

July 14, 2010

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President,
UC San Diego Foundation
0057

***Subject: UCSD Foundation Gift Expenditure Review
Audit & Management Advisory Services Project #2010-06***

Audit & Management Advisory Services (AMAS) has completed an audit of the UC San Diego Foundation gift funds transferred to and expended by the San Diego campus. This review was performed as part of our approved audit plan for Fiscal Year 2009-10. The purpose of this audit report is to transmit the results of this review.

Background

The UC San Diego Foundation (the Foundation), under the auspices of the Regents of the University of California, is a separate nonprofit corporation, formed in 1972 to promote the educational and research purposes of UCSD. Governed by an independent Board of Trustees, the Foundation generates and accepts charitable donations, and manages a diverse portfolio of assets such as stocks and bonds, artwork, commercial and residential real property, trusts, and cash.

Audit Objective, Scope, and Procedures

The objective of our audit was to determine, on a test basis, whether Foundation gift funds transferred to the Regents of the University of California were expended in accordance with donor intent and University policy. The scope of our audit included funds transferred from the Foundation to the UC Regents during the period July 1, 2007 to June 30, 2009.

Our audit did not include a review of the overall UCSD internal control structure related to disbursements for the purpose of concluding on the adequacy of that internal control structure. However, A-133 audits conducted annually by the University's external auditors include a review of internal controls over compliance with requirements of laws, regulations, and contracts and grants applicable to federal programs. Recent A-133 reviews have concluded that the University's internal control structure is adequate. In the last few years, AMAS has performed several reviews of UCSD departments with responsibility for managing gift funds transferred to the departments by the UCSD Foundation. These reviews have also generally concluded that internal controls are adequate for managing gift funds.

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In order to accomplish our audit objective, we performed the following procedures:

- Reviewed applicable University policies pertaining to gift fund expenditures;
- Selected a sample of funds transferred from the Foundation to the UC Regents during the period July 1, 2007 to June 30, 2009, for detailed testing (see below for our sampling methodology);
- Obtained donor intent as noted in the Foundation database, and examined donor letters on a sample basis for consistency with the database;
- Traced the sample of funds transferred from the Foundation into the corresponding UCSD fund(s) in the Integrated Financial Information System (IFIS) Operating Ledger noting where the gift revenue was recorded;
- For each UCSD fund receiving some portion of the funds transferred, reviewed the accounting records and supporting documentation for expenditures, on a sample basis, to evaluate the nature of the expenditures for consistency with donor intent;
- Contacted departmental and central office administrators to obtain additional information as needed, and to evaluate their understanding of gift processing policies and procedures, gift versus grant classification, related internal controls; and
- Concluded for sampled items whether expenditures appeared to be consistent with donor intent and University policy.

Sampling and Testing Methodology

We reviewed all fund transfers from the Foundation to UCSD during the two fiscal years ending June 30, 2009; and selected a judgmental sample to ensure that the sample was broadly representative of all transfers to UCSD departments in each fiscal year. Our sample consisted of 93 transfers totaling \$35.7 million, or 35% of the \$101.8 million transferred from the Foundation to UCSD during the two fiscal years evaluated.

Forty-six transfers totaling 32.4% of the \$57.5 million transferred during the fiscal year ended June 30, 2008, and 47 transfers totaling 38.4% of the \$44.3 million transferred during the fiscal year ended June 30, 2009 were reviewed. To ensure thorough testing of high-dollar value transfers, we stratified the population of transfers prior to sample selection. In terms of UCSD organizations, we conducted a review of expenditures from 31 and 30 of the 127 UCSD organizations that received gift fund transfers during (one or both of) the two fiscal years. Our testing consisted of reviewing financial transactions totaling 79 and 80 percent of the transfers selected for fiscal year 2008 and 2009 respectively (Attachments A and B).

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Our testing of the selected transfers consisted of the overall review of the operating ledgers for unusual items as well as the review of supporting documentation including donor letters held by the Foundation, Distribution of Payroll Expense reports, Employee Link documentation, online invoices, travel expense vouchers, purchase orders and payment authorization information. In addition, we conducted interviews of department personnel responsible for fund expenditures and central administration where deemed necessary.

Conclusion

Based on our review of transfers and subsequent expenditures selected for testing, it appears that Foundation gift funds transferred to the Regents of the University of California during the two fiscal years ended June 30, 2009 were expended in accordance with donor intent and University policy. No expenditures came to our attention which appeared to be at variance with the intent of the donor for the sampled transfers. Departmental administrators contacted during this review demonstrated a good understanding of gift processing policies and procedures and related internal controls.

