



AUDIT AND ADVISORY SERVICES
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July 19, 2006

Patrick Reed
University Auditor

Subject: 06-440C Chancellor's Administrative Funds and House Maintenance Expenses

We have completed our audit of the chancellor's administrative funds and house maintenance expenses per your request in conjunction with President Dynes' request for an audit of senior management compensation and other expenses. This engagement has been planned and conducted in accordance with the Institute of Internal Auditors, Inc. *Standards for the Professional Practice of Internal Auditing* and the *University of California Internal Audit Charter*.

The audit objective was to assess compliance with University of California policies and procedures governing administrative funds as outlined in the Accounting Manual at A-253-27 and financial chancellor house maintenance expenditures. Additionally, we assessed these expenses to identify any unreported taxable compensation. To this end we reviewed detailed transactions and discussed activity with personnel as appropriate. The audit scope was limited to the fiscal year ended June 30, 2005.

For fiscal year 2005, the Office of the President allocated \$31,100 from Searles funding source to the Chancellor's administrative fund. The fund was not further distributed to vice chancellors or others on the campus. A separate checking account was established for related disbursements. Monthly a report of expenses was provided to Accounting Services and Control for posting to the general ledger. Expenditures totaled \$29,431.76, for 66 transactions. Summarily, expenses were for receptions and dinners related to development and recognition activities; nominal non-cash gifts of condolence; retirement, farewell, appreciation, and goodwill; Santa Barbara Club membership; and newspaper subscription. Expenses appeared to be incurred and documented in accordance with University policies. No payments were noted that resulted in additional compensation to the chancellor.

The 2005 fiscal year budget for maintenance of the chancellor's residence was \$71,700, from Searles funding source, with actual expenditures of \$39,005.97. University House expenses were segregated in the general ledger in one account, except for salary and benefits for the University House manager, which were charged to the Office of Public Events' general funds.

The activities of the manager were of an official nature giving rise to no personal benefit to the chancellor or his associate. No payments were noted for equipment or capital improvements. University House expenses appeared to be incurred and documented in accordance with University policies. Transaction detail per the general ledger is sufficient to facilitate compliance with reporting requirements under BFB G 45 - Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors effective December 15, 2005. No payments were noted that resulted in additional compensation to the chancellor.

Thank you to the chancellor and his support staff for their cooperative efforts throughout the audit process. Please advise if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley
Director

cc: Chancellor Henry Yang
Audit Committee