

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

**Clinical and Translational Science Institute
Financial Management
Project #14-025**

May 2014

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MANAGEMENT SUMMARY

Audit Services completed a review of the financial management at the Clinical and Translational Science Institute (CTSI), at the University of California, San Francisco (UCSF). CTSI is a part of the Clinical and Translational Science Award program funded by the National Center for Advancing Translational Sciences at the National Institutes of Health (NIH). In 2006, CTSI was awarded the largest grant of all the institutes. CTSI received three linked awards: Specialized Center Cooperative Agreement, Mentored Career Development, and Training. Total operating expenditures projected for Fiscal Year 2013-2014 are \$21,042,854 related to the three NIH grants and \$5,099,674 from institutional funds. The CTSI has enabled UCSF to increase training and support for researchers which bridges the gaps between laboratory science, clinical care, and practical improvements in healthcare.

The mission of CTSI is to accelerate the pace of research that improves the health of the public. CTSI's 2010 NIH renewal proposal listed two aims:

- Enhance the highly successful activities of the UCSF CTSI, including the development of new initiatives in the areas of training, infrastructure/services, and advocacy/culture change.
- Develop cross-cutting initiatives using the knowledge, skills, and infrastructure developed by multiple CTSI programs in the first funding period to accelerate clinical and translational research and its impact on health beyond CTSI's collaborating institutions.

The objectives of the audit were to review the governance and financial management of CTSI to determine if:

- Governance is sufficient to ensure that programs meet the objectives and deliverables of the NIH awards,
- Financial management of CTSI programs is sufficient to ensure expenditures are accurately budgeted, reviewed, and approved,
- Financial management is sufficient to ensure that expenditures comply with award guidelines and University policy,
- Program income is accounted and expended in accordance with award guidelines,
- Residual amounts at year end that remain in the NIH funds are properly accounted and requests for carry forward amounts approved.

The scope of the review covered the award renewal period from July 1, 2011 through December 31, 2013.

Overall, the financial management and internal controls over the CTSI programs reviewed appear appropriate and robust. The NIH Grants, the multiple programs, and locations and projects within each program are highly complex. Governance of the Institute appears appropriate, with an effective use of metrics for evaluation of each program. Significant effort is made to align the budget with the annual goals of each program.

However, formal documentation of the governance structure, decisions, and authority is lacking. Additionally, the Clinical Research Services program within CTSI did not accurately record and report NIH fund expenditures in the fiscal year-end Federal Financial Reports (FFRs), thereby causing an overstatement of NIH expenditures by approximately \$3.4 million. This occurred because some of the Medical Center reimbursements for standard care nursing salaries were not netted against the NIH fund at the end of each fiscal year due to delays in receipt of the credits. Separately, a large retroactive credit of \$4 million arising from adjustments of the DHSS rate changes was received from the Medical Center in August 2013. This was also recorded in a separate sales and services fund rather than the NIH fund. CTSI Financial Administrators will be working with the Campus Controller's Office on the reporting of the retroactive and historical credits to the NIH.

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

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I. BACKGROUND

Audit Services completed a review of the financial management of the Clinical and Translational Science Institute (CTSI) at the University of California, San Francisco (UCSF). CTSI is a part of the Clinical and Translational Science Award program funded by the National Center for Advancing Translational Sciences at the National Institutes of Health (NIH). In 2006, CTSI was awarded the largest grant of all the institutes. Since then, CTSI has enabled UCSF to increase training and support for researchers, which bridges the gaps between laboratory science, clinical care, and practical improvements in healthcare. CTSI received three linked awards: Specialized Center Cooperative Agreement, Mentored Career Development, and Training.

CTSI has three administrative groups: Planning, Evaluation and Tracking; Operations and Finance; and Communications. It has both an Advisory Board comprising of Leadership from the UCSF campus and an External Advisory Board from industry and other educational institutions. The Director of CTSI reports administratively to the Executive Vice Chancellor and Provost. CTSI also oversees other programs supported by the UC Office of the President and other outside entities, such as the University of California Biomedical Research Acceleration, Integration, and Development; UC-Research Exchange Consortium; and the Philippine-California Advanced Research Institutes.

The mission of CTSI is to accelerate the pace of research that improves the health of the public. The 2010 NIH renewal proposal listed two aims:

- Enhance the highly successful activities of the UCSF CTSI, including the development of new initiatives in the areas of training, infrastructure/services, and advocacy/culture change.
- Develop cross-cutting initiatives using the knowledge, skills, and infrastructure developed by multiple CTSI programs in the first funding period to accelerate clinical and translational research and its impact on health beyond CTSI's collaborating institutions.

