

From: BFA DIAS STAFF MONITORING [bfadiasmonitoring@nsf.gov]
Sent: Tuesday, July 06, 2010 4:22 AM
To: Cordova, Lori
Cc: BFA DIAS STAFF MONITORING; Austin, Michael [USA]; Graves, Geraldine [USA]
Subject: Desk Review Results - California State University - Channel Islands

California State University - Channel Islands
Lori Cordova, Financial Analyst
lori.cordova@csuci.edu

Dear Ms. Cordova,

In February 2010, Booz Allen Hamilton completed a desk review which included an assessment of your organization's award-related management practices, a review of the accounting and financial systems, and a reconciliation of one quarter's Federal Financial Report (FFR) information for award no. DUE-0737081 and American Recovery and Reinvestment Act (ARRA) award no. MCB-0846160 with your corresponding accounting records. Thank you for participating in that review.

The summary report, submitted by Booz Allen and accepted by NSF, contained a number of concerns as follows:

- Although California State University - Channel Islands (CSUCI) was able to articulate policies and procedures for budget revisions, these policies and procedures have not been prepared in writing.
- Although CSUCI was able to articulate policies and procedures for budget and expenditure monitoring, these procedures have not been fully documented. Specifically, CSUCI has not prepared written procedures to require that principal investigators regularly (typically monthly) review progress against budgeted amounts. In addition, CSUCI has not prepared written policies, procedures, or other guidance to preclude incurring obligations in excess of budgeted amounts. Finally, CSUCI has not adequately documented procedures for addressing/correcting cost overruns during the course of the project.
- Although CSUCI was able to articulate policies and procedures for cost transfers, these policies and procedures have not been prepared in writing.
- CSUCI has not established guidelines or standards to assist employees responsible for administering NSF-funded awards in determining the reasonableness, allocability, and allowability of costs charged to federally-funded awards. Instead, CSUCI refers employees to Office of Management and Budget (OMB) Circular A-21, a practice that may not provide sufficient guidance to ensure that unallowable costs are identified. Additionally, CSUCI does not maintain a list of unallowable costs.
- Although CSUCI was able to articulate policies and procedures to assist employees in accounting for unallowable costs, these policies and procedures have not been prepared in writing. The lack of detailed written guidance may lead to inconsistent accounting

treatment of project-related costs and could potentially result in unallowable costs being charged to NSF-funded projects. In addition, CSUCI reports that it transfers all direct and indirect unallowable costs to a foundation, which is an auxiliary organization of CSUCI. Booz Allen's concern was that excluding unallowable direct costs from the indirect cost rate proposal calculations (by transferring these costs to an auxiliary organization) would increase the CSUCI's indirect cost rate and could result in an unfair allocation of indirect cost recover charges if these unallowable costs are disproportionately incurred by one or more funding sources.

- CSUCI has not developed written guidance to ensure that the process for collecting and reporting on ARRA information is consistently followed. CSUCI stated it is in the process of developing written procedures for ARRA reporting.

Although the concerns reported were minor, we recommend that your organization review and address, as appropriate, each of the identified concerns. Thank you for your continued partnership with NSF. We look forward to reviewing your progress in addressing the issues during subsequent monitoring activities.

If you feel that any concerns have been misstated or need clarification, please feel free to contact me.

Best regards,

Rosalind Jackson-Lewis
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