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

**School of Medicine
Office of Continuing Medical Education
Financial Management**

Project #21-038

November 2020

November 20, 2020

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School of Medicine

SUBJECT: Office of Continuing Medical Education - Financial Management

As a planned internal audit for Fiscal Year 2021, Audit and Advisory Services ("A&AS") conducted a review of the educational programs within Office of Continuing Medical Education (OCME). The purpose of this review was to assess the adequacy of financial controls over the management of Continuing Medical Education courses within OCME including course registration, billing and collection of fees, and reconciliation to ensure compliance with University's cash handling and payment card security policies.

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 October 2020. Management provided final comments and responses to our observations in November 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. 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

As a planned audit for Fiscal Year 2021, UCSF Audit and Advisory Services (A&AS) completed a review of the processes and internal controls over the financial management of the educational programs within the Office of Continuing Medical Education (OCME).

The OCME, accredited by the Accreditation Council for Continuing Medical Education (ACCME), offers educational opportunities for medical professionals including physicians, nurses, physician assistants, pharmacists, dentists, and allied health care professionals to improve their practices through a comprehensive selection of continuing education activities.

Services provided by the OCME include educational and assessment consulting, qualification for continuing education credit to maintain a license to practice, conference planning and management, marketing, participant registrations, and certification services, financial management and activity budgeting, and course evaluation and outcomes assessment.

Registration for courses is through the online registration system, Configio[1], as well as paper registration forms received by traditional mail and fax. All course registrants and corresponding fees, as well as some non-registration fees such as exhibitor fees, are tracked in Configio.

The OCME provides full financial management service for courses planned by the OCME and partial financial management service for courses planned outside of OCME. Partial financial management service mostly includes revenue management by the OCME on behalf of the department. For Fiscal Year 2020, OCME total revenue was approximately $1.54M for the following activities: [2]

	Registrant Headcount	Complimentary Reg. Count[3]	OCME Service Fees
Live Courses Planned by OCME (Plan A)	6,031	1,011	$1,023,119
Live Courses Planned by Radiology (Plan B)	853	53	$64,245
Live Courses Planned outside OCME (Plan C)	2,091	356	$140,774
Direct Enduring Materials and On-Demand (Plan F)	2,091	356	$140,774
Special Events (Plan H)	826	10	$27,780
Jointly-Provided Live (Plan J)	795	37	$70,551
Jointly-Provided Enduring (Plan J)	4,550	0	$70,594
	17,237	**1,823**	**$1,537,837**

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[1] Configio is the new online registration system and tracks all registrations financial transactions including non-registration such as exhibitor fees.

[2] Determination of final actual revenue for FY20 is still in progress due to awaiting Governing Board approval to process the closing of the courses that were canceled as a result of COVID-19 pandemic. Service fees and expenditures for the work done on these activities before they were canceled have yet to be recovered. The cancellation of courses had an impact on revenue.

[3] Complimentary registration includes UCSF faculty and others taking CME courses that are funded by other sources such as grants.

II.   AUDIT PURPOSE AND SCOPE

The purpose of the review was to assess the adequacy of financial controls over the management of CME courses within the OCME including course registration, billing and collection of fees, and reconciliation to ensure compliance with University's cash handling and payment card security policies.[4] The scope of the review covered transactions and activities for the OCME course programs for FY 2020 and FY 2021 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 included a sample of course fees billed and collected 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 September 2020.

III.   SUMMARY

Based on work performed, OCME appears to have adequate internal controls in place over the financial management of CME courses, including the performance of daily reconciliations to ensure accuracy and completeness of registration revenue and monthly General Ledger (GL) reconciliation. Additionally, adequate review and approval processes are in place for complimentary registrations and special fee discounts and comprehensive information is provided to the course host department through submission of a formal financial closing statement. Internal controls are also built into the Configio system to ensure no duplicate or overpayment of refunds.

