

DEVELOPMENT
SYSTEMWIDE REPORT
Report Number 95-11
April 24, 1997

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BOARD OF TRUSTEES
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ABBREVIATIONS

ADS	SCT's Alumni/Development System
BA	Business Affairs, Chancellor's Office
BSR	Business Systems Resources, Inc.
CASE	Council for Advancement and Support of Education
CFAE	Council for Aid to Education
C/S	BSR's Advance Client/Server
CSU	California State University
CSULB	California State University, Long Beach
EC	Education Code
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HSU	Humboldt State University
IA	Information Associates
NACUBO	National Association of College and University Business Officers
SCT	Systems & Computer Technology Corporation
SDSU	San Diego State University
SFSU	San Francisco State University
SJSU	San Jose State University

INTRODUCTION

PURPOSE

Our overall audit objectives were to review: reliability, confidentiality and integrity of information; compliance with relevant federal and state law, Trustee policy and Chancellor's Office directives; effectiveness, efficiency and economy of operations; and attainment of established objectives and goals.

Within the overall audit objectives, some specific goals included:

- ▶ to determine if internal controls provide adequate assurance that gifts were properly recorded and subject to reasonable accountability;
- ▶ to determine compliance with relevant tax laws regarding the handling of gifts;
- ▶ to determine if cash and negotiable items were adequately controlled and properly accounted for;
- ▶ to determine if nonpayroll operating expenditures were reasonable, complied with University policies, were properly authorized, and were adequately documented;
- ▶ to evaluate compliance with donor intentions;
- ▶ to determine if access to gift records was properly controlled with reasonable confidentiality of donor information;
- ▶ to verify that development activity was accurately reported; and
- ▶ to provide assurances that specific risks/concerns were addressed by reasonable mitigation measures.

SCOPE AND METHODOLOGY

In *Educational Fund Raising - Principles and Practices*, institutional advancement is described as a broad function of "all activities and programs undertaken by an institution to develop understanding and support from all its constituencies in order to achieve its goals in securing such resources as students, faculty and dollars" including, for example, alumni affairs, internal and external communications, government and public relations, fund raising, and enrollment management. Educational fund raising is characterized as only one important element of institutional advancement. The author indicates that the term "development" is frequently used interchangeably with "fund raising." This usage was adopted for audit purposes and used throughout this report.

This book also establishes fund-raising as a less sophisticated process than development. According to this model, some initial development activities (identification of prospects and cultivation of interest in the institution) need to be completed before the institution is ready for fund raising. Other development activities are carried on after the gift is received to assure that the funds are used for the purpose intended

(stewardship). Fund raising is simply asking for the gift. Other distinguishing features are embodied in the following quotation:

Fund raising is episodic; development is continuous. Fund raising is focused on a particular objective or set of goals; development is a generic and long-term commitment to the financial and physical growth of the institution.

Although terminology was used interchangeably, for purposes of this audit, development was considered in the broader concept indicated above—more than just asking for the gift but less than university advancement. For example, the alumni of the campus represent an important development resource, but alumni affairs was not emphasized. However, alumni organizations as separate 501(c)(3) corporations can do fund-raising in addition to their membership program. The fund raising component was included in the audit scope because, according to nationally recognized reporting standards, it is separable and needs to be identified as voluntary support whereas membership fees are always excluded.

Most of the audit was focused in the central development function at the nine campuses visited—Humboldt, Long Beach, Pomona, Sacramento, San Bernardino, San Diego, San Francisco, San Jose and San Luis Obispo. However, we also interviewed personnel and reviewed procedures related to fund-raising in other campus offices such as academic colleges/schools and departments as well as related auxiliary organizations. In the latter case, national reporting standards require consolidation of fund-raising by affiliates such as the CSU's auxiliary organizations and, throughout the CSU, auxiliaries have been set up as the recipient organizations for donations based on campus preference and local policies to that effect.

The 1994/95 fiscal year was the primary period reviewed because this was the most recent year that had reports available at the beginning of our audit—1994/95 was reported to the Board of Trustees at the January 23, 1996 meeting of the Committee on Institutional Advancement. We interviewed campus and other personnel and tested records pertaining to this period such as: cash receipts; bank deposits; non monetary (property) gift acceptance and valuation documents; donor acknowledgments; financial ledgers; endowment investments; expenditure transactions; information data bases on prospects, donors, and donations; and accountability/stewardship for donations particularly gifts with explicit restrictions imposed by the donor and contributed property.

We have not performed any auditing procedures beyond the date of our report. Accordingly, our comments are based on our knowledge as of that date and should be read with that understanding. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not discussed.

BACKGROUND

A pivotal point in the maturation of the development function in the CSU occurred at the January 1991 meeting of the Board of Trustees. At this meeting and immediately thereafter, a series of actions were put into motion, which initially called for implementation of comprehensive institutional advancement programs. Subsequently, the CSU contracted for help in evaluating institutional advancement activities with a consultant—Ketchum, Inc. which began work in March 1993. The consultant issued two reports in July 1993 and January 1994. Both reports were presented to the Board of Trustees in early 1994. In accepting these reports, certain goals were established so that, over time, the CSU would phase in a base of voluntary support summarized as 10/3/1—10 percent above net General Fund in private sector giving, 30

