

AUDIT REPORT
DEVELOPMENT PROGRAM

Number A-01-11

September 30, 2002

SUMMARY

The Office of the Inspector General audited the Smithsonian Institution's development program to determine if the results of fund-raising operations are being accurately recorded and reported. The Office of Development and 24 units with development responsibilities primarily conduct the development program. The scope of our audit covers development expenses for fiscal year 2000 and 2001, and development activity from July 4, 2001, to January 4, 2002.

Overall, the Institution needs to improve the financial statement presentation of its fund-raising and membership expenses and the reporting of fund-raising operations. Accounting guidelines require that information presented in the financial statements fairly present the results of operations. Smithsonian policy and good business practices also suggest that reliable data should be obtained, maintained, reported, and used for decision-making.

Our review of development activities disclosed that the Institution's fiscal year 2001 Statement of Financial Activity did not clearly present the amounts of expenses for fund-raising and membership activities. Furthermore, management reports on development activities were incomplete and inaccurate. In fiscal year 2001 the Institution reported fund-raising and membership expenses totaling \$15 million, the actual amount of these expenses recorded in the financial system was \$25.6 million.

To improve the clarity, fairness, and transparency of the financial statement presentation of fund-raising and membership activities, we recommended improving the recording and reporting of fund-raising operational and financial information by

- Revising the Statement of Financial Activity to explicitly present fund-raising and membership expenses under the categories "fund-raising" and "membership"; and
- Designing, recording, and reporting complete and accurate information in financial and other management information systems.

The Chief Financial Officer did not concur with our recommendations. We believe that the facts fully support the position that we have taken. Therefore, we recommend that management resolve this issue. The Director of the Office of Development partially

concurring with our recommendation regarding management reports. We continue to believe that a system is needed to measure financial performance of development activities.

Office of the Inspector General
Office of the Inspector General

TABLE OF CONTENTS

	<u>Page</u>
1. Introduction.....	1
A. Purpose.....	1
B. Scope and Methodology	1
C. Background	2
2. Results of Audit.....	4
A. Financial Statement Presentation	4
B. Management Reports.....	8
Chart 1. Contributions for Fiscal Years 1995 - 2000.....	3
Table 1. Institutional Units With Development Responsibilities	12
Appendix 1. Comments by the Chief Financial Officer	13
Appendix 2. Comments by the Director of the Office of Development.....	15

ACRONYM

DMIS Development and Membership Information System

INTRODUCTION

A. Purpose

We included an audit of the development program in our annual audit plan. In recent years, the Institution has begun to rely more on private donors and sponsors to meet its educational, research, and exhibition needs. Gifts are used to modernize the infrastructure and contribute to exhibit, research, education, publication, and outreach programs. Effective management of the Institution's fund-raising activities is key to ensuring that development efforts will meet funding needs.

The purpose of the audit was to determine whether fund-raising operations and expenses were accurately recorded and reported. Accurate information provides management with a better basis for making decisions.

B. Scope and Methodology

Our audit methodology consisted of necessary steps to evaluate the adequacy of management reporting in the Smithsonian Institution's development program. In order to assess the adequacy of internal controls established to manage development activities, we

- reviewed prior audit and other management reports concerning the development program,
- identified and reviewed policies and procedures for reporting fund-raising information,
- reviewed performance plans of units for fiscal year 2001,
- reviewed fund-raising goals in the strategic plan for fiscal years 2001 through 2005,
- interviewed development officials,
- obtained and reviewed standards and other guidance regarding the financial statement presentation of fund-raising and membership expenses,
- obtained and reviewed standards and other guidance regarding properly classifying and recording fund-raising and membership expenses in the financial system,
- reviewed guidance provided to units regarding how to record fund-raising revenues and expenses, and

- reviewed Development and Membership Information System (DMIS) operational reports and financial reports produced by the Office of Development.

During the audit, we expanded our scope because we observed that fund-raising and membership expenses were not reported clearly and accurately on the Statement of Financial Activity and these expenses were not classified and recorded properly in the financial system. In order to determine if the Institution properly classified, recorded, and reported fund-raising and membership expenses on its Statement of Financial Activity, we

- scheduled and tested financial information,
- interviewed officials in the Office of the Comptroller, and
- held discussions with the independent auditors.

We conducted our audit from August 28, 2001, through August 30, 2002, in accordance with generally accepted government auditing standards.

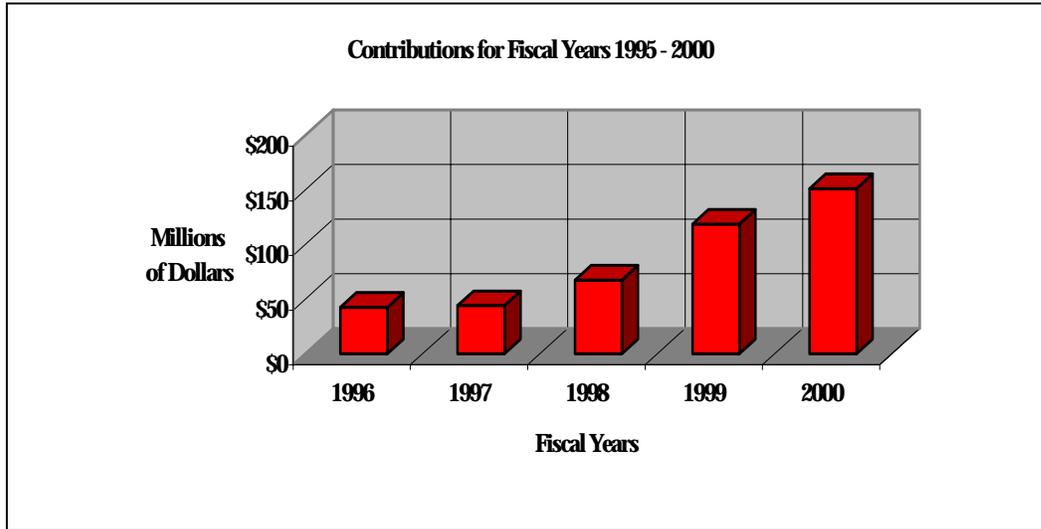
C. Background

The Office of Development identifies and evaluates potential private sources of support. They also produce fund-raising strategies, prepare proposals, solicit potential donors, and negotiate gifts and grants for Institutional units. They record the receipt of all outside non-governmental financial support, advise units on acknowledgement procedures, and assure that appropriate officials acknowledge gifts and grants.¹ In addition to the Office of Development, the Institution has 24 units with development responsibilities (see appendix A).

During the 5-year period October 1, 1995, through September 30, 2000, contributions increased from 42.6 million in fiscal year 1996 to \$151.4 million in fiscal year 2000 (255 percent).

¹ Smithsonian Directive 809, *Financial Support From Outside the Smithsonian* (Rev.) Sept. 12, 1986, Page 2.

Chart 1



Because of the increased importance of fund-raising to its strategic plan, the Institution has implemented a variety of tools to manage and report on fund-raising operations. For example, the reports include current fund-raising projects, outstanding solicitations, funds received, and rejected solicitations. The Office of Development produces reports from DMIS. DMIS is used to produce management reports on fund-raising operations based upon information entered by the 24 units. We focused our audit on these reports.

Generally accepted accounting principles require that information presented in financial statements clearly present the results of operations. Although various sources of accounting principles exist, for the purpose of this audit two sources are particularly relevant: the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

RESULTS OF AUDIT

A. Financial Statement Presentation

The Institution's Statement of Financial Activity did not clearly present the amounts of expenses for fund-raising and membership. This occurred because the Institution had not fully implemented Financial Accounting Standard 117, which was in effect as of fiscal year 1996, or Statement of Position 98-02, which was in effect as of fiscal year 2000. Users of the Institution's financial statements would be unable to clearly discern the amounts of funds expended on fund-raising and membership activities.

Background

We evaluated fund-raising activities for a 2-year period: October 1, 1999, through September 30, 2001. We began our audit by focusing on management reporting of fund-raising information. Subsequently, we expanded our review to include the financial statement impact of reporting practices. First, we reviewed the financial statement impact of fund-raising reporting practices on the Statement of Financial Activity. Second, we reviewed the process used for classifying and recording fund-raising and membership expenses in the financial system. We focused primarily on the period October 2000 to September 2001.

The purpose of financial statements is to communicate clear and accurate financial information to users to allow them to make informed decisions. The accounting profession has issued two rules that are particularly relevant to ensuring that the recording and reporting of fund-raising and membership expenses for not-for-profit organizations is accurate, clear, and consistent.

The Financial Accounting Standards Board issued Financial Accounting Standard 117 in 1993 to be effective for the Institution's fiscal year 1996 financial statements. This standard provides guidelines for reporting fund-raising and membership expenses. Standard 117 requires fund-raising and membership expenses to be reported as separate headings on the Statement of Financial Activity. We believe that the Institution should follow the best practices established by standard 117 to clearly and accurately present fund-raising and membership expenses.

The American Institute of Certified Public Accountants issued Statement of Position 98-02 in 1998 to be effective for the Institution's fiscal year 2000 financial statements. This statement provides guidelines for classifying fund-raising and membership expenses. The Institution's units classify and record these expenses in the financial system. Since most membership programs also include fund-raising activities, the Statement of Position 98-02 is particularly important to the Institution because it provides guidance for recording these joint expenses.

Results of Review

The Institution did not report fund-raising and membership expenses accurately and clearly in its financial statements. Additionally, management failed to provide a rational explanation for its recording and reporting practices. For example, fund-raising and membership expenses were combined and reported on the Statement of Financial Activity as part of two headings labeled “Advancement” and “Business Activities.” Both of these headings mischaracterized the nature and amounts of these expenses. In an attempt to determine the correct amounts of fund-raising and membership expenses that should have been separately reported on the Statement of Financial Activity, we identified the amounts of these expenses recorded in the financial system. This amounted to \$25.6 million in fiscal year 2001. In fiscal year 2001, the Institution reported a total of \$15 million in fund-raising and membership expenses as “Advancement” expenses, however, an additional \$10.6 million in fund-raising and membership expenses were combined with other expenses and reported as “Business Activities” expenses.

We then encountered another issue: units had misclassified some fund-raising expenses as membership expenses. However, we were unable to determine the full extent of the misclassification because the Office of Development and each of 24 units determined how the expenses were recorded in the financial system based on Office of the Comptroller guidance. We examined the Office of Development and found that at least \$3.9 million in fiscal year 2001 membership expenses should have been classified as fund-raising expenses according to Statement of Position 98-02.

The Institution did not have adequate procedures, management oversight, or guidance to clearly and accurately report these expenses in the Statement of Financial Activity or to classify and record fund-raising or membership expenses accurately in its financial system. Even though accounting standards explicitly require non-profit organizations to separately report the amounts of funds expended for fund-raising and membership on the Statement of Financial Activity, Office of the Comptroller officials had not provided proper instructions to the units and had not developed written procedures for preparing financial statements. We believe that a lack of management oversight also contributed to this situation. The Comptroller appeared to have little or no involvement in ensuring that procedures were in place to ensure that financial statements were prepared in accordance with the fund-raising and membership reporting requirements of standard 117 and Statement of Position 98-02. Furthermore, the Institution’s independent auditors stated that standard 117 is flexible enough to allow the Institution to report fund-raising and membership under other headings.

By reporting fund-raising and membership expenses as “Advancement” and “Business Activities” the users of the financial statements cannot obtain a clear and accurate picture of the Institution’s fund-raising and membership expenses. Without clear and accurate expense information, users of the financial statements cannot make informed decisions regarding fund-raising operations. According to the Statement of Financial Activity, fund-raising and membership expenses totaled \$15 million for fiscal year 2001. The

actual amount of these expenses recorded in the financial system was \$25.6 million. Obviously, understating the fund-raising and membership expenses by \$10.6 million (41 percent) could weaken decision-making. Based on the classification of these expenses in the financial system, the amount of fund-raising expenses reported on the Statement of Financial Activity were understated by at least \$3.9 million.

Conclusion

We believe that the Institution should, in accordance with the guidelines provided by standard 117, report accurate amounts for fund-raising and membership expenses using the labels fund-raising and membership on the Statement of Financial Activity. The Institution should also classify and report fund-raising and membership expenses in its financial system in accordance with the requirements of Statement on Position 98-02.

Recommendations

We recommended that the Chief Financial Officer:

1. Develop and implement adequate procedures to ensure that its fund-raising and membership expenses are reported in accordance with Financial Accounting Standard 117.
2. Develop and implement procedures to ensure that fund-raising and membership expenses are recorded at the transaction level in accordance with the guidance provided by Statement on Position 98-02.

Management Comments

1. Concur in part. The OCIO will develop and implement revised procedures to ensure that fund raising expenses are reported in accordance with SOP 98-02 by allocating a portion of the membership cost to fund raising using the contribution/membership revenue ratio. The OCFO and the independent auditors are in agreement that the Institution currently records expenses in accordance with FAS 117.
2. Do not concur. While some specific fund raising and membership expenses might be directly recorded, many joint expenses require an allocation of costs. AICPA SOP 98-02, Paragraph D-17 specifically acknowledges this problem. The Institution's plan to allocate costs is entirely in keeping with SOP 98-02, which explicitly provides for alternative methods of recording these expenses.

We look forward to working with the Office of the Inspector General and the Institution's independent auditors to find a mutually acceptable method of recording these expenses.

Office of the Inspector General Response

1. In fiscal year 2001 the Institution reported fund-raising and membership expenses totaling \$15 million on the Statement of Financial Activity. The actual amount of these expenses recorded in the financial system was \$25.6 million. According to best practices from the AICPA, the financial statements should disclose total fund-raising expenses. Based on the classification of these expenses in the financial system, the amount of fund-raising expenses reported on the Statement of Financial Activity were understated by at least \$3.9 million.
2. The Chief Financial Officer is working towards determining an acceptable method of classifying and recording fund-raising and membership expenses. We will continue to work with their office to find a practical solution to this issue.

B. Management Reports

Management reports included inaccurate information on fund-raising operations. This was caused by a combination of data input errors and design limitations of the reports. The lack of clear or accurate fund-raising financial and operational information decreases the control over and management of fund-raising.

Background

We reviewed the financial and operational results of the Institution's fund-raising activity. We focused our efforts on four reports used by the Office of Development during fiscal year 2000. DMIS is used to produce two of these reports and the other two are produced manually. DMIS was designed to be available to development officials at all levels in the Institution for five functions:

1. manage prospects,
2. record cultivation activities,
3. record dues, gifts, and pledges,
4. track and process memberships, and
5. report the status of these activities to management.

The Office of Development began using DMIS in July 2001 to report on units' fund-raising operations. Information in the reports is derived from data entered by the 24 units with development responsibilities. We reviewed two DMIS reports: the Cultivation Actions Report and the Solicitation Tracking Report.

We reviewed two manually produced reports: the S.I. Fundraising Revenues and Costs report and the Cultivation Actions Report Summary. We reviewed the Cultivation Actions Report, Cultivation Actions Report Summary, and Solicitation Tracking Report for the 6-month period ending January 4, 2002. We reviewed a sample of 20 cultivation actions and 20 solicitations from 4 units for that period. We also reviewed the S.I. Fundraising Revenues and Costs reports for fiscal years 2000 and 2001.

Best practices suggest that financial and operational systems should provide management with accurate and useful information for decision-making. In addition, this information should include both financial information and performance indicators to highlight areas needing management attention.

Results of Review

The Institution does not adequately measure or report financial and performance information of its fund-raising operations. Management controls do not ensure that accurate information is accumulated and reported.

The Office of Development produced the S.I. Fundraising Revenues and Costs report representing financial results of fund-raising operations, however, several aspects of its design could be improved. For example, the report combined fund-raising and membership expenses. It also excluded Office of Development expenses and combined revenues raised by the Office of Development with the revenues raised by the units.

The Office of Development produced the Cultivation Actions Report Summary, which lists the total amount of planned and completed cultivation actions for each unit. Because planned and completed actions were combined on the report, performance information cannot be measured. According to the Cultivation Actions Report Summary, units had a total of 618 cultivation actions. When we compared the number of planned actions to the number of completed actions on the Cultivation Actions Report, we observed that the report listed 613 completed actions during the past 6 months and 5 planned actions for the next 3 months.

The Cultivation Actions Report--produced by the Office of Development with DMIS--contained blank values for the proposal relationship, assigned to, and due date fields. For the period July 4, 2001, through January 4, 2002, the Cultivation Actions Report reported the status of 618 cultivation actions. Normally, each of the cultivation actions should have a value in the proposal relationship, assigned to, and due date fields. Of the 618 actions included on this report, the following fields were blank: 104 (17 percent) proposal relationships, 64 (10 percent) assigned to, and 568 (92 percent) due date entries. From our review of 20 cultivation actions from 4 units, we found that 5 out of the 20 cultivation actions (25 percent) had inaccurate data in the completed date field and 4 out of the 20 cultivation actions (20 percent) had unsupported type and completion date fields.

The Solicitation Tracking Report--produced by the Office of Development with DMIS--contained a number of blank, unsupported, and inaccurate values. For the period July 4, 2001, through January 4, 2002, the Solicitation Tracking Report included 483 solicitation actions, where 80 (17 percent) proposal relationship fields were blank. From our review of a sample of 20 solicitations from 4 units, we found 8 out of the 20 solicitations (40 percent) where there were unsupported asked amount values and 5 out of 20 (25 percent) where the asked date field was unsupported. In addition, from our sample of 20 solicitations, we found that 4 out of 20 solicitations (20 percent) had inaccurate values in the asked date field, and 2 out of the 20 solicitations (10 percent) had inaccurate values in the asked amount field.

Management controls and data input controls were inadequate. Our review disclosed that the Office of Development designed and produced the S.I. Fundraising Revenues and Costs report without procedures and without an apparent business basis for the report design. For example, units received credit for revenues raised by the Office of Development. The manually prepared Cultivation Actions Report Summary reports the combined number of planned and completed cultivation actions because these actions were combined on the source document: the Cultivation Actions Report.

The information on donations collected, rejected, in process, volume of gifts solicited, and donations cultivated were inaccurate. The Office of Development lacked control over the information entered into DMIS. Although they issued instructions to units on how to enter data into DMIS, the units did not consistently and accurately enter the information into the system.

Management cannot have adequate information to control fund-raising operations unless reliable data is available. Without adequate financial information, management will be unable to make comparisons between the Office of Development and units. For example, management cannot evaluate the efficiency of operations. This occurred because the reports had two weaknesses: (1) the format distributed revenue from the Office of Development to the various units and (2) revenues cannot be meaningfully compared with expenses. By excluding the expenses of the Office of Development, management cannot evaluate the relative expenses of the Office of Development and unit fund-raising operations.

Without accurate information on the Cultivation Actions Report and Cultivation Actions Report Summary, management will be unable to measure or evaluate the performance of the units. Without accurate information on the Solicitation Tracking Report, the Institution will be unable to accurately measure or evaluate the progress of the units against their goals and performance plans.

Conclusion

The Institution needs accurate financial and other performance information to manage Office of Development operations. Fund-raising activities are important to ensuring that adequate funds are raised to meet the requirements of the Institution. Management systems should provide useful information that should be consistent with the accounting information presented in the Institution's financial statements. Office of the Comptroller officials should provide adequate guidance to ensure that the design of the financial reports meaningfully reflects the results of operations. Data entered into the management systems should be accurate and complete. The Institution should promptly implement management controls including procedures to reasonably ensure that reliable fund-raising revenue and expense information is obtained, maintained, and reported. This information should allow management to measure financial and operational performance.

Recommendations

We recommended that the Director of the Office of Development:

1. Develop and implement procedures for producing the S.I. Fundraising Revenues and Costs report and the Cultivation Actions Report Summary based upon sound business design.

2. Propose revising SD 809, *Financial Support From Outside the Smithsonian*, to establish authority in the Office of Development to ensure that Development and Membership Information System data is accurate and provide procedures for unit development officials to follow in entering data.

Management Comments

1. Concur in part. Management will no longer be using the S.I. Fundraising Revenues and Costs report.
2. Concur. A taskforce comprised of members of the Office of Development Staff, development officers from the units, and representatives from the Office of Sponsored Projects, Office of the Comptroller, and Office of the Treasurer has begun to meet and will present recommendations to senior management by December 1, 2002.

Office of Inspector General Response

1. We do not fully concur with the Director's plan of action. We believe that senior management needs financial information including accurate revenue and expense information to measure performance of fund-raising operations. We also believe that the Office of Development needs operational information to measure the progress of development efforts. Therefore, they need to make a distinction between planned and completed actions in the Cultivation Actions Report Summary. Based upon conversations with the Director, by December 31, 2002, they will revise the Cultivation Actions Report Summary to report both planned and completed actions.
2. The Director's comments are responsive to the recommendations.

Table 1
Institutional Units With Development Responsibilities

AMERICAN MUSEUMS AND NATIONAL PROGRAMS
Anacostia Museum/Center for African American History and Culture
Archives of American Art
Asian Pacific American Studies Program
Center for Folklife Programs and Cultural Heritage
Center for Latino Initiatives
Cooper-Hewitt, National Design Museum
National Air and Space Museum
National Museum of American History
National Museum of the American Indian
National Portrait Gallery
National Postal Museum
Smithsonian American Art Museum
Smithsonian Center for Education & Museum Studies
Smithsonian Institution Traveling Exhibition Service
The Smithsonian Associates
FINANCE AND ADMINISTRATION
Smithsonian Institution Libraries
INTERNATIONAL ART MUSEUMS
Freer and Sackler Galleries of Art
Hirshhorn Museum and Sculpture Garden
National Museum of African Art
SCIENCE
National Museum of Natural History
National Zoological Park ²
Smithsonian Astrophysical Observatory
Smithsonian Environmental Research Center
Smithsonian Tropical Research Institute

² The development function is currently being carried out by a nonprofit organization called Friends of the National Zoo.

WRITTEN COMMENTS BY THE CHIEF FINANCIAL OFFICER



Smithsonian Institution

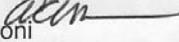
Memo

Chief Financial Officer

Date September 30, 2002

To Thomas D. Blair
Inspector General

cc James H. Bruns, Director
Office of Development

From Alice C. Maroni 
Chief Financial Officer

Subject Comments on Draft Report of Audit of the Development Program Dated
September 13, 2002 - INFORMATION MEMO

Thank you for the opportunity to respond to this draft report. It does not represent significant finding of accounting "errors" but disagreement with the classification and presentation of advancement expenses included in the Smithsonian Institution's FY 2001 financial statements. The draft report calls for a distinction between fund-raising, membership, and business activity expenses. The Office of the Chief Financial Officer (OCFO) does agree that we need to distinguish between fund raising and business activity but not between membership and business activity. The independent auditors documented the requirements of Statement of Position (SOP) 98-02 for the Smithsonian Institution in September of FY 2000. They concluded that the Office of Development incurs joint costs which should be allocated between fund raising and business activities. The OCFO agrees with the conclusions of the independent auditors and plans to implement this approach for FY 2002.

The draft report states that Financial Accounting Standard (FAS) 117 requires fund raising and membership expenses to be reported as separate headings on the Statement of Financial Activity and that the OCFO had not fully implemented this standard. We disagree with these statements. The Institution's independent auditors stated that FAS 117 is flexible enough to allow the Institution to report fund raising and membership under other headings.

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WRITTEN COMMENTS BY THE CHIEF FINANCIAL OFFICER

Recommendation 1

Develop and implement adequate procedures to ensure that fund raising and membership expenses are reported in accordance with Financial Accounting Standard 117.

We concur in part. The OCFO will develop and implement revised procedures to ensure that fund raising expenses are reported in accordance with SOP 98-02 by allocating a portion of the membership cost to fund raising using the contribution/membership revenue ratio. The OCFO and the independent auditors are in agreement that the Institution currently records expenses in accordance with FAS 117.

Recommendation 2

Develop and implement procedures to ensure that fund raising and membership expenses are recorded at the transaction level in accordance with the guidance provided by Statement on Position 98-02.

We do not concur. While some specific fund raising and membership expenses might be directly recorded, many joint expenses require an allocation of costs. AICPA SOP 98-02, Paragraph D-17 specifically acknowledges this problem. The Institution's plan to allocate costs is entirely in keeping with SOP 98-02, which explicitly provides for alternative methods of recording these expenses.

We look forward to working with the Office of the Inspector General and the Institution's independent auditors to find a mutually acceptable method of recording these expenses.

If you have any questions, please call me at 275-2020.

