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#	Recommendation	CSA Due Date	CSA's Assessment of Status as of December 2019	UCOP Assessment Status as April 2020
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 budget into one budget presentation.	April 2018	**Partially Implemented** We assessed this recommendation as partially implemented because, although the Office of the President has improved its budget presentation, it did not develop its budget by April 2019. As we have previously noted, the failure to do so may hinder the Legislature, Governor, and Department of Finance when making decisions regarding the UC's portion of the state budget. This is a critical recommendation that, if successfully implemented, will significantly improve stakeholders' ability to hold the Office of the President accountable. Not completing the budget recommendation on time remains a significant deficiency in the Office of the President's response to the audit. The Regents did not approve the Office of the President's fiscal year 2019-20 budget until July 2019, two months after the May Revise and three weeks after the Governor signed the state budget. Unlike the campuses, since the Legislature funds the Office of the President via a direct appropriation, it is important for its budget information to be available for consideration during the state budget process. Moreover, the timing of the Office of the President's budget presentation does not align with the budget processes other state agencies follow, including the process that UC follows when developing the budget for the system. Most state agencies begin developing their budgets in the summer and fall in preparation for the Governor's budget released in January. We do not understand why UCOP cannot follow a similar process so that its budget information will be available earlier in the state budget process. Finally, we did not recommend the Legislature directly appropriate UCOP's budget for three years, but rather that the Legislature directly appropriate UCOP's budget until it has completed our three-year plan. Then we recommended that the Legislature evaluate the necessity of a continued direct appropriation after assessing the strength of the Office of the President's new budget, accounting, and staffing policies, as well as its demonstrated commitment to ongoing transparency.	**Status:** Fully Implemented **Completion Date:** July 2019 Consistent with other State agencies, the University of California prepares its consolidated financial plan and budget in the fall, presents it to the Regents, and then provides it to the Department of Finance in time for the preparation of the Governor's January budget. The UCOP budget represents less than 2.5% of total University expenditures, and UCOP's direct appropriation is less than 1%. The University's budget includes assumptions that form the basis for developing the budgets for each campus and UCOP. Each location's budget process progresses through the spring in parallel with the State's deliberations and takes into consideration any changes to the financial outlook from the State or the University. Campus budgets are finalized in May and are adjusted if needed once the University's appropriations are finalized in June. As directed by the Regents, UCOP presents its budget to the Regents at the May meeting. Current year Q3 forecasts and fund balances are included in the presentation which provide greater accuracy and transparency. The CSA recommended the State directly appropriate UCOP's budget, and it has done so, holding the appropriation flat at the FY16-17 level for four years including FY20-21. During that time UCOP has managed the flat appropriation by reducing costs and utilizing fund balances. As reported in November 2019, UCOP has reallocated $166.3M to the campuses over the past three years, and eliminated all unrestricted fund balances. The FY19-20 budget included 55 pages of information and 12 different, detailed schedules, reflecting significant and genuine efforts over the past three years to meet all of the CSA's budget, accounting and staffing policy recommendations and provide greater transparency and accountability.

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22	Continue to present a comprehensive budget based on the presentation in Figure 11 to the regents, the Legislature, and the public.	April 2019	**Partially Implemented** We rate this recommendation as partially implemented because, although the Office of the President's fiscal year 2019-20 budget largely incorporated our recommended budget presentation, the Office of the President did not complete this recommendation by April 2019. As we mention in recommendation 5, we continue to have serious concerns that the timing of the Office of the President's budget may hinder the Department of Finance, the Legislature, and the Governor when making decisions regarding UC's portion of the state budget. We are also concerned that the Office of the President's budget does not recognize millions of dollars in beginning fund balances as available revenue. For example, one schedule in the Office of the President's budget forecasts $85.3 million in designated fund balances available for the 2019-20 fiscal year. However, the schedule in the budget summarizing revenue and expenditures only includes $3 million in designated fund balance revenue and therefore $82.3 million is not included as a potential source of funds. The Office of the President did provide additional information about designated balances as an addendum to their budget, but it did not address this concern in the budget presentation itself. The Office of the President is reporting that it has no funding left in its fund balances that are unrestricted, undesignated, and allocated for Office of the President purposes. Because the Department of Finance did not approve the Office of the President's budget change proposal, it is using its remaining unrestricted fund balances to address a budget gap. In November, the Office of the President also reported that most of its reserves are within established targets. The Office of the President plans to reallocate $5 million from its Housing Loan Program—the only program that significantly exceeds reserve targets—in fiscal year 2019-20. This reallocation will bring that program in line with established targets. We do note that the Office of the President's fiscal year 2019-20 budget is more transparent because it is generally easier to understand. For example, the Office of the President's one page budget summary—based on the recommended budget presentation in our report—clearly summarizes its expenditures, reserves, and fund balances. In contrast to the fiscal year 2018-19 budget, the current budget includes summary line items that clearly display the Office of the President's total reserve and fund balance amounts.	**Status:** Fully Implemented **Completion Date:** July 2019 Recommendation #22 requires UCOP to present a comprehensive budget based on the presentation in Figure 11. The FY19-20 UCOP budget utilized Figure 11 as one element in a comprehensive budget presentation which totaled 55 pages and 12 detailed schedules. UCOP has invested a substantial and genuine effort in developing the systems, schedules, processes and analytical skills required to provide this level of detail and transparency. The UCOP budget is presented to the Regents with forecasted fund balances. UCOP evaluates all forecasted fund balances during the preparation of the budget and includes them in the operating budget where appropriate. For example, the FY19-20 budget reflected the use of all remaining unrestricted fund balances. Over the past three years UCOP has reallocated $166.3M to the campuses, of which $87.6M was from fund balances. All designated fund balances are clearly documented throughout the FY19-20 budget, including: 1) in the *Executive Summary*, Figure 5 of Attachment 1 which follows the CSA's Figure 11 format; 2) in the *Fund Balances* section of Attachment 1, pages 20-21 which summarizes fund balances and commitments for all types of funds and describes the designated fund balances in detail on page 21; 3) in Attachment 1, Appendix 1, *Schedule I – Fund Balances*, which line items every designated fund forecasted balance and commitments, and 4) in Attachment 3, page 4, *Schedule I-1, Designated Funds Detail* which lists every designated fund balance, source of funds, who they are designated by, and a description. As described in the budget, the majority of designated balances are being held to meet multi-year commitments, such as to researchers through the Lab Fees Research program, and are therefore not appropriate for funding operational needs. All Lab Fee revenues and their intended use and purpose are reviewed by the Regents Labs committee every year in addition to being presented in the budget.

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#	Recommendation	CSA Due Date	CSA's Assessment of Status as of December 2019	UCOP Assessment Status as April 2020
23	Set targets for any needed reductions to salary amounts using the results from its public and private sector comparison and adjust its salaries accordingly.	April 2019	**Partially Implemented** As we stated in our previous assessment, we are assessing this recommendation as partially implemented because policy choices the Office of the President made negated any savings it would have realized from implementing our recommendation and thus we believe the Office of the President's implementation falls short. In our 2017 report, we noted that opportunities existed for the Office of the President to reduce its salary costs for administrative staff by giving a greater weight to public sector positions when it set its salaries. At the time of the audit, the Office of the President asserted that the higher education environment necessitates higher pay for its staff. Although that assertion may have merit for certain executive employees, it has much less merit for administrative staff who perform similar duties whether they are in higher education or not. As we noted in our April 2018 assessment of recommendation 10, although the Office of the President gave state positions a higher weight in its salary setting methodology than when we conducted our audit, it added an additional 15 to 20 percent "size" premium to almost all of the non-state positions it matched, thus increasing the influence non-state positions have on the final salary for those positions and increasing the overall salary ranges. Further, as we noted in our April 2019 assessment, the Office of the President applied an 8 percent market adjustment to all of its salary ranges. Because of the 8 percent salary range increase, the Office of the President asserts it did not realize any salary range reductions from implementing our recommendation. As we discussed in our April 2019 assessment, we performed an analysis on five positions and found that when we reduced the salary midpoints for the Office of the President positions by 8 percent and compared them to comparable state positions, the Office of the President's salary ranges were closer to the comparable state positions than they were when we conducted the audit. However, with the 8 percent salary range increase, all five of these positions continue to make significantly more annually than their state employee counterparts. For four of the five positions we reviewed, the difference between the Office of the President's new salary midpoint and the State's equivalent position was greater than the differences we found during the audit. Therefore, because of its choice to continue to pay administrative positions at levels much higher than comparable state positions, the Office of the President increased salary ranges and did not realize any savings that could be reallocated to campuses for the benefit of students.	**Status:** Fully Implemented **Completion Date:** March 2019 The CSA recommended, and UCOP developed, a method for weighting comparable public and private sector pay data when establishing salaries for policy-covered positions. This methodology was approved by the CSA in November 2018. As part of the methodology, comparable State positions were given a minimum weight of 12.5% up to 50%. A geographic differential was applied to bring the data for staff jobs below SMG from a national level to the local Oakland labor market. Composite market data for staff positions below the SMG or executive level do not have a "size" premium applied to them. Changing the methodology did not change the fact that UCOP competes for talent in a competitive market with a variety of public and private employers as well as higher education institutions. UCOP's work was validated by independent compensation experts Sullivan Cotter and presented to the Regents. UCOP performed an analysis for the same five positions that the CSA reviewed using data from the U.S. Bureau of Labor Statistics (BLS) and the State of California Occupational Employment Statistics (OES), and found that UCOP midpoints are within acceptable ranges for each position. For example, the Executive Assistant 3 UCOP salary range midpoint is $80,400. Our market data composite shows a salary of $81,409 (1.25% higher than the UCOP midpoint). BLS shows a salary of $80,230 (0.2% less than the UCOP midpoint). The State of California EDD Labor Market Information shows a salary of $81,276 (1.09% higher than OP midpoint). Meanwhile the State's maximum pay rate is $57,804. This analysis has been provided to the CSA. As recommended, UCOP applied the CSA-approved weighting of the public-sector comparators. This lowered the underlying market data by 2%. These results, combined with narrowing the salary ranges, and the additional analysis conducted using the BLS and California OES market data, confirm that the UCOP compensation model and methodology are valid.

