



Audit & Advisory Services

May 12, 2017

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**SUBJECT: Annual Report of Executive Compensation
Project #17-056**

As a planned project for Fiscal Year 2016-2017, Audit and Advisory Services (A&AS) conducted a review surrounding the Annual Report of Executive Compensation (AREC) reporting process at UCSF, including the process to gather compensation data for the University's senior-most administrators, Senior Management Group (SMG) members, and officers of the University regardless of compensation amount, as well as that of certain highly compensated non-SMG employees who met reporting criteria. Additionally, a substantive review of the population was performed to assess the accuracy and completeness of the UCSF data being reported for inclusion in the AREC. Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards"). This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by another person or entity.

The AREC is published by the University of California, Office of the President (UCOP) on an annual basis for each UC campus, medical center, and laboratory. The AREC is produced using data collected by each campus from a variety of sources, including payroll, accounts payable, and personnel records. Each campus populates the Senior Leadership Information System (SLIS) data warehouse with the data for their reportable population. A quality review of the data is performed at various levels, including reviews by UCOP and by the individuals included within the reported population prior to the publishing of the AREC.

For calendar year 2016, UCSF submitted compensation and benefits data on 46 UCSF senior executives for inclusion in the AREC. UCSF's reportable population includes the following:

- All employees in the SMG regardless of total cash compensation;
- All "Officers of the University" as defined by Standing Order 100.1 on the Regents website, regardless of total cash compensation; and
- All "Administrators" that are in the Management and Senior Professional (MSP) group whose total compensation exceeds \$304,000 in 2016; this threshold is established annually by UCOP.

As this review was conducted concurrently with the annual data submission to SLIS, all information was validated based on the AREC preliminary draft provided by the UCSF SMG/Executive Compensation Specialist to A&AS on March 16, 2017. UCSF was required to submit corrections to the Office of the President no later than April 14, 2017.

The scope of the review encompassed:

- Verifying the accuracy of total compensation for employees included in UCSF's reportable population;
- Verifying the accuracy of moving expense reimbursements for employees included in UCSF's reportable population; and
- Verifying submission of self-reported certification letters and disclosures of outside professional activities for selected employees from UCSF's reportable population.

In conducting this review, the following specific procedures were performed:

- Assessed the process to populate SLIS and its effectiveness to determine the completeness and accuracy of the reporting;
- Reviewed the individuals included on the AREC and independently validated that the eligible population was complete;
- Validated compensation data for all 46 employees included on the AREC (including salary, bonuses, executive automobile allowances, moving and relocation expenses) to the Payroll Personnel System (PPS), Operational Data Store (ODS)¹ and certification letters for accuracy and completeness;
- Reviewed self-reported outside activity disclosures to determine compliance with policy requirements; and
- Examined offer letters for the eight new hires in 2015 and 2016 to determine the accuracy of compensable components included in UCSF's reportable population. MSP employees go by actual pay received during the year so 2015 new hires in the middle of the year will show up in 2016 review when their total compensation meets the \$304,000 threshold.

¹ Operational Data Store (ODS) is the database that houses data from certain tables within PeopleSoft.

The scope of this review was limited to the procedures described above and related to transactions and activities occurring during the calendar year 2016. As such, work completed is not intended nor can it be relied upon to identify all instances of potential irregularities, errors, and control weaknesses that may occur in areas not covered in this review. Fieldwork was completed in April 2017.

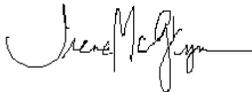
Based on procedures performed, the 2016 preliminary AREC report submitted for our review included all eligible senior executives in the report and the process in place to identify SMG and MSP population is appropriate. The following were some inaccuracies related to AREC data that were identified by A&AS and corrected during this review by the SMG Coordinator/Executive Compensation Specialist:

1. Moving expenses were not included for one UCSF Health SMG and two MSPs due to limitations within the ODS system displaying moving expenses and were updated to \$35,613, \$40,479, \$28,985, respectively,
2. Moving expenses were updated for one UCSF Campus SMG to include additional non-taxable amount of \$2,306. The total moving expense was updated from \$20,377 to \$22,683, errors were due to limitations within the ODS system displaying moving expenses; and
3. Error was corrected for a transposition error for employee, where temporary housing was recorded under bonuses and bonus recorded under temporary housing.

The current process to capture moving expenses for AREC report needs to be updated for future review to include review of actual W-2 forms where moving expenses are identified for medical center employees as well as non-taxable moving expenses that are not captured in ODS for both campus and medical center employees. A separate letter memo will be sent to relevant parties within the Controller's Office and Medical Center Human Resource and Accounts Payable for findings relating to inaccurate taxation treatment on moving expenses as well as policy clarification, including exception approval.

If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,



Irene McGlynn
Director
UCSF Audit and Advisory Services