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July 30, 2019

Dr. Eduardo M. Ochoa, President  
California State University, Monterey Bay  
100 Campus Center, Administration Building  
Seaside, CA 93955

Dear Dr. Ochoa:

**Subject: Audit Report 19-68, *Sponsored Programs – Post Award*,  
California State University, Monterey Bay**

We have completed an audit of *Sponsored Programs – Post Award* as part of our 2019 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,  
Monterey Bay**

Audit Report 19-68  
June 13, 2019

## 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 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 April 25, 2019, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, the audit did not reveal significant internal control problems or weaknesses that would be considered pervasive in their effects on sponsored programs administration. However, the review did note that effort certifications were not always accurate or completed timely and that conflict-of-interest and ethics training was not always completed or completed timely. The review also identified opportunities for improvement in additional employment monitoring, expenditure processing, and the project close-out process.

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

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. EFFORT REPORTING

#### OBSERVATION

Effort certificates were not always accurate or completed timely.

We reviewed spring 2018 effort certificates for seven principal investigators (PI) 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.
- The conversion of university appointments into hours for the purposes of calculating effort was not always accurate. We noted errors in one instance when a PI had both a faculty and a staff appointment, and in another instance when a PI had a daily special consultant appointment.
- Effort certificates were not always completed timely. In two instances, certificates were signed by PIs in December 2018 and January 2019; in five other instances, certificates were not dated. As a result, we were unable to verify whether these certificates were signed within the timeframe specified by University Corporation (Corporation) procedures.
- In two instances, separate certifications for cost-share effort were not certified by PIs timely. They were certified in March and April 2019, respectively.

In addition, starting in spring 2018, mandatory cost-sharing effort was no longer included on the effort certificate. Instead, it was certified separately on a cost-sharing worksheet. Because the effort certificate should reflect all work performed during the period, this practice could result in inaccurate allocations of effort. For example, in one instance, 15 percent of grant-related cost-sharing effort was not separated from university instructional and departmental work on the effort certificate.

Appropriate administration, accurate reporting, and sufficient review of effort certificates decreases the risk of noncompliance with California State University (CSU) and governmental reporting requirements.

#### RECOMMENDATION

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

- a. Consult with systemwide management to evaluate the current process for reporting cost-sharing effort separately from the effort certificate for compliance with federal regulations and CSU requirements, and update processes for reporting cost-sharing effort, including any related policies and procedures, as needed.

- b. Consult with university academic personnel and review processes to convert university appointments into hours in cases where university personnel have multiple appointments or are paid daily for special consultant work, and based on this review, update effort reporting procedures to ensure that university effort is accurately calculated and reported.
- c. Add a date field on the effort certificate template and remind PIs to timely sign and date effort certificates.
- d. Provide training to corporation post-award staff involved in the preparation and review of effort certifications and cost-sharing worksheets on any updates made to effort reporting policies and procedures, as well as on the other issues noted above, to help ensure the accuracy and timeliness of all effort certifications.

**MANAGEMENT RESPONSE**

We concur. The campus, in conjunction with the Corporation, will:

- a. Consult with systemwide management to evaluate the current process for reporting cost-sharing effort separately from the effort certificate for compliance with federal regulations and CSU requirements, and update processes for reporting cost-sharing effort, including any related policies and procedures, as needed.
- b. Consult with university academic personnel and review processes to convert university appointments into hours in cases where university personnel have multiple appointments or are paid daily for special consultant work, and based on this review, update effort reporting procedures to ensure that university effort is accurately calculated and reported.
- c. Add a date field on the effort certificate template and remind PIs to timely sign and date effort certificates.
- d. Provide training to corporation post-award staff involved in the preparation and review of effort certifications and cost-sharing worksheets on any updates made to effort reporting policies and procedures, as well as on the other issues noted above, to help ensure the accuracy and timeliness of all effort certifications.

Expected completion date: December 13, 2019

**2. CONFLICT-OF-INTEREST**

**OBSERVATION**

Conflict-of-interest (COI) statements and training for sponsored programs were not always completed or completed timely.

We reviewed COI training documentation for 11 sponsored projects and found that:

- The campus did not have a documented process to track and monitor ethics training completion. In four of the five non-governmental awards we reviewed, PIs were not assigned CSU ethics training by university personnel, and as a result, the training was not completed.
- The campus sponsored programs office (SPO) did not have a documented process to track and monitor federal COI training. In one instance, the PI's Financial Conflict-of-Interest (FCOI) training expired during the award period, and in two other instances, the training was completed late.

Adequate administration of COI statements and related training decreases the risk of noncompliance with governmental requirements and possible regulatory scrutiny.

#### **RECOMMENDATION**

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

- a. Develop and implement a documented process to timely identify PIs who are required to complete ethics training, set up the PI in the CSU training system, and monitor completion of the training.
- b. Develop and implement a documented process to track and monitor initial and renewal training completion for PIs who are required to complete federal COI training.

#### **MANAGEMENT RESPONSE**

We concur. The campus, in conjunction with the Corporation, will:

- a. Develop and implement a documented process to timely identify PIs who are required to complete ethics training, set up the PI in the CSU training system, and monitor completion of the training.
- b. Develop and implement a documented process to track and monitor initial and renewal training completion for PIs who are required to complete federal COI training.

Expected completion date: November 1, 2019

### **3. PROJECT CLOSE-OUT**

#### **OBSERVATION**

Close-out processes for sponsored projects were not always completed timely in accordance with sponsor requirements and campus procedures.

Specifically, we reviewed seven federally funded projects that ended between March 2017 and September 2018 and found that:

- In two instances, final invoices or reports were not submitted timely to the sponsor in accordance with the award agreement.
- In five instances, the internal close-out process had not been completed at the time of our review; as a result, these projects were still active in the financial management system.
- In six instances, the grant close-out checklist was not completed.

Adequate administration of the grant close-out process decreases the risk of noncompliance with relevant requirements and the likelihood of exposure to penalties and disallowances for noncompliance with grant terms.

#### **RECOMMENDATION**

We recommend that the campus, in conjunction with the Corporation, provide refresher training to post-award staff on project close-out procedures, addressing the issues noted above.

#### **MANAGEMENT RESPONSE**

We concur. The campus, in conjunction with the Corporation, will provide refresher training to post-award staff on project close-out procedures, addressing the issues noted above.

Expected completion date: September 10, 2019

## **4. EXPENDITURE PROCESSING**

#### **OBSERVATION**

Expenditures were not always processed in accordance with the Corporation's policies and procedures.

We reviewed 40 expenditures and found that:

- In two instances for one cardholder, the procurement card was used for travel expenses. However, the required travel needs statement was not obtained.
- In another instance, quotes were not obtained for a purchase of capital equipment.
- In three instances, the reconciliation and review of monthly procurement card purchases was not completed timely; the review was performed three to four months after the statement date.

Adequate processing of expenditures and timely review of procurement card reconciliations decreases the risk of noncompliance with Corporation and campus policies.

**RECOMMENDATION**

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

- a. Remind PIs and accounting and post-award staff who process or review sponsored program expenditures of Corporation travel and capital equipment purchase requirements.
- b. Develop and implement a process to timely review sponsored programs procurement card purchases to ensure the accuracy and allowability of expenditures billed to external sponsors.

**MANAGEMENT RESPONSE**

We concur. The campus, in conjunction with the Corporation, will:

- a. Remind PIs and accounting and post-award staff who process or review sponsored program expenditures of Corporation travel and capital equipment purchase requirements.
- b. Develop and implement a process to timely review sponsored programs procurement card purchases to ensure the accuracy and allowability of expenditures billed to external sponsors.

Expected completion date: October 1, 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.

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.

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 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, Monterey Bay (CSUMB), the SPO and the Corporation share responsibility for the administration of sponsored programs. Pre-award activities are administered by the SPO. The SPO also oversees post-award programmatic and budgetary matters, including the issuance of subcontracts. Other post-award activities, including financial administration and reporting, expenditure processing and review, effort reporting,

and project close-out, are administered by the Corporation. In fiscal year 2017/18, CSUMB had \$12.8 million in federal sponsored programs expenditures.

## SCOPE

We visited the CSUMB campus from March 18, 2019, through April 25, 2019. 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, 2017, through April 25, 2019.

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.

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 Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- 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*
- CSUMB *Conflict of Interest for External Private Sponsored Funding Policy*
- CSUMB *Conflict of Interest for Governmental Funding Policy*
- CSUMB University Corporation *Effort Reporting Policy and Procedures*
- CSUMB University Corporation *Project Close-Out Policy and Procedures*
- CSUMB University Corporation *Procurement Card Manual*
- CSUMB University Corporation *Procurement Guidelines and Procedures*

## AUDIT TEAM

Director of Audit Analytics, Operations, and Quality Assurance: Wendee Shinsato  
Senior Auditor: Christina Chen