

**UNIVERSITY OF CALIFORNIA, DAVIS  
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**Offices of the Chancellor and Provost  
Chancellor's Expenses - G-45  
Audit and Management Advisory Services Project #16-03**

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**MANAGEMENT SUMMARY**

**Background**

The Business and Finance Bulletin (BFB) G-45, "*Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*", is intended to promote compliance with Internal Revenue Service (IRS) regulations. Because Chancellors play a unique role in representing the University, BFB G-45 establishes special accounting and reporting requirements for each campus. Specifically, campuses must prepare two annual reports that summarize the Chancellors' expenses in categories that are outlined in BFB G-45. These reports are known as the Annual Report of Fiscal Year Expenses of the Chancellor (Fiscal Year Report) and the Annual Report of Taxable Expenses of the Chancellor (Taxable Year Report).

**Purpose and Scope**

As part of the fiscal year 2015-16 audit plan, Audit and Management Advisory Services (AMAS) conducted a review of the Fiscal Year Report and the Taxable Year Report. The Offices of the Chancellor and Provost (OCP) is responsible for compiling the reports.

The purpose of our review was to determine if these reports were accurate, complete, and prepared in compliance with the requirements of BFB G-45. Additionally, a review of a sample of Travel and Entertainment (T&E) expenses for the Chancellor and the Associate of the Chancellor was included to assess compliance with BFB G-45. The scope for the Fiscal and Taxable Year Reports and the T&E review encompassed all reportable activities between July 1, 2014 and October 31, 2015.

To complete our review of the required BFB G-45 reports and T&E expenses, AMAS examined BFB G-45 and OCP Implementation Guidelines, financial records and ledgers, and other relevant documents used to prepare the reports. We also tested a small sample of the Chancellor's and Associate of the Chancellor's T&E expenses. Finally, we interviewed OCP staff to determine their methodology when preparing the reports.

**Conclusion**

Based on the work performed, AMAS found that the reports were complete. Total expenses recorded in the University's financial ledgers matched the total amounts stated in the G-45 reports, with two nominal differences. These discrepancies were identified and follow-up analysis demonstrates that the differences represent merely .06% in the Fiscal Year Report and .05% in the Taxable Year Report.

AMAS also found that a support staff employee's entire compensation expenses of \$93,164 were grouped together and reported in the Support Staff category. A more appropriate presentation would have been to report compensation in separate categories in order to better represent the employee's separate job functions and comply with BFB G-45. This would have resulted in reporting approximately 35%, or \$32,607, of the employee's compensation in the General Household category and the remainder in Support Staff.

**OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS****A. In the Fiscal Year Report, one employee's compensation was grouped into a single category instead of split into separate categories based on job function.**

In fiscal year 2015, a housekeeper was employed at the Chancellor's residence and his salary was properly reported in the Taxable Year Report, however in the Fiscal Year Report, his compensation is reported entirely in the Support Staff category. BFB G-45 indicates that "[g]rounds maintenance and housecleaning staff expenses should not be charged to [the Support Staff] category". According to the housekeeper's official job description, approximately 35% of his time is reserved for housecleaning tasks and an undetermined portion of his time is spent on grounds maintenance. Reporting all of his compensation in the Support Staff category thereby results in a mischaracterization of the Chancellor's expenses.

**Recommendation**

OCP should develop and implement a process that will ensure that staff compensation is proportionately reported in conformity with employee job functions.

**Management Corrective Actions**

By 07/15/2016, management will update the employee's job description to accurately identify his job duties and allocate his effort accordingly. Additionally, management will use the updated job description to report the employee's compensation within accurate and appropriate categories in subsequent Fiscal Year Reports.