

CONTRACTS AND GRANTS
CALIFORNIA STATE UNIVERSITY,
DOMINGUEZ HILLS

Audit Report 07-17
January 22, 2008

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ABBREVIATIONS

CFO	Chief Financial Officer
CSU	California State University
CSUDH	California State University, Dominguez Hills
EO	Executive Order
Foundation	California State University Dominguez Hills Foundation
HR	Human Resources
NIH	National Institutes of Health
OMB	Office of Management and Budget

EXECUTIVE SUMMARY

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

We visited the California State University, Dominguez Hills (CSUDH) campus from August 13, 2007, through September 14, 2007, and audited the procedures in effect at that time.

In our opinion, the administration and management controls over sponsored programs were, for the most part, effective. Campus and California State University Dominguez Hills Foundation (Foundation) management had developed comprehensive policies and procedures for principal investigator and project director, financial accounting, and regulatory compliance activities. However, controls over delegations of authority, employee training records, record retention and disposition, conflict of interest and debarment and suspension policies, performance and/or final technical reports, monitoring of subrecipient activities, approval of travel and payroll transactions, cost sharing and effort certification reporting, and property management needed improvement.

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

PROGRAM ADMINISTRATION [6]

Delegations of authority were not always prepared and signature authorization forms were not always complete. The CSUDH director of grants and contracts administration signed/approved proposals on behalf of the Foundation executive director without a written delegation of authority. In addition, the CSUDH signature authorization agreements for project directors and their designees were not always on file or complete. Documentation to support initial and ongoing training for project directors and those responsible for the administration of contracts and grants needed improvement. Further, record retention and disposition policies and procedures required improvement. Certain documented policy required a three-year retention period while another handbook only recommended a retention period. Procedures were not in place for the disposal of contracts and grants records containing information of a proprietary, confidential, or highly sensitive nature and therefore records had not been purged in over ten years while 2005 manual payroll check documentation was inadvertently discarded before the required three year retention period. Sensitive payroll documentation containing social security numbers was stored in the lobby of the office of grants and contracts.

PROJECT INTEGRITY AND REGULATORY COMPLIANCE [11]

Foundation policies and procedures were inadequate for conflict of interest disclosure and non-existent for debarment and suspension certification. The existing financial conflict of interest policy did not specify the requirement of the completion of CA Form 700-U for all non-governmental research projects. Additionally, the existing policy 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. Further, policy on debarment and suspension was non-existent and

therefore, individuals involved in sponsored programs were not required to certify that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

GRANTS MANAGEMENT [13]

Interim and/or final technical reports were not always timely prepared and submitted to funding agencies. In addition, evidence of submission of interim and/or final technical reports was not always on file. A review of 25 project files disclosed that five interim and/or final technical reports were not timely submitted to the sponsor in accordance with their respective contractual terms and four files did not contain documentation to evidence that interim and/or final technical reports were submitted to the sponsor in accordance with their respective contractual terms. Additionally, monitoring of subrecipient activities required improvement. The campus had not received and reviewed single audit reports for covered entities.

FISCAL ADMINISTRATION [15]

Administration and approval of travel expenditures required improvement. The Foundation travel authorization form/advance/reimbursement request did not require or provide a space for the dates signed and therefore, the dates signed were not reflected by all appropriate individuals. A review of 11 travel expenditures disclosed that two travel authorization form/advance/reimbursement requests were not signed by all required appropriate individuals. Administration and approval of payroll transactions required improvement. The Foundation payroll timesheet form required the account director's signature for all grant or contract related activity; however, a signature was not reflected on any of the timesheets reviewed. A review of 11 payroll transactions, consisting of various counts of timesheets and faculty workload summaries, disclosed that the majority were not properly approved. Further, cost sharing and effort certification reports were not always prepared or timely completed. Project directors were not periodically submitting certified Foundation cost share reports (FDN 254) of shared costs to the Foundation to demonstrate compliance with cost sharing requirements and effort certification reports were not timely submitted. In addition, 58 out of 59 effort certification reports reviewed were submitted between 42 and 296 days late.

PROCUREMENT AND PROPERTY MANAGEMENT [19]

Reconciliations were not always completed for Foundation equipment inventories, and accountability of sensitive property was not always adequate. A property reconciliation was not completed for fiscal years 2005/06 and 2006/07. In addition, the Foundation was unable to provide evidence of the usage of home use permits for sensitive property.

