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ABBREVIATIONS

ARRA          American Recovery and Reinvestment Act
CSU           California State University
CSU Fresno    California State University, Fresno
Foundation    California State University, Fresno Foundation
OMB           Office of Management and Budget
PI            Principal Investigator
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last two quarters of 2009, the Board of Trustees, at its January 2010 meeting, directed that Post Award be reviewed. The Office of the University Auditor had previously reviewed post-award activities as part of the 2007 audits of Contracts and Grants and, for the majority of campuses, in triennial audits of Auxiliary Organizations.

We visited the California State University, Fresno campus from April 26, 2010, through May 21, 2010, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: effort reporting and project closeout. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for post-award activities in effect as of May 21, 2010, taken as a whole, were sufficient to meet the objectives stated below.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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.

PAYROLL DISTRIBUTION/EFFORT REPORTING [5]

Effort reporting was inadequately documented and not always timely. The timeliness of effort reports is a repeat finding from the prior contracts and grant audit.

TECHNICAL REPORTING [7]

The Foundation did not always complete closeout forms in a timely manner.
INTRODUCTION

BACKGROUND

Post award is a subset of sponsored projects/research activities generally encompassing what occurs in the period following award acceptance through the final closeout process. Six California State University (CSU) campuses and the chancellor’s office administer the post-award aspects of sponsored projects/research on the state side. These six campuses are Bakersfield, Channel Islands, Maritime Academy, San Francisco, Sonoma, and Stanislaus. The other 17 CSU campuses manage post award through auxiliary organizations.

The federal government is the largest provider of sponsored project/research funding in the CSU. In 2007/08, 20 different federal agencies provided approximately $150 million. The largest amounts of federal funding were received from the Department of Health and Human Services, Department of Defense, National Science Foundation, and National Aeronautics and Space Administration. The American Recovery and Reinvestment Act (ARRA) also became a source of federal funding for sponsored projects/research after Congress passed it on February 13, 2009.

Post award is subject to various types of audits, including internal audits by the Office of the University Auditor and external audits required by granting agency regulations. Ongoing external audits include the federal Office of Management and Budget Circular A-133 audits that are required annually for recipients who expend more than $500,000 of federal funds. The same external auditors who opine on the entities’ financial statements also perform the A-133 audits.

Based upon a fiscal year 2009/10 systemwide risk assessment, the overall post-award function was identified as having greater risk than other sponsored program activities.

In the Office of the Chancellor, post award is administered through the office of sponsored program administration, which reports through the assistant vice chancellor/controller, financial services, to the executive vice chancellor/chief financial officer. At California State University, Fresno, the post-award function is administered by the California State University, Fresno Foundation.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to post-award administration and to determine the adequacy of controls that 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:

- Internal controls in high-risk areas of post-award administration operate as intended.
- Post-award cost sharing/matching complies with applicable sponsor requirements and contract terms and conditions.
- Integrated systems for post-award effort reporting exist and support compliance with CSU and funding agency requirements.
- Adequate after-the-fact verification of employee activity provides accurate, complete, and defensible documentation of payroll distribution and post-award effort expended.
- Subrecipient relationships are appropriately established and monitored.
- The CSU has administered ARRA-funded research projects in accordance with federal guidance on accountability and transparency.
- Post-award reporting procedures are adequate to demonstrate acceptable performance in sponsored projects.
- Post-award closeout procedures are performed in a timely manner and comply with sponsoring agency requirements.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment B, Agenda Item 2 of the January 26-27, 2010, meeting of the Committee on Audit stated that post award would include a review of contract/grant budgeting and financial planning, cost accounting and allocation, cost matching and transfer processes, effort reporting, fiscal reporting, subrecipient monitoring, and management and security of information systems.

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 whether 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 focused on procedures in effect from January 1, 2008, through December 31, 2009. In instances wherein it was necessary to review annualized data, calendar years 2008 and 2009 were the periods reviewed.

A preliminary risk-assessment of post award was used to select those areas or activities with highest risk for our audit testing. This assessment was based upon a systematic process using prior audits, management’s feedback and professional judgments on probable adverse conditions and other pertinent information including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- Cost sharing/matching.
- Payroll distribution/effort reporting.
- Subrecipient monitoring.
- ARRA funding.
- Progress/technical reporting.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PAYROLL DISTRIBUTION/EFFORT REPORTING

DOCUMENTATION

Effort reporting was inadequately documented at the California State University, Fresno Foundation (Foundation).

Our review of 17 sponsored projects disclosed that the Foundation could not provide effort-reporting documentation for 27 of the 35 faculty and staff with time charged.

Office of Management and Budget (OMB) Circular A-21, Cost Principles for Educational Institutions, §J.10, states that a plan-confirmation effort-reporting system is one where the distribution of salaries and wages to sponsored projects is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes. In this type of system, a statement to verify the work performed will be signed by the employee, principal investigator, or other responsible official at least annually.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, §C.21, states that recipient’s financial management systems shall provide for effective control over and accountability for all funds, property and other assets, and accounting records that are supported by source documentation.

OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, §105 and §300, state that awardees must maintain internal controls over federal programs to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable federal reports and demonstrate compliance with laws, regulations, and other requirements.

The California State University, Fresno (CSU Fresno) Academic Policy Manual, §504, Policy on Effort Reporting, states all recipient faculty or staff who have been paid and/or cost shared their time on a sponsored program are responsible for certifying their own effort. Faculty and staff are also responsible for monitoring their effort commitments. Faculty and staff are required to certify that the distribution of effort indicated is a reasonable estimate of all work performed during the period covered by the report. The certification requires the signature of the employee or of a person having direct knowledge of the work (i.e., project director). The certification must take place no less frequently than every six months.

The Foundation Principal Investigator (PI) Handbook, §IV-34, Effort Reporting, states that all university and Foundation employees who have received payment from a Foundation grant, contract, or Foundation program account must certify their time. In addition, it states faculty should certify and forward completed forms to the Foundation grant analyst beginning one month after the end of each academic term and no later than every six months. Effort reports from staff employees not tied
to the academic term should be submitted to the Foundation grant analyst one month after the quarter.

The associate vice president for auxiliary operations stated that the current effort-reporting process is perceived as being cumbersome and time-consuming by PIs. She also stated that the Foundation plans to automate the existing manual system and believes that this will increase the response rate on effort reports.

Failure to adequately document effort reporting increases the risk of reduced reimbursements and increased regulatory scrutiny.

**Recommendation 1**

We recommend that the campus in conjunction with the Foundation document all effort reporting expended on sponsored projects.

**Campus Response**

We concur. Currently, the Foundation is managing effort reporting manually with forms that require reliance on the PIs to complete and certify at least quarterly. The current forms in place for use by PIs are detailed and cannot be completed online. By December 15, 2010, the Foundation will update its existing effort-reporting forms to be more user-friendly until an online system can be implemented. In addition, the post award accounting staff will on a monthly basis advise the director of foundation financial services and the director of sponsored programs if effort-reporting documentation has not been received for a sponsored program so that there is improved management oversight.

By February 15, 2011, the Foundation and the university will identify system options that can be integrated with the university’s and Foundation’s payroll systems. Implementation of a new system may be dependent upon fiscal resources in future fiscal years.

**TIMELINESS**

Effort reports were not always completed in a timely manner. This is a repeat finding from the prior contracts and grants audit.

We found that two of the eight effort reports reviewed were certified over 60 days after Foundation and campus deadlines.

The CSU Fresno Academic Policy Manual, §504, *Policy on Effort Reporting*, states that effort certification must take place no less frequently than every six months.

The Foundation PI Handbook, §IV-34, *Effort Reporting*, states that all university and Foundation employees who have received payment from a Foundation grant, contract, or Foundation program account must certify their time. In addition, it states faculty should certify and forward completed
 forms to the Foundation grant analyst beginning one month after the end of each academic term and no later than every six months. Effort reports from staff employees not tied to the academic term should be submitted to the Foundation grant analyst one month after the quarter.

OMB Circular A-21, *Cost Principles for Educational Institutions*, §J.10, states that a plan-confirmation effort-reporting system is one where the distribution of salaries and wages to sponsored projects is based on budgeted, planned, or assigned work activity, updated to reflect any significant changes. In this type of system, a statement to verify the work performed will be signed by the employee, principal investigator, or other responsible official at least annually.

The associate vice president for auxiliary operations stated that the delay in submitting effort reports was attributed to 2009/10 furloughs as well as the workload of PIs and grant accounting staff.

Failure to complete effort-reporting certifications in a timely manner increases the risk of regulatory scrutiny and resultant penalties.

**Recommendation 2**

We recommend that the campus, in conjunction with the Foundation, ensure that effort reports are timely completed.

**Campus Response**

We concur. In October 2010, the Foundation will begin working with the university (office of research and sponsored programs) to develop a plan that specifies a timeline for communications and presentations to school/college deans and PIs about the importance of submitting effort reports timely. This communication plan will be completed by November 1, 2010. Documentation of said communications and meetings will be available by February 15, 2011.

**TECHNICAL REPORTING**

The Foundation did not always complete closeout forms in a timely manner.

We reviewed five closed projects and noted that the closeout forms were not completed within Foundation timelines for four out of five awards, ranging from 91 to 464 days overdue.

The Foundation *Grants and Contracts Close-Out Procedures* state that the grant accountant reviews each account and prepares the closeout form to determine if required items have been completed and all final reports have been submitted to the funding agency. The form is to be completed 30 days after the ending date of the award or sooner if required.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.71(b), states that recipients shall liquidate, within 90 calendar days after the date of completion of the award, all
obligations incurred under the award. It also states in §.71(d) that the recipient must “promptly” refund any unobligated federal funds that the awarding agency has advanced that was not authorized to be retained for use in other projects.

The associate vice president for auxiliary operations stated that the closeout forms were not completed timely due to decreased staff size and increased work overload.

Failure to timely complete closeout forms increases the risk of error and non-compliance with sponsor requirements.

**Recommendation 3**

We recommend that campus, in conjunction with the Foundation, complete closeout forms within the time frame prescribed by Foundation procedures.

**Campus Response**

We concur. By October 15, 2010, the Foundation will modify its internal procedures to allow for 60 days instead of 30 days for the updating of closeout forms. By October 31, 2010, management will review files of all completed grants from the 2009/10 fiscal year and ensure that closeout forms have been updated appropriately. This review process will continue on an ongoing basis. At the end of each calendar quarter, management will verify that all grants that ended in the last 60 days have a completed closeout form.
# APPENDIX A:
## PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>John D. Welty</td>
<td>President</td>
</tr>
<tr>
<td>Debbie Adishian-Astone</td>
<td>Associate Vice President for Auxiliary Operations/Executive Director</td>
</tr>
<tr>
<td>David Andrews</td>
<td>Director, Science and Mathematics Education Center</td>
</tr>
<tr>
<td>Imelda Basurto</td>
<td>Coordinator, Literacy and Early Education Department</td>
</tr>
<tr>
<td>Marlene Bengiamin</td>
<td>Senior Research Associate, Central Valley Health Policy Institute</td>
</tr>
<tr>
<td>Melanie Briones</td>
<td>Senior Health Policy Analyst, Central Valley Health Policy Institute</td>
</tr>
<tr>
<td>Jason Bush</td>
<td>Professor, Biology</td>
</tr>
<tr>
<td>John Capitman</td>
<td>Executive Director, Central Valley Health Policy Institute</td>
</tr>
<tr>
<td>Linda Christian</td>
<td>Grant Accounting Supervisor</td>
</tr>
<tr>
<td>Ronna Crews</td>
<td>Associate Program Coordinator, Professional Science Masters Program</td>
</tr>
<tr>
<td>Benjamin Cuellar</td>
<td>Professor, College of Health and Human Services</td>
</tr>
<tr>
<td>Tamara Durant</td>
<td>Grant Accountant</td>
</tr>
<tr>
<td>Carlos Figueroa</td>
<td>Student Employee</td>
</tr>
<tr>
<td>Barbara Foster</td>
<td>Director, Specialized Foster Parent Training Project</td>
</tr>
<tr>
<td>David Foster</td>
<td>Staff Director, the Central California Area Social Services Consortium</td>
</tr>
<tr>
<td>Franklin Freitas</td>
<td>Staff Member, Child Welfare Training Academy</td>
</tr>
<tr>
<td>Ofelia Gamez</td>
<td>Director, College Assistance Migrant Program</td>
</tr>
<tr>
<td>Elizabeth Gutierrez</td>
<td>Student Employee</td>
</tr>
<tr>
<td>Alam Hasson</td>
<td>Associate Professor, Chemistry</td>
</tr>
<tr>
<td>Jessica Hernon</td>
<td>Student Employee</td>
</tr>
<tr>
<td>Matthew Jendian</td>
<td>Director, American Humanities Certificate Program</td>
</tr>
<tr>
<td>Keith Kompsi</td>
<td>Director of Financial Services, Auxiliary Corporations</td>
</tr>
<tr>
<td>Charles Krauter</td>
<td>Professor, Jordan College of Agricultural Science</td>
</tr>
<tr>
<td>Viswanathan Krishnan</td>
<td>Associate Professor, Chemistry</td>
</tr>
<tr>
<td>Clinton Moffitt</td>
<td>Associate Vice President for Financial Services</td>
</tr>
<tr>
<td>Alex Newlin</td>
<td>Student Employee</td>
</tr>
<tr>
<td>Avtar Nijjer-Sidhu</td>
<td>Community Health Capacity Building Specialist</td>
</tr>
<tr>
<td>Naomi Prohoroff</td>
<td>Student Employee</td>
</tr>
<tr>
<td>Laura Ramos</td>
<td>Project Administrator, California. Irrigation and Flow Technologies</td>
</tr>
<tr>
<td>Steven Rocca</td>
<td>Professor, Animal Sciences and Agricultural Education Department</td>
</tr>
<tr>
<td>Wilma Satterburg</td>
<td>Grant Accountant</td>
</tr>
<tr>
<td>Cynthia Teniente-Matson</td>
<td>Vice President, Administration/Chief Financial Officer</td>
</tr>
<tr>
<td>Nathan Zanoni</td>
<td>Grant Accountant</td>
</tr>
<tr>
<td>Gilda Zarate-Gonzalez</td>
<td>Program Coordinator, Healthy Kids Healthy Communities Initiative</td>
</tr>
<tr>
<td>Lynette Zelezny</td>
<td>Associate Dean, Craig School of Business</td>
</tr>
<tr>
<td>David Zoldoske</td>
<td>Director, California Water Institute</td>
</tr>
</tbody>
</table>
September 13, 2010

