

Vice President--Financial Management

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I. REFERENCES

- A. Bylaws of The Regents [12.1, Committee on Audit](#).
- B. Bylaws of The Regents, [21.3 Secretary](#).
- C. Standing Orders of The Regents [100.4, Duties](#) of the President of the University.
- D. The University's Audit Management Plan as endorsed by The Regents' Committee on Audit, March, 1979.
- E. Business and Finance Bulletin [BUS-34](#), "Securing the Services of Independent Consultants."
- F. Senior Vice President Mullinix's letter delegating authority to the Vice President--Financial Management to serve as administration liaison with The Regents' auditors, July 9, 2002.

II. INTRODUCTION

The purpose of this Bulletin is to set forth the procedures required to select and engage The Regents' external audit firm. Other financial audits, which are required by various external entities and conducted by The Regents' audit firm, are also outlined.

The provisions of this Bulletin do not apply to the University of California Campus Foundations, which are incorporated separately from The Regents, and which select their own audit firms.

III. SELECTION OF THE REGENTS' AUDIT FIRM

The process for selection of The Regents' audit firm is initiated at the request of The Regents. The Office of the President appoints an administrative committee that coordinates the process of selection and evaluation of prospective firms. Proposals are solicited from public accounting firms that are identified as having the capability of providing the level and scope of services required by the University of California. Upon evaluation of the written proposals, some or all of the bidding firms are invited to make a formal presentation. Selection criteria include the following considerations:

- Qualifications of the firm
- Qualifications of the individuals proposed for the engagement with the University
- Proposed audit plan
- Quality of the written proposal
- Quality of the formal presentation
- Cost

Acting on the recommendation of the Office of the President, final selection of the audit firm is made by The Regents. The Regents' audit firm continues to serve for an indefinite period subject to annual approval by The Regents.

IV. RESPONSIBILITY FOR AND MANAGEMENT OF EXTERNAL AUDIT RELATIONS

The Vice President--Financial Management has been delegated authority by the Senior Vice President—Business and Finance for administrative liaison with The Regents' auditors. Campus Vice Chancellors--Administration are responsible for external audit relations with assistance from the campus Controllers and audit committees.

V. ANNUAL ENGAGEMENT

Each year The Regents' audit firm prepares an annual audit plan for presentation to The Regents at their March meeting. The annual engagement includes an audit of the University of California corporate financial statements and audits of the University of California Retirement Plan (UCRP) basic and voluntary plans. Fees and expenses for the various audit components are proposed in the audit plan.

The Regents' audit firm first submits the draft audit plan to the Vice President--Financial Management who coordinates administrative review of the draft and the scheduling of the audit plan on the agenda for the March meeting of The Regents. Approval of the audit plan by The Regents constitutes the formal appointment of the external auditors for the current fiscal year. The engagement letter forms the contract between The Regents and the audit firm. Other financial audits that result in an auditor's opinion are performed by The Regents' audit firm at the request of the Vice President--Financial Management. These engagements are described in Section VI.

The Vice President--Financial Management coordinates the scheduling of the Annual Report of the external auditors on the open session agenda for the November meeting of the Committee on Audit. Time also is scheduled on the closed session agenda of the Committee on Audit for The Regents' annual consultation with the external auditors regarding the performance of University personnel. The schedule of the external auditors' annual presentations to The Regents appears in Appendix A.

Results of the annual engagement are presented in the Annual Report of the External Auditors. The report consists of an oral presentation by the Regents' auditors with reference to the audited financial statements of the University of California, the audited financial statements of the UCRP basic and voluntary plans, and the auditors' letter to The Regents. The auditors' letter gives an overview of audit findings regarding the University's accounting procedures and system of internal accounting control.

In addition to the annual report made to The Regents in November, the auditors annually submit letters to management at each University of California location. The management letters, addressed to Chancellors, Laboratory Directors, and the Vice President--Financial Management, give observations and recommendations for each location. Copies of the management letters, which are generally issued in December, are made available to individual Regents who wish to review them. The Vice President--Financial Management distributes copies of the management letters from all locations to the Vice Chancellors--Administration.

