

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

June 3, 2021

Dr. Thomas A. Parham, President
California State University, Dominguez Hills
1000 E. Victoria Street
Carson, CA 90747

Dear Dr. Parham:

**Subject: Audit Report 20-68, *Sponsored Programs – Post Award*,
California State University, Dominguez Hills**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2020-2021 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 will be 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,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Joseph I. Castro, Chancellor
Adam Day, Chair, Committee on Audit
Jane W. Carney, Vice Chair, Committee on Audit

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SPONSORED PROGRAMS – POST AWARD

**California State University,
Dominguez Hills**

Audit Report 20-68
June 3, 2021

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 January 22, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

The review noted that policies and procedures were generally in place and operative for key areas relating to post-award administration. However, the roles and responsibilities surrounding post-award administration needed to be clarified, and the effort certification process needed improvement to ensure timely and accurate effort reporting. We also identified opportunities for improvement in monitoring the completion of required conflict-of-interest training, procuring services, identifying and tracking fixed assets, and maintaining adequate documentation 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. GENERAL ENVIRONMENT

OBSERVATION

The overall campus structure for post-award administration needed clarification.

We found that the California State University, Dominguez Hills Foundation (Foundation) was the designated sponsored programs administrator for the campus, as evidenced in the Foundation operating agreement and the memo from the president delegating authority and responsibility for award acceptance and administration of grants and contracts to the Foundation executive director.

However, we noted that in practice, the Office of Sponsored Research and Programs (OSRP) at the campus was responsible for sponsored programs award acceptance and administration on a day-to-day basis. This was evidenced by the *OSRP Award Acceptance/Negotiation Procedure*, which stated that OSRP was responsible for review, negotiation, and acceptance of sponsored program agreements on behalf of the Foundation; and the *OSRP Sponsored Programs Administration Policy*, which stated that the director of OSRP was authorized by the Foundation board of directors to act on behalf of the Foundation to accept and administer sponsored grants and contracts. These policies, as well as other OSRP policies and procedures related to post-award administration, were created without input or approval from the Foundation, and there was no formal delegation from the Foundation to OSRP regarding these responsibilities.

The lack of clarity in this area may have contributed to observations below relating to the failure to consistently follow Foundation policies and procedures.

A clear organizational structure and consistent practices for sponsored programs post-award decreases the risk of misunderstandings related to sponsored programs administration and noncompliance with California State University (CSU) and governmental requirements and promotes accountability.

RECOMMENDATION

We recommend that the campus, in conjunction with the Foundation:

- a. Review the current structure for post-award administration, update any delegations of authority or policies and procedures as necessary, and determine appropriate communication channels between OSRP and Foundation management.
- b. Communicate roles and responsibilities for post-award administration to OSRP and Foundation personnel.

MANAGEMENT RESPONSE

We concur.

- a. The campus will review the current structure for post-award administration, update any delegations of authority or policies and procedures as necessary, and determine appropriate communication channels between OSRP and Foundation management.
- b. The campus will communicate roles and responsibilities for post-award administration to OSRP and Foundation personnel.

Projected completion date: October 2021

2. EFFORT REPORTING

OBSERVATION

The review of salaries and wages for additional employment limitations and effort certification needed improvement.

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

We also found that the OSRP effort reporting policies and procedures did not address reporting and certification of summer effort or timeliness of effort reports.

We also reviewed spring 2019 effort certificates for five principal investigators (PI) and found that:

- Effort reports were not completed timely. Effort reports for spring 2019 were certified in February and March of 2020. We were unable to review fall 2019 effort certifications because they had not been completed as of November 2020.
- In three instances, effort was certified based on budgeted effort; however, this was not supported by the underlying payroll charged to the projects.
- Paychex timesheets for two Foundation employees were not reviewed and approved by supervisors. One of these employees was paid the full amount, although they did not record the full 80 hours worked in Paychex for tracking purposes.

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 the Foundation:

- 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. Review and update policies and procedures related to effort reporting to address the items noted above relating to summer effort, timeliness of certifications, and payroll records supporting certified effort.
- c. 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.
- d. Remind employees and their supervisors of the Foundation policy stating that timesheets should be reviewed and approved before payroll is processed.

MANAGEMENT RESPONSE

We concur.

- a. The campus will 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. The campus will review and update policies and procedures related to effort reporting to address the items noted above relating to summer effort, timeliness of certifications, and payroll records supporting certified effort.
- c. The campus will 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.
- d. The campus will remind employees and their supervisors of the Foundation policy stating that timesheets should be reviewed and approved before payroll is processed.

Projected completion date: October 2021

3. 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 ten sponsored projects, and found that:

- In two instances, COI disclosure forms could not be located. This included one initial COI form that should have been completed at the proposal stage and one COI annual update form.
- For three of six projects funded by the National Institutes of Health (NIH), required COI training was not completed or had expired prior to the start of the project. For an

additional project, the training certificate provided was not dated; therefore, we could not verify whether the training was current.

Adequate administration of COI disclosure forms and required training decrease the risk of noncompliance with governmental requirements and possible regulatory scrutiny.

RECOMMENDATION

We recommend that the campus:

- a. Remind PIs and OSRP staff of campus COI procedures related to completion of disclosure forms.
- b. Review and strengthen the current process to monitor COI training for projects funded by NIH.

MANAGEMENT RESPONSE

We concur.

- a. The campus will remind PIs and OSRP staff of campus COI procedures related to completion of disclosure forms.
- b. The campus will review and strengthen the current process to monitor COI training for projects funded by NIH.

Projected completion date: October 2021

4. EXPENDITURE PROCESSING

OBSERVATION

Expenditure processing and documentation needed improvement.

Specifically, we reviewed 45 expenditures, and found that:

- For four of six expenses coded as contracted services, service agreements between the Foundation and third parties were not executed. Instead, a purchase order was issued that did not include the service provider’s signature or standard contractual terms and conditions.
- For two of three expenses coded as honorariums, the expenditures were not pre-approved or authorized before the related payments were processed. Although these were coded as honorariums, they were speaking/teaching fees for services rendered.

Adequate processing and proper review of expenditures decreases the risk that unallowable

costs will be incurred and funds will be misused and decreases the risk of noncompliance with CSU and governmental requirements.

RECOMMENDATION

We recommend that the campus, in conjunction with the Foundation:

- a. Develop and implement policies and procedures to properly execute service agreements and pre-approve services classified as honorariums.
- b. Communicate updated policies and procedures to PIs.
- c. Provide training on the updated policies and procedures to accounting and post-award staff who process or review sponsored program expenditures.

MANAGEMENT RESPONSE

We concur.

- a. The campus will develop and implement policies and procedures to properly execute service agreements and pre-approve services classified as honorariums.
- b. The campus will communicate updated policies and procedures to PIs.
- c. The campus will provide training on the updated policies and procedures to accounting and post-award staff who process or review sponsored program expenditures.

Projected completion date: June 2021

5. STUDENT SUPPORT SERVICES PROGRAM

OBSERVATION

Documentation for Student Support Services (SSS) participant approval, eligibility verification, and required activities and services needed improvement.

We reviewed participant files for ten students and found that:

- For five students who self-identified as having a disability on the application form, the SSS program office did not maintain documentation of eligibility verification. Upon our request, the campus Student Disability Resource Center (SDRC) confirmed that four of the five students had registered with SDRC.
- The SSS program used a student contact log to document the date and type of service provided to each participant. In three instances, the student contact log did not show that at least two services were provided to these participants in award year 2019/20.

In addition, the program reported in the annual performance report that 160 participants had received required activities and services; however, tracking documents such as individual workshop forms, student emails, sign-in sheets, and Zoom meeting logs had not been retained for all participants.

Proper verification of participants' eligibility and sufficient documentation of program-required activities and services decrease the risk of noncompliance with federal regulations.

RECOMMENDATION

We recommend that the campus:

- a. Develop a process to verify and document participants' disability status.
- b. Develop a process to consistently track required services and activities provided to participants and maintain such documentation.
- c. Communicate updated procedures and processes mentioned above to program staff.

MANAGEMENT RESPONSE

We concur.

- a. The campus will develop a process to verify and document participants' disability status.
- b. The campus will develop a process to consistently track required services and activities provided to participants and maintain such documentation.
- c. The campus will communicate updated procedures and processes mentioned above to program staff.

Projected completion date: August 2021

6. FIXED ASSETS

OBSERVATION

Administration of fixed assets needed improvement.

The Foundation *Fixed Assets Policy* defines fixed assets as capitalizable assets worth more than \$5,000, as well as theft-sensitive items worth more than \$250, that are expensed but must be tracked and tagged. In our expenditure testing, we reviewed ten purchases of assets and theft-sensitive equipment, and we found that in five instances, the items were not tagged for tracking purposes. In addition, for two of the five instances, the Foundation Fixed Asset Acquisition Form was not completed.

We also found that a physical inventory had not been performed for federally sponsored assets in the past two years. Before the recent Foundation *Fixed Assets Policy* update in

August 2020, physical inventories of Foundation assets excluded federally sponsored assets. Although the current policy now addresses physical inventories of federally sponsored assets, a physical inventory of these assets had not yet been performed.

Adequate administration of fixed assets decreases exposure to noncompliance with federal regulations and misuse or loss of assets.

RECOMMENDATION

We recommend that the campus, in conjunction with the Foundation:

- a. Remind PIs and other sponsored programs account approvers of the requirement to complete Fixed Asset Acquisition Forms and provide them to information technology for review when applicable.
- b. Provide refresher training to accounting and post-award staff who process or review sponsored program expenditures on identification and tagging of fixed assets.
- c. Perform a physical inventory of federally funded assets in accordance with the recently updated policy.

MANAGEMENT RESPONSE

We concur.

- a. The campus will remind PIs and other sponsored programs account approvers of the requirement to complete Fixed Asset Acquisition Forms and provide them to information technology for review when applicable.
- b. The campus will provide refresher training to accounting and post-award staff who process or review sponsored program expenditures on identification and tagging of fixed assets.
- c. The campus will perform a physical inventory of federally funded assets in accordance with the recently updated policy.

Projected completion date: October 2021

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. Additional requirements may be imposed on federal awards by sponsoring agencies such as the National Institutes of Health (NIH) and the National Science Foundation (NSF).

Federal TRIO Programs are federal outreach and student services programs sponsored by the Department of Education (DOE) 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.

In January 2020, an outbreak of a novel coronavirus (COVID-19) rapidly spread across the world, and in March 2020, the World Health Organization characterized it as a pandemic. With the impacts of COVID-19 continuing to propagate, in March 2020, the CSU Chancellor announced virtual instruction at all CSU campuses and telecommuting for most CSU employees. Virtual instruction and telecommuting are expected to continue through the spring semester of 2021. This has affected sponsored programs, including disruptions to research activities involving animal or human subjects, or that involve on-site or field activities; restrictions on travel for conferences or other research-related events; and slowdowns or gaps in activities as staff work from home. Funding agencies are making a number of allowances during the COVID-19 outbreak; however, guidance is being updated on a continual basis, and institutions should be aware of the changing regulatory landscape.

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, Dominguez Hills (CSUDH), the OSRP and the Foundation share responsibility for the administration of sponsored programs. Pre-award activities are administered by the OSRP. The director of OSRP also oversees the Foundation post-award analysts, who provide post-award fiscal, compliance, and administrative support for sponsored projects. In fiscal year 2019/20, CSUDH had \$11 million in sponsored programs federal expenditures.

Like at many other universities, COVID-19 has impacted research at CSUDH, as most post-award staff and program personnel have been working remotely since March 2020. To minimize disruption, the OSRP has worked closely with the Foundation to make processes electronic. Processes related to allowable costs and salaries have followed applicable OMB memos. The campus has issued information technology security guidance for remote work, and the Foundation has issued emergency telecommuting guidelines, as well as procedures for home deliveries during COVID-19.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from November 16, 2020, through January 22, 2021. 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 January 22, 2021.

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.
- Fiscal administration, including the financial systems and controls in place to ensure that costs charged to sponsored programs are allowable, allocable, and reasonable, 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.

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*
- OMB Memo M-20-26, *Extension of Administrative Relief for Recipients and Applicants of Federal Financial Assistance Directly Impacted by the Novel Coronavirus (COVID-19) due to Loss of Operations*
- CFR Title 34, Part 646, *Student Support Services Program*
- DOE FAQ for Non-CARES Act Competitive Grant Programs Administered by the Office of Postsecondary Education in Response to COVID-19
- NIH Grants Policy Statement
- NIH Notice NOT-OD-20-086, *Flexibilities Available to Applicants and Recipients of Federal Financial Assistance Affected by COVID-19*
- NSF Proposal and Award Policies and Procedures Guide
- NSF Implementation of OMB Memorandum M-20-26, and related *Frequently Asked Questions*
- 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
- CSUDH Foundation *Employee Handbook*
- CSUDH Foundation *Fixed Assets Policy*
- CSUDH Foundation *Procurement Policy*
- CSUDH OSRP *Award Acceptance/Negotiation Procedure*
- CSUDH OSRP *Sponsored Programs Administration Policy*
- CSUDH *Policy and Procedures on Financial Conflict of Interest for Sponsored Programs*

AUDIT TEAM

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