

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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Alexander Bustamante  
SENIOR VICE PRESIDENT  
CHIEF COMPLIANCE AND AUDIT OFFICER

September 27, 2017

**ASSOCIATE CHANCELLOR GRISCAVAGE**

**RE: Final Report Project No. P17A016: UC Berkeley Chancellor Transition Review**

Attached is a copy of the final report for: Audit Services Project No. P17A016 UC Berkeley Chancellor Transition Review. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: matthew.hicks@ucop.edu).

A handwritten signature in black ink, appearing to read 'Matt Hicks'.

Matt Hicks  
Systemwide Deputy Audit Officer

Attachment

cc: Senior Vice President Bustamante  
Deputy Associate Chancellor Ellison Crockett  
Chief Audit and Risk Executive Riley  
Systemwide Audit Manager Cataldo

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

UC Berkeley Chancellor Transition Review  
Project No. P17A016  
June 2017

Work Performed by:  
Benjamin Wong, Auditor

Work Reviewed by:  
Peter Cataldo, Systemwide Audit Manager

Work Approved by:  
Matthew Hicks, Systemwide Deputy Audit Officer

# **Executive Summary**

## **Introduction**

The Office of Ethics, Compliance and Audit Services conducted a management transition assessment at the University of California, Berkeley (UCB) in preparation for the transition of the Chancellor. Transition assessments are often performed when a new chancellor is to take office. The purpose of a transition assessment is to provide information to the incoming chancellor on the state of internal controls over the financial management of the Chancellor's Immediate Office. The review was carried out under the direction of the Systemwide Deputy Audit Officer in the Office of Ethics, Compliance and Audit Services at the Office of the President (UCOP).

## **Objectives and Scope**

Objectives included the following:

- Provide systemwide senior management with information regarding the state of the accounts and funds under the Chancellor's immediate control.
- Review the Chancellor's Immediate Office accounts related to the following to assess effectiveness of controls and compliance with policy:
  - Travel and entertainment
  - Operating expenditures
  - University House (Chancellor's residence)

Testing of operating expenditure transactions was performed on a sample of transactions for the period April 2016 through March 2017.

Fieldwork was performed in May 2017 and included the following:

- Interviews with administrative staff from the Chancellor's Immediate Office
- Tests of transactions for compliance with policy; and
- Review of prior internal audit reports and management corrective actions where the scope included the Chancellor's Immediate Office administrative support.

## **Overall Conclusion**

Based on interviews, transaction testing, and review of documentation, we found that the UCB Chancellor's Immediate Office operating expenses were generally in compliance with University policy. The internal controls tested in the Chancellor's Immediate Office appear to be effective.

We relied on the audit work performed by UCB Audit and Advisory Services (Project #16-676, for the period covering November 2014 – October 2015, and project #17-703, for the period covering November 2015 – November 2016) to review the UCB Chancellor's expense processing procedures.

In project # 16-676, UCB Audit and Advisory Services identified a few opportunities for improvements pertaining to the purchase of furnishings for the Chancellor's residence, approval of capital improvements, and timely preparation and approval of travel and entertainment expenses. In the recent report (17-703) UCB Audit and Advisory Services has identified a potential opportunity for improvement

in documenting entertainment events occurring at the Chancellor's residence; and compiling and reconciling associated event expenses.

We further noted that the general ledger verification was performed quarterly instead of monthly as required by the UCB Controller's Office. This opportunity for improvement is discussed further in the body of this report.

## **OPPORTUNITIES FOR IMPROVEMENT AND ACTION PLANS**

### **General Ledger Verification Not Performed Monthly**

The UCB Controller's Office requires that actual revenues and expenses be monitored monthly against budgets, and the general ledger transaction verification detail report be reviewed monthly by the department.

We noted that the Chancellor's Immediate Office administrative support unit:

1. reviews and provides each unit head with quarterly detailed compensation and summary budget reports,
2. notifies management quarterly when their reports have been uploaded on the Google drive for their review, and
3. generates quarterly detailed Berkeley Administrative Initiative Reporting System reports; and reviews any expenses that are high dollar amounts and appear unusual.

The general ledger verification is a key department control at UCB in which departments are required to review reports monthly for general propriety and accuracy and review and address unexplained variances.

#### **Action Plan:**

*Management reorganized the budget portfolio and added another senior level analyst to address division of labor and manage workload, including monthly general ledger report reviews. These changes will strengthen the Chancellor's Immediate Office internal controls and align with the campus standards and acceptable practices going forward.*

#### **Target date:**

*Action completed prior to report issuance.*