



January 27, 2017

Dr. Neville Pinto
Acting President
University of Louisville
2301 South Third Street
Grawemeyer Hall
Louisville, KY 40292

Dear Dr. Pinto:

The Southern Association of Colleges and Schools Commission on Colleges' policy, "Standing Rules: SACSCOC Board of Trustees, Executive Council, and the College Delegate Assembly," (available at www.sacscoc.org) stipulates that the Commission give appropriate consideration to significant accreditation-related unsolicited information revealed about an institution between periods of scheduled review. This policy provides that an institution be afforded the opportunity to respond to concerns raised by the review of the unsolicited information.

Thank you for providing the Commission with 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, the press release regarding the auditor's report, and sections from the Preliminary Report of the SACSCOC Reaffirmation Committee (November 2016). These documents raise questions regarding the University of Louisville's ongoing compliance with the *Principles of Accreditation*. In particular, these materials and the actions described in them raise questions about the institution's adherence to its personnel policies and the institution's relationship with its foundation and related entities.

In light of these circumstances, and in accordance with the SACSCOC's policy and procedures, I am requesting that the institution prepare a report that explains and documents the extent of its compliance with the following standards of the *Principles of Accreditation*:

- Comprehensive Standard 3.2.9 (Personnel appointment)
 - It appears that the institution may not be following its personnel policies regarding the employment, evaluation, and associated compensation/benefits for its university administrators. The auditor's report stated that "compensation and benefits for these administrators were not scrutinized in the same manner for consistency with all other staff or to determine compliance with University policy." (p. 19) It also appears that UofL's Human Resources Department may not know the terms under which university administrators serve (i.e., contracts) and does not control access to all UofL personnel files as stipulated in university policy.



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- 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 clearly described in a formal, written manner, with clear roles and responsibilities and agreements outlining appropriate operational controls. It also is not clear that these governance documents are regularly reviewed and available and disseminated to relevant individuals. Moreover, the practices described in the auditor's report included a financial obligation for the institution to repay \$2,177,923 in funds to the Foundation for the cost of staff and administrator participation in a voluntary separation incentive program. [From the report, it appears that this obligation is no longer intended to be fulfilled.] The report also included two instances of endowment funds being provided to the ULF and to the University of Louisville Real Estate Foundation (and its affiliate, KYT – Louisville LLC), without review and approval by the UofL Board nor the active involvement of the UofL Senior Vice President for Finance. These actions involved endowment funds totaling \$67 million. As such, it is unclear if provisions to clarify the extent of any liability arising from those actions were reviewed, documented in writing, and determined to be appropriate. The auditor's report noted that the agreements did not include payback terms that provided for the ability of the institution to request return of the funds if needed. In addition, it is unclear whether these transactions clearly furthered the mission of the institution and conformed to the expectations that the foundation's purpose remain focused primarily toward supporting the institution or its programs.
- 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. The practices described in the auditor's report included a financial obligation for the institution to repay \$2,177,923 in funds to the Foundation for the cost of staff and administrator participation in a voluntary separation incentive program. [From the report, it appears that this obligation is no longer intended to be fulfilled.] The report also included two instances of the endowment funds being provided to the ULF and to the University of Louisville Real Estate Foundation (and its affiliate, KYT – Louisville LLC), without review and approval by the UofL Board nor the active involvement of the UofL Senior Vice President for Finance. These actions involved endowment funds totaling \$67 million. 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.



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In documenting the institution's ongoing compliance, please include the following as well as any other items supporting the institution's case: copies of the UofL Board and ULF Board bylaws; a copy of the Agency Agreement between ULF and the institution (as well as any other formal agreements between the institution and any of its foundations and/or their affiliates); any documents describing the clear identification of any liabilities related to each foundation for which the institution may be liable; a copy of the Articles of Incorporation for the Foundation; a copy of the Kentucky Statute describing the composition and authority of the UofL Board of Trustees; a roster of board members for each foundation; copies of UofL and ULF Board minutes where governance-related agenda items and financial transactions/authorizations between the foundation and institution were discussed for the last four years; the most recent audited financial statement for each foundation; and the current status of all findings in the report of December 14, 2016, and all subsequent reports. A copy of the *Principles* is enclosed.

Please submit to my office two copies of the institution's response to this letter by no later than Friday, March 3, 2017.

In accord with SACSCOC policy on the receipt of unsolicited information, the institution's response will be reviewed and, if Commission staff determines that the information is of factual substance, is accreditation-related, and calls into question the institution's compliance with the standards cited above, the information and documentation, along with the institution's response will be forwarded to the Special Committee and, as President of SACSCOC, I will authorize an expansion of the charge to the Special Committee scheduled to review the institution this fall.

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. David Grissom, Chair pro tem, UofL Board of Trustees
Ms. Connie Shumake, Institutional Accreditation Liaison