

DEVELOPMENT
CALIFORNIA STATE UNIVERSITY,
LOS ANGELES

Report Number 02-17
November 14, 2002

Members, Committee on Audit

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ABBREVIATIONS

CASE	Council for Advancement and Support of Education
CSU	California State University
CSU Los Angeles	California State University, Los Angeles
G-I-K	Gift(s)-In-Kind
IRS	Internal Revenue Service
SAM	State Administrative Manual

INTRODUCTION

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*.

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 June 2002. At California State University, Los Angeles (CSU Los Angeles), 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.

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, Agenda Item 2 of the January 23-24, 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. *Development* was previously audited in 1995.

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 \$284,831,157 in voluntary support (gifts from corporations, foundations, alumni, parents, and others) and special revenue (sponsorships and endowment distribution only). For this same period, CSU Los Angeles generated \$11,820,859 in external support, equaling approximately 11 percent of their 1999/2000 net General Fund budget of \$104,225,022.

OPINION

We visited the CSU Los Angeles campus from June 10, 2002, through July 10, 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; gifts-in-kind were not consistently tagged and inventoried; and some donation figures reported to the chancellor's office were not aligned with Council for Advancement and Support of Education reporting guidelines. 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]

DONATION PROCESSING [6]

Donations were not processed in accordance with Internal Revenue Service (IRS) regulations and California State University, Los Angeles (CSU Los Angeles) gift acceptance procedures. Donation processing that is aligned with IRS regulations and campus policy and procedures reduces the risk of incorrect reporting to the chancellor's office and disallowance of a tax deduction for the donor.

DONOR SYSTEM RECONCILIATION [7]

Reconciliations between computerized donor records maintained by institutional advancement and the California State University, Los Angeles Foundation were not completed in a timely manner. Additionally, institutional advancement reconciliation policies and procedures were not documented. Timely reconciliations of the donor and accounting records and documented reconciliation procedures reduce the risk that errors and/or misappropriation of funds will not be detected.

TAX DISCLOSURE STATEMENTS [8]

The fundraising invitations for a golf tournament, an awards banquet, and a tennis tournament did not include the appropriate tax disclosure language. Providing adequate tax deduction information to the donor reduces the risk of IRS penalties and disallowance of donor tax deductions.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS [9]

Controls over the disbursement of donated 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.

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL [11]

DONATION REPORTING [11]

Certain fundraising efforts reported in the 2000-2001 Annual Report on External Support were overstated. Correctly reported fundraising results support campus charitable contribution efforts, facilitate comparisons with other educational institutions, and provide reliable information to the Trustees and chancellor's office.

INVENTORY CONTROL [12]

Gift-in-kind (G-I-K) donations were not consistently inventoried and tagged. Effective management and control of noncash gifts reduce the risk that donated gifts will be lost or misappropriated.

REGULATORY AND CSU POLICY COMPLIANCE [13]

The campus did not value a piece of software in compliance with the *California State University (CSU) Gifts of Software Policy and Procedure*. Consistent adherence to CSU policy and procedures reduces the risk of improperly accepting, valuing, and reporting software gifts.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Donations were not processed in accordance with Internal Revenue Service (IRS) regulations and California State University, Los Angeles (CSU Los Angeles) gift acceptance procedures.

Our review of 28 cash donations and 15 gifts-in-kind (G-I-K) disclosed the following:

- ▶ In four instances, contribution acknowledgement letters were not issued to donors.
- ▶ In one instance, cash donation supporting documents could not be located by the campus.
- ▶ In ten instances, G-I-K acknowledgement letters were issued more than one month after the receipt of the gift.

IRS Publication 526, *Charitable Contributions*, states that a cash gift acknowledgement must be written and include: a) the amount of cash contributed; b) whether the donee 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 any goods or services provided to the donor.

CSU Los Angeles, *Development Policies and Procedures*, Section 8.4 states that the IRS requires that all charities provide a contemporaneous written acknowledgement letter for cumulative cash contributions of \$250 or more in any calendar year.

The director of advancement services indicated that donation processing exceptions were due to processing oversights. She further stated that better coordination between campus departments and colleges needed to be improved so that donations are reported to institutional advancement in a timely manner.

Donation processing that is not aligned with IRS regulations and campus policy and procedures increases the risk of incorrect reporting to the chancellor's office and disallowance of a tax deduction for the donor.

Recommendation 1

We recommend that the campus provide the necessary training and establish adequate controls to ensure compliance with relevant IRS acknowledgement requirements and advancement policies and procedures.

