

**BHRC Financial Audit
Recommendations and Action Plan**

	A	B	C	D	E	F	G
1	Topic Area	Description of Issue(s)	Recommendation	Action Plan	Responsible Person	Due Date	Imple - mented
2	Contracts / Grants	Per confirmation with Lorraine Twerdok, contractual/grants agreements exist between API on behalf of the BHRC consotium and the various studies/items listed above with the exception of Fudan University – Epidemiology Case Control Study and QA/QC Support. Outside Legal Counsel costs are contracted separately through API and charged back to the study. Although there was not enough time to review individual contracts, an overview of project activities, estimated costs, contract time period, milestones, and other associated activities should be stated in each contract. API and BHRC Committee should consider reviewing all contracts and obtaining contracts for Fudan University and QA/QC Support.	Review and or rewrite (if necessary) the contracts to include and/or exclude addendums, attachments, letters, etc. related to the SHS.	1. To bring BHRC up to date, do a paper explaining budget changes from Jan 01 to Dec 01 Budget. 2. For future budget changes, the process will be: (1) written request from contractor (2) brought to TC Budget Work Group for a recommendation to the OC (3) OC approves/does not approve, (4) decision communicated to contractor via writing and communication attached to contract and API takes appropriate contractual actions. 3. Review all contracts.	1. History paper: Bruce 2. Future Process: OC API staff person 3. OC review contracts	Sept 30 03	1. Complete 2. Process agreed 3. Contracts reviewed; will be amended at renewal date
3			Contract should be obtained for Fudan University	Contract in place for 42K. Need to revise contract for full amount.	Bruce	YE03	
4			Contract should be obtained for QA/QC (External Pathology Review) support.	Not applicable - In UCSHC grant			Not actionable
5			To further assist in obtaining confidence and controls that the approved budgeted project will not exceed \$22,789,300, the committee may want to consider obtaining a letter/agreement from API stating such and list the possible activities and costs that may exceed the current approved budget.	Technical Committee has responsibility to monitor research and OC the legal, PR and API expenses. API has responsibility to provide data for review. OC has overall responsibility for budget. Need to formally communicate to contractors the need to stay within budget.	OC has responsibility to communicate to Pls (Irons, Wong and Fu). Don	YE03	
6	University of Colorado (UCHSC)	The University of Colorado (UCHSC) study operates under a grant which encompasses the DP and ME studies which totals \$15,258,000. This represents approximately 67% of total project costs. As of December 2002, API has paid on behalf of the consortium \$7,515,759, as agreed, with another scheduled payment of \$5,040,261 due August 2003. As of March 2003, API reports UOC has spent \$4,136,955 leaving UOC with a balance of \$3,378,795.	Although grants are regarded differently, API and BHRC committee should consider addressing the following questions:				
7			Will projected funds be used?				
8			Should payment schedule be revised so that UOC is not holding large cash balances?		OC	Sept 30 03	

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1

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9			Is interest collected on excess funds and are they contributed back to the study as to supplement costs?	Actioned	Bruce	Sept 30 03	Interest is collected. Bruce has action to request that \$ be applied to study costs.
10			Is UOC able to provide specific documentation, such as invoices, etc. if needed?	Ann Louden - U C	Bruce	Sept 30 03	
11			Who audits the UOC financial tracking of study?	Ask if UC is audited and, if so, may we have a copy of report? Grant specifies right to look at financial records.	Bruce OC will decide whether to audit or not.	Sept 30 03	
12	University of Colorado (UCHSC)	Progress reports are sent to API twice a year. Costs for a separate Fudan University project, Richard Irons project and EMBSI costs are currently included and tracked by UOC. API mirrors the data reported by UOC and has no means of validating actual expenses to make sure the consortium is not charged twice.	It is recommended that API, as project administrator, validate the expenses incurred as reported from UOC's progress reports via an audit proposed by the consortium. To avoid possible duplication of costs, validation is required to make sure the same type of cost included in UOC's project is not the same as the projects costs tracked individually by API.	Need to distinguish details of work effort between Fudan contract and the UC subcontract with Fudan. Need specific invoices from Fudan for contract. Need this information to finalize Fudan contract.	OC will decide whether to audit or not.	YE03	
13	Financial Tracking	Currently API uses a contract management tool to track costs associated with the study, which is updated by the financial department at API. Once updated, Paula Podasky receives the data from finance and uses the data to report costs that go against the contracts for reporting actual expenses incurred for all studies except for UCHSC (explained above). Currently there are various formats and time periods used to report various financial study data and project financial summaries. Currently it is difficult to get a financial picture at any given time. Actual as well as budgeted data constantly changes. This information should be tracked monthly or quarterly to maintain stability. A financial tracking tool or format is necessary that can easily be updated by a finance person. Note: During the review there was not an opportunity to address who reviews/approve expenses associated with the study under API's responsibilities.	It is recommended BHRC committee set a specified time frame for periodic updates (monthly, quarterly, etc.) and an agreed upon format for each Benzene Study item which will present a financial picture at any specified time.	TC will recommend to OC a quarterly schedule for financial reporting for reports as of March 31 (due April 1), June 30 (due Aug 1), Sept 30 (due Nov 1), and Dec 31 (due Feb 1). A spreadsheet workbook format will be recommended to OC.	API generates reports; TC reviews and provides to OC for review and approval.	1st report for 3Q03.	

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2

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14			(See attached file entitled “ <u>Benzene-API Executive Summary</u> ” Exhibit A for suggested Executive Summary format for overall project and file “ <u>Benzene-API – Applied Health Study</u> ” - Exhibit B is a suggested format for reporting individual project items – example is for Applied Health Sciences Study.)				
15			It is further recommended, if necessary, an additional process audit review to interview API finance department to understand processing of expenses under API’s responsibilities. This includes all except UCHSC. There does not seem to be an easy way to get drill down information on any of expenses paid. Backup of expenses paid on the project should be easily identifiable as to what was spent on the project.	1. API process: Invoice comes to contract manager to approval and coding. Invoice sent to API finance department for check to be paid. Entered into API financial records. Contract manager gets copy of API financial reports. Action: OC decide to accept process or commission a validation. 2. Do not change financial records: make adjustments in next report with a note explaining change.	1. OC API	1. 3Q03 2, Implement immediately	
16	Budget Revisions	Various budget changes have occurred since the beginning of project in 2001, with the most recent changes documented via e-mail dated June 19, 2003 from Lorraine Twerdok to the BHRC Oversight and Technical Committees. Some committee members were not aware of the changes. For example Fudan University cost went from \$190,555 to \$661,000. Although the overall budget did not change, there was no approval process by the committee to accept changes. API received a one-page summary of figures with no clear explanations for increases from Fudan.	It is recommended a mechanism for documenting changes be implemented immediately that has the approval of the committee in writing to API before budget changes are made.	For future budget changes, the process will be: (1) written request from contractor (2) brought to TC Budget Work Group for a recommendation to the OC (3) OC approves/does not approve, minutes will serve as documentation. (4) decision communicated to contractor via writing and communication attached to contract and API takes appropriate contractual actions.	OC	Implement immediately	Process agreed. Needs to be formally captured in minutes.
17	Documentation / Backup	Record keeping at API is based largely on manual data received. API should have a contingency plan in place to back up manual and system data in cases of emergency.	It is recommended API review and validate data backup process.	API maintains a paper copy master file; Electronic copies are maintained and API does daily electronic backups. Process has been written and put on the web. No Action.			Complete