

**SPECIAL INVESTIGATION**  
**CALIFORNIA STATE UNIVERSITY,**  
**DOMINGUEZ HILLS**

**Report Number 05-93**  
**March 3, 2006**

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OFFICE OF THE  
UNIVERSITY AUDITOR

March 3, 2006

Report #0593

Dr. Charles B. Reed  
Chancellor  
The California State University  
401 Golden Shore  
Long Beach, CA 90802

Dear Dr. Reed:


Pursuant to a request from your office on September 14, 2005, the Office of the University Auditor has conducted an investigation of alleged mismanagement of grant programs at California State University, Dominguez Hills (CSUDH). Our investigation was predicated upon allegations of falsification of documents by the Principal Investigator (PI) of two grants awarded by the National Institutes of Health (NIH).

Our examination was conducted in accordance with generally accepted investigative techniques, which included, but were not limited to, examination of books and records, voluntary interviews with appropriate CSUDH employees, and other such evidence-gathering procedures as necessary under the circumstances.

We substantiated that the PI improperly altered a document prepared and signed by representatives of an outside entity, without their knowledge or consent, and submitted the form to the NIH. We also found that the PI and others mismanaged the two grants.

Included within the report are the results of the investigation of the allegations and specific recommendations which, we believe, would benefit the campus' fiscal and operational management of grant programs.

Sincerely,



Larry Mandel  
University Auditor

LM:amd

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## ABBREVIATIONS

Bridges	Bridges to the Baccalaureate Degree
CSUDH	California State University, Dominguez Hills
Foundation	California State University, Dominguez Hills Foundation
NIH	National Institutes of Health
PI	Principal Investigator
U*STAR	Undergraduate Student Training in Academic Research

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## **EXECUTIVE SUMMARY**

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### **ALLEGATIONS**

A Principal Investigator (PI) at California State University, Dominguez Hills (CSUDH) mismanaged two grants from the National Institutes of Health (NIH), including the alteration of a document prepared and signed by representatives of an outside entity, without their knowledge or consent, and the subsequent submittal of the form to the NIH.

### **INVESTIGATION RESULTS - ALLEGATIONS**

We substantiated the allegation that the PI improperly altered a document prepared and signed by representatives of an outside entity, without their knowledge or consent, and submitted the form to the NIH.

We also found that the PI and others mismanaged the two grants both fiscally and programmatically. The PI reported inaccurate and misleading information to the NIH for one of the grants, and he and others authorized improper, questionable, and wasteful expenditures for both grants and CSUDH funds. In addition, there was a lack of programmatic oversight of certain aspects of the grants.

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## **INTRODUCTION**

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### **ALLEGATIONS**

A Principal Investigator (PI) at California State University, Dominguez Hills (CSUDH) mismanaged two grants from the National Institutes of Health (NIH), including the alteration of a document prepared and signed by representatives of an outside entity, without their knowledge or consent, and the subsequent submittal of the form to the NIH.

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### **BACKGROUND**

The PI oversees two grants awarded by the National Institute of General Medical Sciences, one of the National Institutes of Health. The Bridges to the Baccalaureate Degree (Bridges) program helps community college students who are members of underrepresented minority groups make the transition from associate-degree to baccalaureate-degree institutions. The Bridges program at CSUDH offers biomedical laboratory training opportunities to selected students from local community colleges. Similarly, the Undergraduate Student Training in Academic Research (U\*STAR) program provides support for CSUDH undergraduate students who are members of underrepresented minority groups. Both programs allow students to participate in hands-on research in an active laboratory, either at CSUDH or the facilities of a subcontractor.

The PI first applied for the grants in 1997 and 1998, and they have been renewed continuously to the present day. Each of the grants provides funding of approximately \$200,000 to \$300,000 per year to support the programs. In addition, CSUDH has committed \$10,000 per year to support the U\*STAR grant. The California State University, Dominguez Hills Foundation (Foundation) is legally and fiscally responsible for the grants and has delegated to the PI responsibility for the administration of the project, preparation of the required technical reports, and proper fiscal management and conduct of the project. Further, the PI is responsible for compliance with all the terms and conditions of a grant, for efficiently and effectively managing project funds within approved budgets, and for completing the project in a diligent and professional manner. In addition to the PI, the grant funds pay for a full-time Program Coordinator who manages the operational activities of the projects, and a full-time Student Activity Coordinator responsible for the planning and development of activities that facilitate the students' transfer to a four-year college, including working with the community colleges to recruit students into the Bridges program.

Based on allegations about the administration of the grant programs, the CSUDH President contacted the Chancellor of the California State University in September 2005. The Chancellor requested that the Office of the University Auditor review the allegations. After the Chancellor made his request, the NIH, who also received the allegations, sent a letter to the President asking him to have someone not connected with either the grants or the PI look into the allegations and report the findings to the NIH. The NIH was informed that the Office of the University Auditor was already investigating the allegations.

