

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. The letters "U" and "C" are significantly larger than the other letters, and the "I" is a thin vertical bar. The "R" and "V" are also large, and the "I" and "N" are smaller. The "E" is the largest letter in the word.The text "INTERNAL AUDIT SERVICES" in a black, serif font, positioned to the right of the UC Irvine logo. The word "INTERNAL" is on the top line and "AUDIT SERVICES" is on the bottom line.

Conflict of Commitment Reporting:
UC Outside Activities Tracking System
and Academic Personnel Manual 671
Compliance

Internal Audit Report No. I2022-210

October 25, 2022

Prepared By

Darlene Nuñez, Senior Auditor

Reviewed By

Niran Joshi, Associate Director

Approved By

Mike Bathke, Director

October 25, 2022

**MARIANNE BECKETT
ASSISTANT VICE CHANCELLOR
ACADEMIC PERSONNEL**

**VALERIE DIXON
CHIEF COMPLIANCE & PRIVACY OFFICER
COMPLIANCE & PRIVACY OFFICE – UCI HEALTH**

**RE: Conflict of Commitment Reporting: UC OATS and APM 671 Compliance
Report No. I2022-210**

Internal Audit Services has completed the review of the Conflict of Commitment Reporting: UC Outside Activities Tracking System (UC OATS) and Academic Personnel Manual (APM) 671 Compliance and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Sincerely,



Mike Bathke
Director

Attachment

C: Audit Committee

I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2021-2022 audit plan, Internal Audit Services (IAS) conducted a review of conflict of commitment (COC) reporting through UC OATS and in accordance with APM 671 – Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants.

In general, controls and processes appear to be functioning as intended. Based on the audit work performed, some internal controls need improvement and should be strengthened to minimize risks, ensure compliance with University policies and procedures, and/or best business practices. Specifically, IAS notes the following concerns.

Reconciliation Spreadsheet – Discrepancies between the income for outside professional activities reported in UC OATS per APM 671 and Open Payments are not always noted and explained. This observation is discussed in section V.1.

Documented Procedures – There are no established procedures surrounding the reconciliation of outside professional activity income exceeding the threshold and physician payments reported through the Sunshine Act/Open Payments system. This is discussed in section V.2.

II. BACKGROUND

The Office of Academic Personnel (AP) oversees faculty annual reporting requirements for outside professional activities. Income earned from outside professional activities over the earning threshold set forth in the UC Irvine Health Sciences Compensation Plan (HSPC) may be retained with prior approval in accordance with the terms of APM 671, HSPC, and the School of Medicine (SOM) Implementing Procedures.

Implemented systemwide in 2018, UC OATS is a web-based electronic application where faculty members, deans, and academic administrators can report outside professional activities and income, and as applicable, in accordance with APM 671.

The Physician Payments Sunshine Act, also known as the “Sunshine Act,” and the related national disclosure program known as “Open Payments,” were designed to boost transparency around the financial relationships between physicians, hospitals, and drug companies. The Sunshine Act is a federal law that requires manufacturers of covered drugs, devices, biologics, and/or medical supplies to collect detailed information about payments and other “transfers of value” and to publish this information through Open Payments, a publicly accessible database of payments to physicians developed by the Centers for Medicare and Medicaid Services (CMS).

In conjunction with SOM, AP performed a review in 2021 of SOM faculty-reported income from outside professional activity. Based on disclosures in UC OATS, those

that reported income that exceeded the annual threshold were identified and were then compared with the income data reported in Open Payments. AP and SOM notified the relevant SOM faculty who then had an opportunity to review and correct, as needed, their over-the-threshold income amount. Those faculty then arranged a repayment plan with SOM Administration. Many agreed to repay the University by deducting the amounts owed from their upcoming HSCP bonus (“Z”) payments in their total negotiated salary for Academic Year (AY) 2021-22.

III. PURPOSE, SCOPE AND OBJECTIVES

The purpose of this audit was to perform a review of compliance by SOM faculty with regard to University policies and procedures on COC disclosures. The scope included review and sample testing of data from July 1, 2018 through June 30, 2020.

IAS reviewed physician payments per the Sunshine Act and reconciliation with SOM faculty member reporting requirements against SOM faculty members’ UC OATS income disclosure to assess compliance with APM 671.

The audit included the following objectives:

1. Obtaining an understanding of the reconciliation conducted by AP to evaluate and determine the adequacy of the review;
2. Reviewing the Dean and department assessment calculations to ensure accuracy and that those who exceeded the income threshold repaid the University; and
3. Verifying that plan limitations surrounding outside professional activity income is monitored.

IV. CONCLUSION

In general, the reconciliation between UC OATS and the Open Payments data appears to function as intended. However, AP could improve controls and processes by including more detailed information on the reconciliation spreadsheet and establishing written procedures.

IAS discussed observation details and recommendations with management, who formulated action plans to address the issues. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Reconciliation Spreadsheet

Background

IAS held discussions with AP and SOM key personnel and conducted sample testing to gain a detailed understanding of the review performed on outside professional activities income that exceeded the annual threshold. IAS reviewed supporting documentation such as the reconciliation spreadsheet, UC OATS screenshots of the income reported, and the repayment memos. IAS notes that data collected in Open Payments is during a calendar year whereas UC OATS data is during an academic year, so comparisons can be problematic.

Observation

The spreadsheet used to document the reconciliation between the over-the-threshold income reported in UC OATS and Open Payments could be enhanced to include more information. For example, if the income in UC OATS appears underreported compared to the income reported in Open Payments and the UC OATS income was still used as the threshold to calculate assessments, an explanation should be noted. Thus, the total assessments collected from faculty is clear and justified. Furthermore, notes for any pending items should also be documented to allow for timely follow-up.

In addition, there are no written procedures in APM 671 or in the HSCP and SOM Implementing procedures about how faculty may retain outside income earned over the threshold.

Management Action Plan

By December 31, 2022, management will revise the reconciliation spreadsheet to include explanations as to why the income in UC OATS appears underreported compared to the Open Payments income and yet was still utilized to calculate the threshold. Follow-up notes will also be included for any pending items. The reconciliation between the UC OATS and Open Payments data will be conducted annually on a sample basis.

Due date: 12/31/2022

2. Documented Procedures

Observation

While there are written procedures surrounding the assessment payment process for those that exceed the income threshold, there are no procedures regarding the reconciliation between UC OATS and Open Payments and the calculation of the

Dean and department assessments. Furthermore, the frequency of the reconciliation was not clear.

Without written and established procedures, management may be unable to ensure effective and consistent processing as well as continuation of workflow should a critical position become vacant. Formal documented procedures could also promote process improvement.

Management Action Plan

By December 31, 2022, AP and SOM management will establish written procedures surrounding the reconciliation between income reported in UC OATS and Open Payments, including how the information/data is obtained and the calculation of the Dean and department assessments. The reconciliation between UC OATS and Open Payments will be conducted annually on a sample basis and this step will be reflected in the written procedures.

SOM is also in the process of hiring a dedicated employee to oversee the HSCP which includes COC reporting.

Additionally, during AY 2023-24, with the target date of October 31, 2023, AP and SOM Administration will aim to work as partners to revise and seek appropriate UC Office of the President approval for the campus HSCP implementing procedures. The revised HSCP implementing procedures will reflect current campus processes regarding departmental assessments to over-the-threshold outside income and will document the process by which faculty may retain outside income that exceed the threshold.

IAS will also perform periodic audits of the reconciliation to ensure efficiency and accuracy.

Due date: 12/31/2022