



UT System Administration Policy Library -- Policy # UTS117

## **Endowment Compliance Plan System-Wide Standards and Guidelines**

**Responsible Officer:** Director of Development and Gift Planning Services

**Sponsoring Office:** Office of External Relations

**Effective Date:** December 14, 2001

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**Errors or changes to:** [policyoffice@utsystem.edu](mailto:policyoffice@utsystem.edu)

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## POLICY STATEMENT

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This policy outlines the fundamental objectives that each U. T. System Institution should follow to develop and maintain an institutional compliance plan.

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## RATIONALE

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The endowment compliance process begins with strict adherence to the official *U. T. System Gift Acceptance Procedures* at the time an endowment is established. As authorized by Series 60101 of the Regents' *Rules and Regulations*, these procedures outline the administrative processes associated with the review and acceptance of permanent endowments held and administered by the Board of Regents of The University of Texas System.

It is recognized that the 15 institutions that comprise The University of Texas System differ substantially in organizational structure and the number and the nature of endowments. The following general guidelines associated with the endowment compliance process are outlined in order that they can be adapted for use by 15 different institutions.

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## SCOPE

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All institutions and UT System Administration

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## WEBSITE ADDRESS FOR THIS POLICY

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<http://www.utsystem.edu/policy/ov/uts117.html>

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## RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

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UT System Administration Policies & Standards	Other Statutes, Policies & Standards
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<ul style="list-style-type: none"> <li>• <a href="#">UTS138</a>, <i>UT System Gift Acceptance Procedures</i></li> <li>• <i>Regents' Rules and Regulations Series</i> <a href="#">60101</a>, <a href="#">60103</a></li> </ul>	
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## CONTACTS

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If you have any questions about UT System Administration policy # UTS117, Endowment Compliance Plan, contact the following office(s):

Subject	Office Name	Telephone Number	Email/URL
	Office of External Relations	512-499-4777	<a href="mailto:rsafady@utsystem.edu">rsafady@utsystem.edu</a>
	Office of Development and Gift Planning Services	512-499-4300	<a href="mailto:jlynch@utsystem.edu">jlynch@utsystem.edu</a>

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## DEFINITIONS

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### **Designated Endowment Executive**

Administrator designated by the President of the U. T. System Institution responsible for ensuring that the institution's endowments are in compliance.

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## RESPONSIBILITIES

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### **Development or Business Office of each U. T. System Institution and U. T. System**

- Initiates and submits all endowments to U. T. System Administration for approval.

### **U. T. System Office of Development and Gift Planning Services**

- Reviews and approves all endowments.

### **Each U.T. System Institution and U. T. System Administration**

- Ensures that each endowment is used for the purpose(s) intended by the donor(s) and according to the official document(s) associated with the official establishment of the endowment by the Board of Regents.
- Ensures that all endowment accounts are reviewed on a regular basis by appropriate university personnel and that funds are utilized in accordance with the terms of the endowment agreement.
- Forms an Endowment Compliance Committee comprised of key administrators from designated areas of institution that are associated with endowments.
- Conducts an annual endowment risk assessment under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.

#### **Each U. T. System Institution and U. T. System Administration**

- Designs and establishes an institutional monitoring plan under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.
- Develops and implements a training program as a requirement for personnel associated with endowment compliance under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.

#### **President of Each U.T. System Institution and Vice Chancellor for External Relations of U. T. System Administration**

- Reviews and approves the accumulation of large balances in endowment income accounts based on sound academic/research plans.
- Appoints a Designated Endowment Executive.
- Forwards an Annual Report on Endowment Compliance to the Chancellor of the U.T. System and/or to his/her designated representative.

#### **Designated representatives of the institution**

- Provide annual reports to the donor(s) of each endowment.

#### **Endowment Compliance Committee**

- Oversees the endowment compliance effort, from a broad institutional perspective, under the leadership of the Designated Endowment Executive.

#### **Designated Endowment Executive**

- Forwards recommendations and comments of the Endowment Compliance Committee to the President of the institution for his/her review and approval.

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# PROCEDURES

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## **Implementation/Enforcement Step**

### **1. Fundamental Elements of an Institutional Compliance Plan – Content**

#### **1.1 Adherence to U. T. System Gift Acceptance Procedures Associated With the Establishment of Endowments.**

All endowments are initiated and submitted to U. T. System Administration for approval by the Development or Business Office of each U. T. System Institution and U. T. System Administration, and, in turn, reviewed and approved by the Office of Development and Gift Planning Services of The University of Texas System. No endowment will be established or announced without prior approval of the Board of Regents or its designee(s).

