

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



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Sheryl Vacca
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

September 29, 2016

EXECUTIVE DIRECTOR PLUZDRAK

RE: Final Report Project No. P16A003: UCOP Executive Compensation

Attached is a copy of the final report for: Project No. P16A003 UCOP Executive Compensation. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: matthew.hicks@ucop.edu).

A handwritten signature in black ink, appearing to read "Matt Hicks".

Matt Hicks
Systemwide Deputy Audit Officer

Attachment

cc: Senior Vice President Vacca
Vice President Duckett
Director Smith
Systemwide Audit Manager Cataldo
Principal Auditor Wong
Administrative Officer Perocier

UNIVERSITY OF CALIFORNIA
SENIOR VICE PRESIDENT
ETHICS, COMPLIANCE, AND AUDIT SERVICES

UCOP EXECUTIVE COMPENSATION
Advisory Service No. P16A003
July 2016

Audit Conducted by:
Benjamin Wong, Auditor

Executive Summary

Introduction and Background

We have completed a review of executive compensation at the University of California, Office of the President (UCOP). The scope of our work included a review of the following four compensation items:

- Annual Report on Executive Compensation for Calendar Year 2015 (AREC): The AREC provides detailed compensation related data on the senior management group (SMG) population and non-SMGs with annual income of over \$301,000 (threshold established for 2015). Total compensation is defined as salary and other cash payments made to the employee, one time reimbursements made to the employee or on behalf of the employee, and any benefits and perquisites. This report is presented to the Regents for review and approval.
- Annual Report of Fiscal Year Expenses of the President for Fiscal Year 2014-15: Business and Finance Bulletin G-45 – Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors requires that all amounts paid or accrued for the current fiscal year, whether paid on behalf of the officer or reimbursed directly to the officer, be reported.
- Annual Report of Taxable Expenses of the President for the 12 months ending October 31, 2015: Business and Finance Bulletin G-45 requires that services or expenses incurred in the operation and staffing of the University residence occupied by the President/Chancellor, which are of personal benefit to the President/Chancellor, be reported as they are taxable to the officer. The reporting period for this annual report is November 1 of the prior year through October 31 of the current year (November 1, 2014 – October 31, 2015).
- The President’s 2015 travel and entertainment expense reimbursements.

Objectives and Scope

The audit objectives were to:

- Evaluate processes in place to determine if they are sufficient to ensure the accuracy, completeness, and timely preparation of the AREC, the Annual Report of Fiscal Year Expenses of the President, the Annual Report of Taxable Year Expenses of the President, and the UCLA Payroll Services W-2 reconciliation workbook, which contains a reconciliation between the AREC and W-2 reportable amounts.
- Evaluate the President’s 2015 travel and entertainment reimbursements to ensure compliance with UC policies.

The scope of work included the following:

1. Reviewed the 2015 AREC and tested the report completeness by comparing report information to data independently extracted from the UCLA campus data warehouse for

payroll data. We verified certifications received from the reportable individuals agreed with the AREC report data.

2. Reviewed the Annual Report of Fiscal Year Expenses of the President, verified the reported amount to general ledger expenditures and performed a walkthrough to obtain an understanding of the preparation process.
3. Reviewed the Annual Report of Taxable Year Expenses of the President and verified the required forms were completed and signed by the appropriate individuals.
4. Reviewed a sample of the President's 2015 travel and entertainment reimbursements and tested for compliance with applicable UC travel and entertainment policies.
5. Reviewed the UCLA Payroll Services W-2 Reconciliation Workbook and verified that any variances noted between AREC data and the W-2 Reconciliation Workbook were researched and corrected.

Conclusion

In general, the processes in place for the preparation of the Annual Report of Fiscal Year Expenses of the President and the Annual Report of Taxable Year Expenses of the President were sufficient to ensure the reports are accurate and complete.

We also noted that the President's 2015 travel and entertainment reimbursements were in compliance with UC policies.

We identified one reportable employee that was not included in the UCOP AREC population identified by Business Resource Center (BRC) and UCOP Local Human Resources (HR) during fieldwork. This exception was cleared by UCOP Local HR and included in the UCOP AREC for calendar year 2015. During our review, a number of variances were identified between UCOP AREC and UCLA Payroll Services W2 data and were corrected prior to the final issuance of the AREC.

UCOP's payroll system migrated to UCPath in November 2015. Because this migration occurred mid-year it took additional effort to compile data for the UCOP AREC for calendar year 2015. Reportable employees and amounts were determined using data from both the Payroll/Personnel System (PPS) and UCPath. The UCPath Center has tailored a report for UCOP Local HR specifically to address UCOP AREC needs and this report will streamline future UCOP AREC procedures.

Opportunities for Improvement and Action Plans

- 1. UCOP AREC preparation procedures should include an additional review procedure to ensure report accuracy and completeness.**

During our review, we noted that there were a number of unreconciled items between the UCLA Payroll Services W-2 amounts and the UCOP AREC. In response to our requests for resolution, UCOP Local HR provided additional information, and a subsequent review by Systemwide Human Resources found additional issues that needed correction on the AREC. Although the issues were cleared and the AREC report was corrected before finalization, UCOP Local HR would benefit from implementing a reconciliation process that incorporates a timely independent quality assurance review like the one performed by Systemwide HR.

Action Plan: UCOP Local HR will amend the reconciliation process to include an independent quality assurance review to ensure completeness and accuracy of UCOP AREC information.

Target Date: December 31, 2016