



SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS
COMMISSION ON COLLEGES

May 25, 2017

Dr. Gregory Postel
Interim President
University of Louisville
2301 South Third Street
Grawemeyer Hall
Louisville, KY 40292

Dear Dr. Postel:

Thank you for your response to my letter of January 27, 2017, requesting an explanation and documentation regarding your institution's ongoing compliance with the following standards: Comprehensive Standard 3.2.9 (Personnel appointment), Comprehensive Standard 3.2.13 (Institution-related entities), and Comprehensive Standard 3.10.3 (Control of finances). This request was made following receipt of copies of the Kentucky State Auditor's Examination of the Governance of the University of Louisville Foundation (ULF) and its Relationship to the University of Louisville (UofL) and the UofL Response to the Auditor's Report.

After reviewing the material submitted, Commission staff determined that there appears to be sufficient factual information supporting significant noncompliance with the *Principles of Accreditation*. In accordance with the Commission's policy on procedures dealing with the receipt of unsolicited information as outlined in "Unsolicited Information," I am authorizing an expansion of the scope of the Special Committee scheduled to visit your institution on September 19-21, 2017, to include an evaluation of compliance with the following additional standards of the *Principles of Accreditation*:

- Comprehensive Standard 3.2.13 (Institution-related entities)
 - It appears that the relationship between the institution and the University of Louisville Foundation (ULF) may not be adequately described in a formal, written manner, with clear roles and responsibilities and agreements outlining appropriate operational controls. This is a particular concern in the areas of financial reporting short-term investment practices. In its response, the institution provided additional information regarding two instances of UofL funds being provided to the ULF and to the University of Louisville Real Estate Foundation (ULREF), without review and approval by the UofL Board nor the active involvement of the UofL Senior Vice President for Finance. These actions involved funds totaling \$67 million. From the documentation provided, it remains unclear if provisions to clarify the extent of any liability arising from those actions were adequately reviewed, documented in writing, and determined to be appropriate. A review of the agreements finds that they did not include payback terms that provided for the ability of the institution to request return of the funds if needed.
- Comprehensive Standard 3.10.1. (Financial stability)
 - The institution appears to have run operational deficits in FY 2015 (\$20.9 million) and FY 2016 (\$45.6 million), with the exclusion of depreciation expense not funded or budgeted as operational by the state. It appears the institution relied on Other Revenues-Contributions from foundations to support operational outcomes in approximate amounts of \$64.8 million FY 2015 and \$93.5 million FY 2016 for operational purposes. The institution needs to further explain the relationship with the foundation and the sustainability of these Other Revenues.



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- Comprehensive Standard 3.10.3. (Control of finances)
 - It appears that the institution may not be exercising appropriate control over all of its financial resources. In the relationship between the institution and the University of Louisville Foundation (ULF), appropriate operational controls may not be clearly established in writing and/or followed in practice. In its response, the institution provided additional information regarding two instances of UofL funds being provided to the ULF and to the University of Louisville Real Estate Foundation (ULREF), without review and approval by the UofL Board nor the active involvement of the UofL Senior Vice President for Finance. These actions involved funds totaling \$67 million. From the documentation provided, it remains unclear if provisions to clarify the extent of any liability arising from those actions were adequately reviewed, documented in writing, and determined to be appropriate. As such, it is unclear if the policies and procedures are in place to ensure appropriate controls and appropriate oversight by institutional personnel responsible for monitoring these practices.

The Special Committee is charged to conduct an on-site review in order to determine your institution's compliance with the *Principles* and to forward its findings to the SACSCOC Board of Trustees to enable a decision regarding your institution's accreditation status. To that end, the Committee will review the specific standards cited above and may extend its initial focus if any evidence of additional accreditation-related compliance concerns comes to its attention.

The original unsolicited information and documentation, my notification letter of January 27, 2017, your response to the request for information, the Report of the Special Committee, the response of the institution to the Committee's report, and this letter will be forwarded to a Committee on Compliance and Reports, a standing committee of the SACSCOC Board of Trustees, for formal review in December 2017. You will be informed of the decision of the SACSCOC Board of Trustees following its meeting.

If you or your staff have any questions, please feel free to contact me or your assigned Commission staff member, Dr. Patricia Donat, at 404-994-6558.

Sincerely,

A handwritten signature in cursive script that reads "Belle S. Wheelan".

Belle S. Wheelan, Ph.D.
President

BSW/PLD:ecr

cc: Dr. Patricia L. Donat, SACSCOC Vice President
Mr. J. David Grissom, Chairman Pro Tem, UofL Board of Trustees
Ms. Connie Shumake, Institutional Accreditation Liaison ✓