

The Regents of the University of California

**COMMITTEE ON COMPLIANCE AND AUDIT**

May 5, 2011

The Committee on Compliance and Audit met on the above date by teleconference at the following locations: 1111 Franklin Street, Room 11326, Oakland; 1130 K Street, Suite 340, Sacramento; Henley Board Room, 3104 Mosher Alumni House, Santa Barbara campus; 6840 Carothers Parkway, Franklin, Tennessee; Calle San Magin 1, Palma de Mallorca, Spain.

Members Present: Regents Cheng, Crane, Hime, Makarechian, Ruiz, and Zettel; Advisory members Pelliccioni and Simmons; Expert Financial Advisor Schneider and Expert Compliance Advisor Guyton

In attendance: Associate Secretary Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Taylor, and Recording Secretary Johns

The meeting convened at 11:25 p.m. with Committee Chair Ruiz presiding.

1. **PUBLIC COMMENT**

There were no speakers wishing to address the Committee.

2. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of March 15, 2011 were approved, Regents Crane, Hime, Makarechian, Ruiz, and Zettel (5) voting “aye.”<sup>1</sup>

3. **APPROVAL OF INTERNAL AUDIT CHARTER**

The Senior Vice President – Chief Compliance and Audit Officer recommended approval of the Internal Audit Charter, as shown in Attachment 1, to replace and supersede the three internal audit governance documents approved by the Regents in March 2004, as shown in Attachment 2, the Internal Audit Mission Statement, the Internal Audit Management Charter, and the Audit Management Plan.

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Compliance and Audit Officer Vacca explained the purpose of the proposed Internal Audit Charter, which would revise and streamline previously existing internal audit governance documents and confirm the strategic mission of internal audit.

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<sup>1</sup> Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

Faculty Representative Simmons asked about the need for the internal audit function to have a reporting relationship to the Regents and about its relationship to the Office of the General Counsel. Ms. Vacca clarified that she reports both to the Regents and the President. She stated that the internal audit function should have a position at the top of the organization due to its independence. Its direct reporting relationship to the Board of Regents is crucial. Internal audit should not serve as an arm of management, but must remain independent so that it can provide assurance to the Regents about activities occurring in the University. Internal audit collaborates with the Office of the General Counsel as it does with other units in the organization. PricewaterhouseCoopers representative Joan Murphy added that internal audit's direct reporting relationship to the Committee corresponds to industry best practice.

Regent Zettel emphasized the importance of the independence of the internal audit function as well as its reporting relationship to the Regents. She noted that a similar relationship between auditors and audit committees existed in other organizations.

Mr. Simmons quoted the first sentence of the second paragraph in the "Authority" section of the proposed Internal Audit Charter: "Internal Audit is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by approval of this charter and applicable federal and state statutes." He expressed concern that the language was broad and about its implications for faculty academic freedom. Ms. Vacca and Systemwide Audit Manager Matthew Hicks responded that this language was taken from the "Scope" section of the already existing Internal Audit Management Charter, which had been approved by the Regents in 2004.

Regent Makarechian referred to language in the fifth paragraph of the "Independence and Reporting Structure" section of the proposed Internal Audit Charter on the responsibilities of campus internal audit directors. These responsibilities include reporting matters "of sufficient magnitude and importance" and allegations that if true could cause harm or damage to the University. Regent Makarechian observed that, under such conditions, access to records would be desirable.

Regent Hime asked if approval of the new charter would require or result in hiring of more staff. Committee Chair Ruiz responded that the charter should have no impact on University finances or on the number of full-time equivalent employees. It clarifies the role and mission of the internal audit program. Ms. Vacca added that internal audit already has a systemwide presence. The proposed document is an updated charter which reflects current industry practice; it would not require any additional employees.

In response to another question by Regent Hime, Ms. Vacca explained that the title "University Auditor" has been superseded by the Senior Vice President – Chief Compliance and Audit Officer title.

Principal Counsel Quenneville referred to Mr. Simmons' concern about the language in the "Authority" section of the proposed charter. She suggested that the phrase "University policy and" be added before "federal and state statutes."

Mr. Simmons requested that the words "subject to" be added before "applicable."

Committee Chair Ruiz noted that the existing internal audit governance documents had not been reviewed in a number of years. He suggested that the charter should be reviewed regularly.

Regent Makarechian requested that language regarding information technology security be added to the "Scope of Work" section of the charter.

It was proposed that the first sentence of the second paragraph in the "Authority" section of the Internal Audit Charter be amended as follows: "Internal Audit is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by approval of this charter and subject to applicable University policy and federal and state statutes."

It was proposed that, in the "Scope of Work" section of the Internal Audit Charter, the phrase "Information technology governance supports UC strategies and objectives" be amended to read "Information technology governance supports UC strategies, objectives, and the organization's privacy framework." It was proposed that, immediately following this language, the following be added: "Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules, and regulations."

Upon motion duly made and seconded, the Committee approved the Senior Vice President – Chief Compliance and Audit Officer's recommendation as amended and voted to present it to the Board, Regents Cheng, Crane, Hime, Makarechian, Ruiz, and Zettel (6) voting "aye."

#### 4. **SUMMARY OF RESULTS OF THE UNIVERSITY'S A-133 AUDIT**

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Financial Officer Taylor introduced the item, which concerns an audit performed in accordance with U.S. Office of Management and Budget (OMB) Circular A-133 for the fiscal year ending June 30, 2010.

PricewaterhouseCoopers (PwC) representative Joan Murphy explained that the main purpose of the A-133 audit is the testing of the University's compliance with federal award requirements. PwC tests the control environment as well as explicit compliance with requirements.

Total federal awards expenditures for the year were \$4.3 billion. Ms. Murphy explained the audit concept of a “major program,” an award or group of awards which must be audited because it exceeds a certain dollar threshold. For the University, this threshold was relatively low, at around \$14 million. Five such programs were audited in 2010, compared to three in 2009.