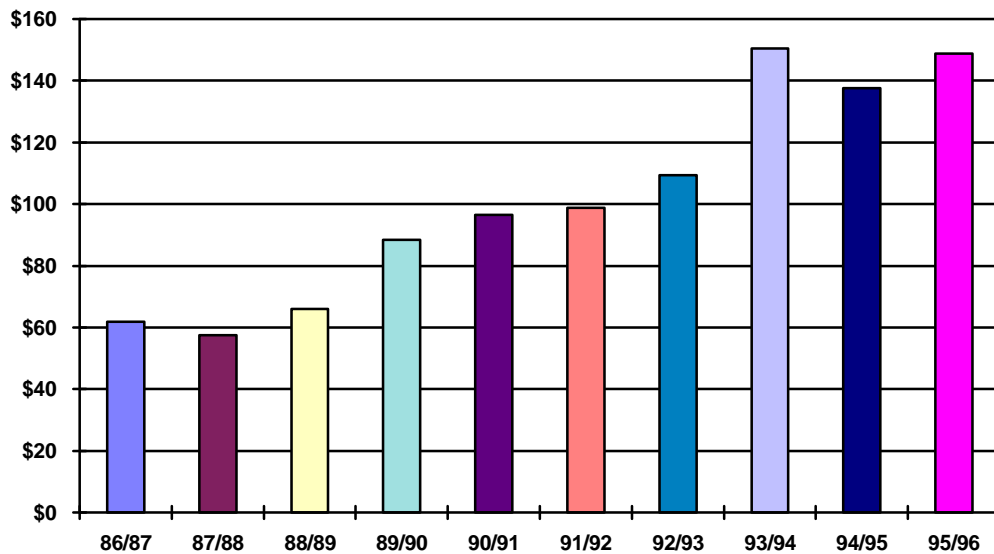
percent of the 10 percent in unrestricted operating funds, and 10 percent of the 10 percent in endowments. Our understanding is that these goals also apply individually to each of the CSU campuses.

All CSU campuses participate in the Voluntary Support of Education Survey conducted each year by the Council for Aid to Education (CFAE). This document is commonly referred to as the CFAE Report. It is based on an academic/fiscal year and has a due date of 12/31. The CFAE Report utilizes nationally recognized standards established by the Council for Advancement and Support of Education (CASE) and endorsed by the National Association of College and University Business Officers (NACUBO).

The CSU also has a long-standing requirement to annually report gifts received by the Trustees to the State by 1/5/XX (Education Code Section 89720). This requirement has been met through compilation of numbers from the CFAE Report for presentation to the January meeting of the Board of Trustees and then forwarding to the State.

The recent history of reported voluntary support in the CSU shows a trend in increases to a 1995/96 total of \$148,801,695 as follows:

Chart 1
Recent Voluntary Support
(in Million \$)



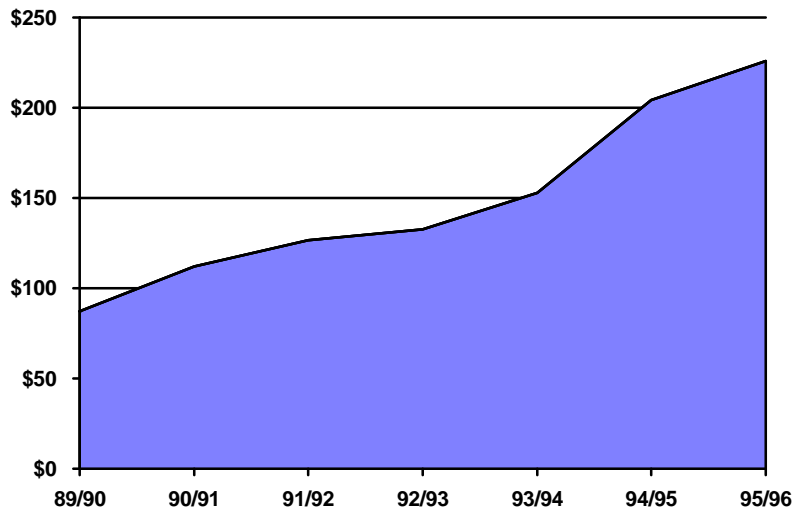
The Chancellor's Office started collecting Special Revenue Reports in 1993/94 as a means of augmenting revenues which are not considered gifts for inclusion in the CFAE Report. Since that time, special revenues have been reported on a systemwide basis as follows

Table 1
Special Revenues
(in Thousand \$)

	1993/94	1994/95	1995/96
Sponsorships	\$ 2,711	\$ 2,953	\$ 4,580
Bequests and Revocable Trusts	12,447	28,189	54,215
Multi-Year Pledges	11,748	2,921	8,185
Contracts and Grants	240,787	266,496	286,863
Property Transfers		2,504	269,455
Endowment and Other Income		14,133	27,804
TOTAL	\$ 267,694	\$ 317,197	\$ 651,101

Endowment market values within the CSU have been reported regularly in Board of Trustee agenda items since 1990. In this period endowments have increased to \$226,027,903 as of 6/30/95 as follows:

Chart 2
Market Value of CSU's Endowment
(in Million \$)



Each of the CSU campuses operate independently in maintaining records on donors and donations. However, the local systems are typically centralized within the campus development offices which process gifts to both the campus and, with very few exceptions, gifts to various affiliates such as separately incorporated auxiliary organizations. While this function is always automated, there were different systems in place as follows:

Table 2
Development Recordkeeping Systems in The CSU

CAMPUS	SYSTEM
Bakersfield	SCT Banner ADS
Chico	SCT Banner ADS
Dominguez Hills	SCT Banner ADS
Fresno	BSR Advance C/S
Fullerton	BSR Advance C/S
Hayward	Datatel Benefactor
Humboldt	Blackbaud Raisers Edge and Manatron in HSU Foundation
Long Beach	BSR Advance C/S
Los Angeles	SCT IA ADS
Maritime Academy	BSR Advance C/S
Monterey Bay	BSR Advance C/S
Northridge	Datatel Benefactor
Pomona	SCT Banner ADS
Sacramento	QuoData FundAI
San Bernardino	SCT IA ADS and Prospect Management and Tracking System
San Diego	BSR Advance C/S
San Francisco	BSR Advance C/S
San Jose	Datatel Benefactor
San Luis Obispo	SCT IA ADS
San Marcos	SCT Banner ADS
Sonoma	Alumni/On-Line Information System
Stanislaus	SCT Banner ADS

The two major vendors providing automated database record systems for development in the CSU are:

Business Systems Resources (BSR), Inc. (Waltham, Massachusetts)

The CSU recently completed a multi-campus acquisition of the Advance C/S (Client/Server) product (Master Purchase Agreement M940553, dated 6/30/95); and

Systems & Computer Technology (SCT) Corporation (Malvern, Pennsylvania)

In June 1992, SCT Corporation bought out a competitor—Information Associates (IA) of Rochester, N.Y. The ADS (Alumni/Development System) name is used for both the central mainframe (IA and IA Plus—newest release) and client/server (Banner) versions of SCT's product.

In the Chancellor's Office, development and fund-raising is a function of the vice chancellor, University Advancement. Most of the CSU campuses have a separate officer with the title of vice president in charge of the university advancement function. The exceptions are Humboldt, California Maritime Academy, Monterey Bay, and Northridge.

OPINION

Our opinion is based primarily upon our observations at the nine campuses visited during this review—Humboldt, Long Beach, Pomona, Sacramento, San Bernardino, San Diego, San Francisco, San Jose and San Luis Obispo. We visited these campuses between October 29, 1995 and September 20, 1996, and audited the respective structures in effect at that time. Campus specific findings and recommendations have been discussed and reported individually. The findings presented in this report were considered significant enough for systemwide consideration.

We found a systemic problem with fund-raising in the CSU based on the lack of resolution as to whether gifts are made to the campuses under the authority of Education Code Section 89720, or to affiliated auxiliary organizations separately empowered for receiving gifts per Education Code Sections 89901 and 89903. Both giving options are possible and should be available to prospective donors, but they have not been kept separate as necessary for different legal entities.

The majority of fund-raising was done by the campuses and the costs were borne by the state's General Fund budget. However, because many campuses requested that checks be made payable to an auxiliary, an accounting dilemma occurred—there was no matching of fund-raising revenue and expenditures and, for reporting purposes, identification of contributions in campus financial statements was not possible. Campuses did not record the majority of gifts, and the auxiliaries follow generally accepted accounting principles (GAAP) promulgated by the Financial Accounting Standards Board (FASB) which preclude revenue recognition when contributions are agency type transactions.

The fund-raising function in the CSU has been evolving rather rapidly and changes in statutes have not kept pace with actual practices. The system is not accepting gifts under the authority granted by Education Code Section 89720; the chief fiscal officers of the campuses are not handling gifts in accordance with Education Code Section 89721; and gifts are not acknowledged pursuant to the California Code of Regulations—Title 5, Sections 42300-01. The infrastructure for giving to the CSU, contemplated in these statutes and administrative law citations, is circumvented by gifts, which were usually run through auxiliary organizations. The CSU's auxiliary organizations are separately empowered for direct fund-raising; however, the auxiliaries were functioning mainly as depositories for donations solicited by the campuses. Reporting requirements in Education Code Section 89720 addressing gifts to the trustees on behalf of the State have been expanded to include gifts to all of the CSU's affiliated organizations.

Efforts to assure accurate and fair reporting of fund-raising is a large task given the expectation that there will be continual improvement in amounts raised and in the spread of transactions among so many different legal entities. We conclude that there was not an adequate system of controls to prevent and detect irregularities. Two modest controls are proposed in this report: 1) reconciliation of gift and accounting records; and 2) additional certification that gift records agree with cash collections, property records, asset additions, and audited endowment market values. These controls require additional standardization of procedures by the Chancellor's Office.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

SYSTEM CONTROLS

SEPARATING GIFTS TO THE CAMPUSES FROM GIFTS TO AFFILIATED AUXILIARY ORGANIZATIONS [8]

The campuses visited were not separating gifts to the campus from gifts to affiliated auxiliary organizations. Proper handling of campus/state gift checks protects the CSU's fiscal delegations, reduces the risk of possible problems in donor relations and allows for a reasonable presentation of gift data in the CSU's financial statements.

TITLE 5 REQUIREMENTS [9]

The CSU has fund-raising related provisions in the California Code of Regulations which are outdated. Updating requirements should reduce the possibility of misunderstandings occurring.

RECONCILIATION OF GIFT AND ACCOUNTING RECORDS [10]

Gift and accounting records were not reconciled on six campuses visited. The timely reconciliation of gifts in the donor records database with the campus and foundation accounting records reduces the risk of errors going undetected for long periods.

