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## Internal Audit Report

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# Chancellor's Expenses – G-45 Systemwide Audit

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**Approved**  
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**Table of Contents**

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**I. EXECUTIVE SUMMARY .....2**

**II. INTRODUCTION**

Purpose .....3

Background .....3

Scope .....3

**III. WORK PERFORMED AND RESULTS**

Summary of Work Performed and Results .....4

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**I. EXECUTIVE SUMMARY**

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Internal Audit & Advisory Services (IAS) has completed an audit of the G-45 Chancellor's Expenses. This UC systemwide audit was conducted to determine the adequacy of financial reporting and key financial controls as identified in UC Business Finance Bulletin (BFB) G-45 *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*.

Overall, both G-45 reports were found to be complete, accurate, and in compliance with policy. Processes were in place to ensure proper approval and accurate recording of expenses incurred by the chancellor.

A summary of work performed and detailed results is described in Section III. Summary of Worked Performed and Conclusions. 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 this audit was to review and evaluate the completeness and accuracy of the two financial reports required by G-45, the *Annual Report of Fiscal Year Expenses of the Chancellor* for Fiscal Year 2013-2014 and the *Annual Report of Taxable Expenses of the Chancellor* for the period November 1, 2013 through October 31, 2014 and the effectiveness of the approval process of the chancellor's expenses.

### Background

In accordance with the reforms over executive compensation initiated in 2006 by the UC Office of the President, each campus is required by G-45 to report annually on the expenses of the chancellor associated with his or her official residence, and for other expenses, such as entertainment, travel and gift expenses that are related with his/her particular hospitality duties as a chancellor.

These reports address the appropriate use of funds available to chancellors in support of their official duties and address those expenses that may create additional taxable income for chancellors.

At UCSC, the Office of Planning & Budget (P&B) is responsible for preparing the *Annual Report of Fiscal Year Expenses of the Chancellor*; the Office of the Chancellor is responsible for preparing the *Annual Report of Taxable Expenses of the Chancellor*. Once prepared, these reports are submitted to Financial Affairs review and several other principal officers' reviews before submission to the UC Office of the President.

The Chancellor's Office is responsible for accurately recording and coding all expenses regulated by G-45; ensuring that the appropriate approvals have been given; documenting events hosted by the chancellor and University House events; and monitoring back-up documentation.

### Scope

The two G-45 reports reviewed were the *Annual Report of Fiscal Year Expenses of the Chancellor* for Fiscal Year 2013-2014 and the *Annual Report of Taxable Expenses of the Chancellor* for the period November 1, 2013 through October 31, 2014.

We reviewed the UC Policy G-45, the final reports, supporting documentation, report preparation methodology, and approval processes. We conducted testing on the accuracy of amounts reported, compliance with the G-45 policy and the UC Entertainment and Travel policies, appropriate approval levels and back-up documentation.

**III. SUMMARY OF WORK PERFORMED AND RESULTS**

Work Performed	Results
<b>Fiscal Year Expenses of the Chancellor – Review of P&amp;B Preparation and Financial Affairs Review</b>	
Reviewed report building procedures and the identification of expenses to include in the report. Reviewed included and excluded expenses.	Expenses appeared to be appropriately included/excluded from the G-45 report. No issues of inaccuracy or lack of adherence to G-45 procedure were identified.
Conducted initial review comparing 2014 reports with the reports of the prior two years.	No unexplained variances were observed.
Used auditor query of FIS transaction data to verify the accuracy and completeness of the G-45 reports	G-45 reports appeared to be accurate and complete. No errors or omissions were identified.
<b>Fiscal Year Expenses of the Chancellor – Transactions Detail Testing</b>	
We reviewed the following Chancellor Office transactions included in the final G-45 report: <ul style="list-style-type: none"> <li>• 11 invoices / POs</li> <li>• 99 direct payments</li> <li>• 22 ERF entertainment approval forms</li> <li>• 120 journal vouchers</li> </ul>	No errors or omissions were identified for transactions tested.
We reviewed the accuracy of entertainment activity codes, the purpose of which is to identify expenses to be included in the report according to G-45	Activity codes used for Chancellor Office expenditures were accurate. No errors were identified.
<b>Fiscal Year Expenses of the Chancellor – Review of Events Report</b>	
We verified that University House Events in the Fiscal Year Expense report have all been recorded in the G-45 required Event Log.	No errors were identified in the use of the University House Event Log.
<b>Taxable Expenses of the Chancellor</b>	
Reviewed with Financial Affairs procedures for preparation and review of the Taxable Expenses report.	This procedure was still relevant. Only minor updating was required.
Reviewed the quarterly “Report of Staff Time Devoted to Personal Services Performed for the Chancellor”	No personal time was recorded in the report we reviewed, signed by the house manager and the chancellor.
Reviewed the yearly “Officer’s Report of Personal Use of University-owned Equipment”	No personal use of equipment was reported and this statement was signed by the chancellor.
Reviewed the P&B workbook containing all expense transactions funded by the chancellor’s budget to identify potential personal expenses	We did not identify any personal expense transactions funded by the chancellor’s budget in our review of the P&B workbook of expenses and transactions.