

**Report 18-4  
March 2018**

# **Relationships between the University of Wisconsin and Certain Affiliated Organizations**

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **Relationships between the University of Wisconsin and Certain Affiliated Organizations**

## **Joint Legislative Audit Committee Members**

Senate Members:

Robert Cowles, Co-chairperson  
Chris Kapenga  
Alberta Darling  
Kathleen Vinehout  
Mark Miller

Assembly Members:

Samantha Kerkman, Co-chairperson  
John Macco  
John Nygren  
Melissa Sargent  
Terese Berceau

## LEGISLATIVE AUDIT BUREAU

---

**State Auditor**  
Joe Chrisman

**Special Assistant to  
the State Auditor**  
Anne Sappenfield

**Performance  
Evaluation Director**  
Dean Swenson

**Assistant  
Financial Audit  
Director**  
Erin Scharlau

**Team Leaders**  
Derek Hippler  
Noah Natzke  
Maria Toniolo

**Evaluators**  
Scott Coleman  
Andrew McGuire  
James Malone  
Ross Ryan  
Nathaniel Staley  
Kyle Swalls

**Publications and  
Design Coordinator**  
Susan Skowronski

The Bureau is a nonpartisan legislative service agency responsible for conducting financial audits and performance evaluations of state agencies. The Bureau's purpose is to provide assurance to the Legislature that financial transactions and management decisions are made effectively, efficiently, and in compliance with state law and that state agencies carry out the policies of the Legislature and the Governor. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

---

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab).



Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703;  
[AskLAB@legis.wisconsin.gov](mailto:AskLAB@legis.wisconsin.gov); or (608) 266-2818.

# CONTENTS

---

<b>Letter of Transmittal</b>	<b>1</b>
<b>Report Highlights</b>	<b>3</b>
<b>Introduction</b>	<b>9</b>
<b>Scope of Relationships</b>	<b>15</b>
Number of Relationships	15
Support Provided to Affiliated Organizations	18
Financial Transactions	19
Issue for Legislative Consideration	24
<b>Primary Fundraising Foundations</b>	<b>27</b>
Legal Relationships	28
Boards of Directors	29
UW Support for Foundations	31
UW Employees Working for Foundations	31
UW Office Space Provided to Foundations	36
Other UW Assets Provided to Foundations	39
Financial Reporting	40
New Memoranda of Understanding	40
Boards of Directors	41
UW Employees Working for Foundations	42
UW Office Space Provided to Foundations	44
Other UW Assets Provided to Foundations	45
<b>Other Affiliated Organizations</b>	<b>47</b>
Business Success Center	47
Support Provided by UW-Oshkosh	49
Financial Issues	51
Other Organizations	52
Establishing a New Policy	54
<b>Increased Oversight and Monitoring</b>	<b>57</b>
Increased Oversight by the Board of Regents	57
Increased Monitoring by UW System Administration	58
Issue for Legislative Consideration	65

## Appendices

---

- Appendix 1—Members of the UW System Board of Regents
- Appendix 2—Chancellors of UW Institutions
- Appendix 3—Number of Affiliated Organizations, by UW Institution
- Appendix 4—UW System Affiliated Organizations
- Appendix 5—Primary Fundraising Foundations, by UW Institution
- Appendix 6—Relationships between UW Institutions and  
Primary Fundraising Foundations

<i><u>Universities</u></i>	<i><u>page</u></i>	<i><u>Colleges</u></i>	<i><u>page</u></i>
Eau Claire	6-3	Baraboo/Sauk County	6-16
Green Bay	6-4	Barron County	6-17
La Crosse	6-5	Fond du Lac	6-18
Madison	6-7	Fox Valley	6-19
Milwaukee	6-8	Manitowoc	6-20
Parkside	6-9	Marathon County	6-21
Platteville	6-10	Marinette	6-22
River Falls	6-11	Marshfield/Wood County	6-23
Stevens Point	6-12	Richland	6-24
Stout	6-13	Rock County	6-25
Superior	6-14	Sheboygan	6-26
Whitewater	6-15	Washington County	6-27
		Waukesha	6-28

- Appendix 7—Key Information about the Relationships between  
UW Institutions and Primary Fundraising Foundations
- Appendix 8—Private Fundraising Foundations at Universities in  
Other States

## Response

---

From the University of Wisconsin System President



# STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ [www.legis.wisconsin.gov/lab](http://www.legis.wisconsin.gov/lab)

Joe Chrisman  
State Auditor

March 2, 2018

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As requested by the Joint Legislative Audit Committee, we have completed an evaluation of the relationships between University of Wisconsin (UW) institutions and affiliated organizations, including primary fundraising foundations. From fiscal year (FY) 2007-08 through FY 2016-17, UW institutions paid an estimated \$257.9 million to affiliated organizations. In FY 2016-17, information provided by UW System Administration indicated that there were 90 affiliated organizations, two-thirds of which were not primary fundraising foundations.

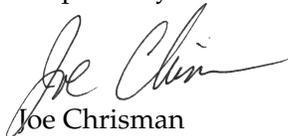
In December 2017, the Board of Regents established a specific written policy governing the relationships between UW institutions and primary fundraising foundations. This policy requires foundations to be separate and legally independent. Using the policy as a framework, we examined the relationships between UW institutions and 25 primary fundraising foundations, prior to the establishment of the policy, and found that the operations of many UW institutions and foundations were not fully separate and independent from FY 2007-08 through FY 2016-17. We also reviewed new memoranda of understanding that UW institutions executed with primary fundraising foundations in 2017 and found that operational agreements associated with these memoranda of understanding did not consistently comply with the policy.

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. 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. The Board of Regents has not established a policy governing the relationships between UW institutions and affiliated organizations that are not primary fundraising or real estate foundations. We recommend that UW System Administration work with the Board of Regents to establish such a policy.

To help ensure the UW System President maintains fiscal control over UW System, as is statutorily required, we make a number of recommendations for UW System Administration to increase monitoring of the relationships between UW institutions and all affiliated organizations.

A response from the UW System President follows the appendices.

Respectfully submitted,

  
Joe Chrisman  
State Auditor

JC/DS/ss



---

## 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

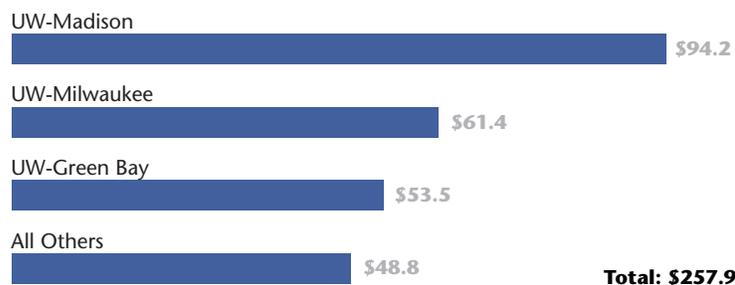
UW System Administration provided us with annual lists of organizations affiliated with UW institutions. These annual lists indicated that the number of affiliated organizations increased from 59 in FY 2007-08 to 90 in FY 2016-17. We found that these annual lists excluded some affiliated organizations.

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, as shown in Figure 1.

Figure 1

**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.

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*).

■ ■ ■ ■

---

## Introduction ■

---

***The Board of Regents  
is responsible for  
establishing the policies  
for governing UW System.***

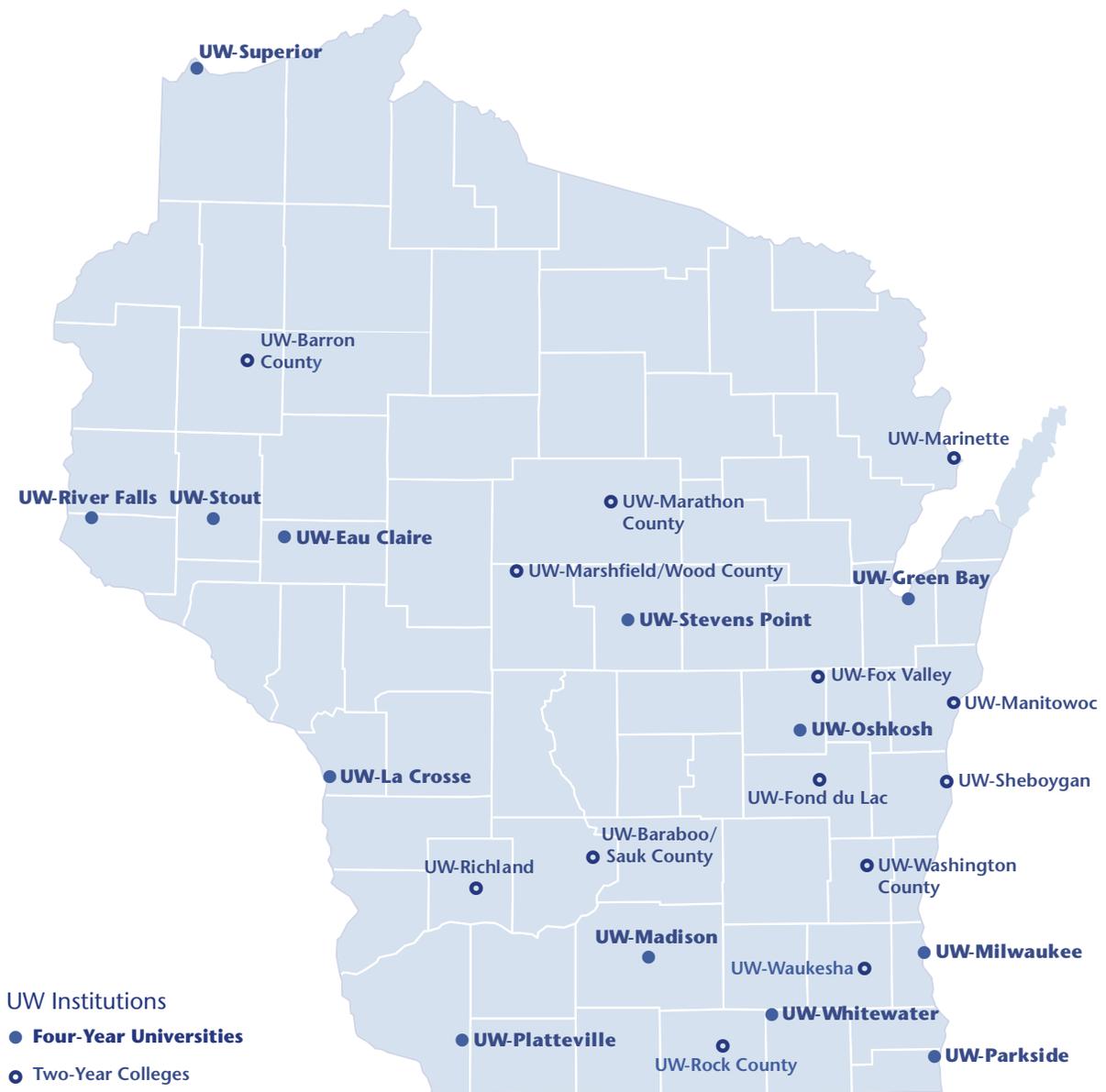
Under s. 36.09 (1) (a), Wis. Stats., the Board of Regents is responsible for establishing the policies necessary for governing UW System. Membership of the 18-member Board of Regents includes 14 citizens, 2 students, the State Superintendent of Public Instruction, and the President of the Wisconsin Technical College System Board, or his or her designee. Citizen and student members are appointed by the Governor and confirmed by the Senate. Citizen members are appointed for staggered seven-year terms, and student members are appointed for two-year terms. At least one citizen member must reside in each of the State's congressional districts. Appendix 1 lists the members of the Board of Regents as of December 2017.

Statutes require the Board of Regents to appoint the UW System President, the chancellors of the 13 universities, the chancellor of UW-Extension and UW Colleges, and the deans of the 13 colleges. Appendix 2 lists each chancellor as of December 2017. Statutes require the UW System President to administer UW System, including by maintaining fiscal control. Both the UW System President and the chancellors are responsible for implementing policies established by the Board of Regents. Statutes require chancellors to operate and administer their institutions and to administer all funds allocated, generated, or for the use of their institutions. Chancellors work under the direction of the UW System President and the Board of Regents. Statutes do not specify how the Board of Regents should oversee the relationships between UW institutions and affiliated organizations or how the UW System President and chancellors should monitor these relationships.

Figure 2 shows the location of each UW institution, including each four-year university and two-year college. UW System Administration and the central offices of UW Colleges and UW-Extension are all located in Madison.

Figure 2

Location of UW Institutions



***Each UW institution had a relationship with a primary fundraising foundation during some or all of the 10-year period from FY 2007-08 through FY 2016-17.***

Each UW institution had a relationship with a primary fundraising foundation during some or all of the 10-year period from FY 2007-08 through FY 2016-17. These foundations raised funds from alumni and others in order to financially support the mission of the UW institutions. For example, foundations may construct buildings that they either lease or provide to UW institutions, which may use them for academic or administrative purposes. Foundations provide UW institutions with other benefits, including funding scholarships for students and financially supporting individual academic departments. UW System officials indicated that many individuals prefer to make private donations to foundations, rather than to UW institutions. Officials also indicated that foundations can complete construction projects relatively quickly because they are not subject to the State's procurement and contracting processes.

UW System Administration compiles an annual list of affiliated organizations that it assesses in order to determine whether any are affiliated organizations for which it must report certain financial information. We obtained these annual lists and, for our audit purposes, defined all of the listed organizations to be "affiliated organizations." UW System Administration indicated it does not maintain any other list of organizations affiliated with UW institutions.

Most UW institutions had relationships with multiple affiliated organizations from FY 2007-08 through FY 2016-17, as shown in Appendix 3. These affiliated organizations supported UW institutions in a variety of ways, such as by commercializing the technological achievements of UW employees and managing the resulting revenues, supporting research associated with UW institutions, and providing services to students and alumni of UW institutions.

Concerns have been raised about the extent to which UW institutions have provided financial, personnel, and other resources to foundations and affiliated organizations. The Board of Regents asked the Wisconsin Department of Justice (DOJ) to pursue civil legal action against two former UW-Oshkosh officials based on their actions involving UW-Oshkosh Foundation. According to the DOJ complaint filed in January 2017, these officials made prohibited financial transfers from UW-Oshkosh to UW-Oshkosh Foundation related to certain real estate projects. In addition, the officials are alleged to have guaranteed UW-Oshkosh Foundation's obligations related to the projects by inappropriately committing UW-Oshkosh to make payments if UW-Oshkosh Foundation could not make them. DOJ indicated to us in January 2018 that the State's total exposure related to purported guarantees made by UW-Oshkosh employees to UW-Oshkosh Foundation is approximately \$17.0 million.

As a result of issues pertaining to the relationship between UW-Oshkosh and UW-Oshkosh Foundation, the UW System President directed UW System Administration to review all payments from UW institutions to their primary fundraising foundations and certain other affiliated organizations. Although the UW System President informed the Joint Legislative Audit Committee in March 2017 that UW System Administration expected to complete its review within a few weeks, this review was not published until October 2017.

***In December 2017, the Board of Regents established a specific written policy for governing the relationships between UW institutions and primary fundraising or real estate foundations.***

From FY 2007-08 through FY 2016-17, the Board of Regents and UW System Administration did not have a specific written policy governing relationships between UW institutions and their primary fundraising foundations or their real estate foundations. In December 2017, the Board of Regents established such a policy. This policy stipulates that a given UW institution and its corresponding foundation must have a memorandum of understanding that clearly establishes the working relationship between the two entities, and that a foundation must have developed bylaws and certain other organizational documents. This policy does not apply to the relationships between UW institutions and affiliated organizations other than primary fundraising foundations and real estate foundations.

The Board of Regents policy repeats written requirements that the UW System President had previously provided to all chancellors in April 2017. In developing these written requirements, UW System Administration indicated that it considered best practices and similar information compiled by other entities, including a task force established by the chairman of the Board of Regents of the University of Texas System and the national Association of Governing Boards of Universities and Colleges. All UW institutions were expected to comply with these written requirements by November 1, 2017.

To complete our evaluation, we used UW System's accounting system to examine payments from UW institutions to affiliated organizations from FY 2007-08 through FY 2016-17. We surveyed UW institutions about the support they provided to all 74 affiliated organizations assessed by UW System Administration in FY 2015-16. We analyzed in greater detail the relationships between UW institutions and 29 affiliated organizations, including by contacting UW employees, requesting information from UW institutions, and examining publicly available financial information filed with the Internal Revenue Service (IRS) by these affiliated organizations. We contacted 43 universities in other states to determine how they govern their relationships with fundraising foundations and obtained information from 19 of them. We also examined issues related to a report made to the

Legislative Audit Bureau's Fraud, Waste, and Mismanagement Hotline. Because of ongoing litigation, we did not examine any issues related to UW-Oshkosh's relationship with UW-Oshkosh Foundation.

During this evaluation, we did not contact any affiliated organizations, in part, because our statutory authority does not generally extend to records maintained by private entities. Section 13.94, Wis. Stats., provides that the State Auditor or designated employees have access to any information related to a state agency's expenditures, revenues, operations, and structure, including specifically any such books, records, or other documents that are confidential by law. UW employees responded to many of our information requests but indicated that some information did not exist or could not be easily located. In some instances, UW employees took extended periods of time to fully respond to our repeated requests for specific information. In other instances, UW employees did not provide us with all requested information related to our audit that they possessed, and to which statutes grant us access. Some UW employees indicated that governing boards of foundations directed them not to provide us with certain information. However, there is no exception to our statutory authority that allows an outside governing board to restrict a UW employee's responsibility to comply with our requests for access to audit-related information that they possess. Although some of the information we requested also identified individuals who had donated funds to foundations, we informed UW employees that we would maintain the confidentiality of the identities of these individuals, and that we did not consider donor identities to be audit-related.

***We did not obtain complete information pertaining to the relationships between UW institutions and their foundations.***

Because of these challenges in obtaining requested information, we met with the UW System President and subsequently requested in writing on November 6, 2017, that the UW System President ensure our access to information we had requested but not yet received. We were subsequently provided access to much of this information, including information that UW employees had previously indicated could not be shared with us. However, we were not provided all requested information. Specifically, we were not provided some written requests for funds that UW-River Falls had submitted to its foundation in FY 2016-17. In addition, six months after we had requested the minutes of all meetings held by the board of directors of UW-Platteville Foundation over a 10-year period, UW-Platteville provided us minutes of meetings that took place in less than 2 years of this 10-year period. Although UW employees possessed unredacted meeting minutes for the boards of directors of the foundations associated with UW-Stout and UW-Superior, we were informed that these unredacted meeting minutes would not be sent to Madison for our review and that we would instead need to travel to these two institutions to view them. Given that this information was not made available to us until December 2017, which was

approximately six months after we had requested it, we opted not to travel to these two institutions. Similarly, UW-Green Bay declined to provide us with its records pertaining to reimbursement requests that it had made to its foundation in FY 2016-17 and instead offered to allow us to only view this information because it indicated that its foundation was concerned about UW-Green Bay providing these records to us. As a result, we did not obtain complete information pertaining to the relationships between UW institutions and their foundations.

