

March 8, 2018

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**Subject:        *UCSD Student-Run Free Clinic Project  
Report 2018-19***

The final report for UCSD Student-Run Free Clinic Project Report 2018-19, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier  
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Attachment

cc:     David Brenner  
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# UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

UCSD Student-Run Free Clinic Project  
Report No. 2018-19  
March 2018

## FINAL REPORT

**Performed By:**

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**Approved By:**

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## I. EXECUTIVE SUMMARY

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Audit & Management Advisory Services (AMAS) has completed a review of UC San Diego (UCSD) Student-Run Free Clinic Project (SRFCP) as a part of the approved audit plan for Fiscal Year (FY) 2017/18. The objective of our review was to evaluate whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policies and applicable regulations, and resulted in accurate financial reporting. Within the scope of the review, we evaluated financial information for FY 2016/17 and budget projections for FY2017/18.

We concluded that SRFCP business process controls were generally adequate and functioning effectively to provide reasonable assurance that operations were effective, in compliance with University policies and procedures, and applicable state and federal regulations; and resulted in accurate financial reporting.

We noted that SRFCP had a deficit balance of \$180k as of FY2016/17. The loss of grant funding for future periods has resulted in increased projected deficits for the current fiscal year and beyond. Efforts are underway to evaluate SRFCP activities to develop a plan to address the budget deficit (current and projected). In addition to efforts to secure additional funding, the scope and scale of clinic operations should be considered, as well as cost control opportunities. Compliance with University policy on financial overdrafts should also be achieved through formal deficit reduction plans where appropriate.

We observed additional opportunities for improvement in pharmacy inventory reconciliation in order to better manage medication supplies. We also identified opportunities to improve non-professional volunteer operations, and compliance with policy and agreement terms in selected areas. Management Action Plans to address these findings are summarized briefly below.

### **A. Financial Status**

SRFCP has developed a plan which was approved by the Vice Chancellor Health Sciences (VCHS) and Vice Chancellor – Chief Financial Officer (VC-CFO) to achieve budget neutrality within three years.

### **B. Pharmacy Operation**

The SRFCP will develop and implement a medicine supply inventory process from the beginning medicine count, purchases, dispenses, and ending inventory for each location. Reconciliation processes will be included in the policy and procedure.

### **C. Non-Professional Volunteer Management**

1. SRFCP will consider partnering with UCSDH for non-professional volunteering management, and update policies to current status.
2. In the interim, SRFCP will ensure that volunteers comply with required health screenings, and process background checks for new volunteers.
3. SRFCP will explore additional opportunities for increased integration with UCSDH.

### **D. Business Processes**

1. SRFCP management will complete payroll adjustments and effort reporting for the period of July through December 2015.

2. SRFCP management is working with SOM Business Contracts to update the expired affiliation agreement.
3. SRFCP management will remind staff to utilize proper procurement methods and refrain from utilizing Express Card for prohibited purchases.

Observations and related Management Action Plans are described in greater detail in section V of this report.

## II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of UC San Diego (UCSD) Student-Run Free Clinic Project (SRFCP) as a part of the approved audit plan for Fiscal Year (FY) 2017/18. This report summarizes the results of our review.

SRFCP was established in 1997 by a group of UCSD medical students and their mentor (Clinic Director), as a clinical and education outreach project to provide medical care to underserved communities in San Diego while training medical and pharmacy students in clinic operations. Since its inception, SRFCP has grown from a one-site medical clinic project to a four-site clinic project. In addition to medical care, SRFCP partners with other non-UCSD professionals and community volunteers in order to offer a wide array of services including dental, acupuncture, social and legal services. Historically, SRFCP operated under the School of Medicine (SOM) Department of Family Medicine and Public Health (FMPH). Starting FY2018/19, SRFCP will be transferred to UCSD Health Sciences under the Chief Academic Officer. Funding for the program comes from SOM as well as grants, UCSD Health (UCSDH), Skaggs School of Pharmacy & Pharmaceutical Sciences (SSPPS), UCSD Foundation, and public donors.

