

**DEVELOPMENT**  
**CALIFORNIA STATE UNIVERSITY,**  
**LONG BEACH**

**Report Number 02-20**  
**December 11, 2002**

---

**Members, Committee on Audit**

Shailesh J. Mehta, Chair  
Kyriakos Tsakopoulos, Vice Chair  
William Hauck    Dee Dee Myers  
Erene S. Thomas    Anthony M. Vitti

---

**Staff**

University Auditor: Larry Mandel  
Audit Manager: Nate Clark  
Senior Auditor: Kenneth Wong

---

**BOARD OF TRUSTEES**  
**THE CALIFORNIA STATE UNIVERSITY**

---

# CONTENTS

---

## INTRODUCTION

Purpose.....	1
Scope and Methodology .....	1
Background.....	2
Opinion .....	3
Executive Summary .....	4

---

## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Cash and Noncash Gift Administration and Control .....	6
Radio Station Membership System Reconciliation.....	6
Gift-In-Kind Valuation .....	6
Acknowledgement Letter Processing.....	7
Reporting, Record Keeping, and Inventory Control.....	8
Sponsorship Processing .....	8
Radio Station Membership System Control and Security.....	9
Inventory Control.....	11
Regulatory and CSU Compliance .....	12
IRS Compliance .....	12
Fundraising Consultants and Counselors.....	13

## **APPENDICES**

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

---

## **ABBREVIATIONS**

CASE	Council for Advancement and Support of Education
CSU	California State University
CSU Long Beach	California State University, Long Beach
EO	Executive Order
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 1, 1999, to October 4, 2002. At California State University, Long Beach (CSU Long Beach), university relations and development 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 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, endowment income, and other income). For this same period, CSU Long Beach generated \$28,319,186 in external support, equaling approximately 20 percent of their 1999/2000 net General Fund budget of \$141,630,532.

---

## **OPINION**

We visited the CSU Long Beach campus from September 9, 2002, through October 4, 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, radio station membership reconciliations were not conducted on a monthly basis, 2000/2001 annual reporting fundraising and special revenue reporting was overstated, and fundraising solicitation material was not in full compliance with Internal Revenue Service regulations. 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]**

#### **RADIO STATION MEMBERSHIP SYSTEM RECONCILIATION [6]**

Reconciliations between computerized membership records maintained by KKJZ and the radio station's accounting system were not performed on a monthly basis. Monthly reconciliations of the membership and accounting records reduce the risk that reporting errors and/or misappropriations will go undetected.

#### **GIFT-IN-KIND VALUATION [6]**

Controls over gift-in-kind (G-I-K) valuation did not ensure that donations were valued in accordance with Council for Advancement and Support of Education (CASE) *Management Reporting Standards*. Sufficient controls over G-I-K valuation reduce the risk of misstated donation records.

#### **ACKNOWLEDGEMENT LETTER PROCESSING [7]**

G-I-K acknowledgement letters were not always processed in a timely manner. Timely acknowledgement letters encourage future charitable contributions from existing donors.

### **REPORTING, RECORD KEEPING, AND INVENTORY CONTROL [8]**

#### **SPONSORSHIP PROCESSING [8]**

Sponsorship processing and reporting procedures administered by the department of sports, athletics and recreation were not aligned with chancellor's office guidelines. Consistent adherence to Special Revenue Report guidelines reduces the risk of inaccurate sponsorship reporting and facilitates intercampus comparisons of nonstate support.

#### **RADIO STATION MEMBERSHIP SYSTEM CONTROL AND SECURITY [9]**

Access controls to the automated membership system and corresponding disaster recovery/business resumption plans for KKJZ were not adequate. Maintenance of adequate access controls and membership system disaster recovery/business resumption plan reduces the risk of unauthorized access and invasion of privacy.

### **INVENTORY CONTROL [11]**

G-I-K donations were not consistently inventoried and tagged in a timely manner. This is a repeat finding from the prior Development audit conducted by the Office of the University Auditor in 1996. Effective management and control of noncash gifts intended for the university reduce the risk that donated gifts will be misplaced and/or misappropriated.

### **REGULATORY AND CSU COMPLIANCE [12]**

#### **IRS COMPLIANCE [12]**

Fundraising solicitation/receipt materials and G-I-K acknowledgement letters did not consistently include the appropriate tax disclosure language. Providing adequate tax deduction information to the donor reduces the risk of Internal Revenue Service penalties and disallowance of donor tax deductions.

