Independent Consultant's Report

Ninth Report: Independent Assessment of CSA Recommendations

Date: October 22, 2019

Period: July 1, 2019 –October 15, 2019 Year 3 First Quarter

Observations and Findings

During this reporting period, CSA's Year 3 commenced. April 25, 2020 will bring to a close the three year CSA recommendation period for the University of California Office of the President. This past April, UCOP submitted to the CSA evidence supporting actions taken to meet outstanding Year 1 and achieving Year 2 recommendations. As reported in our July 1, 2019 Independent Consultant's Report to the Regents, all recommendations with the exception of one Year 1 and two Year 2 recommendations were deemed complete by the CSA. By November 1, 2019, UCOP will provide an update to the CSA on its progress relating to the pending Year 3 recommendations.

Year 3 includes 12 recommendations:

- One of the 12 has already been accepted by CSA as fully implemented.
- Six of the 12 recommendations are premised on savings generated as a result of the improvements made as a result of the CSA audit—three are to reallocate funds and three are to report to the Regents on these actions.
- Two of the 12 relate to developing and implementing a workforce development plan.
- One of the 12 requires beginning to develop a multi-year budget plan.
- One of the 12 relates to salary levels and ranges.
- One requires publishing progress in meeting systemwide initiative and cost targets.

Based on our review of UCOP's efforts and documents, as detailed in later sections of this report, we view that UCOP has achieved early implementation of an additional 7 of the 12 Year 3 recommendations.

Since April 2017, the UCOP has been subject several consultant reviews and undertaken numerous ambitious initiatives to address the intent of each audit recommendation. Moreover, they met with various stakeholder groups within and external to the UCOP with goals to optimize and right-size operations, implemented several corrective and proactive measures, and reported the progress and achievements to the Regents, CSA, and the public. Unquestionably, UCOP, UC stakeholders, and the public have benefited from these efforts—certainly in terms of efficiency, effectiveness, and ensuring that the services and programs provided by and through the UCOP are those valued and appropriate for the "central office" of the UC.

Over the three-year CSA audit recommendation period, funding for UCOP operations has remained essentially flat. In response to recommendations made by Huron and resulting from Sjoberg Evashenk Consulting 10 Campus Study, UCOP executed a number of strategies to reduce operating costs, align services with the needs of the stakeholders, and ensure programs are properly placed; such efforts have resulted in cost avoidance and savings. Concurrently, UC was tasked to increase enrollment across the system, admit more transfer students, and administer additional grant programs in addition to adopting new financial and budget systems, absorbing audit recommendation costs, reallocating funds to campuses, and realigning services to compensate for general operating cost increases.

Until July 2017, the UCOP funded its operations following a campus assessment approach. This method, mutually agreed-to between the campuses and the UCOP around 2011, applied a three-part formula to calculate the contribution to be made by each campus for UCOP support. Over the years, the UCOP accrued surpluses from the assessment and these funds were not totally included in the annual budget; some deemed as "temporary funds" were not presented in the budget submitted to the Regents and were used at the President's discretion often for one-time or short-term initiatives. It appears these excess funds triggered several of the CSA recommendations, particularly those relating to reallocation of funds back to the campuses. In an additional move to encourage UCOP budgetary prudency—for a three-year period – the state legislature "carved out" a certain portion of the state's funding to the UC system for the UCOP's operations, this "direct appropriation"—was another step to limit UCOP spending.

As a result of CSA recommendations, UCOP directly and indirectly reallocated a sizable amount of funds to campuses during each of the three audit recommendation years. It is important to note that with the legislative direct appropriation, state funding provided to UCOP is on a reimbursement basis wherein UCOP incurs expenses and the state pays for those costs—thus, no surpluses could be built. With no increase to its budget for the three years, exhausting fund balances, and expenditure pressures continuing, the UCOP continues to seek to reduce costs and has come to a lean budget level. UCOP believes and the Executive Budget Committee (EBC) agrees that further cuts will directly impact the campuses. Already, many campuses have been forced to individually shoulder program costs that would be best managed and administered centrally; additionally, requests for funding particular campus or project needs have been denied or deferred.

Fiscal Year 2019-20 started with a $5.2 million budget gap. UCOP is endeavoring to close the budget deficit by November 2019. It is expected that the steps to meet the budget shortfall are one-time remedies, leaving UCOP with a structural budget problem that must be addressed. As previously noted, the UCOP budget is now lean but lacks the appropriate flexibility to manage and control its budget due to the constraints imposed by legislative budget control language. Currently, UCOP cannot raise funds from any source to offset costs, no matter the purpose. Nor can it incur costs on behalf of a campus and be reimbursed as these inflows and outflows would show as increased revenues and expenses.

We believe the legislative budget controls and CSA recommendations have achieved the stated purposes—to build budgetary discipline, disclosure, accountability, and transparency—but now prevent UCOP from providing the services and programs campuses request, need, and are willing to fund. For example, the Strategic Priorities Fund (SPF) was established to replace temporary funding for one-time or short-term initiatives and programs requested on behalf of campuses. Previously, funds for these strategic priorities were from unused campus assessment funds. When initiated, SPF budget was set at about half of its previous level and since UCOP funded it with unrestricted fund balances and operational efficiencies. With unrestricted fund balances likely to be exhausted by this year end and the campuses disallowed to provide any support to this fund or other UCOP-led initiatives (with the exception of UC Path), continuation of such programs and initiatives is uncertain. The impact of UCOP-wide funding restrictions are already being realized at the campus level. For instance, recently, requests for special project funding for systemwide projects such as for libraries and cybersecurity desired to be funded and administered on a systemwide basis were denied due to lack of funding. EBC indicates that campuses would willingly review and support SPF projects and other UCOP activities as they see the value, efficiencies, and benefits of funding services and special initiatives centrally and not on a campus by campus basis.

The concentrated efforts to improve budget activities and reporting of all UCOP operations has resulted in budgets proving to be far more accurate; budget to actual for the last fiscal year resulted in much more precise budgets—UCOP reporting budget to actual results for FY 2018-19 to be within 3 percent. Budget transparency continues to evolve with each aspect of the UCOP spending detailed and reported to the Regents and to the public.

In our view, the three-year budget control language for the UCOP has achieved its intended purpose—to require the President to consult with the campuses and to right-size and reorganize UCOP administration, programs, and services to be in the best interests of the University of California system and the students it serves. Each of the campus Chancellors and the EBC members are in full support of returning to the campus assessments and allowing the President, in consultation with the Council of Chancellors, the EBC, and the Academic Senate to set the UCOP budget and assess the campuses for the "headquarters" support.

OVERALL STATUS OF RECOMMENDATION IMPLEMENTATION

In the following, we recap progress in meeting the 33 UCOP and the other 9 recommendations addressed to the Regents and the Legislature, as officially posted on the CSA website in October 2019.

CSA's Status of Recommendations

Recommendation Number	Due Date	Status	Complete
1	Addressed to Legislature	Implemented	✓
2	Addressed to Legislature	No longer necessary	✓
3	April 2018	Implemented	✓
4	April 2018	Implemented	✓
5	April 2018	Partial Implementation	See page 6
6	April 2018	Implemented	✓
7	Addressed to Regents--No deadline	Partial Implementation	
8	Addressed to Regents--No deadline	Implemented	✓
9	Addressed to Regents--No deadline	Partial Implementation	✓
10	April 2018	Implemented	✓
11	April 2018	Implemented	✓
12	April 2018	Implemented	✓
13	April 2018	Implemented	✓
14	Addressed to Regents--No deadline	Partial Implementation	
15	Addressed to Regents--No deadline	Pending	
16	Addressed to Regents--No deadline	Implemented	✓
17	Addressed to Regents--No deadline	Partial Implementation	
18	April 2018	Implemented	✓
19	April 2018	Implemented	✓
20	April 2019	Implemented	✓
21	April 2019	Implemented	✓
22	April 2019	Partially Implemented	See page 6
23	April 2019	Partially Implemented	See page 6
24	April 2019	Implemented	✓
25	April 2019	Implemented	✓
26	April 2019	Implemented	✓
27	April 2019	Implemented	✓
28	April 2019	Implemented	✓
29	April 2019	Implemented	✓
30	April 2019	Implemented	✓
31	April 2020	Pending	
32	April 2020	Pending	
33	April 2020	Pending	

