

1. Title

Endowment Compliance Plan Systemwide Standards and Guidelines

2. Policy

Sec. 1 Purpose. The purpose of this Policy is to outline the fundamental objectives and procedures that each institution and U. T. System Administration should follow to develop and maintain an institutional endowment compliance plan to ensure the highest level of fiduciary responsibility and accountability by the institution or U. T. System Administration to the endowment donor.

Sec. 2 Policy Statement. Each UT System institution and U. T. System Administration is charged with raising private sector donations for the purpose of establishing endowments to support its mission and goals. 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 Board of Regents' *Rules and Regulations*, Rule 60101, Acceptance and Administration of Gifts, these procedures outline the administrative processes associated with the review and acceptance of endowments held and administered by the Board of Regents of The University of Texas System.

Sec. 3 General Guidelines. It is recognized that the 15 institutions that comprise the U. T. 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 the 15 different institutions and U. T. System Administration.

Sec. 4 Fundamental Elements of an Institutional Compliance Plan – Content.

4.1 Approval of New or Amended Endowments. All proposed new endowments or amendments to existing endowments are initiated by the Development or Business Office of each U. T. System institution and U. T. System Administration and submitted to U. T. System Administration for review and approval by the Office of Development and Gift Planning Services of the U. T. System via authority delegated by the Board of Regents. No endowment will be established or announced without prior approval by the Board of Regents or its designee(s).

4.2 Adherence to the Intent and Terms of the Endowment Agreement and Governing Documents. The U. T. System

institution and U. T. System Administration should ensure that each endowment is used for the purposes(s) intended by the donor(s) and in accordance with the terms of the official document(s) associated with the establishment and approval of the endowment by the Board of Regents or its designee(s).

- 4.3 Review of Endowment Accounts. The U. T. System institution and U. T. System Administration should ensure that all endowment accounts are reviewed for compliance on a regular basis by appropriate personnel and that funds are utilized in accordance with the terms of the endowment agreement or other governing documents. 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 the Chancellor of the U. T. System, or his or her designated representative.
- 4.4 Annual Reports to Endowment Donor(s). The U. T. System institution and U. T. System Administration should provide annual reports to the donor(s) of each endowment. The report should summarize the major activities associated with the endowment, include a financial statement for the endowment for the report period and, when appropriate, provide information on the holder(s) or the recipient(s) of the endowment. [Note: It is understood that some endowments have no known person or entity to which endowment reports may be directed. Therefore, each U. T. System institution and U. T. System Administration should develop a list of "no report" endowments as a part of its annual report to the U. T. System.]

## Sec. 5 Process.

- 5.1 Responsible Party. The president of each U. T. System institution and the Vice Chancellor for External Relations of the U. T. System should appoint a Designated Endowment Executive. [Note: Based on endowment compliance practices to date, it is anticipated that the Designated Endowment Executive will usually be the Chief Development Officer of the institution. The Designated Endowment Executive is free to designate another staff member to assume the day-to-day responsibility for endowment compliance.]
- 5.2 Endowment Compliance Committee. Each U. T. System institution and U. T. System Administration shall form an Endowment Compliance Committee comprised of key administrators from designated areas of the institution or U. T.

System Administration who are associated with endowments. The 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, selected representatives from departments and/or units of the institution that hold endowments and if possible, the Institutional Compliance Officer, or his or her designee from the institution's Office of Compliance. Under the leadership of the Designated Endowment Executive, the Endowment Compliance Committee shall meet regularly and be responsible for considering the endowment compliance effort from a broad institutional perspective and for reviewing the institution's or U. T. System Administration'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 or the Vice Chancellor for External Relations of the U. T. System for his or her review and approval.

- 5.3 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 should conduct an annual endowment risk assessment to assess issues that could impact its ability to meet its mission and objectives. These might involve financial, operational, compliance, and/or reputational risks. The risk assessment should take into account the laws, regulations, policies, and procedures to which endowments are subject as well as other factors pertaining to the structure and organization of the institution and the nature of its endowments. Particular endowments may be intentionally selected to assess the impact and probability of occurrence of a specific risk. For example, financial risk might be assessed through a special review of endowments funded over a specified dollar amount.
- 5.4 Endowment Compliance Training. 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 endowments and/or endowment compliance across the U. T. System institution or U. T. System Administration.
- 5.5 Monitoring Plan. 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 should design and establish a monitoring plan based on its risk assessment. The plan should include a description of activities that will be performed in order to identify and reduce noncompliance for endowments. The plan might include employee training and awareness programs, certification of compliance by endowment holders, periodic testing of select endowment expenditures, and periodic review of policies and procedures.

- 5.6 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, periodic reports should be made to the president or Chancellor, and may be made to key administrators, such as the provost or chief academic or research officers, deans of colleges and schools, directors of administrative units, etc. In addition, reports should be prepared for all known donors. The reporting plan should be designed to provide assurance that the institution's review and monitoring plans are functioning as intended.
- 5.7 Certification of Endowment Compliance. Based on the work of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, the president of each U. T. System institution and the Vice Chancellor for External Relations of the U. T. System shall forward an Annual Report on Endowment Compliance to the Chancellor of the U. T. System and/or to his/her designated representative. The report will be due annually on December 1, or the agreed upon date. The report shall summarize the endowment compliance activities of the U. T. System institution or U. T. System Administration and certify that the institution is in compliance with the endowment compliance standards established by the U. T. System. [Special Note: For the U. T. System institutions or U. T. System Administration receiving an endowment compliance fee assessment via The University of Texas Investment Management Company (UTIMCO), the report shall certify that the funds received from the fee assessment have been expended on activities and personnel that are directly associated with the endowment compliance effort.]

### 3. Definitions

Designated Endowment Executive - administrator designated by the president of the U. T. System institution or the Chancellor or his or her designee for U. T.

System Administration and is responsible for ensuring that the institution's endowments are in compliance.

**4. Relevant Federal and State Statutes, Policies, and Standards**

None

**5. Relevant System Policies, Procedures, and Forms**

[UTS138, U. T. System Gift Acceptance Procedures](#)

[Board of Regents' Rules and Regulations, Rule 60101, Acceptance and Administration of Gifts](#)

[Board of Regents' Rules and Regulations, Rule 60102, Fees for Endowment Administration Management](#)

[Board of Regents' Rules and Regulations, Rule 60201, Administration of Fellowships, Scholarships, and Loan Funds](#)

[Board of Regents' Rules and Regulations, Rule 60202, Endowed Academic Positions](#)

[Implementation/Enforcement Step](#)

**6. System Administration Office(s) Responsible for Policy**

Office of External Relations

**7. Dates Approved or Amended**

December 14, 2001

March 23, 2010

November 21, 2012