

***Compliance and Internal Audit***  
***Addendum to:***  
**Follow-up Report to the**  
**Task Force on UC Compensation, Accountability,**  
**and Transparency**

**August 13, 2009**

**I. Report on Progress – Compliance and Internal Audit Perspective**

**1. Disclosure and Transparency**

The following describes compliance and internal audit's role in independently reviewing management actions to implement the Task Force recommendations.

- Beginning 2007, audits have been performed at every location each year validating the completeness and accuracy of the Annual Report on Executive Compensation (including housing expenses and T & E for the President and Chancellors). These audits also validate compliance with various new policies developed, e.g. definition of total compensation, use of disclosure template, reporting of exceptions to policy, inclusion of all whose compensation dictates reporting.
- In October 2007, the SVP/Chief Compliance and Audit Officer Role and Office of Systemwide Ethics Compliance and Audit Services was implemented. This office has been working in conjunction with the Office of the President to audit and/or validate management action in complying with the task force recommendations.
- October, 2007, participation on the management Policy Review Project began where compliance and internal audit provided feedback on draft policies and related processes on an ongoing basis.
- Compliance and Internal Audit have participated in an advisory capacity on various workgroups, especially in the areas of data integrity and compliance.
- Compliance and Internal Audit have work closely with the Director of Public Information and Records to assure requests are responded to timely.
- In 2007, Internal Audit reviewed the public website with details on compensation information in conjunction with the 2007 Review of the Status of Implementation of the Executive Compensation Recommendations.

## **2. Governance and Accountability**

- Ongoing compliance monitoring and annual audits has been occurring since 2007 related to appropriate Regental and Senior Management approvals per compensation policies and procedures. Specific areas of focus are the management actions below:
  - The Regents exercise approval authority over approximately 350 staff members including
    - all Senior Management Group (SMG) members systemwide,
    - any non-SMG direct reports to the President, and
    - any non-SMG direct reports to the Chancellors whose total compensation is greater than \$275,000 and whose actions would be exceptions to policy.
  - Currently, any actions taken by the President, Chancellors or Lab Director for staff whose total annual compensation exceeds \$214,000 are reported to the Regents at each meeting:
    - Bi-Monthly Transaction Monitoring report;
    - Report on Actions Taken Under Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide (Attachment H).
- Compliance and Internal Audit review all exceptions to policy and if needed, request additional information.
- In 2006, a task force was established to develop and implement the ethics training program, mandated for all employees. The training was implemented in 2007 and then is now being integrated into ongoing compliance and conflict of interest training sessions, as well as other training modules. Over the last two years approximately 85% of all employees systemwide completed their annual training. It is expected that compliance will increase as the training is expanded.
- In 2007, internal audit at each UC location incorporates any of the newly implemented policies into their Annual Report on Executive Compensation audits. Additionally, compliance reviews drafts of any new policy prior to final approval.

## **3. Specific Policies and Practices**

- Ongoing monitoring has occurred related to policy development.
- In 2009/2010, systemwide audits of all the newly adopted compensation policies will be audited at each UC location.
- Additionally, compliance reviews drafts of any new policy prior to final approval.