ROLE OF AUXILIARY ORGANIZATIONS [12]

The current role of auxiliary organizations in CSU fund-raising activities is in conflict with Education Code and CSU policy. Clarification of auxiliary organization involvement assures compliance with State requirements and validates business arrangements.

GIFT REPORTING [14]

The annual report of gift giving, used to satisfy the requirements of Education Code Section 89720, may be overstated. Clarification of recipient organizations would eliminate any misunderstandings with the state.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

SYSTEM CONTROLS

SEPARATING GIFTS TO THE CAMPUS FROM GIFTS TO AFFILIATED AUXILIARY ORGANIZATIONS

The campuses visited were not separating campus and auxiliary organization gifts.

Donors draft checks in various ways by making them payable to the proper name of the campus, to a campus college/school/department, to a campus entity, to a support group, to a fund-raising campaign, specifically to a named foundation (generally at the request of the campus), etc. Regardless of payee, the checks are generally deposited directly to an affiliated auxiliary organization—typically the foundation.

Education Code Section 89721 requires the chief fiscal officer to deposit gifts and donations to the campus in either a local trust account or the State Treasury through one of three specified funds. None of the campuses visited used practices which satisfy this requirement. Most donation checks were processed through the development office directly to an auxiliary organization for deposit.

The justification for campus practices varied from policy directives indicating that all donations must pass directly to the foundation to the use of solicitation materials or phonathon scripts which clearly instructed the donors on how to draft checks. The campuses can request donors to make checks payable in a certain way. However, the extent of documentation on representations made to prospective donors varied whenever solicitations were done outside the purview of the central campus development offices.

The Office of the General Counsel has held that it is acceptable for campus employees to solicit gifts to an auxiliary organization if the funds remain under campus control in an agency type account. Beyond this general legal principle, there are no guidelines to distinguish campus donations from auxiliary organization donations or to delineate the circumstances governing ownership of gift checks drafted in various ways.

Errors in the handling of campus/state checks jeopardizes the CSU's fiscal delegations, risks possible problems in donor relations and precludes a reasonable presentation of gift data in the CSU's financial statements.

Recommendation 1

We recommend that the Chancellor's Office develop guidelines for proper implementation of Education Code Section 89721.

Management's Response

We concur and will recommend that the campuses develop guidelines for proper implementation of Education Code Section 89721. We will further recommend that the campuses periodically inform and remind "non –advancement staff" of these guidelines. We will also recommend that campuses inform donors that all donations in support of the goals and missions of the university will be deposited in the campus foundation.

TITLE 5 REQUIREMENTS

The CSU is subject to fund-raising related provisions in Title 5 of the California Code of Regulations which are outdated.

The major California Code of Regulation provisions on fund-raising are contained in Title 5, Sections 42300-01. The first section (42300) is a description of gifts that would benefit the CSU and related acceptance delegations pertaining to different types of gifts. The second section (42301) establishes prescribed wording for a document—*Notice of Acceptance of Gift, Donation or Bequest and Declaration of Benefit*—requiring signature by the campus president or issuance by the Chancellor if the gift is not for one particular campus.

Examples of dated requirements which no longer serve a useful purpose include:

- ▶ Section 42300(a)(3)(B) which in part sets limits on the amount of floor space a donated property item can require at 100 square feet; and
- ▶ Section 42300(a)(3)(D) which requires the campus president to transmit two copies of the required acceptance notice to the trustees.

In addition, there isn't explicit flexibility for delegation by the president to other campus officers to sign the notice required by Section 42301. There also isn't provision for varying the wording of the notice to meet campus preferences.

Every campus visited was ignoring these Title 5 provisions because they were irrelevant in terms of current practices, gift transaction volume and the experiences of administrators hired from other institutions of higher education. Implementation alternatives were explored such as use of machine generated facsimile signatures for the president but, preferences were to have a more personalized approach with a hand scribed signature and some stratification of gift levels appropriate for the president and subordinate officers.

Use of the current Title 5 requirements noted above increases the possibility of misunderstandings occurring.

Recommendation 2

We recommend that the Chancellor' Office propose elimination of those provisions in Title 5, Sections 42300-01 which no longer serve a useful purpose and implement more meaningful provisions including guidelines for acceptability of gifts.

Management's Response

We concur and are providing legal counsel with the rationale statement and draft executive order. These documents will ask the campuses to adhere to the standards of practice of the advancement professional associations.

Recommendation 3

We recommend that the Chancellor' Office establish, distribute, and maintain a list of the applicable laws and regulations governing development and fund-raising particularly pertaining to the acceptability of potential gifts, donor recognition, compilation of gift reports, managing/investing endowment funds, and issuance of gift acknowledgments/receipts.

Management's Response

We concur, and will add these to the Advancement Orientation Book.

RECONCILIATION OF GIFT AND ACCOUNTING RECORDS

Six of the nine campuses visited did not reconcile gift and accounting records.

State Administrative Manual Section 7900 requires a reconciliation to properly verify accounting records. CASE emphasizes the importance of a reconciliation through their publication—*CASE Management Reporting Standards*. Part II of the present CFAE Report incorporates signature blocks for the chief advancement officer and chief business officer under a statement indicating as follows:

We have reviewed the data reported in this survey and confirm that they are consistent with the guidelines published in *Management Reporting Standards for Educational Institutions: Fundraising and Related Activities* and as fairly and accurately presented as the record keeping systems and accounting procedures of the institution and its affiliated organizations currently permit.

