

September 13, 2022

PROFESSOR ZAFIRIS J. DASKALAKIS, MD, PhD  
Chair  
Department of Psychiatry  
0603

**Subject:***Department of Psychiatry  
Report 2022-19*

The final report for Department of Psychiatry Report 2022-19, 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.

Christa Perkins  
Director  
Audit & Management Advisory Services

Attachment

cc:     Judy Bruner  
       Alexander Bustamante  
       Rina Davison  
       Agnes Flanagan  
       Steven Garfin  
       Catherine Hampel  
       Pierre Ouillet  
       Cheryl Ross  
       Ron Skillens

# UC San Diego

## AUDIT & MANAGEMENT ADVISORY SERVICES

Department of Psychiatry  
Report No. 2022-19  
September 2022

### FINAL REPORT

**Performed By:**

Mareline Godfrey, Senior Auditor  
John Teevan, Manager

**Approved By:**

Christa Perkins, Director

---

**TABLE OF CONTENTS**

---

I. EXECUTIVE SUMMARY ..... 1

II. BACKGROUND..... 4

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES ..... 6

IV. CONCLUSION..... 7

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION ..... 8

    A. Financial Management ..... 8

    B. Billing/Invoicing ..... 14

    C. Expenditure Review and Reconciliation ..... 17

ATTACHMENT A – Audit Results by Business Office Process

ATTACHMENT B – Financial Deficits

---

## I. EXECUTIVE SUMMARY

---

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Psychiatry at University of California San Diego (UCSD) as part of the approved audit plan for Fiscal Year (FY) 2021-2022. The objective of our review was to evaluate whether internal controls provide reasonable assurance that Department of Psychiatry (Psychiatry) financial results are accurately reported, operations are effective and efficient, and activities are compliant with relevant policies & procedures.

Based on our review, we Psychiatry internal controls were not yet operating consistently to provide reasonable assurance that operations were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. While Psychiatry has strived to adopt to new systems and changes, the challenges associated with system transition, coupled with resource constraints, have resulted in inconsistent controls in financial management, billing and invoicing and expenditure review and reconciliation.

Under new leadership, we also observed that the Psychiatry business administration team has collaborated well with each other, including other department managers and the Vice Chancellor Health Sciences (VCHS) core services, to incorporate controls into their business processes to the extent possible, while learning and adapting to the changes and managing with limited staff resources. Along with the system changes, many core business processes have changed. The UC-wide systems and Enterprise System Renewal (ESR) implementations created several challenges and a significant learning curve for all UCSD fiscal administrators and processors in adapting new workflows and ongoing changes in business processes. During our review, Psychiatry was in the process of updating and documenting key controls to adopt to the changes resulting from ESR initiatives. The system stabilization efforts and related changes to business processes, in addition to more limited tools initially available in the new environment, caused significant delays in updating department procedures, reviewing and reconciling financial information, and documenting this activity. Staff turnover continues to impact Psychiatry's effort to maintain stability in managing financial operations.

We did observe that Psychiatry appeared to have effective administrative oversight of faculty appointment and compensation. We noted that salary and incentive payments appear accurate and adequately supported. Psychiatry diligently tracks and reconciles incentives monthly and adjust and/or correct errors, if any. Psychiatry also updated their procedures to ensure incentive payment categories are used consistently. A faculty leave reporting and monitoring process was also implemented and updated to track leave activity via UCPATH tools to ensure a reminder notification was sent to all faculty whose leave balances were at or nearing the maximum accrual allowed.

Furthermore, we noted that overall compliance for Conflict of Commitment Certifications is greater than 90% for the FY2021 cycle, and Psychiatry leadership continues to follow up with faculty to achieve full compliance. We also observed that Psychiatry was performing reviews and reconciliations of transactions to the extent possible with limited staff, training and tools, on top of other competing priorities, such as sponsored projects pre-award deadlines. Controls for equipment management, and other areas were also found to be effective and satisfactory. Opportunities for improvement were noted in the areas of financial management, billing and invoicing, and expenditure review and reconciliation. Management Action Plans to address our findings are summarized below:

**A. Financial Management**

1. The Sponsored Projects Director requested access to Financial Deficit Reports to monitor deficit balances above \$25K and ensure policy compliance.
2. Psychiatry will engage a team of personnel, including a temporary employee assigned to Psychiatry in December 2021, a Fiscal Assistant and the HS SWAT team to work on the default cleanup, and have already implemented a dedicated Default Day. In addition, Psychiatry recently hired three new Fund Managers who are now being trained.
3. Psychiatry updated its department procedures to ensure PCards are cancelled timely when employees transfer or separate from the University. The new Department Administrator (DA) is working on cancelling and closing out all active cards for employees who are no longer with Psychiatry and UCSD
4. Psychiatry has evaluated staffing issues, resource and training requirements to improve efficiency and timeliness in financial management, including working with the Campus Support Team, HS SWAT Team or other available support to assist in resolving ESR related issues. The Department has recently backfilled several fund manager positions as part of this effort.
5. Psychiatry will utilize the Default Project Payroll and Funding Issues reports and continue to coordinate with central offices to evaluate and address historical issues noted at the time of our review on transactions routing to a default project. Use of additional floater resources, including those provided by the SOM Dean's Office, has allowed the Department to begin making progress in this area.
6. Psychiatry Director of Sponsored Research will review the deficit list (**Attachment B**) with staff to address and correct the deficits. In addition, the Department will regularly monitor and resolve deficits with VCHS Controller in accordance with policy, including obtaining and documenting approval of deficit resolution plans.
7. Psychiatry has implemented monthly review by Fund Managers of all DRs to ensure costs transferred were timely, appropriate and authorized and completed in compliance with policy and sponsoring agency requirements.
8. Psychiatry will utilize the GL-PPM Reconciliation regularly to evaluate and resolve transactions resulting in GL-PPM variances to further ensure the accuracy of financial reports. In addition, Psychiatry will continue to provide insight to campus workgroups to ensure department needs are considered when tools are developed/enhanced.
9. Psychiatry will continue to coordinate with the Procurement Card Program Administrator to verify all active PCards in the department and periodically review the list to ensure all cardholders are current employees in the department. Backfill of open Department positions will facilitate these efforts.
10. Psychiatry will document financial monitoring and oversight practices to facilitate compliance with SAS 115 in accordance with University policy and guidance.

**B. Billing/Invoicing**

1. Psychiatry is in the process of recruiting additional staff to help improve efficiency and timeliness in contracts billing.
2. Psychiatry will continue to evaluate staffing issues and training requirements to include HNRP and CMCR as well as other specialty programs like the CPP. Psychiatry also continues to evaluate the level of departmental oversight of these centers and programs to improve consistency and alignment in business processes. For the CPP program, Psychiatry

implemented billing process efficiency measures that significantly improved timeliness in billing.

3. Psychiatry will continue to ensure that HNRP recharge activities are billed at the approved rate. If the current rate requires update such as when a specific rate is used based on an approved budget for a sponsored project, a revised recharge rate proposal will be submitted to the Costing Policy & Analysis Office for review and approval.
4. Psychiatry will continue to coordinate with central offices for assistance in identifying or developing more effective tools, and implementing performance improvement opportunities for processing and reconciling recharge billing.
5. Psychiatry will ensure that invoices billed are adequately supported for audit purposes, including a documentation of detailed costing versus actual amount billed, and an accounting of the variance, if any.

**C. Expenditure Review and Reconciliation**

1. Psychiatry will ensure the periodic review and reconciliation of transaction records against official university records to verify accuracy, appropriateness, and compliance with policy and procedures, and transactions are adequately supported.
2. Psychiatry has implemented a process to ensure that all travel is preauthorized and that expenses are reasonable, adequately supported and conform with grant and agency requirements. Any unallowable costs previously charged to federally sponsored grants will be transferred to an unrestricted fund.

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 the Department of Psychiatry at University of California San Diego (UCSD) as part of the approved audit plan for Fiscal Year (FY) 2021-2022. This report summarizes the results of our review.

The Department of Psychiatry (Psychiatry) is the second largest department within the UCSD School of Medicine (SOM), with approximately 900 employees and 238 salaried faculty reporting to the Chair, who was appointed in August 2020. Its mission is to “enhance mental wellness and better the lives of people with mental illness across the lifespan through basic, clinical, and translational research; by educating the next generation of scientists and clinicians; and by providing state of the art, evidence-based personalized and compassionate care, in partnership with our community.”

Psychiatry services include both clinic-based and hospital-based services for adults and seniors. Clinical programs span the continuity of care from acute and emergency treatment, in-patient hospitalization, partial and intensive outpatient programs to general outpatient services, and various specialized services. Psychiatry research is multidisciplinary and innovative, ranging from basic studies to clinical research on best practices in treatment. Psychiatry maintains several major research centers including the HIV Neurobehavioral Research Program (HNRP) and the Center for Medicinal Cannabis Research (CMCR), as well as unique specialty programs such as the Eating Disorder Clinic, and the Community Psychiatry Program (CPP). Program faculty members include psychologists and psychiatrists appointed in Psychiatry and other departments such as Psychology, Cognitive Science, and Neurosciences.

Psychiatry is also home to over 350 trainees that includes graduate students, interns, residents, and post-doctoral fellows, in addition to undergraduate and medical students. Faculty and trainees collaborate with investigators in the Skaggs School of Pharmacy and Pharmaceutical Sciences (SSPPS), the Herbert Wertheim School of Public Health (HWSPH), the UCSD School of Engineering, and other affiliates. Psychiatry maintains community involvement through strong collaborations with external partners such as the Veteran’s Administration San Diego Healthcare System (VASDH), Rady Children’s Hospital San Diego (RCHSD), The Scripps Research Institute (TSRI), Salk Institute for Biological Studies, San Diego State University, County of San Diego, State of California agencies, and many others.

Psychiatry’s central business functions include Academic Personnel and Staff Human Resources (HR), Budget and Finance, Clinical Finance and Operations, and a Sponsored Projects Office. The Vice Chair for Administration reports to the Chair and has oversight of the central business functions. The HNRP/CMCR has its own staff responsible for managing contracts/grants and recharge operations. At the time of our review, Psychiatry was reorganizing its business office administration, including oversight of HNRP/CMCR contracts and grants by the Sponsored Projects Director to ensure consistency in department procedures and practices. Oversight of faculty compensation was a shared responsibility among members of the business office centralized functions. Psychiatry also benefits from VCHS Services Core support, including the Academic Resource Center (ARC), Health Human Resources, and Health Sciences Information Technology (IT).

According to the UCSD Financial Reports<sup>1</sup>, Psychiatry had approximately \$111.9 million in total revenue and a net loss of \$2.4 million in FY2020-2021. Contracts and grants were \$51.0 million (46%) of total

---

<sup>1</sup> OFC FIS Net Operating Results and Fund Balance Report

revenue as of June 30, 2021. During the Fiscal Year (FY) ending June 30, 2021, Psychiatry reported an ending net position of \$11,920,653. Payroll and compensation were approximately 73% of total expenses. Total revenues, expenses and transfers from all sources are summarized in the following table.

<b>Fiscal Year 2021</b>	<b>Clinical Operations</b>	<b>Contracts &amp; Grants</b>	<b>Other</b>	<b>Total</b>
Total Resources	\$45,477,100	\$51,006,380	\$15,414,013	\$111,897,493
Total Expenses & Transfers	\$44,576,441	\$56,364,788	\$13,372,933	\$114,314,162
Change in Net Position	\$900,659	(\$5,358,408)	\$2,041,080	(\$2,416,669)
Beginning Net Position	\$1,877,395	(\$676,887)	\$13,136,814	\$14,337,322
Ending Net Position	\$2,778,054	(\$6,035,295)	\$15,177,894	\$11,920,653

The 2020 COVID19 pandemic<sup>2</sup> and a number of organizational changes as follows have significantly impacted department financial oversight and operations:

- New leadership including a new Chair appointed as of August 2020, and a new Administrative Vice Chair as of November 2020;
- Campus-wide ESR implementation that replaced outdated systems as part of a multi-year initiative to renew, streamline and optimize business and administrative processes over the coming years. Some of the new systems implemented since 2019 include:
  - Oracle Financials Cloud (OFC)<sup>3</sup> – new Financial Information Systems (FIS) that replaced various homegrown financial systems went live on July 1, 2020;
  - Concur – new travel and expense system which replaced homegrown systems such as MyTravel, MyPayments, Express Card (EC) Manager, EC Attachment Tool, AccessLink Travel templates;
  - Kuali Conflict of Interest (COI) – a web-based solution for submission of conflict of interest (COI) disclosures;
  - Kuali Research – new campus-wide research administration system for sponsored research that replaced Coeus contract and grant system, and Electronic Proposal Development (EPD); and,
  - Ecotime – new timekeeping system implemented in December 2019 that replaced homegrown systems including MyTime Entry (MTE);
- University of California (UC)-wide system implementations to unify and standardize UC business processes, including:
  - UCPath – replaced UCSD’s Payroll and Personnel System (PPS), implemented as part of a systemwide change to HR and Payroll system to standardize payroll, benefits, and human resources for all UC employees;
  - UC Outside Activity Tracking System (UC OATS) – a system-wide tracking and certification system for faculty and administrators to eliminate manual processes and meet compliance requirements for conflict of commitment (COC); and,

<sup>2</sup> In March 2020, a statewide shelter-in-place order was issued in response to COVID19 pandemic except for critical operations that support infrastructures to allow continued access to necessities such as food and healthcare (Source: State of California Office of the Governor).

<sup>3</sup> Oracle Enterprise Resource Planning (ERP) Cloud replaced UC San Diego's mainframe financial system that was developed in the 1990's and no longer met the university's needs. The new financial system provides a comprehensive, modern solution for the business needs as the university experiences unprecedented growth.

- New Common Chart of Accounts (CCOA) implemented to meet new OFC FIS operational requirements. The new chart string consists of twelve segments “chart elements” and this structure assists in the consistent posting and reporting of financial transactions.

---

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

---

The objective of our review was to evaluate whether internal controls provide reasonable assurance that Psychiatry financial results are accurately reported, operations are effective and efficient, and activities are compliant with relevant policies & procedures. In order to achieve our objective, we performed the following:

- Reviewed department business documentation and information including the Psychiatry website, organizational structure, financial reports, and prior audit reports;
- Reviewed applicable federal regulations, and requirements, and UC policies relating to core business operations, including the Academic Personnel Manual (APM), selected Business & Financial Bulletins and others;
- Interviewed the following:
  - Administrative Vice Chair (AVC);
  - Director of Budget and Finance;
  - Director of Sponsored Projects;
  - Manager of Clinical Finance;
  - Former Financial Manager of Community Psychiatry Practice (CPP) and Outpatient Psychiatry Services Hillcrest (OPSH);
  - Fund Manager/Supervisor for HNRP/CMCR; and
  - Business Operations Analyst;
- Consulted with the following central services for additional information and documentation:
  - UCSD Business and Financial Services (BFS) including Sponsored Projects Finance; and
  - Health Sciences Sponsored Projects Office (HSSPO), Research Service Core (RSC), Faculty Compensation, and ARC;
- Evaluated:
  - Financial system user roles and Procurement Card (PCard) Administrators;
  - OFC FIS reports for the FY ended June 30, 2021, and current FY 2022, including Net Operating Results, Distribution of Payroll Expenses, Financial Deficit, Project Balances, and Default Projects reports;
  - Available department financial reports including June 2021 Profit & Loss (P & L) Financial Summary for Academic and Clinical Operations and selected programs, FY2022 Budget, Health System Funding, Check Deposits and Receivables Record; and,
  - Department Clinical Compensation Plans for FY2021 and FY2022, Contracts and Grants list, Equipment Inventory, Procurement Cards List, Leave Balances, and COC Certifications;
- Evaluated department internal controls for key business processes, analyzed procedures and traced selected processes and transactions to supporting documentation; and
- Tested a sample of the following for policy compliance and/or contract/agreement terms/conditions:
  - contracts, grants, agreements, gifts and HNRP recharge operations;
  - transactions including payroll, supplies and other non-payroll expenditures, travel and expense reimbursements, purchases using a PCard, recharge and subcontract billing/invoicing and payment receipts; and

- faculty compensation, including clinical salary and various incentives, and leave activity.

Our review did not include clinical operations and related professional, hospital and research billing processes. Psychiatry's Eating Disorders program was excluded from our review scope as it was covered under a separate AMAS review completed in February 2022 (*Eating Disorder Clinic*, Report #2021-12).

---

## IV. CONCLUSION

---

Based on our review, Psychiatry internal controls were not yet operating consistently to provide reasonable assurance that operations were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. While Psychiatry has strived to adopt to new systems and changes, the challenges associated with system transition, coupled with resource constraints, have resulted in inconsistent controls in financial management, billing and invoicing and expenditure review and reconciliation.

Under new leadership, we also observed that the Psychiatry business administration team has collaborated well with each other, including other department managers and the VCHS core services, to incorporate controls into their business processes to the extent possible, while learning and adapting to the changes and managing with limited staff resources. Along with the system changes, many core business processes have changed. The UC-wide systems and ESR implementations created several challenges and a significant learning curve for all UCSD fiscal administrators and processors in adapting new workflows and ongoing changes in business processes. During our review, Psychiatry was in the process of updating and documenting key controls to adopt to the changes resulting from ESR initiatives, including the implementation of a new Common Chart of Accounts, and OFC reporting tools. The system stabilization efforts and related changes to business processes, in addition to more limited tools initially available in the new environment, caused significant delays in updating department procedures, reviewing and reconciling financial information, and documenting this activity. The business office staff works diligently to prioritize work required to review and validate financial data. The Psychiatry directors recognize the need to update documented procedures and training materials, and strengthening control procedures to ensure accuracy and timeliness in reporting. We noted that Psychiatry actively coordinates with central offices to resolve ESR-related issues, including costs charged to default projects. However, we also noted that staff turnover continues to impact Psychiatry's effort to maintain stability in managing financial operations.

We did observe that Psychiatry appeared to have effective administrative oversight of faculty appointment and compensation. We noted that salary and incentive payments appear accurate and adequately supported. Psychiatry diligently tracks and reconciles incentives monthly and adjust and/or correct errors, if any. Psychiatry also updated their procedures to ensure incentive payment categories are used consistently. A faculty leave reporting and monitoring process was also implemented and updated to track leave activity via UCPath tools to ensure a reminder notification was sent to all faculty whose leave balances were at or nearing the maximum accrual allowed.

Furthermore, we noted that overall compliance for Conflict of Commitment Certifications is greater than 90% for the FY2021 cycle, and Psychiatry leadership continues to follow up with faculty to achieve full compliance. We also observed that Psychiatry was performing reviews and reconciliations of transactions to the extent possible with limited staff, training and tools, on top of other competing

priorities, such as sponsored projects pre-award deadlines. Controls for equipment management, and other areas were also found to be effective and satisfactory.

Opportunities for improvement are discussed in the balance of this report. Throughout the balance of this report, we have also indicated areas in which we are aware that the system changes resulted in business process change, with recommendations on how to address our findings after these changes have taken place. Our business processes review, as summarized in **Attachment A**, illustrates effective operations in several areas.

## V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Financial Management
Financial management could be improved with timely review and reconciliation of financial information, and documentation of the performance of financial monitoring.	
<b>Risk Statement/Effect</b>	
Delays in the review of financial information increases the risk of overspending and unfunded project costs, as well as errors/irregularities that could remain undetected for extended periods of time.	
<b>Management Action Plans</b>	
A.1	The Sponsored Projects Director requested access to Financial Deficit Reports to monitor deficit balances above \$25K and ensure policy compliance.
A.2	Psychiatry will engage a team of personnel, including a temporary employee assigned to Psychiatry in December 2021, a Fiscal Assistant and the HS SWAT team to work on the default cleanup, and have already implemented a dedicated Default Day. In addition, Psychiatry recently hired three new Fund Managers who are now being trained.
A.3	Psychiatry updated its department procedures to ensure PCards are cancelled timely when employees transfer or separate from the University. The new Department Administrator (DA) is working on cancelling and closing out all active cards for employees who are no longer with Psychiatry and UCSD.
A.4	Psychiatry has evaluated staffing issues, resource and training requirements to improve efficiency and timeliness in financial management, including working with the Campus Support Team, HS SWAT Team or other available support to assist in resolving ESR related issues. The Department has recently backfilled several fund manager positions as part of this effort.
A.5	Psychiatry will utilize the Default Project Payroll and Funding Issues reports and continue to coordinate with central offices to evaluate and address historical issues noted at the time of our review on transactions routing to a default project. Use of additional floater resources, including those provided by the SOM Dean's Office, has allowed the Department to begin making progress in this area.
A.6	Psychiatry Director of Sponsored Research will review the deficit list ( <b>Attachment B</b> ) with staff to address and correct the deficits. In addition, the Department will regularly monitor and resolve

	deficits with VCHS Controller in accordance with policy, including obtaining and documenting approval of deficit resolution plans.
A.7	Psychiatry has implemented monthly review by Fund Managers of all DRs to ensure costs transferred were timely, appropriate and authorized and completed in compliance with policy and sponsoring agency requirements.
A.8	Psychiatry will utilize the GL-PPM Reconciliation regularly to evaluate and resolve transactions resulting in GL-PPM variances to further ensure the accuracy of financial reports. In addition, Psychiatry will continue to provide insight to campus workgroups to ensure department needs are considered when tools are developed/enhanced.
A.9	Psychiatry will continue to coordinate with the Procurement Card Program Administrator to verify all active PCards in the department and periodically review the list to ensure all cardholders are current employees in the department. Backfill of open Department positions will facilitate these efforts.
A.10	Psychiatry will document financial monitoring and oversight practices to facilitate compliance with SAS 115 in accordance with University policy and guidance.

