

UNIVERSITY OF CALIFORNIA
ETHICS, COMPLIANCE AND AUDIT SERVICES
OFFICE OF THE PRESIDENT
INTERNAL AUDIT SERVICES

PRESIDENT'S RESIDENCE CAPITAL IMPROVEMENT
EXPENDITURES
No. P24A016
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Work Performed by:
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Work Reviewed by:
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Executive Summary

Introduction

The Board of Regents requested the Office of Ethics, Compliance and Audit Services to perform an internal audit to assess capital improvement expenditures for the President's official residence.

Per Regents policy, the University of California President is required to live in an official residence provided by the University: "In recognition of the unique roles of the President 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" (Regents Policy 7708, Page 2). The residence not only comprises living quarters, but also functions as a venue for important meetings, ceremonial events, and stakeholder gatherings to support critical University priorities and programs.

In May 2021, the University purchased the current President's residence located at 2821 Claremont Boulevard in Berkeley, CA. All expenditures related to the erection, construction, alteration, repair, or improvements of the Presidents housing are captured as capital improvement expenditures. University policies specify requirements for the procurement, approval, and reporting of these expenditures. If internal controls are not in place and monitored effectively, there are potential financial, compliance and reputational risks to the University.

Objective and Scope

The scope of this internal audit focused on capital improvement expenditures (CIE) for the official residence of the President of the University of California located at 2821 Claremont Boulevard in Berkeley, CA (President's residence).

The objective of this internal audit was to evaluate the effectiveness and efficiency of the policies, processes, and internal controls for CIE since the purchase of the President's residence in May 2021.

Internal Audit performed the following activities to meet the overall objective:

1. Identified all CIE for the President's residence and categorized these expenditures by:
 - date
 - fund source
 - expenditure category
2. Assessed internal controls over the authorization, procurement, recording and reporting of CIE for the President's residence.
3. Reviewed CIE to confirm compliance with applicable policies.
4. Reviewed CIE to confirm that these transactions were approved, recorded, and reported in accordance with policy.

Overall Conclusion

Overall, while processes and practices were defined to manage risk related to CIE for the President's residence, opportunities exist to improve the current control environment. Further, we noted that policies and procedures related to CIE for the President's residence should be clarified to avoid inconsistent application. Without clear guidance over expenditures, allowable purchases, and reporting, funds have the potential to be misused or misclassified.

Internal Audit identified seven observations that have the potential to impact the management of risks related to purchasing, tracking, recording, and reporting of CIE for the President's residence. A summary of these observations is listed below:

1. **Need and Benefit Determinations Under Regents Policy:** The Regents should consider clarifying the approval and/or reporting requirements in Regents Policy 7708 to confirm the intent of the policy is reflected in the approval process.
2. **Inadequate Record of Purchases for CIE:** A complete and accurate record of CIE purchases for the President's residence was not readily available.
3. **Insufficient Tracking of Assets and Orders:** There is no formal process to document and inventory purchases or track capital improvement orders for the President's residence.
4. **Inaccurate Fund Allocation for CIE:** Funds for multiple CIE transactions were inaccurately allocated from two fund sources.
5. **Incomplete and Inconsistent Annual BFB-G-45 Reporting:** The General Ledger (GL) data for CIE to the President's residence cannot easily be mapped to required annual reporting on the President's expenses. Creation of the annual report is manual and susceptible to error.
6. **Lack of Procedural and Guidance Documentation:** There is no formal procedural documentation for the reference and use surrounding responsibilities, purchasing decisions and allowable expenses for CIE related to the President's residence.
7. **Opportunity to enhance Signoff Template used for CIE Budget Recommendation:** Following the template from the Secretary of the Regents, the President appears to have signed indicating approval of a decision regarding his own residence. The signature line of the President was not separate from the actual approvers, namely the Chair of the Board of Regents and the Chair of the Finance and Capital Strategies Committee, thus appearing to provide approval over the decision rather than approval of the recommendation to the Regents.

