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The University of California Office of the President

It Failed to Disclose Tens of Millions in Surplus Funds, and Its Budget Practices Are Misleading

Background

Providing higher education to more than 250,000 students at its 10 campuses, the University of California (university) is administered by the Board of Regents (regents) and led by the president. As the systemwide headquarters to the university, the Office of the President provides central administrative services and manages systemwide initiatives that benefit multiple campuses. The Office of the President levies an annual assessment on all campuses to pay for its operations and systemwide initiatives. We conducted an audit of administrative functions of the university's Office of the President.

Our Key Recommendations

To ensure the Office of the President's ongoing accountability, the Legislature should directly appropriate funding for the Office of the President's operations.

The regents should closely review and monitor the Office of the President's spending plans and review its progress toward implementing our recommended three-year corrective action plan.

The Office of the President

We made nearly 30 recommendations it can implement over three years that are geared toward the following:

- Implementing best practices for budgeting, including publicly presenting comprehensive and accurate budget information.
- Ensuring its staffing costs align with the needs of campuses and other stakeholders by restructuring salary ranges and modifying its employee benefits.
- Ensuring that its expenditures for systemwide initiatives align with the university's priorities and are delivering their intended benefits.

Key Findings

- The Office of the President accumulated more than \$175 million in restricted and discretionary reserves that it failed to disclose to the regents and created undisclosed budgets to spend those reserve funds.
 - » It received significantly more funds than it needed in each of the four years we reviewed and asked for increases in future funding based on its previous years' over-estimated budgets rather than actual costs.
 - » The undisclosed budgets ranged from \$77 million to \$114 million over four years.
 - » More than one-third of its discretionary reserve came from unspent funds from the annual campus assessments, yet it increased the amount assessed twice over the past four years.
- Its budgets were inconsistent and misleading—budget presentations changed in all four years we reviewed making it difficult to compare budgets from year to year, to hold the Office of the President accountable for its spending plans, and to understand how spending decisions were made.
- The Office of the President compensated its executives and administrative staff significantly more than their public sector counterparts.
 - » Ten executives were paid \$3.7 million in fiscal year 2015–16. This is over \$700,000 more than the combined salaries of their highest-paid state employee counterparts.
 - » Administrative staff annual salary rates generally exceeded the maximum annual salary ranges of comparable state employees by \$2.5 million for the positions we reviewed.
 - » It spent at least \$21.6 million on employee benefits—some of which are not provided to other public sector employees—such as contributions to a supplemental retirement savings plan for its executives.
- Although it spends an estimated \$434 million on systemwide initiatives, the Office of the President could not provide a complete listing of the initiatives it administers or their cost. Further, the Office of the President does not regularly evaluate these programs' continued priority, benefit, or cost.