

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
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 reallocation to campuses.	April 2018	<p><b>Fully Implemented</b>  <b>Completion Date: March 2018</b></p> <p>Categories and definitions for fund restrictions were created based on the University's accounting policies and generally accepted accounting principles. All of the funds on the general ledger for the Office of the President were reviewed and assigned an appropriate fund restriction category. The results of this process were presented to the Regents Finance and Capital Strategies Committee on March 14, 2018. The fund restriction working group recommended that 68 funds with total balances of \$74.7 million as of June 30, 2017 be reclassified as unrestricted and undesignated. The Regents item F10 contains supporting documentation, including a table in Attachment B, summarizing the Office of the President funds and their classification based on the definitions can be found at the link below.  <a href="http://regents.universityofcalifornia.edu/regmeet/mar18/f10.pdf">http://regents.universityofcalifornia.edu/regmeet/mar18/f10.pdf</a></p> <p>UCOP has provided the CSA with documentation supporting its analysis of fund restrictions.</p>	<p><b>Partially Implemented</b></p> <p>We assessed this recommendation as partially implemented because the Office of the President did not provide us information regarding its reviews of fund commitments. According to the fund balances the Office of the President presented at the March Regents meeting, the Office of the President had \$404 million in total fund balances which are composed of:</p> <ul style="list-style-type: none"> <li>- \$43 million in restricted funds according to generally accepted accounting principles (11 percent of total funds)</li> <li>- \$361 million in unrestricted funds (89 percent of total funds)</li> <li>-- \$223 million designated (62 percent of unrestricted funds)</li> <li>-- \$138 million undesignated (38 percent of unrestricted funds)</li> </ul> <p>The \$223 million in unrestricted designated funds are funds to be used for a specific purpose. For example, the Regents designated \$75 million for its home loan program. Therefore, the amount that is unrestricted and undesignated amounts to \$138 million or 38 percent of unrestricted funds; however, the president has the ability to also designate these funds as committed. Because the Office of the President did not provide us the data that supports its fiscal year 2018-19 budget, as discussed in recommendation 5, it is unclear how much of these unrestricted and undesignated funds it will determine are committed and therefore unavailable for reallocation to campuses for student or campus priorities.</p> <p>By applying new fund definitions, the Office of the President increased the number of unrestricted and undesignated funds from 13 funds to 81 funds. In other words, the amount of unrestricted and undesignated funding increased by \$75 million from \$63 million to \$138 million.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>The implementation of this recommendation has been completed:</p> <p>The FY2018-19 UCOP budget, approved by the UC Regents in May 2018, includes the detail of fund balances as of June 30, 2017 and projected balances as of June 30, 2018. All funds have been categorized according to the approved fund categories: restricted, unrestricted-designated, and unrestricted-undesignated.</p> <p>Details of UCOP's review of fund balances, reserves and commitments are included in Part 2 of the budget item (pgs. 15-18). This section provides the specific amounts for the FY2018-19 budget related to forecasted fund balances, fund commitments and amounts available for systemwide use. The restricted fund balance as of June 30, 2017, and forecasted June 30, 2018 balances are provided in Figure 14. Unrestricted-designated balances and projections are provided in Figure 15. Unrestricted-undesignated funds are detailed in Figures 16a and 16b. These tables provide key information related to balances, commitments and reserves held both at UCOP and in systemwide funds.</p> <p>UCOP's approved budget begins to reallocate funds back to campuses, ahead of the stipulated timing in the CSA recommendation. Redirected funds include \$10M for the UC Riverside School of Medicine and \$30M (\$3M per campus) to address housing strategies (\$14.5M from the Housing Loan Program and \$15.5M from GO Bonds).</p>

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
4	Develop a reserve policy that governs how large its reserve should be and the purposes for which it can be used.	April 2018	<p><b>Fully Implemented</b>  <b>Completion Date: February 2018</b></p> <p>UCOP has completed its analysis and determined appropriate operating reserve requirements. As a result, a Regents policy governing UCOP's Central Operating Reserve was developed and subsequently approved by the Regents at the January 2018 Regents meeting. The policy can be found here: <a href="http://regents.universityofcalifornia.edu/governance/policies/5104.html">http://regents.universityofcalifornia.edu/governance/policies/5104.html</a>. Implementation guidelines detailing how the Central Operating Reserve should be implemented are documented in the approved Presidential Guidelines here: <a href="https://policy.ucop.edu/doc/3000673">https://policy.ucop.edu/doc/3000673</a>. The Presidential Guidelines were included in the item approved by the Regents at the January 2018 meeting.</p> <p>UCOP has also reviewed historical practices for short-term strategic priorities funding. Presidential Guidelines governing the amount and spending guidelines for the Strategic Priorities Fund were developed, approved by the President, and reviewed by the Regents. The approved Presidential Guidelines covering the Strategic Priorities Fund can be found here: <a href="https://policy.ucop.edu/doc/3000674">https://policy.ucop.edu/doc/3000674</a>.</p>	<p><b>Partially Implemented</b></p> <p>We assessed this recommendation as partially implemented because although the Office of the President has developed two reserve policies, <u>it is difficult to determine the Office of the President's total reserve amount</u>, which we do not believe addresses the intent of our recommendation for it to develop comprehensive budget information that promotes transparency. Specifically, to understand the Office of the President's total reserve amount stakeholders <u>would need to add together three different types of reserves—only two of which are included in its budget prototype</u>. Since one reserve type is not included in the presentation, stakeholders cannot determine the total reserve amount from the information the Office of the President plans to present in its annual budget presentation.</p> <p>Moreover, without extensive knowledge about the Office of the President's budget processes, most stakeholders likely would not understand that they need to add together the two reserve types listed below to more fully understand the Office of the President's total reserve amount.</p> <p>The Office of the President has three reserve types: central operating reserve, strategic priority fund, and restricted and project reserves. At the January 2018 Regents meeting, the Regents approved a policy that requires the Office of the President to maintain a central operating reserve to support its operations in the event of an unanticipated disruption in planned funding. Presidential guidelines effective July 1, 2018 further require a central operating reserve of \$15 million or three and a half percent of applicable funds, whichever is greater. The president can also supplement the central operating reserve up to an additional \$100 million or three months of applicable funds, whichever is greater. Some funds are not covered by this reserve, including restricted funds and programs with self-funded reserves; the policies for these reserves vary by fund. The central operating reserve is funded by the President's Endowment fund and the president must approve all transactions from the reserve and notify the Regents before any funds are drawn. Expenses beyond \$15 million require approval from the majority of three Regents: the chair of the board, the chair of the finance and capital strategies committee, and the chair of the compliance and audit committee.</p> <p>The Office of the President also issued guidelines governing its strategic priorities fund. This fund is similar to what we described in our report as the undisclosed budget and was supported with reserve funds at the time of our audit.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>Implementation of this recommendation is complete based on the FY18-19 budget presentation to the Regents which added more information than was included in the budget prototype and provides not just reserve balances but also fund balances and commitments in a way that attempts to be both comprehensive and transparent.</p> <p>Pages 15-18 of the budget item describes actions taken over the past year to identify, define, and forecast balances, commitments and reserves. The differentiation between fund reserves and fund balances is clarified:</p> <ul style="list-style-type: none"> <li>• Fund balances result from either savings relative to the budget or timing of multi-year funding and expenses across fiscal years</li> <li>• Reserves are funds intentionally accrued from the operating budget over a period of time or specifically designated or restricted for a purpose such as maintaining assets in good working order, managing risk, or in anticipation of periodic large expenses such as preparing an RFP response for the Department of Energy.</li> </ul> <p>Two types of reserves are presented and defined in this section of the budget item: a Central Operating Reserve, and program-specific reserves. The Central Operating Reserve is held in the principal of the systemwide President's Endowment Fund and as such is not maintained as a separate fund balance.</p> <p>Program-specific reserves, commitments and fund balances are organized by fund type to make it easier to understand and explain how balances, commitments and reserves are managed for each type.</p> <p>The Strategic Priorities Fund is not considered a reserve. As of FY18-19 it is a line item in the operating budget used to fund emerging priorities and initiatives.</p>

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
5	<p>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.</p>	<p>April 2018</p>	<p><b>Fully Implemented</b> <b>Completion Date: April 2018</b></p> <p>UCOP engaged in a project to simplify, clarify, and present a transparent annual operating budget to the Regents. UCOP revised the FY2018-19 budget presentation format by:</p> <ul style="list-style-type: none"> <li>• Reviewing GFOA and NACUBO budgeting best practices</li> <li>• Surveying state systemwide budget presentations, formats and trends in higher education, and professional presentations</li> <li>• Gathering feedback from the Executive Budget Committee, Sjoberg/Evashenk and the Regents</li> <li>• Incorporating the CSA's recommended budget format in Figure 11 of the audit report</li> <li>• Incorporating outcomes from other workstreams</li> </ul> <p>The proposed prototype was reviewed with the Regents in March 2018 and is available here: <a href="http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf">http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf</a> .</p> <p>Per Attachment 4, the format was updated to include:</p> <ul style="list-style-type: none"> <li>• A single item format</li> <li>• Operating and one-time expenses in one budget</li> <li>• A "Sources and Uses" schedule</li> <li>• Fee-For-Service and Pass-Through reporting</li> <li>• Budgets based on projected actuals</li> <li>• Fund restrictions designations</li> <li>• Cause of Change analysis</li> <li>• Strategic Priorities Fund budget that reflects commitments and an uncommitted allocation</li> </ul> <p>A UCOP Budget Manual has been drafted and is being provided to the CSA that documents the policies, guidelines, procedures, and analyses associated with the annual budget process. The manual will be updated as improvements are made.</p> <p>UCOP is finalizing the FY18-19 budget for the May Regents meeting using the revised format. The April 25<sup>th</sup> CSA deadline precedes the submission of the budget to the Regents. UCOP has provided the CSA with documented budget formats, enhancements, supporting policies and guidelines, and will send CSA the item when it becomes available to the Regents.</p> <p>UCOP is making all feasible changes this year and planning improvements over the next two years as recommended by the CSA, including updates to BDS as a gap measure until a new financial and planning system is implemented. A roadmap for BDS replacement has been provided to the CSA.</p> <p>In reference to the CSA comment at 6 months about the \$12M change to the temporary budget from the November item, this was an error that was corrected in the March budget to actual item which reconfirmed that the FY2017-18 approved budget was \$39 million and that actuals to date were below the budget.</p>	<p><b>Pending</b></p> <p>We assessed this recommendation as pending because the Office of the President did not implement the State Auditor's recommendation for developing its budget by April 2018. The failure to do so may hinder the Department of Finance, the Legislature, and the Governor when making decisions regarding the UC's portion of the fiscal year 2018-19 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 is an important deficiency in the Office of the President's response to the audit.</p> <p>Moreover, the Office of the President was not forthcoming about its decision to delay providing us with its budget information. Specifically, beginning with its 60-day response to our audit in June 2017, and again with its 6-month response in October 2017, the Office of the President indicated that it would implement this recommendation by April 2018. In addition, at a meeting with us in February 2018, the Office of the President committed to providing us with the budget information that is necessary for us to assess the Office of the President's progress in implementing this recommendation. However, the Office of the President informed us on April 11—two weeks before the deadline—that it would not provide us with the budget information until May 2018 because it was still in the process of finalizing the budget and therefore it would be premature to provide the materials we requested until the president, Chair of the Regents, and others had reviewed it.</p> <p>Additionally, the supporting documentation and data would have allowed us to review the accuracy and completeness of its draft budget. For example, we could have verified that the draft budget contained all expenditures—an expectation that is outlined in our recommendation—through a review of the Office of the President's supporting data.</p> <p>Reviewing the Office of the President's budget not only would have allowed us to gain some assurance that the presentation was complete and accurate, but also may have helped the Office of the President improve its budget presentation by addressing any errors or areas needing clarification that we identified in our review. However, all the Office of the President has provided to us is a prototype budget with no actual numbers.</p> <p>Finally, although we recognize that the Office of the President has made progress by formalizing its budget policies and procedures in a single manual and by seeking feedback from the Regents on its budget prototype, it ultimately failed to develop its budget in a timely manner that would allow it to be assessed as part of the state budget process.</p>	<p><b>Fully Implemented</b> <b>Completion Date: May 2018</b></p> <p>UCOP engaged in a project to simplify, clarify, and present a transparent annual operating budget to the Regents. UCOP revised the FY2018-19 budget presentation format in compliance with:</p> <ul style="list-style-type: none"> <li>• GFOA and NACUBO budgeting best practices</li> <li>• State systemwide budget presentations, formats and trends in higher education, and professional presentations</li> <li>• Feedback from the Executive Budget Committee, Sjoberg/Evashenk and the Regents</li> <li>• The CSA's recommended budget format in Figure 11 of the audit report</li> <li>• Outcomes from other related workstreams</li> </ul> <p>The proposed prototype was reviewed with the Regents in March 2018 and is available here: <a href="http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf">http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf</a> .</p> <p>Per Attachment 4, the format was updated to include:</p> <ul style="list-style-type: none"> <li>• A single item format</li> <li>• Operating and one-time expenses in one comprehensive budget</li> <li>• A "Sources and Uses" schedule</li> <li>• Fee-For-Service and Pass-Through reporting</li> <li>• Budgets based on projected actuals</li> <li>• Fund restrictions designations and fund balance reporting</li> <li>• Cause of Change analysis</li> <li>• Strategic Priorities Fund budget that reflects commitments and an uncommitted allocation</li> </ul> <p>Per the agreed upon timeframe of the UC Board of Regents, UCOP presented the FY18-19 budget to the full board for their review and approval on May 24<sup>th</sup>. The best-practice budget passed without any dissent. The item is available at: <a href="http://regents.universityofcalifornia.edu/aar/mayb.pdf">http://regents.universityofcalifornia.edu/aar/mayb.pdf</a></p> <p>The UCOP Budget Manual was also provided to the CSA and documents the policies, guidelines, procedures, and analyses associated with the annual budget process. This manual is not intended to be a static document and will continue to be updated as additional improvements are identified and made.</p> <p>UCOP submitted several supporting documents to the CSA in response to their initial review and subsequently held discussions with the CSA on September 13<sup>th</sup> and 17<sup>th</sup>.</p>

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
11	Determine how to restructure salary ranges to make certain the ranges encourage employee development and ensure pay equity.	April 2018	<p><b>Fully Implemented</b> <b>Completion Date: March 2018</b></p> <p>Career Tracks is the UC classification and grade structure that provides staff with: a clear and transparent system for charting and understanding options for a career path anywhere in UC; details of the job requirements of their current position and any other position they might be interested in pursuing; and online access to all job descriptions, job requirements and salary ranges.</p> <p>Career Tracks uses a market-based salary structure, meaning that external labor market salaries for a position are the primary basis for establishing job value which drives assignment of salary ranges. Salary data for comparable positions at the State and CSU will be included in this market analysis, as described in recommendation #10, and as approved by the Regents. This market-based structure promotes pay equity and is legally defensible because ranges are linked to external factors rather than to individual employees or internal pay practices. The majority of salaries will fall at or near the 50% percentile (midpoint), but the breadth of the salary range accommodates a range of skill levels for a job: those just beginning their career receive a salary in the lower portion of the range, and those who have deep relevant knowledge, skills and technical expertise greater than the "average" worker could, in a given role, be paid higher in the salary range, above the midpoint.</p> <p>Additional details are provided in the Overview of Methodology for Staff Jobs excluding SMG and Represented Staff submitted to the CSA, and the Regents item:</p> <p><a href="http://regents.universityofcalifornia.edu/regmeet/mar18/g2.pdf">http://regents.universityofcalifornia.edu/regmeet/mar18/g2.pdf</a>. The methodology described above will be the basis for narrowing the salary ranges by the April 2019 CSA recommendation. UCOP has begun identifying several possible scenarios for narrowing ranges based on the Regents' approved method for weighing comparable public and private sector pay data for non-executive staff. Analysis of the possible scenarios will begin in the next fiscal year.</p>	<p><b>No Action Taken</b></p> <p>Although the Office of the President asserts this recommendation is fully implemented, we disagree. It was unclear to us what actions the Office of the President planned to take to restructure its salary ranges because its response largely reiterates how its current salary setting system works. When we followed up with the Office of the President's Executive Director of Human Resources, she was unable to provide any evidence of any action taken regarding a determination of how the Office of the President would restructure the salary ranges and confirmed that that analysis would begin next fiscal year. Had the Office of the President started this process sooner, the results of the above analysis would be responsive to our recommendation. Thus the status of this recommendation is no action taken until we can evaluate the actionable steps the Office of the President will take to narrow its salary ranges.</p> <p>We expected to see an analysis of the salary range widths the Office of the President uses and analysis of how they can bring their salary ranges to a width that is in line with compensation best practices. According to the Society for Human Resource Management (SHRM), a traditional salary range width is commonly 30 percent to 40 percent based on the midpoint. In other words, for a 30 percent salary range, SHRM's guidance recommends that an agency calculate 15 percent of the midpoint and use the results of that calculation to establish the salary range minimum and maximum. However, the Office of the President commonly uses salary ranges with a width that is approximately double that guidance. For example, in our report we identified that for a financial analyst position the Office of the President established a salary range width of 68 percent with 34 percent on either side of the midpoint. To address this recommendation the Office of the President could have performed an analysis to determine the appropriate target width for its salary ranges.</p>	<p><b>Fully Implemented</b> <b>Completion Date: October 2018</b></p> <p>On September 26, 2018, the Regents Governance and Compensation Committee endorsed the plan adopted by the President and COO for narrowing the University of California Office of the President Salary Ranges as described in the documents found at the link below. The plan, which was initially reviewed with the Regents' Working Group on UC Office of the President Salary Ranges (previously the Regents' Working Group on Executive Compensation), also includes an adjustment of the UCOP salary midpoints based on overall labor market salary movement using the approved method for weighing comparable public and private sector pay data for non-executive staff. UCOP has not moved their salary ranges during the last two years, leaving them behind the labor market in salary range movement. The approved method includes the incorporation of salary data from the State and CSU for operational staff and academic administrative positions at UC.</p> <p>The link below provides the Regents' item that was presented for endorsement: <a href="http://regents.universityofcalifornia.edu/regmeet/sept18/g9.pdf">http://regents.universityofcalifornia.edu/regmeet/sept18/g9.pdf</a></p> <p>Additional details are provided in the "UCOP Non-Represented Staff Salary Range Review" Presentation used to gain the Regents' endorsement.</p>
20	Publish the results of its review of fund restrictions and fund commitments and any funds it anticipates reallocating to campuses.	April 2019	<p><b>Not Fully Implemented</b> <b>Estimated Completion Date: April 2019</b></p> <p>The Office of the President has initiated efforts to implement this recommendation and will provide a status update on its progress at the next reporting milestone.</p>	<p><b>Pending</b></p> <p>The status of this recommendation is pending the Office of the President's publication of the results of its review of fund restrictions and fund commitments in addition to the identification of funds that it anticipates reallocating to campuses.</p>	<p><b>Fully Implemented</b> <b>Completion Date: May 2018</b></p> <p>The implementation of this recommendation is complete:</p> <ul style="list-style-type: none"> <li>• A review and classification of all of UCOP's more than 500 funds was published at the March 2018 Regents meeting.</li> <li>• At the May 2018 Regents meeting, the presentation and publication of the FY2018-19 UCOP budget included a breakdown of fund balances and commitments for all three categories of funds, as noted in #3 above. Included in those committed funds, ~\$40M was redirected to campuses for the UC Riverside School of Medicine and to support campus housing strategies.</li> </ul>

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
21	Implement the best practices for budgeting identified by the GFOA and NACUBO, including developing budget policies and procedures and formally documenting, approving, and justifying all one-time and unexpected expenditure requests.	April 2019	<p><b>Not Fully Implemented</b>  <b>Estimated Completion Date: April 2019</b></p> <p>As part of the UCOP FY2018-19 budget process, the Office of the President made incremental improvements to its budget process, policies, and guidelines in order to support development of a best practice budget presentation. A summary of the processes and supporting guidelines are documented in the UCOP Budget Manual. Budget process best practice analysis is underway, and we anticipate full implementation of this recommendation in April 2019.</p>	<p><b>Pending</b></p> <p>The status of this recommendation is pending the Office of the President's analysis of budget process best practices and changes it may make to its budget manual. Based on our review, the budget manual provided appears comprehensive and will serve as a strong foundation for future budget processes.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>As part of the UCOP FY2018-19 budget process, the Office of the President made improvements to its budget processes, policies, and guidelines in order to support development of a best practice budget presentation. To support this effort, UCOP:</p> <ul style="list-style-type: none"> <li>• Reviewed GFOA and NACUBO budgeting best practices</li> <li>• Surveyed state systemwide budget presentations, formats and trends in higher education, and professional presentations</li> <li>• Gathered feedback from the Executive Budget Committee, Sjoberg/Evashenk and the Regents</li> <li>• Incorporated the CSA's recommended budget format in Figure 11 of the audit report</li> <li>• Incorporated outcomes from other related workstreams</li> </ul> <p>Updates on the revised best-practice budget process were presented to the UC Board of Regents in January 2018 (<a href="http://regents.universityofcalifornia.edu/regmeet/jan18/f7.pdf">http://regents.universityofcalifornia.edu/regmeet/jan18/f7.pdf</a>) and March 2018 (<a href="http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf">http://regents.universityofcalifornia.edu/regmeet/mar18/f11.pdf</a>). The March Regent's item includes best-practice analyses and the roadmap for implementation.</p> <p>In addition, budget processes and supporting guidelines, including procedures for formally documenting, approving, and justifying one-time and unexpected expenditure requests, were developed and are documented in the UCOP Budget Manual. This manual is not intended to be a static document and will continue to be updated as additional improvements are identified and made.</p>
28	Establish spending targets for systemwide initiatives and administrative costs.	April 2019	<p><b>Not Fully Implemented</b>  <b>Estimated Completion Date: April 2019</b></p> <p>Spending targets are being set for programs, initiatives, and central administration as part of the FY18-19 UCOP budget process. The Office of the President will continue to develop and improve upon its efforts to establish spending targets and conduct program reviews, and will provide a status update on its progress at the next reporting milestone.</p>	<p><b>Pending</b></p> <p>The status of this recommendation is pending the Office of the President's establishment of spending targets for systemwide initiatives and administrative costs due April 2019.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>As part of the UCOP FY2018-19 budget, spending targets were established for administrative costs as well as all five categories of Programs &amp; Initiatives:</p> <ul style="list-style-type: none"> <li>• Spending targets for administrative costs, comprising 43% of the UCOP budget, are detailed on pp. 12-14 and in Schedule D.</li> <li>• Spending targets for State/Federal Programs, Campus Programs, Systemwide Programs, and Systemwide Initiatives, together comprising 45% of the UCOP budget, are detailed on pp. 10-11 and in Schedule C.</li> <li>• Spending targets for Presidential Initiatives are provided on pg. 14 and in Schedule E, along with all commitments to be funded through the newly established Strategic Priorities Fund.</li> </ul>

**2018 Annual Update on Recommendations from CSA Audit of UCOP Administrative Expenditures**

#	Recommendation	CSA Due Date	One Year Update	CSA's Assessment of Status	Current Status as of October 2018
29	Publish the results of the review of systemwide and presidential initiatives including any funds the Office of the President anticipates reallocating to the campuses.	April 2019	<p><b>Not Fully Implemented</b>  <b>Estimated Completion Date: April 2019</b></p> <p>The Office of the President published the results of the AB97 proposal to redirect \$15M to the campuses to fund additional undergraduate enrollment in FY18-19 which included reducing the funding for presidential initiatives by \$2M and other UCOP-budgeted programs by \$.5M.</p>	<p><b>Pending</b></p> <p>The status of this recommendation is pending any additional funding the Office of the President identifies for reallocation to campuses by April 2019.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>Following a review of UCOP programs and initiatives, a comprehensive item was presented to the UC Regents in March 2018, as well as submitted to the CSA as part of the one-year update in April 2018. These materials included:</p> <ul style="list-style-type: none"> <li>• a listing by category of FY2017-18 programs and initiatives, and their associated budget allocations;</li> <li>• a more detailed summary of each program, including its purpose, stakeholders, and the funds used to support it;</li> <li>• a detailed description of the nine presidential initiatives, including an overview of the origin, intent and activities of the initiative and funding commitments.</li> </ul> <p>The Office of the President also published the results of the AB97 proposal to redirect \$15M to the campuses to fund additional undergraduate enrollment in FY18-19, which included reducing the funding for presidential initiatives by \$2M and other UCOP-budgeted programs by \$0.5M.</p> <p>A subsequent review of program and initiative budgets was conducted as part of the FY2018-19 budget process, resulting in an additional net decrease of \$10.5M from the previous year (FY2018-19 Budget pg. 11 and Schedule C). Reductions were made to several program and initiative budgets and the UC Education Abroad Program (UCEAP) budget was moved to the UC Santa Barbara campus. This move creates efficiency in service provision, as UC Santa Barbara is located within a few miles from where UCEAP currently operates and its leadership team play a central role in managing this systemwide program.</p>
30	Restructure budget and accounting systems to ensure the costs of the Office of the President can be clearly tracked and reported annually. Specifically, the budget and accounting systems should be able to distinguish between systemwide initiatives, presidential initiatives, and administrative costs.	April 2019	<p><b>Not Fully Implemented</b>  <b>Estimated Completion Date: April 2019</b></p> <p>The Office of the President is working to implement incremental improvements to the existing BDS system to improve tracking, reporting and alignment to budgets. Plans for a new budget system have been initiated and a planning document has been submitted to the CSA along with this report.</p>	<p><b>Pending</b></p> <p>We reviewed the documentation the Office of the President provided and it clearly lays out the challenges the Office of the President is facing with implementing a new budget system. Moving forward it will be important for the Office of the President to transparently share these challenges with its stakeholders and the impact that the need for a new system may have on its ability to complete our recommendations by their due dates.</p>	<p><b>Fully Implemented</b>  <b>Completion Date: May 2018</b></p> <p>The Office of the President implemented incremental improvements to the existing BDS system to improve tracking, reporting and alignment to budgets.</p> <p>Enhancements to BDS have been made to ensure the costs of the Office of the President can be clearly tracked and reported annually.</p> <p>As evidenced specifically by Schedules A, B, C and E in the FY2018-19 UCOP budget, all accounts in BDS are now mapped so that, as financial data are translated to reports in BDS, costs for systemwide programs and initiatives, presidential initiatives, and central/administrative can be distinguished.</p>