The California State University
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June 16, 2020

Dr. Tomás D. Morales, President
California State University, San Bernardino
5500 University Parkway
San Bernardino, CA 92407

Dear Dr. Morales:

Subject: Audit Report 20-67, *Sponsored Programs – Post Award*,
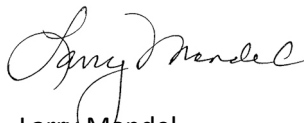**California State University, San Bernardino**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2020 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,
San Bernardino**

Audit Report 20-67
April 29, 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 (CO) directives; and campus and auxiliary organization 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 February 27, 2020, 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, our review did identify opportunities for improvement in some areas, such as conflict-of-interest administration, review of additional employment limitations and effort-reporting certificates, subrecipient monitoring processes, cost-sharing documentation, the review and update of sponsored programs policies and procedures, and participant verification for the student support services program.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. 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 for External Sponsored Programs* did not fully address National Science Foundation (NSF) or Public Health Services (PHS) requirements for financial conflicts of interest (FCOI). In addition, it did not fully address COI filing and ethics training requirements for non-governmental awards.

- The campus did not have adequately documented processes in place to assign and monitor California State University (CSU) ethics training for non-governmental projects. In addition, for four of the six non-governmental projects we reviewed, investigators and key personnel either did not complete ethics training or completed the training late.

- For all five projects funded by NSF and one project funded by the National Institutes of Health (NIH), the campus could not provide the initial FCOI form completed at the proposal stage. In addition, for two of the five NSF projects and one NIH project, principal investigators (PI) or key personnel did not always complete FCOI renewal forms.

- For three of the six non-governmental projects we reviewed, the COI disclosure form (Form 700-U) was not completed properly or timely.

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, in conjunction with Sponsored Programs and the University Enterprises Corporation (UEC):

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. Implement a documented process to obtain, track, and review federal and non-governmental COI disclosure forms from PIs.

c. Implement a documented process to assign and monitor ethics training.

d. Require PIs to complete FCOI renewal forms for the active NIH and NSF awards noted above.

e. Require PIs to complete ethics training for the active non-governmental award noted above.

MANAGEMENT RESPONSE

We concur. Our action plan to implement the audit recommendations is to:

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. Implement a documented process to obtain, track, and review federal and non-governmental COI disclosure forms from PIs.

c. Implement a documented process to assign and monitor ethics training.

d. Require PIs to complete FCOI renewal forms for the active NIH and NSF awards noted above.

e. Require PIs to complete ethics training for the active non-governmental award noted above.

Anticipated completion date: September 30, 2020

2. EFFORT REPORTING

OBSERVATION

Review of additional employment and effort certificates needed improvement.

We found that the campus policy for prior approval and monitoring for additional employment limitations was outdated. In addition, the current review process was decentralized and did not take into account all types of additional employment appointments.

We also reviewed spring 2019 effort certificates for five PIs and found that:

*   In one instance, the certificate did not capture all sources of effort during the reporting period, and as a result, the effort allocation percentages were inaccurate.

*   In three instances, faculty members exceeded the additional employment limitation of 25 percent.

Appropriate determination of an employee's workload prior to appointment based on all sources of employment and complete and accurate effort reporting decreases exposure to noncompliance with CSU and federal regulations.

RECOMMENDATION

We recommend that the campus, in conjunction with Sponsored Programs and the UEC:

a. Develop and implement a documented process to review the extent of an employee's workload, including all sources of campus and auxiliary payments, prior to the employee's appointment to any position.

b. Provide refresher training and communicate updated procedures to PIs and appropriate sponsored programs 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

We concur. Our action plan to implement the audit recommendations is to:

a. Develop and implement a documented process to review the extent of an employee's workload, including all sources of campus and auxiliary payments, prior to the employee's appointment to any position.

b. Provide refresher training and communicate updated procedures to PIs and appropriate sponsored programs staff involved in the preparation and review of effort certifications to help ensure accuracy of effort reports and to address the issues noted above.

Anticipated completion date: March 31, 2021

3. **SUBRECIPIENT MONITORING**

OBSERVATION

Administration of subrecipient monitoring needed improvement.

We reviewed five federally funded subawards and found that:

•   The *Subrecipient Monitoring Procedures* did not address the type and extent of additional monitoring required for subrecipients other than those rated as low risk, and as a result, no additional monitoring was performed for two subrecipients rated as medium risk and high risk.

•   In two instances, suspension and debarment screening for PIs was not performed in accordance with *Subrecipient Monitoring Procedures*.

Sufficient administration and monitoring of subrecipients decreases the risk of noncompliance with federal requirements and possible regulatory scrutiny and protects the campus, auxiliary organizations, and CSU from potential liability.

RECOMMENDATION

We recommend that the campus, in conjunction with Sponsored Programs and the UEC:

a. Update the UEC *Subrecipient Monitoring Procedures* to include additional monitoring activities appropriate for subrecipients other than those rated as low risk.

b. Provide refresher training and communicate updated procedures to appropriate sponsored programs staff and PIs responsible for subrecipient monitoring processes on the updated procedures and the issues noted above.

MANAGEMENT RESPONSE

We concur. Our action plan to implement the audit recommendations is to:

a. Update the UEC *Subrecipient Monitoring Procedures* to include additional monitoring activities appropriate for subrecipients other than those rated as low risk.

b. Provide refresher training and communicate updated procedures to appropriate sponsored programs staff and PIs responsible for subrecipient monitoring processes on the updated procedures and the issues noted above.

Anticipated completion date: December 31, 2020

4. COST-SHARING MONITORING

OBSERVATION

Administration and documentation of cost sharing needed improvement.

We reviewed five federal projects with committed cost sharing and found that:

- In three instances, the project information form, prepared by the pre-award group, could not be located. This form documents approvals at the proposal stage, including the approval for cost-share commitments.

- In one instance, in-kind cost-sharing amounts incurred were not being tracked and documented throughout the life of the award for a project closed on December 31, 2019.

Adequate documentation and monitoring of cost sharing decreases the risk of noncompliance with project matching commitments and possible regulatory scrutiny.

RECOMMENDATION

We recommend that the campus, in conjunction with Sponsored Programs, provide refresher training to staff involved in the proposal process to identify commitments, and to staff involved in monitoring cost sharing on sponsored projects to address the issues noted above.

MANAGEMENT RESPONSE

We concur. Our action plan is to implement the audit recommendations such that the campus, in conjunction with Sponsored Programs administration, will provide refresher training to staff involved in the proposal process to identify commitments, and to staff involved in monitoring cost sharing on sponsored projects, to address the issues noted in the audit conditions statement.

Anticipated completion date: December 31, 2020

5. POLICIES AND PROCEDURES

OBSERVATION

Sponsored programs policies and procedures for the campus and the UEC 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).

We found that:

- The campus overall policy for sponsored programs, *Administration of Grants and Contracts in Support of Sponsored Programs Policy,* was put into effect on October 11, 2004, and did not fully reflect current practices.

- The UEC *Policy on Equipment and Property Management* and *Surplus Property Disposal 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 CSU and governmental requirements and increase accountability.

RECOMMENDATION

We recommend that the campus, in conjunction with Sponsored Programs and the UEC:

a. Review and update the *Administration of Grants and Contracts in Support of Sponsored Programs Policy* to ensure that it reflects current practices and addresses current regulatory requirements.

b. Update the UEC *Policy on Equipment and Property Management* and *Surplus Property Disposal Policy* for federally funded equipment and supplies.

c. Communicate the updated policies and procedures to appropriate PIs and sponsored programs staff.

MANAGEMENT RESPONSE

We concur. Our action plan to implement the audit recommendations is to:

a. Review and update the *Administration of Grants and Contracts in Support of Sponsored Programs Policy* to ensure that it reflects current practices and addresses current regulatory requirements.

b. Update the UEC *Policy on Equipment and Property Management* and *Surplus Property Disposal Policy* for federally funded equipment and supplies.

c. Communicate the updated policies and procedures to appropriate PIs and sponsored programs staff.

Anticipated completion date: August 31, 2020

6. PARTICIPANT ELIGIBILITY VERIFICATION

OBSERVATION

The Student Assistance in Learning (SAIL) program did not consistently verify the disability status of students who had self-identified on their SAIL application as having a disability that required accommodation and had registered with the campus Services to Students with Disabilities Office.

We found that, to verify the disability status of students who were registered with the Services to Students with Disabilities (SSD) office at the campus, SAIL required students to fill out a Voluntary Authorization for Release of Confidential Information Form and provide the name of their assigned SSD counselor. However, for three of the four students with disability status we reviewed, the SSD counselor was not identified, and follow-up was not performed to verify eligibility.

Proper verification and documentation of participants' eligibility decreases the risk of noncompliance with governmental requirements.

RECOMMENDATION

We recommend that the campus develop and document a process to consistently verify and document participants' disability status in accordance with federal regulations.

MANAGEMENT RESPONSE

We concur. Our action plan to implement the audit recommendations is to develop and document a process to consistently verify and document participants' disability status in accordance with federal regulations.

Anticipated completion date: August 31, 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 the 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. Additional requirements may be imposed on federal awards by sponsoring agencies, such as the NIH and the NSF.

Federal TRIO Programs are federal outreach and student services programs sponsored by the Department of Education that are designed to identify and provide services for individuals with disadvantaged backgrounds. There are eight TRIO programs, including the Student Support Services Program, which was authorized in 1968 by the Higher Education Act of 1965 with a goal to increase the postsecondary persistence and graduation rates of low-income students, first-generation college students, and students with disabilities.

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, San Bernardino (CSUSB), the office of research and sponsored programs (ORSP) and the office of sponsored programs administration (SPA), a department within CSUSB's office of academic research, share responsibility for the administration of

sponsored programs. UEC, as an auxiliary organization, is the designated recipient of all sponsored projects that are awarded on behalf of CSUSB and administered by SPA. Pre-award activities are administered by the ORSP. Post-award activities, including financial administration and reporting, expenditure processing and review, cost sharing, issuance of subcontracts, subrecipient monitoring, and personnel administration, are administered by the SPA. In fiscal year 2018/19, CSUSB had $20.1 million in federal sponsored programs expenditures.

SCOPE

We visited the CSUSB campus from January 28, 2020, through February 27, 2020. 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 January 1, 2018, through February 27, 2020.

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 accurately reported in financial statements, and that projects are closed out timely and in accordance with sponsor requirements.

- Administration of student services programs in accordance with federal regulations, including compliance with the use of TRIO program funds and participant eligibility.

- 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 (CFR) Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- CFR Title 34, Part 646, *Student Support Services Program*
- 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*
- CSUSB *Administration of Grants and Contracts in Support of Sponsored Programs Policy*
- CSUSB *Conflict of Interest Policy for External Sponsored Programs*
- CSUSB *Guidelines and Procedures on University Compensated Faculty Additional Employment*
- CSUSB UEC *Policy on Equipment and Property Management*
- CSUSB UEC *Surplus Property Disposal Policy*
- CSUSB UEC *Subrecipient Monitoring Procedure*

AUDIT TEAM

Director of Audit Analytics, Operations, and Quality Assurance: Wendee Shinsato
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