

**UNIVERSITY OF CALIFORNIA
SYSTEMWIDE REVIEW – EXECUTIVE COMPENSATION
JUNE 27, 2011**

I. SUMMARY

In accordance with the annual audit plan, the University of California (the University) conducted a system-wide review of executive compensation. As part of this review, we performed an assessment of the Annual Report on Executive Compensation (AREC) for 2010, reviewed the reporting requirements under Business and Finance Bulletin (BFB) G-45, Implementation Requirements on Expenses Incurred in Support Of Official Responsibilities of the President and Chancellors, and performed a supplemental review of travel and entertainment expenses claimed by senior executives.

Each location has or will be issuing a report covering their local findings, recommendations and associated planned management corrective actions. This summary report provides an overview of the system-wide findings and communicates any issues that should be addressed from a system-wide perspective.

II. PURPOSE

The purpose of this review was to:

- Evaluate the completeness and accuracy of the Annual Report on Executive Compensation (AREC) and the President's/Chancellors' Expense Reports (Business and Finance Bulletin G-45) at each applicable University location
- Assess travel and entertainment expenses claimed by senior executives for accuracy and compliance with policy

III. BACKGROUND

Executive compensation reforms were initiated in 2006 and this review is performed on an annual basis. The following items are included in the review:

- AREC for calendar year 2009. The AREC provides detailed compensation data on the senior management group (SMG) population and non-SMGs with annual income of over \$214,000 (threshold established for 2009). Total compensation is defined as salary and other cash payments made to the employee; one time reimbursements made to the employee, or on behalf of the employee; and any benefits and perquisites. This report is presented to the Regents for review and approval.
- Annual Report of Fiscal Year Expenses of the President. BFB G-45 – implementing requirements on expenses incurred in support of official responsibilities of the President and Chancellors requires that all amounts paid or accrued for the current fiscal year, whether paid on behalf of the officer or reimbursed directly to the officer, be reported.
- Annual Report of Taxable Expenses of the President. BFB G-45 – requires that services or expenses incurred in the operation and staffing of the University residence occupied by the President/Chancellor, which are of personal benefit to the President/Chancellor, be reported as they are taxable to the officer. The reporting period for the Annual Report is November 1 of the prior year through October 31 of the current year.
- Travel and entertainment expense processing for expenses incurred by the President/Chancellor and senior executives.

BFB G-45 has provisions for the following:

- Housing Expenses of the President/Chancellor (Section II)
- Travel (Section III)

- Entertainment Outside the Residence (Section IV)
- Gifts (Section V)
- Memberships (Section VI)
- Associate of the President/Chancellor (Section VII)
- Other Expenses (Section VIII)

IV. SCOPE

The scope of the review concentrated on related activities occurring in calendar year 2010 for the AREC, Fiscal Year 2009-2010 for the fiscal reports, November 1, 2009 to October 31, 2010 for the taxable reports, and Fiscal Year 2010-2011 to date for travel and entertainment expenses.

All campuses and the Office of the President participated in the review. Lawrence Berkeley National Laboratory (LBNL) participated in AREC; BFB G-45 is not applicable to LBNL.

V. CONCLUSION

AREC Reporting

In general, we continued to find that the AREC is complete, accurate and properly reports the compensation of the UC employees in the named positions and the members of the Senior Leadership Compensation Group and non-faculty administrators whose cash compensation exceeds the \$218,000 threshold. Relatively minor exceptions were noted at certain locations and were corrected by the responsible parties (SMG Coordinators) or were commented upon in the narrative addendum to the AREC.

BFB G-45 Reporting

The Annual Reports of Fiscal Year Expenses and Taxable Expenses were generally found to be prepared accurately and completely. A few minor errors and process improvements were identified in some locations.

There were no issues noted in the review of the AREC or BFB G-45 reporting that required action from a system-wide perspective.

Executive Travel and Entertainment

In general, travel and entertainment expenses reviewed were accurate and in compliance with policy. Minor deviations from established policies and procedures were noted at certain locations, but they were not indicative of a breakdown in the system of internal controls.