#### **FUNDRAISING CONSULTANTS AND COUNSELORS [13]**

Campus procedures had not been established to ensure that fundraising consultants and counselors were in good standing with the State Attorney General prior to engaging their services. Verification of fundraising consultant and counselor status with the State Attorney General provides some assurance that ethical fundraising agents represent the campus.

---

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

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

#### **RADIO STATION MEMBERSHIP SYSTEM RECONCILIATION**

Reconciliations between computerized membership records maintained by KKJZ and the radio station's accounting system were not performed on a monthly basis.

State Administrative Manual (SAM) §7900 states that the accuracy of a number of the accounting records of an agency may be proved partially by making certain reconciliations and verifications. All reconciliations should be prepared monthly within 30 days of the preceding month and will be retained at least two years.

The general manager of KKJZ indicated that reconciliations are prepared on an annual basis due to the radio station's accounting staff limitations.

Failure to complete monthly reconciliations of membership and accounting records increases the risk of reporting errors and/or misappropriation of funds.

#### **Recommendation 1**

We recommend that the radio station establish controls to ensure that reconciliations between the membership system and the general ledger system are consistently completed on a monthly basis.

#### **Campus Response**

We concur with the recommendation. Procedures have been established at KKJZ to require that, effective December 31, 2002, the computerized membership system is reconciled to the general ledger system on a monthly basis. Corrective action on this item is complete.

#### **GIFT-IN-KIND VALUATION**

Controls over gift-in-kind (G-I-K) valuation did not ensure that donations were valued in accordance with Council for Advancement and Support of Education (CASE) *Management Reporting Standards*.

We noted the following during our examination of 20 G-I-K donations valued for more than \$5,000 each:

- ▶ In two instances, the gift valuation was not sufficiently supported for athletic contributions.
- ▶ In one instance, a company providing student academic instruction (contributed services) was erroneously counted as a donation.

Executive Order (EO) No. 676, *Delegation of Gift Evaluation and Acceptance to Campuses*, dated February 1, 1998, states that all advancement programs and activities shall adhere to the Code of Ethics and Standards of Practice set forth by CASE.

CASE *Management Reporting Standards* state that G-I-K with fair market values of more than \$5,000 should be counted at the values placed on them by qualified independent appraisers, as required by the Internal Revenue Service (IRS) for valuing noncash charitable contributions. The standards also state that contributed services should not be counted in annual fundraising results, even if circumstances indicate that the donor regarded them as a contribution.

The director of development information systems for university relations and development indicated that the instances of insufficient valuation support in the two athletics contributions were due to oversights. He also indicated that the basis for the academic instruction donation was the cost of the instructor's salary and benefits.

Insufficient controls over G-I-K valuation increase the risk that donations will be misstated.

## **Recommendation 2**

We recommend that the campus strengthen G-I-K valuation procedures and controls to ensure compliance with CASE *Management Reporting Standards*.

## **Campus Response**

We concur with the finding. From this point, all athletics G-I-K exceeding \$5,000 will be processed with the same valuation and acknowledgment procedure as all other university G-I-K contributions. Written instructions have been issued to document these changes. Additionally, we accept the classification of the student academic instruction as a contributed service and in accordance with CASE standards will not count such arrangements in future fundraising totals. Corrective action on this finding is complete.

## **ACKNOWLEDGEMENT LETTER PROCESSING**

G-I-K acknowledgement letters were not always processed in a timely manner.

Our review of 18 G-I-K donations disclosed that it took an average of 86 days to issue an acknowledgement letter.

SAM §20050 states, in part, that a satisfactory system of internal accounting and administrative control shall include, but not be limited to, an effective system of internal review.

The director of development information systems for university relations and development indicated that the timing of the acknowledgement letters for G-I-K donations was attributed to the campus departments' failure to report gifts received in a timely manner.

Failure to issue acknowledgement letters in a timely manner could jeopardize future charitable contributions from existing donors.

### **Recommendation 3**

We recommend that the campus reemphasize gift reporting requirements and establish controls to ensure that acknowledgement letters are issued to donors within established time frames.

### **Campus Response**

We concur that acknowledgement letters need to be issued to donors within established time frames. We have issued a notice to the campus community regarding the need for expeditious initiation of the Gift Acceptance forms and will follow up as necessary. Corrective action on this item is complete.

