

Subcommittee on Audit Meeting - OPEN SESSION

University of California Hastings College of the Law

<https://uchastings.zoom.us/j/97893648223>

Apr 21, 2022 3:00 PM - Apr 21, 2022 5:00 PM PDT

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ACTION ITEM

1. **REPORT BY:** Controller Sandra Plenski
2. **SUBJECT:** Review of Proposed 2022 Audit Plan and Scope of Work
3. **RECOMMENDATIONS:**

That the Audit Subcommittee of the Finance Committee recommend to the Finance Committee approval of the 2022 Audit Entrance and Statement of Work.

4. **BACKGROUND:**

The 2022 Audit Entrance describing the annual financial and internal control review is attached as is the Statement of Work which functions as the engagement letter.

5. **PROPOSED RESOLUTION:**

Resolved that the Audit Subcommittee recommends that the Finance Committee approve the Statement of Work commencing the annual audit of the financial statements for 2022.

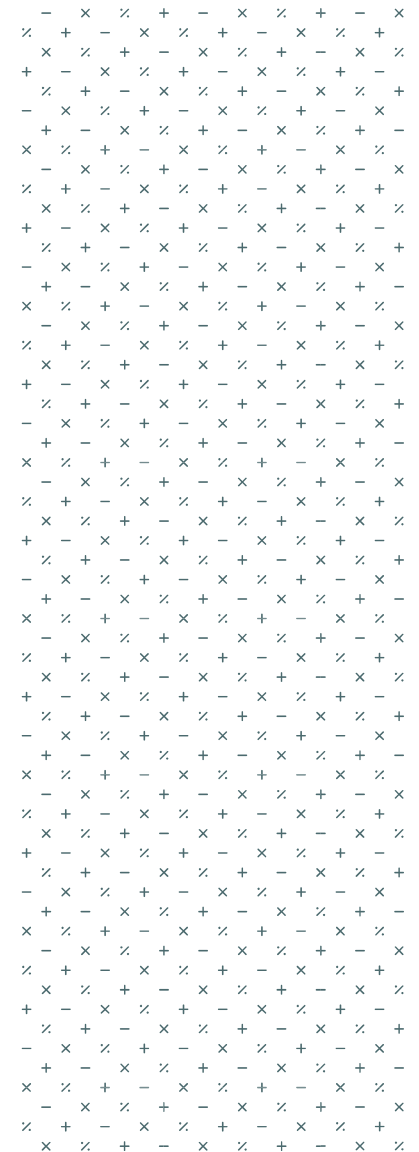
Attachments:

- 2022 Audit Entrance
- Statement of Work



2022 Audit Entrance

Better Together: Moss Adams & UC Hastings College of the Law

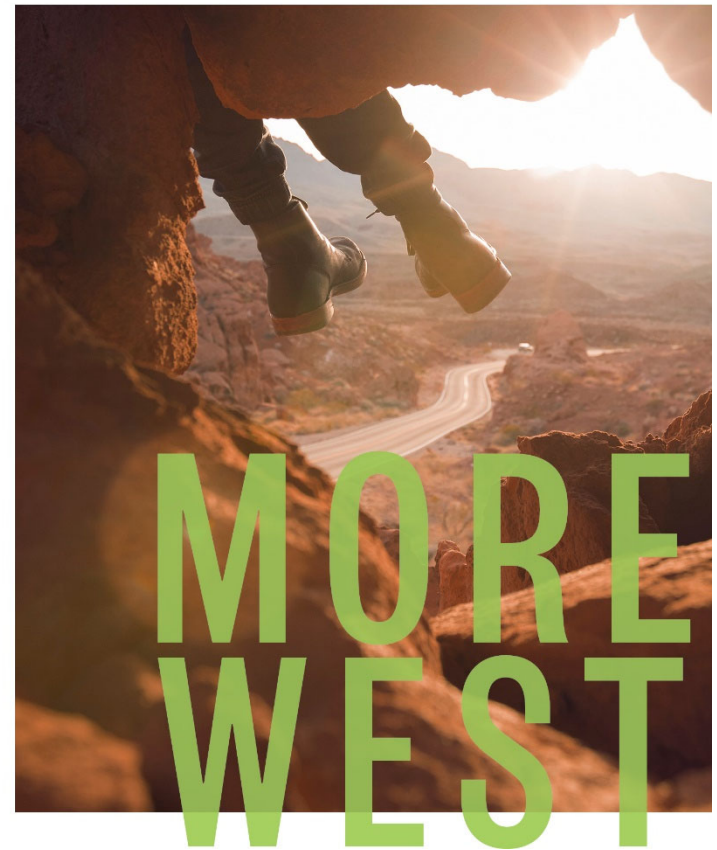


UC Hastings College of the Law

Dear Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for higher-education institutions. We're pleased to present our audit plan for UC Hastings College of the Law ("UC Hastings") as of and for the year ending June 30, 2022. We'd also like to discuss current-year developments, as well as accounting and auditing standard changes that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.



Your Dedicated Engagement Leadership Team



Kinman Tong, CPA
Engagement Partner



Scott Simpson, CPA
*Quality Control
Review Partner*



Gordon Lam, CPA
*Engagement Senior
Manager*



Colleen Goeser, CPA
Audit Manager



Mike Lumsden, CPA
Tax Senior Manager



Required Communications to Those Charged with Governance



Scope of Services

Relationships between Moss Adams and the UC Hastings College of the Law:

Annual Audit



Annual financial statement audit as of and for the year ending June 30, 2022.

Non-Attest Services



- Preparation of the auditee portion of the Data Collection Form
- Tax preparation services
- Advisory services related to implementation of GASB 87 – *Leases*
- Advisory services related to cybersecurity assessment



Our Responsibilities

Assess if the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit doesn't relieve you or management of your responsibilities.

Perform an audit in accordance with:

- Generally accepted auditing standards issued by the AICPA
- *Government Auditing Standards* issued by the Comptroller General of the United States

Design the audit to provide assurance about whether the financial statements are free of material misstatement.

Consider internal controls over financial reporting and compliance as a basis for designing effective audit procedures.

Communicate findings that are relevant to your responsibilities in overseeing the specific matters of financial reporting process and administering federal awards.

When applicable, communicate particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement.



Audit Process



Internal Controls

- Includes walkthroughs and testing of key controls over significant accounting cycles.
- Includes information technology



Analytical Procedures

- Revenue and expenses
- Trends, comparisons, and expectations



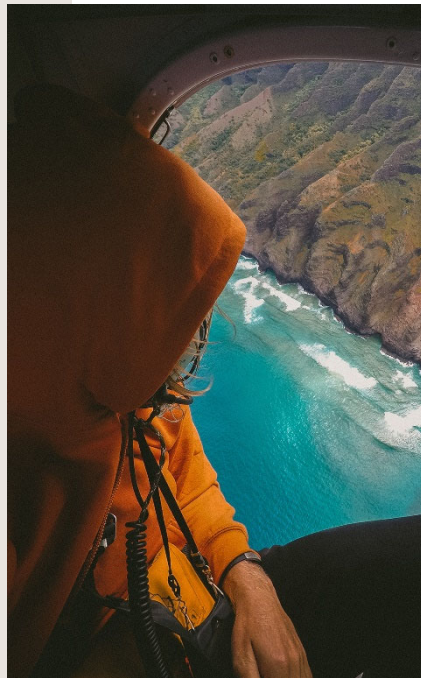
Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence



What's Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets, total net position, and total expenditures) and **qualitative** factors (covenants, expectations, or industry factors)

It identifies:

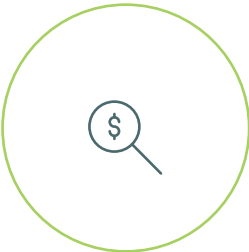
SIGNIFICANT RISK
AREAS

NATURE, TIMING,
EXTENT, AND SCOPE
OF TEST WORK

FINDINGS OR
MISSTATEMENTS



Significant Audit Areas



**INTERNAL CONTROLS
OVER FINANCIAL
REPORTING, INCLUDING IT
CONTROLS**



**VALUATION OF
INVESTMENTS AND
RELATED FINANCIAL
STATEMENT
DISCLOSURES**



**ACTUARIAL
DETERMINATION OF
PENSION AND OPEB
LIABILITY AND
RELATED DISCLOSURES**



**FINANCIAL CLOSE AND
REPORTING, INCLUDING
REPORTING OF HASTINGS
CAMPUS HOUSING
FINANCE AUTHORITY**



**FEDERAL COMPLIANCE
IN ACCORDANCE WITH
THE UNIFORM
GUIDANCE**



Consideration of Fraud



AUDITORS MUST CONSIDER FRAUD TO “IMPROVE THE LIKELIHOOD THAT AUDITORS WILL DETECT MATERIAL MISSTATEMENTS DUE TO FRAUD IN A FINANCIAL STATEMENT AUDIT.”