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32	Evaluate its budget process to ensure that it is efficient and has adequate safeguards that ensure that staff approve and justify all budget expenditures. If the Office of the President determines that its safeguards are sufficient, it should begin developing a multiyear budget plan.	April 2020	**Pending** The status of this recommendation is pending the Office of the President's implementation of our budget recommendations due in April 2020.	**Status:** Fully Implemented **Completion Date:** April 2020 UCOP has determined that its safeguards are sufficient to begin developing a multi-year budget plan. Completed process and safeguard improvements include: • Adoption of clear definitions for UCOP programs and initiatives and fund types • Improved budget process with enhanced stakeholder involvement • Reconvened Executive Budget Committee (EBC) to bolster campus participation • Adoption of CSA Budget presentation (Figure 11) • Mid-year and Year-end reporting of fund balances, reserves and actual expenditures • Documented policies for fund balances and reserves; and • Implementation of an updated budget system with budgetary control capability (Oracle) To review controls and safeguards, UCOP retained Deloitte to undertake an internal controls review in December 2018. Because some of the new processes were still being implemented, UCOP Internal Audit conducted a follow-up review which was completed in April 2020. No significant findings were identified in this review. UCOP recently implemented a new planning and budget system which was another pre-requisite to developing a multi-year budget. Given these milestones, UCOP has begun developing a multi-year budget plan as described in the UCOP Budget Manual. Among the many benefits of this effort, UCOP expects to realize: • Improved understanding of mid to long range priorities • Measurement of the impacts of external economic factors • Greater alignment between presidential vision/strategy and resources needed to execute those strategies • Enhanced ability to anticipate workforce skill sets and needs over the coming years • Better ability to communicate UCOP financial requirements to all stakeholders; and • Ability to evaluate alternative scenarios and trade-offs

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34	Adjust its salary levels and ranges to meet its established targets.	April 2020	**Pending** We are rating this recommendation as pending due to the concerns we expressed in recommendation 23 regarding the 8 percent salary range increase that the Office of the President applied which negated the impact of our recommendation. We will reevaluate any steps the Office of the President takes to resolve our concerns when assessing its April 2020 response to this recommendation.	**Status:** Fully Implemented **Completion Date:** April 2019 The CSA recommended UCOP weight comparable public and private sector pay data when establishing salaries for policy-covered positions (#10), and narrow salary ranges (#24). The CSA assessed both recommendations fully implemented. UCOP's work was validated by independent compensation experts Sullivan Cotter and presented to the Regents. The weighting of public-sector comparators lowered the underlying market data for Career Tracks salary range midpoints by 2%. Based on this analysis and narrowing the ranges, UCOP adjusted its salary levels and ranges to meet its established targets. As presented to the Regents in March 2019, existing employee salaries are not impacted by changing the midpoints unless it falls below or above the range. Because 91% of UCOP employees are currently paid below the 75th percentile of their range, the only short-term adjustments that occurred were to bring salaries up to the low end of the range per recommendation #24. Lowering midpoints by 2% overall can reduce the budget in the future if positions turn over or employees reach the range maximum sooner, but these do not produce short-term material impacts and the former isn't easily calculated given factors such as years of experience that go into salary setting decisions. The CSA did not recommend changing other elements of UC's compensation methodology, such as making market adjustments to salary ranges, but that does not change the fact that including public sector data and narrowing ranges did compress the overall compensation structure. Market adjustments are consistent with UC Regents Policy 7701 which specifies the need to effectively recruit and retain employees. Recognizing that market adjustments are a concern to the CSA, UCOP decided not move the ranges for the FY20-21 year which lowers the annual impact of the of the 8% adjustment to only 2% per year over four years. Without the CSA's recommendations, the base on which the adjustment was made would have been higher.
36	Reallocate funds to campuses when adjustments to its salaries and benefits result in savings.	April 2020	**Partially Implemented** Full implementation of this recommendation is pending the Office of the President's implementation of recommendation 23. As we discussed in the assessment of that recommendation, policy choices the Office of the President made negated any savings it would have realized from implementing our recommendation and thus we believe the Office of the President's implementation falls short.	**Status:** Fully Implemented **Completion Date:** April 2020 UCOP reallocated a total of $166.3M to campuses over the past three years as was reported in Schedule G of the November 2019 Regents item, which has been provided to the CSA. The net reallocation of funds to campuses from adjustments to salaries and benefits was $3.1M. UCOP reallocated funds by reducing employee benefits costs by $3.3M (as submitted to the CSA in April 2019). The total impact of public-sector weighting and narrowing of the salary ranges within the CSA's timeframe increased costs in the short term by $.2M as employees were brought up to the new minimum narrowed ranges. The weighting of public-sector comparators lowered the underlying market data for Career Tracks salary range midpoints by 2%. Based on this analysis and narrowing the ranges, UCOP adjusted its salary levels and ranges to meet its established targets. As presented to the Regents in March 2019, existing employee salaries are not impacted by changing the midpoints unless it falls below or above the range. Because 91% of UCOP employees are currently paid below the 75th percentile of their range, the only short-term adjustments that occurred were to bring salaries up to the low end of the range per recommendation #24. Lowering midpoints by 2% overall can reduce the overall budget in the future if positions turn over or employees reach the range maximum sooner, but these do not produce short-term material impacts and the former would be difficult to calculate given factors such as years of experience that go into salary setting decisions.

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38	Implement phase four and five of CalHR's best practice workforce planning model by implementing its workforce plan strategies and annually evaluating the completed workforce plan strategies against defined performance indicators and revising the plan where necessary.	April 2020	**Pending** The status of this recommendation is pending the Office of the President's implementation of our workforce planning recommendations due April 2020.	**Status:** Fully Implemented **Completion Date:** April 2020 The Workforce Plan Phases 1 and 2 were completed and approved in 2018 and Phase 3 was approved in 2019, leaving Phase 4 (implementation plan) and Phase 5 (monitor, evaluate and revise plan) as the last two outstanding components. Due to the short timeframe specified by the CSA for executing Phases 4 and 5, the workforce plan team developed a 90-day Action plan to provide a proof-of-concept for the Phase 3 workforce plan strategies. The 90-day Action plan was completed in the fall of 2019 and metrics were captured and the progress made has been documented in the report. The team will continue to implement the one-year activities (through June 2020) and the long-term plan (through June 2022,) and will gather and evaluate metrics so the UCOP Workforce Plan can continue to meet the organizations needs as they naturally evolve. UCOP's workforce plan team has completed the Workforce Plan Report which details the organization's workforce plan based on Cal HR's five phase model. In addition to the five phases that Cal HR recommended, UCOP believed it was critical to include a change management strategy to support the plan's implementation. A section was added in the report defining how UCOP will communicate the change impacts to the organization as the plan is implemented. The report has been shared with key stakeholders and published on the UCOP website. The plan will help inform, and will be informed by, the UCOP strategic framework, divisional plans and multi-year budgeting efforts. It will be reviewed annually and new data will be gathered and analyzed to confirm current strategies are still relevant to the organization's changing needs. Improvements will be implemented as needed so the workforce plan can continue to mature with the organization.
39	Report to the regents on the amount of funds it reallocates to campuses as a result of implementing our recommendations. (re: staffing costs)	April 2020	**Partially Implemented** Full implementation of this recommendation is pending the Office of the President's implementation of recommendation 23. As we discussed in the assessment of that recommendation, policy choices the Office of the President made negated any savings it would have realized from implementing our recommendation and thus we believe the Office of the President's implementation falls short. Auditee did not substantiate its claim of full implementation.	**Status:** Fully Implemented **Completion Date:** April 2020 UCOP reallocated a total of $166.3M to campuses over the past three years as was presented and reported in Schedule G of the November 2019 Regents item, which has been provided to the CSA. Recommendation #39 requires that UCOP report to the Regents the amount of funds reallocated to the campuses. UCOP has been consistently transparent about the extensive efforts it has made to meet every recommendation, and has consulted with and reported all of its efforts on every recommendation to the Regents in more than 25 written and oral presentations over the past three years. All efforts to follow the salary-setting recommendations were reviewed by the Regents and validated by the third-party monitor hired by the Regents upon the CSA's recommendation, and by an independent third-party firm with nationally-recognized expertise in compensation practices. Both firms presented the results of their reviews in multiple public Regents meetings.