Only monetary and certain nonmonetary gifts should be counted and reported in accordance with nationwide standards. Monetary gifts recorded in the development offices should equal cash deposited for this purpose by the campus, by affiliated auxiliary organizations, or by off-campus trustees. Nonmonetary gifts should correlate with property inventory records and transactions over \$5,000 that become capitalized as assets.

A reconciliation of this type has not been consistently done in the past because it has never been required. It crosses organizational lines between different legal entities and needs a high level authority for the coordination necessary.

Without reconciling records, there is a risk that loss of funds could go undetected for an extended period of time. Additionally, by not requiring a reconciliation, the system foregoes the opportunity to implement a reasonable control on the accuracy and reliability of gift, accounting and property records and endowment market valuations.

Recommendation 4

We recommend that the Chancellor's Office work with campuses to ensure preparation and retention of a reconciliation between the gift records in the development office donor databases, the CFAE report and the accounting records and property ledgers of the campus, all campus affiliates accepting gift deposits and recording donations, and others as needed. As a minimum, this reconciliation should cover the cash, property and endowment accounts of the campuses, affiliated auxiliary organizations, and any off-campus trustees.

Management's Response

We concur. The Chancellor's Office will work with campuses encouraging them to reconcile gift records, CAE report and the accounting records of the campus where like information is collected. For the present and in the future, we will consider the National Association of College and University Business Officer (NACUBO) statement regarding reconciliation of specific fund raising programs (in "CASE Management Reporting Standards" – February 1996).

Recommendation 5

We recommend that the Chancellor's Office expand the CFAE report certification for internal CSU use to include a requirement that both the chief advancement officer and the chief business officer certify that they have reviewed and approved the reconciliations described in the above recommendation.

Management's Response

The CFAE report (now called the CAE report) is not a document of the CSU; it is a document of the Council for Aid to Education. We cannot modify this form, which the CAE provides to the CSU and to all other U.S. institutions of higher education. The CAE report, as it stands, calls for the signature of the Chief Advancement Officer and the Business Officer. We will continue to encourage the campuses to obtain both signatures. The reconciliation of Foundation records and CAE reports is addressed in our response to your recommendation #4. We also should point out that "services" are not counted in CAE.

ROLE OF AUXILIARY ORGANIZATIONS

The current role of auxiliary organizations in CSU fund-raising activities is in conflict with Education Code and CSU policy.

Most of the campuses visited maintained that the majority of donations were to the campus but through an affiliated auxiliary organization—typically the foundation. However, this combination of campus and foundation causes conflicts in solicitation, accounting/deposit, acknowledgment/receipting and reporting practices. These gifts were generally acknowledged and receipted by the campus, at campus expense, as gifts to the campus, deposited with the foundation and then reported as gifts to the campus/state. If donations are made to an auxiliary organization, then there is a question as to whether: a) the acknowledgment and receipting for the gift should be done by the auxiliary organization as the recipient organization (or if done by the campus, whether the auxiliary organization should provide reimbursement for a service received); and b) gift reports should differentiate gifts to the foundation from gifts to the campus/state which are supposed to be deposited in local trust.

There are two critical times in the gift process when representations are made to donors as to the recipient organization—as part of the solicitation and as part of the acknowledgment/receipt. In the front end of the process, there are fund-raising solicitations which can be characterized as formal and informal. In the formal type, there are organized activities (e.g., an annual fund or capital project campaign) typically under the control of the central development offices with scripted presentations and other documents which clearly record both representations made to prospective donors as to the recipient organization for the gift and requests to the donor to respect the campus preference on directing donations to an auxiliary by making their checks payable to them. These formal types of solicitations comprise the majority of the gift transaction volume. However, there are also campus officers and employees soliciting donations from prospective supporters on an informal basis. In these latter cases, there is a lack of documentation as to what transpired between the donor and the person soliciting the donation, leaving open the question as to donative intent when checks are not made payable to the auxiliary.

While it is possible to structure a separate role for auxiliary organizations in the fund-raising process, it needs to be consistent and done in compliance with applicable statutes, systemwide policy, and externally imposed requirements such as those originating in tax regulations.

Statutes

The trustees have received authority to accept gifts on behalf of the State (EC89720) and have provided for implementation of this authority through the California Code of Regulations - Title 5, Sections 42300-01. In addition, regarding auxiliary organizations, Title 5, Section 42403(e) states:

Donations and gifts to an auxiliary shall be accepted and maintained in accordance with policies and regulations established by the Board of Trustees.

Any gifts received by the trustees under the authority of Section 89720 have to be deposited as required by Education Code Section 89721.

Auxiliary organizations are separately empowered for fund-raising through education Code Sections 89901 and 89903.

CSU Policy

The recording of donor and donation data and issuance of acknowledgments and receipts is done by the campuses at campus expense—frequently representing that the donation is to the campus. However, if these are in fact donations to an auxiliary and the auxiliary is responsible for record keeping and issuing the tax receipts, then there is a compliance issue originating from Business Affairs (BA) Coded Memo 83-30. BA 83-30 requires that self-supporting operations reimburse for services received. Such contractual arrangements have not been established in the gift process.

Tax Regulations

Prevailing tax regulations govern the means to receipt gifts and these requirements to the donee organization. At the present time, tax regulations require receipts/substantiation for:

- ▶ donations over \$250; and
- ▶ quid pro quo contribution in excess of \$75.

