

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

**School of Dentistry
Health Sciences Compensation Plan
Project #16-013**

November 2015

University of California
San Francisco



Audit and Advisory Services

November 10, 2015

Sheila Brear
Associate Dean
School of Dentistry

SUBJECT: 16-013 Health Sciences Compensation Plan

As a planned internal audit for Fiscal year 2016, Audit and Advisory Services (“AAS”) conducted a review of the Health Sciences Compensation Plan at the School of Dentistry. 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 in October 2015 and the preliminary draft report was provided to management in October 2015. Management provided us with their final comments and responses to our observations in October 2015. 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.

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,

A handwritten signature in black ink, appearing to read 'Irene McGlynn', is written over a thin horizontal line.

Irene McGlynn
Director
UCSF Audit and Advisory Services

EXECUTIVE SUMMARY

I. **BACKGROUND**

As a planned audit for Fiscal Year 2016, Audit and Advisory Services (AAS) conducted a review of the Health Science Compensation Plan (HSCP) within the School of Dentistry (SOD). The purpose of the HSCP is to provide a common administrative framework within which a participating health sciences school can compensate its faculty according to the competitive requirements of each discipline.

The Office of the President has issued the following policies concerning Conflict of Commitment and Outside Activities¹:

- APM 025, Conflict of Commitment and Outside Activities of Faculty Members
- APM 670, Health Sciences Compensation Plan (HSCP); and
- APM 671, Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants

Revised APM 025 and APM 671 provide new guidance to identify and manage Outside Professional Activities (OPA) to ensure that when a faculty member participates in activities outside of the University, the activities do not interfere with fulfilling the individual's responsibilities to the University.

APM 671 governs Conflict of Commitment issues for members of the HSCP, including eligible recalled faculty, while APM 025 applies to all other faculty (including Health Sciences faculty who are not HSCP participants). The University needs to be informed about the time, effort and earnings of HSCP members and APM 671 provides guidance on how all earnings are treated under the plan. Eligible HSCP Faculty may engage in OPA up to a maximum of 48 days annually. They may earn a maximum of \$40,000 or 40% of scale 0 for their rank and step (whichever is greater)².

There are certain inherent risks associated with reporting of OPA's within the scope of implementing the HSCP, particularly limitations in the reporting methods and monitoring capabilities. Reporting of OPA is designed as a self-reporting system, so faculty members are expected to accurately and completely report all income generated through outside activities and the time dedicated to OPAs. Inherent within this system of reporting is the risk that a faculty member could intentionally or unintentionally withhold or misreport OPA because at present there is no process that will detect omissions or errors. Additionally, there is no requirement or expectation that the parties which are responsible for the implementation of the HSCP will perform monitoring activities apart from reviewing faculty members' OPA reports. The policies that govern the oversight process are designed by the Office of the President and the Office of the President is aware of these risks. AAS acknowledges the existence of these risks and did not design any audit test steps to address them.

II. **AUDIT PURPOSE AND SCOPE**

¹ APM 025 and APM 671 have an effective date of July 1, 2015. APM 670 has an effective date of July 2, 2012.

² Scale 0 is the minimum salary scale used in the HSCP. Scales 0 -9 are used to establish minimum salaries for faculty within the HSCP based on the Academic Program Unit assigned by the department and the faculties' rank and step.

The purpose of this review was to assess whether the HSCP at SOD Orofacial Sciences is implemented and administered in accordance with UC policies. The scope of this review included current SOD implementation procedures, and payroll and general ledger records for the SOD Orofacial Sciences department.

Procedures performed as part of the review included interviews with relevant personnel from the departments and the Dean's Office, assessment of the adequacy of the HSCP to comply with University policies, verification of the accuracy and timeliness of accounting transactions and validation that required OPA reports were submitted by faculty members for FY14.

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 October 2015.

III. SUMMARY

Based on work performed, the SOD Orofacial Sciences HSCP was generally compliant with University policy; however, we noted the FY14 Annual HSCP Disclosure Form for one faculty member was not on file. Orofacial Sciences faculty total compensation included base salaries, negotiated additional compensations, administrative stipends, incentive/ bonus compensations, and there was no academic enrichment fund payouts.

Opportunities for improving and strengthening controls exist in the area of ensuring HSCP members file their Annual HSCP Disclosure Forms.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

No.	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>MCA</u>
1	<p><i>Missing Annual HSCP Disclosure Form</i></p> <p>Review of eight judgmentally selected SOD OFS faculty members FY14 Annual HSCP Disclose Forms identified one Disclosure Form (OPA) was not on file. It was determined that the faculty member did not submit their OPA for FY14.</p> <p>All HSCP participants are required to complete an annual HSCP Disclosure Form listing outside professional activity category, dates of service, income retained, time spent, description of activity, description of organization providing compensation, and nature of relationship to the payer.</p>	<p>Faculty compliance with the University's HSCP requirements cannot be determined on faculty members that did not file their Annual HSCP Disclosure Forms.</p>	<ol style="list-style-type: none"> 1. SOD OFS should work with the faculty member to obtain the missing FY14 OPA form. 2. SOD OFS should request notification from UCSF Human Resources on the status of Disclosure Form collection so that appropriate follow up actions can be taken to ensure compliance. 	<ol style="list-style-type: none"> 1. SOD OFS obtained the missing FY14 OPA form from the faculty member and provided evidence to AAS. No further action is required. 2. SOD OFS has requested UCSF Human Resources to copy the department's Management Services Officer (MSO) on important messages to faculty, such as the annual request for the OPAs. If assistance is needed, the MSO can reach out to faculty for outstanding OPAs. No further action is required.

V. **LEADING PRACTICES**

AAS noted leading practices in the areas of outside activities, reporting and creating a tone at the top that is conducive to creating a compliance focused culture through review of all four schools.

The use of an electronic tool to gather outside activities reporting from faculty is one way to improve data collection and track the reporting process. For the School that currently utilizes this on-line reporting tool, all members of the HSCP receive an e-mail on an annual basis requesting them to complete their outside activities report by a specified date. The system would have automated reminders. Using this method to collect the outside activity reporting would allow the School to run status reports for department chairs and the Dean's Office and thereby track completions. The electronic format would also allow for a streamlined review process because all data would be aggregated in a user-friendly manner.

A combination of an active school level Compensation Plan Advisory Committee, knowledgeable leadership, and effective communication within the School will help build a compliance focused environment. Informing new faculty members and MSOs at a new hire orientation of the HSCP requirements is a proactive step in educating and providing resources. Reiterating requirements via faculty meetings on a periodic basis as well as holding key individuals in leadership as go-to resources provides transparency in the process and will help strengthen foundational knowledge of the plan requirements and implementation procedures.

APPENDIX A

To conduct our review the following procedures were performed for the areas in scope:

- Reviewed relevant UC policies
- Reviewed departmental and/or school level implementing procedures
- Interviewed key department personnel, faculty, and Advisory Committee members
- Validated key reporting was performed
- Validated accounting for income and payouts
- Researched and assessed outside professional affiliations for a sample of HSCP members