Development Audit
California Polytechnic State University, San Luis Obispo
Audit Report
November 13, 2023

EXECUTIVE SUMMARY

OBJECTIVE

The objective is to ascertain the effectiveness of campus operational, administrative, and financial controls related to the gifts received by University Development and Alumni Engagement (UDAE) and Cal Poly Foundation to ensure compliance with relevant California State University (CSU) and Cal Poly policies, and donor agreements for the period 1/01/2017-11/30/2022.

SCOPE

The scope of this audit primarily relates to policies and procedures managed within UDAE. However, as some processes involved may reside outside of UDAE (expenses related to scholarships, University Campus Program (UCP) funds, club donations, sponsored programs, capital project accounts, etc.), Audit and Consulting Services (ACS) worked with other departments within the University as well as the two main auxiliaries, Associated Student Inc. (ASI) and Cal Poly Corporation (CPC).

(ACS) reviewed the following areas as they relate to gifts received between 1/1/17 and 11/30/22:

- Compliance with relevant CSU and Cal Poly policies
- Current processes and procedures for efficiency and possible improvements
- Tracking and communication of the spending/balances of gifts within Cal Poly
- Onboarding/education of new employees and with regards to gifts they manage
- Stewardship practices with donors
- Compliance with gift agreement requirements

ACS obtained a listing of gifts received by UDAE, for the period 1/1/2017 to 11/30/22 from Advance System (Development's system of record tracking). The population excluded phonathon gifts as they are not subject to gift agreements and are directly solicited by UDAE.

For the purposes of the audit, ACS defined gifts as donations in which the money has been received by UDAE. ACS further identified the following items within the population to better assess the data and refine the scope of the different gifts by type, fund, and auxiliary affiliation.

ACS selected a total of 58 samples for testing from the population based on the following criteria:

- Type of gift
- Entity in which the donation was used to support (i.e., Cal Poly Foundation, CPC, ASI, Cal Poly University)
- Gift funding type (i.e., endowment, UCP, CPC Campus Programs, scholarships, clubs/ student organization)
- College affiliation (i.e., Athletics, Student Affairs, academic department, centers, and institutes).

The following breaks down the categories for the 58 sample selections:

- Gifts (25)
- Scholarships (4)
- Endowments (16)
- UCP (8)
- CPC Campus Programs (5)

For each of the samples selected, ACS completed the following procedures:

- Evaluated the current processes and policies in place for the donation lifecycle, including receipt of funds, expenditure of funds, and safeguarding/accounting.
- Verified existence of gift agreement and modifications
- Verified proper set up of related endowments, campus program funds, and club/organization funds
- Verified compliance with terms of gift agreements and donor restrictions
- Verified accuracy of Advance System data versus University Accounting Records (PeopleSoft & Business Solutions)
- Verified proper review and approval of expenditures
- Assessed donor stewardship practices
- Data analytic procedures to assess allocations within Advance System, assessment of the number of fund directors, and timely spend
- Verify that proper segregation of duties exists where needed

CONCLUSION

Overall, Cal Poly has the responsibility to ensure that the campus maintains good practices over funds provided by donors, both financial and non-financial measures, to ensure satisfaction and compliance is met to maintain relationships with donors and the campus responsibility to safeguard and properly spend funds. Through the work performed, we determined that improvements are needed to fulfill the objectives and goals set out by the campus and expectations of donors.

ACS noted that one of the main factors attributing to the observations noted below is that the lifecycle of a gift and donor stewardship is the shared responsibility of Cal Poly leadership and the level of oversight and knowledge in each area is inconsistent across the University, auxiliaries, divisions, colleges, departments, fund managers, and clubs/organizations. Even though each level is structured to perform the specific functions of gift processing and spend, ACS noted that there is not a prioritization within all departments to ensure compliance with donor funding sources due to system limitations or potential lack of fiscal responsibility for/knowledge of the funds. Further, the review of this process included five years of donations and included review of documentation that preceded this audit by multiple decades. As such, ACS noted improvement within the documentation and processes over the progressions of years reviewed.

Throughout the review performed, ACS noted a common theme of inconsistent practices for required documentation and untimeliness of various processes that support UDAE. While many of these findings were due to isolated instances or the complexity of changes in these processes throughout the years, it is important to strive for compliance and consistency in the areas described in the observations in this report. The lack of proper execution of various steps in the donor stewardship process presents the University with the risk of damaging the institution's reputation and relationships with current and future donors.

Overall, the University should work towards implementing policies and procedures to improve current donor stewardship practices. Areas of focus should include developing consistent language within the gift agreements that avoid vague terms and develop templates that can be used consistently with future agreements. ACS noted that some of the areas around fund modifications and spending analysis could not be reviewed properly due to vague language or lack of documentation that properly supports a modification. Templates would provide a clear structure for teams to ensure the essential terms are consistently included in gift agreements/documents. Furthermore, concise language in agreements will also create an opportunity to enhance monitoring of spend.

A quality and comprehensive training program for individuals in various roles that have responsibility or oversight of donor funds should be created and implemented. This should include, but not be limited to, all individuals who approve transactions using donor funds, including new employees and/or new fund managers of such funds and those who can request/control the use of the funds. Management should also ensure that all procedures and requirements are updated and properly documented in policies that can be used to provide guidance to gift fund managers. These tools will help ensure consistency in the understanding of policies and procedures for all those involved in the administration and oversight of gifts. Continuous training will be key to ensuring consistency in this area. Updated, documented policies and gift agreement templates, as well as a robust training program, will greatly improve the assurance of proper stewardship of donor funds

As it relates to spending, a formal budgeting and fiscal oversight process can improve the control environment as currently, there is no formal structure that provides visibility into the planning and use of current funds. In addition, there is little visibility or processes that ensure expenses throughout the year will fully and properly cover the fund's purpose. Implementing a formal budgeting and continual fiscal oversight process will ensure that potential deficits are proactively managed and allow sufficient time to have any discussions with donors who might prefer to change the fund's purpose to accommodate the funding available. That additional time gained when proactively managing these discussions will also ensure that any modifications are properly documented and communicated.

As it relates to fund operations, ACS noted that the current oversight for campus program funds and clubs/organizations, that have an operational component to their program may not be sufficient to ensure compliance with all relevant campus policies, procedures, and best donor stewardship practices. Some campus program funds and clubs/organizations, such as the Cal Poly Cat Program, Lean Enterprise Institute (Central Coast Lean), and Cal Poly Center and Institute for Entrepreneurship are operational in nature and have grown significantly with the help of donor funding and volunteers. As these programs have grown, they have expanded their operations, number of volunteers or employees, need for facilities, off-site events, revenue generation (i.e., fundraisers, seminars, and competitions), and visibility within the community. These additional aspects of university related programs, largely funded via donor funds, introduce more complexity in ensuring donor funds are properly administered. These programs merit strengthened oversight in order to protect the university's reputation and relationship with the donors.

The recommendations in this report will enhance policies and procedures and strengthen monitoring controls over donor funds. These enhancements will improve assurance to donors, and any other third party, that the university is exercising appropriate due diligence and is a good steward of donor funds.