■ ■ ■ ■

## Scope of Relationships ■

---

***We examined the scope of relationships between UW institutions and affiliated organizations from FY 2007-08 through FY 2016-17.***

We examined the scope of relationships between UW institutions and affiliated organizations from FY 2007-08 through FY 2016-17. To do so, we examined the number of such relationships, the types of support that UW institutions provided to affiliated organizations, and the amount of payments UW institutions made to affiliated organizations. As noted, we considered all of the organizations on the annual lists compiled by UW System Administration to be affiliated organizations for the purposes of our audit. We found that these lists excluded some affiliated organizations. In addition, UW System Administration set up its accounting system in such a way that did not allow us to accurately determine the total amount of payments that UW institutions made to affiliated organizations. We also found that UW System Administration's October 2017 review of payments from UW institutions to their foundations did not include \$45.1 million in payments that UW System Administration should have included. We provide recommendations for improvements to allow UW System Administration to accurately determine the amount of payments that UW institutions make to affiliated organizations.

### **Number of Relationships**

The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting standards for state and local governments that follow generally accepted accounting principles (GAAP). GASB requires UW System Administration to assess

whether it must report certain financial information for affiliated organizations based on several factors, such as the legal status of the affiliated organization and the financial significance of the affiliated organization to UW System.

As noted, UW System Administration compiles an annual list of affiliated organizations that it assesses in order to determine whether any of these organizations are affiliated organizations for which it must report certain financial information to comply with GASB standards. Although this annual list is not required by GASB, it is the only list of such organizations that UW System Administration compiles.

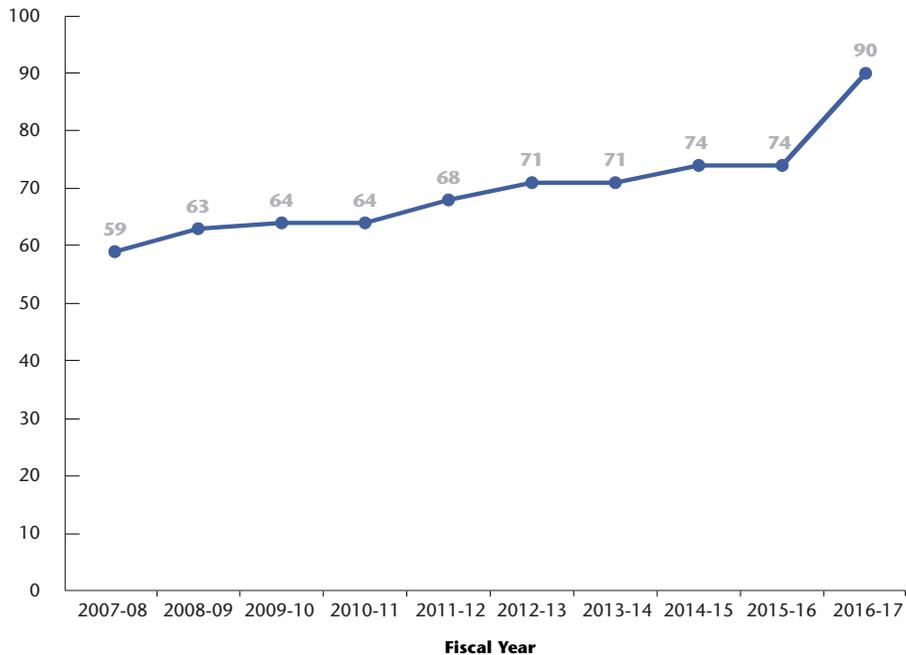
For FY 2015-16 financial reporting purposes, UW System Administration assessed 74 organizations and determined that, to comply with GASB standards, it was required to report financial information for only UW Foundation, which is the primary fundraising foundation affiliated with UW-Madison. UW System Administration presented UW Foundation's financial statements in UW System's *2017 Annual Financial Report*. The financial statements indicated that UW Foundation held \$3.5 billion in net assets as of June 30, 2017.

In July 2017, UW System Administration provided us with its annual lists for FY 2007-08 through FY 2016-17, in response to our request for the names of organizations affiliated with UW institutions during this time period. UW System Administration indicated that these annual lists were compiled based on information provided by UW institutions. However, UW System Administration indicated that it did not verify the accuracy of the information provided by UW institutions or share the annual lists with the UW System President or the Board of Regents.

***The number of affiliated organizations increased from 59 in FY 2007-08 to 90 in FY 2016-17.***

As shown in Figure 3, the number of affiliated organizations in the annual lists provided by UW System Administration steadily increased from 59 in FY 2007-08 to 74 in FY 2015-16, but then considerably increased to 90 in FY 2016-17. UW System Administration was uncertain why this considerable increase occurred. In FY 2016-17, the 90 affiliated organizations included 26 primary fundraising foundations that were affiliated with the 26 universities and colleges. Appendix 4 lists these 90 affiliated organizations.

Figure 3

**Annual Number of Organizations Affiliated with UW Institutions<sup>1</sup>**

<sup>1</sup> According to information provided by UW System Administration in July 2017. Under GASB standards, UW System Administration was not required to report certain financial information for all of these organizations.

***The annual lists that UW System Administration provided us excluded some affiliated organizations.***

We found that the annual lists that UW System Administration provided us excluded some affiliated organizations. For example:

- The annual list for FY 2016-17 included four organizations that were affiliated with UW-Oshkosh but that had not been included in prior annual lists. These four organizations had been controlled by UW-Oshkosh Foundation for a number of years, according to publicly available information reported to the IRS. These four organizations were limited liability companies associated with the construction, ownership, or operation of two bio-digesters, a hotel, and the UW-Oshkosh Alumni Welcome and Conference Center.
- The annual list for FY 2016-17 excluded five limited liability companies that were real estate holding companies controlled by foundations, which then provided real estate, services, and other assets to UW-Eau Claire, UW-Green Bay, UW-Platteville,

and UW-Stevens Point. However, the annual list included two other limited liability companies that were real estate holding companies controlled by foundations, which then provided real estate, services, and other assets to UW-Eau Claire and UW-Whitewater. UW employees managed at least three of the five limited liability companies excluded from the list.

- The annual list for FY 2016-17 excluded UW-Stout Alumni Association but included seven similar alumni associations affiliated with other UW institutions.
- The annual lists for FY 2007-08 through FY 2016-17 included one organization affiliated with UW-Madison, even though this organization had been acquired by another affiliated organization in 2001 and no longer operated independently. UW System Administration indicated that future annual lists will exclude this organization.

## **Support Provided to Affiliated Organizations**

In May 2017, we surveyed all UW institutions about the types of support they had provided to the 74 affiliated organizations that UW System Administration had assessed in FY 2015-16, which was the most-recent year for which this information was available at the time of our survey. Every UW institution other than UW-Oshkosh responded to our survey.

Our survey asked UW institutions to indicate for each of the 74 affiliated organizations whether at any point from FY 2007-08 through FY 2016-17:

- UW employees had worked on behalf of, or provided services to, the affiliated organization, regardless of whether the affiliated organization reimbursed the UW institution for this work;
- UW institutions had allocated UW-owned or UW-leased office space to the affiliated organization, regardless of whether the affiliated organization paid for such space; and
- UW institutions had gifted or loaned any assets, such as equipment, personnel time, or funding, to the affiliated organization.

***UW institutions indicated that their employees worked on behalf of 55 of 74 affiliated organizations at some point from FY 2007-08 through FY 2016-17.***

As shown in Table 1, UW institutions indicated that their employees worked on behalf of 55 of 74 affiliated organizations at some point from FY 2007-08 through FY 2016-17. UW institutions indicated that they provided office space to 47 affiliated organizations and assets to 39 affiliated organizations. UW institutions indicated that they did not have relationships with two affiliated organizations that no longer existed.

Table 1

**Affiliated Organizations Supported by UW Institutions<sup>1</sup>**  
FY 2007-08 through FY 2016-17

	Number of Affiliated Organizations That Received:		
	Employee Support	Office Space	Assets
<b>UW Institutions:</b>			
Provided Support	55	47	39
Did Not Provide Support	13	22	29
Provided Us No Information <sup>2</sup>	3	3	3
Other <sup>3</sup>	3	2	3
<b>Total</b>	<b>74</b>	<b>74</b>	<b>74</b>

<sup>1</sup> As indicated by UW institutions in response to our May 2017 survey.

<sup>2</sup> UW-Oshkosh did not respond to our survey about its three affiliated organizations.

<sup>3</sup> UW institutions provided incomplete information or indicated that the affiliated organization no longer existed.

## Financial Transactions

Concerns regarding projects involving UW-Oshkosh and UW-Oshkosh Foundation resulted in UW System Administration reviewing payments from UW institutions to primary fundraising foundations and certain other affiliated organizations. In October 2017, UW System Administration published its review of \$36.5 million in such payments from July 2010 through January 2017. It identified these payments by using UW System's accounting system. UW System Administration indicated that UW institutions made such payments for a number of reasons, including to rent space in foundation-owned buildings, reimburse foundations for expenses incurred on behalf of UW institutions, and repay foundation-donated scholarships that had been intended for students who subsequently withdrew from UW institutions.

The October 2017 review noted 23 payments that warranted further analysis by UW System Administration. We obtained additional information about the largest such payment, which involved UW-Madison and UW Foundation. UW-Madison had contracted with a firm for media rights relating to certain athletic programs. In December 2015, the firm paid \$3.5 million to UW-Madison, which transferred all of these funds to UW Foundation in January 2016. UW-Madison indicated that an unknown portion of the funds was intended for athletic team coaches who had assigned their rights to the funds to UW Foundation, but that the remaining portion was intended for the institution. UW-Madison indicated that UW Foundation held the portion of funds intended for the institution until the institution needed these funds. In the future, UW-Madison indicated that it does not plan to transfer its portion of the funds received under the contract to UW Foundation.

We found that UW System Administration set up its accounting system in such a way that the amount of payments from UW institutions to affiliated organizations, including foundations, cannot be accurately determined. It had not assigned a unique vendor identification number to each affiliated organization and had not centrally managed how UW institutions assigned vendor identification numbers. For example, two foundations shared one vendor identification number, and many other affiliated organizations had multiple vendor identification numbers. This lack of unique vendor identification numbers prevented us from accurately determining total payments from UW institutions to affiliated organizations, and UW System Administration cannot be certain that its October 2017 review included all payments to foundations. As a result, our report presents estimated amounts.

***We identified an estimated \$81.6 million in payments from UW institutions to foundations from July 2010 through January 2017, or \$45.1 million more than UW System Administration included in its review.***

We used UW System's accounting system to identify payments from UW institutions to foundations from July 2010 through January 2017, which was the time period that UW System Administration had used in its October 2017 review. We identified an estimated \$81.6 million in payments, or \$45.1 million more than the \$36.5 million that UW System Administration included in its October 2017 review. Almost all of these additional payments that we identified pertained to \$44.9 million that UW-Milwaukee had paid UW-Milwaukee Foundation. These funds were student rent and fees associated with two residence halls.

To improve the oversight of the relationships between UW institutions and affiliated organizations, UW System Administration should assign a unique vendor identification number to each affiliated organization. In addition, it should independently and regularly monitor that UW institutions consistently use these numbers, such as by requiring its Office of Finance to annually examine a sample of transactions.

Having the ability to determine the accurate amounts of payments to affiliated organizations will help the Board of Regents, the UW System President and UW System Administration, and the chancellors to better understand the relationships with affiliated organizations and identify potentially inappropriate payments. Although UW System Administration indicated that it plans in October 2018 to centrally assign unique vendor identification numbers for all UW institutions other than UW-Madison, it is important that it centrally assign unique vendor identification numbers for all UW institutions as soon as possible.

### Recommendation

---

*We recommend University of Wisconsin System Administration:*

- *assign a unique vendor identification number to each affiliated organization in the University of Wisconsin System's accounting system;*
- *independently and regularly monitor that University of Wisconsin institutions consistently use these numbers; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to implement these recommendations.*

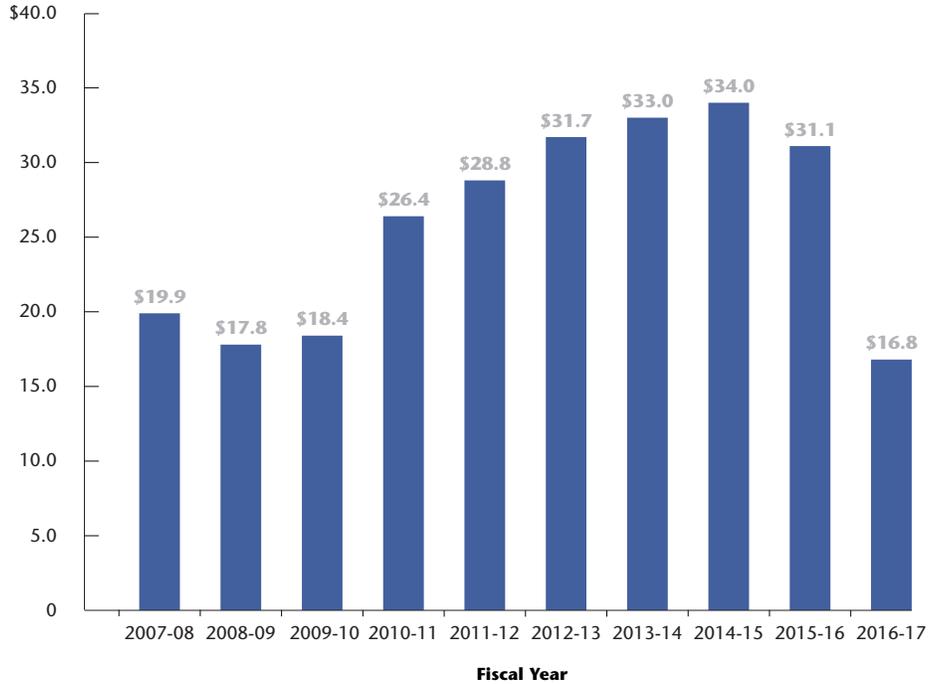
We also used UW System's accounting system to identify payments from UW institutions to all known affiliated organizations in the annual lists that UW System Administration had provided to us. These affiliated organizations included the primary fundraising foundations and certain other affiliated organizations in UW System Administration's October 2017 review.

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

We found that UW institutions paid an estimated \$257.9 million to affiliated organizations from FY 2007-08 through FY 2016-17, including \$89.9 million to primary fundraising foundations and real estate foundations and \$168.0 million to all other affiliated organizations. As shown in Figure 4, estimated payments from UW institutions to affiliated organizations increased from \$19.9 million in FY 2007-08 to \$34.0 million in FY 2014-15, but then decreased to \$16.8 million in FY 2016-17. UW System Administration was uncertain why this decrease occurred but indicated that UW institutions may have been careful to ensure that funds intended for foundations were deposited in foundation accounts, rather than deposited in UW System accounts and then later transferred to foundation accounts.

Figure 4

**Estimated Payments from UW Institutions to Affiliated Organizations<sup>1</sup>**  
(in millions)

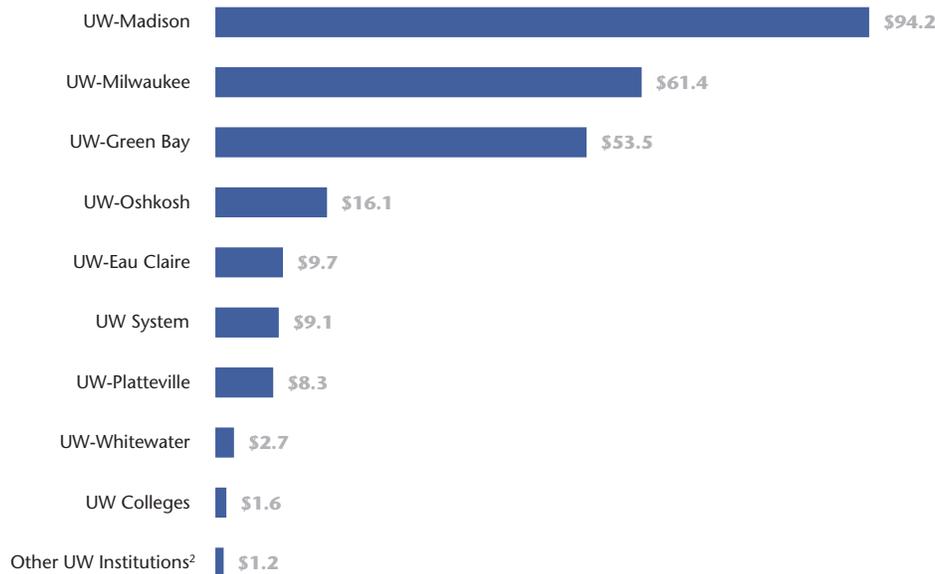


<sup>1</sup> Amounts are estimated because UW System Administration did not assign unique vendor identification numbers to affiliated organizations. Includes affiliated organizations from the annual lists that UW System Administration provided to us.

Figure 5 shows the estimated payments from individual UW institutions to affiliated organizations from FY 2007-08 through FY 2016-17. Payments from UW-Madison, UW-Milwaukee, and UW-Green Bay accounted for an estimated \$209.1 million of the estimated \$257.9 million total (81.1 percent).

Figure 5

**Estimated Payments to Affiliated Organizations, by UW Institution<sup>1</sup>**  
 FY 2007-08 through FY 2016-17  
 (in millions)



<sup>1</sup> Amounts are estimated because UW System Administration did not assign unique vendor identification numbers to affiliated organizations. Includes affiliated organizations from the annual lists that UW System Administration provided to us.

<sup>2</sup> Includes UW-Stevens Point, UW-La Crosse, UW-Extension, UW-River Falls, UW-Parkside, UW-Stout, and UW-Superior.

***UW System's accounting system indicated that UW-Madison paid an estimated \$73.8 million to five affiliated organizations from FY 2007-08 through FY 2016-17.***

UW System's accounting system indicated that UW-Madison paid an estimated \$73.8 million to five affiliated organizations from FY 2007-08 through FY 2016-17. According to UW-Madison and the accounting system:

- The estimated \$24.0 million paid to University Research Park included an estimated \$16.1 million to lease office space.
- The estimated \$15.4 million paid to the National W Club included payments associated with food and drink concessions at UW-Madison athletics events. UW-Madison received all of this revenue and subsequently provided half of it to the National W Club, which contracted to provide the concessions.
- The estimated \$14.3 million paid to the Center for Advanced Studies in Business included payments to lease office space in the Fluno Center and pay

for UW employees to attend professional development conferences.

- The estimated \$11.3 million paid to UW Medical Foundation included payments for medical staff to support UW-Madison athletics and for the medical treatment of individuals who participated in clinical trials at UW-Madison.
- The estimated \$8.8 million paid to the Wisconsin Alumni Association included payments for activities intended to help students network professionally with alumni, maintenance of databases with alumni information, and community outreach.

UW System's accounting system indicated that UW-Milwaukee paid UW-Milwaukee Foundation an estimated \$53.8 million from FY 2007-08 through FY 2016-17, including an estimated \$52.3 million in student rent and fees associated with two residence halls. The accounting system indicated that UW-Green Bay paid an estimated \$53.1 million to University Village Housing, Inc., from FY 2007-08 through FY 2016-17. UW-Green Bay indicated that almost all of this amount represented student rent and fees associated with residence halls.

Almost all of the \$9.1 million in payments from UW System Administration from FY 2007-08 through FY 2016-17 was to WiSys Technology Foundation, which helped secure patents and licensing agreements to commercialize discoveries made by employees, students, and alumni of UW institutions other than UW-Madison and UW-Milwaukee.