Throughout our investigation, CSUDH and Foundation management and staff were cooperative and provided full support for our efforts.

## **SCOPE AND METHOD OF INVESTIGATION**

To investigate the allegations, we compared documents submitted by the outside entity to the PI to those documents submitted by the PI to the NIH. In addition, we reviewed information regarding the students participating in the grant programs, examined expenditure records, and interviewed parties involved with the grants, including the PI. Although the grants have been continuously awarded since they were first applied for in 1997 and 1998, the main focus of our review was on activity that occurred between 2003 and 2005.

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## RESULTS OF INVESTIGATION

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### INVESTIGATION RESULTS – ALLEGATIONS

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#### Document Alteration

*A document submitted to the National Institutes of Health (NIH) was improperly altered.*

#### Improper Alteration of a Document

*The Principal Investigator (PI) improperly altered a document prepared and signed by representatives of an outside entity, without their knowledge or consent, and submitted the form to the NIH.*

The PI admitted that he altered a document submitted to him by a subcontractor without the knowledge or consent of the subcontractor and subsequently submitted the altered document to the NIH.<sup>1</sup> Specifically, in November 2002, the PI was preparing to submit an application to renew funding for The Bridges to the Baccalaureate Degree (Bridges) grant. The due date for the application was November 14. The application included a “Certification and Letter of Intent to Enter into a PHS [Public Health Service] Consortium Agreement,” which was prepared by the subcontractor on the existing grant and contained its proposed budget information for the grant renewal. The document was signed by two representatives of the subcontractor and dated October 30, 2002. It is unclear what day the PI actually received the document, but according to the PI, he received it very close to the due date; and when he saw the budget figures proposed by the subcontractor, he said he knew that they were too high and beyond what was reasonable. Because it was so close to the due date, the PI said that he changed the numbers on the document without contacting the subcontractor’s representatives for their approval. The PI’s change reduced the subcontractor’s budgeted direct costs for the three-year period from \$143,533 to \$42,445. Although the amount of the subcontractor’s actual budget would be finalized later in a separate agreement with the California State University, Dominguez Hills Foundation (based on the PI’s alterations), the subcontractor was concerned that they would not get the money they needed to cover their expenses related to the grant. The PI signed and dated the document November 11, 2002, and another California State University, Dominguez Hills (CSUDH) administrator approved it on November 12, 2002, two days before the due date.

The PI told us that he had no excuse for altering the document other than the timing (i.e., the short amount of time before the grant application was due). However, even with a short turnaround time, we believe that with the availability of phones, fax machines, and e-mail, it should have been possible for the PI to contact the subcontractor and discuss his concerns with them before altering the document they had signed. It was not until November 25, 2002, that the PI notified one of the subcontractor’s representatives via e-mail that he had changed the amounts on the document with their signatures. When we met with the PI, he told us that the altered document is not that important as evidenced by the fact that the document is no longer required by NIH as part of the grant application. Further, he pointed out that the subcontractor later provided him with budget information that supported and essentially ratified the changes he had made and did not complain about his alteration of the document until 2005 when his relationship with the subcontractor had deteriorated. Part of the reason for the deterioration in the relationship may have been

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<sup>1</sup> The PI and the Program Coordinator both told us that they did not recall who physically made the changes to the altered document.

that, according to the PI, the subcontractor was late in submitting required invoices and budget documents, resulting in a failure to have appropriate subcontracts in place in a timely manner.

Regardless of the timing of, or reasons for the subcontractor's complaint, the fact that they later submitted documents in support of the PI's changes, or the PI's feelings about the significance of the altered document, the fact remains that the PI improperly altered a document signed by other individuals without their knowledge or consent and submitted it to the NIH. Even though he knew his grant application contained the altered document, the PI signed the application, certifying "that the statements herein are true, complete and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties."

### **Mismanagement**

*The PI and others mismanaged the two grants both fiscally and programmatically. The PI reported inaccurate and misleading information to the NIH for one of the grants, and he and others authorized improper, questionable, and wasteful expenditures for both grants and CSUDH funds. In addition, there was a lack of programmatic oversight of certain aspects of the grants.*

### **Inaccurate and Misleading Information**

*The progress reports prepared for the Bridges grant by the PI and the Program Coordinator contained inaccurate and misleading information regarding the amount of research training experience students had acquired.*

The progress reports prepared by the PI and the Program Coordinator for the Bridges grant included tables showing the students who participated in the program during the period covered by the report as well as each student's semesters of research. We reviewed the progress reports submitted in June 2004 and June 2005 and questioned several apparent inaccuracies and inconsistencies regarding the students' experience. For example, the 2005 report indicated the same or fewer semesters of research for several of the same students than the 2004 report. When we first asked the PI and Program Coordinator how they determined the semesters of research, they said that any student who had experience from anytime during the reporting period was included in the table and the number of semesters included was cumulative, and therefore may include semesters prior to the reporting period (e.g., September 30, 2003, through September 29, 2004).<sup>2</sup> However, the PI later told us that, although that was the case for the 2004 report, the 2005 report includes semesters of research between July 2004 and June 2005 only, not a cumulative total. Neither progress report explains how the numbers were calculated or that there was a change in the reporting method in 2005; as a result, efforts to compare the two years show inconsistencies in the data.

