



AUDIT AND ADVISORY SERVICES  
SANTA BARBARA, CALIFORNIA 93106-5140  
Tel: (805) 893-2829  
Fax: (805) 893-5423

June 29, 2021

To: Julie Luera  
Business and Financial Manager  
Office of the Chancellor

Re: **Executive Compensation – Chancellor’s Expenses**  
**Audit No. 08-21-0011**

We have completed a review of the Chancellor’s Expenses, a system-wide requirement, as part of the 2020-21 annual audit services plan. The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by the Office of the Chancellor’s personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen  
Director  
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang  
Stacey Janik, Senior Executive Assistant and Director of Communications, Office of the Chancellor  
Chuck Haines, Associate Chancellor for Finance and Resource Management  
UCSB Audit Committee  
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

*This page intentionally left blank.*

# UC SANTA BARBARA

UCSB Audit and Advisory Services

Audit Report

---

## **Executive Compensation – Chancellor’s Expenses**

June 29, 2021

---

**Performed by:**

Antonio Mañas-Melendez, Associate Director  
Anne-Sophie Gatellier, Senior Auditor

**Approved by:**

Ashley Andersen, Audit Director

Report No. 08-21-0011

## **EXECUTIVE SUMMARY**

### **OBJECTIVE**

The purpose of this review was to ensure that the Annual Report of Fiscal Year Expenses of the Chancellor (Appendix A) and the Annual Report of Taxable Expenses of the Chancellor (Appendix B) were prepared in compliance with University of California (UC) Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*. We also reviewed travel and entertainment expenses submitted by the Chancellor to ensure they complied with UC policies and procedures.

### **CONCLUSION**

Based on the results of the work performed within the scope of the audit, we identified the Office of the Chancellor overall properly prepared both Appendix A for fiscal year 2019-20 and Appendix B. However, internal controls could be strengthened to avoid administrative errors.

Additionally, we identified travel and entertainment expenses incurred by the Chancellor complied with UC policies and procedures.

Detailed observations and management corrective actions are included in the following sections of the report.

## **OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES**

Based on the results of the work performed within the scope of the audit, we identified the following:

- Overall, the Office of the Chancellor properly prepared both Appendix A and Appendix B for fiscal year 2019-20. However, internal controls could be strengthened to avoid administrative errors. In particular, our review identified:
  - Nine compensating errors that result in a \$35 total discrepancy between Appendix A and reportable expenses as per the General Ledger.
  - Some transactions were reported in the wrong category in Appendix A, as per UC Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*. These discrepancies impact the total amount of each category but not the total amount reported in Appendix A.
  - A \$128 total discrepancy identified in Appendix B. This discrepancy is the result of an administrative error in regards to staff vacation time. The prior payroll system (PPS) used the same object code to identify regular earnings and vacation. On the contrary, UCPath now uses separate object codes to identify regular earnings and vacation. Used vacation time was omitted in Appendix B.
- Travel and entertainment expenses incurred by the Chancellor complied with UC policies and procedures.

### **RECOMMENDATION**

We recommend the Office of the Chancellor strengthen and document internal controls in order to ensure maximum accuracy of Appendix A and Appendix B. These controls should include the reconciliation of the results with the data source.

### **MANAGEMENT RESPONSE**

The Office of the Chancellor will strengthen and document internal controls in order to ensure maximum accuracy of Appendix A and Appendix B. These controls should include the reconciliation of the results with the data source.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2021.*

## **GENERAL INFORMATION**

### **BACKGROUND**

The Regents of the University of California recognize the unique role of the Chancellors in representing the University. In performance of this role, the Chancellors are called upon to extend official hospitality to important visitors, and to entertain guests of the University in conjunction with alumni and development activities, campus events, and other official

functions.

In consideration of the duties and responsibilities of the Chancellors, the Regents provide each Chancellor with suitable housing to enable the individual to perform the administrative, ceremonial, and social functions required of the position. The Chancellors are required to occupy that housing as a condition of employment and for the convenience of the University.

Additionally, Chancellors are provided with administrative funds to supplement their departmental budgets. Administrative funds are provided by action of the Regents. The funds are provided to the Chancellor as additional resources for the performance of his official responsibilities, and all disbursements made from the administrative fund must be made for a recognized business purpose. UC Accounting Manual Chapter A-253-27, *Administrative Fund Payments*, details the policies and procedures governing the management of the administrative funds.

UC Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors* (BFB G-45) specifies procedures for identifying and reporting expenses of the Chancellor in association with their official residence, as well as addressing those expenses that may create additional taxable income for the Chancellor. Additionally, BFB G-45 summarizes and incorporates by reference other existing University policies governing allowable expenses incurred by the Chancellor, and addresses the appropriate use of the funds available to the Chancellor in support of official duties and the required reports for documenting the use of those funds.

On an annual basis, Appendices A and B must be completed to account for all of the expenses incurred by the Chancellor and his Associate. Appendix A includes all of the following expenses:

- Housing expenses of the Chancellor
- Travel expenses
- Entertainment expenses incurred outside of the Chancellor's residence
- Gift expenses
- Membership expenses
- Expenses of the Associate of the Chancellor
- Other expenses

The total amount of the expenses reported on Appendix A for the previous fiscal year must be submitted to Business & Financial Services by September 1 of the current year. In addition, Appendix B reports all of the taxable personal-benefit expenses that are incurred by the Chancellor for support staff and equipment expenses between November 1 of the prior year and October 31 of the current year. Appendix B must be submitted to Business & Financial Services by November 15 of each year.

At UCSB, the Business and Finance Manager in the Office of the Chancellor has been delegated the responsibility for collecting and reporting expenses on Appendix A and Appendix B. In addition, the Business and Finance Manager is responsible for the administration of the Chancellor's administrative fund.

## **SCOPE AND METHODOLOGY**

The scope of the review included the Chancellor's expenses incurred during the period of July 2019 through October 2020.

We gained an understanding of relevant UC policies and UC Santa Barbara (UCSB) processes for accumulating and reporting the Chancellor's expenses, reviewed Appendix A and Appendix B to ensure they were complete and prepared correctly in compliance with applicable policies, and performed limited testing of general expenses. We also reviewed other selected expenses to ensure the completeness of Appendix A. Additionally, a sample of travel and entertainment expenses incurred by the Chancellor were reviewed to ensure compliance with UC policies and procedures, including UC Policy G-28, *Travel Regulations*, and UC Policy BUS-79, *Policy on Expenditures for Business Meetings, Entertainment, and Other Occasions*.

Administrative funds allocated to the Chancellor were closed before the beginning of the reporting period and for this reason were not included in the scope of this review.

## **CRITERIA**

Our review was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the review. This review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- UC Policy BFB G-45, *Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*.
- UC Accounting Manual Chapter A-253-27, *Administrative Fund Payments*.
- UC Policy G-28, *Travel Regulations*.
- UC Policy BUS-79, *Expenditures for Business Meetings, Entertainment, and Other Occasions*.

## **AUDIT TEAM**

Ashley Andersen, Audit Director  
Antonio Mañas-Melendez, Associate Director  
Anne-Sophie Gatellier, Senior Auditor