Color Coding:
- ☐ 2018
- ☐ 2019
- ☐ 2020

Recommendation Number	Due Date	Status	Complete
34	April 2020	Pending	
35	April 2020	Implemented	✓
36	April 2020	Pending	
37	April 2020	Pending	
38	April 2020	Pending	
39	April 2020	Pending	
40	April 2020	Pending	
41	April 2020	Pending	
42	April 2020	Pending	

Sjoberg Evashenk Work Undertaken During the Reporting Period

Since July 1, 2019, Sjoberg Evashenk has continually monitored UCOP efforts to respond to the CSA recommendations. We attend formal workgroup meetings, hold discussions with area managers and UCOP executives, attend every EBC meeting, regularly correspond with key UCOP leaders, attend and/or watch Regents meetings, and review, assess, and question the multiple versions of working documents, supporting materials, and final reports generated for these improvement efforts. We critically review and provide comments on work group products and participate in conversations related to the UCOP's efforts to meet all outstanding recommendations.

With the UCOP's submission of the April 2019 work products, the UCOP has completed the majority of structural and implementation work to deploy the underlying initiatives addressing the CSA's recommendations. During this reporting period certain areas were of key import and focus:

- FY 2019-20 budget—the Regent's directed the UCOP to again present the budget packet in July 2019. As the UCOP's requests for state Budget Change Proposals and a budget increase were not approved by the governor, the UCOP budget had a $5.2 million gap. In the November 2019 submission to the Regents, UCOP provided a plan for closing that budget gap.
- The evolution and development of the new budget system and negotiation of the related accounting systems.
- Progress to address Phases 3, 4, and 5 of the CalHR Workforce Development Plan.
- Issues relating to salary setting, salary ranges, and related targets.
- Understanding detail related to each category of funds reallocated to campuses.

In the following, we report the results of these reviews.

Year 1 and Year 2 Recommendations

One recommendation relating to Year 1 remains at partial implementation:

> **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.*

We maintain the view that UCOP has met this recommendation; however, based upon the CSA's comments we anticipate that Recommendation #5 will likely remain classified by CSA as partially implemented indefinitely. One sticking point is the timing of the Regent's review of the UCOP budget. UC provides its more than $9.56 billion budget to the governor and legislature in compliance with the State budgeting timelines—in the fall for presentation in the January Governor's Budget. Included in the FY 2019-20 UC budget is the UCOP's early estimate for its budget—about $940 million. The Regent's calendar schedules the presentation of details relating to the estimated UCOP budget in May. CSA argues that this deliberation is too late for the May revision of the state's budget—but putting this issue into context, any adjustment to the UCOP budget in the scope of the very significant UC systemwide budget would be insignificant. Moreover, the UCOP's budget is posted publicly about two weeks before the mid-May Regents meeting—still within the May revision deliberation period. Since the CSA maintains that UCOP budget information should be available earlier, this portion of the recommendation will likely remain partially implemented.

