

UW System: Releases comprehensive review of institution payments to foundations

Posted on Wednesday, Oct 18, 2017

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Today, UW System officials released a comprehensive analysis of payments made from UW institutions to their affiliated foundations between July 1, 2010 and January 31, 2017. The 134-page report provides details of the UW System's Office of Finance (Finance) assessment of financial transactions during the seven-year time period. Finance's query included the word "foundation" and various derivatives of it, identifying 2,072 transactions totaling \$36,520,490.70. After completing this comprehensive analysis, Finance did not identify illegal guarantees or loans such as those allegedly executed by former UW-Oshkosh Chancellor Richard Wells and former Vice Chancellor of Administrative Services and Chief Business Officer Thomas Sonnleitner.

Finance staff analyzed supporting documentation for every single transaction valued at \$5,000 or more, as well as multiple transactions that together totaled \$5,000 or more in one fiscal year. This process was shared with the Legislative Audit Bureau (LAB), and the UW System continues to work collaboratively with LAB on its review of foundation transactions.

There are valid, legal reasons why a UW institution makes a payment to its affiliated foundation. For example, an institution may need to pay back its foundation for a

donated scholarship if a student withdraws, or make real estate lease payments for renting space in a foundation-owned building.

- Query identified 2,072 transactions totaling \$36,520,490.70
- Finance analyzed documentation for \$35,482,312.96 in payments = 97.2%
- Of the remaining 2.8% of transactions, 796 were valued at \$200 or less and averaged \$83.42

Background

In January 2017, the UW System and Board of Regents announced they were pursuing civil legal action against former UW-Oshkosh (UWO) Chancellor Richard Wells and former Vice Chancellor of Administrative Services and Chief Business Officer Thomas Sonnleitner. According to the Wisconsin Department of Justice complaint, Wells and Sonnleitner made illegal financial transfers from 2010-2014 from UW-Oshkosh to the UWO Foundation related to five real estate projects.

Following the review of financial documents related to recent UWO Foundation projects, Finance immediately began a comprehensive assessment of payments made from UW institutions to their affiliated foundations between July 1, 2010 and January 31, 2017. The State's record retention schedule for expenditure-accounts payable transactions is seven years, and the UW System chose this historical period to perform the most extensive documentation review possible.

"The UW System has taken significant steps to improve transparency related to foundation transactions, while maintaining the important relationship between the UW and its affiliated foundations which support our universities and students," said UW System President Cross. "Foundations provide student scholarships, fund academic programs and research, and help the UW System develop the learning facilities needed for student success. These vital partnerships must be executed with integrity and remain above reproach. This analysis demonstrates the integrity of foundations across the system, and we will continue to take the appropriate steps to ensure transactions are handled appropriately."

Accountability and Transparency Improvements Implemented

The UW System has taken additional steps to ensure the transparency and accountability of foundation financial transactions for students, families, the Board of Regents, legislators and the general public.

- Starting in fiscal year 2017, chancellors will sign an annual attestation stating that

all financial records are accurate and materially complete.

- All UW officials must be ex-officio and non-voting members of a foundation board. This helps reinforce independence by ensuring that UW members have no voting control over the governance of the foundation.
- The UW System has implemented additional documentation requirements in its Pre-audit Manual. Documentation must be “complete and understandable to an independent third party without additional information.”
- Affiliated foundations 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’s or the institution’s accounting process.
- 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.
- The affiliated foundations must ratify an updated Memorandum of Understanding (MOU) by November 1, 2017 (with the exception of UW-Oshkosh due to pending litigation with the existing foundation). The updated MOU must include language that:
 - o Ensures both the University and foundation understand the separate and legally independent nature of the foundation,
 - o Includes a conflict of interest policy for the foundation,
 - o Requires books and records be maintained in a professional, controlled and transparent manner and be available to the University as needed for oversight and monitoring, and
 - o Details the foundation’s responsibility for asset stewardship, maintenance of tax-exempt status, and adherence to appropriate standards of accounting.

[See the UW System review.](#)