

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPLIANCE AND AUDIT:

DISCUSSION ITEM

For Meeting of November 18, 2015

INDEPENDENT ANALYSIS OF THE UC MERCED 2020 PROJECT COST MODEL AND ASSUMPTIONS FEES

Approval was granted to engage KPMG, the Regents' external auditor, to perform an independent analysis of the UC Merced 2020 project cost model and assumptions by interim action in September 2015. KPMG will provide observations from their review prior to the November Regents meeting, when it will be proposed that the Regents approve the final form of the 2020 Project Request for Proposals (RFP) that is to be released to the developers. The interim action was necessary to engage KPMG and allow KPMG sufficient time to perform the services before the RFP will be released.

BACKGROUND

KPMG LLP is a market leader in the U.S. and globally providing objective strategic, procurement, and financial advisory services to both public and private clients across a variety of infrastructure asset classes. KPMG LLP also serves as the Regents' external accounting firm.

The Regents' external accounting firm is permitted to perform non-audit-related services that do not create a conflict of interest or appearance of such a conflict, and are allowable under the Sarbanes-Oxley Act, the General Accounting Office independence standards for audit and the American Institute of Certified Public Accountants ethics standards. Management and KPMG evaluated the services requested and determined the services described above do not create a conflict of interest under the above standards.

Regents' approval was obtained since KPMG can only be retained to perform non-audit-related services upon the approval of the Regents' Committee on Compliance and Audit. The fees to perform the independent analysis of the UC Merced 2020 project cost model and assumptions were \$193,000.