

CONTRACTS AND GRANTS

SYSTEMWIDE

Audit Report 07-13

April 24, 2008

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ABBREVIATIONS

CFO	Chief Financial Officer
CFR	Code of Federal Regulations
CSU	California State University
EO	Executive Order
Foundation	California State University, Dominguez Hills Foundation
Foundation	California State University, Long Beach Foundation
GC	Government Code
HR	Human Resources
ICSUAM	Integrated California State University Administrative Manual
NIH	National Institutes of Health
NSF	National Science Foundation
OMB	Office of Management and Budget
PHS	Public Health Service
Research Foundation	The CSU, Chico Research Foundation
SAM	State Administrative Manual
SPA	Sponsored Programs Administration
UEI	University Enterprises, Inc.

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2005, the Board of Trustees, at its January 2007 meeting, directed that *Contracts and Grants* be reviewed. Contracts and Grants was last audited in 2001.

We visited eight campuses from March 26, 2007, through November 2, 2007, and audited the procedures in effect at that time. Campus specific findings and recommendations have been discussed and reported individually.

Since the prior systemwide audit, the chancellor's office undertook several major initiatives to enhance the effectiveness of the sponsored program function. Specifically, in January 2004, the chancellor's office promulgated systemwide policy for the administration and management of sponsored projects at all 23 campuses and auxiliary organizations and in December 2004, hired a director of sponsored programs administration (SPA) to provide systemwide leadership, policy guidance, and targeted training for extramurally-funded projects. While these efforts have helped to enhance the quality of internal controls in the sponsored program function, special attention was needed in certain areas to ensure the ongoing viability and effective and efficient management of California State University's (CSU) sponsored program function. Specifically, we found that systemwide policies and procedures for the administration of contract and grant activities were not always available to campuses and the CSU lacked a systemwide process for the oversight of external sponsored program audits at the campuses and responsible auxiliary organizations. We also noted that campuses did not maintain adequate control over the following areas: decentralized administration of sponsored programs, employee training, delegations of authority, subrecipient monitoring, programmatic technical reporting, and equipment/property reconciliations. Furthermore, three of the ten findings were noted in areas that affect project integrity and regulatory compliance, prudent fiscal administration, and effective cost share and effort certification reporting and were repeat findings in the prior Contracts and Grants audit. Certain findings presented below were found in varying degrees at the campuses visited, and while not always noted at a majority of the campuses, these issues were determined to be high-risk, and thus, took on systemwide implications.

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

PROGRAM ADMINISTRATION [7]

Systemwide policies and procedures for the administration of contract and grant activities were not always available to campuses. Administrative oversight of campus internal controls and the external agency audit resolution process at the campuses and foundations required improvement. Specifically, centralized administrative oversight was not established for the resolution of the Office of Management and Budget Circular A-133 single audit findings, recommendations, and other audit issues noted during external agency reviews of the campuses and foundations. It was also noted that systemwide procedures regarding the timelines for resolution and the development and approval of corrective action plans for such findings and recommendations were not always in place. In addition, SPA had limited resources directed to the monitoring of campus activities, review of internal control analyses performed by campus management, and systemwide control assessment and reporting. Further, the administration of sponsored

projects and programmatic grants was not always appropriate or adequately organized and centralized at two of the eight campuses visited. Documentation to support training for project directors and those responsible for the administration of contracts and grants needed improvement at all eight campuses visited. Written delegations of authority from the president and chief financial officer authorizing others to sign/approve proposals for sponsored programs were not in place at four of eight campuses visited.

PROJECT INTEGRITY AND REGULATORY COMPLIANCE [12]

Sufficient control over the conflict of interest disclosure process for principal investigators was not exercised at four of the eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit. For example, non-governmental awards did not have the required conflict of interest forms on file at one campus and existing financial conflict of interest policies at two campuses did not require the completion of conflict of interest disclosure forms by all principal investigators, but instead only required each investigator with a significant financial interest to complete a disclosure form.

GRANTS MANAGEMENT [14]

Monitoring of subrecipient activities required improvement at three of the eight campuses visited. Specifically, documentation was not available to evidence A-133 single audit report request, receipt, or review from subrecipients at three campuses and procedures for the monitoring of subrecipients A-133 single reports had not be developed at one campus. Additionally, interim and/or final technical reports were not always timely prepared and submitted to funding agencies and documentation to evidence that reports were properly and timely submitted to the sponsors was not always contained in project files at three of eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit.

FISCAL ADMINISTRATION [16]

The cost allocation plan for the reimbursement of facilities, goods, and services provided by the campus to the auxiliary organizations was not in place or maintained as current at four of the eight campuses visited. Furthermore, cost reimbursements were not timely at three campuses. This is a repeat finding from the prior Contracts and Grants audit. Cost sharing and effort certification reports were not always prepared or timely completed at three of the eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit. Specifically, effort certification reports were not always prepared or timely completed at three campuses and cost sharing was not always adequately documented at two campuses.

PROPERTY MANAGEMENT [18]

Reconciliations were not completed for auxiliary equipment inventories at three of the eight campuses visited. Furthermore, equipment was not always added to the property records at two campuses.

INTRODUCTION

BACKGROUND

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

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

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

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

The chancellor's office sponsored programs administration has also promulgated numerous policies and standards for the administration of sponsored programs on campuses. The *California State University (CSU) Sponsored Projects Policy and Procedures Manual* provides significant guidance for areas including sponsored projects roles and responsibilities; fiscal administration topics such as effort

reporting, cost sharing, and cost transfers; audits and site visits; and property, equipment, and inventory management.

