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SHERYL VACCA  
Senior Vice President, Chief Compliance and Audit Officer  
Office of Ethics, Compliance and Audit Services  
University of California

***Subject: Chancellor's 2010 Expense Reports  
Audit Project 2011-30***

The final audit report for the referenced review is attached. We would like to thank all members of the Chancellor's Office, and the Controller's Office for the cooperation and assistance provided throughout the audit.

UC wide policy requires that all draft audit reports be destroyed after the final report is issued. Because draft reports can contain sensitive information, please destroy them at this time.



Stephanie Burke  
Assistant Vice Chancellor  
Audit & Management Advisory Services

Attachment

cc: C. Kristofco  
D. Larson  
G. Matthews

AUDIT & MANAGEMENT ADVISORY SERVICES



University of California  
**San Diego**

Chancellor's 2010 Expense Reports  
March 2011

Performed by:

Ken Daniszewski, Auditor  
David Meier, Manager

Approved by:

Stephanie Burke, Director

Project Number: 2011-30

**Chancellor's 2010 Expense Reports  
Audit & Management Advisory Services Project #2011-30**

**I. Background**

AMAS has completed a planned audit of the Chancellor's 2010 expense reports, conducted as a part of the system-wide audit of this topic.

UCSD expenses in support of the Chancellor are funded primarily by the Searles Endowment Fund. The Searles Fund was established in 1919 with a gift from Edward F. Searles, and was subsequently augmented by a bequest from his estate. Payouts from investments held by the Searles Fund are used to finance general purposes of the University not covered by other funding sources. Each year funds are allocated to each campus by The Regents for the duties and responsibilities incumbent upon Chancellors in representing the University, such as in extending official hospitality to important visitors, entertaining guests of the University in conjunction with alumni and development activities, and sponsoring other official University functions and events. In addition, this funding supports housing suitable to the administrative, ceremonial, and social duties of the Chancellor.

The table below summarizes this financial activity as reflected in University of California, San Diego accounts in FY 2009-2010.

<b>38070A SEARLES FUND</b>						
Searles Fund Component	Balance at June 30, 2009	Permanent Allocation	Available at July 1, 2009	Allocation on May 31, 2010	Expenditures FY 2009-10	Balance at June 30, 2010
Administrative Fund	\$6,538	\$35,500	\$42,038	\$4,500	\$36,954	\$9,584
Housing Fund	\$6,895	\$119,633	\$126,528	\$2,367	\$114,833	\$14,062
Development Fund	\$33,147	\$30,000	\$63,147		\$9,000	\$54,147
<b>FY 2009-2010 Totals</b>	<b>\$46,580</b>	<b>\$185,133</b>	<b>\$231,713</b>	<b>\$6,867</b>	<b>\$160,787</b>	<b>\$77,793</b>

On an annual basis, expenses in support of the Chancellor are reported to the University Office of the President (UCOP) in two formats, as required by University Policy (Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors – Business and Finance Bulletin G-45). The two reports are as follows:

- Annual Report of Fiscal Year Expenses of the Chancellor (for the period July 1, 2009 through June 30, 2010), and
- Annual Report of Taxable Expenses of the President/Chancellor (for the period November 1, 2009 through October 31, 2010).

***Chancellor's 2010 Expense Reports***  
***Audit & Management Advisory Services Project #2011-30***

**II. Audit Objectives, Scope, and Procedures**

The objective of our audit was to evaluate the two annual reports of Chancellor expenses recently submitted to UCOP for accuracy and completeness, and to evaluate expenditures on a sample basis for compliance with University and campus policy. The scope of our review included financial activity of the two time periods as referenced above.

In order to fulfill our objectives, we performed the following:

- Reviewed applicable UC and UCSD policies and procedures;
- Confirmed oversight roles for these funds with key personnel in the Chancellor's Office and the Controller's Office;
- Examined the 2010 Annual Report of Fiscal Year Expenses of the UCSD Chancellor and the 2010 Annual Report of Taxable Expenses of the UCSD Chancellor, and supporting documentation;
- Conducted an analytical review of expenditures for each fund component;
- Selected a sample of expenditures for detailed testing, and
  - Traced expenditures to supporting documentation (e.g., vendor invoices, campus recharge statements, etc.);
  - Evaluated expenditures for reasonableness; and
  - Evaluated expenditures for compliance with University and campus policies and procedures.

