



Independent Consultant's Report

Fourth Report: Independent Assessment of CSA Recommendations

Date: April 18, 2018

Period: January 9, 2018 through April 15, 2018

Observations and Findings:

Since April 2017, the University of California Office of the President (UCOP) has instituted numerous initiatives to address the State Auditor's (CSA) recommendations. Over the past three months, UCOP has submitted a number of items to the Regents directly addressing CSA audit recommendations that are slated for April 25, 2018 milestone. Regent committees and the full board have considered, discussed, and approved these submissions. The UCOP have provided to us and we have reviewed its draft response to the CSA for the one-year report as well as the supporting materials it plans to provide with its submission.

Sjoberg Evashenk has monitored UCOP efforts on an on-going basis and have reviewed not only the data provided to the Regents, but also attended workgroup meetings, reviewed, and assessed supporting documents, met with certain regents, reviewed benchmarks, and held numerous other conversations to understand UCOP efforts and conclusions.

In our view, the UCOP demonstrates an extraordinary commitment to addressing the CSA recommendations. Audits, in particular performance audits, provide "objective analysis and information needed to make the decisions necessary to help create a better future,"¹ and to improve operations, accountability and transparency of public entities. Reporting Standards for Performance Audits² state that "auditors should recommend actions to correct deficiencies and other findings identified during the audit and to improve programs and operations..." and that recommendations be "directed at resolving the cause of the identified deficiencies and findings..."³ Although the auditee, UCOP, and official leadership, UC Board of Regents, hold the responsibility for the manner that and extent to which recommendations are implemented to remediate the identified issue, in most cases we note that the UC embraced both the form and intent suggested by the CSA.

Considering the depth and breadth of the CSA's recommendations, it is remarkable that UCOP substantially met the several April 2018 recommendation milestones. Achieving these mandates is not

¹ Gene L. Dodaro, Comptroller General of the United States, page 1 of the 2011 GAO Government Auditing Standards.

² Generally Accepted Government Auditing Standards (GAGAS), Chapter 7 Section 7.28

³ Generally Accepted Government Auditing Standards (GAGAS), Chapter 7 Section 7.29

without significant cost; in addition to committing hundreds of staff hours and thousands of dollars outside professional services (accounting, classification and compensation, system reconfiguration, management consulting, and others), UCOP leaders and staff continued to respond to operational needs and perform their daily responsibilities. The challenges brought forth with the audits, related initiatives, and external pressures and perceptions have weighed heavily on UCOP in terms of morale, organizational stability, and workload. Nonetheless, genuine and diligent efforts continue with goals to meet the April 2019 and April 2020 requirements.

CSA RECOMMENDATIONS ADDRESSED TO UCOP

The CSA set 10 recommendations to address in the first year following the release of the audit. Its recommendation to reconvene the campus budget committee has a broader impact than just a single area and is addressed here first. We categorize the remaining CSA recommendations pertinent to the April 2018 deadline into the seven primary topics that generally mirror the workgroups established by UCOP to implement these findings—Salaries, Employee Benefits and Reimbursement, Workforce Planning, Fund Restrictions, Reserve Policy, Systemwide Initiatives, Budget Process, and Budget Presentation.

EXECUTIVE BUDGET COMMITTEE

Recommendation #6: *Increase opportunities for campus stakeholder input into the budget development process by reconvening the campus budget committee and establishing an agreed upon charter that describes the committee's scope, role, and protocol for reviewing and providing comments on the Office of the President's annual budget.*

We consider this recommendation fully implemented and working as intended. The Executive Budget Committee (EBC) is constituted of representatives from all campuses and the Academic Senate as well as key UCOP leaders. A charter was developed, chair chosen, and the committee meets typically on a monthly basis. We have attended a number of EBC meetings—the agendas undertaken by the committee includes presentations from UCOP representatives in a variety of areas impacting UCOP and campus budget issues. At EBC meetings, each UCOP department provided “deep dive” budget presentations to familiarize the members with the role, responsibility, activities, and staffing of each department. Members asked candid and insightful questions and UCOP staff responded and, in some cases, provided detail after the fact.

The UCOP has embraced the opportunity the EBC offers to garner campus input and feedback and has brought a number of other operational issues for discussion to the EBC—including the Huron report and proposed structural changes at UCOP.

Moreover, each of the workgroups convened by the UCOP to address the CSA audit recommendations made presentations relative to progress made on each of the matters to the EBC and solicited feedback from its members. The EBC members are fully engaged in the work of the committee and UCOP has broadly interpreted its role and has shared a number of budget associated issues for discussion and input.

Together and individually, EBC and its UCOP staff demonstrate sincere intent to make committee efforts value added and relevant to UC operations and decision-making. As the annual budget process continues to evolve the EBC members plan to be important voices in that process. Moreover, members continue to comment to us on their desires to work collaboratively on issues beyond areas relating to the CSA audit.

SALARIES

Recommendation #10: *Develop a method for weighing comparable public and private sector pay data when establishing salaries for all positions.*

Recommendation #11: *Determine how to restructure salary ranges to make certain the ranges encourage employee development and ensure pay equity.*

To address these two recommendations, UCOP formed three work stream groups to address the three general categories of staff envisioned to be within the scope of the CSA audit: Workstream 1-- UCOP employees (non-Senior Management Group); Workstream 2 Leadership employees (generally, Senior Management Group—SMG); and, Workstream 3 Staff salaries (non-academic campus employees). Represented employees are considered outside the scope of the recommendation as these positions are collectively bargained across UC. As described below, we view UCOP has fully implemented these two recommendations in form and in intent.

Recommendation #10:

The UC defined its competitive labor market both in terms of its true competition and peers—public and private AAU universities, and other employers recruiting from UC such as hospitals and health systems, and general industry employers such as tech industry (including Apple, Amazon, Oracle, Microsoft etc.), banking and consulting. Best practices in classification and compensation would suggest not including state employees, including employees of CSU, when crafting classification and compensation studies for UC employees; however, UC has embraced the provisions of California’s Budget Act of 2017⁴. Although the Budget Act provisions relate to Senior Management Group employees and “state officers” as defined⁵ each of the three workstream groups committed to matching and benchmarking state and CSU positions in as many of the UC classifications possible to comply with recommendations posed by the CSA.

The Regents convened a Working Group on Executive Compensation with an objective to develop a comprehensive policy on executive compensation and amend the UC’s Senior Management Group (SMGs) Market Reference Zones (MRZs). The Regents and UC will apply the resulting SMG methodology and philosophy, particularly the inclusion in weighting of public and private sector data, to compensation programs for all non-represented staff below the SMG level throughout the University. Thus, the results of this workgroup (undertaken in conjunction with Workstream 2 and

⁴ AB 97 Budget Act of 2017, Section 6440-001-0001—For Support of University of California, Provisions 2(b) and 2(c)

⁵ AB 97 (see footnote 4) stipulates comparable state positions as those set forth in subdivision (l) of Section 8 of Article 1 (commencing with Section 11550) of Chapter 6 of Part 1 of Division 3 of title 2 of the Government Code.

assisted by Sullivan Cotter and Associates⁶) provides “a revised methodology for weighing public and private sector salary data, defining the University’s approach to competitive compensation, and defining the labor market for campuses and the Office of the President, while incorporating data from the State of California and the California State University...” With the Board of Regents approval of the proposed MRZs for the Senior Management Group at the March 15, 2018 meeting, the rubric is set for the other two workstreams for determining the labor market and defining the approach to competitive compensation for the other two sets of employees—including incorporating data from State and CSU employees.

To assess the processes followed by Workstream 2 to set the MRZ and in doing so fulfill Recommendation 10, we attended several of the workgroups meetings, reviewed a variety of interim documents, viewed videos of the four Working Group on Executive Compensation meetings, examined the reports provided to the Working Group, conducted a number of calls and exchanges with Workstream 2 members, and reviewed in depth and detail three Sullivan Cotter reports and Reference Binders, in particular the final as provided to the Regents on March 15, 2018.

The working group determined that campuses would be classified in two groups—those with health services and those without health services—as operating and managing medical centers adds significant requirements to experience and expertise, complexity, and scale. In benchmarking SMG positions, the campus groups with medical centers were matched with similar market sector groups whereas those campuses classified as “campus without health centers” were benchmarked to the less complex peers and comparators. Importantly, State and CSU data were appropriately incorporated into the non-health services group of campuses. Positions deemed as “System” were benchmarked to CSU and State positions as well as public and private AAU and institutions comprising competitors defined by California Post-Secondary Education Commission where possible.

The Sullivan Cotter work products provide the parameters and criteria used for each SMG position—campus and UCOP. We reviewed these attributes, conclusions, and assumptions and agree with the process followed in application to the SMG positions including the benchmark entities and the weighing formulas. UCOP concludes that after extensive review of State and CSU positions 50 percent of leadership (SMG) academic positions were matched to CSU positions and 85 percent of administrative/operational SMG positions were matched to CSU and/or State positions.

CSU data were included for eight of its campuses with budgets of at least \$300 million which is the approximate size of UC’s smallest campus, UC Merced. The CSU data are averaged in the group of public institutions and a weighted average calculated—generally, weighting was 68 percent public and 32 percent private institutions, but could vary depending upon the position. For “System” positions, the market data were 50 percent higher education (including CSU) and 50 percent general industry and State data. General industry data sources were limited to three, thus making the State data a minimum of 25 percent of that group or 12.5 percent of the total and up to 50 percent depending upon the availability to find an appropriate general industry sector match.

⁶ Sullivan Cotter and Associates is a management consulting firm specializing in workforce and compensation matters.

We examined the data included in the reports for consistency and reasonableness and selected 8 positions/classifications for further examination. We found that for each position selected, that State and CSU data were included when position matches were found. Weighting methodology complied with the stated approach and followed best practices. Further, final MRZ calculations for the sampled items in most cases were comparable to CSU, State, or public higher education survey results.

Workstreams 1 and 3 will following the Regents-adopted methodology. The Working Group on Executive Compensation defined UC’s competitive labor market and defined the weightings to these markets as a minimum weighting of 50 percent to higher education (including CSU) and 50 percent to other sector (general industry and state agencies) with those positions with State matches having a minimum of one-quarter of the 50 percent weight or a minimum of 12.5 percent in total. These documents and regents’ actions demonstrate the complete fulfillment of Recommendation 10.

Recommendation #11:

Recommendation 11 asks UCOP to assess ways it should or could restructure its salary ranges to make certain the ranges encourage employee development and ensure pay equity. The nature of this recommendation relates primarily to UCOP and campus staff—those positions that are not



represented, not academic, and not SMG, although some SMG positions can be top positions for certain job families or paths.

The UC employs Career Tracks, a systemwide job classification and progression structure, developed at UC Berkeley and implemented in 2009 under a different name. Recognizing the value of such a system, around 2012, UCOP created an initiative to systematize this career

application to ensure applicability and consistency for the whole system. UC Merced and UCOP were pilot adopters of Career Tracks during fiscal year 2013-14, and, after lessons learned and improvements to the system and updates to the components, as of May 2018, Career Tracks will have been implemented at all campuses and medical centers except for Irvine and UCLA that are scheduled for completion by mid-2020.

The goal is to offer more transparent classification and career planning and to align UC jobs to the external job market. Career Tracks allows UC to define job titles consistently within each location and across the UC.⁷

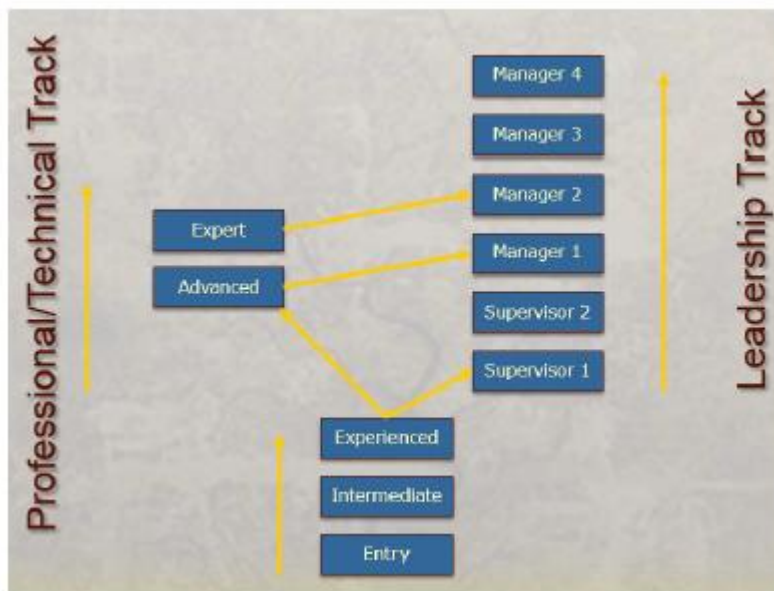
Specifically, UC identifies the following benefits for UC employees and managers⁸:

⁷<https://www.hr.ucsb.edu/sites/www.hr.ucsb.edu/files/docs/CT%20Web%20General%20Info%20Document%20120715.pdf>

⁸ <https://ucnet.universityofcalifornia.edu/working-at-uc/your-career/career-tracks/index.html>

- Better defined career paths within job families and functions. Skills, knowledge and abilities are built into the models to assist employees in plans for professional development and progression.
- As a systemwide application, employees can see how to advance their careers at any UC location.
- Job titles reflect primary job responsibilities—intended to assist in developing, recruiting, and retaining qualified employees.
- Pay practices are aligned with the local labor market (and in the future also inclusive of state and CSU salary comparatives where possible) allowing managers to make better pay decisions.

