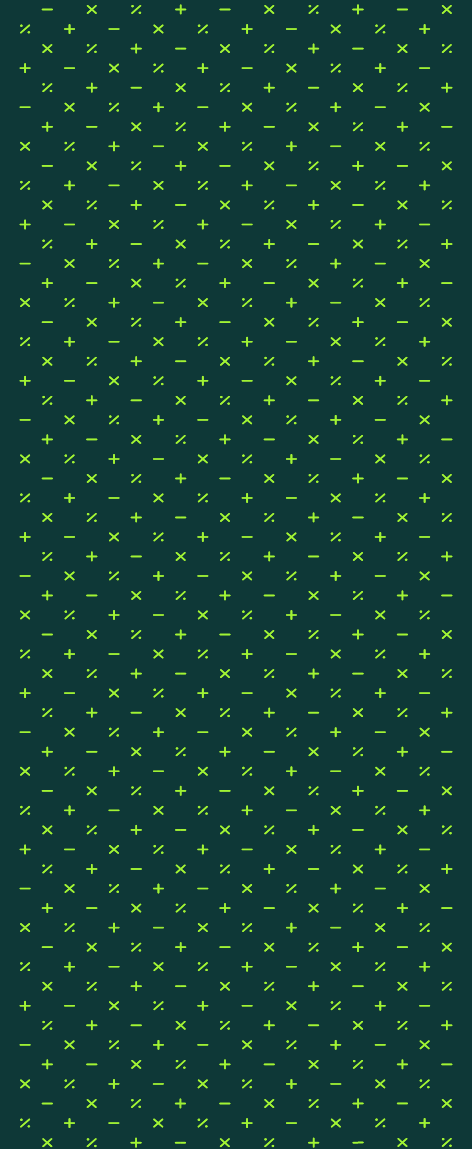




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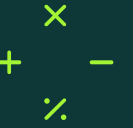
CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE 2023 Performance Audit

January 2024





Agenda



01 Scope & Methodology

02 Commendations

03 Performance Audit Results



Performance Audit Scope

- CIRM is required by Prop. 14 to commission a performance audit every three years to examine the functions, operations, management systems, and policies and procedures of the agency under Generally Accepted Government Auditing Standards
- The performance audit assesses the economy, efficiency, and effectiveness in the employment of available resources as well as policies and procedures for the issuance of contracts, grants, loans, and the protection and treatment of intellectual property rights associated with research funded or commissioned by CIRM

This performance audit of FY22-23 had three areas of focus:

- 1. Assessing compliance of CIRM policies and procedures with applicable regulations and laws and provisions of Prop 14.
- 2. Assessing compliance of CIRM processes with its policies and procedures and testing key internal controls.
- 3. Evaluating functions, operations, management systems, and policies and procedures to determine whether CIRM is achieving economy, efficiency, and effectiveness in the employment of available resources.



Methodology

- Interviews: We conducted interviews with staff and leadership across CIRM to gain an understanding of the Organization's current operating environment.
- Document Review: We reviewed documents including policies, procedures, reports, guides, and other materials to enhance our understanding of CIRM's current state and practices.
- Process Walkthroughs: CIRM staff demonstrated processes associated with core functions and systems step-by-step for our observation.
- Detailed Testing: We sampled and tested 25 grants, 20 grant applications and reviews, and 35 contracts to test for compliance with policies and procedures and integrity of core functions, including reviewing for alignment with awards, Prop 14 provisions, and other regulations.



Commendations

- Resilient, mission-driven employees
- Enhanced project and operations management
- Strong grants management practices
- Internal service restructuring
- Emphasis on diversity, equity, and inclusion
- Investment in streamlined operational reporting



Performance Audit Results

13 findings:

- Leadership
- Operations
- Planning and Program Development
- Human Resources

Themes:

- Resilient, highly dedicated team
- Strong grants management practices; no compliance findings
- Update policies and procedures to match current business processes
- Make intentional investments to mature the human resources function

Findings and Recommendations

Leadership		
1	Finding	Eleven staff members currently report directly to CIRM's Chief Executive Officer (CEO), versus the industry standard of four to six, which presents a risk to the capacity of the executive role.
	Recommendation	Alongside the search for a new CEO, explore organizational structure options to reduce the CEO's span of control and align similar functions.
2	Finding	The Independent Citizens' Oversight Committee (ICOC) is large, comprising 35 members, and meetings are held in a hybrid environment. Both of these factors present potential risk to full board engagement and productivity.
	Recommendation	<ul style="list-style-type: none">A. Regularly assess hybrid meeting practices, board member engagement, relationships among board members, and meeting effectiveness to identify opportunities for continuous improvement. Consider implementing procedures to encourage meaningful dialogue in ICOC meetings while balancing the time required to discuss agenda items.B. Continue to leverage committees and working groups to engage board members and conduct in-depth governance responsibilities at the committee level.



Findings and Recommendations

Operations		
3	Finding	Although sampled sole-source procurements complied with CIRM policies, F\$SCal system limitations resulted in CIRM inconsistently recording sole-source contracts within the procurement module, leading to opportunities to improve contract recording and enhance transparency in the sole-source contract monitoring process.
	Recommendation	<ul style="list-style-type: none"> A. Develop a process to ensure sole-source contracts are consistently recorded in F\$SCal for reporting purposes. B. As a best practice, the Responsible Administrative Official's biannual report to the Governance Subcommittee and annual report to the Governing Board should be updated to increase transparency in sole-source processes given CIRM's reliance on these contract types.
4	Finding	CIRM's Loan Election Policy, located within the Grants Administration Policy for Clinical Stage Projects, contains references to outdated information that would impact the terms of a potential loan.
	Recommendation	<ul style="list-style-type: none"> A. Ensure that the Loan Election Policy is comprehensive and no longer references the outdated CIRM regulation 100801, or update CIRM regulation 100801 to ensure requirements are up to date. B. Replace references to the London Interbank Offered Rate (LIBOR) in CIRM regulations with an alternative benchmark, such as the Secured Overnight Financing Rate (SOFR).



Findings and Recommendations

Operations

5	Finding	CIRM's monitoring of grantee compliance with technology disclosure requirements, outlined in CIRM's Intellectual Property and Revenue Sharing Requirements for Non-Profit and For-Profit Grantees, continues to be largely ad hoc, which can create risk of noncompliance and negatively impact revenue sharing.
	Recommendation	Continue to submit disclosure surveys to awardees on a recurring basis (e.g., triennially), and consider developing a risk-based audit program to ensure appropriate reporting of technology disclosures.

Planning & Program Development

6	Finding	CIRM is in the process of developing and launching the Patient Support Program (PSP), which has inherent uncertainty related to financial sustainability of the Patient Assistance Fund (PAF), anticipated number of patients served, and program duration.
	Recommendation	As CIRM implements the PSP, it should conduct regular reporting to the ICOC on the number of patients served and average cost per patient as well as develop a data-informed evaluation of the PSP's possible reach and duration.



Findings and Recommendations

Planning & Program Development		
7	Finding	CIRM collects considerable amounts of data that is valuable to stem cell and regenerative medicine researchers. However, it has not established a data governance structure or process to collect, compile, or share this data, which would help advance its mission.
	Recommendation	Establish a data governance structure to capitalize on the reporting from grantees and facilitate data sharing capabilities for stem cell and regenerative medicine researchers.
8	Finding	As CIRM revived its operations and added new programs, leadership restructured some functions, which impacted workload distribution within and among teams. This has resulted in elevated workloads for specific groups of employees, which will likely continually evolve alongside CIRM's areas of focus.
	Recommendation	Incorporate a data-driven workload analysis that includes realistic timelines and staffing needs into annual operational planning to promote right-sized workloads among CIRM employees.
9	Finding	The pace of programmatic and operational changes at CIRM has led to challenges for staff in maintaining an understanding of priorities, workstreams, and awareness of agency operations.
	Recommendation	<ul style="list-style-type: none"> A. Adopt a standardized change management template and promote communication and accountability throughout all change processes. B. Create a culture of deliberate change management to ensure new programs and initiatives are effectively communicated, implemented, and adopted.



Findings and Recommendations

Human Resources		
10	Finding	CIRM has historically relied on manual and undocumented Human Resources (HR) processes, with minimal employee self-service options.
	Recommendation	A. Continue to pursue HR process automation and employee self-service opportunities through the full integration of BambooHR. B. Document key HR procedures in a centrally available location to ensure accessibility and consistency for CIRM employees.
11	Finding	Limited HR policy documentation, constrained HR personnel, and significant hiring needs following Proposition 14 approval resulted in delayed hiring and inconsistent new employee onboarding and training.
	Recommendation	Develop and document standard operating procedures (SOPs) for hiring and onboarding processes to promote a consistent experience. Where appropriate, differentiate onboarding plans for varying employee types to ensure the provision of appropriate information and training for new employees.



Findings and Recommendations

Human Resources		
12	Finding	Due to historical compensation practices, pay inequities may have developed between tenured and new employees.
	Recommendation	A. Complete the revision of the compensation policy to prevent future instances of pay inequity. B. In alignment with the new compensation policy, examine existing pay inequities among employees and develop a plan to remedy them as appropriate.
13	Finding	Many CIRM employees question the efficacy and consistent application of the current hybrid work policy, which may hinder productivity and employee morale.
	Recommendation	A. Evaluate the impact of CIRM's work from home (WFH) policy on employee productivity and determine the degree to which it is applied consistently and supports operational goals. B. Consider creating and documenting allowable exceptions to the WFH policy to support consistent application and transparency in how hybrid work is applied across teams.

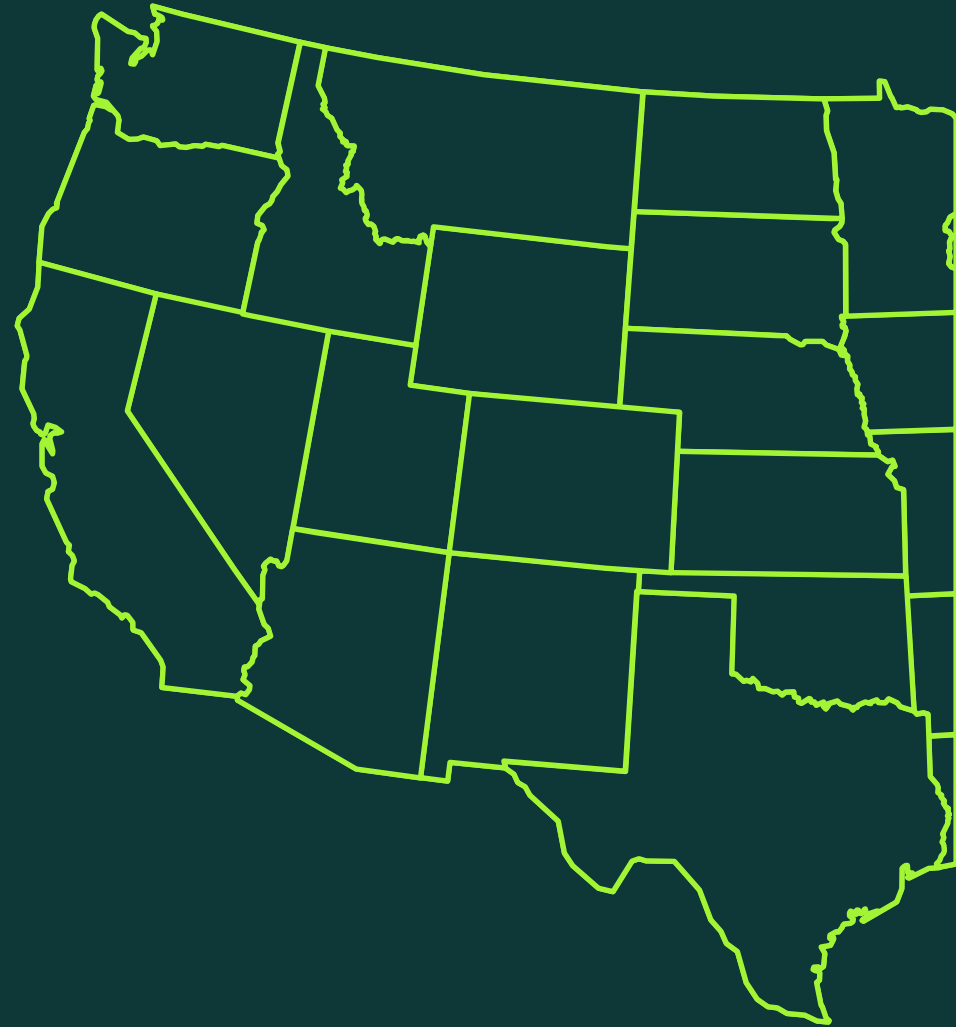


Progress Toward Prior Audit Implementation

Audit Period	Status	Notes
2019-20	In progress	5 recommendations in progress 3 recommendations complete 1 recommendation closed
2016-17	Complete	Validated/closed 4 open recommendations
2013-14	Complete	-
2010-11	Complete	-



Questions & Discussion



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