

The Regents of the University of California

COMMITTEE ON AUDIT

May 18, 2006

The Committee on Audit met on the above date at UCSF–Laurel Heights, San Francisco.

Members present: Regents Gould, Hopkinson, Moores, Parsky, Rominger, Ruiz, and Schilling

In attendance: Regents Dynes, Island, Juline, Kozberg, Pattiz, Preuss, Rosenthal, and Wachter, Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representatives Brown and Oakley, Associate Secretary Shaw, University Counsel Thomas, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice President Darling, Vice Presidents Gomes and Hershman, Chancellors Carnesale, Córdoba, Fox, and Vanderhoef, University Auditor Reed, and Recording Secretary Bryan

The meeting convened at 3:10 p.m. with Committee Vice Chair Ruiz presiding.

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

Upon motion duly made and seconded, the minutes of the meetings of January 17 and March 16, 2006 were approved.

2. **APPROVAL OF ANNUAL REPORT, INTERNAL AUDIT PLAN 2006-07**

The President recommended that the Committee on Audit recommend to The Regents that the Annual Report, Internal Audit Plan 2006–07 be approved.

[The Annual Report, Internal Audit Plan 2006-07 was mailed to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

University Auditor Reed discussed highlights of the report, noting that the planning process that was undertaken produced an audit plan that devotes about two-thirds of the auditors' time on what have been identified as the areas of greatest risk. Those risks are assessed through a process of interviews throughout the University and discussions with the Committee Chair, with attention given to contemporary issues. The remaining one-third of the auditors' time will be devoted to core business activities, although the categories overlap, as some core business activities are identified as high risk. Core business activities are audited every three to five years.

Mr. Reed reported that areas in which Regents have expressed interest are given substantive weight in the plan. The auditors will continue to audit the topic of ethics and next year will address a topic chosen by request of the Academic Senate – the new conflict of commitment policy for faculty. All locations have planned for additional

reviews of executive compensation, although the exact form of those reviews will not be known until some of the implementation activities have occurred. Time is budgeted for taking part in the implementation activities and auditing new policies as they arise and for auditing the policies adopted recently in the area of chancellors' housing. In response to a request from the Committee on Grounds and Buildings, an audit will be undertaken of soft construction costs and will be reported to the Committee in September. In addition, time is budgeted for investigation activities and advisory services to be responsive to opportunities to help with policy development and implementation plans.

Mr. Reed noted that staffing levels are of concern. The University's ability to compete in the marketplace has been affected by the high demand for auditors and its unfavorable pay structure for auditing. It has become difficult to maintain a staffing ratio approaching 90 percent of authorized positions.

Regent Hopkinson believed that more focus should be placed on auditing at UC Merced, which as a relatively new campus with no auditor of its own may face challenges. She suggested listing compensation as an individual category in the plan in order to make the reports easier to comprehend. She suggested also that the way in which the category of sexual harassment is approached by the University may need to be examined more closely in order to assure that it is receiving an appropriate level of attention.

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 3:15 p.m.

Attest:

Associate Secretary