

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

June 28, 2022

Dr. Richard Yao, President
California State University Channel Islands
1 University Drive
Camarillo, CA 93012

Dear Dr. Yao:

**Subject: Audit Report 21-11, *Sponsored Programs – Post Award*,
California State University Channel Islands**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2021-2022 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: Jolene Koester, Interim Chancellor
Lateefah Simon, Chair, Committee on Audit
Yammilette Rodriguez, Vice Chair, Committee on Audit

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SPONSORED PROGRAMS – POST AWARD

**California State University
Channel Islands**

Audit Report 21-11
June 28, 2022

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, the operational, administrative, and financial controls for endowment management as of May 6, 2022, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

We identified opportunities for improvement in two areas, including an expired master agreement between the campus and the Channel Islands Foundation (Foundation) addressing sponsored program activities, and the close-out process for sponsored projects.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. MASTER AGREEMENT WITH THE FOUNDATION

OBSERVATION

The master agreement between the campus and the Foundation addressing sponsored program activities had expired in 2014.

Executive Order (EO) 890 requires that the university and the auxiliary enter into a master agreement setting forth the roles and responsibilities of each party regarding the administration of sponsored programs by an auxiliary. The campus has primary responsibility for sponsored programs, but the agreement is necessary to clarify instances in which the Foundation is involved in accepting certain grants.

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

RECOMMENDATION

We recommend that the campus update the master agreement between the campus and the Foundation regarding roles and responsibilities for the administration of sponsored programs.

MANAGEMENT RESPONSE

The campus concurs. We will update the master agreement between the campus and the Foundation regarding roles and responsibilities for the administration of sponsored programs. These actions will be implemented by September 10, 2022.

2. PROJECT CLOSE-OUT

OBSERVATION

Sponsored programs close-out procedures needed improvement.

The campus sponsored programs close-out procedures state that the principal investigator or campus department is responsible for ensuring that all project close-out activity is conducted no later than 60 days after the project end date.

We selected three projects that had project end dates within the audit period under review and found that two had not been closed out within the 60-day deadline.

Specifically, we found that:

- One project was closed out nearly one year after the end of the award period.

- One project with an end date in June 2021 remained open at the time of the review, approximately 11 months after the end date, and project close-out procedures had not been initiated.

Adequate administration of sponsored program close-out procedures decreases the risk of noncompliance with governmental and sponsor requirements and possible regulatory scrutiny.

RECOMMENDATION

We recommend that the campus ensure that sponsored projects are closed out timely and in compliance with campus procedures.

MANAGEMENT RESPONSE

The campus concurs. We will revise the closeout process to ensure sponsored projects are closed out timely and in compliance with campus procedures. These actions will be implemented by September 10, 2022.

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 California State University (CSU) campuses (Channel Islands, Maritime Academy, San Francisco, Sonoma, and Stanislaus) and the CO 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).

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. Though campuses for the most part resumed in-person classes and work in academic year 2021/22, virtual instruction, hybrid modalities, and telecommuting have remained to a lesser degree at most campuses. This has affected sponsored programs, including disruptions to research activities involving animal or human subjects, or that involve onsite 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 made a number of allowances during the COVID-19 outbreak; however, most of these flexibilities have since expired.

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 Channel Islands (CSUCI), the provost, VP of business and financial affairs, VP of university advancement, director of research and programs, and business and financial affairs staff share responsibility for the administration of sponsored programs. Post award activities are administered mainly by the office of research and programs and by the California State University Channel Islands Foundation (Foundation) when terms of the award requirement involvement of a 501(c)(3) organization. Between fiscal years (FY) 2015/16 and FY 2020/21, the Foundation accepted 23 awards on behalf of CSUCI totaling \$1,914,927.

SCOPE

We performed fieldwork from March 28, 2022, through May 6, 2022. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls were in place and operative. The audit focused on procedures in effect from July 1, 2020, through May 6, 2022.

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 policies and procedures related to conflict-of-interest disclosure and training requirements.
- Controls surrounding risk 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, accurately reported in financial statements, 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 for reporting federal sponsored program expenditures to ensure that they were adequate.

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*
- 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*
- 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
- CSUCI SP.15.012/AA.11.011 *Policy on Sponsored Project Administration*
- CSUCI SP.15.001/AA.11.009 *Policy on Principal Investigator*
- CSUCI *Sponsored Programs Close Out Procedures*
- CSUCI *Time and Effort Reporting Procedures*
- CSUCI SP.15.021/AA.11.004 *Policy on Research and Sponsored Programs Records Retention*
- CSUCI *Sponsored Programs Cost Transfer Procedure*
- CSUCI SP.14.006/AA.11.008 *Policy on Subrecipient Monitoring*
- CSUCI *Procurement and Logistical Services Operational Manual*

AUDIT TEAM

Senior Audit Manager: Ann Hough
Internal Auditor: Rita Guy