

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**School of Medicine
Department of Anatomy
Willed Body Program
Audit Services Project #14-027**

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**Department of Anatomy
Willed Body Program
Project #14-027**

MANAGEMENT SUMMARY

As a planned audit for Fiscal Year 2013-2014, Audit Services completed a review of the Willed Body Program (Program) at the University of California, San Francisco (UCSF). The Program supplies human anatomical material for education and research and resides in the Anatomy Department within the School of Medicine. In Fiscal Year 2012-2013, the Program had an income of \$1,396,795 and expenses of \$1,412,076.

The objectives of the audit were to determine whether:

- The governance of the Program is sufficient to provide assurance that anatomical materials are effectively managed;
- The Program operates in accordance with UC policy with respect to acquisition, storage, allocation and final disposition of anatomical materials;
- Adequate internal controls are in place to provide reasonable assurance for the accountability and safeguarding of anatomical materials;
- Fees and expenditures are appropriate, recorded accurately and support the Program.

To conduct this review, we interviewed Department personnel; examined records of donations, allocations and final dispositions; verified the accuracy and timeliness of service fees charged by the Program; performed a limited physical inventory; assessed the physical security of the laboratory; made site visits to a sample of end users; reviewed the Program's current recharge proposal; and reviewed the Program's crematory vendor contract.

Based on work performed, we found that the internal controls of the Program were sufficient to ensure effective Program operations, reasonable assurance of accountability and safeguarding of anatomical materials, and fees were appropriately charged and accurately recorded. However, we did note that the guidance provided in the Standards Pertaining to Loan Fees lacks clarity as to whether anatomy instructors' salaries are allowable Program expenses. Additionally, the Anatomical Material Review Committee and the Anatomical Advisory Board that provide governance and oversight of the Program did not meet as frequently as required by policy. We also noted that there is no reconciliation being performed between anatomical material allocations as recorded in the donor database and the service fees charged to end users, thereby providing limited assurance that service fees for all allocations had been appropriately charged.

More detailed information on the observations and management corrective actions can be found in the body of the report.

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I. BACKGROUND

As a planned audit for Fiscal Year 2013-2014, Audit Services completed a review of the Willed Body Program (Program) at the University of California, San Francisco (UCSF). The Program at UCSF resides in the Department of Anatomy within the School of Medicine. The Program supplies anatomical material, including cadavers and disarticulated specimens, to UCSF's medical, dental and pharmacy programs. Additionally, it supplies anatomical material to State Universities, Community Colleges and private colleges and universities throughout Northern California for use in their anatomy courses. The Program also supports research projects, surgical procedural training, postgraduate medical education, and the development and testing of new medical devices.

Oversight of the Program is provided by the Anatomical Materials Review Committee (AMRC). The AMRC, a campus management team is chaired by the Responsible Executive Officer. Additionally, the Anatomical Advisory Board (AAB) provides community input, by advising the campus on policy and making recommendations regarding program activities. Separately, a faculty member from the Anatomy Department serves as Faculty Advisor and provides operational advice into the Program. In addition to the above management structure, the systemwide Anatomical Services Director at the UC Office of the President (UCOP) serves in an advisory capacity for all UC campuses. The Program is also subject to the Anatomical Donation/Materials Program policy developed by UCOP Health Sciences and Services.

A systemwide database, the Digital Donor Library (DDL), was developed to track Program registrants and donations and is used by all UC Willed Body Programs. The DDL, hosted and managed by UC Irvine, is used to inventory and track all stages of donation from registration to final disposition.

The Program charges end users a Specimen Use Fee for supplying anatomical materials. The fees are based on specimen type and whether the end user is an educational institution or a for-profit concern. For Fiscal Year 2012-2013, the Program had total income of \$1,396,795 consisting of \$942,575 in fees and recharge credits of \$454,220, while incurring expenses of \$1,412,076, resulting in a net outflow of \$15,281. Day to day operations of the Program is managed by a Director, two laboratory technicians and an Administrative Analyst. The Program also receives administrative support from the Departmental Manager and Financial Analyst for campus administrative and financial systems and processes.

II. AUDIT PURPOSE AND SCOPE

The purpose of the review was to assess internal controls, effectiveness and efficiency of the Program, including financial management, donor management, receiving, inventory, allocation and final disposition of anatomical materials.

The specific audit objectives were to determine whether:

- The governance of the Program is sufficient to provide assurance that anatomical materials are effectively managed,
- The Program operates in accordance with UC policy with respect to acquisition, storage, allocation and final disposition of anatomical materials,

- Adequate internal controls exist to provide reasonable assurance for accountability and safeguarding of anatomical materials,
- The fees and expenditures are appropriate, recorded accurately and support the Program.

To conduct our review the following procedures were performed:

