



AUDIT AND ADVISORY SERVICES
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May 17, 2017

Phyllis Hoffman

Associate Executive Vice Chancellor and Provost and Chief of Staff
Executive Vice Chancellor and Provost's Office

Associate Executive Vice Chancellor and Provost and Chief of Staff Hoffman:

We have completed our assessment of the design and implementation of the process to gather and submit compensation information to the University of California Office of the President to facilitate their preparation of the Annual Report of Executive Compensation (AREC) for calendar year 2016.

Objective and Scope

The Office of Ethics, Compliance and Audit Services at UC Office of the President requested that audit functions at each campus assist management by evaluating the adequacy of the Senior Management Group (SMG) Coordinator's process for ensuring the completeness and accuracy of the data reported to UC Office of the President for inclusion in the calendar year 2016 AREC. Our scope included obtaining an understanding of management's process of collecting reportable data and internal processes and controls that assure the completeness and accuracy of reported cash and non-cash compensation under the AREC.

Procedures Performed

In addition to obtaining an understanding of management's processes and control activities, we performed certain testwork to evaluate and assess the adequacy of these processes including but not limited to

- review of management questionnaires for disclosure of potentially compensable transactions;
- discussions with management regarding such disclosures and steps management undertook to determine whether to include the transactions on the AREC;
- analysis of information documented on the Senior Leadership Information System (SLIS) reports;
- review and reperformance of W-2 taxable income reporting calculations for a sample of the AREC population; and
- analysis of general ledger detail for categories of transactions that have historically contained transactions that are potentially treated as compensable and taxable.

Conclusion

In planning and performing our assessment, we considered the internal controls related to the processes of gathering and reporting cash and non-cash compensation information to UC Office of the President. Our consideration of these internal controls were limited in scope to the processes of gathering and submitting reportable compensation to UC Office of the President for the AREC and was not designed to identify all deficiencies in internal controls over reporting compensation.

Based on our procedures performed and the testing of the completeness and accuracy of sampled cash and non-cash compensation data, the design and implementation of processes and controls related to collecting reportable cash and non-cash compensation under the AREC appeared to be adequate to assure the completeness and accuracy of the 2016 report. We have no reportable observations with respect to management's processes.

Thank you for the opportunity to serve you.

Respectfully reported,

Wanda Lynn Riley
Chief Audit Executive

Jaime Jue
Associate Director

Robert Asato
Senior Auditor

cc: Associate Chancellor Khira Griscavage
Assistant Vice Chancellor and Controller Delphine Regalia
Interim Senior Vice President and Chief Compliance and Audit Officer John Lohse