UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES

CHILD DEVELOPMENT CENTER
Report No. 2012-207

June 29, 2012

Prepared by:
Julie Chung
Senior Auditor

Reviewed by:
Gregory Moore
Audit Manager

Reviewed by:
Bent Nielsen
Director
June 29, 2012

DAN M. COOPER, M.D.
ACTING CHAIR
DEPARTMENT OF PEDIATRICS

RE: Child Development Center Audit
Report No. 2012-207

Internal Audit Services has completed the review of the Child Development Center 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.

Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
   Akankshi Arora, Chief Administrative Officer
   Terry Belmont, Chief Executive Officer, UC Irvine Medical Center
   Ralph Clayman, Professor and Dean of the School of Medicine
   Alice Issai, Chief Operating Officer, UC Irvine Medical Center
   Rita Reber, Director of Operations, Child Development Center
   Sabrina Schuck, Assistant Clinical Professor, Child Development Center
   Tim Wigal, Director of Child Development Center
I. **EXECUTIVE SUMMARY**

In accordance with the fiscal year 2011-12 audit plan, Internal Audit Services (IAS) reviewed the adequacy of internal controls and policy compliance for the Child Development Center (CDC) within the University of California, Irvine (UCI), School of Medicine (SOM), Pediatrics Department. Business risks and control concerns were identified. Specifically, the following issues were noted.

**Medication Inventory** – Investigational and student medications were not handled, monitored, and stored properly and in a secure manner in accordance with policy at the CDC outpatient clinic and school. This observation is discussed in section V.1.

**Cash Handling Procedures** – Internal controls were not established to ensure accountability and separation of duties over cash handling procedures in the CDC outpatient clinic and school in accordance with BUS-49. This observation is discussed in section V.2.

**Payments to Human Subjects** – The accounts used to manage and compensate human research participants were not established, reconciled, and reviewed as required by policy. In addition, the payments to a participant were not reported as income to the Internal Revenue Service as required. This observation is discussed in section V.3.

**Vacation Leave Adjustments** – The vacation leave accruals (VLA) were incorrectly adjusted for both faculty and staff. As a result, faculty and staff may be overpaid upon separation or retirement. This observation is discussed in section V.4.

**Non-Payroll Expenditures** – Requisitions were not approved prior to purchase and proper supporting documentation was not maintained as required by policy for some transactions reviewed. In addition, for PayQuest transactions, IAS also noted that travel reimbursements were not submitted in a timely manner, and leaves associated with University travel or outside professional activities were not properly authorized and monitored. These observations are discussed in sections V.5 and V.6.

**Ledger Review/Reconciliation** – The ledgers were not properly reconciled, reviewed, and documented as required. This observation is discussed in section V.7.

**Payroll Certification** – Payroll certification reports were not submitted in a timely manner as required. This observation is discussed in section V.8.

**Human Resources** – Personnel files were incomplete and not maintained as required per policy. This observation is discussed in section V.9.
II. BACKGROUND

UCI CDC is a nationally recognized center in the treatment of Attention Deficit Hyperactivity Disorder (ADHD) and related disorders of attention, behavior, and learning. The CDC delivers direct services to children and families in the form of two clinical programs: an outpatient diagnostic and treatment office and a year-round school-based day treatment program.

The CDC also coordinates a project, The National Children’s Study (NCS), which examines the effects of environmental influences on the health and development of more than 100,000 children across the United States, following them from before birth until age 21. The goal of the study is to improve the health and well-being of children.

III. PURPOSE, SCOPE AND OBJECTIVES

The purpose of the audit was to review internal controls and policy compliance from January 2011 to present. Based on the assessed risks, the following objectives were established:

1. Verify whether the required general, confidential, payroll, and medical documents are properly maintained and filed in personnel records;

2. Determine whether the following aspects of employee time reporting: overtime approval, payroll ledger reconciliations, and sick and vacation balance tracking comply with University policy;

3. Review non-payroll expenditures for proper approval and supporting documentation in compliance with policy;

4. Verify if investigational and student medications maintained at the CDC outpatient clinic and school are stored, handled, and monitored properly and in a secure manner in accordance with policy;

5. Review cash handling procedures to determine evidence of controls and that assets are properly safeguarded;

6. Evaluate whether there are adequate controls over budgeting and accounting and confirm if ledgers are reconciled in a timely manner; and

7. Review appropriateness of payments to research participants, completion of payroll certifications, and federal award overdrafts.
IV. CONCLUSION

Business risks and control concerns were identified in medication handling procedures, cash handling procedures, human subject payments, payroll, non-payroll expenditures, general ledger review, payroll certification, and human resources.

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

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Medications

   A. Investigational Medications

      Background

      Principal Investigators (PI) are responsible for ensuring compliance with University policies in the acquisition and use of controlled substances for research. According to policy, drugs may not be delivered directly to controlled substance authorized users. The delivery point for all controlled substances ordered under UCI’s Drug Enforcement Agency (DEA) research registration is the Student Health Center Pharmacy. The pharmacist accepts delivery of orders, opens and verifies order accuracy, and notifies the vendor of any missing or incorrect orders by the next business day following delivery. The pharmacist then notifies the PI or designated research staff that has completed all the required training and is listed in the PI’s Controlled Substance Use Authorization, to pick up deliveries from the Student Health Center Pharmacy.

      California Pharmacy Law, Business and Professions Code, Section 4059.5 states in part that “(a) Except as otherwise provided in this chapter, dangerous drugs or dangerous devices may only be ordered by an entity licensed by the board and shall be delivered to the licensed premises and signed for and received by a pharmacist. Where a licensee is permitted to operate through a designated representative, the designated representative shall sign for and receive the delivery. (b) A dangerous drug or dangerous device transferred, sold, or delivered to a person within this state shall be transferred, sold, or delivered only to an entity licensed by the board, to a manufacturer, or to an ultimate user or the ultimate user's agent.”
Observation

IAS interviewed staff from various departments and discovered that investigational medications (a non-Federal Drug Administration (FDA) approved, schedule II drug) for two clinical trials were shipped directly to the CDC clinic instead of the Student Health Center Pharmacy as required by University policy during calendar year 2011. IAS also found that the CDC did not comply with California Pharmacy Law. The CDC administrative assistant, who does not have the scope of practice to handle medications, received the controlled substances, and locked the medications in the front office cabinet until it was delivered to the licensed clinician who dispensed the medications to human research subjects.

In addition, reviews of the supporting documents (purchase orders, packing slips, medication logs, etc.) of two clinical trial supplies disclosed the medication logs were inaccurate or incomplete. IAS noted that two of 30 bottles received in November 2011 were not documented in the medication log for one study. In the medication log for the other study, a dispensing to a human subject was not documented on the medication log; instead the dispensing was documented on a post-it note. However, a discrepancy was not noted in the physical count of current inventories of the two clinical trial supplies.

IAS also noted that human subjects did not sign for medications upon receipt. As a best business practice, human subjects should sign immediately upon receiving medications to minimize risks of diversion.

Action Taken

IAS discussed the investigational medication ordering and delivery process issues with the SOM Compliance Officer and Assistant Dean of Administration. In response to IAS findings, the SOM Dean addressed a letter to the Assistant Vice Chancellor for Facilities Management and Environmental Health & Safety stating that the practice of allowing faculty researchers to obtain investigational medications directly from pharmaceutical companies be discontinued. The Dean also reinforced the policy which requires all controlled substances to be delivered to a licensed pharmacy. Also, in a separate email, the SOM Dean’s Office informed the Pediatrics Chair and the Chief Administrative Officer (CAO) of the findings and policy.

Management Action Plan

CDC management will ensure compliance with the UCI policy and the SOM Dean’s directive regarding the process of handling investigational medications.
B. **Student Medications in the CDC School**

**Background**

California laws and regulations address the various requirements in the administration of medication in California public schools. Based on the laws and regulations, the local educational agencies are to ensure compliance with requirements for each student medication that includes the following:

1. Obtain annual authorization from licensed health care providers as well as written consent from parents to administer medication during school hours;
2. Accept medication only in a container labeled by a licensed pharmacist from parents;
3. Safeguard medication in a locked cabinet or container that is accessible only to persons authorized to administer medications; and
4. Document and monitor the receiving, administering, return, and disposal of medication in a timely manner.

**Observation**

IAS review of the student medication management at the CDC school disclosed the following:

1. Records – The authorizing forms from parents and physicians required for each student medication were reviewed for appropriateness. For one student’s medication supply, the physician authorization and parental consent form, was not obtained and maintained on file. In addition, current physician authorization and parental consent forms were not obtained for two medications taken by one other student and four medications taken by another student.

2. Security - All medications with the exception of epinephrine injectors, also known as EpiPens, used for the emergency treatment of life-threatening allergic reactions, were locked in cabinets in each of the classrooms. All EpiPens were stored in a kitchen cabinet that was kept unlocked for easy access.

Also, the combinations to the classroom medication cabinets are not changed annually or when staff separate or no longer work at the location. In one classroom, the combination has not been changed in ten years although four employees had separated during that time period. Furthermore, combination logs were not established and maintained for the classroom medication cabinets.
3. Inventory - When student medication was received, dispensed, or returned, each transaction was not always documented. IAS also noted a medication miscut for one student's medication. In addition, IAS found a medication where the expiration date was not noted on one student’s prescription bottle and a medication that expired in October 2011 for another student.

To reduce the risk of medication errors and ensure compliance with the California Department of Education program advisory on medication administration requirements, designated school personnel should promptly review and monitor each student’s medications, accurately log medication administration in a timely manner, and establish adequate training and supervision for proper medication management. Also, as a best business practice, the parents should sign for any student medication that is returned back to them to acknowledge that they received the medication.

**Management Action Plan**

At the CDC school the following will be implemented by July 9, 2012.

1. Records – Upon enrollment a written consent from parents to administer medication during school hours will be requested. In addition, at the beginning of each school year a new request will be made. For any parents who are not compliant with the request, administration will follow up with a phone call to the parents. Medication will not be accepted without proper consent.

2. Security - EpiPens will remain in the kitchen cabinet for easy access but will be placed in a lockable container. The medication cabinet locks in each classroom will have the combination changed each time there is a change in classroom staff. The lockable container in the kitchen cabinet will also be changed each time a school staff member leaves. A combination log will be kept for each classroom and kitchen cabinet lockable container.

3. Inventory - We will continue keeping track of inventory as we have always done. In order to keep track of medication expiration dates, a monthly review of the dates will occur during our treatment plan meetings and parents will be notified to update medication as needed (i.e. medication prescriptions and bottles).

4. Disposal of medication - Every effort will be made to send medication home with student upon transition. However, if medication is left behind, proper disposal of the medication will be made by having two staff members take it to a pharmacy for disposal within 30 days of student leaving and documentation of action taken will be made.
2. **Cash Handling Procedures**

**Background**

University policy related to handling and processing cash and cash equivalents establishes basic internal control principles, which include accountability, separation of duties, physical security, and reconciliation of accounts, to ensure that University assets are protected, accurately and timely processed, and properly reported. The department business management is responsible for establishing procedures that ensure compliance with policy at all times.

**Observation**

Internal controls were not established to ensure accountability and separation of duties over cash handling activities in the CDC outpatient clinic and school. Interviews with cash handlers disclosed the following concerns.

- Appropriate separation of duties has not been established. The cash handlers in the clinic and school collect payments, issue receipts, prepare the deposits, and record payments in the revenue worksheet used later in the reconciliation process.

- As a key internal control, individual accountability has not been established. The deposit advice forms are not validated and prepared under dual custody.

- Although procedures were established to ensure that cash and cash equivalents collected and reported as deposited are properly deposited, documentation such as initials, dates, and other review notations were not recorded to support that reconciliations were performed or in a timely manner.

Adequate internal controls should be established to minimize risks in the diversion of University funds and/or a cash loss.

**Management Action Plan**

The daily front desk and deposit preparation responsibilities will continue to be performed by the front office staff member who also handles cash during the business day. However, as a mitigating internal control, the deposit will be prepared in dual custody and verified by supervisor/management level personnel. The daily deposit will be initialed by the supervisor signifying that the deposit and the processes by which the daily deposit is prepared are accurate, and complete. In addition, as a mitigating control, payments posted to the revenue worksheet will be reviewed and compared to the daily deposit. The anticipated completion date is September 2012.
3. **Payments to Research Participants**

**Background**

Research subjects may be compensated for their time, effort, and expenses related to their participation in approved research projects. The requirements for proper management of funds used in their compensation are outlined in UCI Policy and Procedure 701-03: Payments to Research Participants (Human Subjects). It states that for each study, a non-interest-bearing checking account may be opened in the name of the PI and the department chair or administrator. It further states the checking account should be reconciled monthly and that an individual who is not involved in other study procedures should perform a supervisory review and approve the reconciliation.

**Observation**

IAS review disclosed two bank accounts established in the PIs’ own names to manage the cash advances used in compensation to human subjects. However, contrary to policy, these bank accounts do not have either the Pediatrics chairperson or the department administrator as a co-signer on the accounts. In addition, one of the two bank accounts was an interest bearing account.

IAS review also disclosed lack of supporting documentation to indicate that the accounts were reconciled monthly or that supervisory reviews and approvals of the reconciliations were performed as required per policy.

Failure to have the proper co-signers on a non-University bank account or to reconcile bank accounts circumvents the transparency of financial transactions and may result in misappropriation of University funds.

In addition, the CDC did not report the payments as income to the Internal Revenue Service (IRS) as required per policy although a parent of two minors, who were participants in a study, was paid a total of $700 during calendar year 2011. University policy states that if an amount paid to an individual during a calendar year is $600 or more, the University is required to report such payments to the IRS.

**Management Action Plan**

CDC management will require the PIs who have established a personal bank account for managing cash advances used in compensating human subjects to add either the Pediatrics Chairperson or the Department Administrator as a co-signer on the accounts. The anticipated completion date is September 2012.
The checking account will be reconciled monthly. An individual who is not involved in other study procedures will perform a supervisory review and approve the reconciliation. The anticipated completion date is September 2012.

Documentation of cash payments to study participants of $600 or more will be sent to Accounting in compliance with University policy. The anticipated completion date is July 2012.

4. **Vacation Leave Adjustments**

**Background**

UCI departments are responsible for ensuring compliance with personnel policies for both faculty and staff. In the personnel policy for staff, supervisors are responsible for informing employees in advance that they are reaching maximum vacation accrual and for ensuring that employees schedule vacation leave prior to reaching the maximum. When operational considerations prevent an employee from taking vacation prior to reaching the maximum accrual, the supervisor is responsible for developing a written plan with the employee which includes the month, dates, and amount of time of the agreed upon vacation leave. In addition, supervisors are responsible for assuring that scheduled vacation leave is taken prior to the end of the grace period, a four month extension, if applicable and in accordance to the employee’s bargaining contract.

However, it should be noted that UCI Academic Personnel Procedures 7-11 on vacation and sick leaves does not address the issue on reaching the maximum vacation accrual. Therefore, it appears that lost vacation time is not adjusted for faculty.

**Observation**

IAS reviewed the CDC payroll report for calendar year 2011 and noted an unusual number of VLA adjustments made for both faculty and staff. The review disclosed that the CDC did not comply with policies and improperly added back lost vacation hours automatically when the maximum vacation accruals were exceeded in the prior month if vacation hours were taken in the following month. In addition, there were no supporting documents to justify the VLA adjustments made for faculty and staff members during calendar year 2011 or in the prior fiscal periods. However, it should be noted that the CDC stopped adding back lost vacation hours for faculty in March 2012.
The table below is a summary of VLA adjustments in the CDC by fiscal year.

<table>
<thead>
<tr>
<th></th>
<th>Number of VLAs Hours Adjusted</th>
<th>Total Benefit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010-2011</td>
<td>236.57</td>
<td>$13,094.55</td>
</tr>
<tr>
<td>FY 2009-2010</td>
<td>57.24</td>
<td>$1,414.48</td>
</tr>
<tr>
<td>FY 2008-2009</td>
<td>198.37</td>
<td>$5,802.12</td>
</tr>
<tr>
<td>FY 2007-2008</td>
<td>88.86</td>
<td>$3,038.42</td>
</tr>
<tr>
<td>FY 2006-2007</td>
<td>80.53</td>
<td>$4,432.40</td>
</tr>
</tbody>
</table>

Failure to follow policy by automatically adding back vacation leave hours overstates the accrued vacation leave and may result in an over payment to faculty and staff upon separation or retirement from the University.

**Management Action Plan**

Department management agrees with the observations and is assessing the payroll processes and procedures over vacation usage, approval, and reporting. Many of the observations noted have been identified in earlier assessments by the CAO and their vacation and leave policies and procedures will be enhanced to encompass CDC objectives as well as University policy.

Vacation hours lost in previous periods and credited back to vacation accruals will be reviewed and reversed in the Payroll Personnel System (PPS) accordingly, to reflect the correct vacation accrual balances.

CDC will notify faculty and staff by email to inform them they are reaching maximum vacation accruals. Vacation request forms will be completed with proper approvals prior to vacation or leave taken and submitted timely.

The leave policies and procedures, including timely submission and proper approvals, as well as proper recording will be communicated to all faculty and staff.

5. **PayQuest Reimbursements**

**Background**

PayQuest is UCI's on-line check request system that is used to reimburse expenses to employees incurred in the course of University business, including
but not limited to business meetings, supplies and materials, and travel. The reimbursement must comply with University of California, Office of the President (UCOP) policies. To insure compliance with University policies, required supporting documentation must be submitted with the reimbursement claim form.

