

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. The letters "U" and "C" are significantly larger than the other letters, and the "I" is a thin vertical line. The text is set against a light yellow background.

UCIRVINE

The text "INTERNAL AUDIT SERVICES" in a black, serif font, arranged in two lines. The text is set against a light yellow background.

INTERNAL  
AUDIT SERVICES

Stipend Payments to  
Academic Appointees  
*Internal Audit Report No. I2018-109A*  
September 24, 2018

*Prepared By*

Julie Chung, Senior Auditor

*Reviewed and Approved By*

Mike Bathke, Director



INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

September 24, 2018

**DIANE O'DOWD  
VICE PROVOST ACADEMIC PERSONNEL  
ACADEMIC AFFAIRS**

**Re: Stipend Payments Audit – Academic Appointees  
No. I2018-109A**

Internal Audit Services has completed the review of administrative stipends paid to academic appointees 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.

*Mike Bathke*

Mike Bathke  
Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
Jean Chin, Interim Assistant Vice Chancellor, Academic Personnel  
Ilona Pak, Principal Academic Personnel Analyst

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 2017-2018 audit plan, Internal Audit Services (IAS) reviewed the review, approval, and processing of administrative stipends paid to academic appointees. The review identified internal control and compliance weaknesses that should be improved to minimize business risks and ensure compliance with University of California, Office of the President (UCOP) policies and procedures as well as the Academic Personnel Manual (APM). The following observations were noted.

**Stipend Reporting** – Administrative stipends paid to the majority of academic appointees in Health Sciences (HS) were categorized as “additional administrative compensation” and disbursed as Z payments. Consequently, administrative stipends were not properly reviewed and approved or consistently disbursed. Further details related to this observation is provided in section V.1.

**Stipend Ranges and Exceptional Approvals** – Although stipend limits were established for associate deans and department chairs, stipend ranges were not developed for all administrative positions listed in APM-633 that are eligible for administrative stipends at the general campus. Also, although a stipend limit was established for all administrative positions at HS, which is comprised of School of Medicine (SOM), School of Nursing, Department of Pharmaceutical Sciences, and Program in Public Health, the maximum was not documented and maintained on file. In addition, exceptional approvals for exceeding the stipend limits were not obtained as required. These observations are discussed in section V.2.

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## II. BACKGROUND

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APM-633 states, “In recognition of added administrative responsibility, administrative stipends may be paid to eligible academic appointees. Additional administrative responsibility is distinct from additional service, which is to be recognized through the academic review process.” At UCI, the Academic Personnel Office (APO) has oversight of administrative stipends paid to academic appointees. However, it should be noted that the initiating, reporting, and processing of administrative stipends are decentralized to the Dean’s office for each schools within the general campus but centralized in HS.

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### III. PURPOSE, SCOPE AND OBJECTIVES

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The purpose of the audit was to assess the business risks, internal controls, and compliance with University policies and procedures for the review, approval, and processing of administrative stipends paid to academic appointees. The review was designed to determine whether sufficient internal control measures are in place to prevent or detect inappropriate, non-compliant, and/or fraudulent transactions, while ensuring efficiency and effectiveness in business operations. The audit scope included fiscal year 2016-2017 business practices and stipend payments.

The following audit objectives for academic appointee stipends were included in the review.

1. Review payroll data to determine if academic appointees who do not hold roles in the eligible titles received administrative stipends.
2. Review payroll data to determine if non-Senate academic appointees covered by a Memorandum of Understanding (MOU) received administrative stipends.
3. Review procedures and practices for reporting administrative stipends.
4. Review procedures and practices as well as the documentation of exceptional approvals of administrative stipends exceeding \$20,000 for appropriateness.

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### IV. CONCLUSION

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Some internal controls for exceptional approval have been established and implemented. However, concerns were noted with the business practices in the review, approval, processing and reporting of administrative stipend payments. Observation details were discussed with management who formulated action plans to address the issues. These details are presented below.

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## V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

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### 1. Stipend Reporting

#### Background

APM-633-0 Administrative Stipends states, “In recognition of added administrative responsibility, administrative stipends may be paid to eligible academic appointees. Additional administrative responsibility is distinct from additional service, which is to be recognized through the academic review process.

Administrative stipends are considered covered compensation for purposes of the UC Retirement Program.”

APM-633-80 (b) states, “When an administrative stipend is applied, it shall be distinguished and recorded separately from the academic appointment(s) with the use of a specific position title code for administrative stipends.”

#### Observation

IAS noted that all stipends paid to the general campus faculty administrators were properly reported under description of service (DOS) code STP which is covered compensation for the purposes of retirement in accordance with APM-633-80 (b). However, there appears to be little oversight by the APO of HS stipend processing or reporting. IAS found inconsistencies among the HS departments on how stipends are categorized and disbursed to HS faculty administrators although the payments are for the same administrative positions (department chair, interim chair, director, medical director, and/or other administrative positions). IAS noted only eight of the 102 faculty members that held administrative positions eligible for stipends were paid under DOS code STP and that the vast majority of faculty members were paid stipends under DOS code HAS (98 faculty administrators received all stipend payments coded HSA and four of eight faculty members mentioned above also received additional stipends coded HAS). It should be noted that stipends disbursed under DOS code HSA are defined as “additional administrative compensation” (“Z” payments) that are negotiated and approved by the SOM

Dean's office and not covered compensation for the purposes of retirement. Therefore, only eight of the 102 HS faculty administrators received stipends that are covered compensation for the purposes of retirement according to policy.

### **Management Action Plan**

HS chairs are compensated with both stipends (not to exceed \$24,000/year) and/or other administrative compensation. Currently, additional administrative compensation components do not require exceptional approval by the Vice Provost. The APO will be reviewing and updating compensation guidelines for HS. This will provide an opportunity to establish guidelines and limits on when HS administrative compensation should be paid as a stipend and at what dollar limit. In addition, the APO will establish guidelines and limits on other forms of HS administrative compensation.

The implementation process for our updated guidelines will be effective by the 2018-2019 academic year for the General Campus, with the exception of any negotiations that may have already been concluded, and by 2019-2020 for COHS.

## **2. Stipend Ranges and Exceptional Approvals**

### **Background**

APM-241-18 Faculty Administrators and APM-245-18 Department Chairs both state that stipend ranges shall be developed by each campus for faculty appointed to administrative positions in the following titles.

- a. College Provost
- b. Vice Provost, Associate Vice Provost
- c. Associate Vice Chancellor, Associate Dean
- d. Department Chair, Department Vice Chair
- e. Director, Associate Director
- f. Faculty Assistant to the Dean or Vice Chancellor or Chancellor, Academic Assistant to the Vice Chancellor or Chancellor
- g. Interim or Acting appointment in the titles listed above

Chairs and administrators who participate in the HS Compensation Plan (HS Comp Plan) are provided a maximum stipend not to exceed \$24,000. While documentation was not available to confirm this \$24,000 maximum, both College of HS (COHS) and central APO confirmed their understanding of this limit. Vice Provost approval is required in advance to approve stipends that exceed these limits. Since stipends are covered compensation for the purposes of retirement, the campus regulates large stipends paid for administrative responsibilities that are not considered a part of the career faculty appointment. This oversight not only provides consistency across schools, but also manages adverse impact on the UC Retirement System.

The COHS administrative “stipends” referenced in the observation do not exceed the \$24,000 limit because any amount over \$24,000 is paid as additional administrative compensation. In addition to stipends, administrators are eligible for other administrative compensation in accordance with Academic Personnel Manual (APM) 600 policy. Under campus guidelines, general campus associate deans and department chairs also have the ability to earn summer ninths for their administrative responsibilities; these summer ninths are held to UC systemwide APM 600 policy limitations. Like general campus administrators, HS administrators who participate in the HS Comp Plan may receive other components of administrative pay. HS chairs are frequently paid administrative compensation in their “Y” or “Z” negotiated salaries, in accordance with APM 670 policy. Summer salary, “Y” and “Z” payments are not classified as “stipends.” They do not impact the UC Retirement System and are negotiated and approved by the school.

## Observation

### a. Stipend Ranges

#### Campus

On April 15, 2015, APO issued memorandums establishing a stipend limit at \$20,000 for associate deans and department chairs and requiring an exceptional approval from the Vice Provost of APO for stipends that exceed the threshold. IAS noted that both communications were addressed specifically to the general campus and not to HS.

Although stipend limits were established for two administrative positions, associate dean and department chair, stipend ranges were not established for other position titles that are also eligible for administrative stipends. Therefore, IAS noted that two Directors at the general campus were paid stipends ranging from \$30,000 to \$60,000 during FY 2016-2017 and were not required to obtain exceptional approvals.

### **Health Sciences**

Although not documented and maintained on file by HS or APO, a maximum stipend limit of \$24,000 for chairs, medical directors, and other administrators in the HS had been established many years ago which is still currently in effect. Vice Provost approval is also required in advance for stipends that exceed this limit.

#### **b. Exceptional Approvals**

##### **Campus**

Stipends that exceeded the \$20,000 limit that were paid to five associate deans in the School of Law during FY 2016-2017 were identified and further reviewed. IAS noted that exceptional approvals were not obtained to exceed the stipend threshold for two associate deans over several fiscal years. IAS also noted that the exceptional approval document to exceed the stipend threshold for another associate dean was not dated. Therefore, IAS was not able to determine if exceptional approval was obtained in advance.

### **Health Sciences**

IAS reviewed payroll data and noted that 57 directors, medical directors, and department chairs received stipends ranging from \$20,884 to \$125,000 paid under DOS code HSA. Although a maximum stipend limit of \$24,000 was established for administrative positions such as department chair, interim chair, director, medical director, etc., exceptional approval requests were not submitted to the Vice Provost for stipend payments defined as “additional administrative compensation” and disbursed under DOS code HSA that exceeded \$24,000.



### **Management Action Plan**

The APO will be reviewing and updating current associate dean and department chair compensation guidelines for both the general campus and HS. This will provide an opportunity to:

- identify stipend limits for additional eligible titles identified for stipends in APM 633-14;
- include additional titles not included in APM 633-14, as determined by the chancellor or designee in accordance with policy;
- clarify which guidelines govern the schools and programs now falling under HS;
- include additional guidelines for HS schools and programs that provide models and limitations on additional components of pay that may be paid via “Y” or “Z” payments;
- establish limits on the number of stipends a faculty administrator may receive in a single academic year;
- clarify what components of pay require further approval by the Vice Provost for APO; and
- store all guidelines in APO’s newly created digital files (this is part of an effort to digitize all academic personnel records).

### **General Campus Plan Timing**

The implementation process for our updated guidelines will be effective by the 2018-2019 academic year, with the exception of any negotiations that may have already been concluded. With the general campus audit observations focused in a single school, the APO will work closely with leadership in that school. The APO note that Vice Provost approval was requested and approval granted for only the Senior Associate Dean, while the other two observations were discovered after payments were processed. Additionally, the APO will conduct its own post-audit before December 31, 2018, to further identify any above-range stipends that have not been previously approved and any stipends assigned to non-designated titles. UCPATH implementation is scheduled for April 2019 and this new payroll system promises to provide more routine reporting capabilities to help manage compensation.

**HS Plan Timing**

The audit observations identify a need for more formal campus guidelines and implementation procedures, including limits on stipends and other administrative compensation components. APO will work closely with HS leadership to finalize documentation by December 31, 2018, so that these guidelines can govern administrative compensation negotiations for 2019-2020. UCPATH implementation will help to more easily identify HS compensation components.