

Finding and Fixing Your Top 10 Gift Processing Problems

A White Paper Prepared by:

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Overview

Gift processing is like your health, you only worry about it when something is wrong. As with any disease, you must first know the symptoms and be accurately diagnosed before you can be cured. Unlike a capital campaign, where you measure success in dollars and cents, it is difficult to know if you are processing gifts correctly. Small problems can linger for years. They slowly corrode the integrity of your operation, inevitably resulting in organization-wide breakdowns that can poison relationships with important donors. To prevent this from happening, organizations often commit to expensive software, undergo extensive staff training and implement detailed procedures. Yet many still have misgivings about their fundraising systems.

What is the cause of these problems and why is it so hard to enter gifts into a database?

You may not notice gift processing because it happens in the background. Opening mail, entering data, and reconciling accounts are all supportive actions that organizations do not think about on a day-to-day basis. Yet the inherent transparency of these procedures can conceal fundamental inefficiencies.

A lack of commonly accepted industry practices and quantifiable metrics contribute to the problem. When a capital campaign fails, the problem is readily apparent. Conversely, it is entirely possible that an extremely inefficient gift processing operation will not be apparent. Furthermore, problems often span departments. Internal procedures may work well within each functional area, but without proper communication among Development, Membership, Finance and IT, the overall system will likely fail. Finally, most donor databases employ complex technology that can make it difficult for non-technical staff to optimize their use of the system.

Taken alone, each of the top ten problems outlined in this paper may seem minor. But in aggregate, they point to larger systemic problems. By paying close attention to the symptoms and reacting accordingly, you can fix processes before something goes horribly wrong.

Fortunately, a relatively standard set of recommendations can help to solve most of the problems. To construct this paper, JCA drew on a collective 150 years of experience shared by our senior staff, both working within and consulting for the nation's premier non-profit organizations. At the end of the paper, we will review the essential roadmap necessary to build a healthy infrastructure for virtually any organization.

While your internal staff can easily accomplish most of these tasks, JCA is always available to provide expert assistance to help **find and fix** problems within your organization.

Gift Processing Defined

Gift Processing encompasses the entire lifecycle of a contribution given to your organization: solicitation, mail opening, data entry, deposit, acknowledgment, reconciliation and reporting. It includes activities that take place both inside and outside of the computer system.

Due to the sheer bulk of direct mail transactions, they provide a good example of the overall steps required to process a gift.

A reasonably **efficient** process might look as follows:

- **Appeal:** Donors respond to a pre-coded solicitation
- **Opening:** Mail is opened, sorted, copied and routed to the correct department
- **Deposit:** Live checks are deposited in the bank
- **Data Entry:** Gift records are input into the donor database
- **Interface:** Transactions are exported from the donor database and imported into the general ledger
- **Reconciliation:** Data entry, bank deposits and general ledger are reconciled
- **Acknowledgment:** Acknowledgment letters are sent to the donor
- **Reporting:** Development reports provide information about fundraising efforts

A reasonably **inefficient** process might look as follows:

- **Appeal:** Donor receives and responds to a pre-coded solicitation
- **Opening:** Unopened mail is routed to multiple individuals throughout the organization who send all live checks to Finance via intra-office mail
- **Copying:** Finance copies checks
- **Deposit:** Finance deposits checks into the bank account
- **Data Entry(1):** Finance manually enters data into the general ledger and sends check copies to Development
- **Data Entry(2):** Gift records are input into the donor database
- **Acknowledgment:** Gift officers manually write Acknowledgment letters
- **Reconciliation:** Finance and Development reconcile once annually, in advance of the audit
- **Reporting:** All important donor reports are “massaged” in Excel before board meetings.

THE TOP 10 PROBLEMS

As you read the list of the following 10 problems, think of this as a diagnostic tool that will help locate the hidden problems within your organization.

#1 “The System Can’t...”

Most Systems Can

There are many vendor-supported donor databases and every one of them can accommodate efficient gift entry. Gift entry is the fundamental difference between a “mailing list manager” and a donor database.

What does “*The system can’t*” really mean?

Bad Implementation

Blaming the system for operational problems likely indicates a bad initial implementation. Bad data conversions, poorly understood coding and lack of documentation can pollute a database for years.

Inadequate Training and Documentation

A system is only as good as the quality of the data input. If the staff does not fully understand the system, they will not be able to maintain its integrity. In the worst cases, gift entry operators do not have specific gift entry documentation, so they have to “improvise” when they encounter new situations.

A nice way to say “NO”

It is easier and more polite to blame the system instead of the people who use it. But, when looking at problems, it is important to distinguish “human error” from “computer error.”

The System *Really* Can’t

This is most common with custom software, built to accommodate the needs of an organization at a specific point in time. It may have worked well for you originally, but over time needs change. The system that tracked 500 donors might not efficiently handle 5,000 donors. Implementation of new programs such as membership or planned giving may require features that the software designers never considered. Most custom software will lack new releases, documentation and technical support, so the non-profit implicitly commits to project managing the on-going software development for this “product”.

#2 “We Have Always Done It This Way”

A Bad Way to Drive

If established precedent were a good way to run a system, index cards would be the accepted industry standard. But you don’t drive by looking in the rear-view mirror and you should not run an organization based on the old way of doing things.

Understand the Past

Just because policies were developed before you began doesn’t mean they cannot be improved, nor does it mean that they are wrong. A careful understanding of the rationale behind existing policies, while important, should not dictate all future decisions. Over time, needs change and business processes must change to reflect that. Additionally, staff turnover often leaves the next group of employees with a set of procedures they don’t fully understand.

Conversely, it is important to distinguish between the leading edge and the bleeding edge. Business systems must support business needs and as long as those needs are met, it is not necessary to run the most expensive software on the market. Periodic review of procedures is akin to spring cleaning.

Occasionally, you need to buy a new home, but most of the time, throwing out some of the accumulated junk will make a world of difference.

Managing Change

Change is uncomfortable, particularly in the context of technological changes. A system designed to handle a specific process will not always conform to new requirements. However, changing specifications can wreak havoc with your database, not to mention the headaches it can cause the people running the system. It is important to evaluate the merits of a system upgrade in light of legitimate business needs. It makes sense to proceed cautiously, yet the realities of the fundraising environment make change inevitable.

#3 Same Data, Different Numbers

Important Questions

1. Do your finance and development systems painlessly reconcile to the penny?
2. Do reports from both systems always correspond?
3. Are all the reports you need available at the push of a button?

If you answered yes to these questions, then by all means, skip this section.

If not, here's why:

Counting on Problems?

The reality is that many reports, particularly the important ones, need a fair amount of massaging to correct any inconsistencies. Or worse, there is a set of data not integrated with any of the systems, such as an Excel spreadsheet tracking planned gifts. This does not have to be the norm, nor should you accept it as such.

Duplicate Data Entry

In an ideal world, all data would be entered once and automatically distributed across the organization. In reality, Finance and Development generally enter the same transactions into different, unconnected systems. But even in the absence of an automated transfer of information between systems, data and reports from disparate systems should be structured so they can be easily reconciled against one another.

Automated interfaces handle the transfer of information across systems. While this requires technical expertise to implement, it typically will pay for itself through savings in staff time.

Telltale Signs

If you are not sure if a report is manually generated, look for the following signs:

- New gifts are missing
- Reports do not match the data on-screen
- It takes hours/days to get a report
- The report is the only source for those numbers

The donor database and the general ledger should **always** report the same set of numbers. Before considering any of the technical challenges, Finance and Development must trust one another and adhere to the same set of rules.

#4 Jane's on Vacation, Everything Stops

The World on Her Shoulders

Is there one individual in your organization on whom your entire operation is dependent? What happens when she takes another job? Is there a backup plan?

Process Specific Documentation

Software manuals from your fundraising system vendor do not document your internal procedures. They present every option available in every screen in the system. Your organization likely only uses a fraction of the available features. This creates a voluminous text that can be overwhelming to your staff. No one should ever have to "guess" at data entry. Clearly documented policies and procedures specific to your organization provide employees a universal resource that will ensure consistency.

Cross-Training

It is true that the Development Director should not enter gifts on a regular basis, but if everyone else quits, the organization must still acknowledge donors. Along with policy and procedures documentation, it should be possible to cross-train a number of people to fill in during staffing emergencies. Staff responsibilities must be clearly defined, but employees must also be aware of their colleagues' responsibilities.

#5 It Takes More Than 48 Hours to Acknowledge Gifts

Canary in the Coal Mine

The time it takes to acknowledge gifts is a good measurement of effective gift processing. It should not take longer than 48 hours to acknowledge a gift. In some instances, when volume is very low (e.g. 1 or 2 gifts day), running Acknowledgments a week might be acceptable. If it takes longer than a week it generally indicates a more serious problem.

Eliminate Guesswork

If 48 hours is not a reasonable goal for your organization, define an acceptable timeframe and stick to it. Acknowledgments should never come as a surprise. If you find yourself periodically overwhelmed with processing Acknowledgments, you must refine Acknowledgment procedures. The process must be streamlined and clearly documented.

Make it a Priority for Everyone

Sometimes Acknowledgments may sit around waiting for a senior staff member's signature. If senior staff wants to participate in the daily Acknowledgment process, they must respect the importance of a timely acknowledgment. If the letters must wait for a personal signature, there should be a plan for dealing with extended business travel, hectic schedules and all of the other issues that will redirect the attention of senior managers.

#6 I Can Do It Faster By Hand

You Can Use a Computer to Do Something by Hand

Just because you are using the computer, does not mean the task is automated. An automated task happens with little or no user intervention, based on scheduled timing or at the push of a button. If you have to modify a report in Excel, that's not automation.

When to Automate

By automating systems, you can eliminate human error and minimize duplicate data entry. Software interfaces should transfer data shared among disparate databases. Manual data entry is prone to human

error and contributes to overhead. Conversely, you can over-complicate a reasonably simple process. If you only print a report once a year, it might be acceptable to massage the data in Excel, provided documentation exists to guide the process.

Time it

Measure the amount of time it really takes to do a process by hand. Later on, measure the same process after automation. Without metrics, you will have no way of separating reality from perception. Use these metrics to help establish guidelines for when it makes sense to commit to automation and quantify the return on investment.

#7 Multiple Copies of Every Check

The Myth of the Paperless Office

Visionaries can see a day when computers will help eliminate the need for office paper. In the meantime, the office paper consumption grows alongside adoption of computing systems.

Wasted Time. Wasted Money.

Photocopies cost money. Copiers use paper, electricity and toner. It takes staff time to make the copy. It requires real estate, filing cabinets and more staff time to manage the files. Multiply this by the number of times your organization files the same check copy: by batch, by name, by gift officer, in Finance and in Development. Excessive photocopying slowly creeps in a gift processing operations and most organizations have no idea how much they truly spend on the copies.

Why People Love their Photocopies

In a hostile environment, where the system does not function properly, a copy can save your job. No one would ever need more than a one check copy, provided the following:

- All gift entry takes place by the end of the day
- The system tracks all of the necessary gift information
- Staff understands how to use the system
- Finance and Development share a single set of well-organized and easily accessible paper files

In absence of a functional computer system, people will always rely on paper.

#8 Missing Checks

What could be more embarrassing than calling a donor to let them know you just found a six-month old check hiding under a pile of photocopies? Perhaps, having that donor call you to ask why you never cashed their check from six months prior.

If a Check Is Missing, Do You Know It Is Gone?

In an ideal gift-processing scenario, the mailroom would open all envelopes and separate live checks for processing, regardless of the name on the envelope. Detailed audit controls, including adding machine tapes, would govern the handling of all monies and trained staff from Development and Finance would participate in the mail processing. With the proper controls, live checks should never get lost.

One Size Does Fit All

In a small organization, one person may represent the entire staff of the Mailroom, Finance and Development. In this scenario, you would need to create a process appropriate for the smaller number of transactions. Regardless of size, however, all organizations must have a well-thought out and well-documented process.

#9 Major Donors Get Multiple Mailings

Shadow Systems

Major donors often lack a single “owner”. They may serve on the board, which likely has a mailing list maintained by the Executive Assistant (in MS-Word). They may participate in an advisory committee likely managed by program staff (in Excel). They may also donate at various levels, which could mean they have more than one record in the donor database. Additionally, the donor/advisor/trustee may use different addresses for each one of these constituencies. Their record in each of these shadow systems may cause them to receive multiple copies of the annual report, multiple solicitations within a short time frame, or any other action/appeal that might overlap departments.

The Benefits of Centralization

You eliminate the duplication of effort when a single organizational authority maintains all data. Thus centralized data management creates a system in which a single constituent record accurately reflects the Donor/Patron/Volunteer/Board status of each individual in the database. It also ensures that they only receive the appropriate communications and solicitations.

The Perils of Centralization

When an organization decides to create a centralized data management team, those responsible must completely buy into customer service. They exist to provide an important service to other staff. The moment staff members experience significant problems in getting reports or entering new data, they will revert to the old ways of disparate data sources and duplicate data entry.

#10 Everyone Is Too Busy to Fix the Problem

Chicken and the Egg

Procedural review and documentation ultimately saves far more time than it costs. Streamlined procedures take time to implement, but an inefficient operation creates overworked, stressed out and generally panicked staff.

How can you find the time to analyze gift processing operations when the Board report has to get out **NOW**?

Like any investment, it takes willpower and determination to break out of the daily grind and attempt to gain perspective on office procedures. Often, hiring outside consultants will help to ease the time investment as well as offer an objective perspective. Without the sincere participation of all the staff members involved, however, a consultant’s effort will be meaningless.

I’m Glad That’s Over

Many organizations that do manage to streamline their operations fail to allocate time for the ongoing review process to account for growth and organizational change. You only get return on your initial investment if you stay on top of it. Real estate is only a good investment if you maintain your property. The same principal applies to your technology.

Fixing the Problems

Unfortunately, there is no silver bullet that can fix all of the problems - only full commitment to the analysis, reengineering and documentation of gift processing procedures can create a process that is much less prone to error. No one donates to a charity hoping their money goes to printing Acknowledgment letters and photocopying checks. By improving processes, you help your organization spend less time processing office work and more time doing good.

Selling Organizational Change

Even in the smallest organizations, gift processing tends to affect multiple stakeholders throughout the organization. Finance, Development and the Board will all have a legitimate interest in the process. Fundamental change requires the full participation of each stakeholder and the unwavering mandate of senior management. As the agent of change within your organization, it falls to you to make a compelling case to revisit procedures that, on a surface level, appear to work. Educating decision makers about the risks and costs inherent in sustained organizational inefficiencies and obtaining their buy-in for the process is a critical first step.

“We’ll never make *that* mistake again”

Many organizations will work to correct problems only after something goes wrong. Often that means fixing the specific issue that caused a donor to complain. This piecemeal approach often compounds problems by adding extra layers of complexity. Analyze and understand the entire process, write it down, outline a plan, obtain buy-in and then implement **universal** change.

Questions to Ask

- Who opens the mail and where do they do it?
- When are transactions sorted and when are they entered in the system?
- When did we buy the system?
- Who implemented the system?
- When was the last time system coding was reviewed?
- Are we on the most recent version of the software?
- Has anyone called the vendor for suggestions?
- Who is responsible for maintaining the database?
- Are policies documented and how are they updated?
- Who is in charge of inter-departmental processes?

Follow the Mail

Most gifts come through the mail, so this is a good place to begin. Trace the path of every transaction as it flows through your organization and write down everything that happens to it. A detailed understanding of the current process provides the framework for suggesting change. Soliciting the opinions of affected parties from the beginning increases the overall willingness to work towards a shared solution.

Write it down

Flowcharts are very effective at clearly presenting the gift processing operations. With your current procedures clearly displayed in a hard copy, many of the inefficiencies become immediately apparent. This written documentation can also serve as the proof of a problem when explaining the need for change to senior management.

Streamline

Review the analysis with all stakeholders and pay particularly close attention to the functions that cross over departmental lines. Approach the process from the perspective of the organization at-large and create simple, easily communicable procedures. Sometimes this will mean thinking outside of your current role.

Very often, a group will do extra work to accommodate the perceived needs of another Department, but oftentimes they only create extra work for themselves. Confirm that such procedures actually provide the intended results and justify the extra effort. Also, look for areas where a little extra work from one group can save time for another.

