

COMPLIANCE AND AUDIT COMMITTEE

March 15, 2018

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

A. APPROVAL OF EXTERNAL AUDIT PLAN FOR THE YEAR ENDING JUNE 30, 2018

The Committee recommends that the PricewaterhouseCoopers external audit plan and fees for the University for the year ending June 30, 2018, as shown in Attachment 1 below, be approved.

Committee vote: Regents Anguiano, Elliott, Makarechian, Newsom, Tauscher, and Zettel voting “aye.”

Board vote: Regents Anguiano, Elliott, Guber, Kieffer, Lansing, Lemus, Mancina, Monge, Napolitano, Newsom, Park, Pérez, Sherman, Tauscher, and Zettel voting “aye.”

B. REAPPOINTMENT OF EXPERT ADVISOR TO THE COMPLIANCE AND AUDIT COMMITTEE

The Committee reports its reappointment of Eric Juline as Expert Financial Advisor to the Committee for an additional one-year term, effective immediately.

Committee vote: Regents Anguiano, Elliott, Makarechian, Newsom, Tauscher, and Zettel voting “aye.”

Board vote: Regents Anguiano, Elliott, Guber, Kieffer, Lansing, Lemus, Mancina, Monge, Napolitano, Newsom, Park, Pérez, Sherman, Tauscher, and Zettel voting “aye.”

PwC Services and Related Deliverables to the University

In conjunction with our service in providing audit services to the University, we also provide certain other assurance services to the University. Refer to the table below for a listing of services and related deliverables we expect to provide. Prior to commencing any non-audit related services, we are required to obtain preapproval from the Committee or the Committee's designee pursuant to the University's preapproval policy for its independent auditor. For audit objectives and responsibilities and communication plan, please refer to **Appendix B**.

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|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Reports | <ul style="list-style-type: none"> ▪ Report on the financial statements of the University of California ▪ Report on the financial statements of each of the five Medical Centers ▪ Report on the University of California Retirement System ▪ Report on the University of California Cash Contributions to the Retirement System ▪ Reports on federal awards in accordance with OMB <i>Uniform Guidance</i> |
| Internal Control Observations | <ul style="list-style-type: none"> ▪ Report to the Committee on control and process deficiencies and observations, including material weaknesses and significant deficiencies (Regents Letter) ▪ Reports to the campus Chancellors on control and process deficiencies and observations (Chancellor Letters) |
| Agreed-Upon Procedures | <ul style="list-style-type: none"> ▪ Agreed-upon Procedures related to the University's Mortgage Origination Program and Supplemental Home Loan Program ▪ Agreed-upon Procedures on Intercollegiate Athletic Departments (NCAA requirements) for six campuses |
| Other Services | <ul style="list-style-type: none"> ▪ Review of consolidated Form 990-T of the Regents of the University of California and University of California Retirement Plan ▪ Reviews in connection with bond offerings ▪ Accounting consultations and other assistance associated with emerging accounting and reporting issues and complex transactions |
| Committee Reporting | <ul style="list-style-type: none"> ▪ Audit and communications plan ▪ Results of audits and required communications |

We note that the campus foundations and Fiat Lux Risk and Insurance Company ("Fiat Lux") have separate audits of their financial statements and the auditor's reporting on those organizations are directed to their respective audit committees. Accordingly, this Audit and Communications Plan is not focused on the specifics of the campus foundations and Fiat Lux.



2018 Proposed Fees

The University is an important client of PwC, and our fees reflect our commitment to our long-term relationship with the University. Our deep understanding of higher education organizations and more specifically, of the University, enable us to perform the audit efficiently and effectively. These factors contribute to a competitive, cost effective audit. Our 2018 proposed fees are listed below and are inclusive of all out-of-pocket expenses which is consistent with our fee commitment agreed in 2016 as included in the professional services agreement signed on April 21, 2016 (inclusive of subsequent amendments).

| <i>Deliverable</i> | <i>June 30, 2018 Proposed Fees</i> |
|---------------------------------------------------------------------------------------------|----------------------------------------|
| University of California Financial Statement Audit | \$ 1,550,532 |
| Federal Grants and Contracts Audit in Accordance with OMB Uniform Guidance | 525,427 |
| NCAA Agreed-Upon Procedures (6 reports) | 212,439 |
| Review of Consolidated Form 990T | 11,642 |
| Medical Center Audits (5 separate opinions) | 1,787,283 |
| Retirement Plan Cash Contributions | 6,284 |
| Retirement System Audits (2 defined benefit pension plans and 4 defined contribution plans) | 272,947 |
| Mortgage Origination Program Agreed-Upon Procedures | 41,387 |
| Total | \$ 4,407,941 |