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.

At California State University, Dominguez Hills, the office of research and sponsored programs has overall responsibility for sponsored programs' pre-award activities. The California State University Dominguez Hills Foundation performs post-award activities and is the fiscal manager of campus-sponsored programs.

PURPOSE

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

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

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

SCOPE AND METHODOLOGY

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

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

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

PROGRAM ADMINISTRATION

DELEGATIONS OF AUTHORITY

Delegations of authority were not always prepared and signature authorization forms were not always complete.

We found that:

- ▶ The California State University, Dominguez Hills (CSUDH) director of grants and contracts administration signed/approved proposals on behalf of the California State University Dominguez Hills Foundation (Foundation) executive director without a written delegation of authority.
- ▶ Signature authorization agreements for project directors and designees were not always on file or complete. A review of 20 agreements disclosed that in four instances, the agreements were not signed by all the listed designees; in three instances, the agreements did not reflect the date signed; and in one instance, the agreement was not on file.

CSUDH AARP002.001 Roles and Responsibilities of Principal Investigators/Project Directors, dated April 10, 2006, states that proposals shall not be submitted to the sponsor without prior written approval of the president of the university or the president's designee (the provost/vice president of academic affairs or the provost's designee), the university chief financial officer (CFO) or the CFO's designee, and the Foundation executive director.

CSUDH Policy on the Administration of Grants and Contracts in Support of Sponsored Programs, dated July 1, 2004, states that authorization of a designee by the principal investigator will be done in writing on the Foundation's project agreement form.

The Foundation executive director stated that the director of grants and contracts administration only signed sponsored programs/contracts and grants related documentation when the executive director was not available and therefore stated his belief that a formal delegation of authority was not necessary. He also stated that project directors and deans did not always submit completed signature authorization agreements to the Foundation and therefore, the agreements were not always on file or complete. He added that the missing dates were an oversight.

Failure to maintain formal delegations of authority for the approval of proposals and signature authorization agreements for project directors and designees increases the risk of misunderstandings and unauthorized activities/actions.

Recommendation 1

We recommend that the Foundation:

- a. Ensure that delegations of authority are properly documented.
- b. Ensure that signature authorization agreements are properly completed and maintained on file.

Campus Response

We concur.

- a. The executive director of the Foundation has issued a memorandum delegating authority to the director of grants and contracts administration to approve documents on his behalf and in his absence.

Corrective action has been completed.

- b. The Foundation has implemented procedures to ensure that signature authorization agreements are properly completed and maintained on file.

Corrective action has been completed.

EMPLOYEE TRAINING

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

Our review of 14 project directors disclosed that in all instances, there was no supporting documentation to evidence the project director's attendance of initial training, and in five instances, there was no supporting documentation to evidence the project director's attendance of ongoing training.

Executive Order (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.

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

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

business practices. This includes providing and documenting initial and ongoing training for project directors and those responsible for the administration of contracts and grants.

CSUDH Policy on the Administration of Grants and Contracts in Support of Sponsored Programs, dated July 1, 2004, states that principal investigators shall effectively train and supervise project personnel.

The dean of graduate studies and research stated that the lack of documentation for initial training was due to oversight. She also stated that the individuals in question had not received ongoing training for various reasons: one individual was removed as principal investigator from two grants and another left the campus before the training started; one individual was the principal investigator for convenience and the grant was run by another who attended the training; one principal investigator was the replacement for another who retired; and one principal investigator was on a special contract with the campus through Long Beach Unified School District and did not serve as a traditional principal investigator.

Failure to document initial and ongoing training efforts by project personnel increases the risk of non-compliance with federal and state regulations.

Recommendation 2

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

Campus Response

We concur. The office of research and funded projects, in conjunction with the dean of graduate studies and research, has prepared a schedule of principal investigator training sessions that will be held prior to the start of the academic semester. The two training sessions offered will address policies and procedures including, but not limited to, conflict of interest, use of human subjects in research, and intellectual property rights. In addition, a sign-in sheet will be available to document a principal investigator's attendance at the required training session.

Corrective action has been completed.

RECORD RETENTION

Record retention and disposition policies and procedures required improvement.

We found that:

- ▶ Record retention policies and handbooks were inconsistent. The CSUDH *Policy on the Administration of Grants and Contracts in Support of Sponsored Programs* and the *Research and Funded Projects Handbook – Pre-Award Policies and Procedures* required that records be retained for three years while the *Foundation Account Holders' Handbook* did not require but only recommended that records be maintained for three years.
- ▶ Procedures were not in place for the disposal of contracts and grants records containing information of a proprietary, confidential, or highly sensitive nature. Records had not been purged in over ten years.
- ▶ Manual payroll check documentation from 2005 was inadvertently discarded before the required three-year retention period.
- ▶ Sensitive payroll documentation containing social security numbers was stored on open-faced bookshelves in the lobby of the office of grants and contracts administration.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, 3.6.2 *Record Retention*, states that each campus' policy for sponsored program record retention shall comply with applicable law and university and auxiliary policy, and shall establish a schedule that specifies (a) the period of time to retain sponsored program records after the sponsored program has been completed; (b) disposal of records no longer needed; (c) the preservation of records of historical value; and (d) procedures for complying with the sponsor's record retention requirements.

CSU directive HR 2005-16, *Requirements for Protecting Confidential Personal Data*, dated April 8, 2005, states that each campus and the chancellor's office must take necessary measures to protect confidential personal information, which includes, but is not limited to, social security numbers.

CSUDH *Policy on the Administration of Grants and Contracts in Support of Sponsored Programs*, dated July 1, 2004, states that all records pertaining to a sponsored program will be maintained for a minimum period of three years, commencing with the submission and acceptance of the final technical and financial reports. Should a longer period be required by a sponsoring agency, this information will be contained on the grant analysis form and the closeout checklist. All records should be properly disposed of at the conclusion of the retention period unless they have historical value or are the subject of pending audit or intellectual property issues.

The Foundation executive director stated that he was unaware of the requirement to have procedures for disposal of records containing information of a proprietary, confidential, or highly sensitive

nature. Additionally, he added that sensitive payroll documentation was not maintained in a secured area due to a lack storage room. He further stated that the 2005 manual payroll check documentation was not maintained due to oversight or they were misplaced. Lastly, the executive director stated that he was aware that the policy in the *Foundation Account Holders' Handbook* for maintaining records for three years was outdated, so in the interim, the staff was following the EO 890 guidelines until the handbook could be revised.

The absence of procedures for the maintenance and disposal of contracts and grants records increases the risk of premature disposal, and inadequate control for the protection of personal information increases the risk of loss from inappropriate acts and the unauthorized access to and disclosure of personal information.

Recommendation 3

We recommend that the Foundation:

- a. Revise the *Foundation Account Holders' Handbook* to require contracts and grants records be retained for three years.
- b. Establish procedures for the disposal of contracts and grants records containing information of a proprietary, confidential, or highly sensitive nature to ensure that records are retained for a period of three years.
- c. Relocate all sensitive payroll documentation to a secured area.

Campus Response

We concur.

- a. The Foundation will revise the *Account Holders' Handbook* to address the three-year retention requirement and to be consistent with EO 890.

Expected completion date: March 2008

- b. The Foundation will establish procedures for the disposal of grants and contracts records containing information of a proprietary, confidential, or highly sensitive nature to ensure that records are retained for a period of three years after the grant closure.

Expected completion date: June 2008

- c. The Foundation is in the process of moving the payroll department and records to the central office location. Once completed, the payroll records will be filed in a separate secured area.

Expected completion date: May 2008

PROJECT INTEGRITY AND REGULATORY COMPLIANCE

Foundation policies and procedures were inadequate for conflict of interest disclosure and non-existent for debarment and suspension certification.

We found that:

- ▶ The existing financial conflict of interest policy did not specify the requirement of the completion of CA Form 700-U for all non-governmental research projects. Additionally, the existing policy 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.
- ▶ Policy on debarment and suspension was non-existent and therefore, individuals involved in sponsored programs were not required to certify that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

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.

Federal Acquisition Regulation, Subpart 9.409 – *Solicitation Provision and Contract Clause*, states that the contracting officer shall insert the provision *Certification Regarding Debarment, Suspension, Proposed Debarment, and Other Responsibility Matters*, in solicitations where the contract value is expected to exceed the simplified acquisition threshold.

The National Institutes of Health (NIH) *Grants Policy Statement* 11-14 states that applicants for NIH grants (“primary covered transactions”) are required to certify that, to the best of their knowledge and belief, they and their principals (including principal investigators and other key personnel): Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

The office of research and funded projects director stated that he was unaware that the CSUDH conflict of interest in research and scholarly activity policy and procedures did not include the requirement to complete CA Form 700-U for all non-governmental research projects. Additionally, he stated that he was unaware that the campus did not have a policy for debarment and suspension.

Inadequate conflict of interest policy increases liability for acts contrary to the institution, possible regulatory scrutiny, disallowances, and suspension or termination of current awards, and the absence of policy on debarment and suspension increases the risk of non-compliance with federal and state regulations.

Recommendation 4

We recommend that the Foundation:

- a. Revise the financial conflict of interest policy to reflect the requirement of completion of the CA Form 700-U and require its completion by all principal investigators.
- b. Establish policy on debarment and suspension and require all individuals involved in sponsored programs to certify that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

Campus Response

We concur.

- a. The office of research and funded projects will revise the institution's conflict of interest policy to require the submission of a CA Form 700-U for all principal investigators supported by non-governmental (private) funds, and the submission of Federal Disclosure of Financial Interest forms for all principal investigators supported by federal funds, not just those with known significant financial interest. In addition, the responsibility for the distribution and collection of completed forms will shift from the office of human resources to the office of research and funded projects.

Expected completion date: March 2008

- b. The office of research and funded projects will revise the institution's policy by adding a statement on debarment and suspension that requires all individuals involved in sponsored programs to certify that they are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency. In addition, the signature approval form will be modified to include a check box for the principal investigators to certify by signature this information.

Expected completion date: March 2008

GRANTS MANAGEMENT

PROGRAMMATIC TECHNICAL REPORTING

Interim and/or final technical reports were not always timely prepared and submitted to funding agencies. In addition, evidence of submission of interim and/or final technical reports was not always on file.

Our review of 25 project files disclosed that:

- ▶ Five interim and/or final technical reports were not timely submitted to the sponsor in accordance with their respective contractual terms.
- ▶ Four files did not contain documentation to evidence that interim and/or final technical reports were submitted to the sponsor in accordance with their respective contractual terms.

Office of Management and Budget (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.

CSUDH *Policy on the Administration of Grants and Contracts in Support of Sponsored Programs*, dated July 1, 2004, states that the Foundation shall ensure that all fiscal reports (including final reports) and billings are prepared and submitted, on a timely basis, to sponsors in accordance with the terms and conditions of the contract or grant. Additionally, the policy states that the Foundation is responsible for the accurate and timely financial reporting for each contract or grant. The principal investigator is primarily responsible for the timely submission of technical and project progress reports. The Foundation will monitor the submission of sponsoring agency required technical and project progress reports.

CSUDH *Research and Funded Projects Handbook* states that the principal investigator prepares all technical and substantive progress reports required by the sponsoring agency. Copies are forwarded to the agency, appropriate academic or administrative units, the office of research and funded projects, and the Foundation. The Foundation prepares fiscal reports required by the sponsoring agency. Copies are forwarded to the principal investigator, sponsoring agency, and appropriate academic or administrative units.

The office of research and funded projects director stated that the office had encouraged principal investigators to submit the reports in a timely manner; however, was not successful in its attempts.

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 5

We recommend that the campus and the Foundation strengthen controls to ensure that technical reports and other technical deliverables are submitted to sponsoring agencies in a timely manner and that adequate documentation is retained in project files.

Campus Response

We concur. To ensure the timely submission of progress and final technical reports and deliverables to sponsoring agencies, the office of research and funded projects has created a principal investigator award database that will flag report submission deadlines. In addition, electronic reminders will be sent to principal investigators to submit their reports to the federal agency prior to the deadline with report copies to both the office of research and funded projects and the Foundation.

Corrective action has been completed.

MONITORING OF SUBRECIPIENTS

Monitoring of subrecipient activities required improvement.

We found that the campus had not received and reviewed A-133 single audit reports for covered entities.

OMB Circular A-133, *Report Submission*, §.320 (a) states that the single audit shall be completed and the data collection form shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. (However, for fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s) or 13 months after the end of the audit period). Unless restricted by law or regulation, the auditee shall make copies available for public inspection.

The Foundation executive director stated that monitoring of the subrecipient reports was not always completed because the subrecipient was slow in sending the reports or the findings on reports did not pertain to the grant's funds.

Failure to monitor subrecipient activities increases the risk of non-compliance with federal regulations.

Recommendation 6

We recommend that the Foundation strengthen procedures to ensure receipt and review of A-133 reports for subrecipients.

Campus Response

We concur. The Foundation will strengthen procedures to ensure receipt and review of A-133 reports for subrecipients.

Expected completion date: March 2008

FISCAL ADMINISTRATION

TRAVEL EXPENDITURES

Administration and approval of travel expenditures required improvement.

Our review of 11 travel expenditures disclosed that:

- ▶ The Foundation travel authorization form/advance/reimbursement request did not require or provide a space for the dates signed and therefore, all of the travel expenditures reviewed did not reflect the dates signed by the appropriate individuals.
- ▶ Two travel authorization form/advance/reimbursement requests were not signed by all the required appropriate individuals.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, states that each campus shall establish necessary controls to ensure sound fiscal management of sponsored programs, regardless of whether the university or auxiliary is responsible for sponsored projects administration.

The Foundation *Account Holders' Handbook*, part 7.1.2, states in all cases where reimbursement for travel will be fully or partially paid by a Foundation account, a properly executed travel authorization form must be submitted to the Foundation office before commencement of travel.

CSUDH *Policy on the Administration of Grants and Contracts in Support of Sponsored Programs*, dated July 1, 2004, states that all expenditures will be according to Foundation, university, and sponsoring agency guidelines, policies, and procedures. The principal investigator signature on expenditures certifies program appropriateness and compliance with the approved budget and the Foundation signature certifies availability of funds and compliance with the sponsoring agency terms and conditions. The sponsored program administrator shall certify that funding is available prior to issuance of any personnel action form.

The Foundation executive director stated that signers did not know that dates were required since the Foundation's form did provide a line for dates. He added that travel authorization form/advance/reimbursement requests were not signed by all the required appropriate individuals due to oversight.

The absence of appropriate administration and approval for travel expenditures increases the risk of loss from inappropriate acts.

Recommendation 7

We recommend that the Foundation:

- a. Revise the Foundation travel authorization form/advance/reimbursement request to require dates the form was signed.
- b. Strengthen procedures to ensure that the Foundation travel authorization form/advance/reimbursement requests are signed by all required appropriate individuals.

Campus Response

We concur.

- a. The Foundation has revised the travel authorization form/advance/reimbursement request to require dates the form was signed.

Corrective action has been completed.

- b. The Foundation will strengthen procedures to ensure that the travel authorization form/advance/reimbursement requests are signed by all required appropriate individuals.

Expected completion date: April 2008

PAYROLL TRANSACTIONS

Administration and approval of payroll transactions required improvement.

Our review of 11 distinct payroll transactions, each transaction consisting of multiple timesheets and faculty workload summaries, disclosed that:

- ▶ Eighteen out of 20 timesheets in one transaction were signed by the project director on the supervisor's line but not on the authorized account signer line.
- ▶ Forty out of 58 timesheets in another transaction were signed by the authorized account signer but not by the supervisor.
- ▶ One timesheet in a third transaction was not signed by the supervisor.
- ▶ One timesheet in a fourth transaction was not signed by the supervisor or authorized account signer.

- ▶ One faculty workload summary was not signed by dean, department chair, and Foundation approving authority.
- ▶ One faculty workload summary was signed by an unauthorized signer signing as principal investigator.
- ▶ The Foundation payroll timesheet form required the account director's signature for all grants or contracts related activity; however, a signature was not reflected on any of the timesheets reviewed.

EO 890, *Administration of Grants and Contracts in Support of Sponsored Programs*, dated January 7, 2004, 3.5.2 *Account Management*, states that procedures shall be in place to define and document approval authority review and approve all expenditures for compliance with the contract or grant; and ensure completion of accurate and timely reporting for each contract or grant. The principal investigator is responsible for ensuring that all expenditures are made in compliance with the approved budget, the contract or grant and the sponsored program administrator's policies. The sponsored program administrator must certify that funding is available prior to issuance of any personnel actions forms.

CSUDH *Policy on the Administration of Grants and Contracts in Support of Sponsored Programs*, dated July 1, 2004, 3.5.2 *Account Management*, states that all expenditures will be according to Foundation, university, and sponsoring agency guidelines, policies, and procedures. The principal investigator signature on expenditures certifies program appropriateness and compliance with the approved budget and the Foundation signature certifies availability of funds and compliance with the sponsoring agency terms and conditions. The sponsored program administrator shall certify that funding is available prior to issuance of any personnel action form.

The Foundation executive director stated that the timesheet forms did not provide proper instruction for completion, and therefore, the appropriate individuals did not sign in all the required spaces. He also stated that lack of proper signatures in other cases was due confusion about the various roles and authorizations.

The absence of appropriate administration and approval for payroll transactions increases the risk of loss from inappropriate acts.

Recommendation 8

We recommend that the Foundation strengthen procedures to ensure the appropriate approval of payroll transactions.

Campus Response

We concur. The Foundation will strengthen procedures to ensure appropriate approval of payroll transactions.

Expected completion date: April 2008

COST SHARE AND EFFORT CERTIFICATION REPORTING

Cost sharing and effort certification reports were not always prepared or timely completed.

We found that:

- ▶ Project directors were not periodically submitting certified Foundation cost share reports (FDN 254) of shared costs to the Foundation to demonstrate compliance with cost sharing requirements.
- ▶ Fifty-eight out of 59 effort certification reports reviewed were submitted between 42 and 296 days late. Of the 58 reports submitted late, 29 reports were completed after the auditor's request for the documentation.

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, sub-award, 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.

The *Foundation Account Holders' Handbook* states that the project director must submit a Foundation cost share report (FDN 254) of shared costs to the Foundation at six-month intervals from the beginning of the budget period and at the end of the budget period to demonstrate compliance with cost sharing requirements. The report must be signed by the project director and the appropriate fiscal officer of the university certifying the accuracy of the cost share information.

The Foundation executive director stated that Form 254 is prepared by the grants administrator to track the cost sharing required by the grant. He further stated that while the form should be submitted monthly, quarterly, or in six-month intervals, some or most of the cost sharing documents were submitted on an annual basis, so Form 254 was not used at all. In addition, he stated that time and effort reports were sent to the faculty at the end of each semester, but either his office did not receive the reports or the reports were not returned in a timely manner.

Failure to complete and/or adequately document cost sharing and effort certification requirements increases the risk of reduced reimbursements and increased regulatory scrutiny.

Recommendation 9

We recommend that the Foundation strengthen procedures for the timely submission of cost sharing and effort certification.

Campus Response

We concur. The Foundation in collaboration with the office of research and funded projects will strengthen procedures for the timely submission of cost sharing and effort certification.

Expected completion date: April 2008

PROCUREMENT AND PROPERTY MANAGEMENT

Reconciliations were not always completed for Foundation equipment inventories, and accountability of sensitive property was not always adequate.

The campus conducted annual inventory counts of Foundation equipment. However, reconciliations were not completed by the Foundation for fiscal years 2005/06 and 2006/07. In addition, the Foundation was unable to provide evidence of the usage of home use permits for sensitive property.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, §.34(f)(3), states that 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.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that property that poses a special risk of loss due to its marketability and portability be adequately safeguarded. Such high-risk property includes laptop computers.

The Foundation executive director stated that procedures were not in place for the university to supply property reports to the Foundation on a regular basis in order to timely prepare property reconciliations. He also stated that the lack of evidence of home use permits for sensitive property was due to oversight since the property used off-campus was minimal.

Failure to complete or timely prepare property reconciliations limits the Foundation's ability to detect errors and irregularities and may delay proper revenue recognition, while failure to utilize home use permits increases the risk of unauthorized use and loss of state property.

Recommendation 10

We recommend that the Foundation:

- a. Ensure that property reconciliations are properly and timely completed for Foundation equipment inventories.
- b. Establish procedures for utilization and maintenance of home use permits for off-campus use of Foundation equipment.

Campus Response

We concur.

- a. The Foundation will ensure that property reconciliations are properly and timely completed for Foundation equipment inventories. The campus will provide the Foundation with the necessary reports to conduct an annual reconciliation.

Expected completion date: June 2008

- b. The Foundation will establish procedures for utilization and maintenance of home use permits for off-campus use of Foundation equipment.

Expected completion date: April 2008

APPENDIX A: PERSONNEL CONTACTED

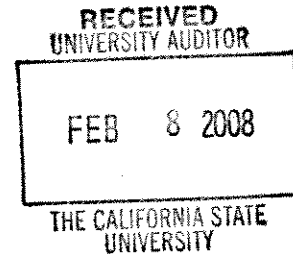
<u>Name</u>	<u>Title</u>
Mildred García	President
Lauren Ansonge	Grants and Contracts Administrator, California State University Dominguez Hills Foundation (Foundation)
Ron Bergman	Associate Vice President of Information Technology
Rita Darcy	Grants and Contracts Administrator, Foundation
Jim Egan	Human 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



California State University
Dominguez Hills

Office of the Vice President for Administration and Finance
1000 E. Victoria Street – WH B470 Carson, CA 90747 (310) 243-3750 FAX (310) 234-3869

February 8, 2008



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

Dear Mr. Mandel:

Enclosed, please find California State University, Dominguez Hills' response to the Contracts and Grants Audit 07-17 dated January 22, 2008. The campus is committed to addressing and resolving the issues identified in the audit report.

If you have any questions or would like additional information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "MARodriguez".

Mary Ann Rodriguez
Vice President of Administration and Finance

- c: Mildred García, President
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
Dawn Shimizu, Director of Business and Finance, Foundation
Karen Wall, Associate Vice President, Administration and Finance

CONTRACTS AND GRANTS

CALIFORNIA STATE UNIVERSITY, DOMINGUEZ HILLS

Audit Report 07-17
January 28, 2008

PROGRAM ADMINISTRATION

DELEGATIONS OF AUTHORITY

Recommendation 1

We recommend that the Foundation:

- a. Ensure that delegations of authority are properly documented.
- b. Ensure that signature authorization agreements are properly completed and maintained on file.

Campus Response

We concur.

- a. The executive director of the Foundation has issued a memorandum delegating authority to the director, grants and contracts administration to approve documents on his behalf, in his absence.
- b. The Foundation has implemented procedures to ensure that signature authorization agreements are properly completed and maintained on file.

Corrective action has been completed.

EMPLOYEE TRAINING

Recommendation 2

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

Campus Response

We concur. The office of research and funded projects, in conjunction with the dean of graduate studies and research, has prepared a schedule of PI training sessions that will be held prior to the start of the academic semester. The two (2) training sessions offered will address policies and procedures

including, but not limited to, conflict of interest, use of human subjects in research, and intellectual property rights. In addition, a sign-in sheet will be available to document a PI's attendance at the required training session.

Corrective action has been completed.

RECORD RETENTION

Recommendation 3

We recommend that the Foundation:

- a. Revise the Foundation *Account Holders' Handbook* to require contracts and grants records be retained for three years.
- b. Establish procedures for the disposal of contracts and grants records containing information of a proprietary, confidential, or highly sensitive nature to ensure that records are retained for a period of three years.
- c. Relocate all sensitive payroll documentation to a secured area.

Campus Response

We concur.

- a. The Foundation will revise the Account Holder's Handbook to address the three year retention requirement and to be consistent with Executive Order 890.
- b. The Foundation will establish procedures for the disposal of grants and contracts records containing information of a proprietary, confidential, or highly sensitive nature to ensure that records are retained for a period of three years after the grant closure.
- c. The Foundation is in the process of moving the payroll department and records to the central office location. Once completed, the payroll records will be filed in a separate secure area.

Expected completion date: a. March 2008, b. June 2008, c. May 2008.

PROJECT INTEGRITY AND REGULATORY COMPLIANCE

Recommendation 4

We recommend that the Foundation:

- a. Revise the financial conflict of interest policy to reflect the requirement of completion of the CA Form 700-U and require its completion by all principal investigators.

- b. Establish policy on debarment and suspension and require all individuals involved in sponsored programs to certify that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency.

Campus Response

We concur.

- a. The office of research and funded projects will revise the institution's conflict of interest policy to require the submission of a CA Form 700-U for all PIs supported by non-governmental (private) funds, and the submission of Federal Disclosure of Financial Interest Forms for all PIs supported by federal funds, not just those with known significant financial interest. In addition, the responsibility for the distribution and collection of completed forms will shift from the office of human resources to the office of research and funded projects.
- b. The office of research and funded projects will revise the institution's policy by adding a statement on debarment and suspension that requires all individuals involved in sponsored programs to certify that they are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency. In addition, the signature approval form will be modified to include a check-box for the PIs to certify by signature this information.

Expected completion date: a. March 2008, b. March 2008.

GRANTS MANAGEMENT

PROGRAMMATIC TECHNICAL REPORTING

Recommendation 5

We recommend that the campus and the Foundation strengthen controls to ensure that technical reports and other technical deliverables are submitted to sponsoring agencies in a timely manner and that adequate documentation is retained in project files.

Campus Response

We concur. To ensure the timely submission of progress and final technical reports and deliverables to sponsoring agencies, the office of research and funded projects has created a PI award database that will flag report submission deadlines. In addition, electronic reminders will be sent to PIs to submit their reports to the federal agency prior to the deadline with report copies to both the office of research and funded projects and the Foundation.

Corrective action has been completed.

MONITORING OF SUBRECIPIENTS

Recommendation 6

We recommend that the Foundation strengthen procedures to ensure receipt and review of A-133 reports for subrecipients.

Campus Response

We concur. The Foundation will strengthen procedures to ensure receipt and review of A-133 reports for sub-recipients.

Expected completion date: March 2008

FISCAL ADMINISTRATION

TRAVEL EXPENDITURES

Recommendation 7

We recommend that the Foundation:

- a. Revise the Foundation travel authorization form/advance/reimbursement request to require dates the form was signed.
- b. Strengthen procedures to ensure that the Foundation travel authorization form/advance/reimbursement request are signed by all required appropriate individuals.

Campus Response

We concur.

- a. The Foundation has revised the travel authorization form/advance/reimbursement request to require dates the form was signed.
- b. The Foundation will strengthen procedures to ensure that the travel authorization form/advance/reimbursement requests are signed by all required appropriate individuals.

Expected completion date: a. Corrective action has been completed, b. April 2008

PAYROLL TRANSACTIONS

Recommendation 8

We recommend that the Foundation strengthen procedures to ensure the appropriate approval of payroll transactions.

Campus Response

We concur. The Foundation will strengthen procedures to ensure appropriate approval of payroll transactions.

Expected completion date: April 2008

COST SHARE AND EFFORT CERTIFICATION REPORTING

Recommendation 9

We recommend that the Foundation strengthen procedures for the timely submission of cost sharing and effort certification.

Campus Response

We concur. The Foundation in collaboration with the office of research and funded projects will strengthen procedures for the timely submission of cost sharing and effort certification.

Expected completion date: April 2008

PROCUREMENT AND PROPERTY MANAGEMENT

Recommendation 10

We recommend that the Foundation:

- a. Ensure that property reconciliations are properly and timely completed for Foundation equipment inventories.
- b. Establish procedures for utilization and maintenance of home use permits for off-campus use of Foundation equipment.

Campus Response

We concur.

- a. The Foundation will ensure that property reconciliations are properly and timely completed for Foundation equipment inventories. The campus will provide the Foundation with the necessary reports to conduct an annual reconciliation.
- b. The Foundation will establish procedures for utilization and maintenance of home use permits for off-campus use of Foundation equipment.

Expected completion date: a. June 2008, b. April 2008



THE CALIFORNIA STATE UNIVERSITY

 OFFICE OF THE CHANCELLOR

BAKERSFIELD

March 13, 2008

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

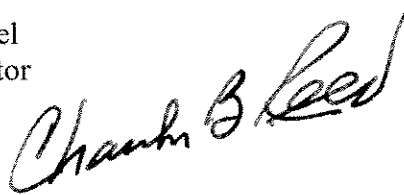
EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 07-17 on *Contracts and Grants*,
California State University, Dominguez Hills

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 13, 2008, I accept the response as submitted with the draft final report on *Contracts and Grants*, California State University, Dominguez Hills.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Mildred García, President
Ms. Karen J. Wall, Associate Vice President, Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS