

DEVELOPMENT
CALIFORNIA STATE UNIVERSITY,
CHICO

Report Number 02-16
December 13, 2002

Members, Committee on Audit

Shailesh J. Mehta, Chair
Kyriakos Tsakopoulos, Vice Chair
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BOARD OF TRUSTEES
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ABBREVIATIONS

CASE	Council for Advancement and Support of Education
CSU	California State University
CSU Chico Foundation	California State University, Chico CSU, Chico Research Foundation
G-I-K	Gift(s)-In-Kind
SAM	State Administrative Manual
VSE	Voluntary Support Education

INTRODUCTION

PURPOSE

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

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

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

SCOPE AND METHODOLOGY

This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review period was July 2000 to June 2002. At California State University, Chico (CSU Chico), university advancement has overall responsibility for development activity.

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

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

BACKGROUND

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

The proposed scope of the audit as presented in Attachment B, Agenda Item 2 of the January 23-24, 2001, meeting of the Committee on Audit, stated that *Development* includes university advancement and fundraising. Potential impacts include inadequate nonstate funding; acceptance of gifts that are inconsistent with public policy; erroneous valuation of nonmonetary gifts; noncompliance with Internal Revenue Service regulations; use of funds that conflict with donor intentions or are potential violations of trust arrangements; and inaccurate reporting of donations and development activity. *Development* was previously audited in 1995.

Advancement is defined in *Educational Fund Raising – Principles and Practices* as “... all activities and programs undertaken by an institution to develop understanding and support from all its constituencies in order to achieve its goals in securing such resources as students, faculty, and dollars. These activities and programs include alumni affairs, internal/external communications, government and public relations, enrollment management, and fund raising. This last activity, i.e., fund raising, also known as *Development*, is an important component of institutional advancement and is the focus of the subject audit.”

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

In recent years, it has become apparent to the CSU Board of Trustees, the chancellor's office, and campus executives that to meet the CSU goals of access to higher education, enhanced educational quality, financial stability, and university accountability, there was an ever-increasing need to supplement state support by growing and strengthening the university advancement function at all 23 campuses. To meet these goals, the Board of Trustees challenged the university presidents to generate external support funding that equaled or exceeded 10 percent of the prior year's net General Fund budget. The total CSU net General Fund budget for fiscal year 1999/2000 was \$2,002,189,630. For fiscal year 2000/2001, 13 of the 23 campuses met or exceeded the 10-percent goal by generating \$284,831,157 in voluntary support (gifts from corporations, foundations, alumni, parents, and others) and special revenue (sponsorships and endowment distribution only). For this same period, CSU Chico generated \$5,915,540 in external support, equaling approximately 6 percent of their 1999/2000 net General Fund budget of \$97,403,991.

OPINION

We visited the CSU Chico campus from August 12, 2002, through September 13, 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, donation receipt processing needed to be improved; donor system reconciliations to the general ledger needed to be performed on a more frequent basis; donor database security controls needed to be strengthened; and some donation figures reported to the chancellor's office were not aligned with Council for Advancement and Support of Education reporting guidelines. For the most part, university advancement was in compliance with federal and state regulations in addition to chancellor's office and local directives. Areas in need of improvement are referenced in the executive summary.

EXECUTIVE SUMMARY

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

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL [6]

DONATION PROCESSING [6]

Donations were not processed in accordance with campus gift acceptance procedures, chancellor's office directives, and Council for Advancement and Support of Education (CASE) *Management Reporting Standards*. Donation processing that is aligned with campus policies and procedures, chancellor's office directives, and *CASE Management Reporting Standards* reduces the risk of marketable securities redemption losses and incorrect reporting to the Office of the Chancellor.

DONOR SYSTEM RECONCILIATION [7]

Reconciliations between computerized donor records maintained by advancement services and the CSU, Chico Research Foundation (Foundation) were not completed on a monthly basis. Additionally, advancement services reconciliation policies and procedures were not documented. Monthly reconciliations of donor and accounting records and documented reconciliation procedures reduce the risk of reporting errors and/or misappropriation of funds.

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS [8]

Account authorizations did not exist for certain annual fund trust accounts. Adequate disbursement controls reduce the risk of unauthorized payments and noncompliance with donor intentions.

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL [9]

DONATION REPORTING [9]

A state government (office of emergency services) contribution of \$14,876 and a campus department (university public events) contribution of \$500 were erroneously reported in the 2000-2001 Annual Report on External Support. Accurately reported fundraising efforts facilitate comparisons with other educational institutions and provide reliable information to the Office of the Chancellor, the Board of Trustees, and campus management.

GRANT REPORTING [10]

The 2000-2001 Foundation and other organization voluntary support contributions reported to the Office of the Chancellor erroneously included grants from a governmental entity. Accurately reported voluntary support contributions facilitate systemwide and national fundraising comparisons and analysis.

DEFERRED GIVING [10]

A \$325,000 charitable remainder unitrust and a \$5,000 annuity were reported as contributions from alumni and faculty instead of as deferred gifts. Adequate control over the processing and record keeping of deferred gifts reduces the risk of providing inaccurate data to the Office of the Chancellor, the Board of Trustees, and campus management.

REGULATORY AND CSU POLICY COMPLIANCE [11]

Administrative controls over access to the automated donor system were not adequate. Adequate system access administrative practices and security controls reduce the risk that university advancement information assets will be compromised.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Donations were not processed in accordance with campus gift acceptance procedures, chancellor's office directives, and Council for Advancement and Support of Education (CASE) *Management Reporting Standards*.

Our review of 6 negotiable instruments, 28 cash donations, and 20 gifts-in-kind (G-I-K) disclosed the following:

- ▶ In four instances, negotiable instruments were sold 41, 46, 105, and 111 days after the gift date. Additionally, realized losses of \$929 were reported based on sales of \$46,474.
- ▶ In twelve instances, the associate vice president of university advancement signature stamp was used by gift processors to evidence gift evaluation and acceptance. Formal delegation of authority to accept donations by gift processors did not exist.
- ▶ In five instances, supporting documents for the valuation of G-I-K valued at \$5,000 or more were incomplete or could not be located.

California State University, Chico (CSU Chico), *Stock Transfer Form* states that the policy of the university foundation is to liquidate any donated securities immediately after the donation is received.

Executive Order No. 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.

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 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 major gifts and planned giving indicated that the untimely sale of securities was due to oversight by investment brokers. The associate vice president of university development and advancement services indicated that signature stamps were used to expedite the process of accepting G-I-K for auctions or special events. He further stated that incomplete G-I-K valuations were due to the inability to secure additional documentation from the donor and the financial feasibility of securing more detailed documentation including appraisals from independent third parties.

Donation processing that is not aligned with campus policies and procedures, chancellor's office directives, and *CASE Management Reporting Standards* increases the risk of marketable securities redemption losses and incorrect reporting to the Office of the Chancellor.

Recommendation 1

We recommend that the campus provide the necessary training and establish adequate controls to ensure compliance with relevant campus gift acceptance standards, chancellor's office directives, and *CASE Management Reporting Standards*.

Campus Response

We concur. We will send another written reminder to the investment representative with whom we have a University Foundation brokerage account of our existing policy regarding the sale of securities, which states that all securities transferred to that account are to be sold immediately upon receipt. The proceeds from that sale are to be immediately sent to The University Foundation with a written notation regarding the source of these funds. All delegations of authority to accept gifts on behalf of the University will be done in writing.

The associate vice president for university advancement no longer allows the use of a signature stamp with his signature to be affixed to special event in-kind gift forms. The policy now requires the actual signature of the associate vice president for university advancement on all in-kind gift forms.

We will implement a written procedure stating that gifts in excess of \$5,000 will be supported by appropriate documentation (appraisal and/or written independent third-party fair market valuation), which supports the stated valuation listed on the in-kind gift form. (Written procedure will be implemented within 60 days). In addition, the office of advancement services will send the donor(s) a written request for a copy of any appraisal and/or written independent third-party valuation used by the donor(s) in the completion of Form 8283 for his/her tax returns.

Timeline: April 2003

DONOR SYSTEM RECONCILIATION

Reconciliations between computerized donor records maintained by advancement services and the CSU, Chico Research Foundation (Foundation) were not completed on a monthly basis. Additionally, advancement services reconciliation policies and procedures were not documented.

State Administrative Manual (SAM) §7901 requires monthly preparation of all reconciliations within 30 days of the preceding month.

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

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 Foundation assistant director indicated that monthly reconciliations of G-I-K, including property and software, were not performed due to the lack of procedures in place and not receiving G-I-K information from campus departments on a monthly basis.

Failure to complete donor system reconciliations on a monthly basis and the absence of documented reconciliation procedures increase the risk of reporting errors and/or misappropriation of funds.

Recommendation 2

We recommend that the campus document reconciliation procedures and establish controls that ensure donor system reconciliations are completed on a monthly basis.

Campus Response

We concur. The campus will document its reconciliation procedures and ensure monthly completion of donor system reconciliations.

Timeline: June 2003

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

Account authorizations did not exist for certain annual fund trust accounts.

In 27 of 83 disbursements reviewed, account authorizations could not be provided by the campus.

SAM §19440 states that each trust account established shall be supported by documentation as to the type of trust, donor, or source of trust moneys, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of moneys for administrative or overhead costs. This documentation will be retained until the trust is dissolved.

The Foundation assistant director indicated that account authorizations were not located due to the lack of a procedure to maintain account authorization forms on all active accounts.

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

Recommendation 3

We recommend that the campus review, update, and strengthen controls over disbursements to ensure that expenditures are properly authorized.

Campus Response

We concur. The campus will review its account authorization forms for each project in the Foundation and will add new authorizations forms in those cases where they are missing or lost.

Timeline: June 2003

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL

DONATION REPORTING

A state government (office of emergency services) contribution of \$14,876 and a campus department (university public events) contribution of \$500 were erroneously reported in the 2000-2001 Annual Report on External Support.

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

The associate vice president of university development and advancement services indicated that the reporting of these contributions was due to inaccurate information that was provided to gift processing by departments receiving the checks.

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

Recommendation 4

We recommend that the campus strengthen procedures and controls to ensure that fundraising information reported to the Office of the Chancellor complies with *CASE Management Reporting Standards*.

Campus Response

We concur. We have instructed gift processing staff to thoroughly question gifts received from campus units to make sure they are not from governmental entities (e.g., local, state, federal, or foreign).

Timeline: Completed

GRANT REPORTING

The 2000-2001 Foundation and other organization voluntary support contributions reported to the Office of the Chancellor erroneously included grants from a governmental entity.

During our review and test of grants reported as gifts, we noted that three art programs funded through a federal governmental agency, totaling \$5,950, were reported as contributions on the 2000-2001 Annual Report on External Support to the Office of the Chancellor.

CASE Management Reporting Standards state that reports should include grant income from private, nongovernmental sources but should not include contract revenue. Government grants and awards, whether local, state, federal, or foreign, should be excluded.

The associate vice president of university development and advancement services indicated that the funding of these grants could not be definitively traced to governmental sources.

Failure to exclude government funds overstates reported voluntary support contributions and limits systemwide and national fundraising comparisons and analysis.

Recommendation 5

We recommend that the campus establish procedures and controls to ensure that only appropriate grants are reported as voluntary support contributions.

Campus Response

We concur. The office of sponsored programs and the office of university development have established procedures to ensure that any grant or portion of a grant, which comes from a governmental entity (i.e., local, state, federal, or foreign), will not be reported as a voluntary support contribution by the campus.

Timeline: Completed

DEFERRED GIVING

A \$325,000 charitable remainder unitrust and a \$5,000 annuity were reported as contributions from alumni and faculty instead of as deferred gifts.

CASE *Management Reporting Standards* state that because the institution will not receive the gift portion until the death of the final income beneficiary, report gift annuities as deferred gifts (future commitments). Furthermore, CASE states that charitable remainder trusts should be reported as deferred gifts.

The associate vice president of university development and advancement services indicated that codes to track deferred gifts were not established in the donor database (Banner System). Instead, these gifts were manually reported on the Voluntary Support Education (VSE) Program at the end of the year.

Inadequate control over the processing and record keeping of deferred gifts increases the risk of providing inaccurate data to the Office of the Chancellor, the Board of Trustees, and campus management.

Recommendation 6

We recommend that the campus strengthen controls to properly identify and accurately report deferred gifts.

Campus Response

We concur. The office of advancement services has included the required codes in the Banner software database for the various forms of deferred gifts, which must be reported in the annual VSE report to the chancellor's office.

Timeline: Completed

REGULATORY AND CSU POLICY COMPLIANCE

Administrative controls over access to the automated donor system were not adequate.

We noted that:

- ▶ System access and clearance authorization forms were not used to evidence approval to access donor information.
- ▶ Twenty-six of forty-six current employees were granted clearances that allowed them to write, read, and activate/inactivate donor accounts.
- ▶ Personal computers were not automatically disabled after a period of inactivity.
- ▶ A minimum number of alphanumeric characters was not used when establishing passwords as required by local standards.

SAM §4819.31 requires state agencies to protect the integrity of its information management capabilities and databases and ensure the security and confidentiality of the information it maintains. SAM §4989.7 states that the use of workgroup computing configurations within state agencies must be in accord with all applicable SAM policies (see Sections §4840 through §4845) dealing with information technology security and risk management.

SAM §4819.31 states, in part, that each state agency is required to protect the integrity of its information management capabilities and databases and ensure the security and confidentiality of the information it maintains.

The campus Executive Memorandum #01-04, *Shared Network Resource Password Policy*, states that passwords will be increased to a minimum of eight digits.

The manager of advancement systems indicated that the current security control configuration (i.e., role level security) did not limit employee's access to certain screens. He further stated that access and clearance authorization forms were not used due to current implementation of role level security. Additionally, the minimum number of characters for passwords was not used due to oversight.

Failure to establish adequate system access administrative practices and security controls increases the risk that university advancement information assets will be compromised.

Recommendation 7

We recommend that the campus:

- a. Establish procedures and corresponding form(s) for university development and advancement services management approval of all employees requesting access to the donor system.
- b. Establish procedures to ensure that employees have access to the donor system based on a "need to know" and job responsibilities.
- c. Establish procedures and controls to ensure that passwords contain a minimum of eight alphanumeric characters and advancement services adheres to SAM and campus policy and procedures.

Campus Response

We concur. The campus will enhance security procedures on the donor system, including written authorization for access, role level security as appropriate, and set standards in accordance with campus policy, which includes a minimum of eight alphanumeric characters in the user password.

Timeline: June 2003

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Manuel A. Esteban	President
Mike Boote	Manager, Advancement Systems
Staci Corona	Assistant Director, CSU, Chico Research Foundation
Cynthia Dietle	Gift Processor, Advancement Services
Kim DuFour	Director of Development, Natural Sciences
Carolyn Finato	General Accounting Supervisor, Associated Students Business Office
Dane Frazier	Assistant, Advancement Systems
Sarah Fry	Director of Development, Communication and Education
Cheri Furniss	Gift Processor, Advancement Services
Dennis Graham	Vice President, Business and Finance
Jerry Hight	Director of Development, Engineering, Computer Science, and Technology
Gail Hildebrand	Financial/Budgeting Manager, Office of Sponsored Programs
Richard Jackson	Director, Foundation Administration and Personnel
Hope Jester	Gift Processor, Advancement Services
Bill Jones	Financial Analyst, Business and Finance
Linda Koch	Director of Development, Advancement Services, and Chico State Fund
Michelle Korte	Director, External Reporting and Audits
Greg Lavin	Director of Development, Behavioral and Social Sciences
Ed Masterson	Associate Vice President of University Development and Advancement Services
Carol Meurer	Administrative Support Assistant, Advancement Services
Paul Moore	Vice President, University Advancement and Student Affairs
Terryl Murphy	Advisor, Scholarship Office
JoAnn Ross	Accounting Assistant, Associated Students Business Office
Gary Salberg	Director, Major Gifts and Planned Giving
Gilbert Tyrrell	Manager, Property Management
Fred Woodmansee	Accountant, Foundation Administration and Personnel

California State University, Chico

Chico, California 95929-0025

Vice President for Business and Finance

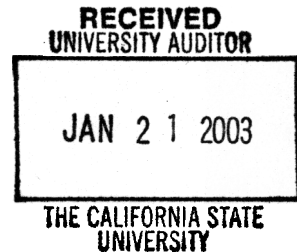
Office: 530-898-6231 Fax: 530-898-4513

E-mail: dcgraham@csuchico.edu



January 17, 2003

Mr. Larry Mandel
University Auditor
Office of the Chancellor
The California State University
401 Golden Shore
Long Beach, CA 90810-4210



Dear Mr. Mandel:

We have reviewed the findings and recommendations of Audit Report No. 02-16, Development, and we are submitting the enclosed responses to the recommendations.

If you have any questions, please give me a call.

Sincerely,

A handwritten signature in black ink that reads "Dennis C. Graham".