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

### **SPONSORSHIP PROCESSING**

Sponsorship processing and reporting procedures administered by the department of sports, athletics and recreation were not aligned with chancellor's office guidelines.

During our review of sponsorships in fiscal year 2000-2001, we found that:

- ▶ Individuals executed sponsorship agreements on behalf of the campus without a formal delegation from the director of sports, athletics and recreation.
- ▶ Documented agreements did not exist for 18 equipment sponsorships that totaled \$97,100.
- ▶ Documented agreements did not exist for 11 hotel and restaurant trade-outs that totaled \$19,250.
- ▶ Documented agreements did not exist for three sponsorships that totaled \$9,000.
- ▶ Revenue totaling \$28,000 from business partnerships that included signage, facility use, and space for automated teller machines was entirely reported as a sponsorship.
- ▶ Revenue totaling \$19,000 from a marketing services relationship with the campus student housing and residential life department was erroneously reported as a sponsorship.

California State University, Long Beach, Office of the President, *Delegation of Authority*, dated March 21, 2000, states that all authority, responsibility, and accountability is delegated to the executive officers for managing their respective divisions. Further delegation of authority may be assigned provided that further redelegation of this authority shall be in writing and to the appropriate number and level of responsible, accountable individuals required for efficient operations.

The Special Revenue Report defines sponsorship as a “specific agreement, normally in writing, between an entity of the university and a corporate outside entity whereby the corporation or organization receives an exchange of value.” Examples include, but are not limited to, signage for a specific time period as a result of an agreement to give funds in support of a program(s); equipment for similar purposes; and/or the exclusive right to sell beverages (pouring rights) for a specific time period in exchange for a fee.

CASE classifies the following as exchange transactions: a) results of work have a specific value for the resource provider and b) benefits to the resource provider are primary and public benefits are secondary.

The director of sports, athletics and recreation indicated that not formally delegating authority for executing sponsorship agreements on behalf of the campus was an oversight.

The associate athletic director and chief financial officer for the department of sports, athletics and recreation indicated that the unsigned sponsorship agreements were due to oversight. He attributed the lack of sponsorship agreements for equipment and trade-outs to a lack of clear guidelines from the Office of the Chancellor requiring written agreements. He also indicated that the value of signage and space for automated teller machines was not distinguished within the agreement and the department was unaware of the requirement to exclude payments from other campus departments.

Inconsistent adherence to Special Revenue Report guidelines increases the risk of inaccurate sponsorship reporting and hinders intercampus comparisons of nonstate support.

#### **Recommendation 4**

We recommend that the campus define and document sponsorship requirements and standards, provide sponsorship processing training to applicable athletics department employees, and establish controls to ensure that sponsorships are processed in accordance with management’s expectations.

#### **Campus Response**

We concur. The campus has defined and documented sponsorship requirements and standards. Subsequently, the campus provided sponsorship training to applicable athletics department employees and has established controls to ensure that sponsorships are processed in accordance with management’s expectations. Corrective action on this item is complete.

### **RADIO STATION MEMBERSHIP SYSTEM CONTROL AND SECURITY**

Access controls to the automated membership system and corresponding disaster recovery/business resumption plans for KKJZ were not adequate.

We found that:

- ▶ Membership system access was not automatically disabled after prolonged terminal inactivity.
- ▶ The membership system did not periodically prompt access users to change their passwords.
- ▶ The membership system was not disabled after a predetermined number of unsuccessful attempts to gain access to the system.
- ▶ An authorization access clearance form was not used to establish/grant access to the membership system for ten employees.
- ▶ A membership system disaster recovery/business resumption plan was not established and documented.

SAM §4819.31 requires state agencies to protect the integrity of its information management capabilities and databases and ensure the security and confidentiality of information it maintains.

SAM §4989.7 states that the use of workgroup computing configurations within state agencies must be in accordance with all applicable SAM policies dealing with information technology security and risk management.

The membership manager of KKJZ indicated that individuals with access to the membership system are instructed to manually disable their terminals when not in use. He further indicated that other access controls and documenting a disaster recovery/business resumption plan had not been previously considered.

Not maintaining adequate controls over system access and a membership system disaster recovery/business resumption plan increases the risk of unauthorized access and invasion of privacy.

