

RE-76

Office of the Secretary

TO MEMBERS OF THE SPECIAL COMMITTEE ON COMPENSATION:

ACTION ITEM

For Meeting of July 20, 2006

REGENTAL PLAN FOR REFORMS IN RESPONSE TO INTERNAL AND EXTERNAL AUDIT REPORTS, AND STATUS UPDATE OF IMPLEMENTATION OF RECOMMENDATIONS OF THE TASK FORCE ON UC COMPENSATION, ACCOUNTABILITY, AND TRANSPARENCY

Regent Hopkinson recommends that the Special Committee on Compensation recommend to The Regents the adoption of the recommended actions shown in [Attachment 1](#) in response to the audit recommendations of the Bureau of State Audits, PricewaterhouseCoopers, and the University Auditor related to University compensation and travel and entertainment.

In addition, Regent Hopkinson will provide an update on the status of implementation of the recommendations of the Task Force on UC Compensation, Accountability, and Transparency, as a follow-up to RE-74 which was adopted by the Board at the May meeting (see [Attachment 2](#)).

BACKGROUND

In January 2006, Chairman Parsky retained PricewaterhouseCoopers (PwC) to conduct an independent audit of compensation and employment arrangements of the University's top 32 management positions over a 10-year period, encompassing more than 60 current and former UC employees. PwC released its audit findings and recommendations on April 24, 2006.

Also in January 2006, the Joint Legislative Audit Committee asked the Bureau of State Audits (BSA) to conduct its own audit of UC senior management compensation practices, focusing on 100 highly compensated faculty and administrative positions at the campuses and the Office of the President. The BSA audit report and recommendations were released on May 2, 2006.

At the May 2006 meeting of The Regents, the University Auditor presented the findings and recommendations from UC's internal audit of compensation for the employees in the University's Senior Management Group not already reviewed by PwC in its audit. Both

the University Auditor's report and PwC's audit also examined travel and entertainment expenses for select UC management positions.

Taken together, these three audits represent one of the most thorough and rigorous reviews of UC executive compensation ever conducted. As with the issues raised by the independent Task Force on UC Compensation, Accountability, and Transparency, in order to address many of the recommendations made in the three audit reports, a complete rethinking of University compensation policies, practices, and procedures is required at all levels—on the campuses, at the medical centers, at the national laboratories, and in the Office of the President. Undertaking actions to implement these reforms must be guided by the principles of public accountability and disclosure, effective governance and oversight, individual and institutional accountability, and institutional competitiveness.

The Implementation Committee and workgroups appointed by President Dynes and composed of campus, medical center, and Office of the President personnel have begun working to implement the Task Force recommendations. In addition, the committee and workgroups are poised to implement those audit recommendations ultimately adopted by The Regents.

Attachment 1 displays the recommended actions and estimated timelines for responding to each recommendation in the three audit reports.

Attachment 2 provides a status update on the implementation of actions in response to the Task Force recommendations.

(Attachments)