UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES

Graduate Student & Postdoctoral Payment & Funding
Project #18-030

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University of California
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UCSF

Audit and Advisory Services

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**SUBJECT: Graduate Student & Postdoctoral Payment & Funding
                          Project #18-030**

As a planned internal audit for Fiscal Year 2018, Audit and Advisory Services
(A&AS) conducted a review of Graduate Student & Postdoctoral Payment &
Funding. Our services were performed in accordance with the applicable
International Standards for the Professional Practice of Internal Auditing as
prescribed by the Institute of Internal Auditors (the "IIA Standards").

The preliminary draft report was provided to department management in
January 2018. Management provided us with their final comments and
responses to our observations in March 2018. The observations and
corrective actions have been discussed and agreed upon with department
management and it is management's responsibility to implement the
corrective actions stated in the report. In accordance with the University of
California audit policy, A&AS will periodically follow up to confirm that the
agreed upon management corrective actions are completed within the dates
specified in the final report.

This report is intended solely for the information and internal use of UCSF
management and the Ethics, Compliance and Audit Board, and is not
intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Director, UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I.   **BACKGROUND**

As a planned audit for Fiscal Year 2018, Audit and Advisory Services (A&AS) completed a review of the accuracy and timeliness of payments to graduate students and postdoctoral scholars (postdocs) and the correct allocation of funding sources.

To support its mission of advancing health worldwide through biomedical research and graduate-level education in the life sciences, the University of California San Francisco (UCSF) offers PhD programs in 12 basic and biomedical sciences and five social and population sciences. During years one and two, graduate students receive support from various sources in the form of stipends to defray living expenses and Tuition and Fee Offsets through their graduate program. This support maybe extended as funding permits.

When no longer receiving support through their graduate programs, graduate students may work as Tutors, Teaching Assistants or on sponsored research projects under the direction of a faculty member as Graduate Student Researchers (GSRs). GSRs receive pay and fee remissions from sponsored awards or discretionary funds.

For Academic Year (AY) 2016-17 (9/1/2016 – 8/31/2017) the total support for graduate and professional students was $80.4 million comprised of the following:

Type of Support	Amount of Support During AY 2016-17 ($M)
Stipends	30.1
Tuition and Fee Offsets	38.5
GSR Payroll (salary & benefits; excluding tuition & fee remission)	8.1
GSR Tuition/Fee Remission (payroll account 50732, for GSR title codes)	3.7
Total	80.4

Additionally, UCSF employs over 1,100 postdocs. Postdocs are individuals holding doctoral degree who are engaged in a temporary period of mentored research or scholarly training for the purpose of acquiring the professional skills needed to pursue a career path of his or her choosing. Postdocs are paid through payroll and are represented by the United Auto Workers Local 5810 Union. For AY 2016-17, postdocs' salaries amounted to $54.1 Million.

Administrators for the various graduate programs initiate most of the financial transactions for graduate students. Student and Academic Affairs process transactions to record tuition and fee offsets to the students' accounts. The Controller's Office processes transactions (Accounts Payable and Payroll) and performs compliance reviews (Contracts & Grants Accounting).

II. **AUDIT PURPOSE AND SCOPE**

The purpose of this review was to evaluate the accuracy and timeliness of payments to graduate students and postdocs, and assess the efficiency and accuracy of graduate student payment processing and reporting. The scope of the review covered transactions and activities for AY 2016-17 (9/1/2016 – 8/31/2017).

Procedures performed as part of the review included validation of the accuracy of payments to graduate students and postdocs (and payments made on their behalf), assessment of the efficiency of the payment processing, evaluation of GSR payments for compliance with National Institutes of Health (NIH) policy and review of financial reporting.

To conduct our review, the following procedures were performed for the areas in scope:
- Interviewed relevant personnel within graduate programs and central offices to understand the various sources and mechanisms for graduate students and postdoc funding.
- Reviewed procedures, risks and related controls of graduate student and postdoc payment processing.
- Validated the accuracy of graduate student stipends and fee offsets, GSR payments and fee remissions, and postdoc payments.
- Reviewed GSR payments for compliance with NIH policies.
- Reviewed the adequacy of the Graduate Division's quarterly audit of fee remissions.
- Reviewed the processes to obtain, compile and report on graduate student support by funding source.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in December 2017.

III. **SUMMARY**

Based on work performed, graduate student financial support (including fee remissions) and postdoctoral scholar payments are made as expected. The Graduate Division has implemented appropriate processes to audit fee remission eligibility on a quarterly basis.

Opportunities for improvement exist in the areas of integrating systems used to process and record graduate student financial support to promote efficient reporting and oversight of student funding. The specific observations from this review are listed below.

- Graduate Student Researcher compensation charged to NIH research grants and cooperative agreements exceeded allowable maximum amounts per NIH policy.

- Actual graduate student support expenditures are not being consolidated, reported or verified, potentially affecting the ability of management in their oversight and decision-making regarding graduate student support.

- There are no application controls to ensure that Student IDs are always included on Cost Transfer transactions. As a consequence, not all Journal Entries recording graduate student support can be tied to individual students.

- There is no single system that contains all graduate student financial support. As a result, the current processes for managing graduate student fee offsets and fee remissions for GSRs is manual and labor intensive.

Details of the specific observations and management corrective actions are outlined in the following observation table.

IV.   OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS ("MCA")

No.	Observation	Risk/Effect	Recommendation	Proposed MCA
1	***Graduate Student Researcher (GSR) compensation charged to National Institutes of Health (NIH) research grants and cooperative agreements exceeded allowable maximum amounts per NIH policy.*** Our review of GSR compensation for Title Code 3266 (GSR without Fee Remission) and Title Code 3282 (GSR with Fee Remission) paid from NIH awards identified 54 out of 338 (16%)[1] that exceeded the NIH graduate student compensation limits for the award year. These graduate students were paid from awards associated with the following schools: School of Medicine: 37 School of Pharmacy: 14 School of Dentistry: 3 The lack of visibility of various sources of support received by graduate students in one system limits management's ability to adequately monitor the amount of graduate student compensation charged to NIH awards. Per NIH policy (NOT-OD-02-017), "The maximum amount awarded by the NIH for the support of a graduate student supported on a research grant or a cooperative agreement is tied to the zero level National Research Service Award (NRSA) stipend in effect at the time the grant award is issued." For 2016 the NRSA Postdoctoral zero level stipend was $43,692 per each award year. The amount provided for graduate student compensation includes salary or wages, fringe benefits, and tuition remission.	Charging NIH awards excessive GSR compensation makes these charges non-compliant and may call into question the reasonableness and allow ability of these expenses posted to the awards.	a) The Dean's Office for each of the professional schools should work with their departments to validate the excess compensation for the identified GSRs and move it off NIH funds to discretionary funding. b) The Dean's Office for each of the professional schools in conjunction with the Graduate Program offices should ensure that the departments that employ GSRs adequately budget for salary, benefits and tuition remission for GSRs to be in compliance with NIH Policy limits. c) The Controller's Office has responsibility for monitoring and ensuring compliance with this requirement and should implement	a) The Dean's Office for each of the professional schools should work with their departments to validate the excess compensation by individual award year for the identified GSRs and move AY 2016-17 excess compensation off NIH funds to discretionary funding. **Responsible Party:** Dean's Offices in each Professional School **Target Date:** July 31, 2018 b) Control Points, in conjunction with their Graduate Program offices, should work with the Controller's Office and/or Audit & Advisory Services to determine a consistent and reasonable approach to identify excess GSR compensation; develop tools and annual timelines to monitor compliance with

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[1] The review included all NIH Awards with GSR compensation for the period January 2016 through November 2017

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	We noted that some universities define postdoctoral compensation to include zero level NRSA as well as the associated fringe benefits. At UCSF the average fringe benefit rate for postdoctoral fellows is 23%. If UCSF were to adopt this definition of postdoctoral salary, the number of GSRs that exceeded the NIH limit would be significantly reduced.		procedures for on-going monitoring of compliance with NIH GSR compensation policy.	NIH GSR compensation policy; and ensure that the departments that employ GSRs adequately budget for salary, benefits and tuition remission for GSRs to be in compliance with NIH policy limits. **Responsible Party:** SOM Dean's Office primary lead **Target Date:** December 28, 2018 c) Contracts & Grants Accounting (CGA) will modify its stipend request form procedures to require Graduate Program Offices to provide information on total compensation **Responsible Party:** Assistant Controller, CGA **Target Date:** July 1, 2018 d) CGA will continue its education and monitoring efforts with campus departments relating to NIH policy compliance.

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				Additionally, CGA will modify its monitoring procedures to quarterly reviews. **Responsible Party:** Assistant Controller CGA **Target Date:** September 30, 2018 e) CGA and OSR are evaluating whether to define postdoctoral compensation to include zero level NRSA as well as the associated fringe benefits. **Responsible Party:** Assistant Controller CGA **Target Date:** September 30, 2018
2	***Actual graduate student support expenditures are not being consolidated, reported or verified.*** Once a year, the Graduate Division collects financial data of projected graduate student expenditures from each of the graduate programs. This information is not subsequently updated to reflect actual expenditures during the year since the information is not easily accessible from the general ledger.	For each of the professional schools, the lack of budget versus actual variance may adversely affect the ability of management in their oversight and decision-making	For a more efficient and system-generated financial reporting that fully captures all sources of support and payments for graduate students from the various financial systems that hold the data, the Graduate Division should consider	a) The Graduate Division, working with Campus IT, Student Information Services, Student Academic Affairs and the Controller's Office, will lead efforts to develop financial reporting that captures all sources of support for graduate

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	As a result, the financial reporting is only an estimate of projected graduate student support, static at a point in time and does not reflect changes in this support during the year. In reviewing the processes for reporting graduate student funding and payments we noted the following challenges faced by the Graduate Division and graduate programs: a) The process for collecting and compiling graduate student support expenditures for reporting purposes is manual and labor intensive. The Graduate Division requests student level detail on the financial support provided to graduate students from the graduate programs. Graduate program administrators manually complete an Excel spreadsheet provided by the Graduate Division to gather this information. b) Accuracy of the reported data cannot be assured and verified since student expenses by curriculum and funding source are not recorded in the general ledger for easy access. As expenditures for graduate student support are self-reported by the individual graduate programs, the accuracy of the reported data cannot be easily verified against independent sources. c) Data reported by the graduate programs lack standardization. As each graduate program completes the Graduate Division data request differently, additional efforts are	regarding graduate student support. Due to the inconsistencies and the manual nature of the process to provide data requested by the Graduate Division, additional resources are expended by both the graduate program offices and the Graduate Division to obtain the data and prepare reports of projected graduate student support expenditures.	developing reporting based on data contained in the Operational Data Store (ODS) and write queries to support their reporting needs.	students including tying student ID to student programs curriculum code **Responsible Party** AVC Graduate Division, Operations **Target Date:** October 31, 2018 b) Since SAA/GD's internal focus group is reviewing challenges with SIS system and integration with other systems, discussions have led to the need for an outside consultant to compile options for a new system or how we can integrate with outside vendor systems. The assessment for a new system will be completed by December 28, 2018 **Target Date:** December 28, 2018

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	expended by the Graduate Division to normalize financial data reported prior to being compiled.			
3	***There are no application controls to ensure that Student IDs are always included on Cost Transfer transactions. As a consequence, not all Journal Entries recording graduate student support can be tied to individual students.*** Some transactions recording graduate student support require student names and ID numbers for processing (e.g. tuition/fee offset journals – Source Code 53O). However, Student IDs are not consistently included in all cost transfer transactions, thereby making it difficult to capture and report expenditures by student, by program and by curriculum.	Not consistently recording the appropriate Student ID on all transactions limits UCSF's ability to validate the accuracy of these payments and may lead to under or over payment to students.	The Controller's Office should evaluate application controls to require the inclusion of Student ID numbers on all Journal Entries relating to all student funding transactions and this should be implemented where feasible.	The Controller's Office will work with ITS to modify PeopleSoft journal form to require Student ID number on all journal entries relating to all graduate student funding and expenditure transactions. **Responsible Party** Assistant Controller CGA **Target Date:** August 30, 2018
4	***There is no single system that captures all graduate student financial support information. As a result, the current processes for managing graduate student fee offsets and fee remissions for GSRs are manual and labor intensive.*** Graduate student funding comes from several different sources (e.g. training grants, research grants, awards from the graduate division, and direct student payments). Information on the source and amount of graduate student funding is collected on a student level by the individual graduate programs. Generally, this information (along with other information) is maintained on Excel worksheets within each graduate program. (These worksheets are developed in-house by each program.) Transactions to process graduate student support (i.e. tuition/fee remission and tuition/fee offset) have their own	Having graduate students financial information within multiple systems may limit management's ability to make timely decisions on students' programs. Having individual graduate programs manually reenter data from their Excel worksheets into multiple formats used to initiate posting of graduate student support may	The Graduate Division should consider conducting a strategic review to explore integrating graduate student financial data (e.g., from Accounts Payable, Payroll, PeopleSoft Financial System, Student Financial Aid and Student Information System) into a single system to automate data transfer between systems and to reduce the redundant effort required to process	The Graduate Division/SAA, together with other campus stakeholders including campus IT and Controller's Office, will convene a workgroup to conduct a feasibility study of an integrated single system **Responsible Party** Dean-Graduate/VC Student Academic Affairs **Target Date:** December 28, 2018

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	authorization forms and require multiple handoffs for processing. These forms include: Excel files for tuition/fee remissions and journal entries for tuition/fee offsets. Depending upon the type of support, the following units may be required to process the transaction: graduate program, Graduate Division, Principle Investigators, and Controller's Office (Student Accounts and Payroll). Since there is no one system that contains all the necessary data, graduate student expenditures must be entered from the information compiled and maintained by the graduate programs into the authorization forms.	lead to errors, redundant work and inefficient operations.	transactions for graduate students support.	