Through the recommended improvements, the University will be able to work on the remediating current issues identified during the audit and improve controls to help mitigate the risk of issues from occurring in the future and strengthen relationships and reduce any reputational risk the campus has with current and potential donors.

Specific observations, recommendations, and management responses are detailed in the remainder of the report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. DONOR COMMUNICATION AND STEWARDSHIP

OBSERVATIONS

We noted that donor cultivation and communications involving UDAE, college Deans, the President, and the donors, are not always documented. For example, ACS noted a gift agreement that provided a lump sum of money expected to be used for facility projects and/or renovations over a term, however, the funds are currently not sufficient to cover the costs of all projects per the original gift agreement. Over the course of the term, informal amendments were made to the scope of the projects at various levels including the donor, the Dean, and the President that were not formally documented. The lack of formal amendments to the original gift agreements presents a risk to the University and could lead to poor donor stewardship.

RECOMMENDATION

ACS recommends that UDAE develop policies and procedures to document communications with donors for all levels of the donor engagement team. Communication that leads to modifications of the terms of gift agreements should be sufficiently documented and approved by UDAE. ACS recommends creating and implementing a process and training that requires amendments to be executed for all modifications of agreements to ensure the donor and University are both in agreement of the modification.

Various gift agreements are generally established with specific goals and requests to be satisfied. UDAE should, prior to signing a gift agreement, ensure that the University can reasonably achieve the donor terms with the funds provided. However, gifts that are established with terms and goals that span over a longer period, (i.e., facility projects, program initiatives, institute establishments, etc.) should require additional documented communication between Cal Poly and the donor due to constantly increasing/unknown costs. Further, to ensure proper use of funds and that the purpose can be achieved with funds available, additional oversight is recommended through a budget process that should be prepared annually by the Fund Director and Director of Finance. Acceptance of a gift without such due diligence creates reputational and legal risk to the university.

Training for the updated policies and procedures should be completed for all individuals (i.e., UDAE staff, Deans, and Cal Poly Leadership, etc.) and be available for onboarding purposes for individuals who interact directly with donors.

MANAGEMENT RESPONSE

We concur. UDAE will work on developing policies and procedures to document communications with donors for all levels of the donor engagement team and when a gift agreement modification needs to be executed. Further, UDAE will, prior to signing future gift agreements with specific goals, develop a process to ensure assess gift requirements to ensure that the university can reasonably achieve the donor terms with the funds provided. Training for the updated policies and procedures should be completed for all individuals (i.e., UDAE staff, Deans, and Cal Poly Leadership, etc.) and be available for onboarding purposes for individuals who interact directly with donors.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon

2. ASSOCIATED STUDENTS, INC. (ASI) AND CLUB ORGANIZATIONS

OBSERVATIONS

Noted formal reviews of donor intent and gift restrictions for funds deposited from UDAE to ASI were not consistently completed for the duration of the audit period

RECOMMENDATION

ACS noted that during the audit, ASI assessed the gap in the process and worked with UDAE to implement steps of review into month-end closing procedures starting in May 2023. This review includes assessing donor intent and restrictions on a monthly basis and ensuring that all necessary parties (i.e., clubs or organization leaderships) will be informed to take proper steps to track how those funds are spent, and comply with donor specifications.

ACS recommends that ASI document the updated policies and procedures and communicate the updates to all respective parties. Further, fund tracking mechanisms should be developed to be consistent across club organizations and easily reportable to the ASI accounting group.

MANAGEMENT RESPONSE

We concur. ASI will document the updated policies and procedures and communicate the updates to all respective parties (i.e., clubs or organization leaderships). Further, ASI will work with student clubs/organizations to help develop a process to track fund activity that can be easily reportable to the ASI accounting group.

Anticipated date of implementation: March 31, 2024
Person responsible: Michelle Crawford

3. CAL POLY CORPORATION (CPC)

OBSERVATIONS

The following items detail the findings related to the current processes at CPC:

- Certain gifts received by UDAE are directed to CPC. However, CPC does not have a structure in place for oversight of donor's funds and gift monitoring as it relates to compliance with gift agreement requirements and fund spending. It relies on University personnel for the performance of these functions. Further, CPC's primary function as it relates to the process is to serve as a repository and bookkeeper of funds directed to CPC by UDAE. Currently, CPC will validate expense transactions and fund transfers against the established CPC fund requirements, however, it is not structured to validate expenses against gift agreements that could be associated with donations within a fund. As such, CPC relies on the direction and approval of fund directors and management to ensure expenses comply with gift agreements
- ACS noted that donations that are deposited within CPC are processed utilizing a different financial reporting system. As a result, this could lead to a risk of lack of oversight by UDAE, the Foundation, and fund directors/manager of donor funds and gifts not being spent in a reasonable period as expected by donors
- ACS identified a hospitality expense that was more than the $90 per person meal allowance utilizing donor funds. The sample selection included a meal where the number of guests is listed as eight with a total of $1,654.12, resulting in an allocation of $206 per person. ACS notes that this instance was properly identified as part of CPC hospitality expense review process and proper approvals were obtained after the event from the Athletic Director
- Per the CPC, Procurement-Card (ProCard) policy, raffles/prizes/gifts/etc., are denoted as disallowable expenses. ACS noted recurring donations (2) within the same fund and made by the same ProCard holder to a non-profit not affiliated with Cal Poly or its auxiliaries. Donation amounts were $276 and $1,135
- There is no documented policy indicating that a dean, associate dean, finance directors or vice presidents have signing authority in lieu of the fund directors. However, it is customary practice within CPC for fund directors to send a delegation of authority memo or e-mail indicating that someone may approve an expense on their behalf

RECOMMENDATION

Management should enhance the current financial and reporting oversight function for gifts with the University and Foundation. Gifts should be deposited within the University or Foundation unless a strategic reason exists for the funds to be deposited at CPC (i.e., fund receives donations as part of auctions or is required to purchase alcohol as part of the event). Reasons should be justified and documented with approvals from the University Controller and UDAE.

ACS recommends that CPC reiterate the ProCard policies and procedures to respective card holders. Further, robust training for donor stewardship and fiscal responsibility for donor funds could be implemented. Training/ initiatives should be communicated directly to the fund directors/managers.

ACS recommends a policy indicating that approving that a dean, associate dean, finance directors or vice presidents have signing authority in lieu of the fund directors.

MANAGEMENT RESPONSE

We concur. CPC will work with the University and the Foundation to review and update current policies and procedures to enhance the current financial and reporting oversight for donor related funds. This review will include, but not limited to, assessing the appropriateness of certain funds being deposited at CPC to ensure that proper oversight can be provided by the appropriate campus departments to meet donor specifications.

We concur. CPC will reiterate the ProCard policies and procedures to respective card holders. Further, CPC will support the Foundation and UDAE to develop a robust training for fund directors/managers that will outline donor stewardship practices and fiscal responsibility for donor funds.

