POST AWARD
SAN JOSÉ STATE UNIVERSITY

Audit Report 10-30
August 4, 2010

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ABBREVIATIONS

ARRA American Recovery and Reinvestment Act
CSU California State University
OMB Office of Management and Budget
OSP Office of Sponsored Programs
PI Principal Investigator
Research Foundation SJSU Research Foundation
SJSU San José State University
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 San José State University (SJSU) campus from April 26, 2010, through May 21, 2010, and audited the procedures in effect at that time.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on post-award activities. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report. In our opinion, 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-certification reports were not consistently dated.

TECHNICAL REPORTING [6]

Progress and final reports were not always submitted to the sponsor within the deadlines established in the award agreement between the sponsor and SJSU.
INTRODUCTION


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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 San José State University (SJSU), the post-award function is administered by the SJSU Research Foundation.
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 July 1, 2007, to February 28, 2010. 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

Effort-certification reports were not consistently dated.

We reviewed effort-certification reports that were maintained in the San José State University Research Foundation (Research Foundation) for ten principal investigators (PIs) covering five different reporting periods and noted that:

- Two effort-certification reports were stamped in when received by the Research Foundation, but the reports were not dated by the preparer indicating certification.

- Twelve effort-certification reports did not include a date indicating when the reports were certified by the preparer or when the reports were received in the Foundation.

Office of Management and Budget (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 Research Foundation’s *Office of Sponsored Programs (OSP) Operating Manual*, §C, states that time and effort reports will be distributed approximately 45 days after the semester, intersession, and summer session ends and should be returned to the Research Foundation with proper certification or indication of changes within 30-45 days following distribution.

The Research Foundation’s deputy chief operating officer stated that effort-certification reports were not dated due to an oversight when creating the forms. Further, she stated that the Research Foundation did not stamp in all effort-certification reports due to an oversight of the reception personnel to stamp every document received on a daily basis.

The absence of appropriate dates on effort-certification reports decreases the value of documentation and increases the risk of non-compliance with federal regulations.
Recommendation 1

We recommend that the campus:

a. Update the effort-certification report forms to require preparers to indicate the date of their certification.

b. Consistently record when the Research Foundation receives effort-certification reports.

Campus Response

We concur. We will update the effort-certification report forms and strengthen procedures to consistently record certification reports by the end of December 2010.

TECHNICAL REPORTING

Progress and final reports were not always submitted to the sponsor within the deadlines established in the award agreement between the sponsor and San José State University.

We reviewed a total of 16 awards with activity during the period July 2007 to February 2010 and noted that:

- One of the interim reports was submitted 53 days after the deadline established in an attachment to the award agreement with the federal sponsor.

- One of the interim reports was submitted 40 days after the deadline established in an attachment to the award agreement with the federal sponsor.

- One of the final reports was submitted 25 days after the deadline established in an attachment to the award agreement with the federal sponsor. The delinquent final report for this award was submitted with other reports with a different submission deadline, which were all submitted prior to their deadline.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, §C.51, states that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. The federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted.

Upon the execution of an award agreement between the campus and a federal sponsor, the campus agrees to comply with all requirements established in the award agreement and attachments or exhibits referenced in the award agreement.
The post-award associate director stated that the delay in submitting the progress reports was due to an oversight by the PI and the OSP analyst assigned to the award. She stated that when the oversight was identified, the interim reports were submitted to the sponsor. The post-award associate director stated that the final report submitted late was due within 60 days of the termination of the award and all other final reports required in the award agreement were due within 90 days of the termination of the award. She stated that the practice of the Research Foundation has been to submit all final reports to this sponsor at the same time.

The delinquent submission of progress and final reports to sponsors increases the risk that the campus will experience delays in the receipt of funding or denials of extension requests by sponsors.

**Recommendation 2**

We recommend that the campus submit progress and final reports to sponsors within established deadlines in the award agreement.

**Campus Response**

We concur. We will strengthen procedures to submit progress and final reports to sponsors within established deadlines in the award agreement by the end of December 2010.
### APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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</thead>
<tbody>
<tr>
<td>Don W. Kassing</td>
<td>Interim President</td>
</tr>
<tr>
<td>Jon Whitmore</td>
<td>President (At time of review)</td>
</tr>
<tr>
<td>Cheryl Allmen-Vinnedge</td>
<td>Director, Career Center</td>
</tr>
<tr>
<td>Michael Beeson</td>
<td>Professor, Computer Science</td>
</tr>
<tr>
<td>Peter Beyersdorf</td>
<td>Associate Professor, Physics and Astronomy</td>
</tr>
<tr>
<td>Nancy Bussani</td>
<td>Chief Operating Officer, Tower Foundation</td>
</tr>
<tr>
<td>Jerri Carmo</td>
<td>Deputy Chief Operating Officer, Research Foundation</td>
</tr>
<tr>
<td>Chang Choo</td>
<td>Professor, Electrical Engineering</td>
</tr>
<tr>
<td>Luann Chu</td>
<td>Office of Sponsored Programs Analyst</td>
</tr>
<tr>
<td>Kenneth Coale</td>
<td>Director, Moss Landing Marine Lab</td>
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<tr>
<td>Marc D’Alarcao</td>
<td>Professor, Chemistry</td>
</tr>
<tr>
<td>Jeanne Ditman</td>
<td>Pre-Award Associate Director, Research Foundation</td>
</tr>
<tr>
<td>Lan Duong</td>
<td>Post Award Associate Director, Research Foundation</td>
</tr>
<tr>
<td>Charles Erickson</td>
<td>Project Director, College of Applied Sciences and Arts - Foundation</td>
</tr>
<tr>
<td>Russell Fairey</td>
<td>Project Associate, Moss Landing Marine Laboratory</td>
</tr>
<tr>
<td>Louis Freund</td>
<td>Professor, Industrial and Systems Engineering</td>
</tr>
<tr>
<td>Emmanuel Gabet</td>
<td>Associate Professor, Geology</td>
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<tr>
<td>Paul Harris</td>
<td>Director of Finance and Accounting, Research Foundation</td>
</tr>
<tr>
<td>Ping Hsu</td>
<td>Professor, Electrical Engineering</td>
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<tr>
<td>Andrew Hughey</td>
<td>Professor, Counselor Education</td>
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<tr>
<td>Kevin Jordan</td>
<td>Faculty, Psychology</td>
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<tr>
<td>Kam Lam</td>
<td>Controller, Research Foundation</td>
</tr>
<tr>
<td>Stewart Lamerdin</td>
<td>Marine Superintendent, Moss Landing Marine Laboratory</td>
</tr>
<tr>
<td>Jasmine Le</td>
<td>Office of Sponsored Programs Analyst</td>
</tr>
<tr>
<td>Rose Lee</td>
<td>Vice President of Administration and Finance</td>
</tr>
<tr>
<td>Dorion Liston</td>
<td>Lecturer, Psychology</td>
</tr>
<tr>
<td>Cleber Oouverney</td>
<td>Associate Professor, Biological Sciences</td>
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<tr>
<td>Ninh Pham-Hi</td>
<td>Director of Internal Controls</td>
</tr>
<tr>
<td>James Robbins</td>
<td>Chief Operating Officer, Incubators - Foundation</td>
</tr>
<tr>
<td>Leslie Rohn</td>
<td>Controller, Tower Foundation</td>
</tr>
<tr>
<td>Guna Selvaduray</td>
<td>Professor, Material and Chemical Engineering</td>
</tr>
<tr>
<td>Mary Sidney</td>
<td>Chief Operating Officer, Research Foundation</td>
</tr>
<tr>
<td>Herbert Silber</td>
<td>Faculty, College of Science</td>
</tr>
<tr>
<td>David Steele</td>
<td>Dean, College of Business</td>
</tr>
<tr>
<td>Diem Vo</td>
<td>Office of Sponsored Programs Analyst</td>
</tr>
<tr>
<td>Dan Walker</td>
<td>Emeritus Faculty, Biological Sciences</td>
</tr>
<tr>
<td>Wenbin Wei</td>
<td>Associate Professor, Aviation</td>
</tr>
<tr>
<td>Ricky Yoneda</td>
<td>Lead Enterprise Program Analyst</td>
</tr>
</tbody>
</table>
October 1, 2010

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802

Campus Response to Post Award Audit (10-30) at San José State University.

Enclosed is San José State University's response to the Post Award Audit (10-30). The campus is committed to addressing the issues identified in this audit report.

Please let me know if I can provide you with additional information.

Rose L. Lee
Vice President for Administration and Finance

Enclosure

cc: Don W. Kassing, Interim President
Ninh Pham-Hi, Director, Internal Control
PAYROLL DISTRIBUTION/EFFORT REPORTING

Recommendation 1

We recommend that the campus:

a. Update the effort-certification report forms to require preparers to indicate the date of their certification.

b. Consistently record when the Research Foundation receives effort-certification reports.

Campus Response

We concur. We will update the effort-certification report forms and strengthen procedures to consistently record certification reports by the end of December 2010.

TECHNICAL REPORTING

Recommendation 2

We recommend that the campus submit progress and final reports to sponsors within established deadlines in the award agreement.

Campus Response

We concur. We will strengthen procedures to submit progress and final reports to sponsors within established deadlines in the award agreement by the end of December 2010.
MEMORANDUM

TO: Mr. Larry Mandel
   University Auditor
FROM: Charles B. Reed
       Chancellor
SUBJECT: Draft Final Report 10-30 on Post Award,
         San José State University

In response to your memorandum of October 29, 2010, I accept the response as
submitted with the draft final report on Post Award, San José State University.

CBR/amd