Dennis C. Graham
Vice President for Business and Finance

Enclosure

cc: Manuel A. Esteban
Paul L. Moore
Bill Jones
Ed Masterson
Richard Jackson

DEVELOPMENT

CALIFORNIA STATE UNIVERSITY,
CHICO

REPORT NO. 02-16

CASH AND NONCASH GIFT ADMINISTRATION AND CONTROL

DONATION PROCESSING

Recommendation 1

We recommend that the campus provide the necessary training and establish adequate controls to ensure compliance with relevant campus gift acceptance standards, chancellor's office directives, and *CASE Management Reporting Standards*.

Campus Response

We concur. We will send another written reminder to the investment representative with whom we have a University Foundation brokerage account of our existing policy regarding the sale of securities, which states that all securities transferred to that account are to be sold immediately upon receipt. The proceeds from that sale are to be immediately sent to The University Foundation with a written notation regarding the source of these funds. All delegations of authority to accept gifts on behalf of the University will be done in writing.

The Associate Vice President for University Advancement no longer allows the use of a signature stamp with his signature to be affixed to special event in-kind gift forms. The policy now requires the actual signature of the Associate Vice President for University Advancement on all in-kind gift forms.

We will implement a written procedure stating that gifts in excess of \$5,000 will be supported by appropriate documentation (appraisal and/or written independent third party fair market valuation), which supports the stated valuation listed on the in-kind gift form. (Written procedure will be implemented within 60 days). In addition, the office of advancement services will send the donor(s) a written request for a copy of any appraisal and/or written independent third party valuation used by the donor(s) in the completion of Form 8283 for his/her tax returns.

Timeline: April 2003

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DONOR SYSTEM RECONCILIATION

Recommendation 2

We recommend that the campus document reconciliation procedures and establish controls that ensure donor system reconciliations are completed on a monthly basis.

Campus Response

We concur. The campus will document its reconciliation procedures and insure monthly completion of donor system reconciliations.

Timeline: June 2003

FUND EXPENDITURE CONTROL AND DONOR RESTRICTIONS

Recommendation 3

We recommend that the campus review, update, and strengthen controls over disbursements to ensure that expenditures are properly authorized.

Campus Response

We concur. The campus will review its account authorization forms for each project in the Foundation and will add new authorizations forms in those cases where they are missing or lost.

Timeline: June 2003

REPORTING, RECORD KEEPING, AND INVENTORY CONTROL

DONATION REPORTING

Recommendation 4

We recommend that the campus strengthen procedures and controls to ensure that fundraising information reported to the Office of the Chancellor complies with *CASE Management Reporting Standards*.

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Campus Response

We concur. We have instructed gift processing staff to thoroughly question gifts received from campus units to make sure they are not from governmental entities (e.g., local, state, federal, or foreign).

Timeline: Completed

GRANT REPORTING

Recommendation 5

We recommend that the campus establish procedures and controls to ensure that only appropriate grants are reported as voluntary support contributions.

Campus Response

We concur. The Office of Sponsored Programs and the Office of University Development have established procedures to insure that any grant or portion of a grant, which comes from a governmental entity (i.e., local state, federal or foreign), will not be reported as a voluntary support contribution by the campus.

Timeline: Completed

DEFERRED GIVING

Recommendation 6

We recommend that the campus strengthen controls to properly identify and accurately report deferred gifts.

Campus Response

We concur. The office of advancement services has included the required codes in the Banner software database for the various forms of deferred gifts, which must be reported in the annual VSE report to the Chancellor's Office.

Timeline: Completed

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REGULATORY AND CSU POLICY COMPLIANCE

Recommendation 7

We recommend that the campus:

- a. Establish procedures and corresponding form(s) for university development and advancement services management approval of all employees requesting access to the donor system.
- b. Establish procedures to ensure that employees have access to the donor system based on a "need to know" and job responsibilities.
- c. Establish procedures and controls to ensure that passwords contain a minimum of eight alphanumeric characters and advancement services adheres to SAM and campus policy and procedures.

Campus Response

We concur. The campus will enhance security procedures on the donor system, including written authorization for access, role level security as appropriate, and set standards in accordance with campus policy, which includes a minimum of eight alphanumeric characters in the user password.

Timeline: June 2003

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

February 19, 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 02-16 on *Development*,
California State University, Chico

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of February 19, 2003, I accept the response as submitted with the draft final report on *Development*, California State University, Chico.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

cc: Dr. Manuel A. Esteban, President
Mr. Dennis C. Graham, Vice President for Business and Finance

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS