

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
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July 24, 2014

**INTERIM CHANCELLOR HAWGOOD
EXECUTIVE VICE CHANCELLOR BLUESTONE**

**Subject: Final Audit Report University of California, San Francisco Chancellor's
Immediate Office – No. P14A018**

Attached please find a copy of the final report for Project No. P14A018: University of California, San Francisco Chancellor's Immediate Office. 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 (e-mail: Matthew.Hicks@ucop.edu)

A handwritten signature in black ink, appearing to read "Matthew Hicks".

Matthew Hicks
Audit Director

Attachment

cc: Senior Vice President Vacca
Director Murphy
Director McGlynn
Manager Catalado
Contractor Reed
Contractor Harrigan

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

University of California, San Francisco
Chancellor's Immediate Office
Audit No. P14A018
June 2014

Audit Performed by:
Ada Harrigan, Audit Contractor

Audit Reviewed by:
Peter Cataldo, Audit Services Manager

Executive Summary

Introduction

Internal Audit conducted an audit of the UCSF Chancellor's Immediate Office as a component of the Transition Assessment Review undertaken by the Office of Ethics, Compliance and Audit Services at the request of the President of the University of California.

Objectives and Scope

The primary purpose of this audit was to ensure that the accounts and immediate office activities taken over by the incoming Chancellor are in order and present little future risk of controversy to the new Chancellor. A secondary purpose was to ensure that budget funds remain available to the new Chancellor for the operations of the immediate office.

Our audit scope was limited to projects under the Chancellor's Immediate Office. Funds included in the scope of this audit included the Chancellor's Administrative Fund and other discretionary and reserve funds.

Fieldwork was performed in April and May 2014 and included the following:

- Discussions with staff from the Chancellor's Immediate Office,
- Discussions with staff from the Office of the Executive Vice Chancellor and Provost who are responsible for processing and reconciling expenditures from Chancellor's office accounts,
- Sample testing of transactions for compliance with policy,
- Analysis of expenditures by type, and
- A review of observations from recent internal audits where the scope included the Chancellor's immediate office.

Overall Conclusion

Based on the work performed, no matters were identified which would create a concern for the incoming Chancellor. Accounts reviewed had balances that were appropriate for the continued support of normal operations of the Chancellor's Office. We did not identify any indication of misuse of funds. We further noted that the Associate Chancellor position is vacant and will remain open for the new Chancellor to fill.

However, we identified two entertainment expenses that were allowable, but were not approved by the Controller, as required by Business and Finance Bulletin BUS-79. This was also a finding in a prior audit of FY12 Chancellor's expenses (UCSF IAS Audit #14-023). Following that audit, controls were enhanced to avoid a recurrence but were not completely effective as this issue has resurfaced. Also, one of these expenditures was in excess of the \$78 maximum allowable for entertainment dinners. Details are provided in the Opportunities for Improvement and Management Action Plan section.

Opportunities for Improvement and Management Action Plans

1. We identified two entertainment expenses that were allowable, but were not approved by the Controller, as required by UC Business and Finance Bulletin BUS-79.
 - The Medical Center event staff utilized a Procurement Card to purchase wine totaling \$312.22 for the Chancellor's Leadership Series. Subsequently, this expense was transferred to a Chancellor's account (not state funds). As this is an entertainment expense transferred to a Chancellor's account, approval by the Controller is required.
 - At a dinner for the Chancellor's Search Committee, the per-person meal maximum by \$1.86 for each of 10 attendees for a total overage of \$18.60. Per policy, "if expenditures exceed the per-person maximum rates specified ... adequate justification must be included with the payment request submitted for approval. Such requests must be submitted to the individual with delegated authority for approving exceptions..." For entertainment meals, the maximum rate is \$78 inclusive of taxes and gratuities. Therefore, policy requires the payment request include justification for this expense and this exceptional payment must be approved by the Controller.

Action Plan:

Prior to issuance of the audit report, the justification for exceeding the entertainment dinner meal maximum was documented and both expenditures above were approved by the Controller.

The Business Manager in the Office of Executive Vice Chancellor and Provost will work with the Controller's Office to enhance the approval and documentation process for entertainment expenditures from the Chancellor's funds. This action will be completed by August 1, 2014.