



AUDIT AND ADVISORY SERVICES
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July 29, 2025

To: Distribution

Re: **Donor Proposals**
Audit 08-25-0010

We have completed a limited review of donor proposals as part of the 2024-25 annual audit services plan. This audit was conducted in conformance with the Institute of Internal Auditors' 2024 International Professional Practices Framework (IPPF) Global Internal Audit Standards. The report detailing the results of our work is enclosed.

We sincerely appreciate the cooperation and assistance of the Office of Development, UC Santa Barbara Foundation, the Office of Research, and the Business & Financial Services Extramural Funds Accounting unit during the review. If you have any questions, please don't hesitate to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

Distribution

Office of Development

Chris Pizzinat, Associate Vice Chancellor, Development and Executive Director, UC Santa Barbara Foundation
Christian Treitler, Chief Financial Officer, UC Santa Barbara Foundation

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Office of Research

Jean Jones, Assistant Vice Chancellor of Research
Jim Fong, Director, Sponsored Projects
Clair Driscoll, Director, Technology & Industry Alliances

Administrative Services

Becky Steiger, Policy Coordinator

Business & Financial Services

Jim Corkill, Associate Vice Chancellor/Controller
Tyler Clark, Manager, Extramural Accounting Fund Unit

Cc:

David Marshall, Interim Chancellor
Kerry Bierman, Interim Vice Chancellor – Chief Financial Officer
Garry Mac Pherson, Vice Chancellor for Administrative Services
Rachel Segalman, Vice Chancellor for Research
Christian Villaseñor, Assistant Executive Vice Chancellor and Chief of Staff
UCSB Audit Committee
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UC **SANTA BARBARA**
Audit & Advisory Services

Audit Report

Donor Proposals

July 29, 2025

Performed by:

Antonio Mañas Meléndez, Associate Audit Director
Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-25-0010

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of this audit was to evaluate the University's current controls over donor proposals¹ and the coordination among campus offices to ensure that campus senior management approves any donor proposals that require specific commitments from the campus. The main objectives were to ensure that:

- Campus departments are aware of donor proposals from the initial stages and assist faculty to help ensure that commitments are not accepted before formal evaluation and approval, thereby enabling the University to fulfill its obligations.
- All donor proposal commitments are identified and assessed to determine whether the University can receive them before they are formally accepted. As a general rule, funding without commitments is usually recorded as gifts², whereas funding with contractual requirements must be managed as awards³.
- Donor proposals are approved by authorized personnel with delegated authority.
- Only approved gifts and awards are financially accepted by the campus.

CONCLUSION

Based on the work performed within the scope of the audit, our review found that the Office of Development and the Office of Research have adequate controls over the processes for identifying, assessing, and accepting gifts and awards, ensuring the University can accept them. However, there are opportunities to improve the department's oversight of donor proposals from the initial stages. Specifically, we found that:

- Some business officers (BOs) and department personnel may not recognize the importance of refraining from accepting contractual commitments when soliciting or discussing proposals with donors or funders. Furthermore, BOs are not always aware of all donor proposals during the initial stages of negotiations.
- The Office of Development evaluates whether gifts are unrestricted before acceptance and forwards any donor proposals with contractual commitments to the Office of Research for assessment and processing as an award to ensure compliance with university policies and other regulations.

¹ A fundraising proposal or grant proposal, is a formal document used to request funding from potential donors or funders for a specific project, cause, or organization.

² Voluntary contributions made to the University that are motivated by a Funder's charitable intent, for which the Funder receives no substantial return benefit and over which the Funder does not retain control. See background section of UC Policy on Classification of Gifts and Sponsored Awards.

³ All arrangements in which the University is providing a return benefit, or agrees to provide a defined deliverable to the Funder or to complete a set of activities in exchange for Support (e.g., grant, contract, materials transfer agreement, etc.). See background section of UC Policy on Classification of Gifts and Sponsored Awards.

- The Office of Development has implemented adequate controls to approve gift funding.
- The Office of Research evaluates whether the contractual commitments in award proposals align with university policy and can be accepted by the University.
- The Office of Research has implemented adequate controls to approve private award funds. However, we found that the Associate Director of the Office of Technology & Industry Alliance⁴ (TIA) position should be included in the delegation of authority memo from the Chancellor. Additionally, we found employees without signature authority who had access to approve awards.
- The University Extramural Funding (EMF) unit in Business and Financial Services approves only those gifts and awards that the campus accepts financially.