## **Issue for Legislative Consideration**

***Statutes require certain UW employees to annually file statements of economic interests with the Wisconsin Ethics Commission.***

In an attempt to more fully understand the relationships between UW institutions and foundations, we reviewed the statements of economic interests that certain UW employees are statutorily required to annually file with the Wisconsin Ethics Commission. Statutes require the president, vice presidents, associate vice presidents, and assistant vice presidents of UW System, as well as the chancellors and vice chancellors of each UW institution, to annually file these statements of economic interests. Individuals who file must list their investments and business activities as of December 31 of the preceding year, as well as the identity of each organization of which they were an officer or director, unless an organization was a nonprofit entity.

We reviewed the statements of economic interests filed by 98 UW employees who were required to file them from January 2017 through mid-July 2017. The Ethics Commission indicated that all UW employees who were statutorily required to file statements of economic interests during this time period did so. The information reported on the statements of economic interests did not allow us to reach conclusions for three reasons. First, UW employees typically excluded information about relationships with foundations because the foundations were nonprofit entities and, therefore, UW employees were not statutorily required to report such information.

***Some chief business officers at universities were not statutorily required to annually file statements of economic interests.***

Second, some chief business officers at universities were not statutorily required to annually file statements of economic interests. Each university has a chief business officer who is typically responsible for budget, financial, and other administrative issues. We found that the chief business officers at UW-Eau Claire, UW-Platteville, and UW-River Falls did not have statutorily specified position titles that required them to file statements of economic interests, as of November 2017. For example, the chief business officer of UW-River Falls was an assistant chancellor. In contrast, the remaining 10 chief business officers were in such positions and had filed statements of economic interests in 2017.

Third, some UW employees held positions that were important for the relationships between UW institutions and their corresponding foundations but were not statutorily required to annually file statements of economic interests. Excluding UW-Oshkosh, 10 employees of four-year universities also worked as the executive directors, or the equivalent, of foundations as of June 30, 2017. We found that 5 of these 11 employees, including those at UW-Eau Claire, UW-Milwaukee, UW-Oshkosh, UW-Platteville, and UW-River Falls, did not have statutorily specified position titles that required them to file statements of economic interests in 2017. In contrast, the remaining six employees were in such positions and had filed statements of economic interests in 2017.

***The Legislature could consider modifying statutes to require certain UW employees to annually file statements of economic interests.***

Information in the statements of economic interests allows the public to understand the extent to which certain state employees have financial connections that could potentially affect their work performance. UW employees who work as the chief business officers at UW institutions or who also work as the executive directors, or the equivalent, of foundations are involved with important financial decisions. As a result, the Legislature could consider modifying statutes to require such employees to annually file statements of economic interests, regardless of the particular titles of their UW positions.



## Primary Fundraising Foundations ■

---

We examined in greater detail the relationships between each UW institution, other than UW-Oshkosh, and its primary fundraising foundation from FY 2007-08 through FY 2016-17. During this period, the Board of Regents and UW System Administration did not have a specific written policy governing relationships between UW institutions and their primary fundraising foundations, but the Board of Regents established such a policy in December 2017. This policy provides a framework for examining aspects of the relationships that existed between UW institutions and 25 primary fundraising foundations during our audit period and determining the extent to which these relationships would have complied with what would become the Board of Regents policy.

***The operations of many UW institutions and their primary fundraising foundations were not fully separate and independent from FY 2007-08 through FY 2016-17.***

We 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, in part because UW employees were voting members of the boards of directors of these foundations. As of June 30, 2017, at most of the four-year universities UW employees also worked as the executive directors of foundations. Most of these foundations did not reimburse UW institutions for any of the salary and fringe benefits costs of these employees. In addition, at least 50 other UW employees completed an unknown amount of work for foundations. UW employees were not required to track the amount of time they worked for foundations. We also identified concerns with how UW institutions provided office space and assets to foundations. Appendix 5 lists the 25 foundations, Appendix 6 includes information about each of these 25 foundations, and

Appendix 7 lists key information about the relationship between each of these 25 foundations and its corresponding UW institution.

## Legal Relationships

***The Board of Regents policy requires a foundation to be separate and legally independent from its corresponding UW institution.***

The Board of Regents policy requires a foundation to be separate and legally independent from its corresponding UW institution. If a foundation is not sufficiently separate, this policy indicates that it could be subject to the statutes and rules governing the UW institution. This policy requires each UW institution and its foundation to have a memorandum of understanding describing the responsibilities of both parties, including the services and support the UW institution will provide the foundation. Such services and support may include UW institutions allowing their employees to also work for foundations and providing office space and information technology (IT) services to foundations.

In response to our request for all memoranda of understanding in effect from FY 2007-08 through FY 2016-17, UW institutions provided us with memoranda of understanding covering the entire period with 7 of the 25 foundations. However, UW institutions provided us with memoranda of understanding that were in effect as of June 2017 with 18 of the 25 foundations, indicating that the use of memoranda of understanding may have increased over time. We were not provided with memoranda of understanding that were in effect as of June 2017 with UW-Green Bay and with six colleges. UW Colleges indicated that it was difficult to locate certain information we requested, in part, because it had extensively reorganized itself in recent years and a number of administrative staff had departed.

We contacted 43 universities in other states to determine how they govern their relationships with fundraising foundations, and 19 universities responded. A total of 17 universities indicated that they had memoranda of understanding describing the responsibilities of both parties, but 2 universities indicated that they did not have such foundations. Appendix 8 lists the 19 universities that responded, as well as certain information about each university's relationship with its foundation. Not all 19 universities provided information in response to each of our questions.

The Board of Regents policy requires each foundation to have bylaws, which provide evidence of a foundation's legal independence. UW institutions provided us with bylaws that were in effect as of June 2017 for 20 foundations, including 12 foundations associated with universities and 8 foundations associated with colleges. The bylaws typically discussed issues such as a foundation's purpose, the

powers and composition of a foundation's board of directors, and staff responsibilities in managing a foundation's affairs.

### **Boards of Directors**

The Board of Regents policy indicates that a foundation's board of directors may include UW officials, who must be ex officio, non-voting members. This policy requires that UW employees must never constitute a majority of board members and should preferably not exceed two or three members. The policy indicates that such a governance arrangement helps demonstrate that a foundation is independent from a UW institution. We requested that UW institutions provide us with the memberships of the boards of directors of the 25 foundations from FY 2007-08 through FY 2016-17, including the title of any UW employee serving on a board. The information provided indicated that many UW institutions and their foundations were not fully separate and independent from FY 2007-08 through FY 2016-17.

***UW institutions provided information for 16 foundations indicating 14 of them had at least one UW employee who was a voting member of the boards of directors at some point from FY 2007-08 through FY 2016-17.***

As shown in Table 2, UW institutions provided information for 16 foundations indicating 14 of them had at least one UW employee who was a voting member of the boards of directors at some point from FY 2007-08 through FY 2016-17. More than three UW employees at some point from FY 2007-08 through FY 2016-17 served on the boards of directors of 7 of the 11 foundations for which UW institutions provided us this information. None of the information provided to us indicated that UW employees constituted a majority of board members.

Table 2

**UW Employees Serving on the Boards of Directors of Foundations  
at Some Point from FY 2007-08 through FY 2016-17<sup>1</sup>**

Foundation Affiliated with:	At Least One Voting Member	More than Three Members
<b>Universities</b>		
Eau Claire	✓	✓
Green Bay		
La Crosse	✓	✓
Madison		
Milwaukee	✓	✓
Parkside		
Platteville		
River Falls	✓	
Stevens Point		
Stout	✓	✓
Superior	✓	✓
Whitewater	✓	✓
<b>Colleges</b>		
Baraboo/Sauk County		
Barron County	✓	
Fond du Lac		
Fox Valley	✓	
Manitowoc		
Marathon County	✓	
Marinette		
Marshfield/Wood County	✓	
Richland		
Rock County	✓	
Sheboygan		
Washington County	✓	✓
Waukesha	✓	

<sup>1</sup> According to information provided by UW institutions. Shaded cells indicate that we did not receive the relevant information for the entire 10-year period. We excluded UW-Oshkosh from our analysis.

None of the bylaws provided to us and in effect as of June 2017 prohibited all UW employees from being voting members of a foundation's board of directors. We found that 10 of the 12 universities in other states that provided information indicated that at least one university employee served on each foundation board of directors, including two boards on which university employees had voting powers. None of these 12 universities indicated that university employees constituted a majority of board members, and 11 of the 12 universities indicated that no more than three university employees served on the boards.

## UW Support for Foundations

We requested that each UW institution submit information describing the extent to which they provided their foundations with three types of support from FY 2007-08 through FY 2016-17:

- UW employees who also worked for foundations;
- UW office space provided to foundations; and
- other UW System assets provided to foundations.

## UW Employees Working for Foundations

***The Board of Regents policy indicates that a UW institution cannot gift or loan personnel time to a foundation.***

The Board of Regents policy indicates that it is preferable for a foundation to hire and pay for its executive director, but that a foundation with modest resources may be unable to do so and, as a result, a UW employee may also work as its executive director. When a UW employee also works as executive director, this policy indicates that a foundation may fund the portion of the UW employee's time spent fulfilling the duties of executive director, as long as this funding arrangement is documented. This policy indicates that a foundation may pay the UW institution for the UW employee's time or establish an in-kind arrangement that must be explained in a memorandum of understanding or separate operational agreement. This policy 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, payments, and other forms of remuneration that are described in a memorandum of understanding or operational agreement.

The UW System President indicated that many UW employees who also work for foundations, including as executive directors, are always working for the benefit of their UW institutions, even when they are completing work for the foundations, which makes it difficult to differentiate the work they complete for their UW institutions and

their foundations. Nevertheless, ensuring that UW institutions are not gifting and loaning personnel time to a foundation, as is required by the Board of Regents policy, requires UW employees to track the amount of time they work for foundations.

***As of June 30, 2017, UW employees also worked as the executive directors of 10 foundations affiliated with universities.***

As shown in Table 3, UW employees also worked as the executive directors, or their equivalent, of 10 foundations affiliated with universities, as of June 30, 2017. These UW employees typically were in charge of the advancement or development offices at their universities. UW institutions indicated that 6 of the 10 foundations did not reimburse them for any of the salary and fringe benefits costs of the UW employees who also worked as the executive directors. Information provided to us indicated that UW-Milwaukee Foundation employed and paid for its executive director separately from this individual’s employment with UW-Milwaukee. UW Foundation employed its own executive director, and UW-Parkside Foundation did not employ an executive director.

Table 3

**Executive Directors of Foundations<sup>1</sup>**  
June 30, 2017

Foundation Affiliated with:	UW Employee Was Executive Director	Percentage Reimbursed by the Foundation	
		UW Employee’s Salary	UW Employee’s Fringe Benefits
Eau Claire	✓	100.0%	0.0%
Green Bay	✓	0.0	0.0
La Crosse	✓	0.0	0.0
Madison			
Milwaukee <sup>2</sup>	✓	n/a	n/a
Parkside			
Platteville	✓	0.0	0.0
River Falls	✓	16.0	16.0
Stevens Point	✓	0.0	0.0
Stout	✓	24.0	24.0
Superior	✓	0.0	0.0
Whitewater	✓	0.0	0.0

<sup>1</sup> According to information provided by UW institutions. We excluded UW-Oshkosh from our analysis.

<sup>2</sup> UW-Milwaukee Foundation employed and paid for its executive director separately from this individual’s employment with UW-Milwaukee.

In FY 2016-17, the 10 UW employees who also worked as executive directors of foundations were paid an estimated \$1.8 million in salaries and fringe benefits by UW System. Because UW employees were not required to track the amount of time they worked for foundations, it is unclear what portion of these salary and fringe benefits costs were associated with work performed for the foundations.

***As of June 30, 2017, a UW employee also worked as the executive director of 1 of the 13 foundations affiliated with two-year colleges.***

As of June 30, 2017, a UW employee also worked as the executive director of 1 of the 13 foundations affiliated with the colleges. The executive director of UW-Barron County Foundation worked half-time for the foundation and half-time for UW-Barron County in a position unrelated to the foundation's work. An agreement between the institution and the foundation indicated that the individual's employment status at either entity did not affect the individual's employment status at the other entity.

Nine of the 16 universities in other states that provided information indicated that university employees also worked as the executive directors of the foundations affiliated with those universities. Four of these nine universities indicated that their foundations paid at least some of the salary and fringe benefits costs of these university employees.

The Board of Regents policy indicates that a foundation may fund part or all of the positions of UW employees, such as accountants, who support development and development-related activities. This policy indicates that a UW institution may hire and pay for employees to raise funds for it through its foundation because such employees are a good investment for the future of UW System, but that the total state resources supporting fundraising personnel and activities must be weighed against the resulting benefits to a UW institution, as well as the alternative demands on these resources. As noted, this policy 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, payments, and other forms of remuneration that are described in a memorandum of understanding or operational agreement.

The available information did not allow us to determine the total number of UW employees who also worked for the 25 foundations from FY 2007-08 through FY 2016-17 because, as noted, UW institutions did not require employees to track the amount of time they worked for foundations. Five UW institutions indicated that it was challenging to differentiate the work that certain UW employees completed for their institutions from the work they completed for foundations. For example, if a UW employee in an alumni relations office developed and maintained a database containing alumni information used by both the UW institution and its foundation, it may be challenging to determine the precise extent to which that employee worked for the foundation.

***As of June 30, 2017, nine foundations reimbursed UW institutions for work completed by 50 UW employees, other than executive directors.***

As shown in Table 4, nine foundations reimbursed UW institutions for work completed by UW employees, other than executive directors, as of June 30, 2017, according to information provided by UW institutions. UW institutions indicated that they were reimbursed for some or all of the salary and fringe benefits costs of 50 UW employees, all of whom worked at universities. 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. Additional UW employees for whom foundations did not provide reimbursement may have worked for foundations, but information about such employees was not readily available.

Table 4

**Foundations that Reimbursed UW Institutions for Work Completed by UW Employees, Excluding Executive Directors<sup>1</sup>**  
June 30, 2017

Foundation Affiliated with:	Foundation Reimbursed UW Institution <sup>2</sup>
Eau Claire	✓
Green Bay	✓
La Crosse	✓
Madison	n/a
Milwaukee	n/a
Parkside	✓
Platteville	
River Falls	✓
Stevens Point	✓
Stout	✓
Superior	✓
Whitewater	✓

<sup>1</sup> According to information provided by UW institutions. We excluded UW-Oshkosh from our analysis.

<sup>2</sup> UW institutions indicated that they were reimbursed for some or all of the salary and fringe benefits costs.

UW-Eau Claire had the most employees for whom a foundation provided reimbursement, according to information provided to us. UW-Eau Claire indicated that UW-Eau Claire Foundation reimbursed it for all of the salary costs, but none of the fringe benefits costs, of 17 UW employees, excluding the foundation’s executive director. In FY 2016-17, UW-Eau Claire’s annualized personnel costs for these

17 employees were approximately \$940,000 for salaries and \$460,000 for fringe benefits. The institution provided information indicating that the foundation reimbursed it for approximately 85.0 percent of the salaries of its employees in FY 2015-16, the most-recent year for which information was available at the time of our audit, but it was unable to locate documentation showing that the foundation had reimbursed it for approximately 15.0 percent of these salaries.

***It is unclear whether UW institutions were reimbursed or received in-kind payments for all of the salary and fringe benefits costs associated with the time that UW employees worked for the foundations.***

None of the memoranda of understanding or operational agreements we reviewed quantified the total value of the time that UW employees worked for foundations, and only one memorandum of understanding quantified the amount the foundation was to reimburse for the time of UW employees. As noted, UW employees did not track the amount of time they worked for foundations, and five UW institutions indicated that it was challenging to differentiate the work completed by certain UW employees for their institutions from the work they completed for foundations. Although the Board of Regents policy indicates that a UW institution cannot gift or loan personnel time to a foundation, it is unclear whether UW institutions were reimbursed or received in-kind payments for all of the salary and fringe benefits costs associated with the time that UW employees worked for the foundations.

Ten of the 17 universities in other states that provided information indicated that university employees also worked for foundations, five of which at least partially reimbursed universities for the salary and fringe benefits costs of these employees.

### **Approval of Financial Transactions**

***In 2017, UW employees were authorized to approve transactions on behalf of 11 foundations affiliated with universities, as allowed by Board of Regents policy.***

The Board of Regents policy allows UW employees to approve transactions and enter into obligations on behalf of a foundation, as long as a memorandum of understanding ensures that a foundation has policies, resolutions, or controls that define any circumstances in which UW employees can do so. This policy repeats the written requirements that the UW System President had previously provided to all chancellors in April 2017. We found that UW employees were authorized in 2017 to approve transactions on behalf of 11 foundations affiliated with universities, and that these foundations had relevant policies, resolutions, or controls. In some instances, we found that UW employees had a considerable amount of discretion in approving such transactions. For example:

- UW-River Falls Foundation policies authorized the foundation's president, who was also a UW-River Falls employee, to approve all expenditures, except for credit card expenditures and reimbursements to certain UW employees.
- UW-Stout Foundation's bylaws indicated that the board of directors determined which individuals were authorized to sign checks on behalf of the

foundation. UW-Stout indicated that two of its employees were given such authorization.

- A UW-Whitewater Foundation resolution signed by a committee of the board of directors in April 2017 authorized seven individuals, including two UW-Whitewater employees, to sign certain fiscal and legal documents on behalf of the foundation. UW-Whitewater indicated that a third UW employee who also worked as the foundation's accountant was the only individual authorized to write checks on behalf of the foundation.

Three of the six universities in other states that provided information indicated that university employees were authorized to approve transactions on behalf of their foundations.

### **UW Office Space Provided to Foundations**

The Board of Regents policy indicates that a foundation will ideally have its own office space, which demonstrates a physical separation from the corresponding UW institution. However, this policy stipulates that if a foundation is allocated space at a UW institution, a memorandum of understanding or operational agreement must either specify the rent the foundation will pay or explain that the foundation may use the space rent-free in exchange for specified services the foundation provided. If the foundation provided such services, it is considered to have made an in-kind payment. This policy requires a UW institution to document that the rent or the in-kind payment is at a fair-market rate.

In response to our request for UW institution policies regarding foundations, UW Colleges provided us with a policy that indicated state supplies and resources should not be used to support a foundation, even if a foundation provided reimbursement. UW Colleges indicated that this policy, which was in effect from FY 2007-08 through FY 2016-17, was outdated. No other UW institution provided us with a similar policy.

***As of June 30, 2017, foundations used office space at 23 of the 25 UW institutions.***

As shown in Table 5, foundations used office space at 23 of the 25 UW institutions, as of June 30, 2017. UW-Madison and UW-Stevens Point indicated that their foundations either paid rent or made in-kind payments at fair-market rates for office space, but the other 21 institutions did not provide us with information indicating whether their foundations provided fair-market rates for office space. UW institutions indicated that 10 foundations paid annual amounts ranging from \$1 to \$347,500 for office space. Foundations that did not pay for office space instead typically made in-kind payments, according to the available information. UW-Milwaukee

and UW-Parkside indicated that their foundations did not use UW office space.