Positions in Career Tracks follow one of two tracks – the Professional/Technical Track (a.k.a. the Individual Contributor track) and the Leadership Track. The UC offers the following diagram to show how an employee may promote through their career, and that following a professional track can yield similar compensation and classification levels as the leadership track.⁹



The Career Tracks system provides a classification and compensation system that includes position descriptions, position families, required skills, knowledge and ability provisions, job progression, and salary information. The efforts of Recommendation #10 will impact the salary provisions in Career Tracks as will future determinations about narrowing salary ranges. Further, within these areas, UC is working to facilitate job mobility around the entire system.

Career Tracks was established to employ a salary structure based on market rates rather than being employee value related. The goal is that the salary range is set for the position and that each

⁹ <https://www.hr.ucsb.edu/sites/www.hr.ucsb.edu/files/docs/CT%20Web%20General%20Info%20Document%20120715.pdf>

individual salary will allow consideration of the individual's experience and skill in setting the salary within the established salary range. At the March 2018 Regents meeting, the Regents adopted the results of the MRZ efforts undertaken for SMG ranges that specifically include a weighting methodology for State and CSU employee salaries when determining salary ranges. With this action, the UCOP will apply the same methodology to Career Tracks positions—thus not only including market rates but also CSU and State salaries when determining new salary ranges. With the inclusion of CSU and State employee salaries, salary ranges within Career Tracks will reflect fairness and equitability with both public and private sectors; thus, fulfilling the CSAs recommendation.

EMPLOYEE BENEFITS AND REIMBURSEMENT

Recommendation #12: *Evaluate and identify needed changes in employee benefit policies to ensure they include reasonable safeguards to control costs.*

The CSA identified 10 “employee benefits” for evaluation. Over the past year the UCOP conducted benchmarking to the State, CSU and other universities and adopted changes to address CSA concerns. With the March 15, 2018 Regents actions, we consider each of the audit issues addressed and fully implemented and appropriately address the CSA's intent to instill reasonable safeguards to control costs into each of these policies.

Some of the employee benefits suggested for review are Regents Policies and some are University Policies. As such, some require actions by the regents to change while others can be amended administratively.

During the March 15, 2018 Regents Meeting, the regents voted to amend the two policies—Regents Policy 7709, SMG Automobile Allowance and Regents Policy 7710, Moving Reimbursement—and rescinded Regents Policy 7711 Relocation Allowance.

- **Automobile Allowance.** The amended Regents Policy 7709 terminates the automobile allowance for any new SMG hires or appointees. Those SMG members currently receiving automobile allowances will continue to receive the benefit until they separate from their current position or change positions within the University.
- **Moving Reimbursement.** Regents Policy 7710 is amended to incorporate provisions that allow for the reimbursement of moving and/or relocation expenses for SMG members as simultaneously the Regents rescinded the relocation allowance policy. Generally, the amended policy allows for reimbursement of reasonable actual costs incurred in moving/relocating within stipulated limits and requires receipts, evidence of cost, and time limitations for reimbursement. The new policy now includes the sale of residences and affords some level of cost discretion (with stipulated limits) depending upon the prevailing practices in area of the sale and affords some reimbursement for settling existing residential leases.
- **Relocation Allowance.** Regents Policy 7711 related to relocation allowances for certain SMG hires. This policy is rescinded.

- **Moving and Relocation.** UCOP updated the Business and Finance Bulletin G-13 Policy and Regulations Governing Moving and Relocation to accommodate, closely control, and align provisions with Internal Revenue Service Codes. The policy was effective October 15, 2017.

In addition to addressing the prior three Regents Policies, the Regents also approved amendments to the following UC Policy:

- **Senior Management Supplemental Benefit Program PPSM II-71.** Senior Management Supplemental Benefit Program provided benefits to Senior Management (SMGs) whereby the University would make contributions to the Retirement Savings Program Plans in lieu of the benefit provided under the Senior Management Severance Pay Plan. Previously, the President took action stating she would not be recommending or approving participation in this benefit program for new hires or appointees. The amended policy, approved by the Regents in March 2018, sets forth that the University will no longer offer participation in the Supplemental Benefit Program to new hires or new SMG appointees but allowed those currently participating to continue until separated from their current positions or change positions within the University.

UCOP addressed the following policies administratively and we view these actions to fully comply with CSA recommendations:

- **Business Meetings and Entertainment.** UC has systemwide policies related to business meals and entertainment. UCOP administratively restricted these expenses, under morale building and entertainment provisions, to \$19 per person or \$500 for an event, whichever is less. Moreover, such events are limited to once annually. The policy also relates to meetings. A core function of UCOP is to facilitate the convening of meetings bringing campus leaders, academics, researchers, and personnel, students, donors, and other stakeholders together. Providing a meal for these meetings allows for participants to stay on site and continue to collaborate and network during these breaks. The allowances afforded in the UCOP administrative policy provide reasonable parameters for such events with the internal controls requiring approvals and cost reviews deterring any potential abuse—meeting the CSA’s stated purpose of “reasonable safeguards to control costs”.

On April 13, 2018, UCOP set a more restrictive parameter on the policy for meetings involving UCOP employees only. A \$74 per day maximum is set for such meetings and requires that meetings must be three hours or more in duration and cover a normal meal period. Any UCOP-staff meeting not expected to fall within these parameters must be pre-approved.

These policy changes apply to UCOP only and have not been issued systemwide, as campuses found that such restrictions would severely limit necessary activities related to the core mission. Campuses (and UCOP) can adopt more restrictive provisions and communicate these local rules on their websites.

- **Retirement Events, Morale Building, STAR Awards Programs/Performance Awards.** UCOP policies provide for a number of cash and non-cash awards for various purposes. UCOP has reduced, restricted, or entirely curtailed some of these programs in response to CSA recommendations. The use of UCOP funds for retirement appreciation events and gifts is no longer allowed. The STAR program is reduced from a maximum of the lesser of 10% of salary or \$5,000 to a maximum of \$500 one time annually and Spot Awards are limited to a maximum of \$75. Morale building events are limited and the process prescribed. As these are administrative policies, the UCOP has oversight; the CSA has accepted these changes.
- **Stipends—PPSM-30.** This policy addresses “administrative stipends” for employees temporarily assigned, for at least 30 days, responsibilities of a higher-level position or duties not part of the employee’s regular position and may not exceed 25 percent of the employee’s base pay. Generally, this assignment should not exceed one year. Rules for State non-represented employees, as established in California Code of Regulations¹⁰, address “Out of Class Assignments” and allows eligibility sooner to employees undertaking out-of-class assignments (15 days or more). These regulations stipulate that pay for the assignment shall be “the rate of pay the excluded employee would receive if appointed to the higher class for the entire duration of the assignment” but does not set limitations for the percentage.

