

The Regents of the University of California

COMPLIANCE AND AUDIT COMMITTEE

November 20, 2025

The Compliance and Audit Committee met on the above date at the UCLA Luskin Conference Center, Los Angeles campus and by teleconference.

Members Present: Regents Anguiano, Batchlor, Brooks, Cohen, Leib, Makarechian, Matosantos, and Park; Ex officio member Reilly; Advisory member Palazoglu; Chancellors Frenk and Larive; Staff Advisors Frías and Hanson; Expert Financial Advisor Schini

In attendance: Regents Hernandez, Komoto, Kounalakis, Milliken, and Robinson, Regent-designate Craven, Faculty Representative Scott, Secretary and Chief of Staff Lyall, General Counsel Robinson, Chief Compliance and Audit Officer Bustamante, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President and Chief Operating Officer Nava, Senior Vice President Turner, Vice President Kao, Chancellors Assanis, Hu, and May, and Recording Secretary Johns

The meeting convened at 11:05 a.m. with Committee Chair Matosantos presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of September 17, 2025 were approved, Regents Anguiano, Batchlor, Brooks, Cohen, Leib, Makarechian, Matosantos, Park, and Reilly voting “aye.”¹

2. ETHICS, COMPLIANCE AND AUDIT SERVICES ANNUAL REPORT, 2024-25

[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 recalled that the Ethics, Compliance and Audit Services (ECAS) annual report was one of two required reports submitted by ECAS to the Regents for review. This report provided a retrospective of ECAS activities over the entire fiscal year. Among its highlights, ECAS reported significant success with its royalty audit program following a change in approach, identifying \$44 million in underpayments which would return to the campuses. ECAS also expanded advisory services to help campuses identify efficiencies and streamline processes, including support for UC Health locations during mergers and acquisitions by helping reduce UC’s risk profile and improve the process for vetting and review of potential acquisitions. ECAS has carried out extensive work on research security related to the CHIPS and Science Act, National Security

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

Presidential Memorandum 33, and Section 117 of the Higher Education Act. ECAS reviewed all existing campus affiliations with countries of concern as defined by the federal government and developed a risk-based review process to evaluate potential future affiliations involving emerging technologies. ECAS has been developing an interactive toolkit for the campuses to meet the reporting requirements of Section 117 of the Higher Education Act. Mr. Bustamante explained that this Section required UC to report monies coming from a single foreign entity of \$250,000 or more in the aggregate. He emphasized that the ECAS annual report represented a strong partnership and collaborative effort with the campuses.

Regent Anguiano asked if there were any areas that, in Mr. Bustamante's view, ECAS was not able to cover adequately due to budget constraints. He responded that research security had been one of the most challenging areas in the past several years due to reductions in funding and facilities and administration reimbursements. ECAS was trying to address risks with fewer resources. At the same time, the federal government was issuing new rules, such as the export control and affiliates rule, currently suspended, which required the University to review entities or companies on a "denied" or "restricted" list and to apply restrictions to any affiliate owned by that company with a stake of 50 percent or more. UC would be required to review relationships with affiliates of companies such as Huawei. Significant resources would be needed for the campuses to review all such relationships.

Regent Makarechian recalled that UCLA would be hosting the 2028 Summer Olympics and asked about the University's insurance coverage for these events. Mr. Bustamante responded that insurance coverage was a matter for the Office of Risk Services at the Office of the President. While ECAS was not typically involved in these matters, it would provide support on related compliance issues as needed.

In response to another question by Regent Makarechian, Mr. Bustamante clarified differences between the work carried out by the University's external auditor and the compliance- and regulatory-related responsibilities of ECAS.

Regent Cohen expressed appreciation to the chancellors for the improved completion rates of mandatory training by faculty and staff on the campuses. Mr. Bustamante echoed this recognition, noting that completion rates increased from the 70 percent to 80 percent range to 90 percent and above across many campuses. This was a notable accomplishment for such a large and distributed organization.

3. **ANNUAL REPORT OF EXTERNAL AUDITORS FOR THE YEAR ENDED JUNE 30, 2025**

[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 Barbara Cevallos recalled that PricewaterhouseCoopers (PwC) would not be serving as the University's external auditor

in 2026. She expressed appreciation to PwC representative Will Cobb and the PwC team for their outstanding work and partnership with the University.

Regent Makarechian asked if PwC audited Fiat Lux, UC's captive insurance company. Mr. Cobb responded in the affirmative, explaining that Fiat Lux obtained its own separate financial statement audit, and PwC provided required communications to the Fiat Lux board. These amounts were blended into the University's financial statements, and these obligations were evaluated in accordance with the generally accepted accounting principles. Review of Fiat Lux was included in PwC's audit opinions.

Regent Makarechian asked about the transition to the new external auditor. Ms. Cevallos responded that UC was in the early stages of the contracting process with procurement negotiations. When this was completed, the University would provide as much information as possible about UC operations to the new auditor, who is expected to present an audit plan at the March 2026 meeting.

Committee Chair Matosantos thanked PwC for its work and for its guidance on challenging issues facing the University. Mr. Cobb expressed PwC's appreciation for having the ability to serve the University.

The meeting adjourned at 11:20 a.m.

Attest:

Secretary and Chief of Staff