

THOMAS P. DINAPOLI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 6, 2019

Kristina M. Johnson, Ph.D.  
Chancellor  
State University of New York  
State University Plaza  
353 Broadway  
Albany, NY 12246

Re: Oversight of Campus Foundations  
Report 2019-F-21

Dear Chancellor Johnson:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the State University of New York to implement the recommendations contained in our audit report *Oversight of Campus Foundations* (Report [2016-S-93](#)).

**Background, Scope, and Objective**

The State University of New York's (SUNY) State-operated campuses are authorized to contract with foundations, which are private, not-for-profit corporations, to support fundraising efforts, real property management, or other activities and functions that are not specifically vested with the campus. Generally, foundations receive and manage donations and make these resources available to the campus to support approved programs and activities. In 2017, SUNY's 31 campus-related foundations had net assets totaling \$2.3 billion. Two foundations, Stony Brook Foundation, Inc. (SBF) and University at Buffalo Foundation, Inc. (UBF), controlled \$1.2 billion, more than half the total foundation assets.

SUNY's Board of Trustees grants oversight responsibility of the campus foundations to the University Controller's Office (UCO) and the Office of the University Auditor (OUA). Both UCO and OUA are part of SUNY's System Administration (SSA). OUA is responsible for conducting periodic audits of the foundations, while UCO is responsible for ensuring the foundations have the required contracts with the campuses and for reviewing the foundations' annual audited financial statements, management letters, and corresponding corrective action plans.

SUNY's Guidelines for Campus-Related Foundations (Guidelines) clarify the role of the foundations and include basic requirements for foundations. Specifically, the Guidelines require a formal contract between the campus and the foundation that establishes, among other items, the services the foundation will provide. The Guidelines also list key business areas for which foundations are required to establish written policies and procedures.

We issued our initial audit report on February 26, 2018. The audit objective was to determine if SSA provided sufficient oversight of campus foundations to make certain the campus foundations conducted their activities in accordance with applicable laws, rules, and regulations. The audit covered the period July 1, 2013 through October 12, 2017. We found SSA should improve its oversight of campus foundations. For example, UCO did not ensure each campus had an executed contract with its foundations, yet the foundations continued to oversee and manage donations and resources on behalf of the campuses. OUA did not obtain and review available information that the foundations were required to have, such as the IRS Form 990 and the foundations' policies and procedures for key business functions, to assess risk in the foundations' operations. We determined certain foundations did not have all the required policies and procedures, or their policies were inadequate or contained questionable provisions. Our audit also identified questionable foundation expenses for UBF and SBF that were either not in compliance with the foundations' policies and procedures or were not consistent with the foundations' mission to support campus programs and activities.

The objective of our follow-up was to assess the extent of implementation, as of August 9, 2019, of the four recommendations included in our initial audit report.

### **Summary Conclusions and Status of Audit Recommendations**

SSA officials made significant progress in addressing the problems we identified in the initial audit. Of the initial report's four audit recommendations, three were implemented and one was partially implemented.

### **Follow-Up Observations**

#### **Recommendation 1**

*Work with campuses to ensure all foundation contracts are executed on a timely basis.*

Status – Implemented

Agency Action – UCO has taken steps to ensure foundation contracts are executed on a timely basis. In addition to notifying foundations in advance that their contracts are due to expire, UCO provides the foundations with a checklist and other useful information to facilitate and expedite the contract renewal process. Of the 31 foundations, 30 currently have executed contracts, and the remaining foundation has a contract pending finalization by UCO.

## **Recommendation 2**

*Routinely evaluate relevant, available information, such as the foundations' IRS Form 990s and their policies and procedures, to assess risk in the foundations' operations. Incorporate identified risks into the audit planning process and consider performing audits to address high-risk areas.*

Status – Partially Implemented

Agency Action – OUA officials reviewed certain relevant and available foundation information. OUA audited the foundations' written policies and procedures and determined most of the foundations had established the policies and procedures required by the Guidelines. In addition, OUA determined that the foundations' policies and procedures were generally adequate and reasonable. OUA reviews select IRS Form 990s as part of its audit selection process and for foundations under audit. However, OUA does not routinely obtain and review all foundations' IRS Form 990s and, therefore, may not be aware of potential risks.

## **Recommendation 3**

*Ensure all foundations have thorough policies and procedures that adequately address all areas specified in the Guidelines.*

Status – Implemented

Agency Action – OUA audited the foundations to determine whether each foundation had established written policies and procedures for all key business functions as required by the Guidelines and to determine if the written policies and procedures were comprehensive and complete. OUA determined that the majority of the foundations had all the required policies and procedures and that they were generally adequate and reasonable. Three foundations had policies and procedures in the draft stage, and four did not have all required policies and procedures. Further, OUA noted improvements could be made with the investment and procurement policies for several foundations.

## **Recommendation 4**

*Review the questionable expenditures identified by our audit and determine whether they are reasonable and consistent with the foundations' mission to support campus programs and activities. Advise the foundations to take corrective measures to resolve the identified deficiencies, as warranted.*

Status – Implemented

Agency Action – OUA officials received documentation and explanations from the foundations pertaining to the questionable expenditures identified by our audit. OUA concluded the expenditures appeared to be reasonable, necessary, and consistent with the foundations' mission to support the campuses. OUA commented

it will continue to advise the foundations on opportunities for improvement.

Major contributors to this report were Nadine Morrell, Cynthia Herubin, Claudia Christodoulou, Anthony Calabrese, and Alyssa Ryder.

We thank the management and staff of SSA for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Brian Reilly, CFE, CGFM  
Audit Director

cc: Amy Montalbano, University Auditor