Further, information in the 2004 report was inaccurate. Specifically, the table indicates that two students each had two semesters of research training, but payroll records indicate that they were each only paid during two pay periods (payroll is paid twice a month), resulting in an overstatement of their experience. A third student was no longer participating in research training during the reporting period. Based on the

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<sup>2</sup> Though the reporting periods start September 30 and end September 29, the progress reports are due July 1, approximately three months before the end of the reporting period. According to the PI, to avoid reporting what *could* happen between July and September, the reports typically cover the prior summer and that fall and spring.

PI's and Program Coordinator's statements that the 2004 table included students' cumulative research training experience, experience was actually understated for as many as seven students.

The NIH does not require that the progress reports include this level of detail; however, because the PI chose to include it, he should have verified its accuracy and explained the methods that he and the Program Coordinator used to calculate the data. Explaining the methods used to calculate the data helps those reviewing the reports to understand the relevance of the data and, if they are reviewing reports from two or more years, to understand how the reported information does or does not compare. The PI told us that the progress reports are essentially a "rubber stamp" by NIH because the money for the grant has already been set aside; the reports are mainly so that NIH can see that something has been going on with the grant. Further, he said that the information provided to NIH is more important when it relates to a grant application or renewal. We believe all information submitted to the NIH is important and should be prepared accurately and carefully. Once again, by signing the progress reports, the PI is certifying "that the statements herein are true, complete and accurate to the best of my knowledge. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties."

### **Lack of Programmatic Oversight**

*There was a lack of programmatic oversight of certain aspects of the grants.*

### **Recruitment**

Recruitment of new Bridges students to receive research training experience declined steadily between 2003 and 2005. Although students participated continuously, the average number of students working in a given pay period during 2003 was 8.4; during 2004, that number declined to 5.1; and for the first nine months of 2005, the average dropped to 3.8. Twelve Bridges students began working under the grant between January and July 2003, and one more in December 2003, but then no new students began research training until July 2005, when six more were added.<sup>3</sup> According to the PI, the recruitment of Bridges students is difficult and has been an evolving process of trial and error. The PI also noted that other students were active in the program (for example, attending seminars) even though they were not participating in laboratory research. The numbers noted above are based on payroll records and therefore include only the students who participated in laboratory research.

### **Evaluations**

The grants are to be evaluated by an internal or external evaluator. The evaluator's findings are incorporated into the grant renewal applications and annual progress reports. We asked the PI how he would characterize the overall quality of the evaluation process over the life of the grants and he said that he feels good about it because NIH has continued to renew the grants and therefore they must approve of the results. Nevertheless, we have concerns about the quality and reliability of the evaluation process given the turnover and other problems associated with the evaluators. Specifically, from March through December 2000, the first evaluator for the grants was a company based in North Carolina. The PI

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<sup>3</sup> The PI noted that ten students were recruited during the 2004/05 academic year. However, four of the ten students never participated in laboratory research training.

admitted it presented a challenging situation to have the evaluators so far away from the program they were evaluating. The PI then self-evaluated the grants between January and September 2001. From October 2001 through January 2004, a CSUDH faculty member was hired as the evaluator, but according to the PI, his work was “sub-par” and he had to make major changes to the evaluator’s work due to “glaring inaccuracies.” After January 2004, there was no evaluator for approximately seven months, when a new evaluator was hired in August 2004 who continues to the present. When we asked the PI to provide us with copies of all evaluation reports for the grants, he provided only three reports (each covering both grants), all of which were prepared by the current evaluator and dated December 2004, April 2005, and October 2005. With few or no advisory committee meetings and, until recently, poor or self-evaluations of the programs, there is little to no assessment of the programs other than that of the PI. We believe these external opinions and input are a valuable part of administering a grant program and in general have been lacking for much of the life of the grants.

#### Advisory Committees

Each grant has an established advisory committee to oversee programmatic matters, but the PI has not called meetings of these groups for years. The Bridges advisory committee has not physically met since July 2002. When asked, the PI did not provide us with dates of any Undergraduate Student Training in Academic Research (U\*STAR) advisory committee meetings, saying they meet “as needed” and that in recent years there have not been reasons to meet. According to the last Bridges grant renewal application, “this committee provides advice with regard to administrative operation, such as preparation of data/materials for progress reports, renewals and coordination of activities across the campus, and most importantly, establishes the selection criteria for the participants for the program and their selection.” The latest U\*STAR grant renewal application (May 2005) states “[t]he Advisory and Selection Committees are most valuable in the administration of the U\*STAR Program... [The Advisory Committee] handles issues of policy and procedures. To avoid scheduling conflicts, the Committee primarily meets and makes decisions through electronic means.” The PI told us that there has not been a need for the committees to meet, and if there had been, he would have scheduled a meeting. In-person meetings facilitate and promote discussions of a program’s challenges and successes as well as help identify new approaches or best practices for the program. Such meetings could also be forums for providing advice or other feedback to the PI. By not holding such meetings, the committees’ usefulness seems extremely limited. We should note that the NIH does not require the establishment of advisory committees; however, they do “highly recommend” them.

#### CSUDH Contribution in Support of Grant

CSUDH has contributed \$10,000 per year in support of the U\*STAR grant. The PI has used these funds for travel to conferences, networking, public relations and hospitality expenses, supplies, and other expenses such as his cellular telephone and home internet access for himself and the Program Coordinator. While many of the expenditures we reviewed, such as hospitality expenses to entertain guest speakers, may be directly related to the U\*STAR program, others, such as those for the PI’s cellular telephone and internet access, were related only partially to the U\*STAR program. We found no clear indication from CSUDH about how they intended the funds to be used other than support of the U\*STAR grant; it appears that CSUDH administrators did not have specific knowledge of how the PI was spending those funds. In fact, CSUDH administrators had questions about the prudence of the decision to continue to provide this funding, particularly since a cost share is not required by the U\*STAR grant. We believe

administrators could have implemented better control from the outset by establishing more specific guidelines on appropriate uses of the funds and then exercising more oversight of those uses, such as a periodic review of expenditures.

**Improper, Questionable, and Wasteful Expenditures**

*The PI and others authorized improper, questionable, and wasteful expenditures of grant funds and CSUDH funds that were allocated to support one of the grants.*

We found certain instances of improper expenditures of grant funds and other instances where we question the necessity and propriety of the expenditures. As mentioned, the PI is responsible for compliance with all the terms and conditions of a grant, for efficiently and effectively managing project funds within approved budgets, and for completing the project in a diligent and professional manner. However, it should be noted that the expenditures may also be authorized by the Program Coordinator and the Dean. Whether the expenditure is authorized by the PI, the Program Coordinator, or the Dean, a Foundation representative must also approve the expenditure, though that approval is mainly to indicate that the requested funds are available and the appropriate supporting documentation is included as opposed to approving the expenditure's propriety. Following is a list of the improper, questionable, and wasteful expenditures.

While some expenditures would not be considered material in and of themselves, the number of instances indicates a disregard for fiscal responsibility.

- The PI and Student Activity Coordinator both left three days before the start of a conference they attended in Puerto Rico in June 2005. The additional cost of leaving three days before the conference instead of one was \$1,207.
- In July 2005, the PI traveled to Miami to meet with another Bridges program director on July 17. The PI left early on July 14 and returned on July 18. Aside from meeting with the program director on July 17, the rest of the trip was for the PI's personal convenience. The PI improperly charged rental car expenses for the entire trip. According to California State University policy, only expenses for official business should be claimed.
- The Program Coordinator traveled to Dallas in November 2004 to attend a conference, and two family members accompanied her. The Program Coordinator improperly charged the grant for rental car expenses including the collision damage waiver and costs related to personal convenience such as an additional driver and an infant seat. Again, only expenses for official business should be claimed.
- The PI went to Chicago on June 2-3, 2005, to attend the graduation from medical school of a former U\*STAR student and charged the U\*STAR grant approximately \$700 for the trip.
- In November 2005, the PI and the Student Activity Coordinator attended a conference in Atlanta. They left on November 1 and returned on November 6; the conference was from November 2-5. The cost for three rental cars for these individuals, who both attended the same conference, was \$646.

- The PI attended a conference in Galveston held on March 4-5, 2004, leaving on March 3 and returning on March 7. While we understand why the PI would stay the night of March 5 before returning home on March 6, he did not adequately explain to us why he charged hotel expenses for the night of March 6 before returning home on March 7. In addition, the PI had a rental car until March 7.
- In February 2005, a guest speaker from New Jersey came to do a presentation to a science class attended by U\*STAR students. The speaker arrived on the evening of Wednesday, February 23 and according to the schedule provided by the PI, the speaker spent Thursday, February 24 meeting with students and making presentations. However, the speaker did not return to New Jersey until Sunday, February 27. The Program Coordinator approved the speaker's rental car expenses for his entire stay even though two days appear to have been for personal convenience.
- Another speaker visited in September 2005, and her lodging costs included a Saturday night stay. When asked, the PI did not provide us with a copy of her schedule and simply said "Speakers sometimes stay a Saturday night." Without a copy of the speaker's schedule, it is unclear how much of her stay was business related versus personal, and we therefore question whether it was appropriate to pay for all of the speaker's lodging expenses.
- The PI used \$648 from U\*STAR funds to frame four prints of a particular piece of artwork. When asked, the PI told us the location of only two of the four prints, and one of those was improperly given to an employee as a gift. The California Constitution prohibits the making of any gift of any public money or thing of value to any individual.
- In February 2003, the Program Coordinator approved payment of an \$800 honorarium from U\*STAR funds for a contractor (who was a recent CSUDH contractor) "for a peer-mentoring presentation made to U\*STAR scholars." Based on information provided by the PI related to this payment, the true purpose of the payment is unclear, but assuming it is an honoraria, it is excessive based upon honoraria of \$250 typically paid to other U\*STAR presenters who are professionals in their fields.
- The PI's cellular telephone bills for June, July, and August 2005 totaled \$989. The bills were approved by the Program Coordinator and paid to the cellular service provider with funds contributed by CSUDH to support the U\*STAR grant. While we understand the PI has a need to conduct business, if that business necessitates spending nearly 36 hours on the cell phone in one month (as was the case in July), it would be fiscally prudent to consider a different cell phone plan. Further, it would be more appropriate to have these expenses approved by the PI's superior rather than by his subordinate.

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## RECOMMENDATIONS

Our investigation was administrative in nature. The conclusions we drew were made within that context. Recommendations that would mitigate the recurrence of similar findings are presented below.

### 1. Document Alteration

We recommend that the California State University, Dominguez Hills Foundation (Foundation) and the campus provide ethics training for Principal Investigators (PIs) and other staff who work on the preparation of materials related to grants. Such training could include a review of information contained in the Foundation's *Account Holders' Handbook*.

#### Campus Response

The campus concurs with the recommendation. Currently, all PIs are required to complete the campus ethics training. Additionally, all new PIs are given training on the information regarding the Foundation's *Account Holders' Handbook*. The PI responsible for this grant completed the campus ethics training in December 2004. The Foundation will conduct periodic follow-up training with PIs that have been managing grants more than two years. A letter will be sent from the President to all Deans and PIs indicating the need for current and follow-up training. To be completed by May 1, 2006.

### 2. Mismanagement

We recommend that the Foundation and the campus:

- a. Ensure that data transmitted to granting agencies be reviewed and validated prior to submission.
- b. Ensure that administrators other than just the PI are actively involved in assessing the progress and success of a grant program.
- c. Ensure that advisory committees are in accordance with representations made in grant proposals.
- d. Ensure that money contributed by the campus in support of a grant or other program be adequately monitored. In addition, appropriate and inappropriate uses of those funds should be clearly defined.
- e. Ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense.
- f. Ensure that PIs understand their responsibilities regarding the use of grant monies.

### **Campus Response**

- a. The Deans and/or relevant managing unit will ensure that data transmitted to granting agencies be reviewed and validated prior to submission. A letter will be sent from the President to all Deans indicating the need for review and validation by Deans and/or relevant manager. To be completed by May 1, 2006.
- b. The Deans and/or relevant managing unit, other than just the PI will actively be involved in assessing the progress and success of a grant program. This assessment will include an evaluator, other than the PI, that has subject matter expertise. A letter will be sent from the President to all Deans indicating the need and methodology for assessing the progress and success of a grant program. To be completed by May 1, 2006.
- c. The Deans and/or relevant managing unit will ensure that advisory committees are in accordance with representations made in grant proposals. A letter will be sent from the president to all deans indicating the need for committees that are in accordance with representations made in grant proposals. To be completed by May 1, 2006.
- d. The Deans and/or relevant managing unit as well as the Foundation will ensure that money contributed by the campus in support of a grant or other program be adequately monitored. In addition, appropriate and inappropriate uses of those funds will be clearly defined. A letter will be sent from the President to all Deans indicating the need to ensure that money contributed by the campus in support of a grant or other program be adequately monitored. To be completed by May 1, 2006.

In this particular case, the funds provided by the campus in support of the grant were Foundation funds. The Foundation has committed to greater rigor in their review process. A thorough review of the items listed in the report under the section of Improper, Questionable, and Wasteful Expenditures has taken place to ensure a similar incident does not occur. Based on this review, a total of \$1,742 has been transferred to the Foundation's grants and contracts disallowance account for the purposes of reimbursing the grant for certain costs.

- The PI and Student Activity Coordinator both left three days before the start of a conference they attended in Puerto Rico.

Response: A memorandum from the PI dated June 17, 2005, was submitted stating the reason for arriving early at the conference. The PI was the president of both MARC/MBRS and Bridges national organizations and was responsible for organizing the meetings. The Student Activity Coordinator also left three days before the conference in order to benefit from networking opportunities.

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RECOMMENDATIONS

- In July 2005, the PI traveled to Miami to meet another Bridges coordinator on July 17. The PI left Los Angeles on July 14 and returned July 18.

Response: Although the PI left on July 14, he claimed reimbursement of expenses only for July 16 and July 18 for lodging and per diem. The car rental of \$139.52 for July 14 through July 18 should have been prorated.

The prorated amount chargeable to the grant is \$70. The balance of \$70 has been transferred to the Foundation grants and contracts disallowance account.

- The Program Coordinator traveled to Dallas November 9-14, 2004, to attend a conference with two family members accompanying her on the trip.

Response: The Program Coordinator charged and got reimbursed for Additional Driver at \$14, Infant Seat at \$16, and Collision Insurance at \$42. These expenses are not allowable and therefore not a valid charge to the grant.

The amount of \$72 has been transferred to the Foundation grants and contacts disallowance account.

- The PI went to Chicago June 2-3, 2005, to attend the graduation of a former U\*STAR student and charged the U\*STAR grant approximately \$700.

Response: No documentation was found to support or justify the charge to the grant.

The \$700 has been transferred to the Foundation grants and contracts disallowance account.

- In November 2005, the PI and the Student Activity Coordinator attended a conference in Atlanta. They left November 1 and returned November 6. Each rented their own car.

Response: Documents show that the PI, the Program Coordinator, and the Student Activity Coordinator were reimbursed for their individual rental cars. It is difficult for the Foundation to monitor the fact that reimbursements for three separate cars were issued since the individual travel claims are not submitted at the same time.

- The PI attended a conference in Galveston held on March 4-5. He left for the conference on March 3 and returned on March 7.

Response: The PI claimed reimbursement of expenses only for March 3 and March 6. The rental car expense should have been prorated as should the hotel night on March 6. Although these costs were not funded from the grant, the Foundation will be more thorough in their review of travel schedules versus conference dates.

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RECOMMENDATIONS

- In February 2005, a guest speaker from New Jersey made a presentation to the students of U\*STAR. He arrived February 23 and returned February 27. The presentation was on February 24. The Program Coordinator approved the speaker's rental car expenses for his entire stay.

Response: The car rental expense should have been prorated.

The total car rental expense charged to U\*STAR was \$258. The prorated amount chargeable to U\*STAR is \$129. The balance of \$129 has been transferred to the Foundation grants and contracts disallowance account.

- Another speaker visited in September 2005 and her lodging costs included a Saturday night stay.

Response: The Foundation found no schedule of the speaker's presentation or explanation for the Saturday night stay.

The lodging cost of the Saturday night stay was \$123. This amount has been transferred to the Foundation grants and contracts disallowance account.

- The PI used \$648 from U\*STAR funds to frame four prints of a particular piece of artwork.

Response: U\*STAR grant funds were not initially used to frame the prints. The cost was charged to the California State University, Dominguez Hills (CSUDH) contribution account, which was a different Foundation account and approved by the Dean.

Since at a later time, these costs were transferred to the grant without adequate justification, the \$648 has been transferred to the Foundation grants and contracts disallowance account.

- In February 2003, the Program Coordinator approved payment of an \$800 honorarium to a contractor who was a recent CSUDH contractor for a peer-mentoring presentation made to U\*STAR scholars.

Response: The Foundation policy regarding honorarium states that: "Honorarium is defined as payment for services on which no set fee has been established, usually a one time payment to speakers in appreciation for their presentation." The amount of the honorarium is left up to the judgment of the PI. The Foundation and the campus will do a review of honorariums paid to determine if there is a range that could be developed.

- The PI's cellular telephone bill for June, July, and August 2005 totaled \$989. It would be appropriate to have these expenses approved by the PI's superior rather than by his subordinate.

Response: The subordinate is an authorized signer on the accounts and approves payments to vendors but not personal payments to the PI. The campus and the Foundation concurs that the PI's supervisor or above should have approved these expenditures. If properly reviewed

by a supervisor, a recommendation likely should have been made that the PI's plan be increased to accommodate more minutes for those minutes related to university business.

- e. The Deans and/or relevant managing unit as well as the Foundation will ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense. A letter will be sent from the President to all Deans and the Foundation indicating the need to ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense. To be completed by May 1, 2006.
- f. In addition to training provided to all new PIs, the Foundation will conduct periodic follow-up training with PIs that have been managing grants more than two years to ensure that PIs understand their responsibilities regarding the use of grant monies. A letter will be sent from the President to the Foundation indicating the need to conduct periodic follow-up training with PIs that have been managing grants more than two years to ensure that PIs understand their responsibilities regarding the use of grant monies. To be completed by May 1, 2006.



California State University  
**Dominguez Hills**

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OFFICE OF THE PRESIDENT  
1000 East Victoria Street, Carson, CA 90747  
(310) 243-3301 • Fax (310) 243-3858

March 1, 2006

Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4th Floor  
Long Beach, CA 90802-4210

Re: Special Investigation Report Number 05-93

Dear Mr. Mandel:

Enclosed is our response to the Special Investigation, Report Number 05-93, that your office conducted.

Thank you for the thoroughness of the investigation. The findings will help us close some clear process weaknesses.

Please feel free to contact me or Mr. George Pardon, Vice President for Administration and Finance, if you should have any questions about this response.

Sincerely,

A handwritten signature in black ink, appearing to read "James E. Lyons, Sr.", written over a horizontal line.

James E. Lyons, Sr.  
President

Enclosure

cc: Allen Mori  
George A. Pardon

Response to Special Investigation  
California State University, Dominguez Hills  
Report Number 05-93 dated February 15, 2006

1. Document Alteration

We recommend that the California State University, Dominguez Hills Foundation (Foundation) and the campus provide ethics training for Principal Investigators (PIs) and other staff who work on the preparation of materials related to grants. Such training could include a review of information in the Foundation's Account Holders' Handbook.

Campus Response

The campus concurs with the recommendation. Currently, all Principal Investigators are required to complete the campus ethics training. Additionally, all new PIs are given training on the information regarding the Foundation's Account Holders' Handbook. The PI responsible for this grant completed the campus ethics training in December 2004. The Foundation will conduct periodic follow-up training with PIs that have been managing grants more than two years. A letter will be sent from the president to all deans and principal investigators indicating the need for current and follow-up training. To be completed by May 1, 2006.

2. Mismanagement

We recommend that the Foundation and the campus:

- a. Ensure that data transmitted to granting agencies be reviewed and validated prior to submission.
- b. Ensure that administrators other than just the PI are actively involved in assessing the progress and success of a grant program.
- c. Ensure that advisory committees are in accordance with representations made in grant proposals.
- d. Ensure that money contributed by the campus in support of a grant or other program be adequately monitored. In addition, appropriate and inappropriate uses of those funds should be clearly defined.
- e. Ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense.

- f. Ensure that PIs understand their responsibilities regarding the use of grant monies.

#### Campus Response

- a. The deans and/or relevant managing unit will ensure that data transmitted to granting agencies be reviewed and validated prior to submission. A letter will be sent from the president to all deans indicating the need for review and validation by deans and/or relevant manager. To be completed by May 1, 2006.
- b. The Deans and/or relevant managing unit, other than just the PI will actively be involved in assessing the progress and success of a grant program. This assessment will include an evaluator, other than the PI, that has subject matter expertise. A letter will be sent from the president to all deans indicating the need and methodology for assessing the progress and success of a grant program. To be completed by May 1, 2006.
- c. The Deans and/or relevant managing unit will ensure that advisory committees are in accordance with representations made in grant proposals. A letter will be sent from the president to all deans indicating the need for committees that are in accordance with representations made in grant proposals. To be completed by May 1, 2006.
- d. The Deans and/or relevant managing unit as well as the CSUDH Foundation will ensure that money contributed by the campus in support of a grant or other program be adequately monitored. In addition, appropriate and inappropriate uses of those funds will be clearly defined. A letter will be sent from the president to all deans indicating the need to ensure that money contributed by the campus in support of a grant or other program be adequately monitored. To be completed by May 1, 2006.

In this particular case, the funds provided by the campus in support of the grant were Foundation funds. The Foundation has committed to greater rigor in their review process. A thorough review of the items listed in the report under the section of Improper, Questionable and Wasteful Expenditures has taken place to ensure a similar incident does not occur. Based on this review, a total of \$1,742 has been transferred to the Foundation's grants and contracts disallowance account for the purposes of reimbursing the grant for certain costs.

- \* PI and Activity Coordinator both left three days before the start of a conference they attended in Puerto Rico.

Response: A memorandum from the PI dated 6/17/05 was submitted stating the reason for arriving early at the conference. The PI was the president of both MARC/MBRS and Bridges national organizations and was responsible for organizing the meetings. The Student Activity Coordinator also left three days before the conference in order to benefit from networking opportunities.

- \* In July, 2005 PI traveled to Miami to meet another Bridges coordinator on July 17. PI left LA on July 14 and returned July 18.

Response: Although the PI left on July 14, he claimed reimbursement of expenses only for July 16 and July 18 for lodging and per diem. The car rental of \$139.52 for July 14 through July 18 should have been prorated.

The prorated amount chargeable to the grant is \$70. The balance of \$70 has been transferred to the Foundation grants and contracts disallowance account.

