UCIRVINE | INTERNAL AUDIT SERVICES

Minority Science Programs

Internal Audit Report No. I2021-608

August 25, 2021

Prepared By
Loran Lerma, Principal Auditor
Reviewed and Approved By
Mike Bathke, Director

August 25, 2021

LUIS MOTA-BRAVO
DIRECTOR, MINORITY SCIENCE PROGRAMS
SCHOOL OF BIOLOGICAL SCIENCES

RE: Minority Science Programs Audit
**   Report No. I2021-608**

Internal Audit Services has completed a limited scope review of Minority Science Programs and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Sincerely,

Mike Bathke
Director

Attachment

C: Audit Committee
    Marlene De La Cruz, Associate Director – Minority Science Programs
    Frank LaFerla, Dean – School of Biological Sciences
    Benedicte Shipley, Assistant Dean – School of Biological Sciences
    Michael Yassa, Professor of Neurobiology and Behavior – School of Biological Sciences

I.   BACKGROUND

In accordance with the fiscal year (FY) 2020-2021 audit plan, Internal Audit Services (IAS) conducted a limited scope review of the Minority Science Programs (MSP) in the School of Biological Sciences. MSP and the School of Biological Sciences are recognized as one of the leaders in the development of programs to increase the participation of underrepresented minorities (URM) in biomedical sciences and research. MSP participants benefit from extensive research training, tutoring, academic advising, mentoring, and access to the latest computer technology and support. MSP participants also benefit from financial support (stipends and tuition and fees), paid internships programs, and participate and present at national scientific conferences and meetings.

In collaboration with the National Institute of Health (NIH) sponsored grants, MSP offers several research training programs aimed at preparing different students at different academic levels and subjects. MSP's BRAiN (Broadening Research Achievement in Neurosciences) program aims to prepare community college students and UCI undergraduates in neurosciences. The Bridges to Baccalaureate program aims to prepare community college students in biomedical research. The IMSD (Initiative for Maximizing Student Development) program aims to prepare UCI freshman to seniors and graduate students in biomedical research careers. The MARC (Maximize Access to Research Careers) program aims to develop undergraduate junior and senior students to transition into and complete a biomedical and research focused higher degree (e.g. Ph.D.).

MSP has an operating budget of $2.43 million for fiscal year 2020-2021 of which nearly $2 million represents contracts and grants (82 percent). The federal awards are primarily made up of NIH training grants as described above. The remainder of MSP's operating budget is for core campus support ($428,198).

II.   PURPOSE, SCOPE, AND OBJECTIVES

The primary purpose of the audit was to perform a limited scope review of MSP to assess business risk, internal controls, and compliance with University and government policies and procedures. The scope focused on certain operational and financial activities for the FY 2017-2018 through FY 2020-2021 (April cut-off).

The audit included the following objectives:

1. Examine purchasing practices to verify that transactions were properly requested and approved, received, reconciled, and complied with University and government policy. Examine non-payroll direct costs charged to federal awards to verify they are properly treated in accordance with award terms and conditions and budget justification.

2. Examine payroll practices to verify records are maintained and supported, are properly approved, reconciled, and monitored against award budget. Review payroll direct costs charged to federal awards to verify they are treated in accordance with award terms, conditions, and budget justification.

3. Review inventory management of computing devices and other related lab equipment (non-payroll direct costs) purchased with NIH awards. Verify items are present and accounted for; verify that MSP maintains and periodically performs an inventory of computing devices (servers, desktops, laptops, monitors, hand-held devices, and tablets) and other related lab equipment; and verify that MSP safeguards items against loss or theft.

4. Review inventory management of capital equipment over $5,000. Verify that MSP performs periodic physical counts and that they verify and annotate, sign, and return the KFS Asset Inventory Certification Document. Verify that MSP safeguards items against loss or theft.

5. Verify that MSP performs a review of the general ledger, budgets, and Principal Investigator (PI) report reconciliations on a regular basis and that they review, resolve, and document variances.

III.   CONCLUSION

In general, processes and controls are satisfactory with regard to payroll direct cost activity, general ledger and budget monitoring and reporting, and safeguarding computing devices and capital equipment, based on the documentation sampled during the audit. Non-payroll costs charged to federal awards are satisfactory, can be identified with the work conducted under the project(s), are included in the sponsor-approved budget, and are allocable and essential to the programmatic activity of the awards (s) being charged, based on the documentation sampled during the audit.

However, IAS did have concerns regarding MSP having more detailed justification in the documentation on computing devices and peripherals MSP charged to federal awards. MSP could strengthen and improve their tracking of computing devices (servers, desktops, laptops, monitors, hand-held devices, and tablets). In addition, MSP can strengthen contract and grants management oversight by having personnel with proper contract and grant knowledge and experience to carry out fund management responsibilities.

Observation details were discussed with MSP management, who formulated action plans to address the issues. These details are presented below.

IV. OBSERVATION AND MANAGEMENT ACTION PLANS

1. Documentation Support

In a review of non-payroll transactions, IAS did have concerns over the lack of detailed justification and method of cost allocation on how computing devices (and peripherals) are necessary and programmatically essential to each project and that the charges are reasonable and easily defended to be a direct cost. On multiple MSP internal requisitions for essential items, the justification is "for research and training purposes" which appears to be a canned response and may be mistaken for computing devices purchased for reasons of convenience or preference. It is especially important for the PI to document when they purchase supplies and equipment at or near the performance end date, even when the grant continues, so as not to mistake purchases for budgetary convenience ("use up remaining funds"). Lack of proper justification and support is a red flag, could be disallowed, or require further explanation if reviewed by external auditors.

Management Action Plan

MSP management agrees with this observation and will review and strengthen current documentation practices. MSP Fiscal Officer will consult with units/schools for additional guidance, policy and procedures and best practices to strengthen documenting the justification, purpose and use of items charged to federal awards.

Due date: November 5, 2021

2. Tracking of Computing Devices

MSP's tracking of computing devices (servers, desktops, laptops, monitors, hand-held devices, and tablets) can be strengthened and improved. According to MSP management, the COVID-19 telecommuting that began in March 2020 and the reduction of 40 percent in laboratory resources in February 2021 prevented the Program Coordinator from updating the current inventory of computing devices (servers, desktops, laptops, monitors, hand-held devices, and tablets) with serial numbers, assigned user names, and operating systems.

The inventory of computing devices for the labs and administration was incomplete, lacked sufficient detail to monitor, and was not current. Important details such as serial numbers, assigned user names, operating system, the purchase date, warranty expiration date, and other information was not present which would strengthen management and oversight over the life cycle of the items and the content stored on them.

Management Action Plan

MSP management agrees with this observation and will review and strengthen current computer hardware inventory practices. MSP management will also consult with units/schools for additional guidance, policy and procedures and best practices to strengthen this process.

<u>Due date</u>: November 5, 2021

3. Fund Management Oversight

MSP operations and budget is primarily made up of federal awards (82 percent of operating budget) and MSP administration is responsible for managing their own awards with little assistance from outside the unit. MSP has a fiscal officer who oversees MSP operations; assists the Director (PI) in preparing and processing sponsored project transactions, requisitions, reimbursements, and purchases; and handles other administrative duties as assigned by the Director. However, the fiscal officer admitted she just processes the transactions and has not been trained in Contracts and Grants, and therefore, cannot provide appropriate guidance and oversight over sponsored project activity and budget.

In addition, the PI said he spends time performing sponsored project administrative duties that otherwise could be spent focusing on managing the academic parts of his research, engaging more with the student participants, and developing new research opportunities.

IAS recommends MSP strengthen their internal controls and oversight over fund management to ensure proper financial reporting and compliance with costing guidelines. In addition, IAS recommends Contracts and Grants financial management training and awareness to ensure personnel have the proper knowledge and experience to execute their fund management roles and responsibilities.

Management Action Plan

The MSP Director agrees with the observation and suggested recommendations. An analyst experienced in Contract and Grants will provide oversight and training to the fiscal officer. In addition, the fiscal officer will take the training courses offered by UCI Learning Center to receive the proper training in Contracts and Grants.

<u>Due date:</u> November 5. 2021