#### **Recommendation 5**

We recommend that the campus, with respect to membership system at KKJZ:

- a. Enable system access control features, such as password expiration, after a certain period of time; automatic terminal shutdown after a prolonged period of terminal inactivity; automatic terminal shutdown after “x” number of unsuccessful attempts to gain entry to the system; and periodic forced password changes.
- b. Require that station management formally approve all employees requesting access to the membership system.
- c. Develop and document a membership system disaster recovery/business resumption plan.

### **Campus Response**

We concur with the recommendations and have already implemented all of them. Corrective action on this finding is complete.

### **INVENTORY CONTROL**

G-I-K donations were not consistently inventoried and tagged in a timely manner. This is a repeat finding from the prior Development audit conducted by the Office of the University Auditor in 1996.

During our review of ten G-I-K donations valued at \$5,000 and above, we noted that:

- ▶ In two instances, the donated gifts were not tagged and recorded in the property inventory.
- ▶ It took an average of 161 days to tag and update the property inventory for seven donated gifts.

SAM §8650 states that when property is acquired, the following information is recorded: date acquired, property description, property identification number, cost of other basis of valuation, owner fund, and applicable rate of depreciation.

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

The director of development information systems for university relations and development indicated that the delays for tagging and updating the property inventory and accounting records was attributed to the failure of campus departments to report gifts in a timely manner.

Failure to manage and control noncash gifts intended for the university increases the risk that donated gifts will be misplaced and/or misappropriated.

### **Recommendation 6**

We recommend that the campus strengthen controls to ensure that G-I-K donations are inventoried and tagged in a timely manner.

### **Campus Response**

The campus concurs with the recommendation. The university relations and development division has issued a memo to remind campus departments of the importance of reporting G-I-K as soon as they are received so that they can be inventoried and tagged in a timely manner. Development officers have been reminded of the importance of monitoring this throughout the year. Corrective action on this item is complete.

## REGULATORY AND CSU COMPLIANCE

### IRS COMPLIANCE

Fundraising solicitation/receipt materials and G-I-K acknowledgement letters did not consistently include the appropriate tax disclosure language.

During our review of fundraising activity and gift acknowledgement processing, we noted that:

- ▶ Fundraising invitations for five banquets and two golf tournaments did not include the appropriate tax disclosure language.
- ▶ Acknowledgement letters for 7 of the 18 G-I-K donations reviewed did not include a statement regarding whether goods or services were received as a result of the contribution.

IRS Publication 526, *Charitable Contributions*, states that a cash or noncash gift acknowledgement must be written and include: a) the amount of cash contributed or a description of the property but not necessarily the value; 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. Further, the donee organization must provide the donor with a written statement if a donation is made for more than \$75 and is partly a contribution and partly for goods or services (e.g., fundraiser dinner, golf tournament, etc.). The statement must provide a good faith estimate of the value of goods and/or services provided and indicate that the donor can deduct only the amount of the contribution that is more than the value of what was received.

The director of division operations for university relations and development indicated that organizers of the fundraisers were not aware of the quid pro quo contribution disclosure requirements. The director of development information systems for university relations and development indicated that the omission of the appropriate tax disclosure language within the acknowledgement letters for G-I-K donations was attributed to using an outdated template.

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 7**

We recommend that the campus revise the donor acknowledgement letter template to include the appropriate quid pro quo contribution disclosure information and reeducate campus groups and persons who engage in fundraising activities regarding the need to include the appropriate tax disclosure language on fundraiser invitations.

### **Campus Response**

We concur that, when appropriate, quid pro quo contribution disclosure information should be included in all fundraising invitations and donor acknowledgements. The university relations and development division has reviewed all templates used on the campus for donor acknowledgement letters and has revised any that were not in compliance. It has also issued a notice to the appropriate campus community to remind them of the requirement and the importance of this matter. Corrective action on this item is complete.

### **FUNDRAISING CONSULTANTS AND COUNSELORS**

Campus procedures had not been established to ensure that fundraising consultants and counselors were in good standing with the State Attorney General prior to engaging their services.

We found that both of the fundraising counsels engaged by the campus were not registered with the State Attorney General.

Supervision of Trustees and Fundraisers for Charitable Purposes Act §12599(b) states that a commercial fundraiser for charitable purposes shall, prior to soliciting funds in California for charitable purposes, or prior to receiving and controlling any funds or assets as a result of a solicitation in this state for charitable purposes, register with the Attorney General's Registry of Charitable Trusts on a registration form provided by the Attorney General.

The vice president of university relations and development indicated that the campus had not considered verifying the status of fundraising consultants and counselors with the State Attorney General prior to engagement.

Failure to verify fundraising consultant and counselor status with the State Attorney General increases the risk that a less than ethical fundraising agent may represent the campus.

### **Recommendation 8**

We recommend that the campus establish formal procedures to verify the status of fundraising consultants and counselors with the State Attorney General as part of the background evaluation prior to engagement.

### **Campus Response**

We concur with the recommendation. The requirement to verify the status of fundraising consultants and counselors with the State Attorney General has been included in formal procedures established for the use of fundraising consultants and counselors. The appropriate campus community has been advised of this requirement. Corrective action on this item is complete.

---

## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert C. Maxson	President
Robert Bersi	Vice President, University Relations and Development
Oliver Bohlman	Director of Division Operations, University Relations and Development
Terie Bostic	Administrative Services Manager, College of Liberal Arts
Aristide Collins	Associate Vice President of Development, University Relations and Development
David Corey	Director of Prospect Management and Research, University Relations and Development
Roberto Escalante	Manager, Receiving, Campus Stores and Property Management
Jurij Greenly	Membership Assistant Manager, KKJZ
William Griffith	Vice President, Administration and Finance
David Harrison	Assistant Vice President of Estate Planning and Endowment Development, University Relations and Development
Janice Hatanaka	Assistant Vice President of Alumni Relations and Annual Giving, University Relations and Development
Sean Heitkemper	Membership Manager, KKJZ
Kathleen Hext	Director, Internal Auditing Services
Barbara Holden	Director of Planned Giving, University Relations and Development
Maryann Jakins	Accounts Payable Manager, KKJZ
Judy Jankowski	General Manager, KKJZ
Ted Kadowaki	Associate Athletic Director and Chief Financial Officer, Sports, Athletics and Recreation
Brian Lawver	Director of Development Information Systems, University Relations and Development
Terri McDermot	Director of Development, College of Engineering
Michael Mulryan	Assistant Athletics Director for External Relations, Sports, Athletics and Recreation
Natalie Nguyen	Fixed Asset Coordinator, Property Management
Mark Roberts	Controller, KKJZ
William Shumard	Director of Sports, Athletics and Recreation
Aysu Spruill	Senior Internal Auditor, Internal Auditing Services
Judy Swan	Administrative Services Manager, College of Education
Janna Tenenbaum	Deputy Executive Director, California State University, Long Beach Foundation
Diana Walker	Director of Development, College of Liberal Arts



CALIFORNIA STATE UNIVERSITY, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

RECEIVED  
UNIVERSITY AUDITOR

JAN 16 2003

THE CALIFORNIA STATE  
UNIVERSITY

January 15, 2003

Mr. Larry Mandel  
University Auditor  
California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, California 90802

Re: Response to Development Audit Report 02-20

Dear Larry:

Please find enclosed California State University, Long Beach's response to the above report. The campus is committed to addressing and resolving the issues identified in the audit report. We appreciate your staff's efforts on our behalf.

We are providing documentation under separate cover to evidence completion of all of the items that are designated as completed in our responses.

Please let me know if we can provide you with any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "William H. Griffith".

William H. Griffith  
Vice President for Administration and Finance

Enclosure

cc Robert C. Maxson, President  
Robert Bersi, Vice President, University Relations and Development  
Oliver Bohlman, University Relations and Development  
Kathleen Hext, Director, Internal Auditing Services

RESPONSE TO DEVELOPMENT AUDIT  
JANUARY 15, 3003

CALIFORNIA STATE UNIVERSITY,  
LONG BEACH

REPORT NO. 02-20

**CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL**

**RADIO STATION MEMBERSHIP SYSTEM RECONCILIATION**

**Recommendation 1**

We recommend that the radio station establish controls to ensure that reconciliations between the membership system and the general ledger system are consistently completed on a monthly basis.

**Campus Response**

We concur with the recommendation. Procedures have been established at KKJZ to require that, effective December 31, 2002, the computerized membership system is reconciled to the general ledger system on a monthly basis. Corrective action on this item is complete.