The largest major program to be audited was represented by research and development expenditures, at \$3.2 billion. Student financial aid expenditures were the second major program, with \$378 million in grants combined with \$1.1 billion in student loans. State Fiscal Stabilization Fund expenditures related to the American Recovery and Reinvestment Act (ARRA) amounted to \$448 million; the U.S. Department of Agriculture (USDA) Cooperative Extension service program represented \$18.5 million in expenditures, and the California Health and Welfare social services program, federal funds administered by State agencies, \$31.3 million.

Ms. Murphy discussed some of the audit findings. One finding concerned an overaward of student financial aid in one case, out of 160 tested. A student was given approximately \$1,300 in excess financial aid. While this amount may not seem significant in itself, A-133 audit rules require that errors which could exceed \$10,000 be recorded. Given the large number of students at UC who receive financial aid, the total cost of errors of this nature could easily exceed \$10,000.

Committee Chair Ruiz asked what this finding might have been if the sample had been larger. Ms. Murphy responded that, if the audit had detected greater frequency of this kind of error, PwC would then have determined if there was a problem with controls. The auditor must ask if a control deficiency gave rise to this error, and if this was a case of material noncompliance with a requirement. In response to a question by Mr. Simmons, she confirmed that PwC did not identify a control issue in this case. PwC found no instances of material noncompliance, significant deficiencies, or material weaknesses in internal controls.

Ms. Murphy then discussed a second finding which concerned the incorrect calculation of financial aid refunds to the federal government, in cases when a student withdraws from the University. PwC found two exceptions in a sample of 97 cases. The two cases have been corrected.

Regent Hime asked about the routing of financial aid monies, specifically if the University pays itself directly. Associate Vice President and Systemwide Controller Arrivas explained that the University pays itself directly for tuition; financial aid for room and board is given to the student. The situation varies by student and amount of aid.

Regent Hime asked how the University can verify that students are using financial aid money to pay for room and board. Ms. Murphy explained that the University is not required to carry out this verification. Ms. Arrivas added that, in general, no U.S. university is required to verify that students are using aid money in this manner.

Ms. Murphy next discussed a third audit finding concerning the USDA Cooperative Extension service program; costs were erroneously assigned to an award. These errors were corrected.

In response to a question by Committee Chair Ruiz, Ms. Murphy responded that this was a case of error but not fraud. Ms. Arrivas noted that corrective actions have been developed for all audit findings. She identified furloughs and staff reductions as the essential reason for a greater number of findings this year.

Ms. Murphy explained that in some cases, the University distributes or “subawards” part of a research award to another institution. It is then the University’s responsibility as the primary award recipient to monitor the sub-recipient’s compliance with A-133 requirements. She noted that for multi-year awards, the University obtained A-133 reports from sub-recipients for the first year of the award, but not always for subsequent years.

Committee Chair Ruiz observed that the eight percent error rate reported for the sub-recipients was rather high. Ms. Murphy indicated that, in most cases, the institutions which did not follow up with required A-133 reports were large universities and did not present a high level of risk.

Committee Chair Ruiz asked how the current report compared to the report of the previous year. Ms. Arrivas responded that the previous year’s report contained four findings. The University has shown improvement or corrected the issues identified in all four findings; none of the four recurred in the current year. The administration is working with the campuses to develop corrective actions to address this year’s findings. Ms. Arrivas observed that, in all seven findings, each campus is represented once; no finding applied to more than one campus. Ms. Murphy recalled that, in the past, late cost transfers from one federal award to another were a recurring problem. This has been addressed, and late cost transfers are no longer a significant issue or theme occurring at multiple locations.

Ms. Murphy then turned to requirements surrounding federal funds received for construction projects, including the requirement that a contractor must certify payroll records. In the case of one \$1 million project, documents were not retained to demonstrate that the contractor had certified payroll records. In response to a question asked by Mr. Simmons, Ms. Murphy explained that payroll certification complies with federal requirements.

Regent Hime asked if this situation had been addressed. Ms. Arrivas responded that this location attempted but was unable to verify payroll certification before the audit was completed. Corrective action is under way.

Mr. Taylor asked if the contractor or the UC location was at fault for not retaining records. Ms. Arrivas responded that the UC location was at fault for not retaining the records.

Mr. Taylor expressed his hope that this was not a pattern but an exceptional error by one individual.

Ms. Murphy then discussed a finding of pervasive late invoicing for the California Health and Welfare social services program. She ascribed this to inadequate cooperation by award sub-recipients. Ms. Arrivas added that staff reductions contributed to delayed invoicing, and noted that the error rate was higher in a smaller program like this one. In response to a question by Mr. Simmons, Ms. Arrivas indicated that the incidents of late invoicing occurred at the campuses, not at the medical centers.

Finally, Ms. Murphy presented a finding concerning ARRA reporting requirements. These requirements are rather strict; quarterly reporting is required within ten days after the end of a quarter. A ten-day period is allowed after this deadline to adjust data. The federal government wishes to obtain "best available data." Three UC locations indicated to federal agencies that data from the second month of the quarter would be more reliable because they contain fewer estimates. At a late date, the OMB did not accept these data but requested third-month data including estimates. This occurred at other institutions as well as UC. Ms. Arrivas noted that corrective action is under way at the campuses to address this issue. Ms. Murphy added that the 2011 audit would follow up on this matter to ensure that corrective action has been taken.

Provost Pitts asked about the effectiveness of UC compliance efforts regarding ARRA reporting requirements, compared to other institutions. Ms. Murphy responded that she has been impressed by UC's response to the ARRA requirements, which initially appeared extremely challenging. Dr. Pitts observed that UC made strong initial efforts which have succeeded.

Regent Zettel referred to the case of overaward of student financial aid. She asked if PwC was certain that UC financial aid staff are adequately trained in documentation and refunding procedures. Ms. Murphy responded that overall the campuses are very effective in ensuring compliance. Provost Pitts added that, given the volume of work processed by campus financial aid offices, the complexity of regulations, and the timeline within which work must be completed, their performance is outstanding. He expressed his view that one error in 160 cases was indicative of good performance. Ms. Arrivas observed that this was an isolated incident. A student became eligible for additional financial aid late in the financial aid process; the timing and circumstances were unique. This instance was not indicative of the overall process or the quality of UC staff.

## 5. **UNIVERSITY OF CALIFORNIA STRATEGIC INFORMATION TECHNOLOGY INITIATIVES**

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Associate Vice President and Chief Information Officer Ernst reported that a search is under way for a Chief Information Security and Privacy Officer. This senior-level

position at the Office of the President would combine the functions of information security and privacy. Similar positions exist in many other institutions, and Mr. Ernst stated that the position would be appropriate for UC at this time. The University would like to have it filled by summer 2011. Chief Compliance and Audit Officer Vacca added that the combination of the two roles reflects an effort to increase efficiency. She recognized the work of Systemwide Privacy Officer Russell Opland and his contributions to the University.

Mr. Ernst then discussed current major strategic information technology initiatives. The first was consolidation and aggregation of computing demand in regional centers, made possible by UC's robust fiber-optic network. Geography no longer determines where computing must be done. The University can achieve savings by aggregating computing in regional centers located in areas where power costs are lower. The centers could also provide experts on call 24 hours a day.

Progress in this effort is being made for general campus administrative computing and for academic research computing. Inefficient server arrangements for campus computing are being moved to the San Diego Supercomputer Center. Mr. Ernst hoped that this effort would prove successful and provide the critical mass to build up a regional data center at San Diego, but he noted that San Diego would not be the ultimate location for campus computing. In the coming months, campus chief information officers would develop a strategic plan for UC regional computing, focused on a time frame of about two to five years in the future. Mr. Ernst anticipated that much campus computing would eventually take place in a large data center which might be located out of state; geographical distance would make no difference to end users.

A similar effort is being made for research computing, through a pilot project for campus principal investigators and researchers. Computing for 123 research projects from nine campuses and the Lawrence Berkeley National Laboratory is being housed at the San Diego Supercomputer Center and at Berkeley. The pilot project will test quality of service and level of activity. A business plan with a value proposition will be developed so that principal investigators will be able to include use of a regional data center in their contract and grant proposals.

Mr. Ernst then commented on the University's efforts to develop common administrative systems, beginning with the human resources information system and the payroll system. He emphasized the importance of success for this first project so that others would follow. The University is currently considering vendors for the software for this project. Chief Financial Officer Taylor stated that a recommendation might be brought to the Regents at the July meeting.

The Information Technology Leadership Council is developing recommendations for the administration regarding future requirements in information technology infrastructure and governance to support the new human resources/payroll system and subsequent new systems. Mr. Ernst touched on essential features of common administrative systems: robust governance, a shared services technology organization, system interoperability,

and an effective migration plan for the move from legacy systems to new common systems. He anticipated that a comprehensive report on UC information technology strategy would be presented in the fall.

Committee Chair Ruiz asked about the expected return on investment for the new human resources/payroll system. Mr. Taylor responded that the University has almost finished its calculations of the return on investment for this project. He stated his view that a positive return on investment would be realized in the fourth year of implementation. Ultimately the new system would save approximately \$30 million to \$45 million annually, beginning in the fifth year.

Committee Chair Ruiz asked if the comprehensive presentation on UC information technology strategy at a future meeting would include calculation of return on investment for new systems. Mr. Ernst responded that this information would be provided to the degree available. In the case of the human resources/payroll system, the University has extensive data on the cost of this system in the past. The presentation of future strategy would likely begin by identifying which systems are to be implemented and in what order. Then data would be gathered on the cost of existing systems. Mr. Taylor observed that some new systems would require immediate funding. In the current strained fiscal environment, there must be a rationale for such expenditures. The administration is aware of the need for calculation of return on investment.

Committee Chair Ruiz stressed that the Regents are interested in the return on investment from new information technology initiatives; plans which demonstrate return on investment would receive support.

6. **ENHANCING SPONSORED FUNDING COMPLIANCE AND ACCOUNTABILITY, RIVERSIDE CAMPUS**

UC Riverside Vice Chancellor – Research Charles Louis reported on how the Riverside campus has enhanced compliance in the area of regulations governing institutions that receive federal funding. He informed the Committee that he had served on a campus committee in 2008 which was charged with developing a corrective action plan in response to internal audit findings regarding sponsored contracts and grants.

Mr. Louis identified five essential requirements for effective compliance: information systems, policies, training, an escalation procedure with consequences for noncompliance, and resources. He then discussed the campus' implementation of a payroll certification method in place of the usual system of effort reporting, and described this as an important improvement. UCR has developed a new web-based sponsored funding financial statement and certification system which allows principal investigators to obtain accurate information on the state of their contracts and grants. Together with UC Irvine, the Riverside campus received approval from the U.S. Department of Health and Human Services to make this change in its method of effort reporting. Mr. Louis stated that, compared to the current after-the-fact method of effort reporting, payroll certification would provide greater accountability, accuracy, efficiency, and transparency.



It would better coordinate the timing of certifications with federal financial reporting. A benefit to the principal investigator is the fact that this method requires data on expenditures made over the grant year, rather than an arbitrary period, as is the case with effort reporting. Mr. Louis recognized the role of UC Irvine University Controller Richard Andrews in securing approval for this method from the Department of Health and Human Services. The Riverside and Irvine campuses are the first two universities in the U.S. to receive this approval.

In cases of noncompliance, a series of automatically generated email messages are sent to the principal investigator, the unit, the chair of the department, and the dean, and uncertified salary charges are then transferred to an unrestricted funding source in the principal investigator's department or organization. In response to a question by Chief Compliance and Audit Officer Vacca, Mr. Louis confirmed that this method of ensuring compliance is effective; deans and department chairs are attentive to these matters at a time when departments have few flexible funds. The reporting tools designed for use at UCR and UCI are designed with the faculty user in mind.

Committee Chair Ruiz asked if this new method would set a standard for the future and be adopted at other campuses. Mr. Louis responded that there are many ways to achieve compliance; the approach used at a location would depend on the organizational culture. This new method is common and used at many universities.

Provost Pitts observed that federal funding for direct overhead costs for contracts and grants has been set at 26 percent for almost 20 years, while compliance requirements have increased substantially over that period. The Association of American Universities and the Association of Public and Land-grant Universities are engaged in discussions with the federal government to reduce this regulatory burden. While this process of negotiation is under way, the adoption of the new method to achieve compliance at UCR and UCI was an important step forward. Dr. Pitts anticipated that the method would be adopted by principal investigators at other campuses, and that it would improve the University's ability to audit the process.

Mr. Louis then discussed export controls. Export control regulations are particularly challenging, but are critical for UCR and other campuses. The University is an exporter of equipment, software, and technical data. The term "export" is understood in the traditional sense as outbound shipment and transfer, but also applies to a situation in a laboratory, where access to information is provided to foreign nationals. Many items are controlled under U.S. Department of Commerce and Department of State regulations and export control licenses may be required to allow disclosure to foreign nationals. The penalties for failing to obtain an export control license when it is required are severe. This is challenging for the University, because many foreign nationals conduct research in its laboratories. UCR has provided workshops on compliance in this area for science and engineering faculty.

Annual reporting on conflict of commitment is required under Academic Personnel Manual section APM-025. Faculty must report on time devoted to compensated and

uncompensated outside activities. With the assistance of UCR Associate Vice Chancellor and Chief Information Officer Charles Rowley, the campus has developed a web-based system for conflict of commitment reporting. The system includes query tools. Mr. Louis observed that there are currently no consequences for noncompliance and stated his view that such consequences would be desirable.

The National Science Foundation (NSF) and the National Institutes of Health (NIH) require training on responsible conduct of research for those individuals supported by their awards. This has created an additional compliance burden for the campuses, because much of the training on research ethics and responsible conduct of research has to be carried out in person. Web-based training alone is not considered adequate by these agencies. Mr. Louis underscored the importance of and his own commitment to this kind of education. UC campuses need to provide training for faculty who will deliver the NSF- and NIH-mandated instruction to others. Principal investigators must understand that this serves as a criterion for funding. The University plans to hold a “training the trainer” workshop for faculty.

Mr. Louis concluded that, in spite of skepticism among principal investigators about the need to comply with federal, State, and UC regulations governing the administration of sponsored grants and contracts, UCR has achieved significant improvements in a number of areas. The campus is challenged by an increasing number of federal regulations which create an administrative burden for a reduced number of staff.

Committee Chair Ruiz praised the Riverside campus’ work in this area, noting that it served as a positive example for other campuses in accepting change in order to achieve compliance.

Faculty Representative Simmons stated that while each individual training and information program for faculty has clear merit, the total number of programs required of faculty has become burdensome and takes faculty away from their work. This is a significant concern for faculty.

Mr. Louis emphasized that the increasing administrative burden on principal investigators is a national issue.

Mr. Simmons stated that the University must distinguish between compliance requirements that impede research and compliance requirements that enhance the University’s ability to operate safely.

## 7. **DRAFT ANNUAL REPORT ON INTERNAL AUDIT PLANS 2011-12**

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Compliance and Audit Officer Vacca presented the draft annual report on internal audit plans for 2011-12. She briefly recalled the risk assessment process on the campuses

and its role in audit plan development. Annualized numerical data would be presented at the July meeting. She called attention to a chart depicting the distribution of audit coverage across University activities. Financial management is a key focus for the internal audit program; other key audit areas are information technology and communications, campus departments, research and compliance, and health sciences operations.

Regent Makarechian referred to a list of tentative 2011-12 planned systemwide audit areas. He asked why the construction bidding and contract process was not included, given the fact that the University carries out many construction projects, contracts with a high dollar value. Ms. Vacca explained that this list referred to systemwide audit activity; auditing of construction projects takes place at the campus level.

Regent Makarechian noted that UC construction activity involves far greater dollar amounts than chancellors' expenses, an area which is audited at the systemwide level. He expressed concern that the University may not be receiving favorable pricing in some construction contracts. He requested information on how construction contracts, including the awarding of contracts, would be audited. Ms. Vacca responded that she would discuss this matter with campus audit directors and provide information on audit plans in this area.

Committee Chair Ruiz referred to the numbers of full-time equivalent (FTE) audit staff at the various locations. The numbers of FTE and planned audit hours were significantly greater at UCLA. He then referred to a chart comparing the campuses by the amount of campus revenue per auditor; UCLA occupied a middle position among the campuses using this criterion. Committee Chair Ruiz asked if other statistics were available to provide a rationale for the numbers of campus audit FTE. Ms. Vacca responded that revenue per auditor is used in industry as an indicator for appropriate staffing. The higher education environment is different due to the presence of medical centers and many businesses within the organization. Revenue per auditor is not a perfect indicator, but one of a few available. Systemwide Audit Manager Matthew Hicks added that assets or number of employees can also be used as indicators. Some organizations have implemented more subjective indicators to determine desired levels of audit staffing.

Committee Chair Ruiz requested further information on the criteria and indicators used to determine appropriate numbers of audit FTE for the campuses. Ms. Vacca responded that this information would be provided.

Ms. Vacca observed that UCLA differs from the other campuses in its use of a recharge method for revenue collection. UCLA internal audit is supported by a recharge to the campus units. UCLA carries out more audits, has a larger audit staff, and is a very large campus.

Provost Pitts asked about the effectiveness and desirability of the recharge method. Ms. Vacca responded that this method has positives and negatives. In industry there may be a perception that the recharge function is what determines an audit plan; there may be

questions as well about the real independence and objectivity of audits performed in these circumstances. The recharge method currently functions effectively at UCLA. The University ensures that the audit plan at UCLA is risk-based, not revenue-based. Ms. Vacca expressed confidence in UCLA's risk assessment process. Chief Financial Officer Taylor added that this method instills discipline in campus departments. Ms. Vacca noted that some campus departments have requested audits because they have seen the value added to departments which have been audited.

#### 8. **DRAFT ETHICS AND COMPLIANCE PLAN 2011-12**

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Chief Compliance and Audit Officer Vacca presented the draft ethics and compliance plan for 2011-12. Campus compliance officers have identified priorities, and this campus information has been consolidated into seven key areas of focus.

Committee Chair Ruiz called attention to the description of the current budget environment included in the plan document. The nature of the current environment reinforces the importance of compliance and accountability.

#### 9. **REPORT ON TRAINING RELATED TO CAMPUS CLIMATE**

Interim Diversity Coordinator Jesse Bernal explained that this report concerned the environments that the University creates for faculty, students, and staff. He recalled that President Yudof convened the Advisory Council on Campus Climate, Culture and Inclusion in June 2010. Among other goals, the Advisory Council is charged with identifying, evaluating, and sharing promising practices in an effort to create a more welcoming and inclusive climate. This includes identification of appropriate training opportunities. President Yudof has established five working groups to produce recommendations on climate issues, including training and orientation programs, communication of priorities, academic and social programming, curriculum, and future efforts to assess climate, diversity, and inclusion at all levels. Over the past year, chancellors have formed campus climate councils at their locations. These campus councils regularly report to the President's Advisory Council on training opportunities and practices which might be replicated systemwide.

The University offers and has historically offered a wide range of mandatory and voluntary programs in this area. As an example, both UCLA and UC San Diego offer an intergroup dialogue program, which facilitates dialogue between students from different identity groups. Mr. Bernal stated that this program has been shown to improve campus climate. In fall 2009, the San Diego campus instituted mandatory training for new academic department chairs, including diversity issues and sensitivity training. UC Merced is now developing the MOSAIC (Maximizing Opportunities for Social Awareness, Inclusion and Community) program, offering training to improve campus climate. Student affairs offices at all UC campuses conduct ally training, safe space

training, and peer conflict mediation training. All campus police departments regularly conduct sensitivity training related to race, gender, ethnicity, sexual orientation, and religion. Several campus police departments voluntarily participate in a nationally recognized training program provided by the Museum of Tolerance in Los Angeles.

Mr. Bernal reported that the University is currently expanding its centralized training opportunities. The Division of Academic Affairs at the Office of the President has offered campus climate-related information and training. While there have always been legal requirements for documenting criminal incidents, now, with the institution of a new campus climate reporting website and hotline, the University is better able to track campus incidents that may not rise to the level of criminal sanction. The University has conducted workshops on use of this reporting tool and on best practices for the creation of bias incident response teams. Other training offered by the Office of the President has focused on bias and hate crime issues, including understanding the difference between a hate crime and a bias incident, and understanding bias, prejudice, and discrimination. The Office of the President has conducted open-invitation teleconferences on responding to bias incidents and is developing a webinar series focused on best practices regarding campus climate. This series will address a range of topics and be available to faculty, students, and staff. The University is actively seeking to educate the UC community and to prevent bias incidents.

Office of the President Department of Human Resources Executive Director – Talent Management and Staff Development Randolph Scott noted that the University has consistently complied with a State requirement that employers provide training regarding sexual harassment prevention. The University has met this requirement through an online training program, which has been in place for almost six years. In the last four years, UC has also used a live theater program which includes audience participation. Faculty participation in the training has increased at campuses which have used the live theater program. The objective of the training programs is to comply with the law and to provide an opportunity for employees to demonstrate an understanding of UC policy in this area. The online training program has undergone thorough review and Mr. Scott anticipated that an updated version would be in place by the end of June 2011. Some employees have asked why they must repeat this training after two years; Mr. Scott underscored that this is a State requirement. He noted some changes to the process of how employees certify that they have received training on UC policy on sexual harassment and discrimination.

Regent Hime asked if the University had considered the possibility of having a single police force. Chief Financial Officer Taylor responded that campus police departments have grown over time with the University. This issue has not been examined recently. He stated his view that consolidation of the UC police would be unlikely to provide significant savings or efficiencies, but it may be considered in the future.

Provost Pitts observed that campus bias incidents never entirely disappear. There is appropriate public outrage when such events occur, whether caused by stupidity or malice. In the past year, there was a flurry of incidents and a response by the President. This has resulted in a higher degree of awareness of this issue on the campuses and in

rapid responses to new campus incidents. While individuals who express bias have the freedom of speech to do so, the University also has the right to express its views. The University has improved in responding rapidly to expressions of bias; Dr. Pitts anticipated that this would be a never-ending process, but expressed his view that bias is not deeply rooted or pervasive at UC.

Committee Chair Ruiz stated that the University is setting a precedent in addressing campus climate issues, an effort from which students will benefit.

Mr. Scott emphasized that staff play an important role in ensuring a healthy campus climate. Committee Chair Ruiz expressed agreement.

10. **EXTERNAL REGULATORY AGENCY AUDITS**

Chief Compliance and Audit Officer Vacca announced that discussion of this item would be deferred to a future meeting.

Committee Chair Ruiz announced that the term of Expert Financial Advisor Schneider has ended. The Committee would now begin the process of finding a replacement.

Chief Financial Officer Taylor and Committee Chair Ruiz expressed their gratitude to Mr. Schneider for his service to the Committee and the University. Mr. Schneider responded that he enjoyed having the opportunity to work with the University.

The meeting adjourned at 1:05 p.m.

Attest:

Associate Secretary

## **Additions shown by underscoring**

### **Internal Audit Charter**

#### **Policy Statement**

It is the policy of the University of California to maintain an independent and objective internal audit function to provide the Regents, President, and campus Chancellors with information and assurance on the governance, risk management and internal control processes of the University. Further, it is the policy of the University to provide the resources necessary to enable Internal Audit to achieve its mission and discharge its responsibilities under its Charter. Internal Audit is established by the Regents, and its responsibilities are defined by The Regents' Committee on Compliance and Audit as part of their oversight function.

#### **Mission**

The mission of the University of California (UC) internal audit program (IA) is to provide the Regents, President, and campus Chancellors independent and objective assurance and consulting services designed to add value and to improve operations. It does this by assessing and monitoring the campus community in the discharge of their oversight, management, and operating responsibilities. Internal audit brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

#### **Authority**

IA functions under the policies established by the Regents of the University of California and by University management under delegated authority.

IA is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by approval of this charter and subject to applicable University policy and federal and state statutes. Except where limited by law, the work of IA is unrestricted. IA is free to review and evaluate all policies, procedures, and practices for any University activity, program, or function.

In performing the audit function, IA has no direct responsibility for, nor authority over any of the activities reviewed. The internal audit review and approval process does not in any way relieve other persons in the organization of the responsibilities assigned to them.

#### **Independence and Reporting Structure**

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by external industry standards.

The Senior Vice President - Chief Compliance and Audit Officer (CCAO) has direct line reporting to both The Regents and the President. For administrative logistics, the CCAO has a dotted reporting line to the Executive Vice President – Business Operations. The CCAO has established an active channel of communication with the Chair of The Regents' Committee on Compliance and Audit, as well as with campus executive managements, on audit matters. The CCAO has direct access to the President and The Regents' Committee on Compliance and Audit. In addition, the CCAO serves as a participating member on all campus compliance oversight/audit committees.

Campus/Laboratory Internal Audit Directors (IADs) report administratively to the Chancellor/Laboratory Director (or designate) and directly to The Regents' Committee on Compliance and Audit through the CCAO. IADs have direct access to the CCAO and to the President or The Regents' Committee on Compliance and Audit as circumstances warrant.

Campus IADs will report periodically to the campus compliance oversight/audit committees on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work; the status of the annual audit plan, and the sufficiency of audit resources. The local audit functions will coordinate with and provide oversight of other control and monitoring functions involved in governance such as risk management, compliance, security, legal, ethics, environmental health & safety, external audit, etc.

IADs may take directly to the respective Chancellor or Laboratory Director, the CCAO, the President, or The Regents matters that they believe to be of sufficient magnitude and importance. IADs shall take directly to the CCAO who shall report to the President and The Regents' Committee on Compliance and Audit Chair, any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University.

If Chancellors/Laboratory Directors, when pursuant to their re-delegation authority, designate a position to whom the IAD shall report, that position shall be at least at the Vice Chancellor/Deputy Laboratory Director level and the Chancellor/Laboratory Director shall retain responsibility for: approval of the annual audit plan; approval of local audit committee/work group charter; and shall meet with the IAD at least annually to review the state of the internal audit function and the state of internal controls locally. When reporting responsibility is re-delegated, IADs also have direct access to Chancellors/Laboratory Directors as circumstances warrant.

### **Scope of Work**

The scope of IA work is to determine whether UC's network of risk management, control, and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:



- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability is fostered.
- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports UC strategies, objectives, and the organization's privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules, and regulations.

Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

### **Nature of Assurance and Consulting Services**

IA performs three types of projects:

Audits – are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.

Consulting Services – the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.

Investigations – are independent evaluations of allegations generally focused on improper governmental activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

### **Mandatory Guidance**

IA serves the University in a manner that is consistent with the standards established by the SVP/CCAO and acts in accordance with University policies and *UC Standards for Ethical Conduct*. At a minimum, it complies with relevant professional standards, and the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

### **Certain Personnel Matters**

Action to appoint, demote or dismiss the SVP/CCAO requires the approval of The Regents. Action to appoint an IAD requires the concurrence of the SVP/CCAO. Action to demote or dismiss an IAD requires the concurrence of the President and Chair of the Compliance and Audit Committee, upon the recommendation of the SVP/CCAO.

**Deletions shown by strikethrough**

**Internal Audit Mission Statement, Internal Audit Management Charter, and Audit Management Plan approved March 18, 2004**

**UNIVERSITY OF CALIFORNIA**  
(Revised March 2004)

**INTERNAL AUDIT MISSION STATEMENT**

~~The mission of internal audit is to assess and monitor the university community in the discharge of their oversight, management, and operating responsibilities in relation to governance processes, the systems of internal controls, and compliance with laws, regulations and University policies including those related to ethical conduct by providing relevant, timely, independent, and objective assurance, advisory and investigative services using a systematic, disciplined approach to evaluate risk and improve the effectiveness of control and governance processes.~~

**INTERNAL AUDIT MANAGEMENT CHARTER**

**Authority**

~~Internal Audit functions under the policies established by The Regents of the University of California and by University management under delegated authority.~~

**Independence**

~~To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit.~~

~~Independence is essential to the effectiveness of the Internal Audit Program. This independence is based primarily upon organizational status and objectivity:~~

~~The University Auditor reports functionally to The Regents through its Committee on Audit and administratively to the Senior Vice President — Business and Finance. The University Auditor also has direct access to the President of the University.~~

~~The locally based Internal Audit Departments report functionally to The Regents through the Office of the University Auditor and administratively to the campus Chancellor or Laboratory Director directly or through designated channels. (For reporting purposes, the Chancellor's designee shall be at the level of Vice Chancellor or above, and the Laboratory Director's designee shall be at the level of Associate Director or above.)~~

~~Internal Auditors may take directly to the respective Chancellor or Laboratory Director, the University Auditor, the President, or The Regents matters that they believe to be of sufficient magnitude and importance. Internal Auditors shall take directly to the University Auditor who shall report to the Senior Vice President — Business and Finance and The Regents' Committee on Audit Chair any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a~~

