

The Regents of the University of California

COMPLIANCE AND AUDIT COMMITTEE

November 15, 2023

The Compliance and Audit Committee met on the above date at the Luskin Conference Center, Los Angeles campus and by teleconference at 455 Golden Gate Avenue, San Francisco and Corral del Risco, 63727 Nayarit, Mexico.

Members Present: Regents Batchlor, Cohen, Elliott, Ellis, Makarechian, Park, Pérez, Sherman, and Sures; Ex officio member Leib; Advisory members Beharry, Cheung, and Schini; Chancellors Christ, Khosla, May, Muñoz, and Yang; Staff Advisor Emiru

In attendance: Regent Drake, Hernandez, Secretary and Chief of Staff Lyall, General Counsel Robinson, Provost Newman, Chief Compliance and Audit Officer Bustamante, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Chancellor Block, and Recording Secretary Johns

The meeting convened at 3:15 p.m. with Committee Chair Sures presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 20, 2023 were approved, Regents Batchlor, Cohen, Elliott, Leib, Makarechian, Park, Pérez, Sherman, and Sures voting “aye.”¹

2. ETHICS, COMPLIANCE AND AUDIT SERVICES ANNUAL REPORT 2022-23

[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.]

Chief Compliance and Audit Officer Bustamante introduced the Ethics, Compliance and Audit Services (ECAS) annual report for 2022–23. He noted that, in the area of compliance, over the past year, the University had seen a strengthening of its relationships with several of the regulatory, funding, and enforcement agencies that generally interact with the University. ECAS had also been extensively involved in research security matters.

In audit activity, Mr. Bustamante drew attention to several specialized cyber auditing and penetration testing projects that ECAS had been performing throughout the system. ECAS had recently focused on critical infrastructure, including heating and power plants for the campuses and medical centers. Although the report indicated that 13 percent of systemwide audit efforts were specific to information technology (IT), he commented that every audit

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

performed by ECAS included an IT assessment. ECAS professional standards required that one evaluate IT risks in all audits performed.

In the area of investigations, there had been a steady increase in the number of allegations received throughout the UC system including the number of anonymous reports. The report also contained information on some larger, systemwide enterprise-wide projects in which ECAS was involved, such as the systemwide Artificial Intelligence Council and a systemwide compliance, audit, and investigative symposium which brought together experts from around the UC system to review best practices, hear from federal partners, and learn more about emerging issues.

Committee Chair Sures asked if there were any critical issues in the report that needed to be highlighted for the Regents. Mr. Bustamante responded that cyber security would continue to be a significant issue and one that would be subject to change as the next federal legislative session began. This was related to concerns of funding agencies as well as the general vulnerability of an extensive system like that of UC, with large amounts of data that need to be protected. Research security would continue to be a significant issue. One could expect legislation pertaining to this in the future, as well as interest by the federal government in issues such as funding disclosures.

3. **ANNUAL REPORT OF EXTERNAL AUDITORS FOR THE YEAR ENDED JUNE 30, 2023**

[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.]

PricewaterhouseCoopers (PwC) Representative Will Cobb informed the Committee that PwC was prepared to issue its audit opinion for the fiscal year in the coming days, pending standard items such as the signing of the management representation letter.

Committee Chair Sures asked with whom PwC had been communicating during the course of the audit work, within the University and on the Board of Regents. Mr. Cobb responded that PwC communicated with many different people during the course of the year at the campuses, medical centers, Office of the President, and campus foundations. PwC communicated with executive management throughout the system. Communications were most extensive at locations where specific audit activities were performed, such as the individual medical centers. PwC communicated with certain Regents throughout the year as well as with divisions at the Office of the President such as the Office of the General Counsel and Ethics, Compliance and Audit Services.

Committee Chair Sures asked if at any time PwC did not receive the appropriate amount of information needed to issue an opinion in this report. Mr. Cobb responded that PwC received the full cooperation of management, complete transparency, and access to books, records, and information needed to complete the audit.

The meeting adjourned at 3:20 p.m.

Attest:

Secretary and Chief of Staff