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## Internal Audit Report

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# Annual Report of Executive Compensation (AREC) Review

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**Approved**  
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**I. EXECUTIVE SUMMARY**

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Audit & Management Advisory Services (AMAS) has reviewed UCSC's *Annual Report on Executive Compensation* (AREC) for 2020. This UC systemwide audit was conducted to evaluate and determine the completeness and accuracy of executive compensation reporting to UCOP.

The AREC report was found to be complete, accurate, and in compliance with policy. Processes were in place to ensure the accurate recording of the AREC members' compensation and proper certification of accompanying documents.

A summary of work performed and detailed results is described in Section III. There are no Management Corrective Actions identified or required as a result of our review.

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## II. INTRODUCTION

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### Purpose

The purpose of the audit was to review and evaluate the completeness and accuracy of the Annual Report on Executive Compensation (AREC) for calendar year 2020

### Background

In accordance with the reforms over executive compensation initiated in 2006 by the UC Office of the President (UCOP), each campus is required to report annually on compensation paid to executives. The AREC is a report based on data in Smartsheet this year. The Smartsheet database is hosted by UCOP and is available to each campus via web interface. The format and content of the AREC report is set by UCOP. Each year UCOP issues a letter prescribing the criteria for selection of the executives appearing in the AREC report. In 2020 the UC Santa Cruz AREC population was the 11 members of Senior Management Group (SMG).

At UCSC, the responsibility for preparation of the AREC report resides with the Office of the Campus Provost and Executive Vice Chancellor (CP/EVC). The CP/EVC Office includes the SMG coordinator who is also responsible for the senior leadership recruitment process and therefore is aware of all personnel actions for the SMG members.

### Scope

The scope of the audit included:

- A review of the AREC report for the 2020 calendar year (beginning with pay period end date 12/31/19 and ending with the end date of 11/30/20) as submitted to UCOP.
- A review of two additional forms: *AREC 2020 Individual Certification* and the *Potentially Compensable Transactions Individual Certification (PCT)*. This was done to ensure that both forms have been filled out and certified by each of the AREC members. These two forms are sent to UCOP attached to the AREC report signed by the chancellor.

We reviewed executive employees' AREC documents packet, and the SMG coordinator's packet sent by UCOP for directives regarding the certification process of the 2020 AREC report submission. We cross-verified the accuracy of the AREC population and the compensation shown for each of its members. We also reviewed all individual certifications, PCT certifications and congruence with the data shown on the AREC report.

### III. SUMMARY OF WORK PERFORMED AND RESULTS

<b>Accuracy of Report Population</b>	
<b>Work Performed</b>	<b>Results</b>
Reviewed the selected AREC population list against campus administrative and academic org charts for 2020, and the UC Path payroll records	Found all appropriate senior officers to be included in the AREC list. At UCSC, there were 11 administrative SMG employees reported on the SMG listing.
Reviewed the selected AREC population list against a list of campus top earners to ensure that no “non SMG” had been mistakenly excluded.	The only non-SMG top earners were academics, therefore not to be included in the AREC report. We confirmed with reasonable assurance that the list of AREC members was complete and accurate.
<b>Accuracy of Compensation Data</b>	
<b>Work Performed</b>	<b>Results</b>
Reviewed the compensation for the individuals included on the AREC for calendar year 2020 to verify the different types of compensation received by each of them.	Compensation paid to each individual in the AREC population was traced to the AREC report. This included compensation types other than the annualized base salary, such as relocation cost payments.
<b>Accuracy of Compensation Data: W-2 Reconciliation</b>	
<b>Work Performed</b>	<b>Results</b>
Obtained W-2 reconciliations performed by UC Path Center - Production Office for each of the AREC executives and compared with payroll and financial system records.	The W-2 reconciliations performed by the UC Path Center – Production Office were all found to be accurate.
<b>AREC Individual Certification and Potentially Compensable Transactions Individual Certification</b>	
<b>Work Performed</b>	<b>Results</b>
Reviewed all signed AREC individual certifications for accuracy and proper certification.	All the certifications were found to be accurate and congruent with the AREC report figures and properly signed and dated by each of the AREC executives.
Reviewed all PCT questionnaires for proper certification and possible additional documentation.	All PCT questionnaires were found to be properly filled out, dated and signed by the AREC executives.