Memorandum

To: Larry Mandel  
University Auditor  
The California State University

From: Cynthia Teniente-Matson  
Vice-President for Administration and  
Chief Financial Officer

Subject: Responses to Post Award Audit Report #10-29

The University has reviewed the Post Award Audit Report #10-29. Attached are Fresno State’s responses to the recommendations. Please let me know if you have any questions or require additional information. Thank you.

Attachment

c: Dr. John Welty  
Ms. Deborah Adishian- Astone  
Ms. Michelle Schlack  
Mr. Jim Usher
PAYROLL DISTRIBUTION/EFFORT REPORTING

DOCUMENTATION

Recommendation 1

We recommend that the campus, in conjunction with the Foundation, document all effort reporting expended on sponsored projects.

Campus Response

We concur. Currently, the Foundation is managing effort reporting manually with forms that require reliance on the Principal Investigators (PIs) to complete and certify at least quarterly. The current forms in place for use by PIs are detailed and cannot be completed online. By December 15, 2010, the Foundation will update its existing effort-reporting forms to be more user friendly until an online system can be implemented. In addition, the post award accounting staff will on a monthly basis advise the Director of Foundation Financial Services and the Director of Sponsored Programs if effort-reporting documentation has not been received for a sponsored program so that there is improved management oversight.

By February 15, 2011, the Foundation and the University will identify system options which can be integrated with the University’s and Foundation’s payroll systems. Implementation of a new system may be dependent upon fiscal resources in future fiscal years.

TIMELINESS

Recommendation 2

We recommend that the campus, in conjunction with the Foundation, ensure that effort reports are timely completed.

Campus Response

We concur. In October 2010, the Foundation will begin working with the University (Office of Research and Sponsored Programs) to develop a plan that specifies a timeline for communications and presentations to School/College Deans and Principal Investigators about the importance of submitting effort reports timely. This communication plan will be completed by November 1, 2010. Documentation of said communications and meetings will be available by February 15, 2011.
TECHNICAL REPORTING

Recommendation 3

We recommend that campus, in conjunction with the Foundation, complete closeout forms within the time frame prescribed by Foundation procedures.

Campus Response

We concur. By October 15, 2010, the Foundation will modify its internal procedures to allow for 60 days instead of 30 days for updating of closeout forms. By October 31, 2010, management will review files of all completed grants from the 2009-10 fiscal year and ensure that closeout forms have been updated appropriately. This review process will continue on an ongoing basis. At the end of each calendar quarter, management will verify that all grants that ended in the last 60 days have a completed closeout form.
October 11, 2010

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Charles B. Reed
      Chancellor

SUBJECT: Draft Final Report 10-29 on Post Award,
         California State University, Fresno

In response to your memorandum of October 11, 2010, I accept the response as
submitted with the draft final report on Post Award, California State University,
Fresno.

CBR/amd