To identify fraud-related risks of material misstatement, we:

- Brainstorm with team
- Conduct personnel interviews
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

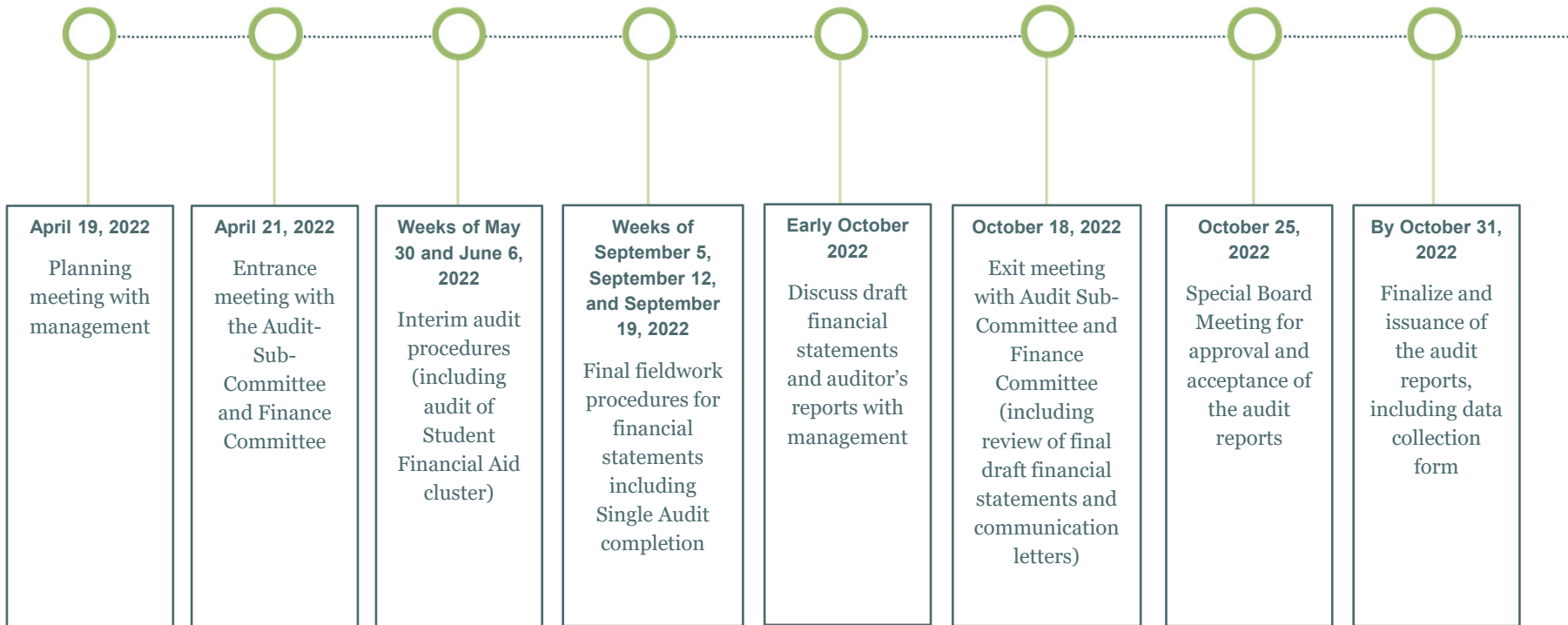
Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions



Audit Timing

2022



Recent Accounting and Auditing Developments





New Standards

**AUDITOR REPORTING AND
AMENDMENTS**
[SAS 134-140]

- The AICPA recently issued a series of standards that will significantly change the form and content of the auditor's report.
- Changes include, among others:
 - "Opinion" section will appear first, followed by a "Basis for Opinion" section
 - Responsibilities of Management for the Financial Statements
 - Adds management's responsibility to evaluate going concern considerations
 - Auditor's Responsibility for the Audit of the Financial Statements
 - Defines reasonable assurance
 - States that the risk of not detecting a material misstatement resulting from fraud is greater than for one resulting from error
 - Defines material misstatement
 - Identifies auditor's responsibility to evaluate going concern considerations
 - Describes that the auditor is required to communicate with those charged with governance
 - Other Information included in the "annual reports"
 - Revised auditing standard provides transparency related to an auditor's responsibilities for other information included in an entity's annual report and defines "annual report".
 - Other than the reporting requirements, the requirements applies regardless of when the other information is available to the auditor.
 - Written acknowledgment and representation from management is required when there is an annual report.
- These standards are effective for audits of financial statements for periods ending on or after December 15, 2021.



Auditor Reports – Layout Changes

NEW REPORT LAYOUT

- Report on the Audit of the Financial Statements
- Opinion
- Basis for Opinion
- Emphasis of Matter, when appropriate
- Other Matter, when appropriate
- Responsibilities of Management for the Financial Statements
- Auditor's Responsibilities for the Audit of the Financial Statements

CURRENT REPORT LAYOUT

- Report on the Financial Statements
- Introductory paragraph
- Management's Responsibility for the Financial Statements
- Auditor's Responsibility
- Opinion
- Emphasis of Matter, when appropriate
- Other Matter, when appropriate





New Standards

LEASES [GASB No. 87]

- Would treat all leases as financings (no classification of capital versus operating) similar to FASB ASU No. 2016-02.
- Includes non-cancellable period + periods covered by options to renew if reasonably certain to be exercised.
- Lessee would record an intangible asset (amortized over the shorter of its useful life or lease term) and present value of future lease payments as a liability.
- Lessor would record a lease receivable and deferred inflow of resources for cash received up front + future payments (revenue recognized over lease term in a systematic and rational basis).
- Effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.





New Standards

*ACCOUNTING FOR INTEREST COST
INCURRED BEFORE THE END OF A
CONSTRUCTION PERIOD*

[GASB No. 89]

- Interest incurred during construction of an asset that was once eligible for capitalization must now be expensed as a period cost. The only exception applies to regulated entities (rate setting agencies such as utilities).
- The objective was to enhance comparability for the cost of borrowing and simplify the accounting.
- Respondents to the Exposure Draft argued that stand-alone business type entities (like hospitals) would no longer be comparable to non-governmental counterparts; however, GASB decided not to establish separate objectives for general government vs. business-type activities.
- Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Statement should be applied prospectively.





New Standards

CONDUIT DEBT OBLIGATIONS
[GASB No. 91]

- Primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with:
 - (1) commitments extended by issuers
 - (2) arrangements associated with conduit debt obligations, and
 - (3) related note disclosures.
- Achieves those objectives by
 - Clarifying the existing definition of a conduit debt obligation
 - Establishing that a conduit debt obligation is not a liability of the issuer
 - Establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations
 - Improving required note disclosures
- Effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.





New Standards

OMNIBUS 2020
[GASB No. 92]

- Addresses a variety of topics and includes specific provisions about the following:
 - The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
 - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
 - The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
 - The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
 - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
 - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
 - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
 - Terminology used to refer to derivative instruments.
- Requirements related to Statement No. 87 and Implementation Guide 2019-3 is effective upon issuance.
- Requirements related to intra-entity transfers of assets and to Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.
- Requirements related to Statement 84 and to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.
- Requirements related to measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.





New Standards

REPLACEMENT OF INTERBANK OFFERED RATES

[GASB No. 93]

- Provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifies the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifies that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifies the definition of reference rate, as it is used in Statement 53, as amended
- Provides an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.
- The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.



