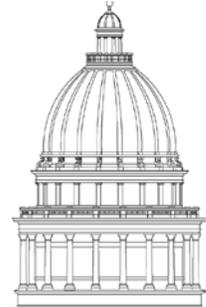


Office of
LEGISLATIVE AUDITOR GENERAL
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Scholarships Named for Sitting Chairs at The University of Utah

There appear to be few scholarships named for sitting department chairs at the University of Utah (the U of U). Further, a survey of comparable institutions revealed that few institutions have any policies prohibiting or even addressing scholarships named for sitting chairs. Nonetheless, the U of U's Development Office may want to increase oversight if the situation of an unrestricted donation being placed in a sitting chair's named scholarship arises again. Since the event that prompted this audit request appears to be an isolated incident, coupled with the fact that the University of Utah conducted its own internal audit, we do not believe that further audit work is necessary.

In October 2011, a U of U donor publicized his displeasure over the handling of his foundation's December 9, 2008 \$200,000 donation to the Hinckley Institute of Politics (Hinckley). A letter accompanying the donation, addressed to Hinckley's director, Kirk Jowers, stated the following:

It is my pleasure to donate \$200,000 to the University of Utah's Hinckley Institute of Politics to continue building the programs we discussed. I believe we share a similar vision of improving our community, state, and nation through providing opportunities for University of Utah students seeking to participate and improve our democracy

A \$200,000 donation to the Hinckley Institute was accompanied by a general letter that did not appear to restrict how the donation could be used.

and governmental institutions and in making our government, political, and policy leaders available through lectures and conferences.

\$75,000 was deposited into the Jowers Global Scholarship Fund and \$125,000 into Hinckley's general fund.

On December 10, 2008, the donation was received and two gift deposit forms were completed. One deposit form channeled \$75,000 into the Kirk and Kristen Jowers Global Scholarship Fund, while the other channeled \$125,000 into Hinckley's general fund. On both forms, the gift was identified as unrestricted and the donor was identified as wishing to remain anonymous.

Upon receiving the gift deposit forms from Hinckley, Development Office personnel did not request the donor's specific written instructions.

The Vice President of Institutional Advancement (the Development Office) at the U of U stated that normally, his office requires that donors put in writing how they would like their donation used, even if the use is discretionary. If the donor is unsure how the donation should be used, then the donation is generally put into a holding account until a written use agreement is obtained from the donor. That said, Development Office personnel did not follow this procedure with the Hinckley donation. When Development Office personnel received the two gift deposits, they believed that the Hinckley director was acting on the donor's specific written instructions, but they did not request those written instructions. The Vice President acknowledged this as a mistake. Based on information from these gift receipts, the U of U President sent the donor a letter on December 23, 2008 thanking the donor for his donation and specifying how the donation was used (\$75,000 into the Kirk Jowers Global Scholarship Fund and \$125,000 into the Hinckley Institute of Politics).

Ultimately, the donor would accuse Jowers, Hinckley's director, of appropriating the donor's anonymous gift for self-promotion. Specifically, the donor alleged that \$75,000 of his anonymous donation was placed into the Kirk and Kirsten Jowers Global Scholarship Fund without his knowledge or approval. Hinckley's director denied the donor's allegation and stated his belief that the donor knew of and supported the placement of some of his donation into the Jowers Global Scholarship Fund.

The donor maintains that he alerted Hinckley's director around January 2009 of his desire to have his entire donation placed in a fund honoring Representative Rob Bishop. Hinckley's director

acknowledges the conversation, but maintains that the donor was only talking about the \$125,000. No written documentation exists supporting either version of this conversation. In September 2010, the donor discovered that his \$75,000 was still in the Jowers Global Scholarship Fund. After again talking with Hinckley's director, \$40,000 was transferred from the Jowers Global Scholarship to Hinckley's general fund to be used in honor of Representative Rob Bishop.

Hinckley's director believed the remaining \$35,000 could not be transferred immediately because these funds were invested in long-term securities in a quasi-endowment fund within the Jowers Global Scholarship Fund. Accordingly, Hinckley's director arranged for the remaining \$35,000 to be transferred at an annual rate of \$1,250 for the next 28 years (\$1,250 times 28 equals \$35,000) and, in August 2011, one \$1,250 transfer to the Rob Bishop Fund was made. Although the U of U strongly discourages withdrawing quasi-endowment funds before the funds have been invested for five years, it is not impossible. Upon receipt of the donor's October 2011 letter of complaint, the Vice President of Development became involved. The remaining \$33,750 in funds (\$35,000 minus \$1,250) was transferred in October 2011 from the quasi-endowment fund within the Jowers Global Scholarship Fund to the Rob Bishop Civic Engagement Fund, which Hinckley's director had requested creation of in July 2011.

The \$200,000 donation was eventually placed within the Rob Bishop Civic Engagement Fund.

