

The Regents of the University of California

**COMMITTEE ON COMPLIANCE AND AUDIT**

July 17, 2012

The Committee on Compliance and Audit met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members Present: Regents De La Peña, Kieffer, Lozano, Makarechian, Ruiz, Stein, and Zettel; Advisory member Anderson; Staff Advisors Barton and Smith

In attendance: Regent Rubenstein, Regent-designate Feingold, Faculty Representative Powell, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Dorr, Chief Financial Officer Taylor, and Recording Secretary Johns

The meeting convened at 4:35 p.m. with Committee Chair Zettel presiding.

Committee Chair Zettel welcomed new Committee members and the Staff Advisors and presented them with the Committee charter, noting the special responsibility of the Committee on Compliance and Audit within the University.

**1. PUBLIC COMMENT**

Committee Chair Zettel explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following person addressed the Committee.

UC Berkeley Professor Emeritus Charles Schwartz alleged that the University's accounting for student fees and tuition is misleading and dishonest. According to UC budget statements, student fees cover a certain percentage of the cost of education, but this calculation compares student fee revenues to UC expenditures for the entire budget for instruction and research, and presents the results as if they referred only to the instructional component. This results in an inaccurate statement of what UC actually spends on undergraduate education, distorts the facts of how student fees and tuition are used, misleads State legislators and the public, distorts internal funding priorities, and accelerates the privatization of UC. Mr. Schwartz stated that his own calculations show that UC has been charging tuition to California undergraduates that far exceeds UC's actual expenditure for undergraduate education. He contested the probity of the University's statements about following National Association of College and University Business Officers guidelines or methods common to other institutions for these calculations. Mr. Schwartz observed that inaccurate accounting for the instructional budget is found in other public and private higher education institutions.

**2. APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meetings of February 28 and March 28, 2012 were approved.

**3. APPROVAL OF INTERNAL AUDIT PLAN 2012-13**

The Senior Vice President – Chief Compliance and Audit Officer recommended that the Committee on Compliance and Audit approve the Internal Audit Plan 2012-13, as shown in Attachment 1.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Compliance and Audit Officer Vacca explained that the development of the Internal Audit Plan for 2012-13 began early in December. Each campus performed a process of risk assessment with campus senior executives and other constituents. The Office of Ethics, Compliance and Audit Services at the Office of the President reviewed the campuses' individual plans and believes that the process was sound and that the 2012-13 plan would address the risks identified during the previous year and make the best use of the resources available.

Regent Makarechian referred to recent events surrounding cases of child sexual abuse at Pennsylvania State University and noted that many universities were reviewing compliance programs in their sports programs. He asked about UC activities in this area. Ms. Vacca responded that this subject area is included in the University's compliance plan under the rubric of "managing youth activities," which includes athletic and other activities that involve minors. She reported that the University was now gathering data on this topic and working on development of standardized policy for reporting as well as training.

Regent Makarechian observed that in the case of Penn State, inappropriate activities were reported, but the reporting stopped short; information was not forwarded as it should have been. Ms. Vacca noted that UC is working to ensure proper reporting and escalation. She suggested that she and Chief Risk Officer Grace Crickette could provide a report on this effort at a future Committee meeting.

Committee Chair Zettel asked how many hours are spent in the development of the internal audit plan and which campus stakeholders are involved in its development. Systemwide Audit Director Matthew Hicks responded that the risk assessment process takes place at each campus, at Lawrence Berkeley National Laboratory, and at the Office of the President. The process typically involves discussions with management, participation in committees, and review of financial and other information, such as external audits. The number of hours spent varies by campus, depending on whether the campus carries out full interviews or distributes questionnaires. The Office of Ethics, Compliance and Audit Services provides a general methodology, including a mandatory

model with scoring, but it does not prescribe exactly how locations must collect information; this is left to the campuses to determine.

Regent-designate Feingold asked if the allocation of audit hours and projects for the campuses is determined at the Office of the President, at the campuses, or in a collaborative manner. Ms. Vacca responded that hours are determined by the scope of the audit activity. The actual subjects of the audit projects are determined during the risk assessment process.

Upon motion duly made and seconded, the Committee approved the Senior Vice President – Chief Compliance and Audit Officer’s recommendation.

**4. APPROVAL OF ETHICS AND COMPLIANCE PROGRAM PLAN FOR 2012-13**

The Senior Vice President – Chief Compliance and Audit Officer recommended that the Committee on Compliance and Audit approve the Ethics and Compliance Program Plan for 2012-13, as shown in Attachment 2.

[Background material was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Compliance and Audit Officer Vacca described the Ethics and Compliance Program Plan for 2012-13 as a high-level plan. It is developed in a manner similar to the Internal Audit Plan, through discussions with the campuses to determine priorities. The plan could not address every possible priority the University might have, and Ms. Vacca noted that priorities may change in the course of the year. The plan is arranged around key subject areas.

Regent Lozano asked if the University examines compliance in its operations overseas, for example, compliance with the Foreign Corrupt Practices Act, and if so, how it ensures compliance outside the U.S. Ms. Vacca responded that this was an area of interest for the University administration, especially because it is a potential source of new revenue. The University was currently vetting a draft policy on international activities which would address business practices. She noted that UC has an effective system to track its employees when they are abroad. Chief Financial Officer Taylor added that the University has had basic policies in place since 2006 and was now seeking to add to and enhance them. The University makes it clear to UC faculty and staff going overseas that their activities will be insured only if they follow best practices; the list of best practices includes the Foreign Corrupt Practices Act. It is generally well understood by UC affiliates that insurance is important when engaging in overseas activities.

Regent Lozano asked that the University continue to monitor this issue. Ms. Vacca observed that existing UC policies in this area mostly concerned the Education Abroad program; new or additional policies would also take into account issues such as conflict of interest, with the awareness that this and other issues may be understood differently in other countries.

Regent Ruiz observed that the success of ethics and compliance programs may be qualitative rather than quantitative. He requested comments on how the University's program was faring, and if the overall situation with regard to compliance issues was improving. Mr. Taylor stated that progress on some compliance issues may be quantifiable. He recalled that a year earlier, the Regents had raised concern about legal settlements at student health centers. The University's efforts in response to that concern have led to a much higher level of quality in health care services to students. In this case a problem had been identified and the improved care at UC student health centers could be quantified. Ms. Vacca added that prevention, detection, and deterrence are key elements of a compliance program. She stated that the University has effective detection mechanisms in place and that these mechanisms are more effective than five years previously. The ethics and compliance program offers guidance for employees and takes corrective action when necessary. Mr. Taylor observed that the ethics and compliance program is a long-term investment. For example, the University's Be Smart About Safety program has, over five or six years, reduced Workers' Compensation injuries by over 40 percent. Earlier, the University had over 8,000 Workers' Compensation claims annually. Following an effort to focus on employee safety, there are fewer than 5,000 claims annually. One campus experienced a large number of slip and fall injuries among food service workers, costing the campus over \$300,000. Through a Risk Services program, the University mandated that all these employees wear non-slip shoes. The University spent \$40,000 to ensure that this was done, and the number of slip and fall cases has dropped. Investments like this show a quantitative benefit.

Regent Ruiz stated that ethics and compliance were vital to the University as it moves forward. UC should continue to invest in these programs.

For the new members of the Committee, Mr. Taylor noted that PricewaterhouseCoopers (PwC) is the University's external auditor. He introduced the lead partner for PwC's engagement with the University, Joan Murphy. PwC has worked with the University for the past ten to 12 years.

Committee Chair Zettel asked how much interaction the University has with its external auditor in developing its audit and ethics and compliance plans. Ms. Vacca responded that she communicates with Ms. Murphy about every four to six weeks. In addition, Ms. Murphy is included in monthly discussions on financial matters. She described the relationship with PwC as a good partnership with effective communication.

Upon motion duly made and seconded, the Committee approved the Senior Vice President – Chief Compliance and Audit Officer's recommendation.

The meeting adjourned at 4:55 p.m.

Attest:

Secretary and Chief of Staff



The University of California

Attachment 1



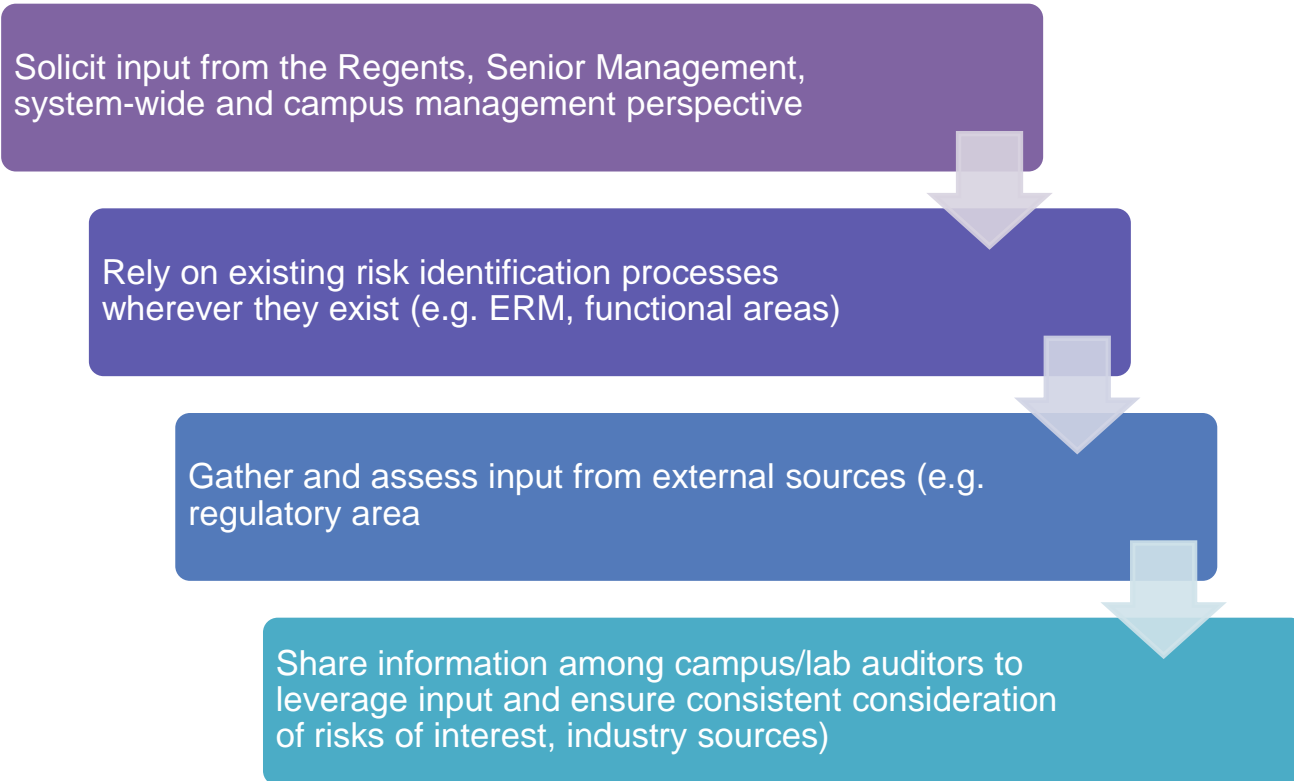
# Internal Audit Plan

## 2012-13

## Internal Audit Plan Objectives

- Address the University's significant financial, operational and compliance risks;
- Leverage existing efforts by others to identify, evaluate and mitigate risks;
- Support management's restructuring and budget coping strategies;
- Serve the needs of campus/lab leadership while addressing broader issues from a systemwide perspective;
- Support the evolution of the Systemwide Compliance Program; and
- Meet the challenge to enhance the value of the Internal Audit Program.

## Audit Plan Development Risk Assessment Process for 2012-13



The result of the risk assessment is an informed perspective on the current risk environment – including a prioritization of risks that are scalable to available resources.

## High Level View of Key Audit Risk Areas

### Financial

- Compensation
- Construction
- Account Reconciliations
- Extramural Funds Accounting
- Charge Capture (hospital)
- Billing and Coding (hospital)
- Physician Billings
- Investments
- Segregation of Duties
- Cash Handling

### Operational

- IT Security
- Business Continuity
- Data Center Operations
- Business Contracts
- Third Party Relationships
- Disaster Recovery Plans
- Contracts & Grant Administration
- International Activities
- Facilities Administration

### Compliance

- Policy
- Research
- Conflicts of Interest/commitment
- Compensation
- Health Sciences
- HIPAA/Privacy
- EH&S/Lab Safety
- ARRA – Stimulus monies and related compliance
- Development areas/commitment of monies

***Note: Issues are inter-related across these risk types. The above categorization is not meant to be exclusive.***



## 2012-13 Planned Systemwide Audit Areas

Review	Reason on Plan	Scope	Projected Timing
Travel and Entertainment (T&E) Expenses	President's request	Review of T&E for compliance with policy	1 <sup>st</sup> Quarter
IT Governance	Required by Institute of Internal Auditors (IIA) standards	Assess whether information technology governance supports the organization's strategies and objectives	2 <sup>nd</sup> Quarter
Compensated Outside Professional Activities	President's request	Assessment of compliance with policies and procedures on reporting compensated outside professional activities	3 <sup>rd</sup> Quarter

Additionally, local audit departments have been advised to include the following reviews in their audit plans:

- Electronic Health Records and HITECH Act “Meaningful Use” Provision (regulatory requirement) – Medical Centers only
- Construction projects funded by Proposition 1D (regulatory requirement) – request by Department of Finance
- Executive Compensation (if not performed in 2011-12) – recurring audit
- Chancellor's Expenses (if not performed in 2011-12) – recurring audit

## Highlights of the Consolidated Audit Plans

### Personnel:

Authorized staff level	104 FTE's
Avg. Staff Level	100 FTE's

### Distribution of Planned Activities:

By Audit Activity Type (hours/%):

<b><i>Audits</i></b>	95,632	66%
<b><i>Advisory Services</i></b>	31,138	22%
<b><i>Investigations</i></b>	<u>17,975</u>	<u>12%</u>
	144,745	100%

By University area:

<b><i>Campus/Laboratory*</i></b>	71%
<b><i>Health Sciences</i></b>	<u>29%</u>
	<b>100%</b>

\* Includes Lawrence Berkeley National Laboratory (LBNL), Agriculture & Natural Resources (ANR), UCOP and UC Merced

## Highlights of the Consolidated Audit Plans

- The Plan provides for over 30,000 Advisory Service hours to be able to assist management in addressing internal control issues in a restructured and budget constrained environment;
- The Plan affords flexibility with over 17,000 hours provided for audit topics to be determined based on emerging local or systemwide priorities;
- The Plan contains over 8,000 hours to continue the emphasis on audit follow-up on corrective actions;
- Over 7,000 hours are budgeted for continued professional development for our internal audit staff; and
- While the budgeted hours for investigations increased compared to the previous year, there continues to be an emphasis on reducing audit involvement in investigations that are appropriately handled by management.

### Available Resources

	FY13 Plan		3/31/12 Annualized	
Weighted Average FTE	100		96	
	<u>Hours</u>	<u>Percent</u>	<u>Hours</u>	<u>Percent</u>
Personnel Hours	208,021	98.6%	198,950	95.7%
Other Resource Hours	<u>6,815</u>	<u>3.2%</u>	<u>8,921</u>	<u>4.3%</u>
Gross Available Hours	214,836	100.0%	207,871	100.0%
Less: Non-Controllable Hours	35,216	16.5%	36,134	17.4%
Less: Admin/Training	<u>22,197</u>	<u>10.4%</u>	<u>28,724</u>	<u>13.8%</u>
Total Direct Hours	<u>157,423</u>	<u>73.3%</u>	<u>143,013</u>	<u>68.8%</u>

### Available Resources

The table to the left depicts the staffing level assumed in the Plans and quantifies the human resources available to assign to audit activities. Total hours are reduced for non-controllable hours (vacation, holiday and illness per University policy) and for program administration and training.

