

**DEVELOPMENT**

**CALIFORNIA STATE UNIVERSITY,  
STANISLAUS**

**Report Number 02-13  
September 4, 2002**

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**Members, Committee on Audit**

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**BOARD OF TRUSTEES**

**THE CALIFORNIA STATE UNIVERSITY**

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## **ABBREVIATIONS**

CASE	Council for Advancement and Support of Education
CSU	California State University
CSU Stanislaus	California State University, Stanislaus
IRS	Internal Revenue Service
SAM	State Administrative Manual

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## INTRODUCTION

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### PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of development activity and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration and management of development activity provide an effective internal control environment; adequate development administrative plans, policies, and procedures; and monitoring of goal attainment.
- ▶ Cash and noncash gifts are adequately controlled, sufficiently safeguarded, and properly accounted for and noncash gifts are properly valued.
- ▶ Donations are properly processed and acknowledged and the donor administrative system is reconciled to campus/foundation accounting records.
- ▶ Donor pledges are adequately controlled, properly reported, followed up, and written off when deemed uncollectible.
- ▶ Expenditures are reasonable, adequately supported, and properly authorized and comply with university policies and donor intentions.
- ▶ Reportable charitable contribution information is complete, accurate, and supportable.
- ▶ Donor files and automated donor system information assets are adequately safeguarded and reasonably secure.
- ▶ Development activities comply with relevant gift tax reporting requirements, federal and state regulations, and Trustee and California State University (CSU) policy, including the *CSU Gifts of Software Policy and Procedure*.

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### SCOPE AND METHODOLOGY

This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review period was July 2000 to December 2001. At California State University, Stanislaus (CSU Stanislaus), university advancement has overall responsibility for development activity.

Our primary focus involved the internal administrative, compliance, and operational controls over the management of the campus fundraising function. Specifically, we reviewed and tested:

- ▶ Administrative plans, policies, procedures, and monitoring tools.
- ▶ Procedures for controlling, processing, and safeguarding cash and noncash contributions.
- ▶ Donation solicitation and acknowledgement practices.
- ▶ Valuation of nonmonetary and marketable securities donations.
- ▶ Gift recording and reconciliation between development and campus/foundation accounting records.
- ▶ Procedures for controlling, authorizing, and processing expenditures of donated funds.
- ▶ Preparation of reports on development activity.
- ▶ Data security, disaster recovery, and backup procedures.

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## BACKGROUND

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 1999, the Board of Trustees, at its January 2001 meeting, directed that *Development* be reviewed. In January 2002, the Board of Trustees directed the Office of the University Auditor to expand its review to all CSU campuses.

The proposed scope of the audit as presented in Attachment B, Audit Item 2 of the January 23, 2001, meeting of the Committee on Audit, stated that *Development* includes university advancement and fundraising. Potential impacts include inadequate nonstate funding; acceptance of gifts that are inconsistent with public policy; erroneous valuation of nonmonetary gifts; noncompliance with Internal Revenue Service regulations; use of funds that conflict with donor intentions or are potential violations of trust arrangements; and inaccurate reporting of donations and development activity.

Advancement is defined in *Educational Fund Raising – Principles and Practices* as “...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. These activities and programs include alumni affairs, internal/external communications, government and public relations, enrollment management, and fund raising. This last activity, i.e., fund raising, also known as *Development*, is an important component of institutional advancement and is the focus of the subject audit.”

*Development* is defined as a sophisticated process, which includes a number of stages and operational steps. In very broad terms, the process begins with the institution’s academic plan from which specific financial needs and fundraising goals are derived. The next stage includes the identification of gift-giving prospects and the development of programs to cultivate prospect interest in the institution and its needs. Once these initial steps are completed, the institution can begin thinking about fundraising and stewardship, which is the process of carrying out the purposes of the gift and maintaining an effective communication link with the donor.

In recent years, it has become apparent to the CSU Board of Trustees, the chancellor's office, and campus executives that to meet the CSU goals of access to higher education, enhanced educational quality, financial stability, and university accountability, there was an ever-increasing need to supplement state support by growing and strengthening the university advancement function at all 23 campuses. To meet these goals, the Board of Trustees challenged the university presidents to generate external support funding that equaled or exceeded 10 percent of the prior year's net General Fund budget. The total CSU net General Fund budget for fiscal year 1999/2000 was \$2,002,189,630. For fiscal year 2000/2001, 13 of the 23 campuses met or exceeded the 10-percent goal by generating \$285,935,329 in voluntary support (gifts from corporations, foundations, alumni, parents, and others) and special revenue (sponsorships and endowment distribution only). For this same period, CSU Stanislaus generated \$2,014,134 in external support, equaling approximately 5 percent of its 1999/2000 net General Fund budget of \$44,439,512.

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## **OPINION**

We visited the CSU Stanislaus campus from April 2, 2002, through May 3, 2002, and audited the procedures in effect at that time.

In our opinion, the administration and management of development activities were adequate to ensure a viable fundraising function. However, our review disclosed certain conditions that could result in errors and irregularities if not corrected. Specifically, disbursements of donor restricted scholarship funds needed to be improved; certain responsibilities needed to be segregated; and critical policies and procedures needed to be formalized. For the most part, university advancement was in compliance with federal and state regulations in addition to chancellor's office and local directives. Areas in need of improvement are referenced in the executive summary.

## **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.

### **CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL [6]**

#### **CAMPAIGN PLAN [6]**

The California State University, Stanislaus (CSU Stanislaus) capital campaign plan did not address the treatment and handling of pledges, deferred gifts, gifts-in-kind, and exceptions to campaign reporting policies. A comprehensive development plan reduces the risk that university advancement campaigns will not be completed on time and/or within budget and university fundraising goals will not be met.

#### **CAMPAIGN PLEDGE COMMITMENT [7]**

Campaign pledge commitments did not always include a specific payment schedule. Effective management of donor pledge processing reduces the risk of transaction errors and lost opportunities to obtain promised donations.

#### **GIFT-IN-KIND ACKNOWLEDGEMENT LETTERS [7]**

Gift-in-kind acknowledgement letters did not include the required Internal Revenue Service (IRS) disclosure statement. Processing that is aligned with IRS regulations reduces the risk that the donor's tax deduction will be disallowed by the IRS.

#### **SAFES AND VAULTS [8]**

Records were not maintained by advancement services that identified employees with knowledge of the safe combination and the last time the combination was changed. Compliance with asset safekeeping policies reduces the risk of asset misappropriation.

### **FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS [9]**

#### **AUTHORIZATION [9]**

Expense reimbursements to the vice president and requisition authorizations were not properly approved. Disbursement controls are strengthened when subordinates do not approve purchase requisitions and their supervisor's expense reimbursements.

### **DISBURSEMENT CONTROLS [10]**

Controls over the disbursement of scholarship funds did not ensure that expenditures were properly authorized and used in accordance with donor intentions. Adequate disbursement controls reduce the risk of unauthorized payments and noncompliance with donor intentions.

### **SEGREGATION OF DUTIES [11]**

The same individual involved in the selection of scholarship recipients also was granted approval to authorize scholarship disbursements. Adequate separation of duties reduces the risk that errors and irregularities will not be prevented or detected in a timely manner.

### **REPORTING, RECORD KEEPING, AND INVENTORY CONTROL [12]**

Local government contributions and donor-contributed services, totaling \$48,740, were inadvertently reported in the 2000-2001 Annual Report on External Support. Accurately reported fundraising efforts facilitate comparisons with other educational institutions and provide reliable information to the Office of the Chancellor, the Board of Trustees, and campus management.

### **REGULATORY AND CSU POLICY COMPLIANCE [13]**

The campus had not established a software gift policy committee. The establishment of a software gift policy committee reduces the risk of accepting questionable software and making valuation errors.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL**

#### **CAMPAIGN PLAN**

The California State University, Stanislaus (CSU Stanislaus) capital campaign plan did not address the treatment and handling of pledges, deferred gifts, gifts-in-kind, and exceptions to campaign reporting policies.

The Council for Advancement and Support of Education (CASE) *Management Reporting Standards* state, in part, that a written campaign plan should describe, at a minimum, the campaign reporting policies to which the institution will adhere (including the treatment of pledges, deferred gifts, and gifts-in-kind) and the manner in which exceptions to those policies will be considered and acted upon.

The vice president of development and university relations stated that no guidance or written policy from the chancellor's office indicating the necessity to include such documentation in the campaign plan was provided.

The lack of a comprehensive development plan increases the risk that university advancement campaigns will not be completed on time and/or within budget and university fundraising goals will not be met.

#### **Recommendation 1**

We recommend that the campus strengthen its future capital campaign plans by establishing procedures and controls which comply with CASE *Management Reporting Standards*.

#### **Campus Response**

We concur. CSU Stanislaus Foundation agrees to establish and adhere to procedures and controls which comply with CASE *Management Reporting Standards* or whatever acceptable standards are determined by the CSU for future campaigns. These policies and procedures will be documented in the *Advancement Services Gift Processing Manual*, which will be completed by December 2002.

## **CAMPAIGN PLEDGE COMMITMENT**

Campaign pledge commitments did not always include a specific payment schedule.

Of the 15 campaign pledges reviewed, seven did not specify a specific payment schedule.

The *CASE Management Reporting Standards* state that pledges of cash should be written and should commit to a specific dollar amount that will be paid according to a fixed time schedule. It further states that the pledge payment period, regardless of when the pledge is made, should not exceed five years.

The director of advancement services indicated that letters of donor intent reflect the number of years for pledge commitments. However, in some instances, specific due dates were not documented due to oversight.

Failure to effectively manage donor pledge processing increases the risk of transaction errors and lost opportunities to obtain promised donations.

### **Recommendation 2**

We recommend that the campus strengthen pledge processing procedures and establish controls that ensure that donors document a specific payment schedule not to exceed five years.

### **Campus Response**

We concur. CSU Stanislaus Foundation agrees to strengthen its pledge processing procedures to include scheduled pledge payment and billing dates for multiyear pledges, not to exceed five (5) years. These policies and procedures will be documented in the *Advancement Services Gift Processing Manual*, which will be completed by December 2002.

## **GIFT-IN-KIND ACKNOWLEDGEMENT LETTERS**

Gift-in-kind acknowledgment letters did not include the required Internal Revenue Service (IRS) disclosure statement.

IRS Publication 526, *Charitable Contributions*, states that noncash gift acknowledgement must be written and include: a) a description (but not necessarily the value) of any contributed property; b) whether the qualified organization gave the donor any goods or services as a result of the contribution; and, if so, c) a description and good faith estimate of the value of goods or services provided to the donor.

The director of advancement services stated that the exclusion of the IRS disclosure statement was an oversight.

Acknowledgement letters that are not aligned with IRS regulations increase the risk that the donor's tax deduction will be disallowed by the IRS.

### **Recommendation 3**

We recommend that the campus establish procedures and controls that ensure acknowledgement letter content complies with IRS regulations.

### **Campus Response**

We concur. Gift-in-kind acknowledgement letters have already been modified to include any quid pro quo relationship or benefit that the donor may have received related to the contribution in accordance with IRS Publication 526. If no benefits were received, the letter states that "no goods or services have been received." A copy of the revised in-kind gift acknowledgement letter will be provided by November 2002.

## **SAFES AND VAULTS**

Records were not maintained by advancement services that identified employees with knowledge of the safe combination and the last time the combination was changed.

State Administrative Manual (SAM) §8024 requires records to be maintained indicating the date the combination was last changed and the names of the persons having knowledge of the combination.

The director of advancement services indicated that records were not maintained due to a limited number of individuals having access to the safe.

Noncompliance with asset safekeeping policies increases the risk of asset misappropriation.

### **Recommendation 4**

We recommend that the campus strengthen procedures to ensure that a current, written record is maintained of individuals who have knowledge of the safe combination and the dates the combinations were last changed.

### **Campus Response**

We concur. CSU Stanislaus will maintain a current, written record of the individuals who have knowledge of the safe combination and the dates the combinations were last changed. These policies and procedures will be documented in the *Advancement Services Gift Processing Manual*, which will be completed by December 2002.

## FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

### AUTHORIZATION

Expense reimbursements to the vice president and requisition authorizations were not properly approved.

The assistant to the president was granted the authority to approve reimbursements of the vice president's travel and hospitality expenditures, and the assistant to the vice president was authorized to approve purchase requisitions funded by donations.

During our review, we noted that the assistant to the president approved two of the vice president's reimbursements for travel and hospitality expenditures. We also noted that the assistant to the vice president was granted the authority to approve purchase requisitions in the absence of the vice president.

Executive Order No. 761, *Hospitality, Payment or Reimbursement of Expenses*, states that individuals with delegated approval authority may not approve expenses of their supervisor.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include, but not be limited to: a) a system of authorization and record-keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures and b) an effective system of internal review.

The director of advancement services indicated that the assistant to the president was granted authority due to the unavailability of the president to sign and approve reimbursements. The vice president of development and university relations indicated that the decision to delegate purchase requisition approval to his assistant was intended to expedite disbursement processing when he was not available.

Disbursement controls are compromised when subordinates approve purchase requisitions and their supervisor's expense reimbursements.

### Recommendation 5

We recommend that the campus establish controls to ensure that employees granted disbursement approval authority do not approve purchase requisitions and the expense reimbursements of their supervisors.

### **Campus Response**

We concur. In the absence of the president or a vice president, an officially designated individual within the next level of authority may approve expense reimbursements. However, upon return of said president and/or vice president, review and approval of all purchase requisitions and expense reimbursements will be completed and signed off. An example of the internal controls in place will be provided by March 2003.

### **DISBURSEMENT CONTROLS**

Controls over the disbursement of scholarship funds did not ensure that expenditures were properly authorized and used in accordance with donor intentions.

We found that:

- ▶ In all of the 13 endowment disbursements reviewed, a formal authorization document used to identify scholarship recipients and amounts was not prepared.
- ▶ In two of the 13 endowment agreements reviewed, the selection of scholarship recipients was inconsistent with the donor's intent.
- ▶ In five of the 13 disbursements reviewed, student applications used to document compliance with the donor intent could not be located.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include, but not be limited to: a) a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets; b) a plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties; c) a system of authorization and record-keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures; and d) an effective system of internal review.

The director of financial aid and scholarships indicated that the exceptions were oversights. She further stated that the responsibility of selecting the recipient primarily rests with the program or academic department.

Failure to adequately administer and control scholarship disbursements increases the risk of unauthorized payments and noncompliance with donor intentions.

### **Recommendation 6**

We recommend that the campus review, update, and strengthen controls over the disbursement of scholarship funds to ensure that expenditures are properly authorized, aligned with donor intentions, and under appropriate internal review.

### **Campus Response**

We concur. Scholarship applications will be sent to the appropriate review committee with specific criteria for each scholarship award. Attached to the applications will be a cover memo with instructions and deadline dates for returning information to the office of financial aid and scholarships.

A space will be provided on the memo for the authorizing department/dean to list the recipients and to sign off on awards/disbursement of funds. The office of financial aid and scholarships will ensure that chosen recipients meet the scholarship and donor criteria established for the award(s). Second-tier level of approval will come from the director of financial aid and scholarships.

Award recipients chosen by the university scholarship committee and/or the director of financial aid and scholarships will receive second-tier level of approval from the assistant vice president for enrollment management.

A cover memo listing the scholarship and donor criteria and the chosen recipient(s) will be prepared and signed by the director of financial aid and scholarships. This memo will be sent to the assistant vice president for enrollment management for second-tier level of approval. Documentation of the change of these procedures will be submitted by January 2003.

## **SEGREGATION OF DUTIES**

The same individual involved in the selection of scholarship recipients also was granted approval to authorize scholarship disbursements.

SAM §8080.1 states, in part, that the head of each state agency shall establish and maintain an adequate system of internal control within their agencies. A key element in a system of internal control is separation of duties.

The director of financial aid and scholarships indicated that inappropriate segregation of duties was an oversight. She further stated that mitigating controls (issuance of the actual check is performed by financial services) exist to reduce the likelihood of inappropriate disbursements.

Inadequate separation of duties increases the risk that errors and irregularities will not be prevented or detected in a timely manner.

### **Recommendation 7**

We recommend that the campus strengthen procedures to ensure appropriate segregation of duties or establish effective mitigating controls.

### **Campus Response**

We concur. Scholarship applications will be sent to the appropriate review committee with specific criteria for each scholarship award. Attached to the applications will be a cover memo with instructions and deadline dates for returning information to the office of financial aid and scholarships.

A space will be provided on the memo for the authorizing department/dean to list the recipients and to sign off on awards and the disbursement of funds. The office of financial aid and scholarships will ensure that chosen recipients meet the scholarship and donor criteria established for award(s). Second-tier level of approval will come from the director of financial aid and scholarships.

Award recipients chosen by the university scholarship committee and/or the director of financial aid and scholarships will receive second-tier level of approval from the assistant vice president for enrollment management.

A cover memo listing the scholarship and donor criteria and the chosen recipient(s) will be prepared and signed by the director of financial aid and scholarships. This memo will be sent to the assistant vice president for enrollment management for second-tier level of approval. Documentation of the change of these procedures will be submitted by January 2003.

## **REPORTING, RECORD KEEPING, AND INVENTORY CONTROL**

Local government contributions and donor-contributed services, totaling \$48,740, were inadvertently reported in the 2000-2001 Annual Report on External Support.

*CASE Management Reporting Standards* state that contributed services should not be counted in reports of annual fundraising results, even if circumstances indicate that the payer regarded them as a contribution.

The director of advancement services indicated that reporting contributions from the government entity and the donor was an oversight.

Overstated fundraising efforts distort campus charitable contribution results, inhibit comparisons with other educational institutions, and provide misleading data to the Office of the Chancellor, the Board of Trustees, and campus management.

### **Recommendation 8**

We recommend that the campus establish procedures and controls to ensure that fundraising information reported to the chancellor's office complies with *CASE Management Reporting Standards*.

### **Campus Response**

We concur. CSU Stanislaus will establish procedures and controls to ensure that fundraising information reported to the chancellor's office complies with *CASE Management Reporting Standards*. These policies and procedures will be documented in the *Advancement Services Gift Processing Manual*, which will be completed by December 2002.

## **REGULATORY AND CSU POLICY COMPLIANCE**

The campus had not established a software gift policy committee.

The *CSU Gifts of Software Policy and Procedure*, dated June 1999, states that all campuses shall create a gift policy committee whose role will be to implement the systemwide policies for accepting, valuing, and reporting gifts of software and to review and approve software valuations.

The director of advancement services indicated that since software gifts had not been received, there was not a need to establish a gift policy committee.

Failure to establish a software gift policy committee increases the risk of accepting questionable software and making valuation errors.

### **Recommendation 9**

We recommend that the campus establish a software gift policy committee in accordance with chancellor's office policy to review and approve software valuations.

### **Campus Response**

We concur. CSU Stanislaus will establish a software gift policy committee in accordance with chancellor's office policy to review and approve software valuations. The software gift policy committee membership list will identify members by position title. Because the quantity of software gifts is nominal and infrequent, we do not expect this committee to be very active. Consequently, the specific members of this committee are very likely to differ each time the committee is called together. These policies and procedures will be documented in the *Advancement Services Gift Processing Manual*, which will be completed by December 2002.

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## **APPENDIX A: PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Marvalene Hughes	President
Charlene Bargas	Administrative Support Assistant, Advancement Services
Frank Borrelli	Property Records Coordinator, Financial Services
Melody Bughi	Accounting Technician, Advancement Services
Terri Cole	Financial Analyst, Auxiliary and Business Services
Rose Feldman	Alumni/Development Systems Analyst, Office of Information Technology
Diana Garz	Data Technician, Financial Aid and Scholarships
Joan Hillery	Director, Financial Aid and Scholarships
Christine Hollister	Director, Planned Giving and Donor Relations
Durena Long	Accounting Clerk, Advancement Services
Nanako Lopshire	Accounts Payable Specialist, Auxiliary and Business Services
Marlene Murphy	Gift Processor, Advancement Services
Becka Paulsen	University Controller, Business and Finance
Jim Phillips	Director, Student Financial Services
Carrie Retemeyer	Database Administrator, Office of Information Technology
Terri Sanders	Director, Advancement Services
Jan Schefkowitz	Coach, Athletics Department
Mary Stephens	Vice President, Business and Finance
Walter Strong	Vice President, Development and University Relations
Carolyn Vincent	Gift Processor, Advancement Services
Chris Wincentsen	Systems Software Analyst, Office of Information Technology
Alison Wolz	Accounting and Finance Manager, Auxiliary and Business Services



## CALIFORNIA STATE UNIVERSITY, STANISLAUS

801 West Monte Vista Avenue • Turlock, California 95382  
(209) 667-3077 • FAX (209) 667-3350

Vice President for Business and Finance



October 10, 2002

Larry Mandel, University Auditor  
Office of the Chancellor  
401 Golden Shore  
Long Beach, CA 90802-4210

Dear Larry:

The campus response to the recent Development audit is attached. We appreciate the effort made to help the campus improve our business practices and assure you that the findings will be fully addressed over the next few months.

Any questions concerning the response should be directed to Terri Sanders, Director, Advancement Services, at (209) 667-3482 or via email at [tsanders@stan.csustan.edu](mailto:tsanders@stan.csustan.edu).

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Stephens'.

Mary Stephens, Vice President  
Business and Finance

President Marvalene Hughes  
Vice President Walter Strong  
Assistant Vice President Becka Paulsen  
Assistant Vice President Pugh  
Director Joan Hillery  
Director Terri Sanders

THE CALIFORNIA STATE UNIVERSITY

**DEVELOPMENT AUDIT**

***CALIFORNIA STATE UNIVERSITY, STANISLAUS***

**REPORT NO. 02-13**

***CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL***

**CAMPAIGN PLAN**

**Recommendation 1**

We recommend that the campus strengthen its future capital campaign plans by establishing procedures and controls which comply with *CASE Management Reporting Standards*.

**Campus Response**

We concur. CSU Stanislaus Foundation agrees to establish and adhere to procedures and controls which comply with *CASE Management Reporting Standards* or whatever acceptable standards are determined by the CSU for future campaigns. These policies and procedures will be documented in the Advancement Services Gift Processing Manual, which will be completed by December 2002.

**CAMPAIGN PLEDGE COMMITMENT**

**Recommendation 2**

We recommend that the campus strengthen pledge processing procedures and establish controls that ensure that donors document a specific payment schedule not to exceed five years.

**Campus Response**

We concur. CSU Stanislaus Foundation agrees to strengthen its pledge processing procedures to include scheduled pledge payment and billing dates for multi-year pledges, not to exceed five (5) years. These policies and procedures will be documented in the Advancement Services Gift Processing Manual, which will be completed by December 2002.

**GIFT-IN-KIND ACKNOWLEDGEMENT LETTERS**

**Recommendation 3**

We recommend that the campus establish procedures and controls that ensure acknowledgement letter content complies with IRS regulations.

**Campus Response**

We concur. Gift In-Kind Acknowledgement letters have already been modified to include any quid pro quo relationship or benefit that the donor may have received related to the contribution in accordance with IRS Publication 526. If no benefits were received, the letter states that "no goods or services have been received." A copy of the revised in-kind gift acknowledgement letter will be provided by November 2002.

**SAFES AND VAULTS****Recommendation 4**

We recommend that the campus strengthen procedures to ensure that a current, written record is maintained of individuals who have knowledge of the safe combination and the dates the combinations were last changed.

**Campus Response**

We concur. CSU Stanislaus will maintain a current, written record of the individuals who have knowledge of the safe combination and the dates the combinations were last changed. These policies and procedures will be documented in the Advancement Services Gift Processing Manual, which will be completed by December 2002.

***FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS*****AUTHORIZATION****Recommendation 5**

We recommend that the campus establish controls to ensure that employees granted disbursement approval authority do not approve purchase requisitions and the expense reimbursements of their supervisors.

