

**UNIVERSITY OF CALIFORNIA DAVIS
INTERNAL AUDIT SERVICES**

**Offices of the Chancellor and Provost
Chancellor's Expenses - G-45
Internal Audit Services Project #14-02**

April 2014

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MANAGEMENT SUMMARY

The Annual Report of Fiscal Year Expenses of the Chancellor and the Annual Report of Taxable Expenses of the Chancellor are required by Business and Finance Bulletin (BFB) G-45, "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors".

The purpose of our review was to determine if these reports were accurate, complete, and prepared in compliance with the requirements of G-45. Additionally, a review of Travel and Entertainment (T&E) expenses for the Chancellor and the Associate of the Chancellor was included to assess compliance with applicable travel and entertainment policies.

To complete our review of the required G-45 Reports, IAS examined supporting financial records and other related documentation. We also chose a small sample of travel and entertainment reports for the Chancellor and the Associate. The scope for the Fiscal and Taxable Year Reports and the T&E review encompassed all reportable activities between July 1, 2012 and October 31, 2013.

Based on work performed, we found the Fiscal Year Report to be complete and accurate with minor exceptions (less than 0.3%). Conversely, we observed the Taxable Year Report contained an overstatement of \$15,066 or 14% of the total support staff expenses reported. This overstatement, however, has no taxable impact to the Chancellor as support staff did not provide any effort during the period that represented a personal benefit to the Chancellor. The Offices of the Chancellor and Provost (OCP) is taking steps to ensure the accuracy and completeness of the report in the future.

During the review of the T&E reports, we found sufficient documentation to support the claims. In particular, the travel itinerary form designed by OCP was strengthened to provide the details necessary to document the business purpose of the Associate's travel claims in compliance with G-45 Appendix C thresholds. However, none of the entertainment reports of the Chancellor that we tested were approved by the Associate Vice Chancellor-Finance as required by policy. The unique routing process put into place to ensure appropriate review and approval was inadvertently bypassed but has since been corrected. Steps are also being taken to review the Chancellor's entertainment reports for the period and ensure they are all properly approved.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**A. Taxable Year Report Overstated****Support staff expenses were overstated in the Taxable Year Report.**

Expenses of support staff assigned to the Chancellor's residence are reported in both the Fiscal and Taxable Year reports as required by the Business and Finance Bulletin (BFB) G-45, "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors."

During our review of the Taxable Year Report we noted calculations of support staff salaries and benefits inadvertently contained payroll transactions that occurred in the prior tax year, as well as minor issues with other support staff expenses. As a result, support staff expenses reported on the Taxable Year Report were overstated by a net amount of \$15,066 or 14%. This overstatement has no taxable impact to the Chancellor as support staff did not provide any effort during the period that represented a personal benefit to the Chancellor. Revision of the report would not change the "Total Amount Taxable to Officer".

Details of these issues have been provided to, and discussed with, OCP.

Recommendation

1. OCP should ensure all reportable support staff expenses are identified and properly reported in the appropriate period. In addition to salary and benefits this includes, at a minimum, vacation assessments and usage, liability expenses, and travel expenses related to fulfilling their positions.
2. OCP should compare the overall support staff account total with the sum of the subaccount totals to ensure no support staff expenses are omitted and amounts reported are complete.

Management Corrective Action

OCP's G-45 Implementing Guidelines are in the process of being updated. These updates will address the specific types of expenditures to be included in the G-45 reports. Additionally, procedures for preparing the G-45 reports that include comparisons of account totals with the reported amounts to ensure completeness and accuracy will be developed and incorporated into the Implementing Guidelines by August 15, 2014.

B. Entertainment Expense

The Chancellor's entertainment expenses were not properly approved.

Chancellor hosted events at the Chancellor's residence are planned and coordinated by an Event Manager. The Event Manager enters the event related Entertainment Expense Voucher (EEV) into MyTravel, yet these are still considered the Chancellor's entertainment expenses as she is the official host.

Department heads cannot approve their own entertainment expenses.¹ According to UCD DA 133 the Delegation of Authority to Approve T & E Expenses for the Chancellor has been given to the Associate Vice Chancellor-Finance (AVCF). This approval authority may not be re-delegated.

To ensure these Chancellor hosted event EEVs are appropriately approved by the AVCF, a unique routing process based on sub-departments was created in the MyTravel system. However, major organizational changes in FY12 and FY13 modified the Event Manager's home department, and as a result, none of the EEVs tested were appropriately routed to or approved by the AVCF. The unique sub-department routing process in MyTravel was restored in FY14.

Recommendation

All Chancellor EEVs for FY12-13 should be reviewed for proper AVCF approval. Those identified without proper approval should subsequently be reviewed and approved by the AVCF.

Management Corrective Action

The AVCF has already identified those Chancellor hosted event EEVs entered into MyTravel that did not route for appropriate approval during FY13 and has performed a retrospective review of them. To document his approval, the AVCF signed the "Receipt Fax Cover Page" for each EEV identified and these were scanned into My Travel to become part of the official record. These actions were completed in April 2014.

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¹ Per PPM 330-80, "Entertainment and Hospitality with University-Controlled Funds", Section V.B. .