A quid pro contribution is described as one in which part of the payment is for goods or services received and part is a contribution. The receipt must contain a good faith estimate valuing the good or service received, however, de minimis benefits or benefits of insubstantial value are excluded.

Recommendation 6

We recommend that the Chancellor's Office re-evaluate the fund-raising role of auxiliary organizations.

Management's Response

While there is no reporting relationship between the auxiliary organizations and the Division of University Advancement at the Chancellor's Office, the Division of University Advancement will also meet with the Division of Business and Finance where oversight for auxiliary organizations resides. Campus relationships with auxiliary organizations vary among CSU campuses. Some Offices of Advancement have greater influences with their Foundations than others. In the last few years there has been an effort on most campuses to move all fund raising activities from the Foundation to the Advancement Offices. That effort continues.

GIFT REPORTING

The annual report of gift giving, used to satisfy the requirements of Education Code Section 89720, is misleading to the extent that it does not differentiate gifts to the state from gifts to the CSU auxiliary organizations.

Education Code (EC) Section 89720 empowers the trustees to accept, on behalf of the state, any gift, bequest, devise or donation. It also requires an annual report of gifts, bequests, devises and donations and the disposition thereof which the trustees accept. EC89720 is cross-referenced in EC89721 which requires that gifts be deposited in a prescribed fashion as follows:

Notwithstanding any other provision of law to the contrary, the chief fiscal officer of each campus of the California State University shall deposit into and maintain in local trust accounts or in trust accounts in accordance with the provisions of Sections 16305 to 16305.7, inclusive, of the Government Code, or in the California State University Trust Fund, moneys received in connection with the following sources or purposes:

- a) Gifts, bequests, devises, and donations received under Section 89720.

In January of each year, the Board of Trustees receives a summary of the annual CFAE Report which is used to meet the EC89720 reporting requirement. Following approval by the board, this document is distributed to the California Postsecondary Education Commission, the Joint Legislative Budget Committee, and the State Department of Finance as required in the statute.

The annual CFAE Report is prepared in accordance with nationwide standards from the Council for Advancement and Support of Education (CASE). One key element of the CFAE is consolidation—they require reporting of “gifts and grants to affiliated foundations and organizations created to raise funds for the institution.” Utilizing the nationwide standards provides benefits to the CSU in the availability of comparison data from other educational institutions. However, there is an incongruity between the CFAE report which includes auxiliary organizations and the limited reporting requirements for gifts to the State imposed by EC 89720.

The majority of gift funds in the CSU are deposited with auxiliary organizations outside the scope of the process described in Education Code Sections 89720-21. Inclusion of these gifts in the EC89720 report is not precluded by statute, but the existing presentation gives the misleading impression that these are gifts to the state.

Recommendation 7

We recommend that the Chancellor's Office either pursue legislative amendments to Education Code 89720 to change the reporting scope or prepare the CFAE Report as a dual presentation to differentiate resources donated to the State from gifts to affiliated auxiliary organizations.

Management's Response

While we recognize that gifts from private sources are solicited to support the mission, goals and programs of the CSU campuses and that these gifts are made to the campus for these purposes through the campus foundations and auxiliary organizations, we also recognize the need to deal with those issues that have resulted from a changing and modernized advancement arena and antiquated state statutes and laws. As with Title 5, the Chancellor's Office will seek ways to amend legislation. The process of preparing dual presentations to the Board of Trustees will confuse an already complex situation.

APPENDIX A: PERSONNEL CONTACTED

CHANCELLOR'S OFFICE

Georgina Borton	Director, Advancement Programs and Services
Charmaine Day	Director of Development - CSU Foundation
Patricia Linn	Coordinator, Advancement Programs and Services
George Pardon	Director, Accounting
Douglas Patiño	Vice Chancellor, University Advancement
Bruce Richardson	Deputy General Counsel

HUMBOLDT STATE UNIVERSITY

Alistair McCrone	President
Pamela Allen	Director of Alumni Affairs
Beni Bennett	Clerical Assistant
William Cannon	Director, Computing and Telecommunications Services
Heidi Chien	Associate Director, University Center
Don Christensen	Vice President for Development and Administrative Services
Marty Coelho	Associate Director, Athletics
Doris Gunther	Accounting Supervisor
James Hamby	General Manager, HSU Foundation
Paul Meyer	University Property Supervisor
Jill Paydon	General Manager, KHSU
Jan Petranek	Director of Corporate and Foundation Relations
Susan Simon	Clerical Assistant, Athletics
J. Michael Slinker	Director of University Relations
Mary Wells	Director of Annual Fund

CALIFORNIA STATE UNIVERSITY, LONG BEACH

Robert C. Maxon	President
Ann Allen	Director of Development, College of the Arts
Joanna Aubel	Cashier, CSULB Foundation
Toni Beron	Assistant Vice President for Public Affairs/Publications
Robert Bersi	Special Counsel for University Advancement
Oliver Bohlman	Administrative Services Manager
Kyle Button	Director of Corporate and Foundation Relations
David Corey	Director of Prospect Management and Research
Aristide Collins	Executive Assistant to the Vice President, University Relations and Development
Elliott Collier	Director of Development, Carpenter Performing Arts Center
Armando Contreras	Executive Assistant to the President
Deborah Cordano	Executive Director of Development, School of Engineering
Stephen Feldman	Vice President, University Relations and Development
William Griffith	Vice President, Administration and Finance

CALIFORNIA STATE UNIVERSITY, LONG BEACH (cont.)

Janice Hatanaka	Assistant Vice President of Alumni Relations/Annual Fund
Barbara Holden	Assistant Director of Planning and Gifts/Acknowledgments
William Husak	Executive Director , CSULB Athletic Association
Ilee Kaplan	Associate Director, University Art Museum
Peter Kote	Senior Director of Estate Planning and Gifts
Judy Jankowski	General Manager, KLON Radio
Joseph Latter	Associate Vice President for Financial Management
Rosario Lindquist	Fiscal Officer, School of Engineering
Brian Lawver	Director of Development Information Systems
Robyn Mack	Director of Budget and Human Resources Management
Maryanne Messing	Gifts Processing Coordinator, CSULB Foundation
David Prenovost	Director of Finance and Accounting, CSULB Foundation
Nancy Roberts	Senior Director of Development, College of Health and Human Services
Mark Roberts	Controller, Pacific Public Radio - KLON
Bill Shumard	Assistant Vice President, University Relations and Development
Joan Simmons	Financial Analyst, CSULB Foundation
Mary Ann Solic	Assistant to the Director, Planning and Development/University Library Learning Resources
Jim Suguitan	Business Manager, CSULB Athletic Association
Carl Wayne	Director of Development, College of Natural Sciences
Sandra VanderHeyden	Executive Director, CSULB Foundation
Deborah Veady	Director of Development, Division of Student Services

CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA

Bob Suzuki	President
Arla Altman	Director of Development, University Advancement
Gene I. Awakuni	Vice President for Student Affairs and University Advancement
Ken Bonner	Information Systems Analyst, University Advancement
Brenda Briggs	Director, Financial Affairs, Cal Poly Foundation
Luz Castillo	Development Support, Office of Development
Cora Culla	Executive Director, Associated Students
Hamid Etesamnia	Acting Director, Computing Resources Center
Pat Farris	Vice President, Administrative Affairs
Linda Getting	Director of Development, College of Engineering
James Glass	Vice President, University Advancement
Gene Graham	Interim Director, Equine Science Programs
Edward Hohmann	Vice President, Academic Affairs
Sharon Joyce	Administration and Budget, University Advancement
Jack Kropf	Director of Development, College of Agriculture
Patricia Linn	Director of Development, College of Environmental Design
Rachiel Lucero	Program Coordinator, Alumni Affairs
Cheryl Meaux	Director of Development, University Library

CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA (con't.)

Marilyn Mehaffie Ray	Director of Development, College of Business
Marge Melendez	Scholarship Administrator, Office of Financial Aid
Cindy Mosser	General Accounting Manager, Cal Poly Foundation
Beverly Rouse	Director of Development, School of Hotel/Restaurant Management
Dana Reedy	Prospect Research Coordinator, Office of Development
Carrie Rohlfing	Director, Alumni Affairs
Glenn Shenker	Director of Development, Athletics
Ronald Simons	Executive Director of Development for Student Affairs and University Advancement
Pam Shinogle	Property and Records Management Officer
Mitchell Spann	Director, Annual Fund
Regina Webster	Director of Development, College of Letters, Arts and Sciences

CALIFORNIA STATE UNIVERSITY, SACRAMENTO

Donald R. Gerth	President
Carol Ackerson	Director, Alumni Relations
Donna Brougher	Manager, Accounting Services
Louis Camera	Director, Student Activities
Barbara Caretto	Director of Development, School of Engineering
Larry Cline	Director, Hornet Athletic Foundation
Justine Crossno	Supervisor Trust Accounting
Susan Garcia	Director, Prospect Research
Mernoy Harrison	Vice President for Administration
Douglas Hansen	Director of Development, School of Health and Human Services
Robert Jones	Vice President for University Affairs
Joan Kassis	Director, Administration and Human
Tomas Lopez	Property Supervisor, Resources KXPR/KXJZ Radio
Linda McNamara	Director of Development, School of Education
Marguerite McCurry	Assistant Vice President for University Affairs
Alison McGill	Associate Vice President for Finance
Craig Perez	Director - CSU, Sacramento Aquatic Center
Jon Self	Director, Management Service
David Webster	Director of Development, School of Arts and Sciences
Joyce Wilson	Athletic Business Manager
Craig Yamamoto	Assistant Director of Financial Aid

CALIFORNIA STATE UNIVERSITY, SAN BERNARDINO

Debbie Allen	Controller, Foundation for CSU, San Bernardino
Curt Apsey	Director of Development, Athletics Department
Arthur Butler	Director, Foundation for CSU, San Bernardino
Suzanne Bolowich	Assistant Director, Accounting
Mary Colacurcio	Director of Advancement Operations, Office of University Relations
David DeMauro	Vice President for Administration and Finance
Lorraine Frost	Assistant Director, Administrative Computing
Linvol Henry	Department Chair, Department of Accounting
Richard Johnston	Director, Robert V. Fullerton Art Museum
Pamela Langford	Director of Alumni Affairs
Eldon Lewis	Dean, School of Business and Public Administration
Jerry Monahan	Property Clerk
Carol Northcutt	Staff Accountant, Foundation for CSU, San Bernardino
Pamela Palmer	Clerical Assistant, Office of University Relations
Collen Rocha	Executive Director, Office of University Relations
Judith Rymer	Vice President for University Relations
Beverly Smith	Director of Business Services, Foundation for CSU, San Bernardino

SAN DIEGO STATE UNIVERSITY

Thomas B. Day	President
Harry Albers Vice	President, University Relations and Development
Chris Audette	Development Officer, College of Business Administration
Barbara Barrow	Director of Alumni/Annual Fund
Robert Benschhoff	Associate General Manager for Financial Management - SDSU Foundation
Keith Benton	Director of University Advancement Services
Horst Bruenjes	Associate General Manager, Administration and Finance - KPBS
Mary Ruth Carleton	Development Officer, College of Health and Human Services
Christie Chaney	Development Coordinator, College of Business Administration
Leslie Chase	Financial Reporting Administrator
Christa Christian	Gifts Manager - University Advancement Services
David Clark	Director of Membership - KPBS
Ellene Gibbs	Director, Internal Review & Business Information Systems
Denise Gove	Property Clerk - Material Management
Tom Gutenberger	Development Officer, College of Education
Myrna Hall	Director of Development and Special Gifts
Jim Herrick	Associate Athletic Director, External Affairs
Patti Kastner	Accounting Manager - SDSU Foundation
Doug Myrland	General Manager - KPBS
Ken Perry	Director, Financial Management
D. Timothy Poisson	Assistant Director of Annual Giving
Gladys Steagall	Associate Director, Campus Programs - SDSU Foundation
Frank Sweeney	Director of Financial Management - SDSU Foundation

SAN FRANCISCO STATE UNIVERSITY

Aludia Artiga	Accountant - Property Accounting
Kathleen Branagan	Executive Director, Alumni Association
Richard Chen	Accountant - Trust and Project Accounting
William F. Clark	Director, Office of Research and Sponsored Programs
Kevin Collins	Property Clerk
Sharon Collins	Assistant Dean, College of Business
Catherine Conway	Assistant Dean, College of Education
Paul Fonteyn	Acting Director, University Development
Carole Hayashino	Associate Director, Corporations and Foundations
Byron Johnson	Assistant Director, Individual Giving
Richard McKenzie	Assistant Dean, College of Creative Arts
Lucy Morse	Administrative Assistant, University Advancement
Laureen O'Brien	Gift Processor/Steward
Billie Lou Sands	Professor and Chair, Consumer and Family Studies/Dietetics Department
Don Scoble	Vice President for Business and Finance
Manindra Singh	Coordinator, Information Systems
Jim Van Ness	Internal Auditor
Anthony Victori	Director, Personnel and Project Administration - SFSU Foundation, Inc.
Larry Ware	Interim Director of Administration - SFSU Foundation, Inc.
Burkland Wong	Manager, Special Funds Accounting

SAN JOSE STATE UNIVERSITY

Robert L. Caret	President
Laurie A. Antognini	Advancement Services Manager
Shawn Bibb	Assistant Controller
Jamie Carr	Development Assistant
George Carter	Planned Giving Officer
Janet Elliot	Scholarship Coordinator
Jeff Gray	Assistant Athletic Director, Fund Development
Barbara Green	Controller
Kevin W. Grossman	Annual Giving Manager
James F. Hill	Director of Logistical Services
Roxanne Hood	Administrative Secretary
Don Kirk	Dean, College of Engineering
Ginny Lebacqz	Executive Director, College of Business Alumni Association
William G. Petchauer	Director of Business and Finance - SJSU Foundation
Elizabeth A. Pugliese	Director of Alumni Affairs
Janet C. Redding	Vice President for University Advancement
Virgina Rivera	Major Gifts Officer
Donald R. Ryan	Financial Aid Director
Paul Siegel	Accounting Officer

SAN JOSE STATE UNIVERSITY (cont.)

Daniel Soriano	Mail Room Supervisor/Property Clerk
John A. Sroka	Staff Systems Software Specialist
Alex A. Sydnor	Director of Development
John Troyan	Accounting Manager - SJSU Foundation
Lauria R. Urbanejo	Director, Corporate and Community Relations - College of Science

CALIFORNIA POLYTECHNIC STATE UNIVERSITY, SAN LUIS OBISPO

Warren J. Baker	President
Michael Barr	Advancement Director, College of Agriculture
William Boldt	Vice President for University Advancement
Karen Brown	Supervising Accountant, Cal Poly Foundation
Dean Bruno	Interim Associate Vice President for University Advancement
Scott Cooke	Assistant Director-Financial Reporting, Fiscal Services
Laura Dimmitt	Scholarship Program Manager, Financial Aid
Robert Dignan	Director, Fiscal Services
Eric Doepel	Director, Annual Giving
Linda Emmick	Advancement Director, College of Business
Allen Haile	Director, Government and Corporate Relations
Polly Harrigan	Executive Director, Associated Students
Linda Kristenson	Advancement Director, College of Engineering
Frank Lebens	Vice President for Administration and Finance
Ray Macias	Director, Support Services
Denise Mendonca	Director, Advancement Records and Systems
Roberta Minkler	Advancement Director, College of Architecture
Stan Rosenfield	Assistant Director, Fiscal Services
Don Shemenske	Director, Finance and Administration, Cal Poly Foundation
Steve Shockley	Director, Alumni Relations
Chuck Sleeper	Advancement Director, Athletics
Fred Strasser	Property Officer
Vicki Stover	Associate Vice President for Administration and Finance
Dale Texter	Assistant Director of Financial Services, Cal Poly Foundation
Jonelle Thomson	Constituent Records Specialist
Kathy Wiebe	Administrative Analyst