

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



1111 Franklin Street, 5th Floor • Oakland, California 94607-5200 • (510) 987-0479 • FAX (510) 287-3334

Sheryl Vacca
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

June 30, 2014

INTERIM CHANCELLOR - DESIGNATE GILLMAN

**Subject: Final Audit Report University of California, Irvine Chancellor's Immediate Office
– No. P14A019**

Attached please find a copy of the final report for Project No. P14A019: University of California, Irvine Chancellor's Immediate Office. 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 (e-mail: Matthew.Hicks@ucop.edu)



Matthew Hicks
Audit Director

Attachment

cc: Senior Vice President Vacca
Associate Chancellor Agrela
Director Bathke
Manager von Haag
Manager Catalado
Contractor Reed
Contractor Harrigan

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

University of California, Irvine
Chancellor's Immediate Office
Audit No. P14A019
June 2014

Audit Performed by:
Ada Harrigan, Audit Contractor

Audit Reviewed by:
Peter Cataldo, Audit Services Manager

Executive Summary

Introduction

Internal Audit conducted an audit of the Chancellor's Immediate Office as a component of the Transition Assessment Review undertaken by UC's Office of Ethics, Compliance and Audit Services at the request of the President of the University of California.

Objectives and Scope

The primary purpose of this audit was to ensure that the accounts and immediate office activities taken over by the incoming Chancellor are in order and present little future risk of controversy to the new Chancellor. A secondary purpose was to ensure that budget funds remain available to the new Chancellor for the operations of the immediate office.

Our audit scope was limited to a review of projects under the Chancellor's Immediate Office. Funds included in the scope of this audit included the Chancellor's Administrative Fund and other discretionary and reserve funds.

Fieldwork was performed in June 2014 and included the following:

- Discussions with staff from the Chancellor's immediate office, the Interim Chancellor-Designate, and the EVC/Provost,
- Discussions with additional staff regarding budgeting and controls related to Chancellor's Office activities: VC Planning and Budget, AVC Planning and Budget, Audit Director,
- Testing of selected transactions for compliance with policy,
- Analysis of expenditures by type, and
- A review of observations from recent internal audits where the scope included the Chancellor's immediate office.

Overall Conclusion

Based on the work performed, no matters were identified which would create a concern for the incoming Chancellor. Accounts reviewed had balances that were appropriate for the continued support of normal operations of the Chancellor's Office. We did not identify any indication of misuse of funds. We noted that recruiting is underway for a Vice Chancellor, Health Sciences; the appointee will also be the Dean of the School of Medicine. Also under recruitment is an Assistant Vice Chancellor – Alumni Relations. This person, according to campus officials, will “play a central role in enhancing the visibility and fundraising capabilities of the institution in order to attract new sources of funding and further advance the institution as a national leader.” Per discussions during the audit, a critical need is to increase philanthropy and gifts and several staff mentioned that Alumni giving is one of the areas that needs to be a focus.

In our testing of transactions, we identified an entertainment expense that was allowable, but was not approved by the Controller, as required by Business and Finance Bulletin BUS-79. Details are provided in the Opportunities for Improvement and Management Action Plans section.

Opportunity for Improvement and Management Action Plans

1. We identified an entertainment expense that was allowable, but was not approved by the Controller, as required by UC Business and Finance Bulletin BUS-79.

Alumni Association staff utilized a procurement card to pay for an allowable entertainment expense (\$6,432.26) that was subsequently transferred to a Chancellor's account (not state funds). As this is an entertainment expense transferred to a Chancellor's account, approval by the Controller is required, but was not obtained.

Action Plan:

Prior to issuance of the audit report, the expenditure above was approved by the Controller.

The Operation's Manager will work with the Controller's Office to enhance the approval and documentation process for entertainment expenditures from the Chancellor's funds to ensure transferred entertainment expenditures are forwarded for review and approval. This action will be completed by September 1, 2014.