

Audit Highlights



Highlights of performance audit report on the Nevada System of Higher Education, Institution Foundations issued on January 12, 2023.

Legislative Auditor report # LA24-05.

Background

The Nevada System of Higher Education (NSHE) includes eight institutions which accept privately donated money through each institution's foundation(s). The foundations serve as the primary fundraising, community relations, and gift management agency for their respective institutions. These efforts typically include managing annual giving programs, scholarship giving programs, facilities support, and estate planning services on behalf of and to benefit each institution. Each foundation is a non-profit corporation established for charitable and educational purposes and is a tax-exempt entity in accordance with Section 501(c)(3) of the Internal Revenue Code.

Donations received by foundations are recorded as either unrestricted, restricted, or endowed support depending on the existence or nature of any donor restrictions.

The foundations' financial statements are provided to the NSHE Board of Regents each year and are made available publicly on the Board of Regents' website.

Purpose of Audit

This audit was required by Assembly Bill 416 (Chapter 467, Statutes of Nevada 2021). The scope of our audit included an examination and analysis of the sources and uses of money privately donated to certain NSHE institutions in fiscal year 2018 through fiscal year 2021. We also tested select transactions from fiscal year 2022 as deemed necessary. The purpose of the audit was to determine if privately donated money was appropriately recorded and spent in accordance with donors' intended purposes.

Audit Recommendations

This audit report contains three recommendations to ensure adequate policies are in place related to documenting acknowledgment letters or donation receipts, verifying key control processes are occurring, and reviewing inactive gift accounts.

NSHE accepted the three recommendations.

Recommendation Status

NSHE's 60-day plan for corrective action is due on April 10, 2023. In addition, the 6-month report on the status of audit recommendations is due on October 10, 2023.

Institution Foundations

Nevada System of Higher Education

Summary

We found almost all gift donations were assigned to the appropriate foundation gift account in accordance with the donors' intent. However, there were instances in our sample where this did not occur consistently at a couple institutions' foundations. Additionally, while most donations were properly recorded, there were some differences in how certain related processes were performed. Specifically, records were not always maintained to demonstrate gift acknowledgement letters or receipts were issued to donors for every gift. Improved recordkeeping will help ensure donors receive adequate documentation to serve as support for tax deductible donations.

We found institutions generally expended gift funds in accordance with donor intent. However, some institutions carried forward unspent gift funds for multiple years that possibly could be utilized through related active accounts or be repurposed for other uses if agreed upon by donors. Additionally, in a few instances, gift funds were expended in a manner that did not appear to align with donors' intent. During the scope of our audit, changes to one institution's practices appear to have corrected this issue. In other cases, documentation supporting expenditures lacked some supporting details.

Key Findings

Overall, our testing found 763 of 774 (99%) sampled donations at 7 institutions were properly recorded by the foundations in appropriate gift fund accounts at the institutions. This sample included \$116 million in donations received between July 1, 2017, and June 30, 2021. We confirmed the dollar value of the donation and the categorization in an appropriate gift fund aligned with the donation. (page 8)

Adequate documentation associated with donations and accompanying donor wishes were generally retained to support transactions. However, in certain instances, foundations could not provide evidence that all donation acknowledgment letters were sent to donors. For 65 of 774 (8%) donations tested, letters or donation receipts were not available at 5 of 7 foundations. (page 9)

During testing at College of Southern Nevada (CSN) Foundation, we found for 7 of 110 (6%) samples there were errors between the donation information recorded in CSN Foundation's donor management software and the CSN Foundation's financial software. These errors were not seen at other institutions' foundations. (page 11)

At Great Basin College (GBC) Foundation, we identified one instance where donated money was not applied to the correct gift fund in accordance with donor intent. In 2018, a donation of almost \$94,000 designated by the donor for a memorial scholarship endowment was assigned to an unrestricted GBC Foundation account. We verified the money was transferred to the correct gift fund in October 2022. (page 11)

Our testing found 686 of 690 (99%) gift fund expenditures tested were appropriately spent in accordance with the intended purpose of the gift fund. This sample included expenditures totaling \$23 million spent between July 1, 2017, and June 30, 2021. Additionally, adequate documentation associated with the expenditures was retained to support the transactions for 680 (99%) of the expenditures in our sample. (page 13)

At six institutions, we found that privately donated money went unutilized in certain accounts for multiple years. While some of these accounts may be saving funds for a future purpose, many did not have donation or expenditure activity for at least 5 years. Some institutions' gift funds would benefit from a routine review of stale accounts to identify opportunities to repurpose funds to other actively utilized accounts consistent with the donations' intended purpose. (page 14)

While 99% of donor funds were used in accordance with donor intent, we did find instances where this was not the case. At some institutions, we found a few instances where gift expenditures did not have sufficient supporting documentation or evidence the expenditure was in alignment with the intended purpose of the gift funds. In our assessment, these were not egregious deviations but warranted the attention of the institutions. (page 16)