#### **1.2 Adherence to the Terms of the Official Endowment Agreement.**

The institution should ensure that each endowment is used for the purposes(s) intended by the donor(s) and according to the official document(s) associated with the official establishment of the endowment by the Board of Regents of The University of Texas System or its designee(s).

#### **1.3 Review of Endowment Accounts.**

The institution should ensure that all endowment accounts are reviewed on a regular basis by appropriate university personnel and that funds are utilized in accordance with the terms of the endowment agreement. The accumulation of large balances in endowment income accounts should be based on sound academic/research plans that are reviewed and approved by the President of the institution or his/her designated representative.

#### **1.4 Provision of High Quality, Annual Reports to the Donor(s).**

Designated representatives of the institution should provide annual reports to the donor(s) of each endowment. The report should summarize the major activities associated with the endowment and, when appropriate, information on the holder(s) of the endowment.

Note: It is understood that institutions may have endowments for which there is no known person or entity to whom endowment reports should be directed. Therefore, the institution should develop a list of “no report” endowments and provide the list as a part of its annual report to the U. T. System.

### **2. Process**

**2.1 Designate a High Level Responsible Party.** The President of each U. T. System Institution should appoint a Designated Endowment Executive. [Note: Based on endowment compliance plans to date, it is anticipated that the Designated Endowment Executive will be the Chief Development Officer of the institution. Clearly, the Chief Development Officer is free to designate a Development staff member to assume the day-to-day responsibility for endowment compliance.]

## **2.2 Establish an Endowment Compliance Committee.**

Each U. T. System Institution and U. T. System Administration should form an Endowment Compliance Committee comprised of key administrators from designated areas of the institution that are associated with endowments. The institutional committee could be comprised of representatives of the Development Office, the Business Office, the Office of the Chief Academic Officer, the Office of the Chief Research Officer, and selected representatives from departments and/or units of the institution that hold endowments. Under the leadership of the Designated Endowment Executive, the Endowment Compliance Committee shall be responsible for considering the endowment compliance effort from a broad institutional perspective and for reviewing the institution's endowment compliance plan. At appropriate intervals, the Designated Endowment Executive should forward recommendations and comments of the Endowment Compliance Committee to the President of the institution for his/her review and approval.

## **2.3 Conduct an Annual Endowment Risk Assessment.**

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, the institution should conduct an annual endowment risk assessment. The risk assessment plan should take into account the laws, regulations, policies, and procedures to which endowments are subject, and specific endowments may be judgmentally selected. For example, the risk assessment may assess *financial* risk through a special review of endowments over a specified dollar level. In addition, the assessment might focus on endowments for which non-compliance would result in extraordinary *public concern* or *embarrassment* to the institution, as well as on other factors, based on the institution and the nature of its endowments.

## **2.4 Develop and Conduct Endowment Compliance Training Programs.**

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, a high-quality training program should be developed and implemented as a requirement for personnel associated with endowment compliance across the institution.

## **2.5 Establish a Monitoring Program for Endowments.**

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, an institutional monitoring plan should be designed and established. The plan should include a description of activities that will be performed in order to reduce the risks for non-compliance for endowments. The plan might include employee training and awareness programs, certification of compliance by endowment holders, periodic testing of select endowment expenditures, and review of policies and procedures.

## **2.6 Conduct An Endowment Reporting Plan.**

The reporting plan should specify the elements of periodic reports that should be made to both internal and external individuals or entities. For example, reports may be prepared for key administrators such as the President, Provost or Chief Academic Officer, Chief

Research Officer, Deans of colleges and schools, Directors of administrative units, etc. In addition, reports should be prepared for appropriate donors. The reporting plan should be designed so there is assurance that the institution's review and monitoring plans are functioning as intended.

### **2.7 Certify Endowment Compliance via an Annual Report to the U. T. System.**

Based on the work of the Designated Endowment Executive and in consultation with the Committee on Endowment Compliance, the President of each U. T. System institution shall forward an Annual Report on Endowment Compliance to the Chancellor of the U. T. System and/or to his/her designated representative. For the initial period of the effort, an *Interim Report* was due to the U. T. System **January 10, 2003**. The report will be due annually on a date to be agreed on at a later time. The report shall summarize the endowment compliance activities of the institution and certify that the institution is in compliance with the endowment compliance standards established by The University of Texas System. *Special Note:* For those institutions receiving an endowment compliance assessment via UTIMCO, the report shall certify that the funds received from the assessment have been expended on activities and personnel that are directly associated with the endowment compliance effort.

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## **FORMS AND TOOLS/ONLINE PROCESSES**

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N/A

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## **APPENDIX**

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