Two recommendations relating to Year 2 remain at partial implementation:

> **Recommendation #22**: …*by April 2019, the Office of the President shall continue to present a comprehensive budget based on the presentation in Figure 11 to the regents, the Legislature, and the public.*

Over the past two-and-one-half years, UCOP has continually improved and refined its budget detail and presentation. Detail and disclosure far exceed the budgets prepared by any other state agency or subdivision thereof. Even though the CSA agreed that the UCOP budget is more transparent because it is generally easier to "understand" and highlighted examples of some of the detail, it raises issues with amounts classified as "designated" (the majority of which are laboratory-related and subject to Regent direction). Regents are carefully evaluating the various budget components, as evidenced by Regent questions to UCOP staff and requests for underlying information relating to designated funds—such as, who designated them, why were they designated, and should action be taken to change these prior decisions? Thus, this matter is being actively reviewed by the Regents and UCOP.

> **Recommendation #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.*

UCOP seeks to resolve this issue with the CSA and has initiated outreach to the CSA to obtain a full understanding of its position and to determine its expected outcome from UCOP's related efforts. UCOP has accomplished all the required steps to evaluate and reweigh UCOP market data and the CSA essentially agreed these efforts fulfilled all the components required—to benchmark, match, and weight salary survey data and to narrow the related salary ranges. The results of these efforts did not align with the CSA's hypothesis that such steps would require UCOP to lower employee salaries. As a result, CSA deemed this recommendation to be partially implemented. CSA disagreed with policy decisions made by the President and vetted with the Regents relative to moving the midpoint of the salary ranges based upon overall market changes occurring during the two-year moratorium on salary range movement. CSA determined that if UCOP had not made the decision to move salary ranges closer to market, resulting employee salaries would be lower. However, the market increase essentially moves the mid-point of the salary range and only those employees with salaries that would fall below the lowest rung of the pay scale would be raised.

It appears that the CSA believes that moving the salary ranges directly increases employees' salaries. While such a change in California's merit system does often result in higher salaries for all employees, this is not the case at UC. Employee salary movement within a range is not automatic and is not premised upon movement of the pay scale. Rather, pay changes/increases are not automatic, is specific to the individual, and is normally performance based. Annually, the President approves a salary program for covered employees that provides parameters for any warranted increases that are awarded based upon each individual's performance.

Data related to potential impacts of the market change were detailed and fully disclosed in the materials for salary setting provided to the Regents and CSA during the fall of 2018. The President has discretion to make policy and salary decisions, she determined that adjusting salary ranges was essential to retaining and attracting qualified and talented employees to the UCOP.

It is our view that audit recommendations are just that, a recommendation not a directive; and the leadership of an audited organization retains full discretion and is responsible for determining how a recommendation is to be addressed and implemented, and is ultimately accountable for those decisions.

Year Three Recommendations

As previously noted, Year 3 includes 12 recommendations:

- One of the 12 has already been accepted by CSA as fully implemented.
- Six of the 12 recommendations relate to reallocating funds to campuses—three pertain to the reallocation of funds and three relate to reporting to the Regents on the reallocation of those funds.
- Two of the 12 relate to developing and implementing a workforce development plan.
- One of the 12 requires beginning to develop a multi-year budget plan.
- One of the 12 relates to salary levels and ranges.
- One requires publishing progress in meeting systemwide initiative and cost targets.

Based on our review of UCOP's efforts and documents, as detailed in later sections of this report, we view that UCOP has fully implemented 8 of the 12 Year 3 recommendations. The UCOP plans to report its results to the CSA by November 1, 2019.

CSA Recognized as Fully Implemented

> **Recommendation #35:** …*by April 2020, the Office of the President should adjust its employee benefits to meet its established targets.*

CSA Cites as Pending

Of the 11 Year 3 recommendations pending, six relate to savings generated as a result of implementing the body of CSA recommendations.

> **Recommendation #31:** … *by April 2020 the Office of the President should reallocate to the campuses funds that it identified during its review of fund restrictions and fund commitments.*

During Year 1, UCOP conducted a comprehensive review of all its funds; as a result, all were assigned as either unrestricted/undesignated, unrestricted/designated, designated, and restricted. The UCOP budget identifies sources, uses, reserves, and fund balances by these categories. We reviewed the UCOP draft report related to the fiscal year end 2018-19 budget to actual results, FY 2019-20 quarter one results, and the UCOP's draft submission to the CSA due November 1, 2019. The UCOP reports detail amounts directly and indirectly reallocated to campuses resulting from its review of fund restrictions and commitments. Over the three-year CSA recommendation period, UCOP reports it directly reallocated from fund balances approximately about $87.6 million—about 83 percent for campus housing and seismic programs released from the housing loan program funds and residual bond monies. An additional nearly $50 million was indirectly reallocated to fund a significant portion of the SPF over the three year period in order to provide monies for one-time and short-term campus initiatives.

These direct and indirect reallocations from fund restrictions and commitments, totaling more than $152 million, result from the concerted efforts to continually analyze fund classifications, fund uses, fund reserves, and fund balances and show the tangible benefits to the campuses of these efforts. As these results incorporate the current year reallocations (through Year 3), we view that UCOP has fulfilled the intent of the auditor's recommendation.

> **Recommendation #33:** *… by April 2020 the Office of the President should report to the regents on the amount of funds it reallocated to campuses as a result of implementing our recommendations.*

This recommendation appears to be a requirement to report to the Regents a global assessment of the amounts reallocated to the campuses as a result of all the recommendations. We reviewed the draft of the UCOP Regent budget report for the November 2019 meeting; Schedule G provides a summary of all the components providing direct and indirect fund reallocations back to campuses as a result of the CSA recommendations. Specifically, Recommendations #31, #36, and #41 require the UCOP reallocate savings and or available funds to campuses. In total, for the three year audit recommendation period, UCOP reports an estimated $166.3 million of reallocated funds—some $87.6 million in direct reallocation and another $78.7 million in indirect reallocation to the campuses. The detail presented in the November Regents item, that will also be provided to the CSA and become public, meets the requirement that the UCOP report to the Regents on the funds reallocated.

We view this recommendation complete.

> **Recommendation #36:** *… by April 2020 the Office of the President should reallocate funds to campuses when adjustments to its salaries and benefits result in savings*.

As we previously reported in Recommendation #23, despite completing the required salary restructuring and range narrowing, these efforts did not result in any sizable savings. However, the UCOP's draft budget report to the Regents, to be submitted in November, reports a modest amount of funds to be reallocated as a result of salary and benefit adjustments, about $3.1 million. Additionally, there were other actions involving revisions to budgetary factors for vacancies and position reductions that resulted in nearly $12 million being freed up over the three years for reallocation to campuses—these amounts were reported under Recommendation #31.

The majority of the savings from employee benefit reductions were one-time and reallocated to campuses in Year 1 (subsequent benefits are cost avoidance and not measured). As these results were provided to campuses and no additional reallocations are anticipated through April 2020, we view that UCOP has achieved the intent of this recommendation and this item to be complete.

> **Recommendation #39:** … *by April 2020 the Office of the President should report to the regents on the amount of funds it reallocates to campuses as a result of implementing our recommendations [relating to staffing costs].*

This recommendation relates to efforts the UCOP undertook to assess its expenses relating to staffing and the costs saved as a result. Over the three year period a number of CSA recommendations involved salary setting, salary ranges, and employee benefits and costs and on multiple occasions have reported the results to the Regents. Specific to this recommendation, though, as noted in Recommendation # 36 above, UCOP reported on reallocations to campuses as a result of salary and benefit adjustments in

March to the Regents and to the CSA in April 2019 and is also again reporting such information to the Regents and CSA in November, on Schedule G. As this recommendation pertains to reporting of such data and we fully expect the UCOP to continue its transparency in budget data, we view that this recommendation is complete.

> **Recommendation #41: …** *by April 2020 the Office of the President should reallocate funds from the review of systemwide and presidential initiatives, as well as any administrative cost savings, to campuses.*

UCOP adopted a number of policies requiring annual assessment of systemwide programs. These programs are delineated within the budget and deliberated at several levels within UCOP as well as with the Executive Budget Committee, whose members have keen and direct interest in these programs. In particular, the UCOP changed its process for funding Presidential and other President-approved initiatives. Prior to implementation of CSA recommendations, Presidential Initiatives and other one-time projects were supported with excess funds generated from campus assessments; under new budgetary guidelines, all UCOP activities are clearly budgeted and the UCOP designated a new Special Priorities Fund (SPF) to support Presidential Initiatives and one-time projects. The SPF has been budgeted at $30 million per year, a level of about half of the previous spending for these projects, and has been funded with fund balances and operational efficiencies. Within the SPF, about $7 million per year is currently budgeted for Presidential Initiatives with the remaining balance to be approved and spent though two detailed deliberative processes.

In Year 1, the Legislature, through budget control language (AB 97), accelerated the execution of certain aspects of CSA recommendations; AB 97 generally required the UCOP to: 1) list the existing programs of UCOP; and, 2) provide funding level changes to UCOP expenditures to accommodate 1,500 additional ungraduated students for the 2018-19 academic year. At that time, the UCOP identified and reported to the Legislature and Department of Finance on the programs and funding sources from which it redirected funding to achieve the $15 million needed for enrollment growth. A portion of this AB 98 funding was generated from reductions in administrative expenses, programs and initiatives, and the President's Initiatives Fund—approximately $8.6 million.

Over the three year period, the November 2019 budget report to the Regents reflects nearly $11 million in program reductions for reallocation to campuses arising from position reductions and AB 97 commitments. These reallocations were made during audit years Year 1 and 2 and no additional reallocations are budgeted for the current year from systemwide initiatives or administrative costs.

As the data in the Regents November 2019 report incorporate the entire Year 3, we view this recommendation complete.

> **Recommendation #42: …** *by April 2020 the Office of the President* should report to the regents on the amount of funds reallocated to campuses.

This recommendation appears to relate to Recommendation #41 above, but it may also be a reiteration of # 33. Nonetheless, as the UCOP will have reported to the Regents in November 2019 on its reallocation of funds for the three-year audit period, we find this recommendation complete.

There are five remaining recommendations for Year 3—one involving budget safeguards and developing a multiyear budget plan, one related to salaries, one addressing systemwide initiatives, and two regarding workforce development programs.

> **Recommendation #40: …** *by April 2020 the Office of the President should publicly publish its progress in meeting systemwide initiative and administrative cost targets.*

In July 2019, the UCOP represented its Fiscal Year 2019-20 budget to the Regents; this packet is a public document. Within this budget, UCOP provides a number of detailed schedules that set forth cost targets for all aspects of its operations. Schedule C details "Programs and Initiatives"—showing funding uses each campus program budget. In addition, Schedule D sets out budgets for each administrative department and division. The data presents not only the budget but the forecasted "actual" expenses of FY 2018-19.

Further, the draft budget report that UCOP will provide to the Regents for its November 2019 meeting, and become public before the meeting when the item is added to the agenda, includes the actual results of the 2018-19 fiscal year. Part 2 of the report provides budget to actual results showing that spending across UCOP was maintained within the set targets with a less than 3 percent variance—suggesting budget building precision and prudent management of spending. Additional schedules within the report delineate variances and provides explanations for such items. Further, the report also provides 2019-20 fiscal year Quarter 1 results, that reiterate the established budget—cost targets—and shows first quarter actual fund uses and compares those results to the budget.

We find that UCOP has fulfilled the requirements of this recommendation.

> **Recommendation #32:** *… by April 2020 the Office of the President should 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.*

Recently, Deloitte conducted an internal control review over the UCOP budget process. This review found appropriate safeguards and controls over its budget processes. Further, UCOP is currently developing and intends to implement, in time for the budget development for the Fiscal Year 2020-21, a new budget system which will further automate and include a variety of controls over the budget. The Oracle cloud-based planning and budgeting tool is in development and expected to be operational in November 2019, in time for the budget call process. The new system will provide a variety of benefits for budget-related activities including quarterly forecasting and budget tracking, statistical analysis, and monitoring of balances and uses of funds. Full benefits of the new budget tool will not be realized until UCOP implements the new financial system suite and its records are fully transferred off the UCLA platform—expected to be in 2021.