Campus Response

The campus has implemented the following measures to ensure compliance with IRS acknowledgement requirements and advancement policies and procedures:

- A series of training sessions have been scheduled beginning in early January 2003 with campus resource coordinators, auxiliaries, and campus business office staff to review the office of university development's Policies and Procedures for Gift Acceptance and Processing.
- The office of university development has revised its Acceptance of Gift In Kind Policy. This new policy will require all Acceptance of Gift In Kind forms to be submitted to advancement services within one week of the date of acceptance or arrival on campus.
- The newly revised Gift In Kind Policy has been placed in development's intranet public folder, and a hard copy has been distributed to all holders of the *Development Policies and Procedures Manual*.

The anticipated completion date is January 2003.

DONOR SYSTEM RECONCILIATION

Reconciliations between computerized donor records maintained by institutional advancement and the California State University, Los Angeles Foundation were not completed in a timely manner. Additionally, institutional advancement reconciliation policies and procedures were not documented.

We noted that the March 2002 reconciliation was completed June 11, 2002, and the April 2002 reconciliation was completed June 17, 2002.

State Administrative Manual (SAM) §7901 requires monthly preparation of all reconciliations within 30 days of the preceding month. 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 b) expenditures and an effective system of internal review.

The vice president of institutional advancement indicated that the timing for completing the donor system reconciliations and the absence of reconciliation procedures were due to the drain on resources that resulted from the PeopleSoft advancement database conversion.

Failure to complete donor system reconciliations in a timely manner and the absence of reconciliation procedures increase the risk that errors and/or misappropriation of funds will not be detected.

Recommendation 2

We recommend that the campus document and strengthen reconciliation procedures to ensure that donor system reconciliations between institutional advancement and campus auxiliaries are completed in a timely manner.

Campus Response

The office of university development has implemented revisions to its processes over donor system reconciliations between institutional advancement and campus auxiliaries. To ensure timely completion of reconciliations, development now tracks deposit dates and deposit receipt numbers for gifts reported by campus auxiliaries, which allows verification of individual donor transactions and brings development's processes in line with campus auxiliary and university business office reporting.

In addition, the development office will coordinate with campus auxiliaries and the university business office to facilitate procedures for electronic reconciliation when the cashier's office completes its conversion to the PeopleSoft platform.

The anticipated completion date is January 2003.

TAX DISCLOSURE STATEMENTS

The fundraising invitations for a golf tournament, an awards banquet, and a tennis tournament did not include the appropriate tax disclosure language.

Specifically, we noted that fundraisers did not include a statement that a deduction could only be made for the amount of the payment exceeding the value of the goods or services received and/or did not indicate the fair market value of goods or services received.

IRS Publication 526, *Charitable Contributions*, revised December 2000, states that a qualified organization must provide a written statement if a payment to it is more than \$75 and is partly a contribution and partly for goods and services.

CSU Los Angeles policy, *Gifts Related to Special Events*, Section 12.2 states that literature promoting the event and receipts for the event must include a statement concerning the tax-deductible portion of any fee solicited for attendance or participation in the event. This information should include the fair market value of any goods or services provided by the event and a statement that only the amount above the fair market value is deductible to the individual.

The director of advancement services stated that failure to provide an adequate tax deduction statement was an oversight by the departments responsible for designing the event solicitation materials and organizing the fundraiser.

Failure to provide adequate tax deduction information to the donor could result in IRS penalties for the university and disallowance of a tax deduction for the donor.

Recommendation 3

We recommend that the campus ensure that a quid pro quo contribution disclosure is included in all fundraiser invitations.

Campus Response

To ensure compliance with its policy that a quid pro quo contribution disclosure is included in all fundraiser invitations, the office of university development will implement the following measures:

- The Special Event Form will be updated to include a statement that the office of public affairs will not approve production of event promotional material without a completed and approved form.
- The revised Special Event Form will be posted and made available campus-wide through development's intranet public folders.
- Information about the newly revised Special Event Form and development's Special Events Policy has been included in the training sessions discussed in Recommendation No. 1.

The anticipated completion date is February 2003.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

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

Our review of 15 scholarships processed and disbursed through the scholarship office in financial aid disclosed the following:

- ▶ In nine instances, disbursement authorization signatures did not agree with the authorizing signature indicated on the endowment agreement.
- ▶ In three instances, the approval line on the scholarship transaction payment form was not completed.
- ▶ In two instances, the selection of scholarship recipients was inconsistent with the donor's intent.
- ▶ In three instances, student applications used to document compliance with the donor intent could not be located.
- ▶ In five instances, the scholarship account application approval signatures of the donor, individuals authorized to disburse funds, and the university controller were missing.