### Educational Impact

UCSD medical students involved in SRFCP activities gain experience in primary care medicine, public health, community service, and administration of health care. As part of several elective courses, first and second year medical students collaborate with third and fourth year students, under the guidance of UCSD faculty and community physicians. SSPPS also supports SRFCP operations by allowing students to earn course credit in pharmacy management and patient education services under the supervision of a pharmacist and to develop treatment plans in coordination with physicians and medical students.

In addition to teaching responsibilities, SRFCP faculty supervise and train medical students and trainees in a variety of educational activities. A high level of summary of educational activities for FY 2016/17 is provided in the table below:

<b>FY2016/17 Education and Volunteer Summary</b>	
Number of Medical Courses and Enrollment	13 Courses / 526 Enrollments
Number of Residency Programs	7 Programs / 53 <sup>(1)</sup> Trainees
Master in Clinical Research (obtained through work conducted at SRFCP)	1 Trainee
Skaggs School of Pharmacy Courses and Enrollment	7 Courses / 120 <sup>(1)</sup> Enrollments
Interdisciplinary Professional Students – Social Work, Acupuncture, Legal	75 <sup>(1)</sup> Trainees
Pre-health Student Volunteers – Medical, Pharmacy, Dental	242 Volunteers
Scholarly Activity – Independent Study Projects	21 Projects / 21 Trainee Authors
Scholarly Activity – National Presentations	10 Projects / 16 Trainee Authors
Scholarly Activity – Peer Reviewed Publications	4 Projects / 11 Trainee Authors

(1) Numbers may include some estimates.

### Clinic Services

Clinic sites are located in Downtown San Diego (First Lutheran Church), Pacific Beach (Pacific Beach Methodist Church), southeast San Diego (Baker Elementary School), and Lemon Grove (Lemon Grove Academy). During 2017, the Baker Elementary School site was closed. In October 2017, a new site

located in Normal Heights (Normal Heights United Methodist Church) was opened. Between these sites, SRFCP offers five clinic sessions every week to provide care to approximately 80 to 100 patients weekly. The following table summarizes patient encounters for FY2016/17:

Type of Services / Location	Downtown	Pacific Beach	Baker	Lemon Grove	Total Count
Full Office Visit	1,360	948	599	72	<b>2,979</b>
Medical Only /Limited	191	143	46	3	<b>383</b>
Telephone Consultation	52	24	42	1	<b>119</b>
Results / Other services	604	426	447	34	<b>1,511</b>
Number of Individual Patient Seen	360	288	186	40	<b>874</b>
Number of New Patients	21	32	1	4	<b>58</b>
Number of Specialty Visits	367	287	33		<b>687</b>
Number of Specialty Clinics Sessions	114	114	5		<b>233</b>
Number of Specialty Hours	456	456	20		<b>932</b>

On average, approximately 30,000 prescriptions are issued to SRFCP patients per year. Most SRFCP patients qualify for enrollment in the Patient Assistance Projects (PAP) program, which provides over 2,000 brand name prescription drugs through the pharmaceutical companies. SRFCP also purchases generic medications, which are dispensed to all patients based on physician order, through the UCSD Medical Center Pharmacy. Medication purchase expenses were approximately \$120,000 for FY2016/17.

#### SRFCP Financial Status

SRFCP funding for FY2016/17 was \$1.7 million, with approximately \$2.0 million in expenses, which resulted in a deficit of \$273K. Combined with a prior year surplus, SRFCP had a net deficit of \$180K as of FY17 end.

<b>FY2016/17 Support &amp; Expenses</b>	
Federal Grants	\$ 905,436
UCSD Institution	\$ 519,970
Foundation/Donors	\$ 316,080
<b>Total Support</b>	<b>\$ 1,741,486</b>
Payroll Expenses (Salary & Benefits)	\$ 1,481,372
Non-Payroll Expenses	\$ 533,116
<b>Total Expenses</b>	<b>\$ 2,014,488</b>
Deficit/Surplus	\$ (273,002)
Prior Balance Carryover	\$ 93,246
<b>Accumulated Balance</b>	<b>\$ (179,756)</b>

SRFCP has secured Federal Health Resources and Services Administration (HRSA) grants over the last several years. However, the two primary federal grants which supported SRFCP operations are due to

expire in FY2016/17 and FY2018/19 respectively, and additional federal funds have not been secured to offset the loss of these awards. These two federal grant are listed in the table below:

<b>Federal Grants</b>	<b>Grant Period</b>	<b>Total Awards</b>
HRSA -Faculty Development in General, Pediatric, and Public Health Dentistry and Dental Hygiene	7/1/2012 - 6/30/2017 (1)	\$ 2,499,448
Substance Abuse and Mental Health Services Administration (SAMHSA) Health Professions Student Training Grant	9/30/2015 - 9/29/2018 (2)	\$ 837,057

(1) HRSA award was extended to June 2018.

(2) SAMHSA reduced 34% of third-year award, a total reduction of \$107K in FY2017/18.

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### III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our review was to evaluate whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policies and applicable regulations, and resulted in accurate financial reporting. Within the scope of the review, we evaluated financial information for FY 2016/17 and budget projections for FY2017/18.

In order to achieve our objective, we performed the following:

- Reviewed SRFCP organizational structure and key clinic processes;
- Met with SRFCP and FMPH managements to discuss any potential areas of concern;
- Interviewed SRFCP selected physicians, pharmacist, and coordinators for information regarding business processes;
- Reviewed SRFCP policies and procedures for selected business processes;
- Reviewed processes for managing volunteer appointments, including background checks, HIPAA training and required vaccinations;
- Conducted a site visit at one clinic site to observe operations and processes;
- Performed detailed testing of select financial transactions to verify accuracy and supporting documentation;
- Reviewed contract and grants compliance and effort reporting;
- Reviewed medication inventory and storage practices;
- Reviewed FY2017/18 financial projections; and
- Reviewed selected clinic processes including patient consent, environment & hazardous waste approvals, affiliation agreements, medical record management, equipment and supply oversight.



## IV. CONCLUSION

Based on our review, we concluded that SRFCP business process controls were generally adequate and functioning effectively to provide reasonable assurance that operations were effective, in compliance with University policies and procedures, and applicable state and federal regulations; and resulted in accurate financial reporting.

We noted that SRFCP had a deficit balance of \$180k as of FY2016/17. The loss of grant funding for future periods has resulted in increased projected deficits for the current fiscal year and beyond. Efforts are underway to evaluate SRFCP activities to develop a plan to address the budget deficit (current and projected). In addition to efforts to secure additional funding, the scope and scale of clinic operations should be considered, as well as cost control opportunities. Compliance with University policy on financial overdrafts should also be achieved through formal deficit reduction plans where appropriate.

We observed additional opportunities for improvement in pharmacy inventory reconciliation in order to better manage medication supplies. We also identified opportunities to improve non-professional volunteer operations, and compliance with policy and agreement terms in selected areas. These issues are discussed in more detail in the balance of the report.

## V. OBSERVATIONS REQUIRING MANAGEMENT ACTIONS

<b>A.</b>	<b>Financial Status</b>
SRFCP overall funding balance was in deficit as of FY2016/17, with additional deficits projected for future periods.	
<b>Risk Statement/Effect</b>	
Inadequate alignment of program funding and expenses leads to financial deficits, and puts the sustainability of the program at risk.	
<b>Management Action Plan</b>	
A.1	SRFCP has developed a plan which was approved by the VCHS and VC-CFO to achieve budget neutrality within three years.

### A. Financial Status – Detailed Discussion

University Policy (Policy & Procedure Manual (PPM) 300-2 Funds Management (Overdraft) Policy) defines fund overdrafts and management responsibilities for resolving and reporting overdrafts across the UC San Diego campus. To effectively and consistently identify and remediate fund deficits, fund balances are measured in three business categories: General Campus, Sponsored Project Awards, and Self-Supporting Funds. An overdraft is defined at the Fund/Organization level in the UCSD chart of

accounts. For funds other than sponsored projects, the Policy requires management to develop a written plan to eliminate overdrafts larger than \$25,000 or five percent of the fund's fiscal year budget, whichever is more, within the fiscal year.

#### SRFCP Current Financial Deficits

SRFCP portfolio balance for FY2016/17 showed a deficit of \$180K. As indicated in the following table, as of November 30, 2017, total funding balance represented an accumulated deficit of \$345K.

<b>Funding Source</b>	<b>Nov. 30, 2017 Balance</b>	<b>Type</b>
HRSA & SAMHSA Grants	\$ 154,669	Federal
Restricted Grants	\$ 20,985	Private
Foundation & Donors	\$ 380,448	Unrestricted
Medical Center/ SOM	\$ (370,152)	Institution Support
SOM Development Fund	\$ (531,421)	Closeout
<b>Total Balance</b>	<b>\$ (345,471)</b>	

Source: Financial Link Index Balance for the indexes provided by FMP.

The SRFCP program deficit appears primarily attributable to the overall decline in extramural federal grants in the program. With the loss of grant funding, program costs were allocated to other institutional funds. Because FMPH did not have sufficient funds to support the program, UCSD Health (UCSDH) started to contribute to the program, however the commitments were not enough to fully cover the shortfall. Because SRFCP provides a highly valued and important student teaching experience to the entire SOM, UCSDHS leadership decided to move the program under the VCHS Office. With this change, SRFCP will become a stand-alone unit with its own organization code, rather than have its finances within the FMPH organization. As SRFCP will have its own organization code, the formal overdraft reporting requirements defined in policy will apply.

#### SRFCP Budget Projections

SRFCP budget projections for FY2017/18 forecast additional deficits, primarily related to grant funding. For FY2016/17, two federal grants award (\$905K) represented 52% of total SRFCP funding sources. Total grant support decreased to \$247K (16% of total support) for FY2017/18 due to the end of a HRSA grant in June 2017 and a reduction in the SAMHSA grant. To partially offset this, support from SOM and UCSDH increased from \$520K in FY2016/17 to \$904K in FY2017/18. Other donations also increased \$88K in FY2017/18. SRFCP management is actively seeking other potential grants and donations. However, this is not currently projected to cover program expenditures and the estimated deficit for FY2017/18 is \$714K.

<b>SDFC Financial FY2016/17 Actual and FY2017/18 Budget</b>				
<b>Support &amp; Expenses</b>	<b>FY2016/17</b>	<b>FY2017/18</b>	<b>FY2016/17</b>	<b>FY2017/18</b>
Federal Grants	\$ 905,436	\$ 247,094 (1)	52%	16%
UCSD Institution	\$ 519,970	\$ 904,000	30%	58%
Foundation/Donors	\$ 316,080	\$ 404,449	18%	26%
<b>Total Support</b>	<b>\$ 1,741,486</b>	<b>\$1,555,543</b>	<b>100%</b>	<b>100%</b>
Salary & Benefit Expenses	\$ 1,481,372	\$1,572,178	74%	75%
Non-Payroll Expenses	\$ 533,116	\$ 517,889	26%	25%
<b>Total Expenses</b>	<b>\$ 2,014,488</b>	<b>\$2,090,067</b>	<b>100%</b>	<b>100%</b>
Deficit/Surplus	\$ (273,002)	\$ (534,524)		
Prior Balance Carryover	\$ 93,246	\$ (179,756)		
<b>Accumulated Balance</b>	<b>\$ (179,756)</b>	<b>\$ (714,280)</b>		

Source: SDFC budget projection (v8) worksheet

- (1) SAMHSA Health Professional Student Training Grant reduction of 34% of the third year, representing approximately \$107K for FY2017/18. Federal grant total includes \$40K received in FY2016/17 that will be used in FY2017/18.

If additional funding is not secured, reduction in the scope or scale of operations may be required. To remediate the deficit, SRFCP should work with the VCHS office in evaluating the organization education mission, core philosophy, and available supporting resources; and prioritizing health services (medical, dental, acupuncture) and other supporting functions (social services, legal, health education). With no committed grants, donations or support, other considerations could include reducing clinic time, merging clinic locations, and/or reducing certain services.

We have analyzed costs related to payroll and non-payroll expenditures below to provide additional information on potential opportunities below.

#### Analysis of Personnel Expenses

For FY2016/17, personnel costs represented 74% of total operation cost (\$1,481K). The two federal grants supported over half (54% or \$806K) of personnel costs for FY2016/17. For FY2017/18, the HRSA grant has expired, and the SAMHSA award total budget was reduced 34% by the agency, therefore will only support a total of \$207K. The SAMHSA award is scheduled to end in September 2018.

SRFCP made minor cuts to payroll expenses in the FY2017/18 projections. Overall, in the FY2017/18 personnel forecast showed a total increase of 0.15 FTE and a net salary and benefits decrease of approximately \$85K. Unless additional funding is secured, additional reductions in payroll expenses may be required.

We performed an evaluation of personnel costs by role (Medical, Pharmacy, Dental, Acupuncture, Administrative Support) and analyzed the distribution of payroll costs, for consideration of where reductions might be appropriate. We noted that total salary for faculty and physicians is \$903K, 78% of total salary cost, among 18 individuals and 5.81 FTE. Salary costs for support staff totaled \$258K, 22% of total salary cost, for 22 staff, 6.55 FTE.

Analysis of Non-Personnel Expenses

Based on the SRFCP Board Report budget projection, we reviewed non-personnel expense categories greater than \$10,000 for reasonableness, accuracy, and opportunity for improvement. The following table summarized non-personnel analysis for FY2016/17 and FY2017/18. It appears there are further opportunities for improvement with respect to managing expenditures for pharmacy, faculty workshops, travel, and medical/imaging services. In all areas, SRFCP management should evaluate the necessity of every expenditure request and monitor fund balances regularly.

Non-Personnel Expenditures	FY2016/17	FY2017/18	Increase / (Decrease)	Audit Comments
Pharmacy	\$ 115,806	\$ 119,280	\$ 3,474	See Section B
National Faculty Development Workshops	\$ 138,917	\$ 75,000	\$ (63,917)	HRSA grant supported these faculty development workshops for the last few years. This grant is extended to June 30, 2018 with no award amount changes. SRFCP management is working to reduce these workshops, and is planning to increase enrollment fees in order to balance the budget. Continuous financial monitoring is needed to prevent future deficits.
Travel	\$ 53,768	\$ 55,381	\$ 1,613	Some travel expenditures were covered by federal grants. With limited funding sources, travel costs should be kept to a minimum.
Medical Testing, Supplies, Services, Imaging, Storage	\$ 55,731	\$ 57,403	\$ 1,672	SRFCP should seek additional support from the Medical Center for these services and testing.
GALA	\$ 23,656	\$ 28,486	\$ 4,830	Expenditures on the Gala generated gross revenue of \$115K in FY2016/17 and net revenue of \$86K.
<i>Note: Expenses could be supported by the Medical Center.</i>				
<i>Note: Expenses could be considered for further reduction with limited activities.</i>				

<b>B. Pharmacy Operations</b>	
Medication supply was not routinely reconciled as part of inventory processes.	
<b>Risk Statement/Effect</b>	
The absence of medicine supply reconciliation may result in limited ability to detect errors in ordering or dispensing processes, which could result in excessive waste and higher total costs.	
<b>Management Action Plan</b>	
B.1	The SRFCP will develop and implement a medicine supply inventory process from the beginning medicine count, purchases, dispenses, and ending inventory for each location. Reconciliation processes will be included in the policy and procedure.

## B. Pharmacy Operations – Detailed Discussion

Pharmacy faculty and students provide services at three clinic locations. Following a 2008 Board of Pharmacy inspection, procedures were improved to ensure medications are labeled, distributed, and stored by physician in accordance with Board of Pharmacy requirements. Other actions were also implemented to improve medicine storage, dispensing, disposal, and patient education and consultation. Two SRFCP internal Policy and Procedures (Pharmacy Services, and Pharmacy Student Manager Role and Responsibilities) were updated in November 2017 to provide additional guidance.

Medication requests are submitted electronically to the UCSD Pharmacy, picked up and delivered to the clinic sites by pharmacy students. All medications are checked in by pharmacy students and verified by the pharmacist. All invoices are checked and filed accordingly. Total pharmacy costs from UCSD pharmacy system is summarized in the following table.

UCSD Pharmacy Medicine	2016	2017 (1)	Comments
Insulin	\$ 10,325	\$ 22,370	Support by School of Pharmacy
Other Medications	\$ 58,523	\$ 63,938	SRFCP pharmacy cost
<b>Total Cost</b>	<b>\$ 68,849</b>	<b>\$ 86,309</b>	

(1) For the period of January through October of 2017.

The medication inventory process was documented in a worksheet and was maintained in a shared folder to keep track of medicine on hand. Our review noted that some fields (i.e. medicine quantity) were not completed. Further, it was noted that a reconciliation was not regularly performed for medication inventory.

University policy (BUS 54 – Operating Guidelines for University Supply Inventories) states that supply inventories are established to provide prompt service and to obtain the economies available from aggregating demand and consolidating distribution and administration. This policy is only applicable when the inventory value at an off-campus location inventory amount exceeds \$50K. Even though this policy may not be directly applicable to SRFCP, it can provide a resource for inventory control practices which could assist in better managing pharmacy supply and improve pharmacy cost control. Currently, the pharmacist is working with pharmacy students in developing and testing an application to keep track of medicine flow in order to improve medication management.

## C. Non-Professional Volunteer Management

SRFCP processes for managing volunteers did not ensure that all volunteers had complete applications and were compliant with policies for health screenings.

### Risk Statement/Effect

Incomplete applications increase the risk that volunteers are not fully vetted by the institution prior to providing services to SRFCP. Lack of effective monitoring of annual TB screening could increase risks to SRFCP staff and patients.

<b>Management Action Plans</b>	
C. 1	SRFCP will consider partnering with UCSDH for non-professional volunteering management, and update policies to current status.
C.2	In the interim, SRFCP will ensure that volunteers comply with required health screenings, and process background checks for new volunteers.
C.3	SRFCP will explore additional opportunities for increased integration with UCSDH.

### **C. Non-Professional Volunteer Management – Detailed Discussion**

SRFCP established the following policies and procedures overseeing non-professional volunteer practice:

- P&P-Pre-Professional Volunteer Appointment Process;
- P&P-New Volunteer Orientation and Training (5/19/08) & (8/11/08); and
- Volunteer Instruction Manual.

These policies and procedures define volunteer requirements including background check, on-line HIPAA training, appropriate vaccinations, on-line orientation, and other mandated training sessions. Non-professional volunteers assist in interpreting, food preparation and other administrative tasks. To manage non-professional volunteer processes, SRFCP maintains a database that showed 106 active volunteers out of 248 volunteers as of October 2017.

<b>Pre Professional Volunteer Status (October 2017)</b>					
Status	Active	Inactive	Interested	Pending	Grand Total
# of Volunteers	<b>106</b>	137	1	4	248

The Volunteer's HIPAA certification of training is scanned and stored in the volunteer folder. Our review of selected files did not note any exceptions, as all files reviewed contained the certification. However, processes to ensure background checks and tuberculosis (TB) screening could be improved. We noted that three out of 106 volunteers did not have evidence of background check and 68 volunteers did not have evidence of a current annual TB screening. The table below indicates the number of individuals that did not complete TB screening.

<b>Pre-Professional Volunteer TB Screening</b>	
TB Screening Year (1)	TB Screening
1999 - 2016	62
2017	38
No Data	6
<b>Total Volunteer Count</b>	<b>106</b>

(1) Source: SRFCP Non-Professional Volunteer Worksheet as of October 2017

Per the UCSDH TB Control Plan, annual TB screening is required for staff in contact with patients or physically present in a clinical setting.

We noted that tracking of non-professional volunteers was a labor-intensive task in monitoring all non-professional volunteers' requirements and maintaining the volunteer database. The UCSDH volunteer program performs similar functions, and may be better positioned to coordinate the volunteer application and tracking processes. In order to better manage non-professional volunteers, SRFCP could consider partnering with the UCSDH volunteer program to improve non-professional volunteer oversight consistency with UCSDH volunteer practices. If SRFCP continues to manage volunteers, management should ensure that processes are improved to ensure compliance with these requirements.

SRFCP operates in the SOM for the dual purpose of medical education and patient care. As a result of the organizational position, SRFCP has generally fallen outside the purview of UCSDH Medical Center Policies and oversight processes applicable to UCSDH clinics. Following the recent transition in executive oversight from FMPH to the VCHS, senior leadership should evaluate whether additional integration or coordination with UCSDH would be beneficial.

<b>D.</b>	<b>Business Processes</b>
We noted that business processes in selected areas were not fully compliant with policy or the terms of affiliation agreements.	
<b>Risk Statement/Effect</b>	
Non-compliance with policy and absence of monitoring the contract terms may result in inaccurate expenses processing and may put University assets and employees at risk.	
<b>Management Action Plans</b>	
D .1	SRFCP management will complete payroll adjustments and effort reporting for the period of July through December 2015.
D .2	SRFCP management is working with SOM Business Contracts to update the expired affiliation agreement.
D .3	SRFCP management will remind staff to utilize proper procurement methods and refrain from utilizing Express Card for prohibited purchases.

#### **D. Business Processes – Detailed Discussion**

##### Effort Reporting

Federal regulations require that institutions certify that the effort charged to an award is consistent with the effort expended on the award. We evaluated effort certifications for the two recent SRFCP federal awards and noted that one certification for the period of July through December 2015 was incomplete. This appeared to be the result of prior errors in payroll adjustments. One of the impacted fund sources is already closed which caused some delays in correcting these errors. SRFCP should process any required payroll adjustments and complete certification for the remaining periods.

### Affiliation Agreement Management

A current affiliation agreement should be in place as part of standard business process. Our review noted that affiliation agreements for one locations (Lemon Grove) was expired in June 2017. SRFCP management is working with SOM Business Contracts to renew this affiliation agreement.

### Express Card Purchases

SRFCP held a UCSD Express Card, which is a procurement card for faculty and staff who have purchasing authority. The Express Card Program Guidelines do not allow payment over \$4,999, and prohibit split purchases to avoid high value purchasing processes. Our transaction review noted two express card payments (dated 5/26/2017 and 6/29/2017, each \$2,500) were paid to the same individual through PayPal. Apparently, these two payments were made for professional/consultant service which was not specifically described in the PayPal transaction documentation. SRFCP advised that these two transactions were made for community engagement and art activities. Independent contractor/consultant services are prohibited on an Express Card and should be handled through MarketPlace to ensure compliance with University policy for these services. It appeared that these purchases were split over multiple dates to avoid the Express Card program limits and avoid procurement processes for transactions over \$5,000. SRFCP management should remind staff to utilize proper procurement methods and refrain from utilizing Express Card prohibited purchases.