

RIVERSIDE: AUDIT & ADVISORY SERVICES

July 20, 2006

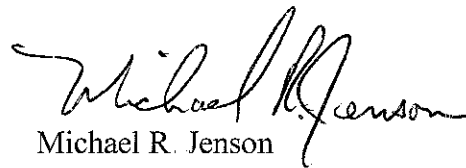
To: Patrick V. Reed
University Auditor

Subject: Review of UCR Chancellor's Administrative and University House Funds

Ref: R2006-E2

As requested, we have completed our Review of UCR Chancellor's Administrative and University House Funds. Our report is attached for your review.

Should you have any questions concerning the report, please do not hesitate to contact me.


Michael R. Jenson
Director

Xc: UCR Audit Committee members

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

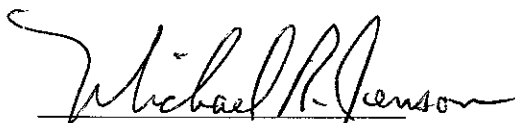
AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2006-E2

REVIEW OF UCR CHANCELLOR'S ADMINISTRATIVE AND UNIVERSITY
HOUSE FUNDS

JULY 2006

A handwritten signature in black ink, reading "Michael R. Jenson". The signature is written in a cursive style with a large initial "M" and "J".

Michael R. Jenson

Director

UC RIVERSIDE
REVIEW OF UCR CHANCELLOR'S ADMINISTRATIVE AND
UNIVERSITY HOUSE FUNDS
INTERNAL AUDIT REPORT R2006-E2
JULY 2006

I. MANAGEMENT SUMMARY

Based upon the results of our limited work performed within the scope of the audit, it is our opinion that, overall, the Chancellor's Administrative and University House funds are generally in compliance with applicable University policies and procedures. No reportable conditions were identified.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services, under the direction of the University Auditor, performed a limited review of the Chancellor's administrative and University House maintenance expenses for general compliance with applicable University policies and procedures.

B. BACKGROUND

In its effort to provide greater oversight and understanding about UC compensation policies and practices, the UC Regents Chairman and UC President ordered an independent audit of current compensation arrangements and departure packages for all positions that now require compensation approval by the Regents. In addition, the UC President requested the University Auditor to conduct regular, random audits of the Chancellor's administrative and University housing maintenance expenses to ensure compliance with University policy.

The Chancellor receives annual unrestricted UCOP fund allocations for Administrative and University House purposes. Fiscal Year 2004-05 UCOP allocations to the Administrative and University House funds were \$25,800 and \$91,980 (includes \$8,880 in one-time termite mitigation work), respectively.

C. SCOPE

Audit & Advisory Services conducted an internal control evaluation and performed limited procedures on Fiscal Year 2004-2005 activity for the Chancellor's administrative and University House maintenance expenses. The audit work performed included, but was not limited to the following:

- Performed overview procedures and detailed transaction testing to evaluate general compliance with University policies and procedures and adequacy of internal controls.
- Conducted an analytic review of payment listings.
- Toured the entire University House and grounds.
- Conducted interviews and completed operational questionnaires concerning the Chancellor's administrative and University House maintenance activities.
- Reviewed campus readiness for compliance with the recent University House policy (UC Business and Finance Bulletin G-45).

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations
- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed from January to June 2006. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.