

Implementation/Enforcement Step

1. Fundamental Elements of an Institutional Compliance Plan – Content

1.1 Adherence to UT System Gift Acceptance Procedures Associated With the Establishment of Endowments.

All proposed new endowments or amendments to existing endowments are initiated by the Development or Business Office of each UT System institution and UT System Administration and submitted to UT System Administration for review and approval by the Office of Development and Gift Planning Services of the UT System via authority delegated by the Board of Regents. 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 or Other Governing Documents.

The UT System institution and UT 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).

1.3 Review of Endowment Accounts.

The UT System institution and UT 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 UT System, or his/her designated representative.

1.4 Provision of High Quality, Annual Reports to Endowment Donor(s).

The UT System institution and UT 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 UT System institution and UT System Administration should develop a list of “no report” endowments as a part of its annual report to the UT System.

2. Process

2.1 Designate a High Level Responsible Party. The President of each UT System institution and the Vice Chancellor for External Relations of the UT 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.]

2.2 Establish an Endowment Compliance Committee.

Each UT System institution and UT System Administration shall form an Endowment Compliance Committee comprised of key administrators from designated areas of the institution or UT 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/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 UT 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 UT System 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, each UT System institution and UT 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

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 endowments and/or endowment compliance across the UT System institution or UT System Administration.

2.5 Establish a Monitoring Program for Endowments.

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, each UT System institution and UT 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 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 periodic review of policies and procedures.

2.6 Establish 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, period reports should be made to the President or Chancellor, and may be made to other 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.

2.7 Certify Endowment Compliance via an Annual Report to the UT System.

Based on the work of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, the President of each UT System institution and the Vice Chancellor for External Relations of the UT System shall forward an Annual Report on Endowment Compliance to the Chancellor of the UT System and/or to his/her designated representative. The report will be due annually on December 1, or on another date agreed on from time to time. The report shall summarize the endowment compliance activities of the UT System institution of UT System Administration and certify that the institution is in compliance with the endowment compliance standards established by the UT System. *Special Note:* For those UT System institutions or UT System Administration receiving an endowment compliance fee assessment via 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.