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 vice president of institutional advancement stated that the primary responsibility of selecting the scholarship recipients and managing controls over disbursements rests with the scholarship office in financial aid.

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

Recommendation 4

We recommend that the campus coordinate the efforts of the financial aid scholarship office, the university business office, and institutional advancement, to review, update, and strengthen controls over scholarship disbursements to ensure that expenditures are properly authorized, aligned with donor intentions, and receive appropriate internal review.

Campus Response

To ensure that scholarship disbursements are properly authorized, aligned with donor intentions, and receive appropriate internal review, the campus will review, update, and strengthen controls over expenditures as follows:

- The assistant vice president for student affairs and enrollment management and the director for financial aid will formulate procedures to implement an appropriate system of internal review, record-keeping, and reconciliation of all disbursements of scholarship funds received from private donors and public sources.
- The campus will formulate an agreement between the office of financial aid and the foundation auxiliary to identify and document respective responsibilities for the proper management of private scholarships received by the university, that will include:
 1. The foundation will update, maintain, and provide current donor criteria sheets for all private scholarships to the financial aid scholarship office.
 2. The foundation's executive director and the assistant vice president for student affairs and enrollment management will ensure that the authorized approvers for private scholarship disbursements are appropriate and current.

The anticipated completion date is February 2003.

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL

DONATION REPORTING

Certain fundraising efforts reported in the 2000-2001 Annual Report on External Support were overstated.

Our review disclosed that an undergraduate scholars program for \$20,000, an arts program for \$139,500, and a community project for \$64,500 funded by governmental agencies were inadvertently reported on the voluntary support of education report.

Council for Advancement and Support of Education (CASE) *Management Reporting Standards* indicate that sponsored programs and contracts should not be reported as donations. CASE also states that government funds, whether local, state (including state matching grants), or federal should not be counted in reports of annual fundraising results.

The director of advancement services indicated that the sponsored projects were allowable according to advancement services' interpretation of CASE and guidance provided by the chancellor's office.

Overstated fundraising efforts distort campus charitable contribution results, inhibit comparisons with other educational institutions, and provide misleading data to the Trustees and the chancellor's office.

Recommendation 5

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

Campus Response

The university has implemented the following measures to ensure that fundraising information reported to the chancellor's office complies with *CASE Management Reporting Standards*:

- The campus has implemented a new policy requiring that the vice president, institutional advancement approve all private grant proposals submitted on behalf of the university.
- The office of university development has initiated ongoing meetings with the office of research and sponsored programs and the campus fiduciary grants and contracts office to establish improved pre- and post-award controls over awards from private sector donors, and to formalize control procedures as appropriate.

INVENTORY CONTROL

Gift-in-kind (G-I-K) donations were not consistently inventoried and tagged.

During our review of 20 G-I-K donations over \$5,000, we noted that:

- ▶ Nine of the nine donated vehicles selected for review were not tagged and inventoried by property management.
- ▶ Four of twenty donated gifts were not tagged.

The campus Administrative Procedure, *Property Control*, Section 4.15 states that property donated to the university will be tagged and accounted for in the same manner as equipment purchased or transferred from other agencies, including contracts and grants and university auxiliary services donations.

SAM §8651 requires that all state property be tagged after acquisition.

The director of advancement services indicated that the above exceptions were due to the lack of communication between campus departments, advancement services, and property management.

Failure to manage and control noncash gifts increases the risk that donated gifts will be lost or misappropriated.

Recommendation 6

We recommend that the campus strengthen controls to ensure that the property office tags and periodically inventories all applicable noncash gifts.

Campus Response

To strengthen controls and to ensure tagging and periodic inventories of all applicable noncash gifts, the campus has supplemented current property procedures as follows:

- The university property office will submit a quarterly report to advancement services that identifies donated items by tag numbers.
- Advancement services will reconcile the quarterly property report to gift-in-kind donations processed in the advancement database.
- Noncash gifts have been included in the three-year inventory cycle performed by the property office, as required by campus Administrative Policy 507.

The anticipated completion date is January 2003.

REGULATORY AND CSU POLICY COMPLIANCE

The campus did not value a piece of software in compliance with the *California State University (CSU) Gifts of Software Policy and Procedure*.

We found that a software gift was valued on a multi- versus a single-seat basis. The gift was valued at \$28,031 versus \$1,121, the value of one seat.

The *CSU Gifts of Software Policy and Procedure*, dated June 1999, states that only the license value of the software is to be booked. The number of seats is not to be considered in determining the value.

