Faculty Grants

Funded by the

College of Business and Economics

Internal Audit

February 15, 2013

Department of Risk Management and Internal Control

Division of Administration and Finance

California State University, East Bay
Background

Based on a recommendation from a recent Faculty Hearing Committee (FHC), in response to a grievance filed by a College of Business and Economics (CBE) faculty member, the VP of Administration and Finance and Chief Financial Officer requested an internal audit to determine if the FHC’s concerns were warranted.

The audit scope included disbursement of internally-funded CBE grants to faculty during the seven academic years from 2005/06 through 2011/12, which totaled over $1.3 million from the University’s operating fund and trust funds.

In addition, grant awards were made from contributions to the California State University East Bay Education Foundation, which are designated and available to be spent at the discretion of the Dean (See Appendix A).

Awards from internal CBE grant programs were made to faculty, under the provisions of California Education Code section 66010.1 – 66010.8.

Scope

The audit scope had three major elements:

1) Determine if published policies and procedures existed that governed the award of internal grants to CBE faculty.
2) Determine if grant awards complied with established policies and procedures.
3) Determine whether established policies and procedures were applied during review of the grant proposals.

Audit fieldwork was conducted from mid-September 2012 to mid-January 2013. All cash payments made to the CBE faculty for internal grants during the seven-year period from 2005/06 through 2011/12 were reviewed. The following grant programs are included in the scope of the audit:

A. Marv Remmich Outstanding Faculty Awards
B. Instructional Improvement Grants (IIG)
C. Research Grants for Peer Reviewed Journal Articles (in lieu of Assigned Time Support)
D. Summer Mini-Grants, Summer Research Stipends, and Summer Research Grants
E. Moscow Summer Research grants
F. Matching grants of $5,000 with external grants

During the seven-year period under review, 61 faculty members received grants from the University operating fund. Grant recipients were paid as Special Consultants (Job Function
code “SPC”). The names of faculty members who submitted these proposals are not being cited in this report, but are available in the audit documentation.

Prior to 8/12/10, the Special Consultant Payment Request form used to process grant payments to faculty did not specify the specific grant program for payment. Identification of the grant program is critical to ensure that policy and procedures were followed. The form was modified by the Payroll Department at the beginning of fiscal year 2010/11 to include information regarding the purpose of payments made. As a result, two fiscal years of payroll source document detail was available for audit review (2010/11 and 2011/12), and was used to audit specific grant program activities.

Grant proposals or supporting review documentation that resulted in grant payments for 2005/06 and 2006/07 were not retained by the campus, in keeping with the California State University Records/Information Retention and Disposition Schedule dated 10/10/2007, which designates a four year retention period for these types of records.

The audit also relied on grant award information published in The Newsletter of the College of Business and Economics and information from the campus payroll records and financial systems.

During the course of the audit, the interim CBE Dean advised that all internal grant programs have been discontinued, effective with the 2012/13 fiscal year, with the exception of the Marv Remmich Outstanding Faculty Awards.

A. MARV REMMICH OUTSTANDING FACULTY AWARDS

Background

The Marv Remmich Outstanding Faculty awards were disbursed beginning in fiscal year 2007/08. These awards recognize three CBE faculty members each year, who may self-nominate, for exceptional work in research, teaching or service. The awards are funded by an endowment, established by CBE alumnus Marv Remmich, which is held by the CSUEB Education Foundation. Disbursements to faculty are made by the University Trust Fund for the Marv Remmich Endowment.

Findings

1) Existence of policies and procedures

The audit found that written policies and procedures for the Marv Remmich Awards exist.

2) Adherence to grant policies and procedures
The audit found that CBE complied with the policy and procedures in the administration of the Marv Remmich outstanding faculty awards from 2007/08 through 2011/12.

3) Review of grant award nominations and proposals

The audit noted that the Retention, Tenure and Promotion (RTP) Committee evaluated applications each year, but made no award in 2011/12 for outstanding research.

B. INSTRUCTIONAL IMPROVEMENT AWARDS (IIG)

Background

Instructional Improvement grants were instituted in 2011/12. The grants were awarded to faculty who update and revitalize CBE course curricula, as well as create new courses, especially online and STEM (Science, Technology, Engineering and Math) courses.

Findings

1) Existence of policies and procedures

The audit found policies and procedures for Summer 2011 and Summer 2012 Instructional Improvement Grants (IIG).

2) Adherence to grant policies and procedures

$56,500 was disbursed for Summer 2011 IIG grants.

IIG Policy for 2011/12 stated that an initial amount of $1,000 would be paid upon approval of the grant proposal, with the final amount of $2,000 paid at the completion of a revised course, or $3,000 paid at the completion of a new course.

The published policies and procedures indicated that Summer 2012 IIG grants were to be reviewed by the CBE Administrative Council, although the results of this review were not documented.

$96,000 was disbursed for Summer 2012 IIG grants, as follows:

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Grants</th>
<th>Scored</th>
<th>Amount</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 faculty – 3 grants each</td>
<td>Not scored</td>
<td>$7,000</td>
<td>$63,000</td>
<td></td>
</tr>
<tr>
<td>3 faculty – 2 grants each</td>
<td>Not scored</td>
<td>$5,000</td>
<td>$15,000</td>
<td></td>
</tr>
<tr>
<td>6 faculty – 1 grant each</td>
<td>Not scored</td>
<td>$3,000</td>
<td>$18,000</td>
<td></td>
</tr>
</tbody>
</table>

Total: 18 faculty $96,000
3) Review of grant award nominations and proposals

Review of payroll source detail for IIG awards awarded in fiscal years 2011/12 and 2010/11 reflected the practice of the University to use the Special Consultants job function code for grant payments. This resulted in a wide variety of daily pay rates and number of days paid.

C. RESEARCH GRANTS FOR PEER REVIEWED JOURNAL ARTICLES (IN LIEU OF ASSIGNED TIME SUPPORT)

Background

In order to encourage scholarly activities that led to peer reviewed journal articles, CBE funded research grants beginning in 2010/11, as well as provided assigned time support to faculty members. The audit scope excluded assigned time, but included the awards granted to faculty for peer reviewed journal articles.

Findings

1) Existence of policies and procedures

The audit found policies for research grants for peer reviewed journal articles (in lieu of assigned time), dated July 2010.

2) Adherence to grant policies and procedures

A review of payroll source detail for CBE peer reviewed journal article support awarded in 2011/12 and 2010/11 reflected a total of $288,000 awarded to 22 faculty members. A standard rate of $1,000 per day was used for all faculty members.

The policies and procedures allowed retroactive payments for articles published in the “Nifty Fifty” or the “Next 78” categories. A retroactive payment of $14,000 was paid in December 2010 to one individual for research support based on an article published in the Journal of Portfolio Management Publication in 2005, Volume 31, May 2005, which fell outside the allowable retroactive timeframe.

3) Review of grant award nominations and proposals

Review of actual peer reviewed journal disbursements did not always conform to policy. Administration of the cash and assigned time aspects of the policy, combined with retroactive payments, and various amounts paid for second or third authorship in second and third tier publications, proved to be overly complex and confusing, as evidenced by the CBE summary of the actual grants awarded.
Review of payroll source detail for peer reviewed journal awards awarded in fiscal years 2011/12 and 2010/11 reflected the practice of the University to use the Special Consultants job function code for grant payments. This resulted in a wide variety of number of days paid for an individual article.

The interim Dean has advised that cash awards for peer reviewed journal articles have been discontinued effective with the 2012/13 fiscal year.

**D. SUMMER RESEARCH GRANTS, INCLUDING SUMMER MINI-GRANTS AND SUMMER RESEARCH STIPENDS**

*Background*

Summer research grants, which began in 2007/08, are competitive and available to full-time tenure-track faculty. These grants support faculty stipends and direct research expenses, such as data collection costs or research assistance. Summer mini-grants began in Summer 2009. Summer mini-grants and Summer Research Stipends are intended for tenure-track faculty.

*Findings*

1) Existence of policies and procedures

The audit found that policies and procedures for Summer Research Grants, including Mini-Grants, did exist. However, no policies and procedures were found for the Summer Research Stipend program.

The audit found that timely communication of grant program deadlines and requirements to CBE faculty needs improvement. For example, the Summer 2009 Mini-Grant program was announced on May 12, 2009 and proposals were due on May 22, 2009. Criteria for awards that ranged from $2,000 to $5,000 were not clearly communicated to faculty for Summer 2009 Mini-Grants.

2) Adherence to grant policies and procedures

Summer 2009 Mini-Grant proposals were not competitive and therefore were not scored. The Summer 2009 Mini-Grant required only a brief one-paragraph e-mail (“125 words or less”) and every faculty that submitted an e-mail was awarded a mini-grant, with the exception of one faculty member.
3) Review of grant award proposals

There was not always a correlation between Summer 2008 Research Grants proposals receiving a high score from the Review Committee and the dollar amount of the grant awarded, as illustrated in the following table:

<table>
<thead>
<tr>
<th>Proposal Score</th>
<th>Amount of Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.67</td>
<td>$ 6,000</td>
</tr>
<tr>
<td>5.00</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>6.00</td>
<td>$12,000</td>
</tr>
<tr>
<td>9.33</td>
<td>$ 8,071</td>
</tr>
<tr>
<td>11.67</td>
<td>$ 5,760</td>
</tr>
</tbody>
</table>

Summer 2009 Mini-Grants totaling $111,000 were disbursed. Since the proposals were not required to be scored, and the criteria were not clearly communicated, the basis for the disparity in award amounts listed in the following table is not evident.

<table>
<thead>
<tr>
<th># of Faculty</th>
<th>Award</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>$ 5,000</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>1</td>
<td>$ 4,000</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>23</td>
<td>$ 3,000</td>
<td>$ 69,000</td>
</tr>
<tr>
<td>4</td>
<td>$ 2,000</td>
<td>$ 8,000</td>
</tr>
<tr>
<td>2 (on leave)</td>
<td>$ -0-</td>
<td>$ -0-</td>
</tr>
<tr>
<td>36 total</td>
<td>$111,000</td>
<td></td>
</tr>
</tbody>
</table>

The review of payroll source data indicated that a Summer Research Stipend was paid during 2011/12 to one faculty member at “16% of his annual base salary.” Payments totaling $23,200 were made from January 2012 through May 2012 and should have been classified as a compensation adjustment rather than a grant.

E. MOSCOW MBA SUMMER RESEARCH GRANTS

Background

The Moscow MBA Program is a two-year evening MBA degree which is accredited by AACSB International, WASC and the Russian Ministry of Education and Science. Summer research grants are for full-time tenure-track CBE faculty who teach in the Moscow MBA program. The program began in 2007/08, with awards announced on June 2, 2008.

Findings

1) Existence of policies and procedures
Policies and procedures were found for the Moscow MBA Summer Research Grants.

2) Adherence to grant policies and procedures

Moscow Research Grants for Summer 2008, the only year that these grants were awarded, adhered to published policies and procedures.

3) Review of grant award nominations and proposals

The audit found that all five grants submitted were reviewed and scored. The best scores received the highest award of $8,000 each for two faculty members. As the scores declined, so did the amounts awarded.

F. CBE MATCHING $5,000 GRANTS (WITH EXTERNAL GRANTS)

Background

In order to encourage scholarly activities that lead to intellectual contributions, CBE matched the first $5,000 of external funding a faculty member receives for grants expecting to result in intellectual contributions. This grant program began in 2008/09.

Findings

1) Existence of policies and procedures

The audit found policies and procedures for CBE matching grants.

2) Adherence to grant policies and procedures

The audit noted payments to faculty members who had external grants administered by CSU East Bay’s Office of Research and Sponsored Programs (ORSP). This is consistent with the intent of the policy.

3) Review of grant award nominations and proposals

By definition, ORSP grants qualify as valid external grants. Grant information provided by CBE was confirmed with ORSP, and no exceptions were noted. Three faculty members received matching grants in 2008/09 of $5,000 during the period under audit.
AUDIT RECOMMENDATIONS

1. Internal controls need to be strengthened for CBE’s internal grants. The Division of Administration and Finance should work with CBE to develop appropriate internal controls.
2. Improve the timeliness of communicating grant proposal deadlines and grant requirements.
3. Ensure that all required documents are submitted by the deadlines and retained by the department chairs or the dean’s office, according to current University document retention policies.
4. Ensure that all grant proposals are reviewed in accordance with the policies and procedures governing the grant program.
5. Document the process of approval for each grant awarded.
6. Require signatures by the Department Chair and the Dean on all Special Consultant Payment Request forms to approve payments.
7. Standardize the daily rates of pay for similar consulting and research work.
8. Standardize the number of days to be paid for similar consulting and research work.
9. Use a common program code in the Finance System or a common job function code in Payroll for all internal CBE grant disbursements to improve reporting of activity.
10. Explore the use of alternative methods of coding grant payments made to faculty to avoid confusion resulting from the use of the Special Consultant job function code.
11. Improve grant award tracking, which will facilitate outside accreditation reporting of CBE internally funded grants for faculty.
### Appendix A

<table>
<thead>
<tr>
<th>Type of Grant / Award</th>
<th>Business Entity</th>
<th>Fund</th>
<th>Dept</th>
<th>Account</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marv Remmich Endowment</td>
<td>Ed Foundation</td>
<td>EH051</td>
<td>11350</td>
<td>660894</td>
<td>ENOTH</td>
</tr>
<tr>
<td>Marv Remmich Endowment</td>
<td>Univ Trust Fund</td>
<td>PR441</td>
<td>11350</td>
<td>601804</td>
<td></td>
</tr>
</tbody>
</table>

**Competitive Grants:**

- **Matching Grants**
  - Univ Operating Fund
  - EB001
  - various
  - 601807
- **Moscow MBA**
  - Univ Trust Fund
  - ED600
  - 11350
  - 601807
- **Summer Research**
  - Univ Operating Fund
  - EB001
  - various
  - 601807

**Mini-Grants**

- Univ Operating Fund
  - EB001
  - various
  - 601807

**New Hire Summer Research**

- Univ Operating Fund
  - EB001
  - various
  - 601807

**Instructional Improvement**

- Univ Operating Fund
  - EB001
  - various
  - 601807

**Peer Reviewed Journals**

- Univ Operating Fund
  - EB001
  - various
  - 601807

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**Note 1:** Account 601807 is for amounts paid to Special Consultants via the HR/ Payroll system; Job Function code = SPC.

**Note 2:** CBE also has cash and private contributions as follows:

- CSUEB Ed Foundation, Fund EK050, CBE Leadership Fund: unrestricted donations from various donors, to be spent at the discretion of the CBE Dean. Fund Balance of $81,247 as of 11/30/12.

- CSUEB Ed Foundation, Fund ED033, SBE Education Fund: cash of $7,919 unrestricted and available for disbursement as of 11/30/12.
The following individuals provided grant information and data, financial data, payroll data, general background and business process information during the course of the audit.

Jagdish Agrawal    Interim Dean, College of Business and Economics
Greg Bistline     Director of Development, University Advancement
Debbie Brothwell    Deputy VP of Finance
Wanda Davenport    Admin Analyst, College of Business and Economics
Thomas Dixon     Network Analyst, IT Network Infrastructure
Maggie Graney    Director of Compliance and Internal Control
James Houpis     Provost and VP, Academic Affairs
Nyassa Love     AVP of Risk Management
Autumn McGrath    Budget Analyst, College of Business and Economics
Sherry Pickering    Assistant Controller
Carol Reese     Senior Budget Director, Academic Resources
Terri Swartz     Retired Dean, College of Business and Economics
Tony Tijero     Payroll Manager
Brad Wells     VP and CFO, Administration and Finance