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April 23, 2019

Mr. Framroze M. Virjee, President  
California State University, Fullerton  
800 N. State College Boulevard  
Fullerton, CA 92834

Dear Mr. Virjee:

**Subject: Audit Report 19-67, *Sponsored Programs*, California State University, Fullerton**

We have completed an audit of *Sponsored Programs* 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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**The California State University**  
Audit and Advisory Services

## **SPONSORED PROGRAMS**

**California State University,  
Fullerton**

Audit Report 19-67  
March 27, 2019

## 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 March 1, 2019, 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 identify opportunities for improvement in some areas, such as policies and procedures relating to the responsible conduct of research (RCR), monitoring for RCR training, conflict-of-interest administration, effort reporting, and policies and procedures relating to equipment and property management.

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

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. RESPONSIBLE CONDUCT OF RESEARCH

#### OBSERVATION

Campus administration of RCR requirements needed improvement.

We found that although the campus *Responsible Conduct of Research Training Plan* provided general guidance addressing federal training requirements, it did not specifically reference training requirements for projects sponsored by the United States Department of Agriculture/the National Institute of Food and Agriculture (USDA/NIFA).

In addition, we noted that the campus did not adequately track or monitor whether RCR training had been completed by principal investigators (PI) and student trainees. We reviewed training records for 26 individuals from seven federally sponsored projects that required RCR training, and we found that:

- In four instances, PIs either did not complete training at all or did not complete training timely.
- In six other instances, the campus could not provide evidence that trainees had completed training.

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

#### RECOMMENDATION

We recommend that the campus:

- a. Update the *Responsible Conduct of Research Training Plan* to address the issues noted above.
- b. Establish a documented process to monitor RCR training completion.
- c. Remind PIs of their responsibility to provide RCR training to student trainees, and maintain records showing that training has been completed.

#### MANAGEMENT RESPONSE

We concur. The campus will:

- a. Update the *Responsible Conduct of Research Training Plan* to address the issues noted above.
- b. Establish a documented process to monitor RCR training completion.

- c. Remind PIs of their responsibility to provide RCR training to student trainees, and maintain records showing that training has been completed.

The anticipated completion date is September 27, 2019.

## 2. CONFLICT OF INTEREST

### OBSERVATION

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

We reviewed COI training documentation for 12 sponsored projects and found that:

- For all six federal awards we reviewed, PIs either did not complete required COI training or did not complete the training timely.
- For one non-governmental award, the PI did not complete required ethics training timely.

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

### RECOMMENDATION

We recommend that the campus implement a documented process to track and monitor PIs who have not completed required COI trainings timely.

### MANAGEMENT RESPONSE

We concur. The campus will implement a documented process to track and monitor PIs who have not completed required COI trainings timely.

The anticipated completion date is September 27, 2019.

## 3. EFFORT REPORTING

### OBSERVATION

Effort reports were not always completed in accordance with Auxiliary Services Corporation (ASC) *Sponsored Programs Effort Reporting Policy* and procedures.

We reviewed spring 2018 effort reporting for eight faculty and staff members, and we found that effort reports were not prepared by the office of sponsored programs (OSP) and, therefore, were not distributed and reviewed by PIs.

Complete and timely effort reporting decreases the risk of noncompliance with federal and California State University (CSU) requirements and increases accountability.

**RECOMMENDATION**

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

- a. Prepare effort reports for spring 2018 and distribute reports to PIs for review.
- b. Remind OSP staff involved in the effort-reporting process of the requirement to prepare, distribute, and maintain effort reports in accordance with ASC policy.

**MANAGEMENT RESPONSE**

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

- a. Prepare effort reports for spring 2018 and distribute reports to PIs for review.
- b. Remind OSP staff involved in the effort-reporting process of the requirement to prepare, distribute, and maintain effort reports in accordance with ASC policy.

The anticipated completion date is September 27, 2019.

**4. EQUIPMENT AND PROPERTY MANAGEMENT**

**OBSERVATION**

Policies and procedures relating to equipment and property needed improvement.

We reviewed the campus *Asset Management Policy Manual* and the *ASC Fixed Asset Policy and Procedures* and found that they did not fully address federal requirements for the use, management, and disposition of federally funded equipment and supplies.

Comprehensive policies and procedures decrease exposure to noncompliance with federal regulations.

**RECOMMENDATION**

We recommend that the campus and the ASC:

- a. Review and update the policies and procedures noted above to address regulatory requirements.
- b. Communicate the updated policies and procedures to appropriate personnel and sponsored programs staff.

**MANAGEMENT RESPONSE**

We concur. The campus and the ASC will:

- a. Update the campus asset management policies to address requirements for federally funded equipment as noted above; the ASC will develop procedures and guidelines to address the requirements for federally funded supplies as noted above.
- b. Communicate the updated policies, procedures, and guidelines to the appropriate personnel and sponsored programs staff.

The anticipated completion date is September 27, 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. The National Institutes of Health (NIH), the National Science Foundation (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 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 (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.

Within the CSU, the 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, Fullerton (CSUF), the university office of research and sponsored projects (ORSP) and the ASC OSP share responsibility for the administration of sponsored programs. ORSP's responsibilities primarily relate to pre-award activities and include reviewing and submitting proposals to external funding agencies; 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 overseeing the issuance of subcontracts. Most post-award activities, including financial administration and reporting, expenditure processing and review, personnel administration, effort reporting, subrecipient monitoring, cost sharing, and project close-out, are administered by the OSP. In fiscal year 2017/18, CSUF had \$17.4 million in federal sponsored programs expenditures.

## SCOPE

We visited CSUF from January 22, 2019, through March 1, 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 January 1, 2017, through March 1, 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.

- 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.
- Processes to ensure that effort reporting certifications encompass sponsored and all other activities, and are accurate, timely, and properly supported.
- Administration of the proposal and indirect-cost rate approval process.
- 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 financial and programmatic reporting processes.

## 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 Coded Memorandum 2018-02, *Ethics Regulations and COI Code Training*
- CSU *PI Quick Reference Guide*
- CSUF *Responsible Conduct of Research Training Plan*
- CSUF *Asset Management Policy Manual*
- CSUF University Policy Statement 610.000, *Conflict of Interest Policy for Externally Funded Proposals*
- CSUF *Implementation of the Financial Conflict of Interest Policy for PHS Sponsored Project*
- *ASC Sponsored Programs Conflict of Interest Policy*
- *ASC Fixed Asset Policy and Procedures*
- *ASC Sponsored Programs Effort Reporting Policy*

## AUDIT TEAM

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Senior Auditor: Christina Chen