FUND-RAISING AND GIFT PROCESSING

CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Audit Report 10-68
March 18, 2011

Members, Committee on Audit

Henry Mendoza, Chair
Melinda Guzman, Vice Chair
Margaret Fortune  Steven M. Glazer
William Hauck  Hsing Kung  Linda Lang

Staff

University Auditor: Larry Mandel
Senior Director: Michelle Schlack
Acting Audit Manager: Wendee Shinsato
Audit Manager: Michael Zachary

BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY
# CONTENTS

Executive Summary ................................................................................................................................. 1

Introduction ................................................................................................................................................ 3
  Background ............................................................................................................................................... 3
  Purpose .................................................................................................................................................... 4
  Scope and Methodology ........................................................................................................................ 5

# OBSERVATIONS, RECOMMENDATIONS,
AND CAMPUS RESPONSES

General Environment ............................................................................................................................... 6
  Delegation of Authority ........................................................................................................................ 6
  Policies and Procedures ....................................................................................................................... 6

Fund-Raising and Event Planning .......................................................................................................... 8

Cash and Non-Cash Gift Administration ............................................................................................... 9
  Cash Controls ......................................................................................................................................... 9
  Safeguarding of Cash .......................................................................................................................... 10
  Disposal of Donated Gifts .................................................................................................................. 11

Reporting and Recordkeeping ............................................................................................................. 12
  Donation Reporting .......................................................................................................................... 12
  Sponsorship Recordkeeping Procedures .......................................................................................... 13
APPENDICES

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

ABBREVIATIONS

ARES  Annual Report on External Support
CASE  Council for Advancement and Support of Education
CSU   California State University
CSUS  California State University, Stanislaus
EO    Executive Order
FY    Fiscal Year
IRS   Internal Revenue Service
SAM   State Administrative Manual
UA    University Advancement
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2009, the Board of Trustees, at its January 2010 meeting, directed that Fund-Raising and Gift Processing be reviewed. The Office of the University Auditor had previously reviewed fund-raising and gift processing activities as part of the 2001 and 2002 audits of Development and, for the majority of campuses, during the Auxiliary Organizations triennial audits.

We visited the California State University, Stanislaus campus from November 15, 2010, through December 10, 2010, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: fund-raising and event planning, restrictive endorsement of checks upon receipt, maintenance of safe logs, and disposal of non-cash gifts reporting. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for fund-raising and gift processing activities in effect as of December 10, 2010, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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

GENERAL ENVIRONMENT [6]

The delegation of authority for gift evaluation and acceptance was not up to date and had not been signed by the president. Also, fund-raising and gift processing policies and procedures needed improvement.

FUND-RAISING AND EVENT PLANNING [8]

The campus’ policies and procedures for the administration of fund-raising events were inadequate.

CASH AND NON-CASH GIFT ADMINISTRATION [9]

Campus procedures for the receipt of donation checks were inadequate. Additionally, documentation of access to safes at two locations was non-existent or incomplete, a repeat finding from the prior
EXECUTIVE SUMMARY

Development audit for one location. Finally, campus procedures for the disposal of gift-in-kind donations were not complete.

REPORTING AND RECORDKEEPING [12]

Certain gift commitments were incorrectly reported in the 2008/09 Annual Report on External Support. In addition, the campus lacked a formal process for sponsorship recordkeeping.
INTRODUCTION

BACKGROUND

In March 2005, the Board of Trustees adopted four guiding principles to measure the productivity of, and investment in, advancement operations. These principles include adequate resources to achieve stated goals, establishment and annual evaluation of performance goals, a well-rounded development program, and a culture of philanthropy.

Fund-raising, and the associated processing of the gifts received, are an integral component of advancement operations. Although the California State University (CSU) depends on state funds to support core educational functions, private support provides a significant and essential source of funding toward the CSU’s goals of access to education, enhanced educational quality, and financial stability. Over the past three years, the CSU has averaged $252 million per year in gift receipts.

With regard to fund-raising, the CSU campuses are separated into three peer groups based on the campus advancement program’s maturity, which is measured by the number of full-time professional fundraisers, the endowment’s market value, and the number of individual donors. Group I campuses have a fund-raising productivity goal of 10 percent of the state general fund allocation, Group II campuses have a goal of 10 to 15 percent of the state general fund allocation, and Group III campuses have goals that equal or exceed 15 percent of the state general fund allocation. Fund-raising productivity at the CSU is calculated based on gift commitments, including gifts that have been received, as well as pledges and support promised through testamentary provisions.

Campuses are categorized as follows:

<table>
<thead>
<tr>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakersfield</td>
<td>Chico</td>
<td>Fresno</td>
</tr>
<tr>
<td>Channel Islands</td>
<td>Fullerton</td>
<td>Long Beach</td>
</tr>
<tr>
<td>Dominguez Hills</td>
<td>Northridge</td>
<td>San Diego</td>
</tr>
<tr>
<td>East Bay</td>
<td>Pomona</td>
<td>San Luis Obispo</td>
</tr>
<tr>
<td>Humboldt</td>
<td>Sacramento</td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>San Francisco</td>
<td></td>
</tr>
<tr>
<td>Maritime Academy</td>
<td>San Jose</td>
<td></td>
</tr>
<tr>
<td>Monterey Bay</td>
<td>Sonoma</td>
<td></td>
</tr>
<tr>
<td>San Bernardino</td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Marcos</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stanislaus</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fund-raising and gift processing activities may be administered on the state side or through auxiliary organizations. Each campus has a university advancement office and a charitable foundation that work together to solicit and manage donations. In the Office of the Chancellor, the Office of Systemwide Advancement provides support to campuses, develops systemwide policies, and consolidates campus information to produce accountability reports.
PURPOSE

Our overall audit objective was to determine the effectiveness of existing policies and procedures related to fund-raising and gift processing and to determine the adequacy of controls that ensure compliance with relevant rules and regulations, Trustee policy, Office of the Chancellor directives, industry standards, and campus procedures.

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

- The structure and administration of fund-raising and gift processing provides clear lines of organizational authority and responsibility, an effective internal control environment, and policies and procedures that are current and comprehensive.

- Fund-raising planning aligns with local and systemwide standards, and monitoring processes are adequate to meet stated goals.

- Fund-raising event administration reflects appropriate internal controls and complies with state and federal regulations and local and CSU policy.

- Cash and non-cash gifts are adequately controlled, sufficiently safeguarded, and properly accounted for, and non-cash gifts are properly valued.

- Donations are properly processed and acknowledged, and the donor administrative system is reconciled to campus/foundation accounting records.

- Corporate matching gifts are eligible, properly directed and evaluated, accepted by authorized personnel, and deposited in a timely manner.

- Donor files and automated donor system information assets are adequately safeguarded.

- Reportable charitable contribution and expenditure information is complete, accurate, and supportable.

- Donor pledges are adequately controlled, properly reported, followed up on, and written off when deemed uncollectible.

- Controls over the administration of gift accounts are adequate, and gift accounts are established in accordance with state and CSU regulations and donor intent.

- Expenditures are reasonable, adequately supported, and properly authorized and comply with university policies and donor intentions.
INTRODUCTION

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that fund-raising and gift processing would include a review of controls over the analysis of development needs, identification of prospective donors and donor relations, solicitation and acknowledgment of donations, valuation of non-monetary donations, recording of gifts and posting to accounting records, securing of donor information, expending of donated funds, and preparation of reports on development activity.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining whether operational and administrative controls are in place and operative. 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 focused on procedures in effect from fiscal year 2008/09 through fiscal year 2009/10.

A preliminary risk assessment of fund-raising and gift processing was used to select for our audit testing those areas or activities with highest risk. This assessment was based upon a systematic process using prior audits, management’s feedback, and professional judgments on probable adverse conditions and other pertinent information, including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- Fund-raising and event planning.
- Cash and non-cash gift administration.
- Donor information security.
- Reporting and recordkeeping.
- Gift accounts and expenditures.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

DELEGATION OF AUTHORITY

The delegation of authority for gift evaluation and acceptance was not up to date and had not been signed by the president.

Executive Order (EO) 676, *Delegation of Gift Evaluation and Acceptance to Campuses*, dated February 1, 1998, states that authority is delegated to campus presidents to evaluate and accept gifts, bequests, and donations to campuses. Campus presidents may further delegate this authority in whole or in part to campus officers and employees to ensure that all gifts accepted by the campus will aid in carrying out the primary functions of the campus and the California State University (CSU) system.

The manager of advancement services stated that the failure to update the delegation of authority for gift evaluation and acceptance and to obtain the signature of the president was due to oversight.

Failure to maintain a current and appropriately authorized delegation of authority for gift evaluation and acceptance responsibilities increases the risk that donations will be mishandled or misused.

**Recommendation 1**

We recommend that the campus update and obtain the president’s signature on its delegations of authority for the evaluation and acceptance of gifts.

**Campus Response**

We concur. The campus will update and obtain the president’s signature on its delegations of authority for the evaluation and acceptance of gifts.

Expected date of completion: May 15, 2011

POLICIES AND PROCEDURES

Fund-raising and gift processing policies and procedures needed improvement.

Specifically, we noted that:

- The University Advancement (UA) Gift Processing Manual showed no evidence of review and approval by management, and no revision dates were available.

- The campus Policy and Guidelines for Donor Lists had not been finalized or implemented and did not address existing UA practices concerning security of donor files.
The campus did not have documented procedures to describe the creation and monitoring of development plans.

Government Codes §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

State Administrative Manual (SAM) §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

The manager of advancement services stated that the UA Gift Processing Manual was currently being reviewed and updated but that the process might take a few more months to complete. He further stated that although the Policy and Guidelines for Donor Lists had been properly drafted, it did not fully address all of the practices and requirements in place for donor hard copy file security, and the campus had overlooked the need to finalize and implement the policy. Finally, he stated that development planning and plan monitoring was ongoing, but due to conflicting priorities, UA had not had time to document specific policies and procedures for how development plans are arrived at and what monitoring is needed.

Failure to maintain policies and procedures limits the effectiveness of administrative capability and increases the risk of misunderstandings regarding employees’ responsibilities and the campus’ ability to adequately administer fund-raising and gift processing activities.

**Recommendation 2**

We recommend that the campus:

a. Review and update the UA Gift Processing Manual and document the approvals and revision date.

b. Revise the Policy and Guidelines for Donor Lists to address the security of donor files, and finalize and implement the policy.

c. Document procedures describing the creation and monitoring of development plans.

**Campus Response**

We concur. The campus will review and update the University Advancement Gift Processing Manual and document the approvals and revision dates. The campus will revise the Policy and Guidelines for Donor Lists. The campus will also document procedures describing the creation and monitoring of development plans.
Expected date of completion: July 15, 2011

FUND-RAISING AND EVENT PLANNING

The campus’ policies and procedures for the administration of fund-raising events were inadequate.

We reviewed five fund-raising events in fiscal years (FY) 2008/09 and 2009/10 and noted that:

- Approvals of fund-raising events were not documented.
- Departments hosting fund-raising events did not perform reconciliations of ticket sales or event attendance to event revenues, nor did they provide sufficient event attendance and ticket information for UA to perform the reconciliation.
- Some contractors who came onto CSU grounds to provide services for an event did not have a written CSU contract with an indemnification clause.
- One athletics raffle appeared to meet the criteria for reporting, but the raffle winnings were not reported to the Internal Revenue Service (IRS).

California State University, Stanislaus (CSUS) Special Event/Fundraising Event Procedures state that when the event is over, the event budget should be reconciled within two weeks of the event, with any anomalies to closure itemized and clarified in detail. This is done in compliance with CSUS and CSU systemwide policy. Further, contracts and requisitions should be prepared and administered in a manner consistent with development and university relations protocol.

CSUS Student Affairs Special Event Standards, dated April 2007, states that staff should consult with the university contracts manager for conformance to standard contract provisions and for advice and assistance. It further states that staff should ensure that appropriate insurance is obtained if necessary outside of the blanket policy issued through the CSU Risk Management Authority.

IRS Publication 3079, Tax-Exempt Organizations and Gaming, states that organizations must report a payment of winnings, including raffle prizes, when the amount paid is $600 or more and at least 300 times the amount of the wager. Each time an organization pays reportable winnings, the organization must complete a Form W-2G, Certain Gambling Winnings, to report the winnings to the IRS and to the person receiving the winnings. Additionally, organizations must withhold income tax from a payment of winnings in a raffle when the proceeds from the wager are more than $5,000.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization, as well as recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.
It further states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.

The manager of advancement services stated that UA was working to formalize the event approval process and that currently, the event coordinator met with the vice president of UA to discuss the nature and goals of any event and solicitations on behalf of the event. He further stated that departments hosting fund-raisers were not completing ticket reconciliations because they had not been formally advised that reconciliations were necessary; CSUS fund-raising procedures had been broadly written to address controls over fund-raising events but did not include details of ticket reconciliations. In addition, he stated that the need to consult with the campus contracts manager regarding contracts and indemnification for all contractors at fund-raising events had been overlooked, and that because tax guidance was changing throughout 2009, UA had overlooked the need to report raffle winnings.

Failure to maintain adequate procedures for fund-raising events decreases accountability for the achievement of fund-raising goals, increases the risk that event funds will be lost or misappropriated, and increases the risk of potential non-compliance with government regulations.

**Recommendation 3**

We recommend that the campus update its policies and procedures for the administration of fund-raising events to ensure that:

a. Fund-raising events receive documented approvals.

b. Ticket sales or event attendance are reconciled to event revenues.

c. All contractors who provide on-site services have CSU contracts with indemnification clauses.

d. Raffle winnings are reported to the IRS when appropriate.

**Campus Response**

We concur. The campus and the Foundation will update its policies and procedures for the administration of fund-raising events to ensure documented approvals, ticket sales reconciliation, proper indemnification clauses for contracts and compliance with IRS regulations relating to raffle winnings.

Expected date of completion: June 15, 2011

**CASH AND NON-CASH GIFT ADMINISTRATION**

**CASH CONTROLS**

Campus procedures for the receipt of donation checks were inadequate.
We reviewed gift receipt processes at the athletics department, agricultural studies department, and UA and found that:

- Three donation checks had not been restrictively endorsed by athletics on the day that they were received.
- Some departments that received donations did not have Foundation endorsement stamps.

SAM §8023 states that all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.

The manager of advancement services stated that sometimes donation checks received from other campus departments were not restrictively endorsed due to oversight, or because the departments did not have endorsement stamps, but UA restrictively endorsed them to the Foundation upon subsequent review.

The lack of a formal process to address the receipt of donation checks increases the risk of funds not being deposited correctly or not being deposited at all.

**Recommendation 4**

We recommend that the campus establish documented procedures for the receipt of donation checks to ensure that:

a. Donation checks are restrictively endorsed on the day of receipt.

b. All departments that receive donation checks are provided with Foundation endorsement stamps.

**Campus Response**

We concur. The campus and the Foundation will establish documented procedures for the receipt of donation checks to ensure that donation checks are restrictively endorsed on the day of receipt and all departments that receive donation checks are provided with Foundation endorsement stamps.

Expected date of completion: July 15, 2011

**SAFEGUARDING OF CASH**

Documentation of access to safes at two locations was nonexistent or incomplete. For one location, this is a repeat finding from the prior Development audit.

We found that:

- The athletics department did not maintain a record of the individuals with access to the department safe, nor did they document when the safe combination was last changed.
UA did not have a record of when its safe combination was last changed. This is a repeat finding from the prior Development audit.

SAM §8024 requires the campus to retain a record listing the names of persons knowing the present safe combination and the date the combination was last changed, and to change the safe combination when employees leave a department.

The director of athletics stated that he was unaware of the need to maintain records regarding the safe. The manager of advancement services stated that although advancement maintained a record of individuals with safe access, he did not know when the combination had last been changed. He stated his belief that it had been more than 18 months.

Lack of documentation of access to safes increases campus exposure to loss from inappropriate acts.

Recommendation 5

We recommend that the campus instruct the athletics department and UA to maintain records of individuals who know the safe combination in their department and to document when the safe combination is changed.

Campus Response

We concur. The campus will instruct the athletics department and UA to maintain records of individuals who know the safe combination in their department and to document when the safe combination is changed.

Expected date of completion: May 15, 2011

DISPOSAL OF DONATED GIFTS

Campus procedures for the disposal of gift-in-kind donations were not complete.

Specifically, we noted that the campus did not have written procedures to ensure that gift-in-kind donations with a value over $500 that were disposed of within three years of receipt were properly reported to the IRS. We reviewed 15 non-cash donations received in FY 2008/09 and FY 2009/10, and we noted that in one instance, Form 8282 had not been prepared and a copy had not been sent to the donor, with the original going to the IRS, when equipment items gifted to the campus with individual values of $500 or more were disposed of.

IRS Publication 526, Charitable Contributions, states that if an organization, within three years after the date of receipt of a contribution of property for which it was required to sign a Form 8283, sells, exchanges, or otherwise disposes of the property, the organization must file Form 8282, Donor Information Return, and send the donee a copy of the form. However, if the appraised value of the donated item is $500 or less, the organization is not required to report the disposal.
IRS Form 8282, *Donee Information Return*, states that original and successor donee organizations must file Form 8282 if they sell, exchange, consume, or otherwise dispose of (with or without consideration) charitable deduction property (or any portion) within three years after the date the original donee received the property. The organization (donee) must give a copy of Form 8282 to the donor and send the original to the IRS within 125 days after the date of disposition.

The manager of advancement services stated that, due to the complexity of the subject disposal transaction, the follow-up filing of forms was overlooked.

Failure to maintain complete procedures for disposal of gift-in-kind donations increases the likelihood of non-compliance with IRS regulations.

**Recommendation 6**

We recommend that the campus update its procedures for non-cash donations to ensure that gift-in-kind donations with a value of more than $500 that are disposed of within three years of receipt are properly reported to the IRS.

**Campus Response**

We concur. The campus and the Foundation will update its procedures for non-cash donations to ensure that gift-in-kind donations with a value of more than $500 that are disposed of within three years of receipt are properly reported to the IRS.

Expected date of completion: July 15, 2011

**REPORTING AND RECORDKEEPING**

**DONATION REPORTING**

Certain gift commitments were incorrectly reported in the 2008/09 Annual Report on External Support (ARES).

We noted that:

- The campus did not reduce the total for new pledge commitments made in FY 2008/09 by the amount of payments received on these pledges in the same fiscal year. Thus, payments on these pledges were counted twice, resulting in an overstatement of $332,174.

- Advertising space and related services of $17,650 provided by a newspaper were erroneously reported as gifts.
The CSU *Advancement Reporting and Data Collection Process Guidelines*, dated July 1, 2009, states that for reporting purposes, campuses should include in the ARES only pledges committed in the reporting period. Additionally, campuses should report the dollar amount of new contributions pledged during the fiscal year that are still outstanding at the end of the fiscal year. The reporting campus should not include pledge amounts paid during the reporting year that the commitment was received.

Case Reporting Standards and Management Guidelines (CASE), Chapter 1, states that the value of a person’s or organization’s time or service is not considered a charitable contribution and is not countable, regardless of whether the individual assists as a volunteer or as a professional providing a specialized service (e.g., accounting, legal work, consulting, or printing).

The manager of advancement services stated that these misstatements occurred before a review process was in place to identify these types of errors, but that a review process has since been implemented.

Misstated or overstated fund-raising efforts distort campus charitable contribution results, inhibit comparisons with other educational institutions, and render misleading the data that is provided to the Office of the Chancellor, the Board of Trustees, and campus management.

**Recommendation 7**

We recommend that the campus correctly report gift commitments in the Annual Report on External Support.

**Campus Response**

We concur. The campus will develop procedures documenting the review process of the Annual Report on External Support.

Expected date of completion: July 15, 2011

**SPONSORSHIP RECORDKEEPING PROCEDURES**

The campus lacked a formal process for sponsorship recordkeeping.

We reviewed five sponsorships recorded in FY 2008/09 and FY 2009/10 and found that:

- Sponsorship documentation had not been standardized.
- Three sponsorships were not supported by formal sponsorship agreements.
- The acknowledgment letter and gift receipt for one sponsorship was not signed.

SAM §20050 states that one symptom of a deficient internal control system is policy and procedural or operational manuals that are either not currently maintained or are nonexistent.
The manager of advancement services stated that many sponsorship activities were not standardized, and thus they were subject to clerical errors because specific UA and campuswide policies and procedures had not been documented.

The lack of a formal process for sponsorship recordkeeping activities limits the campus’ ability to provide accurate recordkeeping and increases the risk of noncompliance with CASE and IRS regulations.

**Recommendation 8**

We recommend that the campus establish a documented process for sponsorship recordkeeping to ensure that:

a. Sponsorship documentation is standardized.
b. All sponsorships are supported by formal sponsorship agreements.
c. All sponsorship acknowledgement letters and gift receipts have the appropriate signatures.

**Campus Response**

We concur. The campus and the Foundation will review and update the University Advancement Gift Processing Manual, which includes a documented process for sponsorship recordkeeping.

Expected date of completion: July 15, 2011
## APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAMPUS</strong></td>
<td></td>
</tr>
<tr>
<td>Hamid Shirvani</td>
<td>President</td>
</tr>
<tr>
<td>Mark Bender</td>
<td>Department Chair, Agricultural Studies</td>
</tr>
<tr>
<td>Nancy Bendickson</td>
<td>Accounting Technician I</td>
</tr>
<tr>
<td>Julie Benevides</td>
<td>Controller, Financial Services</td>
</tr>
<tr>
<td>Susana Gajic-Bruyeaa</td>
<td>Vice President, University Advancement</td>
</tr>
<tr>
<td>Russell Giambelluca</td>
<td>Vice President, Business and Finance</td>
</tr>
<tr>
<td>Patrick Hunt</td>
<td>Manager, Advancement Services</td>
</tr>
<tr>
<td>Briquel Hutton</td>
<td>Director, Auxiliary Business and Financial Services</td>
</tr>
<tr>
<td>Durena Long</td>
<td>Assistant Budget Analyst, Athletics</td>
</tr>
<tr>
<td>Wendy Olmstead</td>
<td>Administrative Support Coordinator, Agricultural Studies</td>
</tr>
<tr>
<td>Milt Richards</td>
<td>Director of Athletics</td>
</tr>
<tr>
<td>Claire Tyson</td>
<td>Associate Vice President, Financial Services</td>
</tr>
<tr>
<td><strong>CALIFORNIA STATE UNIVERSITY, STANISLAUS FOUNDATION</strong></td>
<td></td>
</tr>
<tr>
<td>Nancy Bendickson</td>
<td>Accounting Technician I</td>
</tr>
<tr>
<td>Susana Gajic-Bruyeaa</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Patrick Hunt</td>
<td>Manager, Advancement Services</td>
</tr>
<tr>
<td><strong>CALIFORNIA STATE UNIVERSITY, STANISLAUS AUXILIARY AND BUSINESS SERVICES</strong></td>
<td></td>
</tr>
<tr>
<td>Russell Giambelluca</td>
<td>Executive Director</td>
</tr>
<tr>
<td>Briquel Hutton</td>
<td>Director, Auxiliary Business and Financial Services</td>
</tr>
<tr>
<td>John Reho</td>
<td>Associate Vice President, Auxiliary Services</td>
</tr>
</tbody>
</table>
April 18, 2011

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

RE: Fundraising and Gift Processing Audit Responses to Incomplete Draft Audit Report 10-68

Dear Mr. Mandel,

Please find enclosed hard copy final responses to the Incomplete Draft Audit Report 10-68 for California State University, Stanislaus.

If you have any questions please do not hesitate to contact me.

Sincerely,

Russell Giambelluca
Vice President, Business and Finance

cc: Dr. Hamid Shirvani, President
FUND-RAISING AND GIFT PROCESSING
CALIFORNIA STATE UNIVERSITY,
STANISLAUS
Audit Report 10-68

GENERAL ENVIRONMENT

DELEGATION OF AUTHORITY

Recommendation 1

We recommend that the campus update and obtain the president’s signature on its delegations of authority for the evaluation and acceptance of gifts.

Campus Response

We concur. The campus will update and obtain the president’s signature on its delegations of authority for the evaluation and acceptance of gifts.

Expected date of completion: May 15, 2011

POLICIES AND PROCEDURES

Recommendation 2

We recommend that the campus:

a. Review and update the UA Gift Processing Manual and document the approvals and revision date.

b. Revise the Policy and Guidelines for Donor Lists to address the security of donor files, and finalize and implement the policy.

c. Document procedures describing the creation and monitoring of development plans.

Campus Response

We concur. The campus will review and update the University Advancement Gift Processing Manual and document the approvals and revision dates. The campus will revise the Policy and Guidelines for Donor Lists. The campus will also document procedures describing the creation and monitoring of development plans.

Expected date of completion: July 15, 2011
FUND-RAISING AND EVENT PLANNING

Recommendation 3

We recommend that the campus update its policies and procedures for the administration of fund-raising events to ensure that:

a. Fund-raising events receive documented approvals.
b. Ticket sales or event attendance are reconciled to event revenues.
c. All contractors who provide on-site services have CSU contracts with indemnification clauses.
d. Raffle winnings are reported to the IRS when appropriate.

Campus Response

We concur. The Campus and the Foundation will update its policies and procedures for the administration of fund-raising events to ensure documented approvals, ticket sales reconciliation, proper indemnification clauses for contracts and compliance with IRS regulations relating to raffle winnings.

Expected date of completion: June 15, 2011

CASH AND NON-CASH GIFT ADMINISTRATION

CASH CONTROLS

Recommendation 4

We recommend that the campus establish documented procedures for the receipt of donation checks to ensure that:

a. Donation checks are restrictively endorsed on the day of receipt.
b. All departments that receive donation checks are provided with Foundation endorsement stamps.

Campus Response

We concur. The campus and the Foundation will establish documented procedures for the receipt of donation checks to ensure that donation checks are restrictively endorsed on the day of receipt and all departments that receive donation checks are provided with Foundation endorsement stamps.

Expected date of completion: July 15, 2011

SAFEGUARDING OF CASH

Recommendation 5

We recommend that the campus instruct the athletics department and UA to maintain records of individuals who know the safe combination in their department and to document when the safe combination is changed.
Campus Response

We concur. The campus will instruct the athletics department and University Advancement to maintain records of individuals who know the safe combination in their department and to document when the safe combination is changed.

Expected date of completion: May 15, 2011

DISPOSAL OF DONATED GIFTS

Recommendation 6

We recommend that the campus update its procedures for non-cash donations to ensure that gift-in-kind donations with a value of more than $500 that are disposed of within three years of receipt are properly reported to the IRS.

Campus Response

We concur. The Campus and the Foundation will update its procedures for non-cash donations to ensure that gift-in-kind donations with a value of more than $500 that are disposed of within three years of receipt are properly reported to the IRS.

Expected date of completion: July 15, 2011

REPORTING AND RECORDKEEPING

DONATION REPORTING

Recommendation 7

We recommend that the campus correctly report gift commitments in the Annual Report on External Support.

Campus Response

We concur. The campus will develop procedures documenting the review process of the Annual Report on External Support.

Expected date of completion: July 15, 2011
SPONSORSHIP RECORDKEEPING PROCEDURES

Recommendation 8

We recommend that the campus establish a documented process for sponsorship recordkeeping to ensure that:

a. Sponsorship documentation is standardized.
b. All sponsorships are supported by formal sponsorship agreements.
c. All sponsorship acknowledgement letters and gift receipts have the appropriate signatures.

Campus Response

We concur. The campus and the Foundation will review and update the University Advancement Gift Processing Manual, which includes a documented process for sponsorship recordkeeping.

Expected date of completion: July 15, 2011
June 6, 2011

MEMORANDUM

TO: Mr. Larry Mandel  
   University Auditor

FROM: Charles B. Reed  
   Chancellor

SUBJECT: Draft Final Report 10-68 on Fund-Raising and Gift Processing, California State University, Stanislaus

In response to your memorandum of June 6, 2011, I accept the response as submitted with the draft final report on Fund-Raising and Gift Processing, California State University, Stanislaus.

CBR/amd