

DEVELOPMENT
CALIFORNIA STATE UNIVERSITY,
BAKERSFIELD

Report Number 01-25
November 13, 2001

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ABBREVIATIONS

CASE	Council for Advancement and Support of Education
CSU	California State University
CSU Bakersfield Foundation	California State University, Bakersfield California State University, Bakersfield Foundation
G-I-K	Gift-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 date. At California State University, Bakersfield (CSU Bakersfield), 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.

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 1998/1999 was \$1,961,297,342. For fiscal year 1999/2000, 18 of the 23 campuses met or exceeded the 10-percent goal by generating \$304,746,126 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 Bakersfield generated \$4,625,325 in external support, equaling approximately 11 percent of their 1998/1999 net General Fund budget of \$42,016,755.

O P I N I O N

We visited the CSU Bakersfield campus from May 30, 2001, through July 11, 2001, 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, noncash gift processing and reporting were not aligned with Internal Revenue Service and Council for Advancement and Support of Education (CASE) Management Reporting Standards; a reconciliation between the donor system and general ledger was not in place; and opportunities existed to enhance fund expenditure controls. 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]

Donation processing was not aligned with Council for Advancement and Support of Education (CASE) management reporting standards and Internal Revenue Service (IRS) regulations. Donation processing and reporting that are aligned with standards decrease the risk of incorrect reporting to the chancellor's office and disallowance of a tax deduction for the donor.

PROMOTIONAL LITERATURE LANGUAGE [8]

Language in promotional literature and tickets for the "Casino Night" and the "Reverse Draw" were subject to misinterpretation by the participants. Explicit language decreases the risk that the IRS will disallow a donation.

DONOR SYSTEM RECONCILIATIONS [9]

Reconciliation between computerized donor records maintained by university advancement and the related accounting records maintained by the California State University, Bakersfield Foundation (Foundation) were not performed and reviewed by management on a monthly basis. Reconciliations of the donor system and accounting system decrease the risk of reporting errors and misappropriation of funds.

PLEDGE CONTROLS [10]

Controls over donor pledge records were not adequate. Maintenance of accurate donor pledge records decreases the risk of inaccurate financial reporting and lost opportunity to obtain promised donations.

ACCESS TO SAFES AND VAULTS [12]

The Foundation and the athletic department did not maintain a record of when their safe combinations were last changed. The risk of donation theft is reduced when asset safekeeping policies are consistently followed.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS [13]

Controls surrounding disbursements funded by donations required improvement. Adequate disbursement controls decrease the risk of undetected processing errors and/or theft of donated funds.

REGULATORY AND CSU POLICY COMPLIANCE [14]

SOFTWARE VALUATION [14]

Donations of computer software were not always properly valued and accepted in compliance with chancellor's office policy. Consistent adherence to software valuation and acceptance policy decreases the risk of incorrect reporting and facilitates comparisons of external funding achievement among California State University (CSU) campuses.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Donation processing was not aligned with Council for Advancement and Support of Education (CASE) management reporting standards and Internal Revenue Service (IRS) regulations.

We noted the following exceptions during our examination and evaluation of donation processing:

- ▶ Ten of fifteen gift-in-kind (G-I-K) acknowledgement letters reviewed did not include a statement that goods or services were received and/or did not provide a description and good faith estimate of goods or services received, if any.
- ▶ Quid pro quo fundraiser invitations and/or donor acknowledgement letters did not include a statement that a deduction can only be made for the amount of payment that is more than the value of the goods or services received and/or did not indicate the fair market value of the goods or services received.
- ▶ A G-I-K donor acknowledgement letter was not sent, per the donor's request, for a gift in the amount of \$85,000.
- ▶ Although required gift information was obtained, gifts accepted at the department level and forwarded to university advancement did not include a gift transmittal form per campus policy.
- ▶ The fair market value of the benefits given to the G-I-K donor was not deducted from the gift amount for three of the noncash gifts reviewed.
- ▶ The fair market value of the benefits given to the donor was equal to the G-I-K donation.

