The Regents of the University of California  

COMMITTEE ON COMPLIANCE AND AUDIT  
May 14, 2014

The Committee on Compliance and Audit met on the above date at the Sacramento Convention Center, 1400 J Street, Sacramento.

Members Present: Regents De La Peña, Makarechian, Ruiz, Schultz, and Zettel; Advisory member Gilly

In attendance: Faculty Representative Jacob, Interim Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Executive Vice President and Interim Chief Financial Officer Brostrom, and Recording Secretary Johns

The meeting convened at 2:40 p.m. with Committee Chair Zettel presiding.

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

   Upon motion duly made and seconded, the minutes of the meeting of March 19, 2014 were approved.

2. **SUMMARY OF RESULTS OF THE UNIVERSITY’S 2013 A-133 AUDIT**

   [Background material was provided to Regents 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 Systemwide Controller Peggy Arrivas noted that the University’s A-133 audit report for the fiscal year ending in June 2013 contained financial statements already presented to the Regents in November 2013. She drew attention to the schedule of federal awards and to the report findings. There were three findings for the current year. The previous year there had been nine findings, and all nine were corrected. The University was addressing the current three findings and Ms. Arrivas expressed confidence that they would be corrected this year.

   PricewaterhouseCoopers (PwC) representative Joan Murphy explained that in this audit, PwC tested research and development awards, student financial aid awards, and two other programs. One of the findings concerned compliance requirements regarding physical equipment purchased with grant award money; in this case, a requirement that a physical inventory be conducted at least once every two years. The campuses conduct their inventories in different ways. Some conduct what are called “cycle counts,” where different departments carry out this task at different times within a two-year period. One campus did not complete a full inventory within two years, although it did complete the inventory and was now in compliance. Ms. Murphy noted that this has been a recurring
finding, although not at the same location. This type of inventory is an onerous requirement.

The second finding concerned Federal Funding Accountability and Transparency Act reporting requirements, specifically for subawards made by the University. PwC found that there was not compliance in all instances. The third finding concerned the calculation of Title IV funds, related to student financial aid. When financial aid funds have to be returned because a student has withdrawn, the institution calculates this amount. PwC found three instances of miscalculation of the amount needed to be returned. In one case, the amount not returned was small, only $52. In the other cases, the campuses returned funds in excess, by about $2,400. Although these were small amounts, they were reported because the auditor is required to consider if a finding or exception could have occurred more broadly, exceeding $10,000. Considering the sampling method used in the audit and the amount of financial aid awards administered by the University, this easily could have been the case.

Ms. Arrivas pointed out that the $10,000 threshold is set by the federal government. It is a very low threshold, given the size of the University. PwC had performed close scrutiny and analysis.

Committee Chair Zettel referred to the biennial physical inventory, noting that there was approximately $48 million worth of federally funded equipment at one site. She stressed that although this was only one finding at one location, it concerned a significant amount. She emphasized that when personnel transitions occur, duties must be communicated clearly and supervised by managers. Ms. Arrivas responded that such communication and supervision procedures are in place on the campuses, but that due to reductions in staffing at UC, there is sometimes no overlapping staff, and consequently a risk of issues like this arising. The campuses are working diligently to prevent this.

Ms. Arrivas noted that this would be the last report PwC would be issuing for the University. She thanked the PwC team and expressed appreciation for their work. Committee Chair Zettel and Regent Ruiz also thanked PwC for its work during very challenging times.

The meeting adjourned at 2:50 p.m.

Attest:

Interim Secretary and Chief of Staff