In addition, official University travel must be properly authorized, timely reported, and reimbursed in accordance with policy. Authorization is to be obtained prior to undertaking University travel.

Observation

IAS reviewed a sample of PayQuest reimbursements from January 2011 through December 2011 for appropriateness and compliance with University policies. The following is a summary of the observations:

A. Travel/Expense Authorization & Travel Vouchers Submitted Untimely

Adequate procedures are not in place to properly authorize and monitor travel for academic appointees. Also, for all PayQuest travel transactions reviewed, leave approvals were not obtained from either the department chair or chancellor as required by University Academic Personnel Procedures, Section 7-14.

IAS recommends that in accordance with policy, academic personnel obtain prior approval from the Office of the Executive Vice Chancellor and Provost by completing an AP-76 form for all travels/leaves of more than seven days and prior approval from the department chair for travels/leaves seven days or less for University business. These forms and approvals can then be used as authorization for travel of certain categories of leave as well as to monitor travel to ensure compliance with University policies including conflict of commitment and professional outside activities.

The following is a summary of travel reimbursement review findings:

- Travel reimbursements reviewed were not submitted to the campus Accounting office within 21 days of the end of a trip as required by policy. One travel reimbursement was submitted 276 days late.

- Travel reimbursements reviewed were not properly supported and documented as required with hotel folios or parking receipts. Travelers also did not document and justify lodging and/or meal reimbursements of up to $64 the day after the last business day of travel or staying at a location other than the conference site. IAS also noted reimbursement amount discrepancies where one traveler was reimbursed an amount in addition to the total expense noted on the hotel folio for lodging on each night of stay and another traveler
was reimbursed an additional amount in excess of his total daily meal expenses noted on restaurant receipts on each day of travel.

B. **Reimbursements for Supply and Material Purchases**

For certain types of purchases, such as supplies, materials, dues, and subscriptions, either a UCI purchasing card (PALCard) or purchase order is the proper method of payment. However, IAS noted a number of PayQuest reimbursements paid to PIs were for supply and material purchases. In addition, IAS noted that online purchases were shipped directly to the PayQuest reimburssee/purchaser’s residence instead of the CDC clinic and packing slips were not maintained and filed as supporting documentation.

**Management Action Plan**

CDC faculty and unit management have been reminded about the requirement to submit form AP-76 in advance of leave lasting more than seven days or obtain prior approval from the Department Chair for leave less than seven days.

All travel reimbursements requirements have been communicated with staff and will be supported with the appropriate documentation and explanations in accordance with University policy.

Purchases will be made through the recommended purchasing method for the item(s) acquired. Purchases will also be delivered to a University business address and all supporting documentation will be maintained on file. The procedures have been communicated to the staff.

6. **PALCard Transactions**

**Background**

The PALCard is used by staff with purchasing responsibilities to buy equipment, supplies, and services. UC purchasing policies require purchases to be pre-authorized either formally through an internal requisition or informally, such as an email. In addition, University policies require an administrative reviewer to review PALCard supporting documentation and account/fund for appropriateness for each transaction in a timely manner.

**Observation**

IAS selected a sample of PALCard transactions from January 2011 through December 2011 for review, and noted the following.
Packing slips were not maintained on file as appropriate supporting documentation for review of online purchases.

Authorization was not always obtained prior to purchase or the approval was not dated. Therefore, IAS could not determine if prior approval was obtained as required by policy. As a best business practice, in addition to the prior approval from the Management Services Officer (MSO), prior approval should also be obtained from the PI prior to making purchases.

Some invoices were not maintained on file for review as appropriate supporting documentation.

Administrative reviews of purchases were not performed in a timely manner.

In addition, the business purposes for the purchases were not documented for some of the transactions reviewed. As a best business practice, the internal requisition should state the business purpose of the expense. This allows the approver the ability to question a purchase before approving funds to be spent. This practice would also aid during the review for upload to the general ledger, especially if the reviewer is not in the same unit as the buyer.

Internal controls, such as obtaining authorized requisitions prior to purchase and proper documentation, need improvement to reduce the risk of error, and inappropriate or unauthorized use of University funds.

