

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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Sheryl Vacca
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

May 19, 2015

EXECUTIVE DIRECTOR FOX

RE: Final Report Project No. P15A001: UCOP Executive Compensation

Attached please find a copy of the final report for: Audit No. P15A001 UCOP Executive Compensation. 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).

A handwritten signature in black ink, appearing to read "Matt Hicks".

Matt Hicks
Audit Director

Attachment

cc: Senior Vice President Vacca
Vice President Duckett
Deputy Chief of Staff Lacy
Manager Cataldo
Team Leader Tomajan
Principal Auditor Wong
Administrative Officer Perocier

UNIVERSITY OF CALIFORNIA
SENIOR VICE PRESIDENT
ETHICS, COMPLIANCE, AND AUDIT SERVICES

UCOP EXECUTIVE COMPENSATION
Advisory Service No. P15A001
May 2015

Audit Conducted by:
Benjamin Wong, Principal Auditor

Executive Summary

Introduction

We have completed a review of executive compensation at the University of California, Office of the President (UCOP). The scope of our work included a review of the following four compensation items:

- Annual Report on Executive Compensation for Calendar Year 2014 (AREC): The AREC provides detailed compensation related data on the senior management group (SMG) population and non-SMGs with annual income of over \$301,000 (threshold established for 2014). Total compensation is defined as salary and other cash payments made to the employee, one time reimbursements made to the employee or on behalf of the employee, and any benefits and perquisites. This report is presented to The Regents for review and approval.
- Annual Report of Fiscal Year Expenses of the President for Fiscal Year 2013-14: Business and Finance Bulletin G-45 – Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors requires that all amounts paid or accrued for the current fiscal year, whether paid on behalf of the officer or reimbursed directly to the officer, be reported.
- Annual Report of Taxable Expenses of the President for the 12 months ending October 31, 2014: Business and Finance Bulletin G-45 requires that services or expenses incurred in the operation and staffing of the University residence occupied by the President/Chancellor, which are of personal benefit to the President/Chancellor, be reported as they are taxable to the officer. The reporting period for the Annual Report is November 1 of the prior year through October 31 of the current year.
- The President's travel and entertainment expense 2014 reimbursement requests.

Objectives and Scope

The audit objectives were to:

- Evaluate processes in place to determine if they are sufficient to ensure the accuracy, completeness, and timely preparation of the AREC Report, the Annual Report of Fiscal Year Expenses of the President, the Annual Report of Taxable Year Expenses of the President, and the UCLA Payroll Services W-2 reconciliation workbook.
- Evaluate travel and entertainment reimbursement 2014 requests for the President to ensure compliance with UC policies.

The scope of work included the following:

1. Reviewed 2014 Annual Report on Executive Compensation (AREC). We tested the report's accuracy and completeness by comparing report information to data extracted

from the UCLA payroll database. We verified certifications received from the reportable individuals agreed with the AREC report data.

2. Reviewed the Annual Report of Fiscal Year Expenses of the President. We verified the reported amount and performed a walkthrough to obtain an understanding of the preparation process.
3. Reviewed the Annual Report of Taxable Year Expenses of the President. We verified the required forms were completed and signed by the appropriate individuals.
4. Reviewed a sample of the President's 2014 travel and entertainment reimbursement requests and tested for compliance with UC policies.
5. Reviewed the UCLA Payroll Services W-2 Reconciliation Workbook. We verified that variances noted between AREC and W-2 Reconciliation Workbook were corrected.

Conclusion

In general, processes in place for the preparation of the Annual Report of Fiscal Year Expenses of the President and the Annual Report of Taxable Year Expenses of the President were sufficient to ensure their accuracy and completeness.

The President's 2014 travel and entertainment reimbursement requests were generally in compliance with UC policies.

We identified exceptions during our review of the 2014 AREC reportable population between OP HR data and our independently extracted data. We discussed these exceptions with UCOP Human Resources (OP HR); these exceptions were cleared and revised by OP HR. For a detailed discussion on these exceptions, please refer to the Opportunities for Improvement and Action Plans section of this report.

Opportunities for Improvement and Action Plans

1. **AREC preparation procedures should include reviewing actual payroll data to ensure report accuracy and completeness.**

We reviewed the list of 2014 AREC reportable employees identified by OP HR and compared the data with actual payroll data we extracted from the UCLA campus data warehouse. During the review, we noted the following discrepancies:

- One individual meeting the criteria for inclusion in the 2014 AREC report was not included by OP HR
- Two individuals did not meet the criteria for inclusion in the 2014 AREC report were included by OP HR

The above discrepancies were cleared by OP HR during our audit fieldwork. We recommend that OP HR include a review of actual payroll data as an additional procedure going forward to ensure completeness and accuracy of information in the AREC.

***Action Plan:** OP HR has requested that the Business Resource Center (BRC) provide a file extracted from the UCLA campus data warehouse identifying reportable AREC employees as part of the AREC preparation process. OP HR will compare data extracted by the BRC with internal data to verify the completeness and accuracy of information for reportable employees in the AREC.*

Action plan was completed during fieldwork.