At seven of the eight campuses reviewed, the office of research and sponsored programs has overall responsibility for sponsored programs' pre-award activities, while the respective auxiliary foundations perform post-award activities and act as the fiscal manager of campus-sponsored programs. One campus reviewed maintains complete responsibility for sponsored programs' pre-award and post-award activities without any auxiliary foundation involvement.

PURPOSE

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

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

- ▶ Certain essential administrative and managerial internal controls are in place, including delegations of authority and responsibility, formation of independent oversight committees, documented policies and procedures, and adequate cost accounting and recordkeeping.
- ▶ Sponsored program proposals are reviewed and approved by authorized personnel prior to submission to awarding agencies and organizations, while awards are subsequently reviewed and accepted by authorized campus and auxiliary personnel.
- ▶ Federal single audits are timely performed and audit findings are timely and sufficiently resolved.
- ▶ Individuals involved with contracts and grants are provided initial and ongoing training.
- ▶ Conflict of interest disclosures are timely received and adequately reviewed, allegations of misconduct are properly handled, and debarment or suspension of key personnel is verified.
- ▶ Federal and other awards are appropriately expended and such expenditures comply with regulatory agency cost principles regarding allowability, allocability, and reasonableness.
- ▶ Financial, performance, and other project-related reports are appropriately prepared, timely completed, and correctly submitted to sponsoring agencies and organizations; and subrecipient activities are appropriately monitored.
- ▶ Human and animal research is adequately approved, and a system exists to protect the rights, well-being, and personal privacy of human subjects and ensure humane use of live vertebrate animals.

- ▶ Effort reporting systems ensure accurate and properly documented evidence of work performed on sponsored projects, and matching funds requirements are met and properly documented.
- ▶ Deviations from budget and program plans are properly approved and timely reported in accordance with federal regulations and agency guidelines, and billings are timely performed and monitored for payment.
- ▶ Procurement activities comply with federal and other sponsoring agency requirements, records are maintained for equipment acquired and such equipment is adequately safeguarded, and a viable intellectual property management system exists.

SCOPE AND METHODOLOGY

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

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures currently in effect. In instances wherein it was necessary to review annualized data, calendar year 2006 or fiscal year 2006/07 was the primary period reviewed except when it was beneficial to see trends for multiple years.

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

- ▶ Contract and grant policies, rules, regulations, and delegations of authority.
- ▶ Approval of sponsored program proposals and acceptance of contracts.
- ▶ Federal single audits and resolution of prior audit issues.
- ▶ Initial and ongoing training for principal investigators and other staff.
- ▶ Conflict of interest disclosures.
- ▶ Allegations of misconduct.
- ▶ Certification for debarment or suspension of key personnel.
- ▶ Expenditure controls and the disbursement of award funds.
- ▶ Programmatic reporting; both technical and financial in nature.

INTRODUCTION

- ▶ Human subject testing and animal research.
- ▶ Effort reporting, cost sharing, and matching commitments.
- ▶ Subrecipient activity monitoring.
- ▶ Adherence to sponsor-approved budgets and contractual terms.
- ▶ Contract and grant billings.
- ▶ Equipment acquisition, inventorying, and safeguarding.
- ▶ Management of intellectual property.

During the course of the audit, we visited eight campuses: Chico, Dominguez Hills, East Bay, Fresno, Fullerton, Long Beach, Sacramento, and Sonoma. We interviewed campus and chancellor's office personnel and audited procedures in effect at that time.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

PROGRAM ADMINISTRATION

SYSTEMWIDE POLICY DEVELOPMENT

Systemwide policies and procedures for the administration of contract and grant activities were not always available to campuses.

We noted that systemwide policies and procedures were not always developed, updated, and/or finalized for certain contract and grant activities such as conflict of interest disclosures, protection of animal research subjects, intellectual property, patents and inventions, and records management.

Government Code (GC) §13402 states that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

The director of systemwide sponsored programs administration (SPA) stated that management turnover, limited resources, and other priorities delayed the updating of systemwide policies and procedures for contracts and grants.

The absence of current and complete policies and procedures increases the risk of misunderstandings related to the performance of duties and functions, non-compliance with state, federal, and California State University (CSU) policies, and jeopardizes the future of the CSU's contract and grant programs.

Recommendation 1

We recommend that the chancellor's office develop, update, and/or finalize systemwide policies and procedures for sponsored program activities that include, but are not limited to, conflict of interest disclosures, protection of animal research subjects, intellectual property, patents and inventions, and records management.

Management Response

We concur. With assistance from outside consultants, we will update the chancellor's office sponsored program guidelines. We will incorporate the new and updated financially-related policies and procedures into the new Integrated California State University Administrative Manual (ICSUAM). The process of developing systemwide policy will involve review by stakeholders in SPA throughout the CSU system and some may also necessitate faculty senate review and/or approval. We estimate that draft policies will be completed by February 28, 2009, with implementation dependent upon the necessary level of review and/or approval.

AUDIT MONITORING AND RESOLUTION

Administrative oversight of campus internal controls and the external agency audit resolution process at the campuses and foundations required improvement.

We noted that:

- ▶ Centralized administrative oversight was not established for the resolution of the Office of Management and Budget (OMB) Circular A-133 single audit findings, recommendations, and other audit issues noted during external agency reviews of the campuses and foundations. We also noted that systemwide procedures regarding the timelines for resolution and the development and approval of corrective action plans for such findings and recommendations were not always in place.
- ▶ SPA had limited resources directed to the monitoring of campus activities, review of internal control analyses performed by campus management, and systemwide control assessment and reporting.

GC §13402 states that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

The director of systemwide SPA stated that the lack of a centralized administrative mechanism for the oversight of the resolution of campus A-133 and other external audits was due to management turnover and reliance upon the prior process for sufficiency.

The absence of consistent administrative oversight of internal controls and campus audit resolution procedures increases the risk of non-compliance with state, federal, and CSU policies, and jeopardizes the future of the CSU's contract and grant programs.

Recommendation 2

We recommend that the chancellor's office:

- a. Establish and maintain a system of centralized oversight and monitoring, including the development of policies and procedures, campus and foundation A-133 single audit findings, recommendations, and other audit issues noted during external agency reviews.
- b. Ensure that the SPA is informed by campuses of the external agency audit findings in order to enhance the monitoring of campus activities, enable the review of internal control analyses performed by campus management, and improve systemwide sponsored programs control assessment and reporting.

Management Response

We concur.

- a. The current guidelines on audits and site visits will be updated to include a process for defining and notifying the chancellor's office director of sponsored programs of campus and auxiliary audit findings related to the SPA. Estimated date of completion of draft policy is February 28, 2009.
- b. We will also modify our existing system to improve oversight and monitoring of systemwide sponsored programs compliance. As this may be dependent upon completion of updated policies above, the anticipated completion of this process is April 30, 2009.

DECENTRALIZED ADMINISTRATION

The administration of sponsored projects and programmatic grants was not always appropriate or adequately organized and centralized at two of the eight campuses visited.

Specifically, we noted that organizations other than the sponsored projects office or the office of contracts and grants submitted proposals, accepted contracts, and administered programmatic grants. These decentralized administrations also lacked policies and procedures for the administration of sponsored programs with the level of financial and administrative control that was required. Furthermore, the classification of programmatic grants and philanthropic grants was not always interpreted consistently, as differences noted between the interpretations of the SPA and the university development offices had resulted in mismanaged programmatic grants.

Executive Order (EO) 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states, in part, that sponsored project administrators should be capable of performing all administrative tasks required by sponsors such as budgeting, account management, fiscal reporting, cost recovery, cost sharing; work product and records policy; and record retention. Prior to acceptance, the recipient shall designate either the university or the auxiliary to administer the contract or grant. The sponsored programs administrator is legally responsible and accountable to the sponsor for the use of the funds provided and the performance of the sponsored program.

Campus management stated that miscommunication and differences in the interpretation of policies were the cause for this issue.

Failure to maintain a centralized administration of sponsored programs increases the risk of non-compliance with programmatic requirements such as cost sharing and financial/technical reporting and decreases the organizational efficiencies gained by a centralized administration.

Recommendation 3

We recommend that the chancellor's office:

- a. Remind the campuses that no other department or campus entity shall submit proposals and or administer programmatic grants without direct involvement by the designated SPA or other entity as designated by the campus presidents.
- b. Clarify the distinction between programmatic and philanthropic grants with strong emphasis on ensuring close collaboration between SPA and the university development offices. Such guidance should also require campus implementation of monitoring controls to detect, correct, and report such "gift versus grant" situations as they occur.
- c. Consider including systemwide expectations for these areas in contracts and grants systemwide policies, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. A systemwide task force to review gifts and grants definitions and processes will be established to recommend systemwide guidance on the distinction between programmatic and philanthropic grants. By August 31, 2008, a letter will be sent to all campuses with information about the task force and purpose. Results from the task force will be disseminated at a later date (to be determined by the task force) and will ultimately be incorporated into the ICSUAM.

EMPLOYEE TRAINING

Documentation to support training for project directors and those responsible for the administration of contracts and grants needed improvement at all eight campuses visited.

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

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states that the campus policy shall incorporate provisions for adequate training of research personnel and for multi-institutional sponsored programs. This includes providing and documenting initial, ongoing training for project directors and those responsible for the administration of contracts and grants.

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

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

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

Campus management stated various reasons for this failure to formalize documentation for initial and ongoing training, including oversight.

Failure to document training efforts by project personnel increases exposure to non-compliance with federal and state regulations and jeopardizes the future of the CSU's grant programs.

Recommendation 4

We recommend that the chancellor's office:

- a. Instruct the campuses to develop a methodology for the documentation of initial, ongoing, and/or required compliance training. This might include the use of a formalized training schedule/topic checklist and sign-in sheet to certify that employees received all required training and a comprehensive overview of important topics including, but not limited to, SPA procedures, conflict of interest policies, human subject and animal testing, and intellectual property policies.
- b. Consider including systemwide expectations for project director training in contracts and grants systemwide policies, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur.

- a. We will instruct the campuses to develop a methodology for documenting all required compliance training. Estimated date of completion is June 30, 2008.
- b. We will also incorporate required training and expectations into the ICSUAM. Anticipated completion of draft policy is February 28, 2009.

DELEGATIONS OF AUTHORITY

Written delegations of authority from the president and chief financial officer (CFO) authorizing others to sign/approve proposals for sponsored programs were not in place at four of eight campuses visited.

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

Campus management stated that they attributed this issue to administrative oversight.

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

Recommendation 5

We recommend that the chancellor's office remind the campuses of the need to document all official delegations of authority and consider the addition of this documentation requirement in contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. A letter to all campuses with a reminder that all official delegations of authority related to sponsored programs must be documented and updated. Estimated date of completion is June 30, 2008.

PROJECT INTEGRITY AND REGULATORY COMPLIANCE

Sufficient control over the conflict of interest disclosure process for principal investigators was not exercised at four of the eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit.

We found that:

- ▶ The existing financial conflict of interest policies of three campuses did not specify the requirement of the completion of CA Form 700-U for all non-governmental research projects from sponsors who are not on the exempt list.

- ▶ Non-governmental awards did not have the required conflict of interest forms (700-U forms) on file at one campus.
- ▶ The existing financial conflict of interest policy of one campus did not specify the requirement of the completion of financial disclosure statements for federally-funded PHS, National Institutes of Health (NIH), and National Science Foundation (NSF) grants.
- ▶ Federally-funded PHS, NIH, and NSF awards lacked the required financial conflict of interest disclosure statements at one campus.
- ▶ The existing financial conflict of interest policies of two campuses did not require the completion of conflict of interest disclosure forms from all principal investigators when required by sponsor or CSU policy, but instead only required each investigator with a significant financial interest to complete a disclosure form.

42 CFR, Part 50.604, *Institutional Responsibility Regarding Conflicting Interests of Investigators*, states, in part, that each institution must (a) maintain an appropriate written, enforced policy on conflict of interest and inform each investigator of that policy, the investigator's reporting responsibilities, and of these regulations; (b) designate an institutional official(s) to solicit and review financial disclosure statements from each investigator who is planning to participate in PHS funded research; (c)(1) require that by the time an application is submitted to PHS each investigator who is planning to participate in the PHS-funded research has submitted to the designated official(s) a listing of his/her known significant financial interests (and those of his/her spouse and dependent children) (i) that would reasonably appear to be affected by the research for which PHS funding is sought and (ii) in entities whose financial interests would reasonably appear to be affected by the research.

The NIH *Grants Policy Statement*, Part II, *Financial Conflict of Interest*, states, in part, that NIH requires grantees and investigators to comply with the requirements of 42 CFR, Part 50, Subpart F, "Responsibility of Applicants for Promoting Objectivity in Research for which NIH Funding is Sought," pertaining to investigators' actual or potential conflicts of interest.

The NSF *Grant Policy Manual*, §510, states, in part, that an institutional conflict of interest policy should require that each investigator disclose to a responsible representative of the institution all significant financial interests of the investigator (including those of the investigator's spouse and dependent children) (i) that would reasonably appear to be affected by the research or educational activities funded or proposed for funding by NSF or (ii) in entities whose financial interests would reasonably appear to be affected by such activities.

CSU directive HR 2005-38, *Conflict of Interest Update – Principal Investigators*, dated April 30, 2005, states that principal investigators shall disclose whether or not they have a financial interest in the sponsor of a proposed research project when funding in whole or in part is through a contract or grant from a non-governmental entity. Form 700-U ("Statement of Economic Interests for Principal Investigators") should be used to meet the above filing requirements.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states that each campus shall maintain a policy that complies with conflict of interest requirements of the law and the CSU, sponsored program administrator, and sponsor policies and shall alert principal investigators to these requirements.

Campus management stated that they attributed these issues to oversight.

Failure to implement and enforce conflict of interest policies and procedures for principal investigators and project directors increases liability for acts contrary to the institution, possible regulatory scrutiny, disallowances, and suspension or termination of current awards.

Recommendation 6

We recommend that the chancellor's office:

- a. Remind the campuses of all applicable conflict of interest requirements.
- b. Reinforce the importance of utilizing chancellor's office and campus human resources to ensure compliance with applicable systemwide policies and retention of conflict of interest forms by the campus filing officer in human resources.

Management Response

We concur. We will remind the campuses of all applicable conflict of interest requirements and reinforce the importance of coordinating with campus human resources and risk management to ensure compliance and to retain conflict of interest forms with the campus filing officer. Estimated date of completion is June 30, 2008.

GRANTS MANAGEMENT

SUBRECIPIENT MONITORING

Monitoring of subrecipient activities required improvement at three of the eight campuses visited.

We found that:

- ▶ Documentation was not available to evidence A-133 single audit report request, receipt, or review from subrecipients at three campuses.
- ▶ Procedures for the monitoring of subrecipient A-133 single audit reports had not been developed at one campus.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §320, states that auditees that are also subrecipients shall submit to each pass-through entity one copy of the

reporting package described in paragraph (c) of this section for each pass-through entity when the schedule of findings and questioned costs disclosed audit findings relating to federal awards that the pass-through entity provided or the summary schedule of prior audit findings reported the status of any audit findings relating to federal awards that the pass-through entity provided.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.51(a), states that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. It also states that, “recipients shall monitor subawards to ensure subrecipients have met the audit requirements,” defined in OMB Circular A-133.

Campus management stated various reasons for these issues including oversight, personnel resource constraints, employee turnover, deficient and untimely responses by subrecipients, and insufficient documentation of requests sent to subrecipients.

Failure to monitor subrecipient activities increases the risk of non-compliance with federal regulations and jeopardizes the future of the CSU’s grant programs.

Recommendation 7

We recommend that the chancellor’s office remind the campuses of the need to request, review, and retain A-133 single audit reports from all subrecipients and consider the addition of this documentation requirement in updated contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. We will remind the campuses of the importance of the A-133 subrecipient monitoring requirements by June 30, 2008.

PROGRAMMATIC TECHNICAL REPORTING

Interim and/or final technical reports were not always timely prepared and submitted to funding agencies and documentation to evidence that reports were properly and timely submitted to the sponsors was not always contained in project files at three of eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.51(a), states that recipients are responsible for managing and monitoring each project, program, award, function, or activity supported by the award.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.71(a), states that

recipients shall submit, within 90 calendar days after the date of completion of the award, all financial, performance, and other reports as required by the terms and conditions of the award.

Campus management stated various reasons for this issue including miscommunication of responsibilities of the principal investigators/project directors and inadequate oversight and accountability for tracking the receipt of technical reports.

The absence of documentation to evidence submission of interim status and/or final technical reports increases the risk of penalties and disallowances for non-compliance with grant and contract terms.

Recommendation 8

We recommend that the chancellor's office remind the campuses of the importance of strong controls to ensure that technical reports are submitted to sponsoring agencies in a timely manner and that documented evidence of submission is contained in project files.

Management Response

We concur. We will remind the campuses of the importance of monitoring and documenting submission of technical reports by June 30, 2008.

FISCAL ADMINISTRATION

COST ALLOCATION

The cost allocation plan for the reimbursement of facilities, goods, and services provided by the campus to the auxiliary organizations was not in place or maintained as current at four of the eight campuses visited. Furthermore, cost reimbursements were not timely at three campuses. This is a repeat finding from the prior Contracts and Grants audit.

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

EO 1000, *Delegation of Fiscal Authority and Responsibility*, dated July 1, 2007, states that the campus president shall ensure that costs incurred by the CSU operating fund for services, products, and facilities provided to other CSU funds and to auxiliary organizations are properly and consistently recovered with cash and/or a documented exchange of value. Allowable direct costs incurred by the CSU operating fund shall be allocated and recovered based on actual costs incurred. Allowable and allocable indirect costs shall be allocated and recovered according to a cost allocation plan that utilizes a documented and consistent methodology including identification of indirect costs and a basis for allocation. The campus CFO or designee shall annually approve and implement the cost allocation plan.

Campus management stated various reasons for this issue including oversight, the reassignment of project responsibilities, retirement of key personnel involved in the process, and other workload commitments associated with the implementation of the Revenue Management Program.

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

Recommendation 9

We recommend that the chancellor's office remind the campuses of the requirement to annually document the analysis conducted for necessary updates to its cost allocation plan in advance of each fiscal year and ensure prompt billing to auxiliary enterprises for reimbursement of facilities, goods, and services provided.

Management Response

We concur. We will remind the campuses of the requirement to document its cost allocation plan in accordance with EO 1000 by June 30, 2008.

COST SHARE AND EFFORT CERTIFICATION REPORTING

Cost sharing and effort certification reports were not always prepared or timely completed at three of the eight campuses visited. This is a repeat finding from the prior Contracts and Grants audit.

We found that:

- ▶ Effort certification reports were not always prepared or timely completed at three campuses.
- ▶ Cost sharing was not always adequately documented at two campuses.

OMB Circular A-21, *Cost Principles for Educational Institutions*, Section J.8 §c(1)(e), requires that for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.51(a), indicates that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, 3.5.5 *Cost Sharing*, states that when there is cost sharing or matching in connection with a sponsored program, the sponsored program administrator, in conjunction with the principal investigator, must document actual costs shared or matching contributions in a manner consistent

with the campus cost allocation plans, sponsor requirements, and in the case of federal contracts and grants requirements as stated in OMB Circular A-110.

CSU Sponsored Projects Policy and Procedures Manual states that in order to comply with the provisions of OMB Circular A-21, institutions must develop a process for collecting the signatures of either the employee, or responsible official using "... a suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities." The manual also states that when cost sharing contributions must be documented on a project-by-project basis, the principal investigator's department is responsible for maintaining documentation to substantiate these costs.

Campus management stated that they attributed these issues to a lack of effective monitoring for the completion of documentation by the principal investigators, which had resulted in incomplete and delayed submission of necessary reporting.

Failure to complete and/or adequately document cost sharing and effort certification requirements increases the risk of reduced reimbursements and increased regulatory scrutiny and jeopardizes the future of the CSU's grant programs.

Recommendation 10

We recommend that the chancellor's office remind the campuses of the available SPA procedures for cost sharing and effort certification reporting and facilitate a systemwide initiative to explore best practices for this reporting to ensure systemwide compliance of federal requirements.

Management Response

We concur. We will remind the campuses of the procedures available on the chancellor's office sponsored programs website to assist with cost sharing and effort reporting by August 31, 2008. We have established a systemwide effort reporting task force to review best practices and policy interpretation. We anticipate recommendations on consistent policy interpretation related to effort reporting by August 31, 2008.

PROPERTY MANAGEMENT

Reconciliations were not completed for auxiliary equipment inventories at three of the eight campuses visited. Furthermore, equipment was not always added to the property records at two campuses.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.34(f), states that the recipient's property management standards for equipment acquired with federal funds and federally-owned equipment shall include all of the following: (1) Equipment records shall be maintained accurately and shall include the following information: (i) A description of the

equipment. (ii) Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number. (iii) Source of the equipment, including the award number. (iv) Whether title vests in the recipient or the federal government. (v) Acquisition date (or date received, if the equipment was furnished by the federal government) and cost. (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government). (vii) Location and condition of the equipment and the date the information was reported. (viii) Unit acquisition cost. (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

State Administrative Manual (SAM) §7924 requires that agencies reconcile property at least quarterly or monthly, depending upon the volume of property transactions. Agencies will reconcile the acquisitions and dispositions of capitalized property with the amounts recorded into the property ledger.

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

Campus management stated that equipment was not added to the inventory due to oversight and that reconciliation exceptions were attributed to a disconnect between the campus property management department responsible for conducting physical inventories and the auxiliary organization responsible for post-award activities including equipment reconciliation.

