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February 26, 2020

Dr. Ellen N. Junn, President
California State University, Stanislaus
One University Circle
Turlock, CA 95382

Dear Dr. Junn:

**Subject: Audit Report 19-71, *Sponsored Programs - Post Award*,
California State University, Stanislaus**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2019 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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SPONSORED PROGRAMS – POST AWARD

**California State University,
Stanislaus**

Audit Report 19-71
January 31, 2020

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 procedures.

CONCLUSION

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 12, 2019, 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 identify opportunities for improvement in some areas, such as the review and update of policies and procedures related to sponsored programs, conflict-of-interest administration, contract execution, and effort report documentation.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. POLICIES AND PROCEDURES

OBSERVATION

Campus policies and procedures relating to sponsored programs were not always updated to reflect current practices or to incorporate federal Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

- The campus *Sponsored Programs Administration Policy* was put into effect on April 4, 2006, and did not fully reflect current practices.
- The campus *Bid Requirements & Procedures* were not always in compliance with Uniform Guidance procurement standards, specifically for information technology resources (ITR) acquisitions between \$250,000 and \$500,000.
- The campus *Property Control Policy* did not fully address federal requirements for the use, management, and disposition of federally funded equipment and supplies.

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. Review and update the *Sponsored Programs Administration Policy* to ensure that it reflects current practices and addresses current regulatory requirements.
- b. Update the *Bid Requirements & Procedures* for sponsored programs ITR purchases.
- c. Update the *Property Control Policy* for federally funded equipment and supplies.
- d. Communicate the updated policies and procedures noted above to appropriate principal investigators (PI) and sponsored programs staff.

MANAGEMENT RESPONSE

We concur. The campus will review and update the *Sponsored Programs Administration Policy* to ensure that it reflects current practices and addresses current regulatory requirements. The campus will update the *Bid Requirements & Procedures* for sponsored programs ITR purchases and the *Property Control Policy* for federally funded equipment and supplies. The campus will communicate the updated policies and procedures noted above to appropriate PIs and sponsored programs staff.

Expected completion date: July 15, 2020

2. 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 *Conflict of Interest Policy and Procedures* were outdated and did not always reflect current practices. For example, the procedures required PIs on projects funded by the National Science Foundation (NSF) and the Public Health Services (PHS) to renew financial conflict-of-interest (FCOI) statements annually during the period of the award. However, this was no longer the practice. In addition, the COI policy and procedures did not address FCOI training requirements for PHS-funded awards.
- For two projects funded by PHS, PIs completed CSU ethics training for non-governmental projects instead of the appropriate CITI FCOI training.

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

RECOMMENDATION

We recommend that the campus:

- a. Update COI policies and procedures to address the issues noted above, and communicate the updates to appropriate PIs, pre-award staff, and post-award staff involved in the COI certification and training processes.
- b. Require PIs to complete FCOI training for the two active PHS-funded awards noted above.

MANAGEMENT RESPONSE

We concur. The campus will update COI policies and procedures to address the issues noted above and communicate the updates to appropriate PIs, pre-award staff, and post-award staff involved in the COI certification and training processes. The campus will require PIs to complete FCOI training for the two active PHS-funded awards noted above.

Expected completion date: July 15, 2020

3. CONTRACT EXECUTION

OBSERVATION

Written agreements were not always executed in compliance with campus policy.

We reviewed 35 sponsored programs expenditures and found that:

- In two instances, PIs signed a scope-of-work agreement without delegated authority with an external entity.
- In two other instances, contractual agreements were not executed for services provided by a third party.

Appropriately executed agreements decrease the risk of misunderstandings of business terms, responsibilities, and liabilities, as well as the risk that unallowable costs will be incurred.

RECOMMENDATION

We recommend that the campus:

- a. Remind PIs of campus policies and procedures relating to delegation of authority for executing agreements and the procurement of services.
- b. Provide refresher training to grant administration, accounting, and other appropriate staff who process or review sponsored programs expenditures, emphasizing requirements relating to contractual agreements.

MANAGEMENT RESPONSE

We concur. The campus will remind PIs of campus policies and procedures relating to delegation of authority for executing agreements and the procurement of services. The campus will provide refresher training to grant administration, accounting, and other appropriate staff who process or review sponsored programs expenditures, emphasizing requirements relating to contractual agreements.

Expected completion date: April 15, 2020

4. EFFORT REPORT DOCUMENTATION

OBSERVATION

Effort certifications needed improvement.

We reviewed fall 2018 effort certificates for six PIs and found that:

- Documentation for cost-sharing effort was not always sufficient. In two instances, the release/assigned time authorization form was not completed for faculty's committed cost-sharing effort. In addition, the time and effort (T&E) report did not show a corresponding salary amount for the respective cost-sharing effort.
- Time and effort reports were not always completed timely in accordance with campus policies and procedures. In two instances, T&E reports for fall 2018 were not certified by PIs until November 2019.

Appropriate administration and sufficient documentation of effort certifications decreases the risk of noncompliance with CSU and governmental reporting requirements.

RECOMMENDATION

We recommend that the campus:

- a. Provide refresher training to appropriate grant administration staff involved in the preparation and review of effort certifications to address the issues noted above.
- b. Remind PIs of campus effort report policies and procedures to help ensure the timeliness of all effort certifications.

MANAGEMENT RESPONSE

We concur. The campus will provide refresher training to appropriate grant administration staff involved in the preparation and review of effort certifications to address the issues noted above. The campus will remind PIs of campus effort report policies and procedures to help ensure the timeliness of all effort certifications.

Expected completion date: July 15, 2020

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 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 the National Institutes of Health (NIH) and the 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 California State University, Stanislaus (Stanislaus State), the office of research and sponsored programs (ORSP) and post award grant administration (PA) share responsibility for the administration of sponsored programs. Pre-award activities are administered by the ORSP. The ORSP also oversees the issuance of subcontracts. Most post-award activities, including financial administration and reporting, expenditure processing and review, COI disclosure and training, time and effort reporting, subrecipient monitoring, cost sharing, and

project close-out, are administered by PA. In fiscal year 2017/18, Stanislaus State had \$6.8 million in grant and contract revenues, with \$2.7 million coming from federal sources.

SCOPE

We visited the Stanislaus State campus from November 12, 2019, through December 12, 2019. 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, 2017, through December 12, 2019.

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 sponsored programs cost sharing 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) 2015-05, *Principal Investigators – Nongovernmental*
- HR 2018-02, *Ethics Regulations and COI Code Training*
- CSU PI Quick Reference Guide
- Stanislaus State Bid Requirements & Procedures
- Stanislaus State Conflict of Interest Policy and Procedures
- Stanislaus State Procurement & Contract Matrix
- Stanislaus State Property Control Policy
- Stanislaus State Sponsored Programs Administration Policy
- Stanislaus State Time and Effort Policy and Procedures

AUDIT TEAM

Director, Audit Analytics, Operations and Quality Assurance: Wendee Shinsato
Senior Auditor: Christina Chen