We concur. CPC will document a policy to match current practices indicating that a dean, associate dean, finance directors or vice presidents may have signing authority in lieu of the fund directors for relevant campus programs funds.

Anticipated date of implementation: March 31, 2024
Person responsible: Dan Banfield and Marc Benadiba

4. CAL POLY FOUNDATION ACCOUNTING

OBSERVATIONS

The following items detail the findings related to Cal Poly Foundation accounting:

- Noted that the pledge discount investment calculation is externally managed and calculated by a board member's affiliated company
- Noted that there is an outstanding reconciling difference of ~$485K between the Foundation accounting ledger and balance in Advance System driven by Donor-Advised Funds (DAF) payments. DAF payments cannot be used to fulfill legally binding pledges. This has generated an outstanding reconciling item between the Advance System versus the general ledger. The balances will remain static until the pledges are considered fulfilled internally and written-off in Advance System. The pledge balance will only be reduced once the pledges are considered fulfilled internally, per the request of the Development office. This method is not consistent with the pledge

accounting process per Foundation accounting. For the sample reviewed as part of this audit, there will be a $200,000 variance for the entire duration of the pledge which would be until 2029

RECOMMENDATION

ACS recommends that the Foundation assess and determine if there is a conflict of interest to have a calculation managed and determined by a board member where there is no compensation.

ACS recommends that UDAE and the Foundation communicate/document the intent of the use of DAF with donors prior to signing gift agreements or pledges. This will help determine the proper accounting treatment and minimize the impact of outstanding reconciling items that will carryover year over year and minimize the risk of double counting revenue between pledges and DAF payments.

MANAGEMENT RESPONSE

We concur. The Foundation assessed the current process of the board member's company (TimeValue Software) preparing the net present value calculations for pledge payments and determined that it does not create a conflict of interest. This is due to the minimal amount of time invested by the board member to complete the calculation and that the functionality of the software is a standard product that is widely used and available within the industry. The Foundation accounting personnel will start using the software directly, so the Foundation no longer needs to rely on the board member to run the calculations.

Further, UDAE works with donors to identify if they intend to fulfill their pledge directly or via a donor advised fund. UDAE will continue to educate donors of this distinction and work to include appropriate language in gift agreements and record accordingly in Advance.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon and Marc Benadiba

5. ADVANCE SYSTEM ALLOCATIONS

OBSERVATIONS

The Advance System, the Foundation's system of record for donor information and gifts, assigns donations to specific "allocations". Allocations are unique identifiers established to route gifts to specific funds based on various criteria such as gift purpose, restrictions, department, programs, entity, etc. ACS identified the following observations regarding the Advance System and reviews of allocations:

- Updated allocations are not easily tracked. To identify gift movement, users must do incremental research via batch numbers, donor information, and other attributes versus having the information within the system which leads to inefficiencies in the process
- Noted two allocations directed to CPC fund 80810. However, the donations sent to these allocations are deposited to one fund. CPC does not update fund references based on the Advance System allocation names. As a result, gift revenue and expenses of the different allocations were blended in one fund
- Identified one difference between allocation number per Advance System and current general ledger location of the gift/agreement. For example: One trust gift is allocated in the CPR02 account per the Advance system, however, it was moved on 6/16/18 to UCP 6027
- ACS completed data analytic routines comparing the Advance allocation data to the corresponding general ledger information and noted the following:
    - 36 general ledger accounts per the Advance System data had multiple allocations associated with the account that did not directly have affiliations with the different funds. For example, UCP Fund 70200 has two allocations associated with it. As a result, gift revenue and expenses of the different allocations were blended in one fund
    - Eight allocations associated with one UCP Fund, 70200. The allocations included different iterations of one fund (CIE, OCOB, CLA, etc.). There is no segregation of funds within UCP 70200 for the different colleges within the general ledger as implied by the allocation names. As such, if the donor requested the funds to be allocated to a specific group, such as CLA (College of Liberal Arts), there is no process in place to ensure that another group, such as OCOB (Orfalea College of Business), does not use the allocated CLA funds
    - Identified nine allocation descriptions that had multiple allocation numbers and/or GL accounts. For example: CAED Poly Canyon has two allocation codes: 3267 (CPR01102600-68010) & 7093(MO213105000). As a result, gift revenue can be deposited into the wrong general ledger account

RECOMMENDATION

ACS recommends that the Advance System should be evaluated for enhancements to data tracking, accuracy, and efficiency. Further, it is recommended that gifts should be deposited to the proper general ledger accounts to ensure that adequate oversight of donor funds can be completed by the agency that is responsible for the deposited funds.

MANAGEMENT RESPONSE

We concur. UDAE acknowledges that Advance has system constraints. However, we continually review how we may make enhancements to current processes and reports. As we prepare for the next comprehensive campaign, UDAE will be researching implementing a new CRM to be implemented to increase the overall tracking, accuracy and efficiency of donor data.

In addition, UDAE and University Accounting and Reporting will review the process to determine gift allocations in order to ensure that gifts are allocated to the proper agency to ensure adequate oversight of donor funds.

Anticipated date of implementation of gift allocation: March 31, 2024
Anticipated date for identifying CRM solution: August 31, 2024

Person responsible: Stacy Cannon and Marc Benadiba

6. GIFT PROCESSING

OBSERVATIONS

The following items detail findings related to gift processing:

- The gift acceptance and processing process is highly manual. However, the forms are very thorough and include checklists to ensure that all steps of specific gifts have been completed and signed off on. Manual processes are time consuming and more vulnerable to errors and fraud
- Noted that copies of donor checks received were retained within the supporting documentation in which sensitive information such as donor's name, address, bank account number, and routing number were visible. However, ACS noted that within the period subjected to the audit, gift processing has implemented additional procedures to cover or cut the bank account and routing numbers when making a copy of the check to be retained within gift batch archives (6)
- Gift Batch Coversheet that required approval from the Foundation CEO was not signed (1)
- Dates for approvals on Gift Batch Coversheet were not documented (3)
- Per the Gift in Kind (GIK) policy, for GIK greater than $5,000 donated from a corporation, the donor has the option to provide "documentation of market value provided by Corporate donor: itemized inventory list, invoice or letter from the donor, or published item value”. ACS noted one instance in which the donor completed the "Donor Declaration of Value Form” (for items valued at less than $5,000) for a gift that was greater than the $5,000 threshold. Further, the documentation provided was a letter noting that the donation had a retail value of $53,084 and a work order that had quantities listed, but no unit price or value that could be tied back to the letter provided or verified externally
- The GIK financial recording process needs improvement. Currently, the process is initiated by a GIK report that is provided from Gift Processing to Property Accounting. The listing includes a wide range of non-cash gifts (i.e., lab coats, computers,

equipment, etc.). However, the report only includes a description of the donation but has no clear distinction or classification of the type of asset within the report. Property Accounting is responsible for making determinations if a gift should be recorded within the Fixed Asset Register or as gift revenue through the Chancellor's Office GAAP/Legal process for Financial Reporting. As such, Property Accounting is responsible for reviewing the report and relying on item descriptions to reach out to different departments to determine how the gift should be classified on a timely basis. ACS noted one instance in which the determination of a gift-in-kind received in March 2020 valuing $53,084 was not completed until June of 2023 (prompted by the audit). Property Accounting and the respective department determined that the equipment would not be added to the Fixed Asset Register and should remain classified as gift revenue per the GAAP/Legal process from FY 2020

RECOMMENDATION

Management should review current gift processing policies and procedures to determine if any improvements could be made to the overall process to include additional automation.

UDAE should consider developing clear policies and procedures regarding documentation required to be retained for donations and ensure that sensitive information, such as check copies, follow Payment Card Industry (PCI) and Personal Identifying Information (PII) protocols. All staff involved in the gift processing function should be trained appropriately based on the policies and procedures.

Development officers should improve coordination with donors and ensure that proper forms are completed for the respective gift types. Further, for instances in which corporations provide a letter noting the value of their donation, supporting documents such as work orders or invoices, should also include values and/hours to substantiate the gift-in-kind provided. A quality control process should be instituted to ensure all appropriate documentation is provided and retained.

Gift Processing and the Property Accounting office should review the gift-in-kind reporting and recording process for efficiencies. Further, the Property Accounting office should determine if there are any time periods in which the review and identification of potential trackable equipment in the gift-in-kind reports was not reviewed during the scope of the audit period or the most practical date within that time frame. Property Accounting should complete and document their review of the gift-in-kind reports for the missing periods and retain evidence of determinations of the equipment classifications that would support the accounting decision.

MANAGEMENT RESPONSE

We concur, gift processing is a very manual process. Management will review current gift processing policies and procedures to determine if any efficiencies could be made to the overall process to include additional automation. Further, we will reiterate with staff PCI and PPI guidelines. We will work with Development Officers to reiterate the need for detailed documentation in support of gift in kind valuation. We will also work with the Property Accounting office to provide any additional information they need to record gifts in kind.

Lastly, the Property Accounting office will determine if there are any time periods in which the review and identification of potential trackable equipment in the gift-in-kind reports was not reviewed during the scope of the audit period (or the most practical date within that time frame). Items identified, will be assessed and a determination will be made if the current accounting for the gift is still appropriate.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon and Marc Benadiba

7. SCHOLARSHIPS

OBSERVATIONS

The following items detail findings related to scholarship process:

- Fiscal administration and tracking of scholarships are highly manual. The spreadsheet used for tracking is a document that is rolled forward from period to period and each detail is manually updated. Manual processes are time consuming and more vulnerable to errors and fraud
- Donor restrictions listed in gift agreements for scholarships should be quantifiable and driven by obtainable data versus qualitative factors. If a donor wants to keep the restriction within the agreement, there should be a documented understanding with the donors that the scholarship may not be fulfilled for the current period. Restriction noted: "Major: Liberal Studies with an interest in K-6 teaching”
- Per a scholarship gift agreement, donor indicated that a disbursement of $10,000 to a respective student per year should be awarded. However, only $9,500 was disbursed. The net amount is not clearly stated in the agreement as the $500 difference being a 5% gift fee listed as a clause in the agreement
- Per the Financial Aid Office, a donor identified an error in the award amount distributed to a student from a scholarship fund. The amount that was to be distributed for the respective scholarship year was one award at the amount of $3,000. However, the student only received $1,500. The error was due to a scholarship split from one student to two students in the previous year as requested by the academic department's scholarship committee. The number of awards reverted back to one student, but the balance of the award amount was not updated to reflect the $3,000 to be awarded for the year.
- Noted that the selection process used to award scholarships is not documented for the pool of students considered

- Fund director and UCP's approvals are not consistently captured when the expense paid corresponds to a scholarship. Identified 5/15 expenses in UCP accounts funded by endowments and 2/29 expenses in UCP accounts from gifts that were missing the required approvals noted
- Noted that scholarships are sometimes issued to students before the account is properly funded, causing the Financial Aid Office to constantly monitor accounts where scholarships are paid from to ensure they are not in deficit. This was noted in two expenses reviewed, where Athletics spent $58,600 but only transferred $58,000 (this was caught by Financial Aid within the same year) and a second case that showed Athletics continued to increase scholarships granted during that same period from $58,600 to $65,600 but never sent the additional funds to cover (causing Finance to do a one-time prior year adjustment to cover the negative balance)
- Identified a scholarship that was being paid from a UCP account (60482) funded by a gift that did not allow scholarships. Per conversation with the Financial Aid and Scholarship Office, noted that this scholarship has been paid since 2015 out of this fund

RECOMMENDATION

ACS recommends that the Financial Aid office review current policies and procedures for tracking scholarships to determine if efficiencies could be made to the overall process to include additional automation and validation checks (i.e., updating to a software or system that is a less manual process). Further emphasis should be put on ensuring the accuracy of the roll forward balance for future periods. This may include a comparison to an outside source (i.e., compare ending balances per spreadsheet to accounts in PeopleSoft), or have another team member review/sign-off on the spreadsheet to ensure completeness and accuracy.

ACS recommends that development officers work with donors to ensure that criteria for scholarships specified in gift agreements, is quantifiable by data in which the campus has the capability to collect. Further, if a donor insists on including a specification or preference in the scholarship agreement that Financial Aid deems to be too restrictive, there should be documented evidence that the donor understands that students may be selected for the award that do not meet that set of criteria.

ACS recommends that the development officers work with the donors to ensure total gift amounts and scholarship award amounts are clearly defined within the gift agreements. Donors should be made aware of the gift fee amount to be charged within the agreement so that the donor is clear about any differences between the amount per the agreement and the actual scholarship pay out to the student.

Management should ensure that scholarship committees in all colleges receive proper guidelines on the documentation that should be maintained (such as scorecards) that can evidence fair selection of scholarship awardees from the student pool eligible for such awards.

Management should create and implement a process/form where the approvals from fund directors, UCP, and Financial Aid can be documented. Ensure such approval documentation is obtained before any scholarships are paid to students.

Scholarships funded from gifts or endowments should be reviewed to ensure that all requirements are met (including completion of all documentation corresponding reviews/approvals from fund director and UCP) before the corresponding UCP account is funded. Only when such steps are completed should the scholarship be paid out to the student.

UCP should review all scholarships paid out of UCP funds to ensure that no other restrictions have been overlooked. Furthermore, UCP's review process should include a review of fund transfers for scholarships against fund restrictions. This review should be documented and evidenced with a signature/date from UCP.

MANAGEMENT RESPONSE

Financial Aid: We Concur. The Financial Aid office will review current policies and procedures for tracking scholarships to determine if efficiencies could be made to the overall process to include additional automation and validation checks to better ensure accuracy of the scholarship tracking worksheet.

Financial Aid: We concur. The Financial Aid office will reiterate to the college scholarship committees the guidelines for documenting and retaining evidence of fair selection of scholarship awardees from the student pool eligible for such awards.

Financial Aid: We concur. Financial Aid will update the scholarship funding set up form to include the respective fund director and UCP approval fields for all requests to fund scholarship awards directly from UCP funds.