**III. Conclusion**

Based on our review, we concluded that the two annual reports of Chancellor's expenses recently submitted to UCOP were accurate and complete, and expenditures were in compliance with University and campus policies and procedures. Supporting comments are provided in detail in the balance of this report.

**IV. Supporting Comments**

**Administrative Fund**

The Chancellor's Administrative Fund is managed by the Chancellor's Business Office. All financial activity is reported monthly to the Controller's Office for review by Controller's Office personnel. As shown in the table above, activity charged to the Administrative Fund in FY 2009-10 totaled \$36,954. These expenditures related primarily to 34 events such as meetings and receptions sponsored by the Chancellor to recognize or confer with particular student or faculty groups.

***Chancellor's 2010 Expense Reports***  
***Audit & Management Advisory Services Project #2011-30***

We noted that the Chancellor's Business Office maintained detailed files with supporting original documentation such as purchase orders, invoices, and/or campus recharge statements for all events charged to the Administrative Fund. Our detailed testing of event costs indicated that all costs were in accordance with University and campus policy for entertainment.

University policy provides that, to ensure proper internal controls, an individual with delegated approval authority may not approve the entertainment expenses of anyone to whom he or she directly reports. During the period of our review ending June 30, 2010, all expenditures were approved by the Associate Chancellor and the Controller's Office.

**Housing Fund**

The Chancellor's Housing Fund is managed by the Chancellor's Business Office and all financial activity is monitored by the Controller's Office. As shown in the table above, activity charged to the Housing Fund in FY 2009-10 totaled \$114,833. Of this amount, \$78,119 was spent for a leased house where the Chancellor resided for most of Fiscal year 2010. This consisted of \$68,750 for rent, \$7,288 for utilities, and \$2,081 for other costs such as telephone and security alarm fees for the leased house. This leased house was required because structural problems rendered the University House uninhabitable.

During 2010, the Chancellor proposed that she move from the leased home to a personal residence in La Jolla, California. The UC Regents approved this proposed move and also authorized a taxable, temporary housing allowance of \$20,000 per annum in recognition of wear and tear upon the private home, as well as increased utilities and other expenses associated with the University-related business and entertainment conducted in the home. The lease for the former temporary residence was terminated in June, 2010. The first installment of the new temporary annual housing allowance was paid from the Housing Fund in FY 2009-10 in the amount of \$1,666.

Other Housing Fund expenditures during FY 2009-10 included expenditures of \$34,603 for utilities, security and landscape maintenance required for the unoccupied University House. Our detailed testing of expenditures indicated that all costs were in accordance with University and campus policy.

**Development Fund**

The Chancellor's Development Fund is managed by the Chancellor's Business Office. All financial activity is monitored by the Controller's Office. As shown in the table above, activity charged to the Development Fund in FY 2009-10 totaled \$9,000. Of this amount, \$4,325 consisted of expenses related to the leased residence such as telephone and Internet service. The remaining \$4,675 primarily consisted of miscellaneous expenses incidental to the Chancellor's outreach responsibilities in representing the University with guests and visitors. Our detailed testing of expenditures indicated that all costs were in accordance with University and campus policy.

***Chancellor's 2010 Expense Reports***  
***Audit & Management Advisory Services Project #2011-30***

**Other Funds and Travel Expenditures**

In addition to the Searles Fund expenditures discussed above, the Annual Report of Fiscal Year Expenses of the Chancellor (for the period July 1, 2009 through June 30, 2010) reflected \$67,122 charged to general funds. This amount represented salary and benefits cost for the individual who serves as the Chancellor's Events Manager. We also examined on a sample basis the Chancellor's travel expenditures for FY 2009-10. Our detailed testing of these non-Searles Fund and travel expenditures indicated that all costs were properly supported, in accordance with University and campus policy.