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.

For quid pro quo contributions, CASE management standards state that it is necessary to report only the amount of the contribution that exceeds the value of benefits the donor receives from the institution in return for the gift. For such contributions, these standards follow the IRS tax rules regarding tax deductibility of quid pro quo contributions.

The California State University, Bakersfield (CSU Bakersfield) *Gift Acceptance Policy* states that the acceptance procedure is formalized by the presentation to the donor of an official gift receipt.

The CSU Bakersfield *Guidelines for the Reporting and Evaluation of Gifts-In-Kind* states, when taking possession of the G-I-K, one should complete the Gift Transmittal Form – Gifts-In-Kind and forward to the university advancement office.

The vice president for university advancement stated that:

- ▶ If the invitation or the acknowledgement letter did not include a statement regarding the fair market value of the goods or services provided, then the implication was the entire amount paid by the donor is for goods and/or services.
- ▶ Where the donee specifically asks that an acknowledgment not be sent, one is not provided.
- ▶ When gifts are accepted at the department level, the emphasis is on the department notifying university advancement versus the method of notification. The departments are not in the habit of using the Gift Transmittal Form, and most often, they notify university advancement via a phone call or e-mail. An annual review of noncash gift contributions was performed with departments accepting gifts; values were felt to be accurate.

Donation processing and reporting that are not aligned with CASE management reporting standards and IRS regulations could result in incorrect reporting to the chancellor's office and disallowance of a tax deduction for the donor.

Recommendation 1

We recommend that the campus establish procedures and provide staff training that assure gift processing is accurate and aligned with CASE management reporting standards and IRS regulations. More specifically,

- ▶ Gift acknowledgment letters should contain a statement that goods or services were not received as a result of the contribution and/or provide a description and good faith estimate of the goods or services received, if any.
- ▶ Quid pro quo acknowledgement letters should contain a statement that a deduction can only be made for the amount of payment that is more than the value of the goods or services received and/or indicate the fair market value of the goods or services received.

- ▶ Acknowledgement letters should be provided for all gifts or memos placed in the file acknowledging the donor's wish that a receipt not be sent. Such a memo should be signed at the level of vice president or above.
- ▶ Departments receiving gifts should complete and provide the Gift Transmittal Form to university advancement, or university advancement's policy and procedures manual should be updated to reflect local practices.

Campus Response

Official gift acknowledge letters and receipts generated will contain the statement "that no goods or services were received as a result..."

Acknowledgment letters for quid pro quo gifts will contain information on fair market value of goods and services received.

When donor requests that no acknowledgement letter be sent, a memorandum will be placed in the file documenting the request and signed by the division vice president.

With the increased use of campus e-mail, the campus and the Foundation have changed its policy on gift transmittal forms. Notification will be in the form of a written memorandum, e-mail, or a gift transmittal form.

PROMOTIONAL LITERATURE LANGUAGE

Language in the promotional literature and tickets for the "Casino Night" and the "Reverse Draw" were subject to misinterpretation by the participants.

We noted that the language included in the "Casino Night" mailing reads, "The evening will include dinner, a night of gambling fun with a chance to win fabulous prizes, and a silent and live auction." Further, the "Reverse Draw" ticket describes the amount solicited as a donation.

The California Penal Code prohibits lotteries. Section 319 of the code defines lotteries as any scheme for the disposal or distribution of property by chance, among persons who have paid or promised to pay any valuable consideration for the chance of obtaining such property or a portion of it, or for any share or any interest in such property, upon any agreement, understanding, or expectation that it is to be distributed or disposed of by lot or chance, whether called a lottery, raffle, or gift enterprise, or by whatever name the same may be known.

In applying this definition, general counsel has indicated that the legal guidance exists in two relevant opinions of the State Attorney General: Opinion No. CR 77-1 dated 4/8/77 and Opinion No. 85-901 dated 10/11/85.

IRS Publication 526, *Charitable Contribution*, states, if you receive or expect to receive a financial or economic benefit as a result of making a contribution to a qualified organization, you cannot deduct the part of the contribution that represents the value of the benefit you receive. These contributions include costs of raffles, bingo, lottery, etc.

The vice president for university advancement was unaware of the preferred language for these types of fundraisers.

Fundraising promotional information that is not clear could jeopardize donor relationships if the IRS were to subsequently disallow what the donor believed to be a charitable contribution.

Recommendation 2

We recommend that the campus:

- a. Review and circulate the two opinions of the State Attorney General on illegal lotteries to appropriate fundraising marketing personnel and administration involved in fundraising.
- b. Ensure that future promotional literature is clear concerning the tax deductibility of fundraising events.

Campus Response

The campus will circulate the opinions of the California Attorney General on lotteries to fundraising and marketing personnel. The vice president for university advancement will review periodically adherence to campus policy.

The vice president for university advancement is meeting with campus personnel involved in fundraising and marketing activities to advise personnel when to use the words “tax deductible” in promotional material.

DONOR SYSTEM RECONCILIATIONS

Reconciliation between computerized donor records maintained by university advancement and the related accounting records maintained by the California State University, Bakersfield Foundation (Foundation) were not performed and reviewed by management 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 will be prepared monthly within 30 days of the preceding month and will be retained at least two years.

SAM §20050 states that the elements of a satisfactory system of internal administrative controls include, but are not limited to, an effective system of internal review and record-keeping procedures adequate to provide effective control over assets.

The vice president for university advancement stated that due to time and personnel constraints, a complete reconciliation was not performed monthly.

Failure to complete reconciliations of the donor system and accounting records increases the risk of reporting errors and misappropriation of funds.

Recommendation 3

We recommend that the campus:

- a. Establish formalized, monthly reconciliation procedures between the Foundation accounting system and the computerized donor system.
- b. Ensure that reconciliation results are documented and reviewed by Foundation and/or university advancement management.

Campus Response

The campus has increased the frequency of the formal reconciliation procedures between the Foundation accounting system and the computerized donor system to a monthly basis effective September 30, 2001. Each month, Foundation management will review the reconciliation.

PLEDGE CONTROLS

Controls over donor pledge records were not adequate.

We found that:

- ▶ The campus did not have an established procedure to write off uncollectible pledges.
- ▶ Pledge terms were not indicated on the pledge cards for 6 of the 30 pledges reviewed.
- ▶ Two of the pledges reviewed were actually sponsorship packages.

The campus *Pledge Payments and Reminders Policy* states that overdue pledge payments for campaigns other than the Annual Fund are handled on a case-by-case basis. Annual Fund donors are sent a reminder each month until payment is made, written, or verbal cancellation of the pledge is received or until the pledge is written off (approximately four months after the original pledge date).

The vice president for university advancement stated that a formal process for writing off uncollectible pledges was not followed due to staffing limitations.

Failure to maintain accurate donor pledge records could result in inaccurate financial reporting and lost opportunities to obtain promised donations.

Recommendation 4

We recommend that the campus:

- a. Establish formal procedures to assure that pledges are collected or written off as uncollectible.
- b. Establish a control that would detect incomplete pledge cards prior to donor system input.

Campus Response

University advancement and the CSUB Foundation will develop a formal procedure for writing off pledges at the appropriate time.

University Advancement will develop a procedure to identify and correct incomplete pledge cards prior to input in the system.

ACCESS TO SAFES AND VAULTS

The Foundation and the athletic department did not maintain a record of when their safe combinations were last changed.

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

The Foundation manager stated that although the policy is to change the combination when an employee with access leaves the department, a record of when the combination was last changed could not be found.

The athletic department business manager was aware that there had been a change in employees who had access to the safe, but was unable to recall whether the combination was changed at the same time.

Donations are at risk when asset safekeeping policies are not consistently followed.

Recommendation 5

We recommend that the campus ensure that a current written record is maintained of individuals who have access to the safekeeping facilities and the dates the combinations were last changed.

Campus Response

Arrangements have been made to change the combination(s) to the safe in the Foundation office and the safe in the athletics office in January 2002. The Foundation manager and the athletics business manager will maintain a log of individuals having access and the date of combination changes.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

Controls surrounding disbursements funded by donations required improvement.

We found that:

- ▶ Three of fifteen trust fund and/or endowment agreements reviewed were not completed.
- ▶ Endowment agreements were on file but were not signed by the donor or campus representatives for 3 of the 15 agreements reviewed.
- ▶ Documentation of authorization/signature specimen for those individuals authorized to expend funds was not maintained for 14 of the 15 agreements reviewed.
- ▶ Invoices did not support expenditures for 2 of the 15 funds reviewed.

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

The vice president for university advancement stated that the older funds did not have trust agreements in place; and in an effort to provide further information and direction, research was performed and an endowment worksheet was placed in the fund file. He further stated that they did not go back to the donor for signatures in the interest of maintaining an established donor relationship.

The Foundation manager indicated that a social security number and a signed and completed check request were sufficient disbursement support.

Inconsistent disbursement controls may increase the risk of undetected processing errors and/or theft of donated funds.

Recommendation 6

We recommend that the campus:

- a. Review, update, and strengthen controls over the disbursement of donated funds to ensure trust fund agreements are properly completed and signed.
- b. Obtain documentation of authorized signature specimens and periodically request updates to the signature authorization specimen forms.

Campus Response

The campus will continue to document newly established trust fund and endowment funds with donor and campus signatures. The campus will review annually, and update as needed, all trust fund and endowment fund files for authorization/signature specimen.

REGULATORY AND CSU POLICY COMPLIANCE

SOFTWARE VALUATION

Donations of computer software were not always properly valued and accepted in compliance with chancellor's office policy.

We found that:

- ▶ One of the three software gifts reviewed was valued on a multi- versus single-seat basis.
- ▶ A \$105,000 software gift was not included in the 1999/2000 report to the chancellor's office.
- ▶ Gift acceptance forms were not used to evidence the campus gift policy committee's review and approval.

The *CSU Gifts of Software Policy and Procedure*, dated June 1999, states that the campuses will establish a reasonable valuation that closely follows the CASE guidelines by booking the educational discount price. The policy also 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, and any fee charged to the campus or department for the license is to be deducted from the total gift value booked. In addition, the software license gift acceptance should be incorporated into an existing gift acceptance form. If there is no existing form, a software license gift acceptance form should be developed. The form should be submitted to the campus gift policy committee for review and approval of the valuation for the gift based on CSU policy guidelines. The gift acceptance form is to be completed by the recipient of the gift, who is responsible for providing supporting documentation concerning the valuation of the gift.

The vice president for university advancement stated that the software valuation occurred as a result of the campus' interpretation of the policy. The campus was booking and valuing software based on the value of the license discounted at 30 percent. He further stated that the software is used in the classroom on an instructional basis and that the campus was looking at the value not only from a reasonable value on the high end, but also a reasonable value on the low end.

The vice president also indicated that he must have overlooked the \$105,000 software gift when putting the reporting figures together.

For G-I-K (including software), the vice president for university advancement stated that there are occasions where campus faculty and/or staff will obtain approval of the department dean to accept the G-I-K, and the dean will then notify university advancement. When the vice president for university advancement has been made aware of the gift, he will call the gift committee to make them aware of the

gift. Further, unless there are major issues (i.e., housing the gift, climate control for the gift, sale of the gift, etc.), a phone call to the gift committee for notification and valuation has been sufficient in lieu of a formal meeting.

Inconsistent adherence to software valuation and acceptance policy increases the risk of incorrect reporting and hinders comparison of external funding achievement among CSU campuses.

Recommendation 7

We recommend that the campus:

- a. Train gift-processing personnel on the software valuation requirements as specified in the *CSU Gifts of Software Policy and Procedure*.
- b. Establish procedures to ensure all gifts of software are included in the *External Support Towards 10% Goal* report.
- c. Develop a software acceptance form that can be used by the campus gift policy committee to formally evidence their review and approval of software.

Campus Response

The campus will train personnel involved in the evaluation of software gifts of the CSU Policies and Procedures for reporting gifts of software.

Procedures will be established to ensure all gifts of software are included in the proper section of the report of External Support.

The campus will develop a form for use by the Gift Acceptance Committee to document its review and approval of gifts of software.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Tomás A. Arciniega	President
Milessa Ackerley	Athletic Ticket Manager/Development Office Secretary
Denise Bell	Contracts and Grants Manager
Marlene Benton	Coordinator of Environmental Studies Area, Facility for Animal Care and Treatment
Randy Bye	Foundation Manager
Michael Chertok	Vice President for University Advancement
Jim Duncan	Development Services Coordinator
Sara Gilbertson	Director of Annual Giving
Cindy Goodman	Athletic Business Manager
Doug Ihmels	Associate Athletic Director, Development
Henry Lowenstein	Dean, School of Business and Public Administration
Kellie Lundy	Executive Assistant, University Advancement
Mark Mayes	Assistant Director of Development Athletics
Linda Mikita	Administrative Support Assistant, Diversity Initiatives and Special Projects
Sonia Morentin	Administrative Support Assistant, Athletics
Michael Neal	Vice President for Business and Administration
William Perry	Assistant Vice President, Student Life
Russ Robinson	Curator, California Well Sample Repository
Richard Ross	Director of Athletic Marketing and Sales
Laura Wolfe	Director of Development for Major Gifts
Julie Zajack	Programmer Analyst



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University Auditor

JAN 21 2002

**The California State
University**

January 24, 2002

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

Dear Mr. Mandel: *Larry*

Please find enclosed our response to the Development Audit at California State University, Bakersfield, per your memo dated October 31, 2001. An electronic version of this response was e-mailed to Ms. Anne Marie Cornier at your office on January 23, 2002.

If you should have any questions please do not hesitate to call my office.

Sincerely,

Michael A. Neal
Vice President for Business
and Administrative Services

MAN/dd

"ATTITUDE MAKES THE DIFFERENCE"

**CALIFORNIA STATE UNIVERSITY,
BAKERSFIELD**

**DEVELOPMENT
AUDIT REPORT NO. 01-25**

CASH AND NON-CASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Recommendation 1

We recommend that the campus establish procedures and provide staff training that assure gift processing is accurate and aligned with CASE management reporting standards and IRS regulations. More specifically,

- ▶ Gift acknowledgment letters should contain a statement that goods or services were not received as a result of the contribution and/or provide a description and good faith estimate of the goods or services received, if any.
- ▶ Quid pro quo acknowledgement letters should contain a statement that a deduction can only be made for the amount of payment that is more than the value of the goods or services received and/or indicate the fair market value of the goods or services received.
- ▶ Acknowledgement letters should be provided for all gifts or memos placed in the file acknowledging the donor's wish that a receipt not be sent. Such a memo should be signed at the level of vice president or above.
- ▶ Departments receiving gifts should complete and provide the Gift Transmittal Form to university advancement, or university advancement's policy and procedures manual should be updated to reflect local practices.

Campus Response

Official gift acknowledge letters and receipts generated will contain the statement "that no goods or services were received as a result..."

Acknowledgment letters for Quid Pro Quo gifts will contain information on fair market value of goods and services received.

When donor requests that no acknowledgement letter be sent, a memorandum will be placed in the file documenting the request and signed by the division vice president.

With the increased use of campus email, the campus and the foundation has changed its policy on gift transmittal forms. Notification will be in the form of a written memorandum, email, or a gift transmittal form.

PROMOTIONAL LITERATURE LANGUAGE

Recommendation 2

We recommend that the campus:

- a. Review and circulate the two opinions of the State Attorney General on illegal lotteries to appropriate fundraising marketing personnel and administration involved in fundraising.
- b. Ensure that future promotional literature is clear concerning the tax deductibility of fundraising events.

Campus Response

The campus will circulate the opinions of the California Attorney General on lotteries to fundraising and marketing personnel. The Vice President for University Advancement will review periodically adherence to campus policy.

The Vice President for University Advancement is meeting with campus personnel involved in fundraising and marketing activities to advise personnel when to use the words "tax deductible" in promotional material.

DONOR SYSTEM RECONCILIATIONS

Recommendation 3

We recommend that the campus:

- a. Establish formalized, monthly reconciliation procedures between the Foundation accounting system and the computerized donor system.
- b. Ensure that reconciliation results are documented and reviewed by Foundation and/or university advancement management.

Campus Response

The campus has increased the frequency of the formal reconciliation procedures between the Foundation accounting system and the computerized donor system to a monthly basis effective September 30, 2001. Each month Foundation management will review the reconciliation.

PLEDGE CONTROLS

Recommendation 4

We recommend that the campus:

- a. Establish formal procedures to assure that pledges are collected or written off as uncollectible.
- b. Establish a control that would detect incomplete pledge cards prior to donor system input.

Campus Response

University Advancement and the CSUB Foundation will develop a formal procedure for writing-off pledges at the appropriate time.

University Advancement will develop a procedure to identify and correct incomplete pledge cards prior to input in the system.

ACCESS TO SAFES AND VAULTS

Recommendation 5

We recommend that the campus ensure that a current written record is maintained of individuals who have access to the safekeeping facilities and the dates the combinations were last changed.

Campus Response

Arrangements have been made to change the combination(s) to the safe in the Foundation office and the safe in the Athletics office in January 2002. The Foundation Manager and the Athletics Business Manager will maintain a log of individuals having access and the date of combination changes.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

Recommendation 6

We recommend that the campus:

- a. Review, update, and strengthen controls over the disbursement of donated funds to ensure trust fund agreements are properly completed and signed.
- b. Obtain documentation of authorized signature specimens and periodically request updates to the signature authorization specimen forms.

Campus Response

The campus will continue to document newly established trust fund and endowment funds with donor and campus signatures. The campus will review annually, and update as needed, all trust fund and endowment fund files for authorization/signature specimen.

REGULATORY AND CSU POLICY COMPLIANCE**SOFTWARE VALUATION****Recommendation 7**

We recommend that the campus:

- ▶ Train gift-processing personnel on the software valuation requirements as specified in the CSU *Gifts of Software Policy and Procedure*.
- ▶ Establish procedures to ensure all gifts of software are included in the *External Support Towards 10% Goal* report.
- ▶ Develop a software acceptance form that can be used by the campus gift policy committee to formally evidence their review and approval of software.

Campus Response

The campus will train personnel involved in the evaluation of software gifts of the CSU Policies and Procedures for reporting gifts of software.

Procedures will be established to ensure all gifts of software are included in the proper section of the report of External Support.

The campus will develop a form for use by the Gift Acceptance Committee to document its review and approval of gifts of software.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 6, 2002

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor

HAYWARD

HUMBOLDT

SUBJECT: Draft Final Report Number 01-25 on *Development* at
California State University, Bakersfield

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 6, 2002, I accept the response as submitted with the draft final report on *Development* at California State University, Bakersfield.

MONTEREY BAY

NORTHRIDGE

CBR:amd

POMONA

Enclosure

SACRAMENTO

cc: Tomas A. Arciniega, President
Michael A. Neal, Vice President for Business and Administrative Services
Sharon Taylor, Assistant Vice President for Fiscal and Support Services

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS