

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES**

**School of Medicine
Health Sciences Compensation Plan
Project #16-013**

November 2015

University of California
San Francisco



Audit and Advisory Services

November 10, 2015

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Associate Dean
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SUBJECT: 16-013 Health Sciences Compensation Plan

As a planned internal audit for Fiscal Year 2016, Audit and Advisory Services (“AAS”) conducted a review of the Health Sciences Compensation Plan at the School of Medicine. Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed in October 2015 and the preliminary draft report was provided to management in October 2015. Management provided us with their final comments and responses to our observations in October 2015. The observations and corrective actions have been discussed and agreed upon with department management and it is management’s responsibility to implement the corrective actions stated in the report. In accordance with the University of California audit policy, AAS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

A handwritten signature in black ink, appearing to read 'Irene McGlynn', is written over a light blue horizontal line.

Irene McGlynn
Director
UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2016, Audit and Advisory Services (AAS) conducted a review of the Health Science Compensation Plan (HSCP) within the School of Medicine (SOM). The purpose of the HSCP is to provide a common administrative framework within which a participating health sciences school can compensate its faculty according to the competitive requirements of each discipline.

The Office of the President has issued the following policies concerning Conflict of Commitment and Outside Activities, effective¹:

- APM 025, Conflict of Commitment and Outside Activities of Faculty Members
- APM 670, Health Sciences Compensation Plan (HSCP); and
- APM 671, Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants

Revised APM 025 and APM 671 provide new guidance to identify and manage Outside Professional Activities (OPA) to ensure that when a faculty member participates in activities outside of the University, the activities do not interfere with fulfilling the individual's responsibilities to the University.

APM 671 governs Conflict of Commitment issues for members of the HSCP, including eligible recalled faculty, while APM 025 applies to all other faculty (including Health Sciences faculty who are not HSCP participants). The University needs to be informed about the time, effort and earnings of HSCP members and APM 671 provides guidance on how all earnings are treated under the plan. Eligible HSCP Faculty may engage in OPA up to a maximum of 384 hours (48 days) annually. They may earn a maximum of \$40,000 or 40% of scale 0 for their rank and step (whichever is greater)². In order to exceed these thresholds, advance request and approval must be obtained.

There are certain inherent risks associated with reporting of OPA's within the scope of implementing the HSCP, particularly limitations in the reporting methods and monitoring capabilities. Reporting of OPA is designed as a self-reporting system, so faculty members are expected to accurately and completely report all income generated through outside activities and the time dedicated to OPAs. Inherent within this system of reporting is the risk that a faculty member could intentionally or unintentionally withhold or misreport OPA because at present there is no process that will detect omissions or errors. Additionally, there is no requirement or expectation that the parties which are responsible for the implementation of the HSCP will perform monitoring activities apart from reviewing faculty members' OPA reports. The policies that govern the oversight process are designed by the Office of the President and the Office of the President is aware of these risks. AAS acknowledges the existence of these risks and did not design any audit test steps to address them.

¹ APM 025 and APM 671 have an effective date of July 1, 2015. APM 670 has an effective date of July 2, 2012.

² Scale 0 is the minimum salary scale used in the HSCP. Scales 0 -9 are used to establish minimum salaries for faculty within the HSCP based on the Academic Program Unit assigned by the department and the faculties' rank and step.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess whether the HSCP at five SOM departments: Anatomy, Laboratory Medicine, Microbiology and Immunology, Obstetrics and Gynecology, and Psychiatry is implemented and administered in accordance with UC policies. The scope of this review included current SOM implementation procedures, and payroll and general ledger records for the SOM's five selected departments.

Procedures performed as part of the review included interviews with relevant personnel from the departments and the Dean's Office, assessment of the adequacy of the HSCP to comply with University policies, verification of the accuracy and timeliness of accounting transactions and validation that required OPA reports were submitted by faculty members for FY14.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in October 2015.

III. SUMMARY

Based on work performed, the SOM departments' HSCP was generally compliant with University policy. We noted opportunities for improvement exist in strengthening the communication and education to plan members about the proper procedures for reporting non-cash compensation.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

| No. | <u>Observation</u> | <u>Risk/Effect</u> | <u>Recommendation</u> | <u>MCA</u> |
|------------|--|---|--|--|
| 1 | <p><i>Educational efforts regarding non-cash compensation (e.g. stocks, equity)</i></p> <p>Per Audit and Advisory Services' (AAS) inquiry of the departmental chairs in selected departments within the School of Medicine, we noted there was a general lack of awareness about the proper procedures for reporting non-cash compensation to the HSCP, specifically as it relates to the Affiliation Outreach Coordinator's role in the process. Additionally, apart from the guidance documented within the department's implementing procedures, there is limited information or procedural documentation available for the departments to access independently in order to obtain further clarification around the process for reporting non-cash compensation to the HSCP.</p> | <p>Plan members are not properly educated about Plan requirements and available resources resulting in inconsistent or noncompliance with policy.</p> | <p>By April 30, 2016, SOM Office of Academic Affairs should enhance communication to departments around the requirements for reporting non-cash compensation to the HSCP. Such communication efforts may include providing online access to procedural documentation and identifying the appropriate contact people.</p> | <p>By April 30, 2016 the SOM will take the following actions:</p> <ol style="list-style-type: none"> 1. Develop educational materials regarding the non-cash compensation process, procedures, and contact people. 2. Develop and implement a strategy for communicating non-cash compensation educational materials to faculty members. |

V. **LEADING PRACTICES**

AAS noted leading practices in the areas of outside professional activities, reporting and creating a tone at the top that is conducive to creating a compliance focused culture through review of all four schools.

The use of an electronic tool to gather outside activities reporting from faculty is one way to improve data collection and track the reporting process. For the School that currently utilizes this on-line reporting tool, all members of the HSCP receive an e-mail on an annual basis requesting them to complete their outside activities report by a specified date. The system would have automated reminders. Using this method to collect the outside activity reporting would allow the School to run status reports for department chairs and the Dean's Office and thereby track completions. The electronic format would also allow for a streamlined review process because all data would be aggregated in a user-friendly manner. The SOM is in the process of developing an electronic solution for tracking and reporting outside activities; this model could be leveraged in the educational planning process.

A combination of an active school level Compensation Plan Advisory Committee, knowledgeable leaders, and effective communication within the School will help build a compliance-focused environment. Informing new faculty members at the time of new hire orientation of the HSCP's requirements is a proactive step in educating and providing resources that will be helpful in providing the fundamental information as well as describing where information related to these issues is available on a "need to know" basis. Reiterating requirements on a periodic basis via faculty meetings as well as holding key individuals in leadership as go-to resources provides transparency in the process and will help strengthen foundational knowledge of the plan requirements and implementation procedures. The SOM should consider this model in developing a customized approach that is scaled to support their large, complex, and decentralized environment.

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed relevant UC policies
- Reviewed departmental and/or school level implementing procedures
- Interviewed key department personnel, faculty, and Advisory Committee members
- Validated key reporting was performed
- Validated accounting for income and payouts
- Researched and assessed outside professional affiliations for a sample of HSCP members