

The logo for UC Irvine, featuring the letters "UCIRVINE" in a large, black, serif font. A vertical line is positioned to the right of the text, separating it from the "INTERNAL AUDIT SERVICES" text.

INTERNAL
AUDIT SERVICES

Chancellor's Expenses

Internal Audit Report No. I2019-107

July 18, 2019

Prepared By

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Reviewed and Approved By

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

July 18, 2019

**LARS WALTON
ASSOCIATE CHANCELLOR AND CHIEF OF STAFF
THE CHANCELLOR'S OFFICE**

**RE: Chancellor's Expense Audit
Report No. I2019-107**

Internal Audit Services has completed the limited review of the Annual Report of Fiscal Year Expenses of the Chancellor and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Mike Bathke

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee

Kim Sadler Abbey, Director of Financial Operations – The Chancellor's Office
Charvy Alacar, Senior Finance Analyst – The Chancellor's Office
Melinda Alvarez, Deputy Chief of Staff – The Chancellor's Office
Tomas Figueroa, Chief Administrative Officer – The Chancellor's Office

I. BACKGROUND

University of California, Irvine (UCI) Internal Audit Services (IAS) conducted a limited review of expenses incurred in support of the responsibilities of the UCI Chancellor for compliance with University of California Office of the President (UCOP) policy G-45: "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors" (G-45). G-45 clarifies procedures for identifying and reporting expense of the President and the Chancellors associated with their official residences. It also describes allowable expenses incurred by the officer, such as travel, entertainment, and gift expenses. Included is a review of the Associate of the Chancellor's reported expenses to determine whether the appropriate approvals were granted in accordance with Regents Policy 7106: "Policy on the Associate of the President and the Associate of the Chancellor" for expenses incurred. The review consisted mainly of determining the reasonableness and appropriateness of 2018 amounts and comparing them to previous years.

II. PURPOSE, SCOPE AND OBJECTIVES

The purpose of this review was to determine whether the reportable activity of the Chancellor's expenses complies with G-45 for the fiscal year (FY) 2017-2018.

IAS performed the following procedures:

1. Reviewed local and systemwide policies related to the Chancellor's expenses;
2. Reviewed and evaluated compliance with the approval of expenditures for the Associate of the Chancellor;
3. Performed a fluctuation analysis of the Chancellor's expenses to analyze and document any changes from 2017 to this year; and
4. Determined whether activity in support of the Chancellor was reasonable and properly reported through the appendices in G-45: Annual Report of Fiscal Year Expenses (Appendix A) and the Annual Report of Taxable Expenses (Appendix B – Reporting Period November 1, 2017 - October 31, 2018).

III. CONCLUSION

Based on the limited procedures performed, the expenses recorded in Appendices A and B that support the Chancellor and the residence appear to be appropriate and reported in accordance with University policies and procedures. Total overall spending from FY 2016-17 to FY 2017-18 dropped approximately 50% due to increased utilization of University Advancement and Alumni Relations for strategic efforts. Increased usage of the Tierney University House by the Office of the Vice Chancellor of University Advancement and Alumni Relations has resulted in an 87%¹ reduction in overall residential entertainment spending sponsored by the Chancellor. Testing by IAS shows that actual project expenditures are within the overall budget projections.

For FY 2017-18, the Associate of the Chancellor expended minimal funds. Her budget was approved for \$5,950 and she spent \$1,872 total. She did not receive any direct reimbursements and so did not need to abide by Regents Policy 7106 for any approvals. IAS has noted that for FY 2018-19, transmittals signed by the UC Executive Vice President and Chief Financial Officer were available for review on direct reimbursements made to the Associate of the Chancellor.

¹ Residence entertainment hosted by officer decreased by \$657,271 due to transitioning the primary roles and responsibilities of hosting philanthropic and donor-related events to the Office of the Vice Chancellor of University Advancement and Alumni Relations. This move maximizes the impact of UCI's community outreach strategy. Due to the fundraising efforts of University Advancement and Alumni Relations, which included events at the Chancellor's residence, funds received by the campus reached more than \$203 million in 2018.