SPONSORED PROGRAMS – POST AWARD

CALIFORNIA MARITIME ACADEMY

Audit Report 14-45
October 31, 2014

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## CONTENTS

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

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

### OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

General Environment .................................................................................................................. 7
  Sponsored Programs Administration .......................................................................................... 7
  Conflict of Interest .................................................................................................................. 8

Effort Reporting .......................................................................................................................... 9
  Policies and Procedures .......................................................................................................... 9
  Documentation ......................................................................................................................... 10

Cost Sharing ............................................................................................................................... 11

Fiscal Administration ............................................................................................................... 12
  Policies and Procedures ......................................................................................................... 12
  Fund Agreements ..................................................................................................................... 14
APPENDICES

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

ABBREVIATIONS

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
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 Maritime Academy campus from July 28, 2014, through August 29, 2014, and audited the procedures in effect at that time.

In our opinion, due to the effect of the weaknesses described below, the fiscal, operational, and administrative controls for PA activities as of August 29, 2014, taken as a whole, were not sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of major concern include: sponsored programs administration, conflict-of-interest reporting, effort reporting, cost sharing, and fiscal administration.

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]

Administration of sponsored programs needed improvement. For example, the campus did not have a policy or procedure for the overall management of sponsored programs, and award proposals were submitted without the approval of the campus president and chief financial officer or designees. In addition, the campus did not have policies and procedures to address the processes and responsibilities for managing conflict-of-interest filing and ethics training for sponsored programs.

EFFORT REPORTING [9]

The campus effort-reporting policies and procedures needed improvement. Specifically, the campus draft effort-reporting policy was incomplete and allowed for effort certifications to be completed annually, instead of at least twice a year as required. In addition, the effort certification process needed improvement. For example, all three effort certificates reviewed lacked adequate supporting documents to substantiate the effort expended on the project.
COST SHARING [11]

The campus draft cost-share policies and procedures were incomplete and did not reflect current practices.

FISCAL ADMINISTRATION [12]

Policies and procedures addressing the fiscal administration of contracts and grants needed improvement. For example, the draft policy for allowable cost monitoring was incomplete and did not reflect current practices, and there were no policies and procedures to address cost transfers or capitalization and tracking of assets purchased with grant funds. In addition, the campus did not have a fund agreement documenting authorized signers on file for one award.
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 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.
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.
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 August 29, 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

SPONSORED PROGRAMS ADMINISTRATION

Administration of sponsored programs needed improvement.

We found that:

- The campus did not have a policy or procedure for overall management of sponsored programs that defined the roles and responsibilities of the pre-award and post-award offices.
- Award proposals were submitted without the approval of the campus president and the chief financial officer (CFO) or designees.
- Coordination and communication between the pre-award and post-award offices was inadequate. For example, the campus did not involve the post-award office in the routing or approval process for the submission of grants and contract proposals or in the acceptance of awards by the campus to ensure that adequate resources were available for post-award administration of these projects.
- There was no central or defined place to maintain award documents; instead, they were located in different areas at various departments. As a result, records and files were not always available or easily located for review.

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 sound management and administration of sponsored programs requires coordination among organizationally separate units and individuals on the campus. Proposals for sponsored programs shall not be submitted to the sponsor without prior written approval of the president of the university or the president’s university designee and of the CFO of the university or the CFO’s university designee.

Government Codes §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.
The vice president for administration and finance stated that the campus did not have policies and procedures in place for sponsored projects administration due to oversight and recent administrative changes in the post-award office.

Lack of policies and procedures for sponsored programs increases the risk of misunderstandings related to sponsored programs administration and noncompliance with CSU and governmental requirements, and compromises accountability.

**Recommendation 1**

We recommend that the campus:

a. Develop and implement policies and procedures for the overall management of sponsored programs that defines the roles and responsibilities of the pre-award and post-award offices.

b. Obtain approval for award proposals from the campus president and the CFO or designees.

c. Review current processes and improve the coordination and communication between the pre-award and post-award offices.

d. Establish a central or defined place to maintain award documents.

**Campus Response**

We concur. Policies and procedures for the overall management of sponsored programs will be developed and include proper approval of campus management, regularly scheduled meetings between pre-award and post-award offices, and establish a share drive to place and maintain award documents.

Expected completion date: April 2015

**CONFLICT OF INTEREST**

The campus did not have policies and procedures to address the processes and responsibilities for managing conflict-of-interest filing and ethics training for sponsored programs.

We reviewed six contracts and grants and noted that:

- Four principal investigators (PI) on non-governmental awards had not completed initial and completion conflict-of-interest forms.
- One PI on a National Science Foundation (NSF) project had not completed an initial conflict-of-interest form.
- Two PIs on non-governmental awards had not completed ethics training.
Coded memorandum Human Resources (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. It further states that PIs must complete ethics training within six months of receiving the grant. Subsequent training is required at least once during each consecutive period of two calendar years that the grant is in place.

NSF Award and Administration Guide, Chapter IV, *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.

The director of sponsored projects and extended learning stated that the conflict-of-interest forms were not obtained and ethics training for PIs was not completed due to lack of communication with HR about PI appointments for sponsored projects.

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

**Recommendation 2**

We recommend that the campus establish policies and procedures to address the processes and responsibilities for managing conflict-of-interest filing and ethics training for sponsored programs.

**Campus Response**

We concur. Policies and procedures will be developed for managing conflict-of-interest filings, and ethics training will be provided.

Expected completion date: March 2015

**EFFORT REPORTING**

**POLICIES AND PROCEDURES**

Campus effort reporting policies and procedures needed improvement.

We found that the campus draft effort reporting policy:

- Did not include all compliance elements as required by federal regulations and CSU policies.
- Allowed for effort certifications to be completed annually based on the state fiscal year, not at least twice a year as required.
Integrated California State University Administrative Manual (ICSUAM) §11003.06, *Effort Reporting*, effective December 1, 2011, states that the campus president or designee must ensure that the campus has an effort reporting policy that defines the 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 associate vice president of financial services stated that because the draft policies were recently developed, the campus had not had ample time to ensure that all of the required elements were captured.

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

**Recommendation 3**

We recommend that the campus update effort reporting policies and procedures to:

a. Include all compliance elements as required by federal regulations and CSU policies.

b. Require effort certifications to be completed each academic term, and not less frequently than twice annually.

**Campus Response**

We concur. Policies and procedures for effort reporting will be developed to comply with federal regulations and CSU policies. Additionally, effort certifications will be completed no less frequently than twice annually.

Expected completion date: April 2015

**DOCUMENTATION**

The effort-certification process needed improvement.

We reviewed effort certificates for three PIs and found that:

- All three lacked adequate supporting documents to substantiate the effort expended on the project, such as appointment and release documents or time and attendance records.

- One PI improperly reported voluntary uncommitted cost share on the effort certificate.

ICSUAM §11003.06, *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.

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. 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.

The director of sponsored projects stated that there were no appointment or release documents because HR was not notified about effort commitments in proposals due to lack of communication. The associate vice president of financial services stated that the timesheets and attendance records were not on file to support effort certification because this was not addressed in draft policy and the campus did not have a formal process. In addition, he stated that voluntary cost share was included in the certificate due to a misunderstanding of the effort-reporting process.

Lack of supporting documentation and inaccurate effort certificates 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. Maintain adequate supporting to substantiate effort certification reports.

b. Review effort reports to ensure that voluntary, uncommitted cost share is excluded.

**Campus Response**

We concur. Procedures will be developed to ensure that supporting documentation is maintained to substantiate effort certification reports and to ensure that voluntary, uncommitted cost share is excluded.

Expected completion date: April 2015

**COST SHARING**

The campus draft cost-share policies and procedures were incomplete and did not reflect current practices.

We also noted that:

- Cost sharing was not monitored throughout the life of the award.
For one of two awards reviewed, supporting documents to substantiate the cost-share amounts claimed were not sufficient.

ICSUAM §11003.07, *Cost Sharing*, effective December 1, 2011, states each campus shall establish and maintain procedures to properly monitor and document any committed cost sharing in compliance with applicable regulations and agreements.

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 policy was not reviewed and updated and cost-share documentation was not maintained due to staffing limitations and staff turnover in the post-award office.

Incomplete cost-share policies and procedures and inadequate documentation of cost-share amounts increase the risk of noncompliance with CSU and governmental requirements.

**Recommendation 5**

We recommend that the campus update the draft cost-share policies and procedures to:

a. Include all compliance elements and reflect current campus practices.
b. Define the process for monitoring cost sharing throughout the life of the award.
c. Require supporting documents that substantiate cost-share amounts to be maintained.

**Campus Response**

We concur. The campus cost-sharing policies and procedures will be updated to include all compliance elements and reflect current campus practices, monitoring of cost-share obligations throughout the life of the award, and require that supporting documents for cost sharing be maintained.

Expected completion date: April 2015

**FISCAL ADMINISTRATION**

**POLICIES AND PROCEDURES**

Policies and procedures addressing the fiscal administration of contracts and grants needed improvement.
We found that:

- The draft policy for allowable cost monitoring and resolution was incomplete and did not reflect current practices.

- There were no policies and procedures to address cost transfers.

- There were no policies or procedures to address capitalization and tracking of assets purchased with grant funds. We reviewed 15 contract and grant expenditures and found three purchases, including cameras, a lift station, and IT software, that were not properly tracked and inventoried by the campus.

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 programs administrator 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.

ICSUAM §11005.00 *Sponsored Programs Administration Equipment and Property Management*, dated December 1, 2011, states that each campus shall have procedures and a management system for equipment acquired through grants and contracts from both federal and non-federal sources.

OMB Circular A-110 requires recipients of federal funds to follow their institutional policies and to minimally tag, track, and inventory all equipment or equipment components with a purchase price of $5,000 or greater.

The associate vice president of financial services stated that the lack of policies and procedures related to fiscal administration of contracts and grants was due to oversight and change of personnel in the post-award administration.

Lack of policies and procedures for fiscal administration increases the risk of noncompliance with CSU and governmental requirements.

**Recommendation 6**

We recommend that the campus:

a. Update the allowable cost policy to include all compliance elements and reflect current campus practices.

b. Establish policies and procedures to address cost transfers.
c. Establish policies and procedures to address capitalization and tracking of assets purchased with grant funds.

Campus Response

We concur. Policies will be updated and/or created to include allowable cost policies and reflect current campus practices, including cost transfers and the establishment of capitalization and tracking of assets purchased with grant funds.

Expected completion date: April 2015

FUND AGREEMENTS

The campus did not have a fund agreement documenting authorized signers on file for one award.

We reviewed five awards and found that for one award, the fund agreement could not be located. As a result, we could not verify that two expenditures were approved by authorized project personnel.

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 CFO or designee must authorize payments involving personal expenditures by the PI.

The associate vice president of financial services stated that the fund agreement with authorized signers was not on file was due to lack of policies and staff turnover in post-award administration.

Inadequate administration of contracts and grants expenditures increases the risk of non-compliance with regulations and the risk that unallowable purchases will be made, and exposes the university to financial and legal obligations. In addition, lack of proper documentation increases the risk that expenditures will be charged without proper justification and approvals.

Recommendation 7

We recommend that the campus maintain a fund agreement documenting authorized signers for each award.
Campus Response

We concur. The campus will update its fund agreement documents to include signature samples of authorized signers for each award.

Expected completion date: April 2015
# APPENDIX A:
## PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Thomas A. Cropper</td>
<td>President</td>
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<tr>
<td>Veronica Boe</td>
<td>Director, Sponsored Projects and Extended Learning</td>
</tr>
<tr>
<td>Sasha Bordokoff</td>
<td>Financial Analyst</td>
</tr>
<tr>
<td>James Burns</td>
<td>Dean of Sponsored Projects and Extended Learning</td>
</tr>
<tr>
<td>Susan Foft</td>
<td>Accounting Manager</td>
</tr>
<tr>
<td>Sylvia Kipp</td>
<td>Senior Budget Analyst</td>
</tr>
<tr>
<td>Kurtis Lohide</td>
<td>Vice President for Administration and Finance (At time of review)</td>
</tr>
<tr>
<td>Demetra Miller</td>
<td>Confidential Admin Support, Human Resources</td>
</tr>
<tr>
<td>Ellen Shelley</td>
<td>Buyer I</td>
</tr>
<tr>
<td>Ken Toet</td>
<td>Associate Vice President, Financial Services, and Controller</td>
</tr>
<tr>
<td>Ingrid Williams</td>
<td>Executive Director of Human Resources</td>
</tr>
</tbody>
</table>
January 5, 2015

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore  
Long Beach, CA 90802

Subject: Campus Response to Audit Report # 14-45, California State University, Maritime Academy

Dear Mr. Mandel:

Enclosed is our campus response to Audit Report No. 14-45, Sponsored Programs – Post Award at California State University, Maritime Academy. The campus responses will be forwarded to your office electronically. We are taking actions to implement the recommendations.

If you have any questions, please don’t hesitate to contact me.

Sincerely,

Francisco Lozano  
Vice President  
Administration and Finance

cc: Thomas A. Cropper, President  
Gary Reichard, Provost and Vice President  
Jim Burns, Dean, Extended Learning  
Veronica Boe, Director Sponsored Projects and Extended Learning  
Ken Toet, AVP Finance/Controller  
Sarah Song, Budget Director
SPONSORED PROGRAMS – POST AWARD

CALIFORNIA MARITIME ACADEMY

Audit Report 14-45

GENERAL ENVIRONMENT

SPONSORED PROGRAMS ADMINISTRATION

Recommendation 1

We recommend that the campus:

a. Develop and implement policies and procedures for the overall management of sponsored programs that defines the roles and responsibilities of the pre-award and post-award offices.

b. Obtain approval for award proposals from the campus president and the CFO or designees.

c. Review current processes and improve the coordination and communication between the pre-award and post-award offices.

d. Establish a central or defined place to maintain award documents.

Campus Response

We concur. Policies and procedures for the overall management of sponsored programs will be developed and include proper approval of campus management, regularly scheduled meetings between pre-award and post-award offices and establish a share drive to place and maintain award documents.

Expected completion date: April 2015

CONFLICT OF INTEREST

Recommendation 2

We recommend that the campus establish policies and procedures to address the processes and responsibilities for managing conflict-of-interest filing and ethics training for sponsored programs.

Campus Response

We concur. Policies and procedures will be developed for managing conflict-of-interest filings, and ethics training will be provided.

Expected completion date: March 2015
EFFORT REPORTING

POLICIES AND PROCEDURES

Recommendation 3

We recommend that the campus update effort reporting policies and procedures to:

a. Include all compliance elements as required by federal regulations and CSU policies.

b. Require effort certifications to be completed each academic term, and not less frequently than twice annually.

Campus Response

We concur. Policies and procedures for effort reporting will be developed to comply with federal regulations and CSU policies. Additionally, effort certifications will be completed no less frequently than twice annually. Expected completion date: April 2015.

DOCUMENTATION

Recommendation 4

We recommend that the campus:

a. Maintain adequate supporting documentation to substantiate effort certification reports.

b. Review effort reports to ensure that voluntary, uncommitted cost share is excluded.

Campus Response

We concur. Procedures will be develop to ensure that supporting documentation is maintained to substantiate effort certification reports and to ensure that voluntary, uncommitted cost share is excluded.

Expected completion date: April 2015

COST SHARING

Recommendation 5

We recommend that the campus update the draft cost-share policies and procedures to:

a. Include all compliance elements and reflect current campus practices.

b. Define the process for monitoring cost sharing throughout the life of the award.

c. Require supporting documents that substantiate cost-share amounts to be maintained.
Campus Response

We concur. The campus cost sharing policies and procedures will be updated to include all compliance elements and reflect current campus practices, monitoring of cost share obligations throughout the life of the award and require that supporting documents for cost sharing be maintained.

Expected completion date: April 2015

FISCAL ADMINISTRATION

POLICIES AND PROCEDURES

Recommendation 6

We recommend that the campus:

a. Update the allowable cost policy to include all compliance elements and reflect current campus practices.

b. Establish policies and procedures to address cost transfers.

c. Establish policies and procedures to address capitalization and tracking of assets purchased with grant funds.

Campus Response

We concur. Policies will be updated and/or created to include allowable cost policies and reflect current campus practices, including cost transfers and the establishment of capitalization and tracking of assets purchased with grant funds.

Expected completion date: April 2015

FUND AGREEMENTS

Recommendation 7

We recommend that the campus maintain a fund agreement documenting authorized signers for each award.

Campus Response

We concur. The campus will update its fund agreement documents to include signature samples of authorized signers for each award.

Expected completion date: April 2015
January 15, 2015

MEMORANDUM

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

FROM: Timothy P. White  
Chancellor

SUBJECT: Draft Final Report 14-45 on Sponsored Programs – Post Award, California Maritime Academy

In response to your memorandum of January 15, 2015, I accept the response as submitted with the draft final report on Sponsored Programs – Post Award, California Maritime Academy.

TPW/amd