UDAE: We will update our scholarship agreement templates to include quantifiable selection criteria or preferences collected by Cal Poly or include a provision that the donor understand the scholarship may not be awarded each year if a student(s) do not meet the criteria. Additionally, we will update the template to state the gift amount and the net amount of the scholarship award after the gift reinvestment fee.

Anticipated date of implementation: March 31, 2024
Persons responsible: Stacy Cannon and Gerrie Hatten

8. FUND ESTABLISHMENT

OBSERVATIONS

Currently, when gifts for a fund do not reach the $10k fund establishment requirement, each donor who contributed to that fund must be contacted to obtain approval to re-distribute the funds for another purpose. This effort could be time consuming, especially when the fund is established from a fundraiser, and does not provide an efficient and organized experience for the donor.

RECOMMENDATION

Management should ensure that all donors receive proper communication proactively at the time of the donation and agree that their gift may be re-purposed if fund requirements are not reached.

Management should ensure that fund accounts with a wider purpose exist in all areas where gifts that do not reach the $10k level to establish a fund, may be routed to a fund with a similar purpose (e.g., Diversity, Equity & Inclusion fund that may be used by all colleges in ASI).

MANAGEMENT RESPONSE

We concur. UDAE will work on communicating on the front end of future solicitations of funds that if a fund does not reach the required minimum funding that it will be used for a stated alternative use.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon

9. FUND DIRECTOR RESPONSIBILITY AND REVIEW

OBSERVATIONS

There are multiple instances in which an individual is listed as a fund director for more than one open UCP fund and do not have additional signors. This can present challenges or inefficiencies in ensuring proper spending and review of expenditures or other fund activities.

UCP:
There are 123 individuals who have more than one UCP fund to manage. Out of the 123, 25 have more than 10 UCP funds to manage. Out of the 25, three have over 30 UCP to manage without an additional signor listed:

- Employee 1: 30 out of 45 do not have additional signers
- Employee 2: 41 out of the 43 do not have additional signers
- Employee 3: 39 out of 39 do not have additional signers

CPC:
There are 76 individuals who have more than one CPC fund to manage. Out of the 76, 11 have five or more CPC funds to manage. Out of the 11, one had 20 or more CPC funds to manage without an additional signor listed noted:

- Employee 4: 28 out of 28 do not have additional signers

RECOMMENDATION

Management should consider evaluating the number of funds one fund director should be responsible for to ensure proper management of current processes, as well as the recommendations for additional controls or enhancements that will be implemented per the recommendations of this report. Furthermore, a review should be performed of all the funds that are currently being managed by fund directors that will soon retire, to ensure that the management for these are properly transferred.

Finally, training should be developed to include a requirement for transferring fund accounts before a fund director plans to retire that allows proper onboarding/training for the new fund director.

MANAGEMENT RESPONSE

We concur. Management will evaluate the number of funds that one fund director should be responsible for. Further, we will review approvers to ensure signers are actively employed and if they are soon to retire, ensure that we have proper backup singers to ensure that the management for these funds are properly transferred.

Anticipated date of implementation: March 31, 2024
Person responsible: Marc Benadiba

10. DEVELOPMENT GENERAL (ENDOWMENT & GIFTS)

OBSERVATIONS

ACS noted that there no documented policies for the following areas:

UCP gift agreements and spend from UCP accounts

- Identified a gift agreement for a professional development fund and received documentation that communicated to the fund director that they were required to stay with Cal Poly for three years after completing the certification or else they would need to repay the funds used. However, there is no campus policy that requires all colleges to ensure this same practice to ensure that Cal Poly's investment is protected once funds are used

- A policy approving that fund directors, Deans, Associate Deans, and finance directors for any college are authorized approvers for fund related expenses. Furthermore, these individuals do not always have a corresponding UCP Signature Authorization Update Form (9/30). While it was noted that there is a reference in the form reviewed, this form has not consistently been updated to note the Director of Finance also has approval authorization

Endowment Agreements

- There is no documented policy that indicates the required signatures to enter into an endowment agreement. Furthermore, the current delegations of authority (DOA) do not clarify about signing agreements. Finally, it was noted that two out of 21 agreements and amendments were not signed by the Foundation CEO or the President (these were executed in 2001 and 2010). While practices have evolved since then, noted there is not a clear DOA document that can be used to reference the positions that are required to sign an agreement or approve an expense, instead, this is documented via memos on a case-by-case basis, which must be continuously updated as they document names versus titles

RECOMMENDATION

A formal policy should be documented for all scenarios identified above, including:

- A policy that requires all colleges to ensure employees receiving a professional development fund acknowledge a repayment requirement if their relationship with Cal Poly ends before a specific period
- A policy that clearly defines the positions that have the authority to approve expenses related to UPC or CPC gifts
- Considering that the process for creating and executing Endowment Agreements has evolved through the years, an Approval Matrix should include that currently, the Foundation CEO and the President are the only individuals who may sign

MANAGEMENT RESPONSE

We concur. The CSU system is in the process of implementing a comprehensive delegation of authority module that will track delegations of authority for all funds. Further, management will develop a policy that requires all colleges to ensure employees receiving a professional development fund acknowledge a repayment requirement if their relationship with Cal Poly ends before a specific period.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon and Marc Benadiba

11. DEVELOPMENT GENERAL (ENDOWMENT & GIFTS)

OBSERVATIONS

Identified process improvements in the level of control for the following areas that should be considered:

- There is no pre-planning or budgeting on how funding is to be used every year, especially when the fund has various purposes, allows several types of expenses, or has no restrictions
- Identified two expense transactions for an endowment payout account (74200) that are being used to cover a deficit for other fund accounts (64601 and 58423)
- Currently, communications of spend and "planning" spend is done on a quarterly basis with advancement officers and college Deans. However, this does not include details of expense categories to assist in effectively managing spending.
- Out of eight UCP gift agreements noted there were two discretionary funds and one professional development fund for the fund director. Similarly, out of 16 endowment agreements reviewed, noted one was funding a discretionary UCP fund. In such cases, UCP will only review for coding to be appropriate, and the user is otherwise trusted for what they are submitting. Considering that the responsibility is with the fund director to manage the funds and expenses properly, and that there are not restrictions to guide them on what is a proper expense, there is an increased reliance on the user of these types of funds to trust they are submitting proper expenses

RECOMMENDATION

To ensure proper use of funds and that the purpose can be achieved with funds available, additional oversight is recommended through a budget process that should be prepared by the fund director and the Director of Finance.

In addition, robust training for donor stewardship and fiscal responsibility for donor funds should be implemented and required for all fund directors/ managers. It is to be noted that ASI has a good example of training for their fund managers and requires annual acknowledgements and reviews of the policies. This might be something to consider for CPC or Foundation accounts

Furthermore, discretionary accounts and professional development accounts should include a requirement so that any expense submitted by a fund director must have an additional authorized approver's signature to ensure accountability for proper expenses and allow for proper segregation of duties.

MANAGEMENT RESPONSE

We concur. The Foundation will work towards improving how spending commitments are documented and provide additional training to ensure proper segregation of duties for fund directors across campus. Additionally, UDAE has submitted a policy to the CAP Committee to outline spending plans for UCP Funds (pending approval).

Anticipated date of implementation: March 31, 2024
Person responsible: Marc Benadiba and Stacy Cannon

12. ENDOWMENT AND UCP FUND ESTABLISHMENT DOCUMENT RETENTION

OBSERVATIONS

Noted required documentation used for creating, managing, and documenting expenses was not properly retained as the following was missing during the review (please note the numbers shown are the number of findings out of the samples reviewed):

Endowment agreements:
- Endowment Establishment Checklist (1/16)
- Campus Memo to communicate fund establishment (1/16)

UCP expenses from endowment funded accounts:
- Supporting documents missing (2/15; e.g., expense reports and invoices)
- Business purpose to validate the reason for a ProCard expense was not documented (2/15)
- Differences between actual amounts posted were identified in two out of 15 expenses reviewed.
- Expense reviewed was for a transfer related to a deficit and by the time the deficit was being cleared, additional gifts had posted. However, there was no documentation for the updated transfer amount needed to cover the deficit

UCP gift agreements:
- UCP Spending Agreement Sheet (5/8)
- Gift agreement (7/8)
- Donor stewardship (5/5; three did not require this as they were not funded through a donation or lead donor)

UCP expenses from UCP gift funded accounts:
- Supporting documents for a payroll item (2/30; e.g., evidence to support hourly rate, Medicare contribution)
- Fund director approval (10/30)
- UCP approval (10/30)
- Date for the fund director or the UCP approval is not consistently documented (3/30)

Furthermore, there is a difference of document retention requirements between development related items (typically 10+ years or permanent) versus CSU documentation standards of four years. As such, there is a risk that if a donor wanted to see support for spending of their donation, they would not be able to obtain the support for a period greater than four years. ACS notes that the four-year retention period is a CSU system wide retention period. However, this has caused five out of 10 approvals noted above as missing for fund director and UCP to be missing even though the expenses incurred have been within the retention period. The reason is that some expenses relate to student positions, for which the corresponding approvals are obtained at the time the student assistant position is created. However, as the positions continue to be re-filled, the approval documentation is purged according to the policy per the time the approval was obtained, and not for the time the expense was incurred.

RECOMMENDATION

Management should consider developing a training on documentation required to be retained for agreements and expenses to ensure new employees are trained at onboarding and all working within this process receive a reminder/refresher at least annually. While in practice, UCP's retention has shown to be five years, consideration should be given to the difference in retention length to meet donor requests and the standard legal/limitations requirement, which is seven years.

MANAGEMENT RESPONSE

We concur. UDAE will follow CSU Document Retention Policy for UCP documentation and hold endowment agreements in perpetuity.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon

13. INITIATIVE TRACKING

OBSERVATIONS

Upon review of department level reporting related to donor stewardships, noted that there is no centralized tracking of non-financial metrics per donor requests. Responsibility is left to the department/college level to track and manage. Lack of a centralized tracking and reporting system, managed by UDAE, increases risk of non-compliance and a lack of quality control for these reports.

Gift agreements with additional donor requests noted as part of the audit include:

- Gift 1: Athletics Director needs to provide information
- Gift 2: Financial reporting needs to be provided every fiscal year
- Gift 3: A Scholars Program, Graduate Fellowships, Research Program, other partnerships, progress reports, financial reports
- Gift 4: Selection of 30 Fellows

- Gift 5: Various programs and buildings within the college of noted

Per review of five endowment agreements related to funds set up as a memorial or from a family trust, noted that donor stewardship is only being performed for two of them. Per conversation with UCP, noted that there is no documentation to evidence if due diligence was performed to ensure no one in the family of the main donor that has passed away is interested in receiving donor stewardship reports.

RECOMMENDATION

Management should consider creating and implementing a process to centralize the tracking and management of donor stewardship to ensure that gift requirements, such as those noted above, are consistently performed and tracked for all donor agreements.

Furthermore, in cases when the donor does not require to receive stewardship reports, documentation of Development's due diligence to offer such service be documented and retained.

MANAGEMENT RESPONSE

We concur. We will work on creating and implementing a process to centralize the tracking and management of donor stewardship within our donor database and document when such reports are not required UDAE has performed its due diligence.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon

14. ENDOWMENT AGREEMENTS

OBSERVATIONS

Noted that the following is not consistently noted on the agreements:
- Dates for the donor and/or Cal Poly signature was missing on the agreement (1/16)
- Total amount used to establish the fund was not documented in the agreement (4/16)
- Identified that older agreements did not properly identify donors nor required them to sign. As the process has now evolved to require this, there is no other documentation in place to amend older agreements (referred to as Earning Statements) to properly include this detail. Identified two out of sixteen endowments with an Earning Statement

Noted the following issues related to the Campus Memo announcing the approval for the establishment of the Endowment:
- Not communicated to all required (Provost) as a recipient (1/16)

- Not communicated timely, sent June 2016 for an agreement executed October 2015

When reviewing processes related to reputational risk, noted the following:

- Current process on due diligence includes initial research performed as part of solicitation / proposal portfolio management, periodic checks including Google alerts, and review of major gift prospects on a regular basis. However, a policy on this process is not formally documented, the efforts performed are not consistently documented/retained (missing for four out of nine donor related endowments reviewed; note original sample is 16, but only 9 had a lead donor on whom due diligence could have been performed), nor are donors reviewed in sanction lists (e.g., Office of Foreign Assets Control). Finally, noted that four out of 16 agreements reviewed were missing the naming rights / moral clause in the agreement
- There is no targeted training that defines what a conflict of interest might look like for parties involved in this process, nor is there a step in the process that allows individuals involved to report a potential conflict of interest (COI). Furthermore, there is no committee that formally manages COIs reported
- Noted that a formal process is not documented on how to deal with potentially damaging news or publicity for larger donors that may require the University to disassociate with the donor

Noted that endowment funds that do not reach the $25k threshold must be transferred back to current use funds and a clause is within agreements to note that these can be re-distributed with another purpose if the initial purpose ceases to exist. However, noted that out of 16 agreements reviewed, one agreement from 2017 was missing the alternative use of distributions clause in the agreement and six did not state a distribution start date. It was noted per discussions with Development, that changes to templates have been implemented to ensure all required language/clauses are included in recent agreements. Identified endowment fund accounts were created prior to the agreement's execution, which was noted as a normal process as an account creation did not mean that funds had been received at that time. However, per documentation reviewed, noted that this was not the case for three out of the 16 endowment accounts reviewed, as the account was created for funds received and the agreement was not created / executed timely (identified this ranged between 263 days to 519 days late; further, noted that only one of the three were partially funded by fundraising). Per additional documentation obtained, noted that these agreements took longer than expected as there were many discussions on the ambiguity of the language and sensitivity of the donation.

