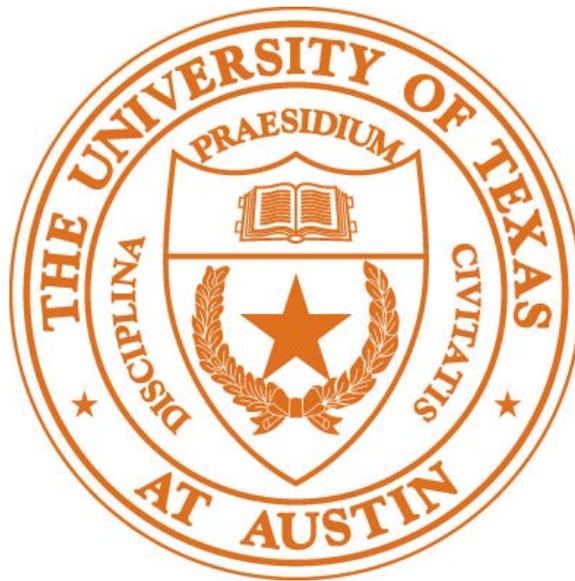


# **Longhorn Foundation Operations**

## *Intercollegiate Athletics*

*April 2020*



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**The University of Texas at Austin**  
**Office of Internal Audits**  
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April 30, 2020

President Gregory L. Fenves  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Longhorn Foundation Operations. This audit was part of our fiscal year 2019 Audit Plan. The objective of the audit was to determine whether Longhorn Foundation Operations' internal controls are effective related to seat and ticket allocation, donor car program, donor relations and engagement operations, and gift acceptance. The report is attached for your review.

Overall, Longhorn Foundation's internal controls are effective; however, management should improve policies, procedures, and operations to strengthen the control environment.

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: Ms. Rianne Brashears, Associate Athletics Director, Human Resources  
Ms. Nancy Brazzil, Deputy to the President  
Mr. Chris Del Conte, Vice President and Athletics Director (AD)  
Ms. Amy Folan, Executive Sr. Associate AD, Organizational Advancement and Strategy  
Ms. Lori Hammond, Senior Associate AD, Risk Management and Compliance Services  
Mr. Andrew Hamor, Senior Associate Athletics Director, Longhorn Foundation  
Dr. Jay Hartzell, Interim President (effective June 1, 2020)  
Mr. Carlos Martinez, Chief of Staff, Office of the President  
Ms. Teri Pierce, Associate Athletics Director, Ticket Strategy and Analytics  
Ms. Christine Plonsky, Chief of Staff/Executive Sr. Associate AD



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## Executive Summary

### Longhorn Foundation Operations

Intercollegiate Athletics

Project Number: 19.006

#### Audit Objective

The objective of this audit was to determine whether Longhorn Foundation Operations’ internal controls are effective related to seat and ticket allocation, donor car program, donor relations and engagement operations, and gift acceptance.

#### Conclusion

Overall, Longhorn Foundation’s internal controls are effective; however, management should improve policies, procedures, and operations to strengthen the control environment.

#### Audit Observations<sup>1</sup>

Recommendation	Risk Level	Estimated Implementation Date
Formalize draft policies and procedures	High	May 2020
Ensure that signed employee agreements are on file	High	June 2020
Establish a business continuity plan for essential functions	High	July 2020
Require donor car program agreements	High	September 2020
Route special ticket requests and maintain approval	High	June 2020
Require staff to sign personal gift attestation forms	Medium	September 2020

#### Engagement Team

Angela McCarter, CIA, CRMA, Assistant Director

Autumn Gray, CIA, Auditor III

Erika Lobsinger, Auditor I

<sup>1</sup> 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

Overall, Longhorn Foundation Operations are running as intended; however, management should strengthen controls in six areas. As indicated in the first recommendation below, a central theme involves formalizing and publishing policies and procedures through the enhanced Intercollegiate Athletics Human Resources (HR) process that began in 2018.

In addition to the recommendations in this report, one verbal recommendation on combining business and personal accounts within the donor car program was provided.

### Observation #1 Policies and Procedures

#### Audit Issue Ranking: High

While policies exist and are currently executed, certain Longhorn Foundation policies have not been completely routed through a policy development process that was implemented in September 2018.

Intercollegiate Athletics (Athletics) uses a cross functional approach to create and approve policies and procedures. Longhorn Foundation, HR, and Executive Staff work together to draft and implement policies. As a result, thorough policy development can be a lengthy process.

Section 3-1021 of The University of Texas at Austin (UT Austin) Handbook of Operating Procedures states, "Department management must establish and maintain a system of internal controls which provides reasonable assurance improprieties are prevented and detected."

Without formalized policies and procedures, there are opportunities for inconsistencies in operations and the processing of donor transactions.

**Recommendation:** Management should ensure policies are formalized and published through the policy development process.

**Management's Corrective Action Plan:** It is important to note that policies noted as "draft" are active and utilized although they have not yet been published in the new online policy software system. These policies will be put into the policy process for final approval by the respective policy owners and ultimately published in the new online policy software system.

**Responsible Person:** Longhorn Foundation Senior Associate Athletics Director, Associate Athletics Director for Ticket Strategy and Analytics, and Associate Athletics for Human Resources

**Planned Implementation Date:** May 31, 2020



## Observation #2 Records Management

### Audit Issue Ranking: High

At the time of this engagement, HR did not have a signed employee agreement on file for one of ten donor car employee participants selected for review. Upon notification of the issue, HR obtained a signed employee agreement.

Policy #DEV-4021 states that the Longhorn Foundation is responsible for coordinating with HR for Athletics employees' agreements for use of vehicles, binding university insurance for vehicles, and related matters.

**Recommendation:** HR should ensure that a signed employee agreement is on file prior to issuing donor cars to participating staff members.

**Management's Corrective Action Plan:** The one employee agreement not on file prior to issuing a donor car was an oversight and has since been corrected. HR believes the appropriate processes are in place to ensure employee agreements are signed in advance of a donor car being issued.

Policy #DEV-4021 will be merged with policy #HR-7202 and #DEV-4021 will be retired. Human Resources holds the primary responsibility for coordinating the Athletics employee's agreements for use of vehicles. The Business Office is responsible for binding university insurance for vehicles and related claims.

**Responsible Person:** Associate Athletics Director for Human Resources and Chief Financial Officer

**Planned Implementation Date:** June 1, 2020

## Observation #3 Business Continuity Plan

### Audit Issue Ranking: High

The Longhorn Foundation does not have a business continuity plan for conducting essential business functions. Currently, the Longhorn Foundation has only one staff member processing donations. Without a business continuity plan, operations and donation processing are delayed when this employee is absent or in the event of employee turnover.

**Recommendation:** The Longhorn Foundation should establish a business continuity plan for conducting essential business functions.

**Management's Corrective Action Plan:** We are currently creating a manual for gift processing. When that manual is complete, we will cross-train multiple Longhorn Foundation staff members on processing gifts. Longhorn Foundation also has job descriptions in place for each position that are used in staff transitions for training new staff along with the policies and procedures that are in place.

**Responsible Person:** Longhorn Foundation Senior Associate Athletic Director

**Planned Implementation Date:** July 1, 2020

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## Observation #4 Donor Car Program Agreements

### Audit Issue Ranking: High

At the time of this audit, the Longhorn Foundation did not maintain formal written agreements with car dealers (donors) participating in the donor car program. Only one of the 39 donors participating in the program had a signed agreement with the university.

Until recently, verbal agreements were used to secure donors and define terms and conditions for participating in the donor car program. While some donors have been part of the donor car program for 35 years, all donors receive the same standard set of benefits for their donation. However, when formal agreements are not established, the university is exposed to legal risks, improper exchange of benefits, and other liabilities. In September 2019, the Longhorn Foundation and HR launched a pilot program using the formal written agreement on file as a template for other participating dealers. All participating dealers will have a formal agreement on file once Athletics and the Office of the Vice President for Legal Affairs (Legal Affairs) review and approve the template.

Policy #DEV-4021, Donor Car Program (Program) states that the Athletics Director is responsible for establishing terms of Athletics acceptance and use of the vehicles in the Program, including obligations of the donor/dealer benefits for dealers participating in the Program. Additionally, the Senior Associate Athletics Director of the Longhorn Foundation, or designee, is responsible for the managing the donor car program including managing the relationship between Athletics and donor dealers and developing a schedule of benefits for participants in the Program.

**Recommendation:** Athletics should continue the pilot program and ensure all participating dealers complete a formalized agreement.

**Management's Corrective Action Plan:** Prior to this audit occurring, Athletics was aware of the need to develop formal written agreements with donor/dealer participants. The one contract currently implemented was part of a pilot process. Contracts for each participating donor/dealer are in final draft form and being reviewed by Legal Affairs. Once approved by Legal Affairs, the Longhorn Foundation will work in partnership with HR to get the dealers signed prior to September 1, 2020.

**Responsible Person:** Longhorn Foundation Senior Associate Athletic Director and Associate Athletics Director for Human Resources

**Planned Implementation Date:** September 1, 2020

## Observation #5 Special Ticket Request Approval Process (Donor Holds)

### Audit Issue Ranking: High

Longhorn Foundation management uses verbal approvals and does not document approval of certain special ticket requests (donor holds). In addition, the shared document used to maintain, track, and approve donor holds (Smartsheet) can be edited by multiple Longhorn Foundation staff members. Longhorn Foundation management meets weekly to discuss and approve donor holds, but there is no audit trail to demonstrate management approved requests.



According to Longhorn Foundation staff, inventory of available tickets used to fill donor holds varies by each game so it is more efficient for the Longhorn Foundation to manage ticket inventory by adding and approving donor holds on a single Smartsheet accessible by all staff. As a result, donor holds could be allocated without the appropriate approval.

Section 3-1021 of *The University of Texas at Austin Handbook of Operating Procedures* states, “Department management must establish and maintain a system of internal controls which provides reasonable assurance improprieties are prevented and detected.”

**Recommendation:** Longhorn Foundation should route donor holds and maintain approval to demonstrate that authorized people approved such requests.

**Management’s Corrective Action Plan:** Prior to the audit, the Longhorn Foundation enhanced this process. The Longhorn Foundation staff have access to a certain amount of ticket holds to accommodate special requests from donors. To use these tickets for a donor, a Longhorn Foundation staff member must request the use of the tickets holds on SmartSheet and have it approved by the Executive Senior Associate Athletic Director and/or the Senior Associate Athletic Director. The Director of Annual Giving reviews the requests with the Executive Senior Associate Athletic Director and/or the Senior Associate Athletic Director and ultimately obtains signatures on a printout of the SmartSheet. The SmartSheet can be reconciled with Paciolan records to verify the distribution of tickets. Tickets are printed and distributed by the Ticket Operations office to avoid the conflict of interest with the Longhorn Foundation staff. We will formalize this process in a documented procedure and also continue to explore ways to use technology to enhance this process, but we believe the current process fulfills the requirements of this recommendation.

**Responsible Person:** Longhorn Foundation Senior Associate Athletic Director and Longhorn Foundation Executive Senior Associate Athletics Director

**Planned Implementation Date:** June 1, 2020

### **Observation #6 Personal Gift Acceptance**

#### **Audit Issue Ranking: Medium**

Although Athletics Risk Management and Compliance Services covers gift acceptance policies at new hire orientation, staff members are not required to sign a form stating that only authorized gifts will be accepted, and the Longhorn Foundation does not require staff members to document or track personal gifts received from donors.

According to Longhorn Foundation staff, employees typically do not accept gifts or they share gifts with the office.

Without a method to hold staff accountable to gift acceptance policies, it will be difficult to verify that proper processes were followed. Additionally, the public may have a perception that gift giving can be used to influence the decisions of Longhorn Foundation staff members.



**Recommendation:** Longhorn Foundation staff members should be required to sign an attestation form stating personally accepted gifts meet Longhorn Foundation and UT Austin’s gift acceptance policies.

**Management’s Corrective Action Plan:** As part of our annual compliance sessions we review all gift acceptance rules. Those meetings took place in January 2020 and February 2020.

Risk Management and Compliance Services has also enhanced education as it relates to gift acceptance and created a Frequently Asked Questions (FAQ) educational document in partnership with University Legal. All staff are now required to discuss and document any gifts with Risk Management and Compliance Services and document their action taken on their own Gift Tracking Spreadsheet for future reporting purposes.

Risk Management and Compliance Services is also enhancing its outside income reporting process to require all employees report any gifts in addition to income received. This will be incorporated into the upcoming reporting process that will be launched in April 2020.

Risk Management and Compliance Services will update current policies and procedures to reflect these enhancements.

**Responsible Person:** Senior Associate Athletics Director for Risk Management and Compliance Services

**Planned Implementation Date:** September 1, 2020

## Background

The Longhorn Foundation is the official fundraising arm of Athletics, a self-supporting department of the university. Through the generosity of Longhorn Foundation members, Athletics supports the educational and competitive pursuits of more than 500 student-athletes across 20 sports. The combination of season ticket (seat-related) and Longhorn Excellence (non-seat-related) giving determines Longhorn Foundation membership level and benefits.

To uphold the organization’s mission and vision, Longhorn Foundation staff are responsible for a variety of tasks, including fundraising and development, the donor car program, and donor relations and engagement operations.

In 2015, the Office of Internal Audits completed a multi-year investigation of the Longhorn Foundation. Certain relevant issues identified in the investigation were included in this audit for follow-up purposes.

## Other Risk Considerations

A number of engagements (including this engagement) have demonstrated that Athletics does not always utilize available technology to centralize certain documents shared internally among



its departments. As part of Athletics' efforts toward continuous improvement of operations, Athletics should consider creating a repository for storing or tracking shared documents and determining access requirements. A central repository will align and streamline the process for obtaining documentation required to perform job functions.

## Scope, Objectives, and Methodology

The scope of this audit includes policies, procedures, and controls as of September 1, 2019.

Specific audit objectives are to determine whether:

- Policies and procedures are up-to-date, and transactions are properly and timely allocated
- Longhorn Foundation members receive correct allocation of tickets based on donation amount and verification procedures are in place
- Controls in the donor car program would prevent participants from receiving ticket allocations over the agreed amount
- Access to databases regarding donor relations and engagement operations have appropriate separation of duties, a backup process in place, and donor data is reviewed for accuracy in a timely manner
- Personal gifts received by donors are acceptable or returned by the staff member who received the gift, in accordance with Athletics and university policies

To achieve these objectives, Internal Audits:

- Reviewed relevant policies and procedures and donor transactions
- Evaluated football ticket allocation for the 2019 Football season, including special requests
- Evaluated the donor car program
- Interviewed staff concerning donation verification and reviewed the donation process
- Reviewed personal gift acceptance by Foundation staff members
- Internal Audits randomly selected a sample of:
  - Annual giving files used to reconcile donor data
  - Season ticket holders
  - Ticket special requests fulfilled for the September 15, 2018, USC game
  - Donor/dealer participants in the donor car program



## 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 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 The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

## Report Distribution

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