UCOP has developed the framework for its multi-year budget process and expects numerous benefits from adopting these tools and approach including better financial management, long-range and strategic planning, improved program management, and monitoring of reserves and fund balances. UCOP is working to develop an annual, repeatable process that supports and promotes a rolling budget with the associated policies, procedures, and targets. The goal is to bring the system live in November/December 2019 for budget development and continue to implement additional functionality and enhancements subsequently. Phase II of this project will continue in the January through July 2020 timeframe and will include not only multi-year budgeting, but enhancements for project capital project and grant management, strategic workforce planning (in collaboration and conjunction with the results of Recommendations 37 and 38), and will afford enhancements to management reporting and dashboards. As this project is quickly moving, we will continue to monitor its progress and report to the Regents.

One of the Year 3 recommendations relates to the last steps in adjusting salary levels and ranges.

> **Recommendation #34:** ***…*** *by April 2020 the Office of the President should adjust its salary levels and ranges to meet its established targets.*

The UCOP has completed implementation of this item, and in our opinion, is fully compliant. It has narrowed its salary ranges to the established targets, evaluated the impact of narrowing ranges on employees who were impacted by the narrowing (both below minimum, above maximum, and compressed) and adjusted salaries for the 51 employees. New salary ranges were posted on the UCOP Human Resources website. Although UCOP has completed all steps as required, it appears that CSA does not accept the President's target for salary ranges. We will continue to monitor this item through audit Year 3.

Two of the remaining 12 recommendations relate to workforce development.

> **Recommendation #37: …** *by April 2020 the Office of the President should implement phase three of CalHR's best-practice workforce planning model by presenting the final workforce plan to its staff and beginning its implementation by carrying out workforce planning strategies covering a three-to five-year period. The Office of the President should make its final workforce plan publicly available.*

> **Recommendation #38: …** *by April 2020 the Office of the President should implement phases 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.*

> UCOP is actively working not only to complete Phase 3 (Recommendation # 37)—the workforce strategies and plan, but also to implement and evaluate these efforts. We have reviewed draft portions of the Phase 3 plan where UCOP has determined that a key strategic focus for its workforce plan is the retention and motivation of productive and performing current staff and to attract, recruit, train, and culturally integrate new employees. The draft plan is designed to build out a robust and sustainable plan for the UCOP (that could be adopted at the campus level) that provides concrete and beneficial results for UCOP as an employer and also meets the intent of the CSA.

The expectation is that the plan adopts strategies requiring the UCOP to look at is organization on an ongoing basis, its structure, level of workforce, assessments of skills, knowledge, and abilities, and planning for succession. The draft plan includes key strategies including employee development, talent acquisition, and knowledge sharing and details of the tactics to define and accomplish each of these strategies. UCOP recognizes that the success of the plan is contingent upon acceptance and adoption by UCOP stakeholders and the workgroup has engaged focus teams and departmental leadership in developing the approach and components. The workforce plan is expected to be "married" to the related budget processes. Much of the effort related to Phase 3 is scheduled to be complete by late November 2019.

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

Concurrent with finalizing its plan (Phase 3), UCOP is actively working on implementation (Phase 4) and success measurement plans (Phase 5). It has engaged external sources (including student-led initiatives) and is adopting new tools to assist in developing and piloting steps in the implementation of the new strategies. UCOP is assessing each of the implementation efforts on the pilots (including the measurement metrics) and refining elements as the results convey. These efforts are ongoing and expected to be complete for presentation in the March 2020 Regents meeting.

We view that UCOP is making substantial progress on both Recommendation #37 and #38 and we will continue to monitor its efforts and report to the Regents.