The vice president of institutional advancement indicated that the value of the software was less than \$100,000; therefore, the valuation was not reviewed by the software committee. He further stated that inappropriate valuation of the software gift was due to an oversight.

Inconsistent adherence to the CSU software policy increases the risk that software will be inappropriately accepted, incorrectly valued, and improperly reported.

Recommendation 7

We recommend that the campus ensure that software valuation requirements as specified in the *CSU Gifts of Software Policy and Procedure* are met.

Campus Response

To ensure compliance with software valuation requirements as specified in the *CSU Gifts of Software Policy and Procedure*, the office of university development has recirculated the CSU policy, accompanied by a memorandum to all deans, vice presidents, and development directors restating that, in accordance with chancellor's office policy, the number of seats may not be used to value donated software.

The anticipated completion date is January 2003.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
James M. Rosser	President
Sharon Aoki	Director of Development, Luckman Fine Arts Complex
Lily Baba	Operations Manager, Pat Brown Institute
Tim Bamrick	Director of Development, Natural and Social Sciences
Kyle C. Button	Vice President, Institutional Advancement
Laura Carlson-Weiner	Director, Advancement Services
Barbara Contreras	Administrative Assistant, Institutional Advancement
Julian Fan	Director, Information Resources Management
Steven Garcia	Vice President, Administration and Finance
John Hodgkinson	Programmer, Information Resources Management
Robert Hoffmann	Operations Manager, Information Resources Management
Julie Joyce	Executive Director, Luckman Gallery
Yuet Lee	Assistant Vice President, Administration and Finance
Thomas Leung	University Controller, Business Financial Services
Joe Mitchell	Manager, Materials Management
Tracie Mullison	Budget Secretary, Institutional Advancement
Mitra Nasri	Property Records Supervisor, Property Management
Tom Ong	Information Technology Consultant, Advancement Services
Melayn Poladian	Administrative Assistant, Advancement Services
Kathy Reeves	Director of Development, Business and Economics
Collette Rocha	Assistant Vice President, University Development
Linda Shaffer	University Internal Auditor
Paula Tcheng	Accounting Supervisor, Business Financial Services

CALIFORNIA STATE UNIVERSITY, LOS ANGELES



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OFFICE OF THE PRESIDENT

(323) 343-3030 FAX: (323) 343-3039 <http://www.calstatela.edu>

January 14, 2003


Mr. Larry Mandel, University Auditor
Office of the University Auditor
Office of the Chancellor - The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

Re: University's Response to Recommendations Contained in Report Number 02-17


Dear Mr. Mandel:

Attached are the University's responses to recommendations contained in Report Number 02-17, *Development*. Please contact Ms. Linda Shaffer, Campus Internal Auditor, at (323) 343-5102 if you wish to discuss any matter contained herein.

Sincerely,


James M. Rosser
President

Attachment

cc: Kyle Button, Vice President for Institutional Advancement
Steven N. Garcia, Campus CFO/VPAF
Linda Shaffer, University Internal Auditor

The California State University

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DEVELOPMENT

CALIFORNIA STATE UNIVERSITY, LOS ANGELES

REPORT NO. 02-17

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Recommendation 1

We recommend that the campus provide the necessary training and establish adequate controls to ensure compliance with relevant IRS acknowledgement requirements and advancement policies and procedures.

Campus Response

The campus has implemented the following measures to ensure compliance with IRS acknowledgement requirements and advancement policies and procedures:

A series of training sessions have been scheduled beginning in early January 2003 with campus resource coordinators, auxiliaries, and campus business office staff to review the Office of University Development's Policies and Procedures for Gift Acceptance and Processing.

The Office of University Development has revised its Acceptance of Gift In Kind Policy. This new policy will require all 'Acceptance of Gift In Kind' Forms to be submitted to Advancement Services within one week of the date of acceptance or arrival on campus.

The newly revised Gift In Kind policy has been placed in Development's intranet public folder, and a hard copy has been distributed to all holders of the Development Policies and Procedures Manual.

The anticipated completion date is January 2003.

DONOR SYSTEM RECONCILIATION

Recommendation 2

We recommend that the campus document and strengthen reconciliation procedures to ensure that donor system reconciliations between institutional advancement and campus auxiliaries are completed in a timely manner.

Campus Response

The Office of University Development has implemented revisions to its processes over donor system reconciliations between institutional advancement and campus auxiliaries. To ensure timely completion of reconciliations, Development now tracks deposit dates and deposit receipt numbers for gifts reported by campus auxiliaries, which allows verification of individual donor transactions and brings Development's processes in line with campus auxiliary and University Business Office reporting.