**GIFT-IN-KIND VALUATION**

**Recommendation 2**

We recommend that the campus strengthen G-I-K valuation procedures and controls to ensure compliance with *CASE Management Reporting Standards*.

**Campus Response**

We concur with the finding. From this point, all athletics gifts-in-kind exceeding \$5,000 will be processed with the same valuation and acknowledgment procedure as all other university gift-in-kind contributions. Written instructions have been issued to document these changes. Additionally, we accept the classification of the student academic instruction as a contributed service and in accordance with CASE standards will not count such arrangements in future fundraising totals. Corrective action on this finding is complete.

**ACKNOWLEDGEMENT LETTER PROCESSING**

**Recommendation 3**

We recommend that the campus reemphasize gift reporting requirements and establish controls to ensure that acknowledgement letters are issued to donors within established time frames.

**Campus Response**

We concur that acknowledgement letters need to be issued to donors within established time frames. We have issued a notice to the campus community regarding the need for expeditious initiation of the Gift Acceptance Forms and will follow up as necessary. Corrective action on this item is complete.

**REPORTING, RECORD KEEPING, AND INVENTORY CONTROL****SPONSORSHIP PROCESSING****Recommendation 4**

We recommend that the campus define and document sponsorship requirements and standards, provide sponsorship processing training to applicable athletics department employees, and establish controls to ensure that sponsorships are processed in accordance with management's expectations.

**Campus Response**

We concur. The campus has defined and documented sponsorship requirements and standards. Subsequently, the campus provided sponsorship training to applicable athletics department employees and has established controls to ensure that sponsorships are processed in accordance with management's expectations. Corrective action on this item is complete.

**RADIO STATION MEMBERSHIP SYSTEM CONTROL AND SECURITY****Recommendation 5**

We recommend that the campus, with respect to membership system at KKJZ:

- a. Enable system access control features, such as password expiration, after a certain period of time; automatic terminal shutdown after a prolonged period of terminal inactivity; automatic terminal shutdown after "x" number of unsuccessful attempts to gain entry to the system; and periodic forced password changes.
- b. Require that station management formally approve all employees requesting access to the membership system.
- c. Develop and document a membership system disaster recovery/business resumption plan.

**Campus Response**

We concur with the recommendations and have already been implemented all of them. Corrective action on this finding is complete.

## **INVENTORY CONTROL**

### **Recommendation 6**

We recommend that the campus strengthen controls to ensure that G-I-K donations are inventoried and tagged in a timely manner.

### **Campus Response**

The campus concurs with the recommendation. The University Relations and Development Division has issued a memo to remind campus departments of the importance of reporting gifts in kind as soon as they are received so that they can be inventoried and tagged in a timely manner. Development officers have been reminded of the importance of monitoring this throughout the year. Corrective action on this item is complete.

## **REGULATORY AND CSU COMPLIANCE**

### **IRS COMPLIANCE**

#### **Recommendation 7**

We recommend that the campus revise the donor acknowledgement letter template to include the appropriate quid pro quo contribution disclosure information and re-educate campus groups and persons who engage in fundraising activities regarding the need to include the appropriate tax disclosure language on fundraiser invitations.

#### **Campus Response**

We concur that, when appropriate, quid pro quo contribution disclosure information should be included in all fundraising invitations and donor acknowledgements. The University Relations and Development Division has reviewed all templates used on the campus for donor acknowledgement letters and has revised any that were not in compliance. It has also issued a notice to the appropriate campus community to remind them of requirement and the importance of this matter. Corrective action on this item is complete.

## **FUNDRAISING CONSULTANTS AND COUNSELORS**

### **Recommendation 8**

We recommend that the campus establish formal procedures to verify the status of fundraising consultants and counselors with the State Attorney General as part of the background evaluation prior to engagement.

**Campus Response**

We concur with the recommendation. The requirement to verify the status of fundraising consultants and counselors with the State Attorney General has been included in formal procedures established for the use of fundraising consultants and counselors. The appropriate campus community has been advised of this requirement. Corrective action on this item is complete.


  
**THE CALIFORNIA STATE UNIVERSITY**  
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 14, 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 02-20 on *Development*,  
California State University, Long Beach

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 14, 2003, I accept the response as submitted with the draft final report on *Development*, California State University, Long Beach.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Dr. Robert C. Maxson, President  
Mr. William H. Griffith, Vice President for Administration and Finance

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS