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February 27, 2019

Dr. Lynnette Zelezny, President
California State University, Bakersfield
9001 Stockdale Highway
Bakersfield, CA 93311

Dear Dr. Zelezny:

**Subject: Audit Report 18-70, Sponsored Programs – Post Award,
California State University, Bakersfield**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2018 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor

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The California State University
Audit and Advisory Services

SPONSORED PROGRAMS – POST AWARD

**California State University,
Bakersfield**

Audit Report 18-70
January 30, 2019

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to the post-award administration of sponsored programs and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus and auxiliary organization procedures.

CONCLUSION

We found the control environment for some of the areas reviewed to be in need of improvement.

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for sponsored programs – post award as of December 6, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, the audit did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on sponsored programs administration. However, the review did note that several policies and procedures related to sponsored programs needed to be updated, effort certifications were not always accurate, and conflict-of-interest forms were not always completed timely. The review also identified opportunities for improvement in additional employment monitoring and the project close-out process.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. POLICIES AND PROCEDURES

OBSERVATION

The California State University, Bakersfield (CSUB) and Auxiliary for Sponsored Programs Administration (SPA) *Program Administration Guide* for the overall management of sponsored programs was incomplete and in draft format.

Complete and up-to-date policies and procedures decrease the risk of noncompliance with California State University (CSU) and governmental requirements and increase accountability.

RECOMMENDATION

We recommend that the campus:

- a. Complete and finalize the *Program Administration Guide*, ensuring that it reflects current practices and addresses regulatory requirements.
- b. Communicate the updated *Program Administration Guide* to appropriate principal investigators (PI) and sponsored programs staff.

MANAGEMENT RESPONSE

The *Sponsored Programs Post Award Administration Guide* will be completed and finalized by April 30, 2019, to reflect the current practices and address regulatory requirements. Upon completion, the guide will be provided to the appropriate PI(s) and sponsored programs staff. The guide will also be available on the sponsored programs post award's website.

2. EFFORT REPORTING

OBSERVATION

Effort-reporting policies and procedures needed improvement, and effort certifications were not always accurate.

We found that effort-reporting policies and procedures were in draft form and did not:

- Define the roles and responsibilities of the various offices and individuals involved in the effort-reporting process on campus.
- Provide sufficient guidance on the proper authorization for daily rates. In our review of effort certifications and supporting documentation for five individuals, we found one instance where the daily rate paid to the PI was more than the institutional base rate. In another instance, two different daily rates were paid to a PI without justification for the rates charged.

- Include a review process to ensure the accuracy of effort certifications. We found that effort was not accurately reported in four of the five effort certifications we reviewed. In three of these instances, certifications either did not capture all sources of effort during the reporting period or did not correspond with actual pay received. Also, in two instances, effort certifications improperly included voluntary, uncommitted cost-share effort.

We also found that in one instance, an effort certification was not completed.

Complete effort-reporting policies and procedures, accurate reporting, and maintenance of sufficient supporting documentation for effort certifications decrease the risk of noncompliance with CSU and governmental reporting requirements.

RECOMMENDATION

We recommend that the campus:

- a. Update its effort-reporting policies and procedures to address the areas noted above, and provide training on the updated effort-reporting policies and procedures to PIs responsible for effort certifications.
- b. Provide refresher training to appropriate grants, research and sponsored programs (GRaSP) staff involved in the preparation and review of effort certifications to help ensure accuracy of effort reports and to address the issues noted above.

MANAGEMENT RESPONSE

The campus will update effort-reporting policies and procedures to address areas of concerns. Training and refresher courses will be provided to all staff and faculty involved in the preparation and review of effort certifications to ensure the accuracy of effort reports. The campus will complete this process by June 30, 2019.

3. ADDITIONAL EMPLOYMENT

OBSERVATION

The campus tracking and review process for additional employment needed improvement.

We found that the campus did not have documented policies and procedures for prior approval and monitoring of additional employment in accordance with the CSU additional employment policy. Additionally, the campus did not require additional employment to be authorized prior to work being performed.

Determination of the extent of an employee's workload prior to appointment based on all sources of employment increases assurance of the reliability of effort-reporting systems and decreases exposure to noncompliance with CSU and federal regulations.

RECOMMENDATION

We recommend that the campus develop and implement policies and procedures for prior approval and monitoring of additional employment from all sources of campus and auxiliary payments in accordance with the CSU additional employment policy.

MANAGEMENT RESPONSE

The Office of the Provost will develop and implement policies and procedures for prior approval and monitoring of additional employment from all sources of campus and auxiliary payments by June 30, 2019. In the interim, a Request for Special Services form has been created and will be made available for the PIs to use. This form will allow PIs to request the service before the work is completed. The MOU will be included as supporting documentation at time of payment.

4. CONFLICT OF INTEREST

OBSERVATION

Conflict-of-interest (COI) administration for sponsored programs needed improvement.

We reviewed campus COI policies and procedures, as well as COI documentation for 12 sponsored projects, and found that:

- The campus COI policy was in draft form and did not fully address National Science Foundation (NSF) and National Institutes of Health (NIH) COI reporting requirements. In addition, it did not address ethics training requirements for non-governmental awards.
- For all five NSF projects and one NIH project we reviewed, the California Form 700-U was used instead of the appropriate federal disclosure form. In addition, in one instance, an initial COI statement was not completed timely, and in five instances, renewal COI statements were not completed.

Complete and up-to-date policies and procedures and adequate administration of COI statements and related training decrease the risk of noncompliance with governmental requirements and possible regulatory scrutiny.

RECOMMENDATION

We recommend that the campus:

- a. Review and finalize the draft COI policies and procedures, ensuring that they address the issues noted above and include a process to monitor appropriate completion of initial and renewal COI statements.
- b. Communicate the updated policies and procedures to appropriate PIs, pre-award staff, and post-award staff involved in the COI certification and training processes.

MANAGEMENT RESPONSE

The COI policies and procedures will be finalized by April 30, 2019. Upon completion, the updated COI policies and procedures will be communicated to the appropriate PIs, pre-award staff, and post-award staff involved in the COI certification and training processes. A new COI form for federally funded projects has been created. Instructions will be included for the 700U and new federal COI forms to ensure PIs understand and utilize the correct form based on the grant's funding source.

Additionally, the GRaSP pre-award team will ensure that the correct COI form is completed and submitted at the time of proposal submission. The post-award team will ensure that the correct COI form is completed and included at the time of award set-up. Additionally, post-award staff will ensure that annual COI forms are requested and maintained as well at award closeout.

5. PROJECT CLOSE-OUT

OBSERVATION

Close-out processes for sponsored projects were not always completed timely, in accordance with sponsor requirements and campus procedures.

Specifically, we reviewed eight federally funded projects that ended between September 2016 and March 2018 and found that in three instances, final invoices or reports were not submitted timely to the sponsor in accordance with the award agreement.

Adequate administration of grants decreases the risk of noncompliance with relevant requirements and the likelihood of exposure to penalties and disallowances for noncompliance with grant terms.

RECOMMENDATION

We recommend that the campus remind department and GRaSP staff that final invoices and reports must be submitted timely to sponsors in accordance with the award agreement.

MANAGEMENT RESPONSE

The campus will remind department and GRaSP staff that final invoices and reports must be submitted timely to sponsors in accordance with the award agreement. This will be implemented by June 30, 2019.

GENERAL INFORMATION

BACKGROUND

Sponsored programs include all work performed under grants or contracts funded by external 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.

Post-award administration may be performed by 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 post-award activities of sponsored programs on the state side. The other 18 CSU campuses primarily manage post-award administration through auxiliary organizations.

Federal grants and contracts are governed by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), issued by the Office of Management and Budget (OMB). The Uniform Guidance, effective December 26, 2014, establishes standards for financial and program management and requires external audits to be performed on non-federal entities with \$750,000 or more of federal award expenditures during the fiscal year. The Uniform Guidance is the culmination of a three-year collaborative effort across federal agencies, which streamlined eight federal regulations into a single, comprehensive policy guide to standardize requirements and reduce administrative burden.

Sponsoring agencies may impose additional requirements on federal awards. Two of the largest sponsoring agencies are NIH and NSF. The NIH *Grants Policy Statement*, last revised in October 2017, and the NSF *Proposal and Award Policies and Procedures Guide*, last revised in January 2017, delineate policy requirements for the administration of projects funded by these agencies.

Within the CSU, the chancellor's office Sponsored Programs Administration department provides systemwide support related to the administration of research and sponsored programs, including developing systemwide policies, providing training, analyzing legislation, and providing general guidance to campuses and auxiliaries engaged in externally funded projects. A number of systemwide collaborative groups have been formed to support sponsored programs within the CSU, including the Council of Chief Resource Officers and the Research Administration Committee. Systemwide policies for sponsored programs administration are primarily contained within Integrated California State University Administrative Manual (ICSUAM) §11000, et seq.

At CSUB, SPA is the designated post-award administrator, except for certain awards administered by the campus on an exception basis. SPA has no administrative staff, so all sponsored projects are administered by campus employees. GRaSP, under the associate vice president for grants, research, and sponsored programs, is responsible for post-award compliance activities. Sponsored Programs Accounting and Reporting Services, under the

associate vice president for financial services, is responsible for post-award accounting and reporting-related activities. In fiscal year 2016/17, SPA had \$7.9 million in grant revenues, and the campus had \$4.6 million in grant revenues.

SCOPE

We visited CSUB from October 29, 2018, through December 6, 2018. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2016, through December 6, 2018.

Specifically, we reviewed and tested:

- Post-award administration and organization, including clear lines of organizational authority and responsibility, and current and comprehensive policies and procedures.
- Adherence to conflict-of-interest disclosure and training requirements.
- Management of sub-recipients, including the assessment and monitoring of sub-recipients in accordance with CSU, federal, and sponsor requirements.
- Fiscal administration, including the financial systems and controls in place to ensure that costs charged to sponsored programs are allowable, allocable, and reasonable, and that projects are closed out timely and in accordance with sponsor requirements.
- Processes to ensure that effort reporting certifications encompass sponsored and all other activities and are accurate, timely, and properly supported.
- Processes to manage cost sharing on sponsored programs in accordance with CSU, federal, and sponsor requirements.

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.

Our testing and methodology, which was designed to provide a review of key operational, administrative, and financial controls, included interviews, walkthroughs, and detailed testing on certain aspects of sponsored programs post-award administration. Our review was limited to gaining reasonable assurance that essential elements of post-award administration were in place and did not examine all aspects of the program.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus and auxiliary procedures; as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Code of Federal Regulations Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- *NIH Grants Policy Statement*
- *NSF Proposal and Award Policies and Procedures Guide*
- *ICSUAM §11000, Sponsored Programs Administration*
- Coded memorandum Human Resources (HR) 2002-05, *Additional Employment Policy*
- HR 2015-05, *Principal Investigators – Nongovernmental*
- HR 2018-02, *Ethics Regulations and COI Code Training*
- *CSU PI Quick Reference Guide*
- *CSUB Draft Program Administration Guide*
- *CSUB Draft Conflict of Interest Policy*
- *CSUB Draft Certification of Effort Report Procedures*
- *CSUB Grant Closeout Process Procedures*

AUDIT TEAM

Senior Audit Manager: Wendee Shinsato
Senior Auditor: Christina Chen