In response to the CSA, UCOP reissued procedures relating to PPSM-30 reiterating the approval process for stipends and reducing the amount of the stipend from up to 25 percent of employee base pay to up to 20 percent of employee base pay. The UCOP intends to formally amend the policy.

- **Cell phones.** Effective October 15, 2017, the UCOP issued more stringent mobile device policies and practices. Through UCOP telecommunications, all current mobile devices and plans will be reviewed for compliance with the new policy and practices and Chiefs of Staff are directed to review the mobile device inventory within their departments to validate eligibility against the new criteria. The CSA considers this recommendation complete.
- **Meals and Lodging.** In May 2017, UCOP amended the University’s G-28 Travel Policy to limit meals and incidental expenses. The new limits are within those set by the State and CSU. Regent Perez noted concern with the process for controlling the instances of lodging above the limit. The UC policy requires that the traveler must submit written justification of why a rate under the cap cannot be obtained and provide screen shots of price comparisons within the proximity of the meeting location, stating the comparison should be done at time of booking. The State’s provisions require prior approval of the excess rate using a request form¹¹ that requires a listing of at least three contacted hotels in the vicinity and certain documentation including evidence showing a reasonable effort to find lodging at State-specified rates. The CSA accepted the amended travel rules as they align with CSU.

¹⁰ California Code of Regulations §599.810

¹¹ STD 255C

SYSTEMWIDE INITIATIVES

Recommendation #18: *Develop and use a clear definition of systemwide initiatives and administration to ensure consistency in future budgets.*

Recommendation #19: *Develop a comprehensive list of systemwide initiatives and presidential initiatives, including their purpose and actual cost that will be used in the regents' meeting previously mentioned.*

In total, 8 CSA recommendations relate to Systemwide Initiatives and were assigned to this workgroup; the two recommendations detailed above are pertinent to the April 2018 milestone. In full compliance with the CSA recommendations, the workgroup developed a decision tree and definitions for classifying all UCOP-Affiliated functions, those characterized as wholly or in part funded through the Office of the President budget and/or receive State General Funds through an annual set aside.

The workgroup developed definitions related to the categories splitting functions into “central and administrative services” and “UCOP-affiliated programs and initiatives.” As sources to compile the portfolio, the workgroup gathered data from several sources including the CSA Audit List of Programs, Legislative Analyst Office list of programs, UCOP budget data for two fiscal years, State General Fund set-aside allocations for two fiscal years, and historical data from Academic Affairs division. Background information such as costs and program purpose were gathered for the “Master Data Set” upon which the workgroup conducted a comprehensive review that included applying the decision tree tool to each function and assigning each into one of two categories--central and administrative services or UCOP-affiliated programs and initiatives.

Central and administrative services include functions determined to be administrative support or central operational services for “which there is a clear benefit to having one entity perform on behalf of the entire system, capturing economies of scale.”¹² From this initial evaluation, it was determined that 20 items fell into the central and administrative services category. Several other items identified within the original data sources were either defunct (6 items) or were campus only programs with no UCOP affiliation (17 items) and should not be included in the portfolio.

The remaining UCOP-Affiliated Programs and Initiatives were categorized into five groups defined as follows:

- **State/Federal Program**: A function that is either required by current legislation; or that UC operates – by contract – on behalf of the State or federal government (18 programs).
- **Campus Program**: A function that exists solely at one or two campuses and is not systemwide in reach or impact (11 programs).
- **Systemwide Program**: A function that benefits the State, multiple campuses, or entire system, and is funded with ongoing or permanent funds (30 programs, of which 5 have a total of 28 additional subprograms).

¹² March 14, 2018, Report to the UC Regents, Finance and Capital Strategies Committee

- Systemwide Initiative: A function that benefits the State, multiple campuses, or entire system, and is funded solely with time-bound or single-occasion funding commitments (1 initiative).
- Presidential Initiative: A function launched by a UC President to address University, statewide, national, or global issues, that is solely funded by time-bound or single-occasion funding commitments (9 Presidential Initiatives).

The workgroup completed a comprehensive matrix that identifies name, category, program summary, funding summary, stakeholders, and funding amounts by type of source. The workgroup completed the detailed descriptions for each of the nine Presidential Initiatives. The decision tool, definitions and categorization, descriptions of the Presidential Initiatives and funding amounts and sources were presented to the Regents at the March 14, 2018 meeting and continued to be refined for submission to the CSA.

The detailed UCOP-Affiliated Programs and Initiatives matrix (Attachment 5 of the Regents Item) categorize funding in four general groups:

- Unrestricted—includes two categories, State General Funds and other unrestricted funds.
- Restricted—includes six categories, restricted central (only National Laboratory program classified in this group); restricted endowments, gifts, and private funds; restricted revenue; restricted State funds; restricted Federal funds; and, restricted other.
- Temporary funds
- Non-OP Budget State General Fund set-asides.

These funding categories are fairly generally understood with the exception of the “set asides.” These are State General Funds that are excluded from the funding allocated to campuses based on enrollment under UC’s “rebenching process.” For the most part, programs funded by set-asides if the program is deemed specialized and vital to university activities and benefits campuses on a systemwide basis. The President makes set-aside determinations typically in consultation with campus leadership and decisions to continue to fund a program in this manner is at the President’s discretion. A few set-asides fund programs run by UCOP and flow through the UCOP budget, similar to when set asides flow to campuses that those funds are reflected on the campus budget.

The CSA in its 6-month report response to the systemwide initiatives and programs recommendation was critical that the listing of the initiatives provided to the CSA did not reconcile back to the FY 2017-18 UCOP budget. UCOP prepared a comprehensive reconciliation to address this issue. We reviewed and tied the reconciliation to key documents and found it complete and meeting the auditor’s concern.

We reviewed in detail the information provided to the Regents, attended workgroup meetings, and followed up with UCOP on a number of items. Further, we reviewed the proposed submission to the CSA and them complete, thorough, and following the definitions developed and fully addressing both Recommendations--#18 and #19. UCOP plans to incorporate these program definitions into its FY 2018-19 budget to be presented in May 2018.

WORKFORCE PLANNING

Recommendation #13: *Complete phase one of CalHR’s best practice workforce planning model by developing a strategic direction for its workforce plan.*

Over the course of three years, the CSA recommendations require UCOP to adopt provisions of the CalHR five-phase model for developing a workforce plan. In undertaking Phase 1, setting the strategic direction for the workforce plan, the UCOP conducted a significant research and exploratory effort to define the UC’s business case, establish an approach, conduct benchmarking, and develop a workforce planning framework. The workforce planning workgroup documented its findings, plans and progress into a draft report submitted to the Regents during its March 2018 meeting with the intent to demonstrate completion of Recommendation 13. The CSA spreads the CalHR 5-phase process over three years. The text box reflects the 5 phases.¹³

State of California Workforce Planning Model
Phase 1 - Set The Strategic Direction for the Workforce Plan
Phase 2 - Gather and Analyze Departmental Data for the Workforce Plan
Phase 3 - Develop the Workforce Strategies and Plan
Phase 4 - Implement Strategies
Phase 5 - Evaluate the Workforce Plan

The UCOP defined its process as “the systematic process of identifying and addressing the gaps between the current workforce and the future talent needs” and to accomplish this, UCOP must understand the gap between current skills, competencies, knowledge, and capabilities and those that are needed in the future.¹⁴ To obtain a firm understanding of current approaches to workforce planning, the workgroup determined the first step in the

workforce planning strategy as identifying best practices of not only CalHR, but also in higher education and in general industry. The UCOP workforce studied CalHR workforce planning materials and conferred at length with CalHR leadership to better understand the approach it took to build the model and to understand how CalHR is implementing their workforce strategy. Additionally, the UCOP workgroup sought to identify best practices in the area applied by peers—those focusing on teaching, research, and public service—and developed a set of 27 public and private top teaching and research institution. Of the 27 contacted, 9 agreed to interviews, and only 2 were conducting workforce planning. These two institutions used two different models: Human Capital Institute model and a Mercer model. UCOP also researched industry best practices.

After considering the steps in the CalHR plans and evaluating the various components of the other models, UCOP applied steps to each phase of the 5-phase plan that align with the steps set forth in the CalHR model; the following reflects the steps to fulfill Phase 1.

1. Obtain executive support for the plan
2. Establish stakeholder ownership for the plan
3. Align workforce planning efforts with UCOP’s strategic direction

¹³ <http://www.calhr.ca.gov/state-hr-professionals/Pages/state-of-california-workforce-planning-model.aspx>

¹⁴ March 14, 2018, UC Regents Meeting, Governance and Compensation Committee, page 1.

4. Gain a preliminary understanding of the current workforce
5. Identify environmental factors that impact UCOP's workforce needs
6. Analyze current and future impact of these environmental factors

We assessed the success of the workgroup in completing Phase 1 of the workforce planning effort by reviewing a number of sets of information, attending workgroup meetings, attending related EBC meetings, and holding a number of conversations with leaders over the past three months. We found that each of the six steps listed above have been achieved. The plan has executive support and cross-functional stakeholder ownership and participation in the processes—addressing steps 1 and 2. For step 3, the workgroup found and evaluated strategic plans involving 82 percent of UCOP staff within five of its major divisions. Each of the five strategic plans had common objectives including “workforce/people development” with goals involving diversity and inclusion, career and leadership development, hiring practices, and people management and effectiveness. However, it is likely that these strategic plans will soon become outdated with the influences of the CSA report and the UCOP Organizational Optimization report issued in February 2018. Given the evolving dynamics of the UCOP structure and potentially its workforce, any definitive answers to question 3 cannot currently be answered and are thus unachievable. Nonetheless, the efforts to understand each of the major division’s strategies allow the workgroup to incorporate those values and objectives into their plans.

In addition to CalHR requirements, the UCOP is also piloting a workforce planning tool that will assist in budgeting for personal services and benefit costs. This tool, once refined and adopted, is anticipated to be incorporated into not only the labor force planning efforts at UCOP, but also the budget planning processes.

Question 4 is complete—it requires that UCOP gain a preliminary understanding of its workforce, which it has accomplished. A February 2018 report provides the basic information related to headcount, gender balance, years of service, and separations. Additionally, other workgroups have recently completed projects to address different CSA recommendations relate to salaries (and inherently position mapping, classification, and compensation) which provides additional detail for the workforce workgroup and a more complete picture of the various components of its workforce. Questions 5 and 6 relate to internal and external factors influencing workforce needs; these factors are every-changing and many are outside of the UC’s control. Even so, we note that the workgroup identified numerous issues in areas of economic, political, cultural, technological factors UCOP must address in these planning efforts and articulated the potential impact of these challenges, thus completing the last planning steps.

The workgroup developed a comparative matrix to delineate its approach to all five phases of CalHR’s model as recommended by the CSA; that matrix is presented on the following page.

Workforce Planning Steps	CAL HR Model	UCOP Model	HCI Model	Mercer Model
Phase I: Set the Strategic Direction for the Workforce Plan				
Obtain executive support for the workforce plan.	✓	✓		✓
Build a project team from all parts of the organization, and garner feedback from key stakeholders throughout.	✓	✓		
Best practice analysis: Identify and compare work-force planning models used by peer institutions		✓		
Review organizational strategic plan: align workforce planning to mission and critical functions.	✓	✓	✓	✓
Conduct preliminary analysis of available workforce data		✓		
Identify internal and external environmental factors that impact the department's workforce needs.	✓	✓	✓	
Analyze impact and future implications of these factors on the org's mission and critical functions.	✓	✓		
Phase 2: Gather and Analyze Workforce Data (continued)				
Conduct a pilot to socialize with leadership the process of assessing current staff and future needs		✓		
Perform a supply analysis to understand current workforce (composition and competencies).	✓	✓	✓	✓
a. Gather and use three years of employee staffing data for the trend analysis (part c).	✓	✓	✓	
b. Develop competencies for each level of the organization; use an assessment process to understand workforce competency.	✓	✓		
c. Evaluate and forecast the impact of separations and demographics on each classification.	✓	✓	✓	✓
d. Compare your workforce profile to statewide data to gain perspective on statewide trends.	✓	✓		
Perform a demand analysis to understand current and projected workforce needs.	✓	✓	✓	✓
a. Factor in input from division/program area leaders about critical positions and future needs.	✓	✓	✓	✓
b. Identify the workforce staffing and competencies needed to meet current and future demands.	✓	✓	✓	✓
Compare current and future workforce supply to the current and future demands (gap analysis).	✓	✓	✓	✓
Develop a list of classifications by risk level to prioritize strategy development in Phase 3.	✓	✓	✓	✓
Phase 3: Develop the Workforce Strategies and Plan				
Classify issues: recruitment, retention, employee development, knowledge transfer, succession planning, etc	✓	✓		
Present to Steering Committee gap analysis findings and list of at-risk classifications to determine priorities	✓	✓	✓	✓
Work together to develop strategies to address gaps and issues in at-risk classifications.	✓	✓	✓	✓
Determine which solutions will be recommended to senior leadership, and present these for approval.	✓	✓	✓	✓
Develop a comprehensive workforce plan which includes data, analysis, and strategies for addressing identified needs.	✓	✓	✓	✓
Create an action plan with specific, measurable, achievable, realistic and time-based metrics for each strategy.	✓	✓	✓	✓
Phase 4: Implement Strategies				
1. Follow action plan and evaluate progress.	✓	✓	✓	✓
2. Establish governance to ensure accountability and success.	✓	✓	✓	✓
3. Provide training to all parties identified in the action plan regarding their responsibilities, and tools and resources needed.	✓	✓	✓	
4. Develop a communication plan to share progress, and maintain engagement and support for the plan's strategies.	✓	✓	✓	✓
Phase 5: Evaluate the Workforce Plan				
1. Monitor progress against milestones.	✓	✓		
2. Evaluate the workforce plan and ongoing activities related to the plan's strategies.	✓	✓	✓	✓
3. Adjust the plan to make course corrections and to address new workforce issues.	✓	✓		
4. Add appendices to the workforce plan with all changes and updates to the plan.	✓	✓		

Overall, in our view, the UCOP fully adopted not only the CSA recommendation, but has also embraced the form and intent. Its effort thus far have exceeded the minimum necessary to address the recommendation. As shown in the table above, UCOP has not simply adopted the CalHR model, but incorporated into its model additional steps.

FUND RESERVES

Recommendation #4: *Develop a reserve policy that governs how large its reserves should be and the purposes for which they can be used.*

The fund reserves workgroup benchmarked against a broad group of entities including State of California, CSU system, 10 university systems, 13 public and private universities, 3 cities, and a private foundation. It obtained usable data from these entities except for three university systems. After assessing all the major areas of funds held by UCOP including building and equipment reserves, program reserves, strategic priorities reserves, and operating reserves, the workgroup identified two reserve pools, central operating reserve and strategic priorities reserve needing parameters.

On January 25, 2018, the Regents adopted the proposed Policy on the Central Operating Reserve for the University of California Office of the President. This policy sets forth the guidelines and parameters for establishing and using a fund reserve of UCOP. The stated purpose “is to fund UCOP operations in the event of an unanticipated one-time disruption in funding.”¹⁵ The Operating Reserve is to be funded through the President’s Endowment Fund (designating \$15 million or at least three and a half percent of covered funds and expenses, whichever is greater) and this reserve must be held in investments with sufficient liquidity to be immediately available—cash within three days, without penalties. Additionally, should UCOP’s needs exceed the \$15 million reserve, the policy stipulates that the Central Operating Reserve can be supplemented up to an additional \$100 million (or up to three months of operations) from other sources such as loan from the STIP or special payout from unrestricted endowment funds as recommended by the Chief Financial Officer. In our view, the \$15 million reserve is reasonable; it covers approximately 9 to 10 days of operations or two business weeks. One-time disruption of longer than two weeks should require extraordinary measures and attention; with the STIP available, the UCOP should have the means available to meet most extraordinary demands

The CSA criticized the UCOP’s past practice of using year-end unrestricted budget balances for one-time, temporary funding of programs or needs and not disclosing such amounts in the budget presentation to the Regents. To respond to the CSA’s recommendation to “combined both the disclosed and undisclosed budget into one budget presentation” UCOP created the Strategic Priorities Fund with explicit purposes to fund “term-limited priorities and initiatives.”¹⁶ The first step in the process to establish this fund involved committing \$2 million from the existing President’s Initiative Fund to the AB97 redirection, eliminating that fund and the incorporating of the remaining \$7.8 million into the new Strategic Priorities Fund (SPF). The President approved the policy guidelines and the Regents reviewed these provisions in January 2018. The policy recommends funding the SPF at about \$30 million per year and sets forth provisions for allowable expenditures, application and approval processes for using these funds, and the basis for payments including that any expenditures over \$5 million requires approval by the Chair of the Board of Regents. Finally, as reflected in the

¹⁵ University of California, Presidential Guidelines Governing the UCOP Central Operating Reserve, issued February 1, 2018 and effective July 1, 2018.

¹⁶ January 24, 2018, presentation to University of California Regents, Finance and Capital Strategies Committee

budget presentation prototype documents (see Budget Presentation section of this report), the SPF will have a unique schedule reflecting all Presidential Initiatives and projects funded by the SPF.

In addition to these operating policies, UCOP decided that housing (must maintain reserve of at least 25% of debt service), medical centers, UC SHIP, insurance, and campus reserves are outside the scope of the workgroup. While for the purposes of meeting CSA recommendations these groups are outside the scope of the workgroup, we believe that over the next few years the UCOP should review each of these reserves to determine appropriate levels and ensure they remain within those parameters.

At the January 25, 2018 Regents meeting, the Regents adopted the proposed Regents Policy on Central Operating Reserve for the UCOP and the guidelines governing the Central Operating Reserve. Further, on February 1, 2018, UCOP issued the policy and regulations governing the UCOP Central Operating Reserve and the provisions for the SPF will become effective July 1, 2018, aligning with the FY 2018-19 budget.

We find this recommendation fully implemented.

FUND RESTRICTIONS

Recommendation #3: *Document and review the restrictions on its funds and fund commitments to determine whether it can reallocate any of these funds to its discretionary budget for eventual reallocation to campuses.*

As part of its review of UCOP's budget information, the CSA conveyed concerns about its funds. A critical aspect of the CSA's discussion focused around determining a full "inventory" of funds, tracing the nature and underlying provisions for the use of those funds, and evaluating when a fund could be reclassified as unrestricted and be available for systemwide spending. We attended a number of workgroup meetings, reviewed interim documents, conducted a number of discussions and reviewed data underlying the conclusions. We find that the UCOP has complied with the CSA recommendation #3 and has identified funds for potential reuse or allocation back to campuses.

The UCOP workgroup convened to address this recommendation completed the following:

- Using funds on the books as of June 30, 2017 and June 30, 2016, the group created an inventory of funds, noting fund balances, and also reviewing the activity in the funds as some had no fund balance but were active during the period.
- Funds were grouped and classified by applying GAAP and budget definitions for restricted and unrestricted. We provide a brief description of the definitions developed by UCOP.
 - Restricted funds—those subject to externally imposed restrictions.

- Unrestricted funds—funds that are not subject to externally imposed restrictions governing their use. Because unrestricted funds may be designated for specific purposes by the Regents or UC management, further definitions were developed.
- Regents-designated funds—guided by Regents policies or previous actions.
 - Funds designated for a specific purpose and are intended to fulfill certain academic, research, and public service missions, including funds that were generated by self-supporting programs or for purposes approved by campuses.
 - Agency (pass-through) funds—under fund accounting definitions, agency funds belong to another entity and are flowing through the books of another—in UCs case these funds flow through UCOP to campuses or third parties.
 - Undesignated funds—those unrestricted under accounting rules and are available for spending.
- The workgroup identified 534 funds and excluded 68 funds as accounting adjustments, loans, clearing accounts and systemwide self-insurance reserves, as reflected in the March 14, 2018 report to the Regents Finance and Capital Strategies Committee. A group of funds were eliminated from evaluation—those that were used for accounting accruals, loans, clearing accounts, and systemwide self-insurance reserves (such as those supporting Fiat Lux, UC SHIP, UC Care, and Be Smart About Safety). The following table was developed by the workgroup and presented at the Regents March 14, 2018 meeting. Important to note when viewing the table, fund balance amounts are at a point in time and as transactions occur the numbers will change accordingly.

<i>(amounts in thousands)</i>	Number of Funds	Balance as of June 30, 2017	Balance as of June 30, 2016
Reconciliation			
Total Office of the President fund balances (from above)	466	\$404,198	\$436,793
Excluded funds:			
Accounting adjustments, loans and clearing accounts	31	(24,583,764)	(20,907,974)
Systemwide self-insurance reserves	37	218,270	163,563
Total fund balances⁽²⁾	534	\$(23,961,296)	\$(20,307,618)

(2) Source was fund balances on the Office of the President UCLA general ledger.

The workgroup researched the remaining 466 funds and applying the definitions determined the detail that it presented to the Regents in the March 14, 2018 meeting as Attachment B, on the previous page. We have added highlights for ease in identifying the total amounts and numbers of funds in each of the categories.

Fund Balances as of June 30, 2017 and June 30, 2016

<i>(amounts in thousands)</i>		Number of Funds	Balance as of June 30, 2017	Balance as of June 30, 2016
Restricted funds				
Gifts and endowments		107	\$2,990	\$2,685
Contracts and grants		81	-	-
Federal and special state appropriations		29	40,037	24,915
Total restricted funds		217	43,027	27,600
Unrestricted funds				
Regents designated:				
B Housing loan programs		4	75,802	68,250
Department of Energy national laboratories		25	89,548	75,656
Total Regents designated funds		29	165,349	143,906
Designated for specific purposes:				
Endowment cost recovery		2	5,558	3,893
UC Press		2	8,449	6,604
UC Washington Center		14	8,272	7,640
UC Health		7	9,064	10,271
Energy and Sustainability		3	11,677	9,133
UC Path		2	4,891	(551)
California Digital Library		12	2,213	2,410
Writing placement exams		1	1,462	1,221
Other programs and fees		74	12,010	7,733
Total designated for specific purposes		117	63,596	48,354
Agency (pass-through) funds		22	(5,734)	35,450
Total designated funds		168	223,211	227,710
A Undesignated:				
Funds previously budgeted as unrestricted		13	63,221	86,863
Building and parking reserves		5	7,079	8,051
Legal settlements		5	5,893	36,187
Investment income		6	28,581	28,168
Benefit reserves		9	48,475	44,278
Department deficits		5	(16,418)	(23,758)
Small balances		38	1,129	1,694
Total undesignated funds ⁽¹⁾		81	137,960	181,483
Total unrestricted funds		249	361,171	409,193
Total restricted and unrestricted funds		466	\$404,198	\$436,793

(1) Undesignated funds of \$87.3 million are committed; \$48.5 million for benefit programs and \$38.8 million for other purposes (as presented in the Office of the President budget in July 2017).

A \$48.5 million + \$38.8 million = \$87.3 million. The commitment of \$38.8 million ties back to the amounts reported to Regents for May 18, 2017 UCOP Budget

B At the March 14, 2018 Regents meeting this designation was removed; whether these funds will be undesignated or designated for housing is yet to be determined.

For the period ending June 30, 2017, the workgroup determined that 81 funds were undesignated with a total of \$137.96 million at that time. Within these groups of funds, \$48.5 million are defined as relating to benefit programs and \$38.8 million committed for other purposes. We tied the \$38.8 million in commitments back to the May 18, 2017 presentation of the UCOP budget to the Regents.

<u>Projected Commitments, FY2017-18</u>		
Operations Management	2	6.0
UCOP Financial Systems Replacement	2	5.0
Funding for emergency maintenance and legal fees	2	3.5
UCOP Budget System Replacement/Migration	2	3.0
Undocumented Students Initiative	1	2.5
Bridge support legacy payroll/personnel systems	2	2.3
Agriculture and Natural Resource Program Support	2	2.1
UC Riverside Medical School	2	2.0
Alzheimer's Research	2	2.0
Corporate Financial Systems	2	2.0
Cybersecurity	1	1.6
Transition Funds to bridge campus assessment model	4	1.6
Audit Response Expense	2	1.0
President's Diversity Pipeline Initiative & SAPEP Programs	2	0.7
Innovation and Entrepreneurship strategic investments	2	0.7
Audit and Compliance Symposium/Training	2	0.5
UCOP IT upgrades, OGC Governance project	2	0.5
Limited Term Operations Funding	2	0.4
Other requests	2	1.4
Total, FY2017-18 (projected at year-end)		<u>\$38.8</u>

At the March 14, 2018 Regents meeting, the Regents removed the designation on the Mortgage Origination Program (MOP) which are the 4 funds included in the Home Loan Programs in the category of Regents designated funds in "Attachment B" table in the prior page.

At June 30, 2017, the results show total undesignated fund balance of \$138.76 million of which \$87.3 is committed, resulting in approximately \$50.7 million of undesignated/unrestricted funds at that fiscal year end. Current year activity will impact these balances. For example, as reported to the Regents in December 2017 as budget to actual amounts, UCOP estimates that actual commitments of the \$38.8 million are less, likely to be approximately \$33.5 million. UCOP will incorporate these fund definitions into its Fiscal Year 2018-19 budget to be presented to the Regents in May 2018 and will identify funds available for reuse or distribution.

The results of the UCOP's efforts address the issues raised by the CSA; we find the recommendation to be fully implemented and the May 2018 budget submission to the Regents will provide a demonstration of the application of the recommended steps.

