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August 13, 2002

Senator Gary R. George and
Representative Joseph K. Leibham, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator George and Representative Leibham:

As required by s. 39.15(2), Wis. Stats., we have completed our review of the Medical College of Wisconsin, Inc., for fiscal years (FYs) 1999-2000 and 2000-01. During this biennium, state general purpose revenue funds paid to the Medical College for tuition aid totaled approximately \$8.0 million, and the Medical College received an additional \$6.7 million in general purpose revenue for the development and operation of its family practice residency program.

Overall, we found that the Medical College was in compliance with statutory requirements related to tuition aid. Students for whom the Medical College claimed tuition aid were certified by the Higher Educational Aids Board as Wisconsin residents and were eligible to receive this state aid. We also found that the Medical College gave preference in admissions to Wisconsin residents and promoted minority student access.

However, when reviewing expenditures related to the family practice residency program, we identified \$13,420 in costs that could be considered excessive or inappropriate entertainment expenditures. Because the Medical College was not specifically prohibited from using state funds for these types of expenditures, we do not believe the Medical College can be required to repay the State for them. However, we encourage the Medical College to ensure that in the future, state-funded expenditures are reasonable, directly benefit the family practice residency program, and are consistent with general purchasing guidelines for state agencies. To ensure the reasonableness of costs, the Legislature may also wish to further define the program's objectives and allowable costs in state statutes.

We appreciate the courtesy and cooperation extended to us by staff within the Medical College of Wisconsin and the Higher Educational Aids Board during our review.

Respectfully submitted,

A handwritten signature in cursive script that reads "Janice Mueller".

Janice Mueller
State Auditor

JM/JG/ab

Attachment

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Representative Joseph K. Leibham
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cc: Senator Judith Robson Representative Samantha Starzyk
 Senator Brian Burke Representative John Gard
 Senator Joanne Huelsman Representative David Cullen
 Senator Mary Lazich Representative Barbara Gronemus

Ms. Pam Fresch, Controller
Medical College of Wisconsin

Ms. Donna Gissen, Vice President of Planning and Government Affairs
Medical College of Wisconsin

Ms. Jane Hojan-Clark, Executive Secretary
Higher Educational Aids Board

MEDICAL COLLEGE OF WISCONSIN, INC.

The Medical College of Wisconsin, Inc., was part of Marquette University until September 1967, at which time it became a separate private, nonprofit corporation. In 1969, in an attempt to increase the number of physicians in Wisconsin, the Legislature began providing state tuition aid to the Medical College through the Higher Educational Aids Board. In the 1999-2001 biennium, state tuition aid funded with general purpose revenue totaled \$7,971,890. Tuition aid is combined with other tuition receipts and used to fund salaries, fringe benefits, and nonpayroll costs related to undergraduate medical education programs.

Sections 39.15 and 39.155, Wis. Stats., set forth the statutory requirements for the Medical College of Wisconsin to receive state tuition aid. Statutes also require the Legislative Audit Bureau to conduct a biennial review to ensure the propriety of the Medical College's expenditures and compliance with legislative intent. To review compliance with statutory requirements, we performed tests to determine whether only Wisconsin residents were claimed for tuition aid, whether the admission policies of the Medical College were appropriate, and whether the Medical College promoted minority student access.

In addition to state tuition aid, the Medical College received state general purpose revenue funds of \$6,743,800 during the 1999-2001 biennium for the development and operation of a family practice residency program through the Medical College's Department of Family and Community Medicine. We reviewed a selection of these expenditures to determine whether they were reasonable and consistent with legislative intent. We did not review funds totaling \$500,000 that the Medical College received from the Tobacco Control Board. This funding will be reviewed in a separate report that will be issued later this year.

Tuition Aid Eligibility and Residency Requirements

Under the terms of s. 20.250, Wis. Stats., the State provides a specified per capita aid payment for a prescribed maximum number of Wisconsin residents. During each year of the 1999-2001 biennium, the Medical College received \$10,091 for each Wisconsin resident enrolled as a full-time student in pursuit of a doctor of medicine degree. The statutory maximum number of Wisconsin residents who could be claimed for payment was 416.

Section 39.155, Wis. Stats., requires that the Medical College request tuition aid only for full-time students who are Wisconsin residents, that the tuition rates for Wisconsin residents and nonresidents be equivalent, and that tuition aid be requested for no more than four years. The Higher Educational Aids Board certifies the residency status of all students claimed by the Medical College.

We tested the residency status of selected students claimed for tuition aid by the Medical College and evaluated the effectiveness of the system for monitoring tuition payments and

the number of times students were claimed for aid. We concluded that the system, which involves both Higher Educational Aids Board and Medical College staff, is effective in ensuring that tuition aid is paid only for eligible students.

We also concluded that the tuition rates for Wisconsin residents and nonresidents are equivalent. The Medical College's tuition rates were \$27,405 for fiscal year (FY) 1999-2000, and \$28,551 for FY 2000-01. Wisconsin residents who were claimed for state tuition aid were charged \$17,314 for FY 1999-2000 and \$18,460 for FY 2000-01, which is equivalent to the tuition rates less a \$10,091 tuition aid credit for each of those years.

Although the maximum number of students to be funded may not exceed 416, funds approved for the 1999-2001 biennium were sufficient to fund only 406 full-time resident students. However, as shown in Table 1, we found that the Medical College has not claimed all available state tuition funds in each of the past three years. If it had done so, the Medical College could have provided \$10,091 in state aid to 10 additional students in academic year 1998-99, 7 additional students in academic year 1999-2000, and 15 additional students in academic year 2000-01. According to Medical College staff, state tuition funds were not used when students who were awarded the funds decided to attend medical school elsewhere, unexpectedly dropped out of school, or took leaves of absences. Medical College staff added that recent steps have been taken to improve enrollment projections and track leaves of absences to improve the future utilization of state tuition funding.

Table 1

State Tuition Aid Funds

	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>
Funds Appropriated	\$4,105,100	\$4,105,100	\$4,105,100	\$4,105,100
Funds Spent	<u>4,105,100</u>	<u>4,001,081</u>	<u>4,026,309</u>	<u>3,945,581</u>
Funds Available	\$ 0	\$ 104,019	\$ 78,791	\$ 159,519
Potential Additional Students Funded	0.0	10.3	7.8	15.8

The Legislature has also directed that, in return for receiving state aid, the Medical College must give Wisconsin residents first preference in admissions. Our review of admissions procedures found preference was given by targeting approximately one-half of first-year class openings for Wisconsin residents. In academic year 1999-2000, 95 of 204 first-year Medical

College students were Wisconsin residents, and 405 of the 812 students enrolled in the Medical College were Wisconsin residents. In academic year 2000-01, 118 of 204 first-year students were Wisconsin residents, and 396 of the 794 students enrolled in the Medical College were Wisconsin residents. Medical College staff indicated that they actively recruit resident applicants by visiting several University of Wisconsin and private college campuses, sending promotional mailings, and conducting other special activities for Wisconsin applicants.

Minority Access

Section 39.15, Wis. Stats., states that the Medical College should make every effort to ensure that at least 5 percent of total enrollment consists of minority students but does not define who is considered a minority student. To assess whether the Medical College met the 5 percent minority enrollment goal, we used the definition included in s. 39.44, Wis. Stats., which relates to state grants to minority undergraduate students in institutions of higher education, and s. 39.40, Wis. Stats, which relates to the minority teacher loan program. By this definition, minority students include Black Americans; Hispanics; Native Americans; and some former citizens of Laos, Vietnam, or Cambodia and their descendants.

Since the Medical College does not have information readily available on the number of students from or having ancestors from Laos, Vietnam, or Cambodia, our analysis excluded all students whose applications to the Medical College indicated Asian heritage. As shown in Table 2, based on the number of students who identified themselves as African American, Hispanic, or Native American, minority enrollment at the Medical College has exceeded the 5 percent goal in each of the last seven years. However, in the ethnicity categories for which information was readily available, minority enrollment is at its lowest point since academic year 1994-95.

Table 2

Minority Enrollment by Academic Year

	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-2000</u>	<u>2000-01</u>
African American	27	27	23	26	26	22	20
Hispanic	25	37	48	50	51	37	28
Native American	2	4	6	7	7	7	6
Laotian, Vietnamese, or Cambodian*	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Minority Students	54	68	77	83	84	66	54
Total Enrollment	807	805	807	814	810	812	794
Percentage of Total Enrollment	6.7%	8.4%	9.5%	10.2%	10.4%	8.1%	6.8%

* Information on this group of students was not readily available.

Medical College staff indicated that the decline in minority enrollment is part of a national trend. However, to enlarge the total pool of qualified minority applicants, as well as the Wisconsin minority applicant pool, the Medical College continues to participate in various programs at the high school and college levels. For example, Medical College staff noted that their apprenticeship programs provide opportunities for minority high school and college students to participate in summer research and educational activities at the Medical College.

Family and Community Medicine Funds

As previously noted, the Medical College also receives state funds for its family practice residency program. In each year of the 1999-2001 biennium, the State appropriated \$3,371,900 in general purpose revenue for this program. No contract or written agreement exists between the State and the Medical College as to how funds should be spent. However, state statutes indicate that funds should be used “for the development and operation of programs to support the recruitment and training of medical students and residents in family and community medicine.” As part of our review, we selected and reviewed 20 program expenditures, totaling approximately \$59,700, and evaluated the costs for reasonableness.

Although none of the expenditures we tested were expressly prohibited under state statutes, we question the reasonableness of expenditures totaling \$13,420. These expenditures may have indirectly benefited the family practice residency program but could be considered excessive or inappropriate entertainment expenditures. For example:

- The Medical College held a curriculum and educational planning seminar for its residents and staff in Door County in February 2001. For this seminar, the cost of training supplies, food, alcohol, and lodging for 80 staff members, residents, and some family members was approximately \$20,200. The Medical College paid half of the seminar costs, \$10,100, with state funds and half from its own funds.
- In December 1999, the Medical College held its residency program's annual holiday event at the Brumder Mansion in Milwaukee, which included madrigal singers, a Christmas show, five lodging rooms, and food for 100 people. The holiday event cost \$3,025, of which \$2,000 was paid with state funds.
- In February 2000, the Medical College held a reception at the University Club in Milwaukee to introduce the new program director of a local hospital to medical staff, residents, and community members. Approximately \$1,320 in state funds were used to pay for this reception.

Medical College officials assert that these expenses are legitimate resident recruitment activities and do not violate the intent of the statutory language. Because we find no express statutory prohibition related to these expenditures, and because it could be argued they are broadly in keeping with program objectives, we do not recommend that the State be repaid. However, while these expenditures may be reasonable when paid with private funds, we believe a higher standard should be applied when using state funds. We encourage the Medical College to ensure that in the future, state-funded expenditures for the development and operation of a family practice residency program be reasonable, directly related to the program objectives, and consistent with general purchasing guidelines for state agencies. To ensure the reasonableness of costs, the Legislature may also wish to further define allowable costs for the state-funded portion of the family practice residency program in state statutes.
