

RIVERSIDE: AUDIT & ADVISORY SERVICES

February 5, 2013

To: Michael Miller, Associate Vice Chancellor - Facilities
Plant Administration

Subject: UCR Chancellor's Housing Expenses

Ref: R2013-12

We have completed our review of the UCR Chancellor's Housing Expenses.
Our report is attached for your review.

We appreciate the cooperation and assistance provided by you, as well as your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

cc: Audit Committee
Executive Officer Zahedi
Director Artman

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2013-12
UCR CHANCELLOR'S HOUSING EXPENSES

FEBRUARY 2013

Approved by:

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Principal Auditor

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Michael R. Jenson
Director

**UC RIVERSIDE
UCR CHANCELLOR'S HOUSING EXPENSES
INTERNAL AUDIT REPORT R2013-12
FEBRUARY 2013**

I. MANAGEMENT SUMMARY

Based upon the results of our limited work performed, it is our opinion that, overall, the housing expenses incurred by the UCR Chancellor do not represent additional elements of compensation, are in compliance with applicable University policies and procedures, and are appropriate.

Our review did not disclose any exceptions.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services, as part of a systemwide effort, performed a limited review of the UCR Chancellor's housing expenses to ensure that the expenditures did not represent elements of compensation, and to review for appropriateness and general compliance with applicable University policies and procedures.

B. BACKGROUND

In recognition of the unique roles of the President and Chancellors (Executive Officers) 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. As part of their official duties, Executive Officers are responsible for extending official hospitality to important visitors and guests in conjunction with official functions (i.e. campus activities, alumni and development events, etc.). The UCR Chancellor lives in such a University-owned residence.

C. SCOPE

Audit & Advisory Services reviewed selected records supporting the Chancellor's housing expenses for calendar year (CY) 2012. Limited procedures included discussion with the Plant Administration Director, and the Chancellor's Office – General Operations' Executive Officer to discuss the scope of our audit and our initial audit requirements.

- Performed review procedures and transaction testing on Chancellor housing expenses to evaluate if the expenditures represented elements

of compensation, and for appropriateness and general compliance with the University Policy Business Finance Bulletin (BFB) G-45 (Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors), University Policy 2.725 (University-Provided Housing), and adequacy of internal controls.

- Performed a financial analytic review of housing expenditures for CYs 2010 through 2012. This included identifying unusual trends or fluctuations including the reasons for any variances.
- Judgmentally selected 10 expenditure items representing \$36,078 (37%) of \$97,644 total housing expenditures during CY 2012 and reviewed supporting documents to determine validity, reasonableness, and correctness of recorded expenditures.

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations
- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed in January 2013. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS AND COMMENTS

A. Summary

Controls and procedures over the Chancellor housing expenses were found to be adequate, in compliance with the University Policy BFB G-45 and University Policy 2.725, and selected expenditures reviewed were appropriate.

B. Financial Analytic Review

UCR Chancellor housing expenses for CYs 2010 to 2012 were as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Chancellor Housing Expenses	\$97,644	\$97,000	\$94,624

Overall analytical review of total executive housing expenditures did not disclose any unusual trends in expenditures that could not be explained.

C. Transactions Testing

Based on results of our review of selected CY 2012 Chancellor housing expenditure transactions, controls and procedures over housing expenditures were adequate.

We judgmentally selected 10 expenditure items representing \$36,078 (37%) of \$97,644 total executive housing expenditures during CY 2012, reviewed supporting documents, and ascertained the validity, reasonableness, and correctness of recorded expenditures.

No exceptions were noted.

There was no capital improvement project (over \$25,000) during CY 2012 that required prior approval of the University President.