

UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT  
ETHICS, COMPLIANCE AND AUDIT SERVICES  
INTERNAL AUDIT

UCOP REAL ESTATE PROCESS AND TRANSACTIONS  
Audit No. P23A016  
Issued September 2024

Work Performed by:  
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Work Reviewed by:  
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## **Executive Summary**

### **Introduction**

As part of the University of California Office of the President's (UCOP) 2022 – 2023 fiscal year internal audit plan, Internal Audit performed an audit of the processes and controls related to UCOP's real estate transactions.

The UCOP Building and Administrative Service Center (BASC) is responsible for the fiscal management of all facilities owned and leased to facilitate UCOP's day-to-day operations. These responsibilities include:

- Acquisition of land and buildings to support UCOP's key initiatives
- Executing lease agreements to meet the space needs of UCOP's strategic programs
- Managing the property portfolio of Regents-owned and leased office buildings, housing, and parking facilities for UCOP
- Planning capital programs and obtaining UC Regents' approval for UCOP's major and minor capital projects
- Developing the annual budget for the operation and maintenance of UCOP-managed buildings, administrative services, and the President's residence
- Administering the UCOP Parking and Transportation Program
- Servicing operational, personnel & financial transactions for vendors that support BASC operations

UC Finance has a Real Estate Services & Strategies unit that manages real estate functions systemwide, including support for those transactions initiated by UCOP's BASC team.

### **Objective and Scope**

The purpose of this audit was to evaluate the processes and controls that relate to UCOP real estate transactions. This audit's scope included UCOP real estate transactions from 7/1/2016 through 6/30/2022.

The areas of focus included the following:

- Governance structure, including roles and the division of responsibilities for different types of real estate transactions
- Compliance with relevant policies, procedures and guidelines for the processing and reporting of real estate transactions
- Real estate transaction processes, including strategy, acquisition, management / maintenance, disposition, record-keeping, acceptance, and the sale of prior gifts or bequests the proceeds of which are considered a donation

The audit procedures included the following:

- Reviewing relevant documentation, including policies, procedures, standards, baselines, and guidelines
- Performing interviews with key stakeholders to understand the processes, procedures, controls, and supporting documentation related to the areas in-scope
- Conducting internal control testing according to defined testing attributes
- Selecting a sample of real estate transactions and verifying their appropriateness, accuracy, and compliance with policy

## Overall Conclusion

Overall, we noted that generally there were effective controls in place for real estate transactions at UCOP. Moreover, we identified that UCOP practices in the following areas were consistent with prevailing practices for real estate transactions:

- **Transaction Approval Authority:** The Delegations of President's Authority for Capital Project Matters (DA2629) clearly defines the real estate transaction authorities that are delegated to designees and was consistently followed during the transaction processes reviewed.
- **Authorization Requests:** The Authorization Requests for property transaction approvals consistently include the required description of the project, its purpose, and any related transactions.
- **Adherence to State Statutes:** Adequate guidelines and procedures are in place to facilitate adherence to the California Environmental Quality Act (CEQA) and the Stull Act.

We did not note any observations requiring corrective action. However, we noted some opportunities for improvement described in the following section.

## Opportunities for Improvement

Internal Audit identified the following opportunities for Real Estate Services and Strategies to consider to better align its processes with leading practices. We did not observe a violation of policy or procedure related to this issue and our testing revealed that, when appropriate, UC's operations aligned with these best practices; however, UC's written procedures do not address these elements. Because these practices are not addressed in documented procedures there is a risk that they could be overlooked. As a matter of best practice, we recommend that Real Estate Services and Strategies consider adding these elements to the UC Facilities Manual.

### 1. Required Steps for Acquisitions

During the course of our review of UC's established procedures for acquisitions, we noted certain elements that are not a part of UC procedures that subject matter experts indicated to us are standard practice. For acquisitions, these elements included conducting and documenting due diligence, including property appraisals as appropriate, prior to transaction approvals and conducting and documenting due

diligence for cost estimates related to improvements or renovations.

**2. Required Steps for Dispositions**

While reviewing UC's established procedures for dispositions we also noted certain elements that are not a part of UC procedures that subject matter experts indicated to us are standard practice. These elements included conducting and documenting due diligence, including property appraisals as appropriate, prior to transaction approval and conducting and documenting compliance with the California Environmental Quality Act (CEQA) prior to transaction approval.