

August 1, 2025

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0989

**Subject: *Health Sciences International
Report 2025-18***

The final report for Health Sciences International Report 2025-18, 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: Alexander Bustamante
 John Carethers
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Health Sciences International
Report No. 2025-18
August 2025

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Health Sciences International (HSI) as part of the approved audit plan for Fiscal Year 2024-25. This report summarizes the results of our review.

We concluded that internal controls related to HSI financial management and administrative processes require improvement to provide reasonable assurance of effectiveness and compliance with policies and regulations. We identified several opportunities to strengthen financial oversight and improve policy compliance relating to revenue recognition, financial management, deficit monitoring, contract execution, and travel expense approvals.

We noted that revenue recognition processes require clearer reconciliation procedures and adherence to University policy which requires recognizing deferred revenue when cash is received in advance. Lack of proper revenue recognition such as misclassified deferred revenue led to financial reporting inaccuracies including a misstatement of \$2.5 million in deferred revenue which was not recorded in the correct fiscal year. Per HSI management, they were unaware of some of the changes in procedure and policy that resulted following the implementation of Oracles Financials Cloud (OFC) in 2020.

Also, deposit monitoring, financial review documentation, and revenue-sharing transparency need improvement to enhance financial accountability and ensure compliance with internal controls practices. For example, several deposits lacked clear documentation identifying the source or purpose, and some revenue-sharing arrangements did not include supporting agreements or reconciliations, limiting transparency and oversight. Furthermore, deficit management remains an issue with a \$303K deficit exceeding policy thresholds and escalating before corrections were made.

Finally, contract execution and delegation of authority processes require refinement to ensure agreements are properly executed and oversight responsibilities are clear. We noted that one agreement was not signed by a UCSD representative with delegated authority. Furthermore, one other agreement did not follow HSI's internal approval process, as they were executed without acknowledgment by the Executive Director, although it was signed by the appropriate UCSD delegated authority.

We did observe overall good practices in the area of participant documentation. Based on the testing of 10 ACE program participant records, all 10 were appropriately documented with program feedback, and the HSI records matched the acceptance messages.

Overall, enhancing internal controls, reconciliation processes, and structured monitoring will mitigate risk, ensure compliance, and align financial operations with University standards.

A. Revenue Recognition

1. HSI Management will ensure that revenue classification procedures align with University policy to support accurate distinction between earned and deferred revenue. Quarterly reconciliations should be implemented to help identify and correct any misclassified

transactions in a timely manner. *Estimated completion date: November 1, 2025.*

Responsible Party: Director, Administration and International Business Development.

2. HSI Management will coordinate with the VCHS Controller's Office to seek guidance on HSI revenue recognition practices, deferred revenue tracking, and adjustments in OFC.

Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.

3. HSI Management will implement a deposit reconciliation process to ensure accurate tracking and oversight of deposits, which will streamline reconciliations, reduce dependency on other units for verification, and ensure compliance with University policy.

Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.

B. Financial Management

1. HSI Management will implement a standardized financial review process which is compliant with policy and current guidance. A designated HSI team member should oversee checklist updates, track completion, coordinate necessary actions, and ensure documentation is centrally stored in the HSI repository. *Estimated completion date: November, 2025.*

Responsible Party: Director, Administration and International Business Development.

2. HSI Management will formalize a revenue-sharing policy, in collaboration with relevant departments, to establish clear allocation criteria, approval procedures, and documentation requirements. This policy should include a standardized revenue allocation form to document allocation decisions, approvals, and justifications for all transactions. *Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.*

3. HSI Management will coordinate with Health Information Services to ensure timely deactivation of system access for noted separated employees. *Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.*

C. Deficit Management

1. HSI Management will continue to regularly complete the VCHS Controller's Quarterly Deficit Fund Balance review for deficits greater than \$25,000 from any funding sources and collaborate with VCHS to document written and approved resolution plans for medium and high risk deficits and additional documentation requirements to be compliant with policy.

Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.

2. HSI Management in coordination with the VCHS Controller's Office and other resources should obtain information on the correct chart string to utilize. *Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.*

D. Agreement Execution and Delegations of Authority

1. Management will ensure that all future agreements are signed by the appropriate UCSD delegated authority. *Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.*

2. Management will document the complete agreement execution process, clearly defining roles, responsibilities, and approval requirements for agreement execution, including any delegations of authority. *Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.*

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 Health Sciences International (HSI) as part of the approved audit plan for Fiscal Year 2024-25. This report summarizes the results of our review.

HSI was established to extend UCSD Health Sciences' mission of improving the quality of health care through excellence in medical education, biomedical research and clinical medicine throughout the world. HSI assists international organizations through long-term affiliations that incorporate educational, advisory, clinical, research, and administrative solutions and tools. This is accomplished by utilizing the talents of faculty members and leadership from the Schools of Medicine and Pharmacy, as well as UCSD Health to work with collaborative partners on capacity-building, translating leading-edge research into new patient therapies and creating models of comprehensive, integrative and evidence-based medicine, while recognizing the importance of facilitating economic development for partners.

In addition to the various international collaborations described above, HSI has two programs for international scholars: the Accelerated Clinical Experiences (ACE) Program and the Bridge to Residency (BTR) Clinical Research Fellowship Program:

- **ACE Program** – The ACE Program provides the opportunity to gain an overview of the United States medical system as well as learn about best practices in patient care. The program length is generally two to four months, and can extend to six months. The ACE program provides selected HSI scholars the opportunity to participate in clinical care sessions, as well as educational activities like grand rounds, case conferences and journal clubs.
- **BTR Program** – The BTR Clinical Research Fellowship Program is a certificate-based program that provides a highly-customized opportunity for international medical graduates to gain valuable skills and knowledge in preparation for participation in Graduate Medical Education (GME), including participation in didactic coursework and carefully designed activities aimed at adjusting them to the healthcare system in North America while enhancing their clinical skills. The BTR program is six to 12 months long. Scholars who are in the program for 12 months have the option to work within two separate clinical specialties. Applicants to the BTR Program may choose from one of two entry points offered in Spring (starting April 1) or one in the Fall (starting October 1).

HSI collaborates with domestic and international universities through service agreements, including memorandums of agreement, understanding and collaboration, to support research partnerships, medical education, and patient care initiatives. These agreements facilitate collaborative research efforts and strengthen the department's global impact in health sciences.

According to UCSD Financial Reports for Fiscal Year (FY) 2023-2024, HSI had approximately \$3.7 million in total negative resources, with total expenses of \$871K and a decrease in net position of \$4.6 million, ending with total resources available of \$3.6 million. Total resources, expenses and a comparison to the FY 2022-2023 financial results are summarized in the following table.

Description	FY 2022-2023	FY 2023-2024
Total Resources	\$2,170,782	(\$3,709,101)
Less: Total Expenses	(\$1,694,605)	(\$871,284)
Change in Net Position	\$476,177	(\$4,580,385)
Beginning Net Position	\$7,688,490	\$8,164,667
Ending Net Position	\$8,164,667	\$3,584,282
Less: Capitalization in Progress	(\$5,000)	(\$5,000)
Resources Available	\$8,159,667	\$3,579,282

Source: Oracle Financials Cloud (OFC¹) Net Operating Results and Fund Balance Report

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to evaluate whether internal controls and business processes for oversight for HSI programs and agreements provide reasonable assurance that operations were effective, and in compliance with University policies and procedures.

To achieve our objective, we performed the following:

- Reviewed and/or analyzed the following:
 - Related UC system-wide and UCSD campus policies including Business and Finance Bulletins (BFB);
 - HSI service agreements and memorandums of understanding (MOU);
 - HSI consulting agreements;
 - Financial system roles;
 - Available delegations of authority documents;
 - Operating statements and budgets;
 - Revenue reports and adjustments; and
 - Financial reports from Business Activity Hub (BAH), including Net Operating Results and Fund Balance, Financial Deficit Report and Fund Summary and analyzed revenue components to validate sources and program funding for fiscal years 2022-2023 and 2023-2024;
- Interviewed HSI and Vice Chancellor Health Sciences (VCHS) Controller's Office personnel, including:
 - Director, Administration & International Business Development;
 - Program Manager, Clinical Services and Financial Affairs;
 - Senior Accountant, VCHS Controller's Office;
- Evaluated and conducted testing related to:
 - Non-payroll expenditures, including travel, events and entertainment, and procurement card (p-card) purchases, cost transfers and other operating expenses;
 - Financial reports and deficit management;

¹ OFC is the new Financial Information System (FIS) implemented by UCSD, along with Concur, on July 1, 2020, which included implementation of a new chart of accounts. Financial reporting availability has significantly evolved since implementation of the OFC FIS.