**Management Action Plan**

The policy requirements have been communicated to the CDC personnel to ensure compliance with University policy. CDC managers and supervisors of PALCard holders will require the following:

1. Authorization will be obtained prior to purchases;

2. Packing slips and invoices will be maintained on file as supporting documentation for all purchases;

3. The business purpose for the purchases will be documented for all transactions;

4. Administrative reviews of purchases will be performed in a timely manner. Compliance with University policy will be emphasized and enforced by CDC management.
7. **Ledger Review/Reconciliation**

**Background**

UCI policy states that each manager, who is directly responsible for the financial affairs of that activity, should maintain procedures that monitor and verify transactions on a monthly basis to the general ledger. Departments have a responsibility to ensure the appropriateness and accuracy of all financial transactions applied to their ledger. In addition, the department has the obligation of maintaining signed documentation of this review to ensure that they adhere to internal control procedures.

**Observation**

A review of the various ledgers disclosed that not all the ledgers were reviewed and reconciled in a timely manner. Some ledgers have not been reviewed since the last fiscal year end, June 2011. In addition, IAS noted that the requisite documentation such as initials, dates, and other review notations to substantiate that reconciliations were performed were not noted in the payroll ledger reconciliations. Lastly, management or supervisory review of the ledger reconciliation was not performed and documented as required.

Reconciliations are an integral component of the internal control structure to ensure that financial information is complete, accurate, and valid. Failure to perform timely reconciliations may result in undetected errors and/or misappropriations of University assets.

**Management Action Plan**

CDC management will ensure the ledgers will be reviewed and reconciled in a timely manner. Documentation to substantiate reconciliations have been performed will be noted in the ledger reconciliations. In addition, management or supervisory review of the ledger reconciliation will be performed and documented in accordance with University policy. These processes have been implemented.

8. **Payroll Certifications**

**Background**

The Department of Health and Human Services approved the implementation of the Payroll Certification System (PCS), a pilot program which substantiates salaries charged directly to federally funded projects, as an alternative to Personnel Activity Reporting (PAR). This approval is for an 18-month demonstration pilot beginning April 1, 2011.
Under the new process, payroll certification will occur at the end of a budget year or other reporting schedule as identified by an award’s terms and conditions for every federal or federal flow-through project. The departments are required to send a copy of the signed PCS report, with a copy of the Payroll Expense Report attached, to Contracts & Grants (C&G) Accounting office and maintain the original documents.

Departments have 70 days from the budget or project end date to submit a copy of the signed payroll certification forms to the C&G Accounting office.

**Observation**

Due to the late roll-out of the PCS, the budget month end due dates for April, May, and June 2011 was revised to September 16, 2011. The budget month end due dates for September, October, and November 2011 was December 14, 2011.

IAS reviewed the C&G report on the current payroll certification status as of December 2011, which showed that a total of four payroll certifications were due and all four reports were submitted late to C&G by six weeks or more.

Timely certification is a key metric being reviewed by HHS during the PCS demonstration project. Untimely certification may jeopardize the approval/ adoption of the PCS as an alternative to effort reporting for the University.

**Management Action Plan**

CDC management will work with C&G Accounting and the PIs to ensure timely submission of the payroll certification reports. Estimated completion date is September 2012.

9. **Human Resources**

**Background**

UCI departments are responsible for ensuring compliance with personnel records management requirements. The UCI Administrative Policy Sec. 300-10 requires background checks to be completed on critical positions. The UCI policy on performance appraisal states that the performance of each employee shall be appraised at least once during probation and thereafter annually in writing by the employee’s immediate supervisor.
Observation

Background Checks

A copy of an email confirming that a background check had been performed by the UCI Police Department (UCIPD) was not maintained on file as required by policy for four of the 13 personnel files reviewed. The email confirmation should be filed in the personnel confidential file to acknowledge background check clearance. UCIPD reviewed their records and confirmed that a background check was not performed for one staff member. However, during the course of the audit, UCIPD confirmed that the staff member did subsequently come in for a background check.

Performance Evaluations

Written performance evaluations were not completed for all staff as required by policy. In addition, a performance evaluation code was not documented in the EVAL field in the PPS to record departmental compliance with this policy. Failure to conduct performance evaluations may result in unimproved productivity and performance.

It should also be noted that official CDC personnel records which are maintained by Pediatrics were not complete and maintained in accordance with policy requirements. However, CDC is currently in the process of reorganizing the personnel records to comply with policy.

Management Action Plan

Pediatrics management will review personnel files to ensure compliance with personnel records management requirements and to ensure that background checks be completed on all employees in accordance with the departmental policy and documentation is maintained on file. Estimated completion date is October 2012.

Performance appraisal will be performed for each employee in accordance with University policy.