

July 19, 2007

ENRIQUE J. LAVERNIA

Dean – College of Engineering

Dear Colleague:

RE: Fiscal Close Certification Letters

General Background

With the passage of the Sarbanes-Oxley Act of 2002, many publicly traded companies have been required to strengthen their internal controls to assure a higher level of integrity of their financial reporting processes. This has included modifying their closing processes to incorporate required certifications from management to ensure an appropriate level of support for the reported financial information. While the University of California and its campuses are not subject to the reporting provisions of the Sarbanes-Oxley Act, the campuses and the Office of the President do provide important financial information for incorporation into the University's Annual Financial Report. In common with many other nonprofit entities (including institutions of higher education), the University has adopted relevant best practices to assure accuracy in its financial statements.

2004 Effort

In 2004, in conjunction with recommendations from its external auditor- PricewaterhouseCoopers, the University of California responded to this new environment by:

1) including for the first time the signatures of the Chancellors and Executive Vice Chancellors, in addition to the Vice Chancellors-Administration and Controllers, on the Campus Management Representation Letter¹ provided to the external auditors, and

2) implementing build-up certifications for three areas (research, financial aid, pledges receivable) signed by appropriate members of senior management in each area that serves to support the representations that the Chancellor, Executive Vice Chancellor, Vice Chancellor-Administration and Controller make in their overall Campus Management Representation Letter.

The Campus Management Representation Letters and supporting build-up certifications in research, financial aid and pledges receivable are then used as due diligence for the assertions made in the overall University of California Management Representation Letter signed by the President, Senior Vice President, Vice President-Financial Management and Assistant Vice President-Financial Management.

The University further agreed that the certification process would be extended in 2005 to include all senior management officials at the campuses, as determined by the Campus Controller and Vice Chancellor-Administration, who may report to the Chancellor, Executive Vice Chancellor, Provost, or Executive Deans.

2005 Effort

In 2005, the fiscal close process at the campuses included a requirement for the collection of certifications from each member of the campus senior management team - Vice Chancellors, Deans, Directors, etc. These "fiscal close certifications" assisted in demonstrating due diligence by the signatory of the Management Representation Letter that he or she had a reasonable basis to make the representation and also emphasized the importance of the accuracy of information provided in connection with the closing process to others in the organization.

¹ The **Campus Management Representation Letter** is designed essentially to certify that the information upon which the external auditors rely is accurate.

2006 and 2007 Effort

In 2006, The AICPA issued a new Statement on Auditing Standards (SAS 112) entitled *Communication of Internal Control Related Matters Noted in an Audit*. This new standard introduced more stringent audit guidelines for determining internal control deficiencies of management charged with oversight of departments and organizations.

As a result of SAS 112, if there is “ineffective oversight of the entity's internal control over financial reporting by those charged with governance, or ineffective overall governance structure,” it may be considered to be a significant deficiency or material weakness required to be reported to The Regents Committee on Audit. Given the issuance of SAS 112, the Fiscal Closing Certification Letters have become an even more critical part of the university's documentation concerning internal controls and governance.

While the requirements in 2006 and 2007 have not changed, based upon feedback received we have continued to modify the certification letter in response to questions as they are raised.

The Fiscal Close Certification Letter

The attached “fiscal close certification” letter is consistently used across all campuses.

You have been identified as a campus senior manager and therefore, a Fiscal Close Certification Letter requiring your certification is enclosed. Please sign and return the letter to me at your earliest convenience, but not later than Friday, August 17, 2007. If you have questions or any concerns with this due date, please do not hesitate to contact me at 754-9396 or by email to jmallred@ucdavis.edu.

Sincerely,



J. Michael Allred
Associate Vice Chancellor – Finance/Controller

Enclosures: Fiscal Close Certification Letter
 Fiscal Close Certification Q&A