



# Audit Interactive

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A Higher Education Collaborative Experience

March 9-12, 2025 | Sheraton Hotel Downtown | Oklahoma City, OK





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# **Navigating gift management: Best practices for risk mitigation and oversight**

March 11, 2025





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# Presenter



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Director, Baker Tilly





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# Learning objectives

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Provide an overview of the gift management lifecycle

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Discuss key risks related to gift management and best practices for managing and mitigating these risks

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Explore ways to monitor and audit key risks areas





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## **Synopsis**

- Many colleges and universities rely on donations and gifts to support operations and the overall mission of the institution
- There are many different risks associated with the processes for development and gift management
- Reviewing and improving these processes can enhance donor relationships and ensure better fiscal management

# Gift management lifecycle





# Acceptance



## Cultivation

Building relationships, engaging prospects and preparing to make the ask

## Due diligence

A thorough review of a donor before accepting

## Review and approval

A review of the gift and its possible effect on the university





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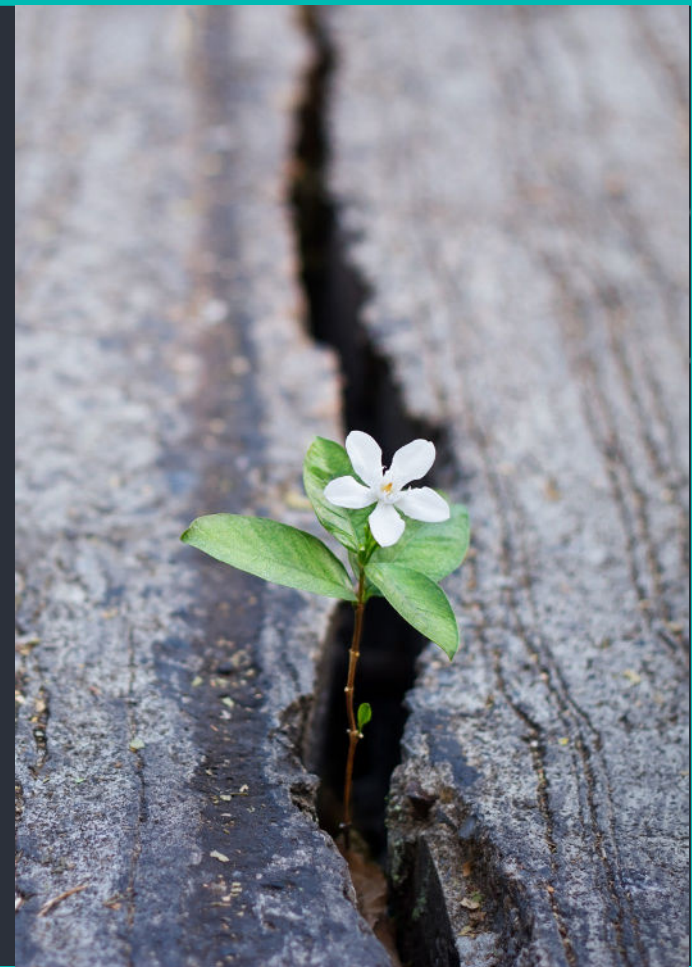
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# Acceptance



## Cultivate

- Build relationships with donors and foundations
- Develop fundraising initiatives (e.g., #GivingTuesday)
- Provide opportunities for alumni and community members to become invested in your cause
- Pledges



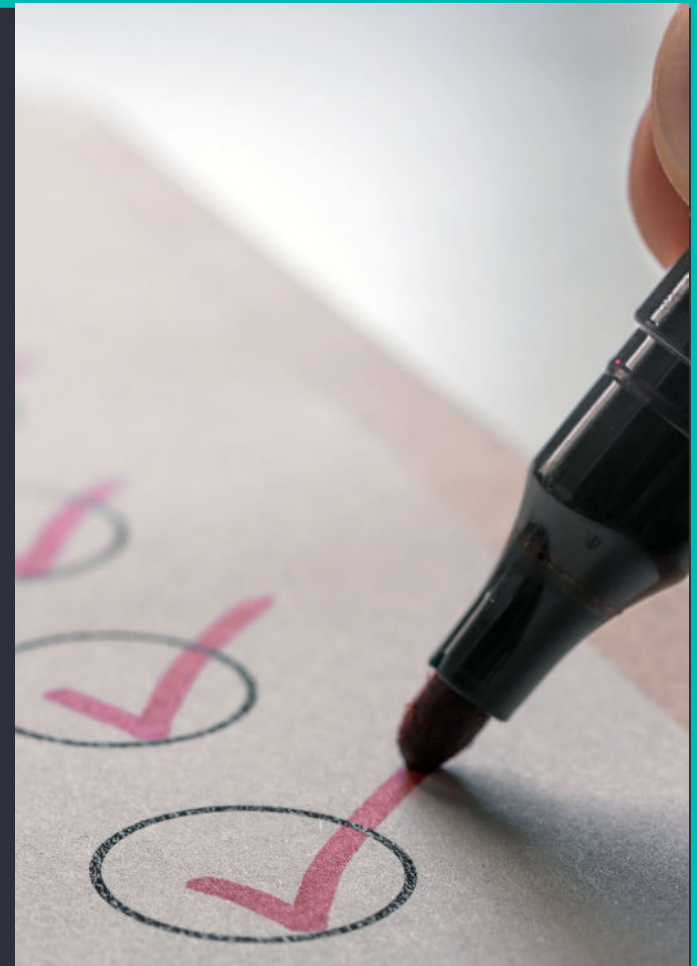


## Acceptance



### Due diligence

- Gifts should align with the university's strategy, standards and mission
- Gifts should comply with federal and state regulations
- Questions to consider
  - How will gifts be perceived by the public (donor reputation and mission alignment)?
  - Are gifts acceptable?
  - Are gifts compliant with federal, state and university regulations?



# Acceptance



## Review and approval

- Who is responsible for reviewing and approving gifts?
  - The Gift Acceptance Committee?
  - Is the President involved?
  - Is Advancement solely responsible?
- Undue Influence
  - The terms agreed to may allow the donor to have undue influence over the gift – philanthropic control
  - Donor's terms may be so restrictive, gift never gets used



## Processing



### Receive

The process of the institution physically receiving the gift

### Record

The process of the institution recording the receipt and value of the gift

### Reconcile

The process of the institution comparing data from two or more systems to ensure accuracy



# Processing



## Receive

- Who is authorized to accept gifts on behalf of the university?
- Online donations: Makes it easier to donate
  - Third-party vendor or hosted by university?
  - What safeguards are used to protect credit card/banking information?
- Are cryptoassets (e.g., cryptocurrency, NFTs) accepted by the university?
  - What platform is used to accept these donations?
- IRS Regulation: Gift receipts must be sent to donors for all gifts over \$250
- Gift receipts/acknowledgement letters should be sent to donors as soon as possible after gifts are received (24 to 48 hours)





## Processing



### Record

- Who is responsible for recording new gifts? Who has access to donor information?
- Discuss common systems used
- Documentation storage for Gift Agreements
- Real property should be appraised by an independent and qualified party
- Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on investment decisions and endowment expenditures



## Processing



### Record *(cont.)*

LEAST RESTRICTIVE

MOST RESTRICTIVE

#### UNRESTRICTED

A gift given to the institution where spending of the entire gift is wholly at the discretion of the institution.

#### TEMPORARILY RESTRICTED

A gift with donor-imposed stipulations where the principal is only spendable after a specific period of time, or after a certain event has occurred.

#### PERMANENTLY RESTRICTED (ENDOWMENT)

A gift with donor-imposed stipulations where the principal must be maintained in perpetuity.



## Processing



### Reconcile

- All systems (e.g., Gift Management, Financial Aid, General Ledger) containing gift data should contain the accurate information
- How are timing differences reflected and reconciled between systems?
  - Ex: Financial Aid vs. Accounting Database





# Spending



## Budget

Creating a financial plan for current and future funds

## Allocate expenditures

Transferring funds to the appropriate departments, groups, and programs

## Track spending

Capturing expenditures made by the institution







# Spending



## Budget

- Several budgets within the university
  - University-wide
  - School and Department
  - Operating budget vs. donor gift budget
- Must consider donor's intent for the funds before budgeting
- Is gift meant to be spent in the current year or over a multi-year period?
- Will the gift replace a budgeted operating item or supplement the budget?



# Spending



## Allocated expenditures

- Methods to control allocation of expenditures and the request of funds:
  - School/Department drafts budget → Funds allocated to School/Department
  - School/Department drafts budget → Reimbursed after expenditures made
  - School/Department requests funds on an individual basis → Funds allocated based on available resources



## Spending

### Track spending

- There should be a designated process owner in each School/Department
- Ensure expenditures are recorded in appropriate accounting code
- Reports should be generated on a consistent basis (e.g., monthly)
- Track unspent gifts as well and assess why these gifts are not being spent



## Spending



### Track spending

#### Monitoring and compliance

- Questions to consider:
  - What is the donor's intent for the gift, and has spending been compliant?
  - Is the Gift Agreement (or at least donor intent restrictions) available to all parties with access to funds?
  - Is there a regular process of testing and review of costs to determine if spending has been compliant with university standards?
  - What department oversees monitoring and compliance of gifts? (e.g., Advancement, General Counsel, Compliance & Ethics)







# Reporting

**Compile**

Gathering data for input in stewardship reports

**Review**

Examining stewardship reports to ensure data is accurate and spelling and grammar are correct

**Distribute**

Distributing stewardship reports to applicable donors

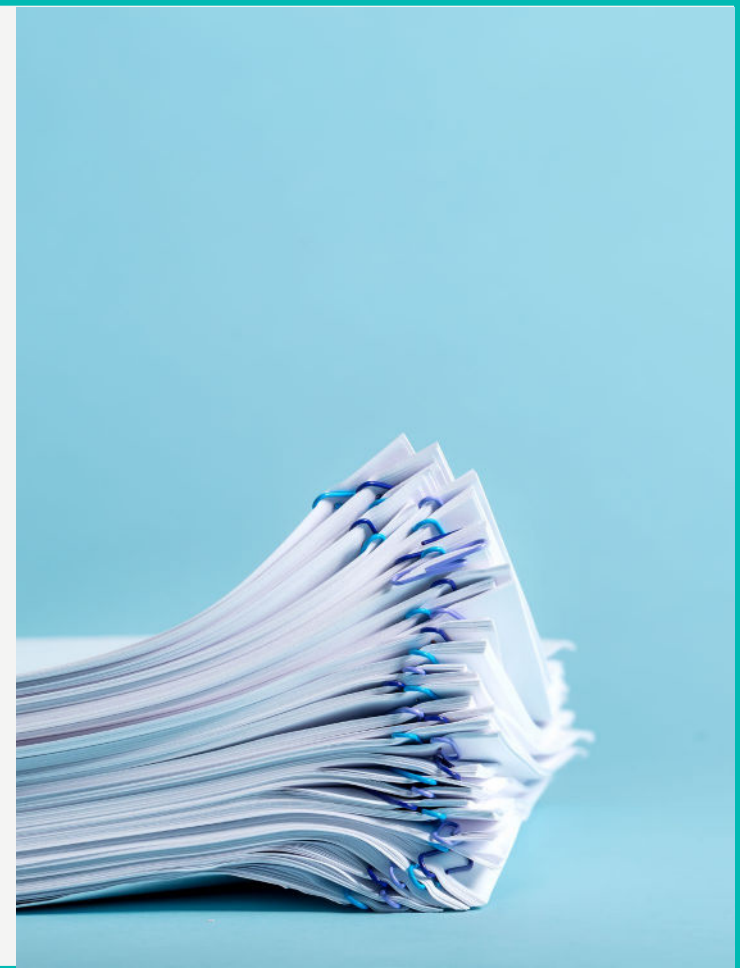




# Reporting

## Compile

- Stewardship reports: Remain accountable to donors by providing reports – usually annually, detailing the status, impact, and current value of the donor’s gift
- Reports also demonstrate that the donations are being used according to the donor’s intent
- Should be low-risk if proper processes and systems are in place

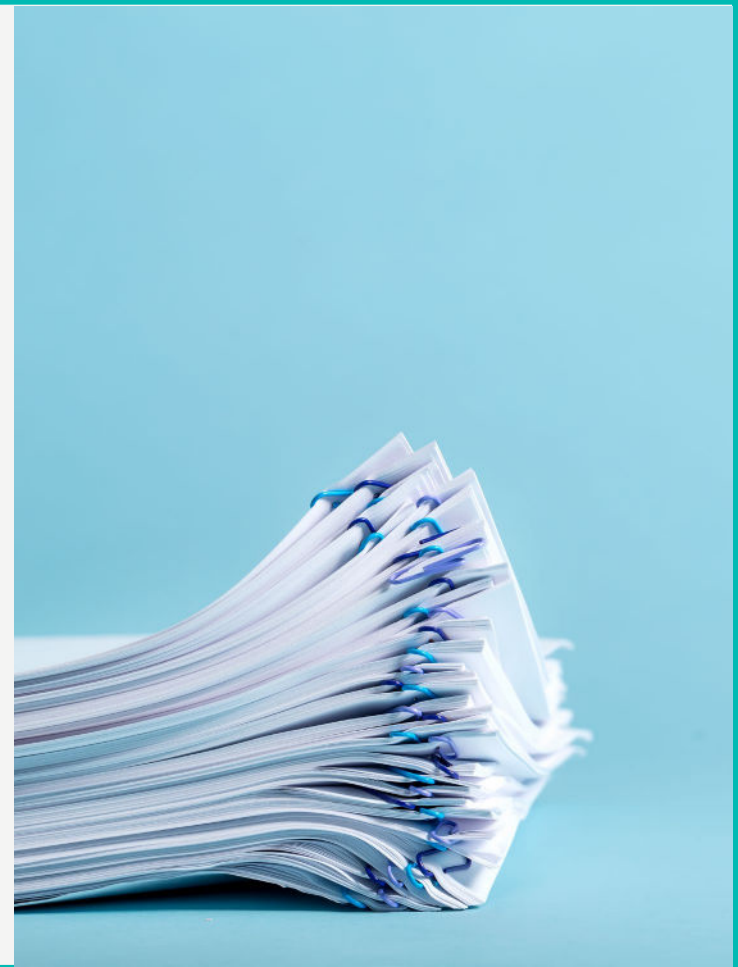




# Reporting

## Compile *(cont.)*

- Stewardship reports usually include:
  - Statement from the President, Vice President for Development, or other executive
  - Scholarship recipient information and “Thank You” note, if applicable
  - Financial report for endowed fund and university endowment portfolio/value
- Templates can be found through the Council for Advancement and Support for Education



## Reporting

### Compile *(cont.)*

Institution	Cover letter from:		If Scholarship:					Endowment fund:			
	Leadership in development	President	Student name	Major	Brief biography/ Resume	"Thank you" note	Photo	Financial report for endowed fund	Market value history of fund	University endowment portfolio and total value	Comparative performance
Private university – federally chartered		X	X	X	X	X	X	X	X	X	X
Private university	X		X	X	X	X	X	X		X	
Public university		X	X					X		X	



# Reporting

## Review

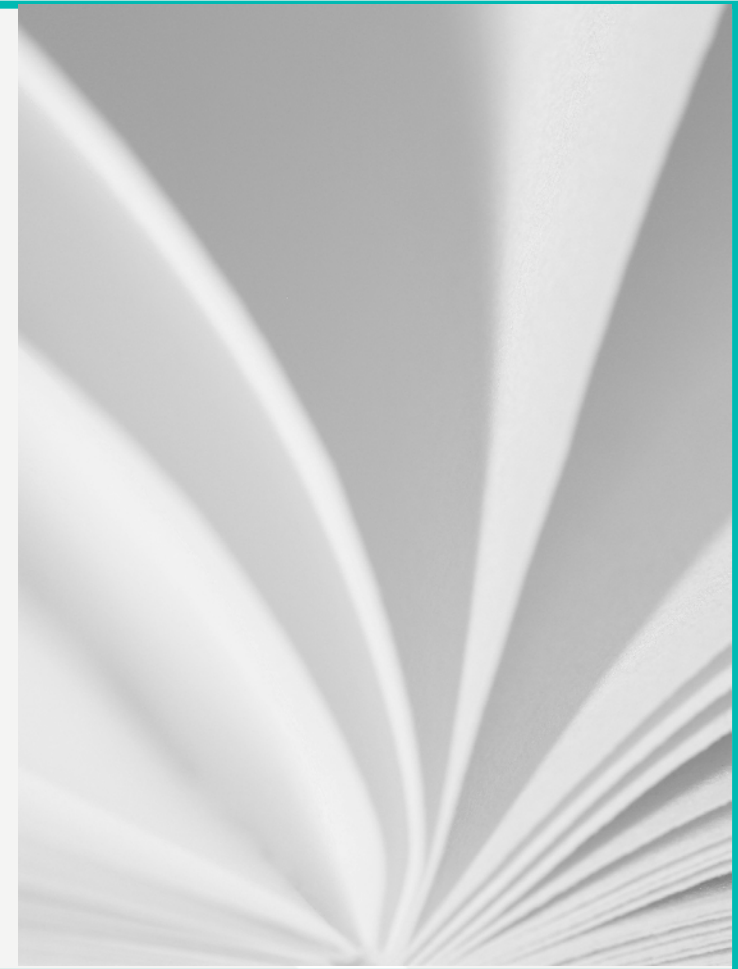
- What level of automation is used in creating stewardship reports?
  - Involvement of several parties can create inefficiencies and leave room for error
- The reviewer of the reports should not be the same person who compiled the reports



# Reporting

## Distribution

- Address of donor and/or estate should be kept up to date
- Communicate timeline for distribution to appropriate departments
- Communication should be consistent and reports should be sent from one source on a set basis
- Who receives a stewardship report?
  - Are reports published for all endowments or is there a cut-off value?



# Breakout Activity

- Brainstorm and discuss potential audit approaches to assess each process within the gift management lifecycle (one area per group)
- Share back with the larger group





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# Targeted audit activities

## **Gift management**

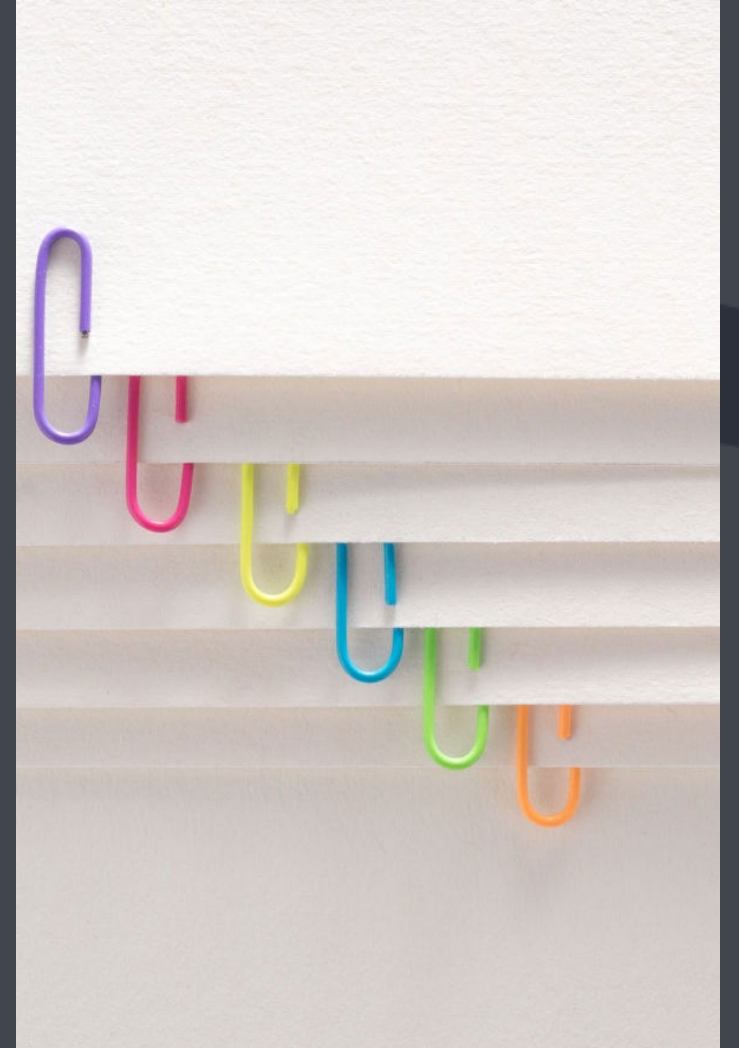
Activities related to the receipt and usage of the gift management process

## **Endowments**

Activities related to creation and expenditure of endowed funds

## Gift management

- Choose a sample of donor gifts to review
  - Is Gift Agreement readily accessible?
  - Has gift been spent and if so, for what areas?
  - If gift has not been spent, why not?
  - Track costs to ensure gift has been spent according to donor intent
  - Verify that the gift receipts sent to Advancement are received and properly recorded to the correct budget
- Interview key process owners and relevant parties
  - Which processes do they control? Assess segregation of duties and review procedures







# Endowments

- Choose a sample of donor gifts to review
  - Have you received any gifts-in-kind?
    - How are gifts-in-kind recorded? Is there a policy/procedure for recording these types of gifts?
- If gifts are expended from the endowment, are they done in accordance with university standards, federal regulation, and donor intent?
  - Monitor and track spending in order to set realistic budgets that follow actual expenditures
- Does the gift include a scholarship? If so,
  - When are gifts received by students? Do recipients comply with donor intent?



## Key takeaways

- Each stage of the gift management lifecycle presents unique risks and audit considerations
- Evaluate the specific risks and activities at your institution to determine the most relevant audit focus areas
- Regularly reviewing and improving gift management processes can strengthen donor relationships and promote better fiscal management





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# Questions?

## Connect with us



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