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December 18, 2018

Dr. Dianne F. Harrison, President
California State University, Northridge
18111 Nordhoff Street
Northridge, CA 91330

Dear Dr. Harrison:

Subject: Audit Report 18-69, *Sponsored Programs*, California State University, Northridge

We have completed an audit of *Sponsored Programs* 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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SPONSORED PROGRAMS

**California State University,
Northridge**

Audit Report 18-69
November 16, 2018

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to sponsored programs administration 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 as of October 11, 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, the expenditure review process needed improvement, and conflict-of-interest forms and related ethics training were not always completed timely for non-governmental projects. The review also identified opportunities for improvement in monitoring the completion of responsible conduct of research training and in cost-sharing monitoring.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. POLICIES AND PROCEDURES

OBSERVATION

Sponsored programs policies and procedures for the campus and The University Corporation (TUC) needed updating.

We found that:

- The Joint Statement of Policies and Procedures for Administering Grants and Contracts between the campus and TUC was outdated and had last been revised in 2004. Although the campus provided a revised draft during fieldwork, revisions were still being made and the document had not been finalized.
- The pre-award office did not have a documented process to verify that key personnel on projects funded by the National Institutes of Health (NIH) were not suspended or debarred before award acceptance.
- The campus policy and procedures relating to human-subject protection were last revised in 2012 and did not address NIH requirements relating to human-subject protection training. Although the campus provided a revised draft during fieldwork, revisions were still being made and the document had not been finalized.
- The campus policy and procedures relating to animal welfare were outdated and did not address federal training requirements for animal care and protection; as a result, the campus did not verify animal welfare training was completed before issuing approvals for research protocols.
- TUC procedures for processing faculty release time for effort reporting were outdated and did not reflect current practices. In addition, TUC's practice of processing release time payments did not ensure that an after-the-fact verification of effort was performed.

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

RECOMMENDATION

We recommend that the campus and TUC:

- a. Review and update the policies and procedures noted above to reflect current practices and address regulatory requirements.
- b. Communicate the updated policies and procedures to appropriate principal investigators (PI) and sponsored programs staff.

MANAGEMENT RESPONSE

We concur.

- a. The policies and procedures noted above will be updated to reflect current practices and address regulatory requirements. Expected completion date is April 1, 2019.
- b. The updated policies and procedures will be communicated to appropriate PIs and sponsored programs staff. Expected completion date is May 16, 2019.

2. EXPENDITURE PROCESSING

OBSERVATION

TUC's expenditure review process needed improvement.

We reviewed 25 sponsored programs expenditures and found seven transactions that were not processed in accordance with TUC policies and procedures. Specifically, we found that:

- In three instances, expenses were not correctly classified.
- In one instance, a cash advance was not cleared timely in accordance with TUC procedures.
- In one instance, a signature authorization form was not on file.
- In one instance, a computer was not properly tagged and tracked.
- In one instance, a sole source justification was not obtained prior to purchase.
- In one instance, adequate supporting documentation for foreign travel was not obtained.

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 TUC and campus policies.

RECOMMENDATION

We recommend that the campus, in conjunction with TUC:

- a. Remind PIs of TUC sponsored program expenditure policies and procedures, emphasizing the areas discussed above.
- b. Provide refresher training to accounting and post-award staff who process or review sponsored program expenditures, emphasizing the areas discussed above.

MANAGEMENT RESPONSE

We concur.

- a. PIs will be reminded of TUC sponsored program expenditure policies and procedures, emphasizing the areas discussed above. Expected completion date is February 15, 2019.

- b. Refresher training to accounting and post-award staff will be provided. Expected completion date is February 28, 2019.

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:

- The campus COI policy did not fully address National Science Foundation (NSF) requirements. In addition, it did not address COI filing and ethics training requirements for non-governmental awards.
- For all six non-governmental projects reviewed, the initial conflict-of-interest statement (Form 700-U) was not completed timely; and for two of the six awards, ethics training was not completed timely.
- In general, the campus did not document reviews performed for COI disclosure forms for non-governmental awards. We found three Form 700-Us with positive responses that did not include evidence of review and follow-up; two of these appeared to be due to misinterpretation of the questions by PIs, while the other posed a potential material conflict.

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. 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 and track COI forms from PIs and monitor ethics training.
- c. Implement a documented process to review COI forms and document follow-up actions as needed.

MANAGEMENT RESPONSE

We concur.

- a. The COI policies and procedures will be updated to make sponsor-specific adjustments where needed. In addition, the policy will be updated to require that all funded PIs complete COI CITI training regardless of funding source. Updates will be communicated to PIs, pre-award staff, and post-award staff involved in the COI certification and training processes. Expected completion date is March 11, 2019.
- b. A documented process to obtain and track COI forms from PIs and monitor ethics training will be implemented. Expected completion date is January 17, 2019.
- c. A documented process to address follow-up actions that are required if positive declarations are made will be implemented. Expected completion date is January 17, 2019.

4. RESPONSIBLE CONDUCT OF RESEARCH

OBSERVATION

The campus could not always provide evidence that responsible conduct of research (RCR) training had been completed.

We found that the campus RCR policy and procedure did not address training requirements for projects sponsored by NIH. Additionally, the campus did not have a central tracking or verification process in place to monitor whether RCR training had been completed.

We reviewed nine trainees and four PIs or co-PIs from five federally sponsored projects that required RCR training, and we found that in three instances, the campus could not provide evidence that trainees had completed the training. In addition, none of the four PIs had completed the training timely.

Appropriate oversight and administration of RCR training helps to ensure that PIs and students follow established policies and procedures and reduces campus exposure to risk related to noncompliance with federal regulations.

RECOMMENDATION

We recommend that the campus update RCR policies and procedures to address training requirements, including monitoring and verification of training completion, and communicate the changes to appropriate PIs and sponsored programs staff.

MANAGEMENT RESPONSE

We concur. RCR policies and procedures will be updated to address training requirements, including monitoring and verification of training completion. The changes will be communicated to appropriate PIs and sponsored programs staff. Expected completion date is February 15, 2019.

5. COST-SHARING MONITORING

OBSERVATION

TUC's cost-sharing monitoring was inadequate.

TUC uses a cost-sharing monitoring spreadsheet to monitor cost-sharing activities throughout the life of a project. We reviewed three projects from the monitoring spreadsheet and found that:

- In two instances, the monitoring spreadsheet was not updated to reflect the project performance period or the committed cost-sharing amount in accordance with award documents.
- In two instances, there were large discrepancies between the committed and accumulated cost-sharing amounts for projects approaching their end dates, but monitoring and follow-up was not performed.

Adequate 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 TUC, provide refresher training to staff involved in monitoring cost-sharing on sponsored projects.

MANAGEMENT RESPONSE

We concur. Sponsored programs staff involved in monitoring cost-sharing will receive refresher training. Expected completion date is February 15, 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.

As a condition of accepting sponsor funds, campuses must comply with a variety of award terms and conditions, as well as applicable state and federal regulations. Each campus may have one or several offices that provide oversight to ensure that sponsored program activities are conducted in compliance with relevant requirements.

In order to ensure the highest standards of research integrity, certification and training programs are essential. Major areas covered by these programs include:

- Conflicts of interest – Disclosing and managing situations in which financial or other personal considerations may compromise, or have the appearance of compromising, a researcher’s professional judgment in conducting or reporting research. NIH, NSF, and the state of California all have specific conflict-of-interest reporting and training requirements.
- RCR – Ensuring the awareness and application of established professional norms and ethical principles in the performance of all activities related to scientific research. NIH, NSF, and the National Institute of Food and Agriculture (NIFA) have specific requirements for RCR training.
- Human subjects – Protecting the rights and ensuring the safety of human subjects participating in research projects. The Department of Health and Human Services requires that a federal wide assurance with its Office for Human Research Protections be obtained. Additionally, NIH requires education on the protection of human research participants.
- Animal subjects – Protecting animal welfare and ensuring the humane care and use of live animals in research projects. The Animal Welfare Act (AWA) requires training to be provided to personnel involved in the care and treatment of certain research animals. Along with the AWA, the United States Public Health Service (PHS) requires facilities using live vertebrate animals in research to adhere to additional requirements, including the provision of a written animal welfare assurance of compliance.
- Suspension and Debarment: Ensuring that employees who have been suspended, debarred or charged with criminal activity are not allowed to administer federal funds on behalf of the university.

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.

Within the CSU, the chancellor’s office (CO) Office of Research Initiatives and Partnerships contributes systemwide support and promotion for CSU research, scholarship, and creative activities. In addition, the CO 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, Northridge (CSUN), the campus and TUC share responsibility for the administration of sponsored programs through a combined Research and Sponsored Programs (RSP) office. RSP’s pre-award responsibilities include ensuring that COI forms are timely completed and reviewed; tracking and monitoring required training related to COI, RCR, human-subject protection, and animal welfare; and performing suspension and debarment verification for PIs. Pre-award also oversees the issuance of subcontracts and submits final program reports to sponsors, as required. Other post-award activities, including financial administration and reporting, expenditure processing and review, personnel administration, subrecipient monitoring, cost sharing, and project close-out are administered by TUC. In fiscal year 2017/18, CSUN had \$27.7 million in federal sponsored programs expenditures.

SCOPE

We visited CSUN from September 4, 2018, through October 11, 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 October 11, 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.

- Controls over sub-recipient monitoring practices 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.
- Adherence to conflict-of-interest disclosure and training requirements.
- Maintenance of assurances for human and animal research.
- Compliance with human subject, animal welfare, and responsible conduct of research training requirements.
- Suspension and debarment review processes for principal investigators and other key personnel involved in federal sponsored projects.

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 administration. Our review did not include all aspects of sponsored programs administration, such as institutional review boards and institutional animal care and use committees, or compliance with specific institutional protocols.

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 42, Part 50, Subpart F, *Responsibility of Applicants for Promoting Objectivity in Research for which PHS Funding is Sought*

- America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science (COMPETES) Act, Section 7009
- Animal Welfare Act, Section 2.32
- Health Research Extension Act of 1985, Public Law 99-158, *Animals in Research*
- PHS *Policy on Humane Care and Use of Laboratory Animals*
- NIH *Grants Policy Statement*
- NIH Notice OD-00-039, *Required Education in the Protection of Human Research Participants*
- NIH Notice OD-10-019, *Update on the Requirement for Instruction in the Responsible Conduct of Research*
- NSF *Proposal and Award Policies and Procedures Guide*
- NIFA Research Terms and Conditions, Article 7
- ICSUAM §11000, *Sponsored Programs Administration*
- Human Resources (HR) coded memorandum 2015-05, *Principal Investigators - Nongovernmental*
- HR 2018-02, *Ethics Regulations and COI Code Training*
- CSU *PI Quick Reference Guide*
- CSUN and TUC *Joint Statements of Policies and Procedures for Administering Grants and Contracts*
- CSUN *Conflict of Interest Policy for Grants and Contracts*
- CSUN *Policy and Procedures for the Protection of Human Subjects*
- CSUN *Animal Subjects Approval Form Instructions*
- CSUN *Plan to Provide Training in the Responsible Conduct of Research*
- CSUN and TUC *Travel Policy*
- TUC *Signature Authorization Requirements*
- TUC *Incentive Payments and Advances Procedures*
- TUC *Asset Management Procedures*
- TUC *Faculty Release Time Procedures*
- TUC *Sponsored Programs Cost Sharing Procedures*

AUDIT TEAM

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