**Campus Response**

We concur. In the absence of the President or a Vice President an officially designated individual within the next level of authority may approve expense reimbursements. However, upon return of said President and/or Vice President, review and approval of all purchase requisitions and expense reimbursements will be completed and signed off. An example of the internal controls in place will be provided by March 2003.

**DISBURSEMENT CONTROLS****Recommendation 6**

We recommend that the campus review, update, and strengthen controls over the disbursement of scholarship funds to ensure that expenditures are properly authorized, aligned with donor intentions, and under appropriate internal review.

**Campus Response**

We concur. Scholarship applications will be sent to the appropriate review committee with specific criteria for each scholarship award. Attached to the applications will be a cover memo with instructions and deadline dates for returning information to the Office of Financial Aid and Scholarships.

A space will be provided on the memo for the authorizing department/dean to list the recipients and to sign off on awards/disbursement of funds. The Office of Financial Aid and Scholarships will ensure that chosen recipients meet the scholarship and donor criteria established for the award(s). Second-tier level of approval will come from the Director of Financial Aid and Scholarships.

Award recipients chosen by the University Scholarship Committee and/or the Director of Financial Aid and Scholarships will receive second-tier level of approval from the Assistant Vice President for Enrollment Management.

A cover memo listing the scholarship and donor criteria and the chosen recipient(s) will be prepared and signed by the Director of Financial Aid and Scholarships. This memo will be sent to the Assistant Vice President for Enrollment Management for second-tier level of approval. Documentation of the change of these procedures will be submitted by January 2003.

**SEGREGATION OF DUTIES****Recommendation 7**

We recommend that the campus strengthen procedures to ensure appropriate segregation of duties or establish effective mitigating controls.

**Campus Response**

We concur. Scholarship applications will be sent to the appropriate review committee with specific criteria for each scholarship award. Attached to the applications will be a cover memo with instructions and deadline dates for returning information to the Office of Financial Aid and Scholarships.

A space will be provided on the memo for the authorizing department/dean to list the recipients and to sign off on awards and the disbursement of funds. The Office of Financial Aid and Scholarships will ensure that chosen recipients meet the scholarship and donor criteria established for award(s). Second-tier level of approval will come from the Director of Financial Aid and Scholarships.

Award recipients chosen by the University Scholarship Committee and/or the Director of Financial Aid and Scholarships will receive second-tier level of approval from the Assistant Vice President for Enrollment Management.

A cover memo listing the scholarship and donor criteria and the chosen recipient(s) will be prepared and signed by the Director of Financial Aid and Scholarships. This memo will be sent to the Assistant Vice President for Enrollment Management for second-tier level of approval. Documentation of the change of these procedures will be submitted by January 2003.

## **REPORTING, RECORD KEEPING, AND INVENTORY CONTROL**

### **Recommendation 8**

We recommend that the campus establish procedures and controls to ensure that fundraising information reported to the chancellor's office complies with *CASE Management Reporting Standards*.

### **Campus Response**

We concur. CSU Stanislaus will establish procedures and controls to ensure that fundraising information reported to the Chancellor's Office complies with *CASE Management Reporting Standards*. These policies and procedures will be documented in the Advancement Services Gift Processing Manual, which will be completed by December 2002.

## **REGULATORY AND CSU POLICY COMPLIANCE**

### **Recommendation 9**

We recommend that the campus establish a software gift policy committee in accordance with chancellor's office policy to review and approve software valuations.

### **Campus Response**

We concur. CSU Stanislaus will establish a software gift policy committee in accordance with Chancellor's Office policy to review and approve software valuations. The software gift policy committee membership list will identify members by position title. Because the quantity of software gifts is nominal and infrequent, we do not expect this committee to be very active. Consequently, the specific members of this committee are very likely to differ each time the committee is called together. These policies and procedures will be documented in the Advancement Services Gift Processing Manual, which will be completed by December 2002.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

October 30, 2002

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS


FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 02-13 on *Development*,  
California State University, Stanislaus

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 30, 2002, I accept the response as submitted with the draft final report on *Development*, California State University, Stanislaus.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Dr. Marvalene Hughes, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS