MEMORANDUM

DATE: November 3, 2008

TO: CSU Presidents
    Provosts / Vice Presidents, Academic Affairs
    Vice Presidents, Business / Administration

FROM: Richard P. West
      Executive Vice Chancellor and
      Chief Financial Officer

Gary Richardson
      Executive Vice Chancellor and
      Chief Academic Officer

SUBJECT: 2007 Systemwide Contracts and Grants Audit

The systemwide audit of contracts and grants was conducted by the California State University, Office of the University Auditor, during the calendar year 2007. The report, 0713 Contracts and Grants Systemwide, is now available on the Chancellor’s Office Internal Audit website. The report identifies the common observations from the eight campus audit reports, also available on the Internal Audit website. In summary, the systemwide report recommends improvement in the following areas:

- **Program Administration**
  1. Systemwide Policy Development
  2. Audit Monitoring and Resolution
  3. Decentralized Administration
  4. Employee Training
  5. Delegations of Authority

- **Project Integrity and Regulatory Compliance**
  6. Conflict of Interest

- **Grants Management**
  7. Subrecipient Monitoring
  8. Programmatic Technical Reporting

- **Fiscal Administration**
  9. Cost Allocation
  10. Cost Sharing and Effort Certification

- **Property Management**
  11. Property Management/Inventory

CSU Campuses
Bakersfield  Fresno  Monterey Bay  San Francisco
Channel Islands  Fullerton  Northridge  San José
Chico  Humboldt  Pomona  San Luis Obispo
Dominguez Hills  Long Beach  Sacramento  San Marcos
East Bay  Los Angeles  San Bernardino  Sonoma
East Bay  Maritime Academy  San Diego  Stanislaus
As stated in many of the management responses to the University Auditor’s recommendations, collaboration with campus and auxiliary stakeholders is an important part of our overall response, particularly with recommendations related to systemwide policy updates, audit monitoring and resolution, decentralized administration of sponsored programs and cost sharing and effort reporting (recommendations 1, 2, 3 and 10, respectively). Chancellor’s Office staff in Academic Affairs, Business and Finance, and Sponsored Programs will work with stakeholders, including the Council of Chief Research Officers, the Research Administration Committee, and others throughout the system, to solicit feedback and coordinate systemwide strategies to fully address audit findings.

The following pages of this memorandum are responsive to the University Auditor’s recommendations related to specific compliance areas of Federal, State or University guidelines and regulations governing the administration of grants and contracts. Reminders and recommendations included in this document are intended to enhance your existing Sponsored Programs policies and procedures. Please contact Sue DeRosa, Director of Sponsored Programs, at 562.951.4213 or sderosa@calstate.edu if you require additional assistance.

In accordance with California State University Executive Order 890 (EO-890), it is the responsibility of the President or designee(s) to identify the campus Sponsored Programs Administrator (SPA), which is the organizational entity designated to administer sponsored programs, and to oversee research and sponsored program compliance. Please share this with the appropriate personnel on your campus to ensure that all individuals involved in research and Sponsored Program (contract and grant) administration receive this communication.

c: Gail Brooks, Interim Vice Chancellor, Human Resources  
Keith Boyum, Associate Vice Chancellor, Academic Affairs  
Elizabeth Ambos, Assistant Vice Chancellor, Research Initiatives and Partnerships  
Margaret Merryfield, Senior Director, Academic Human Resources  
Colleen Nickles, Assistant Vice Chancellor, Financial Services  
Lori Redfearn, Assistant Vice Chancellor, Systemwide University Advancement  
Sue DeRosa, Director, Sponsored Program Administration
1. Program Administration: Systemwide Policy Development
In collaboration with systemwide groups with research and sponsored program responsibilities, the Chancellor's Office will be updating systemwide sponsored program guidelines. We will incorporate the new and updated financially-related policies and procedures into the new Integrated California State University Administrative Manual (ICSUAM). The process of developing systemwide policy will involve review and comment by stakeholders in research and sponsored programs throughout the CSU system.

2. Program Administration: Audit Monitoring and Resolution
Also in collaboration with systemwide groups, current guidelines on audits and site visits will be updated to include a process for defining and notifying the Chancellor's Office Director of Sponsored Programs of campus and auxiliary audit findings related to the administration of sponsored programs. Correspondingly, the Chancellor's Office will work with stakeholders to modify the existing system to improve oversight and monitoring of systemwide sponsored programs compliance.

3. Program Administration: Decentralized Administration
An interdivisional systemwide task force to review gifts and grants definitions and processes has been established to recommend systemwide guidance on the distinction between programmatic and philanthropic grants and centralized administration of programmatic grants. Resource groups from philanthropic foundations and research auxiliaries will provide guidance and support to the task force. Results from the task force will be disseminated at a later date (to be determined by the task force) and will ultimately be incorporated into the ICSUAM.

4. Program Administration: Employee Training
Training of principal investigators (PIs) and staff with responsibilities related to research with human and animal subjects must be documented in compliance with relevant federal, state, and CSU policies. For human subjects-related training and the responsibilities of Institutional Review Boards (IRB), please refer to the OHRP (http://www.hhs.gov/ohrp/) as the primary repository of federal guidance documents. The NIH Guide, Notices OD-08-054 and OD-00-039 may also prove helpful. For Animal Welfare-related training and the responsibilities of Institutional Animal Care and Use Committees (IACUC) refer to 9 CFR 2.32. Campuses may also find helpful resources at IACUC.ORG (http://www.iacuc.org/index.htm) or the California Biomedical Research Association (http://ca-biomed.org/).

Training related to the administration of grants and contracts for PIs and staff who are engaged in grant and contract activity improves compliance with research and sponsored project compliance regulations. Any such training or education should be documented at the time training is successfully completed. Documentation of training attendance, including a list of attendees with...
sign-in sheets or other acknowledgement of individual training, should be retained in the Sponsored Programs Administrator (SPA) office, either in hard copy or electronically.

The California State University requires PIs to fulfill ethics training requirements in accordance with Section 4 of the CSU Conflict of Interest Policy for Principal Investigators (http://www.calstate.edu/HRAdm/pdf/2005/HR2005-38.pdf). In coordination with the University’s Human Resources office, PIs will be provided access to training and a certificate of completion, once training is successfully achieved. See page four of this document for more information on Conflict of Interest disclosures and regulations.

5. Program Administration: Delegations of Authority

Executive Order 890 (EO-890) governs the administration of grants and contracts across the CSU system. Section 3.1 of EO-890 requires the approval of all sponsored program proposal submissions by the president or University designee and the Chief Financial Officer or University designee.

It is important to document delegations of authority and to keep those delegations up-to-date. All delegations of authority should be kept current for proposal clearance, submission, designation of the sponsored programs administrator and award acceptance.

6. Project Integrity and Regulatory Compliance: Conflict of Interest (COI)

It is the responsibility of the University to ensure compliance with federal, state and CSU regulations regarding the disclosure, filing and resolution of financial conflicts of interest related to sponsored research. Campuses should have policies and procedures in place in accordance with the regulations applicable to grants and contracts received from the following sponsors:

<table>
<thead>
<tr>
<th>Research Sponsor</th>
<th>Applicable Regulations and Links</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Health Service (e.g., NIH); American Heart Association; American Cancer Society</td>
<td>42 CFR Part 50, Subpart F, &quot;Responsibility of Applicants for Promoting Objectivity in Research for which PHS Funding is Sought.&quot; <a href="http://grants.nih.gov/grants/compliance/42_CFR_50_Subpart_F.htm">Link</a> [CoI FAQ] <a href="http://grants.nih.gov/grants/policy/coifaq.htm#b1">Link</a></td>
</tr>
<tr>
<td>National Science Foundation</td>
<td>NSF Award and Administration Guide – NSF 08-1 January 2008 Chapter IV - Grantee Standards <a href="http://www.nsf.gov/pubs/policydocs/pappguide/nsf08_1/aag_4.jsp#IVA">Link</a></td>
</tr>
<tr>
<td>Non-Governmental agencies (for-profit and non-profit)*</td>
<td>Regulations of the Fair Political Practices Commission (FPPC), Title 2, Division 6, California Code of Regulations; 18755. Statements of Economic Interests: Person or Persons at an Institution of Higher Education with Principal Responsibility for</td>
</tr>
</tbody>
</table>
It is important for campuses to facilitate the coordination between the sponsored programs office and their campus COI filing officer, in order to manage compliance with the applicable regulations, including 700-U filings and related ethical training requests. Campuses should also define whether the campus filing officer or the sponsored programs office retains ownership of the various completed COI forms, in accordance with applicable regulations.

7. Grants Management: Subrecipient Monitoring
The SPA is responsible for overall compliance with OMB Circular A-133 and specifically as it relates to subrecipient monitoring. Subpart B, Section .210 of A-133 identifies the difference between a vendor and a subrecipient. Section .320(e)(1) of A-133 requires the subrecipient to provide its annual single audit report to the prime recipient if the audit report contains findings related to the relevant subagreement. Follow-up on program-specific audit findings should be documented. If there are no findings, the subrecipient may provide a statement to that effect in accordance with Section .320(e) (2) of A-133. Audit reports may also be requested from the subrecipients or viewed on the Federal Audit Clearinghouse.

8. Grants Management: Programmatic Technical Reporting
It is the responsibility of the University, in support of its designated SPA office, to ensure compliance with programmatic technical reporting requirements of its sponsored projects. OMB Circular A-110, Section 51 states that, "Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements as delineated in Section __.26." Refer to OMB Circular A-110 and specific grant guidelines and requirements for more information.

California State University Executive Order 1000 (EO-1000) governs the delegation of fiscal authority and responsibility. Section II (bullet 9) of EO-1000 requires the president or designee to ensure that costs incurred by the CSU Operating Fund for services, products and facilities
provided to other CSU funds and to Auxiliary Organizations are properly and consistently recovered with cash and/or a documented exchange of value.

EO-1000 superseded EO-753 on July 1, 2007, and requires the campus Chief Financial Officer or designee to annually approve and implement the cost allocation plan in accordance with EO-1000.

10. Cost Sharing and Effort Certification

A systemwide effort reporting task force is reviewing best practices and policy interpretation and is working to further refine key definitions and determine consistent policy interpretation for the system. Recommendations from the task force related to consistent policy interpretation are anticipated in spring 2009.

11. Property Management

It is the responsibility of the SPA to comply with Auxiliary and/or University property management policies and procedures. When purchasing equipment or expendable property with federal funds, it is also the responsibility of the SPA to comply with federal regulations in OMB Circular A-110, Section 34 (equipment) and Section 35 (supplies and other expendable property). OMB Circular A-110 requires the recipient of federal funds to follow its institutional policies and to minimally tag, track and inventory all equipment or equipment components with a purchase price of $5,000 or greater. A physical inventory must be completed every two years and equipment must be tracked for its useful life in accordance with institutional policy. Refer to OMB Circular A-110 for more information regarding disposition of equipment purchased in support of a federally-funded project.