The Committee on Audit met on the above date at Covel Commons, Los Angeles campus.

Members present: Regents Marcus, Ruiz, Hopkinson, Lozano, Rominger, Gould, Schilling, and Parsky; Advisory member Oakley; Financial Expert Advisor Vining

In attendance: Regents Dynes, Island, Johnson, Juline, Kozberg, Pattiz, Preuss, Rosenthal, and Wachter, Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representative Brown, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice Presidents Darling and Mullinix, Vice Presidents Broome, Foley, Gurtner, and Hershman, Chancellors Birgeneau, Bishop, Carnesale, Córdova, Denton, Drake, Fox, Tomlinson-Keasey, Vanderhoef, and Yang, University Auditor Reed, and Recording Secretary Bryan

The meeting convened at 10:10 a.m. with Committee Chair Marcus presiding.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

   The minutes of the meeting of January 17, 2006 will be presented at the next meeting of the Committee.

2. **APPROVAL OF EXTERNAL AUDIT PLAN FOR THE YEAR ENDING JUNE 30, 2006**

   The President recommended that the scope of the external audit of the University for the year ending June 30, 2006, including the expanded external audit coverage of the National Laboratories, be approved, as shown in the attached *University of California Audit and Communications Plan*.

   It was recalled that the annual external audit plan of The Regents’ Auditor provides for a financial audit of the University of California, including the University of California Retirement System. Additional audit coverage by the external auditor includes the National Collegiate Athletic Association (NCAA) audits, the Revenue Bond Indenture audits, audits of the five individual Medical Centers, audit procedures at the National Laboratories and the Federal Grants and Contracts (A-133) audits.

   At the January 2006 meeting, The Regents approved the appointment of PricewaterhouseCoopers LLP as external auditor for the three-year period beginning with the fiscal year ending June 30, 2006. The total cost of the audit for the fiscal year ending June 30, 2006 is $3,610,307, including out-of-pocket expenses, required audit scope changes for 2006, and a continuation of the expanded scope of work at the national laboratories.
Audit Scope Changes for Fiscal Year 2006

Scope changes for 2006 are required as a result of the University’s implementation of new Governmental Accounting Standards Board (GASB) Statement No. 47, which requires the University to recognize the cost of benefits such as early retirement incentives or severance to employees who are involuntarily terminated in the period the University becomes obligated to provide the benefits. Benefits provided to employees who voluntarily terminate must be recognized when the termination offer is accepted. Implementation of Statement No. 47 will have an effect on the University’s net assets or changes in net assets.

Audit Scope at the National Laboratories

It is recommended that PricewaterhouseCoopers perform “agreed-upon procedures” similar to the scope of work performed at each laboratory last year. The scope of the work would focus on the higher risk areas of each laboratory. The approach will include the modification of procedures required as a result of the University’s interest in the Los Alamos National Security, LLC. The incremental fee for these recommended procedures is $363,580, including out-of-pocket expenses, and is included in the total cost of the audit.

See Attachment I for a breakdown of the fiscal year 2006 fees and a comparison to prior years.

Information on audit, audit related, and consulting services is included in Attachment II. The types of services prohibited by Sarbanes-Oxley and Regental policy, primarily technology implementation and internal audit management, have not been provided to the University by PricewaterhouseCoopers LLP.

Upon motion duly made and seconded, the Committee approved the President’s recommendation and voted to present it to the Board.

The meeting adjourned at 10:15 a.m.

Attest:

Secretary