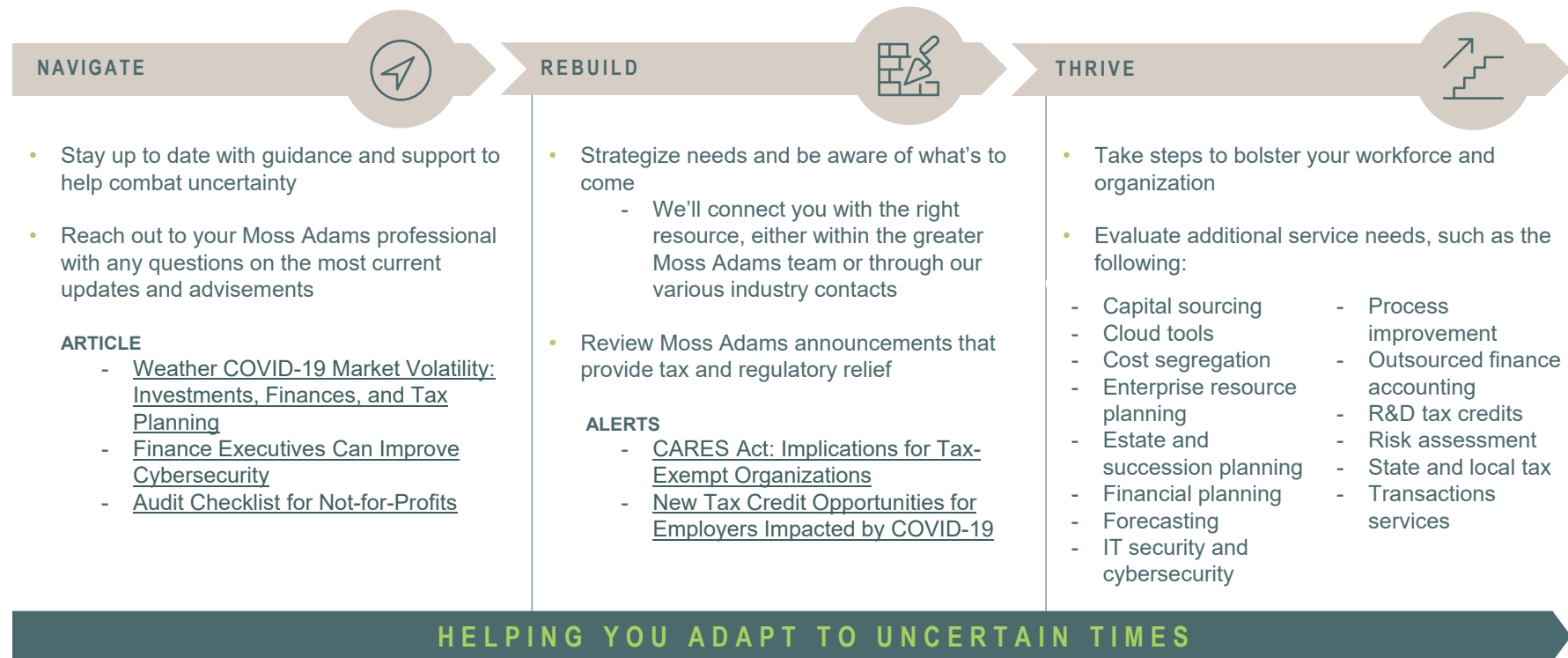
On the Horizon – Exposure Drafts and Preliminary Views

- **Financial Reporting Model Improvements** – Proposes defining “operating” vs. “non-operating” activities; proposes requiring combining financial statements as supplementary information for blended component units; proposes classification of government-wide expenses by function or program.
- **Revenue and Expense Recognition** – Better differentiates exchange from non-exchange transactions; proposes a uniform revenue recognition standard with 3 models to be evaluated.



Our Response to COVID-19

The COVID-19 pandemic has touched all aspects of our lives. We're here to guide you to the information and resources you need now and provide strategies for the changes to come. We'll support you as you rebuild and help you take advantage of rising opportunities.



Find more information and resources here: <https://mossadams.com/covid-19-implications>



HIGHER EDUCATION AND NOT-FOR-PROFIT BOARDS

Resources



Association of Governing Boards
www.agb.org



AICPA
www.aicpa.org/interestareas/notforprofit



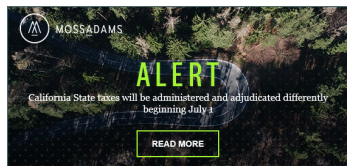
Boardsource
www.boardsource.org



INDUSTRY FOCUS

An Array of Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and in the format that fits your life.



Articles & Alerts

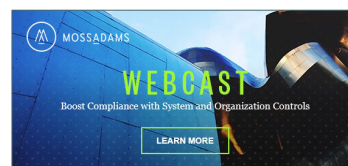
Industry-specific insight and important tax and assurance updates

Not-for-Profit Newsletter

Our Not-for-Profit Newsletter is your resource for updates and insights on accounting, tax, and other topics.

How Tax Reform Could Impact Not-for-Profits

Understand the provisions of tax reform that could impact your organization.



Webcasts

On demand and live sessions with our professionals on technical and timely topics

How Tax Reform Could Impact Tax-Exempt Organizations

Gain insight on key tax reform topics that are relevant to tax-exempt organizations, such as changes to fringe benefits and compensation, unrelated business income, and more.



Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape

Financial Reporting Standards Guide

This guide provides an overview of the new financial reporting standards as well as a reporting checklist that serves as a helpful reference.



Survey

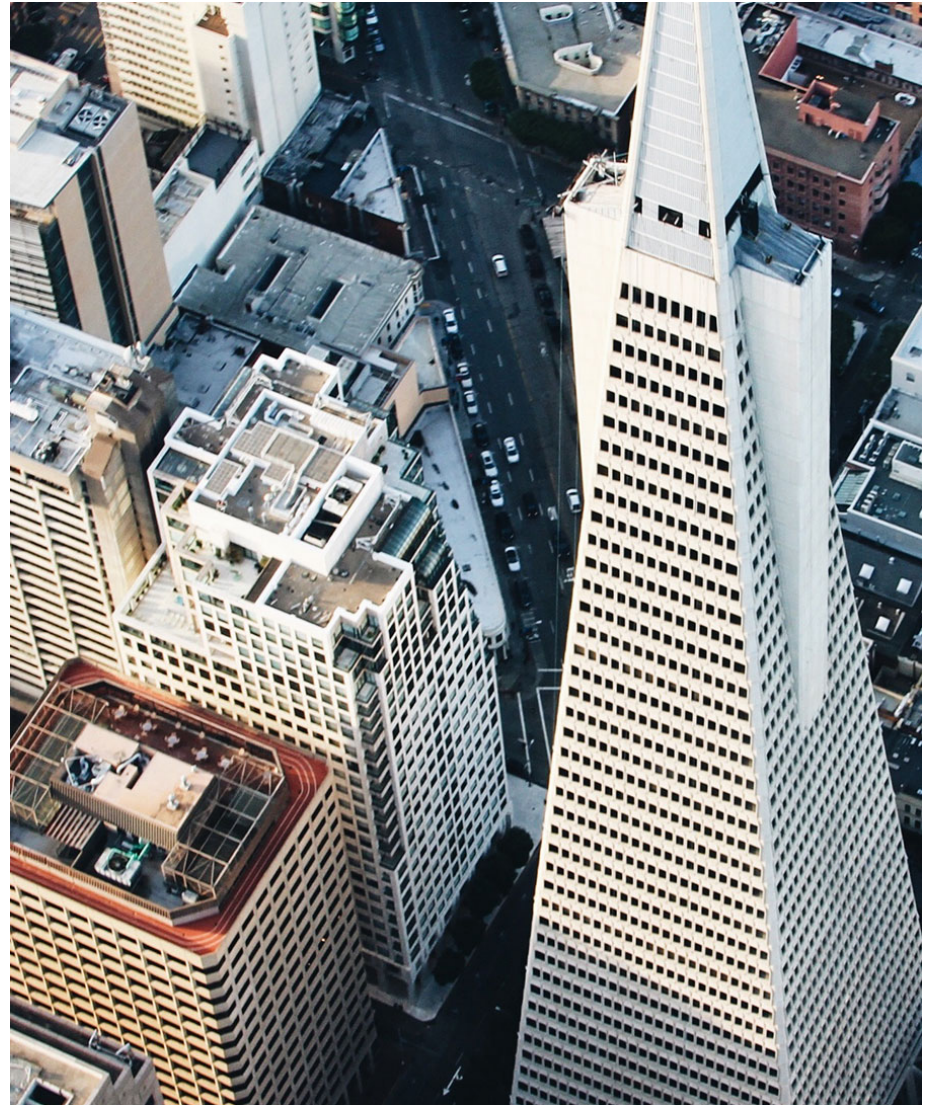
A visual look at not-for-profit trends to help your organization benchmark

Not-for-Profit Survey Series

Our Not-for-Profit Survey Series delivers accurate information about industry trends to help you evaluate your organization's operations.



▶ About
Moss Adams



Our Services for Institutions of Higher Education

ASSURANCE

- Agreed-upon procedures
- Audits and reviews
- Federal awards audits
- Compliance examinations pursuant to federal reporting requirements
- Employee benefit plan services
- Written acknowledgments and agreed-upon procedure engagements in connection with tax-exempt bond offerings

CONSULTING

- Endowment management and investment consulting
- Fraud investigation and forensic accounting
- IT consulting
- Strategic business planning
- Sustainability services
- Systems Control & Operations Risk Evaluation (SCORE!)
- Wealth services

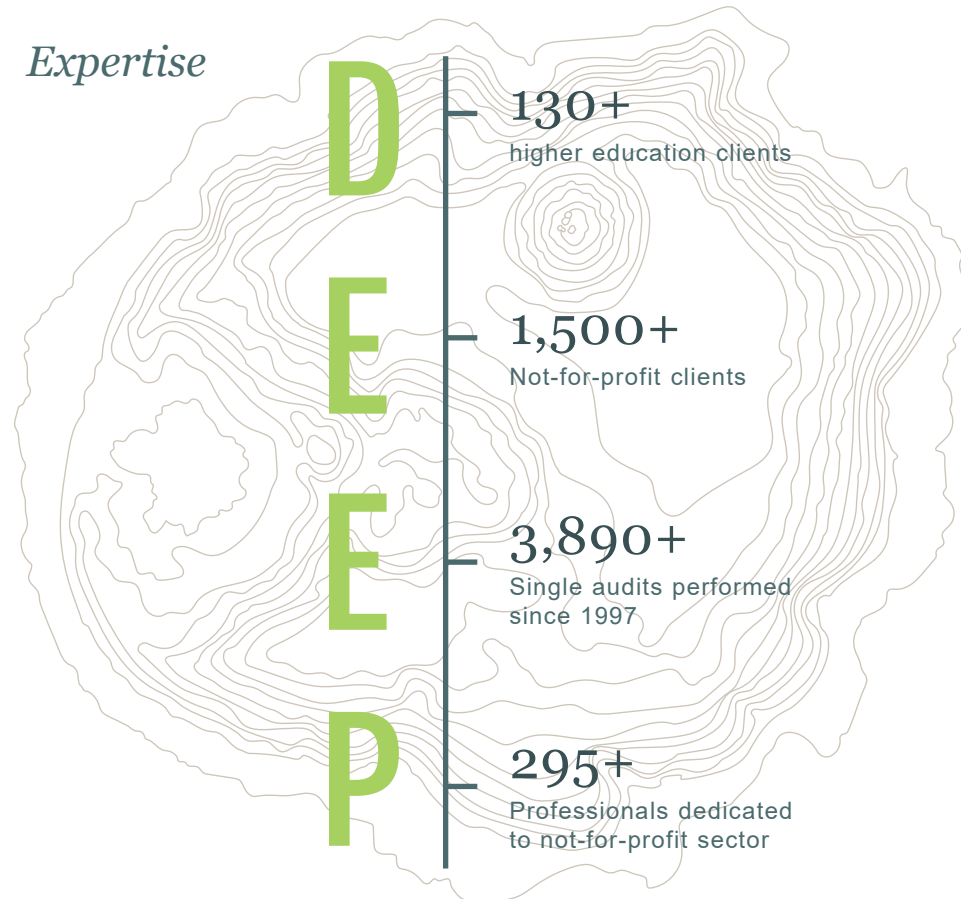
TAX

- Alternative investment issues
- Compensation, payroll, and employment tax issues, including fringe benefits, deferred compensation, and policy setting to meet the rebuttable presumption process
- Complex group structures, including non-501(c)(3) exempt organizations
- Donor-advised fund planning and reporting
- Estate planning for donors and development department marketing
- For-profit organization formation and operations
- Formation of new entities, including preparation of
- Forms 1023 and 1024 and associated state filings
- Independent contractor versus employee determinations
- IRS and state audit representation
- Joint venture formation and operation
- Lobbying and political expenditure classification and reporting
- Maintaining tax-exempt status and public charity status
- Member versus nonmember activity issues
- Preparation of Form 990, 990-T, 990-PF, and relevant state forms
- Private foundation planning analysis
- Public support test planning
- Sales and use tax exemptions
- State and local tax services, including credits and incentives
- State solicitation registration and annual filings
- Tax-exempt bond consultation, including private business use and post-issuance bond compliance procedures
- Third-party management agreements and sponsorship planning
- Transfer pricing and expense allocation methodology
- Unrelated business taxable income



About Moss Adams

Expertise



*Crater Lake—
A monument to perseverance,
North America's deepest lake filled
to 1,949 feet over 720 years.*



The Moss Adams Foundation

The Moss Adams Foundation, created in 2000, provides funding and endowments to colleges and universities across the nation. Between 2000 and 2020, \$12.9 million was donated by our Foundation for the purpose of supporting higher education and humanitarian causes. The leadership at Moss Adams recognizes that without higher education, there would be no Moss Adams.

Reach

W I D E

\$4M+

higher education contributions matched by the Moss Adams Foundation from 2008–2020

5,500+

new staff and intern hires from 2008–2020

125

colleges and universities across the nation supported by Moss Adams

*Grand Canyon—
At 277 miles long and up to 18 miles wide, this icon serves as a testament to determination and time.*



Inclusion & Diversity – Business Resource Groups



Champion / Charter / Grassroots Effort / Safe and Inclusive



FORUM W BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



ASIAN BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



BLACK BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



LATINX BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



PRIDE BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



VETERANS BUSINESS RESOURCE GROUP
INCLUSION & DIVERSITY



Advanced Technologies and Audit Innovation

We leverage advanced technologies to deliver increased effectiveness and efficiencies across our various practices.



A machine learning tool that allows us to be smarter and more efficient in reviewing and analyzing documents for accuracy.

A platform used to uncover outliers and anomalous transactions for 100% of the transactions within general ledger data.

A tool which allows our professionals to develop predictive models that can provide additional risk-driven insights to our clients.

We've introduced technologies such as Tableau and Microsoft PowerBI within our engagement processes, resulting in advanced visualization of client data.

An advanced analytics tool that will research available technologies, test and evaluate each technology's ability to perform deep analysis of client data and identify anomalies.



Contact Us



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Assurance, tax, and consulting offered through Moss Adams LLP. Investment advisory offered through Moss Adams Wealth Advisors LLC. Investment banking offered through Moss Adams Capital LLC.

THANK
YOU

STATEMENT OF WORK

This Statement of Work (“SOW”) is between UC HASTINGS College of Law (“UC HASTINGS”) and Moss Adams LLP (“Consultant”). This SOW is being entered into under the *Agreement By and Between University of California Hastings College of Law (UC HASTINGS) and Moss Adams LLP* entered into on February 26, 2016 (referred to in this SOW as the “Agreement”). Capitalized terms not otherwise defined herein have the meanings defined for them in the Agreement.

Scope of Services – Audit

Consultant will audit UC HASTINGS’ financial statements, which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. Consultant will also report on whether the schedule of expenditures of federal awards, presented as supplementary information, is fairly stated, in all material respects, in relation to the financial statements as a whole.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (“RSI”), such as management’s discussion and analysis, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of this engagement, Consultant will apply certain limited procedures to UC HASTINGS’ RSI in accordance with auditing standards generally accepted in the United States of America. Consultant will not express an opinion or provide assurance on the information because the limited procedures do not provide Consultant with sufficient evidence to express an opinion or provide assurance. The following RSI will be subjected to certain limited procedures, but will not be audited:

1. Management’s discussion and analysis
2. Supplementary information of net pension liability
3. Supplementary information of net retiree health benefits liability

Timing

Kinman Tong is responsible for supervising the engagement and authorizing the signing of Consultant’s audit report. Consultant expects to begin its audit on approximately June 2022, complete fieldwork on approximately September 2022, and issue its report no later than November 2022. As Consultant reaches the conclusion of the audit, Consultant will coordinate with UC HASTINGS the date the audited financial statements will be available for issuance. UC HASTINGS understands that (1) UC HASTINGS will be required to consider subsequent events through the date the financial statements are available for issuance, (2) UC HASTINGS will disclose in the notes to the financial statements the date through which subsequent events have been considered, and (3) the subsequent event date disclosed in the footnotes will not be earlier than the date of the management representation letter and the date of the report of independent auditors.

This scheduling depends on UC HASTINGS' completion of the year-end closing and adjusting process prior to Consultant's arrival to begin the fieldwork. Consultant may experience delays in completing its services due to UC HASTINGS' staff unavailability or delays in UC HASTINGS' closing and adjusting process. Consultant's fees are subject to adjustment if Consultant experiences these delays in completing the services.

Kinman's contact information:

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101 Second Street, Suite 900
San Francisco, CA 94105
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415.677.8267 Direct
415.677.1500 Office

Fees

Fees for the services set forth in this SOW are estimated to be \$175,000, which includes \$21,000 for the additional audit procedures to be performed as it relates to the Hastings Campus Housing Finance Authority. UC HASTINGS will not be billed for expenses unless an unusual circumstance arises and the expense is discussed and approved by UC Hastings in advance of billing.

Consultant's ability to provide services in accordance with these estimated fees depends on the quality, timeliness and accuracy of UC HASTINGS' records, and, for example, the number of general ledger adjustments required as a result of the work. To assist UC HASTINGS in this process, Consultant will provide UC HASTINGS with a preliminary Client Audit Preparation Schedule at least four weeks in advance of the fieldwork for both the Single and Financial Statement audits, with specifics for the UCH Foundation if applicable, that identifies the key work UC HASTINGS will need to perform in preparation for the audit. Consultant will also need UC HASTINGS' accounting staff to be readily available during the engagement to respond in a timely manner to requests. Lack of preparation, poor records, general ledger adjustments and/or untimely assistance may result in an increase of fees, as set forth in the Agreement. Consultant will provide UC HASTINGS with a tentative schedule of the fieldwork and key audit areas to ensure the staff is readily available.

Reporting

Consultant will issue a written report upon completion of its audit of UC HASTINGS' financial statements. The report will be addressed to the Board of Directors of UC HASTINGS. Consultant cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for Consultant to modify its opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. Consultant's services under this SOW will be concluded upon delivery to UC HASTINGS of Consultant's report on UC HASTINGS' financial statements for the year ending June 30, 2022.

At the conclusion of the engagement, Consultant will complete the auditor section of the Data Collection Form and electronically sign the Data Collection Form that summarizes its findings. Consultant will provide electronic copies of its reports to UC HASTINGS; however, it is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan, as applicable) along with the Data Collection Form to the Federal Audit Clearinghouse. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period. At the conclusion of the engagement, Consultant will make arrangements with management regarding Data Collection Form submission procedures.

Objectives of the Audit

The objective of the audit is the expression of an opinion on the financial statements and supplementary information. The objective of the audit is also to obtain reasonable assurance about whether UC HASTINGS has complied with applicable federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major federal program. The objective also includes reporting on the following:

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*.
- Internal control related to major federal programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and the audit requirements contained in OMB Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The reports on internal control and compliance will each include a statement that the purpose of the report is solely to: describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance; describe the scope of testing internal control over compliance for major federal programs and major federal program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance; that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance and the OMB Uniform Guidance in considering internal control over compliance and major federal program compliance; and, accordingly, it is not suitable for any other purpose.

Consultant will conduct its audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of

1996; and the audit provisions of the OMB Uniform Guidance. It will include tests of UC HASTINGS' accounting records, a determination of major program(s) in accordance with the OMB Uniform Guidance, and other procedures Consultant considers necessary to enable Consultant to express opinions and to render the required reports. If Consultant's opinion on the financial statements or the Single Audit compliance opinion is other than unmodified, Consultant will discuss the reasons with UC HASTINGS in advance. If, for any reason, Consultant is unable to complete the audit or are unable to form or have not formed an opinion Consultant may decline to express an opinion or to issue a report as a result of this engagement.

Procedures and Limitations

Consultant's procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain receivables and certain other assets, liabilities and transaction details by correspondence with selected individuals, funding sources, creditors, and financial institutions. Consultant may also request written representations from UC HASTINGS' attorneys as part of the engagement, and they may bill UC HASTINGS for responding to this inquiry. The supplementary information will be subject to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. At the conclusion of the audit, Consultant will require certain written representations from management about the financial statements and supplementary information and related matters. Management's failure to provide representations to our satisfaction will preclude Consultant from issuing its report.

An audit includes examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements. Therefore, the audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, Consultant will plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. Such material misstatements may include errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that are attributable to the entity or to acts by management or employees acting on behalf of the entity that may have a direct financial statement impact. Pursuant to *Government Auditing Standards*, Consultant will not provide reasonable assurance of detecting abuse. As required by the Single Audit Act Amendments of 1996 and the audit provisions of the OMB Uniform Guidance, the audit will include tests of transactions related to major federal award programs for compliance with applicable federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements and noncompliance may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards*, and the OMB Uniform Guidance. An audit is not designed to detect immaterial misstatements or noncompliance with the provisions of laws, regulations, contracts, and grant agreements that do not have a direct and material effect on the financial statements or noncompliance with the provisions of federal statutes, regulations, and the terms and condition of

federal awards that do not have a direct and material effect on major federal programs. However, Consultant will inform UC HASTINGS of any material errors, fraudulent financial reporting, misappropriation of assets, or noncompliance with the provisions of laws, federal statutes, regulations, contracts grant agreements and federal awards that come to Consultant's attention, unless clearly inconsequential. Consultant will include such matters in the reports required for a Single Audit. Consultant's responsibility as auditor is limited to the period covered by the audit and does not extend to any time period for which Consultant is not engaged as auditor.

Consultant may assist management in the preparation of UC HASTINGS' financial statements and supplementary information. Regardless of any assistance Consultant may render, all information included in the financial statements and supplementary information remains the representation of management. Consultant may issue a preliminary draft of the financial statements and supplementary information to UC HASTINGS for its review. Any preliminary draft financial statements and supplementary information should not be relied upon, reproduced or otherwise distributed without the written permission of Consultant.

Consultant understands UC Hastings maintains certain assets, including investments, reported in its financial statements, with the University of California Office of the Treasurer.

Procedures and Limitations—Internal Control

In planning and performing the audit, Consultant will consider the internal control sufficient to plan the audit in order to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing its opinions on UC HASTINGS' financial statements and on its compliance with requirements applicable to major federal programs.

Consultant will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and Consultant will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that Consultant considers relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from noncompliance with the provisions of laws, regulations, contract and grant agreements and other noncompliance matters that have a direct and material effect on the financial statements.

An audit is not designed to provide assurance on internal control or to identify deficiencies in the design or operation of internal control and accordingly, no opinion will be expressed in the report on internal control issued pursuant to *Government Auditing Standards*. However, if, during the audit, Consultant becomes aware of any matters involving internal control or its operation that Consultant considers to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, Consultant will communicate them in writing to management and those charged with governance. Consultant will also identify if Consultant considers any significant deficiency, or combination of significant deficiencies, to be a material weakness.

As required by the audit provisions of the OMB Uniform Guidance, Consultant will perform tests of controls to evaluate the effectiveness of the design and operation of controls that Consultant considers

relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, Consultant's tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in the report on internal control issued pursuant to the OMB Uniform Guidance.

Procedures and Limitations—Compliance

The audit will be conducted in accordance with the standards referred to in the section titled "Objectives of the Audit." As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, Consultant will perform tests of UC HASTINGS' compliance with the provisions of laws, regulations, contracts, and grant agreements that may have a direct and material effect on the financial statements. However, the objective of those procedures will not be to provide an opinion on overall compliance and Consultant will not express such an opinion in its report on compliance issued pursuant to *Government Auditing Standards*.

The audit provisions of the OMB Uniform Guidance require that Consultant also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major federal program. Consultant's procedures will consist of the applicable procedures described in the OMB Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of UC HASTINGS' major federal programs. The purpose of those procedures will be to express an opinion on UC HASTINGS' compliance with requirements applicable to each of its major federal programs in Consultant's report on compliance issued pursuant to the OMB Uniform Guidance.

Management's Responsibility for Financial Statements, Internal Control, and Federal Award Compliance

As a condition of the engagement, management acknowledges and understands that management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Consultant may advise management about appropriate accounting principles and their application and may assist in the preparation of UC HASTINGS' financial statements, including the schedule of expenditures of federal awards, but management remains responsible for the financial statements and the schedule of expenditures of federal awards. Management also acknowledges and understands that management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. This responsibility includes the maintenance of adequate records, the selection and application of accounting principles, and the safeguarding of assets.

UC HASTINGS is responsible for informing Consultant about all known or suspected fraud affecting UC HASTINGS involving: (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. UC HASTINGS is responsible for informing Consultant of knowledge of any allegations of fraud or suspected fraud affecting UC HASTINGS received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that UC

HASTINGS complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud or noncompliance with the provisions of laws, regulations, contract, and grant agreements, that Consultant may report.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to Consultant in the management representation letter that the effects of any uncorrected misstatements aggregated by Consultant during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Management is responsible for establishing and maintaining internal control and for compliance with federal statutes, regulations, and the terms and conditions of federal awards and for identifying and ensuring that UC HASTINGS complies with such provisions. Management is also responsible for informing Consultant of any significant contractor relationships in which the contractor is responsible for program compliance. Management is also responsible for addressing the audit findings and recommendations, establishing and maintaining a process to track the status of such findings and recommendations, and taking timely and appropriate steps to remedy any fraud and noncompliance with federal statutes, regulations, and the terms and conditions of federal awards or abuse that Consultant may report. Additionally, as required by the OMB Uniform Guidance, it is UC HASTINGS' responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

Management is responsible for making all financial records and related information available to Consultant and for the accuracy and completeness of that information. Management agrees that as a condition of our engagement management will provide Consultant with:

- access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- additional information that Consultant may request from management for the purpose of the audit; and
- unrestricted access to persons within the University from whom Consultant determines it necessary to obtain audit evidence.

Management's Responsibility to Notify Us of Affiliates

Professional standards require that Consultant remain independent of UC HASTINGS as well as any "affiliate" of UC HASTINGS. Professional standards define an affiliate as follows:

- a fund, component unit, fiduciary activity or entity that UC HASTINGS is required to include or disclose, and is included or disclosed in its financial statements, in accordance with generally accepted accounting principles (U.S. GAAP);
- a fund, component unit, fiduciary activity or entity that UC HASTINGS is required to include or disclosed in its financial statements in accordance with U.S. GAAP, which is material to UC HASTINGS but which UC HASTINGS has elected to exclude, and for which UC HASTINGS has more than minimal influence over the entity's accounting or financial reporting process;

- an investment in an investee held by UC HASTINGS or an affiliate of UC HASTINGS, where UC HASTINGS or affiliate controls the investee, excluding equity interests in entities whose sole purpose is to directly enhance UC HASTINGS' ability to provide government services;
- an investment in an investee held by UC HASTINGS or an affiliate of UC HASTINGS, where UC HASTINGS or affiliate has significant influence over the investee and for which the investment is material to UC HASTINGS' financial statements, excluding equity interests in entities whose sole purpose is to directly enhance UC HASTINGS' ability to provide government services

In order to fulfill mutual responsibility to maintain auditor independence, UC HASTINGS agree to notify Consultant of any known affiliate relationships, to the best of UC HASTINGS' knowledge and belief. Additionally, UC HASTINGS agree to inform Consultant of any known services provided or relationships between affiliates of UC HASTINGS and Consultant or any of its employees or personnel.

Management's Responsibility for Supplementary Information

Management is responsible for the preparation of the supplementary information in accordance with the applicable criteria. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that Consultant has reported on such supplementary information. Management is responsible to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. For purposes of this SOW, audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by management. For example, financial statements on UC HASTINGS' Web site may be considered readily available, but being available upon request is not considered readily available.

Other Information Included in an Annual Report

When financial or nonfinancial information, other than financial statements and the auditor's report thereon, is included in UC HASTINGS' annual report, management is responsible for that other information. Management is also responsible for providing the document(s) that comprise the annual report to Consultant as soon as it is available.

Consultant's opinion on the financial statements does not cover the other information, and Consultant does not express an opinion or any form of assurance thereon. Consultant's responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the audited financial statements. If Consultant identify that a material inconsistency or misstatement of the other information exists, Consultant will discuss it with UC HASTINGS; if it is not resolved U.S. GAAS requires Consultant to take appropriate action.

Key Audit Matters

U.S. GAAS does not require the communication of key audit matters in the audit report unless engaged to do so. UC HASTINGS have not engaged Consultant to report on key audit matters, and the SOW does

not contemplate Consultant providing any such services. UC HASTINGS agrees Consultant are under no obligation to communicate key audit matters in the auditor's report.

If UC HASTINGS requests to engage Consultant to communicate key audit matters in the auditor's report, before accepting the engagement Consultant would discuss with UC HASTINGS the additional fees to provide any such services, and the impact to the timeline for completing the audit.

Dissemination of Financial Statements and Reports

Consultant will provide copies of its reports to UC HASTINGS; however, management is responsible for distribution of the reports and the financial statements. Consultant's report on the financial statements must be associated only with the financial statements that were the subject of this engagement. UC HASTINGS may make copies of the report, but only if the entire financial statements (including related footnotes and supplementary information, as appropriate) are reproduced and distributed with the report. UC HASTINGS agree not to reproduce or associate Consultant's report with any other financial statements, or portions thereof, that are not the subject of this engagement.

Offering of Securities

This SOW does not contemplate Consultant providing any services in connection with the offering of securities, whether registered or exempt from registration, and Consultant will charge additional fees to provide any such services. UC HASTINGS agrees not to incorporate or reference Consultant's report in a private placement or other offering of UC HASTINGS' equity or debt securities without Consultant's express written permission. UC HASTINGS further agrees the Consultant is under no obligation to reissue its report or provide written permission for the use of its report at a later date in connection with an offering of securities, the issuance of debt instruments, or for any other circumstance. Consultant will determine, at its sole discretion, whether Consultant will reissue its report or provide written permission for the use of its report only after Consultant has conducted any procedures Consultant deems necessary in the circumstances. UC HASTINGS agrees to provide Consultant with adequate time to review documents where (a) Consultant's report is requested to be reissued, (b) Consultant's report is included in the offering document or referred to therein, or (c) reference to Consultant is expected to be made. If Consultant decides to reissue its report or provide written permission to the use of its report, UC HASTINGS agrees that Consultant will be included on each distribution of draft offering materials and Consultant will receive a complete set of final documents. If Consultant decides not to reissue its report or withhold its written permission to use its report, UC HASTINGS may be required to engage another firm to audit periods covered by Consultant's audit reports, and that firm will likely bill UC HASTINGS for its services. While the successor auditor may request access to Consultant's engagement documentation for those periods, Consultant is under no obligation to permit such access.

Representations of Management

During the course of the engagement, Consultant may request information and explanations from management regarding, among other matters, UC HASTINGS' operations, internal control, future plans, specific transactions, and accounting systems and procedures. At the conclusion of the engagement, Consultant will require, as a precondition to the issuance of its report, that management provide

Consultant with a written representation letter confirming some or all of the representations made during the engagement. The procedures that Consultant will perform in the engagement will be heavily influenced by the representations that Consultant receives from management. Accordingly, false representations could cause Consultant to expend unnecessary efforts or could cause a material error or fraud to go undetected by its procedures. In view of the foregoing, Consultant will not be responsible for any misstatements in UC HASTINGS' financial statements and supplementary information that Consultant fails to detect as a result of false or misleading representations, whether oral or written, that are made to Consultant by UC HASTINGS' management. While Consultant may assist management in the preparation of the representation letter, it is management's responsibility to carefully review and understand the representations made therein.

Use of Nonlicensed Personnel

Certain engagement personnel who are not licensed as certified public accountants may provide services during this engagement.

Mutual Waiver of COVID-19 Claims

This provision addresses issues regarding the novel coronavirus ("COVID-19"). UC HASTINGS and Consultant acknowledge our respective understanding of the hazards of COVID-19, including, but not limited to, its highly contagious nature and the corresponding health risks associated with being exposed to or infected by COVID-19. UC HASTINGS and Consultant agree to waive, release, discharge, and covenants not to sue the other or its affiliates and its and their respective officers, directors, partners, principals, employees, agents, or subcontractors from any and all claims, damages, expense, liability, illness or losses that may occur from exposure to or infection by COVID-19 arising out of, related to, or in any way connected with the professional services provided by Consultant.

ACCEPTED AND AGREED:

This SOW and the Agreement set forth the entire understanding of UC HASTINGS College of the Law and Moss Adams LLP with respect to this engagement and the services to be provided by Moss Adams LLP:

UC HASTINGS COLLEGE OF LAW

Signature: _____

Print Name: CLAES H. LEWENHAUPT

Title: CHAIR - AUDIT SUBCOMMITTEE

Date: _____

MOSS ADAMS LLP

Signature: 

Print Name: KINMAN TONG

Title: PARTNER

Date: April 12, 2022

REPORT ITEM

- 1. REPORT BY:** Controller Sandra Plenski
- 2. SUBJECT:** Cyber Audit Engagement with Moss Adams
- 3. REPORT:**

UC Hastings entered into a consulting engagement with Moss Adams to review and provide guidance on the cyber security of its systems. This engagement commenced in March 2022 and includes advising UC Hastings Administration regarding risks, vulnerabilities, and threats across various computer software and systems. It is designed to be a comprehensive review and analysis of the UCH IT infrastructure.

Interviews with UC Hastings key staff occurred in early March 2022 and systems were reviewed shortly thereafter. A full report of current risks is expected in the next several weeks and will be shared as soon as possible.

Attachment:

- Statement of Work

**Master Services Agreement Statement of Work
CONSULTING SERVICES – Cybersecurity Assessment**

UC HASTINGS COLLEGE OF THE LAW

AUGUST 13, 2021

This Statement of Work (“SOW”) is issued pursuant to the Master Services Agreement (the “MSA” or “Agreement”) between Moss Adams and you. This SOW incorporates all terms and conditions of the Agreement as if fully set forth herein. Any term not otherwise defined shall have the meaning specified in the Agreement. For purposes of this SOW UC Hastings College of the Law may be referred to as “Hastings” or “Company”.

Scope of Services:

A cybersecurity assessment will gauge the current IT security posture against best practices, such as the NIST Cybersecurity Framework (NIST CSF) as an example, and identify threats and risk areas that may adversely impact Hastings’s ability to maintain the confidentiality, integrity, and availability of its data and systems. The current IT environment consists of a centralized, Microsoft-centric operation with approximately 67 servers, 11 IT staff, and a number of cloud-based applications and services.

The project will follow a proven work plan to collect information in an efficient manner, maximize fieldwork time, and to communicate relevant information in a clear format.

PHASE 1: PROJECT INITIATION AND MANAGEMENT ACTIVITIES
1. Review objectives, work plan, schedule, and management activities.
2. Develop and distribute the documentation request list. (e.g., network diagrams, copies of IT security policies, copies of disaster recovery plan, incident response plan, etc.)
3. Create secure Sharefile folder for document transfer between Moss Adams and Hastings.
4. Conduct quality assurance over major tasks, schedule, and deliverables.
5. Provide regular status reports and monitor the overall project. (Frequency and format to be determined.)
6. Conduct a kick-off meeting or call with project stakeholders.
PHASE 2: DATA GATHERING
1. Collect and review available and current technology documentation to gain initial understanding of Hastings’s IT environment, operations, and security controls.
2. With the assistance of IT staff, run automated data collection tools (e.g., ADRecon, Network Detective, etc.) on Hastings’ network.
3. Conduct a walk-through of the facility, data center/server room, network infrastructure, security controls, and systems.
4. Interview selected personnel from Hastings, including IT staff, management representatives, system owners, facility managers, office of sponsored projects representatives, and human resources representatives, among others. Also includes interviews with 2 Records staff, 2 Fiscal staff, and 2 Clinical Faculty.
5. Review existing applications, network design, security, storage systems, and system configurations.

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UC Hastings College of the Law

August 13, 2021

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PHASE 3: ANALYSIS AND ASSESSMENT		
<p>1. Analyze and assess relevant operational areas that will be considered and measured against best practices as part of the cybersecurity assessment including the following:</p> <p>Areas marked with an (✓) are specific security controls indicated in the AXIS Cyber Application and AXIS Cyber Ransomware Supplemental Application. As such, emphasis will be spent reviewing and assessing those controls.</p>		
Technical Security Control Areas		
<ul style="list-style-type: none"> ● Network infrastructure (LAN, WAN, ISPs) ● Perimeter defense and intrusion detection/prevention (✓) ● External connectivity ● Wireless network infrastructure (✓) ● Firewalls and router controls (✓) ● Switch configuration and management ● Logical network design (including VLAN, Layer 3, and Active Directory) ● Virtual server security administration ● Email and website administration (✓) 	<ul style="list-style-type: none"> ● Operating system and application security ● Database administration and implementation ● Server and workstation hardening and management ● System updating and patching (✓) ● Storage system administration ● Data encryption (✓) ● Network and systems monitoring functions ● Logging and alerting ● User authentication and authorization (✓) ● Token-based and multi-factor authentication (✓) ● Administrative access rights (✓) 	<ul style="list-style-type: none"> ● User access and application management (✓) ● Outsourcing risks and cloud-based services (IaaS, SaaS, PaaS, etc.) ● Mobile device risks and BYOD (✓) ● Antivirus and data leakage countermeasures ● Endpoint detection and response (✓) ● Remote access/VPN controls (✓) ● Printing capabilities ● Internet of Things (IoT) usage and risks ● Backup and recovery (hardware, software, strategy) (✓) ● Disaster recovery planning (infrastructure) (✓)
Physical and Environmental Security Control Areas		
<ul style="list-style-type: none"> ● Physical system placement and protections ● Physical access and security controls 	<ul style="list-style-type: none"> ● Access logging ● Server room/data center environmental controls ● Power redundancy 	<ul style="list-style-type: none"> ● Environmental monitoring and alerting ● Visitor management
Administrative Security Control Areas		
<ul style="list-style-type: none"> ● Technology security management (✓) ● Security roles and responsibilities (✓) ● Segregation of duties ● Information security policies and SOPs (✓) ● External party risks (e.g., vendors, contractors) (✓) ● Compliance considerations with information security laws and regulations (e.g., FERPA, PCI DSS, HIPAA, GLBA, etc.) (✓) ● Help desk management and response 	<ul style="list-style-type: none"> ● Self-auditing procedures (e.g., account reviews, penetration testing, etc.) (✓) ● Vulnerability management (✓) ● System development lifecycle (SDLC) security (✓) ● Source code management ● Testing procedures ● Change management procedures (✓) ● Ongoing IT and security awareness training (✓) ● Vendor management 	<ul style="list-style-type: none"> ● Identity management and authorization (incl. help desk) (✓) ● Social engineering risks (✓) ● Human resources security (✓) ● Incident response planning (✓) ● Containment measures ● Asset management, tracking, and disposal (✓) ● Storage of software and hardware (✓) ● Leased equipment security (network printers, MFDs)

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2. Identify and analyze gaps, misalignment with best practices, and potential opportunities for improvement.
3. Assess compliance with the Safeguards Rule of the Gramm Leach Bliley Act (GLBA) as it applies to higher education student financial aid programs as follows: <ol style="list-style-type: none"> a. Implement an information security program b. Designate an employee or employees to coordinate the information security program c. Identify reasonably foreseeable internal and external risks to the security, confidentiality, and integrity of student financial aid information (usually via a risk assessment) d. Design and implement information safeguards to control the risks identified during the risk assessment process, and regularly test and monitor the controls e. Select and retain service providers that are capable of maintaining appropriate safeguards for their customer information, and requiring the service provider, by contract, to implement and maintain such safeguards f. Evaluate and adjust the information security program in light of the results of the testing and monitoring activities and material changes to the institution's operations or business arrangements
4. Develop findings and recommendations for improvement.
5. Assign risk ratings (high, medium, low) to each finding for ranking prioritization of remediation efforts.
PHASE 4: REPORTING
1. Develop the draft Cybersecurity Assessment report, including an assessment of compliance with the GLBA Safeguards Rule.
2. Provide the draft report to Hastings for review, vetting, and management response input.
3. Schedule conference call with Hastings to discuss questions.
4. Incorporate Hastings's input and finalize the report.
5. Submit finalized Cybersecurity Assessment report to Hastings.

Schedule

Moss Adams is prepared to commence this project in November 2021, assuming Company personnel are readily available to meet and work with our team members. An elapsed time of approximately ten to twelve weeks is expected to complete the work. This is considered an accelerated schedule designed to meet your needs in this situation. Factors that could influence the overall schedule include staff availability, availability of documentation, extent of supplemental analysis, desired level of documentation, holidays, and employee leave time.

Limitations:

Our services will not constitute an audit examination or a review in accordance with generally accepted auditing standards or attestation standards. Our services will be performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we provide no opinion, attestation or other form of assurance with respect to our work or the information upon which our work is based, other than that we will perform the work in a commercially reasonable manner in accordance with prevailing industry standards.

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The Company is responsible for determining the scope of this engagement and that our procedures are adequate for its purposes. This engagement is intended to assist the Company with its compliance efforts, and does not constitute a guarantee that the Company's network and systems are or will be free of all vulnerabilities. Our procedures and tools are designed to detect network and system vulnerabilities commonly known in the industry as of the date on which our procedures were applied. We cannot guarantee that all vulnerabilities will be detected, or that third parties will not develop technological tools or methods to exploit new vulnerabilities in the future. Moreover, any changes in your network or system environment or personnel could impact the state of your security and, thus, the effectiveness of any recommendations provided as part of our engagement.

This engagement does not constitute a complete IT assessment. Accordingly, there may be network or system vulnerabilities that would have been detected by additional or more extensive procedures.

The Company is responsible for the implementation of actions identified in the course of this engagement and the results achieved from using any services or deliverables. Moss Adams has not been engaged to, and we will not, perform management functions, make management decisions, or act in a capacity equivalent to that of an employee or otherwise engage in any activity which, in the judgment of Moss Adams, would be inappropriate in the capacity of performing our engagement. The Company remains responsible for the proper implementation and operation of adequate safeguards to protect the integrity of its network and systems.

Responsibility for Controls and Operating Environment

You are responsible for your control environment. We may advise you about business practices and their application, however, you will remain responsible for (i) the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the control environment; (ii) adjusting the control environment to correct for potential weaknesses; and (iii) identifying and ensuring that the Company complies with applicable laws and regulations.

Management Responsibilities:

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Company management must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the nonattest services performed.
- Accept responsibility for the results of the nonattest services performed.

It is our understanding that Camilla Tubbs, Associate Dean of Library and Technology, has been designated by the Company to oversee the nonattest services and that in the opinion of the Company is qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

Charges for Services:

Our fees are based upon the hourly rates of individuals assigned to the project, plus expenses. Fees will be billed monthly as incurred on a time and materials basis. The professional fees for the project are expected to be \$49,680, plus expenses.

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We can jointly manage the budget for this engagement at project initiation through discussions regarding project scope, resource availability, assignment of duties between the Company and Moss Adams team members, the anticipated level of effort, and overall project timing. If our time is less than anticipated, we will bill the lesser amount. If our time is more than anticipated, we will discuss this with you before proceeding further.

In addition to fees, we will charge you for expenses. Our invoices include a flat expense charge, calculated as five percent (5%) of fees, to cover expenses such as copying costs, postage, administrative billable time, report processing fees, filing fees, and technology expenses. Travel expenses and if approved in advance by Company, will be billed separately and are not included in the 5% charge.

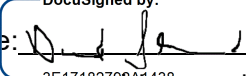
Use of Moss Adams (India) LLP, and/or subcontractor Scrubbed.net, LLC:

Moss Adams may retain its affiliate, Moss Adams (India) LLP, and/or subcontractor Scrubbed.net, LLC, which in turn will be utilizing the services of its international affiliate, Scrubbed.net Global Services, Inc., to assist us in providing the Services to you, and who will process information in the local or foreign jurisdiction in which they operate. These entities will be required to maintain the confidentiality of your information, and we will remain responsible for their acts and omissions in connection with the Services.


This SOW is effective as of the date set forth above.

ACCEPTED AND AGREED:

UC HASTINGS COLLEGE OF THE LAW

DocuSigned by:
Signature: 
Print Name: David Seward
Officer Title: CFO

MOSS ADAMS LLP

Signature: 
Print Name: Kevin Villanueva
Title: Partner, Cybersecurity Consulting

Client: 632573
v. 5/25/2021

Certificate Of Completion

Envelope Id: 7BE0421420AA4ABAA53968984CB54598	Status: Completed
Subject: Please DocuSign: UC Hastings College of the Law Cybersecurity Assessment SOW 8-13-21.pdf	
Client ID: UC Hastings	
Engagement Code (123456.XXXX):	
Office Location:	
San Francisco	
Source Envelope:	
Document Pages: 5	Signatures: 1
Certificate Pages: 3	Initials: 0
AutoNav: Enabled	Envelope Originator:
Enveloped Stamping: Enabled	Nicole Escobar
Time Zone: (UTC-08:00) Pacific Time (US & Canada)	999 Third Avenue
	Suite 2800
	Seattle, WA 98104
	Nicole.Escobar@mossadams.com
	IP Address: 74.51.146.250

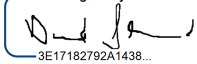
Record Tracking

Status: Original	Holder: Nicole Escobar	Location: DocuSign
9/14/2021 8:17:18 AM	Nicole.Escobar@mossadams.com	
Security Appliance Status: Connected	Pool: Security Pool	

Signer Events

David Seward
 sewardd@uchastings.edu
 CFO
 Security Level: Email, Account Authentication (None)

Signature

DocuSigned by:

 3E17182792A1438...
 Signature Adoption: Drawn on Device
 Using IP Address: 97.115.84.108

Timestamp

Sent: 9/22/2021 9:56:43 AM
 Viewed: 9/22/2021 10:19:00 AM
 Signed: 9/22/2021 10:19:12 AM

Electronic Record and Signature Disclosure:
 Accepted: 9/22/2021 10:19:00 AM
 ID: 230b8198-51e4-49b3-8168-03f5add4933c

In Person Signer Events

Signature

Timestamp

Editor Delivery Events

Status

Timestamp

Agent Delivery Events

Status

Timestamp

Intermediary Delivery Events

Status

Timestamp

Certified Delivery Events

Status

Timestamp

Carbon Copy Events

Status

Timestamp

David Seward
 sewardd@uchastings.edu
 CFO
 Security Level: Email, Account Authentication (None)

COPIED

Sent: 9/14/2021 12:24:27 PM
 Viewed: 9/14/2021 12:27:32 PM

Electronic Record and Signature Disclosure:
 Accepted: 9/14/2021 12:22:42 PM
 ID: fbbfce5e-a58d-4c16-b2ab-c25ddaead96e

Carbon Copy Events	Status	Timestamp
Kevin Villanueva Kevin.Villanueva@mossadams.com Moss Adams LLP Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 9/14/2021 8:20:18 AM
Kinman Tong kinman.tong@mossadams.com Partner Moss Adams LLP Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 9/14/2021 8:20:19 AM Viewed: 9/15/2021 7:04:16 PM
Laura Wilson-Youngblood wilsonyoungblood@uchastings.edu Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 9/14/2021 12:24:25 PM Resent: 9/22/2021 9:56:42 AM
Sandra Plenski plenskis@uchastings.edu Security Level: Email, Account Authentication (None) Electronic Record and Signature Disclosure: Not Offered via DocuSign	COPIED	Sent: 9/14/2021 8:20:19 AM Viewed: 9/14/2021 8:24:08 AM
Witness Events	Signature	Timestamp
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	9/14/2021 8:20:19 AM
Certified Delivered	Security Checked	9/22/2021 10:19:00 AM
Signing Complete	Security Checked	9/22/2021 10:19:12 AM
Completed	Security Checked	9/22/2021 10:19:12 AM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

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REPORT ITEM

- 1. REPORT BY:** Controller Sandra Plenski
- 2. SUBJECT:** Unrelated Business Income Tax Engagement with Moss Adams
- 3. REPORT:**

Implementation of the College's strategic vision to develop and operate an Academic Village brings to the fore the importance of compliance with tax and other regulatory requirements. One such area relates to unrelated business income.

Even though UC Hastings and the Hastings Campus Housing Finance Authority, as organizations, are recognized as tax exempt, there still may be tax liability on unrelated business income. For most organizations, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the charitable, educational, or other purpose that is the basis of the organization's exemption.

To assure that tax liabilities resulting from current operations and planned expansion of the Academic Village are properly identified, budgeted and processed, UC Hastings plans to enter into a consulting engagement with Moss Adams to review and provide guidance on its Unrelated Business Income Tax (UBIT) filing. This engagement will commence in July 2022 and includes reviewing auxiliary enterprises to ensure proper tax classification and tax return processing and provide advice regarding new exposures to UBIT due to changes with Academic Village operations to achieve a comprehensive review and analysis of UBIT obligations.