UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT & MANAGEMENT ADVISORY SERVICES

Annual Report on Executive Compensation (AREC)
Audit & Management Advisory Services Project # 22-02

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Management Summary

As part of the fiscal year 2021-22 Audit Plan, Audit and Management Advisory Services (AMAS) conducted a review of the Annual Report on Executive Compensation (AREC).

The AREC provides compensation data for two categories of executive personnel: the Senior Management Group (SMG) and any non-SMGs whose annual income meets the reporting threshold (in 2021, the threshold was established at $340,000). Total compensation must be reported, which includes salary, bonuses and incentives, one-time payments or reimbursements made to the employee or on behalf of the employee, and any benefits and perquisites. Human Resources (HR) populates the compensation data into Smartsheet, and then the AREC is prepared by the Office of the President (OP).

Purpose and Scope

As in past years, the objectives of the AREC review were to determine: if the compensation data submitted in the annual report are complete and accurate; if appropriate procedures have been developed and performed to ensure submitted data have been accumulated and reported in accordance with the University of California (UC) Office of the President (UCOP) instructions; and, if any reporting anomalies existed, that they have been properly footnoted and explained in accordance with UCOP instructions.

To perform our review, we interviewed the Director of Executive Programs and Recruitment; utilized UC Path reporting to independently identify employees who should be included in the report; compared the 2019 AREC to the 2021 AREC for consistency and reasonableness of information reported; and reviewed the compensation amounts reported in the AREC for completeness and accuracy.1 Our review was performed in 2022 and 2023 and encompassed activities and transactions occurring in calendar year 2021.

Conclusion

Three employees whose total compensation in 2021 exceeded $340,000 were inadvertently omitted from the 2021 AREC report. Additionally, the relocation reimbursement amount for one SMG member was understated by $5,116 in the 2021 AREC report. Personnel responsible for preparing the 2021 AREC report no longer work for UC Davis. Current personnel believe the errors and omissions may have resulted from UC Path query errors by previous employees. Because UC Path was adopted by UC Davis in 2019, it is possible that the 2019, 2020, and 2022 AREC reports (which were not audited) may also have included errors and omissions. Therefore, AMAS recommends that current management review these prior reports and make corrections to the extent necessary. Additional information, recommendations, and management corrective actions are included in the body of this report.

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1 This audit is no longer performed on an annual basis at each campus. The review is now being completed at each campus once every three years. 2018 was the most recent review at UCD prior to the 2021 review.
Observations, Recommendations, and Management Corrective Actions

A. Three employees who met the 2021 Indexed Compensation Level (ICL) were omitted from the AREC report.

The UC is committed to transparency and accountability in reporting the compensation of its employees. The AREC must include all employees whose total compensation meets the Indexed Compensation Level (ICL). The ICL for calendar year 2021 was $340,000. AMAS determined after reviewing UC Path compensation data for Management and Senior Professional (MSP) and Senior Management Group (SMG) title codes that the University of California Davis Health (UCDH) Controller, the UCDH Executive Director for Strategic Planning, and the UCDH Associate Chief Operating Officer were inadvertently omitted from the 2021 reportable population and the AREC report. The process to determine the reportable population for the AREC has changed due to the implementation of UC Path, and this is a contributing factor in the accidental exclusion of these employees in the report.

Recommendation

- HR should develop a process to ensure that the AREC report is complete. HR should also create procedural documentation for the new process.
- HR should notify OP of employees omitted from the 2021 AREC report and seek guidance on steps that should be taken to correct it.
- HR should review lists of employees included in the 2019, 2020 and 2022 AREC reports (which were not audited) for completeness. If omissions are found, HR should consult with OP.

Management Corrective Actions

1. By November 1, 2023, HR will document an improved process to ensure that the AREC report is complete.
2. By September 1, 2023, HR will seek guidance from OP on how to treat employees omitted from the 2021 AREC report.
3. By December 1, 2023, HR will review the 2019, 2020 and 2022 AREC reports to determine whether the reports are complete. If omissions are found, HR will consult with OP.

B. The relocation reimbursement amount reported in the 2021 AREC for one employee was understated by $5,116.

The SMG relocation policy allows for reimbursement of airfare, gas, rental cars, temporary housing including furniture, all expenses to move personal property including insurance, meals while traveling, and two house-hunting trips. The policy also states that any payments to SMG members under this policy will be reported to the President and the Regents in the Annual Report on Executive Compensation. After a review of the Concur reports supporting the relocation reimbursement for one employee, AMAS determined that amounts reported in the 2021 AREC for the relocation reimbursement to the employee were understated by $5,116. Current personnel believe the error is attributed to mistakes made in the imputed income calculations by previous employees.
Recommendation

- HR should notify OP of an error in the 2021 AREC report related to understated reimbursement and seek guidance on how to correct the issue.
- HR should review the 2019, 2020 and 2022 AREC reports (which were not audited) for accuracy of relocation reimbursements. If errors are found, HR should consult with OP.
- HR should review the employee’s W-2 to determine if there are errors present. If errors are present, HR should reissue a corrected W-2.
- Because of errors identified, HR should review for accuracy all compensation elements on a sample basis for the 2019, 2020, and 2022 AREC reports.

Management Corrective Actions

1. By December 1, 2023, HR will notify OP of the error found in the 2021 AREC report and seek guidance on the steps that should be taken to correct the report.
2. By December 1, 2023, HR will review the 2019, 2020, and 2022 AREC reports to determine whether the relocation reimbursements reported are accurate. If errors are found, HR will consult with OP.
3. By December 1, 2023, HR will review the W-2 of the employee whose relocation reimbursement was understated in 2021 to determine if reissuance is necessary.
4. By December 1, 2023, HR will review for accuracy all compensation elements on a sample basis for the 2019, 2020, and 2022 AREC reports.

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