Internal Audit Observations and Action Plans

1. Need and Benefit Determinations Under Regents Policy

Internal Audit observed that the Regents pre-approved an initial dollar limit of \$8 million to “identify, procure, renovate, and furnish” the President’s residence and a subsequent increase of \$820,000 for “improvements and furnishings.” At the time, there were no details regarding any specific purchases and the Regents’ approval was a lump sum approval. Regents Policy 7708 requires capital improvements to the President’s residence in excess of \$25,000 to be approved by the Regents, and that this approval “must consider the need and extent of the improvements and their benefit to the University.” It is unclear whether this lump sum approval satisfies this element of the policy. Without specifics about individual purchases or projects, it may be difficult to assess the need, extent, and benefit to the university of these improvements. As such, the Regents should consider clarifying the approval requirements in Regents Policy 7708 to ensure the intent of the policy is reflected in the approval process.

The Regents Policy 7708 describes the requirements for the President to live in University-provided housing as a condition of employment. This policy outlines the criteria, procedures, and approval authority for requesting alternative housing arrangements and describes the requirements for moving arrangements. The Regents Policy 7708, Section III B. states the following regarding “renovation and remodeling” of the President’s residence:

“All capital improvements to the President’s residence or office in excess of \$25,000 require the prior approval of the Regents. Capital improvements under \$25,000 require the prior approval of the Senior Vice President–Chief Compliance and Audit Officer.

Capital improvement projects of a Chancellor’s residence or office under \$25,000 require the prior approval of the Executive Vice President–Business Operations. Capital improvement projects between \$25,000 to \$5,000,000 require the prior approval of the University President. Capital improvement projects greater than \$5,000,000 require the prior approval of the Regents. In approving projects, the approving authority must consider the need and extent of the improvements and their benefit to the University. A list of such capital projects will be reported annually to the Regents.”

The policy refers to different approval thresholds for capital improvements for the President’s residence. It does not specify how the thresholds should be applied in practice (i.e., approval of dollar limits or approval of individual transactions). However, the language in the policy stating that the approving authority “must consider the need and extent of the improvements and their benefit to the University” suggests that the approving authority should be provided sufficient information on the nature and expected cost of specific purchases in order to evaluate their need and benefit to the University.

For the capital improvements to the President’s residence, UCOP obtained pre-approval from the Regents for not-to-exceed dollar thresholds for capital improvements. These approval actions did not specify the nature or estimated cost of individual improvements. Specifically:

- On February 23, 2021, the Regents approved a dollar-limit of \$8 million for the acquisition of the President’s residence and capital improvements to the residence in the document: “Action under interim authority – amendment of authorization to purchase replacement residential property: current and future UC Presidents, Office of the President.” The amount was to be used to “identify, procure, renovate as needed, or develop a residential property

and to furnish such property suitable as University-provided housing for current and future UC presidents.”

- In an amendment on December 22, 2021, the Regents approved an additional \$820,000 for “improvements and furnishings” for the property. This is documented in: “Action under interim authority – amendment of the budget and increase in external financing for replacement residential property: current and future UC Presidents, Office of the President.”

For individual transactions for the President’s residence, expenditures were approved for payment by designated personnel within the Office of the President. Additionally, the Office of the President has formed a “President’s Residence Committee” made up of members of the President’s immediate office and other personnel within UCOP that meets on a periodic basis to discuss and review planned purchases for the residence and progress of capital improvements. This committee is advisory in nature (does not have explicit authority) and is not formalized or referred to in policy. Internal Audit did not identify any protocols for approval of individual CIE for the President’s residence by individuals or entities independent of the Office of the President.

Per review of Regents Policy 7708, Internal Audit noted there are opportunities to further clarify policy requirements to confirm the intent of the policy is met and to reduce the risk of inconsistent application. Examples of potential clarifications are noted below:

- Regarding the approval requirements, the policy states that all capital improvements to the President’s residence over \$25,000 must have prior approval from the Board of Regents, and improvements under \$25,000 require prior approval of the Senior Vice President–Chief Compliance and Audit Officer. However, it is unclear if approval of an overall project dollar limit is sufficient or if an approval by transaction is required to meet the intent of the policy. With an overall lump sum approval, it is not clear how evaluation of “need and extent” of improvements and their “benefit to the University” are considered as required by the policy.
- There is a variance within the Regents Policy 7708 regarding the language used for approval requirements for CIE for the President and Chancellors’ residences. The policy refers to “all capital improvements” with respect to the President’s residence, whereas the policy refers to “capital improvement projects” for the Chancellor’s residence. It is not clear if this distinction was intentional, and if so, what it is intended to represent.
- There are differing definitions between the Regents Policy 7708 and Policy BFB G-45 - Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors. For example, in the Regents policy 7708 the definition of a Capital Improvement Project¹ focuses on capital equipment and construction and does not include furniture. Capital Improvements by itself are not defined. Within the BFB-G-45, the Capital Improvement Costs Account² includes capital equipment as well as furnishings and artwork.
- The policy includes a requirement for annual reporting of capital projects to the Board of

¹ Definition Capital Improvement Projects following the Regents Policy 7708: “Land or real property, construction, or capital equipment for construction included as a project in the University of California Capital Improvement Program. A project includes the erection, construction, alteration, repair, or improvement of any University of California structure, building, road, or other improvements.”

² Definition Capital Improvements Costs Account following the BFB-G-45: “The expenses charged to this account relate to capital improvements made to the residence that extend the economic useful life of the facility, and to the purchase of capital equipment, furnishings, and artwork. Such expenses may include but are not limited to remodeling, renovation, and upgrade of the residence; new furnishings; and replacement of appliances.”

Regents. Internal Audit noted this annual reporting requirement was effectively discontinued in 2017 via an update to the Schedule of Reports to the Regents, however the policy was not updated to remove this requirement.

Recommended Improvement Consideration:

To facilitate independent oversight of CIE for the President’s residence, the Regents should consider one or both of the following actions:

- Update the Regents Policy 7708 to clarify approval requirements for capital improvements to the President’s residence.
- Reinstate the requirement for an annual report to the Regents listing capital improvements to the President’s residence.

While the scope of this assessment focused on the President’s residence, the Regents may consider making corresponding changes to policy requirements for Chancellors’ residences.

2. Inadequate Record of Purchases for CIE

Due to ineffective controls over the recording and authorization of CIE, a complete and accurate record of CIE for the President’s residence was not readily available for this audit.

In reviewing the GL specific to President’s residence CIE, Internal Audit was unable to confirm the completeness and accuracy of the data. There is no existing report that can be used to reconcile against the GL to determine completeness of CIE. While purchase orders and procurement card expenditures can be reviewed to confirm inclusion in the GL, a reconciliation is currently not performed to identify potential missing expenditures. However, based on available documentation reviewed, no inappropriate purchases were identified.

A complete and accurate list of expenditures could not be ascertained per review of retained purchase orders, invoices, and receipts. The below items of note were identified per review of GL line items:

- There were adjustments noted within the GL that may be indicative of potential challenges with expensing at the initial time of purchase. For example, 26 line items posted to the GL in January 2023 were linked to procurement card transactions made as early as January 2022, a year prior.
- Per review of the GL, a transaction of \$52,830.69 was classified as ‘Furniture under \$5k’. Since the detailed overview of items was not available in the financial system, it could not be confirmed whether the underlying items on the invoice were below \$5,000. The supplier needed to be contacted during audit fieldwork to provide the underlying documentation³. Upon receipt of a legible digital documentation, it was verified that all items were under \$5,000.
- The descriptions in the GL do not sufficiently document what had been purchased. For 10 procurement card purchases totaling \$27,330.92 the description was not sufficiently clear to classify the items and additional information needed to be requested. While the transactions appeared in both the procurement card records and the GL data, neither provided sufficient description of the item purchased. If descriptions are not sufficiently detailed, this can potentially increase the risk of unauthorized or noncompliant purchases.

³ While a detailed invoice showing each product purchased was not available within documentation retained by BASC, this information was made available by the supplier upon request as a result of this assessment.

The House Manager, who is responsible for organizing events and maintaining the President's residence, has access to a procurement card for purchases related to CIE for the President's residence. Of 17 House Manager procurement card expenditure samples selected for review for the period of October 2021 – April 2023, 11 could not be confirmed as posted to the GL via review of expense amounts or the accrual breakdown for the period March 2022 – June 2023. Out of these 11 transactions, six procurement card transactions were confirmed as being paid for out of the President's residence account rather than the Capital Project account. These expenses appeared to be similar to what was purchased under the other reviewed expenditures for Capital Project account. Purchases included window inserts, toilet seats, and a mattress.

There is an opportunity to enhance approvals and documentation related to procurement card purchases for expenditures related to capital improvements for the President's residence. A procurement card may be used for the purchase of several items at one time (from a single vendor) rather than for individual expenditures. Therefore, it is critical to maintain proper documentation supporting procurement card transactions to properly classify and post to the GL and to confirm reviewers have access to sufficient detail to evaluate the propriety of purchases. As noted above, there is an opportunity to improve descriptions and supporting documentation as ten procurement card purchases totaling \$27,330.92 could not be initially identified.

The missing documentation and descriptions were related to transactions entered into by an employee who is no longer with UCOP. In early 2023, a new senior house manager was hired. The BRC and BASC team recognize the documentation issues from 2022 and are in the process of implementing new processes and guidance to ensure proper documentation and descriptions for all procurement card transactions related to the president's residence are recorded correctly.

In May 2023, the Business Resource Center (BRC) hired a Corporate Card Administrator. Part of the Corporate Card Administrator's duties is to monitor procurement card transactions to ensure prompt payment processing. In addition, the BRC created a working document to guide the House Manager on the purchase card process and the corresponding expectations.

Action Plan:

The Building and Administrative Service Center (BASC) will develop and disseminate guidance to ensure that the House Manager and any other individuals responsible for purchasing and expensing items for the President's residence are informed of appropriate practices regarding documented descriptions and supporting documentation for purchased items. Descriptions in the GL will clearly describe the item(s) purchased so that stakeholders can make informed decisions regarding approval of expenses. The BRC will continue to work with the House Manager to provide guidance on purchase card expenses and will establish a formal procedural document that can be used to inform the expenditure process.

To determine that the new guidance is being followed appropriately, the BASC will periodically meet with the House Manager to review procurement card expenditures and determine that purchases are accurately expensed and recorded in the GL. This guidance and review process will be repeated for new House Managers to determine there is a consistent understanding of appropriate documentation for purchased items.

The BASC and the BRC will determine if reporting capabilities exist that help confirm completeness and accuracy of GL data for CIE for the President's residence. Once determined, a monthly reconciliation will be performed to confirm accuracy and completeness.

Target Date: March 31, 2024

3. Insufficient Tracking of Assets and Orders

According to Policy BFB-BUS-29 Management and Control of University Equipment, University Inventorial Equipment is defined as “non-expendable, tangible, personal property acquired for \$5,000 or more, which is freestanding, complete in itself, does not lose its identity or become a component part of another piece of equipment when put into use, and which has a normal life expectancy of more than one year.”

Per inquiry with the BASC Director, assets purchased for the President’s residence are only tagged and inventoried upon completion of a CIE project. The capital improvement project for the President’s residence is a long-term project, and current inventory records do not accurately reflect the assets currently located in the residence. Items are categorized, tagged, and recorded in the official inventory at the conclusion of the overall project rather than at the time they were received. Recording assets upon receipt confirms that assets are recorded in the same accounting period in which they were acquired.

It is noted that it appears that only a small number of items in the President’s residence meet the requirements for inventorial equipment as defined above. Per review of the available GL data for capital improvement expenses, two furniture purchases are identified as capitalizable furniture over \$5,000. Since there is currently no maintained asset listing and the GL could not be confirmed as complete and accurate, the exact number of assets within the residence could not be confirmed. While an exact number of assets could not be determined, it is noted that at least two assets were not tagged and logged as inventory.

Internal Audit noted that the majority of the furniture and furnishings for the President’s residence is below \$5,000 and a complete listing of these items was not available. Lack of tracking for non-inventorial equipment poses risk of theft or loss of these items.

Additionally, there is no formal tracking of orders purchased for the President’s residence to confirm complete and accurate receipt of purchases. Internal Audit identified an order tracking document for one specific vendor (LMBI – an interior design vendor), however the current version of the tracking document was not up to date. Per review of the tracking document, it is noted that there are 113 items including furniture, rugs, and accessories. Of these 113 items, there are 36 items that appear to have not been received based on the tracker. Further, this tracking document in its current form does not include budgetary information or information on current spend, making it difficult to track spend against budget.

The above concerns may result in inaccurate inventory, untimely expensing, lack of required approval, and opportunity for error. Depending on the length of the project, significant time may have passed since the item was purchased or procured. Additionally, not implementing effective tracking increases the risk of theft or loss.

Action Plan:

The BASC will make efforts to track all inventory, as defined per University policies and procedures regarding management and control of University equipment (BUS-29) with special attention to theft-sensitive items. The BASC will implement procedures to document and track all moveable assets located in the President’s residence in real time, including those below the \$5,000 capitalization threshold but above a de minimis operational threshold of \$500. The document used to track inventory will include the purchase price (if applicable) and current location of each item. The House

Manager will have access to the document and will update the document as items are received, moved, or removed. The document will be used to ensure that purchased items are appropriately received.

Target Date: March 31, 2024

4. Inaccurate Fund Allocation for CIE

According to the document ‘Action Under Interim Authority – Amendment of authorization to purchase replacement residential property: current and future UC Presidents, Office of the President on February 23, 2021, as a condition of their approval, the Regents specified that the cost of the President’s residence and CIE for the residence to be funded by the Searles Fund, a gift fund. The document states that: “The budget for this property, including renovations and furnishings, will not exceed \$8 million, to be funded over time by the Searles Fund, traditionally used for Chancellor and President residences.” Within the executive summary of the document, it is noted that “the revised proposal is to pay for the property acquisition, improvements, and furnishings through an internal loan from the University’s Commercial Paper program (CP).”

However, per review of the GL, expenses for the President’s residence on project code CP00016 were not only charged to the Searles fund or UCOP C3 Loan⁴. The other funds identified funds include:

- Other Unrestricted
- Systemwide Assessment Fund

Per inquiry with BASC, the use of ‘Other Unrestricted and ‘Systemwide Assessment Fund’ was a miscoding and action was promptly taken to adjust these line items. Per inquiry with BRC, the system is appropriately configured to only allow expenditures to be processed through the approved Searles fund and UCOP C3 Loan. However, a control breakdown occurred within Concur (used for purchase card expenditures) and certain expenditures, namely the issue mentioned above, were pushed back to BRC for manual entry. The ‘Other Unrestricted’ and ‘Systemwide Assessment Fund’ were inaccurately used for these expenses at that time due to human error with manual entry.

Additionally, the GL data contains items that were linked to the UCOP C3 Loan. The BASC notes that the use of the UCOP C3 Loan account was approved for external financing but due to steeply rising interest rates a decision was made to paydown the existing UCOP C3 Loan. The full amount of the loan was paid down in January 2023, and the project stopped accruing interest expense effective February 1, 2023, thus saving the University almost \$25,000 per month in interest expense. At the time the GL was pulled, the UCOP C3 Loan adjusting entries had not been completed. However, even though the UCOP C3 loan account showed an outstanding balance in the GL, Capital Markets Finance had, effective February 1, 2023, stopped posting interest expense to the account.

Action Plan:

BASC has confirmed that cost transfers have been initiated to correct the miscoded funds used for the President’s residence, and expenses related to the paydown of the UCOP C3 loan have been adjusted so that there are no longer balances on the three unapproved funds listed above. Internal Audit will validate that all CIE are coded to the appropriate fund sources.

⁴ Appendix A provides a complete overview of the identified funds including the linked dollar amounts and the number of items per fund.

The BRC indicated that new system controls have been implemented and will be documented to ensure that CIE for the President’s residence can only be expensed to approved funds. Internal Audit will validate that these new controls are appropriately documented in BRC procedures.

Target Date: March 31, 2024

5. Incomplete and Inconsistent Annual BFB-G-45 Reporting

Policy BFB-G-45 outlines different categories for required annual reporting of expenses associated with official duties of the President. For the Capital Improvement Costs Account, it states: “the expenses charged to this account relate to capital improvements made to the residence that extend the economic useful life of the facility, and to the purchase of capital equipment, furnishings, and artwork.”

The Annual Report of Fiscal Year Expenses is an annual report required by Policy BFB-G-45 that runs from July 1st until June 30th. For this report the GL data from the financial units⁵ and funds⁶ linked to the President are taken into consideration to capture the President’s residence expenditures. However, based on current data available, Internal Audit categorized the GL data⁷ and was unable to reconcile the detailed GL data and the BFB-G-45 Annual Report of Fiscal Year Expenses to assess accuracy and completeness of expenses. The BRC notes that the BFB-G-45 Annual Report is not intended to be used to track capital improvement projects, but rather taxable expenses for capital improvement projects. The following issues were noted in the use of the BFB-G-45 report as tracking and reporting of expenditures for capital improvement projects:

- There are no subcategories for Capital Improvements required within BFB-G-45 reporting. Within the policy it is noted that capital equipment, furnishings, and artwork are allowed under the Capital Improvements category. However, the BFB-G-45 report does not provide subcategories to easily classify these entries.
- Within the supporting document for the Annual Report, the ‘Expense Type’ and ‘Classification’ are manually added. Clear definitions of the existing classification categories were not identified. The process to classify all expenditures is prone to error and items may be miscategorized.
- There were accruals in the procurement card data that cover two years of data that were not accounted for in the annual report since they only have recently been posted into the GL.

Additionally, it appears that the annual report for FY21-22 may have been completed in error as all capital improvement projects and expenditures were not included within the report provided to the Regents at the time of ongoing renovations for the President’s residence. For the creation of the report, only account categories ‘5xxxx – Expense external to UC’ and ‘7xxxxx – Intercampus within UC or within OP’ are considered. The assets and liabilities, represented in account categories 1xxxxx and 2xxxx respectively, are not taken into account in the BFB-G-45 report and could not be reconciled. Per inquiry, the BRC team acknowledged that only expenditures were recorded on the report, and all capital improvement expenditures were not accounted for as they were recorded as assets on the ledger. The BRC notes that as a result of this assessment, their processes have been updated going forward to include capital improvement expenditures noted as assets.

⁵ The financial units included in the BFB-G-45 FY21-22 report are the ‘Presidents Office’, ‘Blake House OMP’, ‘Blake House Operations’, ‘Presidents UC Residence’, ‘Presidents Office’, ‘UCOP Capital Assets’.

⁶ The funds included in the BFB-G-45 FY21-22 report are the Searles Fund, UCOP C3 Loan, OP Common Fund, State General Fund.

⁷ Appendix B contains an overview of the categorization of GL data performed as part of this assessment.

Action Plan:

The BRC and BASC will evaluate opportunities to make the process to categorize items for BFB-G-45 reporting less manual to limit the risk for human error and increase efficiency.

If this cannot be implemented for expenditures, the individuals logging each transaction will indicate which category or sub-category in which the expenditure would be placed in accordance with annual reporting. This indication may be made within the expenditure description or comments.

The BRC will work with the BASC team to clarify what qualifies as CIE and should be included within annual reporting and, as necessary, make corrections to annual reports. The annual report creation and categorization approach will be formally documented. Future reporting is currently being adjusted to ensure that all CIE are included. The BRC and BASC team will determine if the BFB-G-45 Annual Report should be used to track capital improvement projects, or if another version of the report should be created for tracking purposes. Any changes will be effective for the FY24-25 report.

Target Date: June 30, 2024

6. Lack of Procedural and Guidance Documentation

The BASC is responsible for purchasing items related to furnishing the President's residence. However, there is no formal procedural documentation available to reference and guide team members on responsibilities and purchasing decisions. Internal Audit noted that there is a lack of clarity among certain BASC personnel regarding roles and responsibilities, purchasing decisions and allowable expenses.

A lack of formalized procedural and guidance documentation may result in ambiguity in identifying a capital expenditure as opposed to an operating expenditure. For example, a guest bed mattress was identified within the GL data for CIE as well as within the President's residence account as an operating expense. Both items were purchased within the timeframe of the Capital Improvement project. The inability to make this determination may result in expenses not in compliance with purchasing policies for the President's residence.

Additionally, there is an opportunity to clarify what may qualify as a business expense as opposed to a personal expense as there is no formal guidance that can be used by the House Manager to make this determination. As the scope of this review covered capital improvement expenditures rather than all purchase card expenditures, no inappropriate business expenses were identified. However, lack of guidance may create a risk of purchasing 'operational' items for the residence that should rather be a personal expense.

Action Plan:

The BASC team will create formal procedures and guidance for processes related to CIE for the President's residence including purchasing, shipping, expensing, etc. Applicable stakeholders within the BASC will review and share with the House Manager for reference. This documentation will provide an overview and guidance on at a minimum the following areas:

- Roles and responsibilities
- Allowable versus unallowable CIE and operational expenses
- Expensing CIE with indication of applicable categorization
- Documentation required for each purchase and expense

- Maintaining asset, inventory, and order tracking

During audit fieldwork, the BRC provided a working document it created entitled “House Manager Guide” that provides guidance to house managers on the following:

- Key contacts/subject matter resources
- The criteria for inventorial equipment
- Goods and services that cannot be charged to a procurement card
- Covered services
- An overview of the procure to pay process
- Purchase order approval workflow

The BRC will further expand this working document and incorporate relevant portions from the BASC.

Target Date: March 31, 2024

7. Opportunity to enhance Signoff Template used for CIE Budget Recommendation

During the course of this review, we obtained the Board of Regents approval document dated February 23, 2021, titled “Action under Interim Authority – Amendment of Authorization to purchase replacement residential property: current and future UC Presidents, Office of the President.” The document contains a recommendation to approve the lump sum to purchase the President’s residence and renovate and furnish as needed. The form documenting the initial recommendation for this approach indicates sign-off and approval by the President of the University (signed on 2/26/21), the Chair of the Board of Regents (signed on 3/01/21), and the Chair of the Finance and Capital Strategies Committee (3/01/21).

Based on review of documentation, the President of the University appears to have approved a recommendation regarding his own residence. It is noted that the President’s signature on an Interim Action is intended to represent his endorsement of the recommendation itself and not the actual approval. However, the signature line erroneously seems to indicate the approval of the decision itself, rather than instead indicating the President was authorizing the recommendation to be considered.

Action Plan:

The Office of the Secretary of the Regents will update templates used for Regental approval documents to make clear when individuals are recommending an item to be approved, as opposed to being the individual responsible for approving, and to confirm that the prescribed personnel are recommending items for approval.

Target Date: December 31, 2023

Appendix A: Overview of funds identified in the GL for CIE for the President's residence

Fund	Fund name⁸	Expenditures	Line Items
69250	UCOP C3 Loan	\$ 794,852.56	78
38070	Searles Fund	\$ 365,502.29	171
69085	Systemwide Assessment Fund	\$ 25,300.24	7
13000	Other Unrestricted	\$ 4,360.00	2

⁸ Fund descriptions:

- UCOP C3 Loan: Cross-Campus Collaborations internal loan program.
- Searles Fund: Fund established with a gift from Edward. F. Searles and augmented by a bequest from his estate. Used to finance general purposes of the University which cannot be covered by other funding sources.
- Systemwide Assessment Fund: An unrestricted fund used for a variety of institutional purposes.
- Other Unrestricted: An unrestricted fund used for a variety of institutional purposes.

Appendix B: Categorization of the CIE GL data for the President's residence

The table provides an overview of the categorization of costs on the GL data that are linked to the CIE for the President's residence from the period May 2021 through September 2023 and that internal audit classified under: Security, Interior Design, Furniture, Electrical work, Home Décor, Landscape Architect.

Classifications	Description Item	Expenditures
Security	Security fence installation	\$ 341,476.99
	Fabrication and installation of gate	47,871.31
	Fabrication and installation of Custom Garage Doors	33,508.76
	Accessibility improvement on the 1st floor	15,515.00
	Gate operator - Underground conduit pathways	8,369.00
	Install driveway safety & reversing loops	6,662.50
	Physical and systems security vulnerability assessment services	2,829.00
	Power for indoor door gate operator	1,473.00
Security Total		\$ 457,705.56
Interior Design	Time billing for interior designers	\$ 238,472.96
	Project management for renovations and improvements	48,350.00
	Residential interior painting	44,738.55
	Renovations and improvements	10,653.91
Interior Design Total		\$ 342,215.42
Furniture	Combination of living room chairs, sofa, library chairs, decorative lamps, rugs, coffee table, nightstands	\$ 52,830.69
	Living room and dining room: 3 pair of drapes and 4 shades	47,354.00
	Armchairs	8,934.25
	Primary bed	8,563.60
	Three tables and a stool	8,399.40
	Outdoor furniture: 4 patio chairs, 2 patio coffee tables	7,180.47
	Indoor furniture: 3 chests, a bench, and a chair	6,507.48
	Outdoor furniture: 2 patio couches, 2 ottomans	6,162.87
	Furniture rental during renovation	4,476.02
	Kitchenette shades	4,295.59
	Bathroom shades	
	Upholstering of club chairs and a bench	4,265.00
	Perennials fabric from designer	3,363.72
	Jack and Jill sofa	3,360.42
	Guest bed	2,804.76
	Bed	2,616.40
	Table lamp and a media console	2,481.50
	Two chairs	2,388.62
	Apartment windows	2,209.29
	Media room couch	2,203.90

	Bedroom chairs	1,571.02
	Upholstery fabric	1,086.60
	Shears and windows	1,085.00
	Dining side chairs	871.97
	Bedroom mirrors	852.79
	Coffee table	749.69
	Guest bed mattress	737.61
	Living room end table	529.20
	Closet dresser	297.66
Furniture Total		\$ 188,179.52
Electrical Work	Electrical circuits, Breaker panel, Trace circuit systems, Replace outlets	\$ 30,362.76
	Partial PSL replacement and testing	24,819.00
	Remove existing clocks, provide and Install (4) new clocks, rewire existing circuits	7,121.00
	Electrical repairs and new install	4,729.00
	Installation of light fixtures	4,512.00
	120V 20A receptacle for TV monitor, provide and install (1) Coax cable for TV monitor, provide and install (1) telephone line on second floor	3,551.20
	Light fixtures installation at 2821 Claremont	2,341.00
	Relocated receptacle power for elevator pit sump pump, replace GFCI receptacle and sump pump plug	1,135.00
	Troubleshoot landscaping lighting, circuit trace wiring from carport	644.00
	Troubleshoot wall sconces light fixture and repair located in 2nd floor	282.00
Electrical Work Total		\$ 79,496.96
Home Decor	Two rugs	\$ 8,863.34
	Rug samples	7,879.27
	Circa lighting	6,852.24
	Living room rug	3,563.25
	City lights	1,832.50
	Lamps	1,244.14
	Decorative lamps	545.95
Home Decor Total		\$ 30,780.69
Landscape Architect	Landscape design	\$ 15,197.25
Landscape Architect Total		\$ 15,197.25
Delivery Service	Storage, Delivery & Installation of interior designer furniture	\$ 2,440.00
	Storage, pickup and delivery	404.00
Delivery Service Total		\$ 2,844.00
Home Repairs	Repair to wood on a bench	\$ 95.00
Home Repairs Total		\$ 95.00

Home Appliance	Replacement TV	\$ 88.19
Home Appliance Total		\$ 88.19
Grand Total		\$ 1,116,602.59