Table 5

**Foundation Use of Office Space at UW Institutions<sup>1</sup>**  
June 30, 2017

Foundation Affiliated with:	Foundation Used UW Office Space	Foundation Did Not Provide a Fair-Market Rate for UW Office Space
<b>Universities</b>		
Eau Claire	✓	
Green Bay	✓	
La Crosse	✓	
Madison	✓	
Milwaukee		n/a
Parkside		n/a
Platteville	✓	
River Falls	✓	
Stevens Point	✓	
Stout	✓	
Superior	✓	
Whitewater	✓	
<b>Colleges</b>		
Baraboo/Sauk County	✓	
Barron County	✓	
Fond du Lac	✓	
Fox Valley	✓	
Manitowoc	✓	
Marathon County	✓	
Marinette	✓	
Marshfield/Wood County	✓	
Richland	✓	
Rock County	✓	
Sheboygan	✓	
Washington County	✓	
Waukesha	✓	

<sup>1</sup> According to information provided by UW institutions. Shaded cells indicate that we did not receive the relevant information. We excluded UW-Oshkosh from our analysis.

We reviewed the available information and found that:

- UW-La Crosse did not charge UW-La Crosse Foundation any rent for 1,088 square feet of office space in a building the foundation provided to it in 1992. Because the institution did not calculate a fair-market rate for the office space, it cannot be certain whether the value of the building exceeded the total amount of rent that the institution could have charged the foundation over the past 25 years.
- UW-Whitewater Foundation occupied 658 square feet of UW-Whitewater's Alumni Center, which it had previously donated to the institution. July 1992 and February 2007 lease agreements indicated that the annual rent was \$2,040, which the agreements indicated was half the fair-market rate in both of these years.
- A September 2014 agreement indicated that UW-Marshfield/Wood County charged UW-Marshfield/Wood County Foundation \$300 annually for office space, which the institution characterized as one standard-sized office, as well as furniture, computer and network access, and other services. UW Colleges was uncertain how this amount was determined.
- UW-Fox Valley charged UW-Fox Valley Foundation \$1 annually for approximately 200 square feet of office space over an unknown time period.

Because the value of UW office space used by foundations was not readily available, we reviewed publicly available information each foundation filed with the IRS. The IRS requires nonprofit organizations, such as foundations, to annually disclose the value of facilities and services provided to them at no charge by government organizations, such as UW institutions. Only 1 of the 25 foundations reported having received any facilities or services at no charge from UW institutions in recent years.

Thirteen of the 17 universities in other states that provided information indicated that their foundations occupied university-owned office space. Five of the 13 foundations provided some amount of reimbursement to the universities for that office space.

## Other UW Assets Provided to Foundations

The Board of Regents policy indicates that a UW institution cannot gift or loan equipment or other assets to a foundation, but that a UW institution may make such assets available to a foundation in exchange for specific related services, payments, and other forms of remuneration that are provided by a foundation and described in a memorandum of understanding or operational agreement.

***We found concerns with how some UW institutions provided assets to foundations.***

We found concerns with how some UW institutions provided assets to foundations. For example:

- Under a June 2009 agreement, UW-Eau Claire Foundation agreed to assume full ownership of the UW-Eau Claire alumni and donor database on June 30, 2012. The foundation requested that the institution purchase software to enable the database to interact with UW System's Human Resource System (HRS). The institution paid \$281,000 for the software and related services, which it subsequently provided at no cost to the foundation.
- UW-Green Bay indicated that it provided computers, desks, telephones, and IT support to its employees who also worked for UW-Green Bay Foundation, which was not charged for these assets. No written agreement described the provision of these assets.
- From October 2005 through June 2017, a memorandum of understanding with UW-Stevens Point Foundation indicated that an annual facilities and services agreement was to describe the terms of telephone, maintenance, and mail services provided by UW-Stevens Point. When we requested this document, the institution indicated that no such agreement existed.
- UW-Whitewater Foundation paid \$1,800 in FY 2016-17 for IT services provided by UW-Whitewater, which indicated no written contract defined the scope or value of these IT services.

As noted, a UW Colleges policy prohibited state supplies and resources from being used to support a foundation. We found that a September 2014 memorandum of understanding indicated that

UW-Marshfield/Wood County was to provide UW-Marshfield/Wood County Foundation with furniture, computer and network access, and other services. In addition, UW-Fox Valley provided UW-Fox Valley Foundation with IT services for an unknown time period.

Thirteen of the 17 universities in other states that provided information indicated that they provided some assets or services to their foundations. Five of the 13 foundations reimbursed their universities, at least in part, for these assets and services.

## **Financial Reporting**

The Board of Regents policy indicates that a memorandum of understanding must require a foundation to provide the corresponding UW institution with:

- an annual financial report, if a foundation received less than \$300,000 in annual contributions from donors;
- a financial statement reviewed by an independent certified public accountant, if a foundation received from \$300,000 to \$500,000 in annual contributions from donors; or
- an annual independent audit, if a foundation received more than \$500,000 in annual contributions from donors.

We requested the independent audits, financial statements, and financial reports that the 25 foundations had submitted to UW institutions from FY 2007-08 through FY 2016-17 and received this information for 24 foundations. In the most-recent year for which information existed for a given foundation, 13 foundations indicated that they had received assets or other support from their corresponding UW institutions, including 6 foundations that partially quantified the value of these assets and other support and 7 foundations that did not quantify the value of these assets and support.

## **New Memoranda of Understanding**

The UW System President required UW institutions to comply by November 1, 2017, with the written requirements previously provided to all chancellors in April 2017. Materials provided to the Board of Regents in December 2017, when the Board of Regents

established its policy for governing the relationships between UW institutions and foundations, reiterated that all UW institutions were expected to comply with these written requirements by November 1, 2017. On November 2, we requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. We reviewed the 19 new memoranda of understanding provided to us in November 2017 and found that 18 of them referred to operational agreements that specified the support to be provided by UW institutions to foundations, as well as the payments and services to be provided by foundations. Through mid-December 2017, we received only 5 operational agreements associated with these 18 memoranda of understanding.

***The five operational agreements did not consistently comply with the Board of Regents policy.***

The Board of Regents policy does not require UW System Administration to review or approve the new memoranda of understanding or the operational agreements. We found that the five operational agreements did not consistently comply with the Board of Regents policy. They did not consistently:

- indicate the specific services and payments that foundations were required to provide for the time that UW employees worked for them, including as executive directors;
- require foundations to pay rent or make in-kind payments at fair-market rates for the UW office space they used; or
- indicate the specific services and payments that foundations were required to provide for UW assets.

### **Boards of Directors**

As noted, the Board of Regents policy indicates that a foundation's board of directors may include UW officials, who must be ex officio, non-voting members, which helps demonstrate that a foundation is independent from a UW institution. This policy also indicates that UW employees must never constitute a majority of board members and should preferably not exceed two or three members. Although this policy does not require the memoranda of understanding to address these issues, 2 of the 19 new memoranda of understanding prohibited all UW employees from serving as voting members of a board of directors. None of the new memoranda of understanding limited the number of UW employees permitted to serve as board members.

## UW Employees Working for Foundations

***The Board of Regents policy indicates that a UW employee may also work as the executive director of a foundation.***

As noted, the Board of Regents policy indicates that a UW employee may also work as the executive director of a foundation. When this occurs, a foundation may fund the portion of the UW employee's time spent fulfilling the duties of executive director, as long as this funding arrangement is documented. This policy indicates that a foundation may directly pay the UW institution for the UW employee's time or establish an in-kind arrangement that must be explained in a memorandum of understanding or operational agreement. This policy 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, payments, and other forms of remuneration that are described in a memorandum of understanding or operational agreement. The operational agreements, rather than the new memoranda of understanding, typically contained information about the reimbursements and in-kind payments provided by foundations.

We found that none of the five operational agreements required the foundations to reimburse or make in-kind payments for all of the salary and fringe benefits costs associated with the time spent by UW employees who also worked as executive directors of the foundations. In addition, it is unclear whether the reimbursements and in-kind payments that are to be provided will at least equal the value of the time that UW employees spend working for the foundations because UW employees were not required to track the amount of time that they worked for the foundations. The five operational agreements indicated that:

- UW-Green Bay funded the salary and fringe benefits costs of the UW employee who also worked as the executive director of UW-Green Bay Foundation. The operational agreement required the foundation to provide an estimated overall amount of funding in exchange for all support it received from the institution, rather than an amount specifically for the salary and fringe benefits costs of this UW employee.
- UW-La Crosse funded 60.0 percent of the salary and fringe benefits costs of the UW employee who also worked as the executive director of UW-La Crosse Foundation, and the foundation funded 40.0 percent.
- UW-River Falls funded 84.0 percent of the salary and fringe benefits costs of the UW employee who also worked as the executive director of

UW-River Falls Foundation, and the foundation funded 16.0 percent.

- UW-Stout funded 76.0 percent of the salary and fringe benefits costs of the UW employee who also worked as the executive director of UW-Stout Foundation, and the foundation funded 24.0 percent.
- UW-Superior funded the salary and fringe benefits costs of the UW employee who also worked as the executive director of UW-Superior Foundation, in exchange for unspecified fundraising and development services provided by the foundation.

***The Board of Regents policy indicates that a UW institution may hire and pay for employees to raise funds for it through its foundation.***

As noted, the Board of Regents policy indicates that foundations may fund part or all of the positions of UW employees who support development and development-related activities, and that a UW institution may hire and pay for employees to raise funds for it through its foundation. This policy 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, payments, and other forms of remuneration that are described in a memorandum of understanding or an operational agreement.

The five operational agreements did not consistently require foundations to reimburse or make in-kind payments for all of the salary and fringe benefits costs associated with the time spent by UW employees who also worked for the foundations. In addition, it is unclear whether the reimbursements and in-kind payments that are to be provided will at least equal the value of the time that UW employees spend working for the foundations because UW employees were not required to track the amount of time they worked for the foundations. The five operational agreements indicated that:

- UW-Green Bay funded the salary and fringe benefits costs of eight UW employees who also worked for UW-Green Bay Foundation, and the foundation reimbursed the institution \$30,000 for a portion of the salary and fringe benefits costs of one of these eight UW employees. As noted, the agreement required the foundation to provide an estimated overall amount of funding in exchange for all support it received from the institution, rather than an amount specifically for the salary and fringe benefits costs of these UW employees.

- UW-La Crosse funded all of the salary and fringe benefits costs of six UW employees and a portion of the costs of two UW employees. The foundation funded all of the salary and fringe benefits costs of three UW employees and a portion of the costs of two UW employees. The agreement does not indicate the extent to which any of the employees in these positions will also work for the foundation.
- UW-River Falls funded the salary and fringe benefits costs of 2.80 full-time equivalent (FTE) UW staff positions, and the foundation agreed to fund the salary and fringe benefits costs of 8.05 FTE UW staff positions. The agreement does not indicate the extent to which any of the employees in these positions will also work for the foundation.
- UW-Stout funded a portion of the salary and fringe benefits costs of two UW employees who also worked for UW-Stout Foundation, which funded the remaining portion. The foundation funded all of the salary and fringe benefits costs of 13 UW employees, including 9 UW employees who worked for both the institution and the foundation and 4 UW employees who worked only for the institution. Part of the foundation's support was in consideration of equipment, software, and furnishings provided at no charge by the institution.
- UW-Superior funded the salary and fringe benefits costs of three UW employees who also worked for UW-Superior Foundation, which reimbursed the institution for the salary and fringe benefits costs of an unspecified number of other UW employees.

### **UW Office Space Provided to Foundations**

***None of the five operational agreements required the foundations to pay rent or make in-kind payments at a fair-market rate for UW office space.***

As noted, the Board of Regents policy stipulates that if a foundation is allocated space at a UW institution, a memorandum of understanding or operational agreement must either specify the rent the foundation will pay or explain that the foundation may use the space rent-free in exchange for specified services that are considered to be an in-kind payment. A UW institution must document that the rent or the in-kind payment is at a fair-market rate. UW-Milwaukee

and UW-Parkside indicated that their corresponding foundations did not use office space at the institutions, and UW-Madison provided information indicating that UW Foundation paid a fair-market rate for its office space. However, none of the five operational agreements we received required the foundations to pay rent or make in-kind payments at a fair-market rate for UW office space.

### **Other UW Assets Provided to Foundations**

As noted, the Board of Regents policy indicates that a UW institution cannot gift or loan equipment or other assets to a foundation, but that a UW institution may make such assets available to a foundation in exchange for specific related services, payments, and other forms of remuneration that are described in a memorandum of understanding or operational agreement. We found that the five operational agreements we received did not indicate the specific services, payments, and other forms of remuneration that the foundations were required to provide for equipment and assets made available by UW institutions. For example:

- UW-Green Bay was to provide various IT services and support to UW-Green Bay Foundation, but the amount of compensation was not specified. As noted, the operational agreement required the foundation to provide an estimated overall amount of funding in exchange for all support it received from the institution.
- UW-La Crosse was to provide technology access and support to UW-La Crosse Foundation, with additional services to be negotiated annually, but the amount of compensation was not specified.

We were unable to fully assess compliance with the policy established by the Board of Regents in December 2017 because not all of the new memoranda of understanding and operational agreements were completed by mid-December 2017. Because the five operational agreements we received did not consistently comply with this policy, UW System Administration should require UW institutions to immediately amend these operational agreements between the institution and the foundation to correct the issues of noncompliance. In addition, UW System Administration should require each chancellor to certify in writing that the memorandum of understanding and operational agreements between the institution and the foundation fully comply with this policy. UW System Administration should also require all UW institutions to submit to it

these written certifications and the memoranda of understanding and operational agreements, and it should then perform a thorough and complete assessment of these documents to ensure compliance with this policy. Doing so will help ensure that UW institutions are reimbursed or receive in-kind payments for the total value of UW employee time, office space, and other assets that are provided to foundations.

**☑ Recommendation**

---

*We recommend University of Wisconsin System Administration:*

- *require University of Wisconsin institutions to immediately amend the operational agreements to correct the issues of noncompliance with the Board of Regents policy;*
- *require each chancellor to certify in writing that the memorandum of understanding and operational agreements between the institution and the foundation fully comply with the Board of Regents policy;*
- *require all University of Wisconsin institutions to submit all memoranda of understanding and operational agreements and then assess whether these documents comply with the Board of Regents policy; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on the status of compliance by all University of Wisconsin institutions with the Board of Regents policy.*

■ ■ ■ ■

## Other Affiliated Organizations ■

---

***Four affiliated organizations that were not primary fundraising foundations were not fully separate and independent from their corresponding UW institutions.***

Based, in part, on information that UW institutions provided in response to our May 2017 survey, we 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 corresponding UW institutions, in part, because UW employees were voting members of the boards of directors of all four affiliated organizations. In particular, we found concerns with the relationship between UW-Oshkosh and the Business Success Center, which was dissolved in April 2017 after UW System Administration determined that the organization was not legally separate from UW-Oshkosh. UW-Madison indicated that it did not have memoranda of understanding or similar agreements specifying the nature of its relationships with the other three affiliated organizations. More than three UW-Madison employees served on the boards of directors of two of these three affiliated organizations, and UW-Madison employees also worked as the executive director and staff of one of these three affiliated organizations.

### **Business Success Center**

The Business Success Center was intended to improve economic development by providing paid consulting, research, training, and other services to regional businesses and other organizations. At times during the period from FY 2007-08 through FY 2016-17, half or more of the board of directors of the Business Success Center were

UW-Oshkosh employees or members of the Board of Regents. The organization was located on the UW-Oshkosh campus, staffed by UW-Oshkosh employees, and maintained financial accounts outside of UW System. The available information indicates that revenue generated by the Business Success Center was paid to UW-Oshkosh, UW-Oshkosh Foundation, and UW-Oshkosh employees. Payments to these employees were in addition to their salaries and were made outside of UW System’s payroll system.

***In 5 of the 10 years from 2007 through 2016, UW-Oshkosh employees and a member of the Board Regents represented half or more of all members of the board of directors of the Business Success Center.***

In 5 of the 10 years from 2007 through 2016, UW-Oshkosh employees and a member of the Board of Regents represented half or more of all members of the board of directors of the Business Success Center, as shown in Table 6. The UW-Oshkosh employees who served on the board of directors included the chancellor, vice chancellors, and the provost. Most of these UW-Oshkosh employees, as well as the Regents, had voting powers. At least one member of UW-Oshkosh Foundation’s board of directors served on the Business Success Center’s board of directors in each of the 10 years.

Table 6

**Members of the Board of Directors of the Business Success Center**

	UW-Oshkosh Employees		Board of Regents Members <sup>1</sup>	Total UW-Oshkosh Employees and Regents	Total Members	UW-Oshkosh Employees and Regents as a Percentage of Total Members <sup>2</sup>
	Voting Members	Non-Voting Members				
2007	4	1	1	6	11	54.5%
2008	3	1	1	5	14	35.7
2009	7	1	0	8	18	44.4
2010	7	1	0	8	17	47.1
2011	7	1	1	9	17	52.9
2012	7	1	1	9	18	50.0
2013	6	2	1	9	18	50.0
2014	6	2	1	9	18	50.0
2015	4	2	1	7	18	38.9
2016	4	3	1	8	21	38.1

<sup>1</sup> The available information indicates that Regents had voting powers.

<sup>2</sup> Shaded cells indicate years when UW-Oshkosh employees and Regents represented half or more of all board members.

## Support Provided by UW-Oshkosh

In response to our request for all memoranda of understanding that UW-Oshkosh had with the Business Success Center from FY 2007-08 through FY 2016-17, UW-Oshkosh provided us with one undated memorandum of understanding. This memorandum of understanding indicated that UW-Oshkosh agreed to fund the salaries of 4.25 FTE positions at the Business Success Center, including the executive director, all of which were filled by UW-Oshkosh employees. A draft document dated July 2010 and attached to this memorandum of understanding indicated that the salaries and fringe benefits of these 4.25 FTE positions totaled \$326,900.

UW-Oshkosh and UW System Administration officials indicated that the Business Success Center obtained unknown types and amounts of services from UW-Oshkosh but did not reimburse the institution for these services. However, the available financial information indicated that the Business Success Center paid UW-Oshkosh rent for office space, although it did not indicate whether the organization paid a fair-market rate for office space. According to meeting minutes, Business Success Center board members indicated that the Business Success Center would have operated at a financial loss if UW-Oshkosh had not supported it.

***The Business Success Center hired UW-Oshkosh faculty and staff as independent contractors to provide services to its clients.***

UW System officials indicated that the Business Success Center hired UW-Oshkosh faculty and staff, as well as students, as independent contractors to provide services to the organization's clients. These officials indicated that the Business Success Center paid these faculty and staff outside of UW System's payroll system and in addition to their salaries as UW employees. These officials also indicated that they had no information on which faculty and staff were paid in this manner or the payment amounts, but they estimated that the Business Success Center executed approximately 80 consulting contracts annually, or 800 contracts from FY 2007-08 through FY 2016-17. Meeting minutes for the board of directors indicated that the Business Success Center paid 45 faculty a total of \$213,000 in FY 2015-16. The UW System officials indicated that UW System Administration's Office of General Counsel believed that the IRS could consider payments to faculty in this manner to be a violation of federal law, which generally prohibits employers from independently contracting with their employees.

