MEMORANDUM

Date: May 4, 2018

To: Steve Relyea
   Executive Vice Chancellor and Chief Financial Officer

From: Larry Mandel
      Vice Chancellor and Chief Audit Officer

Subject: Audit Report 18-67, Sponsored Programs – Post Award, Office of the Chancellor

We have completed an audit of Sponsored Programs – Post Award 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.

There were no reportable observations revealed during the review. The final audit report has been posted to the Audit and Advisory Services’ website.

I wish to express my appreciation for the cooperation extended by the chancellor’s office personnel over the course of this review.

c: Timothy P. White, Chancellor
SPONSORED PROGRAMS – POST AWARD

California State University,
Office of the Chancellor

Audit Report 18-67
March 16, 2018
EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls for the Office of the Chancellor (CO) post award administration of sponsored programs 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 the areas reviewed to be effective.

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for sponsored programs – post award as of February 23, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met. There were no reportable observations revealed during the review.
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.

Sponsoring agencies may impose additional requirements on federal awards. Two of the largest sponsoring agencies are the National Institutes of Health (NIH) and the National Science Foundation (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 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.

The sponsored programs office at the CO provides both pre- and post-award administration of sponsored programs for the CO, including compliance with all CSU, state, federal, and agency-specific regulations. In fiscal year 2016/17, the CO had $9.27 million in sponsored programs expenditures, with 14 percent, or $1.3 million, coming from federal sources.
SCOPE

We visited the CO from January 29, 2018, through February 23, 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 January 1, 2016, through February 23, 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.
- 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 cost sharing on sponsored programs in accordance with CSU, federal, and sponsor requirements.
- Project close-out, to ensure that closeout procedures comply with sponsoring agency requirements and CO policy.

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.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; CSU Board of Trustee policies; CO policies, letters, and directives; campus procedures; and other sound administrative practices. 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*
- ICSUAM §11002.01, *General Policy Requirements for the Administration of Grants and Contracts in Support of Externally Funded Research and Sponsored Program Activities*
- ICSUAM §11002.05, *Subrecipient Monitoring*
- ICSUAM §11003.05, *Allowable Costs*
- ICSUAM §11003.06, *Effort Reporting*
- ICSUAM §11003.07, *Cost Sharing*
- ICSUAM §11010.02, *Financial Conflict of Interest*
- Coded memorandum Human Resources (HR) 2015-03, *Ethics Regulations and COI Code Training*
- HR 2015-05, *Principal Investigators – Nongovernmental*
- CSU PI Quick Reference Guide

**AUDIT TEAM**

- Assistant Vice Chancellor: Michael Caldera
- Senior Audit Manager: Wendee Shinsato
- Senior Auditor: Christina Chen