# RIVERSIDE: AUDIT & ADVISORY SERVICES

June 5, 2020

To: Tammy Few

Associate Vice Chancellor – Human Resources

Subject: Annual Report on Executive Compensation (AREC)

Ref: R2020-06

We have completed our review of the process for the preparation of the Annual Report of Executive Compensation (AREC) for the Calendar Year 2019. Our report is attached for your review.

We appreciate the cooperation and assistance provided by your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Gregory Moore

Director

cc: Ethics & Compliance Risk and Audit Controls (ECRAC) Committee

Associate Vice Chancellor Carlson

SMG Coordinator Page

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2020-06

ANNUAL REPORT OF EXECUTIVE COMPENSATION

JUNE 2020

Approved by:

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Principal Auditor Assistant Director

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Gregory Moore

Director

**UC RIVERSIDE**

**ANNUAL REPORT OF EXECUTIVE COMPENSATION**

**INTERNAL AUDIT REPORT R2020-06**

**JUNE 2020**

1. **MANAGEMENT SUMMARY**

Based upon the results of work performed within the scope of the audit, it is our opinion that, overall, the system of internal controls over the process for the preparation of the Annual Report of Executive Compensation (AREC) for Calendar Year (CY) 2019 is operating satisfactorily and reasonably assures the completeness and accuracy of information reported in the 2019 AREC in compliance with University policies and procedures.

**II. INTRODUCTION**

**A. PURPOSE**

UC Riverside Audit & Advisory Services, as part of a systemwide effort, performed a review of the process for the preparation of the 2019 AREC. The purpose of the review is to evaluate whether control activities and operating procedures to manage the process were adequate and effective to ensure the completeness and accuracy of the 2019 AREC.

1. **BACKGROUND**

The AREC fulfills legal obligations for reporting to the California Legislature and to the public on the compensation of University of California senior managers. The report is presented to The Regents, and includes compensation data for active University employees as of December 31 that meet the following criteria:

* + All incumbents in the Senior Management Group (SMG) personnel program during 2019 regardless of total cash compensation, including employees in acting and interim SMG positions.
  + All "Officers of the University" regardless of total cash compensation.
  + All UC employees in the Management and Senior Professional (MSP) personnel program whose total compensation exceeds the reporting threshold, which is $323,700 for 2019.
  + Other specified employees, which include athletic directors, coaches, and other athletic positions whose total compensation exceeds the reporting threshold, which is $323,700 for 2019.

Locations are required to submit a final Campus AREC with signed certification, and individuals in the reportable population must submit a signed, completed *Individual Certification* document, including a *Questionnaire on Potentially Compensable Transactions.* SMG Coordinators are responsible for preparing the AREC, individual certifications and questionnaires, and submitting the complete and certified AREC, along with the signed certifications and questionnaires, to the UC Office of the President (UCOP).

1. **SCOPE**

Audit & Advisory Services selected pertinent activities, obtained certain records in connection with the preparation of the 2019 AREC, and performed the following procedures.

* + Reviewed communications, instructions, timelines, and guidelines relevant to the 2019 AREC process. Evaluated the availability, completeness, sufficiency, and clarity of directions, resources, and materials to inform SMG Coordinators and ensure compliance with salient AREC and UCOP requirements.
  + Reviewed a preliminary draft of the 2019 AREC.
  + Ascertained thatthe *2019 Actual Base Salary Received* and *Total Cash Compensation* amounts in the draft report are accurate. Independently computed correct amounts using actual 2019 earnings / UCPath data in the UCR Data Warehouse SuperDOPE.
  + Established *Annual Base Salaries as of December 31, 2019*. Examined employment offer letters, appointment letters, decision memos, and/or salary action records, as deemed necessary. Verified UCOP approval of 2019 merit increases.
  + Obtained corroboration of all other elements of executive compensation reported in 2019 AREC.
  + Recommended necessary revisions determined during the review.
  + Reviewed final UCR Campus 2019 AREC.
  + Verified that necessary revisions were made.
  + Ascertained consistency of information between 2019 AREC and individual certifications.
  + Checked that the 2019 AREC was duly certified by the SMG Coordinator and Chancellor and reportable employees signed their respective individual certifications and questionnaires.
  + Confirmed that the 2019 AREC, individual certifications, and questionnaires were submitted timely as required by UCOP.

**D. INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

\* effectiveness and efficiency of operations

\* reliability of financial reporting

\* compliance with applicable laws and regulations

Substantive audit procedures were performed during March and April 2020. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

**III. OBSERVATIONS AND COMMENTS**

Based upon the results of work performed within the scope of the audit, in our opinion, control activities and operating procedures to manage the process for the preparation of the 2019 AREC were adequate and effective to ensure the completeness and accuracy of elements of executive compensation reported in the 2019 AREC.