

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT AND ADVISORY SERVICES**

**Annual Report of Executive Compensation
Project # 23-015**

May 2023



University of California
San Francisco

Audit & Advisory Services

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SUBJECT: Annual Report of Executive Compensation (AREC)

Audit & Advisory Services (“A&AS”) conducted a review surrounding the Annual Report on Executive Compensation (AREC) reporting process at UCSF. The purpose of this review was to assess the process for gathering and reporting compensation data and validate the accuracy of the UCSF data reported.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed, and the preliminary draft report was provided to department management in April 2023. Management provided their final comments and responses to our observations in May 2023. The observations and corrective actions have been discussed and agreed upon with department management, and it is management’s responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Committee, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit and Advisory Services



EXECUTIVE SUMMARY

I. BACKGROUND

As a planned project for Fiscal Year 2023, Audit & Advisory Services (A&AS) conducted a review surrounding the Annual Report on Executive Compensation (AREC) reporting process at UCSF.

The systemwide AREC is published by the University of California, Office of the President (UCOP) on an annual basis with data from each UC campus, medical center, and laboratory. The systemwide AREC is presented to the UC Regents each summer. The AREC is produced using data collected by each campus from a variety of sources, including payroll, accounts payable, executive compensation approvals, and personnel records. The UC campus coordinator enters the compensation data into Smartsheet¹ for the AREC reportable population. The UCOP Executive Compensation Group (OP Exec Comp) hosts the Smartsheet database and grants access to campus coordinators via a secure URL link.

The UCSF 2022 AREC report includes compensation and benefits data on 67 UCSF Senior Management Group (SMG) and Management and Senior Professional (MSP) personnel. UCSF’s reportable population includes the following:

- All employees in the SMG, regardless of Total Cash Compensation (TCC);
- All “Officers of the University” as defined by Standing Order 100.1 on the Regents website, regardless of total cash compensation; and
- All “Administrators” that are in the MSP group whose Total Cash Compensation (TCC) is greater than or equal to \$369,200, the Indexed Compensation Level (ICL) in effect at the end of the calendar year 2022. This threshold is established by the UCOP Executive Compensation Unit, as approved by the UC Regents (typically annually; sometimes bi-annually).

Total Cash Compensation (TCC) for determining the reporting threshold level is calculated based on a 12-month period. The following chart lists the compensation components used to calculate TCC.

Compensation Components Used to Calculate TCC	Compensation Components NOT Used to Calculate TCC
<ul style="list-style-type: none"> • Annualized Base Salary • Annualized Stipend Amount • Potential Incentive Award at the Target Rate • Health Science Compensation Program Pay • Recognition Awards • Any Other Compensation is (Cash/Allowances) • Educational Expenses (Reimbursements/Allowances) 	<ul style="list-style-type: none"> • Moving and Relocation Expenses as described in Policy G-13 (Reimbursements/3rd-Party Payments) • Payment in Lieu of Sabbatical Leave • Exception Approved to Participate in the UC Employee Housing Assistance Program • Standard Benefits and Other Benefits and Perquisites

¹ Smartsheet is a spreadsheet-style cloud-based project management platform.

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the process for gathering and reporting compensation data and validate the accuracy of the UCSF data reported. The scope of the review covered transactions and activities for January 2022 – December 2022 that included compensation data for SMG members and officers of the University regardless of the compensation amount, as well as MSP personnel who met the AREC reporting criteria.

Procedures performed as part of the review included:

- Gathered compensation data for individuals included in the AREC report
- Reviewed the individuals included on the AREC and independently validated that the eligible population was complete.
- Validated compensation data for all employees included in the AREC 2022 population, including salary and bonuses, to the UCPath² System and Operational Data Store (ODS)³.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in April 2023.

III. SUMMARY

Based on work performed, we confirmed that UCSF's 2022 AREC reportable population was complete, and the compensation data entered into Smartsheet was timely.

Opportunities for improvement exist in the areas of the accuracy and classification of total cash compensation on the AREC report. The review identified nine instances of inaccurate and/or misclassification of compensation that requires correction, and currently, there is not a process in place to verify compensation and non-compensation data reported prior to the submission of the compensation data to UCOP.

See Section IV for details of the Observation and Management Action Plans.

² UCPath is the UC systemwide human resources, academic personnel, benefits, and payroll system.

³ Operational Data Store (ODS) is the database that houses data from certain tables within PeopleSoft.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCA)

No	Observation	Risk/Effect	Recommendation	MCA
1.	<p><i>Discrepancies were identified in the 2022 AREC report, and the amount reported as Total Cash Compensation (TCC) was not always accurate.</i></p> <p>Our data validation of the UCSF's 2022 AREC report identified total cash compensation variances for nine employees totaling \$50,191 as follows:</p> <ul style="list-style-type: none"> • Non-cash compensation for 5 employees was misclassified as other cash compensation instead of the non-cash compensation category. • Relocation reimbursement of \$13,802 for 1 employee was misclassified as other cash compensation instead of moving reimbursement (a non-cash compensation component). • Clinical Enterprise Management Recognition Plan (CEMRP) incentive plan payment for 1 employee was shown on the AREC report as \$95,622 instead of the approved amount of \$97,087 (the employee was paid \$97,087 and there was no impact 	<p>Inaccurate and misclassified total cash compensation may result in incomplete or inaccurate reporting and potentially incorrect reporting on the employee's W2.</p>	<p>a) The discrepancies identified in the AREC report should be corrected, and the UCOP Executive Compensation Group be notified of changes to the 2022 AREC report.</p> <p>b) A process should be developed for internal review of the AREC report prior to its submission to UCOP.</p>	<p>Action(s):</p> <p>a) The UCSF HR Executive Leadership Coordinator notified the OP Executive Compensation group of the compensation discrepancies identified for the nine employees that require correction on the 2022 AREC report.</p> <p>Target Completion Date: April 2023 Action Completed</p> <p>b) Procedures for a secondary review of the accuracy of the entries during the data collection process will be implemented.</p> <p>Target Completion Date: January 31, 2024</p> <p>Responsible Party: Director, HR Compensation</p>

No	Observation	Risk/Effect	Recommendation	MCA
	<p>on the employee's 2022 W-2). As a result of the discrepancy, the employee's total cash compensation was underreported by \$1,465.</p> <ul style="list-style-type: none"> • Paid time off payout cash compensation of \$4,971 for 1 employee was inappropriately excluded from the AREC report. • A cash compensation of \$17,318 of regular pay and moving reimbursements of \$27,797 and \$37,578 for 1 employee were erroneously included in the AREC report due to an error on the employee's 2022 W-2 form for compensation paid in 2021 instead of 2022. (Please note that UCPath has since been notified of the error and the need to issue revised W-2 forms). 			