**A. Financial Management – Detailed Discussion**

New System Implementations

The UC-wide systems and ESR implementations created several challenges and a significant learning curve for all UCSD fiscal administrators and processors in adapting new workflows and ongoing changes in business process. In addition, several system issues were noted in the process including access to reports for department administration, and the delays in meeting the reporting needs of the campus community. This resulted in a lack of confidence in available reports and tools by Department users.

Prior to the ESR, Psychiatry also utilized an independent system for financial reporting and the fund managers performed monthly reconciliations in collaboration with other financial managers for non-sponsored projects to provide accurate reporting to Principal Investigators (PI) for each project portfolio. Monthly reports with financial status, spending rates and projections were discussed with PIs. This process was temporarily discontinued when the OFC FIS was implemented. Psychiatry did not have a comprehensive report to oversee all active contracts and grants, therefore Financial reports were not issued to PIs for over a year after the new OFC FIS was implemented because fund balances and transactions charged had not been fully validated. As of September 2021, Psychiatry subscribed to the VCHS RSC PI-Book of Business (PI-BOB) reports released to PIs monthly. Psychiatry provides detailed report analysis to PIs on a case-by-case basis to supplement PI-BOB reports, collaborating with RSC to ensure financial information reported is accurate and that any errors or misstatements are addressed.

Various improvements to address system issues have been made by Central Offices, including Business Financial Services (BFS), VCHS Core Services, and the Office of Contracts and Grants Administration (OCGA), post go-live during stabilization. However, system issues considered resolved still require department resources to fully address. Psychiatry should continue to collaborate with Central Offices to implement best practices into the new environment.

### Default Project Reconciliation

The implementation of UCPATH and a new Chart of Accounts also created issues due to system controls that directed charges to a “default project” when incomplete, invalid and/or incompatible chart strings, and/or end dates occurred. OFC controls also prevented expenses from posting to projects in certain cases, such as if the expenditure date is outside the project period of performance, or the award is closed. This resulted in discrepancies between the labor ledger (UCPATH) and OFC FIS payroll data. Departments were expected to regularly review any expenses that have been redirected to a default project, which requires a thorough review of project end dates, chart strings and information in UCPATH and OFC FIS. Cost transfers were necessary to correct any charges that did not route to the appropriate project or fund source. Due to a significant backlog and volume of default project errors, VCHS convened a workgroup<sup>4</sup> to resolve these and other ESR related issues. At the time of our review, a dedicated team within the VCHS<sup>5</sup> utilized a new direct retro (DR) tool to help departments process payroll cost transfers. Based on the default project cleanup report (DFLTCleanupV3) sent out by the VCHS to HS departments and leadership in July 2021, Psychiatry had over \$976K of payroll costs erroneously charged to a default project, therefore requiring payroll cost transfer via the DR process to 62 projects. The errors were due to invalid codes and chart strings. Psychiatry coordinated with the VCHS team to clean up default project and retroactively charge the appropriate projects and utilized RSC tools to proactively review Project funding end dates. However, due to staff turnover, the default cleanup task has been deprioritized as other tasks and sponsoring agency deadlines have taken precedent. As of May 2022, the Psychiatry Default Project balance reflected a total of \$2.3 million.

New Default Project Payroll and Funding Issues reports have recently been developed to assist administrators with identifying payroll that has posted to a default project, identify projects with funding entries in UCPATH that resulted in posting to a default project, and to identify direct retro or cost transfers to move charges off a department’s default project. Psychiatry should utilize these tools and continue to coordinate with central offices to evaluate and address issues on transactions erroneously routing to a default project. We were advised that a team of personnel including a temporary employee assigned to Psychiatry in December 2021, a Fiscal Assistant and the HS SWAT team will be engaged to work on the default cleanup. Psychiatry has already implemented the dedicated Default Day as recommended by University leadership to commit one day a week to default cleanup. In addition, Psychiatry recently hired and is training three new Fund Managers. Psychiatry has indicated that the use of these additional floater resources, including those provided by the SOM Dean’s Office, has allowed the Department to begin making progress in this area. AMAS also recently completed a separate review of *Health Sciences Cost Transfers* (Report# 2021-09) that covers DR processes and issues in more detail.

### Deficit Monitoring and Resolution

*UCSD Policy 300-2, Financial Deficit Policy*, states that departments will not be permitted to carry over Financial Deficits exceeding \$25,000 without a deficit resolution plan that is approved by the Department Chair/Designee and Dean/Vice Chancellor. It specifies financial standards, criteria, and qualifications for individuals and units.

---

<sup>4</sup> The ESR workgroup in Health Sciences was led by the HS Controller’s Office and included representation from several HS departments financial services units, the RSC, Sponsored Projects Finance, local UCPATH leadership, OCGA and Information Technology Services (ITS).

<sup>5</sup> The HS SWAT Team was formed with representation from RSC, HS Controller’s Office, and HS departments to evaluate payroll charges on Default Projects and process fund changes, direct retro, cost transfers, and manual journals.

Psychiatry fund managers review available reports to identify fund balances with deficit, verify and resolve overspending. Prior to ESR implementation, fund managers provided monthly reports to PIs to discuss and resolve potential overspending. During our review, however, due to a backlog of ESR issues requiring correction, deficit management had not been a priority. In addition, the Sponsored Projects Director did not have access to and was not yet familiar with available tools, such as the Financial Deficit Report, in the new system to manage deficits in a timely manner.

The Financial Deficit Report as of September 1, 2021 indicated a total of \$3 million in 26 Sponsored Projects with deficit balances above \$25K in HS Psychiatry, \$1.8 million or 59% of which pertains to 18 projects that have ended. We reviewed projects with deficits over \$100K, and were advised by the Director of Sponsored Projects that individual project balances were reviewed on a case-by-case basis to verify the accuracy of fund balances, and priority is given to projects that have ended, in coordination with Sponsored Project Finance. As of April 2022, the Sponsored Projects deficits remained at \$3 million in 29 projects including 22 that have ended.

Financial Deficits in Operating Funds were closely monitored and reported to VCHS. We noted high risk funds included HNRP Recharge \$51.7K, SOM Housestaff / Resident funds of \$1.2 million, Treasurer's fund of \$58K used for accrued expenses that was reversed in August, and a VCHS affiliation training agreement of \$41K that was due to a timing difference in accrual and revenue posting. Psychiatry indicated that the \$1.2 million in SOM resident costs was pending additional instruction due to a new rule implemented by Internal Control & Accounting (ICA) affecting general reserves year-end close out, which is pending resolution. As of April 2022, total deficits in Operating Funds requiring attention rose to \$4.9 million that included Core Funds, State General Funds, HNRP Recharge SOM Housestaff / Resident Costs, and Clinical Funds.

Department administrators should monitor and resolve deficits in accordance with the financial deficit policy, including obtaining and documenting approval of deficit resolution plans. Psychiatry has indicated that the Department will review the sponsored project deficit list with staff and regularly monitor and resolve deficits with VCHS Controller in accordance with policy, including obtaining and documenting approval of deficit resolution plans, to address and correct the deficits.