- Selected a judgmental sample of 10 participants from both the ACE and BTR programs to evaluate documentation of participant records and follow up on program feedback;
- Reviewed all agreements and MOUs to evaluate execution and assignment of project numbers in the financial accounting system for tracking.

IV. CONCLUSION

Based on our review, we concluded that internal controls related to HSI financial management and administrative processes require improvement to provide reasonable assurance of effectiveness and compliance with policies and regulations. We identified several opportunities to strengthen financial oversight and improve policy compliance relating to revenue recognition, financial management, deficit monitoring, contract execution, and travel expense approvals.

We noted that revenue recognition processes require clearer reconciliation procedures and adherence to University policy which requires recognizing deferred revenue when cash is received in advance. Lack of proper revenue recognition such as misclassified deferred revenue led to financial reporting inaccuracies including a misstatement of \$2.5 million in deferred revenue which was not recorded in the correct fiscal year. Per HSI management, they were unaware of some of the changes in procedure and policy that resulted following the implementation of Oracles Financials Cloud (OFC) in 2020.

Also, deposit monitoring, financial review documentation, and revenue-sharing transparency need improvement to enhance financial accountability and ensure compliance with internal controls practices. For example, several deposits lacked clear documentation identifying the source or purpose, and some revenue-sharing arrangements did not include supporting agreements or reconciliations, limiting transparency and oversight. Furthermore, deficit management remains an issue with a \$303K deficit exceeding policy thresholds and escalating before corrections were made.

Finally, contract execution and delegation of authority processes require refinement to ensure agreements are properly executed and oversight responsibilities are clear. We noted that one agreement was not signed by a UCSD representative with delegated authority. Furthermore, one other agreement did not follow HSI's internal approval process, as they were executed without proper acknowledgment by the Executive Director, although it was signed by the appropriate UCSD delegated authority.

We did observe overall good practices in the area of participant documentation. Based on the testing of 10 ACE program participant records, all 10 were appropriately documented with program feedback, and the HSI records matched the acceptance messages.

Overall, enhancing internal controls, reconciliation processes, and structured monitoring will mitigate risk, ensure compliance, and align financial operations with University standards.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Revenue Recognition
Revenue recognition practices did not comply with policy, as we identified deferred revenue transactions totaling \$2.5 million that were misclassified.	
Risk Statement/Effect	
Inconsistent revenue recognition practices may lead to financial misstatements, noncompliance with accounting standards, and subsequent adjustments. Without the proper classification, documentation, and deposit verification of revenue transactions, financial reporting accuracy and reconciliation efforts could be impacted.	
Management Action Plans	
A.1	HSI Management will ensure that revenue classification procedures align with University policy to support accurate distinction between earned and deferred revenue. Quarterly reconciliations should be implemented to help identify and correct any misclassified transactions in a timely manner. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
A.2	HSI Management will coordinate with the VCHS Controller’s Office to seek guidance on HSI revenue recognition practices, deferred revenue tracking, and adjustments in OFC. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
A.3	HSI Management will formalize a revenue-sharing policy, in collaboration with relevant departments, to establish clear allocation criteria, approval procedures, and documentation requirements. This policy should include a standardized revenue allocation form to document allocation decisions, approvals, and justifications for all transactions. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
A.4	HSI Management will implement a deposit reconciliation process to ensure accurate tracking and oversight of deposits, which will streamline reconciliations, reduce dependency on other units for verification, and ensure compliance with University policy. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>

A. Revenue Recognition – Detailed Discussion

Misclassification of Revenue

UCSD PPM 300-12 Revenue & Expense Recognition Policy states that deferred revenue results when cash is received in advance of revenue being earned. The transaction is recorded as a liability until earned, at which point the liability is reduced and revenue is recorded in the general ledger (OFC).

When recording cash receipts, it is essential to determine whether the funds represent earned revenue or deferred revenue.

During our review of the FY 2023-2024 financial ledger, we identified a journal entry reclassifying transactions totaling in excess of \$2.5 million to the deferred revenue account for HSI, however the funds were intended primarily for GME but were recorded without clearly documented allocation percentages. Management has indicated that this journal entry was a one-time adjustment due to a prior misalignment of funds. Additionally, these reclassified entries were not adjusted in the periods in which they were earned. The journal entry included transactions from multiple fiscal years (2019-2020, 2020-2021 and 2022-2023) that were reclassified in FY 2023-2024 rather than in their respective reporting periods. Also, at the time of our review, there was no formally documented reconciliation process to verify the accuracy of the deferred revenue allocation.

The misstatement of the \$2.5 million resulted from the incorrect recording of funds intended for the GME program with transactions later reclassified in the current period instead of their original reporting periods. The affected transactions included \$1,000,000 recorded on November 17, 2020; \$157,500 recorded on February 1, 2021; and \$417,300 recorded on March 16, 2021. Additional recorded amounts included \$582,750 on April 28, 2023; \$187,000 on May 24, 2023; and \$164,524 on July 24, 2023. These transactions should have been properly recognized in their respective fiscal years rather than being deferred and reclassified in the current period.

We also identified three invoices totaling \$256,800 related to the BTR Program that were included in the \$2.5 million reclassification to deferred revenue referenced above. These invoices represent earned revenue for a scholar program where participant payments are collected before the program begins. In this case, the \$256,800 was originally recorded as earned revenue but was incorrectly reclassified to deferred revenue even though the program had already commenced and then completed. By the time these transactions were reviewed, the program had already been completed for those participants, further reinforcing that the revenue should have been recognized as earned rather than deferred.

The incorrect recording of the \$2.5 million allocation led to a misstatement of the deferred revenue balance and the GME program, impacting financial accuracy and program-level reporting. The delayed reclassification of prior-period transactions resulted in inaccurate current year financial performance reporting, impacting budgeting accuracy and compliance with financial reporting standards. In addition, classifying earned revenue as deferred understates recognized revenue, leading to potential inaccuracies in financial reporting.

Revenue Allocation Split Methodology

HSI shares revenue from certain activities with other related departments based on an informally agreed-upon allocation split. During the audit, we noted that HSI did not have formal documentation supporting the revenue allocation split (e.g. 50/50 or 60/40) between HSI and related departments. While reviewing the \$2.5 million journal entry referenced above, we noted in some of the reviewed transactions that while the deposit cover sheets reflected a deposit into two separate accounts, it did not include an explanation, policy, or criteria outlining the basis for fund allocation. The VCHS Controller's Office had previously recommended that HSI develop a documented revenue-sharing process to enhance transparency and consistency.

Although there is no formal policy governing revenue allocation, best practices for financial transparency and internal controls emphasize the importance of clear documentation of fund distributions, approval procedures, and consistent application of allocation methodologies. HSI’s revenue-sharing framework was developed without formal documentation, leading to inconsistent tracking and unclear allocation criteria between departments.

Without a formalized revenue-sharing process, fund allocations may appear arbitrary, increasing the risk of financial reporting inconsistencies and audit verification challenges. Additionally, the lack of documented justification for fund distribution could impact financial transparency and decision-making.

Deposit Monitoring

University policy (BFB-BUS-49 Policy for Cash and Cash Equivalents Received) states that an official University cash receipt must be recorded for each collection, and departments working with the Cashier’s Office are responsible for maintaining accurate deposit records. These records support the integrity of financial reporting, facilitate reconciliation, and ensure accountability for funds received.

During our review, HSI stated they could not determine which checks were included in the \$2.5 million reclassification of group deposits and deferred responsibility to the VCHS Controller’s Office, indicating that their office does not generate receipt numbers or maintain deposit records. However, the VCHS Controller’s Office confirmed that HSI works directly with the Cashier’s Office for deposits and is responsible for maintaining accurate records. A lack of formalized monitoring procedures and record-keeping practices resulted in HSI being unable to track or verify which checks were included in the deferred revenue reclassification.

Without proper monitoring of deposits, financial records may lack accuracy, making reconciliations challenging. The absence of a clear audit trail increases the risk of reporting errors, misstatements, and potential compliance issues. Additionally, without an established tracking process, the VCHS Controller’s Office may need to allocate additional resources to reconcile transactions that should be managed at the department level. This inefficiency can lead to delays in financial reporting, impact decision-making, and reduce overall financial oversight effectiveness.

B.	Financial Management
Financial management processes for system access, financial review documentation, and revenue allocation could be improved to ensure compliance, transparency, and accurate financial reporting.	
Risk Statement/Effect	
Gaps in system access controls, financial review documentation, and revenue allocation process may lead to unauthorized access, limited financial oversight, and unclear financial reporting, impacting compliance and transparency.	
Management Action Plans	

B.1	HSI Management will implement a standardized financial review process which is compliant with policy and current guidance. A designated HSI team member should oversee checklist updates, track completion, coordinate necessary actions, and ensure documentation is centrally stored in the HSI repository. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
B.2	HSI Management will coordinate with Health Information Services to ensure timely deactivation of system access for noted separated employees. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>

B. Financial Management – Detailed Discussion

Financial Reporting & Internal Controls

UCSD PPM 300-15 Internal Controls Policy requires that all staff adhere to internal controls to ensure financial transactions and reporting comply with policies, regulations, and ethical standards. The policy emphasizes that individual financial transactions contribute to the accuracy of system-wide financial statement, requiring proper controls and documentation at every level.

The Checklist for Best Practices in Internal Controls provides guidance for departments on financial management activities, risk assessments, and compliance requirements. Best practices include:

- Downloading the checklist at least quarterly and reviewing updates.
- Performing financial control activities throughout the quarter rather than all at once.
- Documenting modifications to the checklist if the departmental activities differ from the standard.
- Running monthly reports and summarizing action items within 60 days.

HSI was unable to provide sufficient evidence demonstration that quarterly financial reporting reviews were conducted, stating that most communication occurs verbally. The only documentation provided was an email reflecting a request for revenue estimates for the upcoming budget cycle, but it did not confirm a formal review process, discussion, or approval. Additionally, no email sign-offs were provided to verify that quarterly reviews were completed. We noted that HSI has not been completing the University’s Internal Control Best Practices Checklist, a required self-assessment for all units and departments. HSI management stated that they were not aware of the requirement to complete the checklist or perform routine financial review.

Without documented financial reviews, HSI cannot verify compliance with University policy or demonstrate that financial oversight responsibilities are being met. This increases the risk of reporting inconsistencies and lack of accountability, which may impact the accuracy of financial reporting and internal decision-making.

System Access

During our review of user access controls in active directory and business system accounts, we identified one employee listed as “inactive” in the Campus User Roles report whose system access had

not been removed. Timely access removal is a critical control to prevent unauthorized system access and ensure compliance with university security policies.

University Policy BFB-IS-3 Electronic Information Security requires that appropriate separation procedures to be followed, including promptly revoking all internal, physical, and remote access when an employee separates from the organization. The policy also requires that steps taken to ensure access removal are documented. However, these system access removals were not completed as a result of a gap in the separation process, with no tracking or confirmation of deactivations after an employee’s departure.

Without timely removal of system access, there is an increased risk of unauthorized access to financial and operational systems. Additionally, failure to document access removal makes it difficult to verify compliance with Information Security policies, potentially exposing sensitive data to security threats.

C.	Deficit Management
A resolution plan for a deficit of over \$300K was not documented in accordance with policy and VCHS procedures.	
Risk Statement/Effect	
Adequate oversight of deficits is necessary to ensure that HSI demonstrates stewardship of funds. The lack of deficit management increases the risk of overspending and unfunded project costs, as well as errors/irregularities that could remain undetected for extended periods of time.	
Management Action Plans	
C.1	HSI Management will continue to regularly complete the VCHS Controller’s Quarterly Deficit Fund Balance review for deficits greater than \$25,000 from any funding sources and collaborate with VCHS to document written and approved resolution plans for medium and high risk deficits and additional documentation requirements to be compliant with policy. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
C.2	HSI Management in coordination with the VCHS Controller’s Office and other resources should obtain information on the correct chart string to utilize. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>

C. Deficit Management – Detailed Discussion

UCSD PPM 300-2 Financial Deficit Policy establishes that each department and its management are responsible for ensuring the timely review, monitoring, and resolution of financial deficits. This policy states that departments will not be permitted to carry over financial deficits exceeding \$25K without a deficit resolution plan that is approved by the Department Chair / Designee and Dean/Vice Chancellor.

The VCHS Controller’s Office implemented the Quarterly Deficit Fund Balance review process during FY23 as an enhanced internal control procedure to ensure that departments analyze and monitor deficit areas, with a focus on high and medium risk level items leading to deficit resolution measures. Per policy, in addition to any submitted comments during this process there is a requirement for a written and approved resolution plan for medium and high risk deficits and additional documentation requirements including an explanation on how the deficit occurred and the plan to address the resolution, including the anticipated date and/or timeline.

