
Audit Report

Report Name

Climate Resilience Funds (AB 179) Controls

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I. EXECUTIVE SUMMARY

Audit and Management Advisory Services has completed a review of the internal controls over the administration of the state Climate Resilience Funds (AB 179) to ensure the campus is allocating and expending these funds consistent with the statute AB 179 and any relevant guidance provided by UCOP.

The California State Budget Act of 2022-23 (AB 179) allocated \$20 million to support climate initiatives at the University of California, Santa Cruz (UCSC) campus. It is intended to further progress towards the State of California's climate goals.

Based on our review, we validate that;

- The UCSC Center for Coastal Climate Resilience (CCCR) has been established consistent with the intent to use of the one-time state Climate Resilience Funds.
- The fund code and organization codes have been established to monitor the distribution and expending of the funds.
- Office of Research has established processes and consistent methodology for selecting and funding projects from the Climate Resilience Funds through the CCCR.

We concluded that UCSC has internal controls over the administration of the state Climate Resilience Funds (AB 179) to ensure the campus is allocating and expending these funds consistent with the purpose of the funds and any relevant guidance provided by UCOP. Therefore, no management corrective actions are necessary as a result of this audit.

II. INTRODUCTION

Purpose

The purpose of this audit was to evaluate the internal controls over the administration of the state Climate Resiliency Funds (AB 179) to ensure the campus is allocating and expending these funds consistent with the statute AB 179 and any relevant guidance provided by UCOP. The audit was requested by Ethics, Compliance and Audit Services (ECAS) and included on the campus FY24 Internal Audit Plan.

Background

The California State Budget Act of 2022-23 (AB 179) allocated \$20 million to support climate initiatives at the University of California, Santa Cruz (UCSC) campus. It is intended to further progress towards the State of California's climate goals.

UCSC has established the Center for Coastal Climate Resilience (CCCR) with this \$20 million state budget allocation consistent with the intent of the use of the one-time state funds. The CCCR is based centrally in the Office of Research (OR) under the Vice Chancellor for Research (VCR). It aims to advance campus research and to partner with state and federal agencies as well as private foundations to address coastal climate change, resilience and sustainability.

All spending from the fund must be completed at least six months before the expiration date of the fund to ensure UCOP has adequate time to file the final state claim and receive the revenue for our campus.

Scope

The audit service was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by The Institute of Internal Auditors.

Our review was limited to evaluating the processes to allocate and expend the Climate Resilience Funds. We conducted this audit in the following ways:

- Reviewed relevant part of the Budget Act of 2022, guidance documents provided by UCOP.
- Reviewed publicly available UCSC web resources.
- Communicated with the key personnel from Office of Research, and Budget Analysis and Planning.
- Reviewed the documents obtained from Office of Research.
- We pulled financial data from Infoview and reviewed the data.
- We judgmentally selected four projects funded from Climate Resilience Funds; we obtained proposals, review workpapers, and approval documents related to those projects from OR and reviewed them.

III. RESULTS

Based on the work performed, we found that internal controls are in place over the administration of the state Climate Resiliency Funds to ensure the campus is allocating and expensing these funds consistent with the purpose of the fund and any relevant guidance provided by UCOP.

1. The UCSC Center for Coastal Climate Resilience has been established consistent with the intent to use of the one-time state Climate Resiliency Funds allocation:

The UCSC Center for Coastal Climate Resilience (CCCR) has been established with the aim to advance campus research and to partner with state and federal agencies as well as private foundations to address coastal climate change, resilience and sustainability. The director of the Center was appointed on November 1, 2022. The director reports directly to the Vice Chancellor for Research (VCR). The responsibilities of the position are to develop and execute the programs related to the Center's goals, develop and oversee a strategy for public outreach and philanthropic support, provide oversight to executive director, identify and recommend areas for investment in new faculty positions and infrastructure that are aligned with the new Center.

2. The fund code and organization codes have been established to monitor the distribution and expending of the funds:

The \$20 million funds have been transferred from UCOP to UCSC in November 2022. The funds were originally transferred to 19915 fund code, however, per UCOP's request, the fund code changed to 19916 and all the funds were transferred from 19915 fund code to 19916 fund code.

According to the latest state fund list that UCSC Budget Analysis and Planning received from UCOP accounting, the fund code must be deactivated by 6/30/2026. All spending from the fund must be completed at least six months before the expiration date of the fund to ensure UCOP has adequate time to file the final state claim and receive the revenue for our campus.

Office of Research has established four organization codes for the initial transfer of the funds from UCOP. These are;

- *VCR/ Coastal Climate Center -Director*: The Director organization code is used for the projects to support the center's director's initiatives, fellowships and projects that supports multiple research areas.
- *VCR/ Coastal Climate Center -Operations*: Operations organization code is used for activities that are intended to support the administrative operations of the center and will not exceed 10% of the total award.
- *VCR/Coastal Climate Center -Seed*: The Seed organization code is intended to support the internal research and implementation awards that are distributed to research across the campus.
- *VCR/ Coastal Climate Center -Programs*: Programs is intended to support community-focused activities, communication dissemination, and the campus and public events.

Additionally, a working capital reserve fund has been established to hold funds for future - years projects.

Once Office of Research selectes a proposal to award through the CCCR, its Business and Operations unit transferred funds from those organization codes to a principal investigator's (PI) organization code and sends an email to the PI. The email includes information regarding the period of performance of the project, reporting requirements etc.

The project's budget is monitored by each PI's research administrator. We identified that when two projects are located under the same organization code, activity codes are used to monitor each project's budget and expenditures distinctively.

3. Office of Research has established processes and consistent methodology for selecting and funding projects from the Climate Resilience Funds:

Currently, the CCCR has awarded \$4.6 million in funding to 23 UC Santa Cruz research groups for 16 Pilot Funding Initiatives projects (\$1.47 million) and seven Implementation Grants projects (\$3.14 million).

The Pilot Funding Initiative supports early-stage activities that advance research projects, collaborations and creative works that address coastal climate related impacts and solutions. Each selected project was funded up to \$100,000.

The Implementation Grant Program supports projects that build on existing work, engage partners, and deliver clear outcomes and solutions to address the challenges from coastal climate change in California and beyond. Each selected project was funded up to \$500,000.

The Office of Research has selected and funded the Pilot projects and Implementation projects using an established process and a consistent methodology. The request for proposal documents for Pilot Funding Initiative and Implementation grants were announced at the Office of Research funding opportunities web site. The overview of the funding opportunity, eligibility conditions, application requirements, reporting requirements, due date for proposal were detailed in those announcements.

The Office of Research followed a defined process for the review of the proposals. The VCR explained the process as follows: There was a first-round review by the VCR and the director of Research Development to make sure the proposals were compliant with the submission requirements and were within scope. The submitted proposals were divided into three categories as biological, physical or social, based on the topic. Then Office of Research obtained three reviewers for each of these areas. One member of the review committee was an expert from outside of UC Santa Cruz. All the proposals received three reviews and were given scores of 1 to 4 in a number of categories, with 1 being the best. There was also an overall criteria score that was calculated based on all of the reviewers. These total scores, along with the reviewer comments, were then evaluated together for the Pilot project and for the Implementation project. For the Pilot projects, the final decisions were made by the VCR, director of Office of Research Business and Operations, and director of Research Development. Decisions for funding were made in the context of funding proposals in the range of the categories: physical, biological and social, along with additional prioritization for some proposal that incorporated work with indigenous communities or other community partners. The director of CCCR was not involved in the selection process, as he is an active collaborator with a large number of individuals that applied for grants.

The Office of Research has an established methodology to fund projects other than Pilot projects and Implementation projects. The VCR explained the process as follows: Based on the priorities that were associated with the goal of the center, the VCR developed a process for direct funding to support projects and programs including, but are not limited to, the Coastal Science and Policy Program, the Seymour Center, the Science Writing Program, and the Climate Resilience Lab. This also included funding infrastructure projects such as a High-Performance Computing as well as a series of Fellowships.

In these cases, the director of CCCR has a project leader write a scope of work that outline the goals, budget and impact of the project. There is then an iterative process of focusing the scope of the projects and budget to align

with the goals of the center and the responsible use of the funds. This process includes face to face meetings and comments on the document. Once the budget and scope has been agreed upon with the CCCR director and approved, they are forwarded to the VCR for final approval. The VCR consulted with the Business and Operations unit about any budgetary concerns for these projects and would then give approval for the project. The CCCR director would then be notified of the final approval.

In cases where funding would go to support the CCCR director, the negotiation of the scope of work and budget occurs with the VCR, who has final approval.

As of October 31st, 2023, \$964,755 has been spent from the \$20 million Climate Resilience Fund.

APPENDIX A. SUMMARY OF WORK PERFORMED AND RESULTS

Preliminary Analysis	
Work Performed	Results
<ul style="list-style-type: none"> Reviewed state statute AB 179, guidance provided by UCOP, state climate fund discussions workpapers, and documents provided by UCSC Office of Research. Interviewed key personnel from UCSC Office of Research. Reviewed publicly available UCSC web resources. 	<ul style="list-style-type: none"> We identified the relevant guidance. Gained an understanding of Office of Research’s processes to manage and spend funds. Developed a risk matrix and audit program to address the risk areas identified.

Fieldwork	
Work Performed	Results
<p>To validate that UCSC allocating and spending Climate Resilience Funds consistent with the state requirements and relevant guidance provided by UCOP, we performed the following steps:</p> <p>Reviewed relevant part of the Budget Act of 2022, guidance documents provided by UCOP.</p> <p>Reviewed publicly available UCSC web resources.</p> <p>Communicated with the key personnel from Office of Research, and Budget Analysis and Planning.</p> <p>Reviewed the documents obtained from Office of Research.</p> <p>We pulled financial data from Infoview and reviewed the data.</p> <p>We judgmentally selected four projects funded from Climate Resilience Funds. We obtained proposals, review workpapers, and approval documents.</p>	<p>UCSC Center for Coastal Climate Resilience has been established with a state allocation of \$20 million. The director of the CCCR has been appointed.</p> <p>The \$20 million funds have been transferred from UCOP to UCSC in November, 2022. The fund originally transferred to 19915 fund code, however per UCOP request the fund code changed to 19916 and the fund have been transferred from 19915 fund code to 19916 fund code.</p> <p>Office of Research has established four organization codes for the initial transfer of the funds form UCOP. These are;</p> <ul style="list-style-type: none"> - VCR/ Coastal Climate Center -Director - VCR/ Coastal Climate Center -Operations: - VCR/Coastal Climate Center -Seed - VCR/ Coastal Climate Center -Programs <p>Additionally, a working capital reserve fund has been established to hold funds for future -years projects.</p> <p>The fund expires 6/30/2026. However, UCSC must spend the fund at least six months earlier than the expiration date of the fund to ensure UCOP has adequate time to file the final state claim and receive the revenue for our campus.</p>

Fieldwork	
Work Performed	Results
	<p>Office of Research has established process and methodology to distribute the funds to Pilot Funding Initiatives and Implementation grants and other funded projects.</p> <p>Currently, the center has awarded \$4.6 million in funding to 23 UCSC research groups for 16 Pilot Funding Initiatives projects (\$1.47 million) and seven Implementation Grants projects (\$3.14 million). Besides those projects, based on the priorities that were associated with the goal of the center, VCR developed a process for direct funding to support projects and programs including, but are not limited to, the Coastal Science and Policy Program, the Seymour Center, The Science Writing Program, and the Climate Resilience Lab. This also included funding infrastructure projects such as a High-Performance Computing as well as a series of fellowships.</p> <p>We reviewed judgmentally selected four projects' proposal, review and approval documents. Projects' proposals, review, approval and funding processes were aligning with the methodology as described by VCR. As of October 31st, 2023, \$964,755 has been spent from the \$20 million Climate Resilience Funds. \$6,868,139 moved to Working Capital Reserve Fund to support the next years projects.</p>
<p>To validate that the Climate Resilience Funds expenses are being monitored distinctively and properly, we performed the following steps; Reviewed Infoview reports, reviewed FOAPALs for each funded project. Obtained documents from Office of Research Business and Operations office.</p>	<p>Once OR selected a proposal to award through the CCCCR, OR Business and Operations unit transfers funds from the initially established organization codes to principal investigators` (PIs) organization code and sends an email to the PI. The email includes information regarding the period of performance of the project and reporting requirements. The project`s budget is monitored by each PI`s research administrator. We identified that when two projects are located under the same organization code, activity codes are used to monitor each project`s budget and expenditures distinctively.</p>