

California State Auditor

B U R E A U O F S T A T E A U D I T S

University of California:

**Its Award of Breast Cancer Research
Funds Is Equitable; However, Some
Procedures Should Be Improved**



November 1997
96042

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CALIFORNIA STATE AUDITOR

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November 13, 1997

96042

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As required by the California Health and Safety Code, Section 104145(g)(1), the Bureau of State Audits presents its audit report concerning the University of California's administration of the Breast Cancer Research Program (program). This report concludes that, overall, the program's grant awards process is equitable. However, we found that some procedures should be improved. For example, the program does not require signed conflict-of-interest statements from its reviewers, does not have clearly defined procedures for processing its "wild card" grants, and did not consistently enforce its policy on the responsiveness of grant applications. Further, authority over its appeals process rests with one individual, who is not independent of the decision to approve funding originally. However, the program has improved its administration of its travel and entertainment expenses since our audit in April 1996.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

BUREAU OF STATE AUDITS

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Summary



Audit Highlights . . .

Overall, UC's Breast Cancer Research Program has an equitable awards process. However, the program can improve by:

- ✓ **Instituting signed conflict-of-interest statements for reviewers;**
 - ✓ **Consistently applying its responsiveness policy;**
 - ✓ **Implementing procedures for handling wild card grants;**
 - ✓ **Modifying its appeals process; and**
 - ✓ **Retaining reviewer score ballots or arranging for an annual independent verification of the accuracy of the scoring summaries.**
- 

Results in Brief

In 1994, the Legislature designated the University of California (UC) to administer the Breast Cancer Research Program (program), which is funded by cigarette and tobacco products taxes. The program's purpose is to fund research into the cause, cure, treatment, earlier detection, and prevention of breast cancer. To accomplish this, UC solicits, evaluates, and awards research grants. During fiscal year 1994-95, the first year funds were available, the program awarded approximately \$19.1 million in research grants. For the next two fiscal years, it awarded \$13.9 million and \$14.7 million, respectively.

Our current review concentrated on UC's awards process for fiscal year 1996-97, its third funding cycle, and follows up on our report issued in April 1996, which focused on the first cycle. We found that, overall, UC's current process is equitable. Application scoring is fair and generally consistent with program policy. In addition, the awards process did not reflect a bias in favor of UC and its affiliated institutions.

However, we have certain concerns with the program's policies and procedures. For example, the program does not require its reviewers to sign conflict-of-interest statements, which is National Institutes of Health policy. Also, the program does not consistently apply its "responsiveness" policy, which describes the appropriate disposition of applications that do not fully respond to grant requirements. Further, the program has not developed policies and procedures to process its "wild card" grants, applications the review committee believes should be considered for funding once minor technical flaws are addressed. In addition, authority to make key decisions in the appeals process rests with only one person who is not independent of the decision to approve funding originally. Lastly, despite a recommendation in our first audit, program administrators have not developed a formal policy for retaining documents from the grant applications review process.

On the other hand, we did find that, as recommended, the program improved its administration of travel and entertainment expenses.

Recommendations

To further improve the administration of its grant awards process, the Breast Cancer Research Program should do the following:

- Obtain signed conflict-of-interest statements from its review committee members;
- Implement its proposal to clarify procedures for nonresponsive grants;
- Establish and implement procedures for grants identified as wild cards;
- Assign a group or individual separate from the person who approves grants for funding to receive and opine on program appeals; and
- Retain for a minimum of three years the review committee members' original scoring ballots. These documents provide much of the evidence that the grant awards process is unbiased and equitable. Alternatively, the program should arrange for an independent annual verification of the accuracy of its scoring summaries.

Agency Comments

In response to our report, UC stated that it had already revised its written policy on responsiveness and is taking steps to implement the remaining four recommendations.

Introduction

Founded in 1868 as a state-supported public institution, the University of California (UC) was written into the state constitution of 1879 as a public trust. The UC, as a public trust, is administered under the authority of a governing board called the Regents of the University of California. The UC's administrative body is headed by a president, who is responsible for overall policy development, planning, and resource allocations. A master plan for the development of higher education in California, enacted in 1960 and referred to as the "Donahoe Higher Education Act," designated UC as the primary state-supported academic agency for research. The UC Office of the President administers the Breast Cancer Research Program (program), which we were directed by statute to audit.

