



STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman
State Auditor

DATE: March 27, 2017

TO: Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee

FROM: Joe Chrisman
State Auditor 

SUBJECT: Proposed Audit of University of Wisconsin System Relationships to Certain
Affiliated Organizations—Background Information

At your request, we have gathered some background information the Joint Legislative Audit Committee may find useful in considering an audit of the relationships between University of Wisconsin (UW) System and certain affiliated organizations, specifically private foundations whose purpose is to support the mission of individual UW institutions.

For financial reporting purposes, UW System Administration assesses affiliated organizations on the basis of several factors, such as the legal status of the organization and the financial significance of the organization to UW System. For fiscal year (FY) 2014-15, and as we stated in report 16-3, UW System identified 74 such affiliated organizations, which included booster clubs, alumni organizations, and foundations. Generally, because these organizations are separate legal entities, UW System does not control or have direct access to the funds held by these organizations.

Recently, the Board of Regents and UW System asked the Wisconsin Department of Justice (DOJ) to pursue civil legal action against a former UW-Oshkosh Chancellor and Vice Chancellor based upon their actions regarding the UW-Oshkosh Foundation. According to the DOJ complaint, these individuals made financial transfers from UW-Oshkosh to the UW-Oshkosh Foundation related to certain real estate projects. In addition, the individuals were said to have guaranteed UW-Oshkosh Foundation's obligations related to the projects by committing UW-Oshkosh to make payments if the UW-Oshkosh Foundation could not make them.

UW System Administration is currently conducting a review of financial transactions between private foundations and UW institutions, and it is examining the existing legal documents defining the relationship between UW institutions and private foundations.

Some concerns have been raised about the extent to which relationships between UW institutions and private foundations have resulted in UW financial and personnel resources supporting private foundations and private foundation activities.

An audit of the relationships between UW System and certain affiliated organizations could:

- define the scope and nature of each of these relationships;
- analyze documents governing these relationships;
- assess compliance by the Board of Regents, UW System Administration, and UW institutions with applicable state law and policies governing these relationships;
- identify UW resources that have been provided to support these relationships;
- assess findings and outcomes resulting from UW System Administration's review of financial transactions and legal documents associated with these relationships; and
- evaluate the oversight provided by the Board of Regents, the UW System President, and the chancellors of UW institutions of matters involving these relationships.

If the Committee directs the Legislative Audit Bureau to conduct such an audit, we will use our auditor judgment to determine which relationships to analyze more fully. To do so, we will use our statutory authority to access all relevant records from UW System, including those related to the provision of any UW System resources to private foundations. However, our statutory authority does not generally extend to the records of private entities. Therefore, to complete our analyses, we may ask UW System officials to work with us to obtain the cooperation of private foundations and their staff.

I hope you find this information helpful. If you have any additional questions regarding this proposed audit, please contact me.

JC/bm

cc: Senator Chris Kapenga
Senator Alberta Darling
Senator Kathleen Vinehout
Senator Mark Miller

Representative John Macco
Representative John Nygren
Representative Melissa Sargent
Representative Terese Berceau

Dr. Raymond Cross, President
University of Wisconsin System