



**Canadian Health Services Research
Foundation**

Audit of Funded Projects

Final Report

**The Strategic Review Group
Le groupe de revue stratégique**

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Canadian Health Services Research Foundation (CHSRF)

Audit and Evaluation of CHSRF-Funded Projects

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Final Report

The report sets out the findings and recommendations from an audit of projects that have been funded by the Canadian Health Services Research Foundation (CHSRF). The first section of the report sets out the objectives of the review; section 2 presents the methodology; section three presents the findings and recommendations.

The mission of the Canadian Health Services Research Foundation is to sponsor and promote applied health systems research, to enhance its quality and relevance, and to facilitate its use in evidence-based decision-making by policy makers and health systems managers. The CHSRF has formed partnerships with co-sponsoring agencies in each province in order to be able to provide more funding to all health services and nursing research occurring in Canada.

1.0 Objectives of the Audit

The CHSRF was established in 1997. This audit was undertaken to provide CHSRF management with an early assessment of the organization's first two-to-three years of operation. The audit findings need to be considered within this context. It could be expected that all organizations would identify opportunities for adjustment during their formative years. By conducting this audit, the CHSRF has taken an important step toward improving its effectiveness to achieve its strategic objectives.

This audit was intended to provide CHSRF with assurance that the funds that they provide are being used for the purposes for which they were originally intended. The formal objectives of the audit were the following:

- To ensure that the funds from CHSRF and co-sponsors are being used for all purposes for which they were originally intended, that is, to increase the involvement of decision-makers in health and nursing research
- To assess the impact of CHSRF's reporting mechanisms, if any, on co-sponsor's accounting practices and resources.
- To identify the impact on the complexities of financial reporting and financial inputs of having multiple partners on various projects.
- To identify in-kind contributions in the conduct of CHSRF projects.

The findings from this audit are to be used by CHSRF in its ongoing interest to improve its control procedures and to develop sound accountability practices.

The study was also intended to provide CHSRF with advice and recommendations on the management and reporting of in-kind contributions in the conduct of their funded projects.

2.0 Scope and Methodology

The audit scope included the CHSRF program and project activities reflected in the project files. This represents approximately two-thirds of the CHSRF's overall financial activities. The remaining one-third of the CHSRF's activities involve many initiatives, such as consultation, communications, and information/education.

The study findings were based on a review of documentation, examination of all CHSRF project files, a detailed review of 25 files, and in-depth interviews with

principal investigators, administering organizations and co-sponsors of twelve of these 25 project files. Nine of the in-depth interviews were conducted during site visits, and the remaining three were conducted by telephone. In addition, we spoke with all CHSRF partner organizations involved in current projects.

The files included in the sample were selected randomly across different programs and locations across Canada.

Our team reviewed all CHSRF documentation related to program procedures and reviewed all the funded project files.

Interviews were held with all CHSRF personnel involved with project files to obtain their views on the CHSRF's current practices. We also contacted the following six organizations to discuss their practices related to in-kind contributions as part of funded projects:

- Canadian Tourism Commission (CTC)
- Social Sciences and Humanities Research Council (SSHRC)
- Natural Sciences and Engineering Research Council of Canada (NSERC)
- Canadian Institute for Health Research (CIHR)
- Canadian International Development Agency (CIDA)
- National Research Council of Canada (NRC)

While these organizations were not fully compatible with the CHSRF's organization and objectives, they did provide useful information related to the handling of in-kind contributions.

3.0 Findings and Recommendations

The findings from this audit and the recommendations are presented according to the four objectives set out in the terms of reference.

3.1 Strong support for the CHSRF

Interviews with all funding recipients indicated that they were open and accommodating towards this audit. They were willing to share information about their project and the management of that project, and were pleased to discuss all aspects of the application, approval, and monitoring processes. In many interviews, three or four of the research team members attended the meeting. This suggests that the teams had a positive view on sharing project information.

Interviewed *researchers* recognized that an audit is an integral part of the governance over funded projects. Many indicated that other funding organizations undertook similar studies, and that these were the “right thing to do.” *Co-sponsors* also indicated that audits are an important governance tool for funded projects.

Interviewees came prepared to answer the audit questions and had assembled documentation to support their comments.

Overall, interviewees were very supportive of the CHSRF’s objectives and would like to be even more involved with the Foundation in the future. They believed that transferring research knowledge to decision-makers is a very important function and that no other funding organization is promoting that objective as much as is the CHSRF.

Interviewees appreciated the opportunity to comment on the Foundation’s processes. They indicated that the approach of issuing a Letter of Intent to pre-qualify projects was particularly useful to optimize the effort needed to develop comprehensive applications. One interviewee characterized this approach as a “best practice.” Other comments are provided in the following sections of this report.

The findings indicate that this audit was well received, and that it is considered to be an important contribution to good governance.

3.2 Funds from CHSRF and co-sponsors are being used for the purposes for which they were originally intended

The findings indicated that funds are being used for the intended purposes. Comments provided during interviews were congruent with the project description in the application, and satisfactory project controls are in place. However, some interviewees questioned the Foundation's emphasis on financial reporting.

During discussions, research team members openly commented on the challenges they faced in managing their project. For example, one project that involved many hospital sites required that the project coordinator keep a close eye on the invoices submitted by those partnering hospitals. Others retained professional bookkeeping services to help monitor expenditures. The overall discussion and the description of the challenges indicated that the projects that were underway were consistent with those described in the corresponding applications.

Interviews with researchers and the Administering Organizations (AOs), and the review of documentation, indicated that expenses are recorded and verified. The AOs rely on the researchers to provide the expense information for the project. Once received, the AOs review the expenses against their standard criteria for expenses. For example, they ensure that air travel is not business-class or first-class, and that capital expenses are not submitted. Most AOs said that they had no knowledge of CHSRF's expense review criteria. However, they indicated that they would apply any criteria that were important to the Foundation, as part of their normal expense review procedure. The CHSRF does provide this information to AOs. The above finding strongly suggests that, in addition to providing the criteria, CHSRF should explicitly communicate these criteria to the AO's so that they can consider CHSRF's requirements when reviewing submitted expenditures.

Recommendation 3.2.1: The CHSRF should discuss its financial review criteria explicitly with AOs, as a separate item.

Only one AO indicated that the project funding amount was too small to require monitoring of expenses. One other researcher had experienced significant frustration with the AO's verification and fund release practices. These two incidences are completely different in nature, suggesting there is not a systemic problem with AOs. In fact, except for one of the two mentioned above, all AOs had in place satisfactory financial control mechanisms. For example, some of the universities conducted one review when approving the expenses and a second one during year-end annual reviews.

Overall, the findings indicated that the funds were being used for the intended project expenditures. In fact, interviews with researchers suggested that many projects may be *under-funded*. When asked about the use of funds, most researchers said that there was absolutely no opportunity to use the funds for other purposes because the funds received would likely not be sufficient for the approved project. Researchers provided concrete examples of cost increases that exceeded their original budget estimates. For example, collective agreements for nurses were increased by much more than the amount anticipated at the project budget stage. In other situations, unexpected data quality problems required that a specialist be retained for some component of the project. This finding indicates that researchers may be underestimating the costs of projects and that some projects may be under-funded. It is not clear whether the CHSRF's ceiling policy for funded projects is a factor contributing to underestimating research budgets. However, the foundation should examine whether that policy is causing an unintended negative impact.

Recommendation 3.2.2: The CHSRF should examine its current ceiling policy to ensure that it is not contributing to the approval of under-funded projects.

Many researchers and some co-sponsors expressed a different perspective on achieving projects' the intended purposes. They indicated that the CHSRF should focus primarily on monitoring the achievement of the projects' results -- that is, communicating research results to decision-makers -- rather than the projects' bookkeeping detail. These interviewees believe that the CHSRF enters into a transaction with researchers to produce research results and to disseminate those results. Researchers were agreeing to undertake the project for a given level of funding support. They viewed the grant as a more strategic commitment. They could not understand why so much of CHSRF's effort was allocated to tracking the financial details of the projects.

The *co-sponsors* in this group believed that the Foundation should emphasize the strategic-level aspects of health and nursing research, rather than the accounting level of research projects. They believed that an excessive focus on financial detail distracted the Foundation from focusing on more strategic issues concerning health and nursing research. *Researchers* did not see any value in forecasting expenditures, allocating expenses to sub-accounts, explaining variances to the Foundation, and balancing all the individual account groups, as required by the Foundation. They did not know what the Foundation was doing with all this financial information, and the Foundation had never contacted them to discuss those financial reports. Furthermore, they indicated that their AO was already doing much of this work for their own institution's financial control needs and, at times, on behalf of the Foundation. They felt that they were doing the work twice and did not understand the rationale. Furthermore, it consumed project resources and time, displacing effort that could be allocated to the more strategic tasks of information dissemination.

As indicated above, the research teams did have a good understanding of the use of funds for their project. Curiously, many had not yet given much thought to the “dissemination” component of the project, which is intended to be the most strategic objective of the grant. This further supported the view that researchers were focusing less on the strategic component of their projects than they should have been. Researchers indicated that they had originally been excited about the prospect of communicating their results to decision-makers. However, they believed that, once underway, the projects had become bogged down in bookkeeping and excessive financial reporting.

Our interviews with other granting organizations revealed that their emphasis was more on the research contents and the strategic objectives of the programs, rather the detailed financial aspects of the individual transactions.

Given that most AOs are monitoring and controlling expenditures and would be willing to apply the CHSRF’s own criteria, the CHSRF may wish to reconsider its own focus on detailed financial information.

Recommendation 3.2.3: The CHSRF may wish to either explain to researchers the added value of providing detailed financial information to the CHSRF, or reconsider the requirement for detailed financial information that it requests from researchers throughout the project.

3.3 The impact of CHSRF’s reporting mechanisms on co-sponsor’s accounting practices and resources

Co-sponsors indicated that the CHSRF’s reporting mechanisms did not have an impact on their own practices and resources. However, they require more clarity on what to expect from the Foundation.

Co-sponsors believed that the CHSRF’s reporting requirements from researchers were more detailed than theirs. They indicated that they were satisfied with a

“higher level” of reporting on financial transactions, and that they had no difficulties with the Foundation’s current reporting mechanisms.

However, co-sponsors indicated some concern over the Foundation’s approach to sharing information. They indicated they would like more clarity on what information they can expect to receive from the Foundation. They believed that their partnership with the Foundation became undefined once the project was approved. Specifically, they would like to know what project-specific information is to be provided by the Foundation, and in what format, and they wish to know whether they can expect to receive interim reports. These co-sponsors seem to have an expectation that the CHSRF receives interim research and dissemination information, and that this information should be shared.

An important consideration was that some co-sponsors wished to receive recognition for their sponsorship of the project, which is less visible to recipients once the project is underway. These were the co-sponsors that did not have direct contact with funded researchers, that is, third-party co-sponsors. Those who were actively involved in the research or who funded the projects directly were not concerned with their visibility or recognition for their support.

The details of information sharing could be addressed in the Memoranda of Understanding with co-sponsors.

Recommendation 3.3.1: The CHSRF should clarify the nature and frequency of the project-specific information it will share with third-party co-sponsors.

3.4 The impact on the complexities of financial reporting and financial inputs of having multiple partners on various projects

The CHSRF is well on the way to implementing control procedures for managing funds provided by partners and co-sponsors and ensuring the information reconciles with that in the chart of accounts for expenditures.

The Foundation has made significant progress in developing its financial management and reporting procedures. The current accounting and reporting of fund receipts, expenditures, and commitments are satisfactory. Financial information is organized and reported according to generally accepted accounting principles, and more development work is underway.

The Memoranda of Understanding (MOU) are an important guidance for reporting to partner organizations. Once the regular reporting requirements have been specified in each MOU and found acceptable to the partner/co-sponsor, CHSRF will be able to monitor on an on-going basis the total commitments and expenditures for each MOU. They will also be able to provide on an on-going basis a detailed accounting of grants awarded in partnership and co-sponsorship arrangements. If there is a need to add new co-sponsors, CHSRF will require little effort to include them in the accounting system.

The CHSRF intends to prepare standard management reports on funds they are managing for others and regular management reports for the Senior Management Team. The chart of account review project, planned for 2001, should consider information that will be required to support this reporting practice.

The formal costs and benefits of administering funds on behalf of co-sponsors have not been reviewed. However, given that the CHSRF has a clear objective to fund health services and nursing research in partnership with other funding organizations, these accounting capabilities are essential.

Overall, good progress has been made in enhancing the CHSRF's internal accounting and reporting procedures.

3.5 In-kind contributions in the conduct of CHSRF projects

Grant recipients are not recording in-kind contributions to the projects. This may not be a significant concern.

Many researchers indicated that identifying in-kind contributions at the outset of the project application process was a cumbersome task. However, they also recognized that these contributions were important to secure more support for the research. Some also indicated that estimating the in-kind contribution was a good discipline for identifying and valuing the administrative and overhead component of the project. They indicated that these project components were often undervalued or overlooked.

However, the in-kind contribution to projects was not being monitored and recorded throughout the project. Most researchers indicated that they would “guesstimate” the value at the end of the project. This finding indicates that the in-kind estimates provided by researchers on the Claim and Forecast Form were likely not accurate and not verifiable.

One researcher believed that they were not required to report on the value of the project’s in-kind contribution; three others had forgotten that their projects had an in-kind component.

These findings strongly suggest that reporting the in-kind component of projects is artificial.

The CHSRF now asks researchers to indicate at the end of the project that the in-kind contributions were in fact received. Increasing the rigour of the in-kind monitoring and reporting would increase the researchers’ project management workload, and not provide any relevant or useful information to the CHSRF.

Therefore, the current practice should likely remain unchanged.

Interviews with other funding organizations indicated that most did not expect recipients to account for the in-kind contributions. They believed that estimating in-kind components during the application stage was useful to broaden the interest in the project, but they did not require an accounting of in-kind at the project’s end. Only the Canadian Tourism Commission required an accounting of in-kind contributions, since these are a formal component of their accountability and reporting regime.

Overall, we could not identify any advantages to the researchers, the research projects, or to the CHSRF's strategic objectives that would derive from requiring an accounting of in-kind contributions. However, such a requirement would add to the administrative burden on research teams, who already feel burdened with detailed financial reporting.

4.0 Summary of Recommendations and Follow-up

Recommendation 3.2.1: The CHSRF should discuss its financial review criteria explicitly with AOs, as a separate item.

The CHSRF should begin implementation immediately. This task could be undertaken by Project Officers with direction from the Assistant Director, Corporate Services. It should be completed within six to nine months.

Recommendation 3.2.2: The CHSRF should examine its current ceiling policy to ensure that it is not contributing to the approval of under-funded projects.

The CHSRF should complete the assessment of its ceiling policy within six to nine months.

Recommendation 3.2.3: The CHSRF may wish to either explain to researchers the added value of providing detailed financial information to the CHSRF, or reconsider the requirement for detailed financial information that it requests from researchers throughout the project.

The CHSRF Senior Management Team should reach a decision on this matter within one month. Any change should begin immediately after the decision is taken, and should be completed within six months.

Recommendation 3.3.1: The CHSRF should clarify the nature and frequency of the project-specific information it will share with third-party co-sponsors.

The CHSRF should begin implementation immediately as part of the MOU development process. However, irrespective of the progress of the MOU development process, this recommendation should be fully implemented within six to nine months.

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