



Approved

COMMITTEE ON COMPLIANCE AND AUDIT
February 5, 2009

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

The Committee presents the following from its meeting of January 7, 2009:

There was one public speaker who addressed the Committee regarding a contract and fair wages for the University's service workers.

There was one action item and six information items:

A. ADOPTION OF IDENTITY THEFT PREVENTION IMPLEMENTATION PLAN

The Committee recommends:

1. Adoption of the proposed University of California ("UC") Identity Theft Prevention Implementation Plan ("Implementation Plan") pursuant to the Federal Trade Commission's Red Flags Rule ("Rule"), which implements Section 114 of the Fair and Accurate Credit Transactions Act of 2003 ("FACT Act"), and
2. Delegation of authority to the Senior Vice President/Chief Compliance and Audit Officer to oversee and administer the Implementation Plan, including authority to modify or amend the Implementation Plan.

B. COMPLIANCE EFFORTS, IRVINE CAMPUS

Executive Vice Chancellor Michael Gottfredson discussed the Irvine campus' efforts regarding sexual harassment prevention training. It is a legal obligation for public organizations to provide this training for individuals with supervisory responsibility. Additionally, the University of California has policies associated with that requirement. Mr. Gottfredson stated that UCI has a very high compliance rate. He also noted that the campus has established a cabinet level

compliance committee which meets monthly. Vice Chancellor David Bailey briefly discussed the quality, safety and regulatory compliance for the campus' health care facilities and is exploring a new oversight structure to provide coordinated effort.

C. ETHICS AND COMPLIANCE PROGRAM UPDATE

Chief Compliance and Audit Officer Vacca discussed the compliance risk areas that were the focus of activity for the quarter and new federal compliance regulations. She noted changes in office resources, including the recruitment for a UC Systemwide privacy officer. A new vendor has been secured for the whistleblower hotline service. She advised that the hotline is commonly used for whistleblower and improper governmental activity calls. However, more issues are coming forward and she anticipates an increase in use of the hotline.

D. UPDATE ON HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA) RELATED PRIVACY PROGRAM ACTIVITIES

Chief Compliance and Audit Officer Vacca informed the Committee that, in response to two privacy breaches at UC medical centers, three strike teams have been established. To assist the campuses, the Office of Ethics, Compliance and Audit Services is working to centralize information and educational aspects of HIPAA compliance.

E. INTERNAL AUDIT QUARTERLY REPORT

University Auditor Reed summarized internal audit activities for the quarter ended December 31, 2008. He noted that his department is currently understaffed and he is concerned about the hiring freeze going forward. His department has put together a plan to make its auditors available to UCOP departments to help them deal with control issues during restructuring. Mr. Reed briefly described two systemwide audits planned for the year – Effort Reporting, a review of the new effort reporting system and compliance testing, and Executive Compensation and Related Matters, including a review of the Annual Report of Executive Compensation.

F. PRESENTATION OF INTERNAL AUDIT SERVICES, DAVIS CAMPUS

Mr. Rick Catalano, Director of Internal Audit Services at UC Davis, described the audit program at Davis. The office of internal audit has 13 FTE's, including the director, three managers, 1 analyst and 8 auditors. Mr. Catalano cited some examples of how his office works with campus management in such areas as improving information systems controls and security and with principal investigators in improving accountability of research projects. UC Davis has an audit committee that is chaired by the provost and includes campus and health

system senior managers. Although his office faces challenges similar to other audit units on campuses, such as difficulty recruiting and maintaining qualified staff and the increased demands of external requirements, Mr. Catalano noted the opportunities that his team is confronting, including the facts that budget reductions and regulatory examination will increase the value of audit services. This is an opportunity to streamline campus business processes and increase operational efficiency.

G. PRESENTATION ON INDUSTRY TRENDS IN HIGHER EDUCATION

PricewaterhouseCoopers' lead higher education partner John Mattie talked briefly about industry trends in higher education. In the current economic environment, an important question for universities to be asking is how should they prudently manage budget resources during a time of intense regulatory and compliance activities. At the federal level, there has been a strengthening of both financial and compliance controls. In addition, the concept of enterprise risk, or reputational risk, is a major focus of many governing boards of institutions of higher education. Another topic of concern is faculty conflict of interest and disclosure requirements for faculty.