

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

**School of Pharmacy
Bioengineering & Therapeutic Sciences
Education Programs**

Project # 20-078

August 2020



University of California
San Francisco

Audit & Advisory Services

UCSF Box 0818
1855 Folsom Street
San Francisco, CA 94143

tel: 415.476.3851
fax: 415.476.3326
www.ucsf.edu

August 3, 2020

Michael Nordberg
Associate Dean
Administration & Finance
School of Pharmacy

SUBJECT: Bioengineering & Therapeutic Sciences – Educational Programs

As a planned internal audit for Fiscal Year 2020, Audit and Advisory Services (“A&AS”) conducted a review of the educational programs within the Department of Bioengineering and Therapeutic Sciences (B&TS). The purpose of this review was to assess the adequacy of the internal controls over the management of the educational programs including registration, billing and collection of fees and reconciliation.

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 and the preliminary draft report was provided to department management in June 2020. Management provided final comments and responses to our observations in July 2020. 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, A&AS 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,

Irene McGlynn
Chief Audit Officer
UCSF Audit and Advisory Services



EXECUTIVE SUMMARY

I. BACKGROUND

UCSF Audit and Advisory Services (A&AS) completed a review to evaluate the processes and internal controls over the financial management of the educational programs within the Department of Bioengineering and Therapeutic Sciences.

The Department of Bioengineering and Therapeutic Sciences (B&TS) offers career development and leadership courses to professionals in industry, regulatory agencies, academia, and health care. The non-degree courses offered include the following:

- American Course on Drug Development and Regulatory Sciences (ACDRS); and
- Pharmacokinetics for Pharmaceutical Scientists (PK Course)

The ACDRS course provides education and advanced level training in medical product development with a focus on drug development pipeline, clinical trials and regulatory sciences. The course is targeted to academic and government scientists, professionals in pharmaceutical and biotechnology industries, and decision and policy-makers who have a background in drug development basics. The ACDRS course is presented in six sessions spanning 10–14 months and is currently in its 12th cycle.

The PK Course emphasis is on the basic principles of pharmacokinetics, physiologic conceptualization and problem solving. The course is targeted to Pharmacists, Physicians, Pharmacologists, and other professionals in the pharmaceutical sciences who will use pharmacokinetics in the development and testing of drugs. The PK Course is presented in one five-day block and is currently in its 33rd year.

As of April 2020, the revenue and expenses for the ACDRS and PK Course programs for the current year and prior three fiscal years are outlined below:

ACDRS	FY 2017	FY 2018	FY 2019	FY 2020 April
Total Revenues	\$333,412	\$243,750	\$347,368	\$277,232
Total Expenses	\$108,590	\$97,615	\$124,269	\$76,798
Income/(Loss)	\$224,822	\$146,135	\$223,099	\$200,434

PK Course	FY 2017	FY 2018	FY 2019	FY 2020 YTD
Total Revenues	\$259,850	\$313,800	\$331,150	\$341,900
Total Expenses	\$198,402	\$239,995	\$233,208	\$172,478
Income/(Loss)	\$61,448	\$73,805	\$97,942	\$169,422

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the adequacy of internal controls over the management of the educational programs within B&TS including registration, billing and collection of fees and reconciliation. The scope of the review covered transactions and activities for the ACDRS and PK Course programs for FY 2019 and FY 2020 YTD.

Procedures performed as part of the review included interviews and walkthroughs with relevant department personnel to identify internal controls and processes in place for course registration, fee processing and general financial management of the programs; validation testing of a sample of charges and payments to ensure accuracy and completeness of receipts and verification of monitoring and reporting procedures. For more detailed steps, please refer to Appendix A.

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 June 2020.

III. SUMMARY

Based on work performed, internal controls over the financial management of the educational programs within the Department of Bioengineering and Therapeutic Sciences were generally adequate. Opportunities for strengthening internal controls and processes were identified related to billing, fee collection, financial and program management.

The specific observations from this review are listed below as well as in Section IV.

A. Billing and Fee Collection

1. Controls for ensuring the completeness and accuracy of charging and accounting of course registration fees were not operating effectively.

B. Financial Management

2. Evidence of the general ledger verification review was not present.
3. Authorization to issue refunds were not documented.
4. Cash receipt and credit card journals were not processed timely and did not comply with UCSF Controller's Office guidelines.
5. Not all cash/credit handlers had taken the required online training and completed the background checks as required by policy.

C. Program Management

6. Budgets for the continuing education programs were not approved by the department chair.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCAs)

A. Billing and Fee Collection

	<u>Observation</u>	<u>Risk/ Effect</u>	<u>Recommendation</u>	<u>MCA</u>
1.	<p><i>Controls for ensuring the completeness and accuracy of charging and accounting of course registration fees were not operating effectively.</i></p> <p>During the verification of a sample of 18 course registration fees, we noted that the payment reconciliation was not performed for an ACDRS student on a deferment payment plan. The student registered for Sessions 1-6 for the period 2018-2019. On 2/5/2019, a payment of \$2,500 for Session 3 was received via credit card from the ACDRS student. A credit card journal must be submitted through PeopleSoft to record the credit card payment to the general ledger (GL). However, the journal was not completed and the payment received was not posted to the GL. In addition, the department management indicated that unlike the PK Course, individual registration fee payments are not reconciled for the ACDRS course.</p> <p>UCSF Campus Administrative Policy 300-11 "Accounts Receivable" requires that the receivable and associated revenue must be reflected accurately and timely on the University's financial records.</p>	<p>In the absence of performing any regular reconciliation, the risk of exposure for loss or misapplied funds increases.</p>	<p>Procedures should be developed to ensure that accurate and timely reconciliations of charges and payments as well as posting to the general ledger occurs.</p>	<p>(a) A complete reconciliation of the most recent ACDRS course's revenue as reflected in the GL to registration records will be done by the Financial Analyst and Program Administrator.</p> <p>(b) Going forward, quarterly reconciliation of the ACDRS course's revenue as reflected in the GL to registration records will be done by the Financial Analyst and Program Administrator.</p> <p>Target Date: 11/01/2020</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>

B. Financial Management

No.	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
2.	<p><i>Evidence of the general ledger verification review was not present.</i></p> <p>For the ACDRS and PK Course programs, the department maintains a tracking worksheet of revenue and expenses as part of their reconciliation process. However, the reconciler and reviewer’s signature to attest that the general ledger verification (GLV) procedures were performed was not evident. Also, it was noted that the department has not moved to using the online GLV tool to reconcile the general ledger (GL) activities for the ACDRS and PK Course programs.</p> <p>Per UCSF Campus Administrative Policy 300-46, “<i>General Ledger Verification</i>”, duties should be separated between reconciliation, review, and acknowledgement, whenever possible. As a minimum, two individuals are required. Typically, acknowledgment is completed by the MSO, Department Head, or designee for non-sponsored funds. Documentation of this acknowledgement is through signing the GL Verification Acknowledgement form.</p>	<p>Lack of evidence of the GL verification sign-off can result in inaccuracies not being detected.</p>	<p>Procedures for using the GLV tool should be developed or consideration be given to using the GLV Acknowledgement form.</p>	<p>The Department Manager will initiate the monthly GLV process.</p> <p>Target Date: 10/01/2020</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>

No.	Observation	Risk/Effect	Recommendation	MCA
3.	<p>Authorization to issue refunds were not documented.</p> <p>During the review we noted that two credit card refund requests (\$650 for PK Course and \$350 for ACDRS) were submitted by the Program Administrator through Merchant 123 Sign-Up, a 3rd party credit card merchant, for processing. Although, the department’s finance group receives a report after the fact for credit card refund transactions, refunds requested by the Program Administrator were not reviewed and approved by a separate staff member, such as a supervisor, to ensure accuracy and validity of the refunds.</p> <p>Per UCSF Controller’s Office guidelines, departments must carefully review operational procedures and determine staff members authorized to issue refunds due to the potential for fraud. It is recommended that a department manager or supervisor with no cashiering functions be designated.</p>	<p>Lack of approval can increase the risk of inappropriate refunds being applied.</p>	<p>Procedures should be developed to identify designated staff members to authorize refunds and post credit transactions.</p>	<p>(a) The Program Administrator will obtain written authorization for any refunds to be granted from the ACDRS Course Director and forward such approval to the Financial Analyst.</p> <p>(b) As part of processing journals regarding refunds, the Financial Analyst will confirm that there is a written authorization for that refund and that it is attached to the journal.</p> <p>Target Date: 09/01/2020</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>
4.	<p>Cash receipt and credit card journals were not processed timely and did not comply with UCSF Controller’s Office guidelines.</p> <p>Review of 18 ACDRS and 11 PK Course fee receipts identified 12 ACDRS (67%) and 8 PK (73%) receipts where journals were</p>	<p>Late processing and reviews of journals can increase the risk of revenue misallocation and/or other errors and omissions may not be identified promptly.</p>	<ul style="list-style-type: none"> Monitoring procedures should be developed to ensure that journals are prepared and approved within 5 business days. 	<p>Cash Deposits and Credit Card transactions will be recorded via a journal within 5 days. As part of the journal approval process, the Finance Manager will</p>

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>approved and posted to the general ledger between 10-45 business days after receipt. Per UCSF Controller’s Office guidelines, cash receipt and credit card journals should be prepared and approved within 5 business days of cash deposit or a credit card transaction.</p>			<p>confirm the journal was submitted in a timeframe to meet this requirement.</p> <p>Target Date: 09/01/2020</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>
<p>5.</p>	<p><i>Not all cash/credit handlers had taken the required online training or completed the background checks as required by policy.</i></p> <p>We noted that a background check was not completed for one employee who is a backup credit card handler. In addition we noted that one cash handler had not completed the required annual online cash handling training.</p> <p>UCSF Controller’s Office requires background checks to be performed for all cash and credit card handlers. Proof of background check completion must be maintained on file within the department as well as the appropriate HR Service Center.</p> <p>In addition, credit card handlers are required to take the online course “<i>PCI Security Awareness Training</i>” in the UC Learning Center. This training is required before the employee can handle credit cards and</p>	<ul style="list-style-type: none"> • Non-performance of background checks for critical positions such as cash handlers may limit discoverable convictions and create financial risks for the department. • Not completing the required online training can result in ineffective cash/credit card handling practices. 	<p>Monitoring procedures should be developed to ensure all personnel responsible for cash and credit card handling have undergone background checks and the required annual online trainings are completed.</p>	<p>The Finance Manager will ensure that all cash/credit handlers had taken the required online training or completed the background checks.</p> <p>Target Date: 9/01/2020</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>

No.	Observation	Risk/Effect	Recommendation	MCA
	<p>annually thereafter as long as they continue to handle credit cards. Cash handlers are required to complete the online course “UCSF Cash Handling Training” upon hire, and then annually thereafter.</p>			

C. Program Management

No.	Observation	Risk/Effect	Recommendation	MCA
<p>6.</p>	<p><i>Budgets for the continuing education programs were not approved by the department chair.</i></p> <p>The department does not obtain annual budget approvals from the chair since the financial activities for the ACDRS and PK Course programs are fairly constant each year. As part of the overall budget process each year the Department Manager reviews the prior year actuals and creates a new forecast for the next year budget. Any significant budget changes are discussed with the chair. However, formal documented approval is not officially signed off by the chair.</p> <p>UCSF Campus Administrative Policy 100-30 “Continuing Education Programs” requires that a detailed budget for each continuing education program must be approved by the department chair every year.</p>	<p>Not having an approved budget increases the risk that funds may be misallocated and/or not utilized properly.</p>	<p>Procedures should be developed to ensure the educational program budgets are appropriately reviewed and approved by the chair annually.</p>	<p>The Department Manager will obtain written approvals from the Department Chair for the annual budgets of the ACDRS and PK Course Programs as part of the annual budget process.</p> <p>Target Date: 7/01/2021</p> <p>Responsible Party: Associate Dean – Admin & Finance</p>

APPENDIX A

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

- Reviewed relevant University and local UCSF campus policies and procedures.
- Interviewed personnel and performed walkthroughs to get an understanding of activities for the areas under examination.
- Performed a 4 year trend analysis of sources by funding for selected educational programs.
- Determined if a detailed budget for each education program was approved by the department chair prior to each event to comply with UCSF Campus Policy 100-30: Continuing Education Programs.
- Verified course registration was complete and accurate.
- Reviewed the student roster list for each educational program. Selected a sample of students and determined if student roster agreed with course registration list.
- Verified that fees assessed, discounts given, and fees collected were applied appropriately and consistently.
- Determined if appropriate separation of duties in place between billing, refunds, check and credit card collections, check depositing, journal posting, and general ledger reconciliation.
- Verified appropriate controls were in place for the review and approval of credit card transactions.
- Obtained a sample of general ledger verifications completed for periods in scope and determined if evidence of departmental review existed.