



Internal Audit Report – Limited Scope Audit

Use of Policy Exceptions

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I. EXECUTIVE SUMMARY

Internal Audit & Advisory Services (IAS) has completed a limited scope audit of the use of policy exceptions to identify the extent of exception requests, the appropriateness of exception request justification procedures, and determine if the level of exceptions were indicators that selected policies were in need of revision.

Overall, the level of exception requests and approvals on campus appeared low based on responses received from senior managers and available data sources.¹ Exception approvals reviewed appeared to be appropriate and consistent with exception request procedure. One principal officer expressed a concern of receiving too many requests for exceptional approval for a certain policy and was taking action to correct this condition.

Two UCOP policies were identified as having a high exception rate:

- One academic policy limiting the reimbursement of removal expenses for new faculty at 50 percent was purposely ignored in order to remain competitive with other institutions when recruiting faculty. Exception policy was followed in these circumstances.
- An unusual number of exceptions to salary increase limits for personnel were identified within one service unit. Justification for these exceptions was provided in a comprehensive analysis of all salaries in that unit. In these cases, exception policy was followed. This condition was a function of a low salary range established on campus for employees working in this unit/classification level.

There were no observations requiring management corrective action. Refer to APPENDIX A – Summary of Work Performed and Results for additional detail.

¹ We were unable to provide assurance or absolute certainty on the level of exception request activity, because there is no campus-wide collection point or system generated list identifying exceptions to policy. We were dependent on survey responses and inquiry of campus senior managers who would typically be engaged in granting exception request for information on the level and types of exception request processed.

II. INTRODUCTION

Purpose

The purpose of the audit was to determine the extent and appropriateness to which policy exceptions are requested and approved.

Background

Many UC policies allow for exceptions, which are actions that exceed stated limits under current policy or that are not expressly provided for under policy. Such exceptions may allow an employee's total salary increase in a single fiscal year (including merit, promotional and equity increases) to exceed the 25 percent of base salary limit; or for entertainment reimbursements that exceed the maximum per-person rates for meals and light refreshments. However, adequate justification must be provided before approval is granted, and the approving authority must be at the appropriate level. This helps ensure proper internal controls.

Approving authorities for policy exceptions are usually members of the senior management group, such as deans and vice chancellors, delegated this authority by the chancellor. While some policies provide more detailed guidance on the justification for allowing an exception, others do not. Consequently, senior managers develop their own procedures for reviewing exception requests. In the case of one division, the dean informed personnel that they would be afforded only three exception approvals, beyond which they would not be reimbursed for expenses that exceeded normal policy limits.

Further, as there are no flags in our systems that track exceptions, a division may not have a way of getting a good estimate of exception requests and approvals made in a year, short of going through email. We found divisions that kept track of exception approvals, such as the one with the limit of three exception approvals that apply to certain types of policies. One division kept accurate records of human resources policy exceptions approved. It therefore proved difficult to assess the amount and type of policy exceptions requested and approved on campus.

We were interested if senior managers had concerns about the volume of exception request they were receiving. If they did, it could be indicative of an unrealistic policy or that previous administrations lacked an adequate justification procedure. There was only one senior manager who expressed such a concern and he was already working on a solution.

Among academic divisions, there was one policy for which a "blanket" exception approval was provided, namely the exception to reimburse only 50 percent of removal expenses for the new hire of ladder rank faculty. For nearly a decade, they have been reimbursed for 100 percent of these expenses because of the need to remain competitive with other institutions in recruiting new faculty. There was also an unusual number of exceptions to salary increase limits allowed for personnel in a service unit, which were justified by a comprehensive analysis of all salaries in that unit, and accomplished with a reorganization where dollars were identified for that purpose.

Scope

Our review consisted of the following steps:

- Identify UC policies and from these identify those policies that provide for exceptions. This was done to identify what exception requests and approvals might be provided on campus.
- Identify campus procedures for review and approval of exceptions. This was done to understand differences among campus divisions and possibly to identify best practices.
- Interview the EVC Office personnel involved with policy coordination. This was done to get an understanding of the challenges we would face in evaluating policy exception practices on campus.
- Survey senior management to gather information on their experience of policy exception requests and approvals mainly for FY14.
- Analyze the results of the survey and take appropriate steps.

We were unable to provide assurance or absolute certainty on the level of exception request activity because there is no campus wide collection point or system generated list identifying exceptions to policy. We were dependent on survey responses and inquiry of campus senior managers who would typically be engaged in granting exception requests for information on the level and types of exception requests processed.

Based on the low level of activity and appropriateness of policy exceptions reviewed, further audit testing was curtailed at the end of the preliminary survey.

APPENDIX A – Summary of Work Performed and Results

Preliminary Survey	
Work Performed	Results
<ol style="list-style-type: none"> 1. Identify UC policies and from these those policies that provide for exceptions. This was done to identify what exception requests and approvals might be provided on campus. 2. Identify campus procedures for review and approval of exceptions. This was done to understand differences among campus divisions and possibly to identify best practices. 3. Interview the EVC Office personnel involved with policy coordination. This was done to get an understanding of the challenges we would face in evaluating policy exception practices on campus. 4. Survey senior management to gather information on their experience of policy exception requests and approvals mainly for FY14. 5. Analyze the results of the survey and take appropriate steps. 	<ol style="list-style-type: none"> 1. The UC policy website listed 419 policies of which 96 were rescinded. Of the remaining 323 current policies, 80 referred to exceptions; however, 35 of them, all Personnel Policies for Staff Members, only referred to “exceptions” in their glossaries. 2. Our search for UCSC exception procedures resulted in too large a number of references to identify divisional procedures for providing review/approval of exception requests. We decided to rely on the survey. 3. We were provided with general information about policies and implementation guidelines, and the EVC Office procedures for reviewing and approving exceptions. We were informed that there is no single practice by divisions for recording policy exception requests or approvals. Often, these exist as emails that can be printed to accompany the paperwork forwarded to Accounting. Again, we thought it best to approach this subject through the survey. 4. We surveyed the following offices: Chancellor's, EVC's, Graduate Studies Div., Undergraduate Ed., Academic Affairs, Silicon Valley Initiatives, Research Div., the Library, Arts Div., Humanities Div., Social Science Div., BSOE, PBSci Div., UNEX, ITS Div., UR, BAS, P&B. 14 of the 18 responded; 78% response rate. 5. Aside from one Vice Chancellor, no one reported an unusual rate of exception requests. Responses were inconsistent in their thoroughness; therefore it was difficult to quantify them with confidence. BAS logged HR policy exceptions on a spreadsheet. The Arts Division keeps track of exceptions due to the dean's policy to discourage exception

	<p>requests, but there is a doubt that they keep track of all exceptions, as no removal reimbursements or HR exceptions were listed.</p> <p>6. The survey responses demonstrated a difficulty in obtaining an accurate record of exception request/approvals, as there is no campus requirement to log these. Given there was only one concern expressed from a Vice Chancellor about getting too many exception requests, and steps were being taken to address this condition; and because other inquiry into policy exception activity did not identify any notable activity or concerns, we decided to curtail the review at the end of the preliminary survey phase of the audit.</p>
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