



AUDIT AND ADVISORY SERVICES
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April 24, 2024

To: Leanne Diemel
Business and Financial Manager
Office of the Chancellor

Re: **Executive Compensation – Chancellor’s Expenses**
Audit No. 08-24-0010-01

We have completed a review of the Chancellor’s Expenses, a system-wide requirement, as part of the 2023-24 annual audit services plan. The review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by the Chancellor’s Office personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
Stacey Janik, Senior Executive Assistant and Director of Communications, Office of the Chancellor
Chuck Haines, Vice Chancellor - Chief Financial Officer
UCSB Audit Committee
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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UC **SANTA BARBARA**
Audit & Advisory Services

Audit Report

Executive Compensation – Chancellor’s Expenses

April 24, 2024

Performed by:

Antonio Mañas Meléndez, Associate Audit Director
Anne-Sophie Gatellier, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-24-0010-01

EXECUTIVE SUMMARY

OBJECTIVE

The purpose of this review was to ensure that the Annual Report of Fiscal Year Expenses of the Chancellor (Appendix A) and the Annual Report of Taxable Expenses of the Chancellor (Appendix B) were prepared in compliance with the University of California (UC) Policy BFB G-45, Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors. We also reviewed travel and entertainment expenses submitted by the Chancellor to ensure they complied with UC policies and procedures.

CONCLUSION

Based on the results of the work performed within the scope of the audit, we identified the Office of the Chancellor overall properly prepared both Appendix A for fiscal year 2022-23 and Appendix B.

Additionally, we identified that travel and entertainment expenses incurred by the Chancellor complied with UC policies and procedures.

Detailed observations and management corrective actions are included in the following sections of the report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

Based on the results of the work performed within the scope of the audit, we identified the following:

- Overall, the Office of the Chancellor properly prepared both Appendix A and Appendix B for fiscal year 2022-23. However, a discrepancy of \$5.37 was identified in Appendix B, due to some confusion in the department with the payroll calendar¹.
- Travel and entertainment expenses incurred by the Chancellor complied with UC policies and procedures, although additional support documentation would be recommended for business trips.

GENERAL INFORMATION

BACKGROUND

The Regents of the University of California recognize the unique role of the Chancellors in representing the University. In the performance of this role, the Chancellors are called upon to extend official hospitality to important visitors, and to entertain guests of the University in conjunction with alumni and development activities, campus events, and other official functions.

In consideration of the duties and responsibilities of the Chancellors, the Regents provide each Chancellor with suitable housing to enable the individual to perform the administrative, ceremonial, and social functions required of the position. The Chancellors are required to occupy that housing as a condition of employment and for the convenience of the University.

UC Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors* (BFB G-45) specifies procedures for identifying and reporting expenses of the Chancellor in association with their official residence, as well as addressing those expenses that may create additional taxable income for the Chancellor. Additionally, BFB G-45 summarizes and incorporates by reference other existing University policies governing allowable expenses incurred by the Chancellor, and addresses the appropriate use of the funds available to the Chancellor in support of official duties and the required reports for documenting the use of those funds.

On an annual basis, Appendices A and B must be completed to account for all of the expenses incurred by the Chancellor and his Associate. Appendix A includes all of the following expenses:

- Housing expenses of the Chancellor
- Travel expenses
- Entertainment expenses incurred outside of the Chancellor's residence
- Gift expenses
- Membership expenses

¹ The first paycheck issued in November 2022 covered pay earned in October 2022, and was not included in the report. The last paycheck covering pay earned in October 2023 was issued in November 2023, and was mistakenly included.

- Expenses of the Associate of the Chancellor
- Other expenses

The total amount of the expenses reported in Appendix A for the previous fiscal year must be submitted to Business & Financial Services by September 1 of the current year. In addition, Appendix B reports all of the taxable personal-benefit expenses that are incurred by the Chancellor for support staff and equipment expenses between November 1 of the prior year and October 31 of the current year. Appendix B must be submitted to Business & Financial Services by November 15 of each year.

At UCSB, the Business and Finance Manager in the Office of the Chancellor has been delegated the responsibility for collecting and reporting expenses on Appendix A and Appendix B. In addition, the Business and Finance Manager is responsible for the administration of the Chancellor’s administrative fund.

SCOPE AND METHODOLOGY

The scope of the review included the Chancellor’s expenses incurred during the period of July 2022 through October 2023.

We gained an understanding of relevant UC policies and UC Santa Barbara (UCSB) processes for accumulating and reporting the Chancellor’s expenses, reviewed Appendix A and Appendix B to ensure they were complete and prepared correctly in compliance with applicable policies, and performed limited testing of general expenses. We also reviewed other selected expenses to ensure the completeness of Appendix A. Additionally, a sample of travel and entertainment expenses incurred by the Chancellor were reviewed to ensure compliance with UC policies and procedures, including UC Policy G-28, *Travel Regulations*, and UC Policy BUS-79, *Policy on Expenditures for Business Meetings, Entertainment, and Other Occasions*.

CRITERIA

Our review was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the review. This review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- UC Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*.
- UC Policy G-28, *Travel Regulations*.
- UC Policy BUS-79, *Expenditures for Business Meetings, Entertainment, and Other Occasions*.

AUDIT TEAM

Ashley Andersen, Audit Director

Antonio Mañas Meléndez, Associate Audit Director

Anne-Sophie Gatellier, Senior Auditor