



Internal Audit Report

Chancellor's Expenses – G-45 Systemwide Audit

Report No. SC-17-08
May 2017

Frank Beahan
Senior Auditor

Approved
Barry Long, Director
Internal Audit & Advisory Services

This page intentionally left blank

Table of Contents

I. EXECUTIVE SUMMARY	2
II. INTRODUCTION	
Purpose	3
Background	3
Scope	3
III. WORK PERFORMED AND RESULTS	
Summary of Work Performed and Results	4

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed an audit of the G-45 Chancellor's Expenses. This UC systemwide audit was conducted to evaluate the completeness and accuracy of the two financial reports required in UC Business Finance Bulletin (BFB) G-45 *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*.

Overall, both G-45 reports, the *Annual Report of Fiscal Year Expenses of the Chancellor* for Fiscal Year 2015-2016 and the *Annual Report of Taxable Expenses of the Chancellor* for the period November 1, 2015 through October 31, 2016 were found to be complete, accurate, and in compliance with policy. Processes were in place to ensure proper approval and accurate recording of expenses incurred by the chancellor.

A summary of work performed and detailed results is described in Section III. Summary of Worked Performed and Results. There are no Management Corrective Actions identified or required as a result of our review.

II. INTRODUCTION

Purpose

The purpose of this audit was to evaluate the completeness and accuracy of the two financial reports required by G-45, the *Annual Report of Fiscal Year Expenses of the Chancellor* for Fiscal Year 2015-2016 and the *Annual Report of Taxable Expenses of the Chancellor* for the period November 1, 2015 through October 31, 2016 and the effectiveness of the approval process of the chancellor's expenses.

Background

In accordance with the reforms over executive compensation initiated in 2006 by the UC Office of the President, each campus is required by G-45 to report annually on the expenses of the chancellor associated with his or her official residence, and for other expenses, such as entertainment, travel and gift expenses that are related with his/her particular hospitality duties as a chancellor.

These reports address the appropriate use of funds available to chancellors in support of their official duties and address those expenses that may create additional taxable income for chancellors.

At UCSC, the Office of Planning & Budget (P&B) is responsible for preparing the *Annual Report of Fiscal Year Expenses of the Chancellor*; the Office of the Chancellor is responsible for preparing the *Annual Report of Taxable Expenses of the Chancellor*. Once prepared, these reports are submitted to Financial Affairs for review and several other principal officers' reviews before submission to the UC Office of the President.

The Chancellor's Office is responsible for accurately recording and coding all expenses regulated by G-45; ensuring that the appropriate approvals have been given; documenting events hosted by the chancellor and University House events; and monitoring back-up documentation.

Scope

The two G-45 reports reviewed were the *Annual Report of Fiscal Year Expenses of the Chancellor* for Fiscal Year 2015-2016 and the *Annual Report of Taxable Expenses of the Chancellor* for the period November 1, 2015 through October 31, 2016.

We reviewed the UC Policy G-45, the final reports, supporting documentation, report preparation methodology, and approval processes. We conducted testing on the accuracy of amounts reported, compliance with the G-45 policy and the UC Entertainment and Travel policies, appropriate approval levels and back-up documentation.

III. SUMMARY OF WORK PERFORMED AND RESULTS

Work Performed	Results
Fiscal Year Expenses of the Chancellor – Review of P&B Preparation and Financial Affairs Review	
Reviewed G-45 and other related UCOP policies Reviewed prior G-45 audits at UCSC and other UC campuses	G-45 updated in 2016 Prior audit topics considered in audit planning.
Conducted initial review of enterprise financial reports for Chancellors Office Reviewed longitudinal study of G45 reports comparing 2016 reports with the reports of the prior 4 years.	Served as basis for planning detailed testing. No unexplained variances were observed.
Reviewed G45 reports as submitted to UCOP Used auditor query of FIS transaction data to verify the accuracy and completeness of the G-45 reports	G-45 reports appeared to be appropriately signed, accurate and complete. No errors or omissions were identified.
Reviewed data preparation and report building procedures and the identification of expenses to include in the report. Reviewed included and excluded expenses.	Chancellor Office expenses appeared to be appropriately included/excluded from the G-45 report. No issues of inaccuracy or lack of adherence to G-45 procedure were identified.
Fiscal Year Expenses of the Chancellor – Transactions Detail Testing	
We reviewed the following Chancellor Office transactions included in the final G-45 report: <ul style="list-style-type: none"> • 20 invoices / POs • 30 direct payments • 12 ERF entertainment approval forms • 12 expenditures traced from event log • 20 journal vouchers 	No errors or omissions were identified for transactions tested.
We reviewed the accuracy of entertainment activity codes, the purpose of which is to identify expenses to be included in the report according to G-45	Activity codes used for Chancellor Office expenditures were accurate. No errors were identified.
Fiscal Year Expenses of the Chancellor – Review of Events Report	
We verified that University House Events in the Fiscal Year Expense report have all been recorded in the G-45 required Event Log.	No errors were identified in the use of the University House Event Log. Note: University House was taken out of service November 3, 2015
Taxable Expenses of the Chancellor	
Reviewed with Financial Affairs procedures for preparation and review of the Taxable Expenses report.	This procedure was still relevant.

<p>Reviewed the quarterly “Report of Staff Time Devoted to Personal Services Performed for the Chancellor”</p>	<p>No personal time was recorded in the report we reviewed. University House closed October 2015</p>
<p>Reviewed the yearly “Officer’s Report of Personal Use of University-owned Equipment”</p>	<p>No personal use of equipment was reported and this statement was signed by the chancellor.</p>
<p>Reviewed the P&B workbook containing all expense transactions funded by the chancellor’s budget to identify potential personal expenses.</p>	<p>We did not identify any personal expense transactions funded by the chancellor’s budget in our review of the P&B workbook of expenses and transactions.</p>