RECOMMENDATION

Management should consider the following as they relate to the observations noted above:

- Developing templates for agreements that ensure all key components are to be documented going forward, including dates for signatures, donation amount used to establish the fund, naming rights/moral clauses, etc.

- Developing training on timeliness and required individuals that must be included in a Campus Memo to ensure new employees are trained at onboarding and all working within this process receive a reminder/refresher at least annually
- Creating and implementing policies and trainings that address the issues noted related to reputational risk, including a formal due diligence process on prospective and current donors, conflict of interest reporting, and management of damaging news or needs to disassociate with a vendor
- Developing templates for agreements that ensure all key components are to be documented going forward
- Creating and implementing a process and training that requires agreements to be created and executed within 30 days of receiving funds (management should also determine a reasonable timeline for endowments related to fundraising efforts). Ensure new employees are trained at onboarding and all working within this process receive a reminder/refresher at least annually. Finally, ensure the main templates to be used cover the types of donations received to streamline the process

MANAGEMENT RESPONSE

We concur. We are currently in the process of reviewing and updating all gift agreement templates and will outline the necessary key components required. We will also create processes around the due diligence on prospective and current donors along with a timetable for creation of new funds after the receipt of gifts.

Further, we will strengthen our processes around the establishment of new funds and properly provide training for existing employees and employees to be onboarded and receive a reminder/refresher at least annually.

Anticipated date of implementation March 31, 2024
Person responsible: Stacy Cannon

15. UCP EXPENSES FROM ENDOWMENT FUNDED ACCOUNTS

OBSERVATIONS

Identified an expense transfer for which there was no supporting documentation to show details of the expense. Per review of documentation, UCP did not require documentation showing details of the expense as it related to travel and a discretionary account, and in these cases, there is reliance on a fund director's direction.

Reviewed a UCP gift fund (69390) with a purpose of receiving donations from an event and transferring proceeds to a separate discretionary account (75000) for awards, hosting, supplies/equipment, etc. However, per review of transactions in the fund account (69390), noted that the account is incurring expenses, including student salaries, which is not an allowable expense. There is no other documentation to support a modification of the fund's purpose or expenses allowed.

RECOMMENDATIONS

Management should consider creating and implementing a consistent process related to required supporting documents that shows details of what the expense was for, including expense transfer requests, concur related items, and discretionary accounts.

Management should also consider reminding employees involved in the process of reviewing payout allocations to ensure all details of the parameters between agreements and fund accounts match. Furthermore, a random review of a sample should be performed monthly to review transactions against agreements where the payouts came from.

UCP should review all expenses paid out of the UCP fund noted above to ensure that no other restrictions have been overlooked for other funds.

MANAGEMENT RESPONSE

We concur. University Campus Programs accountant will continue to review all expenses charged to a UCP fund including expense transfers. UCP accountant will also incorporate random audits to better ensure that expenses are in line with donor intentions and will continue to be met.

Anticipated date of implementation: March 31, 2024
Person responsible: Marc Benadiba

16. UCP EXPENSES FROM ENDOWMENT FUNDED ACCOUNTS

OBSERVATIONS

Noted UCP's review of expenses from UCP accounts funded by an endowment payout is not occurring as follows:

- Identified a UCP account funded by an endowment with a small difference in the parameters, which became visible when reviewing the expenses allowed in the UCP fund. The difference is that the endowment requires funds to be used for group projects and the UCP account allows expenses for single student projects. Upon closer review of the agreement, the terms are not clear and there is room for interpretation of the requirements, specifically as it notes that the spending should have an "emphasis" on supporting group senior projects. Furthermore, while the agreement notes that fund distribution is at the discretion of the Dean and Provost, it does not clearly state that expenses for single student projects will be considered when there are no group student projects in scope. Per documentation reviewed, noted that one out of five expense distributions, for a faculty stipend ($1,500), was for a research project and there is no visibility to easily identify how much of the spend is being done with an emphasis on supporting approved projects

- Identified two expense transactions that were not reviewed by UCP. The reason for this is that there is not a process for purchase orders (PO's) to be routed to UCP and when the PO's have already been approved, Payment Services does not usually route the invoice to UCP prior to payment

RECOMMENDATION

Management should ensure agreements avoid vague language that could be misleading or that leaves room for different interpretations. Remind employees involved in the process of reviewing payout allocations to ensure all details of the parameters between agreements and fund accounts match. If vague language of an agreement requires the fund manager to make an interpretation that is not clear, the rationale should be documented. Furthermore, a random review of a sample should be performed monthly to review transactions against agreements where the payouts came from.

Management should also create and implement a process to ensure expenses related to approved purchase orders funded from donor accounts be properly routed to UCP for review prior to approval.

MANAGEMENT RESPONSE

We concur. UDAE and Foundation will ensure that gift agreements avoid vague language.

We concur. With the implementation of the CSUBUY Procure-to-Pay system, purchase requests using UCP funds will require electronic approval by UCP staff prior to the request routing to procurement for processing purchase orders. Prior to implementation of CSUBUY, UCP accountants will perform audits of requests using UCP funds.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon and Dru Zachmeyer

17. UCP FUND DIRECTOR SEGREGATION OF DUTIES

OBSERVATIONS

Noted a conflict of segregation of duties for funds that are assigned to a fund director as follows:

- The fund director is approving their own expenses through Concur when another individual reporting to them has paid for such expenses (2/30; includes meals that the fund director participated in)
- The fund director initiates the expense payment request and there is no other authorized signed per the agreement approving such request (2/30)
- The fund director is the only authorized approver documented in the agreements/forms and is submitting their own requests for reimbursement. Approvers identified in such processes did not consistently include the employee's supervisor (1/30)

RECOMMENDATION

Management should communicate the importance of proper segregation of duties to the fund directors and implement changes to the processes noted above, including:

- Ensuring all expenses incurred by the fund director or that they are part of (e.g., participating in a meal), must be submitted by the highest-ranking employee among the attendees and cannot be approved by one of the attendees
- Ensuring all expense requests made by themselves are routed to a higher-level position for approval

MANAGEMENT RESPONSE

We concur. The University and the Foundation will provide additional training to ensure proper segregation of duties for fund directors across campus.

Anticipated date of implementation: March 31, 2024
Person responsible: Marc Benadiba

18. UCP DISCRETIONARY FUNDS

OBSERVATIONS

ACS noted that additional oversight should be implemented for discretionary funds (i.e., those have general purpose and no specific expense restrictions). There is minimal monitoring of the review, and expensing of, discretionary funds as it is currently UCP’s process to check that the expense coding is appropriate. Further, ACS noted one instance for which the supporting documentation did not include any details as to what it was for, but was approved due to the nature of the fund.

RECOMMENDATION

ACS recommends that for all expenses paid from discretionary funds, users be required to submit sufficient detail and documentation to support the business purpose and benefit of the university. Further, expense documentation should be supported by itemized detail of the expense.

MANAGEMENT RESPONSE

We concur. Discretionary funds by definition allow any type of spend that is considered a bona fide university business expense. As a result, the UCP accountant does a less extensive review of discretionary UCP funds vs. UCP funds that carry specific spending restrictions. However, all expenditures should include sufficient description or explanation for the budget approver, the accounts payable function, and the UCP accountant to determine whether the expenses are appropriate. Further, UCP will coordinate with Strategic Business Services to implement the recommendations above and implement consistent processes requiring appropriate supporting documentation for expense transactions charged to UCP funds.

Anticipated date of implementation: March 31, 2024
Person responsible: Marc Benadiba and Dru Zachmeyer

19. UCP GIFT EXPENSES THROUGH CONCUR AND PROCARDS

OBSERVATIONS

ProCard

- Four ProCard expenses for one discretionary fund were found in three different cards, for which the fund director's approval was not included in the documentation for three out of the four expenses identified. Per conversation with UCP, this is normal when the card holder has the ability to incur expenses for the fund. Furthermore, there is no evidence maintained that ensures that und directors perform a completeness check to review all transactions hitting their fund every month
- Noted that ProCard expenses are posted to the general ledger before all required approvals are received due to the nature of the process. This process requires that payments be posted by month end and the card approver has up to two weeks after end of cycle to update chart field string and approve the US Bank ProCard Report. Out of 30 expenses reviewed, seven were made through a ProCard, and the approver was not always an authorized approver for the gift fund. Further, UCP's review of these expenses consists of a high-level review of transactions to check the account coding

used, and a detailed review of supporting documentation against fund requirements is not performed

Concur

- Noted that Concur expenses are also not consistently reviewed by UCP, unless the fund is restricted for travel. Such was the case for one out of the three expenses reviewed that were reported through an expense report in Concur. However, the Concur travel card can be used for both travel and hospitality. The UCP fund accountant was not aware of the additional use of the card. Hospitality is a common restriction within the UCP funds but there is currently no process in place to monitor the Hospitality transactions that may come through as Team/Group Meals. Completed a spot check with a quarter's worth of travel and hospitality expenses and noted one fund with the restriction for hospitality which in Concur is identified as "Team/Group" Meals. Upon further investigation this related to meals purchased for students. According to the fund restrictions, hospitality is not allowed, but student travel is. As such, the expense would be appropriate based on the fund restriction
- No UCP review if there are changes for the final expense that goes through for travel. UCP is only routed the approval for the travel request and not for the travel expense

Noted the following related to Payment Services processes:

Concur and ProCard

- The purpose of expenses is not consistently included with reimbursements and this lack of documentation makes it difficult to ensure that the expense is related to a fund and/or aligned with fund requirements. Out of 30 expenses reviewed, 10 were made through Concur or a ProCard, and the approver was not always an authorized approver for the gift fund. Furthermore, there is an Internal Revenue Service requirement on business expenses reimbursed to employees that requires employers to document a written statement of the business purpose of an expense
- For supporting documentation submitted through Concur or a ProCard reconciliation, noted the following:
  - Foreign currency conversion documentation was not included (1/10)
  - Spouse of employee was attendee of a dinner, and this was not properly documented on the Hospitality Form (1/10)
  - Lost receipt form was not signed (1/10)
  - Alcohol purchased was not reported in the Hospitality Form (1/10)
  - Invoice attached was not itemized for a meal expense (1/10)
- Identified a PO that was created after the invoice (PO created on 2/16/21 and invoice date was 12/10/20)

RECOMMENDATION

Management should consider creating and implementing a process and training for fund directors to perform all spend within one ProCard only and provide guidance on how to perform a completeness check at month end of all expenses hitting the fund account and retain such documentation.

UCP should include the following reviews going forward:

- A monthly review of ProCard transactions against supporting documentation to ensure they agree to the fund requirements within two weeks of the end of cycle. If this cannot be done due to volume, a subset of transactions should be reviewed against documentation (e.g., X% and all transactions over $X,XXX) monthly
- A systematic review of Concur transactions should follow the same as above (including travel and hospitality for all funds regardless of travel restriction). This review should occur on the expense report side and not during the travel request, as those may change

Payment Services should create and implement system changes for Concur expense reports and ProCard reconciliations that will allow users to document a business purpose for each expense. The Travel & Hospitality Policy should communicate to all users on how to properly document a business purpose.

Furthermore, cases with issues identified in supporting documentation noted above should be reviewed by the Payment Services team performing T&H reviews as a reminder of the issues that should be questioned in expense reports and reconciliations

Finally, Procurement should periodically monitor reporting to ensure that POs are being approved before an invoice is received. This could be achieved with simple data analytics.

MANAGEMENT RESPONSE

We concur. The Foundation will work with SBS to implement the recommendations above. System changes for expense reports and card reconciliations will include strengthening current review processes to include a business purpose for each expense, updating existing policies for hospitality and travel, and developing additional training for fund directors. Additionally, SBS will increase the use of system reporting to ensure compliance, which will include the review of documentation and justification submitted with expense reports. Further, random audits will be completed by UCP over the data.

Anticipated date of implementation: March 31, 2024
Person responsible: Dru Zachmeyer and Marc Benadiba

20. UDAE DELEGATION OF AUTHORITY REVIEW

OBSERVATIONS

Per EO 0676, Delegation of Authority for Gift and Acceptance, authority is delegated to campus presidents to evaluate and accept gifts and donations. Campus presidents may further delegate the authority to campus officers and employees. Operationally, the delegation of authority is administered from the President to the CEO of the Foundation who will further delegate the gift acceptance roles to lead fundraisers and other UDAE staff. ACS noted that the various delegation of authorities administered in UDAE throughout the period of review were executed after the start date of the coverage period of the authority ranging from four to 138 days.

RECOMMENDATION

ACS recommends UDAE timely complete required delegation of authorities to ensure that gift acceptance authority is properly in place for the current term.

MANAGEMENT RESPONSE

We concur. We will review delegations of authority on a regular basis (such as quarterly) to update for staffing changes regarding gift acceptance.

Anticipated date of implementation: December 1, 2023
Person responsible: Stacy Cannon

21. UNIVERSITY CAMPUS FUND ACTVITY

OBSERVATIONS

Noted that out of 979 currently active UCP accounts, there are 321 UCP accounts (33% or $3.29M) with no movement in the balance as follows:

- 163 (equals 17% or $1.23m) had no movement within 4 years
- 50 (equals 5% or $0.45M) with no movement in 3 years
- 43 (equals 4% or $0.47M) with no movement in 2 years
- 65 (equals 7% or $1.14M) with no movement in 1 year

Note that out of the population of accounts with no movement, zero-balance accounts were not included.

RECOMMENDATION

Fund accounts with no movement in 2 years should warrant a discussion with the fund director for a plan on how to use or close the fund by the end of the 3rd year. All accounts with no movement in 3 years should automatically close and management should have a procedure in place on how to manage leftover funds from such accounts.

MANAGEMENT RESPONSE

We concur. In partnership with University Financial Services, UDAE will assess the fund accounts with no movement for the periods stated above and will implement the recommendation above with donor approval as necessary under UPMIFA.

Anticipated date of implementation: March 31, 2024
Person responsible: Stacy Cannon