

The logo for UCIrvine, featuring the letters 'UCI' in a large, bold, serif font, followed by 'RVINE' in a smaller, all-caps, serif font. A vertical line separates the 'UCI' and 'RVINE' parts.The text 'INTERNAL AUDIT SERVICES' in a serif font, arranged in two lines. A vertical line is positioned to the left of the text.

## Chancellor's Expenses

*Internal Audit Report No. I2018-110a*

August 6, 2018

***Prepared By***

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***Reviewed By***

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***Approved By***

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INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

August 6, 2018

**MIKE ARIAS**  
**ASSOCIATE CHANCELLOR AND CHIEF OF STAFF**  
**CHANCELLOR'S OFFICE**

**RE: Chancellor's Expense Audit**  
**Report No. I2018-110a**

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 – Chancellor's Office  
Charvy Alacar, Assistant Operations Manager – Chancellor's Office  
Melinda Alvarez, Deputy Chief of Staff, Operations – Chancellor's Office  
Carol Jun, Assistant Vice Chancellor of Strategic Initiatives – Academic Affairs  
Tawny Luu, Deputy Chief of Staff - Strategic Programming – Chancellor's Office

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## **I. BACKGROUND**

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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. The review consisted mainly of determining the reasonableness of 2017 amounts and comparing them to previous years.

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## **II. PURPOSE, SCOPE AND OBJECTIVES**

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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) 2016-2017.

IAS performed the following procedures:

1. Reviewed local and systemwide policies related to the Chancellor’s expenses;
2. Performed a fluctuation analysis of the Chancellor’s expenses to analyze and document any changes from 2016 to this year; and
3. 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, 2016 - October 31, 2017).

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## **III. CONCLUSION**

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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. Although total spending from FY 2015-16 to FY 2016-17 remained relatively flat (there was an overall increase of 0.47 percent), expenses related specifically to residence

entertainment hosted by the Chancellor increased approximately 70 percent<sup>1</sup>. This increase is markedly less than the increase noted from FY 2014-15 to FY 2015-16 (167 percent) however, despite the fact that funding to support the Chancellor's entertainment costs is funded from a private endowment and other unrestricted, non-state funds, the increase may still be considered a perception issue in view of rising student costs and shrinking state budget allocations<sup>2</sup>.

Oversight of event budget planning and management for FY 2016-17 has proceeded to ensure the best use of campus resources as part of the overall Chancellor's event management process. The budget process entails quarterly meetings between the Deputy Chief of Staff – Operations, event management staff, and financial operations staff to review the planned events and the estimated event budgets based on the projected costs of each event with subsequent revisions discussed and approved as required by the Associate Chancellor/Chief of Staff. The Assistant Operations Manager for the Chancellor's Office monitors each project and records the actual expenses incurred for reporting at the end of the fiscal year. Testing by IAS shows that actual project expenditures are within the overall budget projections.

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<sup>1</sup> From FY 2015-16 to FY 2016-17, there was an overall increase of 11 events (from 40 to 51) and 1,594 attendees (from 3,115 to 4,709; 51 percent). Residence entertainment expenses increased approximately from \$442,662 to \$753,928 (70 percent).

<sup>2</sup> The Tierney University House is a critical component of UCI's community outreach strategy. The House is designed for events, with two-thirds of the square footage designated as public community space, allowing guests to experience UCI first-hand rather than meeting at other venues such as hotels. Since appointed Chancellor in 2014, Howard Gillman has utilized the House to build partnerships and relationships with important constituents, resulting in a greater number of events, with better quality, engaging more audiences. During FY 2016-17, 51 events reaching thousands of people were held at the House. Fundraising under Gillman's leadership has increased 389 percent, reaching a record of more than \$320 million in 2017.