Check with your auditors about the number of times you photocopy and file transactions. Chances are they won't need most of them. For example, consider if you really need more than one copy (or any copies of) checks for under \$25 dollars.

Centralize

Personal computers offer individual users tremendous power. The standard software available on any individual workstation gives virtually any staff member the ability to create a shadow database for his or her own purposes. Excel, Word and Access provide end users with the ability to track and store data independent of a centralized system, called shadow systems. These shadow systems can be as simple as a board mailing list maintained by the Executive Director's office to complex spreadsheets of manually entered gift data.

In essence, the donor database should serve as the principle source of gift and donor data. Consolidating on a single system has the following benefits:

- Easier to maintain and keep clean
- Standardized training and backup
- Reduced likelihood of duplicate mailings
- A more secure environment
- Unified view of all donors

When organizations centralize operations on a single database, they must realize that it requires ongoing supervision and management. The people in charge of the system must have explicit mandate from senior management to make and enforce rules relating to the system and donor data. Additionally, database administrators must understand and believe in customer service. The moment that data users feel that their needs are poorly served by the system, they will revert to creating shadow systems.

Document

Standard software documentation explains how to use every field, on every available screen of the software. Many of the standard donor databases have thousands of fields, so they may accommodate widely varying business needs. This type of manual is downright dangerous in the hands of a rogue gift processor; it provides too many options. A good implementation may only use a fraction of the available fields and a good gift processing operation will only use a subset of those.

Gift Processing documentation should only instruct users on how to enter and extract data based only on the fields and code values currently in use. It will also detail actions that happen inside and outside of the system. Bank deposits and reconciliation are not necessarily software specific tasks, yet they should be fully documented and part of the ongoing training.

Train

Training is the single most important factor influencing an organization's ability to maximize their software investment.

- Training must be ongoing
- Training must be part of every organization's annual budget
- Training must be relevant and based on the organization's own policies and procedures
- New staff must be trained immediately

Too many organizations believe that training is a one-time expense. In order to achieve results from a software system, organizations must plan for extensive training and retraining as part of each year's annual budget. A half-day of "sitting" with the person who used to have your job is not enough. The software and the related procedures are far too complicated and important to expect that someone can just "pick them up" based on a cursory review of the screens.

Staffing Considerations

The Role of the Database Administrator (DBA)

Computers need rules and the DBA is the enforcer. In order to create and maintain a clean database, senior management must empower and support a DBA who has the authority to enforce data standards throughout the organizations.

The Role of Consultants

If these recommendations sound like great ideas, you are correct in asking: "Who is going to do all of this work?" Consultants can provide a valuable resource for creating the framework for ongoing operations. If you see the need for extensive data cleanup, documentation, staff retraining and report writing, it probably makes sense to explore the qualified consultants who are knowledgeable on your software product.

About JCA

Jacobson Consulting Applications, Inc. (JCA), founded in 1988, is a full service, independent consulting firm dedicated to providing technical assistance and information management solutions to non-profit organizations. We specialize in helping organizations implement and effectively utilize the fundraising, admissions, visitor services or web-based systems that best fit their needs.

Headquartered in New York City, we also have consultants based in Philadelphia, Tampa, Columbus, Portland (OR), Los Angeles, Baltimore and San Francisco (pending).

Most of our staff has worked in the non-profit sector before coming to JCA, which gives us a great deal of knowledge concerning the special issues and requirements of the non-profit organization. This expertise is further enhanced by 17 years of systems and consulting experience within the development and membership community.

providing technology solutions
to non-profit organizations

Jca Jacobson
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Applications, Inc.

We work with all segments of the non-profit community, from arts institutions to universities to national member-based organizations, large and small. Since our inception, we have helped more than 600 organizations evaluate, implement and/or configure fundraising and information management systems.

JCA is a true "solution provider." Offering a complete range of both functional and technical services, JCA's philosophy is to combine best-of-breed products with our solid base of technical skills and experience. We will implement a solution that addresses your current organizational needs; while providing a planned growth path for any future requirements.

Most importantly, we can help find and fix the top 10 gift processing problems within your organization. Please contact us for a free proposal.