We would like to thank the staff of the UCSD Foundation, and various UCSD departments, for their cooperation and assistance provided during this audit.

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**Fund Transfers for the UCSD Foundation to the UC Regents
During the Period July 1, 2007 to June 30, 2008
Data Sorted by Total Amount Transferred**

Attachment A

Department	Value of Total Transfers	Number of Transfers	Number of Transfers Selected	Value of Transfers Reviewed	Value of Expenditures Tested
Capital Planning	\$16,766,687	9	2	\$1,737,600	\$1,156,800
Cancer Center	\$5,276,402	31	3	\$1,838,105	\$1,655,094
Ophthalmology	\$3,410,569	19	7	\$2,475,000	\$830,000
Jacobs School of Engineering Dean's Office	\$3,365,186	10	1	\$960,000	\$960,000
VCHS/Dean's Office	\$2,991,671	4	2	\$2,802,785	\$2,214,624
Neurosciences	\$2,165,206	12	1	\$600,000	\$600,000
Rady School Dean's Office	\$1,636,408	9	1	\$825,130	\$825,130
Pediatrics	\$1,629,563	19	1	\$494,188	\$494,188
Stein Institute for Research on Aging (SIRA)	\$1,492,000	5	2	\$550,000	\$500,000
Financial Aid Office	\$1,392,899	93	1	\$4,097	\$0
Cardiovascular Center	\$1,278,589	7	1	\$700,000	\$700,000
CallT2	\$1,198,134	4	2	\$1,091,654	\$657,600
Skaggs Dean's Office	\$1,043,500	5	1	\$700,000	\$700,000
Institute for Neural Computation, ORU	\$791,376	3			
Library, All Libraries	\$772,327	7	1	\$615,005	\$615,005
IR/PS Dean's Office	\$757,500	10	1	\$500,000	\$500,000
Medicine	\$690,986	14	2	\$357,758	\$344,568
Chancellor's Office	\$608,433	4	1	\$324,303	\$152,700
Birch Aquarium	\$561,852	8	1	\$271,300	\$271,300
Preuss School	\$460,193	14			
SIO Director's Office	\$459,475	6	3	\$368,388	\$108,388
Physics	\$433,442	6	1	\$356,574	\$356,574
Annual Giving (Telemarketing)	\$390,632	5			
Family and Preventive Medicine	\$348,491	3	1	\$272,000	\$272,000
Other / Closed projects	\$346,152	34			
Library, Social Sciences & Humanities	\$342,997	16			
Biological Sciences Dean's Office	\$341,008	12	1	\$17,200	\$17,200
Pathology	\$326,419	2	1	\$192,000	\$192,000
Medical Center	\$318,793	11			
Athletics	\$303,652	28			
History	\$249,283	12			
Center for Marine Biodiversity and Conservation	\$244,123	2	1	\$190,352	\$190,352
Alumni Relations	\$233,953	3			
Stuart Collection	\$228,500	2	1	\$145,000	\$45,910
Burn Center	\$202,769	2			
Psychiatry	\$197,510	7			
Otolaryngology	\$189,704	2			
Kavli Institute for Brain and Mind	\$188,373	1			
Electrical & Computer Engineering (ECE)	\$186,753	5			
Academic Affairs Office	\$180,000	2	1	\$155,000	\$105,000
Cardiology	\$179,979	6			
Orthopaedic Surgery	\$177,158	7			
Structural Engineering	\$160,222	2			
Mechanical & Aerospace Eng.	\$155,402	8			
SIO Graduate Fellowships	\$144,942	7			
Office of Graduate Studies	\$130,010	9			
University Events	\$124,533	2			
SOM Student Affairs	\$115,861	19			
Theatre & Dance	\$115,749	4			
Dermatology	\$112,000	3			
UC San Diego Foundation	\$110,904	5			
Political Science	\$87,376	3			
Medical Center-Nursing	\$86,891	14			
Center for U.S.-Mexican Studies	\$80,848	4	1	\$20,000	\$0
Chemistry and Biochemistry	\$79,068	5			
Mathematics	\$78,620	4			
Metabolic Diseases	\$77,413	2			
Bioengineering	\$75,830	5	1	\$1,000	\$0
Theatre & Dance-La Jolla Playhouse	\$70,826	1			