BUDGET DEVELOPMENT AND PRESENTATION

Recommendation #6: *Increase opportunities for campus stakeholder input into the budget development process by reconvening the campus budget committee and establishing an agreed upon charter that describes the committee's scope, role, and protocol for reviewing and providing comments on the Office of the President's annual budget.*

We provide our assessment of UCOP's achievement of Recommendation 6 under "Executive Budget Committee" on page 2 of this report.

Recommendation #5: *Implement our recommended budget presentation shown in Figure 11 on page 40. Specifically, the Office of the President's budget presentation to the regents should include a comparison of its proposed budget to its actual expenditures for the previous year. It should also include all its expenditures and identify changes to the discretionary and restricted reserves. The Office of the President should combine both the disclosed and undisclosed budgets into one budget presentation.*

The UCOP has interpreted Recommendation #5 to encompass a broad range of matters including researching best practices for budget development and presentation; reengineering its processes to adopt a more uniform and documented approach; developing a budget manual that documents the process for building the annual budget; combining all expenditures into the budget including temporary, term-specific, and one-time support; and, designing budget presentation materials that incorporate CSA Figure 11, detail each aspect of the UCOP budget including funding sources and uses, budget to actual, and program specific data.

As evidenced in the March 14, 2018 submittal to the Regents, UCOP has accomplished the CSA's recommendation and as well as the other aspects detailed above—we view these efforts as not only complying with the CSA recommendations, but exceeding these requirements.

- The budget processes workgroup researched best practices of "traditional GASB institution budget treatment" and "emerging industry best practices".¹⁷ The workgroup's analysis of Government Finance Officers (GFOA) and National Association of College and University Business Officers (NACUBO), GASB, and statewide budget presentations notes a shift from public research institution sources and uses approach to those reflecting "statement of revenue, expenses, and changes in net assets" financial statements—we noted these are commonly referred to as Business Type Activities reporting.¹⁸ The workgroup identified key elements from this research.

¹⁷ March 14, 2018, University of California Regents, Finance and Capital Strategies Committee materials, Attachment 3

¹⁸ Government Accounting Standards Board of the Financial Accounting Foundation, *What You Should Know about the Finances of Your Government's Business Type Activities: A Guide to Financial Statements*

- Although UCOP recognizes the value and necessity of a robust, efficient and effective budget process, currently it lacks the requisite tools; the two systems that are critical to budget planning, building and reporting—UCLA’s financial systems and the UCOP’s BDS (budgeting system) are the financial system—are not integrated and individually inadequate to provide the data and reports to support requirements of budget development and reporting best practices and contemporary needs. A new financial system is slated for the near future as UCLA has selected a financial system upgrade, but this effort has been delayed to after the implementation of UCPath slated for completion in the fall of 2018 and UCOP is concurrently evaluating whether to join with UCLA or another campus system. In conjunction with the financial system upgrade, UCOP is actively assessing BDS replacement options. In the interim, UCOP contracted with IBM to enhance the current BDS to provide additional functionality and address issues identified by the CSA. These upgrades are underway and phasing in.
- The workgroup’s Budget Manual is an evolving document. Many of the budget building processes are new or significantly changed from prior practices; moreover, as the budget for Fiscal Year 2018-19 is built, tasks are tested and refined as processes to obtain and verify additional data points to meet the CSA requirements. UCOP is demonstrating its commitment to document processes and is striving to provide appropriate documentation supporting the current activities. These processes will change in the coming year as improvements are made to the BDS and other tools are completed. As such, we anticipate the manual to continue to evolve not only over the audit recommendation period but well into the future as UCOP adopts a long-term system solution to its budget building and reporting needs.
- The budget prototype presented for discussion as Attachment 4 to the Regent’s item reflects a comprehensive budget presentation that includes both high-level information as well as detailed, line item funding and spending amounts. The UCOP budget prototype includes all sources and uses of funds including fund balances broken out by restricted, designated, and unrestricted and detailing funding for those items previously considered temporary or one-time funds.
- As required by CSA, UCOP had developed budget to actual documents—provided to the Regents for the 6 months ended December 31, 2017 and have developed proformas for forecasting year-end balances based upon mid-year actuals for budget planning purposes. As mentioned in the workforce planning section of this report, the UCOP is also piloting a workforce planning tool that should assist in providing accurate data on actual salary costs, positions filled and vacant, expected actions related to vacancies, and projected needs for the budget year. CSA recognized in its 6-month review that workforce planning efforts are a key component to refining budgetary projections relating to staffing vacancies and salary savings.
- As a result of UCOP’s extensive revamping of the budget practices and processes, that incorporates not only efforts of the Budget Process and Presentation workgroups, but also the results of the Fund Restriction, Systemwide Initiatives, and Fund Reserve workgroups, the

Fiscal Year 2018-19 prototype budget presentation reflects numerous changes as well as interim enhancements.

As illustrated below in the proposed Table of Contents, the budget information to be provided to the Regents in May 2018 addresses specifically the CSA’s concerns and goes beyond its Figure 11 recommendation in its efforts to provide greater clarity and consistency in UCOP’s annual budget presentation.

FISCAL YEAR 2018-19 BUDGET FOR THE UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT (UCOP)

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In conversations and workgroup meetings, it is clear that the FY 2018-19 budget is still in process with the internal due date to meet the May 2018 Regents meeting. We anticipate reviewing these documents and support after the budget package is delivered to the Regents. It is important to note that UCOP’s budget cycle does not coincide with the CSA’s one-year April 2018 milestone—the April 2018 due date is a function of when the CSA issued its report and CSA should not expect the system to move the Regent’s timeframe up a quarter in order to align with its audit report release anniversary. We understand that the UCOP has committed to send all the budget detail to the CSA as soon as it is approved by the Regents, planned for the May 23, 2018, about 4 weeks after the one-year milestone.

Certainly, after only one year, there is still much refinement to be accomplished. As previously mentioned, the BDS and UCLA financial systems cannot provide all the reporting to pull CSA required detail; as a result, several areas of budget development and reporting must be gathered and calculated manually. While improvements to the BDS are providing some of the additional data including better audit trail, better functionality for annual budget development, the addition of revenue sources for budgetary purposes, and better budget to actual and planning, BDS was not developed with the functionality necessary to meet current and future demands. Although UCOP has invested in interim improvements to the BDS system to meet the CSA recommendations, the prudence of continued improvement to this inadequate system must be continually evaluated and balanced against longer term solutions that may take longer than the CSA allotted timeframe. As reported to the Regents and CSA, UCOP is actively evaluating a number of campus-based solutions for both the financial system and the budget system as well as a potential unique UCOP option and it is likely that none of these systems will be in place by April 2020.