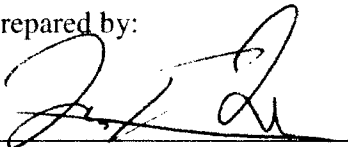UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES

ASSESSMENT OF CONFLICT OF INTEREST AND CONFLICT OF
COMMITMENT MANAGEMENT
Report No. 2011-105

January 3, 2011

Prepared by:

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January 3, 2011

**SHERYL VACCA**
**SENIOR VICE PRESIDENT/CHIEF COMPLIANCE & AUDIT OFFICER**

**RE: Assessment of Conflict of Interest and Conflict of Commitment Management**
**Report No. 2011-105**

Internal Audit Services has completed the assessment of the campus conflict of interest and conflict of commitment management programs and the final report is attached.

Please let me know if you have any questions regarding this document.

Bent Nielsen
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee

## I.  EXECUTIVE SUMMARY

In November 2010, Internal Audit Services (IAS) conducted an assessment of University of California, Irvine's (UCI) campus Conflict of Interest (COI) and Conflict of Commitment (COC) compliance programs at the request of the University of California Office of the President (UCOP).

The purpose of the review was to document the methods by which campus management addresses COI and COC compliance.  In addition, to assess the comprehensiveness of the programs as a whole, to assess how the organization monitors reports and disclosures of increased scrutiny and certain types of disclosures with more stringent regulations, and to evaluate whether the campus complies with COI and COC reporting policies and procedures.  IAS sampled five schools for compliance with COC disclosure requirements, and sampled 60 awards for compliance with COI disclosure requirements.

Based on the procedures performed, it is our conclusion that overall, the campus COI and COC management programs are in compliance with University policy and certain State and Federal regulations.  However, certain processes for submitting, evaluating, monitoring and enforcement of COC disclosures essential to an effective COC management program can be strengthened.  In addition, the process and interface between departments involved in COI and COC disclosures to ensure the campus receives consistent information could also be strengthened.

These issues are detailed below.

## II.  BACKGROUND

IAS conducted an assessment of UCI's campus COI and COC compliance programs at the request of the University of California Office of the President (UCOP).  IAS used a standard system-wide audit program that was developed for the COI and COC compliance review.

Due to increased scrutiny of certain types of COI and professional activity that may increase the appearance of a COI and COC and possibly undermine public trust, the review procedures were focused on policies and conflict of interest disclosures related to research and faculty conflict of commitment. The following areas were excluded from this review:

- UC COI policies addressing disclosure requirements for UC designated officials;
- Employee/vendor relationships;

- Hiring of near relatives;
- Patent and technology transfer and use of University resources;
- Health Sciences Compensation Plan outside income, and any COI/COC policy related to the Senior Management Group.

## III. AUDIT PURPOSE AND SCOPE OF WORK

The purpose of this review was to assess the adequacy of internal controls in campus COI and COC management processes, and overall compliance with University policy. The period of the review was FY 2009-10 which cover COC forms due November 1, 2010, 700U forms for faculty doing research with industry, and federal disclosure forms for contracts or grants active during FY 2009-10.

The review included the following procedures:

1. Reviewed local and systemwide policies related to COI and COC compliance, training and education, and monitoring efforts;

2. Interviewed management and other key personnel responsible for developing and implementing the policies and individuals with process responsibilities;

3. Reviewed and evaluated local practices for compliance with policies;

4. Reviewed practices for reporting, reviewing and monitoring of disclosures submitted by faculty members;

5. Reviewed communications and training efforts provided to locations and faculty members;

6. Developed a COI and COC compliance program matrix documenting all of the COI and COC compliance management controls and efforts;

7. Reviewed campus COI and COC information systems for data tracking, reporting disclosures, enforcement efforts and associated monitoring for compliance;

8. Reviewed campus process for sharing information between departments involved in COI and COC disclosures to ensure the campus receives consistent information.

## IV.  CONCLUSION

The campus encourages outside activities by faculty that contribute to their respective professions and to the community.  Management has taken a proactive approach with respect to COI and COC awareness, reporting requirements and associated monitoring of compliance, and understands the importance of complying with COI and COC policies and practices to achieve desired compliance.

Based on our review, campus COI and COC management programs are in compliance with University policy and certain State and Federal regulations.

The campus COI compliance program overall, appears to be strong with good COI compliance policies and practices to help identify, disclose and manage various types of conflict of interest, and monitor positive COI disclosures.

Overall, the campus COC compliance program appears to be satisfactory and has established policies and processes to address faculty obligations, reporting responsibilities and requirements, and processes for submitting, reviewing and monitoring of outside activity that may raise the appearance of a COC, or likely interfere with a faculty member's full-time commitment to the University.  However, there are opportunities to improve monitoring, tracking, and compliance activities related to COC.  IAS noted that 13 percent of the annual COC reports tested were not completed by the November 1 due date.  In addition, 18 percent of the annual reports that were completed had been signed/dated after the November 1 due date.

Although the campus has policies and practices in place to manage and monitor our campus COI and COC compliance programs, there are several opportunities to improve the overall structure of our COC compliance program, and opportunities to improve the interface between departments involved in COI and COC disclosures, such as:

1.  Develop training/education aimed specifically at communicating COI and COC topics, obligations and reporting requirements to new faculty and individuals in positions of responsibility who can identify potential conflicts, and possess the process knowledge to communicate to proper personnel;

2.  Include COC obligations and reporting requirements in the faculty handbook specifically for new faculty;

3.  Clearly define, document, and communicate roles and responsibilities of individuals assigned to have primary and shared responsibility for COC compliance management;

4. Better define Policy APM-025 categories of compensated outside professional activities and the related requirements and expand the types of activity that better match the school/college profession;

5. Reinforce guidelines for documenting and reporting of faculty member's compensated outside professional activity to ensure the annual report contains all the necessary information and the activities are properly categorized as described in APM-025;

6. Develop a mechanism to track and monitor all requests approval/denials to compare against approved Category I activity on the annual report submitted by the faculty member;

7. The reporting due date should be consistent for Faculty, Chair and Deans to ensure timely reporting occurs, within a reasonable time from the reporting period;

8. Clearly define and document a mechanism to monitor and report shared information and disclosures between departments involved in COI and COC compliance processing to ensure the campus receives consistent information;

9. Monitor control processes to ensure they continue to remain efficient and effective (i.e., Is the COC and COI program working as intended? Are the policy and practices being used? etc.).