Failure to properly account for and record equipment acquisitions increases the risk of misstated inventory records and theft or loss of property, while failure to complete or timely prepare property reconciliations limits the ability to detect errors and regularities and may subject the campus to regulatory scrutiny.

Recommendation 11

We recommend that the chancellor's office:

- a. Reinforce the importance of tagging/inventorying equipment purchases and reconciling the physical inventory counts for all equipment, but especially any equipment purchased from federal grant funds.
- b. Consider the addition and/or revision of property management requirements, including equipment inventory reconciliations and preparation of accurate property records, in contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur.

- a. We will communicate the importance of tracking/inventorying equipment purchases, particularly those purchased from federal grant funds, and reconciling to physical inventory at least bi-annually. Estimated date of completion is June 30, 2008.
- b. We will also review and draft updates to systemwide policy on property management requirements by February 28, 2009. This documentation requirement will be included in the sponsored programs section of ICSUAM.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
<u>Office of the Chancellor</u>	
Richard P. West	Executive Vice Chancellor and Chief Financial Officer (CFO)
Sue DeRosa	Director, Sponsored Programs Administration
Colleen Nickles	Assistant Vice Chancellor, Financial Services
<u>California State University, Chico</u>	
Paul J. Zingg	President
Marsail Ford	Business Systems Analyst, The CSU, Chico Research Foundation (Research Foundation)
Beverly Gentry	Director of Strategic Planning, Business and Finance
Dennis Graham	Vice President, Business and Finance (At time of review)
Gail Hildebrand	Manager, Office of Research and Sponsored Programs
Richard Jackson	Executive Director, Research Foundation
Bill Jones	Associate Vice President, Business and Finance
John Mahoney	Director, Honors Program
Katie Milo	Vice Provost, Research
Carol Sager	Director, Office of Research and Sponsored Programs
Fred Woodmansee	Financial Director, Research Foundation
<u>California State University, Dominguez Hills</u>	
Mildred García	President
Lauren Ansoorge	Grants and Contracts Administrator, California State University Dominguez Hills Foundation (Foundation)
Ron Bergman	Associate Vice President of Information Technology
Rita Darcy	Grants and Contracts Administrator, Foundation
Jim Egan	Human Resources Administrator, Foundation
Kent Gibson	Executive Director, Foundation
Danh Hoang	Accountant, Foundation
Gloria Mendez	Director, Grants and Contracts Administration, Foundation
Ray Riznyk	Director, Office of Research and Funded Projects
Laura Robles	Dean of Graduate Studies and Research, Academic Programs
Mary Ann Rodriguez	Vice President, Administration and Finance
Dawn Shimizu	Director, Foundation
Jo Anne Smith	Institutional Review Board Compliance Coordinator, Office of Research and Funded Projects
Karen Wall	Associate Vice President, Administration and Finance
Emmit Williams	Director of Contracts Administration, Procurement, Contracts, Logistical and Support Services
<u>California State University, East Bay</u>	
Mohammad Qayoumi	President
John Abbey	Assistant Controller
Donna Arredondo	Accounting and Fiscal Services
Shawn Bibb	Vice President of Administration and Finance and CFO

APPENDIX A: PERSONNEL CONTACTED

Christopher Brown	Executive Director, Foundation
Jennifer Cabrejas	Information Coordinator, Office of Research and Sponsored Programs
Yashmeen Imroz	Grant Analyst I, Foundation
Victoria Jensen	Interim Director, Office of Research and Sponsored Programs
Dorothy Lee	Accounting Technician, Foundation
Nyassa Love	Associate Vice President of Business and Finance
Cynthia Vinson	Grants and Contracts Manager, Foundation

California State University, Fresno

John D. Welty	President
Deborah Adishian-Astone	Executive Director, Auxiliary Services
Matt Babick	Internal Auditor
Doug Carey	Administrative Assistant, Research and Sponsored Programs
Linda Christian	Grant Accounting Supervisor, Foundation Financial Services
Maral Cingoz	Secretary, Research and Sponsored Programs
Paul Crosbie	Chair, Institutional Animal Care and Use Committee
Daniel Griffin	Associate Director, Research and Sponsored Programs
William Hunt	Grants Administrator, Research and Sponsored Programs
Steve Katz	Associate Vice President, Financial Services
Keith Kompsi	Director, Foundation Financial Services
Thomas McClanahan	Associate Vice President, Research and Sponsored Programs
John Melikian	Staff Counsel, Auxiliary Services
Shelby Mirzaie	Grant Accountant, Foundation Financial Services
Nancy Myers-Sims	Grants Administrator, Research and Sponsored Programs
Chris Robinson	Controller, Accounting Services
Wilma Satterberg	Grant Accountant, Foundation Financial Services
Michelle Serrano	Trust Accountant, Foundation Financial Services
Elizabeth Sinor	Financial Accounting Supervisor, Foundation Financial Services
Jane Stewart	Grant Analyst, Foundation Financial Services
Penny Sweazy	Accounts Payable Clerk, Foundation Financial Services
Cynthia Teniente-Matson	Vice President for Administration and CFO
Nathan Zanoni	Grant Accountant, Foundation Financial Services

California State University, Fullerton

Milton A. Gordon	President
Bill Barrett	Associate Vice President, Administration
Pearl Cheng	Director, Finance and Administration, Auxiliary Services Corporation
Julie Chung	Gift Administrator/Accounting Manager
Bill Dickerson	Executive Director, Auxiliary Services Corporation
Naomi Goodwin	Assistant Vice President, Administration and Finance
Willie Hagan	Vice President, Administration and Finance
Bahram Hatefi	Director, Internal Audit
Pamela Hillman	Vice President, University Advancement
Brian Jenkins	Associate Vice President, Finance
Chi Nguyen	Accountant, Sponsored Programs
Linda Patton	Director, Grants and Contracts
Smruti Shah	Accounts Receivable Specialist
Ephraim Smith	Vice President, Academic Affairs

APPENDIX A: PERSONNEL CONTACTED

Paulina Tagle Assistant Director, Grants and Contracts
Tanya Thompson Director, Sponsored Programs
Regina Webster Associate Vice President, Central Development
Jerry Yu Director, Corporate and Foundation Relations

California State University, Long Beach

F. King Alexander President
Robert Behm Executive Director, California State University, Long Beach
Foundation (Foundation)
Denise Bell Director of Grants, Contracts and Foundation Programs
William Griffith Vice President, Administration and Finance (At time of review)
Joseph Latter Associate Vice President, Administration and Finance
Robyn Mack Associate Vice President, University Services and Chief of Staff
Brian Nowlin Associate Executive Director, Foundation
Alan Ray CFO, Foundation
Arlene Reyes Director of Finance and Accounting, Foundation
Sandra Shereman Senior Director, Sponsored Programs/Business Development
Aysu Spruill Director, Internal Auditing Services
Sharon Taylor Associate Vice President, Financial Management
James Till Interim Associate Vice President, Research and External Support

California State University, Sacramento

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

Sonoma State University

Ruben Armiñana President
Letitia Coate Assistant Vice President, Administration and Finance and Controller
Barbara Crandell Accounting Director, California Institute on Human Services
Laurence Furukawa-Schlereth Vice President, Administration and Finance and CFO
Mark Harlin Property Program Coordinator
Lori Heffernon Assistant Controller, Grants and Contracts
Kurt Koehle Director, Internal Operations Analysis and Review
Laurie Mattinson Grants Manager

APPENDIX A: PERSONNEL CONTACTED

Ruth McDonnell

Joshua Schultz

Jeffery Wilson

Purchasing Officer

Director of Research and Sponsored Programs

Senior Accountant, Endowment and Foundation Accounting



Business & Finance Division
401 Golden Shore, 5th Floor
Long Beach, CA 90802-4210

www.calstate.edu

Richard P. West
Executive Vice Chancellor/CFO

562-951-4000
Fax 562-951-4970
rwest@calstate.edu

Date: May 28, 2008

To: Larry Mandel
University Auditor

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

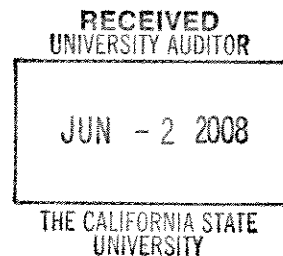
Subject: Management Response to Recommendations for Audit Report Number 07-13,
Contracts and Grants, Systemwide

Enclosed are the management responses to the audit recommendations pertaining to Audit Report 07-13. Should you have any questions, please feel free to contact Colleen Nickles, Sue DeRosa, or me.

RW:cn

Enclosures

Cc: Colleen Nickles, Assistant Vice Chancellor, Financial Services
Sue DeRosa, Director, Sponsored Programs Administration



CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

CONTRACTS AND GRANTS

SYSTEMWIDE

Audit Report 07-13

PROGRAM ADMINISTRATION

SYSTEMWIDE POLICY DEVELOPMENT

Recommendation 1

We recommend that the chancellor's office develop, update, and/or finalize systemwide policies and procedures for sponsored program activities that include, but are not limited to, conflict of interest disclosures, protection of animal research subjects, intellectual property, patents and inventions, and records management.

Management Response

We concur. With assistance from outside consultants, we will update the Chancellor's Office sponsored program guidelines. We will incorporate the new and updated financially-related policies and procedures into the new Integrated California State University Administrative Manual (ICSUAM). The process of developing systemwide policy will involve review by stakeholders in sponsored program administration throughout the CSU system and some may also necessitate faculty senate review and/or approval. We estimate that draft policies will be completed by February 28, 2009, with implementation dependent upon the necessary level of review and/or approval.

AUDIT MONITORING AND RESOLUTION

Recommendation 2

We recommend that the chancellor's office:

- a. Establish and maintain a system of centralized oversight and monitoring, including the development of policies and procedures, campus and foundation A-133 single audit findings, recommendations, and other audit issues noted during external agency reviews.
- b. Ensure that the SPA is informed by campuses of the external agency audit findings in order to enhance the monitoring of campus activities, enable the review of internal control analyses performed by campus management, and improve systemwide sponsored programs control assessment and reporting.

Management Response

We concur. The current guidelines on audits and site visits will be updated to include a process for defining and notifying the Chancellor's Office Director of Sponsored Programs of campus and auxiliary audit findings related to sponsored program administration. Estimated date of completion of draft policy is February 28, 2009.

We will also modify our existing system to improve oversight and monitoring of systemwide sponsored programs compliance. As this may be dependent upon completion of updated policies above, the anticipated completion of this process is April 30, 2009.

