

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

**School of Dentistry
Department of Orofacial Sciences
Residents' Educational Program Fees
Project # 24-004**

November 2023



University of California
San Francisco

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November 17, 2023

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SUBJECT: Orofacial Sciences Residents Education Program Fees

As a planned internal audit for Fiscal Year 2024, Audit & Advisory Services (“A&AS”) conducted a review of residents’ educational fees within the Department of Orofacial Sciences in the School of Dentistry. The purpose of this review was to assess the processes and internal controls in place for the financial management of the residents’ educational fees.

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 September 2023. Management provided their final comments and responses to our observations in October 2023. 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. 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 Committee, 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 & 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 residents' educational fees within the Department of Orofacial Sciences (OFS) in the School of Dentistry.

OFS has residency programs in Orthodontics, Pediatric Dentistry, Periodontology, and Oral Medicine¹. In August 2023, the OFS Department had a leadership change and appointed a new Department Chair²

Historically, OFS has been charging and collecting an annual educational/professional fee (herein referred to as 'educational fees') of \$5,000 and \$3,000 from residents in the Oral Medicine and Pediatric Dentistry residency programs, respectively. Orthodontics levies an annual lab materials fee of \$5,000 to be collected by the Registrar's Office; therefore, it was not included in the scope of this audit review.

According to OFS department management, the educational fees are to cover:

- program support and development
- curriculum development, program materials, and exam fees
- kit materials and equipment costs
- partially subsidizes part-time faculty salary.

During FY22 and FY23, the total number of residents and the corresponding Graduate Medical Education (GME) support revenue and expenses for Pediatric Dentistry and Oral Medicine, including the education fees (shown separately), are detailed below:

OFS Residency Programs	Pediatric Dentistry FY22 (\$)	Oral Medicine FY22 (\$)	Pediatric Dentistry FY23 (\$)	Oral Medicine FY23 (\$)
Residents Enrollment 2022-2023	15: 3yr Program 4: 2yr Program	6: 3yr Program	15: 3yr Program 4: 2yr Program	6: 3yr Program
Educational Fee Revenue	57,500 ^(a)	30,000 ^(a)	57,000 ^(a)	N/A ^(b)
Other Revenue: GME/Gifts Funds	1,041,204	492,756	1,105,283	480,852
Expenses	833,087	345,920	964,163	449,849

a. Educational fees were credited against expenses; b) Oral Medicine terminated fees in FY23.

¹ Orthodontics offers care for individuals of all ages dealing with dental misalignments. Pediatric Dentistry provides comprehensive dental care, including disease prevention, for infants and children. Periodontology specializes in diagnosing and treating various gum conditions and offers osseointegrated implant therapy. The Oral Medicine Center excels in diagnosing and treating oral soft tissues and salivary gland disorders. Students in these programs can simultaneously pursue a Master's in Oral and Craniofacial Sciences.

² Dr Ioannidou succeeded Dr Shiboski as the Orofacial Sciences Department Chair.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the adequacy of internal controls over the financial management of the resident educational fees within OFS, including registration, billing, collection of fees, usage of the fees, and reconciliation. The scope of the review covered transactions and activities for Pediatric Dentistry and Oral Medicine for FY 2022 and FY 2023.

Procedures performed as part of the review included interviews and walkthroughs with relevant department personnel to identify internal controls and processes in place for financial accounting of the educational fees; 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 assess compliance beyond those specifically reviewed areas. Fieldwork was completed in September 2023.

III. SUMMARY

Based on the work performed, there are opportunities for strengthening internal controls and processes related to the management of the educational fees within the Department of Orofacial Sciences.

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

1. Miscellaneous resident educational fees have been inconsistently charged to residents; the methodology of the resident program fees structure is unclear without defined policies/ guidelines, and the fees have not undergone the campus' miscellaneous fee review and approval process.
2. Program expenses that are expected to offset the educational fees collected from the residents have not been well defined, resulting in some incurred expenses that may not be directly related to program support and benefitting the residents' professional development or meeting the purpose of the educational fees.
3. Residents' educational fee expenses are not tracked, and the corresponding funds may not have been fully utilized.
4. There is a lack of visibility of residents' educational fees, revenue, and expenses.
5. Educational fees are not collected timely.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCAs)