⁴ Office that manages the intellectual property developed through UCSB research, negotiates agreements with industry partners.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. OVERSIGHT AND AWARENESS OF DONOR PROPOSALS

Campus personnel handling donor proposals, including BOs and other departmental personnel, are not always aware of the need to avoid accepting contractual commitments when soliciting or discussing proposals with donors or funders. Additionally, BOs are not always informed about all potential donor proposals that faculty in their departments might solicit before they are submitted for official approval.

We interviewed ten BOs from selected departments⁵, with a high volume of research activity, to assess whether there is a clear understanding that only university officers with the delegation of authority to accept funds can negotiate contractual agreements in the proposals, as well as the BO's role in overseeing the preliminary stages of soliciting proposals from donors or funders. Based on the responses, we found that, in general:

- Departments demonstrated different levels of faculty engagement in proposal discussions:
 - 80% are aware of all proposals within the department, while 20% are not consistently aware of faculty proposals.
 - 70% of BOs stated that proposal terms are reviewed before submission, while 30% indicated that they are not consistently reviewed or examined to provide additional assurance of compliance with university policies.
 - While 60% of the BOs confirmed active involvement with faculty, 40% indicated that faculty do not always contact the department before submitting proposals.
- The overall consensus from departments indicates that communication with the central offices regarding gift and award proposals is effective.
- All departments have a strong understanding that the authority to approve gifts and awards is the responsibility of the Office of Research and the Office of Development, and that gifts do not establish contractual obligations. However, only 70% understand that the department cannot formalize contractual requirements without campus approval.

RECOMMENDATION

We recommend that the Office of Development send out communication to academic departments regarding the need to:

- Refrain from accepting contractual commitments when soliciting or discussing proposals with donors or funders until the campus officially vets them.
- Engage business officers early in negotiations to make sure they are aware of all

⁵ Geography, Mechanical Engineering, Computer Science, Electrical & Computer Engineering, Materials Engineering, the Institute for Social, Behavioral and Economic Research (ISBR), Molecular, Cellular & Development Biology (MCDB), the Earth Research Institute, and Chemistry and Biochemistry.

potential donor proposals and opportunities.

MANAGEMENT RESPONSE

The Department of Development will disseminate a campus-wide communication emphasizing the importance of avoiding contractual commitments when soliciting or discussing proposals and involving business officers during the early stages of negotiations.

Audit and Advisory Services will follow up on the status of these issues by October 31, 2025.

2. GIFT ASSESSMENT

The Office of Development confirms that gifts are unrestricted before acceptance. It directs any donor proposal with contractual commitments to the Office of Research for assessment and processing as an award.

Development follows the University of California (UC) Policy on Classification of Gifts⁶, which outlines general indicators for determining that charitable funds are formally accepted without imposing contractual requirements on the University. Our assessment of gift agreements reviewed and accepted by the Office of Development found that funding was officially approved without the donor imposing contractual requirements on the University.

We selected a sample of high-value corporate gifts valued at over \$50,000. Nine of the selected cases had unrestricted gift agreements, imposing no commitments on the University. One of the samples was correctly classified as an award by the Office of Development and was subsequently processed by the Sponsored Project Office (SPO).⁷

3. FORMAL ACCEPTANCE OF GIFTS AND AWARDS

OBSERVATION

The University has implemented internal controls and processes to ensure that gifts and awards are formally approved by the appropriate officials with delegated authority.⁸

The Office of Development

We selected a sample of ten private corporate gifts to verify that a university officer with delegated authority had approved and accepted the funds. We reviewed the UC Gift Acceptance Report, UDEV-100⁹, associated with each gift to determine whether the official document used to receive funds and document gifts from non-governmental sources was formally signed by the appropriate delegated officer.

We found that university personnel with the appropriate delegation of authority accepted the gift on behalf of The Regents. Our sample of processed gifts ranged from \$30,000 to

⁶ See UC Policy on Classification of Gifts in the background section.

⁷ This office has the authority to negotiate and accept awards on behalf of the University that has been delegated from the Regents to the Chancellor and the Chancellor has re-delegated this authority to the Sponsored Project Office.

⁸ See Delegation of Authority background section for personnel with delegation of authority and limits.

⁹ This form is used to document the gift, identify the donor, and designate the correct fund for accounting purposes.

\$178,100. Nine of the selected cases were approved within the delegated limit by the Executive Director of Development. One of the samples was classified as an award and was correctly processed by SPO in ORBiT.¹⁰

However, we identified a minor administrative improvement. Funds categorized as awards sent to SPO for assessment should be removed from the gift database and/or tracked in a separate database for historical purposes to prevent misreporting of gift funds.

The Office of Research

The Office of Research has a robust process for reviewing and approving awards. The ORBiT database serves as the official record of approvals by delegated officials.

We obtained a list of all private awards from the general ledger processed during FY 2023-24, as along with a list of SPO and TIA personnel authorized to approve awards. The UC Contract and Grant Manual states that the responsibility for reviewing award terms and conditions before accepting funding on behalf of The Regents rests with those delegated the authority to approve, receive, and execute awards as assigned by the Chancellor.

We selected a sample of 10 awards to determine whether they were properly approved. We found that all awards were properly reviewed and approved by a delegated official. However, we noted that one of the 10 awards was approved by the Associate Director of TIA, whose title is not listed in the Delegation of Authority memo.

The Director of TIA informed us that the Chancellor's Delegation of Authority memo was issued in January 2013, and the Associate Director of TIA position did not exist at that time. Currently, the Associate Director serves as the industry contracts officer, a position included in the memo as the authorized person. It is implied that the Associate Director of TIA should have the same authority as the Associate Director of SPO. However, the memo needs to be updated to include the current position.

ORBiT System Roles

We obtained the list of employees with the role to approve awards in ORBiT and compared it with the personnel authorized by the Office of Research for the same purpose. We found that all employees with this privilege were part of the Office of Research, but four TIA employees do not need to have this role to perform their duties.

RECOMMENDATION

We recommend that the Office of Technology & Industry Alliance, with support from the Policy Coordinator, assess whether the Associate Director of Technology & Industry Services should be included in the Chancellor's Delegation of Authority memo for contracts and grants. Update the memo if needed.

MANAGEMENT RESPONSE

The Office of Technology & Industry Alliance will request the Policy Coordinator update the

¹⁰ A custom system used for tracking awards from the proposal stage, award approvals, assignment of fund numbers, to closing the award.

Chancellor's Delegation of Authority memo for contracts and grants to include the Associate Director of Technology & Industry Services.

Audit and Advisory Services will follow up on the status of these issues by December 31, 2025.

RECOMMENDATION

We recommend that the Office of Technology & Industry Alliance request the ORBiT system administrator remove approval access to awards for those identified as not having signature authority, or create a new role without approval permissions.

MANAGEMENT RESPONSE

The UCSB Office of Technology & Industry Alliance (TIA) has requested that the ORBiT system administrator block and/or remove access to approve awards for those individuals identified in the report as lacking signature authority. This access change in ORBiT for the 4 identified TIA individuals will be completed by August 31, 2025.

Audit and Advisory Services will follow up on the status of these issues by August 31, 2025.

MANAGEMENT ADVICE

The Office of Development's gift administrator should exclude funds classified as awards from the gift database and maintain a separate database for tracking awards sent to the Office of Research for historical purposes, thereby preventing the misreporting of gift funds.

4. FINANCIAL ACCEPTANCE OF DONOR PROPOSALS

OBSERVATION

The Extramural Funding (EMF) unit in Business and Financial Services approves only those gifts and awards that the campus has financially accepted.

The Office of Development

We selected a sample of ten income transactions related to funds from private industry in the general ledger (GL) and verified that all incomes were associated with approved gifts. We reviewed the UDEV and confirmed that the Office of Development had approved all gifts. We also verified that the UDEV was sent to EMF to assign a fund number for recording in the general ledger.

The Office of Research

We selected a random sample of ten income transactions related to extramural fund awards in the GL and verified that awards had been approved in ORBiT.

We reviewed ten private awards to determine whether they were formally approved and if EMF had notified the funding recipient departments of the assigned fund number. Of the ten awards analyzed, we verified in the ORBiT database that all were assigned a fund number in accordance with the UC Contract and Grants Manual and that EMF sent an email notification.

GENERAL INFORMATION

BACKGROUND¹¹

The UC Development Reference Guide¹² provides an overview of soliciting and accepting private funds. The reference guide addresses who has the delegated authority to solicit and accept gifts on behalf of The Regents. Gifts to The Regents shall be accepted, administered, documented, and reported in accordance with established University policies, guidelines, and procedures.

Accepting Gifts

When a gift is given to the University, it is not considered legally consummated until the University accepts the gift and notifies the donor of its acceptance. Suppose a gift or bequest is received without a disclaimer by the University. In that case, the University assumes the legal obligation to administer the gift or bequest in a manner consistent with the terms specified by the donor.

Acknowledging Gifts

An acknowledgment provides timely confirmation to a donor that a gift has been received, and may or may not also constitute acceptance of a gift. Suppose an acknowledgment letter is signed by a person authorized to accept gifts on behalf of the University and includes a description of the gift and the date of receipt. In that case, it constitutes legal acceptance of the gift.

Documenting Receipt of the Gift

The Gift Acceptance Report (UDEV 100) is the University's official internal record of a gift's acceptance by an authorized official. It may be used to process all gifts of \$1,000 or more (gifts of less than \$1,000 are to be documented using procedures established by the campuses). For gifts of \$10 million or less, the form must be signed by the Chancellor or someone designated by the Chancellor.

UC Policy on Classification of Gifts and Sponsored Awards¹³

According to this policy, UCSB must classify support from a funder as a gift or sponsored award.

The Sponsored Projects Office is responsible for reviewing and authorizing submission proposals, as well as interpreting, negotiating, accepting, and executing Sponsored Awards from governmental agencies (domestic and foreign), foundations, private industry, and other public and private sources.

General Indicators for Sponsored Awards

¹¹ UC policies, Office of the Chancellor Redlegation of Authority to Solicit and Accept Gifts and Execute Certain Extramural Grants and Contracts, and guidance related to gifts and awards.

¹² Used as a reference when accepting gifts.

¹³ UC Policy on Classification of Gifts and Sponsored Awards, issued 3/10/2022.

In general, Sponsored Awards may have the following characteristics:

- The funded activity is directed to satisfying specific Funder requirements (e.g., terms and conditions originating from the Funder stating a precise scope of work to be conducted rather than a general area of research).
- The Funder requires specific reporting, such as a detailed technical report of research results or a line-item report of expenditures.
- Funding is from a U.S. state, local, or foreign government agency.
- The Funder prescribes a specified period of performance.
- The Funder requires unexpended support to be returned to the Funder at the end of the specified period.

The Office of Development is responsible for central fundraising, donor engagement, gift acceptance, and partnering with others to help solicit private Sponsored Awards. This office may initiate prospective development and support gift stewardship and management.

General Indicators for Gifts

In general, gifts may have the following characteristics:

- Support is motivated by charitable intent.
- The Funder supports the University without expecting direct economic or other substantial return benefits.
- Support is for an endowment or a capital project.
- Support is awarded irrevocably. While the area of work to be supported may be specified by the Funder, the University retains control of the usage of the funds.

Business and Financial Services - Extramural Funding¹⁴

The Extramural Funds (EMF) Accounting unit oversees the financial management of all external funding received by UCSB, including federal, state, local, and other government funds, private contracts and grants, endowments, and gifts.

They advise on matters of financial compliance and proper cost accounting. The unit provides financial reporting, cash management, accounts receivable, gift processing, effort reporting, review of high-risk expense transfers for compliance, cost share monitoring, and support to the department in managing Extramural funds.

The department fills out a UC Dev-100 (Gift Acceptance Report) when receiving a gift. Delegated authority personnel review and approve the UDEV. Once accounting receives the signed UDEV, an accounting string is assigned, the cash is released from the holding account, and a budget is established for department spending.

¹⁴ Extramural website and interviews.

When the Sponsored Project Office approves an award, accounting assigns the project fund number and enters the budget allocations in ORBIT. EMF is automatically notified that an official with delegated authority has approved the award.

Chancellor Delegation of Authority for Gifts

Table 1		Redelegation of Authority to Solicit and Accept Gifts	
Delegation To:	Description	Signature Authority	
Assistant Chancellor	Solicit and Accept Gifts	Up to \$1,000,000	
Associate Vice Chancellor, Development		Up to \$1,000,000	
Executive Director, UC Santa Barbara Foundation		Up to \$1,000,000	
Executive Director, Development, Central Development Operations		Up to \$1,000,000	
Chief Financial Officer, UC Santa Barbara Foundation		Up to \$100,000	
Senior Director, Advancement Services and Technology		Up to \$25,000	
Manager, Gift Administration		Up to \$25,000	
Chief Financial Officer, UC Santa Barbara Foundation	Solicit and Accept Gifts Allocate, Reallocate, and Administer Gifts and Bequests by the UC Santa Barbara Campus Foundation	Up to \$100,000	

Source: Chancellor Delegation of Authority Memo.

Chancellor Delegation of Authority for Awards

Table 2		Delegation of Authority to Solicit and Accept or Execute Certain Extramural Grants and Contracts		
Delegation To:	The campus is a prime awardee. Federal or a State of California agency	Sub-awards. Federal or a State of California agency.	Not a Federal or State of California agency.	
Vice Chancellor for Research	\$10,000,000	\$10,000,000	\$5,000,000	
Asst. Vice Chancellor for Research	\$10,000,000	\$10,000,000	\$5,000,000	
Director, Technology & Industry Alliances	\$10,000,000	\$10,000,000	\$5,000,000	
Director, Sponsored Projects	\$10,000,000	\$10,000,000	\$5,000,000	
Assoc. Director, Sponsored Projects	\$10,000,000	\$10,000,000	\$5,000,000	
Industry Contracts Officer	\$5,000,000	\$5,000,000	\$5,000,000	
Sr. Sponsored Projects Contracts/Grants Officers & Sponsored Projects Contracts/Grants Officers	\$5,000,000	\$5,000,000	\$3,000,000	
Sponsored Projects Grants Officers	\$2,000,000	\$2,000,000		
Sponsored Projects Analysts	\$2,000,000	\$2,000,000		

Source: Chancellor Delegation of Authority Memo

SCOPE

Our review focused on a limited review of internal controls and processes to help faculty handle donor proposals without making commitments that the University cannot fulfill. This review aimed to identify and assess all proposal commitments, ensuring that only approved gifts and awards are financially accepted by the campus during fiscal year 2023-24.

CRITERIA AND METHODOLOGY

Our audit was based on the standards outlined in UC and UCSB policies, as well as other guidance relevant to its scope. This audit was conducted in conformance with the Institute of Internal Auditors' 2024 International Professional Practices Framework (IPPF) Global Internal Audit Standards.

Our work involved conducting interviews, testing, reviewing supporting documentation, and taking additional steps to achieve our objectives. Specifically, we:

- Researched UC and UCSB policies and other relevant guidance for administering gifts and awards.
 - UC Policy on Classification of Gifts and Sponsored Awards, issued 3/10/2022.
 - UC Development Reference Guide, issued May 2015.
 - UC Contract and Grant Manual, Chapter 2-500: *Proposal Review*, republished July 3, 2024.
 - UCSB – Solicitation and Acceptance of Gifts Policy, revised July 29, 2015.
 - UCSB Gifts, Grants, Contracts, and Sponsorship Determinations, issued November 20, 2012.
 - UCSB Office of the Chancellor Redefinition of Authority to Solicit and Accept Gifts, and the Allocation, Reallocation, and Administration of Gifts and Bequests by the UC Santa Barbara Campus Foundation under Delegation of Authority 2631 Memo, dated February 1, 2020.
 - UCSB Office of the Chancellor Delegation of Authority to Solicit and Accept or Execute Certain Extramural Grants and Contracts, dated January 18, 2013.
 - UCSB Research Circular A.1 Policy on the Submittal of Proposals, Acceptance of Awards, and Administration of Contracts and Grants, issued March 2015.
- Interviewed department Business Officers to determine whether adequate guidance and instructions are in place to classify gifts and awards, prevent commitments before they are formally approved, and ensure effective communication among the central offices and departments.
- Interviewed personnel from the Office of Development to understand core business processes related to classifying funding as a gift, ensuring that gifts do not include requirements, and officially accepting the gift with the appropriate delegation of authority.
- Interviewed personnel from the Office of Research to understand essential business processes related to reviewing awards for compliance with university policy and federal or state regulations, negotiating awards, and officially accepting the award with the appropriate delegation of authority.

- Interviewed the Extramural Funds unit to understand the business process for financial acceptance of funds.
- Performed a risk analysis that considered business-related policies and procedures, including the classification of gifts, the delegation of authority for gifts and awards, and the assignment of accounting strings.
- Tested a sample of high-value corporate gift agreements to ensure that charitable contributions do not create contractual obligations on the University.
- Tested a sample of Gift Acceptance Reports (UDEV-100) to verify that the appropriate officials with delegated authority accepted the gift and that the associated approval limits were adhered to.
- Tested a sample of awards to verify that the appropriate officials with delegated authority were adequately approved and that the associated approval limits were adhered to.
- Tested a sample of income transactions to ensure that only approved gifts and awards were financially accepted by the campus.

AUDIT TEAM

Ashley Andersen, Audit Director
Antonio Mañas Meléndez, Associate Audit Director
Irene Camargo, Senior Auditor