#### Direct Retro (DR)

Prior to UCPATH implementation, Psychiatry fund managers incorporated a review of payroll charges in their monthly review of financial reports. Salary cost transfers are verified to ensure timely processing, and that the funds charged were consistent with the fund change. In the current state, DRs for salary cost transfers processed internally are reviewed and approved by the fund managers or the Director, to ensure that costs charged to the project are appropriate and allocable. However, the UCPATH implementation created a significant number of issues and errors that required DRs, including for default project cleanup. The transfer of personnel costs to appropriate funds/projects is labor intensive and time consuming as it requires the validation of DR entries, and additional work to fix entries that were rejected due to small variances, and clerical or footing errors that are not apparent in the data entry process. At the time of our review, Psychiatry has been working with the dedicated VCHS workgroup to more fully implement the new DR tool; however, the process resulted in additional cost transfers not being timely. In some cases, DRs processed originate from another department. Therefore, it is important that DR transactions charged to a project are reviewed timely.

In reviewing payroll charges to one of the selected projects, we identified DRs that originated from another the Department of Medicine. We noted that the DRs were not processed timely and that Psychiatry was unaware of the transactions. We were advised that Psychiatry was unable to verify whether the charges were appropriate because the Fund Managers were not consulted or notified. Psychiatry should periodically review all payroll transactions charged to projects, including DRs to ensure that transfers, including those originating from another department, are appropriate. The central offices have taken efforts to support departments through the post-implementation issues and continue to provide additional resources and support. Additional tools were developed to assist administrators with identifying payroll funding entries in UCPath that require direct retro or cost transfers to move charges to the appropriate project. Psychiatry should continue to coordinate with central offices and utilize available tools to evaluate and address issues in a timely manner and provide insight to campus workgroups to ensure Department needs are considered when tools are developed/enhanced. AMAS also recently completed a separate review of *Health Sciences Cost Transfers* (Report# 2021-09) that covers DR processes and issues in more detail.

### GL-PPM Reconciliation

The Project Portfolio Management (PPM)<sup>6</sup> module is one of the sub ledgers in OFC FIS, designed to process and monitor financial transactions that feed into the General Ledger (GL). The PPM module requires project and task information when processing transactions. When project and task details are omitted, expenses may post directly to the GL, and can create a discrepancy that requires review and reconciliation.

The GL-PPM Reconciliation Report as of January 2022 indicated a GL credit balance of \$538,197 and a PPM debit balance \$449,528, indicating a variance of \$987K. Psychiatry should utilize this tool regularly to evaluate and resolve transactions resulting in GL-PPM variances to further ensure the accuracy of financial reports.

### Management of Procurement Cards

PCard management was impacted by staff turnover, new system changes and insufficient tools and/or guidance. In the old system, departments had the ability to generate a report of all card holders and their approvers. However, in Concur, a comprehensive list of PCard users by department currently does not exist. We noted that the Department did not maintain a list of active cardholders and therefore had not been able to review PCard activity prior to our review, to ensure that PCards are cancelled for employees who have separated from the University. The limited tools in Concur to help the departments perform their responsibility for monitoring is a challenge. Based on the training provided to Department Administrators (DA), BFS acknowledged the limited available reports in Concur for department managers, and that BFS is working with the Concur team to address this issue. This leaves the departments to manually identify and monitor all of their active PCards.

At the time of our review, the DA who was new to their role was able to obtain two separate lists of card holders, one for standard cards and another for Human Subjects Purchases Card (HSPC). As of November 2021, the DA confirmed 14 of 106 active cards (including 4 out of 22 HSPC) required closeout and deactivation. The DA also updated the department procedures to ensure cards are cancelled timely when employees transfer or separate from the University. Related issues in PCard management are also

---

<sup>6</sup>The Project Portfolio Management (PPM) module in OFC is used for grant management, project costing, and project billing for different types of projects, including general, sponsored, and capital projects.

addressed in a separate AMAS review of *Concur* (AMAS Project #2022-03). Psychiatry should continue to coordinate with Procurement Card Program Administrator to verify all active PCards in the Department and periodically review the list to ensure all cardholders are current employees in the Department.

### Financial Monitoring

The [Statement on Auditing Standards \(SAS\) 115, Communicating Internal Control Related Matters Identified in an Audit](#)<sup>7</sup> is an accounting standard that establishes guidelines for determining the seriousness of internal control issues. As a result, UCSD strives to implement departmental key controls, and ensure the control is working; document evidence of review for all levels; fix and follow-up when a control deficiency or weakness is identified; and document corrective actions.

Prior to ESR Implementation, departments had an option to utilize the Transaction Sampling<sup>8</sup> program for operating ledger reconciliation, which substantially reduced the workload associated with a 100% operating ledger transaction review process. The system provided a comprehensive way to electronically document the review and results were aggregated and summarized in a report. The Transaction Sampling Program was eliminated with the implementation of the new OFC FIS, and new guidance and tools are expected to be released in May 2022. Regardless of new systems and tools, departments are expected to perform fiscal oversight and key control responsibilities in a way that is compliant with policy and best practices.

In Psychiatry, resource constraints due to staff attrition also contributed to these challenges. Directors and managers appointed to their new positions were also learning their new roles. Reorganization further strained already limited resources. Changes in employee work conditions due to the COVID-19 pandemic also contributed to challenges in managing these changes, addressing training requirements, and efficiently managing business office functions, therefore causing further delays in reviewing and verifying available financial information.

To meet financial reporting requirements by contract and grant sponsors, central office requirements to address system issues and correct related errors were given priority. Psychiatry strived to prioritize and refocus their limited resources to this effort while ensuring proposal deadlines are met. This contributed to further delays in reviewing and reconciling financial reports and verifying documents supporting transactions processed in the new systems.

At the time of our review, Psychiatry reviewed project balance information on a case-by-case basis as effort focused on catching up on workload to correct/address errors arising from ESR system and operational issues. We noted that although project balances are reviewed on a case-by-case basis, documentation of the performance of financial monitoring was not consistently performed to comply with SAS 115.

---

<sup>7</sup> The Controller's Office has worked with campus external auditors to identify existing internal controls that support the financial reporting process. The goal is to ensure that existing key controls are in place and that UCSD can demonstrate, through documentation, that they are operating as intended.

<sup>8</sup>Transaction sampling was a process managed by the UCSD Controller's office that selects transactions above \$2,500 for review during the ledger reconciliation period. Expenditures below the threshold were randomly selected, although the tool allowed management to fine-tune the sample selection. The program was effective if the entire sample was promptly reviewed and errors addressed.

<b>B.</b>	<b>Billing/Invoicing</b>
Billing and invoice management could be improved to ensure timely receipt and reconciliation of payments, which will facilitate accurate financial reporting, and availability of funds to meet business needs.	
<b>Risk Statement/Effect</b>	
Delayed billing can result in delayed payment receipt and increases the risk of a negative cash flow position for the funds.	
<b>Management Action Plans</b>	
B.1	Psychiatry is in the process of recruiting additional staff to help improve efficiency and timeliness in contracts billing.
B.2	Psychiatry will continue to evaluate staffing issues and training requirements to include HNRP and CMCR as well as other specialty programs like the CPP. Psychiatry also continues to evaluate the level of departmental oversight of these centers and programs to improve consistency and alignment in business processes. For the CPP program, Psychiatry implemented billing process efficiency measures that significantly improved timeliness in billing.
B.3	Psychiatry will continue to ensure that HNRP recharge activities are billed at the approved rate. If the current rate requires update such as when a specific rate is used based on an approved budget for a sponsored project, a revised recharge rate proposal will be submitted to the Costing Policy & Analysis Office for review and approval.
B.4	Psychiatry will continue to coordinate with central offices for assistance in identifying or developing more effective tools, and implementing performance improvement opportunities for processing and reconciling recharge billing.
B.5	Psychiatry will ensure that invoices billed are adequately supported for audit purposes, including a documentation of detailed costing versus actual amount billed, and an accounting of the variance, if any.