	Observation	Risk/ Effect	Recommendation	MCA
1.	<p><i>Miscellaneous resident educational fees have been inconsistently charged to residents; the methodology of the resident program fees structure is unclear without defined policies/guidelines, and the fees have not undergone the campus' miscellaneous fee review and approval process.</i></p> <p>OFS has been levying educational/ professional fees for residents for several years. We noted the following gaps in the fee setting and review process:</p> <ol style="list-style-type: none"> 1. Not all resident programs within the OFS department charge educational fees to the residents. Periodontology does not require a fee, whereas Pediatric Dentistry and Oral Medicine have levied educational fees and Orthodontic charges lab materials fees, thus creating potential inequities amongst the residents' programs. 2. The methodology/ fee structure has not been defined and is unclear. For example, Pediatric Dentistry resident's educational fee has been set historically at \$3,000 and has not been re-assessed. For Oral Medicine, the educational fee was lowered from \$10,000 to \$5,000 and, in FY23, was eliminated altogether due to the availability of other funding sources. It is unclear how these educational fee amounts for each program have been derived. Continuing with historical 	<p>Lack of clarity on the fee structure and inconsistent application of the fee for different resident programs can add complexity to financial operations and create financial inequities, where some residents may pay more than others. This can lead to increased legal risk for the department and school and create dissatisfaction among residents.</p> <p>Operating outside university's process for review and approval of miscellaneous fees increases the risk of unauthorized charging of fees.</p> <p>The absence of policies and procedures and</p>	<ol style="list-style-type: none"> 1. OFS to assess whether educational fees should continue to be levied given the inconsistencies and surpluses in the GME support account as well as weighing the reputational risk and possible liability on the perception of inequitable practice, together with the additional administrative resources required to administer such a fee program. 2. If OFS leadership's decision is to continue to charge resident's the educational fees, then they should work with the Budget Office for appropriate review and approval and consult with the Registrar's Office as appropriate. 	<p>Action Plan: OFS will discontinue resident fees for Pediatric Dentistry retroactive to July 1, 2023 effective November 9, 2023 via a department meeting, followed up by a formal communication the same day. Oral Medicine was discontinued in FY22, since this was two closed fiscal years ago no adjustments will be made. Any payments made by Pediatric Residents for the 2023-24 academic year will be returned by December 31, 2023.</p> <p>Target Date: December 31, 2023</p> <p>Responsible Party: OFS Chief Administrative Officer</p>

	Observation	Risk/ Effect	Recommendation	MCA												
	<p>practices, OFS has not developed any departmental policies and procedures that provide a rationale for the fees, the approval requirements, the frequency of re-assessment of the fees, and the expenses to be funded.</p> <p>3. Additionally, the programs have surplus balances on their GME support account during the prior three fiscal years (see below).</p> <table border="1" data-bbox="321 597 905 834"> <thead> <tr> <th>Program</th> <th>FY21</th> <th>FY22</th> <th>FY23</th> </tr> </thead> <tbody> <tr> <td>Peds Dentistry</td> <td>449,933</td> <td>208,117</td> <td>141,120</td> </tr> <tr> <td>Oral Medicine</td> <td>N/A</td> <td>146,836</td> <td>26,252</td> </tr> </tbody> </table> <p>Per the School of Dentistry (SOD) practice, year-end surpluses are transferred to SOD Administration Account for re-distributing to the clinics. While OFS indicated that some of the reserve funds are used for residents' educational support, it is unclear how much is spent, thus raising questions on whether the resident educational fees are indeed needed to support the program. See related observation #3 on unused fee income.</p> <p>4. There are no UC or UCSF policies or guidelines regarding the levying of educational fees to residents. UCSF Budget Office, in consultation with the Office of the President, is not aware of other residency</p>	Program	FY21	FY22	FY23	Peds Dentistry	449,933	208,117	141,120	Oral Medicine	N/A	146,836	26,252	<p>defined authority to charge residents fees can result in inconsistent practices, lack of clarity and justification for the fees and may result in difficulties with enforcing compliance and increased fraud risks.</p>	<p>3. OFS to work with the Controller's Office, Budget Resource Management, and the Registrar's Office as appropriate, in establishing policies and procedures, and oversight activities regarding resident educational fees; including defining the authority for charging fees to residents for non-degree educational programs, methodology for deriving the fee structure; frequency of review, collection of fees and expenses to be offset by the fees.</p>	
Program	FY21	FY22	FY23													
Peds Dentistry	449,933	208,117	141,120													
Oral Medicine	N/A	146,836	26,252													

	Observation	Risk/ Effect	Recommendation	MCA
	<p>programs charging such educational fees, highlighted an awareness gap across the organization of various fees being charged to residents and inconsistent practices, especially when residents are compensated via stipends. If such fees are needed, the Chancellor has the delegated authority under DA 2559 to set fee levels for miscellaneous fees to be used for purposes to “cover the cost of other materials or services necessary to provide special supplemental education experience of direct benefit to the student.”</p> <p>5. The educational fees have not been submitted to the Budget Office for review and evaluation by the campus miscellaneous fees committee and approved by the Chancellor. However, it is noted that the Miscellaneous Student Fee Advisory Committee (MSFAC) is a new annual process that the Budget Office re-launched and communicated in February 2022, specifically on “<i>new fees or increases to existing fees</i>”. However, the educational fees charged by OFS were a historical practice with no changes to the fees, and the departments may not have considered the Budget Office process relevant and/or unaware of the approval process as they were not included in the Budget Office communication.</p>			

	Observation	Risk/ Effect	Recommendation	MCA
2.	<p><i>Program expenses that are expected to offset the educational fees collected from the residents have not been well defined, resulting in some incurred expenses that may not be directly related to program support and benefitting the residents' professional development or meeting the purpose of the educational fees.</i></p> <p>The Educational Fees Acknowledgement letter issued to and signed by residents stipulates the usage of the education fee in broad terms, such as:</p> <ul style="list-style-type: none"> ▪ "earmarked for program support and development." ▪ "used for curriculum development, program materials and partially subsidizes part-time faculty salary." ▪ To cover "educational fee/ kit materials/ equipment costs" <p>A review of expenses charged to residents' educational fees found that some expenses such as welcome reception, graduation³, alumni meeting, interviews, and infrastructure and assessment fees for gift funds could be misconstrued as not aligning with curricular development or program support.</p> <p>Per OFS, social events benefit the residents' development by establishing a network for future job prospects and sharing learned experiences,</p>	<p>The lack of transparency on the use of fee funds can create unmet expectations, raise questions, or have misconceptions about the appropriateness of levying the fees and result in grievances.</p>	<p>OFS to create greater transparency surrounding resident educational fees and define more specifically how the residents' educational fees will be utilized and communicate this to relevant contact points for the residency program.</p>	<p>Action Plan: Since Orthodontics will be the only remaining education fee, the department will explore where Ortho educational fees are deposited to and document specific uses.</p> <p>Target Date: March 31, 2024</p> <p>Responsible Party: OFS Chief Administrative Officer</p>

³ Faculty are charged to attend graduation at \$90 per ticket. While residents are not charged an attendance fee, the graduation costs are charged to the GME support account, resulting in each resident contributing about \$388 toward their graduation event.

	Observation	Risk/ Effect	Recommendation	MCA
	such as discussing complex cases in their specialty.			
3.	<p><i>Residents' educational fee expenses are not tracked, and the corresponding funds may not have been fully utilized.</i></p> <p>OFS does not track expenses incurred for each resident to determine whether all funds have been utilized, primarily because unused funds are kept within the program and not refunded to the residents nor offset against future fees.</p> <p>Based on a review of expenses incurred by each program, Pediatric Dentistry had unused educational fees totaling \$18,153 and \$12,785 for FY22 and FY23, respectively.</p> <p>Oral Medicine collected \$30,000 in residents' educational fees in FY22; no educational development expenses were incurred. Oral Medicine did not refund the funds to the residents for the unspent funds.</p>	<p>Failing to track the usage of residents' educational fees against payment made can lead to misconceptions of appropriateness and potential financial mismanagement, including a lack of clarity on how much revenue the program generates and utilizes. This can result in inefficiencies, potential misuse of funds, and increased fraud risks.</p>	<p>Define procedures for tracking educational fee usage to ensure that they are fully utilized for residents and program support and establish policies around refund and/or carry forward of unspent fees.</p>	<p>Action Plan: If Orthodontics fees are not isolated, a unique chart string will be utilized to track and clearly identify revenues and expenses. Department will document chart string to be used and ensure fees are fully utilized.</p> <p>Target Date: March 31, 2024</p> <p>Responsible Party: OFS Chief Administrative Officer</p>

	Observation	Risk/ Effect	Recommendation	MCA
4.	<p><i>There is a lack of visibility of residents' educational fees, revenue, and expenses.</i></p> <p>Historically, Pediatric Dentistry has been deducting the educational fees from the Resident's GME stipend (resident paid net of educational fees). The fees were not then journaled to the fees account thereby, total income from educational fees was not visible in the financial system. Instead, the fees were commingled with GME support expenses and may be used to cover some of the programs' general costs. Since December 2022, residents' stipends have been paid through the payroll system, so the educational fees are primarily collected via check payments. However, we noted that these fees are posted as a credit to the expense account "Tuition & Fee Offset" and not recognized as revenue income.⁴</p> <p>Similarly, expenses are not posted solely to the GME support account but are charged across several funds/accounts, such as the prior year's reserves and Fund for Excellence. Each program director instructs the OFS Finance Unit of expenses to be charged to residents' educational fees fund. There are no documented criteria for determining expenses charged against the various funds.</p>	<p>Without separate accounting of educational fees, it is difficult to determine the total income received from educational fees and match to corresponding expenses.</p>	<p>OFS should work with the SOD Dean's Office and /or Controller's Office to develop criteria for recording revenue and expenses.</p>	<p>Action Plan:</p> <p>Since Pediatric and Oral Medicine will no longer be levying educational fees, recording revenue will no longer be under the department's control. Orthodontic fees are collected by the registrar, department will ensure these fees are tracked and matched to corresponding expenses per action plan in Observation #3</p>

⁴ We noted varying practices within OFS; Orthodontic lab material fees are recorded as revenue by credit of the fee income the Orthodontic revenue laboratory fee account.

	Observation	Risk/ Effect	Recommendation	MCA
5.	<p><i>Educational fees are not collected timely.</i></p> <p>a. Pediatric Dentistry Educational Fees Payment: The resident's appointment letter stipulates the payment deadline of October 1 each year.</p> <ul style="list-style-type: none"> ▪ FY 22: Three out of 10 Residents (30%) made educational fee payments after the October 1, 2021 deadline. ▪ FY23: 19 (100%) payments of educational fees were in April/ May 2023 after the October 3, 2022 deadline.⁵ <p>b. Oral Medicine Educational Fees Payment: For FY22, all six residents (100%) paid educational fees after the July 1, 2021 payment due date.</p>	<p>Untimely collection of fees increases the risk of default of payment and non-recovery of expenses.</p>	<p>OFS should leverage expertise in other units, such as the Registrar's Office/ Controller's Office, to establish procedures for cash handling/ collection responsibilities and to ensure the accuracy and appropriateness of recording and the timeliness of collection.</p>	<p>Action Plan:</p> <p>Since Pediatric and Oral Medicine will no longer be levying educational fees, collection timing will no longer be an issue. Orthodontic fees are collected by the registrar, so the department is not responsible to collect those.</p>

⁵ Journal date was used to measure the timeliness of receipts.

OPPORTUNITIES FOR IMPROVEMENTS

No.	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>
1	<p><i>Documentation for cash deposits and journal entries could be enhanced.</i></p> <p>a. <u>Source Code 320 for Cash Deposit on Federal Fund</u>: Check deposits for federal funds were inappropriately posted using source code 320. Per the Controller's Office guidance, cash management relating to sponsored projects requires special handling, following a different process whereby the checks should be mailed to the Contracts & Grants Accounting lockbox.</p> <p>b. <u>Cash Deposit Slip Bag number</u>: The bag number was not written on the Deposit Slip. The bag number is a practical measure that enhances security, accountability, and efficiency in managing financial transactions. It ensures that deposits are accurately recorded, tracked, and processed, benefiting both the organization depositing funds and the financial institution receiving them.</p> <p>c. <u>Cash deposit supporting documents</u>: Inconsistent practice exists in providing supporting documents.</p> <p>d. <u>Transaction Description on journals</u>: The Transaction description can be enhanced to include the names of the residents rather than a generic description of "Tuition & Fee Offset". This allows reviewers to easily identify which residents paid educational fees and who did not without looking up each employee ID in the reference column.</p> <p>e. <u>Cost transfer</u>: The transfer journal entry did not reference the original Journal ID, and the business justification for the cost transfer is unclear. Per the Controller's Office guideline original Journal ID should be entered in the reference column.</p>	<p>The lack of good documentation makes tracking and resolving any reviewer's financial management inquiries difficult.</p>	<p>OFS should leverage expertise in other units, such as the Registrar's Office/ Controller's Office, to establish procedures for educational fees handling/ collection responsibilities.</p> <p>OFS Department Manager acknowledged that training and education will be provided to relevant finance staff to improve the documentation for cash depositing and journal entries as identified in the audit.</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 understand activities for the areas under examination.
- Verified accuracy of the list of residents against payroll records.
- Validated all residents have made the annual payments by the due date.
- Determined if residents' expenses are fully used based on the annual educational payments.
- Determined if appropriate separation of duties is in place for the payment collections, depositing, and journal posting activities.