



UNIVERSITY OF CALIFORNIA, MERCED
AUDIT AND ADVISORY SERVICES

June 3, 2021

To: Marjorie Zatz, Interim Vice Chancellor, Research and Economic Development
Gregg Camfield, Executive Vice Chancellor and Provost

RE: Systemwide Foreign Influence Audit, UC Merced Report No. M20A005

Interim Vice Chancellor Zatz and Executive Vice Chancellor and Provost Camfield:

Our UC Merced Foreign Influence Audit conducted as part of the University of California systemwide audit is completed. The audit was conducted in accordance with the fiscal year 2019-20 UC Merced audit plan.

The University of California Office of Ethics, Compliance and Audit Services (ECAS) oversaw the systemwide audit and a common audit program was used across all campuses. The Systemwide Foreign Influence Audit report was issued by ECAS, Office of the President on April 8, 2021. The audit report contained observations and recommendations applicable to all UC campuses. A summary of systemwide recommendations and UC Merced Management Corrective Actions in response to the systemwide audit are enclosed. UC Merced Audit and Advisory Services did not identify any additional observations that applied specifically to the UC Merced campus.

Our audit work was conducted in accordance with the Institute of Internal Auditor's *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Thank you to staff and faculty members from various departments and schools across campus, and especially from the Office of Research and Economic Development and the Academic Personnel Office for their cooperative efforts throughout the audit. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Sheryl Ireland
Director

ATTACHMENT

cc: Senior Vice President and Chief Compliance and Audit Officer Alex Bustamante
Chancellor Juan Muñoz
Associate Chancellor and Chief of Staff to the Chancellor Luanna Putney

ATTACHMENT – UC Merced Management Corrective Actions

CAMPUS:		
Recommendation	Management Corrective Action	Target Date
1. Protocols to Detect Undisclosed Faculty Affiliations		
1.2 Evaluate the recommended baseline institutional protocols and modify them as necessary vis-à-vis their own infrastructure, resources, and communication and IT systems to implement them locally. For example, templates developed by the working group could be tailored to meet local needs.	<p>A. Office of Research will coordinate with the Academic Personnel Office and Schools to evaluate baseline protocols and modify them as necessary for the campus structure and systems.</p> <p>B. Office of Research will coordinate with appropriate units to implement protocols developed in 1.2(A).</p>	3/31/22
2. Conflict of Interest		
2.1 Implement protocols at the campuses, health systems, and LBNL to ensure that the compliance function (CECO and HCCO) regularly receives information (such as copies of determination letters sent to PIs after identification of significant financial interests in foreign entities) and is engaged, as appropriate for each location, on significant conflict of interest issues and management plans. An example of engagement by the compliance officer could be ex-officio membership on a financial conflict of interest committee.	A. Office of Research will work with The Ethics and Compliance Office to develop and implement protocols appropriate for the campus that ensure the CECO regularly receives information on significant financial interest in foreign activities, and is engaged on significant conflict of interest issues and management plans.	12/31/21
3. Conflict of Commitment		
3.6 Evaluate the protocols and measures developed to help ensure complete and timely submission and review of outside activity disclosures vis-à-vis their own infrastructure resources, and communication and IT systems to implement these or other measures to achieve the same goal.	A. Academic Personnel Office will work with the schools and Deans' Offices to evaluate systemwide protocols and measures and implement protocols and measures appropriate for the campus structure and systems that ensure timely submission and review of outside activity disclosures.	3/31/22
3.7 Evaluate the best practice solutions for institutional office compliance monitoring recommended by the OATS Governance Board and modify them as necessary to implement them locally.	<p>A. Academic Personnel Office will evaluate best practice solutions for compliance monitoring recommended by the OATS Governance Board and modify them as necessary for the campus structure and systems.</p> <p>B. Academic Personnel Office will implement protocols developed in 3.7(A).</p>	3/31/22

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4. Training and Awareness		
4.6 Implement the system-developed “Ethics and Compliance Briefing for Researchers” training module and require, at a minimum, all researchers receiving research funding to complete the training biennially. Consider expanding the training audience to graduate students, visiting scholars, and grant key personnel.	A. Ethics and Compliance Office will coordinate with Office of Research to implement system-developed “Ethics and Compliance Briefing for Researchers” training module to all researchers receiving research funding. Office of Research in coordination with Ethics and Compliance Office will monitor to ensure it is completed biennially. Office of Research will consider and decide on expanding the training audience as appropriate to mitigate campus risks.	9/30/21
4.7 Address consequences for non-compliance with the completion requirement for the mandatory systemwide training.	A. Provost Office Management will discuss and identify consequences for noncompliance with mandatory training completion as discussed in 4.6(A). B. Ethics and Compliance Office will communicate noncompliance of required training to provost management to enforce nonperformance consequence identified in 4.7(A).	9/30/21
4.8 Implement a local foreign influence risk communication plan, taking into consideration the systemwide guidance	A. The Campus International Relationships Workgroup (IRW) will consider the systemwide guidance for foreign influence communication to develop and implement a campus communication plan.	6/30/22
5. Restricted Party Screening		
5.3 Create and implement export control procedures as outlined in the UC export control policy. At a minimum, these procedures should include: <ul style="list-style-type: none"> • Defined roles and responsibilities for restricted party screening as outlined in the export control policy • Escalation procedures for positive screenings • Periodic ECO monitoring to ensure that the responsible parties are performing these procedures. 	A. The Office of Research will work with the Ethics and Compliance/Policy Office to formalize and communicate its draft export controls procedures as outlined in the UC export control policy. B. The Office of Research will ensure roles and responsibilities for restricted party screenings are clear and escalation procedures for positive screenings are documented and in place. C. The Export Controls Officer will periodically monitor compliance with procedures.	9/30/22
5.4 Implement the system-developed training module to educate faculty and staff on the importance and requirements of restricted party screening	A. The Office of Research in Coordination with the Ethics and Compliance Office will implement the system-developed training module to educate appropriate faculty and staff on importance and requirements of restricted party screening.	9/30/22

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6. Export Control Red Flags		
6.2 Implement written procedures to address red flags in accordance with systemwide guidance, including escalation procedures that are specific to the location.	A. The Office of Research will ensure that formalized procedures address red flags in accordance with systemwide guidance and includes escalation procedures appropriate for the campus structure.	9/30/22
6.3 Develop localized training on the red flags procedures leveraging the systemwide training content and implement the training for appropriate personnel.	A. The Office of Research will develop and implement local training on export control red flags for identified appropriate personnel leveraging the systemwide training content.	9/30/22
7. Vetting of International Scholars		
7.2 Implement the systemwide guidance, vis-à-vis the location's infrastructure, resource, communication and IT systems, etc., in the form of local procedures, which should include escalation procedures that are specific to the location.	A. The International Affairs Office in coordination with the Office of Research and Academic Personnel Office will develop and implement local procedures for vetting of international scholars in accordance with systemwide guidance, including escalation procedures appropriate for campus structure.	9/30/22
8. Research Data Protections		
8.2 Implement guidelines for compliance with UC Research Data and Tangible Research Materials policy. At a minimum, these guidelines should establish responsibility for tracking compliance with sponsor research data protection requirements.	A. The Office of Research in coordination with Information Technology (IT) will develop and implement campus guidelines for compliance with UC Research Data and Tangible Research Materials policies to establish responsibility for tracking compliance with sponsor research data protection requirements.	9/30/22
9. Oversight of Foreign Gifts and Contracts Reporting		
9.2 Convene a working group or committee to oversee Section 117 reporting that consists of representatives from all reporting departments. The working group should identify a central office with the appropriate knowledge of the U.S. Department of Education requirements to review each Section 117 report prior to submission.	A. This MCA is already completed. Campus established a Section 117 reporting committee in 2020 that regularly convened, discussed and clarified reporting under the Department of Education requirements. Responsibility for accumulating, reviewing and reporting foreign income under Section 117 is now coordinated through the Ethics and Compliance Office with the first required reporting period of January 2021.	Complete
9.3 Establish protocols to ensure individuals responsible for making determinations on selling membership agreements are not also receiving the benefit from associated fees.	A. The International Relationships Workgroup (IRW) will discuss and establish protocols and responsibilities for membership agreements to ensure inappropriate benefits are not received.	12/31/21