

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

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

November 2015

University of California
San Francisco



Audit and Advisory Services

November 10, 2015

Michael Nordberg
Associate Dean
School of Pharmacy

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 (HSCP) at the School of Pharmacy. 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 in October 2015.

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 positioned above the typed name.

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 Pharmacy (SOP). 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 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 and 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 SOP for the Bioengineering and Therapeutic Sciences (BTS) and Pharmaceutical Chemistry (PC) departments is implemented and administered in accordance with UC policies. It was noted that the SOP only has one plan implemented for all of its departmental units. The scope of this review included current SOP implementation procedures, and payroll and general ledger records for the SOP BTS and PC departments.

Procedures performed as part of the review included interviews with relevant personnel from the departments and 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 SOP BTS and PC HSCPs were compliant with University policy. BTS and PC faculty total compensation included base salaries, negotiated additional compensations, administrative stipends, incentive/ bonus compensations, and there was no academic enrichment fund payouts.

IV. **LEADING PRACTICES**

During the course of performing this review AAS noted two areas that SOP has established leading practices within the University: outside activities, reporting and creating a tone at the top that is conducive to obtaining compliance.

The SOP Dean's Office uses a Qualtrics survey to gather outside activities reporting from faculty. On an annual basis all members of the HSCP receive an e-mail requesting the completion of outside activity reporting by a specified date. The system has automated reminders that are sent out periodically to members before the due date. Using this method to collect the outside activities reports allows SOP to run status reports from Qualtrics for the department chairs and the Dean's Office to track completion. The electronic format also allows for a streamlined review process, as all data is aggregated in a user-friendly manner.

In addition to the Qualtrics survey, AAS observed a positive tone at the top in regards to managing compliance with the HSCP requirements. A combination of an active school level Compensation Plan Advisory Committee, knowledgeable leadership, and effective communication within SOP have resulted in a compliance-focused environment. New faculty members and MSOs are informed at new hire orientation of the HSCP requirements. The Associate Dean of Academic Affairs periodically communicates requirements via faculty meetings as well as holds himself out as a resource to faculty. Based on inquiries of MSOs and department chairs, AAS observed a solid foundational knowledge of the plan 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