UNIVERSITY ADVANCEMENT
Report No. 2011-108

June 29, 2011

Prepared by:

[Signature]
Loran Lerma
Senior Auditor

Reviewed by:

Mike Bathke
Campus Audit Manager

Reviewed by:

[Signature]
Bent Nielsen
Director
June 29, 2011

DANIEL G. ALDRICH III
INTERIM VICE CHANCELLOR
UNIVERSITY ADVANCEMENT

RE: University Advancement Audit
Report No. 2011-108

Internal Audit Services has completed the review of University Advancement and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Lynn Rahn
Audit Committee
I. BACKGROUND

University of California, Irvine (UCI) University Advancement is responsible for creating awareness, building relationships and generating support for teaching, research and public service missions. This is accomplished through a strategic effort that incorporates strategic communications, marketing, alumni relations, community and government relations, development, and resource planning and administration.

University Advancement is also responsible for ensuring all gifts are accepted, recorded, and reported according to University policies and procedures and Internal Revenue Service regulations. University Advancement is also responsible for the implementation of the UC Policy and Administrative Guidelines on Support Groups, Campus Foundations and Alumni Associations.

For fiscal year 2010-11, University Advancement has raised over $82 million from private gifts and grants as of May 2011, which is up nearly 15 percent from the previous year to date. University Advancement is on target to reach or exceed their annual fundraising goals.

II. PURPOSE, OBJECTIVES, AND SCOPE

The purpose of the audit was to review internal controls and policy compliance from July 2010 to current.

During Internal Audit Services (IAS) risk assessment process, it was determined that the focus of this review would not address administrative processes and business operations within University Advancement, but instead concentrate on certain gift administrative processes and spending activity in the schools and departments.

Based on IAS’s risk assessment of University Advancement, the following objectives were established:

1. Determine whether UCI Foundation and various donor (gifts to The Regents) gift expenditures are spent in a timely manner and utilized in accordance with donor intent, including reporting requirements, if any;

2. Verify whether various donor gifts received by the departments are properly processed, recorded in the general ledger and classified according to University policies and procedures;

3. Determine whether department roles and responsibilities over gift receipts and donor relations are defined and documented;
4. Examine financial ledgers for gift deposits prepared outside University Advancement requirements and determine whether the cost recovery fee was properly assessed;

5. Review various donor accounts for unutilized funds which do not fulfill the donor wishes and intent of use.

III. CONCLUSION

Based on our review of certain gift administration and spending activity outside University Advancement, UCT's overall gift receipt processes and administration appear to be satisfactory and in compliance with related University policies and procedures. In addition, Foundation and various donor gift spending activity appear to be used in a manner consistent with the donors’ intent. However, one various donor account reviewed had no spending activity for 10 years.

Observation details were discussed with management, who formulated an action plan to address the issue noted. These details are presented below.

IV. OBSERVATION AND MANAGEMENT ACTION PLAN

1. Unspent Gift Funds

   Background

   Monetary gifts to the University comprise a significant and essential source of funding for UCI. Funds should generally be classified as gifts when the intention of the donor is to make a charitable contribution, the donor does not impose contractual requirements, and funds are awarded irrevocably. Most monetary gifts processed through University Advancement specify where the donation should be allocated as well as administered in a manner consistent with the terms specified by the donor. Most monetary gifts are released to the specified school/department within days of receipt and are available for current use unless otherwise specified by the donor.

   Observation

   Based on our review, a monetary gift of $100,000 received by the University in June 2001 had not been used. IAS examined the donor acceptance documents and confirmed that the money was given to the Department of Radiation Oncology to be used in support of the research in the medical physics area. A courtesy letter from the Director of Medical Physics to the donor dated June 06, 2001, states that
the money will be put to good use in the cancer research program however; the money has not been used, and has not fulfilled the donor wishes.

UC Development Policy and Manual, section," Accepting, Acknowledging, and Documenting the Receipt of Gifts" describes "When a gift is given to the University, is received without disclaimer, the University assumes the legal obligation to administer the gift or bequest in a manner consistent with the terms specified by the donor”. The Department of Radiation Oncology Chief Administration Officer stated that the Director of Medical Physics was saving the money for special needs of future research related to the medical physics field. IAS reviewed the donor acceptance documentation and confirmed that there are no other restrictions and reporting requirements.

Gift money not used in accordance to the terms specified by the donor may jeopardize future monetary gifts to the University.

Management Action Plan

IAS was advised by Radiology Oncology that this monetary gift had been reserved for special needs of future research related to the medical physics field. Starting this new fiscal year 2011-12, the department plans to utilize this gift money to help support research staff and expenses related to medical physics activities/projects.