

**CONTRACTS AND GRANTS**  
**CALIFORNIA STATE UNIVERSITY,**  
**SACRAMENTO**

**Audit Report 07-15**  
**September 7, 2007**

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## **ABBREVIATIONS**

CFO	Chief Financial Officer
CSU	California State University
EO	Executive Order
OMB	Office of Management and Budget
RACA	Research Administration and Contract Administration
UEI	University Enterprises, Inc.

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## **EXECUTIVE SUMMARY**

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2006, the Board of Trustees, at its January 2007 meeting, directed that *Contracts and Grants* be reviewed. Contracts and Grants was last audited in 2001.

We visited the California State University, Sacramento campus from May 29, 2007, through June 29, 2007, and audited the procedures in effect at that time.

In our opinion, the administration and management controls over sponsored programs were, for the most part, effective. Campus and University Enterprises, Inc. (UEI) management had developed comprehensive policies and procedures for principal investigator and project director, financial accounting, and regulatory compliance activities. However, controls over delegations of authority, employee training records, approvals of proposals and contracts, indirect cost allocation, travel expenditures, and equipment purchases needed improvement.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

### **PROGRAM ADMINISTRATION [6]**

There was no written delegation of authority from the president to the director of research administration to sign/approve proposals for sponsored programs. In addition, documentation to support initial and ongoing training for project directors and those responsible for the administration of contracts and grants needed improvement. Initial and ongoing training was not documented by a formalized training schedule and sign-in sheet to verify that newly hired employees received a comprehensive overview of important topics and existing employees received adequate ongoing training.

### **GRANTS MANAGEMENT [7]**

Written approval by all appropriate campus and UEI officials was not always completed prior to proposal submission and award acceptance. A review of 21 contracts and grants disclosed that nine award proposals lacked the required prior written approval of the president or president's designee and of the chief financial officer (CFO) or CFO's designee. Further, 17 awards lacked prior written approval by all appropriate campus and UEI officials. For example, in 14 cases the UEI executive director or his designee approved contracts without any approval from campus officials and in three cases, the sponsor sent only an award notification letter in lieu of a contract, which did not require written acceptance or acknowledgement of grant terms.

## **FISCAL ADMINISTRATION [9]**

The campus cost allocation rates for the reimbursement of facilities, goods, and services provided by the campus to UEI had not been adjusted since July 1, 2002. In addition, reimbursements of travel expenditures were not always in compliance with California State University and UEI policies. A review of ten travel expenditures disclosed that travel was not properly approved prior to traveling, conference agenda/schedule of events was not always provided as documentation, and travel expenditures submitted for reimbursement by a subcontractor were incorrectly recorded.

## **PROCUREMENT AND PROPERTY MANAGEMENT [11]**

Computer equipment purchases were not always tagged and added to inventory records, and oversight of rebates was not adequate. A review of 30 miscellaneous expenditures disclosed that two laptop computers purchased by UEI were donated to the campus, but were not tagged and added to campus inventory records. In addition, there was no evidence to determine whether mail-in rebates were redeemed and returned to the sponsor accounts for the purchase of two computers eligible for rebates. Lastly, one laptop purchase was not included within the sponsor approved budget for equipment.

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## INTRODUCTION

### **BACKGROUND**

The Office of Management and Budget (OMB) has promulgated the following government-wide policies to ensure proper stewardship of federal research funds:

- ▶ OMB Circular A-21, *Cost Principles for Educational Institutions*, establishes principles for determining costs applicable to grants, contracts, and other agreements with educational institutions. These principles are designed to provide that the federal governments bear its fair share of total costs, determined in accordance with generally accepted accounting principles, except where restricted or prohibited by law.
- ▶ OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, sets forth the standards for obtaining consistency and uniformity among federal agencies in the administration of grants to, and agreements with, the institutions of higher education, hospitals, and other non-profit organizations.
- ▶ OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, was issued pursuant to the Single Audit Act of 1984, Public Law 98-502, and the Single Audit Act Amendments of 1996, Public Law 104-156. This circular sets forth consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards.

The National Institutes of Health *Grants Policy Statement* (last revised December 2003) and the National Science Foundation *Grant Policy Manual* (last revised July 2005) have also delineated policy requirements to serve as terms and conditions of awards granted.

Executive Order (EO) 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, superseded a prior EO issued in 1973 which promulgated systemwide policies in the sponsored programs area and set forth requirements that auxiliary administration activities be performed in a manner which enables the Board of Trustees to satisfy its responsibilities to the State of California, federal agencies, public and private sponsors, the campuses, and the auxiliaries. EO 890 sets policy to be followed by each campus and any auxiliary administering sponsored programs to ensure that the university or auxiliary maximizes the benefits of sponsored programs and supports faculty, students, and administrators in effectively securing and carrying out sponsored programs. EO 890 requires that each campus establish a written policy on the management of sponsored programs that incorporates the components of: proposal submission, review, and approval; performance of grants and contracts; human resources policies; academic policies; fiscal administration; and work product and records.

At California State University, Sacramento, research administration and contract administration has overall responsibility for sponsored programs' pre-award activities. University Enterprises, Inc. performs post-award activities and is the fiscal manager of campus-sponsored programs.

## **PURPOSE**

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of contracts and grants and to determine the adequacy of controls over the related processes to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Certain essential administrative and managerial internal controls are in place, including delegations of authority and responsibility, formation of independent oversight committees, documented policies and procedures, and adequate cost accounting and recordkeeping.
- ▶ Sponsored program proposals are reviewed and approved by authorized personnel prior to submission to awarding agencies and organizations, while awards are subsequently reviewed and accepted by authorized campus and auxiliary personnel.
- ▶ Federal single audits are timely performed and audit findings are timely and sufficiently resolved.
- ▶ Individuals involved with contracts and grants are provided initial and ongoing training.
- ▶ Conflict of interest disclosures are timely received and adequately reviewed, allegations of misconduct are properly handled, and debarment or suspension of key personnel is verified.
- ▶ Federal and other awards are appropriately expended and such expenditures comply with regulatory agency cost principles regarding allowability, allocability, and reasonableness.
- ▶ Financial, performance, and other project-related reports are appropriately prepared, timely completed, and correctly submitted to sponsoring agencies and organizations; and subrecipient activities are appropriately monitored.
- ▶ Human and animal research is adequately approved, and a system exists to protect the rights, well-being, and personal privacy of human subjects and ensure humane use of live vertebrate animals.
- ▶ Effort reporting systems ensure accurate and properly documented evidence of work performed on sponsored projects, and matching funds requirements are met and properly documented.
- ▶ Deviations from budget and program plans are properly approved and timely reported in accordance with federal regulations and agency guidelines, and billings are timely performed and monitored for payment.
- ▶ Procurement activities comply with federal and other sponsoring agency requirements, records are maintained for equipment acquired and such equipment is adequately safeguarded, and a viable intellectual property management system exists.

## **SCOPE AND METHODOLOGY**

The proposed scope of the audit, as presented in Attachment B, Audit Agenda Item 2 of the January 23-24, 2007, meeting of the Committee on Audit, stated that contracts and grants includes all sponsored programs, special projects, and activities involving external funding sources (outside of continuing/extended education). Potential impacts include commitments/proposals not in the best interest of the California State University; conflicts of interest by principal investigators; inadequate/excessive recovery of costs or contribution of matching requirements; misuse of funds; non-compliance with pertinent grantor/sponsor regulations; audit disallowances, regulatory finds and sanctions; misconduct in research such as fabrication, falsification, plagiarism, or abuse of human subjects; and failure to provide deliverables.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures currently in effect. In instances wherein it was necessary to review annualized data, calendar year 2006 or fiscal year 2005/06 was the primary period reviewed except when it was beneficial to see trends for multiple years.

We focused primarily upon the internal administrative, compliance, and operational controls over the management of contracts and grants. Specifically, we reviewed and tested:

- ▶ Contract and grant policies, rules, regulations, and delegations of authority.
- ▶ Approval of sponsored program proposals and acceptance of contracts.
- ▶ Federal single audits and resolution of prior audit issues.
- ▶ Initial and ongoing training for principal investigators and other staff.
- ▶ Conflict of interest disclosures.
- ▶ Allegations of misconduct.
- ▶ Certification for debarment or suspension of key personnel.
- ▶ Expenditure controls and the disbursement of award funds.
- ▶ Programmatic reporting; both technical and financial in nature.
- ▶ Human subject testing and animal research.
- ▶ Effort reporting, cost sharing, and matching commitments.
- ▶ Subrecipient activity monitoring.
- ▶ Adherence to sponsor-approved budgets and contractual terms.
- ▶ Contract and grant billings.
- ▶ Equipment acquisition, inventorying, and safeguarding.
- ▶ Management of intellectual property.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **PROGRAM ADMINISTRATION**

#### **DELEGATION OF AUTHORITY**

There was no written delegation of authority from the president to the director of research administration to sign/approve proposals for sponsored programs.

Executive Order (EO) 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states that proposals for sponsored programs shall not be submitted to sponsors without prior written approval of the president of the university or the president's university designee and of the chief financial officer (CFO) of the university or the CFO's university designee.

The assistant vice president of research administration and contract administration (RACA) stated that the delegation of authority for the approval of proposals was not documented due to oversight and a significant reorganization of the research function within academic affairs.

Failure to maintain formal delegations of authority for the approval of proposals increases the risk of misunderstandings and unauthorized activities/actions.

**Prior to the end of our fieldwork, the campus prepared a written delegation of authority.**

#### **EMPLOYEE TRAINING**

Documentation to support initial and ongoing training for project directors and those responsible for the administration of contracts and grants needed improvement.

We found that initial training included providing newly hired employees with applicable reference materials and new project directors and principal investigators meeting with a grant administrator, while ongoing training included various symposia and other training. However, the training was not documented by a formalized training schedule and sign-in sheet to verify that newly hired employees received a comprehensive overview of important topics (i.e., sponsored programs administration procedures, conflict of interest policies, human subject and animal testing, intellectual property policies, etc.), and existing employees received adequate ongoing training.

The Code of Federal Regulations, Title 42, Part 50, Subpart F, *Responsibility of Applicants for Promoting Objectivity in Research for Which Public Health Service Funding is Sought*, states that each institution must maintain an appropriate written, enforced policy on conflict of interest...inform each investigator of that policy, and the investigator's reporting responsibilities.

Public Law 99-158, Animals in Research §495(c)(1)(B), requires scientists, animal technicians, and other personnel involved with animal care, treatment, and use by the applicant have available to them instruction or training in the humane practice of animal maintenance and experimentation and the concept, availability, and use of research or testing methods that limit the use of animals or limit animal distress.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with the policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. This includes providing and documenting initial and ongoing training for project directors and those responsible for the administration of contracts and grants.

The director of research administration stated that initial and ongoing training was provided for project directors and those responsible for the administration of contracts and grants, but the campus had not recognized the need to formally document this training.

Failure to document training efforts by project personnel increases exposure to non-compliance with federal and state regulations.

### **Recommendation 1**

We recommend that the campus and University Enterprises, Inc. (UEI) establish procedures to document initial and ongoing employee training by means of a formalized training schedule/topic checklist and sign-in sheet to certify that employees received a comprehensive overview of important topics including, but not limited to, sponsored programs administration procedures, conflict of interest policies, human subject and animal testing, and intellectual property policies.

### **Campus Response**

We concur. A training checklist, covering applicable topics, will be signed by the principal investigator and relevant staff. The implementation of this checklist will be completed by February 29, 2008. Effective August 1, 2007, attendees of training sessions will complete sign-in sheets.

## **GRANTS MANAGEMENT**

Written approval by all appropriate campus and UEI officials was not always completed prior to proposal submission and award acceptance.

Our review of 21 contracts and grants disclosed that:

- ▶ Nine award proposals lacked the required prior written approval of the president or president's designee and of the CFO or CFO's designee.

- ▶ Seventeen awards lacked prior written approval by all appropriate campus and UEI officials. In 14 cases, the UEI executive director or his designee approved contracts without any approval from campus officials. In three cases, the sponsor sent only an award notification letter in lieu of a contract, which did not require written acceptance or acknowledgement of grant terms.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states that proposals for sponsored programs shall not be submitted to sponsors without prior written approval of the president of the university or the president's university designee and of the CFO of the university or the CFO's university designee. It further states that awards for contracts and grants shall not be accepted without prior written approval by appropriate officials of the university and auxiliary responsible for the following areas, if applicable: (a) academic/programmatic; (b) fiscal; (c) health and safety; (d) human and animal subject research; (e) space; (f) major technical resources and equipment; and (g) risk management.

The assistant vice president of RACA stated that the campus had considered the use of proposal approval forms as evidence of contract approval by campus officials. He further stated that the campus considered the approval of grant notification letters as unnecessary because documented approval was not required by the sponsor.

The absence of appropriate approvals prior to proposal submission and award acceptance increases the risk of submission and acceptance of inappropriate contracts and grants with unfavorable terms.

## **Recommendation 2**

We recommend that the campus and UEI implement procedures that ensure written approval of all appropriate campus and UEI officials prior to proposal submission and award acceptance. This might include the implementation of an electronic approval routing system to ensure that all appropriate officials are included in the process.

## **Campus Response**

We concur. By December 31, 2007, the policy will be enhanced to ensure that proposal submissions and awards are properly approved, in accordance with EO 890. By May 31, 2008, the university and UEI will implement an electronic approval routing system to ensure all appropriate officials are included in the proposal approval process.

## **FISCAL ADMINISTRATION**

### **COST ALLOCATION PLAN**

The campus cost allocation rates for the reimbursement of facilities, goods, and services provided by the campus to UEI had not been adjusted since July 1, 2002.

EO 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, requires that an annual written cost allocation plan is prepared to ensure that auxiliary enterprises are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the General Fund.

The assistant vice president of administrative services stated that the cost allocation rates had not been updated due to the reassignment of project responsibilities, retirement of key personnel involved in the process, and workload commitments. She further stated that the plan had been reviewed and approved annually by the CFO.

The absence of a current cost allocation plan increases the risk that the campus operating fund is not fully compensated for support provided to auxiliary enterprises.

#### **Recommendation 3**

We recommend that the campus annually review and update, if necessary, its cost allocation plan to ensure full reimbursement of costs incurred by the campus on behalf of UEI.

#### **Campus Response**

We concur. The university will complete its assessment of costs associated with services provided to UEI. By May 31, 2008, the university will document the revised cost allocation rates charged to UEI.

## **TRAVEL EXPENDITURES**

Reimbursements of travel expenditures were not always in compliance with California State University (CSU) and UEI policies.

Our review of ten travel expenditures between April 2006 and April 2007 disclosed that:

- ▶ Travel by three staff members was not properly approved on a travel request form prior to traveling.
- ▶ Travel by two staff members attending out-of-town conferences was not supported by a copy of the conference agenda/schedule of events when requesting reimbursements.

- ▶ A \$10,000 expenditure submitted for reimbursement by a subcontractor for the payout of stipends was incorrectly charged to the travel charge code and the actual travel expenditure for \$2,267 was incorrectly recorded under the charge code for stipends.

The *UEI Administrator's Desk Manual* states that a completed travel request form must be on file with UEI prior to any departure. It further states that if a conference or meeting was attended, a copy of the schedule of events must be attached to the travel expense claim.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with the policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates the accurate recording of travel and stipends.

The UEI manager of contract administration stated that these exceptions occurred as a result of oversights and added that several were due to travel expense claims submitted by another CSU campus. She further stated that all campuses involved with the project agreed that chancellor's office travel guidelines were to be followed; therefore, prior approval from UEI was not required.

Inadequate documentation for the approval of travel and conference attendance increases the risk of excessive and unnecessary costs, while the incorrect classification of expenses increases the risk of misstated expenses and non-compliance with sponsor terms.

#### **Recommendation 4**

We recommend that UEI:

- a. Enforce the completion of travel request forms to document pre-travel approval for all trips.
- b. Ensure that all required documentation is included within travel claims.
- c. Verify the accuracy of charge codes used for recording subcontractor expenses.

#### **Campus Response**

We concur. By January 31, 2008, UEI will reinforce travel documentation policy requirements with staff and principal investigators. UEI will also reinforce the importance of reviewing charge codes for accurate recording. Additionally, by March 31, 2008, UEI will strengthen its travel policy regarding the acceptance of university travel approvals.

## PROCUREMENT AND PROPERTY MANAGEMENT

Computer equipment purchases were not always tagged and added to inventory records, and oversight of rebates was not adequate.

Our review of 30 miscellaneous expenditures between July 2005 and May 2007 disclosed that:

- ▶ A laptop computer purchased by UEI for \$2,093 in December 2006 was donated to the university in February 2007, but was not tagged and added to campus inventory records. In addition, there was no evidence to determine whether a \$100 mail-in rebate was redeemed and returned to the sponsor account.
- ▶ A laptop computer purchased by UEI for \$1,298 in October 2006 was donated to the university in February 2007, but was not tagged and added to campus inventory records. In addition, this purchase of computer equipment was not included within the sponsor approved budget.
- ▶ A desktop computer purchased by UEI for \$1,786 in October 2005 was eligible for mail-in rebates totaling \$200, but there was no evidence to determine whether the rebates were redeemed and returned to the sponsor account.

State Administrative Manual §8650 indicates that the property records for each property acquisition include date acquired, property description, property identification number, cost or other basis of valuation, owner fund, and rate of depreciation, if applicable. Property records shall include both capitalized and non-capitalized property.

EO 649, *Safeguarding State Property*, dated February 15, 1996, delegates authority to each campus president to establish and maintain a system of internal controls to safeguard state property...Some state property may pose a special risk of loss due to its marketability and portability...It is expected that an effective policy would likely include tagging and inventorying all high risk property with an acquisition cost of at least \$500.

The California State University, Sacramento *Policy on Safeguarding State Property* states that program center administrators are responsible for the control and safeguarding of property and equipment with an acquisition cost of \$500 to \$2,499.99. Computer equipment with acquisition costs within this range will be tagged by property accounting to assist campus units in the tracking of these items.

The associate vice president of business operations stated that the campus had established a process to provide unique asset tags for computer equipment valued between \$500 and \$2,499.99; however, a lack of adequate staffing contributed to a delay in completing this process for items donated at the end of February 2007. The assistant vice president of RACA stated that the purchase of equipment under federal guidelines varies by agency, and many federal agencies apply a \$5,000 equipment threshold for definitional purpose; therefore, the purchase of the laptop computer was appropriately charged to the sponsor approved supplies budget line item. He further stated that the equipment rebates were not obtained due to oversight.

Failure to properly account for and record equipment acquisitions increases the risk of misstated inventory records and theft or loss of property, while the failure to account for rebates increases the risks of revenue loss and inappropriate activities.

**Recommendation 5**

We recommend that the campus and UEI:

- a. Strengthen procedures to ensure that all purchases of sensitive equipment greater than \$500 are tagged and added to inventory records.
- b. Implement a policy for the oversight of rebates to ensure the timely and accurate recovery of rebates to sponsor accounts.
- c. Ensure that equipment purchases have been explicitly approved by the sponsor within a documented budget.

**Campus Response**

We concur. By January 31, 2008, the university will reinforce property management requirements with the campus community regarding asset tagging and tracking of computer equipment.

By January 31, 2008, a policy will be implemented by UEI to track and account for rebates associated with equipment purchased using sponsored funding. Additionally, UEI will reinforce adherence to the approved budget for supplies and equipment purchases with the principal investigators.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Alexander Gonzalez	President
Ken Alger	Contracts Administration Officer, University Enterprises, Inc. (UEI)
Minnie Chabot	Grant Administration Officer, UEI
David Earwicker	Assistant Vice President, Research Administration and Contract Administration
Stephen Garcia	Vice President for Administration and Chief Financial Officer
Ronald Grant	Associate Vice President, Business Operations
J. Terry Manns	Director, Research Administration
Mark Matulich	Controller, UEI
Stewart McConnell	Senior Management Auditor
Kathi McCoy	Director, Auditing Services
Meri McGraw	Director of Information Technology, UEI
Donna McLeod	Payroll Manager, UEI
Veronica Nute	Manager, Contract Administration, UEI
Donna Parenti	Director of Finance, UEI
Abbi Stone	Assistant Vice President, Administrative Services



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OCT 4 2007

THE CALIFORNIA STATE  
UNIVERSITY

October 4, 2007

Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore  
Long Beach, CA 90802-4210

SUBJECT: CAMPUS RESPONSE TO RECOMMENDATIONS OF CONTRACTS &  
GRANTS AUDIT, REPORT #07-15

Dear Mr. Mandel:

We submit the attached document as our response to the recommendations of the audit. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or require additional information, please contact Kathi McCoy, Director of Auditing Services, at 916 278-7439.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen G. Garcia".

Stephen G. Garcia  
Vice President for Administration

Enclosure

cc: Joseph Sheley  
David Earwicker  
Terry Manns  
Matt Altier  
Donna Parenti  
Monica Kauppinen  
Ronald Grant  
Kathi McCoy  
Abbi Stone

contract&grants 07-15 audit

**CONTRACTS AND GRANTS**  
**CALIFORNIA STATE UNIVERSITY,**  
**SACRAMENTO**

**Audit Report 07-15**  
**September 7, 2007**

**PROGRAM ADMINISTRATION**

**EMPLOYEE TRAINING**

**Recommendation 1**

We recommend that the campus and University Enterprises, Inc. (UEI) establish procedures to document initial and ongoing employee training by means of a formalized training schedule/topic checklist and sign-in sheet to certify that employees received a comprehensive overview of important topics including, but not limited to, sponsored programs administration procedures, conflict of interest policies, human subject and animal testing, and intellectual property policies.

**Campus Response**

We concur. A training checklist, covering applicable topics, will be signed by the principal investigator and relevant staff. The implementation of this checklist will be completed by February 29, 2008. Effective August 1, 2007, attendees of training sessions complete sign-in sheets.

**GRANTS MANAGEMENT**

**Recommendation 2**

We recommend that the campus and UEI implement procedures that ensure written approval of all appropriate campus and UEI officials prior to proposal submission and award acceptance. This might include the implementation of an electronic approval routing system to ensure that all appropriate officials are included in the process.

**Campus Response**

We concur. By December 31, 2007, the policy will be enhanced to ensure that proposal submissions and awards are properly approved, in accordance with EO 890. By May 31, 2008, the University and UEI will implement an electronic approval routing system to ensure all appropriate officials are included in the proposal approval process.

## **FISCAL ADMINISTRATION**

### **COST ALLOCATION PLAN**

#### **Recommendation 3**

We recommend that the campus annually review and update, if necessary, its cost allocation plan to ensure full reimbursement of costs incurred by the campus on behalf of UEI.

#### **Campus Response**

We concur. The University will complete its assessment of costs associated with services provided to UEI. By May 31, 2008, the University will document the revised cost allocation rates charged to UEI.

### **TRAVEL EXPENDITURES**

#### **Recommendation 4**

We recommend that UEI:

- a. Enforce the completion of travel request forms to document pre-travel approval for all trips.
- b. Ensure that all required documentation is included within travel claims.
- c. Verify the accuracy of charge codes used for recording subcontractor expenses.

#### **Campus Response**

We concur. By January 31, 2008, UEI will reinforce travel documentation policy requirements with staff and principal investigators. UEI will also reinforce the importance of reviewing charge codes for accurate recording. Additionally, by March 31, 2008, UEI will strengthen its travel policy regarding the acceptance of University travel approvals.

## **PROCUREMENT AND PROPERTY MANAGEMENT**

#### **Recommendation 5**

We recommend that the campus and UEI:

- a. Strengthen procedures to ensure that all purchases of sensitive equipment greater than \$500 are tagged and added to inventory records.
- b. Implement a policy for the oversight of rebates to ensure the timely and accurate recovery of rebates to sponsor accounts.
- c. Ensure that equipment purchases have been explicitly approved by the sponsor within a documented budget.

**Campus Response**

We concur. By January 31, 2008, the University will reinforce property management requirements with the campus community, regarding asset tagging and tracking of computer equipment.

By January 31, 2008, a policy will be implemented by UEI to track and account for rebates associated with equipment purchased using sponsored funding. Additionally, UEI will reinforce adherence to the approved budget for supplies and equipment purchases with the principal investigators.


  
**THE CALIFORNIA STATE UNIVERSITY**  
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

October 19, 2007

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 07-15 on *Contracts and Grants*,  
California State University, Sacramento

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 19, 2007, I accept the response as submitted with the draft final report on *Contracts and Grants*, California State University, Sacramento.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Alexander Gonzalez, President  
Ms. Kathi McCoy, Director of Auditing Services

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS