

RIVERSIDE: AUDIT & ADVISORY SERVICES

December 15, 2014

To: Paul D'Anieri
Provost & Executive Vice Chancellor

Subject: Advisory Service on College of Natural and Agricultural Sciences (CNAS) –
Instruction & Research (I&R) and Organized Research (OR)

Ref: R2014-D

We have completed our Advisory Service review of CNAS – I&R and OR in accordance with the University of California, Riverside Audit Plan. Our report is attached for your review.

We appreciate the cooperation and assistance provided by Campus personnel contacted to complete this review. Should anyone have any questions concerning the report, please do not hesitate to contact me.

Gregory Moore
Director

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

ADVISORY SERVICE
REPORT R2014-D

COLLEGE OF NATURAL AND AGRICULTURAL SCIENCES
INSTRUCTION & RESEARCH AND ORGANIZED RESEARCH
DECEMBER 2014

Approved by:

Laura Bishin
Principal Auditor

Toffee Jeturian
Assistant Director

Gregory Moore
Director

**UC RIVERSIDE
COLLEGE OF NATURAL AND AGRICULTURAL SCIENCES
INSTRUCTION & RESEARCH AND ORGANIZED RESEARCH
ADVISORY SERVICE REPORT R2014-D
DECEMBER 2014**

I. MANAGEMENT SUMMARY

Based upon our review of the College of Natural and Agricultural Sciences (CNAS) – Instruction & Research (I&R) and Organized Research (OR) budgeting and expenditure process, we make the following observations:

- In Fiscal Year (FY) 2012 – 2013, University of California Office of the President (UCOP) implemented a rebenching model, which among other things redistributes State General Funds based on a weighted per-student enrollment and bringing all campuses up to the level of the highest-funded campus over six years. ‘Off-the-top’ and ‘fixed cost set-asides’ are excluded from the rebenching.
- CNAS I&R and OR funding is incremental and budget and expenditures are split according to the approved and documented split appointment percentages of the staff in those functions. Salary increases and other adjustments are made according to the faculty I&R/OR split. Reallocation across these functions is rare and requires Resource Planning & Budget (RPB) approval.
- The I&R and OR general fund carry-forward balances increased from July 1, 2012 to July 1, 2013 by \$4.2 million and \$2.7 million, respectively.
- The standard CNAS class load is three classes per year (except in Mathematics and Statistics where it is four). Expected teaching load for split I&R and OR appointments is half, or 1.5 classes per year (regardless of the split). CNAS is working on a formal policy.
- I&R/OR splits are substantiated in the appointment letter and changes in the split are rare and appear to be properly authorized and documented.

II. INTRODUCTION

A. PURPOSE

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as requested by the former Executive Vice Chancellor & Provost, conducted an advisory service review of CNAS activities to comment on the I&R and OR funding and expenditures allocations. Specifically, we determined how:

- State funds are allocated to UCR,
- Funds are allocated to I&R and OR (including funding for faculty pay increases),

- The carry-forward balances in the general fund for CNAS I&R and OR have changed,
- Teaching loads are determined in CNAS and for faculty with split I&R/OR appointments,
- The split I&R/OR appointments are substantiated.

B. BACKGROUND

In 1862, the Congress of the United States passed the Morrill Act donating public lands to the several states and territories for the establishment of colleges "for the benefit of agriculture and the mechanic arts." Later, Congress recognized the need for continuing research and study of agricultural problems and in 1887 passed the Hatch Act establishing an agricultural experiment station in each state in connection with the land-grant colleges.

At the University of California, the Agricultural Experiment Station (AES) has three branches: one each at the Berkeley, Davis, and Riverside campuses. Each of the branches is headed by an Associate Director of the AES who is also Dean of that campus College of Natural and Agricultural Resources. The Vice President of Agriculture and Natural Resources (ANR) is the Director of AES and Cooperative Extension headquartered at the UCOP.

CNAS was created in 1974 by a merger of the physical sciences with the biological and agricultural sciences, but our teaching and research traditions go back a century to the AES-Citrus Research Center, founded in 1907 as the Citrus Experiment Station.

As of June 2014, there are 108 faculty members with an OR component in their appointment and 22 with Cooperative Extension components in their appointment. Most appointments in AES departments are joint appointments. There are an additional 143 faculty members with I&R only appointments, mostly non AES departments.

UCR CNAS AES activity is recorded in Function Code 44 - OR in the General Ledger and is general funds only. I&R is recorded in Function Code 40. CNAS I&R is primarily general funds, while OR is primarily a mix of state and extramural funding. For example:

Function	Fund Group	Temp Budget FY 2011-2012 (in \$ millions)	Temp Budget FY 2012-2013 (in \$ millions)
40	Gifts & Endowment	\$2.0	\$2.2
	General Funds	47.0	49.7
	Contracts & Grants (C&G)	0.1	0.0
	Other	4.2	4.5
40 Instruction & Research – Total		\$53.3	\$56.4
44	Gifts & Endowment	12.8	13.4
	General Funds	27.0	27.9
	Contracts & Grants	90.7	85.4
	Federal Appropriations	1.9	2.0
	Other	2.2	2.6
44 Organized Research – Total		\$ 134.6	\$131.3

The AES is made up of Agricultural Operations and departments in the Life, Agriculture & Earth division (below). General funds (fund 19900) were allocated to CNAS divisions as follows:

Function	Division Description	Temp Budget FY 2011-2012 (in \$ millions)	Temp Budget FY 2012-2013 (in \$ millions)
40	Physical Sciences	24.5	25.0
	CNAS – General	(7.5)	(4.3)
	CNAS-Academic Student Affairs	1.8	2.0
	Interdivisional Programs & Departments	3.3	3.1
	Life and Agricultural Sciences	15.9	16.5
40 Instruction & Research - Total		\$38.0	\$42.3
44	Agricultural Operations	1.9	1.9
	Physical Sciences	.3	.3
	CNAS – General	3.7	6.9
	Interdivisional Programs & Departments	1.6	1.5
	Life and Agricultural Sciences	18.7	17.0
44 Organized Research - Total		\$26.2	\$27.6

C. SCOPE

We performed the following procedures:

- Discussed state fund allocation methodology with various campus personnel and reviewed analysis provided.
- Discussed CNAS I&R and OR funding and expenditures with various campus personnel.
- Reviewed CNAS I&R and OR salary splits across two Fiscal Years (FY) and evaluated the source of funding for the recent 3% faculty salary increases.

- Reviewed CNAS general fund -19900 carry-forward balances and trends by function code for three years through July 1, 2013.
- Determined the basis for course reduction for faculty with I&R and OR splits.
- Judgmentally selected five faculty funded on OR and obtained support for OR and I&R splits.

III. COMMENTS

Based on our procedures, we note the following observations:

- The unit allocates the appropriated budget to the departments and the salary/benefit portion is distributed based on the filled appointment percentages.
- Any surplus is retained on the function code in the Dean's office.
- OR general fund (19900) salary is budgeted incrementally, but may be paid with federal Hatch funds if available. For example, Hatch funds paid approximately \$778,000 in faculty salaries and benefits in FY 2012 – 2013. Hatch funds are given to departments by the Dean's office in amounts needed to cover authorized salary expenditures. These funds are spent based on research activity and allocable salary amounts and are at the Dean's Office discretion. The unexpended budget amounts, if any, are pulled back by the Dean's office as part of their reconciliation process.
- We noted that there was appropriate backup for the I&R and OR splits (generally in the appointment letter) and that the splits do not change from year to year (except in FY 2010 - 2011 where there was a one-time budget realignment where a handful of individuals had their OR portion of their split increased).
- We verified that the 3% faculty salary increases (FY 2011 – 2012) was funded and paid in the respective departments according to I&R and OR splits.
- The standard CNAS class load is generally three classes per year (except in Mathematics and Statistics where it is four). For split appointment with two title codes (i.e. Agronomist and Professorial title code), regardless of the split in the appointment letter (i.e. 50% I&R and 50% OR), they are expected to teach half, or 1.5 classes.
- Below is the carry-forward surplus/(deficit) for Fund 19900 in CNAS (by function code:

Function	7/1/2011	7/1/2012	7/1/2013
40 Instruction & Research	(10,995,653)	(7,559,688)	(3,382,371)
44 Organized Research	3,336,735	3,911,620	6,629,886
Other Function Codes	101,840	112,633	150,417
Grand Total	(7,557,078)	(3,535,435)	3,397,932