

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 5, 2017

**CHANCELLOR MAY**

**RE: Final Report Project No. P17A017: UC Davis Chancellor Transition Review**

Attached is a copy of the final report for: Audit Services Project No. P17A017 UC Davis 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](mailto: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  
Executive Vice Chancellor Hexter  
Chief of Staff Engelbach  
Executive Officer Colbert  
Director Kraus  
Systemwide Audit Manager Cataldo  
Contractor Harrigan

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

UC Davis Chancellor Transition Review  
Project No. P17A017  
July 2017

Work Performed by:  
Ada Harrigan, Contract 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, Davis (UCD) in preparation for the transition to a new 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 July 2016 through June 2017.

Fieldwork was performed in June and July 2017 and included the following:

- Interviews with administrative staff from the Chancellor's Immediate Office
- Review of the process to approve, allocate, and monitor discretionary funds
- 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 UCD Chancellor's Immediate Office operating expenses were generally in compliance with University policy. The internal controls tested appear to be effective.

We verified that the FY18 Chancellor's Administrative Fund has a balance of \$44,000 which is available for use at the discretion of the new Chancellor.

We relied on the audit work performed by UCD Audit and Management Advisory Services related to the UCD Chancellor's expense processing procedures as part of the recently performed FY15-16 Chancellor's Expenses (BFB G-45) audit (Audit and Management Advisory Services Project #17-58). That audit included a review of expenses incurred by or on behalf of former Chancellor Katehi and Interim Chancellor Hexter for the period covering July 2015 through June 2016 (Fiscal Year Report) and

November 1 through October 31 (Katehi's Taxable Year Report). Chancellor Katehi was required to file a Taxable Year Report, however since Interim Chancellor Hexter did not occupy the Chancellor's residence, he was not required to file one. UCD Audit and Management Advisory Services identified an opportunity for improvement in documenting explanations for flight upgrades to business travel. Accounting and Financial Services (A&FS) will be implementing procedures to ensure that travel claims containing the purchase of upgraded airfare include documentation to demonstrate compliance with University policy.