~~Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University. Internal Auditors shall take directly to the University Auditor who shall report to The Regents' Committee on Audit Chair any allegations by or about the Senior Vice President— Business and Finance or the President. Any such matters will be reported to The Regents' Board Chair at the discretion of the University Auditor or Committee on Audit Chair.~~

~~In performing the audit function, the Internal Audit Office has no direct responsibility for, nor authority over, any of the activities reviewed. Therefore, the internal audit review and appraisal process does not in any way relieve other persons in the organization of the responsibilities assigned to them.~~

### **Scope**

~~Internal Audit is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by the Board's approvals of this charter and applicable federal and state statutes.~~

~~Except where limited by law, the work of Internal Audit is unrestricted. Internal Audit is free to review and evaluate all policies, procedures, and practices of any University activity, program, or function.~~

### **Standards**

~~The responsibility of the Internal Audit Program is to serve the University in a manner that is consistent with the standards established by the University Auditor . At a minimum it shall comply with the relevant professional standards, such as the *Standards For The Professional Practice of Internal Auditing* and with professional standards of conduct such as the *Code of Ethics of the Institute of Internal Auditors, Inc.*~~

**UNIVERSITY OF CALIFORNIA**  
**AUDIT MANAGEMENT PLAN**  
(Revised March 2004)

**~~I. The University Audit Program is comprised of three elements:~~**

- ~~A. An external independent (PwC) certified public accounting firm reporting to The Regents.~~
- ~~B. The University Auditor's Office reporting functionally to The Regents through its Committee on Audit and administratively to the Senior Vice President Business and Finance.~~
- ~~C. Campus/Laboratory Internal Audit Departments reporting functionally to The Regents through the University Auditor and administratively to the Chancellors/Laboratory Directors or designee.~~

**~~II. Objectives of the Internal Audit Program~~**

~~To conduct a program of audits, consultations, and investigations which are of service to The Regents and management through the following activities:~~

- ~~A. Reviewing management, financial, and operating controls to appraise their soundness and adequacy to advise management, and on matters of material import, The Regents, as to whether:
  - ~~1. The systems of internal control effected by the University's Board of Regents, management and other personnel, provide reasonable assurance regarding the achievement of objectives in the following categories:
    - ~~—— effectiveness and efficiency of operations~~
    - ~~—— reliability of financial reporting~~
    - ~~—— compliance with applicable laws and regulations;~~~~
  - ~~2. Established plans, policies, and procedures are being complied with;~~
  - ~~3. University assets are accounted for and safeguarded from loss.~~~~
- ~~B. Providing recommendations to improve operating efficiency and internal controls.~~
- ~~C. Providing consultation on current and proposed operating policies and procedures and changes in the system of internal controls.~~
- ~~D. Conducting investigations in support of the University's compliance with laws governing improper government activities.~~

### **III. — Responsibilities of the Audit Group**

#### **A. — External Auditors**

1. — ~~Perform, in accordance with generally accepted auditing standards, and government auditing standards an audit (PwC) of the financial statements of the University to determine whether such financial statements present fairly the University's financial position changes net assets and cash flows in accordance with generally accepted accounting principles.~~
2. — ~~Review the adequacy of the systems of internal controls related to the financial statement audit and render recommendations as appropriate.~~
3. — ~~Perform such additional financial or compliance audits as directed by The Regents.~~
4. — ~~Provide such accounting and other consultation as requested by management or The Regents.~~

#### **B. — Office of the University Auditor**

1. — ~~Establish a relationship with the University's external auditors whereby annual plans are developed in concert, appropriate support is provided to the external auditors, and an active channel exists for sharing audit findings and other information of mutual interest and concern.~~
2. — ~~Analyze and evaluate Universitywide policies, plans, procedures and practices including those designed to assure ethical conduct.~~
3. — ~~Conduct investigations pursuant to the University Policy on Reporting and Investigating Allegations of Improper Governmental Activities within the Office of the President and at the campuses or laboratories at the request of the President, the Chancellor/Laboratory Director or their designee, or the campus/laboratory Internal Audit Director in the event of a conflict of interest.~~
4. — ~~Provide oversight and administration of compliance with the University Policy on Reporting and Investigating Allegations of Improper Governmental Activities.~~
5. — ~~With the Senior Vice President Business and Finance, provide information with respect to material audit and investigation matters so as to keep the President and appropriate Regents adequately informed on a timely basis.~~

6. ~~Coordinate and direct special non-recurring studies as requested by The Regents' Committee on Audit, the President, or other appropriate University officials.~~
7. ~~Coordinate all communications with the California State Auditor in connection with their investigations and requests for preliminary investigations by the University.~~
8. ~~Working with the campus/laboratory Internal Audit Directors, develop appropriate methodologies and objectives, and coordinate the preparation of annual and long-range Universitywide internal audit plans.~~
9. ~~Working with the campus/laboratory internal audit directors, establish documented standards for:~~
  - a. ~~the conduct, documentation and reporting of audit, consultation and investigation activities;~~
  - b. ~~timely follow up to assess whether appropriate action has been taken on reported audit findings;~~
  - c. ~~continuing education and a systematic training program for internal auditors;~~
  - d. ~~rotation of auditor assignments to enhance freshness and objectivity of audit perspective; and~~
  - e. ~~the determination of appropriate minimum levels of audit staffing.~~
10. ~~Develop and oversee the conduct of a peer review program designed to assess and assure compliance with Institute of Internal Auditors and University adopted professional standards.~~
11. ~~Coordinate the development of, and archive model audit programs to avoid duplication of efforts.~~
12. ~~Facilitate and serve as a conduit for the sharing of information among campus/laboratory audit departments regarding planned audit efforts, significant audit and investigation findings of mutual interest and concern, audit reports issued, and the development of improved audit techniques/technologies.~~
13. ~~Provide research and technical support to campuses/laboratories as needed and requested.~~

