UT Southwestern
Medical Center

Office of Development and Alumni Relations Audit

Internal Audit Report 18:07

July 10, 2018

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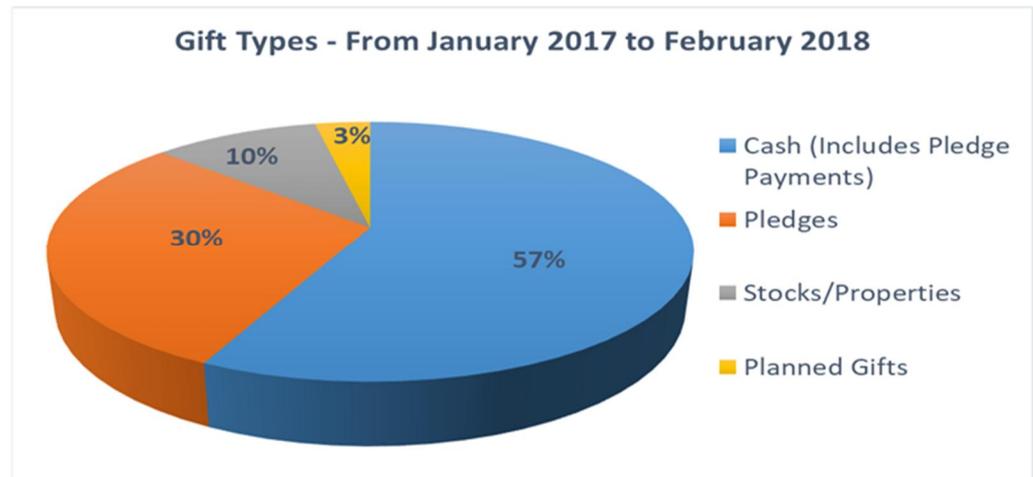
Executive Summary

Background

The UT Southwestern (Medical Center) Office of Development and Alumni Relations (Office of Development) is a part of Institutional Advancement and tasked with the responsibility of engaging alumni, friends, businesses, organizations, and the broader community to cultivate support for the Medical Center mission in the form of gifts. The Office of Development encompasses six areas: Development Programs, Advancement Services, Engagement and Participation, Development Communications, Special Events, and Stewardship and External Relations. The Office of Development, led by the Vice President for Development and Alumni Relations, is comprised of thirty-seven (37) full-time employees. For FY 2017, Office of Development operating expenses were $3.6M.

The Gift Administration group, within the Advancement Services area, records and monitors gifts. The majority of gifts are monetary donations; they may also come in the form of pledges, stocks, properties, or planned gifts. Donors give via public broadcasting, alumni telephone calls, and fundraising campaigns. Gifts can also be given to Medical Center personnel; however, the Office of Development is the designated steward for the acceptance, processing, distribution and reporting of gift activities including recording grants, scholarships and endowments into the Medical Center's gift system. Many of the gifts specify the purpose of the donation and are therefore, restricted donations.

The Raiser's Edge (RE), a fundraising and donor management software database system, is used to record the receipt of gifts. In addition to providing a medium to maintain gift records, the software also provides the Medical Center with a variety of tools to cultivate donor relationships and diversify fundraising management.

The chart to the right represents a summary of types of gifts received from January 2017 through February 2018:

- Monetary donations (cash, checks and pledge payments),
- Pledge commitments,
- Stocks and properties, and
- Planned gifts

Gift Types - From January 2017 to February 2018

- Cash (Includes Pledge Payments) — 57%
- Pledges — 30%
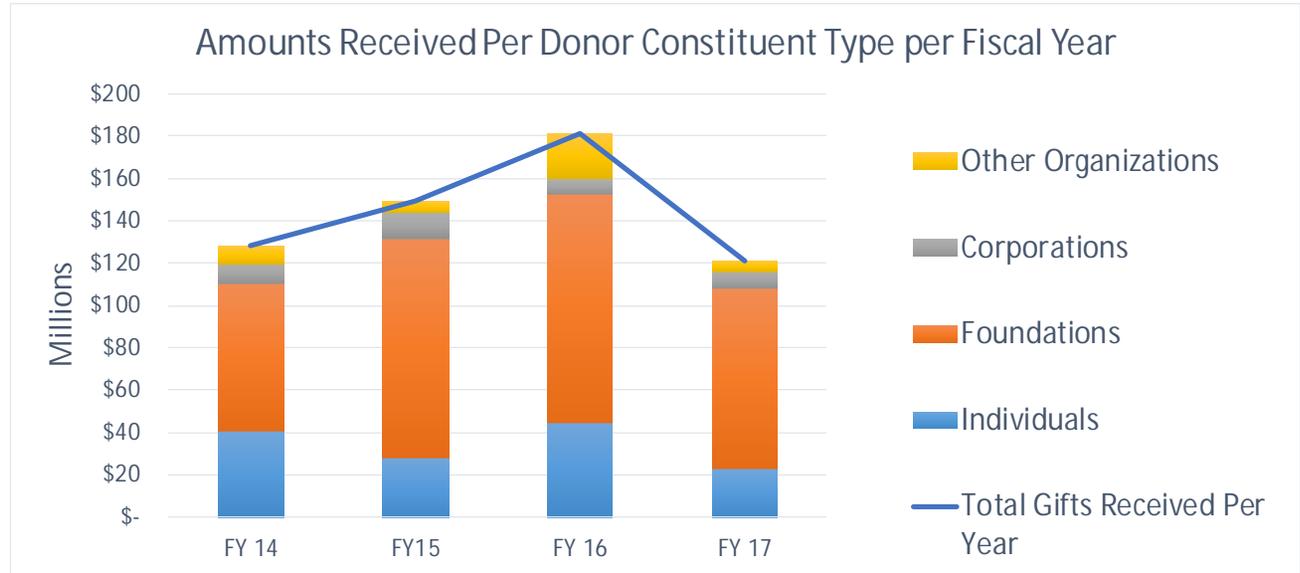- Stocks/Properties — 10%
- Planned Gifts — 3%
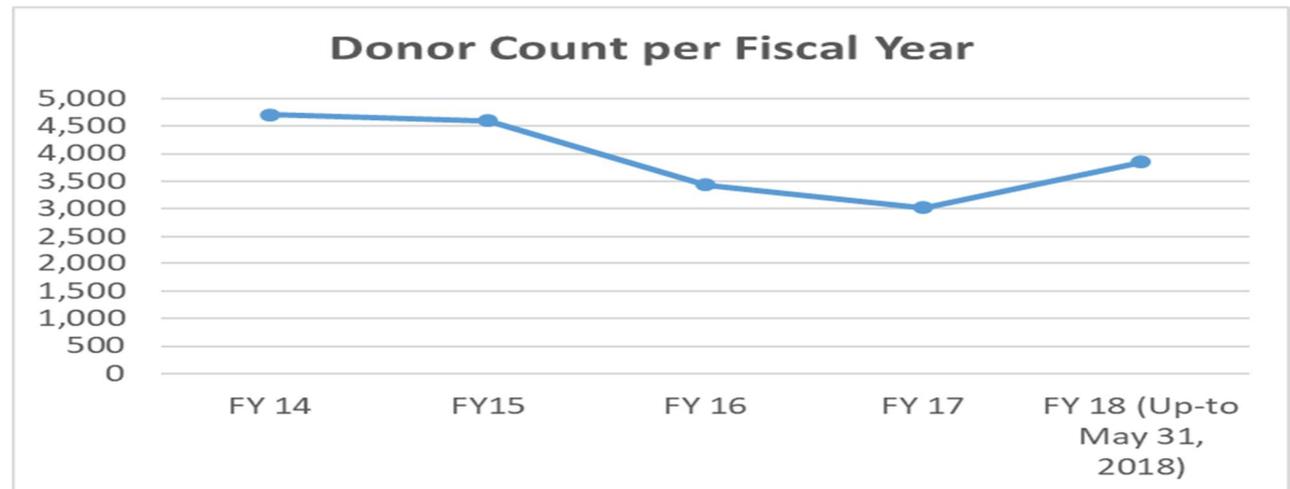
Executive Summary

The chart to the right illustrates gifts received per donor type for fiscal years (FY) 2014 through 2017.

Individuals and Foundations combined, account for approximately 90% of the Medical Center donors for each year.

Total donations increased from FY 14 through FY 16 when donations reached $180M due to the fulfillment of many major pledges. FY 17 donations returned to FY 14 level.

Amounts Received Per Donor Constituent Type per Fiscal Year

Legend:
- Other Organizations
- Corporations
- Foundations
- Individuals
- Total Gifts Received Per Year

The chart to the right provides trending of donor count for FY 2014 through May 31, 2018. Continued growth is anticipated due to new donor engagement programs in place.

Donor Count per Fiscal Year

Executive Summary

Scope and Objectives

The Office of Internal Audit has completed its Office of Development audit. This was a risk based audit and part of the fiscal year 2018 Audit Plan. The focus of this audit was in the gift administration and stewardship donor financial reporting areas within the Office of Development.

The audit scope period included activities of the Office of Development from January 2017 to February 2018. Audit procedures included interviews with stakeholders to gain an understanding of the gifts process, review of policies, procedures and other documentation, substantive testing, and data analytics.

Overall objectives for the audit include determining the adequacy and effectiveness of operational processes and internal controls to ensure effective and efficient achievement of objectives, compliance with key institutional policies and procedures, safeguarding of assets, accuracy of reporting and to determine appropriate controls are in place for:
· Accurate and timely gift, donation and pledge receipt and acknowledgement process
· Complete and timely donor reporting
· Monitoring of key financial data in compliance with Institutional policies and regulatory compliance
· Adequate system controls to administer the donor gift administration process, including user access and approval flow
· Appropriate system controls are in place.

We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

Overall, processes are in place to manage gift administration for the Medical Center, however opportunities exist to improve efficiencies and eliminate manual processes, reducing the risk of incomplete or missing donor reporting and noncompliance with donor wishes, by utilizing the Raiser's Edge application. Specifically, utilizing the Raiser's Edge application to track and monitor donor reporting will improve the accuracy of donor reporting. Improving Cash Management processes to research and work to resolve suspense items in a timely manner will ensure donors receive timely acknowledgment of gifts.

The Detailed Observations and Action Plans Matrix has been separated into two sections – one for Office of Development and one for Cash Management.

Executive Summary

Included in the table below is a summary of the observations noted, along with the respective disposition of these observations within the Medical Center internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (2)	Medium (4)	Low (0)	Total (6)

Office of Development and Alumni Relations Audit

#1 Improve Reporting Mechanism to Ensure Accuracy of Stewardship Reporting to Donors – The Donor Report Log (DRL), which is used for preparing Donor reports is incomplete and does not include all restricted donations over $25k as required by department policy.

#2 Improve Oversight and Monitoring of Restricted Use Gifts – Monitoring and oversight of restricted use gifts is inconsistent across the Medical Center resulting in a decentralized response to donor concerns and requests.

#3 Update Gift Donations Policy – The Medical Center Policy FIM-601 "Gifts - Solicitation, Acceptance, Processing, and Acknowledgement" does not contain key information necessary for leaders to ensure complete donation instructions are provided to donors.

#4 Improve the Gift Reconciliation Process – Manual reconciliation of RE to PeopleSoft Financials is performed on an inconsistent and untimely basis, typically quarterly, resulting in delays in identifying donations and providing timely donor acknowledgements.

#5 Enhance Security for the Raiser's Edge Application – The RE application does not utilize the Medical Center's user authentication methods which grants users access to the application through their network User ID and ensures access termination is applied in a timely manner.

Cash Management

#6 Improve Review and Analysis of Items Posted to the Suspense Account – Cash Management is not providing the Office of Development timely notifications regarding donations received and as a result the Office of Development is not able to fulfill its institutional obligation to acknowledge donor gifts in a timely manner.

Executive Summary

Management has plans to address the issues identified in the report and in some cases have already implemented corrective actions. These responses, along with additional details for the key improvement opportunities listed above are listed in the Detailed Observations and Action Plans Matrix (Matrix) section of this report.

We would like to take the opportunity to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

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Executive Summary

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Office of Development and Alumni Relations Observations

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response

Risk Rating: High n
 	
1. Improve Reporting Mechanism to Ensure Accuracy of Stewardship Reporting to Donors
 	
The Donor Report Log (DRL), which is used for preparing Donor annual reports, is incomplete and does not include all restricted donations over $25k as required by department policy. The DRL is maintained by the Office of Development in an Excel spreadsheet and is manually updated with gifts reported in Raisers Edge to record gifts over $25k as well as specific gifts under $25k requiring reporting.
 	
Inaccurate annual reporting could impact donor relationships.
	1. Update the Donor Report Log to facilitate the conversion to the Raiser's Edge reporting function to include:
	  a. All individual donations over $25K.
	  b. Missing information.
	
	2. Discontinue the use of the manually prepared DRL and use Raiser's Edge to track annual and required reporting.
	
	3. Enhance donor-reporting criteria to describe donations that should be included in monthly reporting.
	
	4. Improve monthly procedures to ensure appropriate donations over $25K are added to the DRL until it is discontinued and Raisers Edge is the source for the annual reporting.
		Management Action Plans:
		
		1. We are updating the DRL to include all donations over $25K and adding the missing/additional information to aid in reporting.
		
		2. We will use this information to add into the Raiser's Edge reporting fields for ongoing monitoring.
		
		3. Donor reporting criteria will be refined based on strategic donor guidelines.
		
		4. Going forward, the Raisers Edge reporting fields will be populated as donations are received.
		
		Action Plan Owners:
		
		Assistant Vice President, Planning & Advancement Services
		
		Target Completion Dates:
		
		September 30, 2018

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Mediumn **2. Improve Oversight and Monitoring of Restricted Use Gifts** Improved communication is needed between departments and the Office of Development to clearly articulate the purpose of gifts and timelines for expenditures. In cases where gifts must be spent within a certain or defined timeframe, greater oversight and monitoring of expenditures is needed to ensure donor intent is met. Development of timelines and anticipated use of restricted funds is generally the responsibility of a faculty member and/or a department leader. The Office of Development is not consistently notified of donor refund requests and does not have the opportunity to coordinate an institutional response and action plan to address donor concerns before issuing refunds. Monitoring of donor intention is the joint responsibility between the Office of Development, and departments involved. Lack of clear roles, responsibilities and accountability increases the risk of non-compliance with donor intentions and increases the risk of loss of future donations.	1. In addition to the reporting noted above, monitoring annual reporting for appropriate budget and use of donations will improve oversight and monitoring. 2. Reemphasize with departments the need to review and monitor spending in accordance with donor agreements. 3. Reiterate and provide additional training to department leaders and principal investigators of the gifts acceptance and processing requirements.	**Management Action Plans:** 1. The implementation of PeopleSoft 9.2 in September 2018 will improve the ability to monitor and manage donations in accordance with donor wishes. The Office of Development will develop procedures to monitor budget to actual expenses. 2. Procedures will include coordination with department leaders to report on use of donations, including departmental agreement to utilize the funds for their intended purpose. 3. Updated refresher training will be conducted via standing meetings, such as Administrative Council and Department Administrator meetings, as well as electronic communications and updated information on the Office of Development website. New department administrators will receive onboarding instructions on oversight and monitoring of restricted use gifts.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		Action Plan Owners:
		Vice President, Development and Alumni Relations
		Assistant Vice President, Planning & Advancement Services
		Target Completion Dates:
		1. September 30, 2018
		2. September 30, 2018
		3. September 30, 2018 and ongoing

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **3. Update Gift Donations Policy** The Medical Center Policy FIM-601 *"Gifts - Solicitation, Acceptance, Processing, and Acknowledgement"* does not contain or clearly state the following key information, increasing the risk of delays in processing gift acknowledgement for donations: · Details necessary for leaders to ensure complete donation instructions are provided to donors. · Donations should be directed to the Office of Development lockbox, unless previous arrangements are made. These donations should be directly deposited with Cash Management and notification provided to the Office of Development of the gift deposit. · Departmental reminders are not in place to reinforce the importance of timeliness of the gift acknowledgment process and to ensure solicitation letters sent outside of the Office of Development contain complete lockbox account information. Incomplete donor solicitation instructions led to checks held up in departments or Cash Management suspense account for review for an extended period of time until the correct destination was identified.	1. Update gift policy to reflect complete donor instructions, including sending donations through the appropriate lockbox. 2. Provide departmental reminders and offer refresher training to department leaders on the donor instructions.	**Management Action Plans:** 1. The gift policy will be updated to include information needed for department leaders to provide complete details for donors to facilitate timely posting. Will also include requirement for donations to be directed to the lockbox unless previous arrangements have been made with the Office of Development. 2. Updated refresher training will be conducted via standing meetings, such as Administrative Council and Department Administrator meetings, as well as electronic communications and updated information on the Office of Development website. **Action Plan Owners:** Vice President, Development and Alumni Relations Assistant Vice President, Planning & Advancement Services **Target Completion Dates:** September 30, 2018

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Below is a table that depicts the deposit type for all checks. Donations are either sent to the lockbox or to Cash Management by mail or deposited by a department. This information is presented both by volume and by amount for activity from January 2017 through February 2018:		

	Dollar Amount	%	Volume	%
Checks Received via Cash Management	$28M	83%	918	35%
Checks Received Via Lockbox	$6M	17%	1,731	65%
Total	$34M	100%	2,649	100%

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **4. Improve the Gift Reconciliation Process** Manual reconciliation of RE to PeopleSoft Financials is performed on an inconsistent and untimely basis, typically quarterly. The current process is labor intensive and time consuming. The absence of a system interface between RE and PeopleSoft Financials contributes to issues with processing timeliness and accuracy. Performing quarterly reconciliations allowed items to remain unreconciled for an average of three months until cleared. Untimely or incomplete reconciliation could result in erroneous reporting and inefficient use of time.	1. Update operating procedures to perform monthly RE to PeopleSoft Financials reconciliations in order to reconcile items in a timely manner. 2. Coordinate with Information Resources to develop an automated interface between RE and PeopleSoft Financials post PeopleSoft Reboot 9.2 implementation.	**Management Action Plans:** 1. Reconciliation procedures will be updated to ensure they are completed monthly. System access for Gift Administration staff to read supporting details will be reviewed with Accounting and Information Resources to aid in a more efficient monthly reconciliation process. 2. Post implementation of PeopleSoft 9.2 and in coordination with Information Resources, the following project plan will be followed to automate transactions between PeopleSoft and Raisers Edge. Office of Development to coordinate with RE to determine overall feasibility of interfaces and identify any costs. December 31st 2018 Office of Development to define the business process and variables that need to be included in the interface. March 31st 2019 Interface defined and scoped to be built in PeopleSoft 9.2 – sign off from Office of Development. May 31st 2019 Development complete and interface moved to Production in both RE and PeopleSoft

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		July 31st 2019:
		Action Plan Owners:
		1. Assistant Vice President, Planning & Advancement Services
		2. Assistant Vice President, Administrative Systems
		Assistant Vice President, Planning & Advancement Services
		Target Completion Dates:
		1. September 30, 2018
		2. December 31, 2018 through July 31, 2019

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium n **5. Enhance Security for the Raiser's Edge Application** The RE application is not currently configured to use the Windows user authentication method, which grants users access to the application through their network User ID. Implementation of this option would address the following observations regarding the current configuration: · The application lacks functionality to require users to change the generic password given to them upon initial account creation, or when their password is reset. This creates the risk the generic password may never be changed and could be used by another user to gain unauthorized access. With Windows authentication, a generic password would not be required. · The application lacks functionality to disable user accounts. Therefore, removing access for terminated users requires removal of all access permissions. With Windows authentication, application access is not possible if the user's network User ID is disabled.	1. Evaluate the use of Windows user authentication to improve the security configuration of the application. 2. Evaluate the current naming convention and consider renaming the accounts to use the network user naming convention to improve user identification, particularly for purposes of the application audit trail.	**Management Action Plans:** 1. The Development and Information Resources teams will coordinate to update the Raisers Edge application to allow Windows authentication and Medical Center password requirements. 2. As a part of the Windows authentication project the feasibility of updating Raisers Edge accounts to match the network naming convention will be reviewed. **Action Plan Owners:** Assistant Vice President, Planning & Advancement Services Associate Vice President and Chief Information Security Officer Assistant Vice President, Information Resources Operations and Compliance **Target Completion Dates:** December 31, 2018

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
· The RE user naming convention is not consistent with the UTSW network user convention, which may prevent identification of the person using the account and obscures establishing accountability for their actions. With Windows authentication, a user's application User ID is associated to their network User ID for easy identification.		

Office of Accounting – Cash Management Observations

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: High 🚩 6. **Improve Review and Analysis of Items Posted to the Suspense Account** Cash Management is not providing timely notifications regarding donations to the Office of Development, and as a result, the Office of Development is not able to fulfill its institutional obligation to acknowledge donor gifts in a timely manner. The Office of Development guideline is to acknowledge donor gift's within seven to ten business days. The Cash Management Suspense account had a balance of $2.1M as of May 2018 and contained numerous items over 90 days old, including gift donations. - A $30,000 donation received on January 30, 2018 remained in the Cash Management suspense account until April 2018 when it was identified as a gift and moved to a gift subledger. - A $1,000 donation received in December 2017 remained in the Cash Management suspense account until February 2018 when it was identified as a gift and moved to a gift subledger. Checks received by Cash Management that are not clearly identified as a gift are posted to a suspense account for further review. When analysis and follow up does not occur for an extended period of time, this increases the risk	**Cash Management** 1. Research suspense items according to a set schedule (i.e., within 30 days and resolve within 90 days) to ensure deposits are posted timely to their correct location. **Office of Development** 2. To monitor timeliness and aid in reporting, update Raiser's Edge to include the date when the Office of Development receives a donation. 3. Provide refresher training for department leaders on policy and process for donor requests to improve information provided with donations, thus decreasing the time needed to determine appropriate recording to gift subledgers and provide donor acknowledgements in a timely manner.	**Management Action Plans:** 1. We have been actively working to reduce the volume and amount of activity in the suspense account and as of May 31, 2018, the balance in the suspense account was reduced to $2.1M. We are working on reducing the balance further and have engaged additional resources to assist with these efforts. In February 2018, a new process was developed to improve the timely notification of deposits for gifts (identified by accounts 469011, 469012, or 469013) for the Office of Development (Development). The new process has supporting documentation for gifts received from various UTSW departments copied and set aside for pickup by Development. The next improvements we are working on is to email this documentation to Development and to ensure that the Development team can see supporting documentation for deposits in OnBase, the document repository. 2. As part of the Raisers Edge reporting updates, the addition of a field to track date donation is received by the Office of Development will be added.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
of donors not receiving timely donor acknowledgements. Delay in processing gift acknowledgement letters could result in unfavorable donor perception and impact future donations.		3. Updated refresher training will be conducted via standing meetings, such as Administrative Council and Department Administrator meetings, as well as electronic communications and updated information on the Office of Development website. **Action Plan Owners:** 1. Assistant Vice President, Accounting and Fiscal Services 2. Assistant Vice President, Planning & Advancement Services 3. Assistant Vice President, Planning & Advancement Services **Target Completion Dates:** 1. August 31, 2018 2. December 31, 2018 3. September 30, 2018

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Appendix B – Gift Administration Process Flow