



ACUA
Association of College
& University Auditors

March 24-26, 2026

ACUA VIRTUAL SPRING SUMMIT

Audit in Action



Auditing Diverse Revenue Streams

Sponsored Grants, Gifts, and Beyond



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Presenters



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Agenda

Introductions

Objectives

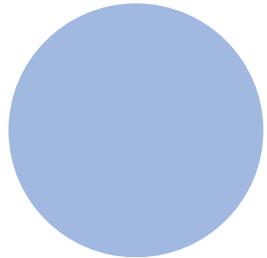
Background on current environment

Discuss common non-tuition revenues in higher education, compliance considerations, risks, and audit approaches

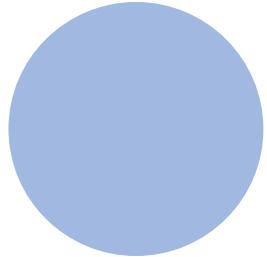
- Grants
- Gifts
- Other Revenue Sources (e.g., athletics ticket sales, bookstore, parking)



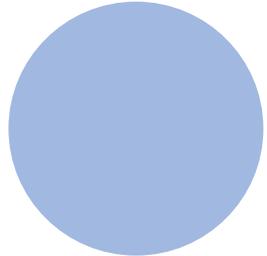
Objectives



Understand the regulatory context and compliance requirements for key revenue sources in higher education, including sponsored grants, gifts, and other non-tuition revenues.



Analyze common risks and internal control weaknesses associated with auditing these revenue streams within colleges, schools, and departments.



Identify essential steps and considerations for planning and performing internal audits of revenue sources, including documentation requirements, risk-based approaches, and stakeholder communication.



Current Environment



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Why Revenue Auditing Matters Today

As revenue sources evolve, institutions benefit from clear processes and coordinated oversight to support consistent, mission-aligned use of funds.

Diverse revenue sources (grants, gifts, auxiliaries, sponsorships) continue to expand across institutions

Stakeholders—from donors to federal agencies—expect clear alignment with intended purposes

Strong audit practices help institutions maximize impact, reduce uncertainty, and enhance trust

A steady increase in complexity has created opportunities to strengthen processes and collaboration



Additional Audit Scrutiny

Grant compliance

- Increased expectations around documentation, subrecipient monitoring, and Uniform Guidance changes

Gift restrictions

- Tighter scrutiny of donor intent, restricted-use tracking, and documentation of gift agreements

Revenue classification

- Greater attention to how institutions categorize revenue across grants, gifts, auxiliaries, and other sources



Proposed Federal Changes



Proposed F&A / IDC rate caps are currently vacated or blocked

NIH: 15% cap blocked by court injunction and under appeal

NSF: 15% cap vacated by June 2025 court decision, with potential reinstatement only if future rulings permit



Federal budget proposals include major cuts to research agencies

A \$5.2 billion (-56.9%) cut to NSF's budget, reducing five of its six major appropriations accounts.

Significant reductions across ED programs and research-related funding, including eliminating multiple student-aid programs.



Endowment Taxes

Some private institutions with large endowments pay a federal excise tax on their investment income (currently 1.4%), and Proposals under discussion could increase this rate for the largest endowments. These changes may reduce how much funding is available to support campus priorities.



Polling Question #1

Which of the following is TRUE about the current indirect cost (IDC/F&A) environment for IHEs from NIH and NSF?

- A. The proposed 15% IDC caps are fully implemented
- B. The proposed 15% IDC caps are currently blocked or vacated
- C. All institutions must negotiate a new IDC rate immediately
- D. IDC rates no longer apply to federal research awards



Non-Federal Influencers

- Gift restrictions
 - Private foundations and major donors are imposing stricter performance-based milestones or programmatic conditions creating overly restrictive gifts. Colleges and universities are looking at legacy gifts to identify ways to utilize the funding.
- Growth and complexity of auxiliary enterprises creating more reliance on:
 - Athletics revenue
 - Housing and dining
 - Events & facilities rentals
 - Online programs and micro-credential, conferences, camps, etc.
- Increased scrutiny of third-party relationships
- Enrollment fluctuations affecting fee-based revenue
- Pressure for revenue diversification = more unconventional revenue



Grants and Contracts

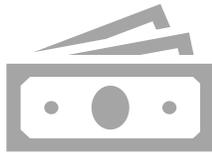


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Grants & Contracts in Higher Education



What Are Grants?

Funding provided to support research or programs with compliance requirements.
Revenue recognized as conditions are met.



What Are Contracts?

Binding agreements requiring specific deliverables or services.
Revenue tied to performance obligations or milestones.



What Do Audits Focus On?

Allowable costs & proper IDC application
Time & effort documentation
Subrecipient monitoring
Compliance with award terms
Clear audit trails and accurate revenue recognition



Key Regulatory Compliance Requirements

- Uniform Guidance (2 CFR 200) for Grants – Core Areas
 - Allowable costs
 - Time & effort reporting / payroll verification
 - Subrecipient monitoring
 - Procurement standards
 - Indirect cost rate application (even with current litigation/uncertainty)
 - Closeout requirements
- Contracts follow the specific terms and deliverables outlined in the agreement, rather than Uniform Guidance.



Key Regulatory Compliance Requirements

- Agency-Specific Requirements (NIH, NSF, ED, etc.) Allowable costs
 - Expanded expectations for documentation and transparency.
 - Increasing emphasis on internal controls and performance measurement.
- Award Terms & Conditions
 - Prior approval requirements
 - Matching/cost sharing rules
 - Reporting frequency (programmatic & financial)



Polling Question #2

Which regulation outlines core federal grant requirements such as allowable costs, time & effort reporting, procurement, and subrecipient monitoring?

- A. HIPAA
- B. State procurement law
- C. Uniform Guidance (2 CFR 200)
- D. NCAA compliance manual



Common Risk Areas & Control Weaknesses

| Inconsistent or weak subrecipient monitoring | Time & effort / payroll certification issues | Using incorrect rate or base | Inadequate tracking of restrictions and budget categories | Revenue recognition errors | Documentation Deficiencies |
|--|--|--|---|--|---|
| <ul style="list-style-type: none">• Missing risk assessments• Lack of documentation for monitoring activities• Delayed or incomplete reporting | <ul style="list-style-type: none">• Inaccurate reporting• Insufficient review procedures• Excessive reliance on after-the-fact adjustments | <ul style="list-style-type: none">• Failure to apply rate consistently across accounts• Misalignment between budget and actual charging | <ul style="list-style-type: none">• Confusion between direct vs. indirect costs• Charging expenses to wrong grant years or funding periods | <ul style="list-style-type: none">• Recognizing revenue before meeting conditions• Improper classification between grants, gifts, and contracts• Incorrect treatment of conditional vs. unconditional awards | <ul style="list-style-type: none">• Missing approvals• Lack of audit trail for prior-approval items• Weak retention practices |



Audit Approaches



**PLANNING &
SCOPING**



**WALKTHROUGHS
& CONTROL
TESTING**



**TRANSACTION-
LEVEL TESTING**



**DATA ANALYTICS
OPPORTUNITIES**



**REPORTING &
FOLLOW-UP**



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Preparedness for External Audits



Strengthen documentation and maintain clear audit trails



Standardize processes across units and clarify roles



Conduct internal pre-audit reviews of high-risk areas



Address prior findings proactively to prevent repeats



Ensure timely, accurate financial and compliance reporting



Polling Question #3

Which of the following is an important component of an effective audit approach for grants and contracts?

- A. Relying solely on prior-year audit results
- B. Skipping walkthroughs to save time
- C. Avoiding communication with process owners
- D. Performing transaction-level testing to verify allowability and accuracy



Summary & Key Takeaways

01

Know the Regulatory Framework

- Uniform Guidance and agency-specific requirements drive how costs, effort, procurement, and monitoring must be managed.

02

Understand Common Risk Areas

- Subrecipient oversight, effort reporting, IDC application, restricted fund tracking, and documentation gaps are frequent sources of errors.

03

Apply a Structured Audit Approach

- Use walkthroughs, control testing, and transaction-level reviews to assess compliance and identify weaknesses.

04

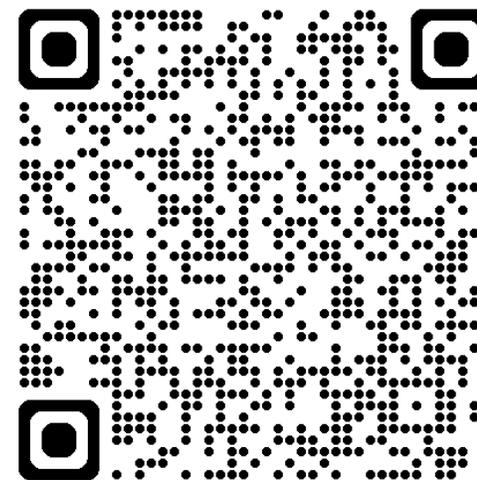
Support External Audit Readiness

- Strengthen documentation, standardize processes, and proactively address prior findings to reduce surprises during audits.



Menti Activity - Grants

- Menti.com
- Code: 7910 5547



Donor Gifts



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Donor Gifts in Higher Education

- Many colleges and universities rely on donations and gifts to support operations and the overall mission of the institution
- 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



Key Regulatory Compliance Requirements

- Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides guidance on investment decisions and endowment expenditures
- Federal and state requirements
 - Eligibility restrictions based on protected characteristics
 - Equal protection clauses and anti-discrimination
 - Adherence to donor intent and fiduciary oversight of restricted funds
- Organizational restricted funds policy oversight
- Internal Revenue Code §170 and related Treasury regulations govern charitable deduction eligibility, written acknowledgment requirements (\geq \$250), and quid pro quo disclosures
- FASB ASC 958 (ASU 2018-08) outlines contribution considerations for revenue recognition, conditional contributions, and net asset classification



Polling Question #5

Which regulation primarily governs endowment investment and spending decisions for donor-restricted funds?

- A. UPMIFA
- B. Title IX
- C. IRS
- D. ASC 958



Common Risk Areas and Control Weaknesses

Misuse of donor funds

- Administrative errors
- Diversion of funds for other uses
- Improper allocation or expenditure of the money

Unused or underutilized donor funds for extended periods of time

- Overly restrictive terms of the donation
- Inefficient fund management
- Delays in projects, events, or initiatives

Donor reputation and gift acceptance considerations

- Accepting gifts or donations from a controversial or disreputable source
- Accepting overly restrictive gifts that may conflict with Title IX and other anti-discrimination laws

Limited governance and internal controls

- Inadequate segregate of duties in gift processing and fund management
- Insufficient review of gift agreements prior to acceptance
- Limited monitoring of scholarship selection independence

Financial reporting

- Misclassification of restricted funds
- Improper recognition of conditional contributions



Polling Question #6

Where do you believe the greatest risk related to donor gifts most often arises?

- A. Misuse of restricted funds
- B. Scholarship eligibility restrictions
- C. Governance and oversight
- D. Monitoring spending



Audit Approaches



Polling Question #7

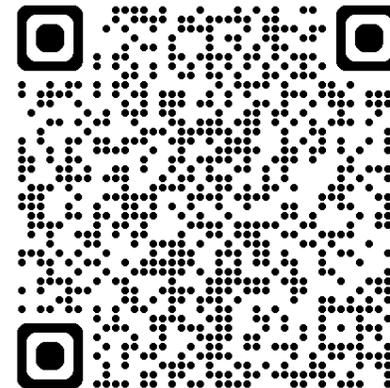
Which of the following is *not* a common internal audit approach within the donor gift lifecycle?

- A. Reviewing gift acceptance processes for compliance with institutional policy
- B. Testing restricted fund expenditures for compliance with donor intent
- C. Approving scholarship recipients
- D. Reconciling advancement records to the general ledger



Menti Activity - Gifts

- Menti.com
- Code: 6340 1968



Summary & Key Takeaways

Scrutiny extends beyond federal grants

- Donor gifts are subject to federal and state regulatory oversight, including UPMIFA, IRS, and civil rights laws

Importance of Complying with Donor intent

- Restricted gifts must be used in accordance with donor terms and state requirements
- Misuse can lead to legal, financial, reputational, and/or operational risks

Scholarship restrictions can create heightened risk

- Federal and state anti-discrimination laws require careful review of eligibility criteria, particularly for public institutions

Governance and internal controls are foundational

- Many donor gift risks stem from weak oversight, unclear ownership, or inadequate monitoring across advancement, finance, and departments

Reputation and compliance are intertwined

- Gift acceptance decisions, scholarship criteria, and donor influence can carry both legal and reputational consequences

Internal Audit provides independent assurance

- A risk-based audit approach across the donor lifecycle helps ensure compliance, safeguard institutional integrity, and strengthen stakeholder confidence



Other Revenue Sources

Beyond grants and gifts



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Other Revenue Considerations

Athletics and
Other Ticket
Sales

Housing and
Dining

Bookstore

Corporate
Partnerships &
Sponsorships

Royalties

Licensing



Athletics Ticket Sales

Key Risk Considerations

- Inaccurate ticket revenue recognition
- Cash handling and point-of-sale controls
- Complimentary ticket misuse
- Sponsorship versus contribution misclassification

How Internal Audit Can Support

- Test ticket sales reconciliation to deposits
- Evaluate segregation of duties and access controls
- Review sponsorship agreements for tax implications
- Assess controls over complimentary ticket distribution
- Perform data analytics on ticketing trends



Auxiliary Enterprises (Housing, Dining, Bookstore, Parking)

Key Risk Considerations

- Revenue leakage
- Contract management risks (outsourced vendors)
- Cash handling exposure
- Pricing and rate-setting governance

How Internal Audit Can Support

- Review vendor contract compliance
- Test point-of-sale (POS) controls and cash reconciliations
- Evaluate revenue trend anomalies
- Assess oversight of third-party operators



Polling Question #8

Which of the following is a common risk associated with auxiliary enterprise revenue such as housing, dining, or parking?

- A. Revenue leakage
- B. Improper donor acknowledgment letters
- C. Failure to apply athletic compliance rules
- D. Misreporting faculty effort certifications



Corporate Partnerships & Sponsorships

Key Risk Considerations

- Unrelated Business Income Tax (UBIT) exposure (e.g., advertising vs. qualified sponsorship)
- Conflict of interest concerns
- Reputational risks

How Internal Audit Can Support

- Review agreement language for tax compliance
- Assess monitoring of partnership obligations
- Evaluate governance and approval processes



Invention-Related Income (Royalties & Licensing)

Key Risk Considerations

- Incorrect revenue recognition
- Incomplete or inaccurate licensee reporting
- Weak contract monitoring
- Misclassification of revenue intellectual property (IP) compliance gaps

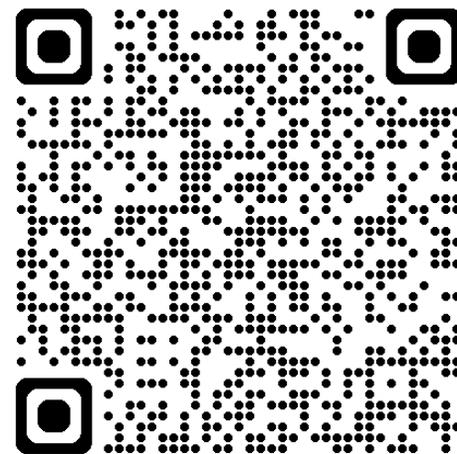
How Internal Audit Can Support

- Review royalty reporting and reconciliations
- Test agreement compliance
- Assess IP governance controls
- Evaluate revenue classification and tax treatment
- Perform trend and anomaly analytics



Menti Activity – Other Revenue

- Menti.com
- Code: 6674 9565



Summary & Key Takeaways

Revenue sources vary widely

- Auxiliaries, athletics, sponsorships, and royalties each introduce unique financial, operational, and compliance risks

Cash handling remains a core exposure

- Ticketing, housing/dining operations, and point-of-sale environments benefit from strong controls and monitoring.

Contract and vendor oversight is essential

- Outsourced dining, bookstore, parking, and sponsorship arrangements require clear expectations and consistent review.

Misclassification drives compliance risk

- Distinguishing between advertising vs. sponsorship, taxable vs. nontaxable revenue, and royalty vs. contract income is critical.

Data and reporting can be inconsistent

- Trends in ticket sales, auxiliary revenue, and royalty reporting require ongoing analytics to detect anomalies.

Internal Audit can enhance accountability

- By reviewing agreements, testing reconciliations, and assessing governance, IA helps ensure revenue is accurate, compliant, and aligned with institutional goals.





Stay in Touch!



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