### Resource Allocation

	FY13 Plan		3/31/12 Annualized	
	<u>Hours</u>	<u>Percent</u>	<u>Hours</u>	<u>Percent</u>
<b>Audit Program</b>				
Planned Audits* (260 projects)	69,833	44.4%	68,639	48.0%
Supplemental Audits	17,775	11.3%	7,019	4.9%
Audit Follow Up	<u>8,024</u>	<u>5.0%</u>	<u>9,081</u>	<u>6.3%</u>
Total Audit Program	<b>95,632</b>	<b>60.7%</b>	<b>84,739</b>	<b>59.2%</b>
<b>Advisory Services</b>				
Planned Projects* (73 projects)	11,255	7.2%	N/A	N/A
Supplemental Hours	<u>19,883</u>	<u>12.6%</u>	<u>N/A</u>	<u>N/A</u>
Total Advisory Services	<b>31,138</b>	<b>19.8%</b>	<b>30,881</b>	<b>21.6%</b>
<b>Investigations</b>	<b>17,975</b>	<b>11.4%</b>	<b>14,652</b>	<b>10.2%</b>
<b>Audit Support Activities</b>	<b>12,678</b>	<b>8.1%</b>	<b>12,741</b>	<b>8.9%</b>
Total Direct Audit Hours	<u>157,423</u>	<u>100.0%</u>	<u>143,013</u>	<u>100.0%</u>

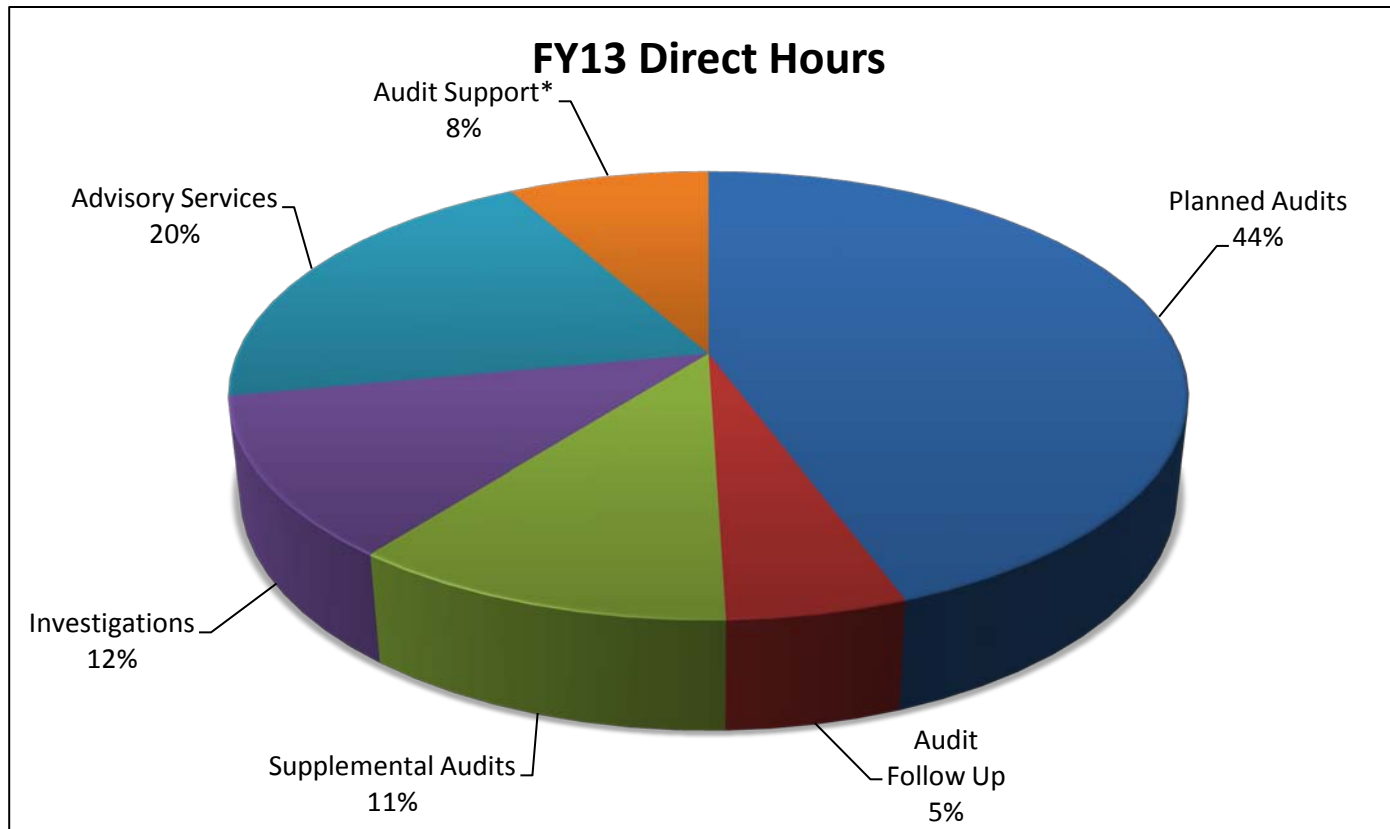
### Resource Allocation

The table to the left displays the deployment of the Available Resources among our activities by type (audit, advisory services and investigations). While the mix over time tends to shift somewhat between Investigations and Advisory Services, the commitment of the majority of our efforts to a substantial program of regular audits remains evident.

\*Total Hours for 333 Planned Projects = 81,088 (see Planned Projects at Appendix 1)

The chart below depicts the direct audit coverage of our FY13 plan. It demonstrates that our main emphasis is centered on planned audits and supplemental audit projects that arise during the year – while focusing efforts on advisory service projects and investigations. (refer to the next page for the specific detail of the direct areas).

## Distribution of Direct Hours



\* Audit support activities include audit planning, audit committee support, systemwide audit support, computer support and quality assurance

## DISTRIBUTION OF AVAILABLE HOURS

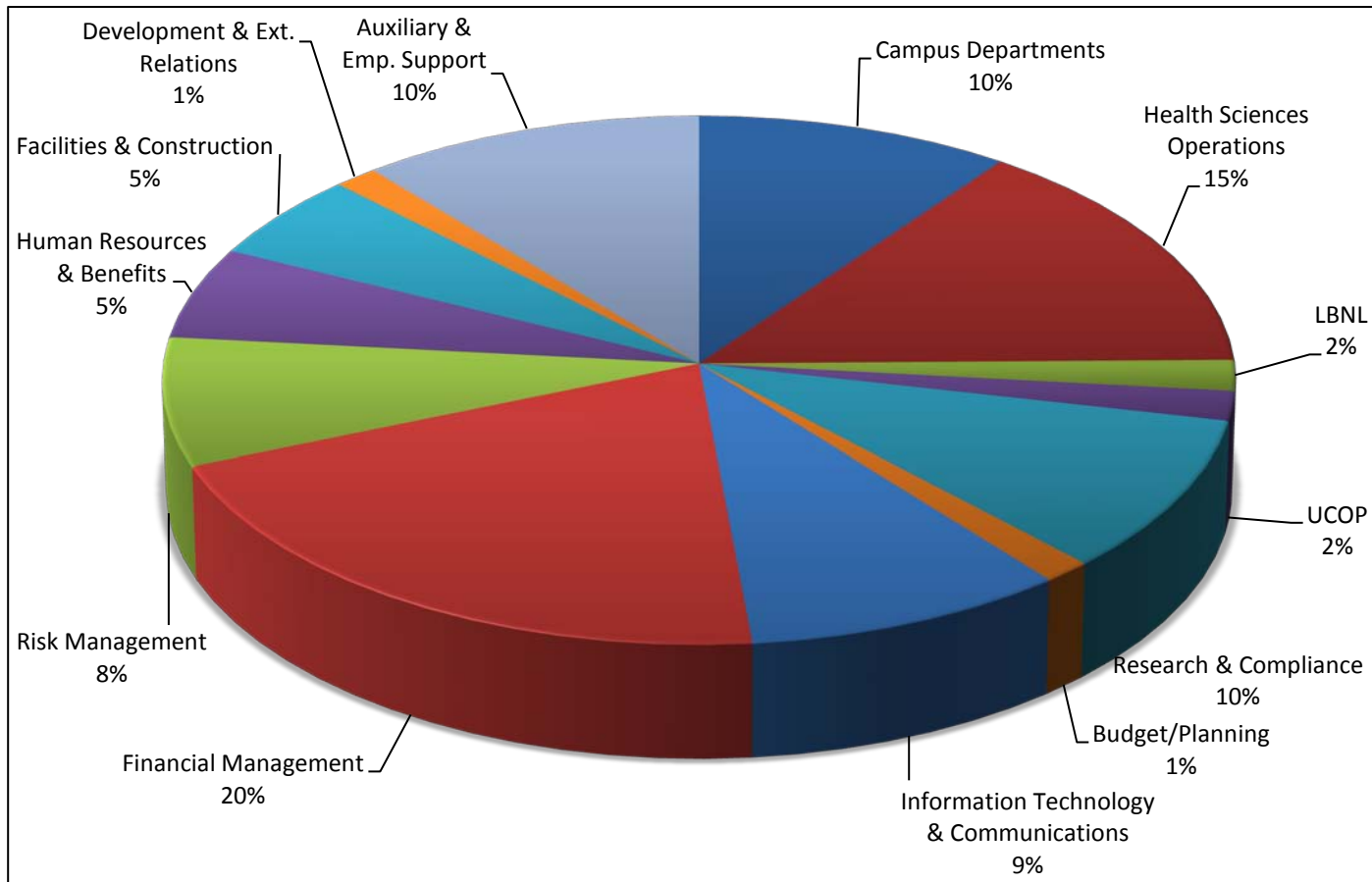
	FY13		3/31/2012 Annualized	
	Plan	Percent	Actual	Percent
<b>INDIRECT HOURS</b>				
Administration	14,459	8.0%	19,940	11.6%
Professional Development	7,272	4.0%	8,784	5.1%
Other	466	0.3%	-	0.0%
<b>Total Indirect Hours</b>	<b>22,197</b>	<b>12.4%</b>	<b>28,724</b>	<b>16.7%</b>
<b>DIRECT HOURS</b>				
<b>Audit Program</b>				
Planned New Audits, PN	69,833	38.9%	68,639	40.0%
Supplemental Audits, PS	17,775	9.9%	7,019	4.1%
Audit Follow up, PNF	8,024	4.5%	9,081	5.3%
<b>Total Audit Program Hours</b>	<b>95,632</b>	<b>53.2%</b>	<b>84,739</b>	<b>49.3%</b>
<b>Advisory Services</b>				
Consultations/Spec. Projects, SC	18,643	10.4%	18,011	10.5%
Ext. Audit Coordination, SE	6,280	3.5%	6,910	4.0%
Systems Dev., Reengineering Teams, etc., SR	2,110	1.2%	2,067	1.2%
Internal Control & Accountability, SI	2,380	1.3%	2,999	1.7%
Compliance Support, SU	1,535	0.9%	888	0.5%
IPA, COI & Other, SP	190	0.1%	7	0.0%
<b>Total Advisory Services Hours</b>	<b>31,138</b>	<b>17.3%</b>	<b>30,881</b>	<b>18.0%</b>
<b>Investigations Hours, IN</b>	<b>17,975</b>	<b>10.0%</b>	<b>14,652</b>	<b>8.5%</b>
<b>Audit Support Activities</b>				
Audit Planning	2,871	1.6%	2,770	1.6%
Audit Committee Support	1,582	0.9%	956	0.6%
Systemwide Audit Support	2,997	1.7%	4,695	2.7%
Computer Support*	2,575	1.4%	3,716	2.2%
Quality Assurance	2,653	1.5%	603	0.4%
<b>Total Audit Support Hours</b>	<b>12,678</b>	<b>7.1%</b>	<b>12,741</b>	<b>7.4%</b>
<b>Total Direct Hours</b>	<b>157,423</b>	<b>87.6%</b>	<b>143,013</b>	<b>83.3%</b>
<b>TOTAL NET AVAILABLE HOURS</b>	<b>179,620</b>	<b>100.0%</b>	<b>171,737</b>	<b>100.0%</b>

### Distribution of Available Hours

The table to the left provides a more detailed breakdown of planned time as a basis for ongoing accountability. From this detail the continuing commitment to timely audit follow-up is displayed by the plan to invest over 8,000 hours. The category of Compliance Support is intended to facilitate our efforts to integrate the Compliance and Audit Programs into joint efforts such as annual plan development, project coordination and ongoing risk monitoring.

\* Includes time spent on TeamMate (Audit Management System) implementation

The chart below depicts audit coverage across the University organizationally. It demonstrates breadth of coverage while indicating that major business processes, Research & Compliance activities, Health Sciences operations, campus academic departments and information technology collectively command nearly 75% of our effort.



**Distribution of Planned Projects**

## Appendix – List of Audit and Advisory Service Projects

**Appendix lists all the planned audit and advisory service projects at each location - the progress and status of these projects are reported quarterly.**

<b>Systemwide (1.5 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
IT Governance (Systemwide)	120	2
Ethics & Compliance Program (Systemwide)	40	2
Executive Compensation (Systemwide)	40	3
Chancellor's Expenses (Systemwide)	40	3
Travel and Entertainment (T&E) Expenses (Systemwide)	120	3
Compensated Outside Professional Activities (Systemwide)	120	3
Construction (Systemwide)	120	4
Electronic Health Records/HITECH "Meaningful Use" (Systemwide)	120	4
UCPATH Implementation (Systemwide)	300	4
<b>ECAS Subtotal</b>	<b>1,020</b>	
<b>Lawrence Berkeley National Laboratory (5 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
FY12 Cost Allowability (Annual)	650	3
Small Construction Projects (Deferred from FY11) (Systemwide)	400	4
IT Governance (Systemwide)	250	2
Maintenance	400	4
Billings and Receivables	450	2
eBuy Pricing	450	2
Annual Employee Performance Evaluation Process	400	3
Receiving and Shipping	400	3



<b>Lawrence Berkeley National Laboratory – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Joint Ventures/Partnerships/Affiliations/Memorandums of Understanding (MOUs)	400	1
CY12 Executive Compensation and Travel & Entertainment (T&E) (Systemwide)	200	2
Science Project Management	400	2
Entity Controls	350	4
Compensated Outside Professional Activities (Systemwide)	25	2
<b>LBNL Subtotal</b>	<b>4,775</b>	
<b>UC Berkeley (8 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Human Resources Hiring Practices	300	2
IT Governance (Systemwide)	200	3
IT Architecture	300	4
Travel and Entertainment (T&E) Expenses (Systemwide)	300	1
Shared Services	200	2
Support and Affiliated Organizations	240	3
Online Education Programs	160	3
Identity and Access Management	200	2
Compensation and Classification	300	2
Extramural Fund Accounting	280	3
Delegation of Authority and Signature Authorization	180	2
Research Enterprise Services	180	2
Timekeeping and Leave Accrual	240	4
BearBuy	240	2
Key Financial Controls	240	2
Privacy	160	2
Chancellor's Office	160	1
Youth on Campus	140	2
Student Financial Aid - Middle Class Access Plan	160	4
Major Construction - California Memorial Stadium (Systemwide)	200	3

<b>UC Berkeley – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Annual Report on Executive Compensation (Systemwide)	120	3
Contracts and Grants System Implementation	120	4
Internal Control Documentation Review	120	4
Student Information Systems Implementation	120	4
<b>UCB Subtotal</b>	<b>4,860</b>	
<b>UC Davis (11 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Annual Report on Executive Compensation- Systemwide (Systemwide)	150	3
Executive Travel and Entertainment (Systemwide)	300	2
Cashiering	300	1
Construction Contracts (Systemwide)	350	2
Donor Restrictions on Gift Expenditures	300	1
Math and Physical Sciences Transition Review	300	2
University Extension (UNEX)	350	1
Recharge Rates	300	3
UCOP Ethics and Compliance Program Review Support (Systemwide)	50	3
Compensated Outside Professional Activities (Systemwide)	25	3
IT Governance - Distributed Application Development (Systemwide)	250	2
Campus IT Virtualization Infrastructure	300	4
Stores /Distribution Controls	300	2
Dermatology Billing /Cash /Inventory Controls	300	1
Capitation Costs Monitoring	300	1
Telecommunications	300	3
Sub Award Monitoring	300	3
IT Purchasing	350	2
Depreciation Expense	300	1
Anesthesiology Revenue Cycle	300	4
Blood Products Management	300	3

<b>UC Davis – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Healthcare Incentive Plans Clinical Enterprise Management Recognition Plan (CEMRP)	25	2
Decentralized IT Operations	300	2
UCDHS IT Incident Response	250	4
<b>UC Davis – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Non-Resident Tuition	225	2
Funds Management	225	2
EPIC Implementation	300	3
<b>UCD Subtotal</b>	<b>7,050</b>	
<b>UC Irvine (9 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Travel and Entertainment (Systemwide)	300	1
School of Medicine (SOM)-Anaheim clinic	300	1
Stem Cell Research Center	300	1
School of Law	300	1
UC Irvine Medical Center (UCIMC) -Cash handling at clinics	300	2
SOM-Willed body program & Willed body program IT	500	2
UC Irvine Medical Center (UCIMC)-Referral Lab (in conjunction with Compliance) (Systemwide)	350	1
Payroll certification	300	2
IT Governance (Systemwide)	200	2
UCIMC-Radiology & Radiology IT (in conjunction with Compliance)	500	3
UCIMC-Dietary Services	300	3
Payments to Human Subjects	300	3
Construction (Systemwide)	300	3
Annual Report on Executive Compensation (AREC)/Chancellor's expenses/Senior Management Group (SMG) travel & entertainment (Systemwide)	200	3
UCIMC-Cancer Center	300	4

<b>UC Irvine (9 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
IT-Electronic Health Records-Sunrise (in conjunction with Compliance) (Systemwide)	400	4
IT-Meaningful use (Systemwide)	150	4
SOM-Department of Medicine	300	4
SOM-Epidemiology	300	4
Research- Pre & Post Award	300	4
<b>UC Irvine – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Healthcare Incentive Plans Clinical Enterprise Management Recognition Plan (CEMRP) (Systemwide)	25	1
Ethics and Compliance Program (Systemwide)	50	2
Compensated Outside Professional Activities (Systemwide)	25	3
<b>UCI Subtotal</b>	<b>6,300</b>	
<b>UC Los Angeles (27 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Textbooks Store	280	3
General Books Department	160	3
Restaurants - Operations Division	240	1
Restaurants- Maintenance	260	1
Trademarks & Licensing, Graphic Services, and other Service Areas	260	2
General Operations: Energy Services	450	4
Materials and Equipment: Design, Projects, Management and Operations.	350	2
Material and Equipment: Maintenance and Alterations	400	3
Purchasing Process Review	400	1
CapStar System Review	400	2
Construction - Project Planning and Development (Systemwide)	400	1
Capital Programs - Records Center Administration	350	4
Capital Programs- State of California 1-D Programs	250	3
Bruin Café	300	1
Dining Services Personnel/Payroll Review	250	1
Housing Cashiers Office	300	4
Housing Accounts Receivable	300	2

<b>UC Los Angeles – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Housing Accounts Receivable	300	2
Office of Community Housing (OCH) Maintenance Shop	250	3
OCH Personnel/Payroll Review	250	2
Undergraduate Assistant (UA) Major Maintenance Reserve	250	1
UCLA Catering	300	4
Vending Cashiering Operations	200	2
Vending Procurement and Inventory	250	2
UCLA- Police- Equipment Inventory Review	300	3
UCLA Police- Property and Evidence Management	300	1
UCLA Police- Alarm Services	300	1
Mail, Document and Distribution Services (MDDS) Purchasing and A/P	200	3
MDDS Laser Check Control	100	4
Wilshire Center Operations	300	1
Office of Real Estate	300	1
IT Services- Personnel/Payroll	300	2
IT Services- Voice Tool Crib	300	4
Central Ticket Office (CTO) Recharges	400	2
Parking Permit Inventory	180	1
Parking Recharge Activity	250	2
Executive Travel & Expenses (T&E)	280	4
Fleet and Transit Services (FTS) Equipment Management	400	3
Academic Department Reviews - Multiple	400	1
Foundation	400	1
Annual Report on Executive Compensation (AREC) (Systemwide)	200	3
Travel, Entertainment, Catering and Donations (Systemwide)	350	1
Near Relative Employment (Legal, AP)	300	2
IT Governance (Systemwide)	200	4
Cashiering (Main Cashiers)	400	4

<b>UC Los Angeles – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Purchasing/Accounts Payable	400	2
Visiting Scholars/Students	250	3
Academic Personnel Office (APO) - Conflict of Commitment (APM 025)	200	3
Continuing Education of the Bar	300	1
Extension	300	2
Athletics	200	4
Financial Aid	450	3
Registrar's Office	350	4
Career Center	300	2
Transplant Programs	500	4
Wound Care Center	450	2
Neuro-Rehab Center	450	2
Psychiatric Transfers - Emergency Medical Treatment and Active Labor Act (EMTALA)		
Compliance	400	1
Pharmacy 340B Discount Drugs Program	400	2
Staff Licenses	400	1
Nursing Education Hours	250	1
Supplies Management - Interventional Radiology	500	2
Radiation Oncology	450	3
IT Governance/Strategy and Planning	600	4
Service Recovery Kits	350	2
Private Duty Home Care Nursing Referrals	300	1
Outside Professional Activities Reporting - Hospital Executive	150	4
Mobile Device Data Storage	250	2
Internal Joint Ventures	500	4
Employee Onboarding Process	300	4
Electronic Health Record (EHR) Meaningful Use (Systemwide)	300	4
Primary Network Clinics	500	2

<b>UC Los Angeles – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Primary Network Clinics	500	3
Primary Network Clinics	600	4
House staff Duty Hours - Accreditation Council for Graduate Medical Education (ACGME) Compliance	340	3
Surgery Divisions - Z Payments	300	2
Faculty Conflict of Commitment Reporting	200	4
<b>UC Los Angeles – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
UCPATH (Payroll) (Systemwide)	200	TBD
International Programming (VISA administration)	200	TBD
F-1 Visa Processing	200	TBD
Gift Administration (Student Support)	150	TBD
Electronic Health Record (Systemwide)	300	TBD
Donated Body Program	50	TBD
Operation Mend	200	TBD
<b>UCLA Subtotal</b>	<b>26,050</b>	
<b>UC Merced (1 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Travel and Entertainment Audit (Systemwide)	150	1
IT Governance (Systemwide)	200	2
Annual Report Executive Compensation, G-45 & Executive Travel & Expenses (Systemwide)	100	3
Compensated Outside Professional Activities (Systemwide)	25	3
Construction (Prop 1D)- Include review of low value projects (Systemwide)	150	3
Review of Financial Procedures- General Ledgers Reconciliations, Sublegers, and Recharges	150	1
Grant Processing - Pre and Post Award	200	3
Review of Human Resources and Payroll Processes - Post Human Capital Project	150	4
Low Value Purchases in Departments and P-cards	100	1

<b>UC Merced – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
UCPATH (Systemwide)	200	4
Review of Environmental Health & Safety (EH&S) Responsibilities	50	1
Bookstore Operations	50	2
Sierra Nevada Research Institute (SNRI)	75	4
Athletics- Team Travel, etc.	75	4
Center for Educational Partnership	50	4
<b>UCM Subtotal</b>	<b>1,725</b>	
<b>UCOP (1 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Agriculture & Natural Resources (ANR) West Side Research and Extension Center (WSREC)	150	2
Human Resources Onboarding, Offboarding and Leaves	250	2
Student Affairs Application Fees and Student Loan Repayments Processing	150	1
General Ledger Reconciliation	200	4
IT Governance- Systemwide (Systemwide)	200	2
Travel and Entertainment (T&E) Expenses (Systemwide)	300	1
Treasury Workstation	100	1
<b>UCOP – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Medical Centers Clinical Enterprise Management Recognition Plan (CEMRP)	300	1
Office of the Treasurer Annual Incentive Plan (AIP)	200	1
ANR Multi-County Partnerships	250	4
UCPATH - Information Technology Services (ITS) Operational Readiness Assessment	200	3
IT Quality Assurance	150	3
Research Grants Program Office (RGPO) Online Grant Management System Business Requirements	20	1
RGPO Research Program Invoicing	100	2
Fundriver Endowment Administration System Implementation Review	100	1
Education Partnerships Youth Protection Departmental Policy Implementation	100	4



<b>UCOP – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Executive Compensation (Systemwide)	150	3
President’s Expenses (Systemwide)	100	3
UCPATH Implementation (Systemwide)	200	4
<b>UCOP Subtotal</b>	<b>3,220</b>	
<b>UC Riverside (5 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Safety of Minors	50	4
Construction Financed with Proposition 1D Funding - Systemwide (Systemwide)	200	3
Payment Card Industry (PCI) Compliance	250	2
Environment Health & Safety (EH&S) - Emergency Management System	150	4
Payroll Certification	225	2
Vice Chancellor of Research (VCR)/The Office of Research Affairs (ORA)	225	3
Natural Reserves	150	2
Electrical Engineering	175	4
Financial Aid	175	3
Annual Analytic Review and Fraud Detection	600	4
University Library	200	2
Chancellor Housing (Systemwide)	50	3
Annual Report on Executive Compensation (AREC) (Systemwide)	50	2
Senior Management Group (SMG)/ Dean et al Travel and Entertainment (Systemwide)	300	1
Center for Plant Cell Biology	175	3
Distributed Computing General IT Controls	250	2
Compensated Outside Professional Activities (Systemwide)	50	3
Wire Transfers/Electronic Funds Transfers (EFTs) - Automated Clearing House (ACH)	75	2
Computing and Communications (C&C) - IT Governance (SW)	100	2

<b>UC Riverside – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
UC Path (Payroll and HR) (Systemwide)	200	4
Major Campus Systems - GSIS	40	4
Major Campus Systems - Learning Management System (LMS)/Human Resources (HR)	50	4
Major Campus Systems - Student Information System (SIS)	105	4
Major Campus Systems - Academic Personnel System (Acaper)	80	4
Major Campus Systems - Financial Aid	150	4
Major Campus Systems - Capital Programs	75	4
Major Campus Systems - Time and Attendance Reporting Time	40	4
Smart Mobile Devices Security Guidelines	150	2
Campus Efficiencies	150	2
Sport Camps	100	4
Succession Planning	100	2
College of Humanities, Arts and Social Sciences Student Affairs (CHASS) Cluster		
Financial Staffing	100	2
NCAA Compliance	20	4
Financial Services Organizational Review	100	4
School of Medicine (including systems)	500	4
<b>UCR Subtotal</b>	<b>5,410</b>	
<b>UC Santa Barbara (5 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Succession Planning	200	1
UC Education Abroad Program	250	1
Marine Science Institute (MSI)	325	1
IT: Financial System Replacement: Shadow Systems/Grand Unified System (GUS)	225	1
Travel and Entertainment (Systemwide)	250	1
Exercise and Sports Studies Field Audit Follow-up	200	2
Cost Sharing	250	2

<b>UC Santa Barbara – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
IT: Financial System Replacement: Project Progress	200	2
IT: Mainframe Project: Migration of Other Systems	275	2
IT: Student Information System Replacement: Project Progress Field Audit Follow-up	100	2
IT: InCommon (IC) Validation Review	50	2
IT: Governance (Systemwide)	200	2
Executive Compensation: AREC Review (Systemwide)	100	3
Executive Compensation: Chancellor's Expenses G-45 and Executive T&E Review (Systemwide)	100	3
Bren School of Environmental Science & Management	300	3
Athletics Field Audit Follow-up	200	3
Construction: Prop 1D Construction (Systemwide)	250	3
Use of University Facilities and Resources	300	3
Contracting Timeline	250	4
Construction: Project Costing	250	4
Graduate Financial Aid	375	4
Fund Balances	275	4
<b>UC Santa Barbara – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Ethics and Compliance Support (Systemwide)	50	2
<b>UCSB Subtotal</b>	<b>4,975</b>	
<b>UC Santa Cruz (4 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Compensated Outside Professional Activities (Systemwide)	60	3
IT Governance (Systemwide)	200	3
Construction Proposition 1D Funded Projects (Systemwide)	90	4
G-45/AREC/ Executive Travel and Expenses (Systemwide)	450	3
University Extension (UNEX) Deficit Management	25	1
Network Management	325	4

<b>UC Santa Cruz (4 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Industry Funded Research	375	2
Student Record Security	325	2
Volunteers/Volunteer Support Groups	175	1
Annual Analytical Review and Fraud Detection	178	2
Financial Aid	350	3
<b>UC Santa Cruz – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
UC PATH Project Implementation (Systemwide)	200	4
Supervision of Minors	200	4
NCAA Report Annual Review	80	2
<b>UCSC Subtotal</b>	<b>3,033</b>	
<b>UC San Diego (14.2 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Information Technology Governance (Systemwide)	200	2
Construction (Proposition 1D Funded Facility) (Systemwide)	150	3
Information Technology Security – San Diego Supercomputer	300	4
Youth Programs	250	2
Department of Theatre and Dance	200	2
Department of Education Studies	150	1
Geosciences Research Division- Scripps Institution of Oceanography (SIO)	200	3
Intercollegiate Athletics	250	3
Marketplace/Sci-Quest	300	4
California Student Opportunity and Access Program (Cal SOAP)	250	2
Travel (Systemwide)	300	1
Entertainment (Systemwide)	300	1
Epic Electronic Health Record – Access Management	250	1
Pharmacy – Controlled Substances/Medication Waste Tracking and Reporting	300	2
Pharmacy – 340B Drug Pricing Program Activity	300	1
Meaningful Use Standards and Certification (Systemwide)	150	4

<b>UC San Diego – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Regulatory Oversight – Non-Licensed Clinics	300	3
Electrophysiology (EP) Unit and Non-Invasive Lab (Cardiology Cost Center Reviews)	300	2
Accounts Payable	250	3
Medical Center Utilization Review Process	250	1
Stericycle Waste Material Removal Management Agreement and Services	250	2
International Service Agreements/Affiliations	250	4
<b>UC San Diego – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
UCPATH- Payroll Personnel System (PPS) Replacement Initiative (Systemwide)	200	4
Review of Annual Report on Executive Compensation (AREC) (Systemwide)	100	3
Epic Revenue Cycle System Implementation (Systemwide)	150	4
Clinical Research Billing - Pilot Project Work Group	200	4
Health Sciences Clinical Enterprise Cashiering System	200	2
<b>UCSD Subtotal</b>	<b>6,300</b>	
<b>UC San Francisco (12 FTE) – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Travel Expenditure (Systemwide)	300	1
Entertainment Expenditure (Systemwide)	300	1
Department General Ledger Review Assessment	350	2
Procurement-to-Pay (BearBuy) System	350	4
Contract and Grant Management	350	3
Construction - Proposition 1D (Systemwide)	250	3
Cash Operations	300	4
IT Governance	300	2
Cash and Charge Processing	250	2
Computer Access Controls Review	350	1
Electronic Health Record - Meaningful Use Incentive Program (Systemwide)	300	2
Professional Fee Billing	350	3

<b>UC San Francisco – Audits</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Hospital Billing - Charge Capture	350	3
Web Application Security	350	3
Construction- Mission Bay Hospital (Systemwide)	800	4
<b>UC San Francisco – Advisory Services</b>	<b>Hours</b>	<b>Est. Completion Qtr</b>
Compensated Outside Professional Activities (Systemwide)	20	3
Mission Bay Hospitals - External Audit Support	700	4
Clinical Compliance Program- Pharmacy Charges	200	3
Mission Bay Hospitals- Invoice Processing System	100	1
Healthcare Incentive Plans - Clinical Enterprise Management Recognition Plan (CEMRP)	50	3
Ethics and Compliance Program Review (Systemwide)	50	2
<b>UCSF Subtotal</b>	<b>6,370</b>	
<b>All Campuses and Lab Total Planned Hours</b>	<b>81,088</b>	

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



**Ethics and Compliance Program Plan  
for 2012-13**

# Table of Contents

Executive Summary.....	1
Higher Education Ethics and Compliance Programs – State of the Industry.....	2
The Growth and Maturity of Higher Education Compliance Programs UC’s Ethics and Compliance Program in Perspective.....	2
Moving from Structure Outcomes to Process and Behavioral Outcomes.....	3
Plan Objectives.....	4
Key Compliance Risk Categories and Identified Risks.....	5
Culture of Ethics and Compliance.....	5
Research Compliance.....	6
Data Privacy and Security.....	7
Data Reporting Accuracy.....	7
Summary.....	8
Appendix A	



# Executive Summary

## Overview

This past year has seen an increased national focus on regulatory compliance, specifically on the presence of a compliance function in higher education as campuses face the impact of deep budget cuts, faculty and staff protests, accusations of abuse, and violence on campus. For the University of California's (UC) Ethics and Compliance Program Services (ECS) the external focus on higher education regulatory issues in higher education has provided the opportunity for program introspection, and a desire to quantify the value of compliance to our UC colleagues and the citizens of California. The ECS program compared itself to a number of ethics and compliance programs across the nation and found that it continues to be a leader in this industry and viewed as a model program by other institutions of higher learning. The compliance risks on UC's radar mirrors similar organizations' compliance risk, especially for public institutions. ECS will continue to capitalize on its opportunity to learn from, and benchmark with the InterUniversity Compliance Consortium, which it has been a member of since 2010.

## Outcome Metrics

The Ethics and Compliance Annual Work Plan for FY2012-13 (Plan) will include the development of positive, behavioral outcome metrics that can demonstrate an enhanced culture of ethics and compliance at UC. Being able to quantify a positive change to UC culture is a key ECS objective that can have a forceful, albeit indirect impact on UC operations. The Plan has been developed using prioritized risk assessment observations and work plan activities from each of the campuses' (for this Plan, this term includes the ten campuses, Lawrence Berkeley National Laboratory, Agriculture and Natural Resources and the UC Office of the President) ethics and compliance risk committee function. Campus compliance staff worked collaboratively with the internal audit function and as possible, the risk management functions at each campus to more fully capture identified compliance risks for inclusion in the campus work plan, and then prioritization by the Campus Ethics and Compliance Officers (CECOs) to the systemwide Plan.

