

Research Gifts

University Development Office

August 2021



The University of Texas at Austin
Office of Internal Audits
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August 2, 2021

President Jay C. Hartzell
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of Research Gifts as part of our Fiscal Year 2021 Audit Plan. The objectives of the audit were to determine whether controls facilitate the appropriate classification of gifts and whether gift policies and guidance are current.

The University of Texas at Austin (UT Austin) can do a better job of providing consistent and best practice guidance to colleges, schools, and units (CSUs) for the management of research-related gifts. The University Development Office (UDO) and the Office of Sponsored Projects (OSP) should work collaboratively to update UT Austin policies and guidance related to research gifts as well as donor intent, and communicate consistent guidance to CSUs. The report is attached for your review.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA
Chief Audit Executive

cc: Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
Ms. Renee Gonzales, Assistant VP for Research, Office of Sponsored Projects
Ms. Monica Horvat, Director of Administration, Office of the President
Ms. Melissa Loe, Interim Chief of Staff, Financial and Administrative Services
Ms. Lori Peterson, Executive Director, Accounting and Financial Management
Dr. Alison Preston, Interim Vice President for Research
Mr. Scott Rabenold, Vice President for Development
Dr. Catherine Stacy, Interim Chief of Staff, Office of the Executive VP & Provost



Contents

Executive Summary	1
Audit Results	2
Observation #1 Research Gifts Guidance and Procedures	2
Observation #2 Donor Intent.....	3
Scope, Objectives, and Methodology.....	4
Observation Risk Ranking	5
Report Distribution.....	5



Executive Summary

Research Gifts
University Development Office
Project Number: 21.013

Audit Objective

The objectives of the audit were to determine whether controls facilitate the appropriate classification of gifts and whether gift policies and guidance are current.

Conclusion

The University of Texas at Austin (UT Austin) can do a better job of providing consistent and best practice guidance to colleges, schools, and units (CSUs) for the management of research-related gifts. The University Development Office (UDO) and the Office of Sponsored Projects (OSP) should work collaboratively to update UT Austin policies and guidance related to research gifts as well as donor intent, and communicate consistent guidance to CSUs.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Update Guidance and Policies	High	July 2022
Develop a Donor Intent Policy	High	July 2022

Engagement Team

Mr. Robert Castillo, CGAP, Auditor III
Mr. Myles Johnson, Auditor I
Mr. Jeff Treichel, CPA, Associate Director

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Audit Results

The University of Texas at Austin (UT Austin) can do a better job of providing consistent and best practice guidance to colleges, schools, and units (CSUs) for the management of research-related gifts. The University Development Office (UDO) and the Office of Sponsored Projects (OSP) should work collaboratively to update UT Austin policies and guidance related to research gifts as well as donor intent, and communicate consistent guidance to CSUs. These opportunities are outlined in the observations below.

Observation #1 Research Gifts Guidance and Procedures

UT Austin’s policy in the Handbook of Operating Procedures (HOP) and guidance documents² related to the solicitation, acceptance, and management of gifts do not provide clear and consistent guidance, are out of date, and are not widely communicated to CSUs to assist them with processing gifts as either research gifts or sponsored projects.

Proper routing and accounting of research gifts (as either a gift or sponsored project) assists UT Austin in complying with the Governmental Accounting Standards, CASE standards³, and other reporting, monitoring, and accounting requirements. Furthermore, proper classification assists UT Austin in meeting required donor reporting, deliverables, and intent.

Proper management of the private gift process at the University involves shared responsibility of many departments and individuals working together to maximize philanthropic support while achieving University priorities.
HOP 3-2031

Recommendation: The UDO, OSP, and Accounting and Financial Management (AFM) should collaborate to update and clarify guidance and processes, delineating the difference between unrestricted research gifts and sponsored projects. The guidelines should specify processing and monitoring procedures to assist the CSUs. In addition, the offices should evaluate opportunities for routine communications to address gifts that may not have clear classifications. Finally, UDO and OSP should update all outdated HOP and guidance on processing gifts to reflect current processes and responsibilities.

Management’s Corrective Action Plan: The UDO, the Office of the Vice President for Research, and OSP are working to update the policy and procedures.

Responsible Person: Senior Associate Vice President for Development, University Development Office, and Assistant Vice President, Office of Sponsored Projects

Planned Implementation Date: July 31, 2022

² Related policies and guidance include the HOP 3-2031 (last updated in 2015) managed by the University Development Office, Accounting and Financial Management’s website, and guidelines (originally developed in 2008 and periodically updated).

³ Council for Advancement and Support of Education (CASE)



Observation #2 Donor Intent

UT Austin does not always receive or maintain information on donor intent and related supporting documentation in a central location. UT Austin did not have supporting documentation identifying the donor’s intent for 72 percent (43 of 60) of our sample of current purpose gifts⁴ over \$50,000 in UDO’s VIP system⁵.

The UDO serves as the agent to receive gifts to the University. This includes responsibility for maintaining gift records and acknowledging every gift the University receives in accordance with Internal Revenue Service regulations, the UT System Board of Regents’ Rules and Regulations, and UT System policies.

HOP 3-2031

The University of Texas System (UT System) policy 138, Gift Acceptance Procedures, Section 3.1 requires staff to “make reasonable efforts to be aware of and sensitive to donors’ expectations.” However, the policy does not identify the type of documentation required for current purpose gifts. UT Austin’s HOP also does not address the type of gift documentation required. Two university

offices, OSP and UDO, primarily process gifts from external sources, including gifts received by the CSUs per current gift processing procedures. Defined broadly, OSP manages funding from government agencies and UDO manages gifts from individuals. Also, either office may handle proposals and funding from corporations and foundations depending on a variety of factors.

Documentation and retention of donor intent assists UT Austin in meeting donor expectations. This documentation is particularly important when the gift requires monitoring by OSP to help mitigate risk.

Recommendation: UDO and OSP should work together to update the gift acceptancy policy to include the following key elements:

- Require gifts be used in accordance with donor intent
- Require CSUs, OSP, and AFM to provide supporting documentation, including correspondence with the donor, identifying intent
- Establish gift thresholds for requiring and retaining documentation of donor intent
- Establish monitoring procedures for adherence to donor intent

Management’s Corrective Action Plan: The UDO, the Office of the Vice President for Research, and OSP are working to update the policy and procedures on documenting a donor’s intent.

Responsible Person: Senior Associate Vice President for Development, University Development Office, and Assistant Vice President, Office of Sponsored Projects

Planned Implementation Date: July 31, 2022

⁴ A non-endowed gift to be expended for the purposes designated by the donor.

⁵ UT Austin’s database and central repository of alumni, donors, and constituents’ information.



Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this review included research gifts received from January 2020 through December 2020. Specific audit objectives were to:

- Determine whether UT Austin's processes and controls facilitate the appropriate classification of gifts vs. sponsored awards
- Determine whether the UDO monitors for appropriate gift account classification
- Determine whether the gift policy is current and provide examples of other research institutions' gift policies for leadership considerations

The following procedures were conducted:

- Interviewed UDO personnel responsible for gift processing procedures and controls
- Interviewed personnel from a sample of departments across campus
- Tested a sample of gifts above \$50,000
- Reviewed gift records and supporting documentation in UDO's VIP system
- Reviewed UT Austin and UT System policies and procedures



Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Distribution

The University of Texas at Austin Institutional Audit Committee

- Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
- Mr. Cameron Beasley, Chief Information Security Officer
- Mr. James Davis, Vice President for Legal Affairs
- Mr. Jeffery Graves, Chief Compliance Officer, University Compliance Services
- Dr. Jay C. Hartzell, President
- Dr. John Medellin, External Member
- Mr. J. Michael Peppers, CAE, The University of Texas System Audit Office
- Dr. Alison Preston, Interim Vice President for Research
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