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Department	Value of Total Transfers	Number of Transfers	Number of Transfers Selected	Value of Transfers Reviewed	Value of Expenditures Tested
Philosophy	\$70,513	3			
Music	\$67,957	5	1	\$6,436	\$0
Physical Sciences Dean's Office	\$64,507	4	1	\$34,000	\$19,200
University Extension (UNEX)	\$62,933	2			
Literature	\$61,607	5			
Communication	\$58,800	4			
Cognitive Science	\$55,000	2			
Computer Science & Engineering	\$55,000	1			
Student Educational Advancement	\$55,000	1			
Roosevelt College	\$48,162	5			
Pulmonary	\$44,000	2	1	\$29,000	\$29,000
Owen Clinic	\$43,500	3			
Warren College	\$38,771	1			
Library, Mandeville Special Collections Library	\$38,208	6			
Endocrinology	\$36,000	1			
Center For Comparative Immigration Studies, ORU	\$35,090	1			
Surgery	\$33,752	5			
Career Center	\$32,976	1			
Institute of Engineering Medicine	\$32,668	1			
Revelle College	\$31,575	3			
Stem Cell Program	\$31,450	2			
Visual Arts	\$30,503	1			
Center for the Humanities	\$30,000	1			
Library, Arts Library	\$29,065	5			
Center for Atmospheric Science (CAS)	\$27,371	1			
Infectious Diseases	\$25,000	1			
Geriatrics	\$22,000	1			
Recreation	\$21,243	15			
Pharmacology	\$20,631	1			
Muir College	\$20,000	1			
Gastroenterology	\$16,775	2			
Library, Biomedical & Medical Center Libraries	\$15,997	3			
Economics	\$10,326	2			
Anthropology	\$10,000	1			
Geosciences Research Division	\$10,000	1			
Psychology	\$9,572	2			
ER Budget Office	\$9,400	1			
Arthritis	\$9,000	1			
Linguistics	\$8,525	1			
Council of Provost	\$8,500	1			
Academic Senate	\$7,500	1			
Office for Students with Disabilities	\$7,032	1			
Rheumatology	\$7,000	1			
Oceanids	\$6,000	1			
Library, Science & Engineering Library	\$5,723	2			
Arts & Humanities Dean's Office	\$5,165	1			
Cross Cultural Center	\$4,969	2			
Other departments	\$18,411	12			
Osher Lifelong Learning Institute	-\$32,125	2			
Totals	\$57,526,196	681	46	\$18,633,875	\$14,512,633
Percentage of Totals				32.39%	77.88%

**Fund Transfers for the UCSD Foundation to the UC Regents
During the Period July 1, 2008 to June 30, 2009
Data Sorted by Total Amount Transferred**

Attachment B

Department	Value of Total Transfers	Number of Transfers	Number of Transfers Selected	Value of Transfers Reviewed	Value of Expenditures Tested
Capital Planning	\$5,244,086	15	2	\$3,158,400	\$2,678,400
Cancer Center	\$3,056,500	40	3	\$1,069,110	\$676,238
VCHS/Dean's Office	\$2,244,204	13	2	\$1,715,230	\$1,185,000
Ophthalmology	\$2,132,351	26			
Rady School Dean's Office	\$2,031,625	16	1	\$1,467,406	\$903,603
Jacobs School of Engineering Dean's Office	\$1,931,624	18			
IR/PS Dean's Office	\$1,926,930	35	2	\$515,673	\$480,000
Neurosciences	\$1,778,396	31			
CallT2	\$1,754,723	4	1	\$1,665,251	\$1,665,251
Stein Institute for Research on Aging (SIRA)	\$1,386,636	8	1	\$750,000	\$750,000
Skaggs Dean's Office	\$1,222,000	11	2	\$1,200,000	\$900,000
SIO Director's Office	\$1,209,324	17	2	\$688,064	\$668,064
Pediatrics	\$1,195,134	23	1	\$411,205	\$411,205
Financial Aid Office	\$1,113,351	134	4	\$232,616	\$209,809
Institute for Neural Computation, ORU	\$989,176	2	2	\$989,176	\$784,003
Medicine	\$859,871	23	1	\$350,000	\$350,000
Library, All Libraries	\$858,189	8			
Chancellor's Office	\$783,388	6	2	\$758,388	\$475,888
Biological Sciences Dean's Office	\$765,777	16	1	\$500,000	\$500,000
Otolaryngology	\$656,326	8			
Library, Social Sciences & Humanities	\$620,825	16			
Preuss School	\$580,948	19	2	\$304,392	\$165,443
Trauma/Burn	\$466,826	1			
Academic Affairs Office	\$435,000	2	1	\$410,000	\$410,000
SIO Graduate Fellowships	\$430,746	16			
Birch Aquarium	\$400,183	9			
Student Educational Advancement	\$400,000	1			
Cardiology	\$351,906	14			
Electrical & Computer Engineering (ECE)	\$331,986	10	1	\$42,302	\$42,302
History	\$309,565	21	1	\$23,768	\$0
Stem Cell Program	\$302,604	3			
Stuart Collection	\$300,000	2			
Kavli Institute for Brain and Mind	\$297,065	1	1	\$297,065	\$68,839
Medical Center	\$291,842	11			
Athletics	\$285,315	34	3	\$22,389	\$17,159
Pathology	\$282,307	5			
Cardiovascular Center	\$271,721	6			
Theatre & Dance	\$251,438	12			
Other / Closed projects	\$239,125	43			
Metabolic Diseases	\$230,403	2			
Annual Giving (Telemarketing)	\$229,781	17			
Music	\$223,225	11	1	\$184,412	\$105,088
Center for Marine Biodiversity and Conservation	\$219,583	3			
Pulmonary	\$213,533	6			
Family and Preventive Medicine	\$212,405	6			
Computer Science & Engineering	\$210,000	7			
Office of Graduate Studies	\$206,682	17			
Alumni Relations	\$198,802	7	2	\$80,000	\$75,000
SOM Student Affairs	\$190,849	55	2	\$33,172	\$0
Psychiatry	\$152,057	11			
Literature	\$148,472	6			
Bioengineering	\$137,684	8	1	\$64,860	
Mechanical & Aerospace Eng.	\$101,978	5	1	\$28,700	\$10,850
University Extension (UNEX)	\$96,280	3			
Physics	\$81,444	5			
University Events	\$80,096	2			
Roosevelt College	\$71,333	4	1	\$7,000	\$0
Social Sciences Dean's Office	\$68,916	5			