To achieve these aims CTSI has implemented 11 programs:

- Biomedical Informatics: Enables the effective use of clinical data in conjunction with information technology to accelerate research.
- Career Development: Provides resources to enable greater diversity at UCSF, support mentorship, and improve recruitment of under-represented researchers.
- Clinical and Translational Science Training: Provides research education and training for researchers at all levels, from undergraduate to faculty.
- Clinical Research Services: Offers adult and pediatric services to assist in translating clinical research ideas into successful protocols and results.
- Community Engagement and Health Policy: Bridges academic research, health policy, and community practice to improve public health.
- Consultation Services: Provides advice to investigators in diverse research fields at every stage of a study.
- Early Translational Research: Provides monetary support, consultation, and resource identification for the early development of therapeutics, diagnostics, devices, and digital health.

- Global Health: Addresses regulatory, budgetary, and travel safety issues for UCSF faculty.
- Regulatory Knowledge and Support: Supports researchers in navigating compliance issues and works with partners to advocate efficiency in the regulatory process.
- Strategic Opportunities Support: Provides monetary support for clinical and translational research at UCSF.
- Virtual Home: Promotes innovation in communications and technology to enable collaboration in clinical and translational research.

Total operating expenditures projected for Fiscal Year 2013-14 are \$21,042,854 related to the three NIH grants and \$5,099,674 from institutional funds. These institutional funds include \$650,000 from the Chancellor, \$2.3 million from the School of Medicine, and \$2.15 million from a variety of other sources.

II. PURPOSE AND SCOPE

The objectives of the audit were to review the governance and financial management of CTSI to determine if:

- Governance is sufficient to ensure that programs meet the objectives and deliverables of the NIH awards,
- Financial management of CTSI programs is sufficient to ensure expenditures are accurately budgeted, reviewed, and approved,
- Financial management is sufficient to ensure that expenditures comply with award guidelines and University policy,
- Program income is accounted and expended in accordance with award guidance,
- Residual amounts at year end that remain in the NIH funds are properly accounted and requests for carry forward amounts approved.

In conducting the review, interviews were performed of leadership, one board member, and staff of CTSI. Meetings were held with subject matter experts from Contracts and Grants Accounting and the Office of Research. Documents were reviewed related to governance, NIH grant aims, financial transactions, reconciliations, and approvals. Grant renewals, progress reports, and Federal Financial Reports (FFRs) were compared to actual expenditures in the UCSF general ledger. Award notices were reviewed to determine approval for carrying forward amounts.

The scope of the review was limited to the procedures described above and related to governance and financial activities of CTSI. Detailed testing was focused on five programs: Early Translational Research, Clinical Research Services, Clinical and Translational Science Training, and the Philippine-California Advanced Research Institutes. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities and control weaknesses within all CTSI programs and functions. Fieldwork was completed in March 2014.

III. CONCLUSION

Overall, the financial management and internal controls over the CTSI programs reviewed appear appropriate and robust. Effective procedures are in place for ensuring that program expenses are reviewed and approved to comply with award guidelines and University policy. The NIH Grants, the multiple programs, and locations and projects within each program are highly complex. Governance of the Institute appears appropriate, with an effective use of metrics for evaluation of each program. Significant efforts are made to align the budget with the annual goals of each program.

However, formal documentation of the governance structure, decisions, and authority is not present, creating a lack of transparency in the decision-making. Additionally, from 2007-2011, the Clinical Research Services program did not accurately record and report NIH fund expenditures in the fiscal year-end FFRs, thereby causing an overstatement of \$3.4 million in NIH expenditures. This occurred because some of the Medical Center reimbursements for standard care nursing salaries were not netted against the NIH fund at the end of each fiscal year due to delays in receipt of the credits. A separate large retroactive credit of \$4.1 million as a result of adjustments for changes in the DHHS established rates was received in August 2013 and incorrectly recorded in a separate fund rather than the NIH fund. Although, not recorded in the NIH fund account, the subsequent spend of the credits were on appropriate CRS program activities.

CTSI Financial Administrators will be working with the Campus Controller's Office on the reporting of the retroactive and historical credits to the NIH.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Disposition of Credits to NIH funds

1. *CTSI has overstated spending on FFRs.*

In three of the cost centers of Clinical Research Services (CRS) (Moffitt Adult, Moffitt Peds, and Mt. Zion), nursing salaries and benefits were paid directly out of NIH funds. However, the Medical Center also used beds and staff in those units for standard care. In order to reimburse CRS for non-research use, the Medical Center transferred credits to the NIH fund and/or a separate sales and service fund account (64028). These credits should have represented a reduction of the amount charged by CRS as research expenses to the NIH grant. Credits totaling \$3.4M accumulated in the sales and service fund 64028 from 2007 to 2011, then were spent down from 2011 to 2013 on appropriate CRS unit's program activities. Since the credits originated from reimbursements of NIH fund spending, they should have been netted against the NIH fund expenditures each year and reflected in the FFRs. Also the grant proposal and renewal documents defined these amounts as "non-research income," which was not an accurate description as this was not income to the program.

In the future this error should not reoccur because a new methodology for paying nursing salaries has been implemented, so that only the research portion is charged to the NIH grants.

2. ***An additional \$4.1 million in credits were returned by the Medical Center retroactively in August 2013 and recorded in the sales and service fund.***

Approximately \$4.1 million of “standard care” credits were received in August 2013 and recorded in the sales and service fund 64028. The credits retroactively adjusted nursing salary and benefits paid from July 2009 through June 2013.

Medical Center accounting calculated a true-up amount due to an increase in the DHHS established rates for those 4 years, resulting in the large retroactive credits. As noted above, these credits in the sales and service fund 64028 should be netted against the NIH fund expenditures on the FFR.

Failure to appropriately record and notify the NIH of unreported historical credits could result in fines or penalties and affect future awards for both CTSI and other UCSF awardees.

Management Corrective Action

CTSI will coordinate with the Office of Grants Management (OGM) to discuss the August 2013 credits and the historical credit balances and determine what the proper steps are to disclose those findings, including whether they need to be identified on the September 2014 FFR. Any actions to be taken based on conversations with OGM will be completed by September 30, 2014.

B. Governance and Responsibilities

1. ***The CTSI Advisory Board and Operating Committee lack a charter, By-Laws, and/or a charge letter to formally establish their duties and responsibilities.***

According to the CTSI website, the duties of the Advisory Board are to advise and provide guidance on the:

- Strategic direction for the Institute,
- Goals and key initiatives, with a focus on scope, metrics and progress,
- Coordination with and leverage from other UCSF and national initiatives,
- Integration of opportunities across the biomedical spectrum of research (e.g. Dentistry, Medicine, Nursing, Pharmacy) and partners (industry, government, community, etc.).

To achieve this goal, the Board includes a mix of senior CTSI leaders, the Executive Vice Chancellor, leaders from the UCSF professional schools, the UCSF Medical Center, and two members appointed by the Director; however, no formal charter or charge letter exists to establish the Board. In addition, the Operating Committee of the CTSI holds the authority to approve the budget, financial reports, and program evaluations; however, there is no formal description of these duties.

2. *CTSI does not record minutes for either the Advisory Board or Operating Committee.*

CTSI does record on their website the agendas for the Advisory Board meetings; however, these agendas are very general. No record is kept of actions taken or decision made by the Board, even if these actions and decisions are routine, such as, “the board reviewed the financial statements for the fiscal year 2012-2013”.

Decisions made by the Operating Committee are not documented. However, formal letters prepared by the Operating Committee evaluate each program annually and are sent to the program directors as well as the Advisory Board members.

3. *There are no formal delegations of authority for budget approval, financial reporting, and program evaluation.*

CTSI does not prepare formal delegations of authority. The authority for each leadership position is embedded in the position description. However, the Director and Associate Director do not have position descriptions, which leave the formal levels of authority unclear.

Although there are no formal UC policies on charters, by-laws, and recording of minutes, best practices suggest that defining governance increases confidence in leadership, creates greater transparency, and reduces the risk that decision making might be questioned by either internal or external stakeholders. Clear definition of authority in position descriptions reduces the risk that decision making might be questioned.

Management Corrective Actions

1. By July 31, 2014, CTSI and the EVCP will formally charge the Board of Directors with its roles and responsibilities either by charge letter or Charter and By-Laws.
2. Effective May 2014, formal minutes of major decisions or review will be recorded for Advisory Board meetings. Additionally, CTSI will determine the appropriate form of minutes to be maintained by the Operating Committee. This will be implemented by July 31, 2014.
3. The position descriptions for the Director and Associate Director will be created to include the authority of those positions. The descriptions will include any authority delegated or re-delegated from the Executive Vice Chancellor and Provost. The new descriptions will be completed upon the appointment of the new Director expected to be by October 31, 2014.