## Potential Compliance Risk Areas

The key systemwide, compliance risk areas to be focused on in FY2012-13 include, in no order of importance, the following:

1. **Culture of Ethics and Compliance** – *specifically focusing of managing youth activities on campuses and employee morale concerns;*
2. **Research Compliance** – *with a focus on the Centers for Medicare/Medicaid rules and regulations regarding Public Health Service, specifically the National Institutes of Health-funded research and disclosure of conflicts of interest by principal investigators.*
3. **Data Privacy and Security** – *continued monitoring and protection of personal data in the health care and other areas of campus activities.*
4. **Data Reporting Accuracy** – *the risk of transitioning to new financial, payroll, clinical documentation and other systems and the potential for reporting inaccurate or untimely data for mandated report.*

The focus of campus and ECS Plans for FY2012-13 will be to continue, in an outcomes-focused manner, to dissect and mitigate, issue by issue, the key components of the risks listed above.

## **UC Ethics and Compliance Program Plan**

### **Higher Education Ethics and Compliance Programs - State of the Industry**

The inconsistent, or lack of integration, of ethics and compliance oversight into the operations of institutions of higher education has leapt into the forefront of public awareness this past year as a result of several high profile events at a number of reputable academic centers. From the Occupy Movement's focus on university protests and the disruption and chaos those events have precipitated; to cuts in funding resulting in decreased classes, decreased enrollment, disruption of campus operations from structural downsizing, resulting in faculty and student mistrust of administration; and finally to the lack of effective oversight and protection of minors on campuses, negative publicity continues to erode the public respect historically afforded institutions of higher education. The impact of reputational damage that may have been done as a result of the above events has a potential adverse effect on recruitment and retention of prominent faculty/researchers and high achieving students, receipt of research contracts and grants, as well as community and philanthropic support. These events and their collateral damage have given us all pause to reflect on how important a culture of ethics and compliance is in fostering an environment of transparency, collective values and open communication among faculty, students and staff in order to promote and protect the mission and values of an institution.

The goals of a strong and comprehensive ethics and compliance program continue to be focused on assuring the presence of a appropriate internal policies or other internal controls, delivering timely and relevant education and training, conducting monitoring of current processes, and investigating potential instances of non-compliance. Providing the Regents assurance that processes are in place, and are made available to students, faculty and staff to more fully understand their individual responsibility to the UC, especially in reporting potential compliance issues with the assurance that their reports will be addressed in a timely manner, is a primary goal of the program.

### **The Growth and Maturity of Higher Education Compliance Programs**

#### **UC's Ethics and Compliance Program in Perspective**

Institutions of higher education are relative newcomers to the world of formal Board-approved ethics and compliance programs. As complex situations have arisen and academic institutions have been faced with very public disclosures of ethical misconduct or large compliance failures, Board decisions have been made to implement organization-wide, ethics and compliance programs. When the UC Regents approved a resolution to mandate an ethics and compliance program in 2008, UC was one of the first large, *multi-campus* organizations to develop and implement a comprehensive ethics and compliance program. Due to the lack of a critical mass of higher education ethics and compliance programs with similar characteristics of the UC, an informal networking and benchmarking workgroup was established by the University in 2010 that continues today. The InterUniversity Compliance Consortium (IUCC) includes a small, but prominent group of western universities: University of Texas, Stanford University, University of Washington, California Institute of Technology, and California State University that all have similar ethics and compliance goals and objectives, to provide a forum to discuss compliance program best practices and process improvements.

In addition to initiating the effort to establish the IUCC, UC compliance leadership has been recognized by several national ethics and compliance organizations as nationally respected leaders in the development and implementation of its multi-campus ethics and compliance program whose structure has been reported by other universities as the model for their program development. In a recent telephone survey of several universities with a formal ethics and compliance programs by UC ECS staff to gauge the comprehensiveness and maturity of UC's program, the results indicated that the UC's program continues to be viewed as a leader in the structure of its centralized program. For example, Ohio State University and University of Washington representatives both reported that their institutions are now considering a centralized ethics and compliance function based upon the UC model.

Maintaining independence from an assurance standpoint is a focus of the EC, but collaborating with the various risk disciplines to improve compliance, decrease potential duplication and campus confusion was also commented on by several of the universities surveyed. The University of Virginia and Fordham University felt their compliance functions may be constrained by a lack of coordination among compliance, internal audit, risk management and other risk disciplines on campus.

Several institutions reported robust ethics and compliance programs that have commonalities with the UC program. New York University (NYU) and the University of Pennsylvania's (Penn) ethics and compliance programs report robust ethics and compliance programs, both of which have nationally recognized mature programs and compare similarly to UC's program. Several key programmatic areas of comparison include:

- The chief compliance officer has dual reporting relations to the Compliance and Audit Committee of the Regents, and to senior management.
- The adoption of the "seven elements" (United States Sentencing Commission recommendations for an effective compliance program) model with a compliance risk-based approach.
- The development and utilization of a comprehensive risk profile across the key risk disciplines including internal audit, compliance and risk management by comprehensive collaboration and integration of activities surrounding the identification, mitigation, and monitoring of risk issues.
- Leveraging resources across all disciplines – the breakdown of silo'd activities.
- Correlating performance metrics to key compliance risk mitigation activities.
- Movement to focus on the quantification of behavioral outcomes.

The take-away from the survey is that more mature higher education ethics and compliance programs have progressed beyond structure and process towards a focus on behavioral outcomes. Similar to UC, NYU and Penn are each attempting to develop and implement compliance performance metrics that measure the extent to which employees have changed their behaviors as a result of compliance processes and procedures. Behavioral metrics, in turn, assist compliance leadership to demonstrate several key compliance indicators of return on investment from ethics and compliance programs.

### ***Moving from Structure Outcomes to Process and Behavioral Outcomes***

The UC Ethics and Compliance Program's approach was reviewed during internal department strategy sessions designed to begin planning for the development of an annual ethics and compliance work plan for fiscal year 2012-13. During that session, ECS leadership discussed the juncture the current program has reached in its maturity. The structural development of the system and the campus-based ethics and compliance programs (CECRP) is generally complete, and ongoing processes are in place for the

identification and review of potential compliance risk issues, initiation of a response to the issues, and assurance that efforts are in place to enhance compliance with relevant regulations and/or policies. The next step in the maturation process is to increase the focus on the “value” of an ethics and compliance program to each campus by providing quantifiable data to support the use of limited resources to implement their program. As noted in the previous section, it is important to move from the usual reporting of plan and process developments in response to identified compliance risks, to report on the impact of those plans and processes on the campus operations, and as possible, on the culture of the organization.

Collaboration between departments and campus organizations with resultant leveraging of resources are key ingredients of effective operations. The comprehensiveness of risk mitigation activities is enhanced by the different perspectives of each risk disciplines. Their roles are different and the approach they take to assist in mitigation activities should be coordinated as much as possible to achieve the most comprehensive outcome. As do the majority of the CE CRCs, ECS took the lead at UCOP to formally establish a collaborative risk assessment function between the Office of Ethics, Compliance and Audit Services and Risk Services, Office of General Counsel and Human Resources to better leverage resources and improve efficiencies when working with the campuses.

The following Plan continues to be based upon the nationally accepted foundation of the United States Sentencing Commission’s seven elements of an effective compliance program which is still the hallmark of compliance programs as recognized by industry and government agencies. Planning activities surrounding the Plan development reflect ECS’s efforts to identify through an accepted risk assessment process the key compliance risks identified at each campus and then aggregated across the system and prioritized the Campus Ethics and Compliance Officers. Following prioritization of the key compliance risk areas, the CECOs worked to identify performance metrics for key compliance areas that are relevant, valuable and have consistent data across all of the campuses for comparison purposes. **Appendix A** reflects a quantifiable prioritization of the aggregated campus risks that generates the systemwide compliance risk pool for the Plan.

## **Plan Objectives**

The Plan outlined below described the key compliance risks prioritized by the CECOs and ECS leadership as described in the section above. Each specific risk area was able to be classified into a discreet higher education compliance risk category that assists in providing a framework for the reporting of the key compliance risk identification and mitigation activities at each location. As the UC program moves towards more a more consistent process and behavioral outcome reporting system, the metrics listed below will be more quantifiable and demonstrate positive movement towards an enhanced ethics and compliance culture.

The prioritized compliance risk areas that are described in more detail below include the following:

1. Culture of Ethics and Compliance
  - a. Specific Risk: Minor Youth on Campuses
  - b. Specific Risk: Employee Morale (Uncertain Future, Bullying, Harassment)
2. Research Compliance
  - a. Specific Risk: Conflicts of Interest

3. Data Privacy and Security
4. Data Reporting Accuracy
  - a. Specific Risk: Transition of Business Systems
  - b. Specific Risk: Accuracy of Billing and Coding Data

## Key Compliance Risk Categories and Identified Risks

### I. Culture of Ethics and Compliance

#### ***a. Specific Risk: Minor Youth on Campuses***

As described earlier in this document, the safety of minor youth on the campuses or who are involved in campus-sponsored functions is a key concern. Due to the extent and complexity of activities and functions that may be sponsored by a campus, or University space or expertise provided to an external activity, the focus to mitigate this risk by targeting reporting mechanisms such as the University hotline is a priority. Ensuring processes are in place for the communication of the State of California Child Abuse and Neglect Reporting Act, and ongoing review and enhancement of key structural safeguards such as comprehensive background checks is a key focus of ECS efforts.

The campuses identified open communication among employees and fear of retaliation in reporting suspected unethical or illegal behavior as key impediments to a strong culture of ethics and compliance. In response to the publicized violence against minor youth on campuses, the University locations inventoried minor youth activities to gain a better understanding of the scope and depth of the potential risk and what processes are currently in place to mitigate a potential problem from occurring.

In addition to providing reporting and investigative services, ECS will continue to facilitate in the work of a systemwide *Managing Youth Activities Task Force (Task Force)*. The Task Force is in the process of developing a systemwide policy. In conjunction with the issuance of the policy, ECS will assist the campuses with guidance and potential tools for policy implementation.

#### ***Goal:***

Systemwide and campus-specific policies and processes are in place to assure the identification and education of mandatory reporters in compliance with the State of California's Child Abuse and Neglect Reporting Act; and monitoring for trends to indicate a need for additional process improvements.

#### ***Metric:***

Management plans have been developed and implemented for the identification, background checks, and education of mandatory reporters.

***b. Specific Risk: Employee Morale (Uncertain Future, Bullying, Harassment)***

The campuses also associated employee morale with culture as a key compliance risk. As we look to FY2012-13, UC continues to face major budgetary concerns. Senior leaders will have to continue to focus a majority of their efforts on ways to cut operational costs and raise revenue. This round of cuts may have severe impact on campus operations and the delivery of core services. The CECOs voiced their concern that the ongoing budgetary crisis will continue to erode morale among employees with a potential adverse effect on their campus culture of ethics and compliance. In addition, reports of harassment/retaliation and bullying are on the rise as workplaces become more stressful during this time of uncertainty.

***Goal:***

Campus leadership continues to monitor changes in the ethical culture of their location and enhance and communicate plans/programs to support ethical and complaint behaviors.

***Metric:***

Campus programs are developed and implemented to maintain and enhance ethical and compliant behavior in the workplace.

## **II. Research Compliance Risk**

The campuses identified compliance with the new federal Conflict of Interest regulations as a key compliance risk. On August 25, 2011, the federal Department of Health and Human Services (HHS) through the Public Health Services (PHS) and specifically the National Institutes of Health (NIH) enacted new, more stringent rules regarding financial conflicts of interest in research. As implemented, the regulations will substantially impact principal investigators on research involving the use of human subjects, who have personal financial interests in the sponsor of their research, or in companies providing investigational drugs, devices or other financial support to their HHS-funded projects. For example, principal investigators, co-investigators, and key research personnel will be required to disclose **any** equity interest in a non-publicly traded company as well as the occurrence of any reimbursed travel or sponsored travel related to their institutional responsibilities and not just to their research.

***Goal:***

Adequate systemwide and campus-specific processes and protocols are in place to assure accurate and timely training of principal investigators to the new mandated language, and public disclosure of “significant financial interests” by relevant personnel.

***Metrics:***

- Systems are in place for the identification, training and tracking of relevant PHS-funded researchers.
- Systems are in place for the accurate and timely posting of relevant e-COI data for PHS-funded researchers.

### **III. Data Privacy and Security**

The campuses identified data privacy and security of personal financial and/or health information as a key compliance risk. Many of the campuses are undergoing information technology conversions in updating or replacing aging business systems. Such business systems conversions entail significant risk to privacy and data security management.

***Goal:***

Data privacy and security efforts on campus-specific initiatives involving business systems conversions have the management mechanisms and controls in place to help meet regulatory requirements, particularly as it relates to privacy and security breach notifications.

***Metric:***

Processes are in place to prevent and detect data privacy and security breaches.

### **IV. Data Reporting Accuracy**

This category includes the accurate reporting of data from UC to the federal or state government per contract or reimbursement regulations. The potential for inaccurate data being reported due to new and/or revamped business systems is a key compliance risk related to the accuracy and timeliness of mandatory government reporting.

***a. Specific Risk: Transition of Business Systems***

With individual campus implementation of new or enhanced financial or student data systems, as well as the ongoing development and systemwide implementation of UCPath, there is heightened concern among the campus compliance leadership regarding the accuracy and timeliness of reporting mandated data to state or federal government agencies.

***Goal:***

Data submitted to the government in response to mandated reporting rules and regulations is accurate and timely.

***Metric:***

Processes are in place to monitor and assure the integrity of data reported to the government in response to mandated reporting rules and regulations to include campus-wide and academic medical center reimbursement.

***b. Specific Risk: Accuracy of Billing and Coding Data***

Accurate and timely submission of billing and coding data to government reimbursement agencies continues to be a key compliance program risk that requires continual and focused vigilance. During this past year, the focus on the Student Health Services and their documentation and reimbursement operations increased. The need for a consistent, UC systemwide approach to billing and coding for

health services for both students and patients at the Medical Centers has become more apparent. The consequences of non-compliance may be disastrous in terms of negative publicity for UC, including increased paybacks of inaccurately billed services and potential monetary (civil) fines for billing errors to the Centers for Medicare and Medicaid.

***Goal:***

Billing and coding data and related documentation, in support of claims submitted, are accurate and timely and meets coding rules and regulations and professional standards of clinical documentation.

***Metric:***

Processes are in place to monitor and assure the integrity of billing and coding data submitted to third party payers following professional coding guidelines and billing rules and regulations.

**Summary**

In collaboration with the campuses, ECS will further quantify the goals and metrics related to this Plan which will then be aggregated on a periodic basis and reported to the Regents' Compliance and Audit Committee.



## Appendix A

### CECO Ranking of Aggregated Campus Compliance Plan Risks - FY2012-13

Risk Area	Focus	Risk Likelihood	Risk Severity	Level of Control	Residual Risk Exposure
<b>Safety</b>	Laboratory Safety	3.64	4.00	4.18	2.4
	Emergency Planning	3.45	4.00	3.64	3.8
<b>Research</b>	Conflicts of Interest	3.82	3.09	3.73	3.0
	Intellectual Property	3.00	2.80	3.40	2.7
	Export Controls	3.00	3.09	2.91	3.9
<b>Government Funds Reporting</b>	Billing/Coding-HS	4.00	3.50	3.67	3.7
	Billing/Coding-SHS	3.67	3.22	2.89	5.0
<b>Culture of Ethics and Compliance</b>	ADA/EEOC	3.64	3.09	3.27	3.9
	Diversity-Awareness	3.64	2.64	3.27	3.3
	Managing Youth Activities	3.09	3.91	2.55	5.9
	Violence on Campus	3.18	3.91	3.82	2.9
<b>Data Privacy &amp; Security</b>	EMRs - Health Sciences	3.80	3.40	4.40	1.6
	Business System Conversion	4.11	4.00	3.11	6.2
	UCPATH	3.71	3.86	2.71	6.5
<b>Risk Likelihood</b>	Rare=1, Unlikely=2, Possible=3, Likely=4, Almost Certain=5				
<b>Risk Severity</b>	Negligible=1, Minor=2, Moderate=3, Serious=4, Critical=5				
<b>Level of Control</b>	None=1, Minimal=2, Moderate=3, Strong=4, High=5				

Conducted at CECO Meeting - Irvine 4/3/2012  
All Campuses represented