14. ~~Provide, or facilitate the sharing of human resources among the internal audit departments as needed and available.~~
15. ~~Develop Guidelines for local campus/laboratory audit committees and serve as an ex officio member of each local committee.~~
16. ~~Oversee the campus, laboratory and Office of the President internal audit programs of comprehensive review and examination of policies and procedures to assure that all facets of the University are undertaking such in a clear, consistent and effective manner.~~

~~C. Campus/Laboratory Internal Audit Departments~~

1. ~~Audit campus/laboratory and medical center operations and activities in accordance with the annual plan submitted to the Office of the President.~~
2. ~~Conduct investigations in accordance with University Policy on Reporting and Investigating Allegations of Improper Governmental Activities, keeping the University Auditor, Senior Vice President Business and Finance and the General Counsel's office advised as called for by the Policy.~~
3. ~~Provide services in a consultation role as requested by management, business units, and academic administration when such requests are consistent with the professional expertise of the auditors and maintenance of an appropriate level of independence, and do not materially impact the accomplishment of the risk based campus annual internal audit plan.~~
4. ~~Review campus/laboratory compliance with University fiscal and administrative policies and procedures, conformance with governmental laws and regulations, and compliance with resource allocation and gift endowment restrictions.~~
5. ~~Participate and provide appropriate support to campus/laboratory committees, work groups, task forces and the like involved in the development, review and/or re-engineering of policies, procedures and systems. In these endeavors auditors will be mindful of their appropriate role versus the role of management and will actively promote and advocate a sound system of internal controls in support of operational effectiveness and efficiency objectives.~~
6. ~~As requested by the Chancellor/Laboratory Director, serve as external audit coordinator working with all external agencies having an audit interest in the University/Laboratory.~~



7. ~~Support the whistleblower coordinator (Locally Designated Official) facilitating the adoption, implementation, and administration of local whistleblower procedures in support of the University policy.~~
8. ~~Conduct audit, consultation and investigation activities in accordance with standards established for the entire University of California internal audit program.~~
9. ~~Participate in the development of standards, audit planning methodologies, common audit programs, peer review programs, and other initiatives undertaken for the benefit of the entire University of California internal audit program.~~
10. ~~Consult with the University Auditor on any matter representing a conflict of interest, or the appearance of a conflict of interest on the part of the local internal audit department.~~

#### **IV. ~~Reporting Channels~~**

##### **A. ~~The University Auditor:~~**

1. ~~Reports administratively to the Senior Vice President Business and Finance and functionally to The Regents through its Committee on Audit and has direct access to the President as circumstances warrant.~~
2. ~~Provides formal reports to The Regents' Committee on Audit semi-annually, and at other times as requested. The University Auditor will take it as his/her responsibility to seek to establish an active channel of communications with the Chair of The Regents' Committee on Audit.~~
3. ~~Meets with the Vice Chancellors/Deputy Laboratory Directors or other officials to whom internal audit functions report quarterly to discuss audit matters of Universitywide concern, to provide information on systemwide internal audit initiatives and to promote consistency of internal audit oversight.~~
4. ~~Conducts at least quarterly meetings of Internal Audit Directors forming a committee for the promulgation of auditing standards, practices and policies.~~
5. ~~Serves as ex-officio member of all campus/laboratory audit committees/work groups.~~
6. ~~Meets with Chancellors/Laboratory Directors and Vice Chancellors/Deputy Laboratory Directors as requested.~~

~~B. Campus/Laboratory Internal Audit Directors:~~

- ~~1. Report administratively to the Chancellor/Laboratory Director and to The Regents' Committee on Audit through the University Auditor but have direct access to the President or The Regents' Committee on Audit as the circumstances warrant.~~
- ~~2. When, pursuant to their redelegation authority, Chancellors/Laboratory Directors designate a position to whom the Internal Audit Director shall report, that position shall be at least at the Vice Chancellor/Deputy Laboratory Director level and the Chancellor/Laboratory Director shall retain responsibility for:
  - ~~a. approval of the annual audit plan;~~
  - ~~b. approval of audit committee/work group charter;~~and shall meet with the Internal Audit Director at least annually to review the state of the internal audit function and the state of internal controls locally. When reporting responsibility is redelegated, Internal Audit Directors also have direct access to Chancellors/Laboratory Directors as the circumstances warrant.~~
- ~~3. Facilitate the scheduling of local audit committee/work group meetings and provide staff support to the audit committee/work group.~~

~~C. Direct Reporting to The Regents' Committee on Audit~~

- ~~1. Internal Auditors may take directly to the respective Chancellor or Laboratory Director, the University Auditor, the President, or The Regents matters that they believe to be of sufficient magnitude and importance. Internal Auditors shall take directly to the University Auditor who shall report to the Senior Vice President — Business and Finance and The Regents' Committee on Audit Chair any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University. Internal Auditors shall take directly to the University Auditor who shall report to The Regents' Committee on Audit Chair any allegations by or about the Senior Vice President — Business and Finance or the President. Any such matters will be reported to The Regents' Board Chair at the discretion of the University Auditor or Committee on Audit Chair.~~
- ~~2. Internal Auditors shall report directly to the University Auditor who shall report to The Regents' Committee on Audit Chair any allegations by or~~

~~about the Senior Vice President Business and Finance or the President. Any such matters will be reported to The Regents' Board Chair at the discretion of the University Auditor or Committee on Audit Chair.~~

- ~~3. Internal Auditors shall report directly to the Senior Vice President Business and Finance who shall report to the Chair of The Regents' Committee on Audit any allegations related to the University Auditor.~~

**~~V. Certain Personnel Matters~~**

- ~~A. Action to appoint, demote or dismiss the University Auditor requires the approval of The Regents. Action to appoint campus/laboratory Internal Audit Directors requires the concurrence of the University Auditor. Action to demote or dismiss campus/laboratory Internal Audit Directors requires the concurrence of the President upon the recommendation of the University Auditor.~~