



Gifts

Audit Report No. R2305 | *December 21, 2022*



Executive Summary

Audit Objective

The objective of the audit was to assess the effectiveness of operating and information technology controls over gift processes.

Controls and Strengths

- UT Dallas gifts donations and payment acceptance policies and procedures provide governance and guidance to the University.
- Trained and skilled staff manage the gifts donations program.
- A university-wide training program is in place.
- A monthly reconciliation process exists between Raiser’s Edge (gifts tracking system) and PeopleSoft (accounting system).
- The Raiser’s Edge gifts donations application system supports the overall gifts donations function/end users and has undergone a third-party vendor review.

Overall Conclusion

Overall, operating and information technology controls over gift processes are effective; however, opportunities for improvement exist to ensure that the University adheres to donors’ gift donations wishes and operations are efficiently managed in compliance with policies and procedures.

Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.



Recommendations	Risk Level	Management's Implementation Date
1. Enhance Compliance with Section 117 of the Higher Education Act	High	February 28, 2023
2. Enhance Access and Repository Controls within Raiser's Edge	High	March 31, 2023
3. Improve Processes over Donations of Gifts in Kind	Medium	October 1, 2023
4. Update Policies and Procedures	Medium	October 1, 2023
5. Monitor and Update Training	Medium	August 31, 2023
6. Provide Additional Monitoring Over Decentralized Gift Operations	Medium	August 31, 2023
<p style="text-align: center;"><i>For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.</i></p>		



Detailed Audit Results

Observation	Risk Level/Effect	Recommendation ¹
1. Enhance Compliance with Section 117 of the Higher Education Act		High Risk
<p>Section 117 of the Higher Education Act² requires institutions that receive Title IV federal student aid to report to the Department of Education foreign gifts and contracts that are valued at \$250,000 or more in a calendar year.</p> <p>UT Dallas complies with Section 117 of the Act; however, the current process for identifying foreign gifts and contracts is manual and is not fully integrated with the contracts and/or gifts management systems. Also, documented procedures do not exist surrounding data collection and reporting. While a report was created to help identify foreign gifts and contracts, the report was not accurate, and a total dollar amount of foreign gifts and contracts could not be provided.</p> <p>The Office of Financial Aid is designated as the responsible party for reporting foreign gifts and contracts information, because they routinely report other information to the Department of Education. However, foreign gift and contract information does not necessarily reside within Financial Aid, and it must be obtained from various offices, primarily Research</p>	<p>Noncompliance with Section 117 of the Higher Education Act could result in an increased risk of intellectual property theft, investigations by the federal government, reputational harm, loss of future gifts, and potential fines.</p>	<p>As the Office of Financial Aid is the responsible reporting agent for Section 117, the Senior Director should collaborate with the Offices of Research, Development and Alumni Relations, and other responsible offices to strengthen compliance by developing a better way to account for foreign gifts and contracts. Compliance with Section 117 should also be included as part of the plan to address foreign influence.</p>

¹ See Appendix B on page 17 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.

² <https://www2.ed.gov/policy/highered/leg/foreign-gifts.html>



Observation	Risk Level/Effect	Recommendation ¹
<p>(contracts), Development and Alumni Relations (gifts), and Budget and Finance (wire transfers, etc.).</p> <p>Audit and Consulting Services benchmarked with other universities to determine their processes for tracking foreign gifts and contracts. This information was shared with the responsible parties. Best practices indicated that a formal tracking system should be implemented within the accounting system so that when foreign gifts and contracts are received, they can be immediately identified, making it easier for reporting and compliance with Section 117.</p> <p>The UT Dallas Plan to Address Foreign Influence on Research, developed in 2019, contains a plan for the Offices of Research and Development and Alumni Relations to work together to review processes related to foreign partnerships and gifts; however, this plan does not specifically reference Section 117 of the Act. In a recent audit report, R2204, <i>Foreign Influence on Research</i>, dated March 23, 2022, management concurred that the plan had not been fully implemented and that a full implementation would occur by August 15, 2023, with responsibility for full implementation residing within the Office of Research.</p>		
<p>Management’s Action Plan: UT Dallas complies with Section 117 of the Higher Education Act, as mentioned by the auditor. While we are compliant, we will establish a quarterly meeting where the report is discussed by the Foreign Gift Reporting stakeholders, along with any proposed changes to process/input/output, allow for a joint review of methods, and improved buy-in of any desired changes.</p>		



Observation	Risk Level/Effect	Recommendation ¹
<p>Additionally, the Senior Director of Financial Aid will work with the Office of Research and Innovation to have Section 117 Foreign Gift Reporting included in the action plan for addressing possible foreign influence on research.</p> <p>Responsible Party Name and Title: Robert Clarke, Senior Director of Financial Aid</p> <p>Estimated Date of Implementation: February 28, 2023</p>		
<p>2. Enhance Access and Repository Controls within Raiser’s Edge</p>		<p>High Risk</p>
<p>Raiser’s Edge is a third-party software system used by UT Dallas and many other universities to manage gifts and donor relations. The Office of Development and Alumni Relations (DAR) manages the system, and information from Raiser’s Edge is uploaded by DAR to the University’s accounting system, PeopleSoft, for financial reporting.</p> <p>In reviewing the system for information technology and other controls, the following was noted:</p> <ul style="list-style-type: none"> Two terminated employees had access to Raiser’s Edge. Monitoring was being performed; however, it was not performed in a frequent manner. The Texas Department of Information Resources Security Control Standards Catalog³, a supplement to Texas Administrative Code 202, requires strong access controls over state systems to prevent unauthorized access. 	<p>Unauthorized access to Raiser’s Edge data may result in unauthorized access to confidential data, reputational harm, and loss of donor confidence. Not ensuring all donor information is recorded in Raiser’s Edge could result in inaccurate financial reporting as well as loss of donor confidence.</p>	<p>Ensure that access to Raiser’s Edge is monitored on a more frequent basis. Develop procedures to ensure that donor restrictions (and related documentation) from all university donors for major gifts (to be defined by DAR) are included within Raiser’s Edge, including Center for BrainHealth and Callier Center.</p>

³ <https://dir.texas.gov/sites/default/files/2022-01/DIR%20Security%20Control%20Standards%20Catalog%202.0.pdf>



Observation	Risk Level/Effect	Recommendation ¹
<ul style="list-style-type: none"> • Specific donors wishes/gift restrictions information is not always readily available within Raiser’s Edge. • Gift agreements, letters, and appeal documentation related to gifts made through foundations to the Callier Center and the Center for BrainHealth were stored in department files, not in Raiser's Edge. The requirement that all gift donations’ support reside in Raiser’s Edge should be enforced. 		
<p>Management’s Action Plan: Set up single sign on for Raiser’s Edge, work with Callier Center and Center for BrainHealth to obtain and ensure original documentation for gifts coming from Communities Foundation of Texas (CFT) and Callier Foundation are part of back-up documentation in PaperSave for each gift, and update written processes on how to see all gift agreement details including gift restrictions.</p> <p>Responsible Party Name and Title: Kelley Atwood, Director of Data Services, (single sign on). All others - Debbie Reyna, Debbie Reyna, Director, Gifts and Stewardship</p> <p>Estimated Date of Implementation: March 31, 2023</p>		
<p>3. Improve Processes over Donations of Gifts in Kind</p>	<p>Medium Risk</p>	<p>Gifts in kind are donations of goods and services to the University. During FY22, the University received \$503,418 in gifts in kind. When donations of gifts in kind are received, DAR works with the Office of Budget and Finance to ensure proper financial accounting and reporting and also with Property to ensure proper inventory recordkeeping for assets received. Gifts in kind procedures are outlined in university policies and</p> <p>Noncompliance with gifts in kind policies, and lack of guidance over gifts in kind processes, could increase the risk of fraud, theft, and loss of property and result in reputational harm and impact donor satisfaction.</p> <p>Develop and improve processes and update guidance to ensure compliance with existing gift in kind policies and procedures.</p>



Observation	Risk Level/Effect	Recommendation ¹
<p>procedures as well as UT System policy UTS138, <i>Gift Acceptance Procedures</i>⁴.</p> <p>Opportunities to improve processes over gifts in kind donations were noted as follows:</p> <ul style="list-style-type: none">• Two out of six gift in kind donations over \$5,000 reviewed did not receive an independent appraisal as required per UTS138.• Procedures did not include instructional guidance as required per UTS138.• Gift acceptance forms were not completed in their entirety or, in some cases, were not used.• Gift donations acceptance and transmittal processing forms did not include a space to indicate dual review of the processing, donor wishes/gift restrictions information, any costs to be incurred in accepting the gift, or a checkbox to indicate if the gift is a foreign gift.• The “method of donations” page (https://development.utdallas.edu/support/giving-methods/) did not readily disclose or emphasize how to donate a gift in kind.		
<p>Management’s Action Plan: Develop a checklist for auditing gift in kinds for \$5k or more (including requirement for appraisal and use of Gift in Kind (GIK) form); Update annual gifts compliance training with more thorough instructions for GIK, update gift acceptance policy with more thorough instructions for GIK, Edit GIK form including items listed in fourth bullet with instructions on what fields are required, update website to include information about GIK.</p>		

⁴ <https://www.utsystem.edu/sites/policy-library/policies/uts-138-gift-acceptance-procedures>



Observation	Risk Level/Effect	Recommendation ¹
<p>Responsible Party Name and Title: Debbie Reyna, Debbie Reyna, Director, Gifts and Stewardship</p> <p>Estimated Date of Implementation: October 1, 2023</p>		
<p>4. Update Policies and Procedures</p>		<p>Medium Risk</p>
<p>The <i>Gifts and Grants from Private and Philanthropic Sources</i> policy⁵ (UTDBP3004) provides procedures related to soliciting, accepting, and processing of all gifts and gifts in kind. In reviewing the policy as well as other policies and procedures within DAR, the following opportunities were noted:</p> <ul style="list-style-type: none"> • UTDBP3004 was last updated in 2019, and changes to cash handling processes impacting gifts were made after the policy was last updated. • Development and Alumni Relation’s gifts donations processing procedures are not compiled in a comprehensive centralized gifts donations operations manual for standardization and representation of approved procedures. • Gift donations processing information, such as the cumulative amounts for deposit and the location of depositing cash and check gift donations, was inconsistent within policies, procedures, training, and the UT Dallas website. 	<p>Without updated and comprehensive policies and procedures, employees may not be aware of their responsibilities, resulting in inaccurate financial reporting and inefficient processes.</p>	<p>Develop and update policies and procedures over gift processes.</p>

⁵ <https://policy.utdallas.edu/utdbp3004>



Observation	Risk Level/Effect	Recommendation ¹
<p>Management’s Action Plan: Update gift acceptance policy, centralize procedures on our public drive, work with UTD Treasury to ensure cash handling procedures documented in newly revised gift acceptance policy and annual compliance training align with UTD cash handling policy.</p> <p>Responsible Party Name and Title: Debbie Reyna, Debbie Reyna, Director, Gifts and Stewardship</p> <p>Estimated Date of Implementation: October 1, 2023</p>		
<p>5. Monitor and Update Training</p>		<p>Medium Risk</p>
<p>A training program exists to ensure faculty and staff handling gifts are aware of their responsibilities. In reviewing the training program, the following was noted:</p> <ul style="list-style-type: none"> • UT Dallas cash handling training should be completed by all UT Dallas employees that manage cash. Gifts Donations training should be completed by individuals that play a role in gift donations processes, such as gift processing liaisons within UT Dallas departments and at remote locations, and staff members from relevant departments such as Accounting, Property, and the UT Dallas Library. A review of completed training records indicated that 22% of those assigned had not completed the training. • Training materials did not include other information which could further enhance the quality of the content. Suggestions for additional information were shared with management. 	<p>Periodic training helps ensure employees are aware of their responsibilities resulting in less risk of error and inefficient operations.</p>	<p>Monitor training completion rates to ensure all employees that handle gifts take the required training. Update training materials to ensure employees are receiving the most updated and comprehensive information.</p>



Observation	Risk Level/Effect	Recommendation ¹
<p>Management’s Action Plan: Request training be included in university-wide compliance training for all faculty and staff. Review suggestions from audit and update training as necessary.</p> <p>Responsible Party Name and Title: Debbie Reyna, Debbie Reyna, Director, Gifts and Stewardship</p> <p>Estimated Date of Implementation: August 31, 2023</p>		
<p>6. Provide Additional Monitoring Over Decentralized Gift Operations</p>		<p>Medium Risk</p>
<p>The Office of Development and Alumni Relations is primarily responsible for the compliance with the university’s gift processes; however, due to the decentralized nature as well as the growth of operations across the university, opportunities exist for DAR to provide additional monitoring and training for the departments across the university that handle gifts to ensure compliance with policies and procedures related to gifts processes.</p> <ul style="list-style-type: none"> • DAR does not currently monitor the departments across the university for compliance with gift processes. Consideration could be given to periodically meeting with departments to review operations. • Gifts donations and cash handling documented procedures were not readily available upon request from various decentralized locations. • DAR standard gift donation processing forms were not being used or were not completed in their entirety. 	<p>The risk of fraud, error, and inefficiencies is increased when operations are decentralized, and monitoring is not being performed by a second line of operations.</p>	<p>Consider developing procedures that would provide additional monitoring over decentralizing gift operations, including periodic monitoring by meeting with various departments and conducting walk-throughs of their gift operations and ensuring that their processes, training, and procedures comply with university policies.</p>



Observation	Risk Level/Effect	Recommendation ¹
<ul style="list-style-type: none"> • Compensating segregation of duties controls were not always present where staff limitations existed. • Gift in Kind handling instructional guidance was not available. 		
<p>Management’s Action Plan: Plan and implement a schedule to meet with fiscal officers on their internal processes, review cash handling and gift processes including the use of the processing form and the GIK process, review internal cash handling procedures and edit as necessary.</p> <p>Responsible Party Name and Title: Debbie Reyna, Director, Gifts and Stewardship</p> <p>Estimated Date of Implementation: August 31, 2023</p>		

Overall Conclusion

Overall, operating and information technology controls over gift processes are effective and operations are efficiently managed in compliance with policies and procedures.; however, opportunities for improvement exist to ensure that the University adheres to donors’ gift donations wishes.



Appendix A: Information Related to the Audit

Background

The Office of Development and Alumni Relations solicits and receives gifts and donations from alumni, donors, and organizations. Their mission statement is “The Office of Development and Alumni Relations exists to provide alumni, friends, faculty, staff, corporate, and foundation partners meaningful opportunities to engage philanthropically in the life of The University of Texas at Dallas.” Management is tasked with proper data management and reporting of gifts and donor information, ensuring donor requests are followed, ensuring gift funds are properly spent/utilized, managing respective operations, compliance with policies, and soliciting sufficient donor revenue to further UT Dallas’ strategic initiatives.

The University received \$11,500,079 in private gifts in FY21.⁶ Not handling gifts in accordance with the donor’s wishes and applicable policies and procedures could result in legal issues, fraud, breach of confidentiality, negative reputation, and not achieving the University’s strategic goals.

Objective

The objective of the audit was to assess the effectiveness of operating and information technology controls over gift processes.

Scope

The scope of the audit was FY21-22. Fieldwork was conducted from February 2022 to September 2022, and the audit concluded on September 21, 2022.

Methodology

The 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 (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to

⁶ [Annual Financial Report, Fiscal Year Ended August 31, 2021](#)



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 based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls⁷.

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

Audit Area	Methodology	Observations Related to the Audit Area
Gifts Processes and Controls	<ul style="list-style-type: none"> • Gained an understanding of processes and controls by interviewing various parties within Development and Alumni Relations and gifts liaisons throughout the university regarding policy requirements, risks, and operations. • Gained an understanding of university-wide cash and check handling processes by interviewing Treasury department management. • Tested for compliance with university cash handling procedures and respective gift donations processes. 	<p>Observation #4 Observation #6</p>
Compliance with UTS138 Gift Requirements	<ul style="list-style-type: none"> • Reviewed the UTS138 policy related to gift donations. 	<p>Observation #3 Observation #4</p>

⁷ www.coso.org



Audit Area	Methodology	Observations Related to the Audit Area
	<ul style="list-style-type: none">• Interviewed Development & Alumni Relations representatives regarding policy and procedure requirements.• Tested a percentage of Gifts in Kind transactions for compliance with policy requirements, accuracy of reporting, and inventory processes.	
Gift Process Supporting Applications/Systems	<ul style="list-style-type: none">• Interviewed the UT Dallas Chief Information Security Officer and Development & Alumni Relations management regarding gift donations process supporting applications and third-party vendor reviews.• Reviewed UT Dallas' contract with Raiser's Edge.	None
Gifts Accounting and Raiser's Edge Reconciliation	<ul style="list-style-type: none">• Interviewed management and reviewed the reconciliation process between Raiser's Edge and PeopleSoft.• Requested FY21 year-end adjusting entries and supporting information related to gift donations. Assessed the reasonableness and accuracy of the adjustments.	None
Gifts Donor's Wishes, Confidentiality, and Adequate Support	<ul style="list-style-type: none">• Interviewed Development & Alumni Relations representatives and documented gift procedures/controls and recording processes related to donor's wishes, donor confidentiality	Observation #2 Observation #6



Audit Area	Methodology	Observations Related to the Audit Area
	<p>wishes, and procedures to obtain/file transaction support.</p> <ul style="list-style-type: none">• Tested restricted gift transactions for support of donor wishes and compliance with gift restrictions.	
Raiser’s Edge Access and Terminations	<ul style="list-style-type: none">• Obtained a list of Raiser’s Edge users from Development & Alumni Relations and tested for appropriate access.	Observation #2
Gift Donations Training	<ul style="list-style-type: none">• Interviewed Development & Alumni Relations representatives regarding gifts training, specifically how the training is assigned, monitored, and enforced.• Reviewed the training module for completeness.• Determined if employees handling gifts completed the training requirements.	Observation #5
Section 117 of the Higher Education Act	<ul style="list-style-type: none">• Gained an understanding of Section 117 of the Higher Education Act.• Interviewed Development & Alumni Relations staff as well as others at UT Dallas regarding the process of preparing the Section 117 report.• Obtained a list of foreign gifts and contracts from calendar year 2021 and tested for compliance with Section 117.	Observation #1



Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



Appendix B: Observation Risk Rankings

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

Risk Level	Definition
Priority	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
High	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Medium	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Low	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
Minimal	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



Appendix C: Report Submission and Distribution

We thank the Development and Alumni Relations management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

Distribution List

Members and ex-officio members of the UT Dallas Institutional Audit Committee

Responsible Vice Presidents

- Dr. Inga Musselman, Vice President for Academic Affairs and Provost
- Dr. Kyle Edgington, Vice President for Development and Alumni Relations

Persons Responsible for Implementing Recommendations:

- Robert Clarke, Senior Director of Financial Aid
- Deborah Reyna, Director, Gifts and Stewardship
- Kelley Atwood, Director of Data Services

Other Interested Parties

- Ms. Shanon Patrick, Associate Vice President, Development and Alumni Relations
- Ms. Gloria Muhammad, Senior Director, Finance and Operations
- Ms. Heather Burge, Associate Provost



External Parties

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

Engagement Team

- Project Leader: Dora Vasquez, CFE, Internal Auditor III
- Staff Auditor: Brian Seale, Internal Auditor II