Funding and Administrative Structure

In 1994, the Legislature amended the Cigarette Tax Law, California Revenue and Taxation Code, Section 30101, to increase the tax per cigarette by one mill (\$.001). The Legislature also created the Breast Cancer Fund (fund) as the depository for the additional cigarette tax revenues that support the program. However, the program itself was established by the Health and Safety Code (HSC), Section 104145, which designated UC as the program's administrator. The program funds research into the cause, cure, treatment, earlier detection, and prevention of breast cancer to reduce the human and economic costs of the disease in California. When the program selects research to fund, the HSC, Section 104145(c)(6), requires it to "generally model" its evaluation process on the one the National Institutes of Health (NIH) uses.

The fund provides moneys for the program through appropriations from the state budget. Forty-five percent of the fund is allocated to the program; 50 percent to the Breast Cancer Early Detection Program, which is part of the Department of Health Services' (DHS) Breast Cancer Control Program; and 5 percent to the California Cancer Registry.

During fiscal year 1994-95, the first year in which fund moneys were available, the program awarded approximately \$19.1 million in research grants. The following fiscal year, it awarded \$13.9 million. The program just completed its third funding cycle in fiscal year 1996-97, awarding \$14.7 million.

The vice president of health affairs, UC Office of the President, administers the program. However, the Breast Cancer Research Council (council) decides the program's overall strategy and research priorities. The council consists of at least 13 and no more than 15 members. The UC president appoints council members from nominations submitted by relevant organizations. A statute limits council membership to the following representatives: breast cancer survivors and advocates (4), scientists or clinicians (4), nonprofit health organizations (2), private industry (2), and a practicing breast cancer medical specialist (1). In addition, one nonvoting member represents the Breast Cancer Early Detection Program, administered by the DHS. A professional staff of 9, which includes a program director, 3 research administrators, and support staff, performs the day-to-day activities.

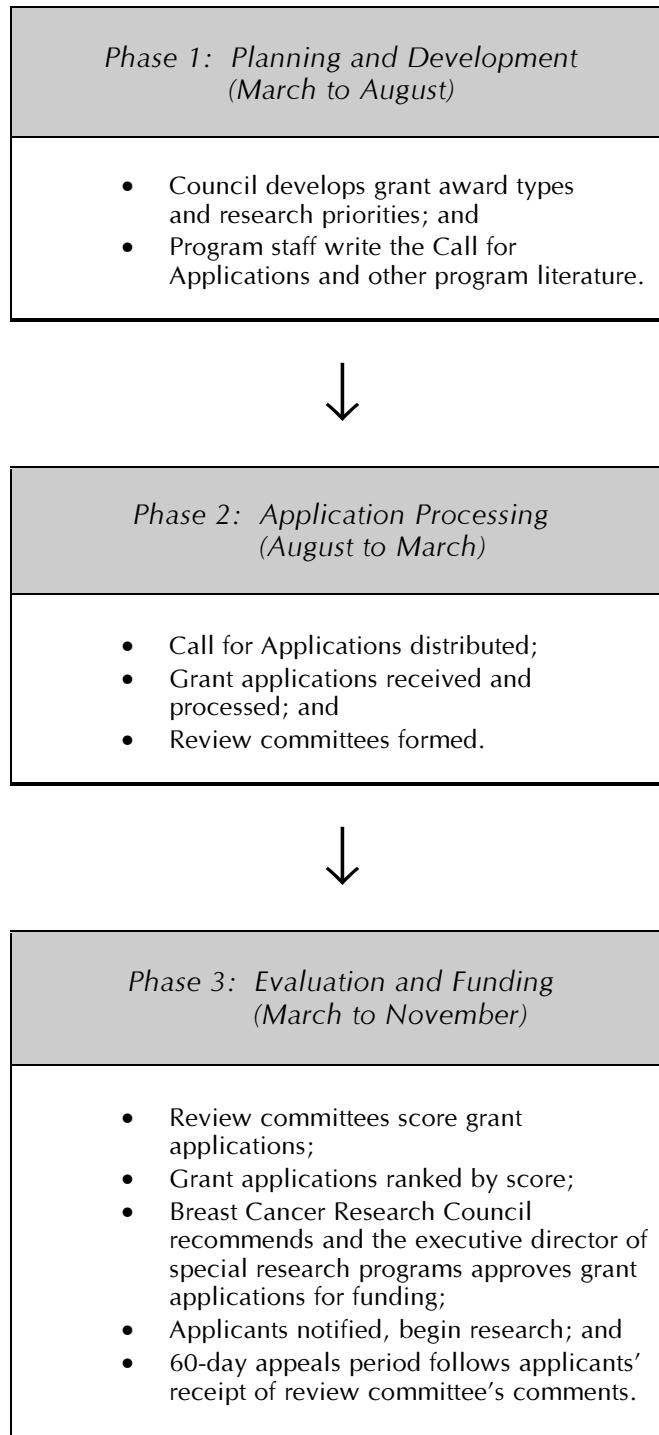
Grant Awards Cycle

As depicted in Exhibit 1, each grant awards cycle consists of three phases: planning and development, application processing, and evaluation and funding. During the first phase, the council determines its research priorities after considering research supported by federal and local funding, the program's previous experience, and input from interested parties. The council then determines which types of grants the program will fund, such as postdoctoral fellowships, innovative treatment and models of care, or community-initiated research collaboration pilots.

Each grant type has one or more unique features, such as the length of the project, the maximum dollar award, or the required researcher time commitment. In addition, a grant type can be established to study only one particular aspect of breast cancer or a wide variety of issues.

Exhibit 1:

Grant Awards Cycle



Program staff announce award offerings throughout the State via the 'Call For Applications' (call) during the second phase. The call contains a brief description of each grant type, the application deadlines, and the means of applying. Applications are generally due in January. The staff groups the applications by subject matter to assist in forming review committees. Review committees, composed of qualified researchers and breast cancer patient advocates, convene during each funding cycle to evaluate the applications for scientific merit and other relevant criteria, such as innovativeness and focus on underserved populations.

In the third and final phase of the funding cycle, the review committees gather to score all the grant applications. Subsequently, the program staff use the scores to rank the applications and present the rankings to the council, which then selects those applications it recommends to the executive director of special research programs for award. The executive director has final approval over grant funding by authority delegated to him in April 1997 by UC's vice president of health affairs.

All applicants are notified of their status, generally at the end of May. Successful applicants receive a summary of review committee comments intended for incorporation into their research. Unsuccessful applicants also receive the review committee's comments to strengthen any subsequent applications. Awards are made with a June 1 start date.

Scope and Methodology

In 1996, the Legislature approved Assembly Bill 2915, requiring an audit of the program's third funding cycle in fiscal year 1996-97. The bill mandates that the Bureau of State Audits (BSA) evaluate UC's controls to ensure they minimize any potential conflicts of interest arising from its dual role as program administrator and grant recipient. The bill also directs the BSA to determine whether UC's controls adequately safeguard program funds and assets. This audit follows up on a prior program audit reported in April 1996.

To understand the process UC used to award grants, we interviewed staff in the Office of Health Affairs in the UC Office of the President. In addition, we reviewed applicable laws, regulations, and UC policies. To check for clarity and consistency with its policies, we also reviewed the materials UC uses to solicit applications.

To determine whether UC's process for awarding grants was unbiased and equitable, we reviewed the qualifications of the review committee members and the program's criteria for evaluating grant applications. We also attended two grant review committee meetings and a council meeting and examined scoring methods for several applications. Furthermore, we analyzed the awards made in all three grant cycles to see whether a disproportionate number were awarded to UC campuses and affiliated institutions.

Finally, to determine whether UC's administrative controls over program funds were adequate, we acquired an understanding of UC's policies and regulations. We then reviewed program travel and entertainment expenses for reasonableness and conformity with UC's policies and regulations. This portion of our audit specifically addressed issues from our April 1996 audit report.

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Analysis

The Grant Awards Process of the Breast Cancer Research Program Is Equitable, but Some Procedures Need Improvement

Summary

During our review of the Breast Cancer Research Program (program), we found that, overall, the University of California (UC) appears to have an equitable grant awards process. In addition, our analysis of awards to UC and its affiliates did not detect a bias in favor of these applicants. However, we have certain concerns with the program's policies and procedures. For example, the program does not require signed conflict-of-interest statements or consistently apply its responsiveness policy. In addition, authority over the program's appeals process rests with one person who is not independent of the decision to approve funding originally, and the program has not established procedures for its wild card grants. Furthermore, a formal policy for retaining documents produced as a part of the review process has not been established. Finally, the program has improved its administration of travel and entertainment expenses.

Background

In 1996, at the request of the Legislature, the Bureau of State Audits (BSA) performed an audit of the program focusing on its first funding cycle, covering fiscal year 1994-95. In our report titled *“University of California: The Award and Administration of the Tobacco and Breast Cancer Research Grant Programs Need Improvement,”* we reported that UC was not able to demonstrate whether grant awards were equitable because it did not retain documents produced during the awards process. However, UC's practice is consistent with that of the National Institutes of Health.

Our analysis of the awards from the program's first funding cycle demonstrated that 77 percent of award dollars went to four institutions, including UC and its affiliates.¹ However,

¹ UC affiliates include Lawrence National Laboratories, Charles R. Drew University, Harbor/UCLA Medical Center, Cedar-Sinai Medical Center, and Northern California Institute for Research.

further analysis indicated that, although universities and research institutions were more successful in receiving grants, they did not receive a disproportionate share compared to the volume of Letters of Intent (LOI) they submitted. In cycle I, the program used a two-tiered screening process requiring applicants first to submit an LOI. A review committee evaluated the LOIs to select those most qualified to submit a full application.

Finally, our 1996 audit found that UC needed to improve its administrative oversight of the program. Specifically, we recommended that the program retain for three years the original scoring ballots and written comments prepared as a part of the review committee meetings. Also, we recommended the program reduce travel expenditures and strengthen its controls over travel and entertainment.

***Overall, UC's Awards Process
for Breast Cancer Research
Grants Is Equitable***

Our current audit determined that, overall, UC appears to have an equitable awards process. We based this conclusion on our review of program publications, observations of review committee and Breast Cancer Research Council (council) meetings, and comparison of reviewers' ballots with scores in the program's database. In addition, we examined the number of grant applications and awards to UC and its affiliates for all three funding cycles and compared these amounts to the total dollars the program awarded.

***Program Literature Is Widely
Available to Potential Grantees***


*The program actively
promotes research grant
opportunities.*

Through our review of program literature, we found that the program actively promotes its research grant opportunities to a broad audience and supplies sufficient information to potential grantees. Specifically, grant materials are widely available via mass mailings, the World Wide Web, and personal contact at conferences and meetings program staff attend. The program does not appear to limit the distribution of material to a few preselected parties. In addition, the program produces literature that explains its grant process. For example, program literature describes its purpose, the grant types available, and the evaluation and scoring process.

Therefore, UC can reach a wide range of potential applicants and provide them with clear instructions for submitting grant applications.

Application Evaluation and Scoring Are Fair and Generally Consistent With Program Policy

Our observations of two program review committee meetings in April 1997 also support our finding that the awards process is not biased toward UC and its affiliates. Based on these observations and our understanding of program policy, we found the review committee meeting conduct to be fair and generally in conformity with program policy. We did, however, have some concerns with the program's policies and procedures, which we discuss later.

Review committee meetings focused on the scientific strengths and weaknesses of the grant applications.

During the meetings, reviewers assigned to perform in-depth evaluations focused on the scientific strengths and weaknesses of the grant applications, as well as the applications' relation to various other criteria, such as innovativeness and focus on underserved populations. The applicants' research affiliations did not appear to be the primary focus or means of evaluating the grant applications.

The reviewers also scored grant applications by marking a paper ballot. Every grant received a numerical score for each criterion the grant application is evaluated against. Program staff, using the program's database, input and averaged these scores, then ranked the grant applications by subject matter and grant type. To determine the accuracy of these processes, we compared the original score sheets for 15 grant applications to the database and recalculated the average scores. Based on our analysis, the data were entered and averaged correctly.

We also observed that each application received equitable treatment during the council's funding meeting in May 1997. It appeared that the council selected each application for funding based on the merits of its science and relationship to the program's priorities, not on the sponsoring research institution. It is the council's role to recommend to the executive director of special research programs grant applications for award. The executive director then gives final award approval. For the 1996-97 funding cycle, the grant applications selected by the council were funded as recommended.

***Awards to UC and Its Affiliates
Do Not Reflect a Bias***

As a final step in our audit, we compared the distribution of grant applications from UC and its affiliates to the total number of grant applications the program received. We also compared the number of awards made solely to UC and its affiliates to the total number awarded overall. Lastly, for all three grant cycles, we calculated the total dollars applied for and awarded to UC and its affiliates out of the total in each respective category. These analyses, tabulated in Tables 1 and 2, do not appear to show a funding preference favoring UC.

Table 1

***The Numbers of UC and Affiliates' Applications
Submitted and Selected for Funding***

Cycle	Total Applications Submitted	UC and Affiliates Percent of Total Applications Submitted	Total Applications Funded	UC and Affiliates Percent of Total Applications Funded
Cycle I (1994-95)	236	56%	78	51%
Cycle II (1995-96)	234	51	60	57
Cycle III (1996-97)	184	42	66	32
Three-Cycle Results	654	50%	204	47%

Table 1 illustrates that UC and its affiliates have submitted 50 percent of all the grant applications the program has received over the three grant awards cycles. This is reasonable considering UC and its affiliates represent nine UC campuses and several more large research institutions and medical centers.

In addition, Table 1 demonstrates that the program generally selects grant applications for funding for UC and its affiliates in proportion to the number of applications received. Specifically, in cycle I, UC and its affiliates submitted 56 percent of all applications. For that cycle, the program funded 78 grants in total, 51 percent of which were awarded to UC and its affiliates. For all three grant awards cycles, UC and its affiliates represent 47 percent of the 204 grants selected for funding, after submitting to the program 50 percent of all the applications.

Finally, as reflected by Table 2, the total amount awarded to UC and its affiliates has declined over the three grant cycles, from a high of 43 percent of all dollars in cycle I to 19 percent in cycle III. The decline in funding generally correlates with the decrease in the percentage of grant awards made to this group. As Table 2 indicates, UC and its affiliates were awarded only 36 percent of the total dollars, having applied for 42 percent of all the dollars requested. These analyses suggest no preference exists to select and fund grant applications from UC and its affiliates.

Table 2

UC and Affiliates' Total Dollars Applied for and Total Dollars Awarded (Amounts in Millions)

Cycle	Total Dollars Applied For	UC and Affiliates Percent of Total Dollars Applied For	Total Dollars Awarded	UC and Affiliates Percent of Total Dollars Awarded
Cycle I (1994-95)	\$ 71.8	47%	\$19.2	43%
Cycle II (1995-96)	59.4	40	13.9	42
Cycle III (1996-97)	40.5	35	14.7	19
Three-Cycle Results	\$171.7	42%	\$47.8	36%

UC Should Refine Its Grant Process

Even though overall the program appears to be administered in an equitable manner, we found weaknesses in the program's policies and procedures that may lead to inequities in the future. For example, although the NIH requires its reviewers to sign a conflict-of-interest statement, the program does not. Further, in the two review committee meetings we observed, the program did not consistently apply its responsiveness policy to two applications. This policy prescribes the appropriate disposition of applications that do not fully respond to grant requirements.


In addition, the program has not established procedures for evaluating its wild card grants, which the review committees believe the council would be interested in funding once minor technical flaws are addressed. Moreover, one person who is not independent of the decision to approve funding originally has the authority to make key decisions in the program's appeals process.

Finally, despite our recommendation in our April 1996 audit report, program administrators have not established a formal policy for retaining documents from the grant applications review process. These documents are critical for demonstrating that the review process is equitable. We address each of these issues below.


Reviewers Are Not Required To Sign Conflict-of-Interest Statements

As noted in the Introduction, the Health and Safety Code, Section 104145(c)(6), requires the program to “generally model” its review process on the one used by the NIH. The NIH requires its reviewers to sign a conflict-of-interest statement before allowing them to participate, yet the program does not require this statement at all. The program instead relies upon verbal admonishment and reviewer integrity to avoid conflicts of interest.

We found several mitigating factors. First, the program solicits review committee members from outside California but makes grant awards only to researchers in California, which minimizes potential conflicts of interest. In addition, the Review Committee Procedure Manual the program distributes to all reviewers contains its conflict-of-interest policy. This manual provides the guidelines review committee members use to evaluate grant applications.



The program relies on verbal reminders and reviewer integrity to avoid conflicts of interest.




Finally, review committee members were reminded of the policy in the two meetings we observed. While evaluating an application, one reviewer announced a conflict and left the meeting. This reviewer’s actions were consistent with the program’s conflict-of-interest policy.

These factors notwithstanding, it is always prudent practice to have committee members acknowledge, in writing, that they understand policy. Considering the importance of the members’ objectivity during the review process, it is in the program’s best interest to obtain signed conflict-of-interest statements. Obtaining such statements is a standard practice, and we can see no compelling reason for the program to not require signed statements from its review committee members.

***The Program Inconsistently Applied
Its Responsiveness Policy During
Grant Application Review***

Responsiveness is the first criterion each grant application is measured against. Program literature describes responsiveness as the manner in which the applicant explains how the proposed research addresses grant type requirements as well as one or more of that cycle's priority issues. The literature explicitly states that applications judged inappropriate for the grant type or nonresponsive to that cycle's priority issues will not be evaluated further. However, the program's actual practice differs from its policy.


*A review committee
treated two
nonresponsive grants
differently.*

We observed a review committee vote two grant applications as nonresponsive yet process each differently. The committee determined that one application was more responsive to another grant type and reassigned it, then evaluated and scored the application, making it eligible for funding. However, the committee disqualified the second nonresponsive application. Although the committee processed the second application according to the program's policy, this example illustrates that the policy is not always consistently applied.


We spoke with program staff about the apparent inconsistency. The program director stated that the two grant applications posed different problems for the review committee but were handled in a fair and consistent manner according to the program's practice. Specifically, the first application not only fit easily into a different grant type but was better matched to the other's priority area. Therefore, according to the program director, the committee was correct in switching the grant application and reviewing it. However, according to the director, committee members believed that the second application did not fit into any other grant type without significantly modifying the project's proposed duration and budget. Therefore, the committee voted the grant application nonresponsive and did not review it. The director acknowledged that switching the grant application in the first example was contradictory to the program's written procedure and agreed to revise the program's policies, apparently to reflect its practice of allowing greater flexibility in dealing with nonresponsive but meritorious applications. The switched application ultimately was not funded.

Clear Procedures for Processing Wild Card Grants Are Needed


During the planning for cycle III, program staff developed a wild card concept to handle grant applications the review committee finds technically flawed but that propose research the council finds interesting. However, the program did not develop the necessary policies and procedures to process wild card applications.

According to program staff, the wild card concept applies to applications with “relatively minor, or easily fixable, scientific flaw(s)” or those with an “especially novel approach” or “exceptionally high potential impact.” Program staff outlined the wild card concept for the council in February 1997, then introduced it during the cycle III review committee meetings. Initially, they proposed notifying the council of wild cards. The council would then have the option of funding them as is or requesting applicants to make changes within 30 to 60 days to address the council’s concerns and be reconsidered for funding.

The program staff’s proposal for processing wild card applications is unclear on several key points. Specifically, during a committee meeting where a wild card grant was identified, program staff indicated that the primary, secondary, and tertiary reviewers would meet to determine if the grant application’s flaws had been fixed. These reviewers are the three committee members assigned to perform a detailed evaluation of an application. However, the staff’s written proposal is not clear regarding who would reevaluate the wild card grants once the changes have been made. Secondly, the proposal allows an applicant between 30 and 60 days to make changes to a grant application, but it does not establish a deadline to be applied consistently to all wild card grants. While it is reasonable for program staff to develop strategies to “identify and (fund) the most innovative and promising grants,” these strategies require more detailed guidelines to ensure consistent treatment. Without these, the program risks treating applicants unfairly.



Without detailed guidelines, the program risks treating “wild card” applicants unfairly.




The Individual Who Has Authority Over the Program’s Appeals Process Is Not Independent of the Decision Being Appealed

The program has developed an appeals procedure that allows applicants to question funding decisions. We reviewed the procedure and determined that much of its authority lies with

one individual, the executive director of special research programs. The executive director oversees several of the research programs administered by the Office of Health Affairs within the UC Office of the President, including the Breast Cancer Research Program.

Specifically, the procedure requires all appeals to be submitted in writing to the executive director who decides if they are “reviewable under the program’s appeals policy.” The program has defined the grounds on which an applicant can appeal as an “alleged error in or deviation from stated procedure (e.g., undeclared reviewer conflict of interest or mishandling of an application).” If reviewable, the appeal is sent to a two-person committee appointed by the executive director. The committee then provides a written decision as “advice” to the executive director, who makes the final decision. Moreover, the procedure states that “no further appeals within the University of California are available.”



The program’s executive director both approves grants for funding and has authority over program appeals.

Generally, we would expect an appeals procedure to be administered by a group or individual who is separate from the decision being appealed. However, currently, the executive director approves grants for funding and plays a part in every step of the appeal. He has authority to review the initial appeal, determine its merit, appoint an appeals review committee, and render a final decision. Considering the executive director’s close involvement with the program and oversight of the appeals process, there is opportunity for him to develop an actual or perceived bias, which may limit an appeal’s outcome. As a result, the program may miss an opportunity to correct earlier decisions or ultimately to improve its overall grant applications review process.

The Program Has Delayed Creating a Formal Records Retention Policy

As stated previously, we concluded in our April 1996 report that UC was not able to demonstrate the equitable allocation of grant awards by the program because UC did not retain documents produced as a part of the awards process. UC’s practice is the same as that of the National Institutes of Health. The Legislature’s second audit request indicates that it remains concerned with ensuring that this process is unbiased. In our April 1996 report, we recommended that the program retain for three years the documents created during the grant review process, including original scoring ballots and reviewers’ written comments. These documents are critical for demonstrating that the review process is equitable. Although these cycle III records were available for our review, the

program has delayed final action on its records retention practices. Moreover, UC, in its most recent report on implementing the April 1996 audit recommendations, stated: "Should this second audit find that the current procedures are satisfactory to ensure unbiased and equitable results, the argument in favor of routinely retaining documents for three years may be outweighed by the need to maintain the confidentiality and integrity of the application evaluation process by continuing the current practice."



We see no harm in retaining program documentation for future independent review.

However, the program fails to consider that our ability to assess accurately the grant process for bias rests largely upon the availability of the documents it routinely destroys. Furthermore, just because our current review did not reveal any serious problems does not mean that none will arise, and the program has not yet proposed any alternative independent verification of the accuracy of its scoring summaries. Finally, if the documents are confidential, as UC has asserted, they are protected by law, and there is no harm in retaining the information for future independent review. Therefore, our current determination regarding the equitable conduct of the program does not reduce the need for UC to retain its documents.


Program Administration of Travel and Entertainment Expenses Has Improved

In our April 1996 audit report, we raised questions about the propriety of certain travel and entertainment costs. In general, the program has taken steps to address the questions we raised. Specifically, we noted that the program paid thousands of dollars for its staff to stay at the hotel where the review committee meetings were taking place. Under UC's travel policy, this was considered "travel within the vicinity" of headquarters and required prior approval by the senior vice president of business and finance. The program had not sought or received this approval. As a result, we concluded that the costs of the hotel stays were not required for properly administering the program.

In response to our audit finding, the program instituted a policy for approving staff travel within the vicinity of headquarters. To determine whether the program was enforcing this policy, we identified all program staff who stayed at the hotel for the cycle III review committee meetings and found that each had the appropriate approval prior to his or her stay.



The program reduced its per person daily meal costs from \$115 to \$79.



In our April 1996 audit report, we also noted the program spent up to \$115 in meal costs per person, per day, for its review committee meetings. The \$115 exceeded costs allowable under UC policy. To determine if the program had reduced its meal costs for cycle III, we examined those costs for its six review committee meetings held during April 1997. We calculated that the program spent an average of \$79 per person, per day, for meals. This average includes costs for catered breakfasts, lunches, refreshments, and a \$26 dinner allowance. Not reflected in this average is an additional \$1,750 in rental fees for the rooms in which lunches were served. Even though the \$79 exceeds UC's current entertainment allowance of \$52 per person, the program obtained prior approval to incur these costs. Therefore, it has demonstrated some improvement in this area.

Finally, in our April 1996 report, we also recommended that the program minimize travel expenditures and document the savings a traveler can realize by exchanging lower airfares for extended lodging costs. If a review committee member secures a restricted low-rate airfare requiring a Saturday night stay, then it is the program's policy to pay an extra night's lodging costs. However, during the previous audit, the program could not demonstrate any savings associated with this policy because it did not document the saving in airfare compared to the additional expenses.

We examined program documentation for a select number of reviewers who stayed over on a Saturday night for cycle III committee meetings and validated the full-coach airfare as well as the actual fare paid. For each item reviewed, we determined that the program did save on airfare in excess of the additional lodging expense, sometimes by as much as \$1,100. In addition, the program has begun to schedule some of its committee meetings over a Sunday and Monday. By doing so, the program automatically reaps the benefits of lower airfares and does not incur additional lodging expenses in order to obtain the fares.

Recommendations

To further improve the administration of its grant awards process, the Breast Cancer Research Program should:

- Obtain signed conflict-of-interest statements from its review committee members;

- Implement its proposal to clarify procedures for nonresponsive grants;
- Establish and implement procedures for grants identified as wild cards;
- Assign a group or individual separate from the person who approves grants for funding to receive and opine on program appeals; and
- Retain for a minimum of three years the review committee members' original scoring ballots. These documents provide much of the evidence that the grant awards process is equitable. Alternatively, the program should arrange for an independent annual verification of the accuracy of its scoring summaries.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: November 13, 1997

Staff: Lois Benson, CPA, Audit Principal
Sharon L. Smagala, CPA

Response to the report provided as text only

UNIVERSITY OF CALIFORNIA

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October 30, 1997

Mr. Kurt R. Sjoberg
State Auditor
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

Enclosed is the University of California's official response to the California State Auditor's report on the University of California's administration of the Breast Cancer Research Program. We understand our response will be incorporated into the audit report that is released.

Sincerely,

Richard C. Atkinson
President

Enclosure

cc: Provost C. Judson King
Senior Vice President V. Wayne Kennedy
Vice President Bruce B. Darling
Vice President Cornelius L. Hopper

THE UNIVERSITY OF CALIFORNIA'S RESPONSE
TO THE REPORT ON THE STATE AUDIT OF THE
BREAST CANCER RESEARCH PROGRAM

AUDIT FINDINGS

In 1996, the Bureau of State Audits (BSA) conducted an audit of the Breast Cancer Research Program. Former Assemblywoman Barbara Friedman called for a second state audit of the Program (AB 2915, 1996) primarily because the BSA concluded that they were unable to determine from the first audit whether University of California was fairly and equitably administering the Program's grant application review and funding processes. The BSA's conclusion in this report of the second audit was that these processes have indeed been fair and equitable. The BSA also concluded that the University had implemented internal controls on expenditures as recommended in the first audit report. The BSA's second report contains five recommendations for procedural improvement which are addressed below.

AUDITOR'S RECOMMENDATIONS AND UNIVERSITY'S RESPONSES

The following are the BSA's recommended changes in the procedures for administering the Breast Cancer Research Program and the University of California's responses to these recommendations.

1. Recommendation: The Program should require grant application reviewers to sign a statement indicating their agreement to notify staff of any actual or perceived conflicts of interest.

Response: The audit report noted that Program staff consistently reminded reviewers to reveal any conflicts of interest and to recuse themselves from discussing and voting on applications with which they had conflicts. Moreover, the BSA observed one reviewer recuse himself on an application. Reviewers have been required to sign a statement pledging to adhere to all Program policies and procedures detailed in the review manual, including conflict of interest. The Program will add to this statement an explicit reference to the conflict of interest policy in the review manual.

2. Recommendation: The Program should implement its proposal to clarify procedures for nonresponsive grants.

Response: The BSA believes that the Program applied its criterion of responsiveness to award mechanism requirements differently in two instances. As a standard feature of the application review process, the review committees were asked to consider whether each application met the criteria for the award type for which it was submitted. The committee that reviewed the applications in question considered them to be nonresponsive to the award types for which they had been submitted. The committee decided to evaluate one of these applications in a different category, but not to review the other. Although the committee dealt with the two applications differently, each decision was made rationally and was consistent with the criteria for the respective award types and the Program's practice. The Program has revised its written policy to

reflect its practice of permitting reviewers flexibility in dealing with nonresponsive but meritorious applications.

3. Recommendation: The Program should establish standard procedures for review committee and Council consideration of “wild card” applications.

Response: The Program will document standard procedures that will be used in the current grant cycle (1997-98) and future cycles.

4. Recommendation: Assign a group or individual separate from the person who approves grants for funding to receive and opine on program appeals.

Response: The appeal process will be administered by a University official who is not involved in the funding decision. This person will determine whether an appeal meets the criteria for a hearing, appoint and receive the recommendation of an appeal committee, and decide whether or not to grant the appeal.

5. Recommendation: The Program should retain for a minimum of three years the review committee members’ original scoring ballots. These documents provide much of the evidence that the grant awards process is unbiased and equitable. Alternatively, the program should arrange for an independent annual verification of the accuracy of its scoring summaries.

Response: The primary purpose of this audit was to determine whether the Program’s application review and funding processes were fair and equitable. The BSA’s conclusion, based on the evidence collected, was that the process was indeed fair and equitable, suggesting that there is little need for additional internal controls. The University nevertheless appreciates the BSA’s recommendation that the public interest would be served by implementing such controls to verify the accuracy and integrity of the reviewers’ scores. This need must be balanced, however, against the public’s interest in maintaining the confidentiality of these scores and in controlling administrative costs. The University will develop and implement a cost-effective procedure for independent verification that the summary scores used in annual funding decisions are true and accurate representations of the scores assigned by the reviewers. Furthermore, the Program will formalize its policies regarding the retention of documents, including the reviewers’ original score sheets.

The University appreciates the BSA’s suggestions for improving its administration of the Program. The University also wishes to acknowledge the interest that the staff of the BSA displayed in gaining a full understanding of its administrative policies and procedures by expending the time and effort to observe first-hand the entire grant application review process.

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