DECENTRALIZED ADMINISTRATION**Recommendation 3**

We recommend that the chancellor's office:

- a. Remind the campuses that no other department or campus entity shall submit proposals and or administer programmatic grants without direct involvement by the designated SPA or other entity as designated by the campus presidents.
- b. Clarify the distinction between programmatic and philanthropic grants with strong emphasis on ensuring close collaboration between SPA and the university development offices. Such guidance should also require campus implementation of monitoring controls to detect, correct, and report such "gift versus grant" situations as they occur.
- c. Consider including systemwide expectations for these areas in contracts and grants systemwide policies, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. A systemwide task force to review gifts and grants definitions and processes will be established to recommend systemwide guidance on the distinction between programmatic and philanthropic grants. By August 31, 2008, a letter will be sent to all campuses with information about the task force and purpose. Results from the task force will be disseminated at a later date (to be determined by the task force) and will ultimately be incorporated into the ICSUAM.

EMPLOYEE TRAINING**Recommendation 4**

We recommend that the chancellor's office:

- a. Instruct the campuses to develop a methodology for the documentation of initial, ongoing, and/or required compliance training. This might include the use of a formalized training schedule/topic checklist and sign-in sheet to certify that employees received all required training and a comprehensive overview of important topics including, but not limited to, SPA procedures, conflict of interest policies, human subject and animal testing, and intellectual property policies.

- b. Consider including systemwide expectations for project director training in contracts and grants systemwide policies, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. We will instruct the campuses to develop a methodology for documenting all required compliance training – estimated completion is June 30, 2008.

We will also incorporate required training and expectations into the ICSUAM – anticipated completion of draft policy is February 28, 2009.

DELEGATIONS OF AUTHORITY

Recommendation 5

We recommend that the chancellor's office remind the campuses of the need to document all official delegations of authority and consider the addition of this documentation requirement in contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. A letter to all campuses with a reminder that all official delegations of authority related to sponsored programs must be documented and updated – estimated completion June 30, 2008.

PROJECT INTEGRITY AND REGULATORY COMPLIANCE

Recommendation 6

We recommend that the chancellor's office:

- a. Remind the campuses of all applicable conflict of interest requirements.
- b. Reinforce the importance of utilizing chancellor's office and campus human resources to ensure compliance with applicable systemwide policies and retention of conflict of interest forms by the campus filing officer in human resources.

Management Response

We concur. We will remind the campuses of all applicable conflict of interest requirements and reinforce the importance of coordinating with campus human resources and risk management to ensure compliance and to retain conflict of interest forms with the campus filing officer. Estimated completion is June 30, 2008.

GRANTS MANAGEMENT

SUBRECIPIENT MONITORING

Recommendation 7

We recommend that the chancellor's office remind the campuses of the need to request, review, and retain A-133 single audit reports from all subrecipients and consider the addition of this documentation requirement in updated contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. We will remind the campuses of the importance of the A-133 subrecipient monitoring requirements by June 30, 2008.

PROGRAMMATIC TECHNICAL REPORTING

Recommendation 8

We recommend that the chancellor's office remind the campuses of the importance of strong controls to ensure that technical reports are submitted to sponsoring agencies in a timely manner and that documented evidence of submission is contained in project files.

Management Response

We concur. We will remind the campuses of the importance of monitoring and documenting submission of technical reports by June 30, 2008.

FISCAL ADMINISTRATION

COST ALLOCATION

Recommendation 9

We recommend that the chancellor's office remind the campuses of the requirement to annually document the analysis conducted for necessary updates to its cost allocation plan in advance of each fiscal year and ensure prompt billing to auxiliary enterprises for reimbursement of facilities, goods, and services provided.

Management Response

We concur. We will remind the campuses of the requirement to document its cost allocation plan in accordance with Executive Order 1000 by June 30, 2008.

COST SHARE AND EFFORT CERTIFICATION REPORTING

Recommendation 10

We recommend that the chancellor's office remind the campuses of the available SPA procedures for cost sharing and effort certification reporting and facilitate a systemwide initiative to explore best practices for this reporting to ensure systemwide compliance of federal requirements.

Management Response

We concur. We will remind the campuses of the procedures available on the Chancellor's Office Sponsored Programs website to assist with cost sharing and effort reporting by August 31, 2008.

We have established a systemwide Effort Reporting Task Force to review best practices and policy interpretation. We anticipate recommendations on consistent policy interpretation related to effort reporting by August 31, 2008.

PROPERTY MANAGEMENT

Recommendation 11

We recommend that the chancellor's office:

- a. Reinforce the importance of tagging/inventorying equipment purchases and reconciling the physical inventory counts for all equipment, but especially any equipment purchased from federal grant funds.
- b. Consider the addition and/or revision of property management requirements, including equipment inventory reconciliations and preparation of accurate property records, in contracts and grants systemwide policies and procedures, including the *CSU Sponsored Projects Policy and Procedures Manual*.

Management Response

We concur. We will communicate the importance of tracking/inventorying equipment purchases, particularly those purchased from federal grant funds, and reconciling to physical inventory at least bi-annually – estimated date of completion is June 30, 2008.

We will also review and draft updates to systemwide policy on property management requirements by February 28, 2009. This documentation requirement will be included in the sponsored programs section of ICSUAM.


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 16, 2008

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

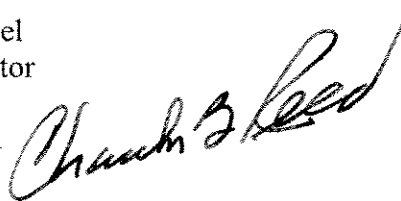
EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report 07-13 on
Contracts and Grants, Systemwide

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of June 16, 2008, I accept the response as submitted with the draft final report on *Contracts and Grants, Systemwide*.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Colleen Nickles, Assistant Vice Chancellor, Financial Services
Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS