

University of California
San Francisco



Audit Services

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MICHAEL HINDERY

Vice Dean
School of Medicine

**SUBJECT: School of Medicine - Departmental Reviews
Audit Services Project #11-024**

As a planned project for fiscal year 2010-2011, Audit Services completed a review of departmental administrative practices in selected departments within the School of Medicine (SOM). The purpose of this review was to evaluate administrative practices and procedures implemented within the departments to assess their awareness and compliance with University policies and regulatory requirements.

Departmental administrative practices and procedures reviewed included the following: financial systems, personnel, payroll expense, non-payroll expense, equipment management, collections/income, cash receipt, extramural funding, and technology management, gifts/foundation and research subjects.

In conducting this review, a judgmental sample of six departments was selected from the 28 departments within the SOM for evaluation. Initial assessment of departmental operational practices was performed through the use of an Internal Control Questionnaire (ICQ) completed by the department administrative personnel. Once completed, department management and staff were interviewed and key administrative monitoring tools and controls were reviewed to gain an overall understanding of department procedures.

Based on an evaluation of ICQ and interview results and risks associated with each function within each department, we performed substantive testing in the following administrative functions: payroll

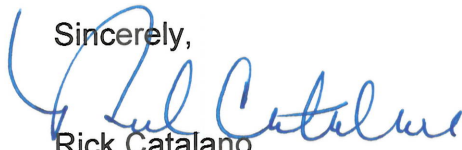
expenses, non-payroll expenses, cash receipts, and extramural funding¹. We examined relevant records for a small sample of expense transactions from fiscal year 2010-2011 to determine appropriateness, completeness, accuracy, and timeliness of reporting and reconciliations and compliance with related policies. See Appendix A for the functions of each department reviewed through ICQ or substantive testing and the related results. Procedures performed were limited to those specifically stated above. Test samples were not sufficient to evaluate the quality or validate the effectiveness of the control. As such, work completed is not intended nor can it be relied upon to identify all instances of potential irregularities, errors, and control weaknesses that may occur in areas not covered in this review. Fieldwork was conducted from October 2010 to February 2011.

Based on procedures performed, the departments reviewed were generally aware and complied with all major aspects of applicable University policies and regulatory requirements. However, increased effort is needed to help ensure that employee annual performance evaluations are completed on a timely basis and that cash handling practices comply with University policy. For specific observations, risks and Management Corrective Actions, please see Appendix B.

Management actions regarding employee performance reviews and cashiering have been added to our follow-up system and periodically, we will contact the departments to ascertain the status of planned corrective actions. Once corrective actions have been implemented, we may perform additional audit procedures to validate implementation, and will advise you when all open observations have been addressed.

I would like to thank you, and your staffs, for your assistance and cooperation during this review. If you have any questions or require further information, please do not hesitate to contact me at 502-2238.

Sincerely,



Rick Catalano
Director

c: Dean Hawgood
Assistant Dean Paardekooper
UCSF Audit Committee Members

¹ The review of Extramural Funding focused on post-award administration (i.e. periodic reporting to PIs, certification of effort, and the appropriateness and allowability of expenses charged to projects).

**Appendix A
Stop-Light Matrix**

The following Stop-Light Matrix provides a visual summary of compliance with the University policies and regulatory requirements in the School of Medicine (SOM). The objective of this review was to evaluate the administrative practices and procedures of SOM departments to assess adherence to the University policies and regulatory requirements.

Definitions

	Evaluated via ICQ - not substantively tested - no observations noted
	Meets policy requirements
	Meet some but not all policy requirements
	Does not meet policy requirements

Administrative Function	Cellular Molecular Pharmacology	Laboratory Medicine	Neurology	Ob/Gyn	Ophthalmology	Orthopaedic Surgery
Department Overall						
Financial Systems						
Personnel	Note A				Note A	Note A
Payroll Expenses						
Non-Payroll Expenses						
Equipment Management						
Collections /Income						
Cash Receipt		Note B	Notes C and D	Notes B, C and D	Note B	Note B
Extramural Funding						
Technology Management						
Gifts /Foundation						
Research Subjects						

Notes:

- A. Annual Performance Evaluations were not done for all staff (self identified by departments via ICQ)
- B. Annual Cash Handling Training not completed
- C. Fingerprint clearance not documented in department files.
- D. Periodic surprise cash count of Petty Cash Fund not performed.

Function	Department	Observation	Policy/Risk	Cause	MCA
Personnel	<ul style="list-style-type: none"> Cellular Molecular Pharmacology Ophthalmology Orthopaedic Surgery 	The departments self-identified in their response to the ICQ that annual performance evaluations were not completed for all staff.	University policy requires that performance of each employee shall be appraised at least annually in writing by the employee's immediate supervisor. If employee performance is not periodically appraised by their supervisor, the employee's activities may not align with the strategic objectives of the organization. (PPSM #23 – Performance Management Policy and Procedures, 12/01/05).	As there has not been any merit increases over the last several years, a disconnection between Performance Evaluations and merit increases has developed. Consequently, the completion of Performance Evaluation has received a lower priority.	By September 30, 2011, management will ensure that all performance evaluations for department personnel are completed for fiscal 2011.
Cash Receipt - Cash Handling Training	<ul style="list-style-type: none"> Laboratory Medicine Ob/Gyn Ophthalmology Orthopaedic Surgery 	The departments' Cash Handlers had not completed the mandatory annual training (last completed in 4/09, 9/08, 8/08, 5/08 and 2/07).	University policy requires that all cash handling employees complete cash handling training at least once per year. This training is provided for Cash Handlers to refresh knowledge concerning policies, procedures and to provide updated information on internal and external policies. (Business and Finance Bulletin BUS-49 and UCSF Campus Administrative Policy 300-14 Cashiering).	The departments did not have established procedures for ensuring the required annual training for their Cash Handlers was completed.	By July 31, 2011, the departments' Cash handler will complete the required annual training. One Cash Handler completed the required annual course during the course of our review.
Cash Receipt - Documentation of Fingerprint Clearance	<ul style="list-style-type: none"> Neurology Ob/Gyn 	<ul style="list-style-type: none"> Records could not be located to substantiate that the required criminal background check had been completed for petty cash custodians. An employee, who had not been screened through the required criminal background check, was allowed to handle checks and make bank deposits. When this was discussed with the department, they immediately had the required background check performed. (Neurology only). 	University policy requires that individuals who will have access to cash resources are appropriately vetted before access is granted. Part of this vetting includes completion of criminal background check, including fingerprinting. (BUS 49 and UCSF Campus Administrative Policy 300-14 Cashiering).	<ul style="list-style-type: none"> The department did not obtain the required background check when the employee transferred into the department. The department did not have established procedures to ensure that employees handling "cash" have the required background check prior to assuming these duties. 	<ul style="list-style-type: none"> By July 31, 2011, the departments will obtain fingerprint clearance for their Petty Cash Custodians. Fingerprint clearance for the employee was subsequently obtained by the department during the audit. No further actions required. (Neurology)
Cash Receipt - Petty Cash Verification	<ul style="list-style-type: none"> Neurology Ob/Gyn 	The departments are not performing periodic surprise cash counts of its Petty Cash fund as required by policy.	University policy requires that periodic, unannounced cash counts of petty cash funds must be performed by someone other than the fund custodian. If petty cash funds are not periodically verified, then discrepancies in fund balances may go undetected. (BUS 49 and UCSF Campus Administrative Policy 300-32 Petty Cash Funds).	The departments were not aware of the requirement to perform periodic unannounced petty cash verifications.	By July 31, 2011, the departments initiate a surprise cash count of its Petty Cash funds as prescribed in the policy.