

Relationships between the University of Wisconsin and Certain Affiliated Organizations

March 2018

Report Highlights ■

In FY 2016-17, UW System Administration's information indicated that UW institutions had relationships with 90 affiliated organizations.

UW institutions paid an estimated \$257.9 million to affiliated organizations from FY 2007-08 through FY 2016-17.

The Board of Regents did not establish a specific written policy governing the relationships between UW institutions and primary fundraising foundations until December 2017.

Increased oversight and monitoring of the relationships between UW institutions and all affiliated organizations are needed.

The University of Wisconsin (UW) System provides postsecondary academic education through its 13 four-year universities, 13 two-year colleges, and UW System Administration. Each of the 13 universities awards bachelor's and master's degrees, and several also confer doctoral degrees. UW Colleges are the 13 colleges, which offer general education associate's degrees and course credits that transfer to the universities. UW-Extension provides continuing education courses and public service programs. UW System Administration includes the UW System President, who is statutorily responsible for administering UW System and maintaining fiscal control. The Board of Regents is statutorily responsible for establishing the policies necessary for governing UW System.

UW institutions, including all 13 universities and 13 colleges, have relationships with a variety of affiliated organizations, including primary fundraising foundations that support the mission of individual UW institutions, real estate foundations, alumni associations, and other organizations.

To complete this evaluation, we analyzed:

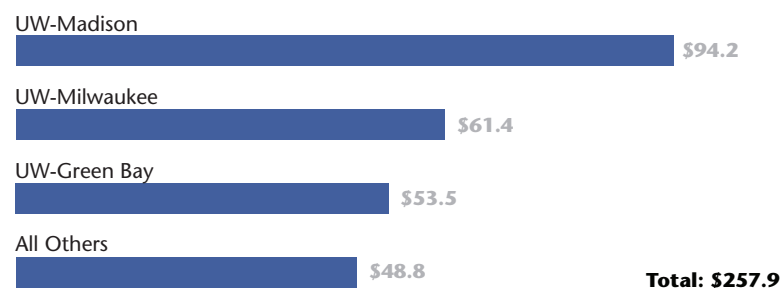
- the scope of relationships between UW institutions and affiliated organizations from fiscal year (FY) 2007-08 through FY 2016-17;
- the relationships between UW institutions and 25 primary fundraising foundations and between UW institutions and 4 affiliated organizations that were not foundations; and
- oversight of these relationships by the Board of Regents and monitoring of these relationships by UW System Administration.

Scope of Relationships

UW System Administration provided us with annual lists of organizations affiliated with UW institutions. These annual lists indicated that the number of affiliated organizations increased from 59 in FY 2007-08 to 90 in FY 2016-17. We found that these annual lists excluded some affiliated organizations.

In October 2017, UW System Administration reported that it had identified \$36.5 million in payments from UW institutions to primary fundraising foundations and certain other affiliated organizations from July 2010 through January 2017. However, we identified an estimated \$81.6 million in payments over that time period, or \$45.1 million more than the amount UW System Administration had identified. The amount of such payments cannot be accurately determined because UW System Administration had not assigned a unique vendor identification number in its accounting system to each affiliated organization. UW System's accounting system indicated that UW institutions paid an estimated \$257.9 million to all known affiliated organizations over ten years.

Estimated Payments to Affiliated Organizations, by UW Institution
FY 2007-08 through FY 2016-17
(in millions)



Primary Fundraising Foundations

From FY 2007-08 through FY 2016-17, the Board of Regents and UW System Administration did not have a specific policy for governing the relationships between UW institutions and primary fundraising foundations. In December 2017, it established such a policy. This policy provides a framework for examining aspects of the relationships that existed between UW institutions and foundations. This policy requires that a foundation must be separate and legally independent from its corresponding UW institution. We examined the relationships between UW institutions, other than UW-Oshkosh, and their 25 primary fundraising foundations and found that the operations of many UW institutions and their foundations were not fully separate and independent from FY 2007-08 through FY 2016-17.

Key Facts and Findings

The amount of payments to affiliated organizations cannot be accurately determined from UW System's accounting system.

From FY 2007-08 through FY 2016-17, the operations of many UW institutions and foundations were not fully separate and independent.

As of June 30, 2017, UW employees also worked as the executive directors of most foundations affiliated with four-year universities.

UW employees were not required to track the amount of time they worked for foundations.

In 2017, UW institutions and foundations executed operational agreements that did not consistently comply with the Board of Regents policy.

We found concerns with the relationship UW-Oshkosh had with an affiliated organization.

The policy indicates that a foundation's board of directors may include UW officials who are ex officio, non-voting members. UW institutions provided information for 16 foundations indicating 14 of them each had at least one UW employee who was a voting member of the board of directors at some point from FY 2007-08 through FY 2016-17.

The policy indicates that a UW employee may also work as the executive director of a foundation. It also indicates that a UW institution cannot gift or loan personnel time to a foundation but may make it available in exchange for specific related services or payments. Excluding UW-Oshkosh, we found that UW employees also worked as the executive directors of 10 foundations associated with four-year universities as of June 30, 2017. UW institutions indicated that 6 of these 10 foundations did not reimburse them for any salary and fringe benefits costs of these UW employees.

The policy indicates that a foundation may fund the positions of UW employees who support development-related activities. UW institutions indicated that nine foundations reimbursed them for some or all of the salary and fringe benefits costs of 50 employees who also worked for the foundations as of June 30, 2017. Because UW employees did not track the amount of time they worked for foundations, it was not possible to determine whether foundations fully reimbursed UW institutions.

The policy indicates that any foundation allocated UW office space must pay rent or provide in-kind payments at a fair-market rate. As of June 30, 2017, foundations used office space at 23 UW institutions, 21 of which did not provide us with information indicating that the foundations paid rent or provided in-kind payments at fair-market rates.

We reviewed 19 new memoranda of understanding and 5 operational agreements that UW institutions executed with foundations in 2017 and that were required to comply with the Board of Regents policy. We found that these five operational agreements did not consistently comply with the policy. The agreements did not consistently indicate the specific services and payments that foundations were required to provide for the time that UW employees worked for them, require foundations that use UW office space to pay rent or make in-kind payments at fair-market rates, or indicate the specific services and payments that foundations were required to provide for UW assets.

Other Affiliated Organizations

We also examined the relationships between UW institutions and four affiliated organizations that were not primary fundraising foundations. We found that these four affiliated organizations were not fully separate and independent from their UW institutions, in part, because UW employees were voting members of their boards of directors. In particular, we found concerns with the relationship between UW-Oshkosh and the Business Success Center, which was dissolved as an independent entity in April 2017 after UW System Administration determined that the organization was not legally separate from UW-Oshkosh.

The Board of Regents has not established a policy governing the relationships with affiliated organizations that are not primary fundraising foundations or real estate foundations. Such affiliated organizations made up 62 of the 90 affiliated organizations in the list UW System Administration provided us for FY 2016-17. UW institutions paid these affiliated organizations an estimated \$168.0 million from FY 2007-08 through FY 2016-17.

Increased Oversight and Monitoring

To help ensure the UW System President maintains fiscal control over UW System, as is statutorily required, we make a number of recommendations for increased monitoring of the relationships between

UW institutions and all affiliated organizations. In addition, UW System Administration should annually assess each of these relationships and determine whether any changes are necessary.

Recommendations

We include recommendations for UW System Administration to report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to:

- ☑ assign a unique vendor identification number to each affiliated organization in its accounting system and ensure these numbers are consistently used ([p. 21](#));
- ☑ require UW institutions to amend operational agreements to correct issues of noncompliance with the Board of Regents policy, require each chancellor to certify compliance with this policy, and assess memoranda of understanding and operational agreements to ensure policy compliance ([p. 46](#));
- ☑ work with the Board of Regents to establish a policy governing the relationships between UW institutions and affiliated organizations that are not primary fundraising or real estate foundations ([p. 55](#));
- ☑ work with the Board of Regents to rectify an inconsistency between a policy and a policy statement and prohibit all UW employees from serving as voting members of the boards of directors of primary fundraising and real estate foundations ([p. 58](#));
- ☑ require UW employees to track the amount of time they work for affiliated organizations and provide them with guidance and training, provide UW institutions with guidance on identifying affiliated organizations and require them to annually report information about their relationships with affiliated organizations, determine whether the reported information complies with the Board of Regents policy, and annually review payments to affiliated organizations ([p. 63](#)); and
- ☑ annually assess relationships with affiliated organizations and determine whether any changes are necessary ([p. 64](#)).

Issues for Legislative Consideration

The Legislature could consider modifying statutes to:

- require certain UW employees to annually file statements of economic interests with the Wisconsin Ethics Commission ([p. 25](#)); and
- define UW employees who also work for affiliated organizations to be state public officials ([p. 65](#)).



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