VI. OTHER FINANCIAL AUDIT REQUIREMENTS AND FUNDING SOURCES

A. Federal Office of Management and Budget Circular [A-133](#) Audits

An annual audit of the University's financial and administrative systems is required by the Federal Office of Management and Budget (OMB) Circular A-133. The audit includes an examination of the University's Federal research grants and contracts and student financial aid programs. A-133 audits are conducted by The Regents' audit firm.

Following appointment of The Regents' auditors for the current year, the annual audit proposal for the year's A-133 audit is presented in an engagement letter from The Regents' audit firm to the Vice President--Financial Management. Ongoing student aid audit matters are coordinated with the campuses by the Director of Student Financial Support.

The final A-133 audit report is sent by the Vice President--Financial Management to the Federal Audit Clearinghouse, Bureau of the Census, as required by the Circular. The Vice President--Financial Management also distributes the audit reports within the Office of the President and to campuses, as necessary.

B. National Collegiate Athletic Association Audits

Annual or periodic audits of intercollegiate athletic programs on most University of California campuses are required by the National Collegiate Athletic Association (NCAA). Division I level programs are audited annually; Division II level programs are audited every third year. Programs whose expenditures, excluding staff salaries, are less than \$300,000 are not audited. The NCAA audits are conducted by The Regents' audit firm.

One audit plan covers the NCAA audits at all campuses being audited in a given year. The annual audit proposal for NCAA audits is presented in an engagement letter from The Regents' audit firm to the Vice President--Financial Management.

The engagement is coordinated as necessary with the Vice Chancellors--Administration.

NCAA audit reports are addressed to Chancellors. The Regents' auditors provide a copy of each NCAA audit to the Vice President--Financial Management.

C. Bond Program Audits, Excluding Hospitals

Annual audits of University of California programs financed by revenue bonds are required in most cases by the various bond trustees. The bond program audits are conducted by The Regents' audit firm.

One audit plan covers audits of bond programs at all campuses, excluding any hospital audits that may be required. Following appointment of The Regents' auditors for the current year, the annual audit proposal for bond program audits is presented in an engagement letter from The Regents' audit firm to the Vice President--Financial Management. The engagement is coordinated as necessary with the Vice Chancellors--Administration.

Bond program audit reports are sent by External Financing to the trustees to satisfy the terms of the bond indentures. The Vice President--Financial Management distributes copies of the bond program audits relevant to each campus to the Vice Chancellors--Administration.

D. Hospital Audits

An audit of the University of California hospitals is required as part of the annual engagement conducted by The Regents' audit firm. The requirements of the hospital bond trustees are met by the results of the annual audit and by the compliance letter issued by the audit firm. The engagement is coordinated as necessary with the Vice Chancellors--Administration.

The Vice President--Financial Management is responsible for distribution of hospital audit reports to The Regents and to staff in the Office of the President. External Financing sends copies of a hospital's audit to the trustee of the bond indenture, if required.

E. Other Financial Audits

Engagements for other financial audits that may be required and that will result in an auditor's opinion may be arranged with The Regents' audit firm by Chancellors, Vice Presidents, Department of Energy (DOE) Laboratory Directors, or their designees subject to concurrence by the Vice President--Financial Management. The engagement letter for a financial audit is addressed to the administrator who requested the audit. The administrator initials the letter to indicate agreement with the terms and sends it to the Vice President--Financial Management for final approval.

F. Funding Sources

The annual audit engagement approved by The Regents is funded from General Fund sources and UCRP funds. The A-133 audits are funded from Federal overhead funds. The student aid audits and NCAA audits are funded from Educational Fee funds. Bond program audits are funded from program revenues. Audits of hospitals are funded from program revenues except that, by agreement with the Vice President--Financial Management, a portion of the total cost may be funded by the Office of the President. The executive who initiates any other engagement with The Regents' audit firm shall identify the funding source.

Appendix B summarizes the ongoing program of engagements with The Regents' audit firm.

VII. CONSULTING ENGAGEMENTS WITH THE REGENTS' AUDIT FIRM

The contract between The Regents and The Regents' audit firm provides for the annual audit engagement and for "such special studies, consultations, and examinations as may be requested." The scope and terms of such special studies, consultations, and examinations may be arranged and approved directly by Chancellors, Vice Presidents, DOE Laboratory Directors, or their designees and The Regents' audit firm. Any such engagements utilizing The Regents' audit firm must have prior approval from the Vice President--Financial Management. The engagement letter that was negotiated with The Regents' auditors must be in place before any work begins. The administrator who requests a special study by The Regents' audit firm shall identify the funding source.

VIII. ENGAGEMENT LETTERS

The engagement letter for any of the financial audits or special studies, consultations, and examinations described above normally contain the following information:

- Audit or project scope
- Work plan
- Timetable
- Hours
- Fees
- Expenses
- Deliverables
- Designation of a project manager

The Vice President--Financial Management indicates acceptance and approval of a financial audit engagement with The Regents' audit firm, including the proposed fee, by signing and dating the bottom of the engagement letter. Other special studies, consultations, and examinations to be requested of The Regents' audit firm require approval by the Chancellor, Vice President, or their designee, as well as prior approval by the Vice President--Financial Management. An approved engagement letter must be in place before work begins on any financial audit or any special study, consultation or examination.

IX. ENGAGEMENT OF OTHER AUDITORS

The use of auditors other than The Regents' auditors for a financial audit that will result in an auditor's opinion requires approval in advance by the Vice President--Financial Management. Requests to use auditors other than The Regents' auditors should be in writing, addressed to the Vice President--Financial Management, with a brief explanation of why other auditors are proposed for the engagement. The Vice President--Financial Management will notify the administrator who made the request. An independent consultant agreement, as set forth in Business and Finance Bulletin [BUS-34](#), "Securing the Services of Independent Consultants," shall be executed to engage auditors other than The Regents' auditors.

X. COORDINATION WITH INTERNAL AUDIT

The Vice President--Financial Management coordinates all external audit plans and results with the University Auditor.

APPENDIX ATHE REGENTS' EXTERNAL AUDITORS
SCHEDULE OF ANNUAL PRESENTATIONS TO THE REGENTS

<u>Month</u>	<u>Title</u>	<u>Content</u>
March	Appointment of External Auditors for the Year Ending June 30, 20__ .	Audit plan and fee for the annual engagement.
November	Annual Report of External Auditors for the Year Ended June 30, 20__.	Presentation based on: <ol style="list-style-type: none">1) Audited financial statements of the University of California; including auditor opinion2) Audited financial statements of UCRP basic and voluntary plans; and3) Management letter from auditors to The Regents.
November	Consultation with External Auditors Regarding Performance of University Personnel.	Closed session discussion.

APPENDIX BSUMMARYENGAGEMENTS WITH THE REGENTS' AUDIT FIRM

<u>Audit</u>	<u>Initiation of Engagement</u>	<u>Required Approval</u>	<u>Fund Source</u>
UC	VP--Financial Management	The Regents	General Funds
UCRP	VP--Financial Management	The Regents	UCRP Funds
A-133	VP--Financial Management	VP--Fin Mgmt.	Federal Overhead/ Educational Fee Funds
NCAA	VP--Financial Management	VP--Fin Mgmt.	Educational Fee Funds
Bond Programs	VP--Financial Management	VP--Fin Mgmt.	Program Revenues
Hospital Audits	Chancellor or Designee	VP--Fin Mgmt.	Program Revenues
Other Financial Audits	Chancellor, Vice President, DOE Lab Director (or Designee)	VP--Fin Mgmt.	Campus Funds OP Funds DOE Lab Funds
Consulting Engagements	Chancellor, Vice President, DOE Lab Director (or Designee)	Chancellor, President, DOE Lab Director	Vice Campus Funds OP Funds DOE Lab Funds (or Designee)