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October 31, 2025

Benjamin E. Hermalin
Executive Vice Chancellor and Provost

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Associate Chancellor and Chief Ethics Compliance and Risk Officer

Executive Vice Chancellor and Provost Hermalin and Associate Chancellor Griscavage:

We have completed our audit of Honoraria Payments as per our annual service plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Our observations with management action plans are detailed in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of the Office of the Executive Vice Chancellor and Provost, the Office of Ethics, Risk, and Compliance Services, the Controller's Office, and Supply Chain Management for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Jaime Jue

Jaime Jue
Assistant Vice Chancellor and Campus Internal Audit Director

cc:

Vice Chancellor Marc Fisher
Vice Chancellor and Chief Financial Officer Kelly Sparks
Associate Vice Chancellor and Controller Michael Riley
Chief Procurement Officer Russell Chung
Assistant Executive Vice Chancellor and Chief of Staff Andrea Lambert-Tan
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AUDIT AND ADVISORY SERVICES

Honoraria Payments Audit Project No. 25-796

October 31, 2025

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**University of California, Berkeley
Audit and Advisory Services
Honorary Payments**

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OVERVIEW

Executive Summary

Our audit of honoraria payments was performed as part of our approved fiscal year 2025 campus internal audit plan. The audit entailed an assessment of processes and controls to ensure the compliance of honoraria payments with campus and University requirements, specifically with respect to the nature of the underlying relationship and activity providing the basis for the payment and compliance with approval limits. Our audit scope was limited to honoraria payments to non-employees whose payments were processed through the campus procure-to-pay system during fiscal year 2024.

Honoraria are intended to be “granted to an individual in recognition of a special service for distinguished achievement for which propriety precludes setting a fixed price”. In fiscal year 2024, expenses coded as honoraria in the campus financial system totaled just over \$3 million.

Approval authority for non-employee honoraria is delegated to the individual unit level – to deans up to \$10,000 and to selected chairs up to \$2,500; honoraria to non-employees above the \$10,000 limit must be approved by the Executive Vice Chancellor and Provost.

Based on our work performed, we identified certain instances in which honoraria were not appropriately approved and/or when transactions were classified and processed as honoraria payments, but were in fact for professional or instructional services that are subject to different policies and approval routing. We have recommended that the Office of the Executive Vice Chancellor and Provost recommunicate and reinforce rules for honoraria with units. Management has agreed to take these actions, and also plans to collaborate with the campus Controller’s Office and Supply Chain Management to identify potential opportunities to enhance central campus processes to further support compliance.

Source and Purpose of the Audit

Our audit of honoraria payments was performed as part of our approved fiscal year 2025 campus internal audit plan. Its purpose was to evaluate the design and operating effectiveness of campus processes and internal controls related to honoraria payments.

Scope of the Audit

The audit entailed an assessment of processes and controls to ensure the compliance of honoraria payments with campus and University requirements, specifically with respect to the nature of the underlying relationship and activity providing the basis for the payment and compliance with approval limits.

Our audit scope was limited to honoraria payments to non-employees only. Excluded from our scope were payments to visiting scholars. Although visiting scholars are non-employees, payments to this group are processed through a process unique to this population subset that is managed separately from the primary campus honoraria payment process. In addition, there are special considerations and requirements pertaining to honoraria payments to foreign individuals. Compliance with these requirements was not included in the scope of our audit, as requirements for payments to foreign individuals pertain more broadly to all payment categories and not to honoraria alone.

Procedures entailed the sampling and detailed review of a selection of payments processed during fiscal year 2024. Payments were selected for review based on data analysis procedures to identify transactions that were potentially more likely to be non-compliant with policy based on certain characteristics and/or that entailed elevated approval requirements based on their dollar amount. We also reviewed and assessed process documentation, and conducted interviews with central campus offices involved in the review and approval of honoraria payments.

Background Information

Honoraria and related rules were historically defined in the systemwide Accounting Manual section D-371-35, “*Disbursements: Honorarium Payments*”. In 2020, this policy section was rescinded, but was converted to a procedure that is now published as part of the UCOP Accounting Manual Procedures SharePoint site. The campus has also developed guidelines to clarify and reinforce requirements for the campus community.

At a high level, honoraria are intended to be “granted to an individual in recognition of a special service for distinguished achievement for which propriety precludes setting a fixed price.”¹ Honoraria may be paid to both employee (generally academic appointees) and non-employee individuals; additional rules for honoraria payments to academic appointees are delineated in the University Academic Personnel Manual, *Section APM-666, Additional Compensation: Honoraria*.

Honoraria for non-employees are processed in the campus procure-to-pay system, BearBuy, using the “payment request form” process (versus through payroll processes for employees). A

¹ As defined in D-371-35, this definition technically pertains to non-academic honoraria versus those for academic appointees for whom honoraria would not normally be given, and that are separately defined.

specific general ledger expense account for such payments (“Honoraria - Other than University employees”) has been established. In fiscal year 2024, expenses recorded to this general ledger account totaled just over \$3 million.

Approval authority for non-employee honoraria is delegated to the individual unit level – to deans up to \$10,000 and to selected chairs up to \$2,500; honoraria to non-employees above the \$10,000 limit must be approved by the Executive Vice Chancellor and Provost.

Summary Conclusion

Based on our work performed, we identified instances in which honoraria were not appropriately approved and/or when transactions were classified and processed as honoraria payments, but were in fact for professional or instructional services that are subject to different policies and approval routing.

We have recommended that the Office of the Executive Vice Chancellor and Provost recommunicate and reinforce rules for honoraria with units. Management has agreed to take these actions, and also plans to collaborate with the campus Controller’s Office and Supply Chain Management to identify potential opportunities to enhance central campus processes to further support compliance.

AUDIT OBSERVATIONS, MANAGEMENT RESPONSES, AND ACTION PLANS

1 – Payments for Services or Instruction Processed as Honoraria²

Observation Summary	Several of the payments that we reviewed in our testing sample were processed as honoraria, but in fact were for professional services or academic instruction that should have been processed through the campus procurement and/or potentially the academic appointment (versus payment request) process, respectively.
Criteria (if available)	As defined in systemwide Accounting Manual section D-371-35, “ <i>Disbursements: Honorarium Payments</i> ”, honoraria for non-employees are intended to be “granted to an individual in recognition of a special service for distinguished achievement for which propriety precludes setting a fixed price.” Examples of non-honoraria transactions include, but are not limited to independent consultant payments governed by Business and Finance Bulletin (BFB) BUS-34, “ <i>Securing the Services of Independent Consultants</i> ”, and independent contractor payments governed by BFB BUS-77, “ <i>Independent Contractor Guidelines</i> ”, and professional services as defined in BFB BUS-43, “ <i>Purchases of Goods and Services; Supply Chain Management</i> ”. In addition, with respect to academic instruction, the campus delegation of authority “ <i>Honorarium Payments</i> ” states that “it is inappropriate to pay honoraria to individuals who make significant instructional contributions to a course... these individuals should be hired as employees in accordance with campus policies and procedures.”
Risk Statement	Engaging in services outside of the campus procurement and contracting process may present operational and legal risk to the campus in that key procurement terms and conditions and bidding requirements may not be established.
Recommendation	The Office of the Executive Vice Chancellor and Provost (EVCP) should reinforce the appropriate use of honoraria payments with the schools/colleges found to have exceptions in our testing, as well as more broadly with other academic units on a periodic basis. This reinforcement could entail meetings, presentations and/or email communications.
Observation – Background and Discussion	Several of the payments in our testing sample were processed as honoraria, but in fact were for professional services or academic instruction that should have been processed through the campus procurement and/or potentially the academic appointment (versus payment request) process, respectively. Primary reliance is currently placed on individual schools/colleges to ensure the proper handling of honoraria. However, because of the range of circumstances in which honoraria may be used, their relative infrequency, and because available

² Observations are ordered based on relative risk and significance of impact.

	definitions for honoraria are not exhaustive, it may not always be evident to departments when their use is appropriate. Accordingly, the periodic communication to departments regarding honoraria definitions and rules is warranted.
Management Corrective Action	The Office of the EVCP will take the following actions to address this observation and the one following: (1) follow-up individually with the units noted in the audit to have incorrectly processed transactions in order to review the specific exceptions and ensure unit understanding of related policies; (2) send a formal communication to all academic units to reinforce honoraria definitions and rules. In addition, the Office of the EVCP will consult and coordinate with the Controller’s Office and Supply Chain Management to ensure the clarity and consistency of the information published on their websites regarding honoraria processing requirements.
Responsible Party	Office of the EVCP
Estimated Completion Date	February 28, 2026

2 – Honoraria Payment Approvals

Observation Summary	We noted certain transactions processed as honoraria that exceeded the \$10,000 school/college approval limits, but that were not routed for approval by the EVCP as is required by existing delegations of authority, as operationalized (see Observation 3 below).
Criteria (if available)	Campus re-delegation of authority “ <i>Honorarium Payments</i> ” establishes that deans, vice provosts, vice chancellors, and the University Librarian may “approve honorarium payments of up to \$10,000 for non-UC academic appointees.”
Risk Statement	Campus delegations of authority exist to provide an appropriate level of oversight and independence in decision-making, especially with respect to transactions that may be considered exceptional with respect to policies or norms. Exceeding one’s delegation of authority violates campus rules and potentially creates a risk that decisions may not be appropriate.
Recommendation	The Office of the EVCP should reinforce approval requirements for honoraria payments with the schools/colleges found to have exceptions in our testing, as well as more broadly with other academic units on a periodic basis. This reinforcement could entail meetings, presentations and/or email communications.
Observation – Background and Discussion	<p>We noted certain transactions processed as honoraria that exceeded the \$10,000 school/college approval limits, but that were not routed for approval by the EVCP as is required by existing delegations of authority, as operationalized (see Observation 3 below).</p> <p>For one of the exceptions in our sample, we noted that the payment was funded across two different academic units such that each unit’s portion was less than the \$10,000 threshold and therefore within their delegations of authority. Taken as a whole, however, the payment exceeded the threshold and should have been routed to the EVCP.</p> <p>Primary reliance is currently placed on individual schools/colleges to ensure the proper handling of honoraria, including their routing to the Office of the EVCP. However, because of their relative infrequency and department staff turnover, the periodic recommunication to departments regarding honoraria approval requirements is warranted.</p>
Management Corrective Action	{See Management Corrective Action provided for Observation #1}
Responsible Party	Office of the EVCP
Estimated Completion Date	February 28, 2026

3 – Honoraria Delegations of Authority

Observation Summary	The delegation of authority “ <i>Honorarium Payments</i> ” published on the campus Delegations of Authority website appears to contain errors in that it delegates authority to the EVCP only “up to” \$10,000 for honoraria payments for non-employees. This conflicts with information published on the Controller’s Office website and with assertions made by the Office of the EVCP that the EVCP has been delegated authority for payment amounts above this threshold.
Criteria (if available)	Key information sources that are used by campus stakeholders should be consistent, accurate, and complete.
Risk Statement	Errors in delegations of authority potentially may affect perceptions of the validity of delegation documentation, and may result in the inappropriate level of approval for transactions.
Recommendation	The Office of the EVCP should work with the Delegations of Authority coordinator to correct and repost the delegation letter on the campus website.
Observation – Background and Discussion	As operationalized and published on various campus websites, the EVCP has the authority to approve non-employee honoraria payments greater than \$10,000, whereas the delegation letter posted on the campus Delegation of Authority website states that the EVCP’s authority is instead only up to that limit. The campus website is maintained by the Office of Ethics, Risk and Compliance Services (OERCS). We understand that that there has been a recent effort to update the website, including identifying delegations that are outdated or may need to be amended for other reasons.
Management Corrective Action	Prior to final report issuance, the relevant delegation letter to the EVCP was corrected and posted to the delegations website.
Responsible Party	Office of Ethics, Risk, and Compliance Services
Estimated Completion Date	Not applicable – This management corrective action was completed prior to final report issuance.

OTHER PROCESS IMPROVEMENT OPPORTUNITIES

Process Improvement Opportunity 1 – Website Guidance

The campus Controller’s Office and Supply Chain Management have published campus-facing websites to communicate requirements pertaining to honoraria payments. Related to the findings in the section above, we note an opportunity for management to augment these websites to provide further clarification regarding approval requirements and the differences between services and honoraria, as well as to provide links to relevant supporting documentation requirements, including any mandatory campus forms. In addition, management may wish to augment information regarding appropriate expense account classification for honoraria versus other types of one-time payments (such as for prizes), as we incidentally noted instances of non-honoraria payments that appear to have been processed properly, but that were erroneously coded to the “honoraria” general ledger account.