- \* The program coordinator traveled to Dallas November 9-14, 2004 to attend a conference with two family members accompanying her on the trip.

Response: The program coordinator charged and got reimbursed for Additional Driver at \$14, Infant Seat at \$16 and Collision Insurance at \$42. These expenses are not allowable and therefore not a valid charge to the grant.

The amount of \$72 has been transferred to the Foundation grants and contacts disallowance account.

- \* The PI went to Chicago June 2-3, 2005 to attend the graduation of a former U\*STAR student and charged the U\*STAR grant approximately \$700.

Response: No documentation was found to support or justify the charge to the grant.

The \$700 has been transferred to the Foundation grants and contracts disallowance account.

- \* In November 2005, the PI and the student activity coordinator attended a conference in Atlanta. They left November 1 and returned November 6. Each rented their own car.

Response: Documents show that the PI, the program coordinator and the student activity coordinator were reimbursed for their individual rental

cars. It is difficult for the Foundation to monitor the fact that reimbursements for three separate cars were issued since the individual travel claims are not submitted at the same time.

- \* The PI attended a conference in Galveston held on March 4-5. He left for the conference on March 3 and returned on March 7.

Response: The PI claimed reimbursement of expenses only for March 3 and March 6. The rental car expense should have been prorated as should the hotel night on March 6. Although these costs were not funded from the grant, the Foundation will be more thorough in their review of travel schedules versus conference dates.

- \* In February 2005, a guest speaker from New Jersey made a presentation to the students of U\*STAR. He arrived February 23 and returned February 27. The presentation was on February 24. The program coordinator approved the speaker's rental car expenses for his entire stay.

Response: The car rental expense should have been prorated.

The total car rental expense charged to U\*STAR was \$258. The prorated amount chargeable to U\*STAR is \$129. The balance of \$129 has been transferred to the Foundation grants and contracts disallowance account.

- \* Another speaker visited in September 2005 and her lodging costs included a Saturday night stay.

Response: The Foundation found no schedule of the speaker's presentation or explanation for the Saturday night stay.

The lodging cost of the Saturday night stay was \$123. This amount has been transferred to the Foundation grants and contracts disallowance account.

- \* The PI used \$648 from U\*STAR funds to frame four prints of a particular piece of artwork.

Response: U\*STAR grant funds were not initially used to frame the prints. The cost was charged to the CSUDH contribution account which was a different Foundation account and approved by the Dean.

Since at a later time, these costs were transferred to the grant without adequate justification, the \$648 has been transferred to the Foundation grants and contracts disallowance account.

- \* In February 2003, the program coordinator approved payment of an \$800 honorarium to a contractor who was a recent CSUDH contractor for a peer-mentoring presentation made to U\*STAR scholars.

Response: The Foundation policy regarding honorarium states that: "Honorarium is defined as payment for services on which no set fee has been established, usually a one time payment to speakers in appreciation for their presentation." The amount of the honorarium is left up to the judgment of the PI. The Foundation and the campus will do a review of honorariums paid to determine if there is a range that could be developed.

- \* The PI's cellular telephone bill for June, July, and August 2005 totaled \$989. It would be appropriate to have these expenses approved by the PI's superior rather than by his subordinate.

Response: The subordinate is an authorized signer on the accounts and approves payments to vendors but not personal payments to the PI. The campus and the Foundation concurs that the PI's supervisor or above should have approved these expenditures. If properly reviewed by a supervisor, a recommendation likely should have been made that the PI's plan be increased to accommodate more minutes for those minutes related to University business.

- e. The Deans and/or relevant managing unit as well as the CSUDH Foundation will ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense. A letter will be sent from the president to all deans and the CSUDH Foundation indicating the need to ensure that those responsible for reviewing and approving expenditures conduct a thorough review of the claims for payment, including an assessment of the reasonableness and necessity of the expense. To be completed by May 1, 2006.
- f. In addition to training provided to all new PIs, the CSUDH Foundation will conduct periodic follow-up training with PIs that have been managing grants more than two years to ensure that PIs understand their responsibilities regarding the use of grant monies. A letter will be sent from the president to the CSUDH Foundation indicating the need to conduct periodic follow-up training with PIs that have been managing grants more than two years to ensure that PIs understand their responsibilities regarding the use of grant monies. To be completed by May 1, 2006.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

March 3, 2006

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 Report Number 05-93, *Special Investigation*,  
California State University, Dominguez Hills

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 3, 2006, I accept the response as submitted with the draft final report on *Special Investigation*, California State University, Dominguez Hills.

MONTEREY BAY

NORTHRIDGE

CBR/amd

POMONA

Enclosure

SACRAMENTO

cc: Dr. James E. Lyons, Sr., President  
Mr. George Pardon, Vice President for Administration and Finance

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS