

---

## Internal Audit Report

---

### **New and Emerging/Strategic Agreements Governance (including Joint Ventures, MOUs, Partnerships and Affiliations)**

Report No. SC-16-05  
February 2016

Frank Beahan  
Senior Auditor

**Approved**  
Barry Long, Director  
Audit & Management Advisory Services

**Table of Contents**

**I. EXECUTIVE SUMMARY .....2**

**II. INTRODUCTION**

Purpose .....3

Background .....3

Scope .....4

**III. OBSERVATIONS REQUIRING MANAGEMENT CORRECTIVE ACTION**

A. Agreement Process Governance.....5

**APPENDICES**

A. Office of Research Reorganization and OSP Process Redesign .....10

B. International Agreements.....13

C. Revenue Generating Contracts .....15

D. Envision UCSC Concept Paper - Balanced Operations – Excerpt .....17

---

## I. EXECUTIVE SUMMARY

---

Audit & Management Advisory Services (AMAS) has completed an audit of New and Emerging/Strategic Agreement Governance (including Joint Ventures, MOU's, Partnerships and Affiliations) to determine if processes were in place to ensure related agreements were appropriately formulated, reviewed, approved, and executed; and consistent with the mission, goals, and interests of the university.

In general, controls were in place, providing reasonable assurance that new and emerging/strategic agreements once identified as such, would be appropriately formulated, vetted and approved, and consistent with the mission, goals, and interests of the university.

However, without a mature governance structure, these agreement types were not defined and not clearly understood by campus faculty and staff. As a result, inefficiencies existed in the formation and approval of these agreements, and a need was identified to review, update and/or redesign processes to enhance utilization and to address a general movement toward more complex and specialized agreements. These are relatively low volume agreements yet closely aligned with stated UC and UCSC strategic initiatives.

The following observations requiring management corrective action were identified:

### A. Agreement Processes Governance

The campus was underutilizing its potential for engaging industry, international entities, and revenue-generating activities as business processes had not been developed for efficiently governing and facilitating the creation, review and approval of certain new and emerging/strategic agreement types.

Management agreed to all corrective actions recommended to address risks identified in these areas. Observations and related management corrective actions are described in greater detail in section III. of this report.

---

## II. INTRODUCTION

---

### Purpose

The purpose of the audit was to evaluate governance over the creation and execution of agreement types related to new strategic efforts and underlying relationships that are sometimes referred to as Joint Ventures, MOU's, or Partnerships and Affiliations; to determine if processes were in place to ensure these arrangements were appropriately formulated and consistent with the mission, goals, and interests of the university; and that agreements were appropriately reviewed, approved, and executed.

### Background

A reduction in traditional funding sources and the need to be competitive and relevant has resulted in increased efforts to develop new relationships and agreements involving industry, international entities, and revenue generating activities. New strategic efforts, partnerships, affiliations, ventures and underlying relationships often involve the creation of new agreement processes as the volume of an agreement type increases. There are challenges in facilitating success while managing the increased level of risk associated with developing new agreement governance processes.

Agreements with external parties challenging our existing business processes and controls include complex/innovative agreements involving research and intellectual property, international agreements, and revenue generating agreements from the sales of goods and services. The governance over these agreements is challenging primarily due to complexity, new relationship variants and availability of resources. These are relatively low volume agreements which closely align with stated UC and UCSC strategic initiatives described as follows:

- **Industry engagement** is a UC initiative including industry involved research, industry alliance, technology transfer, commercialization of intellectual property, etc. The UCSC Office of Research is in the process of reorganizing their resources for the processing of industry facing complex/innovative research agreements and intellectual property agreements.
- **Global engagement** is another UC initiative. UCSC is currently reorganizing its international efforts and recently established the position of Senior International Officer (SIO) and Associate Vice Provost for Global Engagement.
- **Revenue generating agreements** have become more important as the university seeks additional sources of funding.

In general, it is recognized that agreements and business contracts of all types are increasing in strategic importance, volume and complexity at a time of resource constraints. UCSC evidence of growth within agreement types is anecdotal as generally our systems and processes do not provide sufficient descriptive data (i.e. indicators of basic vs. complex agreements). In grants and contracts data the rates of growth within agreement type is not available. Office of Sponsored Projects (OSP) and Extramural Funds (EMF) data does not differentiate basic awards and complex agreements and their respective growth rates. Yet both of these units report that the quantity of complex agreements is increasing. In addition, the number of UCSC international and revenue agreements for the sales of goods and services is not known.

These three agreement types, industry facing, international and revenue from the sales of goods and services are not high volume agreement types. In contrast, most UCSC procurement and research agreements have long standing, developed processes. Generally, UCSC agreement processes are defined as to roles, responsibilities and procedures. It is the agreement types that are new or used less frequently that tend to require further development of agreement process governance.

As support efforts adapt from standard and routine to complex and innovative so too must agreement processes evolve. An example of the impact on agreement processing can be seen in the OSP proposal review process. Recently the office developed a three-tier proposal submission deadline scheme. The deadlines for standard, non-standard and large proposals vary in recognition that complexity takes time and expertise. This is the type of process redesign needed as these three strategic agreement types increase in volume. See Appendix A for further details of OSP deadlines.

Acting on strategic initiatives and supporting faculty efforts in industry facing, international and revenue generating sales and services agreements has become more challenging. The Faculty Senate Committees on International Education (CIE) and Research (COR) have both called for improvements in administrative support. Each has cited the need for improvements in the processing of agreements.

### Scope

We conducted an analysis of campus agreements. Using keyword searches and interviews we observed how agreement terms were used. Noting that titles of agreement types, i.e. MOU, were not exclusively applied, we focused on the intent of the relationship and the content of the agreement to understand an agreement type and further refined our search for agreements with external parties.

Of the outward facing agreements, those involving something new were determined to represent the greatest risk to the university. As a result, we focused the review on external facing agreements involving a new partner, a new collaborative arrangement, or a new/renewed strategic initiative.

We interviewed 36 campus personnel with experience with UCSC agreement processes and 12 faculty with complex or industry facing agreement process experience. We tested 40 final grant and contract agreements that were not standard awards. With these 40 agreements, we noted there were 295 support documents indicative of the complexity and number of versions of agreement and emails documenting negotiations and revisions. We tested 19 other agreement types using different formats; international and revenue agreements and variations on the MOU theme.

We sought best practices in the review of all UC campuses related business practices and the websites of other well-regarded research universities.

Established agreement processes, i.e. procurement, standard intellectual property licensing or rental agreements, tended to be those that had been in place for years and had appropriate controls and governance in place and were therefore excluded from our review. In addition, we excluded agreements with internal parties and community partners.

### III. OBSERVATIONS REQUIRING MANAGEMENT CORRECTIVE ACTION

<b>A. Agreement Process Governance</b>		
<p>The campus was underutilizing its potential for engaging industry and international entities, and revenue generating activities, as business processes had not been developed for efficiently governing and facilitating the creation, review and approval of certain strategic agreement types.</p>		
<b>Risk Statement/Effect</b>		
<p>The industry engagement strategic initiatives of the university and efforts of the VC for Research (VCR) may be hampered without UCSC appropriate agreement processes. Likewise, global engagement strategic initiatives and efforts of the SIO and AVP for Global Engagement may be hampered without UCSC appropriate international agreement processes. Lastly, departments and faculty may be discouraged from pursuing revenue opportunities if the agreement process is not transparent and accessible.</p>		
<b>Agreements</b>		
<b>A.1</b>	<p>The VC Research will engage the identified campus agreement process experts to contribute to the review of business process options and development of UCSC appropriate business processes for industry facing agreements.</p>	Implementation Date
		7/15/16
		Responsible Manager
		VC of Research
<b>A.2</b>	<p>The Senior International Officer and AVP for Global Engagement will engage the identified campus agreement process experts to assist in the review of business process options and development of UCSC appropriate agreement processes.</p>	Implementation Date
		2/16/16
		Responsible Manager
		SIO and AVP for Global Engagement
<b>A.3</b>	<p>Campus Counsel will engage the identified campus agreement experts in the review of governance and business processing of revenue contracts for the sale of goods and services, and update its website with summary guidance.</p>	Implementation Date
		7/15/16
		Responsible Manager
		Associate Campus Counsel

#### A. Agreement Process Governance – Detailed Description

At UCSC, industry facing, global engagement, and revenue generating activities utilize new and emerging agreement types. These agreement types represent a relatively low activity level. As a result, governance processes have not been well developed, defined, and are not widely understood. At larger UC campuses, where activity levels are higher, dedicated groups and units have been established and focus on these agreement types with more formal and defined processes.

Despite a lack of formal guidance and governance, tests of a sample of these agreement types have demonstrated that when channeled to the appropriate campus office, these agreements were being composed, reviewed and authorized by individuals with appropriate skills, knowledge, experience and delegated authority.

For most of these agreements, the processing is inefficient and tends to be more like a one-time agreement rather than an agreement type with the volume sufficient to warrant a well-designed process. The one-time agreement approach is not all bad. For example many Silicon Valley related agreements are unique, ad-hoc teams of top personnel, subject matter experts (SME's) from across campus, come together, work on the project, and see the agreement through to conclusion. However, as the three strategic agreement types discussed in this report gain in volume, the campus will be unable to keep up with the level of activity, unless the supporting process governance evolves accordingly.

From campus interviews, we learned that:

- 1) Complex agreements and processes take time. Interviewees identified timely processing and simplification along with supportive staff as optimal, and
- 2) Guidance is needed in the form of process definitions, standard processes, documents and data. Expert advice may be helpful in reviewing the elements and impacts of agreement process design and governance choices and assist with streamlining the processes to enhance utilization.

In discussions with the Campus Counsel's office, the International Education Office, and the Office of Research, all expressed a willingness to have a series of meetings with subject matter experts to discuss the design of more uniform agreement and processing protocol.

For international agreements, and sales and services revenue agreements, an initial group of SME's was suggested to include the Associate Campus Counsel, OSPs' Special Agreements Officer, Procurements' Business Contracts Manager, Planning & Budget's Director Of Costing, Policy and Data Management, and the Principal Analyst for Chancellor Records and Policy Coordination. This small group represents five units involved in the governance of agreement processes. They have expertise and familiarity with the policies, delegations of authority, processes and the issues. For the industry facing agreements the SME's would need to be determined as the Office of Research is in the midst of reorganizing its resources and gathering input from faculty.

As guiding principles in all their discussions, they are referred to the Envision concept paper, Balanced Operations. See Appendix D for more information on the Envision Balanced Operations - Lessons Learned & Operating Principles.

### **Industry Facing Research Agreements**

Faculty have been critical of these agreement processes. Faculty interested in working with tech companies, for example, report that tech companies are not interested in funding research using the standard grant and contract model and would rather donate to UCSC research or hire faculty directly as consultants. Faculty have reported that among tech companies, UCSC has a reputation for being difficult and expensive to work with using standard agreement and licensing processes.

Industry facing agreements are evolving, for example, consortium membership is a relatively new means of interfacing industry and research institutions. The Faculty Senate Committee on Research (COR) has brought processing related "roadblocks" to the attention of the VCR, yet has noted that the Office of Research is not the owner of the entire relationship/agreement process. The business processes for a subset of industry facing agreements facilitating research funding and intellectual property agreements need review and updating.

The University and the VCR have identified industry engagement as a strategic initiative. With the increasing emphasis on industry engagement the VCR is reorganizing Office of Research resources to support industry facing efforts and has undertaken a series of individual department meetings in part to engage faculty. The university and the VCR are responding to these opportunities and challenges.

Several faculty members who engage in industry-sponsored research have identified and acknowledged supportive staff with appropriate skill, knowledge and experience as critical to the success of an agreement. They cite as an example the relatively recent addition of a complex contract specialist to the OSP staff. The addition of a staff member with the appropriate combination of skills knowledge and experience has made a noticeable difference in a faculty member's workload. A faculty member was quoted as saying, *"I no longer have to shepherd the process."* A streamlined efficient agreement process with few roadblocks or obstacles was characterized as a critical need by both Faculty interviewed and the Senate Committee on Research in their discussions with the VCR.

The Office of Research resources are being reorganized to develop industry relations, support for research, and improve commercialization of intellectual property. For example, on April 17, 2015, the VC for Research sent an email with an Office of Research update to Deans Directors, Chairs, Faculty and Administrative Offices advising the campus of changes in the Office of Research.

Among the changes addressed included:

- A focus on positively and proactively supporting the campus research mission and goals
- The creation of a new central office focused on Entrepreneurship, Industry Relations and Economic Development with a goal of developing stronger research relations with industry locally and in Silicon Valley, promoting UCSC research and researchers to industry, and transferring UCSC intellectual property to industry through increased licensing and startup activity.
- The formalization of deadlines for services that are consistent with systemwide practice and allowing OR staff to provide campus researchers with better, more consistent service.

With the reorganization and faculty feedback to the VCR there will be an opportunity to design and revise agreement processes.

As industry agreements, especially those with non-standard terms and conditions grow in volume, there is a need to develop standards, templates, training and streamline processes. While the Office of Research has employees with the skills, knowledge and experience to conduct the review and redesign of processes, other SME's could be called upon to assist. For example, the group of SME's previously discussed could be engaged to help the VCR identify impediments to timely agreement processing in the form of hand-off, communication/cooperation and advice/decision point delays, and to explore how to increase participation in industry facing agreements.

See Appendix A for more information on supporting industry facing agreement processes.

### **International Agreements**

The university has identified global engagement as a strategic initiative. UCSC is renewing global engagement efforts. The Senior International Officer (SIO) and Associate Vice Provost for Global Engagement are reorganizing international efforts with an emphasis on international student recruitment, international student success, and expanding UCSC's international presence. The business processes for international agreements facilitating global engagement are in need of updating.



For example, Global Engagement will be redesigning agreement templates, encouraging more agreements involving research and graduate students and re-establishing an English as second language unit. The reorganization will require an update of agreement processes and a review of international agreement governance. In addition, the new English as second language unit will require revenue agreement advice.

See Appendix B for more information on international agreements:

- 1) An extract of the Faculty Senate Committee on International Education and their critical comments and recommendations for the international agreement process.
- 2) Additional information regarding the elements of the international agreement process.

### **Revenue Generating Contracts**

Systemwide the university is encouraging the pursuit of new funding opportunities. The UCSC process of initiating and maintaining revenue contracts for the sale of goods and services is not transparent. Therefore, there is a need to align the pursuit of revenue with the supporting process. The processing of all types of non-procurement business contracts which includes revenue generating contracts is under review systemwide.

UCSC is the only UC Campus with a decentralized Business Contracts Office operation. At all of the other UC campuses, non-procurement business contracts are generally managed in a centralized business contracts office or group. The UCSC Procurement Business Contracts Office focuses only on procurement agreements. Through previous decisions and reorganizations responsibilities have been decentralized for non-procurement agreements; For example, real estate, intellectual property, and research related revenue agreements are processed by the Real Estate Office, OMIP and OSP respectively.

The revenue generating contracts being discussed here are those for sales of goods and services that are outside the daily routines of offices such as the Real Estate Office or Office for Management of Intellectual Property. There are revenue generating opportunities across campus. The responsibility is decentralized making it difficult for those with new opportunities to find guidance in order to realize their revenue potential.

The following have contributed to the current status of new revenue contract governance. The volume of revenue contracts for the sale of goods and services reviewed by Campus Counsel that involve a new rather than existing process is estimated at currently less than 15 per year. The responsibility for these miscellaneous new revenue contracts transferred from Procurement Contracts Office to Campus Counsel in 2014. This decision was primarily driven by resource constraints and will be reconsidered as UC-wide revenue generating initiatives evolve.

The UC Business Contracts Collaborative (UCBCC) of which UCSC is a member, is a systemwide group composed of business contracts professionals. On their agenda, is the study of the potential for revenue generating agreements. They are also reviewing UC level constraints such as outdated policies and delegations of authority such as APM-20 Regulation 4 for Special Services to Individuals and Organizations (1958) which imposes restrictions on faculty providing services, and DA 1058 - Authority To Execute Agreement dated December 30, 1991 which is so broad the delegation decisions are local. In addition, there are future considerations such as developing revenue opportunities, standard billing, accounts receivable and UBIT tax related issues to be considered. UCBCC will be recommending how best to invest in and develop revenue generating possibilities. The UC-wide strategic initiative to pursue revenue generating activities will have an impact on elements of agreement governance for years as the opportunities are developed. Near term guidance is needed to bridge from current status to the future. UCSC needs to clarify and communicate the current revenue agreement process as the systemwide infrastructure develops.

See Appendix C for more information on revenue generating contracts

- 1) A summary of UC policies and revenue contract process elements for both near-term and later consideration.
- 2) Additional information regarding other UC campus' processes for non-procurement agreements.

Regarding revenue generating agreements, Campus Counsel has agreed to post summary guidance on its website. This is a near term website update to advance campus awareness of who to contact and how to proceed with new revenue generating opportunities. Longer term, a more comprehensive guidance will be made available. For example, Procurement's Business Contracts Manager is working on a UCSC version of a Guide to Contracting based on her work as a standing member of the UC Business Contracts Consortium. The guide is based on other UC guidance such as the UC Berkeley Guide to Contracting and Decision Tree. The UCSC version will be made available to direct the campus community and external parties as they navigate the development of all types of business contracts.

## APPENDIX A – Office of Research Reorganization and OSP Process Redesign

In his April 17, 2015 Office of Research Update, the Vice Chancellor for Research identified initial steps being undertaken to enhanced industry facing efforts (see item 3 on page 1) and outlined the OSP proposal deadline changes to improve processing of complex proposals (see item 3 on page 2 and attachment).

UNIVERSITY OF CALIFORNIA, SANTA CRUZ

BERKELEY • DAVIS • IRVINE • LOS ANGELES • MERCED • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

Office of Research

1156 High Street  
Santa Cruz, California 95064  
831-459-5170

Date: April 17, 2015  
From: Scott Brandt, Vice Chancellor for Research  
To: Deans, Directors, Chairs, Faculty, Administrative Officers  
Re: Office of Research Update

Dear Colleagues:

Greetings from the Office of Research. Since starting as Vice Chancellor for Research, I have instituted numerous changes in the Office of Research. Notably:

- Prof. Quentin Williams and SVI Assoc. Director Tedd Siegel joined OR as Assoc. and Asst. VCR, Kate Aja became Director of OSP, and many other new staff joined the office;
- I have integrated UCSC's SVI and NASA UARC management and operations into the Office of Research and completed our NASA NAMS (UARC follow-on) proposal; and
- The Office as a whole has increased its focus on positively and proactively supporting the campus research mission and goals.

I write now to update you on a few additional changes that I expect to have a positive impact on the campus research enterprise.

### **New Research Funding**

I am very pleased to announce that EVC Galloway has committed ~\$3M in one-time funds and ~\$175K/yr in new permanent funds in support of the Research Infrastructure goal of the Envision UCSC strategic plan. These new funds provide for four things:

1. **New discretionary research funds.** The budget cuts of the past several years reduced by nearly 2/3 the amount of funds available to the Office of Research for seeding new initiatives and providing cost sharing funds for proposals. OR had maintained its funding levels by spending down one-time carry-forward funds. This new infusion of funds will allow OR to maintain a high level of research seed and cost sharing for the next 3-4 years.
2. **Research Development (2 FTE).** These two new positions will enable the creation of a central Office of Research Development—a systemwide standard service—focused on supporting, promoting, and championing the UCSC research enterprise and its researchers with a goal of growing UCSC's contracts and grants base and external research reputation.
3. **Industry Relations and Economic Development (2 FTE).** These two new positions will enable the creation of a new central Office focused on Entrepreneurship, Industry Relations and Economic Development with a goal of developing stronger research relations with industry locally and in Silicon Valley, promoting UCSC research and researchers to industry, and transferring UCSC intellectual property to industry through increased licensing and startup activity.
4. **New OR software.** OR is in the process of upgrading its software systems and processes to use the Evisions Cayuse cloud-based sponsored projects software suite. A systemwide standard, Cayuse automates many OSP (and soon ORCA) processes currently done by hand on campus, freeing up valuable staff time for more productive uses.

While the bulk of these new funds are one-time, I am optimistic about long-term support once their positive impact on the growth of the campus research enterprise becomes evident.

#### **Research Policy Updates**

The Office of Research has recently updated three policies:

1. **Campus Research Seed and Cost Sharing Funds (attached).** OR provides seed and matching funds to promote campus research and proposal success. This policy formalizes the process for requesting and the criteria for granting seed and matching funds, as well as Indirect Cost Waivers.
2. **Exception to Policy to Submit a Proposal (attached).** To better align with both UCOP policy and systemwide practice, this simplified policy documents the requirements and process for requesting an Exception to Policy to allow non-senate employees to serve as PIs on proposals for external research funding.
3. **Office of Research Deadlines (attached).** Consistent with systemwide practice and to allow OR staff to provide campus researchers with better, more consistent service, the Office of Research is formalizing deadlines for service from its sub-offices. OSP will be the first to do so with deadlines for notifying OSP of upcoming proposals and providing required proposal documents and certifications. The deadlines become mandatory on June 1. After that date, OSP will not handle proposals that do not meet the deadlines without VCR approval of a PI-submitted Late Proposal Approval Request form (available on the OSP website).

#### **NASA UARC/NAMS**

After receiving a second extension last year, UCSC is now in the 12th year of its 10-year \$330M UARC contract with NASA, which represents about one-fifth of our campus contracts and grants total. Rather than reapply to Congress for approval of the UARC, which was deemed politically infeasible at this time, NASA is holding a competition for a new 5-year \$250M NASA Academic Mission Support (NAMS) contract. Limited to universities and non-profits, UCSC—on behalf of the UC system—is one of two or three competitors. Based in part upon our anticipation of significantly increased opportunity for academic engagement with NASA under the NAMS contract, the Office of Research, our UARC staff, and many others have been working aggressively to win this prestigious and potentially highly beneficial new contract. We submitted our proposal a few weeks ago and will know the outcome in the fall.

Yours,



Scott A. Brandt  
Vice Chancellor for Research

Cc: Executive Vice Chancellor Galloway

**Office of Sponsored Projects (OSP) Proposal Deadlines**

In order to provide the best possible service, the Office of Sponsored Projects has the following deadlines for proposal processing. The deadlines depend upon the presence or absence of the following *complicating factors*:

- Direct costs greater than \$2M/year and less than \$10M/year;
- Mandatory cost sharing;
- Multi-institutional collaboration;
- Required additional space;
- A foreign sponsor;
- The proposal is for a contract or the sponsor’s funding opportunity announcement [FOA] states that the resulting award may be a contract.

**Standard proposals** *(no complicating factors)*

1. **Notify OSP: 10 working days** before the submission deadline. Provide: i) basic proposal information (PIs, etc.), ii) a preliminary budget, and iii) a reference to the proposal guidelines
2. **Budget finalization: 5 working days** before the submission deadline.
3. **Final versions of all required documents** *(possibly including a draft technical section\*)*: **5 working days** before the submission deadline.
4. **Final technical section and proposal certifications: 2 full working days** before the submission deadline.

**Non-standard proposals** *(w/complicating factors)*

1. **Notify OSP: 20 working days** before the submission deadline. Provide: i) basic proposal information (PIs, etc.), ii) a preliminary budget, and iii) a reference to the proposal guidelines
2. **Budget finalization: 10 working days** before the submission deadline.
3. **Final versions of all required documents** *(possibly including a draft technical section\*)*: **5 working days** before the submission deadline.
4. **Final technical section and proposal certifications: 2 full working days** before the submission deadline.

**Very large proposals:** *(Direct costs \$10M/year or more)*

*Any proposal with direct costs greater than \$10M/year requires UCOP approval. Any such proposal must be brought to OSP’s attention at least 2 months in advance of the submission deadline.*

*NOTE: All unusually large or complex proposals should be brought to OSP’s attention as early as possible to enable the best possible support.*

\*If a draft technical section is submitted, OSP must be notified that a final version will be submitted later. The final technical section may not change i) the amount of project funds requested from the sponsor, ii) the project’s budget justification, iii) cost sharing or matching, iv) F&A (indirect) costs requested, v) effort of key project personnel, vi) named consultants and/or subcontractors, or vii) administrative costs requested.

**OSP Proposal Deadline Summary**

	<b>Standard</b>	<b>Non-standard</b>	<b>Very large</b>
Notify OSP	10 working days	20 working days	2 months+
Budget finalization	5 working days	10 working days	1 month
Final documents	5 working days	5 working days	10 working days
Final technical section and certifications	2 working days	2 working days	5 working days

**Exceptions**

If a deadline is missed due to circumstances beyond the control of the Principal Investigator, an exception may be requested by submitting a Late Proposal Approval Request (**LPAR**) Form to the Vice Chancellor for Research. After a request is reviewed, the approval decision will be made by the Vice Chancellor for Research (VCR) or the VCR’s designee within one week. The approval decision will be communicated to the Principal Investigator, Dean/ORU Director and OSP.

## APPENDIX B – International Agreements

With the reorganization of UCSC Global Engagement, there is an opportunity to redesign the agreement process and improve governance. In the redesign, there are choices to make that address strategy, control, expedience and the best fit for UCSC. Item 1 below is an excerpt from a Faculty Senate Committee on International Education report summarizing their views of the international agreement process. Item 2 is an auditor prepared summary of the international agreement process and comparison of process designs of a selection of other UC campuses.

### 1) Committee on International Education – Need for Processing Improvements

The Faculty Senate Committee on International Education summarized their review of the agreement process as follows:

“COMMITTEE ON INTERNATIONAL EDUCATION

Making International Collaboration Agreements Swift, Flexible and Open – May 2014

To: Academic Senate, Santa Cruz Division

UCSC international agreements, currently termed Memoranda of Understanding and Agreements of Cooperation, record and establish ground rules for faculty and university partnerships with overseas entities. At this turning point in UCSC’s engagement with the cross-border world, there is an occasion to reinvent our current (dysfunctional) system for making agreements.

We suggest that these two principles should guide that re-invention and that our recommendations follow from those principles:

1. *The process should be transparent to all, swift and flexible and with minimal paperwork.*
  - Update and clarify guidelines for agreements
  - Delegate signature authority to the lowest appropriate level by agreement type
  - Senior International Officer coordinates and facilitates quick processing
  - Summary descriptions of collaborations posted on a regularly updated web page
2. *Faculty should be centrally involved in the process for imagining and developing international agreements.*
  - Recognize two modes of agreement: top down and bottom up
  - Identify incentives for faculty to report collaboration”

### 2) Global Engagement – Potential approaches to process redesign – Other UC campus comparisons

With the renewed emphasis on global engagement, there will be a redesign of the international agreement process. There are UCSC specific choices to make. Decisions on approvals at the beginning and end of the process have impacts to consider, for example, vertical communication between administration and departments and horizontal communication between international and research efforts. Also to be considered is the time it takes to communicate and route an agreement for approval. There are design decisions regarding the type/purpose/content of agreements/templates which will shape the design of the entire process.

UC campuses have varied process steps for communicating and connecting relationship building efforts and agreement development. The following summary of the process elements indicates some of the design questions to resolve and contrasts some of the choices other UC campuses have made. Comparisons with other UC campuses provides insight into best practices and options. What follows is a brief process summary and comparisons with UCLA, UCSD and UCD processes:

### 1. Agreement Initiation:

The following should be considered in initiating a relationship/agreement:

#### Communication elements:

- Top down - International office to engage appropriate department and faculty
- Bottom up - Department/faculty initiation or acceptance of engagement and commitments.
- Foster concurrence and collaboration among VC/VP groups.

#### Relationship assessment process steps:

- Check for existing relations/agreements
- Check strategic fit and due diligence
- Assess and accept commitments and benefits

### 2. Agreement proposal review and approval method:

Examples of UC campuses processes:

- UCLA - submit a detailed proposal approved at Dean level and by 2 VP level
- UCSD - submit International Agreement Review Sheet approved at Dean level. Next steps to be determined.
- UCD - submit drafts using approved formats approved at Dean level and VP Global Affairs who may consult with other VC/VPs.

### 3. Agreement type or template selection:

Multiple document types are standard UC-wide:

- UCLA - Two document types to choose from. One light on details and commitments. Other more detailed. Content depends on the relationship and commitments.
- UCSD - Two document types to choose from. One general and one with specifics both used in tandem not required. Content depends on relationship and specifics. There are additional agreement variants of the two standard templates.
- UCD – Two documents required. One general in content with no commitments accompanied with a working document with details and commitments. Together the pair formally link the top down and bottom up perspectives of the relationship.

### 4. Agreement Approval:

- UCLA - Two VP/VC level approvals
- UCSD - Dean or VC Research and Dean Grad Studies sign general document. EVC signs detail document
- UCD - Chancellor signs the general agreement and Dean signs detailed working document.

### 5. Agreement Communication:

All UC campuses have some form of a listing of international agreements.

## APPENDIX C – Revenue Generating Contracts

### Revenue Generating Contracts

Granted, new revenue contracts are a low volume agreement type, yet information about pursuing a revenue contract is not apparent on the UCSC website. UCSC has responsibility for all revenue generating agreements distributed across several offices. In contrast most UC campuses have a Business Contracts office handling a breadth of business contract types including both procurement and non-procurement business contracts. As the volume of UCSC revenue generating contracts grow UCSC has governance and agreement process redesign opportunities. Item 1) is an abbreviated list of revenue policies and issues to consider. Item 2) is a comparison of other UC campuses roles and responsibilities for non-procurement business agreements.

#### 1) UC policies and revenue generating issues to be considered:

##### All UC Campuses must comply with UC Policies over Revenue Generating Contracts such as:

- UC, Academic Personnel Manual (APM), General University Policy Regarding Academic Appointees, Special Services to Individuals and Organizations. APM-20. 1958
- UC, University Regulations Revised No. 4, Special Services to Individuals and Organizations. 1958
- UC, Business and Finance Bulletin (BFB) A-47, University Direct Costing Procedures, 2008
- The university of California, BFB A-56, Academic Support Unit Costing and Billing Guidelines. 2008
- UC, BFB A-59, Costing and Working Capital for Auxiliary and Service Enterprises, 2008
- University of California, BFB A-61, Policy on Unrelated Income and Expenses 2012

##### These are some of the key elements contained within UC policies to be considered when engaging in Revenue Generating Contracts:

- Revenue contract process to ensure agreements are vetted and authorized in compliance with UC and UCSC policies.

##### Establish or update guidelines

- For interim revenue agreement processing protocol. Review roles and responsibilities in the near term between Campus Counsel, OSP/OMIP/OR, Miscellaneous Fee Committee, Global Engagement and Procurement Business Contracts.
- To ensure Academic Personnel Manual compliance when agreement involves faculty services.
- For setting the cost of services to include direct and indirect relevant costs for full cost recovery.
- On accounts receivables – how to invoice, and create and maintain accounts receivable.
- To ensure Unrelated Business Income Tax (UBIT) activities are identified and reported. Revenue agreements resulting in more than \$10,000 in revenue may be subject to UBIT reporting.

##### Other considerations

- Note APM policy and Regulation 4 are dated 1958. Regulation 4 imposes restrictions on the university's ability to provide services to industry. See reference listing below.
- Agreements are to be evaluated to ensure the University has the capacity and expertise.
- Goods or services are unique and not in competition with commercial sources.
- Amounts due are calculated accurately, collected timely, and accounted for appropriately.



**2) The following is a summary of Governance/Organizational Structure over Non-Procurement Agreement Processes at other UC campuses:**

<b>Non-Procurement Agreement Process By Campus</b>	
<b>UCB/SF</b>	The Business Contracts Office (BCO) review, draft, negotiate and execute all business-related contracts, both procurement and non-procurement contracts. The BCO also handles business related to intellectual property, like the licensing of intellectual property.  Engagement with the BCO must be first authorized and initiated through the department’s business officer. All contracts are managed transparently through the Business Contracts Management System
<b>UCD</b>	Has a dedicated business contracts group associated with the Purchasing department. It manages drafting, reviewing and executing procurement, non-procurement and intellectual property agreements.
<b>UCI</b>	Has a dedicated business contracts group in the Purchasing and Risk Services office. It manages drafting, reviewing and execution of procurement and non-procurement agreements.
<b>UCLA</b>	Has a new Business Contracts office focused on non-procurement agreements.
<b>UCM</b>	Has a department of Business Contracts and Real Estate that also manages drafting, review and execution of non-procurement agreements. The process is initiated with a form and requires several approvals before business contracts are engaged.
<b>UCR</b>	Has a contracts manager in their Procurement Department. This analyst also has a delegation to draft, review and execute non-procurement agreements.
<b>UCSC</b>	Currently, non-OSP related revenue generating contracts are managed by the office of Campus Counsel. Intellectual property and licensing are handled by OMIP. Research related revenue generating agreements are managed by OSP. Real estate contracts are handled by REO. Procurement has a business contracts group that does not have the delegation of authority to execute non-procurement related agreements. Currently, business contracts refer these agreements to campus counsel and assists as needed.
<b>UCSD</b>	Has a Business Contracts Group within procurement that also manages non-procurement related agreements.
	(Prepared originally by UCSC Procurement Contracts Office – reviewed Oct 2015)

---

## APPENDIX D – Envision Balanced Operations - Lessons Learned & Operating Principles

---

### Operations

#### Background

---

Over the past two decades, the ways in which administrative units, such as Business & Administrative Services, Enrollment Management, Information Technology Services, and the Planning and Budget Offices, have supported the campus mission have evolved. Until about 1995, most business processes were paper-driven and manual. The Financial Information System introduced automated processing, and key financial and human resource processes were decentralized to 26 Service Centers.

In the year 2000, "UC2010: A New Business Architecture for the University of California" (<http://uc2010.ucsd.edu/>), outlined a UC-wide strategy to better manage growth, controls costs, and implement best business practices. Five years later, separate Business and Information Technology Transformation Programs were implemented, centralizing many financial, human resource, and information technology functions. And, enabling technologies, like CruzBuy e-Procurement and CruzPay electronic time and attendance, were implemented to improve efficiency. A cohesive effort to develop the campus's data warehouse resulted in the creation of a robust decision support system that provides easy and timely access to information that supports the needs of a wide range of campus users. Many administrative units continue to implement new or improved technologies and to simplify processes to further improve effectiveness and efficiency.

#### Lessons Learned

---

Past efforts to optimize administrative services have provided a roadmap of sorts, useful in undertaking strategic efforts. Some important lessons learned from these efforts include:

- **CULTURE.** In general, the campus culture values consensus and tradition, oftentimes making it difficult to reach the critical mass of support needed to transform processes and standards.
- **RISK-TAKING.** Many campus practices intentionally and unintentionally prioritize risk avoidance, at the cost of missing significant opportunities to improve efficiency and better manage costs.
- **STANDARDIZATION.** Many business processes allow for flexibility to accommodate varied needs, sacrificing administrative nimbleness and adaptability in exchange.

- **STAFF COMPETENCY.** Successfully implementing change requires staff comfortable with it and able to adapt their knowledge and skills to new approaches and technologies.
- **TECHNOLOGY.** Improved efficiency and cost management from implementing enabling technology, like the Financial Information System, can take many years to materialize. Success requires strategic planning, communications, expectations management, and patience.
- **PERFORMANCE MONITORING.** Successfully achieving strategic objectives requires establishing and achieving relevant, specific, and measurable performance goals.
- **RESOURCING AND MAINTENANCE.** Adequately staff and equip campus activities to assure long-term viability. Failure to do so will cost more in the long run.
- **CENTRALIZED VS DISTRIBUTED.** Consolidation/centralization of activities tends to avoid rather than reduce costs.
- **DECISION-MAKING AUTHORITY.** Decisions should be made at the lowest possible level, closest to the work and should not be burdened by layers of approvals.

### National Trends/External Picture

---

University and campus administrative structures and processes are highly influenced by a variety of UC-dictated policies and practices, covering everything from handling anatomical donations to student housing funding, and by standards and guidelines established by external governing bodies, like the National Association of College and University Business Officers (NACUBO) and EDUCAUSE, the national higher education information technology professional association. Prominent among current trends, and the UC/UCSC approach to them are the following:

- **ENABLING TECHNOLOGY.** UC is pursuing strategies to implement enabling technology and consolidate staff resources to streamline business processes and more cost-effectively deliver services to all UC locations. The UCPath human resource and payroll project (<http://ucpath.universityofcalifornia.edu/>), currently underway, is a good example of this.
- **HOSTED CLOUD-BASED INFORMATION TECHNOLOGY SYSTEMS.** More IT-enabled, third-party managed business services and “cloud-based” systems, like the UCSC Recruitment Management System, are being cost-effectively deployed across different UC locations.
- **ADMINISTRATIVE SIMPLIFICATION.** The University continues to pursue business process simplification through efforts like the UC Working Smarter Initiatives. (<http://workingsmarter.universityofcalifornia.edu/>).

- **MOBILITY.** Bring your own device (BYOD) is a growing trend that will drive the way UC/UCSC offers access to systems and tools to the workforce and students alike. UCSC is currently working on developing platform-agnostic applications and tools for easier access to institutional information.

### Key Operational Questions

---

In considering the drive to operate as efficiently as possible, the following key operational questions may help to frame the way we approach future state operations, in particular when creating or redesigning a program or procedure.

#### ARE WE BORROWING TROUBLE?

Does our anticipation of possible future problems paralyze us?

Do some community members resist because they believe that success would ultimately lead to a loss of jobs or resources?

Is our adherence to regulation stricter than it need be—are we in effect creating our own work stoppage?

#### ARE RE WE AT RISK OF FAILURE DUE TO INSUFFICIENT RESOURCES (PEOPLE, FUNDS, TECHNOLOGY)?

Does our unwillingness to pay startup costs ultimately cost us more?

Does our definition of talent prevent our getting talented people?

After the program or procedure is launched, is someone responsible for maintaining or supporting it?

#### SHOULD A PROCESS IDEALLY BE DONE CENTRALLY, BUT FACES RESISTANCE TO CENTRALIZATION?

Does the distributed process require redundant effort?

Does the lack of central vision allow so many solutions to proliferate that much effort is wasted and frustration is caused?

Would community members be more likely to make use of centralized services and expertise with better communication about availability or is this the sort of problem that community members are much less likely to make use of if they can't address the issue locally?

#### SHOULD THE PROCESS OR PROGRAM BE LEFT TO INDIVIDUAL DECISION BY DIVISIONS OR DEPARTMENTS?

Would a service provided by central be unacceptable to some because of funding or accreditation demands?

Would the existence of a central process prevent innovation?

### ARE WE REINVENTING THE WHEEL?

How much of a divergence from publicly available solutions or tools needs to exist to justify reinvention?

Would keeping people from “inventing the wheel” retard innovation?

Are we reinventing because the last solution was not maintained or lost a champion?

### DOES A SOLUTION REQUIRE SO MANY PEOPLE OR LEVELS OF APPROVAL THAT DECISIONS ARE DELAYED OR IMPOSSIBLE?

None of us are as dumb as all of us.

Are the people involved in the solution the right people with the right background?

Are we making it so clear that it is better to receive forgiveness than permission that the best solutions are created “off the grid” by a small team of enthusiasts?

### DO OUR PROCESSES AND PROCEDURES ADD ADDITIONAL STEPS OR REQUIREMENTS BEYOND UC POLICY?

Apropos of the old saying time is money, have we considered the value of our time and the additional cost and confusion imposed by these extra steps?

## Proposed Operating Principles

This strategic planning process presents UC Santa Cruz with a tremendous opportunity to frame our future. In the operating principles that follow, we suggest practical, realistic and achievable ways to work more effectively in supporting our core mission and values.

### PROCESS-RELATED

- Apply a generous dose of common sense to every procedure or process. When the letter of the law violates the spirit, look for a way to offer flexibility.
  - Example: The steps of a process, such as entertainment reimbursement, need to be continually assessed to identify and eliminate non-value-added steps/requirements/approvals that go beyond UC or UCSC policy.
- Keep processes as simple as possible, but no simpler.
  - Example: Processes, for example, the lack of automated account activation for prospective students, not because of policy but because of their manual and/or onerous nature, are prime candidates for simplification.
- Build in ‘durable’ support for all complex, high-impact issues. Since people and their roles will change, an initial voice/supporter/champion is likely to be replaced by a new champion at some point.