SPONSORED PROGRAMS – POST AWARD

CALIFORNIA STATE UNIVERSITY,
CHICO

Audit Report 13-52
September 12, 2013

Members, Committee on Audit

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Rebecca D. Eisen  Steven M. Glazer
William Hauck  Hugo Morales

Staff

University Auditor:  Larry Mandel
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Audit Manager:  Wendee Shinsato

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ABBREVIATIONS

Co-PI       Co-Principal Investigator
CSU        California State University
CSUC       California State University, Chico
EO         Executive Order
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
OUA        Office of the University Auditor
PA         Sponsored Programs – Post Award
PI         Principal Investigator
RESP       Research and Sponsored Programs
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor (OUA) during the last quarter of 2012, the Board of Trustees, at its January 2013 meeting, directed that Sponsored Programs – Post Award (PA) be reviewed. The OUA last reviewed Post Award in 2010 and, for the majority of campuses, in the triennial audits of Auxiliary Organizations.

We visited the California State University, Chico campus from July 8, 2013, through August 8, 2013, and audited the procedures in effect at that time.

In our opinion, the fiscal, operational, and administrative controls for PA activities in effect as of August 8, 2013, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report.

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

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

GENERAL ENVIRONMENT [6]

Campus and Research Foundation administration of conflict-of-interest statements needed improvement. For example, campus conflict-of-interest policies and procedures did not require annual conflict-of-interest filings for contracts and grants funded by the National Institutes of Health. In addition, the Research Foundation did not always provide orientation to principal investigators involved in sponsored programs.

EFFORT REPORTING [8]

Research Foundation effort-reporting policies and procedures were incomplete. Specifically, policies and procedures did not define the roles and responsibilities of the various offices and individuals at the campus who were involved in effort reporting or address requirements for certifying effort reports in a timely manner. Also, the effort certification process needed improvement; for example, additional employment effort was not always reported and certified by the Research Foundation in the period that the work was performed.

FISCAL ADMINISTRATION [11]

Cost transfers were not always identified and processed in a timely manner. Additionally, contracts were not always properly executed.
INTRODUCTION

BACKGROUND

Sponsored programs include all work performed under grants or contracts funded by non-California State University (CSU) sources, such as federal agencies, state agencies, and non-profit organizations. There are generally two main components of sponsored program administration: pre-award, which includes activities such as proposal development, review, and submission prior to acceptance of funds; and post award, which includes administration of a sponsored program after the grant or contract has been awarded through the final closeout process.

Sponsored programs – post award (PA) may be administered either on the campus, usually under an office of research or similar department, or by an auxiliary organization, such as a research foundation. Five CSU campuses – Channel Islands, Maritime Academy, San Francisco, Sonoma, and Stanislaus – and the chancellor’s office administer the post-award aspects of sponsored programs on the state side. The other 18 CSU campuses manage PA through auxiliary organizations.

PA is subject to various types of audits, including internal audits by the Office of the University Auditor (OUA) and external audits required by granting agency regulations. For those campuses where an auxiliary organization manages PA, the OUA conducts triennial auxiliary organization audits, which include audits of the PA function. In addition, the OUA performs periodic campus audits of sponsored programs, the most recent of which was an audit of PA in 2010. The primary external audit performed is the annual A-133 audit, which is required for non-federal entities that expend $500,000 or more in federal awards in a year, and which is performed by external financial statement auditors. In addition, periodic audits may be performed by sponsors, including various federal inspector general offices.

The Office of Management and Budget (OMB) has issued 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 ensure 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. The circular was last revised in May 2004.

- 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 and agreements with institutions of higher education, hospitals, and other non-profit organizations. The circular was last revised in November 1993 and amended in September 1999.

- OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, sets forth consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. The circular was last revised in June 2007. The OMB Circular A-133 Compliance Supplement, which was last revised in June 2012, serves as a companion document.
Other federal guidance for sponsored programs has been disseminated by specific sponsoring agencies. Among the largest sponsors are the National Institutes of Health (NIH) and the National Science Foundation (NSF). The NIH Grants Policy Statement, last revised in October 2012, and the NSF Award and Administration Guide, last revised in January 2013, delineate policy requirements for the administration of projects funded by these agencies.

Compliance requirements for sponsored programs change as new regulations or policies are implemented. For example, new NIH requirements relating to financial conflict-of-interest identification and reporting became effective on August 24, 2012. In addition, the OMB recently proposed the creation of a unified Omni Circular, which would consolidate the three circulars mentioned above and others into one document that would supersede the separate circulars. The intent is to streamline federal requirements for all types of recipients of federal grants and contracts to increase the efficiency and effectiveness of the federal award process. The proposed text of the Omni Circular was published in the Federal Register on February 1, 2013.

Executive Order (EO) 890, Administration of Grants and Contracts in Support of Sponsored Programs, dated January 7, 2004, sets policy to be followed by each campus and any auxiliary organization 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 components such as proposal submission, review, and approval; performance of grants and contracts; human resources policies; academic policies; fiscal administration; and work product and records.

Integrated California State University Administrative Manual (ICSUAM) §11000 sets forth systemwide policies related to specific aspects of sponsored programs. These policies were created in response to the 2010 PA audit conducted by the OUA. Policies relevant to the current audit include:

- ICSUAM §11000.002.005, Subrecipient Monitoring, effective December 1, 2011
- ICSUAM §11000.003.005, Allowable Costs, effective December 1, 2011
- ICSUAM §11000.003.006, Effort Reporting, effective December 1, 2011
- ICSUAM §11000.003.007, Cost Sharing, effective December 1, 2011
- ICSUAM §11000.010.002, Financial Conflict of Interest, dated October 31, 2011

The CSU Conflict of Interest Code also requires principal investigators for projects sponsored by nongovernmental entities to disclose financial interests. Coded memorandum Human Resources 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, outlines reporting requirements, as well as management of potential conflicts of interest.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to sponsored programs – post-award administration and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus and auxiliary organization procedures.

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

- Administration of post award is well defined and includes clear lines of organizational authority and responsibility.
- Policies and procedures exist for key areas of post-award administration, such as effort reporting, cost sharing, subrecipient monitoring, and fiscal administration, and are current, comprehensive, and effectively distributed.
- Individuals involved in post-award administration are provided with sufficient initial and ongoing training.
- Financial interests in sponsored programs are disclosed in a timely manner and reviewed for conflicts of interest.
- An integrated system that encompasses both sponsored and all other activities, and that ensures accurate and properly documented evidence of work performed on sponsored programs, is in place for effort reporting.
- Administration and management of cost sharing on sponsored programs is adequate and performed in accordance with CSU, federal, and sponsor requirements.
- Subrecipient relationships are appropriately established and monitored in accordance with CSU, federal, and sponsor requirements.
- Financial systems and controls are adequate to ensure that costs charged to sponsored programs are allowable, allocable, and reasonable.
- Financial systems are adequate to ensure that cost transfers are made with adequate justification, with proper approvals, and within a reasonable period of time.
- Indirect costs charged to sponsored programs are appropriate, and approved indirect cost rates are utilized.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 22 and 23, 2013, meeting of the Committee on Audit stated that Sponsored Programs – Post Award (PA) includes a review of the post-award administration and management of sponsored programs funded by non-CSU funding sources. Proposed audit scope could include, but was not limited to, review of contract and grant budgeting and financial planning; indirect cost administration, including cost allocation; cost sharing/matching and transfer processes; effort reporting, fiscal reporting, and progress reporting; approval of project expenditures; subrecipient monitoring; and management and security of information systems.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with federal and state regulations and guidance, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2011, through August 8, 2013.

We focused primarily on the internal administrative, compliance, and operational controls over PA activities. Specifically, we reviewed and tested:

- Administration of PA activities, including defined responsibilities, current policies and procedures, and training.
- Conflict-of-interest policies and required conflict-of-interest filings.
- Effort reporting systems.
- Cost-sharing administration and management.
- Subrecipient monitoring processes.
- Fiscal administration, including cost transfers, indirect costs, and allowable costs.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

CONFLICTS OF INTEREST

Campus and Research Foundation administration of conflict-of-interest statements needed improvement.

We found that:

- Campus conflict-of-interest policies and procedures did not require annual conflict-of-interest filings for contracts and grants funded by the National Institutes of Health (NIH).

- For two of nine non-governmental contracts and grants we reviewed, conflict-of-interest forms had not been completed within 90 days of the project’s end date.

42 Code of Federal Regulations Part 50, Subpart F, Responsibility of Applicants for Promoting Objectivity in Research for Which PHS Funding Is Sought, effective September 26, 2011, states that each investigator must submit an updated disclosure of significant financial interests at least annually, in accordance with the specific time period prescribed by the institution, during the period of the award.

California State University, Chico (CSUC) Office of Research and Sponsored Programs (RESP), Procedures for Conflict of Interest Disclosure, states that the California State University (CSU) conflict-of-interest policy requires that a principal investigator (PI) or co-principal investigator (co-PI) report financial interests if he or she has principal responsibility for a sponsored project funded wholly or partially by a non-governmental entity. Financial interests will be reported on a Form 700-U, “Statement of Economic Interests for Principal Investigators.” The times when PIs and co-Pis must file or update Form 700-U are: prior to acceptance of an award from a nongovernmental sponsor; within 30 days of renewal of an award from a nongovernmental sponsor; if new reportable financial interests are obtained during the life of the award; and within 90 days of the expiration date of an award from a nongovernmental sponsor.

Coded memorandum Human Resources (HR) 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, states that the CSU principal investigators are required to file an initial statement prior to acceptance of a contract, grant, or gift, an interim statement within 30 days after funding is renewed, and a project completion statement within 90 days after gift funds are exhausted, or the research project is completed, pursuant to CSU policy.

The director of RESP stated that the annual update requirement was inadvertently left out of the recent update to the campus conflict-of-interest policy, and that the campus currently does not have any awards that fall under this requirement. She also stated that the project completion conflict-of-interest forms were sent out late due to staff oversight, and that RESP is currently in the process of transitioning from a manual to an automated process to track the due dates of these forms.
Inadequate administration of conflict-of-interest statements increases the risk of non-compliance with federal, state, and CSU requirements and could lead to possible regulatory scrutiny.

**Recommendation 1**

We recommend that the campus, in conjunction with the Research Foundation:

a. Update conflict-of-interest policies and procedures to require annual conflict-of-interest filings for contracts and grants funded by the NIH.

b. Complete conflict-of-interest forms for non-governmental contracts and grants within 90 days of a project’s end date.

**Campus Response**

We concur.

a. The campus policy on financial conflict of interest will be amended to include the annual disclosure requirement for contracts and grants funded by NIH after August 24, 2012.

b. The campus will ensure that conflict of interest forms for non-governmental contracts and grants are completed within 90 days of a project’s end date. The Office of Research and Sponsored Programs will implement a database that will assist staff in tracking the end dates of non-governmental contracts and grants and the date that conflict-of-interest forms were sent to PIs and returned.

Implementation date: February 28, 2014

**TRAINING**

The Research Foundation did not always provide orientation to PIs involved in sponsored programs.

We reviewed 20 sponsored programs and found that orientation was not provided to five co-PIs who were new to the role.

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 PIs and other individuals involved in contracts and grants receive orientation.

The director of RESP stated that orientation was not always provided if the co-PI was working on a project in conjunction with a long-time PI or when co-PIs were added in the middle of a project year, because the analyst was not notified to provide orientation. She also stated that Research Foundation processes have been updated to address both of these situations.
Inadequate PI orientation increases the risk of non-compliance with federal and state regulations, as well as the risk that errors, inconsistencies, misunderstandings, or misappropriation may occur.

**Recommendation 2**

We recommend that the campus, in conjunction with the Research Foundation, provide orientation to all PIs who are new to the role.

**Campus Response**

We concur. The campus, in conjunction with the Research Foundation, will ensure that PIs who are new to the role will be provided an orientation. Procedures will be modified to ensure that the grant/contract analyst who is responsible for providing the orientation is notified when a new PI or a new co-PI is added to a project.

Implementation date: December 1, 2013

**EFFORT REPORTING**

**POLICIES AND PROCEDURES**

Research Foundation effort-reporting policies and procedures were incomplete.

We found that the policies and procedures did not:

- Define the roles and responsibilities of the various offices and individuals at the campus who were involved in effort reporting.
- Address requirements for certifying effort reports in a timely manner.

Integrated California State University Administrative Manual (ICSUAM) §11000.003.006, *Effort Reporting*, effective December 1, 2011, states that it is the policy of the CSU that each campus shall develop and maintain policies and procedures for reporting all compensated effort of sponsored project-related employees to ensure compliance with applicable regulations and agreements. At a minimum, the campus president or designee must ensure that the campus has an effort reporting policy that defines roles and responsibilities of various offices and individuals at the campus. It further states that effort certifications are completed each academic term, but not less frequently than twice annually.

The director of RESP stated that because elements of effort reporting had been incorporated into many Research Foundation policies and procedures, the need for an overarching effort-reporting policy had not been recognized.

Incomplete effort-reporting policies and procedures increase the risk of noncompliance with CSU and governmental reporting requirements.
Recommendation 3

We recommend that the campus, in conjunction with the Research Foundation, update effort-reporting policies to:

a. Include roles and responsibilities of the various offices and individuals at the campus who are involved in effort reporting.

b. Address requirements for certifying effort reports in a timely manner.

Campus Response

We concur.

a. The Research Foundation will develop an effort-reporting policy that identifies the roles and responsibilities of the various individuals or units involved in effort reporting.

b. The Research Foundation will develop an effort-reporting policy that includes a requirement for PIs to return their effort reports in a timely manner.

Implementation date: December 1, 2013

DOCUMENTATION

The effort-certification process needed improvement.

We reviewed effort certifications and supporting documentation for 24 employees and found that:

- Additional employment effort was not always reported and certified by the Research Foundation in the period that the work was performed. We noted four instances where timesheets supporting additional employment effort were submitted after reporting deadlines, causing the hours worked to be reported in a subsequent effort-certification period.

- In one instance, the effort certification for a faculty employee was incorrectly stated because the level of effort shown on the certification was based on a three-month award period, rather than the six-month certification period.

- In one instance, the hourly wage rate for faculty additional employment on an award was not consistent with the faculty employee’s base rate of pay.

Coded memorandum HR 2002-05, Additional Employment, dated February 19, 2002, states that the salary rate for additional employment may be the same as the rate for the primary appointment; however, a different salary rate is permitted if appropriate for the work performed and if allowed by the funding source (e.g., private corporation contract). In the case of a federal grant or contract, the rate of pay for the additional employment must be the same as the CSU base rate of pay for the primary assignment.
ICSUAM §11000.003.006, *Effort Reporting*, effective December 1, 2011, states that sponsored project personnel compensated on a federally sponsored award (direct cost or cost share) will certify a report that indicates that the distribution of their total effort is a reasonable estimate of work performed during the period covered by the report.

Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, §J.10, states that the method used to report effort on sponsored contracts and grants must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.

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

The director of RESP stated that effort reports are created to coincide with payroll costs posting to the general ledger in order to satisfy reviews by state and other auditors; however, the practice will be reviewed and reevaluated. She further stated that the other errors were due to oversight.

Source documentation that does not support effort-reporting certifications decreases assurance on the reliability of effort-reporting systems and increases exposure to non-compliance with federal regulations.

**Recommendation 4**

We recommend that the campus, in conjunction with the Research Foundation:

a. Report and certify additional employment effort in the period that the work was performed.

b. Correctly calculate and report levels of effort on certifications for faculty employees.

c. Verify that the hourly wage rate for faculty additional employment on an award is consistent with the faculty employee’s base rate of pay.

**Campus Response**

We concur.

a. The campus, in conjunction with the Research Foundation, will report and certify effort in the period that the work is performed. Procedures will be updated to clarify that effort reports need to be updated and recertified to include additional employment not previously reported.

b. The campus, in conjunction with the Research Foundation, will ensure that effort reports accurately reflect the levels of effort on faculty certifications. Procedures will be updated to clarify that effort for partial semesters is to be calculated to reflect the actual effort over the entire
semester, rather than the percentage of effort during the period of time covered by the grant or contract.

c. The campus, in conjunction with the Research Foundation, will verify that the hourly wage rate for faculty additional employment on federal and federal pass-through awards is consistent with their institutional base salary. Procedures will be updated to include verification of data in CMS of faculty hourly rates during the proposal/budget development stage, as well as at award set-up.

Implementation date: December 1, 2013

FISCAL ADMINISTRATION

COST TRANSFERS

Cost transfers were not always identified and processed in a timely manner.

We reviewed 12 expenditures that involved cost transfers and found that:

- Three keying or processing errors were not identified, and costs were not transferred until 123 to 251 days after the error was made.
- Two allocations of project costs were not transferred until 125 to 156 days after the original expenses were incurred.

Office of Research and Sponsored Programs and Foundation Administration, Transfer Policy, revised January 8, 2009, states that the Research Foundation has policies, procedures, and internal controls in place to ensure costs are accurately recorded; however, in certain cases, transfers may be necessary. Transfers are normally used to allocate reasonable, allowable and allocable expenses to a specific account or funded projects. Project directors are responsible for reviewing expenses charged to their accounts or funded projects on a monthly basis and requesting transfers to correct keypunch or other distribution errors. Requests for transfers should be submitted immediately following the review of monthly transactions. Requests over 90 days after the posting date of the original transaction will require an explanation of why the transfer was not made within the 90-day limit; and in some cases, the transfer may not be approved.

NIH Grants Policy Statement, revised October 1, 2012, states that cost transfers to NIH grants by grantees, consortium participants, or contractors under grants that represent corrections of clerical or bookkeeping errors should be accomplished within 90 days of when the error was discovered. The transfers must be supported by documentation that fully explains how the error occurred and a certification of the correctness of the new charge by a responsible organizational official of the grantee, consortium participant, or contractor. The grantee should have systems in place to detect such errors within a reasonable time frame; untimely discovery of errors could be an indication of poor internal controls.
OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, §C.21, states that the recipient’s financial management systems shall provide for effective control over and accountability for all funds, property, and other assets, and accounting records that are supported by source documentation.

The director of RESP stated that project personnel are responsible for reviewing expenses charged to their accounts on a monthly basis and request transfers as needed; however, items may not always be identified and initiated in a timely manner due to oversight.

Untimely identification and processing of cost transfers increases the risk of expense disallowances and non-compliance with campus policies and federal regulations.

**Recommendation 5**

We recommend that the campus, in conjunction with the Research Foundation, identify and process required cost transfers in a timely manner.

**Campus Response**

We concur. The campus, in conjunction with the Research Foundation, will notify PIs and their designees of their responsibility to review their project(s) financial information on a monthly basis and to identify and submit requests for costs transfers in a timely manner. A Project Director Advisory will be sent to PIs, and the Foundation’s *Duties and Responsibilities of Principal Investigators* policy will be revised to clarify that requests for cost transfers should be submitted within 90 days of the original transaction’s posting date.

Implementation date: December 1, 2013

**CONTRACT EXECUTION**

Contracts were not always properly executed.

We reviewed 15 expenditures and found that:

- In one instance, a catering contract was not signed by an individual with appropriate delegation of authority.

- In one instance, an independent contractor agreement was signed after the services were performed.

CSU, Chico Research Foundation *Procurement Policy and Guidelines*, dated March 28, 2012, states that purchases of services from an individual require advance approval by an authorized representative of the Foundation prior to the date the services will be performed. The independent contractor agreement packet must be completed and submitted to the appropriate Foundation office for review and approval.
CSU, Chico Research Foundation, *Signature Policy and Guideline*, revised March 11, 2011, states that contracts for sponsored programs up to $500,000 require signatures from the vice provost for research, director of sponsored programs, or sponsored programs contracts officer.

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 business arrangements be supported by complete and properly executed written agreements.

The director of RESP stated that all agreements should be processed by RESP and signed by an authorized approver, but sometimes they are received after the fact, at which time project personnel are reminded of Research Foundation procedures.

Inadequate execution of contracts increases the possibility of unauthorized or invalid contracts and exposes the university to financial and legal obligations.

**Recommendation 6**

We recommend that the campus, in conjunction with the Research Foundation, properly execute all contracts.

**Campus Response**

We concur. The campus, in conjunction with the Research Foundation, will notify PIs and their designees that only authorized Foundation personnel may execute contracts. A Project Director Advisory will be sent to PIs, and the Foundation’s *Duties and Responsibilities of Principal Investigators* policy will be revised to include a prohibition against PIs and other project personnel signing any type of Foundation agreement.

Implementation date: December 1, 2013
### APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Paul J. Zingg</td>
<td>President</td>
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<tr>
<td>Joleen Barnhill</td>
<td>Analyst, Research and Sponsored Programs</td>
</tr>
<tr>
<td>Michele Flowerdew</td>
<td>Senior Analyst, Research and Sponsored Programs</td>
</tr>
<tr>
<td>Lori Hoffman</td>
<td>Vice President, Business and Finance</td>
</tr>
<tr>
<td>Jeni Kitchell</td>
<td>Director of University Budget and Resource Management</td>
</tr>
<tr>
<td>John Miner</td>
<td>Contracts Officer, Research and Sponsored Programs</td>
</tr>
<tr>
<td>Eun Park</td>
<td>Vice Provost for Research</td>
</tr>
<tr>
<td>Carol Sager</td>
<td>Director of Research and Sponsored Programs</td>
</tr>
<tr>
<td>Katy Thoma</td>
<td>Executive Director, CSU, Chico Research Foundation</td>
</tr>
<tr>
<td>Fred Woodmansee</td>
<td>Financial Director, CSU, Chico Research Foundation</td>
</tr>
</tbody>
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October 1, 2013

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

Subject: Sponsored Programs – Post Award, Audit Report 13-52
California State University, Chico

Dear Mr. Mandel:

We have reviewed the Office of the University Auditor Report 13-52, Sponsored Programs – Post Award at California State University, Chico. Please find enclosed our response to the audit recommendations. Upon acceptance of our response, the campus will submit documentation evidencing implementation of the recommendations.

If you have any questions or require additional information, please contact Jeni Kitchell at 530-898-5910 or jkitchell@csuchico.edu. Thank you.

Sincerely,

[Signature]
Lorraine Hoffman
Vice President for Business and Finance

Enclosure

cc: Paul Zingg, President, CSU Chico
Jeni Kitchell, Director of Budget, CSU Chico
Eun Park, Vice Provost for Research
Carol Sager, Director of Research and Sponsored Programs
Katherine Thoma, Executive Director, CSU, Chico Research Foundation

The California State University
GENERAL ENVIRONMENT

CONFLICTS OF INTEREST

Recommendation 1

We recommend that the campus, in conjunction with the Research Foundation:

a. Update conflict-of-interest policies and procedures to require annual conflict-of-interest filings for contracts and grants funded by the NIH.

b. Complete conflict-of-interest forms for non-governmental contracts and grants within 90 days of a project’s end date.

Campus Response

We concur.

a. The campus policy on financial conflict of interest will be amended to include the annual disclosure requirement for contracts and grants funded by NIH after August 24, 2012.

b. The campus will ensure that conflict of interest forms for non-governmental contracts and grants are completed within 90 days of a project’s end date. The Office of Research and Sponsored Programs will implement a database that will assist staff in tracking the end dates of non-governmental contracts and grants and the date that conflict-of-interest forms were sent to PIs and returned.

Implementation date: February 28, 2014

TRAINING

Recommendation 2

We recommend that the campus, in conjunction with the Research Foundation, provide orientation to all PIs who are new to the role.

Campus Response

We concur. The campus, in conjunction with the Research Foundation, will ensure that PIs, who are new to the role, will be provided an orientation. Procedures will be modified to ensure that the
grant/contract analyst, who is responsible for providing the orientation, is notified when a new PI or a new co-PI is added to a project.

Implementation date: December 1, 2013

POLICIES AND PROCEDURES

Recommendation 3

We recommend that the campus, in conjunction with the Research Foundation, update effort-reporting policies to:

a. Include roles and responsibilities of the various offices and individuals at the campus who are involved in effort reporting.

b. Address requirements for certifying effort reports in a timely manner.

Campus Response

We concur.

a. The Research Foundation will develop an effort reporting policy that identifies the roles and responsibilities of the various individuals or units involved in effort reporting.

b. The Research Foundation will develop an effort reporting policy that includes a requirement for PIs to return their effort reports in a timely manner.

Implementation date: December 1, 2013

DOCUMENTATION

Recommendation 4

We recommend that the campus, in conjunction with the Research Foundation:

a. Report and certify additional employment effort in the period that the work was performed.

b. Correctly calculate and report levels of effort on certifications for faculty employees.

c. Verify that the hourly wage rate for faculty additional employment on an award is consistent with the faculty employee’s base rate of pay.

Campus Response

We concur.

a. The campus, in conjunction with the Research Foundation, will report and certify effort in the period that the work is performed. Procedures will be updated to clarify that effort reports need to be updated and recertified to include additional employment not previously reported.
b. The campus, in conjunction with the Research Foundation, will ensure that effort reports accurately reflect the levels of effort on faculty certifications. Procedures will be updated to clarify that effort for partial semesters is to be calculated to reflect the actual effort over the entire semester, rather than the percentage of effort during the period of time covered by the grant or contract.

c. The campus, in conjunction with the Research Foundation, will verify that the hourly wage rate for faculty additional employment on federal and federal pass-through awards is consistent with their institutional base salary. Procedures will be updated to include verification of data in CMS of faculty hourly rates during the proposal/budget development stage as well as at award set-up.

Implementation date: December 1, 2013

FISCAL ADMINISTRATION

COST TRANSFERS

Recommendation 5

We recommend that the campus, in conjunction with the Research Foundation, identify and process required cost transfers in a timely manner.

Campus Response

We concur. The campus, in conjunction with the Research Foundation, will notify PIs and their designees of their responsibility to review their project(s) financial information on a monthly basis and to identify and submit requests for costs transfers in a timely manner. A Project Director Advisory will be sent to PIs and the Foundation’s Duties and Responsibilities of Principal Investigators policy will be revised to clarify that requests for cost transfers should be submitted within 90 days of the original transaction’s posting date.

Implementation date: December 1, 2013

CONTRACT EXECUTION

Recommendation 6

We recommend that the campus, in conjunction with the Research Foundation, properly execute all contracts.

Campus Response

We concur. The campus, in conjunction with the Research Foundation, will notify PIs and their designees that only authorized Foundation personnel may execute contracts. A Project Director Advisory will be sent to PIs and the Foundation’s Duties and Responsibilities of Principal Investigators policy will be revised to include a prohibition against PIs and other project personnel signing any type of Foundation agreement.

Implementation date: December 1, 2013
October 21, 2013

MEMORANDUM

TO: Mr. Larry Mandel
    University Auditor

FROM: Timothy P. White
      Chancellor

SUBJECT: Draft Final Report 13-52 on Sponsored Programs – Post Award, California State University, Chico

In response to your memorandum of October 21, 2013, I accept the response as submitted with the draft final report on Sponsored Programs – Post Award, California State University, Chico.

TPW/amd