

RIVERSIDE: AUDIT & ADVISORY SERVICES

March 31, 2011

To: Michael Miller, Associate Vice Chancellor - Facilities
Plant Administration

Subject: Review of UCR Chancellor's Housing Expenses

Ref: R2011-11

We have completed our review of the UCR Chancellors' Housing Expenses.
Our report is attached for your review.

We appreciate the cooperation and assistance provided by you, as well as your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

Xc: Audit Committee
Executive Officer Zahedi
Director Artman

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2011-11

REVIEW OF UCR CHANCELLOR'S HOUSING EXPENSES

MARCH 2011

Approved by:

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Auditor

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Director

UC RIVERSIDE
REVIEW OF UCR CHANCELLOR'S HOUSING EXPENSES
INTERNAL AUDIT REPORT R2011-11
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I. MANAGEMENT SUMMARY

Based upon the results of our limited work performed, it is our opinion that, overall, the housing expenses incurred by the UCR Chancellor do not represent additional elements of compensation, are in compliance with applicable University policies and procedures, and are appropriate.

Our review did not disclose any significant exceptions. A minor item that was not of a magnitude to warrant inclusion in the report was discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services, as part of a systemwide effort, performed a limited review of the UCR Chancellor's housing expenses to ensure that the expenditures did not represent elements of compensation, and to review for general compliance with applicable University policies and procedures.

B. BACKGROUND

In recognition of the unique roles of the President and Chancellors (Executive Officers) in representing the University, the Regents of the University of California require Executive Officers, as a condition of their employment, to live in residences suitable for carrying out their roles and required official duties. As part of their official duties, Executive Officers are responsible for extending official hospitality to important visitors and guests in conjunction with official functions (i.e. campus activities, alumni and development events, etc.). The UCR Chancellor lives in such a University-owned residence.

C. SCOPE

Audit & Advisory Services reviewed selected records supporting the Chancellor's housing expenses for calendar year 2010. Limited procedures included:

- Met with the Plant Administration Director, Chancellor's Office – General Operations' Executive Officer, and Analyst to discuss the scope of our audit and our initial audit requirements.
- Performed review procedures and transaction testing on Chancellor housing expenses to evaluate if the expenditures represented elements of compensation, and for general compliance with the University Policy Business Finance Bulletin (BFB) G-45 (Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors), University Policy 2.725 (University-Provided Housing), and adequacy of internal controls.
- Performed a financial analytic review of housing expenditures for calendar years (CYs) 2009 and 2010. This included identifying unusual trends or fluctuations including the reasons for any variances.
- Judgmentally selected 10 expenditure items totaling \$19,227 (20% of \$94,624 total housing expenditures) for CY 2010, and agreed to the respective supporting documentation and reviewed for expenditure appropriateness.
- Reviewed Chancellor's "Potentially Compensable Transactions and Annual Report on Executive Compensation Individual Certifications," and W2 Reconciliation Worksheet for CY 2010.

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations
- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed from January to March 2011 (not inclusive). Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS AND COMMENTS

A. Summary

Controls and procedures over the Chancellor housing expenses were found to be adequate, in compliance with the University Policy BFB G-45 and University Policy 2.725, and the selected expenditures appropriate.

Below are our observations.

B. Financial Analytic Review

An analytical review of total executive housing expenditures disclosed that there was a decrease in CY 2010 expenditures of \$60,396 or 39% over the prior calendar year due primarily to kitchen improvements in CY 2009.

Budget Category (BC)	BC Description	CY 2010	CY 2009	Increase/ (Decrease)	%Change
Various	Non-facilities Expenditures	7,753	11,231	(3,478)	(31%)
70	Facilities Expenditures	86,871	143,789	(56,918)	(40%)
	Total Expenditures	94,624	155,020	(60,396)	(39%)

No unusual trends in expenditures were detected that could not be explained.

C. Transactions Testing

Our limited review of the transactions disclosed that controls and procedures over housing expenditures were found to be adequate.

We judgmentally selected 10 expenditure items totaling \$19,227 (20% of \$94,624 total executive housing expenditures) for CY 2010, and agreed to the supporting documentation and reviewed for the appropriateness of the expenditure.

There was no capital improvement project over the \$25,000 threshold during CY 2010.

No exceptions were noted.