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Political Science	\$65,124	3	1	\$25,349	\$14,475
Surgery	\$62,267	12			
Chemistry and Biochemistry	\$61,319	6			
Orthopaedic Surgery	\$58,254	8			
Library, Mandeville Special Collections Library	\$56,179	6			
Medical Center-Nursing	\$54,822	20	1	\$20,000	\$0
Dermatology	\$52,000	7			
Cognitive Science	\$51,500	3			
Physical Sciences Dean's Office	\$49,321	6			
Philosophy	\$49,061	4	1	\$11,917	\$0
Psychology	\$49,000	3			
Theatre & Dance-La Jolla Playhouse	\$47,013	1			
UC San Diego Foundation	\$44,666	6			
Muir College	\$44,200	4			
Warren College	\$43,000	2			
Library, Arts Library	\$42,695	5			
Revelle College	\$34,600	4			
Geriatrics	\$34,500	1			
Visual Arts	\$25,109	1			
Owen Clinic	\$25,000	1			
Pharmacology	\$22,500	1			
AIDS Research Institute	\$21,200	1			
Communication	\$20,296	3			
Sixth College	\$20,000	1			
Gastroenterology	\$17,000	3			
Recreation	\$16,911	16			
Library, Biomedical & Medical Center Libraries	\$16,676	4			
Center For Comparative Immigration Studies, ORU	\$16,598	1			
Center for Atmospheric Science (CAS)	\$15,000	1			
Structural Engineering	\$15,000	2			
Osher Lifelong Learning Institute	\$14,461	3			
Library, Science & Engineering Library	\$11,368	2			
Center for U.S.-Mexican Studies	\$9,000	2			
Burn Center	\$8,555	2			
Physical Oceanography Research Division	\$8,000	1			
ER Budget Office	\$7,400	1			
Arts & Humanities Dean's Office	\$7,000	3			
Rheumatology	\$6,000	1			
Economics	\$5,760	6			
Infectious Diseases	\$5,550	2			
Anthropology	\$5,000	2			
Oceanids	\$5,000	1			
LGBT Resource Office	\$4,157	1			
Center for Research and Computing in the Arts, OR	\$4,022	1			
Student Life	\$2,739	2			
Library, IRPS Library	\$2,625	4			
Library, SIO	\$2,034	1			
Thurgood Marshall College Dean's Office	\$2,000	1			
Center for Magnetic Recording Research (CMRR), I	\$1,813	1			
Other departments	\$2,452	42			
Totals	\$44,308,285	1,075	47	\$17,025,845	\$13,546,617
Percentage of Totals				38.43%	79.57%