WRITTEN COMMENTS BY THE DIRECTOR OF THE OFFICE OF DEVELOPMENT

Smithsonian Institution

Memo

Office of Development

Date September 27, 2002

To Thomas D. Blair
Inspector General

cc William J. D. Bond

From James H. Bruns 

Subject Response to Draft Report of Audit Number A-01-11

The Draft Report of Audit of the Development Program has been given careful and thoughtful review. The Office of Development offers the following comments with regard to the accuracy of the information and the recommendations.

Accuracy

While the information contained in the report is by in large factual, the report in numerous instances criticizes the information upon which reports are produced. The cultivation and solicitation data in DMIS is only as accurate as the information entered by the units. The Office of Development will continue to stress to the units how important accurate and timely data is to the process of fair reporting. The financial information on fund-raising and membership costs will continue to be as accurate as the Office of the Comptroller is able to supply.

Recommendations

1. **Develop and implement procedures for producing the S.I. Fundraising Revenues and Costs report and the Cultivation Actions Report Summary based upon sound business design.**
 - **S.I. Fundraising Revenues and Costs report**

Comment

This report was developed to respond to a specific need that the previous Director of Development had to compare the cost per dollar raised at this institution to a similar figure at other institutions. The information was broken out by units but was never intended to be used as a measure of each unit's effectiveness. This manual report was difficult to produce and even more difficult to tie to other reporting systems. As the current Director of Development I have no intention of producing this report in the future. It was developed to respond to a need at a specific point in time and has not been produced since then.

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WRITTEN COMMENTS BY THE DIRECTOR OF THE OFFICE OF DEVELOPMENT

It should be noted that the development process on the campus is very collaborative. Donors and prospects have varied interests among the many museums and research facilities. Donors often change their focus through the solicitation process and development officers must remain sensitive to these changes. For this reason the Office of Development fosters a cooperative process in which units are given credit for funds raised based solely on the designation of the donor giving preference and not based on which development officers participated in the process, whether from the Office of Development or one of our unit development offices. This means the fund-raising actions of the Office of Development are credited wherever the donor designate their gift and are not credited to the Office of Development. This was an intentional management decision, done to foster a spirit of collaboration and cooperation that places the desires of the donor first and recognizes that the entire development community must work together to secure the much new voluntary support necessary to achieve our goals. The discussions of whether the unit or OD should receive credit, and in what measure, would in my opinion now **not** serve the best interests of the Institution.

Action taken or planned

This report will not be produced in the future. The method of crediting the unit based on the donor's designation regardless of what units participated in solicitation will continue, unless alternative guidance is furnished by senior management.

- **Cultivation Actions Report Summary**

Comment

This report is one of the key ways that the Office of Development assesses the level of fund-raising activities in the rest of the development community, however, the data is only as accurate as the data that the units provide. The current reporting frequency of once-per-week keeps the units busy with simply entering data on "fluid" actions. They have little time to enter planned activities even though they understand that their performance is measured in part by the reporting of these activities.

Action taken or planned

One of the primary problems with the report was the lack to time to enter data caused by its weekly frequency. Weekly reports made the data entry very rushed. Proper time was not allowed to correctly determine the proper value for all the fields. There was also not sufficient time to enter all the planned activities. Consequently the entered activities were primarily all complete. Increasing the frequency will give the development community sufficient time to enter both the planned and completed cultivation activities. The Office of Development will continue to stress the importance of accurate and timely data entry with the development community. In the future, Cultivation Activity Reports will be required on a monthly basis. We will work with your office to monitor the accuracy of these monthly reports and will take steps to correct future errors and omissions.

2. Propose revising SD 809, *Financial Support from Outside the Smithsonian*.

WRITTEN COMMENTS BY THE DIRECTOR OF THE OFFICE OF DEVELOPMENT

Comment

SD 809 created in 1986 is unquestionably in need of update; All the office names referenced in the document with the exception of the Treasurer's have changed and a number of the current processes for handling solicitation, deposits and recognition are not handled in the manner specified.

Action taken or planned

A taskforce comprised of members of the Office of Development staff, development officers from the units, and representatives from the Office of Sponsored Projects, Office of the Controller, and Office of the Treasurer has begun to meet and will present recommendations to senior management by December 1, 2002.