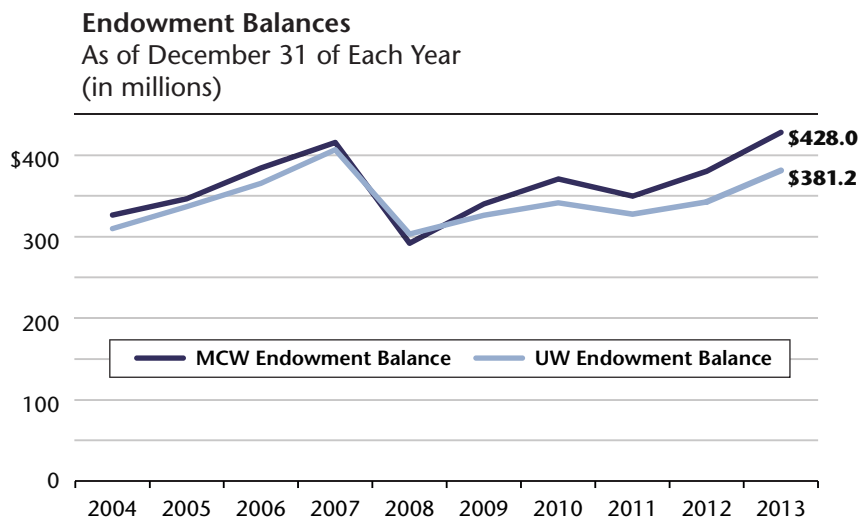
## Program Establishment and Oversight

The Foundation was established by the March 2000 order of the Commissioner of Insurance in order to receive the proceeds from the conversion and distribute the funds to MCW and UW. The Foundation met 10 times from 2009 through 2013, and it regularly received presentations from representatives of MCW and UW. The Foundation serves as a forum for public information and comment. Should the Foundation vote to discontinue its operations in the future, its assets would be divided equally among the endowments of MCW and UW.

At each school, a committee of senior administrators or faculty oversees the medical education and research funds, while an oversight and advisory committee composed of health care advocates, community leaders, school representatives, and an appointee of the Commissioner of Insurance oversees the public health funds.

## Endowment Balances and Expenditures

Each school's endowment uses investment income to fund projects. Endowment balances at each school increased from 2009 through 2013. As of December 31, 2013, MCW had an endowment balance of \$428.0 million, while UW had an endowment balance of \$381.2 million. MCW does not charge for the administrative costs of managing its endowment. Effective January 2012, the UW Foundation changed the amount it retains for management expenses from 1.0 percent overall, to 1.0 percent for the first \$250 million and 0.7 percent for amounts greater than \$250 million.



We completed a financial examination of the Statement of Receipts and Disbursements for UW's program and provided an unqualified opinion. A separate financial report reflects the assets managed and invested by

### Key Facts and Findings

*The UW Foundation retains a percentage of UW's endowment balance each year as a management fee.*

*From 2009 through 2013, all MCW medical education and research grants were awarded by inviting individuals to apply for funding, rather than through a competitive RFP application process.*

*From 2009 through 2013, UW awarded medical education and research grants by inviting some individuals to apply for funding and using a competitive RFP application process for others.*

*In 2007, MCW decided to focus on a special Milwaukee-area violence prevention initiative.*

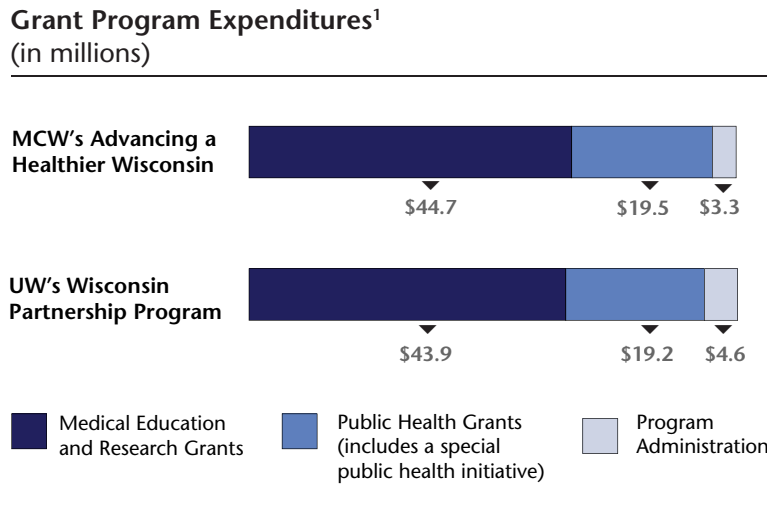
*In 2007, UW decided to focus on a special initiative intended to reduce disparities in birth outcomes.*

*For MCW, we reviewed \$2.0 million in project expenditures and we questioned \$8,083.*

*For UW, we reviewed \$3.4 million in project expenditures and we questioned \$24,807.*

UW Foundation. Annual financial audits of MCW's program were performed by a private firm and are also not included in this report.

From January 1, 2009, through December 31, 2013, MCW spent \$67.5 million on its grant programs, while UW spent \$67.8 million.



<sup>1</sup>From January 1, 2009, through December 31, 2013.

## Grant Applications and Awards

From 2009 through 2013, 270 projects were awarded grant funding. We reviewed a diverse sample of 20 projects funded by each school. We found that 18 of 20 applications submitted to MCW had all required application materials and clear and specific objectives, and all 20 applications submitted to UW had all required application materials and clear and specific objectives.

For public health grants, each school uses outside experts to help assess the applications received. For MCW, 64.6 percent of public health applications reviewed by outside experts and subsequently awarded were among those with the highest external review scores. For UW, 89.6 percent of public health applications reviewed by outside experts and subsequently awarded were among those with the highest external review scores.

From 2009 through 2013, no MCW medical education and research grants were awarded through a competitive application process that involved responding to a request for proposals (RFP), but all of its public health grants were awarded through RFPs. Although 47.1 percent of UW's medical education and research grants were awarded through RFPs, funding for these grants represented 11.1 percent of the medical education and research grant funds it awarded during this period. In addition, 77 of UW's 82 public health grants were awarded through RFPs.

## Monitoring and Oversight

Once grants have been awarded, continued monitoring and oversight are needed to help ensure that grantees comply with program policies and are making progress toward their objectives. We reviewed required progress reports submitted by the 20 projects we reviewed from each school and found that 5 of 50 (10.0 percent) of the required progress reports were submitted more than six days late for MCW projects, and 20 of 74 (27.0 percent) of the required progress reports were submitted more than six days late for UW projects.

Additional monitoring and oversight at each school includes required site visits of public health project grantees. MCW did not complete all required site visits for 2 of the 10 projects we reviewed, and UW did not electronically track all of its site visits, as its policies require.

Grantees are required to submit detailed project budgets with their applications, and all expenditures must be directly related to their projects. Indirect costs are not allowed, and program policies also specify other unallowable costs, such as alcohol, entertainment, and lobbying expenditures.

We reviewed a selection of project expenditures made by grantees of the 20 projects we selected at each school. For MCW, we reviewed \$2.0 million in project expenditures and we questioned \$8,083, including \$43 that appeared to be unallowable and \$8,040 that was inadequately documented. For UW, we reviewed \$3.4 million in project expenditures and we questioned \$24,807, including \$17,789 that appeared to be unallowable, largely because this amount represented either indirect costs or duplicate payments, and \$7,018 that was inadequately documented.

## Recommendations

We recommend the Medical College of Wisconsin:

- ☑ require grantees to maintain documentation of all grant expenditures for at least five years after the submission of a final grant invoice ([p. 34](#));
- ☑ revise progress report instructions to require grantees to provide information on survey results, the results of major data analyses, and attendance at project events ([p. 36](#)); and
- ☑ monitor compliance with site visit requirements and take steps to ensure it completes all required site visits ([p. 36](#)).

We recommend the University of Wisconsin School of Medicine and Public Health:

- ☑ annually communicate to all grantees in writing that indirect costs should not be claimed and are not eligible for reimbursement ([p. 63](#));
- ☑ enhance its efforts in reviewing claims for reimbursement to ensure that it does not provide reimbursement for indirect costs ([p. 63](#));
- ☑ work to help ensure documentation remains available for at least five years after the submission of a final invoice for grant expenditures made by organizations that dissolve or merge with other organizations ([p. 63](#)); and
- ☑ electronically record all site visits that it conducts, as required by its policies ([p. 66](#)).

In addition, we recommend that the Wisconsin United for Health Foundation, Inc., consider:

- ☑ the extent to which its meetings serve as public forums ([p. 12](#));
- ☑ the value added to the endowment programs through the Foundation's involvement as an external observer ([p. 12](#)); and
- ☑ the ongoing value provided through its continued operation ([p. 12](#)).



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