Other Unrestricted Funds on the Deficit Balance Report showed a deficit of \$303K as of June 30, 2024, exceeding the \$25K allowable threshold. While the deficit improved from \$328K as of July 1, 2023, no formal resolution plan was submitted or approved by the Department Designee, as required. Subsequently, the deficit fund balance increased to \$667K as of September 30, 2024, and increased further to \$994K as of December 31, 2024. According to the VCHS Controller’s Office, although HSI is completing the VCHS Controller’s Quarterly Deficit Fund Balance review, these ongoing deficits are primarily due to continuing incorrect chart string combinations used in deposit requests. Since July 2024, HSI has engaged in corrective actions, including working with the Accounts Receivable team to adjust misclassified transactions, and we noted the deficit was \$193K as of February 2025.

While HSI has been completing the VCHS Controller’s Quarterly Deficit Fund Balance review, the deficit continued to increase due to incorrect chart string combinations used in deposit requests and delays in submitting corrections. Although HSI took action to reduce the deficit with accounting adjustments, the lack of timely responsiveness and proactive monitoring delayed the identification and correction of the deficit, impacting financial oversight and reporting.

D. Agreement Execution and Delegations of Authority	
HSI agreements were not signed by an individual with delegated authority in all cases, or were not consistent with HSI internal procedures.	
Risk Statement/Effect	
Inconsistent adherence to delegation of authority protocols increases the risk of improperly authorized agreements, non-compliance with University policy, and inefficiencies in contract management. It may also impact management oversight and the completeness of federal or other required reporting.	
Management Action Plans	
D.1	Management will ensure that all future agreements are signed by the appropriate UCSD delegated authority. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>
D.2	Management will document the complete agreement execution process, clearly defining roles, responsibilities, and approval requirements for agreement execution, including any delegations of authority. <i>Estimated completion date: November 1, 2025. Responsible Party: Director, Administration and International Business Development.</i>

D. Agreement Execution and Delegations of Authority – Detailed Discussion

University processes require that all delegations of authority be formally documented in Delegation of Authority letters, which specify the scope of authority and the designated recipient. The delegator is responsible for ensuring that delegation letters are properly issued, signed, and published to establish clear accountability for approvals. At UCSD, delegations of authority refer to the assignment of decision-making responsibilities to specific individuals or groups. However, certain responsibilities—such as ensuring compliance with laws and regulations, maintaining financial soundness, and establishing effective internal controls cannot be delegated.

While HSI has documented internal procedures for agreement development in its Agreement Development Process Guidelines, the HSI Executive Director’s signature does not constitute formal University approval. Agreements require execution by an individual with delegated authority as documented by the University such as the Associate Vice Chancellor for Health Sciences, who currently holds signing authority for HSI agreements.

These agreements formalize partnerships and operational engagements across various areas, including Collaboration Agreements, Memorandum of Understanding (MOUs), Consortium Agreements, Shareholder Agreements, and Service Agreements. During the scope period of this review, HSI had a total of 17 agreements, of which six were closed and 11 remained active. The agreements included one Shareholder Agreement, one Consortium Agreement, one Service Agreement, three Collaboration Agreements, and 11 MOUs.

We noted that one agreement was not signed by the UCSD delegated authority at that time, which was signed by the Executive Director representing UCSD HSI². Also, one agreement did not follow HSI’s internal approval process requirements, as it was executed without proper acknowledgment by the HSI Executive Director. We did note that the agreement was properly signed by the appropriate UCSD delegated authority.

Also, we noted that the Agreement Development Process Guidelines provided to AMAS are general in nature and do not specify the process flow and/or responsibilities related to documenting agreement justifications, UCSD delegated authority approvals or signature, or HSI Executive Director acknowledgements. If these are not formally documented in HSI guidelines, there is an increased risk of unauthorized contract execution, non-compliance with University policies, and inefficiencies in agreement oversight. Additionally, the absence of Executive Director acknowledgment for one of these non-compliant agreements may limit internal HSI agreement awareness and governance.

² This agreement was reviewed and approved by UCSDH Health Counsel and the VCHS prior to execution although their signatures did not appear on the agreement.