



UCSB Audit and Advisory Services

Audit Memorandum

Annual Report on Executive Compensation (AREC)

April 12, 2017

Performed by:

Antonio Manas-Melendez, Principal Auditor

Laurie Liao, Staff Auditor

Approved by:

Jessie Masek, Acting Director

Report No. 08-17-0014

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AUDIT AND ADVISORY SERVICES
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April 12, 2017

To: Diane O'Brien, Executive Assistant to the Chancellor
Office of the Chancellor

From: Jessie Masek, Acting Director
Antonio Manas-Melendez, Principal Auditor
Audit and Advisory Services

Re: **Annual Report on Executive Compensation (AREC)**
Audit No. 08-17-0014

PURPOSE

As part of the 2016-17 annual audit services plan of the University of California, Santa Barbara (UCSB), Audit and Advisory Services has completed a review of the Annual Report on Executive Compensation (AREC) for calendar year 2016. The purpose of this review was to ensure that all individuals in the reportable population for UCSB were included in the 2016 AREC, and that the correct compensation amounts were reported for each individual.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of our work included a review of the draft AREC and the individual *Potentially Compensable Transactions - Individual Certification* documents completed by each member of the reportable population, each of which includes a *Questionnaire on Potentially Compensable Transactions*.

Our objectives were to ensure that:

- All individuals in the reportable population for UCSB were included in the 2016 AREC, and that the correct compensation amounts were reported for each individual.
- Each individual listed on the 2016 AREC completed and signed a *Potentially Compensable Transactions - Individual Certification* for calendar year 2016, including a *Questionnaire on Potentially Compensable Transactions*.

Our detailed work included:

- Using campus Data Warehouse reports to independently identify the list of employees subject to reporting, based on the established criteria, and comparing that list to the individuals included in the draft AREC.
- Determining whether all employees subject to reporting submitted a certification and questionnaire, and that the documents were filled out completely and signed by the employee.
- Comparing the compensation categories and amounts in the Senior Leadership Information System (SLIS) reports attached to the certifications with amounts included in the draft AREC, and to amounts independently generated using payroll reports from the campus Data Warehouse.
- Determine whether home loan payments were deducted.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

BACKGROUND

The Annual Report on Executive Compensation fulfills legal obligations for reporting to the California Legislature and to the public on the compensation of University of California senior managers. The report is presented to The Regents, and includes compensation data for active University employees as of December 31 that meet the following criteria:

- All incumbents in the Senior Management Group (SMG) personnel program regardless of total cash compensation, including employees in acting and interim SMG positions.
- All "Officers of the University" regardless of total cash compensation.
- All "Administrators" that are in the Management and Senior Professional (MSP) personnel program whose total compensation exceeds the reporting threshold, currently \$304,000. "Administrators" generally consists of managers, directors, executive directors, and senior leaders that are non-academic, exempt employees.
- Other specified employees, which include coaches, athletic directors, and other athletic positions whose total compensation exceeds the reporting threshold, currently \$304,000.

Individuals in the reportable population are required to submit a signed, completed *Potentially Compensable Transactions - Individual Certification* document, which includes a *Questionnaire on Potentially Compensable Transactions*. Attached to each certification is a summary report from the Senior Leadership Information System (SLIS) that details the compensation types and amounts to be reported for the individual. UCSB's SMG Coordinator is responsible for collecting all signed, completed certifications and questionnaires; completing the AREC based on information from SLIS, personnel files, and other records; and submitting the completed AREC, along with the completed certifications and questionnaires, to the UC Office of the President.

SUMMARY RESULTS OF REVIEW

Based on the work performed, the list of employees included in the 2016 AREC to be submitted to UC Office of the President appears appropriate, and the total dollar amounts of compensation and perquisites reported appear accurate. In addition, each individual listed in the 2016 AREC completed and signed the required certification and questionnaire.

The cooperation and assistance provided by you during the review was appreciated. If you have any questions, please feel free to contact me.

Respectfully submitted,



Jessie Masek
Acting Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
Vice Chancellor Administrative Services Marc Fisher
UCSB Audit Committee
Interim Senior Vice President and Chief Compliance and Audit Officer John Lohse
Laurie Liao, Staff Auditor