- Reviewed relevant external regulations, University and Program policies and procedures to gain an understanding of requirements applicable to the Program's operations,
- Reviewed AMRC and AAB committee meeting minutes to verify that oversight committees are exercising appropriate direction of the Program in accordance with systemwide policy requirements,
- Interviewed Program personnel to verify their familiarity with the established policies and procedures,
- Reviewed, on a sample basis, donor forms, death notifications, serology test results, allocation requests, end user fees and final disposition documentation to verify that the Program's operations comply with applicable requirements,
- Reviewed the Program's procedures for collecting service fees from external users,
- Reviewed the results of the latest inventory conducted by the systemwide Anatomical Services Director to verify that anatomical materials and DDL inventory records are reviewed periodically for completeness,
- Reviewed a listing of user access to Program facilities that store anatomical materials to ensure that access is appropriately restricted,
- Reviewed a listing of user access and access rights to the Program's anatomical material inventory records to ensure access is appropriate to assigned duties and responsibilities,
- Conducted a site visit to the Program's laboratory to validate that the Program has appropriate physical and environmental controls for storage of anatomical materials and to conduct a limited inventory of the Program's anatomical material,
- Conducted inspections of internal and external end-user sites to validate allocations were complete and accurately recorded in the DDL,
- Reviewed the reasonableness of the length of time that anatomical materials have been allocated to end users,
- Reviewed the Program's most recent recharge proposal to ensure it received the appropriate approvals and contains costs that are relevant and necessary for actual Program activities,
- Documented the amount and use of funding for the State Curator function,
- Reviewed the campus' accounts payable vendor file to verify that anatomical material is only obtained from outside vendors with the knowledge and approval of the Program,
- Reviewed the crematory vendor contract to verify that an active contract has been executed.

The scope of the audit was limited to the specific procedures described above and related to Program activities in Fiscal Year 2012-2013 and the first quarter of Fiscal Year 2013-2014. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities, errors and control weaknesses that may occur in areas not covered in this review. Fieldwork was completed in March 2014.

III. CONCLUSION

Based on work performed, we found that the internal controls of the Program were sufficient to ensure effective Program operations, reasonable assurance of accountability and safeguarding of anatomical materials, and fees were appropriately charged and accurately recorded. Governance of the Program ensured that donated anatomical materials were effectively managed for use in education and research. The Program operated in accordance with UC policy with respect to acquisition, storage, allocation and final disposition of human anatomical materials.

The review did not identify any significant control deficiencies; however, we did note that the guidance provided in the Standards Pertaining to Loan Fees lacks clarity as to the allowability of anatomy instructor salaries as Program expenses. Additionally, we noted a violation of the systemwide policy governing anatomical donation programs; the AMRC and the AAB did not meet as frequently as required by policy. Per the systemwide Anatomical Donation policy the AMRC should meet monthly (or a minimum of ten times per year) and the AAB should meet at least annually (or as necessary). Lastly, we noted that there is no reconciliation being performed between anatomical material allocations recorded on the donor database and service fees charged to end users.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Instructor Salary Expenses

The guidance provided in the Standards Pertaining to Loan Fees lacks clarity as to allowability of anatomy instructor salaries as Program expenses.

Per UC Anatomical Materials/Donation Programs (AMP): Standards Pertaining to Loan Fees, "Revenue from loan fees is used to cover all reasonable AMP expenses including AMP operating expenses, AMP salaries and AMP outreach. Loan fees are not used to pay non-AMP activities or salaries."

In Fiscal Year 2012-2013, partial salaries of four anatomy instructors were charged to the Program fund. The charge for these salaries and benefits amounted to \$271,999, equating to approximately 30% of the total salary and benefit expense for the Program (\$898,252). For the period July 2010 through February 2014, over \$1,000,000 has been charged to the Program for teaching expense.

Program and Anatomy Department management indicated that one of the primary purposes of the Program is to support anatomy teaching. Therefore, it was considered appropriate to charge instructor salaries as Program expense.

The lack of clarity in the Standards Pertaining to Loan Fees may result in expenses being charged to the Program that are, ultimately, deemed to be unallowable. In turn, this may adversely affect public reputation of the Program and impair its ability to attract future donations.

Management Corrective Actions

By December 31, 2014, the Program's Responsible Executive Officer will seek clarification from the System-wide Anatomical Materials Review Committee on whether anatomy instructor salary is an allowable Program expense.

B. Governance

The AMRC and the AAB have not met as frequently as required by policy.

Review of the AMRC and AAB meeting minutes indicated that over the 17-month period from August 2012 to January 2014, the AMRC met only nine times. Additionally, the last three meetings of the AAB occurred in March 2010, November 2011, and February 2014 – resulting in 20 and 27 months between meetings.

Per the systemwide Anatomical Donation policy the AMRC should meet monthly, or a minimum of ten times per year, to ensure proper daily operation of the program. Additionally, per policy, AAB shall meet at least annually or as necessary. This board provides broad input from the community by advising the campus on policy and making recommendations regarding program activities.

Without holding regular meetings with key operational manager and/or community members, the activities of the Program may not be effectively meeting the needs of the Schools and the community.

Management acknowledges the importance of holding these meetings regularly and has changed their existing process to begin scheduling these meetings further in advance to accommodate committee members' schedules.

Management Corrective Actions

Corrective actions not necessary

C. Reconciliation

There is no reconciliation of allocations recorded in the DDL system against service fees charged to end users.

To charge the appropriate service fees, the Program Assistant records Anatomical Material Requests and approvals, and Specimen Tracking Forms on her calendar. From these notes, she creates the Recharge Journals (for internal users) and Sundry Debtor Invoices (external users). However, service fees are not reconciled against allocations recorded in the DDL.

Currently, the DDL system does not have the reporting capabilities to allow reconciliations to be performed efficiently. Per the systemwide Anatomical Materials Director, report generation and report printing capabilities will be a primary area of focus in the next steps of DDL development. Plans for the proposal and timeline

were presented to the Systemwide Anatomical Materials Program Review Committee at their May 2014 meeting.

By not performing periodic reconciliation between the anatomical material allocations recorded on the DDL and service fees charged to end user, there is no assurance that service fees for all allocations had been appropriately charged.

Management Corrective Action

By September 30, 2014, Management will work with the DDL developer to obtain the required reporting from DDL and conduct monthly reconciliation of allocations and charges.

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