OCME had two staff retire in June 2020; thus, segregation of duties control has become more difficult for the department during the current period while these positions are being filled. Additionally, OCME implemented a few new systems (Configio, Highmarks and Bluefin) and is in the process of relocating to a new office location. These changes can have an impact on operations and the control environment and are closely monitored by OCME.

The review identified opportunities for improvement in controls and processes related to Payment Card Industry (PCI) compliance, reconciliations, timely posting of receipts and documenting of operating procedures. The specific observations from this review are listed below as well as in Section IV.

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[4] University Policies BUS-49 "*Policy on Cash and Cash Equivalents"* establishes financial controls and "best practices for prudent oversight the University's financial assets." Also, UCSF 650-16 addendum E – Payment Card Industry (PCI) outlines the requirements for information, locations, facilities, and devices processing, storing, or transmitting of credit card information.

1. Credit card payment was received via fax and voicemail, which is not a secured method for transmitting or storing PCI as required by University policies or PCI and data security standards.

2. Daily reconciliations of the registration revenue have not been sufficiently performed based on relevant information/reports to determine its accuracy and completeness.

3. There is a lack of segregation between the preparer and approver for the monthly General Ledger Reconciliation.

4. Journal entries for cash receipts and CHD were not processed timely in accordance with the UCSF Controller's Office guidelines.

5. Standard Operating Procedures (SOPs) for the educational course registration process has not been established or documented.

Additionally, opportunities for program management improvements were identified relating to enhancing reporting and monitoring of special fees and reducing manual processing of registrations.

Further detail on the specific observations and the opportunities for improvement can be found on the next page in the section on Observations and Management Corrective Action Plans.

IV.   OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS ("MCA")

No.	Observation	Risk/Effect	Recommendation	MCA
1.	***Credit card payment was received via fax or voicemail, which is not a secured method for transmitting or storing PCI as required by University policies or PCI and data security standards.*** During the review it was noted that the OCME receives paper registration forms, which includes cardholder data (CHD) payment information, via fax, mail and voicemail, although voicemail registration has been rare until more recently with the shelter in place order due to COVID-19. Based on BUS-49, it is prohibited to accept CHD through fax transmissions and retained unless exception approval has been granted by UCSF Merchant Services (previously granted by the Controller's Office). Evidence of the exception approval could not be provided by OCME or the UCSF Merchant Services. PCI DSS requirement 3.2 requires CHD to be transferred over secured payment channels. Voicemail and facsimile are not recognized as valid payment channels. BUS-49 "Policy for Cash and Cash Equivalent Received" states that "the University should not accept payment instructions via fax transmission. This practice is prohibited as a violation of the intent of section 4(a) of the Uniform Commercial Code. The location Controller may grant variances provided appropriate compensating controls are in place". Voicemail is considered as an unauthorized payment channel and prohibited by the UCSF Policy 650-16 Addendum E- PCI, 6.7.3 Electronic Commerce Security.	Credit card information obtained and stored outside of the acceptable payment systems increase risk of non-compliance for PCI DSS requirement 3.2.	• The OCME should obtain and maintain documentation of exceptional approval for registrations through fax. Additionally, to reduce PCI compliance risks from registration via fax, OCME should consider encouraging registrants to use their online registration system (See Section V Process Improvement #2) • The OCME should not process any CHD received via voicemail. • The OCME should include a message in their voicemail to inform registrants not to leave their CHD information in the voicemail and	**Actions:** a. The Controller's Office intends to phase out credit card payment via fax transmissions by 2022. As such, OCME plans to phase out fax registration in the next six months. After this time, fax registrations will not be accepted by OCME. **Target Date:** May 31, 2021 b. The OCME has removed the fax number from its (future) brochures and website. **Target Date: Action Completed** c. All credit card information

No.	Observation	Risk/Effect	Recommendation	MCA
			consider similar messages on their website, brochure and email.	received by OCME through voicemail has been permanently deleted. Registrants will be advised on the OCME Website not to leave credit card information in voicemail. **Target Date:** May 31, 2021 **Responsible Party:** Associate Dean, CME and GME
2.	***Daily reconciliations of the registration revenue have not been sufficiently performed based on relevant information/reports to determine its accuracy and completeness.*** During the review of daily reconciliations, it was noted that not all relevant reports are used to validate the accuracy and completeness of revenue. The following reports were not used as part of the reconciliation process: • BearBuy check request report was not used to verify that all refunds were entered into the Configio system. Assessment of MyReports for AP Expenses	Not utilizing independent source documents for the reconciliation increases the risk of missed transactions, and does not provide reasonable assurance that financial transactions are valid.	As part of the daily reconciliations, OCME should use the BearBuy check request report, CME CA payment report and MyReports to validate the accuracy and completeness of revenue.	**Action:** OCME has started utilizing the relevant reports as part of its daily reconciliation process. **Target Date: Action completed Responsible Party:** Associate Dean, CME and GME

No.	Observation	Risk/Effect	Recommendation	MCA
	showed three check refunds totaling $3,175 were not entered into Configio system, which is the source for generating Closing Budget and Actuals of revenue and expenses. • CME California (CME CA) is a University of California consortium eLearning portal and payment report was not generated for independent verification of registrations fees. • MyReports was not produced for verification of recharges. Currently, Authorize.Net is the payment gateway for all online registrations through OCME's Configio and CME CA Learning Center online registration systems. OCME performs daily reconciliation using the Authorize.Net Settlement report, Bluefin[5] Terminal Settlement report and the Cash/Check log against Configio system to ensure all payment types are accurately reflected.			
3.	***There is a lack of segregation between the preparer and approver for the monthly General Ledger (GL) Reconciliation.*** The Finance Manager is responsible for performing the monthly GL reconciliation which is reviewed and approved by the OCME Director. In June 2020, the Finance Manager retired and as a result the OCME Director has been performing the monthly GL reconciliation. Currently there is not a separate person to review or approve the reconciliation. The OCME has started the recruitment of a new Finance Manager and anticipate having someone hired by the end of 2020.	Lack of review and approval of the monthly GL reconciliation increases the risk of inappropriate transactions and/or errors not being detected or corrected in a timely manner.	OCME should delegate the review and approval of the monthly GL reconciliation to appropriate personnel as an interim control until the new Finance Manager is hired.	**Actions:** a. The Associate Dean, CME and GME (or a substitute he may delegate from time to time) will be the interim reviewer through January 2021. b. A new Finance Manager will be hired before the

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[5] Bluefin is the virtual terminal and payment getaway used by the OCME. Bluefin includes PCI validated point-to-point encryption (P2PE) for contactless payment methods.

No.	Observation	Risk/Effect	Recommendation	MCA
	Campus Administrative Policy 300-46 "General Ledger Verification" requires that "duties be separated between reconciliation, review, and acknowledgement whenever possible. As a minimum, two individuals are required….If separation is not feasible or practical due to staffing levels, an assessment should be performed to ascertain the level of risk and whether or not alternative detective controls are necessary"			end of the year and train for GL reconciliation preparation while onboarding. **Target Date:** February 28, 2021 **Responsible Party:** Associate Dean, CME and GME
4.	***Journal entries for cash receipts and CHD were not processed timely in accordance with the UCSF Controller's Office guidelines.*** Review of cash and cash equivalent and credit card receipts from March 2019 to August 2020 identified the following: • 31% of the 586 CHD JE were not processed timely with 16% journalized between 6-10 days and 15% were beyond 10 days. • 6% of the 157 Checks/Cash JE were processed between 6-34 business days. Per UCSF Controller's Office guidelines, cash receipt and CHD journals should be prepared and approved within 5 business days of cash deposit or a CHD transaction.	Late processing and reviews of journals can increase the risk of revenue misallocation and/or other errors and omissions not being identified promptly.	OCME should consider developing monitoring procedures to ensure that JEs are prepared and approved timely.	**Action:** Periodic reviews will be performed on journal postings to ensure journals are timely. The department manager will follow up on late journals. **Target Date:** December 31, 2020 **Responsible Party:** Associate Dean, CME and GME

No.	Observation	Risk/Effect	Recommendation	MCA
5.	***Standard Operating Procedures (SOPs) for the educational course registration process has not been established or documented.*** During the review, it was noted that documented SOP for the registration function has not been developed. The OCME staff consists of long-term employees, who have good knowledge of the SOPs, although these have not been documented to serve as a job aid to ensure business continuity. The OCME is aware of the business need for SOP documentation since they recently completed several new systems implementations and have experienced the impact of some staff turnover. As a result, the OCME has started to draft their reconciliation procedures.	The lack of documented SOPs increases the risk of inconsistent or erroneous practices for capturing financial transactions as well as impacting business continuity.	OCME should define and document their SOPs to reflect the new systems and processes including but not limited to the following: • Data entry for capturing payment and refund for manual registrations into Configio • Financial reports generation from the new systems that are currently being extracted from the legacy system, MeetingTrak. • Acceptable method of Chair's Budget Approval for policy 100-30 Continuing Education Programs.	**Action:** OCME has started to develop SOPs for daily and monthly reconciliation and will need to complete for all aspects of their key business operations. Final details will be completed by the OCME Director and new Finance Manager. **Target Date:** April 30, 2021 **Responsible Party:** Associate Dean, CME and GME

V. Process Improvement – Program Management

No.	Observation	Risk/Effect	Recommendation
1.	***The Course Closing Packet information could be enhanced to include the number of special discounted registrations for oversight and verification purposes.*** The Department Chair approves complimentary registration or exceptional discount granted to individuals and these are processed by the OCME Registration Administrator. At course closing time, after all exhibitor payments have been received, the OCME provides a Closing Packet to the Department Chair, which includes registration headcount broken down by total number of paid and complimentary registrants. However, there is no information provided on the total number of special fee/exceptional discount registrations.	Unauthorized special fee discounts provided to registrants may not be identified.	The OCME should consider including in the Course Closing Packet the "Restate Report" that shows the total count by price point to enable client to verify the appropriateness of the exceptional discounts that have been granted. Also, OCME could consult with the Configio system vendor to determine whether the "note" field, showing the email of the authorizer of the exceptional discount with business justification, can be extracted for report generation for purposes of auditing.
2.	***Efficiencies can be gained, and resources better utilized through expansion of on-line registration.*** The OCME accepts registration forms and payments via phone, fax and mail. As a result, information needs to be manually entered in the registration system which is resource intensive and inefficient. If phone and mail registration remain as options, OCME will continue to perform manual registrations, which adds to the manual workflow for refund request, price adjustment from course transfer or error on price selection, complimentary, special discount and walk-in registrations.	Allowing registrations through phone and mail creates increase risk of errors from manual workflow	Since OCME will have to phase out CHD registration payments via fax and voicemail registration intake[6], OCME should take advantage of this time to consider phasing out or at least reducing the number of phone and mail registrations. Increasing the number of transactions conducted via online processing, will free up resources to focus on financial management activities and educational program strategies.

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[6] The Controller's Office intends to phase out card payment via fax transmissions for services and products by 2022.

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 analysis of cash and credit card journal entry deposits for one year to determine the timeliness of journal entry.

- 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.

- Verified that registration fees matched expected core fee setup including syllabus, and justification for fee variances.

- Determined if appropriate separation of duties exists between billing, refunds, check and credit card depositing, journal posting, and general ledger reconciliation.

- Verified appropriate controls were in place for the review and approval of refund transactions through BearBuy or directly back to credit card.

- Obtained a sample of general ledger verifications completed for periods in scope and determined if evidence of departmental review existed.