

UCSF Audit & Advisory Services

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# Facilities Investment Needs (FIN) Program

Project #24-072

September 2024

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University of California  
San Francisco



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San Francisco

**Audit & Advisory Services**

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September 27, 2024

**Jon Giacomi**

Associate Vice Chancellor  
UCSF Campus Life Services

**Scott Muxen**

Associate Vice Chancellor  
UCSF Real Estate

**SUBJECT: Facilities Investment Needs (FIN) Program**

Audit & Advisory Services conducted a review to assess the adequacy and effectiveness of controls and processes over the management and oversight of the UCSF Facilities Investment Needs (FIN) Program.

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").

Our review was completed and the preliminary draft report was provided to department management in June 2024. Management provided final comments and responses to our observations in September 2024. 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. 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 Committee, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn  
Chief Audit Officer  
UCSF Audit and Advisory Services



## EXECUTIVE SUMMARY

### I. BACKGROUND

As a supplemental audit for Fiscal Year 2024, Audit & Advisory Services conducted a review to assess the adequacy and effectiveness of controls and processes over the management and oversight of the UCSF Facilities Investment Needs (FIN) Program.

The FIN Program is a means to identify, prioritize, fund, and manage deferred maintenance projects on existing buildings and infrastructure. Per the UC Facilities Manual, deferred maintenance is asset replacement that was not performed when it should have been or was scheduled to be, and which, therefore, is put off or delayed for a future period.

The FIN Program started in 2011 to fund UCSF's deferred maintenance backlog. Every year, Facilities Services team members submit projects that are then prioritized through the FIN Program. This process creates a list of critical building and infrastructure needs and enables Facilities Services to identify the top deferred maintenance priorities.

The historical allocation and spend for the last five years were<sup>1</sup>:

Fiscal Year (\$millions)	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
FIN Funding Allocations	\$27.1	\$21.3	\$18.7	\$25.2	\$24.7
FIN Historical Spend	\$22.0	\$25.1	\$27.2	\$29.5	\$32.1
Allocation Above (Below) Spend	\$4.9	\$(2.9)	\$(8.6)	\$(4.3)	\$(7.4)
Carryover Balance <sup>2</sup>	\$48.2	\$45.3	\$36.7	\$32.4	\$21.1

Management of the FIN Program falls under the Director of Facilities Renewal & Project Delivery and the FIN Program Manager within Facilities Services. Facilities Services (FS) partners with Real Estate (RE) for the execution of FIN projects. The FIN Program is governed by several committees:

- Budget & Investment (B&I) Committee: Approves major program modifications, approves FIN governance model, annual review of projection completion and performance and approval of the FIN project list.
- FIN Governance Committee: Approves the FIN project list before presentation to the B&I Committee, and reviews quarterly financial and project status reports.

<sup>1</sup> Per the FIN Governance FY2023-2024 presentation & Budget and Resource Management department

<sup>2</sup> Carryover Balance is the difference between the cumulative funding and the cumulative spend and is available for spending in future years

- FIN Working Group: Approves the annual FIN project prioritization for review by the Governance Committee, prepares monthly and quarterly reports for review, and develops and monitors key performance indicators for FIN projects.

Lack of a comprehensive deferred maintenance program or inadequate oversight of the program may lead to required maintenance not being performed on aging infrastructure and facilities. This may lead to the deterioration of facilities to the point of failure or major damage creating significant operational risk to the University.

## **II. AUDIT PURPOSE AND SCOPE**

The purpose of this review was to assess the adequacy and effectiveness of controls and processes over the management and oversight of the FIN Program. The scope of the review covered the Deferred Maintenance Plan for FY 2023 through April 2024.

Procedures performed as part of the review included interviews with key stakeholders to understand the areas under review, review of the Governance Committee and Working Group meeting presentations and minutes, review of monthly project status reporting, and review of project budgets and status on a sample basis. For more detailed steps, please refer to Appendix A.

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 June 2024.

## **III. SUMMARY**

Based on work performed, The FIN Program continues to follow a documented risk assessment intake process for identifying potential deferred maintenance projects, prioritization of critical projects through risk ranking, and approving projects for inclusion in the FIN Program. An audit of the FIN Program was last performed in January 2019. Since the prior review, management has established the FIN Governance Committee and the FIN Working Group. The responsibilities and membership for each group have been defined in the Standard Operating Procedures (SOP). RE provides a monthly project update to the FIN Program Manager. The FS FIN Program Manager & RE FIN Program Manager meet monthly to discuss project status.

Opportunities for improvement exist in the areas of FIN Program governance and management, and project status reporting. The specific observations from this review are listed below.

1. The RE KPI report was not updated timely when a significant amount of funding was removed from FIN projects.
2. The FIN Program continues to face challenges that may impact the ability to complete future deferred maintenance projects and emergency repairs.
3. The FIN Governance Committee meets only once a year, and the responsibilities defined in the FIN Charter are restrictive, impeding effective oversight of the FIN Program. Additionally, the FIN Working Group does not adhere to the meeting schedule specified in the governance charter.

4. The current financial status reports do not sufficiently provide a complete and accurate overview of the FIN program, particularly for multi-year projects, hindering effective tracking, monitoring, and decision-making for FIN projects.

Observation details, recommendations, and management corrective actions are outlined in Section IV of the report.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCAs)

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
1	<p><b><i>The RE KPI report was not updated timely when a significant amount of funding was removed from FIN projects.</i></b></p> <p>In March 2023, \$6.5M of funding was removed from RE FIN projects at the request of the Budget and Resource Management (BRM) office. KPI reporting prepared following the removal of funding from the RE projects was not updated to reflect this change.</p> <p>Some of the funding that was removed was subsequently restored to the affected projects in the following fiscal year (September 2023). The funding restoration came after the Governance Committee's annual meeting in August 2023, where the FY24 FIN project list was reviewed and approved based on available funding for the current fiscal year and the inaccurate KPI reporting.</p>	<p>Removing funding from the FIN Program without a corresponding update to KPI reporting may impact the management of the FIN projects.</p> <p>As the withheld funding was not restored to the FIN projects until after the GC's annual meeting in FY24 to review the financial updates and approve new projects (in August 2023), the complete financial picture was not accurately depicted and may have affected the management of the Program and the decision-making for FY24 FIN projects selection.</p>	<p>In the future, KPI reporting should be enhanced to provide up-to-date status of the funding for all projects.</p>	<p><b>Facilities Services (FS) Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. FS will move to pulling expenses from the general ledger and PeopleSoft.</li> <li>2. FS FIN Program will adopt the CP steering committee project funding and approvals process in quarterly Working Group meetings for all projects.</li> </ol> <p><b>Responsible Party:</b> Assistant Vice Chancellor, Facilities Services</p> <p><b>Real Estate (RE) Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. RE will move to pulling expenses from the general ledger and PeopleSoft.</li> <li>2. RE to update monthly KPI report to align with FS.</li> </ol> <p><b>Responsible Party:</b> Assistant Vice</p>

No.	Observation	Risk/Effect	Recommendation	MCA																		
				Chancellor, Campus Design & Construction  <b>Target Completion Date:</b> February 1, 2025																		
2	<p><b><i>The FIN Program continues to face challenges that may impact the ability to complete future deferred maintenance projects and emergency repairs.</i></b></p> <p>While the FIN Program has consistently received funding allocations over the years, there are challenges (listed below) that impact future projects:</p> <ul style="list-style-type: none"><li>Active Project Commitments (representing the future spend necessary to complete projects already in the pipeline) are \$95.9m – with a \$32.4m Carryover Balance \$63.5m of future allocations are committed.</li><li>Augmentations to existing approved projects continue to draw resources from the FIN Program impacting future projects.</li></ul> <table><tr><th>Period</th><th>Aug. Amt.</th><th>% Inc<sup>3</sup>.</th></tr><tr><td>FY 2019-20</td><td>20,135,000</td><td>105%</td></tr><tr><td>FY 2020-21</td><td>3,160,900</td><td>69%</td></tr><tr><td>FY 2021-22</td><td>6,092,476</td><td>37%</td></tr><tr><td>FY 2022-23</td><td>4,953,839</td><td>39%</td></tr><tr><td>FY 2023-24</td><td>20,292,983</td><td>34%</td></tr></table>	Period	Aug. Amt.	% Inc <sup>3</sup> .	FY 2019-20	20,135,000	105%	FY 2020-21	3,160,900	69%	FY 2021-22	6,092,476	37%	FY 2022-23	4,953,839	39%	FY 2023-24	20,292,983	34%	The ability to complete future FIN projects is at risk and the deferred maintenance backlog may not be adequately addressed.	Consideration should be given to having funding milestones for different phases of projects to reduce the amount of working capital that is tied up by projects with long construction lead times and large budgets.	<p><b>Facilities Services (FS) Action Plans:</b></p> <p>1. Add capital need column to reporting so equity investment dollar amount needed is known.</p> <p>2. Update project budgets as major milestones are achieved.</p> <p><b>Responsible Party:</b> Assistant Vice Chancellor, Facilities Services</p> <p><b>Real Estate (RE) Action Plans:</b></p> <p>1. Add capital need column to reporting so equity investment dollar amount needed is known.</p>
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<sup>3</sup> % Inc.: Percentage increase of Augmentation Amount over Original Budget.



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	<ul style="list-style-type: none"><li>Initial estimates are prone to change, in particular for complex projects as scope of work is defined, causing a divergence between the initial estimate and final total costs. Below are examples of FY23-24 budget augmentations comparing initial budget estimates against total budget amount:</li></ul> <table><tr><th>Project</th><th>Original Budget</th><th>Total Budget</th></tr><tr><td>9003051 &amp; 9003055</td><td>\$7,805,000</td><td>\$17,495,886</td></tr><tr><td>9003378</td><td>\$1,371,200</td><td>\$2,990,222</td></tr><tr><td>9003186</td><td>\$625,000</td><td>\$2,658,000</td></tr></table>	Project	Original Budget	Total Budget	9003051 & 9003055	\$7,805,000	\$17,495,886	9003378	\$1,371,200	\$2,990,222	9003186	\$625,000	\$2,658,000			<p>2. Update project budgets as major milestones are achieved.</p> <p><b>Responsible Party:</b> Assistant Vice Chancellor, Campus Design &amp; Construction</p> <p><b>Target Completion Date:</b> February 1, 2025</p>
Project	Original Budget	Total Budget														
9003051 & 9003055	\$7,805,000	\$17,495,886														
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3	<p><b><i>The FIN Governance Committee meets only once a year, and the responsibilities defined in the FIN Charter are restrictive, impeding effective oversight of the FIN Program. Additionally, the FIN Working Group does not adhere to the meeting schedule specified in the governance charter.</i></b></p> <p>The FIN Governance Charter outlines the roles, oversight, approvals, and responsibilities of the working group and governance committees that oversee the FIN Program. However, the Charter fails to specify the frequency of the Governance Committee (GC) meetings. Currently, the FIN GC meets only</p>	Without having a more frequent meeting cadence, there is a risk that potential issues impacting the FIN projects are not discussed and addressed timely by the FIN Governance Committee.	<p>Governance of the FIN Program should be revisited and revised as necessary to ensure effective oversight of the Program.</p> <p>To help ensure that the Governance Committee is able to effectively administer its governance responsibilities of discussing issues affecting the FIN Program and deciding</p>	<p><b>Facilities Services (FS) Action Plans:</b></p> <p>1. FS team will update SOP/Program documents to reflect audit findings and MCA's.</p> <p>2. FS will share informational updates with Governance team via shared Box folder and quarterly email updates.</p> <p><b>Responsible Party:</b> Assistant Vice</p>												



<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
	<p>annually, which may be insufficient for discussing and addressing critical project related issues. Additionally, the responsibilities outlined in the Charter for the GC are primarily focused on report review and do not specifically include providing feedback on, or posing questions about, the reports or any changes to the FIN Program.</p> <p>In addition, per the Charter, the FIN Working Group conducts monthly project status meetings to review project budget and scope progress. However, the Working Group now meets quarterly but the Charter and the SOP have not been updated to reflect this change.</p> <p>There is an opportunity to enhance the GC's oversight of the FIN Program and improve its ability to track the completion of critical projects and address delayed projects.</p>		<p>appropriate actions, the cadence of the Governance Committee and Working Group meetings should be evaluated, and a suitable meeting frequency should be determined and documented.</p>	<p>Chancellor, Facilities Services</p> <p><b>Target Completion Date:</b> February 1, 2025</p>
4	<p><b><i>The current FIN financial status reports do not sufficiently provide a complete and accurate overview of the FIN program, particularly for multi-year projects, hindering effective tracking, monitoring, and decision-making for FIN projects.</i></b></p> <p>An opportunity exists to align the expectations of the FIN Management with the reporting provided by RE to clarify project status and improve the management of the FIN Program.</p> <p>Examples of differences in expectations for reporting include:</p>	<p>The lack of complete and accurate data hinders the effective management of the FIN Program and may hinder effective monitoring of projects and may cause issues to go undetected or may not be addressed timely.</p>	<p>Expectations for financial information required for reporting purposes need to be clearly documented and communicated. Reporting on the status of projects should be revised to provide greater transparency and sufficient actionable information to FIN Program management.</p>	<p><b>Facilities Services (FS) Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. FS will move to pulling expenses from the general ledger and PeopleSoft.</li> <li>2. FS FIN Program will adopt the CP steering committee project funding and approvals process in quarterly</li> </ol>

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
	<ul style="list-style-type: none"> <li>• Not revising project budgets when the \$6.5m was removed from certain projects.</li> <li>• Not revising project budgets when construction bids are received.</li> <li>• Not always identifying the FIN Program portion of the project budget when project costs are split between the FIN Program and other funding.</li> <li>• Too many unneeded columns on the monthly KPI report.</li> </ul> <p>Additionally, appropriate reporting will aid in the effective management of the deferred maintenance pipeline.</p>			<p>Working Group meetings for all projects.</p> <p><b>Responsible Party:</b> Assistant Vice Chancellor, Facilities Services</p> <p><b>Real Estate (RE) Action Plans:</b></p> <ol style="list-style-type: none"> <li>1. RE will move to pulling expenses from the general ledger and PeopleSoft.</li> <li>2. RE to update monthly KPI report to align with FS.</li> </ol> <p><b>Responsible Party:</b> Assistant Vice Chancellor, Campus Design &amp; Construction</p> <p><b>Target Completion Date:</b> February 1, 2025</p>

**APPENDIX A**

To conduct our review the following procedures were performed for the areas in scope:

- Review UC Facilities Manual, Volume 6: Plant Operation & Maintenance:
  - Chapter 1: Operation and Maintenance
  - Chapter 2: Deferred Maintenance Program and Capital Renewal
- Review relevant UCSF policies:
  - Campus Administrative Policy 600-18: Building Maintenance
  - Facilities Services: Facilities Investments Needs SOP
- Interviews of key stakeholders from Facilities Services, Real Estate, and the Budget and Resource Management office
- Review of Governance Committee and Working Group meeting presentations and Minutes
- Review of monthly project status reporting
- Review of project budgets and statuses on a sample basis