UW-Oshkosh provided us with 23 contracts that it indicated were executed from FY 2007-08 through FY 2016-17 with the Business Success Center, which agreed to provide various services. None of these 23 contracts was signed by UW-Oshkosh, and the individuals who signed 21 of these 23 contracts on behalf of the Business Success

Center did so under a notation that read, “For the Board of Regents of the University of Wisconsin System.”

***UW-Oshkosh paid the Business Success Center an estimated total of \$648,700 from FY 2007-08 through FY 2016-17.***

As shown in Table 7, UW-Oshkosh paid the Business Success Center an estimated total of \$648,700 from FY 2007-08 through FY 2016-17, according to information provided by the institution. UW-Oshkosh paid 85.0 percent of this estimated total amount in FY 2013-14 and FY 2014-15.

Table 7

**Estimated Payments from UW-Oshkosh to the Business Success Center<sup>1</sup>**

Fiscal Year	Amount
2007-08	\$ 300
2008-09	300
2009-10	100
2010-11	31,800
2011-12	29,900
2012-13	23,000
2013-14	324,900
2014-15	226,200
2015-16	9,700
2016-17	2,500
<b>Total</b>	<b>\$648,700</b>

<sup>1</sup> Based on information provided by UW-Oshkosh.

The available information indicates that an estimated \$474,000 of the estimated \$648,700 in total payments (73.1 percent) from UW-Oshkosh to the Business Success Center was associated with three contracts involving the provision of services to foreign business delegations that visited the institution. Under two of these three contracts, UW-Oshkosh agreed to pay the Business Success Center \$80 per hour for the services of UW-Oshkosh faculty to work as independent contractors for the Business Success Center. Under all three contracts, UW-Oshkosh agreed to pay the Business Success Center to process unspecified transactions. UW System officials indicated that they could not explain these three contracts and were unable to provide any additional information.

## Financial Issues

The undated memorandum of understanding indicated that the Business Success Center was to divide its profits among three entities. We found that:

- 60.0 percent of the profits was to be provided to UW-Oshkosh, which the available information indicates received an estimated \$3.7 million from FY 2007-08 through FY 2016-17;
- 20.0 percent of the profits was to be retained by the Business Success Center, but the available information did not indicate the amount retained; and
- 20.0 percent of the profits was to be provided to UW-Oshkosh's University Advancement Division. However, meeting minutes for the organization's board of directors indicated that this portion of the profits was actually provided to UW-Oshkosh Foundation, which the available information indicates received an estimated \$390,600 from FY 2007-08 through FY 2016-17.

***In May 2016, the Business Success Center transferred \$221,700 to UW-Oshkosh Foundation, despite instruction from UW-Oshkosh not to do so.***

The Business Success Center maintained at least two financial accounts outside of UW System. In April 2016, UW-Oshkosh directed the Business Success Center to close all such accounts and deposit all funds in them into a UW-Oshkosh account. UW-Oshkosh also indicated that the funds should not be deposited into a UW-Oshkosh Foundation account. In May 2016, the finance committee of the Business Success Center's board of directors acknowledged UW-Oshkosh's directive to close the accounts but nevertheless discussed plans to deposit 90.0 percent of the funds into a UW-Oshkosh Foundation account and the remaining 10.0 percent into a UW-Oshkosh account. The available information indicates that the Business Success Center closed two accounts and transferred \$24,600 to UW-Oshkosh and \$221,700 to UW-Oshkosh Foundation in May 2016.

***In January 2017, UW System Administration advised UW-Oshkosh that the Business Success Center was legally a unit of UW-Oshkosh.***

In January 2017, UW System Administration's Office of General Counsel advised the UW-Oshkosh chancellor that the Business Success Center was legally a unit of UW-Oshkosh and was subject to the power and control of the Board of Regents. The Office of General Counsel noted that UW-Oshkosh employees staffed the Business Success Center; UW-Oshkosh provided all of the equipment, records storage, and space that the organization required to operate; and UW-Oshkosh provided funds that the organization needed to

operate. As a result, the Office of General Counsel advised the chancellor that to remain in compliance with applicable state laws and UW policies, several steps needed to be taken, including dissolving the Business Success Center and any related legal entities, transferring any funds held outside of UW-Oshkosh accounts to such accounts as soon as possible, and ensuring that all funds were held in UW-Oshkosh accounts subject to state and UW System accounting, audit, and transparency requirements.

In February 2017, the board of directors voted to dissolve the Business Success Center and two limited liability companies the organization had created. Neither limited liability company had any assets or liabilities, according to information provided to us. Records maintained by the Wisconsin Department of Financial Institutions indicate that the Business Success Center was dissolved as an independent entity in April 2017.

***UW-Oshkosh Foundation  
declined to return  
\$154,400 in Business  
Success Center funds to  
UW-Oshkosh.***

UW System Administration's October 2017 review of financial transactions indicated that UW-Oshkosh had asked UW-Oshkosh Foundation in January 2017 to transfer all Business Success Center funds to the institution, but that the foundation had declined to return \$154,400. UW System officials indicated that the foundation's subsequent declaration of bankruptcy makes it uncertain whether UW-Oshkosh will be able to recover these funds.

## **Other Organizations**

We obtained basic information about the relationships between UW-Madison and three affiliated organizations that were not primary fundraising foundations:

- the Center for Advanced Studies in Business, Inc., which provided professional education and supported the UW-Madison School of Business and other academic units;
- University Research Park, Inc., which managed land and property for the benefit of UW-Madison; and
- UW Medical Alumni Association, Inc., which supported the UW-Madison School of Medicine and Public Health and its alumni and students.

***UW-Madison indicated that it did not have memoranda of understanding or similar agreements specifying the nature of its relationships with three affiliated organizations.***

UW-Madison indicated that it did not have memoranda of understanding or similar agreements specifying the nature of its relationships with the three affiliated organizations. As indicated in Table 8, these three affiliated organizations were not fully separate and independent from UW-Madison, according to information provided by the institution. Although UW employees did not constitute a majority of board members of any of the three organizations, as of June 30, 2017:

- four UW employees served as voting members of the board of directors of the Center for Advanced Studies in Business;
- one member of the Board of Regents and the UW-Madison chancellor served as voting members of the board of directors of University Research Park; and
- nine UW employees served as members of the board of directors of the UW Medical Alumni Association, including five who were voting members.

Table 8

**Key Aspects of the Relationships between UW-Madison and Certain Affiliated Organizations<sup>1</sup>**

	As of June 30, 2017		As of Fall 2017	
	UW Employees Were Voting Members of the Board of Directors	More than Three UW Employees Were Members of the Board of Directors	UW Employee Was Executive Director	Organization Reimbursed UW-Madison for Work Completed by UW Employees
Center for Advanced Studies in Business	✓	✓		n/a
University Research Park	✓			n/a
UW Medical Alumni Association	✓	✓	✓	✓

<sup>1</sup> According to information provided by UW-Madison.

UW-Madison indicated that as of fall 2017:

- The Center for Advanced Studies in Business employed an executive director and staff who were not UW employees. UW employees did not approve transactions or enter into obligations on behalf of the organization.
- University Research Park hired its own managing director and staff, who were then put on UW-Madison's payroll, and the organization prepaid UW-Madison for the salary and fringe benefits costs of these employees. UW employees did not approve transactions or enter into obligations on behalf of the organization.
- Three UW employees also worked as the executive director and staff of UW Medical Alumni Association, which partially reimbursed UW-Madison for the salary and fringe benefits costs associated with the time that these three employees spent doing so. However, these three employees did not track the amount of time they worked for the organization. The UW employee who also worked as executive director had signature authority for the organization's checking account.

UW-Madison indicated that it did not charge UW Medical Alumni Association for approximately 875 square feet of office space in a building it owned because the organization had donated \$240,000 toward the building's construction in 2003 and 2004, and the organization had helped raise funds to cover construction costs. UW-Madison indicated that it did not provide office space to the Center for Advanced Studies in Business or University Research Park.

UW-Madison provided payroll services at no cost to University Research Park. In addition, it loaned office equipment it no longer used to the Center for Advanced Studies in Business.

### **Establishing a New Policy**

Affiliated organizations that were not primary fundraising foundations or real estate foundations made up 62 of the 90 affiliated organizations in the list UW System Administration provided us for FY 2016-17, and UW institutions paid such affiliated organizations an estimated \$168.0 million from FY 2007-08 through FY 2016-17. The UW System President indicated support for such

affiliated organizations and the desire for the creation of additional such affiliated organizations. Affiliated organizations that are not foundations can benefit UW institutions, but inappropriate management of them creates financial and reputational risks to individual UW institutions and UW System. As noted, we found concerns with the relationship between UW-Oshkosh and the Business Success Center.

***UW System Administration should work with the Board of Regents to establish a policy governing the relationships between UW institutions and affiliated organizations that are not primary fundraising foundations.***

UW System Administration should work with the Board of Regents to establish a policy to govern the relationships between UW institutions and affiliated organizations that are not primary fundraising or real estate foundations. Doing so will help ensure that all affiliated organizations are fully separate and independent from UW institutions and that state resources are used in a transparent and accountable manner. A policy governing the relationships between UW institutions and affiliated organizations that are not primary fundraising or real estate foundations should clarify a number of issues, including the extent to which:

- UW employees are allowed to serve on the boards of directors of affiliated organizations and whether they are allowed to have voting powers;
- UW employees are allowed to also work for affiliated organizations, including as executive directors; and
- UW institutions are allowed to provide office space and other assets to affiliated organizations and, if so, the terms under which they are allowed to do so.

#### **Recommendation**

---

*We recommend the University of Wisconsin System Administration:*

- *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; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to implement this recommendation.*



## Increased Oversight and Monitoring ■

---

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

Increased oversight and monitoring of the relationships between UW institutions and affiliated organizations are needed. The Board of Regents is statutorily responsible for establishing the policies for UW System, while the UW System President is statutorily responsible for administering UW System, maintaining fiscal control, and implementing Board of Regents policies. Although the Board of Regents established a specific written policy in December 2017 governing the relationships between UW institutions and their primary fundraising and real estate foundations that help ensure foundations are separate and legally independent, the new operational agreements executed by UW institutions with foundations did not consistently comply with this policy. To help ensure that the Board of Regents policy is followed and state resources are used in a transparent and accountable manner, we make a number of recommendations for increasing the oversight that the Board of Regents provides and the monitoring that UW System Administration provides.

### **Increased Oversight by the Board of Regents**

UW System Administration should work with the Board of Regents to modify the policy established in December 2017 and prohibit all UW employees from serving as voting members of the boards of directors of primary fundraising and real estate foundations. This policy indicates that UW “officials” who are ex officio members of boards of directors cannot have voting powers. UW-Madison and UW-Milwaukee interpreted this provision to mean that certain UW employees, such as faculty members, are not officials and,

therefore, are allowed to have voting powers on a foundation's board of directors. Although this policy indicates that UW institutions may have representation on boards of directors, it also indicates the importance of establishing and maintaining independence between UW institutions and foundations. Prohibiting all UW employees from serving as voting members of the boards of directors will help to achieve greater independence.

We also note that although the policy indicates that UW officials who are ex officio board members cannot have voting powers, the accompanying policy statement indicates that any UW employee who is a board member must be an ex officio, non-voting member. Implementing our recommendation would rectify this inconsistency between the policy and the policy statement.

### Recommendation

---

*We recommend the University of Wisconsin System Administration:*

- *work with the Board of Regents to rectify the inconsistency between the policy and the policy statement and prohibit all University of Wisconsin employees from serving as voting members of the boards of directors of primary fundraising and real estate foundations; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to implement this recommendation.*

In November 2017, the Board of Regents approved a plan to merge UW Colleges with certain four-year universities, effective July 1, 2018. When improving its oversight of the relationships between UW institutions and foundations, the Board of Regents will need to take into account this plan because the merger will likely alter some of the relationships between UW institutions and foundations.

## **Increased Monitoring by UW System Administration**

***UW System Administration should increase its efforts to monitor the relationships between UW institutions and all affiliated organizations, including foundations.***

UW System Administration should increase its efforts to monitor the relationships between UW institutions and all affiliated organizations, including foundations. Doing so will allow the UW System President to more effectively administer UW System in compliance with the statutory requirements to maintain effective fiscal control over UW System and implement the policies established by the Board of Regents.

***UW System Administration should require UW employees to track the amount of time they work for any affiliated organization, including a foundation.***

First, UW System Administration should require UW employees to track the amount of time they work for any affiliated organization, including a foundation. Doing so will allow UW institutions to comply with the Board of Regents policy that indicates a UW institution cannot gift or loan personnel time to a foundation but may make it available in exchange for specific related services, payments, and other forms of remuneration. As noted, we found that UW institutions could not know whether they were reimbursed or received in-kind payments for all of the salary and fringe benefits costs associated with the time that UW employees also worked for the foundations and other affiliated organizations because UW employees did not track the amount of time they spent doing so. Some UW institutions indicated that it would be challenging to determine the precise extent to which certain UW employees also work for foundations because such work often benefits both the UW institutions and the foundations. Nevertheless, if UW institutions are unable to determine the precise extent to which certain UW employees also work for foundations or affiliated organizations, they can estimate the extent to which these UW employees do so.

***UW System Administration should provide guidance and training to UW employees who also work for any affiliated organization, including a foundation.***

Second, UW System Administration should provide guidance and training to UW employees who also work for any affiliated organization, including a foundation. Guidance and training could help these UW employees comply with relevant policies, including the Board of Regents policy that was established in December 2017. Guidance and training could also explain how UW employees are expected to resolve conflicts of interest they may face while also working for affiliated organizations. For example, chancellors and boards of directors at times may have competing ideas about how best to raise and spend funds, establish strategies and priorities, and negotiate lease agreements and other contracts between UW institutions and affiliated organizations. In such situations, UW employees who are hired and evaluated by chancellors but who also work for boards of directors of affiliated organizations may find it difficult to support and advise both the chancellors and the boards of directors.

In February 2018, the Board of Regents established a conflict of interest policy for Regents. This policy prohibits Regents, members of the immediate families of Regents, and any organizations with which Regents are associated from obtaining “anything of value from any real property in which a Foundation that supports any UW System institution has a financial ownership interest,” unless a Regent obtains authorization from the Board of Regents. This policy requires staff in the Board of Regents Office and UW System Administration’s General Counsel to compare items on the agendas of meetings of the Board of Regents with information that Regents included on the statements of economic interests that they filed with

the Wisconsin Ethics Commission. However, this procedure may be insufficient to identify conflicts of interest. We found UW employees who filed statements of economic interests typically excluded information about their relationships with foundations because the foundations are nonprofit entities. As noted, individuals who file statements of economic interests must list their investments and business activities and the identity of each organization of which they were an officer or director, unless an organization is a nonprofit entity. Affiliated organizations that develop or invest in real property may or may not be nonprofit entities.

Guidance and training could also help UW employees better understand their statutory obligations, including compliance with contracting and purchasing laws and the code of ethics for public officials and employees. In addition, guidance and training could help UW employees respond to information requests from the Legislative Audit Bureau. As noted, UW employees did not provide all audit-related information that they possessed. In some instances, UW employees informed us that they had denied our information requests, or had delayed providing us with requested information, at the direction of foundation governing boards.

***UW System Administration should provide UW institutions with written guidance on identifying all of the entities that are affiliated organizations.***

Third, UW System Administration should provide UW institutions with written guidance on identifying all of the entities that are affiliated organizations. Factors to determine which entities are affiliated organizations could include:

- the entity provides resources or benefits to a UW institution;
- the entity receives financial, administrative, or other support from a UW institution;
- UW employees serve on the entity's board of directors;
- UW employees also work for the entity; or
- the entity uses office space in a building owned, operated, or maintained by a UW institution.

***UW System Administration should require UW institutions to annually report certain information about the nature of each relationship with an affiliated organization, including a foundation.***

Fourth, UW System Administration should require UW institutions to annually report certain information about the nature of each relationship with an affiliated organization, including a foundation. Information to more effectively monitor these relationships could include:

- the most-recent memoranda of understanding and operational agreements between each UW institution and each affiliated organization;
- the value of funding and in-kind contributions, by type, that each UW institution received from each affiliated organization in the prior year;
- the value of support, by type, that each UW institution provided to each affiliated organization in the prior year;
- a determination of whether the overall value of the contributions received from a given affiliated organization was greater than the overall value of the support provided by the UW institution;
- the number of UW employees serving on the board of directors of each affiliated organization and whether these UW employees had voting powers; and
- the number of UW employees who also worked for each affiliated organization, with an indication of whether any of these UW employees worked as the executive director or in a similar position.

As noted, we found that it is unclear whether the value of financial contributions made by foundations exceeded the value of support that UW institutions provided to foundations. We note that all institutions in the Minnesota State Colleges and Universities system are required to annually complete analyses that compare the financial costs and benefits of the relationship between each institution and its foundation. The results of these analyses are provided to the system.

Although UW institutions benefit from their relationships with foundations, their reliance on foundation-provided support can result in unexpected and significant funding shortfalls that should be brought to the attention of UW System Administration. In reviewing the minutes of meetings of the board of directors of UW-Platteville Foundation, we found that a UW employee indicated in June 2016 that “some excess funds will be made available by the University to

eliminate the deficits to certain funds and make them solvent.”

UW-Platteville indicated to us that it used \$1.0 million of its own funds to pay for student scholarships, supplies, UW employee salary and fringe benefits, and other items that the foundation typically would have funded. According to UW-Platteville, the foundation did not provide it with the \$1.0 million because the foundation could no longer afford to do so. UW-Platteville indicated that it partially funded this amount with \$459,000 in tuition funds, but it did not indicate the funding source for the remaining \$540,300.

***UW System Administration should direct its Office of Internal Audit to determine whether the information annually reported by UW institutions complies with the Board of Regents policy.***

Fifth, UW System Administration should direct its Office of Internal Audit to determine whether the information annually reported by UW institutions complies with the Board of Regents policy and is accurate, complete, and consistent for all UW institutions. For example, the Office of Internal Audit could ensure that UW institutions did not gift or loan personnel time to a foundation. As noted, we found that five operational agreements that UW institutions executed with foundations in 2017 did not consistently comply with the Board of Regents policy.

***UW System Administration should direct its Office of Internal Audit to annually review a sample of payments from UW institutions to affiliated organizations, including foundations, and determine the appropriateness of these payments.***

Sixth, UW System Administration should direct its Office of Internal Audit to annually review a sample of payments from UW institutions to affiliated organizations, including foundations, and determine the appropriateness of these payments. In June 2017, the Board of Regents approved the FY 2017-18 audit plan for the Office of Internal Audit. This audit plan indicates that the Office of Internal Audit will evaluate the propriety of transactions between UW institutions and their foundations, and that it will review the supporting documentation for a sample of transactions in order to evaluate compliance with what is now the Board of Regents policy governing the relationships between UW institutions and foundations. However, the audit plan does not include an evaluation of transactions between UW institutions and affiliated organizations that are not foundations. As noted, UW institutions paid affiliated organizations that were not primary fundraising foundations or real estate foundations an estimated \$168.0 million from FY 2007-08 through FY 2016-17, and we recommend that UW System Administration assign a unique vendor identification number to each affiliated organization, which will help the Office of Internal Audit to independently identify a sample of payments to review.

**☑ Recommendation**

---

*We recommend University of Wisconsin System Administration:*

- *require University of Wisconsin employees to track the amount of time they work for any affiliated organization;*
- *provide guidance and training to University of Wisconsin employees who also work for any affiliated organization;*
- *provide University of Wisconsin institutions with written guidance on identifying all affiliated organizations;*
- *require University of Wisconsin institutions to annually report certain information about the nature of each relationship with an affiliated organization;*
- *direct the Office of Internal Audit to determine whether the information annually reported by University of Wisconsin institutions complies with the Board of Regents policy and is accurate, complete, and consistent;*
- *direct the Office of Internal Audit to annually review a sample of payments from University of Wisconsin institutions to affiliated organizations and determine the appropriateness of these payments; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to implement these recommendations.*

***UW System Administration should annually assess each relationship with an affiliated organization and determine whether any changes are necessary.***

With the information reported by UW institutions, UW System Administration should annually assess each relationship between a UW institution and an affiliated organization, including a foundation, and determine whether any changes are necessary. For example, if a memorandum of understanding were to allow UW officials to have voting powers while serving as ex officio members of the board of directors of a foundation, UW System Administration could direct that the memorandum of understanding be modified to bring it into compliance with the Board of Regents policy. In some instances, UW System Administration could decide

that a given relationship involves excessive risks for UW System or provides insufficient benefits to warrant its continuation. In such circumstances, UW System Administration could direct that this relationship be terminated.

A change to a given relationship may also be needed if UW System Administration identifies concerns with a UW employee who also works as the executive director of a foundation or other affiliated organization. Although the Board of Regents policy allows UW employees to also work as executive directors of foundations, this policy indicates that it is preferable that a foundation hire and pay for its own executive director. Although some may believe that foundations with few assets may find it difficult to afford their own executive directors, we found that the 13 foundations with the lowest amounts of net assets in FY 2015-16, according to information provided by UW System Administration, hired and paid for their own executive directors as of June 30, 2017. We note that a task force established by the chairman of the Board of Regents of the University of Texas System recommended that university employees should not also work for foundations, other than in extraordinary circumstances.

We question whether a foundation can be fully separate and independent if its executive director is a UW employee, particularly if a UW institution's chancellor has the full and sole authority to hire and evaluate that UW employee, as may occur in certain situations noted in the Board of Regents policy. If UW System Administration identifies concerns with relationships involving UW employees who also work as executive directors, it may need to advise the Board of Regents to prohibit UW employees from also working as executive directors. Regardless of whether UW System Administration identifies any concerns with the relationship between a UW institution and an affiliated organization, it should report the results of each annual assessment to the Board of Regents.

#### **☑ Recommendation**

---

*We recommend University of Wisconsin System Administration:*

- *annually assess each relationship with an affiliated organization, determine whether any changes are necessary, and report the results of each assessment to the Board of Regents; and*
- *report to the Joint Legislative Audit Committee by June 29, 2018, on its efforts to implement this recommendation.*

## Issue for Legislative Consideration

***The Legislature could consider modifying statutes to define all UW employees who also work for affiliated organizations to be state public officials.***

The Legislature could also consider modifying statutes to define all UW employees who also work for affiliated organizations to be state public officials under s. 19.42 (14), Wis. Stats. Doing so would require these UW employees to adhere to the statutorily prescribed code of ethics, which prohibits state public officials from soliciting or accepting anything of value if it could reasonably be expected to influence their actions or judgment, or if it could reasonably be considered to be a reward for any official action or inaction on their part. Currently, statutes define a state public official to include only a small number of UW employees, including the UW System President and vice presidents, as well as the chancellors and vice chancellors of UW institutions. We found that many of the UW employees who also worked for foundations and other affiliated organizations in recent years were not in positions that are statutorily defined to be state public officials and, therefore, are not subject to the statutorily prescribed code of ethics.

■ ■ ■ ■



---

## **Appendices ■**

---



Appendix 1

**Members of the UW System Board of Regents**  
December 2017

Member	Term
Robert Atwell	May 2017 to May 2024
John Behling	May 2012 to May 2019
José Delgado	May 2014 to May 2021
Lisa Erickson (student)	May 2016 to May 2018
Tony Evers	Ex officio
Margaret Farrow	June 2013 to May 2020
Michael Grebe	June 2015 to May 2022
Eve Hall	May 2014 to May 2021
Tim Higgins	November 2011 to May 2018
Mike Jones	May 2017 to May 2024
Tracey Klein	May 2016 to May 2023
Regina Millner	May 2012 to May 2019
Janice Mueller	June 2013 to May 2020
Drew Petersen	May 2015 to May 2022
Ryan Ring (student)	May 2017 to May 2019
Bryan Steil	May 2016 to May 2023
S. Mark Tyler	Ex officio
Gerald Whitburn	November 2011 to May 2018



Appendix 2

**Chancellors of UW Institutions**

December 2017

UW Institution	Chancellor
Colleges/Extension	Cathy Sandeen
Eau Claire	James Schmidt
Green Bay	Gary Miller
La Crosse	Joe Gow
Madison	Rebecca Blank
Milwaukee	Mark Mone
Oshkosh	Andrew Leavitt
Parkside	Deborah Ford
Platteville	Dennis Shields
River Falls	Dean Van Galen
Stevens Point	Bernie Patterson
Stout	Bob Meyer
Superior	Renee Wachter
Whitewater	Beverly Kopper



Appendix 3

**Number of Affiliated Organizations, by UW Institution**

As Identified by UW System Administration

UW Institution	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Colleges	14	13	13	13	14	14	14	15	15	14
Eau Claire	1	1	1	1	2	2	2	2	2	2
Extension	2	2	2	2	2	2	2	2	2	4
Green Bay	3	3	3	3	4	3	3	3	3	3
La Crosse	2	2	2	2	2	2	2	2	2	2
Madison	22	25	26	26	26	27	27	28	28	37
Milwaukee	2	4	4	4	4	5	5	5	5	4
Oshkosh	3	3	3	3	3	3	3	3	3	7
Parkside	2	2	2	2	3	4	4	3	3	3
Platteville	1	1	1	1	1	2	2	4	4	4
River Falls	1	1	1	1	1	1	1	1	1	1
Stevens Point	2	2	2	2	2	2	2	2	2	4
Stout	1	1	1	1	1	1	1	1	1	1
Superior	2	2	2	2	2	2	2	2	2	2
Whitewater	1	1	1	1	1	1	1	1	1	2
<b>Total</b>	<b>59</b>	<b>63</b>	<b>64</b>	<b>64</b>	<b>68</b>	<b>71</b>	<b>71</b>	<b>74</b>	<b>74</b>	<b>90</b>



Appendix 4

**UW System Affiliated Organizations<sup>1</sup>**

FY 2016-17

**UW Colleges**

---

Friends of the Campus, Inc.

---

Richland County Campus Foundation, Ltd.

---

University Foundation: UW-Marshfield/Wood County

---

UW-Barron County Foundation, Inc.

---

UW Center-Rock County Association, Inc.

---

UW-Fond du Lac Foundation, Inc.

---

UW-Fox Valley Foundation, Inc.

---

UW-Manitowoc Foundation, Inc.

---

UW-Marathon County Campus Food Service Cooperative

---

UW-Marathon County Foundation, Inc.

---

UW-Marinette Foundation

---

UW-Sheboygan County Foundation, Inc.

---

UW-Waukesha Foundation, Inc.

---

Washington County Campus Foundation

---

**UW-Eau Claire**

---

Blugold Real Estate, LLC

---

UW-Eau Claire Foundation, Inc.

---

**UW-Extension**

---

Friends of WHA-TV, Inc.

---

Leadership Wisconsin, Inc.

---

Wisconsin 4-H Foundation, Inc.

---

Wisconsin Public Radio Association

---

**UW-Green Bay**

---

Alumni Association of UW-Green Bay

---

University Village Housing, Inc. c/o U.W.G.B., Business & Finance

---

UW-Green Bay Foundation, Inc.

---

**UW-La Crosse**

---

UW-La Crosse Alumni Association

---

UW-La Crosse Foundation, Inc.

---

**UW-Madison**

---

Babcock House

---

Badger Basketball Boosters, Inc.

---

Center for Advanced Studies in Business, Inc.

---

**UW-Madison** *(continued)*

---

Friends of Madison Student Radio, Inc.

---

Friends of the Arboretum, Inc.

---

Friends of the Geology Museum UW-Madison, Inc.

---

Friends of the School of Human Ecology at UW-Madison, Inc.

---

Friends of the Waisman Center, Inc.

---

Friends of the Wisconsin Singers, Inc.

---

Friends of UW Veterinary Medicine Teaching Program, Inc.

---

Healthy Minds Innovations, Inc.

---

Hillel Foundation UW, Inc.

---

Jennie Bowman FBO UW Memorial Fund

---

Kelab, Inc.

---

Madison Family Residency Corp., Inc.

---

Memorial Union Association, Inc.

---

Mendota Gridiron Club, Inc.

---

Morgridge Institute for Research

---

National W Club, Inc.

---

Regional Division, Inc.

---

Terry Family Foundation, Inc.

---

University Research Park Facilities Corp.

---

University Research Park, Inc.

---

UW Foundation

---

UW Medical Alumni Association, Inc.

---

UW Medical Foundation, Inc.

---

UW School of Pharmacy Alumni Association, Inc.

---

UW-Madison Nurses Alumni Association, Inc.

---

UW-Madison Ophthalmology Alumni Association, Inc.

---

UW-Madison Retirement Association, Inc.

---

UW-Madison Supporting Organization, Inc.

---

WiCell Research Institute

---

William F. Vilas Trust Estate

---

Wisconsin Alumni Research Foundation (WARF)

---

Wisconsin Center For Education Products & Services (WCEPS)

---

Wisconsin Technology Innovation Initiative, Inc. (Wi2)

---

WiSys Technology Foundation, Inc.

---

**UW-Milwaukee**

---

UW-Milwaukee Alumni Association, Inc.

---

UWM Foundation, Inc.

---

UWM Real Estate Foundation, Inc.

---

UWM Research Foundation, Inc.

---

**UW-Oshkosh**

---

Business Success Center, Inc.

---

UW-Oshkosh Alumni Association, Inc.

---

UW-Oshkosh Foundation Hotel Project, LLC

---

UW-Oshkosh Foundation Rosendale Biodigester, LLC

---

UW-Oshkosh Foundation, Inc.

---

UW-Oshkosh Foundation-Alumni Welcome & Conference Center, LLC

---

UW-Oshkosh Foundation-Witzel, LLC

---

**UW-Parkside**

---

Friends of the UW-Parkside Library

---

UW-Parkside Alumni Association

---

UW-Parkside Foundation, Inc.

---

**UW-Platteville**

---

UW-Platteville Alumni Association

---

UW-Platteville Foundation, Inc.

---

UW-Platteville Pioneer Education and Development Foundation, Inc.

---

UW-Platteville Real Estate Foundation, Inc.

---

**UW-River Falls**

---

UW-River Falls Foundation, Inc.

---

**UW-Stevens Point**

---

American Suzuki Foundation of Stevens Point WI, Inc.

---

Friends of Schmeekle, Inc.

---

UW-Stevens Point Foundation, Inc.

---

UW-Stevens Point Paper Science Foundation

---

**UW-Stout**

---

Stout University Foundation, Inc.

---

**UW-Superior**

---

UW-Superior Alumni Association

---

UW-Superior Foundation, Inc.

---

**UW-Whitewater**

---

UW-Whitewater Foundation

---

Warhawk Real Estate Foundation, LLC

---

<sup>1</sup> As identified by UW System Administration.



## Appendix 5

### Primary Fundraising Foundations, by UW Institution<sup>1</sup>

UW Institution	Foundation
<b>Universities</b>	
Eau Claire	UW-Eau Claire Foundation, Inc.
Green Bay	UW-Green Bay Foundation, Inc.
La Crosse	UW-La Crosse Foundation, Inc.
Madison	UW Foundation
Milwaukee	UWM Foundation, Inc.
Parkside	UW-Parkside Foundation, Inc.
Platteville	UW-Platteville Foundation, Inc.
River Falls	UW-River Falls Foundation, Inc.
Stevens Point	UW-Stevens Point Foundation, Inc.
Stout	Stout University Foundation, Inc.
Superior	UW-Superior Foundation, Inc.
Whitewater	UW-Whitewater Foundation
<b>Colleges</b>	
Baraboo/Sauk County	Friends of the Campus, Inc.
Barron County	UW-Barron County Foundation, Inc.
Fond du Lac	UW-Fond du Lac Foundation, Inc.
Fox Valley	UW-Fox Valley Foundation, Inc.
Manitowoc	UW-Manitowoc Foundation, Inc.
Marathon County	UW-Marathon County Foundation, Inc.
Marinette	UW-Marinette Foundation
Marshfield/Wood County	University Foundation: UW-Marshfield/Wood County
Richland	Richland County Campus Foundation, Ltd.
Rock County	UW Center-Rock County Association, Inc.
Sheboygan	UW-Sheboygan County Foundation, Inc.
Washington County	Washington County Campus Foundation
Waukesha	UW-Waukesha Foundation, Inc.

<sup>1</sup> We excluded UW-Oshkosh from our analysis.



## Appendix 6

### **Relationships between UW Institutions and Primary Fundraising Foundations**

This appendix describes key information about the relationship between each UW institution, other than UW-Oshkosh, and its primary fundraising foundation, as identified in Appendix 5. UW institutions provided us with the information in this appendix, other than each foundation's reported net assets.

The foundations affiliated with four-year universities are presented first and are in alphabetical order by university. The foundations affiliated with colleges are presented next and are in alphabetical order by college. The following information pertains to each UW institution's primary fundraising foundation:

- **Reported Net Assets**—indicates the amount of net assets each foundation reported to the Internal Revenue Service in documents that were publicly available as of mid-December 2017;
- **Memorandum of Understanding**—indicates whether an agreement describing the responsibilities of the foundation and the UW institution was provided to us and was in effect during our ten-year audit period;
- **Bylaws**—indicates whether foundation bylaws, which typically discussed issues such as the foundation's purpose, the powers and composition of the foundation's board, and staff responsibilities in managing foundation affairs, were provided to us and were in effect during our ten-year audit period;
- **Board of Directors**—indicates whether UW employees served on and possessed voting powers on the foundation's board of directors during our ten-year audit period;
- **Executive Director**—indicates whether a UW employee also worked as the executive director of the foundation as of June 30, 2017;
- **Number of UW Employees**—indicates whether the foundation provided reimbursement for the salary and fringe benefits costs of UW employees who also worked for the foundation, as of June 30, 2017;
- **Approval of Financial Transactions**—indicates whether UW employees were authorized to approve transactions on behalf of the foundation during our ten-year audit period; and
- **Office Space**—indicates whether the foundation used and paid for UW office space, and whether the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

**New Memorandum of Understanding**

*In addition, we determined whether a new memorandum of understanding and related agreements described certain responsibilities of a UW institution and its primary fundraising foundation.*

## UW-Eau Claire Foundation, Inc. (UW-Eau Claire)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$63.9 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from June 2009 through June 2017.

**Bylaws:** In effect from June 2008 through October 2014 and from October 2015 through June 2017.

**Board of Directors:** UW employees served simultaneously as voting members of the foundation's board. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Executive Director of University Advancement at UW-Eau Claire also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Eau Claire for all of the salary but none of the fringe benefits costs of 17 UW-Eau Claire employees, all of whom also worked for the foundation. In addition, the foundation provided reimbursement for all of the salary but none of the fringe benefits costs of the executive director.

**Approval of Financial Transactions:** Some UW-Eau Claire employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Eau Claire. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### **New Memorandum of Understanding**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## UW-Green Bay Foundation, Inc. (UW-Green Bay)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$16.6 million, as of December 31, 2015.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from April 2011 through June 2017.

**Board of Directors:** No information was provided on whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor for University Advancement at UW-Green Bay also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Green Bay for some of the salary and fringe benefits costs of one UW-Green Bay employee who worked for the foundation. The foundation did not provide reimbursement for the salary and fringe benefits costs of the UW-Green Bay employee who also worked as its executive director.

**Approval of Financial Transactions:** One UW-Green Bay employee was authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Green Bay. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding and Related Agreements as of October 27, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor for University Advancement at UW-Green Bay also works as the executive director of the foundation.

**Number of UW Employees:** The foundation provides \$30,000 in reimbursement to UW-Green Bay for a portion of the salary and fringe benefits costs of one UW-Green Bay employee. UW-Green Bay funds the FY 2017-18 salary and fringe benefits costs of eight UW-Green Bay employees who also work for the foundation. UW-Green Bay funds the salary and fringe benefits costs of the UW-Green Bay employee who also works as the executive director of the foundation. The agreement requires the foundation to provide an estimated overall amount of funding in exchange for all support it receives from the institution, rather than an amount specifically for the salary and fringe benefits costs of these UW-Green Bay employees.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions or enter into obligations on its behalf.

**Office Space:** The foundation is not required to pay an annual fee to use office space at UW-Green Bay. No information was provided indicating that the foundation is required to pay rent or make in-kind payments at the fair-market rate for the office space.

## UW-La Crosse Foundation, Inc. (UW-La Crosse)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$24.4 million, as of December 31, 2015.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from February 2010 through June 2017.

**Board of Directors:** UW employees served simultaneously as voting members of the foundation's board. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor for University Advancement at UW-La Crosse also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-La Crosse for some of the salary and fringe benefits costs of three UW-La Crosse employees. The foundation did not provide reimbursement for the salary and fringe benefits costs of the UW-La Crosse employee who also worked as the foundation's executive director.

**Approval of Financial Transactions:** Some UW-La Crosse employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation paid for the construction of a building that was gifted to UW-La Crosse in 1992. In return for the gift of the building, UW-La Crosse did not require the foundation to pay for the use of office space in the building. Because UW-La Crosse did not calculate a fair-market rate for the office space, it cannot be certain whether the value of the building exceeded the total amount of rent that it could have charged the foundation over the past 25 years.

---

### ***New Memorandum of Understanding and Related Agreements as of November 17, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor for University Advancement at UW-La Crosse also works as the executive director of the foundation.

**Number of UW Employees:** The foundation funds all of the salary and fringe benefits costs of three UW-La Crosse employees and a portion of the costs of two UW-La Crosse employees. UW-La Crosse funds all of the salary and fringe benefits costs of six UW-La Crosse employees and a portion of the costs of two UW-La Crosse employees. The foundation funds 40.0 percent of the salary and fringe benefits costs of the UW-La Crosse employee who works as the executive director of the foundation and UW-La Crosse funds 60.0 percent of the costs.

**Approval of Financial Transactions:** The foundation is required to have policies and controls that define the circumstances in which UW employees may approve transactions and enter into obligations on behalf of the foundation.

**Office Space:** The foundation paid for the construction of a building that was gifted to UW-La Crosse in 1992. In return for the gift of the building, UW-La Crosse does not require the foundation to pay for

the use of office space in the building. Because UW-La Crosse does not calculate a fair-market rate for the office space, as required by the Board of Regents policy, it does not know when the total amount of rent that it could have charged the foundation will exceed the value of the building.

## UW Foundation (UW-Madison)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$3.2 billion, as of June 30, 2016.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect in June 2017.

**Board of Directors:** No UW employees served on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** No UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation paid an annual fee to use office space at UW-Madison. The fee was \$347,461 for FY 2016-17. Information was provided that indicates that the foundation paid an annual fee at a fair-market rate for the office space.

---

### **New Memorandum of Understanding as of November 1, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee works as the executive director for the foundation.

**Number of UW Employees:** No UW employees work for the foundation.

**Approval of Financial Transactions:** The foundation is not required to have policies and controls that define the circumstances in which UW employees may approve transactions and enter into obligations on behalf of the foundation.

**Office Space:** The foundation is required to pay an annual fee to use office space at UW-Madison. Information was provided that indicates that the foundation is required to pay an annual fee at a fair-market rate for the office space.

## UWM Foundation, Inc. (UW-Milwaukee)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$120.7 million, as of June 30, 2015.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** One UW employee served simultaneously as a voting member of the foundation's board. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Senior Special Assistant in the Office of the Chancellor at UW-Milwaukee also worked as the foundation's executive director. These two positions were held independently of one another because the individual was hired part-time at UW-Milwaukee and hired separately by the foundation to work part-time as the executive director.

**Number of UW Employees as of June 30, 2017:** No UW-Milwaukee employees worked for the foundation other than the UW-Milwaukee employee who worked as the foundation's executive director. The foundation separately compensated the executive director for work completed for the foundation.

**Approval of Financial Transactions:** One UW employee, who worked as the executive director of the foundation, was authorized to approve transactions on behalf of the foundation.

**Office Space:** The foundation did not use office space in a building owned by UW-Milwaukee.

---

### ***New Memorandum of Understanding as of November 3, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation. UW-Milwaukee indicated that the executive director of the foundation is not a UW employee as of January 2018.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. UW-Milwaukee indicated that no UW employee worked for the foundation as of January 2018.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions or enter into obligations on its behalf. UW-Milwaukee indicated that no UW employee is allowed to approve transactions or enter into obligations on behalf of the foundation as of January 2018.

**Office Space:** The foundation does not use office space in a building owned by UW-Milwaukee.

## UW-Parkside Foundation, Inc. (UW-Parkside)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$7.7 million, as of December 31, 2015.

**Memorandum of Understanding:** In effect from November 2016 through June 2017.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** No UW employees served on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Parkside for some of the salary and fringe benefits costs of one UW-Parkside employee who worked for the foundation.

**Approval of Financial Transactions:** One UW-Parkside employee was authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was permitted the use of office space at UW-Parkside, but it did not use any office space.

---

### **New Memorandum of Understanding as of September 27, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** All UW employees are prohibited from serving as voting members of the foundation's board, but the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** UW-Parkside agrees to provide the foundation with a portion of the time of an unspecified number of UW-Parkside employees as an in-kind gift to the foundation.

**Approval of Financial Transactions:** UW-Parkside and the foundation are required to enter into an agreement that defines the circumstances in which UW employees may approve transactions and enter into obligations on behalf of the foundation. We were not provided such an agreement.

**Office Space:** The foundation is permitted to use office space at UW-Parkside. Information we were provided did not indicate whether the foundation will use office space at UW-Parkside, and if so, whether it will pay rent or make in-kind payments at a fair-market rate for the office space.

## UW-Platteville Foundation, Inc. (UW-Platteville)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$23.5 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from January 2013 through June 2017.

**Bylaws:** In effect from March 2016 through June 2017.

**Board of Directors:** Information we were provided did not allow us to determine whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Executive Director of Development and Alumni Engagement at UW-Platteville also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation did not provide reimbursement to UW-Platteville for the salary and fringe benefits costs of any UW-Platteville employees.

**Approval of Financial Transactions:** Some UW-Platteville employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Platteville. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## UW-River Falls Foundation, Inc. (UW-River Falls)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$23.6 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** One UW employee served simultaneously as a voting board member from FY 2007-08 through FY 2016-17. No more than three UW employees served on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Assistant Chancellor of University Advancement at UW-River Falls also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-River Falls for all of the salary and fringe benefits costs of two UW-River Falls employees. In addition, the foundation provided reimbursement for some of the salary and fringe benefits costs of the UW-River Falls employee who also worked as its executive director.

**Approval of Financial Transactions:** Two UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation's lease required it to pay an annual fee of \$5,400 to use office space at UW-River Falls. However, the foundation renovated the office space in 2016, and UW-River Falls considered the renovation costs to be an in-kind payment that offset the annual fee through part of FY 2018-19. No information was provided indicating that the annual fee was at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding and Related Agreements as of November 2, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Assistant Chancellor of University Advancement at UW-River Falls also works as the executive director of the foundation.

**Number of UW Employees:** UW-River Falls funds the salary and fringe benefits costs of 2.80 full-time equivalent (FTE) UW staff positions, and the foundation agrees to fund the salary and fringe benefits costs of 8.05 FTE UW staff positions. The foundation funds 16.0 percent of the salary and fringe benefits costs of the UW-River Falls employee who also works as the executive director of the foundation, and UW-River Falls funds 84.0 percent.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions or enter into obligations on its behalf.

**Office Space:** The foundation's lease agreement requires the foundation to pay an annual fee of \$5,400 to use office space at UW-River Falls. No information was provided indicating that the annual fee is set at a fair-market rate for the office space.

## UW-Stevens Point Foundation, Inc. (UW-Stevens Point)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$30.4 million, as of December 31, 2015.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from June 2009 through June 2017.

**Board of Directors:** Information we were provided did not allow us to determine whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor of University Advancement at UW-Stevens Point also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Stevens Point for all of the salary and fringe benefits costs of two UW-Stevens Point employees and some of the salary and fringe benefits costs of six UW-Stevens Point employees, all of whom worked for the foundation. The foundation did not provide reimbursement for the salary and fringe benefits costs of the UW-Stevens Point employee that worked as the executive director.

**Approval of Financial Transactions:** At least one UW employee was authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation did not pay an annual fee to use office space at UW-Stevens Point but received the office space as an in-kind payment, which was documented at the fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of October 30, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** All UW employees are prohibited from serving as voting members of the foundation's board, but the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor of University Advancement at UW-Stevens Point also works as the executive director of the foundation.

**Number of UW Employees:** The foundation is not required to reimburse UW-Stevens Point for the salary and fringe benefits costs of UW-Stevens Point employees who work for the foundation or to document the arrangement.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions or enter into obligations on its behalf.

**Office Space:** UW-Stevens Point and the foundation are required to annually review the foundation's use of office space at UW-Stevens Point. However, no documented agreement is required and no information was provided indicating whether the foundation will pay rent or make in-kind payments at a fair-market rate for the office space.

## Stout University Foundation, Inc. (UW-Stout)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$50.6 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** UW employees served simultaneously as voting members of the foundation's board. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor for University Advancement and Marketing at UW-Stout also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Stout for all of the salary and fringe benefits costs of 12 UW-Stout employees and some of the salary and fringe benefits costs of 1 UW-Stout employee, all of whom worked for the foundation. In addition, the foundation provided reimbursement for some of the salary and fringe benefits costs of the UW-Stout employee who also worked as the foundation's executive director.

**Approval of Financial Transactions:** Two UW-Stout employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was required to pay an annual fee to use office space at UW-Stout. The fee was \$3,154 for FY 2016-17. No information was provided that indicates that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding and Related Agreements as of October 30, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor for University Advancement and Marketing at UW-Stout also works as the executive director of the foundation.

**Number of UW Employees:** The foundation funds a portion of the salary and fringe benefits costs of two UW-Stout employees who also work for the foundation, and UW-Stout funds the remaining portion. The foundation also funds all of the salary and fringe benefits costs of 13 UW employees, including 9 who work part-time for the foundation and 4 who work only for UW-Stout. Part of the foundation's support is in consideration of equipment, software, and furnishings provided by UW-Stout. In addition, the foundation funds 24.0 percent of the salary and fringe benefits costs of the UW-Stout employee who also works as the executive director of the foundation, and UW-Stout funds 76.0 percent of the costs.

**Approval of Financial Transactions:** The foundation is permitted to appoint certain UW employees to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation is required to pay an annual fee to use office space at UW-Stout. No information provided to us indicated that the foundation is required to pay rent or make in-kind payments at the fair-market rate for the office space.

## UW-Superior Foundation, Inc. (UW-Superior)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$13.9 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** At least one UW employee served simultaneously as a voting board member. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor for University Advancement at UW-Superior also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Superior for all of the salary and fringe benefits costs of three UW-Superior employees who worked for the foundation. The foundation did not provide reimbursement for the salary and fringe benefits costs of the UW-Superior employee who also worked as the foundation's executive director.

**Approval of Financial Transactions:** One UW employee, who worked as the executive director of the foundation, was authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Superior. No information was provided that indicates that the foundation paid rent or made in-kind payments at the fair-market rate for the office space.

---

### ***New Memorandum of Understanding and Related Agreements as of September 22, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor for University Advancement at UW-Superior also works as the executive director of the foundation.

**Number of UW Employees:** UW-Superior funds the salary and fringe benefits costs of three UW-Superior employees who also work for the foundation. The foundation reimburses the institution for the salary and fringe benefits costs of an unspecified number of other UW-Superior employees. UW-Superior funds the salary and fringe benefits costs of the UW-Superior employee who also works as the executive director of the foundation, in exchange for unspecified fundraising and development services provided by the foundation.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions on its behalf.

**Office Space:** The foundation is not required to pay an annual fee to use office space at UW-Superior. No information is provided that indicates that the foundation is required to pay rent or make in-kind payments at the fair-market rate for the office space.

## UW-Whitewater Foundation (UW-Whitewater)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$29.4 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect in June 2017.

**Bylaws:** In effect from October 2008 through June 2017.

**Board of Directors:** UW employees served simultaneously as voting members of the foundation's board. More than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** The Vice Chancellor for University Advancement at UW-Whitewater also worked as the executive director of the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Whitewater for some of the salary and fringe benefit costs of two UW-Whitewater employees who worked for the foundation. The foundation did not provide reimbursement for the salary or fringe benefit costs of the UW-Whitewater employee who worked as the executive director.

**Approval of Financial Transactions:** Two UW-Whitewater employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation paid an annual fee to use office space at UW-Whitewater. The fee was \$2,040 from FY 2007-08 through FY 2015-16. Information indicated this amount was half of the fair-market rate when the original lease for office space was signed in 1992.

---

### ***New Memorandum of Understanding as of June 7, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** The Vice Chancellor for University Advancement at UW-Whitewater also works as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation is required to have policies defining the circumstances in which UW employees may approve transactions on its behalf.

**Office Space:** The foundation is required to pay an annual fee of \$2,040 to use office space at UW-Whitewater. Information indicated this amount is half of the fair-market rate when the original lease for office space was signed in 1992.

## Friends of the Campus, Inc. (UW-Baraboo/Sauk County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$1.0 million, as of June 30, 2016.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** Information we were provided did not allow us to determine whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Baraboo/Sauk County. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of July 18, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** UW employees are not prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Barron County Foundation, Inc. (UW-Barron County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$0.4 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from FY 2013-14 through FY 2016-17.

**Bylaws:** No bylaws were provided that were in effect at any time from FY 2007-08 through FY 2016-17.

**Board of Directors:** At least one UW employee served simultaneously as a voting member of the foundation's board. No information was provided on whether more than three UW employees served on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW-Barron County employee worked half-time as the foundation's executive director and separately worked half-time for UW-Barron County in a position unrelated to the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation provided reimbursement to UW-Barron County for the salary and fringe benefits costs associated with time spent by one UW-Barron County employee who worked as the foundation's executive director.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Barron County. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### **New Memorandum of Understanding as of September 18, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** UW employees are not prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Fond du Lac Foundation, Inc. (UW-Fond du Lac)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$0.4 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from July 2015 through June 2017.

**Bylaws:** No bylaws were provided that were in effect at any time from FY 2007-08 through FY 2016-17.

**Board of Directors:** No information was provided on whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** Information we were provided did not allow us to determine whether the salary and fringe benefits costs of any UW employees were reimbursed by the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions through part of June 2017. A new memorandum of understanding became effective in June 2017.

**Office Space:** The foundation paid an annual fee to use office space and receive other services at UW-Fond du Lac. The fee was \$8,000 in FY 2015-16. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of June 19, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Fox Valley Foundation, Inc. (UW-Fox Valley)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$2.6 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect in June 2017.

**Bylaws:** In effect from August 2014 through June 2017.

**Board of Directors:** UW employees served simultaneously as voting members of the foundation's board. Information we were provided did not allow us to determine whether there were more than three UW employees serving on the board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** UW employees were typically not authorized to approve financial transactions on behalf of the foundation.

**Office Space:** UW-Fox Valley required the foundation to pay an annual fee of \$1 for office space. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### **New Memorandum of Understanding as of June 23, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Manitowoc Foundation, Inc. (UW-Manitowoc)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$0.6 million, as of August 31, 2016.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** No bylaws were provided that were in effect at any time from FY 2007-08 through FY 2016-17.

**Board of Directors:** No information was provided on whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Manitowoc. No information was provided that indicates that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of August 9, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** UW employees are not prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Marathon County Foundation, Inc. (UW-Marathon County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$3.7 million, as of June 30, 2016.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** UW employees served as voting members of the foundation's board at some point from FY 2007-08 through FY 2016-17. No more than three UW employees served simultaneously on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** No UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Marathon County. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### **New Memorandum of Understanding as of July 10, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW-Marinette Foundation (UW-Marinette)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$1.0 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from April 2016 through June 2017.

**Bylaws:** In effect from December 2015 through June 2017.

**Board of Directors:** No information was provided on whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was required to pay an annual fee to use office space at UW-Marinette, which was \$300 for FY 2016-17. No information was provided that indicates that the foundation paid rent or made in-kind payments at the fair-market rate for the office space.

---

### ***New Memorandum of Understanding***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## University Foundation: UW-Marshfield/Wood County (UW-Marshfield/Wood County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$4.7 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from September 2014 through June 2017.

**Bylaws:** In effect from September 2013 through June 2017.

**Board of Directors:** At least one UW employee served simultaneously as a voting member of the foundation's board. Information we were provided did not allow us to determine whether more than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** No UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation paid an annual fee to use office space at UW-Marshfield/Wood County, which was \$300 for FY 2016-17. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of July 14, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employees are prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## Richland County Campus Foundation, Ltd. (UW-Richland)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$2.7 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect in June 2017.

**Bylaws:** In effect from FY 2007-08 through FY 2016-17.

**Board of Directors:** No information was provided on whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions through part of June 2017. A new memorandum of understanding became effective in June 2017.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Richland. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### **New Memorandum of Understanding as of June 13, 2017**

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## UW Center-Rock County Association, Inc. (UW-Rock County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$0.4 million, as of June 30, 2016.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** No bylaws were provided that were in effect at any time from FY 2007-08 through FY 2016-17.

**Board of Directors:** At least one UW employee served as a voting member of the foundation's board at some points from FY 2007-08 through FY 2016-17. Information we were provided did not allow us to determine whether more than three UW employees served simultaneously on the foundation's board at the same time from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Rock County. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## UW-Sheboygan County Foundation, Inc. (UW-Sheboygan)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$1.0 million, as of August 31, 2015.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from February 2013 through June 2017.

**Board of Directors:** Information we were provided did not allow us to determine whether UW employees served and voted on the foundation's board from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was required to pay an annual fee to use office space at UW-Sheboygan. The fee was \$120 in FY 2016-17. No information was provided indicating that the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## Washington County Campus Foundation (UW-Washington County)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$3.1 million, as of June 30, 2016.

**Memorandum of Understanding:** No memorandum of understanding was provided that was in effect at any time from FY 2007-08 through FY 2016-17.

**Bylaws:** In effect from November 2013 through June 2017.

**Board of Directors:** UW employees served as voting members of the foundation's board. More than three UW employees served simultaneously on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** No UW employees worked for the foundation.

**Approval of Financial Transactions:** One UW employee was authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation paid an annual fee to use office space at UW-Washington County. The fee was \$1,200 for FY 2016-17. No information was provided indicating that the foundation paid rent or made in-kind payments at the fair-market rate for the office space.

---

### ***New Memorandum of Understanding***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

We were not provided a new memorandum of understanding as of November 2017.

## UW-Waukesha Foundation, Inc. (UW-Waukesha)

---

### **FY 2007-08 through FY 2016-17**

**Reported Net Assets:** \$1.4 million, as of June 30, 2016.

**Memorandum of Understanding:** In effect from September 2013 through June 2017.

**Bylaws:** No bylaws were provided that were in effect at any time from FY 2007-08 through FY 2016-17.

**Board of Directors:** At least one UW employee served simultaneously as a voting member of the foundation's board. Information we were provided did not allow us to determine whether more than three UW employees served on the foundation's board at some point from FY 2007-08 through FY 2016-17.

**Executive Director as of June 30, 2017:** A UW employee did not work as the executive director for the foundation.

**Number of UW Employees as of June 30, 2017:** The foundation did not provide reimbursement for the salary and fringe benefits costs of any UW employees. One UW employee worked separately for the foundation and was compensated separately.

**Approval of Financial Transactions:** Information we were provided did not indicate whether UW employees were authorized to approve financial transactions on behalf of the foundation.

**Office Space:** The foundation was not required to pay an annual fee to use office space at UW-Waukesha. No information was provided that indicated the foundation paid rent or made in-kind payments at a fair-market rate for the office space.

---

### ***New Memorandum of Understanding as of September 25, 2017***

*The UW System President required UW institutions to comply by November 1, 2017, with written requirements previously provided to all chancellors in April 2017. We requested that UW System Administration provide us with all new memoranda of understanding, which must contain the provisions that are now required by the Board of Regents policy. Most memoranda of understanding referred to related agreements that contained additional information.*

**Board of Directors:** Not all UW employees are prohibited from serving as voting members of the foundation's board, and the total number of UW employees serving on the board is not limited.

**Executive Director:** No UW employee is prohibited from working as the executive director of the foundation.

**Number of UW Employees:** Reimbursements for the salary and fringe benefits costs of any UW employees who work for the foundation are required to be documented in a separate agreement. We were not provided such an agreement.

**Approval of Financial Transactions:** The foundation's board of directors is permitted to authorize the Regional Executive Officer/Dean to approve financial transactions on behalf of the foundation in extraordinary situations. UW employees are generally prohibited from approving transactions on behalf of the foundation.

**Office Space:** The foundation's use of UW office space is required to be reviewed annually and documented in a separate agreement. We were not provided such an agreement.

## Appendix 7

### **Key Information about the Relationships between UW Institutions and Primary Fundraising Foundations**

UW institutions provided us with the information in this appendix. The table shows the following information pertaining to the relationship between each UW institution, other than UW-Oshkosh, and its primary fundraising foundation:

- **UW Employees Were Voting Members of Foundation Board**—indicates that at least one UW employee had voting power on the foundation’s board of directors;
- **More than Three UW Employees Were Members of Foundation Board**—indicates that more than three UW employees served simultaneously on the foundation’s board of directors;
- **UW Employee Worked as Foundation Executive Director**—indicates that the executive director was a UW employee who also worked for the foundation;
- **Foundation Reimbursed UW for Work Completed by UW Employees**—indicates that a UW institution was reimbursed by the foundation for at least a portion of the salary and fringe benefits costs of UW employees who also worked for the foundation, other than as executive directors; and
- **Foundation Did Not Provide Fair-Market Rate for UW Office Space**—indicates that a UW institution did not provide documentation indicating that it received rent or in-kind payments at a fair-market rate for the office space.

In the table, check marks for a given UW institution indicate that a condition applied to the relationship between a UW institution and a foundation, an empty box indicates that a condition did not apply, a mark of “n/a” indicates that the condition was not applicable, and a shaded box indicates that we did not receive the relevant information.

## Relationships between UW Institutions and Primary Fundraising Foundations<sup>1</sup>

Foundation Affiliated with:	FY 2007-08 through FY 2016-17		As of June 30, 2017		
	UW Employees Were Voting Members of Foundation Board	More than Three UW Employees Were Members of Foundation Board	UW Employee Worked as Foundation Executive Director	Foundation Reimbursed UW for Work Completed by UW Employees	Foundation Did Not Provide Fair-Market Rate for UW Office Space
<b>Universities</b>					
Eau Claire	✓	✓	✓	✓	
Green Bay			✓	✓	
La Crosse	✓	✓	✓	✓	
Madison				n/a	
Milwaukee	✓	✓	✓	n/a	n/a
Parkside				✓	n/a
Platteville			✓		
River Falls	✓		✓	✓	
Stevens Point			✓	✓	
Stout	✓	✓	✓	✓	
Superior	✓	✓	✓	✓	
Whitewater	✓	✓	✓	✓	
<b>Colleges</b>					
Baraboo/Sauk County				n/a	
Barron County	✓		✓	n/a	
Fond du Lac				n/a	
Fox Valley	✓			n/a	
Manitowoc				n/a	
Marathon County	✓			n/a	
Marinette				n/a	
Marshfield/Wood County	✓			n/a	
Richland				n/a	
Rock County	✓			n/a	
Sheboygan				n/a	
Washington County	✓	✓		n/a	
Waukesha	✓			n/a	

<sup>1</sup> According to information provided by UW institutions. Shaded cells indicate that we did not receive the relevant information. We excluded UW-Oshkosh from our analysis.

Appendix 8

**Private Fundraising Foundations at Universities in Other States<sup>1, 2</sup>**

	University Had Written Agreement with Foundation	University Employees			
		Were on Foundation's Board	Had Voting Powers	Worked as Executive Director	Worked for Foundation
<b>Illinois</b>					
Illinois State University	✓	✓		✓	
<b>Indiana</b>					
Indiana University	✓				✓
<b>Iowa</b>					
Iowa State University	✓	✓	✓		
University of Iowa	✓				
University of Northern Iowa	✓			✓	✓
<b>Maryland</b>					
Towson University	✓	✓		✓	✓
<b>Michigan</b>					
Eastern Michigan University	✓	✓	✓	✓	
Grand Valley State University	✓			✓	✓
Michigan State University <sup>3</sup>	n/a	n/a	n/a	n/a	n/a
<b>Minnesota</b>					
University of Minnesota	✓			✓	✓
Winona State University	✓			✓	✓
<b>Nebraska</b>					
Chadron State College	✓	✓			✓
University of Nebraska-Lincoln	✓	✓			
Wayne State College	✓				✓
<b>New Jersey</b>					
Rowan University	✓	✓		✓	✓
<b>Ohio</b>					
Cleveland State University	✓	✓		✓	✓
University of Cincinnati	✓	✓			

	University Had Written Agreement with Foundation	University Employees			
		Were on Foundation's Board	Had Voting Powers	Worked as Executive Director	Worked for Foundation
<b>Pennsylvania</b>					
Pennsylvania State University <sup>3</sup>	n/a	n/a	n/a	n/a	n/a
Slippery Rock University	✓	✓			

<sup>1</sup> Shaded cells indicate that the university did not provide us with the relevant information.

<sup>2</sup> Other universities we contacted but for which we did not receive information: Bowie State University, Bowling Green State University, The College of New Jersey, Coppin State University, Frostburg State University, Governors State University, Indiana State University, Miami University, Morgan State University, Northwestern University, Ohio State University, Purdue University, Rutgers University, Salisbury University, St. Mary's College of Maryland, University of Akron, University of Baltimore, University of California-Berkeley, University of California-Santa Barbara, University of California-Santa Cruz, University of Illinois at Urbana-Champaign, University of Maryland College Park, University of Michigan, and University of Texas at Austin.

<sup>3</sup> This university did not have a private fundraising foundation.

---

## **Response ■**

---





Office of the President

1700 Van Hise Hall, 1220 Linden Drive  
Madison, Wisconsin 53706-1559  
(608) 262-2321 Phone  
(608) 262-3985 Fax  
website: [www.wisconsin.edu](http://www.wisconsin.edu)

February 28, 2018

Joe Chrisman, Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Auditor Chrisman,

Thank you for the opportunity to respond to the Legislative Audit Bureau's (LAB) evaluation of the relationships between University of Wisconsin System (UWS) institutions and affiliated foundations.

As you are aware, LAB's audit began in March 2017. Even before the LAB audit started, we had already begun to make internal changes to review and update our oversight of primary fundraising and real estate foundation relationships. As indicated in your audit, we have made significant progress on this front. Further, we are continuing our efforts to ensure the ongoing integrity, efficiency, and transparency of these organizations.

As our state and federal elected officials, the LAB, and UWS stakeholders recognize and appreciate, foundations play a central role in supporting the educational and research successes of our campuses and the communities we serve. Indeed, Wisconsin's widely respected public institutions of higher education would not exist in the same form without the generous financial support of our alumni and community friends. Their investment in affiliated fundraising organizations is a testament to their pride in the caliber of UW institutions and, more importantly, speaks to their trust that these foundations will be good stewards of the dollars they receive.

The foundations and organizations that are the subject of this audit provide scholarships, fund academic programs and research, and allow the UW System to develop the opportunities that make our campuses globally competitive and locally valued. This funding also reduces the need to rely on funding from public coffers. Some of these funds are designated by donors to establish endowments that will support students and help the university recruit and retain outstanding talent for many years to come. We, like you and your team, recognize the importance of ensuring these organizations operate effectively so they can continue to nimbly support the campuses and communities we call home.

The following pages provide an overview of our response to your team's work of nearly a year, which confirms the UW-Oshkosh issues identified and resolved by the Board of Regents were isolated incidents. I am pleased this audit did not find illegal or inappropriate loans or guarantees at any other foundation or organization such as those identified at UW-Oshkosh.

The UW System will continually strive to ensure transparency, while maintaining the important philanthropic relationships necessary to support our universities and students. I value the knowledge gained from our ongoing internal process, as well as the recommendations included in your audit.

Sincerely,

A handwritten signature in black ink that reads "Ray Cross".

Ray Cross, President

## LAB AUDIT CONCLUSIONS

**I. UWS and the Board of Regents established appropriate standards for campus relationships with foundations.** In 2017, the UW System and UWS Board of Regents proactively set auditing standards, Memoranda of Understanding (MOUs), operating agreements, and Regent policy to govern the relationships between UW institutions and primary affiliated and real estate foundations. **The LAB found these to be appropriate standards, and UWS will ensure these policies are adhered to and refined as needed.**

- In March 2017, the UW System proactively announced additional accountability and transparency measures related to foundation financial transactions before the Legislative Audit Committee. These accountability requirements were designed and enacted without LAB recommendation or legislative action because we recognize the importance of maintaining the integrity of these essential organizations.

The UW System and Board of Regents will continue to establish and enforce policies and rules, as well as continue to actively monitor oversight of foundation relationships.

These measures were underway – but not yet completed – before the LAB began its review.

- ✓ UW System President Cross issued a *Foundation Principles, Best Practices, and Requirements* document to UW campuses in April 2017. Institutions were required to sign a new MOU with their primary affiliated foundation by November 2017 that incorporated the provisions outlined. (*Note: UW-Oshkosh was excluded from this requirement due to pending litigation.*)
  - ✓ In [June 2017](#), the Board of Regents approved the UW System’s Office of Internal Audit Fiscal 2018 Audit Plan. This will include an audit of financial transactions with foundations, and measure compliance against the newly established foundation principles and guidelines. These findings will be reported to the Board of Regents this fall. This internal audit will address LAB’s concerns about compliance with newly adopted policies, and enable the Board of Regents to refine our internal policies and procedures as needed.
  - ✓ In addition, the Board of Regents codified these new accountability measures in [Regent Policy Document 21-9](#) in December 2017. The purpose of the policy is to ensure that UW institutions and their primary fundraising foundation and any real estate foundation operate effectively and responsibly, consistent with the reasonable expectations of both public and private interests, on behalf of UW System and its institutions.
- The accountability and transparency improvements the UW System has been implementing were utilized as the standard by LAB in its audit:
    - ✓ Throughout the various time periods referenced in the report, the LAB retroactively uses the standards announced in early 2017, but not yet implemented until November 2017.
    - ✓ The UWS was compared to 19 other universities as LAB states in the report: *“We contacted 43 universities in other states to determine how they govern their relationships with fundraising foundations and obtained information from 19 of them.”*
    - ✓ By using the UW System’s own standards, and comparing the UWS to other states, the LAB clearly indicates acceptance of the UWS reporting requirements and foundation relationship principles.

## II. The LAB found the financial transactions between UW institutions and foundations to be appropriate.

- **No illegal guarantees or loans.** A key purpose of the LAB audit was to identify if any illegal guarantees or loans were issued at other UW institutions like those made by two former employees of UW-Oshkosh, who are the subjects of civil legal action pursued by the UW System and Board of Regents.

One abundantly clear conclusion from the audit is that LAB did not identify illegal guarantees or loans at other UW institutions such as those allegedly executed by the former Chancellor and Vice Chancellor/Chief Business at UW-Oshkosh under the former administration. This confirms the findings of the UW System's internal review.

- ✓ LAB audited the independent, primary affiliated fundraising and real estate foundation transactions as requested by the Legislative Audit Committee in March 2017, which are also detailed in the [UW System's Review of Foundation Financial Transactions report](#).
- ✓ LAB found the financial transactions between UW institutions and foundations to be appropriate.

## III. The UWS and the Board of Regents should have the opportunity to address campus relationships with affiliated organizations before LAB imposes criteria and standards for such affiliates.

- ✓ As noted in the UWS exit interview on February 19, 2018, LAB did not identify or establish a materiality threshold for its audit as typically considered best practice by the *International Standards on Auditing* or the *Governmental Accounting Standards Board (GASB)*.
- ✓ In addition to its audit of primary fund-raising and real estate foundations, LAB expanded its audit to review any affiliated organization associated with the UW's research and comprehensive institutions. LAB included small internal entities, such as a center on campus created to serve students that may only generate around \$1,000 in revenue and gifts to the UWS.
- ✓ Since responsibility for the System rests with the Board of Regents, the Board should decide the criteria for affiliated organizations and the oversight of such organizations before LAB decides what those organizations are and what standards of oversight apply.

## IV. UW System Administration and UW institutions were cooperative with LAB throughout the year-long review process.

- Given our ongoing, long-term relationship and discussions with LAB, it was disappointing that UWS Administration or institutional staff were characterized as uncooperative. As LAB knew, and expressly acknowledged to the Audit Committee at the onset of this audit, parts of their requests would have to be answered by the foundations, which are independent, private organizations.
  - ✓ LAB acknowledges its authority scope in the report, which is defined in [Wis. Stat. 13.94](#), by saying: *"During this evaluation, we did not contact any affiliated organizations, in part, because our statutory authority does not generally extend to records maintained by private entities." [emphasis added]*

Indeed, the Attorney General's 1994 Plache Opinion noted that foundations *"...are an integral part of a robust university. But they cannot be regarded as legal arms or agents of the university itself. Although the university cannot delegate its functions or accountability to these independent bodies, it may accept their beneficence. See sec. 20.285(5)(j), Wis. Stats."*
- Furthermore, LAB recognizes its statutory limitation regarding private foundations as recently exhibited in the [January 2018 State Fair Park audit](#). In that instance, LAB relied only on publicly available documents, such as IRS Form 990's.

- While recognizing this statutory limitation on LAB’s authority, LAB also creates the impression that UW employees were somehow a hindrance to information sought by auditors, namely, (1) Foundation Board minutes, and (2) donor information.
  - ✓ Although LAB’s statutory authority does not extend to private entities, the UW System facilitated meetings to help LAB gather information deemed confidential under state law as LAB requested. ***See the attached November 17, 2017, letter from Finance Vice President Sean Nelson to Joe Chrisman.***

**V. The UW System agrees with many of the LAB recommendations. We have already implemented, or are in the process of implementing, policies aligned with the vast majority of LAB’s recommendations.**

- Assign a unique vendor identification number to each affiliated organization in its accounting system and ensure these numbers are consistently used.
  - ✓ As part of an accounting system upgrade that began in May 2017, the UWS Office of Finance is already consolidating each UW institution’s vendor list into one centralized vendor file that can be utilized by all campuses and System Administration. UWS expects to implement the new vendor ID numbers in October 2018, and can report on its progress to the Audit Committee.
- 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.
  - ✓ UW institutions have submitted updated foundation MOUs in accordance with the UW System principles and guidelines document.
  - ✓ The UW System will detail rent or in-kind office space in operating agreements as a subset of the larger affiliated foundation MOU. These operating agreements will be reviewed regularly as part of routine audit proceedings.
  - ✓ The UW System will require chancellors to sign attestations certifying compliance with the [Board of Regents Policy 21-9](#).
- 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.
  - ✓ The UW System will define “affiliated organizations” beyond the associated primary fundraising and real estate foundations. *Note: the UWS will continue to submit affiliated organizations to the LAB each year as part of the Office of Finance’s annual financial statements compilation. LAB currently audits those lists annually.*
  - ✓ The UW System will work with the Board of Regents to establish a new policy that assesses operating agreements. The operating agreements will define space costs, as well as personnel time as appropriate.
  - ✓ In its report, LAB spent a considerable amount of time detailing the UW-Oshkosh Business Success Center as an example of a non-primary affiliated organization. LAB acknowledges the issues were resolved by the [dissolution of the entity](#) as outlined in the UWS foundation transaction review report issued in October 2017. That dissolution occurred because of proactive UWS leadership.

- 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.
  - ✓ While it is common and reasonable for university officials to be foundation board members because of their connection to the university, effective November 1, 2017, officials must be ex-officio and non-voting members of the foundation board. This arrangement helps reinforce independence by ensuring that university officials have no voting control over the governance of the foundation.
  
- 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.
  - ✓ As noted previously, the UW System will define “affiliated organizations” beyond the associated primary fundraising and real estate foundations. The UW System and Board of Regents will then determine how to best incorporate these considerations into Board policy subject to those decisions. UWS will also consider how to best provide guidance and training to the appropriate employees engaged in work with primary affiliated and real estate foundations.
  - ✓ As noted in the [UWS foundation transaction review report issued in October 2017](#), affiliated foundations will now have more stringent reporting standards and all foundations will be required to provide a more detailed annual financial report. This will better capture potential payments to the affiliated foundation that might happen outside of the state or the institution’s accounting process. According to the Foundation Principles, foundations that receive annual contributions of \$300,000 - \$500,000 must have their annual financial report reviewed by an independent Certified Public Accountant (CPA). Foundations that receive annual contributions of more than \$500,000 must submit an independent audit each year. For FY 2017, this will result in all four-year UW institutions, two two-year UW institutions, and two real estate foundations providing audited financial reports. UW System financial staff will review each financial report to consider their general financial health and identify any possible transactions between the foundation and UW institution. Additionally, UW System financial staff will review each statement for materiality, to determine whether each foundation should be captured in the UW System annual financial report.
  
- Annually assess relationships with affiliated organizations and determine whether any changes are necessary.
  - ✓ As LAB acknowledges in its report, *“The Board of Regents policy requires a foundation to be separate and legally independent from its corresponding UW institution.”* The UWS appreciates this recommendation and will continually evaluate the best approach to assessing these relationships subject to Board decisions related to affiliated organizations.
  
- **For Legislative Consideration:** require certain UW employees to annually file statements of economic interests (SOEs) with the Wisconsin Ethics Commission.
  - ✓ As the LAB notes in its report, *“We reviewed the statements of economic interests filed by 98 UW employees who were required to file them from January 2017 through mid-July 2017. The Ethics Commission indicated that all UW employees who were statutorily required to file statements of economic interests during this time period did so.”* [emphasis added] Additionally, the BOR recently adopted ethics [policy 2-4](#), which includes additional requirements for Regents that go beyond what is required in state law.
  - ✓ It appears that LAB did not take into account the existing ethics requirements under [UWS-8](#) for those employees who are not public officials.

- ✓ The UWS agrees that certain UW employees would benefit from additional requirements instituted through Board of Regent policy that would expand the use of outside activities reporting and the filing of similar types of information found in an SOE. These measures will be taken to provide additional transparency and accountability.
- **For Legislative Consideration:** define UW employees who also work for affiliated organizations to be state public officials.
  - ✓ We do not recommend any statutory change to require UW employees to be designated as state public officials where there has not been a definition established for what constitutes an “affiliated organization.” As noted above, the Board proposes to develop a policy to address affiliated organizations, and can address any concerns related to reporting, ethics, or conflicts of interest in such a policy.
  - ✓ Additionally, existing Board of Regents [Code of Ethics policy 20-22](#) applies to all UW System employees, and along with the proposed Board policy described above, is more than sufficient to cover this recommendation without seeking legislative change. The policy recognizes that faculty, academic staff, and limited appointees are subject to UWS-8 of the Wisconsin Administrative Code, and that university employees who are state public officials will remain subject to Subchapter III of Wis. Stat. Chapter 19. University Staff are subject to the University Staff Code of Ethics set forth in section III below which was closely modeled after Chapter ER-MRS 24 of the Wisconsin Administrative Code, the Code of Ethics for classified state employees.



**Office of the Vice President for Finance**

1624 Van Hise Hall  
1220 Linden Drive  
Madison, Wisconsin 53706-1559  
(608) 262-1311 Phone  
e-mail: [snelson@uwsa.edu](mailto:snelson@uwsa.edu)  
website: [www.wisconsin.edu](http://www.wisconsin.edu)

November 17, 2017

Joe Chrisman, Auditor  
Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Auditor Chrisman,

Thanks to you and members of your staff for a productive conversation on November 5, 2017, regarding the status and direction of the Legislative Audit Bureau's audit of the University of Wisconsin System relationships to certain affiliated organizations. We appreciated the recognition that our institutions and their respective affiliated foundations have been overwhelmingly responsive to your requests from the onset of the audit in March.

We also appreciated the opportunity to share the concerns foundations have raised about distributing confidential donor information during the LAB review. We will all continue to assist you in achieving your objectives while protecting this sensitive information.

President Cross shared your letter following that meeting (dated November 6), which highlights various information that is still pending from several campuses. As we discussed, we will proceed with the mutually acceptable solution to arrange for a physical in-person review of non-redacted foundation board minutes.

This will ensure that LAB has the information it needs related to the relationship between institutions and foundations, while also protecting the privacy and confidentiality of donors, which is information typically redacted pursuant to the balancing test under state law (Wis. Stat. 19.36(1)(a)) when fulfilling public record requests submitted to the UW. Of course, the LAB has additional statutory authority when conducting audits. In speaking with Dean Swenson earlier today, we are working together to complete the review of foundation minutes within the next two to three weeks.

Thank you again for the opportunity to move forward in an efficient, cooperative manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'SPN', written in a cursive style.

Sean P. Nelson