In addition, the Development Office will coordinate with campus auxiliaries and the University Business Office to facilitate procedures for electronic reconciliation when the Cashier's Office completes its conversion to the Peoplesoft platform.

The anticipated completion date is January 2003.

TAX DISCLOSURE STATEMENTS

Recommendation 3

We recommend that the campus ensure that a quid pro quo contribution disclosure is included in all fundraiser invitations.

Campus Response

To ensure compliance with its policy that a quid pro quo contribution disclosure is included in all fundraiser invitations, the Office of University Development will implement the following measures:

- The *Special Event Form* will be updated to include a statement that the Office of Public Affairs will not approve production of event promotional material without a completed and approved form.

The revised *Special Event Form* will be posted and made available campus-wide through Development's intranet public folders.

- Information about the newly revised *Special Event Form* and Development's *Special Events Policy* has been included in the training sessions discussed in Recommendation #1.

The anticipated completion date is February 2003.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

Recommendation 4

We recommend that the campus coordinate the efforts of the financial aid scholarship office, the university business office, and institutional advancement, to review, update, and strengthen controls over scholarship disbursements to ensure that expenditures are properly authorized, aligned with donor intentions, and receive appropriate internal review.

Campus Response

To ensure that scholarship disbursements are properly authorized, aligned with donor intentions, and receive appropriate internal review, the campus will review, update and strengthen controls over expenditures as follows:

- The AVP for Student Affairs & Enrollment Management and the Director for Financial Aid will formulate procedures to implement an appropriate system of internal review, record-keeping, and reconciliation of all disbursements of scholarship funds received from private donors and public sources.

The campus will formulate an agreement between the Office of Financial Aid and the Foundation Auxiliary to identify and document respective responsibilities for the proper management of private scholarships received by the University, that will include:

The Foundation will update, maintain, and provide current donor criteria sheets for all private scholarships to the Financial Aid Scholarship Office.

2. The Foundation's Executive Director and the AVP for Student Affairs & Enrollment Management will ensure that the authorized approvers for private scholarship disbursements are appropriate and current.

The anticipated completion date is February 2003.

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL

DONATION REPORTING

Recommendation 5

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

Campus Response

The University has implemented the following measures to ensure that fundraising information reported to the chancellor's office complies with *CASE Management Reporting Standards*:

- The campus has implemented a new policy requiring that the Vice President, Institutional Advancement approve all private grant proposals submitted on behalf of the University.
- The Office of University Development has initiated ongoing meetings with the Office of Research and Sponsored Programs and the campus fiduciary Grants and Contracts Office to establish improved pre and post award controls over awards from private sector donors, and to formalize control procedures as appropriate.

INVENTORY CONTROL

Recommendation 6

We recommend that the campus strengthen controls to ensure that the property office tags and periodically inventories all applicable noncash gifts.

Campus Response

To strengthen controls and to ensure tagging and periodic inventories of all applicable non-cash gifts, the campus has supplemented current property procedures as follows:

- The University Property Office will submit a quarterly report to Advancement Services that identifies donated items by tag numbers.

Advancement Services will reconcile the quarterly property report to gift-in-kind donations processed in the advancement database.

Non-cash gifts have been included in the three-year inventory cycle performed by the Property Office, as required by campus Administrative Policy 507.

The anticipated completion date is January 2003.

REGULATORY AND CSU POLICY COMPLIANCE

Recommendation 7

We recommend that the campus ensure that software valuation requirements as specified in the *CSU Gifts of Software Policy and Procedure* are met.

Campus Response

To ensure compliance with software valuation requirements as specified in the *CSU Gifts of Software Policy and Procedure*, the Office of University Development has recirculated the CSU policy, accompanied by a memorandum to all Deans, Vice Presidents, and Development Directors restating that, in accordance with Chancellor's Office policy, the number of seats may not be used to value donated software.

The anticipated completion date is January 2003.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

January 16, 2003

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

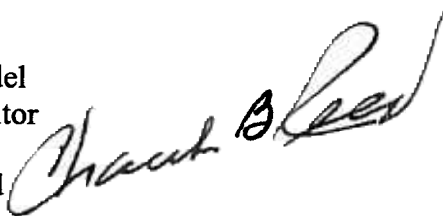
FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 02-17 on *Development*,
California State University, Los Angeles

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of January 16, 2003, I accept the response as submitted with the draft final report on *Development*, California State University, Los Angeles.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. James M. Rosser, President

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN JUAN OBISPO

SAN MARCOS

SONOMA

STANISLAUS