



# AUDIT AND ADVISORY SERVICES

## Globalization and International Engagement Audit

Project No. 12-587

October 8, 2012

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October 8, 2012

George Breslauer  
Executive Vice Chancellor and Provost

Executive Vice Chancellor and Provost Breslauer:

Audit and Advisory Services (A&AS) has completed our audit of globalization and international engagement on the campus as per our annual audit plan and in accordance with the *Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

The results of our audit are expounded upon in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the Haas School of Business, University Extension, the College of Engineering, the School of Law, the International Visitors and Exchange Office, the Berkeley International Office, and the Berkeley Study Abroad program for their cooperation during this 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,

Wanda Lynn Riley  
Chief Audit Executive

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**University of California, Berkeley**  
**Audit and Advisory Services**  
**Globalization and International Engagement**

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## OVERVIEW

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### Executive Summary

The primary objective of this audit was to assess governance, risk management, and controls related to international collaboration in teaching, research, and public service. In particular, this audit focused on the campus' readiness to identify, assess, approve, and monitor international opportunities for collaborative efforts related to teaching, research, and public service abroad. These opportunities may be straightforward and potentially low-risk, such as assisting a foreign university department with the development of a curriculum, or they may be complex and potentially high-risk, such as conducting sponsored research in a foreign country at the direction of a foreign government or offering credit courses or degree programs for local students at a satellite campus under the Berkeley name.

In establishing the scope of this audit, we considered the full spectrum of campus international activities. When considering new and emerging trends in higher education as well as potential risk to the strategic goals of the campus, we focused this audit on opportunities for international collaboration in teaching, research, and public service in foreign countries in conjunction with a foreign entity, typically another research university or governmental entity. In particular, we focused on collaborations that were sufficiently complex to necessitate a legally binding contract that expounds on the rights and obligations of each party.

Based upon our review of the three collaboration agreements in place with executed contracts related to foreign entities in Singapore, Saudi Arabia, and India, we assessed the Saudi Arabia and India activities to be of a lower-risk profile based upon the nature of the activities contractually agreed to. As of yet, the campus has not entered into agreements for higher risk activities such as establishing a satellite campus under the Berkeley name, offering courses for UC credit, or establishing separate degree programs offered by a satellite campus that are currently being pursued by other public and private peer institutions. However, the Singapore collaboration agreement has resulted in the creation of a separate non-profit legal entity in Singapore, The Berkeley Education Alliance for Research in Singapore (BEARS), that is managed by the campus but whose current activities are limited to collaborative research with two universities in Singapore.

That being said, two recent memoranda of understanding (MOUs) with entities in Shanghai, China have a higher potential risk profile because of the contemplated sources of funding, the establishment of degree and executive education programs, and the right to use building facilities in a high-technology park. We understand that senior management is currently assessing these risks which will be addressed contractually in any subsequent agreement.

One of our principle observations is that the current systemwide guidance promulgated in the two 2005 administrative guidelines related to establishing foreign affiliates and foreign operations do not address the organizational structure required by the more complicated collaboration efforts as specified under the Singapore agreement or contemplated in the Shanghai MOUs. As a result, the campus relies on ad hoc processes for evaluating and vetting complex international collaborations which increases the risk that important risks are not adequately considered and addressed prior to the execution of a contract.

Perhaps more fundamentally, we observed that the campus does not currently have a comprehensive enterprise-wide strategic plan to identify and pursue international opportunities. Although the current de-centralized approach allows for each school, department, and unit to be entrepreneurial in pursuing opportunities, in the absence of a central strategic plan, there is a risk that units may pursue conflicting opportunities with the same partners; ignore important countries, disciplines, or potential partners; or provide the external appearance that the campus is fractured, inefficient and uncoordinated.

Lastly, the campus does not currently have an administrative infrastructure to support schools, departments, and units to efficiently identify, evaluate, and execute international arrangements that are mutually beneficial to the individual unit as well as the campus as a whole. Although it appears that appropriate parties were involved in the evaluation and execution of the three existing agreements, our observation is that there is not yet a standardized process and that each new complex opportunity is handled in an ad hoc manner. Creating a workflow with appropriate controls would facilitate evaluating and approving such opportunities in the future and mitigate avoidable “surprises” for management. Such a workflow would appropriately balance operational needs and considerations of risk. Lower risk opportunities might have fewer review and approval steps than higher risk opportunities. We note ample guidance is currently publicly available as well as opportunities to learn better practices from our peer institutions.

## **Source and Purpose of the Audit**

As a leading public research university, the campus is frequently approached to collaborate with public and private partners to further its mission of teaching, research, and public service. Increasingly, such opportunities to conduct these activities arise in foreign locations and in collaboration with foreign entities.

Berkeley's peer institutions such as Harvard University, Yale University, the Massachusetts Institute of Technology (MIT), Stanford University, the University of Michigan, the University of Chicago, New York University (NYU), Georgetown University, and Duke University, have also pursued international collaborations, but with differing levels of engagement with international partners. Typically, they partner with a local university but funding sources could be from alumni, donors, local or regional governments, or central governmental agencies in the foreign country. Most programs include some element of collaborative research and many include a certificate, executive education, bachelor's or professional degree (e.g., MBA) program. The foreign countries most identified with collaborations with Berkeley's peer institutions include China, India, Japan, Singapore, Abu Dhabi, Qatar, Dubai, France, Brazil, and England.

The primary objective of this audit was to assess governance, risk management, and controls related to international collaboration in teaching, research, and public service. In particular, this audit focused on the campus' readiness to identify, assess, approve, and monitor international opportunities for collaborative efforts related to teaching, research, and public service abroad. These opportunities may be straightforward and potentially low-risk, such as assisting a foreign university department with the development of a curriculum, or they may be complex and potentially high-risk, such as conducting sponsored research in a foreign country at the direction of a foreign government or offering credit courses or degree programs for local students at a satellite campus under the Berkeley name.

We recognize contemporaneous and parallel campus efforts examining current initiatives related to international research, teaching, and service activities. In particular, we note the task force commissioned by the Executive Vice Chancellor and Provost that was chaired by Professor Michael Nacht. Their report was issued in early 2012 and we have considered its findings and recommendations where relevant.

## **Scope of the Audit**

In establishing the scope of this audit, we considered the full spectrum of campus international activities. When considering new and emerging trends in higher education as well as potential risk to the strategic goals of the campus, we focused this audit on opportunities for international collaboration in teaching, research, and public service in foreign countries in conjunction with a foreign entity, typically another research university or governmental entity. In particular, we focused on collaborations that were sufficiently complex to necessitate a legally binding contract that expounds on the rights and obligations of each party.

Currently, the campus has three collaborative arrangements with foreign entities that have an associated contract:

- Agreement with the National Research Foundation of Singapore for the establishment of the “Berkeley Education Alliance for Research in Singapore (BEARS)”, a center of research, graduate education, and innovation;
- Agreement with the King Abdullar University of Science and Technology (KAUST) U.S. Limited, a U.S. affiliate of KAUST in Saudi Arabia; and
- Agreement with Seer Akademi USA, Inc., which includes subsidiary Seer Akademi Pvt. Ltd. (India).

We note that only the first agreement with the National Research Foundation of Singapore is made directly with a foreign entity. The second and third agreements are made with a US entity that is directly affiliated with a foreign entity.

In addition, in November 2011, Chancellor Birgeneau signed separate memoranda of understanding (MOUs) with the Shanghai Jiao Tong University (Shanghai Jiao Tong) and the Shanghai Zhangjiang Group Company, Ltd. (Shanghai Zhangjiang). The MOU with Shanghai Jiao Tong related to a mutual desire for academic exchange. The MOU with Shanghai Zhangjiang contemplates Shanghai Zhangjiang providing the campus with the use of building facilities in Shanghai and capital for funding collaborative research from local “governments, universities, enterprises and investment institutions.” It also contemplates the establishment of a master’s degree program and executive education to be offered in Shanghai by the College of Engineering. Although these agreements are complex and involve activities and funding sources that may be of potentially higher financial, operational, compliance and reputational risk, we excluded these Shanghai agreements from our scope because they are structured as MOUs and are not intended to be legally binding. Furthermore, we understand that the campus is continuing discussions with these Shanghai entities which may result in a formal contract at a later date. In particular, the Executive Vice Chancellor and Provost has commissioned a working group, chaired by Vice Provost Janet Broughton, to study the circumstances related to the development and review of the Shanghai MOUs.

We also did not include in our scope other MOUs with foreign universities that we understand from the International Visitors and Exchange Office (IVEO) are limited to bilateral and multilateral exchange agreements that allow for graduate student and faculty exchange with international partner institutions because we assessed them to be of lower risk relative to the types of activities pursued in the three agreements cited above. We note that the campus has a long history of such academic exchanges in its history.

Lastly, we did not include in our scope programs for sending current Berkeley students abroad such as through the UC Education Abroad Program, Berkeley Summer Abroad Program, or other similar programs because we assessed such programs to be of lower risk relative to the three agreements cited above. We note that the campus also has a long history of operating such programs.

### **Background Information**

In August 2005, UC President Robert Dynes issued guidelines for foreign affiliates and foreign operations established to support the University's teaching, research and public service missions. In the cover memo to the guidelines, Dynes cites the Regents' action of July 17, 2002 which gave the President authority to establish foreign, non-profit, University-affiliated corporations,

foundations, associations and/or trusts. In the guidelines, the concept of a foreign affiliate or foreign operation relates to the University establishing a presence in a foreign country.

In the guidelines, a foreign affiliate is defined as a University-sanctioned entity which is formally established under laws applicable within the entity's local jurisdiction. It may take the form of a legal entity created by the University and funded with University funds, and may include an entity located on (and operated with) University-owned real property (assets) in a foreign country.

By contrast, a foreign operation is defined as a unit established outside the United States whose sole purpose is to support the University's teaching, research, and public service mission, and which is not required by the local jurisdiction to hold the status of a separate legal foreign organization or corporation.

Since 2005, opportunities have arisen for the campus to work in conjunction with entities in a foreign country to further the University's mission of teaching, research, and public service. These opportunities, which in some cases involve complex partnering with a foreign entity, would not be covered within the scope of the 2005 Dynes guidelines under the concept of a foreign affiliate or a foreign operation because the opportunity would necessitate creation of a joint entity between the University and a foreign entity that would have some degree of joint ownership and governance.

In the absence of systemwide guidance for foreign opportunities requiring joint ownership and governance of a venture, these opportunities are currently evaluated on an ad hoc basis at each UC campus.

As mentioned previously, the campus currently has three collaboration agreements in place with executed contracts related to foreign entities in Singapore, Saudi Arabia, and India. At this time, none of them involve the establishment of a satellite campus bearing the Berkeley name in a foreign location, nor do they involve offering courses for UC credit or a separate degree program offered by a satellite campus. The Singapore collaboration agreement has resulted in the creation of a separate non-profit legal entity in Singapore, The Berkeley Education Alliance for Research in Singapore (BEARS), which is managed by the campus.

### **Summary Conclusion**

Based upon our review of the three collaboration agreements in place with executed contracts related to foreign entities in Singapore, Saudi Arabia, and India, we assessed the Saudi Arabia and India activities to be of a lower-risk profile based upon the nature of the activities contractually agreed to. As of yet, the campus has not entered into agreements for higher risk activities such as establishing a satellite campus under the Berkeley name, offering courses for UC credit, or establishing separate degree programs offered by a satellite campus that are currently being pursued by other public and private peer institutions. However, the Singapore collaboration agreement has resulted in the creation of a separate non-profit legal entity in Singapore, The Berkeley Education Alliance for Research in Singapore (BEARS), that is managed by the campus but whose current activities are limited to collaborative research with two universities in Singapore.

That being said, the two recent Shanghai MOUs (Shanghai Jiao Tong and Shanghai Zhangjiang) have a higher potential risk profile because of the contemplated sources of funding, the establishment of degree and executive education programs, and the right to use building facilities



in a high-technology park. We understand that senior management is currently assessing these risks which will be addressed contractually in any subsequent contractual agreement.

One of our principle observations is that the current systemwide guidance promulgated in the two 2005 administrative guidelines related to establishing foreign affiliates and foreign operations do not address the organizational structure required by the more complicated collaboration efforts as specified under the Singapore agreement or contemplated in the Shanghai MOUs. As a result, the campus relies on ad hoc processes for evaluating and vetting complex international collaborations which increases the risk that important risks are not adequately considered and addressed prior to the execution of a contract.

Perhaps more fundamentally, we observed that the campus does not currently have a comprehensive enterprise-wide strategic plan to identify and pursue international opportunities. Although the current de-centralized approach allows for each school, department, and unit to be entrepreneurial in pursuing opportunities, in the absence of a central strategic plan, there is a risk that units may pursue conflicting opportunities with the same partners; ignore important countries, disciplines, or potential partners; or provide the external appearance that the campus is fractured, inefficient and uncoordinated.

Lastly, the campus does not currently have an administrative infrastructure to support schools, departments, and units to efficiently identify, evaluate, and execute international arrangements that are mutually beneficial to the individual unit as well as the campus as a whole. Although it appears that appropriate parties were involved in the evaluation and execution of the three existing agreements, our observation is that there is not yet a standardized process and that each new complex opportunity is handled in an ad hoc manner. Creating a workflow with appropriate controls would facilitate evaluating and approving such opportunities in the future and mitigate avoidable “surprises” for management. Such a workflow would appropriately balance operational needs and considerations of risk. Lower risk opportunities might have fewer review and approval steps than higher risk opportunities. We note ample guidance is currently publicly available as well as opportunities to learn better practices from our peer institutions.

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# SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN

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## Current Systemwide Policies Do Not Address New Types of Collaborative Opportunities

### Observation

The most relevant current systemwide policy related to international collaborations with foreign third-parties are the two 2005 administrative guidelines related to establishing foreign affiliates and foreign operations. However, they do not address potential risks associated with more complicated collaboration efforts as specified under the Singapore agreement or contemplated in the Shanghai MOUs. The two guidelines are applicable mainly in situations where campuses establish stand-alone entities in foreign countries, without the assistance or cooperation of a local entity.

Although we understand that UCOP is considering updating the guidelines to include collaborative efforts with foreign third parties, at present it is up to each individual campus to provide local guidelines. At present, the Berkeley campus does not have comprehensive or formalized guidelines or policies related to complex international collaboration with third parties. As a result, there is risk that ad hoc procedures are employed which vary across schools, departments, and even individual opportunities. In such a situation, there is not an established control structure to mitigate common risks associated with complex international ventures.

We note that at similar peer institutions, such as Harvard, Yale, and Stanford, policies and guidelines have been developed related to pursuing complex international collaboration and central oversight has been implemented, albeit not at the expense of promoting entrepreneurial efforts by individual schools and colleges to seek such opportunities. Their approaches differ slightly, but common attributes of management philosophy include:

- Complex international collaboration should be closely aligned with the University's mission;
- Activities conducted in foreign locations should be subject to oversight no less rigorous than those applied to those on the main campus;
- The name and brand of the University should be protected;
- Operations based abroad require special attention to local requirements and customs, including compliance with local laws and regulations; and
- Proposals to enter into formal affiliations with other institutions should be reviewed from a University-wide perspective.<sup>1</sup>

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<sup>1</sup> Adapted from principles articulated in Harvard University policies.

## **Management Response and Action Plan**

UCOP is currently revising its policy on international activities which would apply to international research, teaching, and service activities outside the United States. The revised policy is expected to be effective by the end of 2012 and will be more comprehensive than the 2005 administrative guidelines. The campus has had an opportunity to review discussion drafts of the policy and provide feedback to UCOP. We feel strongly that any effort to impose the proposed regulations on all international activities will be self-defeating: unenforceable and alienating of our faculty. We have hundreds of scholars who routinely collaborate with colleagues abroad and who visit foreign countries to conduct their research. The current regulatory framework is sufficient for this purpose. We have urged UCOP to restrict its new policy to institutional operations abroad.

## **Campus Does Not Currently Have a Comprehensive Enterprise-wide Strategic Plan to Identify and Pursue International Opportunities**

### **Observation**

The campus currently employs a decentralized approach to identify and pursue international opportunities whereby individual faculty members, departments, units, or schools independently pursue international opportunities.

Although this approach encourages an entrepreneurial and competitive spirit, in the absence of some degree of central coordination and oversight, there is a risk that competing opportunities may conflict with each other and conflicts may arise without clear protocols on consultation and resolution with appropriate levels of central administration. Additionally, efforts may be duplicated across the campus to independently pursue collaboration with particular foreign entities at the expense of fostering one collective multi-disciplinary approach. The resulting risk of uncoordinated efforts is that the campus externally appears uncoordinated and inefficient, relative to our peer institutions pursuing similar opportunities, to potential foreign partners, reducing our attractiveness as a potential collaborative partner.

Certain peer institutions of the campus, both public and private, appear to have established a balance between maintaining an entrepreneurial spirit in the pursuit of international opportunities while establishing protocols which protect the name and brand of their institution, ensure that such opportunities are consistent with the mission of their institution, establish oversight mechanisms no less rigorous than at the home campus, and promote compliance with the laws, regulations, and customs of foreign jurisdictions. Individual schools and departments may have their own procedures to assess, monitor, and review international projects, but there is also a campus level of review to ensure consistency and fairness in global engagement across the enterprise. In some cases, governance principles explicitly state this balance:

“The University has a long tradition of decentralized governance because it believes in the value of individual creativity and initiative. This tradition is respected in order for new ideas to continue to proliferate and take root. But as the University increasingly reaches beyond its boundaries and connects to the world, it must also coordinate its activities effectively in order to harness shared

strength from different corners of the institution and realize efficiencies wherever possible.”

- *Harvard University Policies on International Projects and Sites*

Many of these policies and guidelines are available publicly through their websites which could be used as a benchmark for development of similar items for the Berkeley campus.

### **Management Response and Action Plan**

Management agrees with the observation which was also identified by the EVCP-appointed International Strategy Task Force in their 2012 report - <http://evcp-staging.vcbf.berkeley.edu/Reports/ISTF%20Report.pdf>). In his response to that report, the EVCP acknowledged the need for central coordination. With the proliferation of international initiatives, this audit with its well-articulated risk factors, and the newly revised UCOP policy that delegates more authority to the campuses, the timing is right to establish a central enabling and facilitative function for global activities.

Management notes that the current draft of the revised UCOP policy delegates more authority to campuses, stating that the Chancellor and the head of the applicable unit, school, or department both have operational responsibility for the international activity to ensure that adequate controls and processes are in place to assure that the University’s international activities are conducted in compliance with policy, including conducting a risk assessment and identification of methods to address specific risks before proceeding with the establishment of new international institutional operations. A central office would work in collaboration with units, risk management, and other relevant functions to ensure compliance with this policy.

Management continues to support individual initiatives by individual schools, units or departments to identify opportunities for international activities. However, the EVCP also intends to explore expanding campus support available to schools, units, or departments to identify, evaluate, and pursue international activities as well as to develop and implement processes to secure necessary input and approvals from campus leadership before proceeding. At this point, the EVCP is considering expanding the role of the special faculty assistant for international relations and the International Visitors and Exchange Office to more fully participate in the pursuit, review, and risk assessment of international opportunities. Implementation of any such changes in roles should be completed by July 1, 2013.

### **Administrative Infrastructure to Support Identification, Evaluation, and Mitigation of Risks Associated with International Arrangements is Not Mature**

#### **Observation**

Depending on the degree of complexity of the arrangement, international collaboration with foreign entities may pose risks that the campus would not typically face in its operations at its home location in California. These risks may be related to financial, operational, or compliance objectives for the collaboration. The Appendix provides a list of potential risks that we have identified, based upon guidance available from peer institutions on the establishment and operation of foreign operations.

Currently it is the responsibility of individual units pursuing individual opportunities to identify, evaluate, and mitigate such risks prior to execution of an agreement. Although approvals from central campus may be incorporated in the approval workflow for an opportunity, there is not a standardized process defined for ensuring that relevant risks are addressed either at the school or department level and at the campus level. As a result, risks relevant to the opportunity may not be identified, may not be evaluated, and if deemed significant, may not be sufficiently mitigated through an embedded controls structure.

Campus units rarely have the specialized skills in legal, human resource, financial, and compliance necessary to properly vet an opportunity in a foreign country. It is also not clear that the campus or the system has such expertise, or if external subject-matter experts would need to be identified to properly evaluate inherent risks and construct legal agreements to address them contractually.

In addition, the campus has previously relied on extensive use of MOUs in lieu of formal, legally binding agreements. We observed that these MOUs are often written from templates and at a level of specificity such that risks particular to individual collaborations are not detailed. We note that it can be therefore challenging to move from an MOU to a legal contract without significant additional effort and the possibility that the contracting parties disagree on matters that were not specifically discussed in the development of the MOU.

While a working list of potential risks, such as provided in the Appendix, would help in the identification of risks relevant to the potential opportunity, the evaluation of risk in these categories should be conducted independently for each new opportunity and not limited to using a “checklist” approach. The risk profile associated with an opportunity that is limited to assisting a private foreign university develop a standard course curriculum is likely much lower than opening a joint campus to conduct state-sponsored research and grant undergraduate and graduate degrees under the Berkeley name. The risk tolerance of management for assuming different levels of risk need to be aligned between the school or unit with day-to-day responsibilities for management and oversight of the program and with central administration with overall responsibilities for teaching, research, and public service missions of the campus.

### **Management Response and Action Plan**

Management agrees with the observation. As noted in our responses to the first and second observations, UCOP is expected to issue a revised policy on international activities by the end of 2012. This revised policy is expected to delineate that the Chancellor and the head of the applicable unit, school, or department both have operational responsibility for the international operation to ensure that adequate controls and processes are in place to assure that the University’s international activities are conducted in compliance with policy, including conducting a risk assessment and identification of methods to address specific risks before proceeding with the establishment of an international operation.

As previously noted, upon consideration of the updated policy after it is issued, the EVCP intends to explore expanding campus support available to schools, units, or departments to identify, evaluate, and pursue international activities as well as to secure necessary input and approvals from campus leadership before proceeding. Development of a review and approval process for such activities will include evaluation of how the unit, school, or department intends to address the types of risk identified in the Appendix and will likely involve other campus units such as the

Office of Legal Affairs, Administration and Finance, and Risk Services, in the process as necessary. Development and implementation of a review and approval process is expected to be completed by January 1, 2014 .

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## **APPENDIX -- Catalog of Potential Risks Associated with International Collaborations**

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The following table of risks potentially associated with international collaborations was collected from examining publicly available policies and guidance from peer institutions as well as the National Association of College and University Business Officers (NACUBO). They are grouped into the following categories:

- 1) Organization and Governance
- 2) Workflow Process for Evaluating International Opportunities
- 3) Due Diligence on Foreign Counter-Parties or Partners
- 4) Approval of International Activities
- 5) Regional or Country-Specific Risks (Political, Financial, and Cultural)
- 6) Prevailing Laws (State, US, and Foreign), Regulations & Dispute Resolution
- 7) Development, Ownership and Use of Intellectual Property
- 8) Collection and Use of Information Subject to Privacy Laws
- 9) Employment
- 10) Applicability & Enforceability of UC/Campus Policies Abroad
- 11) Risk Management, Indemnification & Limitations on Liability
- 12) US and Local Tax Issues
- 13) Cash Management, Fund Administration, Records Management & Financial Reporting
- 14) Ownership and Use of Assets (Tangible and Intangible)
- 15) Procurement of Goods and Services
- 16) Obtaining Use of or Constructing Equipment and Local Facilities
- 17) Ongoing Program Monitoring
- 18) Emergency Management
- 19) Termination

<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
<b>1</b>	<b>ORGANIZATION AND GOVERNANCE</b>	
1-1	<b>Campus Strategy for International Engagement</b>	International activities are not aligned with campus' mission, values, operational requirements, and/or risk tolerance.
1-2	<b>Coordination of Pursuits across Academic and Research Units</b>	Schools and departments do not coordinate pursuit of potential foreign partners or affiliates to avoid pursuing conflicting campus priorities or demands on shared resources.
1-3	<b>Vetting of Pursuits across Academic and Research Units</b>	Campus administration has not established a mechanism for vetting proposed pursuits of international activities and resolving potential conflicts.
1-4	<b>Select Form of Joint Governance</b>	The shared governance structure with the foreign affiliate or partner does meet the strategic or operational needs of the international engagement or mitigate risks to an acceptable level.
1-5	<b>Determine Need for a Foreign Affiliation or Operation</b>	Appropriate Regental and Presidential approval may not be obtained.
1-6	<b>Distinguish between Need for Legally Binding and Non-Legally Binding Arrangements</b>	The campus may be obligated by unintended commitments.
1-7	<b>Select Form of Legal Entity</b>	Campus, school, or department forms a legal entity for international engagement such as corporation, joint venture, limited partnership, unsuitable for the nature of business planned and the associated risks.
1-8	<b>Establishing Legal Status in a Foreign Country</b>	The campus operates without the necessary legal status in the foreign country.
1-9	<b>Obtaining Business Licenses and Permits in a Foreign Country</b>	The campus operates without proper business licenses and permits to conduct business in a foreign country.
1-10	<b>Obtaining Licenses or Permits to Conduct Teaching, Research or Public Service in a Foreign Country</b>	Clearance to work, conduct research, and provide instructional services may not be secured in accordance with the host country's regulations.
<b>2</b>	<b>WORKFLOW PROCESS FOR EVALUATING INTERNATIONAL OPPORTUNITIES</b>	
2-1	<b>International Opportunity Evaluation Workflow</b>	Appropriate internal parties and subject matter expert are not consulted in the evaluation of international opportunities.
2-2	<b>Comprehensive Risk-Benefit Assessment</b>	The assumption of risks in decision-making may be outside of acceptable tolerance in the absence of comprehensive identification and assessment of potential risks and benefits including legal, financial, reputational, etc.
2-3	<b>Gap Analysis of Key Controls Needed to Mitigate Risks</b>	Risk-benefit assessment does not identify what key controls need to be in place in order to mitigate identified risks and gaps between current and desired state of key controls.
2-4	<b>Approval of International Activities</b>	Delegations of authority are not appropriately identified and approval of international activities obtained.
2-5	<b>Validation of Campus Risk-Benefit Tradeoffs</b>	Workflow does not include validation of the potential risks, mitigation plans to address identified risks and an assessment of overall benefits to the campus, including other units, relative to potential risks.



<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
2-6	<b>Central Campus Consideration -- Consistency with Mission of the University</b>	Campus does not consider whether the opportunity is consistent with the fundamental missions of the University -- teaching, research, and public service for the State of California.
<b>3</b>	<b>DUE DILIGENCE ON FOREIGN COUNTER-PARTIES OR PARTNERS</b>	
3-1	<b>Due Diligence Procedures</b>	Campus has not developed guidelines and minimum requirements for due diligence of potential foreign counter-parties or partners associated with an international opportunity. After an agreement is executed, additional information about the partner or affiliate is identified which would have altered the decision made.
<b>4</b>	<b>APPROVAL OF INTERNATIONAL ACTIVITIES</b>	
4-1	<b>Unit Approval of International Arrangements</b>	Sub-units engage in international activities (remote campuses, degree programs, certificate programs, executive education, sponsored research, public private partnerships, joint ventures, affiliates, online teaching, etc.) without unit level approval and adequate consideration of resource and operational requirements.
4-2	<b>Campus Approval of International Arrangements</b>	Colleges, schools, organized research units, or departments engage in international activities (remote campuses, degree programs, certificate programs, executive education, sponsored research, public private partnerships, joint ventures, affiliates, online teaching, etc.) without campus approval and adequate consideration of mission and strategic alignment or resource and operational requirements.
4-3	<b>Systemwide or Regental Approval of Foreign Operation</b>	Campus has not identified circumstances and not developed approval workflow when systemwide and/or Regental approval is required for a foreign operation.
4-4	<b>Systemwide or Regental Approval of Waivers from Foreign Affiliate Guidelines</b>	Campus has not identified circumstances and developed approval workflow when systemwide and/or Regental approval is required for waivers from systemwide guidelines on foreign affiliates.
<b>5</b>	<b>REGIONAL OR COUNTRY-SPECIFIC RISKS (POLITICAL, FINANCIAL, AND CULTURAL)</b>	
5-1	<b>Risk Management Related to Political Risks (Regional or Country-specific)</b>	Campus, schools, or departments do not appropriately assess and plan mitigation of political risks related to foreign opportunities including corruption and bribery (Foreign Corrupt Practices Act), terrorism, embargoes, boycotts, etc.
5-2	<b>Risk Management Related to Financial Risks (Regional or Country-specific)</b>	Campus, schools, or departments do not appropriately assess and plan mitigation of financial risks related to foreign opportunities such as capital controls, export controls, import controls, banking restrictions, financial reporting requirements, etc.
5-3	<b>Risk Management Related to Cultural Risks (Regional or Country-specific)</b>	Campus, school, or departments do not appropriately assess and plan mitigation of cultural risks related to foreign opportunities such as discrimination, human rights violations, etc.
<b>6</b>	<b>PREVAILING LAWS (STATE, US AND FOREIGN), REGULATIONS &amp; DISPUTE RESOLUTION</b>	
6-1	<b>Compliance with US, State, and Foreign Laws and Regulations -- Assessing Risks</b>	Campus, schools, or departments have not identified and considered risks associated with prevailing laws and regulations (US, state and foreign) that would apply to the

<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
		international arrangement.
6-2	<b>Compliance with US, State, and Foreign Laws and Regulations -- Consulting with Legal Counsel</b>	Campus does not have the benefit of legal counsel regarding which prevailing laws and regulations are applicable to the international engagement and which laws and regulations (US, state, and foreign) would prevail if there is a conflict between them.
6-3	<b>Compliance with US, State, and Foreign Laws and Regulations - Developing a Compliance Program</b>	Campus, schools and departments have not developed and implemented a compliance program within the international arrangement to promote compliance with US, state, and foreign laws and regulations. Campus does not agree with foreign partners (if any) on the design and implementation of a compliance program to comply with US, state, and foreign laws and regulations. This agreement is not codified in the contract agreement.
6-4	<b>Dispute Resolution</b>	Campus has not obtained legal counsel regarding what is the appropriate venue (US, state, or foreign) in the event of a contractual dispute, depending on the nature of the dispute, and which laws and regulations would apply. In the event of a dispute, the prevailing laws and jurisdiction are also matters in dispute, creating additional costs and delays.
6-5	<b>Specific Regulations -- Import and Export Controls, Sanctions, etc.</b>	Campus, schools and departments have not developed and implemented compliance programs related to the international arrangement that promotes compliance with import and export controls (such as US Export Administration Regulations (EAR), International Traffic in Arms Regulations (ITAR), Office of Foreign Assets Control (OFAC) Countries Sanctions Programs, and Specially Designated Nationals (SDNs) List).
6-6	<b>Specific Regulations -- Anti-Corruption and Anti-Bribery</b>	Campus, schools and departments have not developed and implemented compliance programs related to anti-corruption and anti-bribery requirements (US FCPA, United Kingdom Bribery Act, etc.)
6-7	<b>Specific Regulations -- Anti-Money Laundering</b>	Campus, schools and departments have not developed and implemented compliance programs related to anti-money laundering requirements.
6-8	<b>Right to Audit the Books and Records of the International Arrangement</b>	Campus has not included a right to audit the books and records of the international arrangement in the contractual agreement.
<b>7</b>	<b>DEVELOPMENT, OWNERSHIP AND USE OF INTELLECTUAL PROPERTY</b>	
7-1	<b>Development, Ownership, and Use of Intellectual Property</b>	Intellectual property is developed, but ownership and the right to use it is ambiguous per the contract agreement. Conflicts with University policies, US regulations, or foreign laws and customs related to the development, ownership and use of intellectual property are not resolved.
<b>8</b>	<b>COLLECTION AND USE OF INFORMATION SUBJECT TO PRIVACY LAWS</b>	
8-1	<b>Collection and Use of Information Subject to Privacy Laws</b>	Under the international arrangement the University collects and uses information in a manner that is non-compliant with US and foreign privacy laws.
<b>9</b>	<b>EMPLOYMENT</b>	
9-1	<b>UC Employees/US Nationals Working in a Foreign Country</b>	Required authorizations (e.g., local sponsorship, visas, work permits) for US nationals/UC employees to work in a foreign country are not obtained.

<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
9-2	<b>Hiring Foreign Nationals in Their Local Country</b>	The authority to hire and compensate foreign nationals in their local country is not granted. Questions regarding the status of the employees as UC employees and what benefits or rights they are allowed as employees are unanswered.
9-3	<b>Local Employment Laws</b>	Campus is not conducting business in a manner compliant with local employment laws related to compensation, working conditions, discrimination, employer-employee relations, right to work, health and safety, benefits, etc.
9-4	<b>Compensation</b>	Compensation and related benefits are not consistent with University policy. Conflicts between local laws and University policies governing compensation and benefits are unresolved.
9-5	<b>Conflicts of Interest</b>	Individuals working with the international collaboration have conflicts of interest with their duties to the University.
<b>10</b>	<b>APPLICABILITY &amp; ENFORCEABILITY OF UC/CAMPUS POLICIES ABROAD</b>	
10-1	<b>Applicability &amp; Enforceability of UC/Campus Policies in Foreign Countries</b>	Campus has not assessed which University and campus policies apply to the international arrangement. For those areas where University and campus policies would not apply (for example, due to a conflict with local foreign laws or customs), substitute policies are not developed, approved, and applied nor are approved blanket exceptions obtained from systemwide or campus senior management.
<b>11</b>	<b>RISK MANAGEMENT, INDEMNIFICATION &amp; LIMITATIONS ON LIABILITY</b>	
11-1	<b>Insuring Risks</b>	Gaps in insurance coverage for international activities have not been identified and coverage procured to mitigate risk to an acceptable level.
11-2	<b>Indemnification</b>	Joint indemnification if possible between the University and any contractual counterparties in the international arrangement is not included in contractual terms.
11-3	<b>Limitation of Liability</b>	Contractual terms do not mitigate liability to the campus, University and Regents to an acceptable risk level.
<b>12</b>	<b>US AND LOCAL TAX ISSUES</b>	
12-1	<b>Compliance with US Tax Laws</b>	International operations are not structured in a manner compliant with US tax reporting requirements including but not limited to business income, sales, use or <i>ad valorem</i> taxes.
12-2	<b>Compliance with Foreign Tax Laws</b>	International operations are not structured in a manner compliant with foreign tax reporting requirements including but not limited to business income, sales, use or <i>ad valorem</i> taxes.
<b>13</b>	<b>CASH MANAGEMENT, FUND ADMINISTRATION, RECORDS MANAGEMENT &amp; FINANCIAL REPORTING</b>	
13-1	<b>Financial Reporting -- US Requirements</b>	Financial reporting of international activities is not consistent with US requirements or UC accounting policies.
13-2	<b>Financial Reporting -- Local Foreign Country Requirements</b>	Financial reporting of international activities is not consistent with the host country's requirements or international accounting standards.
13-3	<b>Financial Reporting -- Other Contractual Requirements</b>	Financial reporting of international activities is not consistent with specific contractual requirements (e.g., Generally Accepted Accounting Principles (GAAP) v. International Financial Reporting Standards (IFRS), local

<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
		auditors, fiscal year conventions, etc.).
13-4	<b>External Audit Requirements</b>	Acceptable external audit assurance is not obtained.
13-5	<b>Records Management – US (UC) Requirements</b>	Management of business records related to the international arrangement does not adhere to UC requirements.
13-6	<b>Records Management -- Local Foreign Country Requirements</b>	Management of business records related to the international arrangement does not adhere to local requirements.
13-7	<b>Transfers of Funds Between US and Foreign Country</b>	Transfers of funds to or from the international activity, partner or affiliate are not compliant with US or foreign capital or currency controls and restrictions.
13-8	<b>Use of Foreign Bank Accounts</b>	The use of foreign bank accounts including signature authority and required regulatory reporting is not consistent with University policy or local laws.
13-9	<b>Anti-Money Laundering Compliance</b>	Cash transactions are used to illegally launder money from the counterparty.
13-10	<b>Distinguishing Between Restricted Gift and Collaboration/Partnerships</b>	Campus does not establish clear guidelines as to the difference between unrestricted or restricted gifts from foreign entities and foreign collaboration/partnerships, the latter requiring a legal contract with clear deliverables expected of the school/department.
13-11	<b>Use of Restricted Gift, Private, State, or Federal Funds to Support the International Operations</b>	Expenses are not allowable under any restrictions that may be associated with gift, private, state, or federal funds used to finance the international arrangement.
13-12	<b>Annual Status Report for Each Foreign Affiliate to the President</b>	As required by the foreign affiliate guidelines, campus senior management does not provide an annual status report to the President, on the basis of which the President will provide a summary report to The Regents.
<b>14</b>	<b>OWNERSHIP AND USE OF ASSETS (TANGIBLE AND INTANGIBLE)</b>	
14-1	<b>Ownership and Use of University Owned Property Located in a Foreign Location</b>	Acquisition, use, and disposal of real and personal property physically located in a foreign country are not conducted in a manner consistent with University policy or local laws.
14-2	<b>Ownership and Use of Property Owned by the International Entity</b>	Acquisition, use, and disposal of real and personal property owned by the international entity are treated in a manner consistent with the contractual arrangement.
14-3	<b>Ownership and Use of Intangible Asset -- UC Berkeley Name and Branding</b>	The use of the UC Berkeley name and branding related to the operations and marketing of the international arrangement is not managed to mitigate reputational risks to an acceptable level. Intangible assets are undervalued.
<b>15</b>	<b>PROCUREMENT OF GOODS AND SERVICES</b>	
15-1	<b>Procurement of Goods</b>	The procurement of goods in the foreign country is not consistent with UC policies as well as local laws.
15-2	<b>Procurement of Services</b>	The procurement of services in the foreign country is not consistent with UC policies as well as local laws.
<b>16</b>	<b>OBTAINING USE OF OR CONSTRUCTING EQUIPMENT AND LOCAL FACILITIES</b>	
16-1	<b>Obtaining Use of Existing Equipment or Facilities in a Foreign Country</b>	The right to use existing facilities or equipment in foreign countries such as through operating or capital leases is not properly secured.
16-2	<b>Constructing New Equipment or Facilities in a Foreign Countries</b>	Planning, design, construction/fabrication, and use of new facilities or equipment in foreign countries, whether owned by the University or a separate foreign legal entity, are not compliant with University policy or applicable

<b>Catalog of Potential Risks Associated with International Collaborations</b>		
	<b>Business Area/Process</b>	<b>Description of Risk</b>
		laws.
16-3	<b>Management of Foreign Facilities Leased to Third-Parties</b>	The management of University facilities located abroad that are leased to third parties does not mitigate risks, such as permitted use, to an acceptable level.
17	<b>ONGOING PROGRAM MONITORING</b>	
17-1	<b>Periodic Assessment of International Activities against Established Criteria</b>	An international venture may underperform, breach contractual terms, or otherwise expose the campus to financial, compliance, or reputational risk beyond acceptable tolerance without the awareness of senior leadership.
17-2	<b>Ongoing Monitoring of International Climate Risks</b>	Changes in unmitigated risks are not identified and addressed in a timely manner.
18	<b>EMERGENCY MANAGEMENT</b>	
18-1	<b>Handling Crises in the Foreign Country</b>	Crisis and emergency management plans and resources (including political instability, natural disaster, hostage situation, terrorist attack, local pandemic, etc.) are not in place to preserve and protect University assets, people, and the continuity of operations.
19	<b>TERMINATION</b>	
19-1	<b>Right to Terminate the Agreement</b>	Campus does not have contractual rights to terminate the agreement with or without cause at any time and with defined obligations to exit the contract without causing a breach.