

**UNIVERSITY OF CALIFORNIA, DAVIS  
INTERNAL AUDIT SERVICES**

**Annual Report on Executive Compensation  
Internal Audit Services Project #13-01**

**April 2013**

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**MANAGEMENT SUMMARY**

As part of the fiscal year 2012-13 audit plan, Internal Audit Services (IAS) conducted a review of the Annual Report on Executive Compensation (AREC). As in past years, the objectives of the AREC review were to determine if the compensation data submitted in the annual report is complete and accurate; appropriate procedures have been developed and performed to ensure submitted data has been accumulated and reported in accordance with the University of California Office of the President (UCOP) instructions; and, if any reporting anomalies existed, that they have been properly footnoted and explained in accordance with UCOP instructions.

To perform our review, we interviewed the Senior Management Group (SMG) Administrator and Analyst responsible for compiling the report, utilized our ACL software to independently identify employees who should be included in the report, compared the 2012 AREC to the 2010 and 2011 AREC's for consistency and reasonableness of information reported, and reviewed the compensation amounts reported in the AREC for completeness and accuracy. Our review was performed during March 2013, and encompassed activities and transactions occurring in calendar year 2012.

The SMG Administrator and Analyst have a strong process in place to identify the reportable population and validate the compensation amounts they enter into the Senior Leadership Information System (SLIS). The AREC report produced by SLIS includes a combination of UC Davis (UCD) and UCOP input. During our review of the 2012 AREC we identified instances where the Total Cash Compensation amounts for some individuals reported on the AREC were incorrect due to errors in the Actual Base Salary Received amounts input into SLIS by UCOP. These errors have been corrected and it is our opinion that the revised 2012 AREC includes the appropriate population and, accurately reflects all reportable compensation and benefits. There is an opportunity for the SMG Administrator and Analyst to strengthen current processes in order to provide greater assurance that similar errors in the AREC are detected and corrected in the future.

Additional information can be found in the body of this report.

## **Observations**

### **A. Inaccuracies in the Actual Base Salary Received Amount**

The AREC report produced by SLIS includes a combination of UCD and UCOP input. Per UCOP's guidance on Reporting Compensation Data in Senior Leadership Information System (SLIS for the AREC, the Actual Base Salary Received fields will be populated into the final report by UCOP and, used to calculate the total cash compensation on the final report. This systems driven data cannot be modified by the local AREC preparer. Any necessary changes must be made through UCOP.

During our review of the draft AREC we identified instances where the Total Cash Compensation amounts reported were incorrect due to errors in the Actual Base Salary Received amounts input by UCOP. Summer salary was not included for two employees and, a retroactive salary base adjustment paid in December 2011 for another employee was incorrectly included in the 2012 report. UCOP was contacted and the necessary corrections were subsequently made. It is our opinion that the revised 2012 AREC includes the appropriate population and accurately reflects all reportable compensation and benefits.

The SMG Administrator and Analyst have a good process in place to identify the reportable population and validate the compensation amounts they enter into SLIS. This process could be strengthened by incorporating a review of the amounts displayed on the completed AREC to provide greater assurance that similar errors in the AREC are detected and corrected in the future.

## **Recommendations**

1. The AREC preparation process should be strengthened to include a final review of the amounts displayed on the completed report by comparing them to supporting documentation. This will provide additional assurance of the completeness and accuracy of the entire AREC.
2. Provide feedback to UCOP regarding inaccuracies in the data they provided to give them an opportunity to strengthen their processes.

## **Suggested Management Corrective Actions**

- a. We will reassess and adjust our processes for completing the AREC. As part of this effort, we will compare all amounts displayed in the AREC to our supporting documents to identify any discrepancies requiring further follow-up and resolution. The first such comparison will be performed during the 2013 AREC preparation which must be completed by April 15<sup>th</sup>, 2014.
- b. We will contact the UCOP SMG Coordinator by May 15<sup>th</sup>, 2013 to discuss inaccuracies in the data provided this year and steps they plan to take to ensure accurate reporting of UCD summer salaries and retroactive adjustments in the future.