SPONSORED PROGRAMS – POST AWARD

CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Audit Report 14-43
July 30, 2014

Members, Committee on Audit

Lupe C. Garcia, Chair
Adam Day, Vice Chair
Rebecca D. Eisen   Steven M. Glazer
Hugo N. Morales

Staff

Vice Chancellor and Chief Audit Officer: Larry Mandel
Senior Director: Michelle Schlack
Senior Audit Manager: Wendee Shinsato
Internal Auditor: Erika Almaraz

BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY
CONTENTS

Executive Summary ................................................................................................................................. 1

Introduction ............................................................................................................................................... 3
  Background .......................................................................................................................................... 3
  Purpose ............................................................................................................................................... 5
  Scope and Methodology .................................................................................................................... 6

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

General Environment .............................................................................................................................. 7
  Policies and Procedures ..................................................................................................................... 7
  Training ............................................................................................................................................ 9
  Conflict of Interest ........................................................................................................................... 9

Effort Reporting ...................................................................................................................................... 11

Cost Sharing .......................................................................................................................................... 12

Sub-recipient Monitoring ...................................................................................................................... 13

Fiscal Administration .......................................................................................................................... 14
CONTENTS

APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus Response
APPENDIX C: Chancellor’s Acceptance

ABBREVIATIONS

BOT Board of Trustees
CFDA Catalog of Federal Domestic Assistance
CSU California State University
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
OAAS Office of Audit and Advisory Services
PA Sponsored Programs – Post Award
PI Principal Investigator
SPA Sponsored Programs Administrator
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of Audit and Advisory Services (OAAS) during the last quarter of 2012, the Board of Trustees (BOT), at its January 2013 meeting, directed that Sponsored Programs – Post Award (PA) be reviewed. Based on the results of the first cycle of these reviews and the systemwide risk assessment conducted by the OAAS in the last quarter of 2013, the BOT directed at its January 2014 meeting that the OAAS continue these reviews. The OAAS had also previously reviewed Post Award in the triennial audits of Auxiliary Organizations.

We visited the California State University, Stanislaus campus from May 5, 2014, through June 6, 2014, and audited the procedures in effect at that time.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for PA activities as of June 6, 2014, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: policies and procedures, effort reporting, and sub-recipient monitoring.

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 [7]

Campus policies and procedures relating to sponsored programs needed improvement. For example, policies and procedures relating to sponsored programs were drafted in April 2014 but had not been finalized. In addition, ethics training was not always provided to principal investigators (PI) working on non-governmental awards. Also, the campus did not always obtain initial and renewal conflict-of-interest forms from PIs as required by federal regulations and CSU policy.

EFFORT REPORTING [11]

The effort-certification process needed improvement. For example, two effort reports were not certified for accuracy and did not capture all of the PIs’ effort for the reporting period, and another effort report improperly included voluntary, uncommitted cost-share effort.

COST SHARING [12]

The campus did not always have proper cost-share documentation on file.
EXECUTIVE SUMMARY

SUB-RECIPIENT MONITORING [13]

Sub-recipient monitoring needed improvement. For example, in four instances, risk assessments were not performed for sub-recipients, sub-recipients’ A-133 audit reports were not reviewed, and sub-recipients were not informed of key federal information.

FISCAL ADMINISTRATION [14]

Administration of contracts and grants expenditures needed improvement. For instance, the campus did not always maintain a delegation of authority of signing authority for expenditures for contracts and grants. Also, expenditures were not always reviewed by post award grant administration for compliance with award requirements.
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 Audit and Advisory Services (OAAS) and external audits required by granting agency regulations. For those campuses where an auxiliary organization manages PA, the OAAS conducts triennial auxiliary organization audits, which include audits of the PA function. In addition, the OAAS performs periodic campus audits of sponsored programs, the most recent of which was an audit of PA in 2013. 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 2013, and the NSF Award and Administration Guide, last revised in February 2014, 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, on December 26, 2013, the OMB published a unified Omni Circular, which consolidates the three circulars mentioned above and five others into one document that supersedes the separate circulars with the intent of streamlining federal requirements for all types of recipients of federal grants and contracts, and of increasing the efficiency and effectiveness of the federal award process. Federal agencies have six months to provide their implementation plans to OMB, and colleges and universities will have until December 26, 2014, to comply with the new rules.

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 OAAS. 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, sub-recipient 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.
- Sub-recipient 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 Audit Agenda Item 4 of the January 28 and 29, 2014, 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; sub-recipient 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, 2012, through June 6, 2014.

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.
- Sub-recipient monitoring processes.
- Fiscal administration, including cost transfers, indirect costs, and allowable costs.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Campus policies and procedures relating to sponsored programs needed improvement.

We found that:

- Policies and procedures relating to sponsored programs were drafted in April 2014 but had not been finalized. These included, but were not limited to, policies on sponsored programs administration, effort reporting, conflicts of interest, cost sharing, sub-recipient monitoring, and fiscal administration.

- The drafted campus conflict-of-interest policy did not address the responsibilities for assigning, monitoring, and documenting conflict-of-interest and ethics training.

- The drafted campus cost-share policies and procedures did not define methods for valuing and documenting non-cash matches, such as in-kind or effort contributions, or the process for monitoring cost-sharing throughout the life of the award.

- The drafted campus sub-recipient policies did not require the performance of an initial sub-recipient risk assessment prior to the execution of a sub-recipient agreement and did not address the type and extent of monitoring required for high-risk sub-recipients.

Executive Order (EO) 890, Administration of Grants and Contracts in Support of Sponsored Programs, dated January 7, 2004, states that each campus shall establish a written policy on the management of sponsored programs that incorporates the components outlined in this EO and that is consistent with policies relating to risk management, environmental health and safety, conflicts of interest, research misconduct, and other applicable California State University (CSU) and campus policies. It further states that prior to acceptance, the recipient shall designate either the university or an auxiliary to administer the contract or grant, and this entity will be known as the sponsored program administrator.

Office of Management and Budget (OMB) Circular A-133, Compliance Supplement Part 6-G, Matching, Level of Effort, Earmarking, last revised March 2013, states that an official written policy should exist outlining the methods of valuing matching requirements and methods of accounting for and documenting amounts used to calculate amounts claimed for matching, level of effort, or earmarking.

Integrated California State University Manual (ICSUAM) §11000.003.007, Cost Sharing, effective December 1, 2011, states that each campus shall establish and maintain procedures to properly monitor and document any committed cost-sharing in compliance with applicable regulations and agreements.
ICSUAM §11000.002.005, Sub-recipient Monitoring, effective December 1, 2011, states that it is the policy of the CSU that each campus shall have financial controls and procedures in place that ensure compliance with sponsors’ requirements for sub-recipient monitoring. The campus president or designee must ensure that procedures established for sub-recipient risk assessment and monitoring are in compliance with the federal OMB Circular A-133, applicable standards of other sponsors, CSU regulations, and campus policies. Campus procedures should provide consideration for documentation of compliance with minimum requirements of OMB Circular A-133 as it relates to sub-recipient monitoring, giving consideration to high-risk sub-recipients as necessary.

OMB Circular A-133, Compliance Supplement Part 6-M, Sub-recipient Monitoring, last revised March 2013, states that key managers should understand the sub-recipient’s environment, systems, and controls sufficient to identify the level and methods of monitoring required. In addition, mechanisms should exist to identify risks arising from external sources affecting sub-recipients, and to identify and react to changes in sub-recipients. The federal regulation also states that in order to provide reasonable assurance of compliance with federal requirements related to sub-recipients, official policies and procedures should exist establishing processes and procedures for monitoring.

The associate vice president of financial services stated that policies and procedures relating to sponsored programs were not complete and had not been finalized due to staffing limitations, including the retirement of the director of post award grant administration.

Incomplete policies, and policies that have not been finalized, increase the risk of noncompliance with CSU and governmental requirements.

**Recommendation 1**

We recommend that the campus:

a. Finalize policies and procedures relating to sponsored programs.

b. Address the responsibilities for assigning, monitoring, and documenting conflict-of-interest and ethics training in the drafted campus conflict-of-interest policy.

c. Define methods for valuing and documenting non-cash matches and the process for monitoring cost-sharing throughout the life of the award in the drafted cost-share policies and procedures.

d. Require the performance of an initial sub-recipient risk assessment prior to the execution of a sub-recipient agreement and address the type and extent of monitoring required for high-risk sub-recipients in the drafted sub-recipient policy.

**Campus Response**

The campus will finalize policies and procedures relating to sponsored programs that address monitoring, conflict of interest, ethics training, cost-sharing, sub-recipient risk assessment, and monitoring.
Estimated completion date: December 15, 2014

**TRAINING**

Ethics training was not always provided to principal investigators (PI) working on non-governmental awards.

We reviewed eight non-governmental contracts and grants and found that four PIs did not complete required ethics training within six months of the award start date.

Coded memorandum Human Resources (HR) 2005-38, *Conflict of Interest Update – Principal Investigators*, dated August 30, 2005, states that PIs must complete ethics training within six months of receiving the grant.

The associate vice president of financial services stated that ethics training was not always provided to PIs because the responsibilities for managing training were not assigned, as the conflict-of-interest policy was not finalized.

Inadequate training of PIs increases the risk of non-compliance with CSU, federal, and state regulations and increases the risk that errors, inconsistencies, misunderstandings, or misappropriation may occur.

**Recommendation 2**

We recommend that the campus provide ethics training to all PIs working on non-governmental awards.

**Campus Response**

The campus will provide ethics training to all PIs working on non-governmental awards.

Estimated completion date: December 15, 2014

**CONFLICT OF INTEREST**

The campus did not always obtain initial and renewal conflict-of-interest forms from PIs as required by federal regulations and CSU policy.

We reviewed 12 contracts and grants and found that:

- Seven PIs on non-governmental contracts and grants did not complete an initial conflict-of-interest form before final acceptance of the contract or grant.

- Five PIs on National Science Foundation (NSF) grants did not complete an initial conflict-of-interest form, and one PI on an NSF grant did not complete the 2013 annual renewal form.
Conflict-of-interest forms were not reviewed because responsibility for collection and review of the forms had not yet been determined.

Coded memorandum HR 2005-38, Conflict of Interest Update – Principal Investigators, dated August 30, 2005, states that an individual is required to report financial interests on a form 700-U if he or she has principal responsibility for a research project funded or supported, in whole or in part, by a contract or grant from a nongovernmental entity. The initial statement must be submitted to the conflict-of-interest filing officer before final acceptance of a contract, grant, or gift. When disclosure indicates that a financial interest exists, an independent substantive review of the disclosure statement and research project shall take place.

NSF Award and Administration Guide, Chapter IV (A-3), Conflict of Interest Policies, dated January 1, 2008, states that an institutional policy must ensure that investigators have provided all required financial disclosures at the time the proposal is submitted to NSF. It must also require that those financial disclosures are updated during the period of the award, either on an annual basis, or as new reportable significant financial interests are obtained. An organizational policy must designate one or more persons to review financial disclosures, determine whether a conflict of interest exists, and determine what conditions or restrictions, if any, should be imposed by the organization to manage, reduce, or eliminate such conflicts of interest.

The associate vice president of financial services stated that the conflict-of-interest forms were not obtained in a timely manner or reviewed because the responsibilities for tracking and reviewing conflict-of-interest forms were not yet delegated, as the conflict-of-interest policy was not finalized.

Inadequate administration of conflict-of-interest forms increases the risk of non-compliance with federal, state, and CSU requirements and could lead to regulatory scrutiny.

**Recommendation 3**

We recommend that the campus:

a. Obtain initial and renewal conflict-of-interest forms from PIs as required by CSU policy and federal regulations.

b. Determine responsibility for collection and review of conflict-of-interest forms.

**Campus Response**

The campus will determine responsibility for initial collection, review, and renewal of conflict-of-interest forms from PIs as required by CSU policy and federal regulations.

Estimated completion date: December 15, 2014
EFFORT REPORTING

The effort-certification process needed improvement.

We reviewed effort reports and supporting documents for nine PIs and found that:

- Three effort reports were not submitted in a timely manner.
- One effort report was completed for an entire academic year, and as a result, the effort compensated during the earlier academic term was not reported in a timely manner.
- Two effort reports were not certified for accuracy and did not capture all of the PIs’ effort for the reporting period.
- One effort report showed the PI’s effort on sponsored contracts and grants in aggregate and did not report the distribution of effort for each contract and grant individually.
- One effort report improperly included voluntary, uncommitted cost-share effort.

ICSUAM §11000.003.006, Effort Reporting, effective December 1, 2011, states that compensated effort consists of campus assignment, reimbursed time, additional employment, direct pay, and cost share for faculty and staff who work on sponsored projects. Voluntary, uncommitted cost-sharing is excluded from effort reporting. It further states that sponsored project personnel compensated on federally sponsored awards (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.

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. It further states that for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

The associate vice president of financial services stated that follow-up on past-due effort-reporting certifications did not always occur in a timely manner due to staffing limitations. She also stated that effort-reporting certifications were not always properly prepared and certified because guidance for preparing and completing certifications was not finalized in the campus effort-reporting policies and procedures.

Effort-reporting certifications that are not properly completed and prepared in a timely manner decrease assurance of the reliability of the effort-reporting systems and increase exposure to non-compliance with federal regulations.
Recommendation 4

We recommend that the campus:

a. Submit effort reports in a timely manner.

b. Complete effort reports for each reporting period.

c. Review effort reports to ensure that effort is certified for accuracy and captures all of the PI’s effort for the reporting period, and the distribution of effort for each sponsored contract or grant is reported.

d. Exclude voluntary, uncommitted cost share from effort reports.

Campus Response

The campus will create processes to ensure that effort reports are submitted in a timely manner for each reporting period and that review of the effort reports is completed to ensure each effort report is certified for accuracy and captures all of the PIs.

Estimated completion date: December 15, 2014

COST SHARING

The campus did not always have proper cost-share documentation on file.

We reviewed six awards and found that in three instances, cost-match forms and supporting documents that substantiated the current cost-share amounts were not on file.

EO 890, Administration of Grants and Contracts in Support of Sponsored Programs, dated January 7, 2004, states that when there is cost sharing or matching in connection with a sponsored program, the sponsored program administrator, in conjunction with the PI, 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 or grants, requirements as stated in OMB A-110.

The associate vice president of financial services stated that the cost-share reports and supporting documents were not on file due to staffing limitations.

Inadequate documentation substantiating cost-share amounts increases the risk of non-compliance with CSU and OMB requirements and possible regulatory scrutiny.

Recommendation 5

We recommend that the campus maintain proper cost-share documentation on file.
**Campus Response**

The campus will create processes to ensure that proper cost-share documentation is on file.

Estimated completion date: December 15, 2014

**SUB-RECIPIENT MONITORING**

Sub-recipient monitoring needed improvement.

We reviewed four sub-recipients and found that:

- Risk assessments were not performed for any of the sub-recipients.

- The campus had not independently reviewed the A-133 audit reports completed for four sub-recipients.

- None of the sub-recipients were informed of key federal award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number and the award name and number.

- The campus did not ensure that one sub-recipient on an NSF award complied with the NSF conflict-of-interest reporting policy.

OMB Circular A-133, *Compliance Supplement Part 6-M, Sub-recipient Monitoring*, last revised March 2013, states that key managers should understand the sub-recipient’s environment, systems, and controls sufficient to identify the level and methods of monitoring required. In addition, mechanisms should exist to identify risks arising from external sources affecting sub-recipients and to identify and react to changes in sub-recipients. The federal regulation also states that a sub-recipient’s compliance should be monitored using such techniques as issuing timely management decisions for audit and monitoring findings to inform the sub-recipient whether the corrective action planned is acceptable, and maintaining a system to track and follow up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken.

OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, Section D.400(d) states that a pass-through entity shall perform, in part, the following for the federal awards it makes: Identify federal awards made by informing each sub-recipient of CFDA title and number, award name and number, and award year; and ensure that sub-recipients expending $500 or more in federal awards during the sub-recipient’s fiscal year have met the audit requirements of this part for that fiscal year.

NSF Award and Administration Guide, Chapter IV (A-1), *Conflict of Interest Policies*, dated January 1, 2008, states that if the institution carries out agency-funded research through subawardees, contractors, or collaborators, the institution must take reasonable steps to ensure that (a) the entity has its own policies in place that meet the requirements of the NSF’s conflict-of-interest policy, or (b) investigators working for such entities follow the policies of the primary institution.
The associate vice president of financial services stated that the post award grant administration only recently learned of the federal requirement to perform risk assessments and review A-133 reports. She also stated that sub-recipients were not informed of key federal award information because the sub-recipient policy requiring the communication of such information had not been finalized. Additionally, she stated that the failure to ensure one sub-recipient’s compliance with the NSF conflict-of-interest reporting policy was due to oversight.

Insufficient monitoring and execution of sub-recipient awards increases the risk of reduced reimbursements, non-compliance with OMB requirements, conflicts of interest, and possible regulatory scrutiny, and subjects the campus and CSU to potential liability.

**Recommendation 6**

We recommend that the campus:

a. Perform risk assessments for all sub-recipients.

b. Independently review A-133 audit reports completed for sub-recipients.

c. Inform sub-recipients of key federal award information, such as the CFDA title and number and the award name and number.

d. Require sub-recipients on NSF awards to comply with the NSF conflict-of-interest policy.

**Campus Response**

The campus will create processes to ensure that risk assessments are performed for all sub-recipients and that independent review of A-133 audit reports are completed. The campus will require sub-recipients to comply with the NSF conflict-of-interest policy and inform sub-recipients of key federal award information.

Estimated completion date: December 15, 2014

**FISCAL ADMINISTRATION**

Administration of contract and grant expenditures needed improvement.

We reviewed 30 expenditures on 13 awards and found that:

- The campus did not maintain a delegation of signing authority for expenditures for six awards, and the delegation of signing authority had not been updated on two awards.

- Six expenditures processed through a procurement card and one expenditure processed through a purchase requisition were not reviewed by post award grant administration to ensure compliance with award requirements.
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 program administration. It is the responsibility of the PI and sponsored program administrator (SPA) to adhere to the fiscal terms and conditions of the contract or grant and to comply with university and auxiliary policies and procedures. The EO also states that procedures shall be in place to define and document approval authority, maintain proper accounting and control of all cash receipts, review and approve all expenditures for compliance, and ensure completion of accurate and timely reporting. The PI is responsible for ensuring that all expenditures are made in compliance with the approved budget, the contract or grant, and the SPA policies. The SPA’s chief financial officer or designee must authorize payments involving personal expenditures by the PI.

The associate vice president of financial services stated that delegations of signing authority for expenditures were not always obtained or updated due to oversight. She also stated that expenditures processed through procurement cards were not reviewed because there was no procedure in place to review these types of expenditures, and that the other expenditure was not reviewed due to oversight.

Inadequate administration of contracts and grants expenditures increases the risk that unallowable purchases will be made and assets will not be accounted for, and exposes the university to financial and legal obligations.

**Recommendation 7**

We recommend that the campus:

a. Maintain a current delegation of signing authority for expenditures for each award.
b. Review all expenditures to ensure compliance with award requirements.

**Campus Response**

The campus will create processes to maintain a current delegation of signing authority for expenditures and review all expenditures to ensure compliance with award requirements.

Estimated completion date: December 15, 2014
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseph F. Sheley</td>
<td>President</td>
</tr>
<tr>
<td>Julie Benevedes</td>
<td>Associate Vice President, Financial Services</td>
</tr>
<tr>
<td>Russell Giambelluca</td>
<td>Vice President of Business and Finance</td>
</tr>
<tr>
<td>Trish Hendrix</td>
<td>Post Award Grant Specialist – Lead</td>
</tr>
<tr>
<td>Briquel Hutton</td>
<td>Director of Audit Services</td>
</tr>
<tr>
<td>Regan Linderman</td>
<td>Controller</td>
</tr>
</tbody>
</table>
September 5, 2014

Larry Mandel, Vice Chancellor and Chief Audit Officer
The California State University
Office of Audit and Advisory Services
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

RE: Sponsored Programs – Post Award Audit Responses to Incomplete Draft Audit Report 14-43

Dear Mr. Mandel,

Enclosed please find the campus responses to the Sponsored Programs – Post Award (14-43) for California State University, Stanislaus.

If you have any questions please do not hesitate to contact myself or Briquel Hutton, Director of Audit Services at (209) 664-6783.

Sincerely,

Russell Giambelluca
Vice President, Business and Finance

RG/bh
Enclosures: 1

cc: Joseph F. Sheley, President
SPONSORED PROGRAMS – POST AWARD

CALIFORNIA STATE UNIVERSITY,
STANISLAUS

Audit Report 14-43

GENERAL ENVIRONMENT

POLICIES AND PROCEDURES

Recommendation 1

We recommend that the campus:

a. Finalize policies and procedures relating to sponsored programs.

b. Address the responsibilities for assigning, monitoring, and documenting conflict-of-interest and ethics training in the drafted campus conflict-of-interest policy.

c. Define methods for valuing and documenting non-cash matches and the process for monitoring cost-sharing throughout the life of the award in the drafted cost-share policies and procedures.

d. Require the performance of an initial sub-recipient risk assessment prior to the execution of a sub-recipient agreement and address the type and extent of monitoring required for high-risk sub-recipients in the drafted sub-recipient policy.

Campus Response

The campus will finalize policies and procedures relating to sponsored programs that address monitoring, conflict-of-interest, ethics training, cost-sharing, sub-recipient risk assessment and monitoring.

Estimated completion date: December 15, 2014

TRAINING

Recommendation 2

We recommend that the campus provide ethics training to all PIs working on non-governmental awards.

Campus Response

The campus will provide ethics training to all PIs working on non-governmental awards.

Estimated completion date: December 15, 2014
CONFLICT OF INTEREST

Recommendation 3

We recommend that the campus:

a. Obtain initial and renewal conflict-of-interest forms from PIs as required by CSU policy and federal regulations.

b. Determine responsibility for collection and review of conflict-of-interest forms.

Campus Response

The campus will determine responsibility for initial collection, review and renewal conflict-of-interest forms from PIs as required by CSU policy and federal regulations.

Estimated completion date: December 15, 2014

EFFORT REPORTING

Recommendation 4

We recommend that the campus:

a. Submit effort reports in a timely manner.

b. Complete effort reports for each reporting period.

c. Review effort reports to ensure that effort is certified for accuracy and captures all of the PI’s effort for the reporting period, and the distribution of effort for each sponsored contract or grant is reported.

d. Exclude voluntary, uncommitted cost share from effort reports.

Campus Response

The campus will create processes to ensure that effort reports are submitted timely for each reporting period and that review of the effort reports is completed to ensure each effort report is certified for accuracy and captures all of the PIs.

Estimated completion date: December 15, 2014

COST SHARING

Recommendation 5

We recommend that the campus maintain proper cost-share documentation on file.
Campus Response

The campus will create processes to ensure that proper cost-share documentation is on file.

Estimated completion date: December 15, 2014

SUB-RECIPIENT MONITORING

Recommendation 6

We recommend that the campus:

a. Perform risk assessments for all sub-recipients.

b. Independently review A-133 audit reports completed for sub-recipients.

c. Inform sub-recipients of key federal award information, such as the CFDA title and number and the award name and number.

d. Require sub-recipients on NSF awards to comply with the NSF conflict-of-interest policy.

Campus Response

The campus will create processes to ensure that risk assessments are performed for all sub-recipients and that independent review of A-133 audit reports are completed. The campus will require sub-recipients to comply with NSF conflict-of-interest policy and inform sub-recipients of key federal award information.

Estimated completion date: December 15, 2014

FISCAL ADMINISTRATION

Recommendation 7

We recommend that the campus:

a. Maintain a current delegation of signing authority for expenditures for each award.

b. Review all expenditures to ensure compliance with award requirements.

Campus Response

The campus will create processes to maintain a current delegation of signing authority for expenditures and review all expenditures to ensure compliance with award requirements.

Estimated completion date: December 15, 2014
October 6, 2014

MEMORANDUM

TO:       Mr. Larry Mandel
           Vice Chancellor and Chief Audit Officer

FROM:     Timothy P. White
           Chancellor

SUBJECT:  Draft Final Report 14-43 on Sponsored Programs – Post Award,
           California State University, Stanislaus

In response to your memorandum of October 6, 2014, I accept the response as
submitted with the draft final report on Sponsored Programs – Post Award,
California State University, Stanislaus.

TPW/amd