**B. Billing/Invoicing – Detailed Discussion**

The ESR project resulted in several transition issues which impacted financial processes, including invoicing. Along with system changes, business processes also changed. In July 2020, UCSD implemented the OFC Accounts Receivable (AR) module for all non-student accounts receivable transactions. The new process enables departments to recognize revenue when the invoice is created, and allows for better recognition of outstanding receivables due the University. However, the transition to new systems and processes created several challenges. For example, delays in outgoing invoice payments were noted due to invoices not routing to the appropriate department financial contact for approval. In addition, if invoices were approved with inaccurate addresses, check payments may not be received and, in some cases, the checks received could not be traced to the appropriate project. These issues contributed to increased workload and further delays in financial processes as additional resources are required to identify, review, validate and correct errors. The burden of accurate reporting, corrections, and communication to faculty usually fall on the fund managers and

this resulted in high staff turnover. Central offices increased efforts to support departments through the ESR post-implementation issues and continue to provide additional resources and support, including job aids, knowledge base articles, new reporting tools, and office hours support.

#### Contracts/Service Agreements

Community Practice Program (CPP) contract invoicing requires the creation of an OFC-based invoice, and a completed supplemental County invoice form, as the OFC AR module does not support county invoicing format requirements. This creates additional workload to fund managers processing invoices and monitoring payments. Financial managers review the GL monthly to validate specific line items based on account codes, enter expenses including indirect cost (IDC) on to the County invoice, and ensure cumulative amounts should match the year-to-date invoices sent to the County. Variances due to DR adjustments are identified, validated and accounted for, and addressed and reconciled in the following invoice period.

In reviewing invoices billed to CPP project, we noted that revenues and receivables posted in July 2021 and January 2022 included invoices that were more than 3 months and up to one year old. The Fund Manager indicated that the issue was a combination of reasons mainly related to staff turnover, increased workload and a disproportionate number of contributing staff. During our review, the Sponsored Projects team lost four fund managers. We were advised that Psychiatry is currently in the process of recruiting additional staff, and management has been working hard to train personnel which should help improve efficiency and timeliness in billing and continue issue invoices in less than 3 months.

#### HNRP Recharge

The HNRP Recharge provides research information services support and applications development, including consultation services regarding project/system architecture, data and application hosting services, web-based applications development and maintenance and multimedia development and support.

Psychiatry indicated that one of the challenges in billing HNRP recharges is that payroll cost was not always posted to the correct account due to system issues encountered in frequent fund changes. HNRP personnel work on multiple projects requiring frequent payroll fund change throughout the year to ensure costs charged are allocable to appropriate projects. However, UCPath is not conducive to this requirement. HNRP noted that payroll costs were not always charged to the correct HNRP account due to some payroll resets in UCPath, and that payroll fund changes were not completed as requested. In addition, the fund managers indicated that the new FIS financial reporting tools make it difficult to track charges. The lack of confidence in financial information required significant resource to validate and process correction until correct charges are reflected. The corrections and adjustments affected expenditure dates critical to determining and accounting for recharge financial operations by fiscal year, and resulted to further delays in billing or recharging costs to customers.

HNRP also experienced significant staff turnover and attrition. At the beginning of our review, HNRP had four fund managers including one newly hired, and one supervisor, and were in the process of recruiting a Manager for Sponsored Projects. Towards the end of our review, we were advised that HNRP is down to two fund managers, including the supervisor. With the recent reorganization, the supervisor indicated that additional tasks and requirements from the business office added to the workload. To resolve payroll accounting issues, HNRP changed their business process to minimize fund

changes by charging personnel costs primarily to HNRP and then recharging to appropriate projects. The remaining fund managers are working diligently to catch up on recharge billing to recover costs.

Prior to the ESR, HNRP utilized a template for generating an invoice, which the fund managers validate using Transaction Sampling to review and reconcile expenditures and validate costs recharged. In the new system, HNRP utilized an OFC FIS worksheet template to process recharges with an MCI file in PPM that was labor intensive and does not allow validation. More recently, HNRP on-boarded to the Resource and Management Planning (RMP) Recharge Application, which the fund managers find easier to use, and works much better than the OFC FIS worksheet template. There are still challenges in using the RMP application, as labor cost detail is not broken down by task, and there appears to be confusion between accounting period compared to expenditure period, and what report or tools would best provide the information needed to validate the costs recharged.

We evaluated the fund balance for the HNRP Recharge operating fund which has a deficit of \$49,796 as of June 30, 2021. We also noted that based on a budget submitted to the Costing Policy & Analysis Office for rate calculation, the HNRP cost of operations is projected to be approximately \$151K. However, the project balance as of January 2021 with payroll projections resulted in an overdraft of \$276K. HNRP plans to catch up on billing to ensure financial results at fiscal year-end are accurately reported, and that any possible surplus or deficits are addressed prior to year-end close out.

During our review of credit transactions, we identified invoices that appeared to deviate from approved recharge rate as noted below. We also noted that recharges posted in the current fiscal year were related to prior year services and that invoices did not include details to help verify rates used.

- Two of the transactions we reviewed indicated a recharge to Psychiatry for IT support services. Psychiatry was recharged \$30K quarterly for this service. The IT Director indicated that several years ago an agreement was reached between HNRP and Psychiatry in an email chain outlining the agreement that is reviewed yearly. We did not receive a copy of the email to validate this information
- Another sample was a recharge to a Center for AIDS Research (CFAR) / California HIV/AIDS Research Program (CHRP) project for project development and support services. The invoice reflected a lump sum amount of approximately \$12K. The Fund Manager indicated that the invoice was for work done approximately three years ago and, since the project was state-sponsored research, the amount that can be billed was limited to the approved budget, which was less than actual cost; therefore the amount was billed for the total approved budget for HNRP information services.

Psychiatry indicated that when a sponsored project application is assembled, the Information Systems budget is included in the proposal submission and approved by the sponsor at the time of the award. During HNRP invoicing, the amount billed is aligned with the approved budget. Psychiatry should ensure that invoices billed are adequately supported for audit purposes, including documentation of detailed costing versus actual amount billed, and an accounting of the variance, if any. Psychiatry should periodically evaluate HNRP billed services to ensure consistency and adherence to the approved rate and/or submit a revised recharge rate proposal to the Costing Policy & Analysis Office for review and approval. Psychiatry staff could also benefit from additional training and coordination with central offices for assistance in identifying or developing more effective tools for processing and reconciling recharge billing.

<b>C.</b>	<b>Expenditure Review and Reconciliation</b>
Psychiatry could improve timeliness in review and reconciliation practices for expenditures to ensure accountability, authorization and appropriate approval.	
<b>Risk Statement/Effect</b>	
Accountability is maintained when transactions are reviewed, authorized, and approved. Lack of timely review and reconciliation increases risk of errors or misstatements, unauthorized charges and non-compliance with applicable policies.	
<b>Management Action Plans</b>	
C.1	Psychiatry will ensure the periodic review and reconciliation of transaction records against official university records to verify accuracy, appropriateness, and compliance with policy and procedures, and transactions are adequately supported.
C.2	Psychiatry has implemented a process to ensure that all travel is preauthorized and that expenses are reasonable, adequately supported and conform with grant and agency requirements. Any unallowable costs previously charged to federally sponsored grants will be transferred to an unrestricted fund.

**C. Expenditure Review and Reconciliation – Detailed Discussion**

Internal Control best practices require review and reconciliation of transaction records against official university records to verify accuracy, appropriateness, and proper compliance. In Psychiatry, fund management practices were heavily impacted by the ESR implementation. Fund balances and transactions charged had not been fully validated by the Department. University policy sets forth policies and procedures for University funded travel. This policy includes requirements for how travel is processed, what expenses are reimbursable, and how the travel is approved. The policy also requires authorization prior to commitment to reimburse travel expenses to prospective employees. In addition, Concur requires that an approved Travel Request (preauthorization) be linked to the respective Travel Expense Report (trip reconciliation). Travel Requests are equivalent to pre-authorizations and are required for UCSD business travel.

We reviewed travel expenses charged to selected projects, and, while there were limited travel transactions, we noted that two of the travel expenses reimbursed lacked preauthorization documentation. The Department indicated that due to staff turnover, travel requests were not created and that there was no pre-authorization documentation. One of those travels with no preauthorization was for a prospective employee. We also noted two of the mileage reimbursements were calculated incorrectly resulting in overpayment. The Department indicated that the error was due to an Excel sheet used with old data that was not replaced with actual current data. Psychiatry is working with Disbursements to determine the appropriate course to correct the error. In addition, one of the travel reimbursements we reviewed included an expense related to a prospective trainee's travel costs, which appears to violate NIH grants policy, as trainee recruitment costs are not allowed. The project budget did not include international travel and recruitment costs for postdoc trainees. Psychiatry should coordinate with SPF to ensure that only allowable costs are charged to the grants, and that any unallowable costs are moved to an unrestricted fund.

**Department of Psychiatry**  
**Attachment A – Audit Results by Business Office Process**  
**Audit & Management Advisory Services Project #2022-19**

AMAS Audit Review Procedures						
Business Office Process	Analytical Review of Financial Data	Process Walk-through (Limited Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>9</sup>	Comments
Financial Management and Oversight	√	√	Reviewed financial oversight process, available OFC financial reports and departmental P/L statement for clinical and academic operations. Examined GL and sub-ledger balances and detailed transactions for judgmentally selected projects.	No	Improvement Needed	System changes and related issues, staff turnover and reorganization impacted financial management processes. Department reviewed financial reports on a case-by-case basis, and refocused effort to address errors to system issues. However, timely review and documentation of performance of financial monitoring was not consistently performed to comply with the Statement of Auditing Standards (SAS) 115. <b>Report Finding A</b>
Deficit Management	√	√	Examined Deficit Balance Report as of 09/01/2021 and reviewed with Management.	No	Improvement Needed	Deficits are actively managed for Core Funds. However, due to ESR issues, deficits in Sponsored Projects are managed on case-by-case basis. 59% of deficits above \$25K pertained to projects that have ended. Division planned to resolve significant deficits by the end of the fiscal year. <b>Report Finding A</b>
Purchasing & Procurement Card	√	√	Reviewed oversight for Procurement Cards. Examined a judgmental sample of PCard expense reimbursements and transactions, traced to supporting documents, and reviewed for compliance with PCard guidelines and policy.	No	Improvement Needed	Transactions were reasonable, adequately supported, and conformed with PCard guidelines. However, PCard management was impacted by staff turnover, new system changes and insufficient tools/guidance. As of November 2021, the department confirmed 14 of 106 active cards (including 4 of 22 HSPC) required closeout and deactivation. Psychiatry updated its procedures to ensure cards are cancelled timely when employees transfer or separate from the University. <b>Report Finding A</b>

<sup>9</sup> Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

**Department of Psychiatry**  
**Attachment A – Audit Results by Business Office Process**  
**Audit & Management Advisory Services Project #2022-19**

AMAS Audit Review Procedures						
Business Office Process	Analytical Review of Financial Data	Process Walk-through (Limited Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>9</sup>	Comments
Contracts, Grants, Service Agreements (Post-Award)	√	√	Reviewed a judgmental sample of five projects and associated details in GL and PPM, evaluated selected transactions, expenditures, Key Personnel effort, and DOPE reports.	No	Improvement Needed	Charges were generally reasonable, adequately supported, and consistent with approved budget and award terms/conditions. Key Personnel effort was accurate and consistent with the award requirement. However, timely review of project balances and transactions could be improved. <b>Report Findings A, B &amp; C</b>
Billing & Invoicing	√	√	Reviewed a judgmental sample of billing transactions for selected projects, examined invoices for accuracy, timeliness, and agreement with contract requirements.	No	Improvement Needed	Billing for contracts & subcontracts are managed in the OFC-AR Module. Billing process was impacted by new systems and staff turnover which resulted in delayed billing and revenue recognition. <b>Report Finding B</b>
Recharge & Other Sales/Service Activities	√	√	Reviewed approved rate, budget, and judgmental sample of recharge activity.	No	Improvement Needed	Rates published were current and approved by the FAO. Billing currently managed in the RMP App. Financial reporting accuracy impacted by system changes and staff turnover, resulting in delayed billing and cost recovery. <b>Report Finding B</b>
Direct Retro (Payroll Cost Transfer)	√	√	Reviewed a sample of Direct Retro payroll cost transfers from awards selected above for timeliness and business justification.	No	Improvement Needed	DRs in selected projects were minimal and largely performed by central offices due to system deficiencies. However, we noted inadequate review of DRs completed by another department transferring costs to Psychiatry's projects. Using new available OFC FIS tools, Psychiatry could benefit from a periodic review of all DRs to ensure costs transferred were timely, appropriate and authorized and completed in compliance with policy and sponsoring agency requirements. <b>Report Finding C</b>

**Department of Psychiatry**  
**Attachment A – Audit Results by Business Office Process**  
**Audit & Management Advisory Services Project #2022-19**

AMAS Audit Review Procedures						
Business Office Process	Analytical Review of Financial Data	Process Walk-through (Limited Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>9</sup>	Comments
Travel & Events	√	√	Reviewed judgmentally selected travel events on selected Projects and traced to supporting documents and approvals. Reviewed approvals for department leadership.	No	Improvement Needed	Travel expense claims were processed timely. However, travel events lacked preauthorization documentation. <b>Report Finding C</b>
Cost Transfers (Non-Payroll)	√	√	Reviewed a sample of non-payroll cost transfers from awards selected above for timeliness and business justification.	No	Improvement Suggested	Cost transfers in selected projects were minimal and largely performed by central offices due to System deficiencies. Department coordinates with central offices to effectively manage non-payroll cost transfers and ensure compliance with policy and sponsor agency requirements.
Faculty Appointment & Compensation	√	√	Reviewed DOPE reports and appointment information for judgmentally selected faculty, examined documents supporting appointment, effort, incentives/Z and total salaries paid.	Yes	Improvement Suggested	Salary and incentive/Z payments appear accurate and adequately supported. Known system issues resulted in inaccurate effort information and charges to Default Project. Department tracks and reconciles incentives/Z payments monthly and adjust/correct errors if any. Department updated procedures to ensure Z pay categories are used consistently.
Vacation Usage Reporting & Monitoring	√	√	Reviewed vacation usage activity as part of faculty compensation detailed testing for judgmentally selected faculty to validate department monitoring process.	No	Improvement Suggested	Department tracks leave balances in Ecotime which may not be accurate due to integration issues. Four of the sample has reached maximum and no reminder notification was sent. Department updated their process to track leave activity via UCPath tools.

**Department of Psychiatry**  
**Attachment A – Audit Results by Business Office Process**  
**Audit & Management Advisory Services Project #2022-19**

AMAS Audit Review Procedures						
Business Office Process	Analytical Review of Financial Data	Process Walk-through (Limited Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>9</sup>	Comments
Cash/Cash Equivalent Controls	√	√	Detailed testing was incorporated in review of receivable transactions on selected projects.	Yes	Satisfactory	New system requires addressing payment receipts to a lockbox to minimize checks mailed to departments, and reference invoice for tracking. Department tracks and reconciles deposits and payments received, and coordinates with central office to correct errors if any.
Clinical Funding/ Financial Activity	√	√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Department reviews and reconciles ledgers and monitors budget variance on clinical funds, provides monthly report to the Health System.
Conflict of Commitment Certification	√	√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Compliance is greater than 90% for FY21 cycle. Department AVC continues to follow up to achieve full compliance.
Contracts, Grants, Agreements (Pre-Award)		√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Department periodically analyzes pre-award data to ensure all proposals are reviewed timely prior to submission.
Equipment Management		√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Controls appeared effective. Inventory worksheet for tracking and verifying equipment is maintained, and CAMS is regularly reviewed and updated.
Export Control		√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Psychiatry relies on OCGA's verbiage included in the internal award notice related to Export Control Regulations to communicate the terms and conditions to the PI.
Gift Funds Management	√	√	Reviewed list of gift funds for consideration of timely spending per PPM 410-5, and reviewed transactions in selected projects.	Yes	Satisfactory	Department has gift funds with large balances; however, most are current gifts with active spending.

**Department of Psychiatry**  
**Attachment A – Audit Results by Business Office Process**  
**Audit & Management Advisory Services Project #2022-19**

AMAS Audit Review Procedures						
Business Office Process	Analytical Review of Financial Data	Process Walk-through (Limited Document Review)	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>9</sup>	Comments
Staff Payroll & Timekeeping		√	Detailed testing not deemed necessary based on the overall risk assessment.	Yes	Satisfactory	Supervisor reviews Ecotime entries, validates all payroll requests submitted to HHR & ARC and reconciles with DOPE reports.
IT & Information Systems		√	Detailed testing not deemed necessary based on the overall risk assessment. Reviewed Information Systems with the AVC and HNRP IS Director.	Yes	Satisfactory	The IS environment oversight resides with UCSDH IS. Department currently has no unique business system needs.
Effort Reporting		√	(Excluded from review scope)	N/A	N/A	Effort reporting was paused by campus Sponsored Projects Finance due to ESR related issues.

**Department of Psychiatry  
Attachment B – Financial Deficits  
Audit & Management Advisory Services Project #2022-19**

<b>Financial Deficits - Operating Funds</b>				
<b>Fund Hierarchy L3 Description</b>	<b>Fund Code</b>	<b>Fund Description</b>	<b>Deficit Balance as of April 2022</b>	<b>Total</b>
Core Funds	13991	University Core Funds	(\$1,182,197)	(\$4,961,485)
	19900	State General Fund	(\$ 83,077)	
Other Unrestricted Funds	12100	Recharge Operating Fund	(\$ 69,328)	
	12316	SOM-Housestaff/Resident	(\$1,782,196)	
	13000	Dept Payroll Default	(\$ 334,377)	
	15002	Clinical Service Agreements	(\$ 431,271)	
	15003	PG to SOM Clinical Funds	(\$ 969,962)	
	15027	ASC-Residency Director	(\$ 109,077)	

<b>Financial Deficits – Sponsored Project Funds – Open Projects</b>		
<b>Project Number and Name</b>	<b>Deficit Balance as of April 2022</b>	<b>Total</b>
1006490 - SP NIDA 7 R01 DA042211 TAFFE	(\$35,389)	(\$370,252)
1020221 - SP PHS NIH Rmh101072C Swerdlow 6 23	(\$38,641)	
1021421 - SP Synteracthc 20182423 Saxena	(\$25,346)	
1029200 - SP Various Octa VC Health Sciences 1029200	(\$129,892)	
1031451 - SP STATE APPROP CANNIBAS RESEARCH 1031451	(\$33,696)	
2002835 - SPLND300 SOLIMAN,MOUNIR	(\$36,404)	
2004191 - SP 30063246 KOUTSENOK,IGOR	(\$70,884)	

**Department of Psychiatry**  
**Attachment B – Financial Deficits**  
**Audit & Management Advisory Services Project #2022-19**

<b>Financial Deficits – Sponsored Project Funds – Ended Projects</b>		
<b>Project Number and Name</b>	<b>Deficit Balance as of April 2022</b>	<b>Total</b>
1006382 - SP FFT NIH TSRI SUB 5 53976 GEORGE 12	(\$124,369)	(\$2,778,405)
1006911 - SP UCLA SUB 20193134 MOORE	(\$78,812)	
1016614 - SP Dig Art (NIH) Sub 20162384 Marcotte HNRP	(\$338,568)	
1016925 - SP FFT NIH Upenn Sub 568559 Ziedonis	(\$51,849)	
1016928 - SP FFT NIH Wu Sub Wu 15 135 Wetherell	(\$62,790)	
1017279 - SP Henry M Jackson 837344 USUHS (Stein)	(\$82,044)	
1019159 - SP NIH R01AG022381D Kremen 3 20	(\$120,018)	
1019160 - SP NIH R01AG050595 Kremen 5 19	(\$26,915)	
1019161 - SP NIH R01AG054002 Tsuang 4 20	(\$85,629)	
1019345 - SP NITT DE 20193852 COLVONEN 87CEBA	(\$53,049)	
1020226 - SP PHS NIH Rmh109885A Sebat 2 21	(\$72,768)	
1020229 - SP PHS NIH Rmh112793A Singh 7 19	(\$43,010)	
1020244 - SP PHS NIH UDA041089A Tapert PST	(\$431,056)	
1020248 - SP PHS NIMH HNRC P30MH062512 Heaton 3 21 HNRP	(\$131,268)	
1020284 - SP PHS R01DA038634 Dronabinol Marcotte HNRP CMCR	(\$113,686)	
1020293 - SP PHS R01HI126056 Hong 4 20	(\$224,404)	
1029659 - SP FFT NIH TSRI5 54155 GEORGE 12 20	(\$30,300)	
1029746 - SP FFT NIH UMICH PO3005955244 PALMER	(\$39,359)	
1029943 - SP SIMONS FDN 674442 SEBAT 1 22	(\$150,836)	
1031958 - SP PVT NOHRD 45219212 KLEIN 4 22	(\$45,972)	
2002831 - SP Sub 5359 (HU00012020031)STEIN,MURRAY	(\$441,433)	
2017409 - SP RAMANATHAN VMRF VPA CRAMER 325443 (MH123650)	(\$30,270)	