Named Scholarships Uncommon and Policies at U of U Comparable to Similar Institutions

While this was an unfortunate incident for the U of U, the Development Office had procedures in place that, had they been followed, might have prevented this incident from occurring. Thus, the question becomes one of a need for additional policies and procedures concerning scholarships named for sitting chairs. To help answer this overall question, we considered two sub-questions:

- How prevalent are scholarships named for sitting chairs within the U of U?
- Are the U of U's policies concerning scholarships named for sitting chairs comparatively weak?

If the percentage of scholarships named for sitting chairs is significant, then stricter policies and procedures might be merited. On the other

hand, if the percentage of scholarships named for sitting chairs is not significant, but the U of U's policies are comparatively weak, then again, policies and procedures might need to be strengthened.

It appears that scholarships named for sitting chairs is uncommon. The U of U offers around 1,400 scholarships. Only 7 of these scholarships (less than 1 percent) were identified as being a scholarship named for a sitting chair. In addition, the Jowers Global Scholarship Fund, one of the seven identified scholarships, has now been renamed. Consequently, we identified no concerns with the percentage of scholarships named for sitting chairs.

We also reviewed the donations into these scholarships named for sitting chairs and found that most appeared routine. We did follow up on two large donations (between \$10,000 and \$15,500) made by individuals (as opposed to companies). The \$15,500 donation in question comprised almost the entirety of the scholarship fund into which it was deposited, making it somewhat reminiscent of the Hinckley donation. For this donation, the Development Office provided documentation of the donor's written intent, which supported the placement of the donation. For the \$10,000 donation, the Development Office provided documentation of their verification of the donor's intent. Unlike the \$75,000 placed in the Jowers Scholarship fund, these two donations had written documentation supporting the donor's intent.

The U of U's policies concerning named scholarships are not dissimilar to those in other institutions. We contacted representatives of six surrounding higher education institutions—Arizona State University, Brigham Young University, University of Arizona, University of Colorado, University of Oregon, and Washington State University—to determine their policies concerning scholarships named for sitting chairs. Four of the six representatives (67 percent) indicated that the institution did not have any policies prohibiting scholarships named for sitting chairs.

The two remaining institutions have stricter policies and/or procedures. The University of Oregon's representative indicated that, while he was unsure of what the written policies stated, it is not the practice at Oregon to allow sitting chairs to have scholarships or anything else in their names. Brigham Young University has a policy

Less than 1 percent of the U of U's 1,400 scholarships are scholarships named for sitting chairs.

67 percent of the institutions surveyed have no policies prohibiting scholarships named for sitting chairs.

that, in general, does not allow naming anything (buildings, programs, scholarships) after a living person. However, in the case of a student scholarship, Brigham Young University is more lenient. Although it would not be easy, and the President's Council would still have to give its approval, a named student scholarship would be more of a possibility, even with the name of a sitting chair. As Brigham Young University's representative noted, nobody wants to turn down money that might help a student.

In January 2012, a policy was approved at the U of U concerning personally named scholarships. In the future, requests for such scholarships will be reviewed and approved by the Vice President for Institutional Advancement. In addition, the person for whom the scholarship is named will be discouraged from being the person responsible for scholarship revenues and expenditures.

U of U Should Ensure Two Procedural Controls Are Followed

During our interviews, the following two controls were identified, which might minimize the possibility of a Hinckley incident occurring in the future. If the Development Office has these two procedural controls in policy, then steps should be taken to ensure these procedures are always followed.

- The Development Office should disallow donations deposited by a chair into that chair's named scholarship without specific written instructions from the donor. While it is true that the donation to Hinckley appeared to be an unrestricted gift, it is important to eliminate any appearance of a conflict of interest. Appropriate sitting chairs should be notified of this policy so they understand the restrictions placed on them and their scholarships.
- When donor letters are general, as the letter to Hinckley was, the Development Office should send the donor a letter stating how the money was allocated. If the donor wishes to clarify or redirect the donation, the donor would be instructed to call the Development Office. This avenue gives the donor a chance to clarify intentions with the Development Office rather than with the chair. This action would put a disinterested third party, the Development Office, between the donor and the chair.

Brigham Young University generally prohibits naming anything after a living person, but is more lenient with student scholarships.

In the future, named scholarship requests at the U of U will be reviewed and approved by the Vice President for Institutional Advancement.

We believe these are reasonable, easy-to-implement controls that would likely prevent a Hinckley incident from occurring again. In our opinion, the U of U's Development Office should ensure these controls are incorporated and followed.

In summary, what happened between the U of U donor and Hinckley's director appears to be an isolated incident. Given the small percentage of scholarships named for sitting chairs at the U of U, coupled with the fact that the U of U's policies on scholarships named for sitting chairs do not appear comparatively weak, we do not believe additional audit work is necessary.

Recommendations

1. We recommend the Development Office disallow donations deposited by a chair into that chair's named scholarship without specific written instructions from the donor.
2. We recommend the Development Office send the donor a letter stating how the donation was allocated when letters accompanying donations are general. The Development Office's letter should include a specific Development Office contact in the event the donor wants to reallocate the donation.
3. We recommend the Development Office take steps to ensure the above procedures are always followed if these procedural controls are already in the Development Office's policies.

Agency Response

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