

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT & ADVISORY SERVICES**

**Chancellor's Expenses Review (G-45)
Project # 23-001**

January 2023



University of California
San Francisco

Audit & Advisory Services

UCSF Box 0818
1855 Folsom Street
San Francisco, CA 94143

tel: 415.476.3851
fax: 415.476.3326
www.ucsf.edu

January 18, 2023

Clarice Estrada

Executive Director, Executive Vice Chancellor & Provost Office
Finance & Administration

SUBJECT:

Audit & Advisory Services (“A&AS”) conducted a review of the accounting and reporting of the Chancellor and Associate of the Chancellor’s funds and expenses to determine accuracy, completeness, and compliance with the requirements of the University of California (UC) Business and Finance Bulletin (BFB) G-45 policy and Regents Policy 7106.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the “IIA Standards”).

Our review was completed, and the preliminary draft report was provided to department management in December 2022. Management provided their final comments and responses to our observations in January 2023. The observations and corrective actions have been discussed and agreed upon with department management, and it is management’s responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed-upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance, and Audit Committee and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn
Chief Audit Officer
UCSF Audit & Advisory Services



EXECUTIVE SUMMARY

I. BACKGROUND

As a planned audit for Fiscal Year 2023, Audit & Advisory Services (A&AS) conducted a review of the accounting and reporting of the Chancellor and Associate of the Chancellor's funds and expenses to determine accuracy, completeness, and compliance with the requirements of the University of California (UC) Business and Finance Bulletin (BFB) G-45 policy *"Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors"* and Regents Policy 7106: *"Policy on the Associate of the President and the Associate of the Chancellor."*

The BFB G-45 policy requires each UC campus to prepare an Annual Report of Fiscal Expenses of the President/Chancellor (Appendix A) and the Annual Report of Taxable Expenses of the President/Chancellor (Appendix B). In addition, the Report of Staff Time Devoted to Personal Services Performed for the Chancellor (Exhibit 1) and the Officer's Report of Personal Use of University-Owned Equipment (Exhibit 2) must be included with the Appendix B report.

Regents Policy 7106 defines eligible reimbursable expenses for the Associate of the Chancellor and the requirements for budget and expenditure approvals by the Executive Vice President and Chief Financial Officer at UC Office of the President (UCOP).

II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to assess the accounting and reporting of the Chancellor and Associate of the Chancellor's funds and expenses to determine accuracy, completeness, and compliance with the requirements of the BFB G-45 policy and Regents Policy 7106.

The scope of the review covered expenses for FY 2022 for Appendix A and November 2021- October 2022 for Appendix B. We examined accounting records and supporting documentation for selected expenses to complete the review. Additionally, we reviewed Appendix A and Appendix B to determine whether the reports were complete, accurate, and filed timely. We reviewed transactions occurring during FY 2022 for Appendix A and November 2021-October 2022 for Appendix B. For more detailed steps, please refer to Addendum A.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in December 2022.

III. SUMMARY

Based on work performed, we determined that Appendix A and B reports were submitted timely in accordance with the due dates stated in BFB G-45.

Opportunities for improvement exist related to data capture and data validation of expenses in Appendix A and B. Any changes needed to the reporting identified were

corrected during the review. The specific observations from this review are listed below as well as in Section IV.

1. Expenses were not always properly accounted for in the Annual Report of Fiscal Expenses of the Chancellor and the Annual Report of Taxable Expenses of the Chancellor.
2. The data tools (spreadsheets) used for capturing and reporting the Chancellor's expenses are not adequately designed and populated inaccurate totals.

Additionally, during the course of this review, potential opportunities for improvement were noted for enhanced process efficiency for the G-45 reports submission process and submitting expense reimbursements for the Associate of the Chancellor to UCOP for approval prior to reimbursement.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (MCA)

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>Management Corrective Action (MCA)</u>
1.	<p><i>Expenses were not always properly accounted for in the Annual Report of Fiscal Expenses of the Chancellor (Appendix A) and the Annual Report of Taxable Expenses of the Chancellor (Appendix B).</i></p> <p><u>Appendix A:</u> Our data validation of Appendix A expenses discovered a variance of \$4,309 due to Entertainment Outside Residence expenses not properly accounted for in the report. Additionally, \$1,760 of expenses were misclassified in the General Household instead of the Support Staff expense category.</p> <p><u>Appendix B:</u> Our data validation of Appendix B expenses identified a variance of \$2,000 due to cable TV expenses being booked based on an estimate instead of the actual amount. Additionally, the following reports were not submitted with Appendix B.</p> <ul style="list-style-type: none"> • Exhibit 1- Officer’s Report of Staff Time Devoted to Personal Services • Exhibit 2- Personal Use of University-owned Equipment <p>All reports must be submitted to the Executive Vice President (EVP)-Chief Financial Officer (CFO), Office of the President (UCOP), by December 15th of each year, in accordance with BFB-G-45.</p> <p>Corrections were made to Appendix A and B during the course of the review.</p>	<p>Not properly accounted for expenses in Appendix A and B may result in incomplete or inaccurate reporting.</p>	<p>Develop validation and review procedures to ensure expense totals in Appendix A and B are complete and accurate.</p>	<p>Management Action Plan: EVCP reporting team will validate by running subtotals between report and general ledgers to make sure all expenses are captured in correct categories. The reports are usually done under very tight time constraints, so starting this year, we will start collecting data on a semi-annual basis so as to improve accuracy.</p> <p>Responsible Party: Executive Director, EVCP</p> <p>Target Completion Date: (if action has not been completed already): Semi-annual collection to be initiated June 2023.</p>

<u>No.</u>	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>	<u>Management Corrective Action (MCA)</u>
2.	<p><i>The data tools (spreadsheets) used for capturing and reporting the Chancellor’s expenses (Appendix A and B) are not adequately designed and populated inaccurate totals.</i></p> <p>Appendix A and B workbook templates contained errors and did not always accurately capture transaction totals for populating expense categories, resulting in inaccurate report totals.</p>	<p>Inaccurate totals increase the risk of under or over-reporting.</p>	<p>Ensure report totals are correct and develop validation procedures to ensure expense categories tie out correctly to the Transaction Detail Report.</p>	<p>Management Action Plan: EVCP reporting team will validate by running subtotals between report and general ledgers to make sure all expenses are captured in correct categories. The reports are usually done under very tight time constraints, so starting this year, we will start collecting data on a semi-annual basis so as to improve accuracy.</p> <p>Responsible Party: Executive Director, EVCP</p> <p>Target Completion Date: (if action has not been completed already): Semi-annual collection to be initiated June 2023.</p>

V. OPPORTUNITIES FOR IMPROVEMENT

No.	<u>Observation</u>	<u>Risk/Effect</u>	<u>Recommendation</u>
1.	<p><i>Clarifying roles and responsibilities for the G-45 report submission process will help streamline activities and reduce the potential for delays.</i></p> <p>During our review, we noted that there was no designated business unit to facilitate the collection and submission of the G-45 reports.</p> <p>Per BFB-G-45 Policy, the UC Campus Controller must send the reports to the EVP-CFO Office at UCOP by the due date of December 15th.</p>	<p>Not having adequate submission processes limits the ability to ensure reports are submitted timely.</p>	<p>Define roles and responsibilities for collecting and submitting G-45 reports.</p>
2.	<p><i>Submitting expense reimbursements for the Associate of the Chancellor to UCOP for approval prior to reimbursement.</i></p> <p>While the Associate of the Chancellor had no expense reimbursement submissions in FY2022, expense reimbursements for the Associate of the Chancellor had not been historically submitted to UCOP for approval as required by Regents Policy 7106.</p> <p>Regents Policy 7106 requires that the Chancellor’s Associate expenditures be approved by the EVP-CFO Office at UCOP.</p>	<p>Unapproved reimbursement of expenses may result in non-compliance, and expenses could be unallowed or denied.</p>	<p>Ensure the Chancellor’s Associate’s expenses are submitted to the EVP-CFO at UCOP for approval before reimbursement.</p>

Addendum A

To conduct our review, the following procedures were performed for the areas in scope:

- Obtained and reviewed University policy BFB-G-45 and Regents Policy 7106 for elements to be reviewed.
- Obtained the Annual Report of Fiscal Year Expenses of the President/Chancellor (Appendix A), the Annual Report of Taxable Expenses of the President/Chancellor (Appendix B), and other related reporting. Reviewed reports for accuracy, completeness, and compliance with University policy.
- Interviewed staff responsible for preparation of reporting and documented methodology used as well as source systems and documents used in preparation.
- Obtained chart strings for accounts used to record Chancellor's and Associate's expenses. Reviewed data from accounts to identify any unusual or inappropriate expenses.
- Selected a sample of Travel & Entertainment (T&E) expenses incurred by the Chancellor and Associate of the Chancellor and reviewed for compliance with University policy