

The Regents of the University of California

COMMITTEE ON COMPLIANCE AND AUDIT

July 21, 2015

The Committee on Compliance and Audit met on the above date at UCSF–Mission Bay Conference Center, San Francisco.

Members Present: Regents Gorman, Makarechian, Ortiz Oakley, Oved, Ruiz, and Zettel; Ex officio member Lozano; Advisory member Gilly; Staff Advisors Acker and Richmond; Expert Compliance Advisor Guyton and Expert Financial Advisor Juline

In attendance: Regent Davis, Regent-designate Brody, Faculty Representative Hare, Secretary and Chief of Staff Shaw, General Counsel Robinson, Chief Compliance and Audit Officer Vacca, Executive Vice President and Chief Financial Officer Brostrom, and Recording Secretary Johns

The meeting convened at 11:50 a.m. with Committee Chair Zettel presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meeting of March 17, 2015 were approved.

2. APPROVAL OF INTERNAL AUDIT PLAN FOR 2015-16

The Senior Vice President – Chief Compliance and Audit Officer recommended that the Committee approve the Internal Audit Plan for 2015-16, as shown in Attachment 1.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Systemwide Audit Director Matthew Hicks began the discussion of the Internal Audit Plan for 2015-16 by recalling that the University’s internal audit program goes through an annual risk assessment process. This typically begins in January and includes meetings with management, solicitation of input, and vetting with campus audit committees. The review process takes industry trends into account and any external audits that may be occurring.

Mr. Hicks presented a slide listing prominent issues that have been emerging in campus audit plans, including three areas that would be the subject of systemwide audits in the current year: executive compensation, construction, and information security. The plan for the year included advisory projects as well as audits of core internal controls, such as segregation of duties, account reconciliation, and background checks.

Committee Chair Zettel remarked that the Committee had been discussing issues such as cash controls and segregation of duties for a number of years. She asked if the campuses were making progress in this area. Mr. Hicks responded in the affirmative. Problems were not recurring in the same campus departments, but occurring in different departments at different times. Chief Compliance and Audit Officer Vacca added that campuses were seeking to move away from handling cash when this is possible in favor of purchasing cards or other forms of electronic transmission.

Committee Chair Zettel asked if the campus vice chancellors for business operations discuss risk issues that arise in departments and divisions. Ms. Vacca responded that these administrators are involved in reviewing audit findings and in risk mitigation. Discussion of these risks is part of campus business strategies. She agreed with Regent Zettel that communication about these risks is important.

Regent Ortiz Oakley requested clarification of the systemwide audit of executive compensation. Mr. Hicks responded that this audit typically focuses on the preparation of the University's Annual Report on Executive Compensation. The audit ensures that information in the Report is complete and accurate, as well as the information contained in annual reports on the President's and chancellors' expenses. In response to another question by Regent Ortiz Oakley, Mr. Hicks affirmed that these audits are internal activities by the University, not a response to any federal or other external compliance requirements.

Regent Ortiz Oakley asked about the nature of the systemwide construction audit. Mr. Hicks responded that UC had not yet determined the formal scope of this audit. In the past, construction audits have reviewed the bidding process, change orders, and requirements associated with funding. The upcoming construction audit might include other areas as well.

Regent Ortiz Oakley asked if the Committee on Grounds and Buildings would be involved in this audit. Regent Makarechian responded that this matter remained to be worked out.

Regent Ortiz Oakley asked how the University would approach the systemwide information security audit, given a recent data security breach. Ms. Vacca responded that the internal audit program was involved in activities surrounding the recent breach, and these activities would be a factor in determining the scope of the upcoming audit. The audit was currently scheduled for the second quarter, but it might be deferred due to action plans currently being put in place.

Regent Makarechian expressed concern about the consolidation of employee data taking place as part of the UCPath project and the risks of cyber attack. The University must examine this issue. Ms. Vacca responded that President Napolitano has made cyber security a key focus. She anticipated that the administration would provide direction and that the University would take action on this matter.

Regent Makarechian emphasized that the internal audit program should examine this matter now, in advance, while the project was being developed, rather than after problems arise. Ms. Vacca responded that the internal audit program was involved in the UCPATH project. Mr. Hicks noted that he served on the UCPATH systemwide steering committee and on the steering committee for the UCPATH deployment at the Office of the President. Ms. Vacca suggested that information security and the UCPATH project could be a topic for discussion at a future meeting.

Mr. Hicks drew attention to the resource allocation of the internal audit plan. Eleven percent of resources had been allocated for supplemental audits, to address any risks that may be identified in the course of the year, and 12.2 percent was allocated to supplemental advisory services, for the same reason. Ms. Vacca added that advisory services represent a proactive approach, and these services might include the UCPATH project.

Committee Chair Zettel expressed concern that the number of hours allocated for campus audits of information technology security might be inadequate, given recent events. Ms. Vacca stated that campuses would reevaluate the situation to determine if more hours should be devoted to this topic. At the systemwide level, more time would be dedicated to information technology audits than originally planned. She anticipated modifications to the internal audit plan, which is a dynamic plan. General Counsel Robinson added that President Napolitano has plans for development of UC cyber security.

Regent Ruiz asked about staffing levels in compliance and audit, and if they were adequate to address current challenges at UC. Ms. Vacca responded that compliance and audit could make use of more resources, but noted that this is a problem for many UC units and functions. Regent Ruiz stated that President Napolitano should be made aware of the need for more audit staff and how this could save money for the University.

Regent Davis referred to the auditing of the Annual Report on Executive Compensation. He asked how the audit would assess the appropriateness of the Market Reference Zones (MRZs) for any position. Mr. Hicks responded that the audit program reviewed MRZ benchmarks when MRZs were first introduced, also consulting outside experts on the effectiveness of the MRZ methodology. An extensive sample of MRZs was reviewed. This was the extent of internal audit review of the MRZs. Regent Davis recalled that MRZ benchmarks would now take relevant public sector salaries into account. He asked if the internal audit program would confirm that this change had been made. Ms. Vacca responded that this was not included in the current scope of the audit, but that it could be included.

Regent Makarechian asked if the internal audit program's budget was included in the Office of the President's budget for Central and Administrative Services. Ms. Vacca responded in the affirmative. Regent Makarechian asked if the expenses for the University's external auditor KPMG were included in the same line item. Associate Vice President Peggy Arrivas explained that the fees for the external auditor were included in the budget of the Office of the Chief Financial Officer.

Upon motion duly made and seconded, the Committee approved the Senior Vice President – Chief Compliance and Audit Officer’s recommendation.

3. **APPROVAL OF ETHICS AND COMPLIANCE PROGRAM PLAN FOR 2015-16**

The Senior Vice President – Chief Compliance and Audit Officer recommended that the Committee approve the Ethics and Compliance Program Plan for 2015-16, as shown in Attachment 2.

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Deputy Compliance Officer David Lane stated that the Ethics and Compliance Program Plan for 2015-16 (Plan) took a holistic approach to risk, encompassing campus compliance plans, industry trends, and compliance issues looming in the future. The current-year plan included seven major categories of focus and 21 subcategories. He briefly outlined plan efforts in ensuring campus safety, research compliance, information security, clinical research billing, and international activities. Chief Compliance and Audit Officer Vacca remarked that the University was developing a training course on compliance with the Foreign Corrupt Practices Act.

Committee Chair Zettel stated that the list of issues in the Plan was comprehensive.

Regent Ortiz Oakley asked how the University responds to anonymous reporting of fraud. Ms. Vacca responded that the University has had a whistleblower hotline in place for a number of years for reporting improper activities.

Regent Ortiz Oakley asked where the hotline information is directed. Ms. Vacca responded that this information goes to a third party. The information is sorted and supplied to the Office of Ethics, Compliance and Audit Services and to the relevant campus administrator.

Regent Ortiz Oakley asked if the Ethics and Compliance Program Plan covered all UC employees, and employees at the National Laboratories. Ms. Vacca responded in the affirmative.

Chairman Lozano observed that employee training on cyber security should be a matter of interest for UC’s compliance program. She asked if the Committee would receive a report on the hotline information, the nature and number of complaints, and if any complaints had required action. Ms. Vacca responded that this information would be included in the ethics and compliance program’s annual report presented at the November meeting. Substantiated, high-priority whistleblower complaints are brought to the Committee Chair and Vice Chair, and to the Committee, if appropriate.

In response to a question by Regent Ruiz, Ms. Vacca stated that the Office of Ethics, Compliance and Audit Services was working together effectively with Executive Vice President and Chief Operating Officer Nava.

Committee Chair Zettel referred to information in the Plan on the U.S. Office of Management and Budget's Uniform Guidance for federal research grants. She requested clarification of the statement that Uniform Guidance had shifted the focus of award administration from a prescriptive set of rules to institutional accountability and performance. Mr. Lane responded that this reflected an effort by the federal government to work more efficiently by consolidating reporting. This consolidation would be a major change for UC campuses. The ethics and compliance program would ensure that campuses understood the Uniform Guidance, and had consistent and effective processes to comply with it.

Committee Chair Zettel asked if the University still followed the rules that had been in effect for years, combined with UC practices for a new, comprehensive program. Mr. Lane responded in the affirmative. The University ensures that it is following the Uniform Guidance, including compliance with any new prescriptions. This represented a fairly significant change for UC campuses because of the large number of federal grants UC is awarded. Ms. Vacca added that Uniform Guidance was indeed a move toward accountability and performance criteria, with campuses required to demonstrate how they were complying.

Committee Chair Zettel anticipated that this would require additional training. Ms. Vacca and Mr. Lane concurred.

Upon motion duly made and seconded, the Committee approved the Senior Vice President – Chief Compliance and Audit Officer's recommendation.

4. **INDUSTRY TRENDS IN HIGHER EDUCATION**

[Background material was provided to Regents in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Expert Compliance Advisor Guyton spoke of his career as a prosecutor, defense attorney working with corporations and developing compliance programs, and as a compliance officer. He stated that the Committee on Compliance and Audit served as something like the University's conscience. UC's international activities would present a high risk. UC faced a changing business environment. Compliance programs provide companies or institutions with proactive protection, information, and a defensible case.

KPMG representative Mark Thomas outlined current topics of concern for university and college audit committees throughout the nation. Financial reporting standards were continuing to change in the areas of pension reporting, reporting of other post-employment benefits, fair value measurement, and in requirements issued by the Office of Management and Budget, as discussed in the previous item. Other topics of concern

were institutions' overall business models and the consolidation of services; educational delivery models, such as online programs; compliance with changing laws and regulations; technology, including cost, changing systems, and cyber security; institutional data integrity and non-financial reporting, such as data used for accreditation and rankings; conflict of interest issues; and enterprise risk management, which allows an institution to move quickly as new risks are identified.

Expert Financial Advisor Juline discussed major financial reporting and fiduciary factors that are a challenge for the University. The University's annual financial reports meet all standards of financial reporting and fulfill Regental fiduciary responsibilities. They serve the needs of debtholders and rating agencies but have limitations as an effective tool for the Regents to understand and oversee the finances of UC.

The accounting principles to which UC is subject under the Governmental Accounting Standards Board (GASB) are in a continuing state of development. UC is in compliance with all GASB pronouncements. GASB has been slow to fully address key areas applicable to UC, such that there are inconsistencies and some degree of incompleteness in the annual reports, such as the difference between reporting on pensions and reporting on other post-employment benefits. These are essentially identical costs but are accounted for and reported differently. Mr. Juline clarified that the term "other post-employment benefits" refers mainly to retiree healthcare obligations. GASB had issued a recent pronouncement on reporting of other post-employment benefits, but this would not become effective for a few years. The University was taking steps toward compliance with the new standard, but funding for retiree healthcare obligations, as distinct from accounting for them, remains a substantial financial challenge for UC.

Risk management, the promotion of ethical standards, and internal control systems at UC are complicated by the high degree of decentralization and the vast range of UC's activities. The breadth and depth of UC's internal audit and compliance efforts are substantial, but Mr. Juline underscored that the Regents' attention to all audit findings is warranted.

Many projects involving the development of common systems and methodologies have been completed and yielded benefits. UCPath was currently the most important such project and its success was critical, in and of itself and as a benchmark for future programs.

Mr. Juline identified the unrestricted net position as one of the most important numbers in the University's annual financial reports. As of June 30, 2014, this figure was negative \$8.6 billion. Five years earlier, the unrestricted net position had been a positive \$3.5 billion. This shift of \$12 billion was due to many factors, but principally had resulted from accounting changes and the recognition of pension and retiree healthcare liabilities. In addition to the continuing development and implementation of strategies to address these long-term obligations, a strategic plan for determining appropriate levels of reserves and addressing the negative balance should be developed and implemented over

time. All governmental enterprises struggle with the need to establish appropriate levels of reserves; this need also warrants the University's attention.

The University is subject to regular claims by a wide range of parties who allege misconduct in one form or another. Many if not most of these claims use financial information that is incomplete, inaccurate, or taken out of context. Regarding these claims, UC has made progress with the Legislature and the Governor's Office in recent budget deliberations. There were opportunities to make progress with other constituencies as well. The University makes substantial efforts to enhance its transparency, which helps outsiders better understand UC. These efforts should continue.

Mr. Juline concluded that the University's financial management team was aware of all these financial reporting and fiduciary factors and was taking steps to address them. Addressing these challenges would take time, effort, and financial resources, and no solution would be simple. It is a combined responsibility of UC management and the Regents to focus on these challenges.

Regent Ortiz Oakley asked about the risk involved in UC's international activities. He noted that an item to be discussed later at the current meeting was a proposed partnership between UC Berkeley and a university in the People's Republic of China. He asked how the University was addressing risk issues with the campuses in cases like this, and if it was doing so before such agreements are negotiated. Mr. Guyton responded that the risks in this case might concern corruption and technology transfer issues. Chief Compliance and Audit Officer Vacca observed that there was room for improvement in this area. Legal and other risks are discussed. She noted that the University was working to ensure that these discussions are integrated more closely to the relevant business decisions and that appropriate due diligence takes place. Regent Ruiz remarked that he had discussed this matter with Provost Dorr. UC international activities had increased to a point where more extensive policies, guidelines, and controls needed to be developed, and the University was embarking on this effort.

Regent Makarechian referred to Mr. Juline's remarks on the University's unrestricted net position and expressed concern about UC's growing deficit, declining equity, and the lack of State contributions to the UC Retirement Plan, which had been addressed to a minor degree in the most recent State budget. He stressed his view that the University could not continue on its current trajectory.

Regent Davis referred to the upcoming agenda item on the proposed partnership with a university in China. He expressed his concern about the risks in creating a formal collaborative enterprise, including information technology, with a country whose military had been identified as being involved in cyber warfare against the U.S. He asked if the University had vetted this proposal with the National Security Agency (NSA) and the Federal Bureau of Investigation (FBI) before submitting it for the Regents' consideration. General Counsel Robinson responded that there had been no vetting with the NSA or the FBI. Local counsel in China has advised the University on relevant Chinese law.

Chairman Lozano observed that a new governing body would be formed to administer the UC Berkeley-China partnership. Issues of procedure, risk, controls, and audit would have to be addressed by the governance structure of the new entity. She referred to Mr. Thomas' remarks on educational delivery models. She asked if KPMG was auditing time to degree or online education programs. Mr. Thomas responded that educational delivery models had surfaced as an issue for audit committees. Universities and colleges are concerned about maintaining the integrity of their educational programs, which are now being delivered through a new process. KPMG was not auditing time to degree.

The meeting adjourned at 1:00 p.m.

Attest:

Secretary and Chief of Staff



The University of California

Attachment 1



Internal Audit Plan

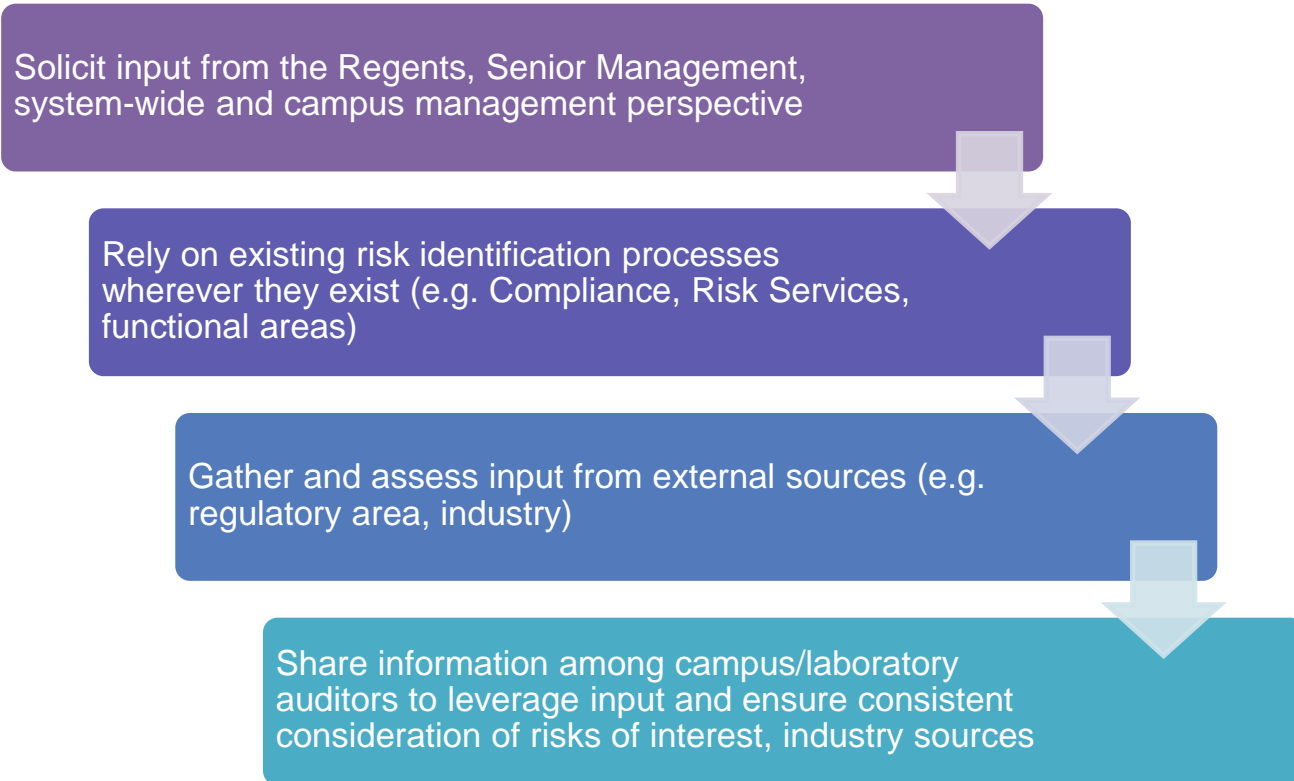
2015-16

Internal Audit Plan Objectives

- Improve the effectiveness of campus governance, risk management and control processes;
- Assist campus leadership in the discharge of their oversight, management, and operating responsibilities;
- Assist management in addressing the University's significant financial, operational and compliance risks and making informed risk acceptance decisions;
- Support and leverage campus efforts to identify, evaluate and mitigate risks;
- Support management's restructuring and budget coping strategies;
- Serve the needs of campus/laboratory leadership while addressing broader issues from a systemwide perspective;
- Support the evolution of the Systemwide Compliance Program; and
- Meet the challenge to enhance the value of the Internal Audit Program.

Audit Plan Development

Risk Assessment Process for 2015-16



The result of the risk assessment is an informed perspective on the current risk environment – including a prioritization of risks that are scalable to available resources.

Significant Themes in FY16 Audit Plans

Financial

- Cash Management
- Data Analytics
- Executive Compensation*
- Health Sciences Revenue Cycle
- Procurement

Operational

- Construction*
- Joint Ventures, Partnerships and Affiliations
- Disaster Recovery and Business Continuity

Information Technology

- Information Security*
- IT System Implementations

* Systemwide Audit

Other Themes in FY16 Audit Plans

Health Sciences

- Clinics
- Pharmacy
- ICD-10 (new diagnosis codes)
- Electronic Medical Records

Financial Management

- Payroll and Time Reporting
- Inventory Management

Student Affairs

- Student Fees

Information Management and Technology

- Mobile Devices
- PCI Compliance

Research

- OMB Uniform Guidance
(New requirements for administration of federal awards)
- Contracts and Grants
- Effort Reporting and Cost Sharing
- Clinical Research

Auxiliary, Business & Employee Support Services

- Athletics
- Conference and Dining Services

Facilities, Construction and Maintenance

- Facilities

Development and External Relations

- Development

Governance

- Strategic Planning
- Conflict of Interest/Conflict of Commitment

Environment and Safety

- Laboratory Safety

Highlights of the Consolidated Audit Plans

Personnel:

	FY16 Plan	Prior Year Plan
Authorized staff level	113 FTE's	111 FTE's
Avg. Staff Level	108 FTE's	108 FTE's

Distribution of Planned Activities:

By Audit Activity Type (hours/%):	FY16 Plan		Prior Year Plan	
<i>Audits</i>	97,173	64%	95,789	64%
<i>Advisory Services</i>	37,321	24%	37,153	24%
<i>Investigations</i>	<u>18,473</u>	<u>12%</u>	<u>18,963</u>	<u>12%</u>
	152,967	100%	151,905	100%

By University area:	FY16 Plan		Prior Year Plan	
<i>Campus/Laboratory*</i>	74%		76%	
<i>Health Sciences</i>	<u>26%</u>		<u>24%</u>	
	100%		100%	

* Includes Lawrence Berkeley National Laboratory (LBNL), Agriculture & Natural Resources (ANR) and UCOP

Highlights of the Consolidated Audit Plans

- The Plan provides for over 37,000 Advisory Service hours to be able to assist management in addressing internal control issues in a restructured and budget constrained environment;
- The Plan affords flexibility with over 18,000 hours provided for audit topics to be determined based on emerging local or systemwide priorities;
- The Plan contains approximately 7,000 hours to continue the emphasis on audit follow-up on corrective actions;
- Over 10,000 hours are budgeted for continued professional development for our internal audit staff; and
- The budgeted hours for investigations is less than the current year's annualized amount, reflecting an ongoing emphasis on reducing audit involvement in investigations that are appropriately handled by management.

Available Resources

	FY16 Plan		3/31/15 Annualized	
Weighted Average FTE	108		107	
	<u>Hours</u>	<u>Percent</u>	<u>Hours</u>	<u>Percent</u>
Personnel Hours	226,582	97.3%	222,624	98.3%
Other Resource Hours	6,331	2.7%	3,843	1.7%
Gross Available Hours	232,913	100.0%	226,467	100.0%
Less: Non-Controllable Hours	36,925	15.9%	39,473	17.4%
Less: Admin/Training	28,755	12.3%	31,460	13.9%
Total Direct Hours	<u>167,233</u>	<u>71.8%</u>	<u>155,535</u>	<u>68.7%</u>

Available Resources

The table to the left depicts the staffing level assumed in the Plans and quantifies the human resources available to assign to audit activities. Total hours are reduced for non-controllable hours (vacation, holiday and illness per University policy) and for program administration and training.

Resource Allocation

	FY16 Plan		3/31/15 Annualized	
	<u>Hours</u>	<u>Percent</u>	<u>Hours</u>	<u>Percent</u>
Audit Program				
Planned Audits* (225 projects)	71,940	43.0%	77,268	49.7%
Supplemental Audits	18,308	10.9%	8,153	5.2%
Audit Follow Up	6,925	4.1%	5,767	3.7%
Total Audit Program	97,173	58.0%	91,188	58.6%
Advisory Services				
Planned Projects* (102 projects)	16,843	10.1%	N/A	N/A
Supplemental Hours	20,478	12.2%	N/A	N/A
Total Advisory Services	37,321	22.3%	30,341	19.51%
Investigations	18,473	11.0%	20,000	12.9%
Audit Support Activities	14,466	8.6%	14,006	9.0%
Total Direct Audit Hours	<u>167,433</u>	<u>100.0%</u>	<u>155,535</u>	<u>100.0%</u>

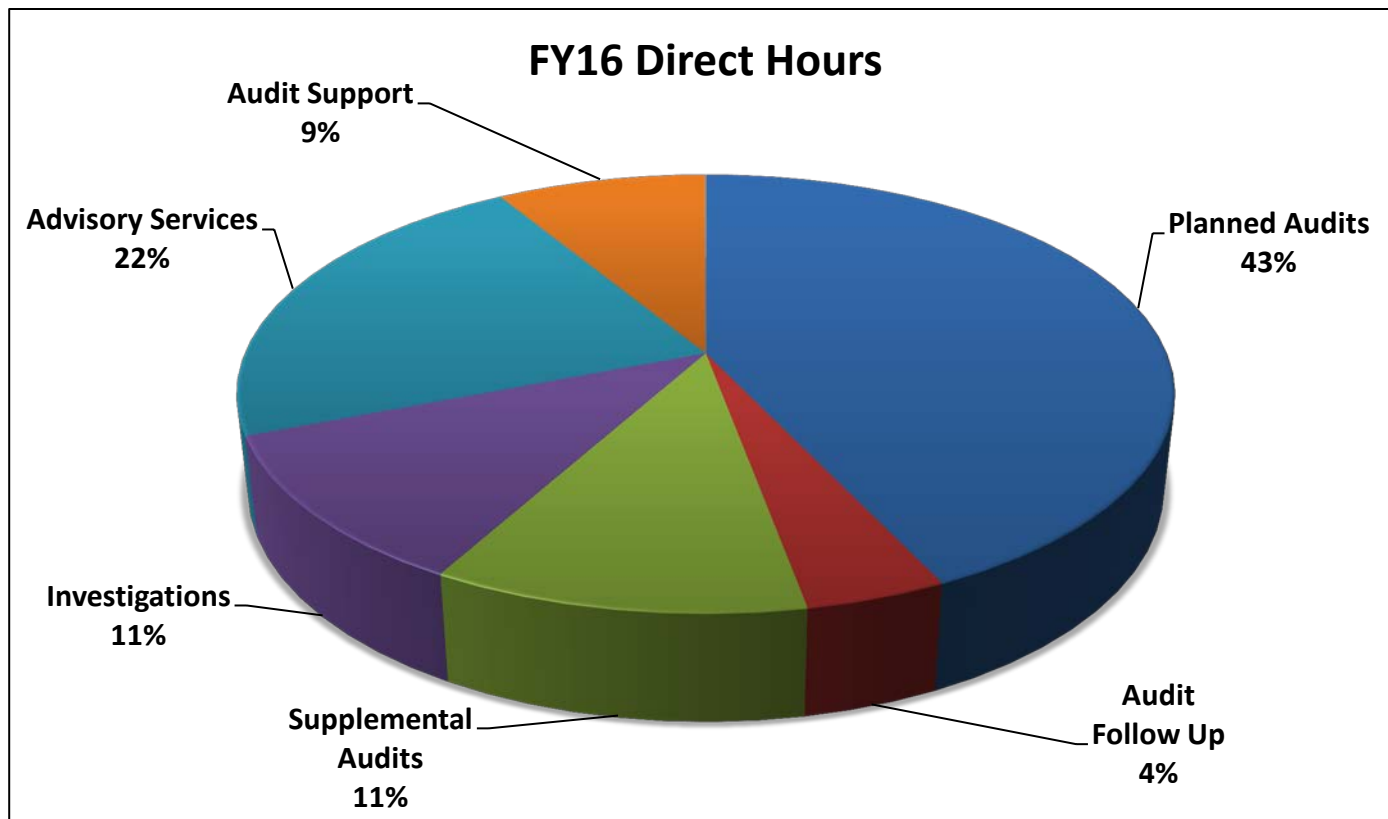
Resource Allocation

The table to the left displays the deployment of the Available Resources among our activities by type (audit, advisory services and investigations). While the mix over time tends to shift somewhat between Investigations and Advisory Services, the commitment of the majority of our efforts to a substantial program of regular audits remains evident.

*Total Hours for 327 Planned Projects = 88,013 (see Planned Projects at Appendix 1)

The chart below depicts the direct audit coverage of our FY16 plan. It demonstrates that over half of our planned direct hours have been allocated to planned and supplemental audits, with the remaining time allocated to our other lines of service, advisory services and investigations, as well as audit follow up and audit support activities.
(refer to the next page for the specific detail of the direct areas).

Distribution of Direct Hours



* Audit support activities include audit planning, audit committee support, systemwide audit support, computer support and quality assurance

DISTRIBUTION OF AVAILABLE HOURS

	FY16		3/31/2015 Annualized	
	Plan	Percent	Actual	Percent
INDIRECT HOURS				
Administration	18,020	9.2%	20,020	10.7%
Professional Development	10,117	5.2%	11,439	6.1%
Other	618	0.3%	-	0.0%
Total Indirect Hours	28,755	14.7%	31,459	16.8%
DIRECT HOURS				
Audit Program				
Planned Audits	71,170	36.3%	77,268	41.3%
Supplemental Audits	19,078	9.7%	8,153	4.4%
Audit Follow Up	6,925	3.5%	5,767	3.1%
Total Audit Program Hours	97,173	49.5%	91,188	48.8%
Advisory Services				
Advisory Service Projects	27,433	14.0%	22,770	12.2%
External Audit Coordination	7,507	3.8%	5,528	3.0%
Compliance Support	2,381	1.2%	2,043	1.1%
Total Advisory Services Hours	37,321	19.0%	30,341	19.6%
Investigations Hours, IN	18,473	9.4%	20,000	9.2%
Audit Support Activities				
Audit Planning	3,468	1.8%	2,679	1.4%
Audit Committee Support	1,869	1.0%	1,493	0.8%
Systemwide Audit Support	4,268	2.2%	5,083	2.7%
Computer Support*	3,645	1.9%	3,851	2.1%
Quality Assurance	1,216	0.6%	900	0.5%
Total Audit Support Hours	14,466	7.4%	14,006	7.5%
Total Direct Hours	167,433	85.3%	155,535	83.2%
TOTAL NET AVAILABLE HOURS	196,188	100.0%	186,994	100.0%

Distribution of Available Hours

The table to the left provides a more detailed breakdown of planned time as a basis for ongoing accountability. From this detail the continuing commitment to timely audit follow-up is displayed by the plan to invest approximately 7,000 hours. The category of Compliance Support is intended to facilitate our efforts to integrate the Compliance and Audit Programs into joint efforts such as annual plan development, project coordination and ongoing risk monitoring.

* Includes time spent on TeamMate (Audit Management System) upgrades and functional enhancement

Appendix – List of Audit and Advisory Service Projects

Appendix lists all the planned audit and advisory service projects at each location - the progress and status of these projects are reported quarterly.

Systemwide-Focused Projects (2.5 FTE at UCOP) – Audits	Hours	Est. Completion Qtr
UCOP Executive Compensation (Systemwide)	125	4
IT Security (Systemwide)	200	4
Construction (Systemwide)	200	4
Medical Centers Clinical Enterprise Management Recognition Plan (CEMRP)	250	2
Office of the Treasurer Annual Incentive Plan (AIP)	250	2
Office of the Chief Investment Officer (OCIO) Cash Management	250	1
OCIO Defined Contributions Plan	250	3
UCPath Application Security	175	1
RASC Targeted Process Reviews	225	3
Systemwide-Focused Projects – Advisory Services	Hours	Est. Completion Qtr
Student Health Self-Assessment Assistance	100	4
OCIO Business Continuity/Disaster Recovery Planning Assistance	50	4
Uniform Guidance Advisory Assistance	100	4
UCPath Implementation Advisory Assistance	400	4
Total Planned Hours – Systemwide-Focused Projects	2,575	

Lawrence Berkeley National Laboratory (5 FTE**) – Audits	Hours	Est. Completion Qtr
FY15 Cost Allowability	650	3
Conference Activities	350	3
Office of Management and Budget (OMB) Circular A-123	350	2
IT Security (Systemwide)	250	1
Construction (Systemwide)	250	2
F\$M Post-Implementation	450	3
Technology Transfer	400	3
Home Office Costs	350	2
American Recovery and Reinvestment Act (ARRA) Closeout	250	3
Lawrence Berkeley National Laboratory – Advisory Services	Hours	Est. Completion Qtr
CY15 Executive Compensation (AREC) (Systemwide)	300	3
Employee Performance Management	300	2
Safety Programs	400	2
Total Planned Hours – LBNL	4,300	
UC Berkeley (8 FTE) – Audits	Hours	Est. Completion Qtr
Implementation of Regulatory Changes under the Uniform Guidance	300	4
Internal Communications — CalMessages	300	2
Leave Management and Liability	300	4
Business Partnerships (including public private partnerships, exclusive arrangements, joint ventures)	300	4
Procurement in the International Environment	240	3
Lawrence Hall of Science	250	3
Space Sciences Laboratory	250	4
Student Fees	300	2
International Visiting Scholars	180	2
Performance Measurement	240	2
Commercialization of Intellectual Property	240	4
Research Data Management	240	2
Supervisory Control and Data Acquisition (SCADA) / Embedded Systems	300	3
Alignment of Human Resources System Access, Roles, and Responsibilities Post Campus Shared Services Implementation	300	3
Chancellor's Expense G-45 (Executive Compensation) (Systemwide)	150	3
Health Insurance Portability and Accountability Act (HIPAA) Compliance	240	4
Construction (Systemwide)	250	2
IT Security (Systemwide)	250	3

**Plus contracted resources

UC Berkeley – Advisory Services	Hours	Est. Completion Qtr
School of Law - Administration	200	4
Data Analytics (Research Administration)	200	4
Data Analytics	200	4
Student Information System Implementation	200	4
Financial Internal Control Documentation	200	4
Financial Fraud and Misconduct Risk Management	200	4
Total Planned Hours – UCB	5,830	
UC Davis (12.5 FTE) – Audits	Hours	Est. Completion Qtr
Epic Resolute Billing	400	1
Office of Research	400	2
Financial Aid	350	4
G-45 (Systemwide)	100	3
Construction (Systemwide)	250	2
IT Security (Systemwide)	50	4
Police Department	250	1
Student Admissions by Exception	200	4
Effort Reporting/Cost Sharing	300	3
Charge Capture Pathology Labs	350	2
Clinical Operations - Clinic to be selected	300	1
Rehabilitation Unit	300	3
Wasting of Narcotics	250	3
Remote Access/Third Party Access	380	4
Research Computing Data Security	380	3
Disaster Recovery	380	2
Student Health Center Data Security	380	1
Receivable Reconciliations	400	3
UC Davis – Advisory Services	Hours	Est. Completion Qtr
Volunteer Management	350	3
Academic Advising	400	4
Global Footprint	300	4
Consulting Expenses	300	4
Procurement System Implementation	200	4
Two-Factor Authentication	100	4
Associated Students, University of California, Davis (ASUCD)	400	1

UC Davis – Advisory Services	Hours	Est. Completion Qtr
Education Administrative Review	300	3
Vet Med Administrative Review	300	4
Assist Controller Committee of Sponsoring Organizations of the Treadway Commission (COSO) Assessment	40	1
Law Fellow Development	750	4
Campus Committee Participation	180	4
Health System Committee Participation	50	4
ACL Analytics and Development	200	4
IT Committees	25	4
Total Planned Hours – UCD	9,315	
UC Irvine (9 FTE) – Audits	Hours	Est. Completion Qtr
Mesa Court Housing	300	1
Overtime	300	2
Donated Art	250	1
Health Sciences Compensation Plan Management	400	3
Cashiering - Campus	350	2
Plastic Surgery	300	2
Hospital Receivables - Denial Management	300	4
Radiological Sciences	300	1
Referral Labs	300	2
Executive Compensation Annual Report on Executive Compensation (AREC) & G-45 (Systemwide)	200	3
Conflict of Commitment/Outside Professional Activities	300	2
Facilities Management - Campus	400	4
Pharmacy Business Operations	350	1
IT Security (Systemwide)	200	3
Campus Billing Services	300	4
Pre Award and Post Award Administration	400	3
School of Education	400	4
Dermatology	300	3
Disaster Recovery & Business Continuity Planning (Medical Center)	300	4
Construction (Systemwide)	250	3
UC Irvine – Advisory Services	Hours	Est. Completion Qtr
Police Department Property Audits	75	4
Kuali Financial System Workflow	100	4
UC Path	75	4

UC Irvine – Advisory Services	Hours	Est. Completion Qtr
Payroll Certification System	75	4
Office of Management and Budget (OMB) Uniform Guidance	75	4
International Statistical Classification of Diseases and Related Health Problems (ICD)-10 Readiness	100	4
Continuous Auditing Corporate Card Transactions	75	4
Student Information System Implementation	75	4
Physical Inventory Observations	50	4
Electronic Medical Record System	100	4
Total Planned Hours – UCI	7,000	
UC Los Angeles (28 FTE***) – Audits	Hours	Est. Completion Qtr
Network Clinics	2000	1
Clinical Laboratory	500	1
Affiliation Agreements	400	1
Skilled Nursing Facility	450	1
Accountable Care Act Alliances	350	1
Radiology	475	1
Patient Business Services	350	1
Hospital-administered Construction Projects (Systemwide)	425	1
Physicians' Billing Office	350	1
Recruitment Costs	300	1
Housestaff Duty Hours	425	2
Information Technology - Change Controls	400	2
IT Security (Systemwide)	160	2
Per Diem Employees	380	2
Main Cashiering Office	400	2
Fundraising Effectiveness	300	2
Nutrition - Outsourced Food Vendors	350	2
Volunteer Program	375	2
Mobile Device Security	250	2
Operation Mend - Advisory	120	2
Parking Subsidies	300	2
Bruin Café - Cashiering Audit	215	3
Housing Information Technology	315	2
Off-Campus Housing (OCH) - Maintenance Shop	265	3
UCLA Catering	315	2

*** Incorporates recharge model

UC Los Angeles – Audits	Hours	Est. Completion Qtr
Vending Procurement and Inventory	265	3
Dining Services Purchasing (Non-Food)	315	2
Mail, Document, and Distribution Services	470	3
Business Continuity	300	1
Infrastructure Security - Consolidation	300	1
Equipment Inventory and Property and Evidence Management	475	3
Human Resources and Payroll Center - North	500	1
Contracting and Project Management - Design, Project Management & Operations (DPMO)	350	2
General Operations (DPMO)	300	2
Equipment Inventory Review - Finance & Information Systems (F&IS)	350	3
General Operations - Maintenance and Alterations (M&A)	400	2
Fleet and Transit (F&T) - Vehicle and Vessel Management	320	3
Parking Permit Inventory	210	2
Events & Transportation (E&T) - Cashiering	335	2
Cooperage Division: Taco Bell, Bruin Buzz, Curbside, Tsunami, Kerkoff Coffee House	200	3
Human Resources - Payroll	300	2
General Controls	250	2
Food Services - Point of Sales System	250	2
Employee Time and Attendance Reporting	300	2
Materials and Equipment Purchasing	350	2
Project Closeout Process	350	3
Recharge Process	350	3
Foundation	500	1
Athletics	400	1
Purchasing	400	1
CashNet Process and Reconciliation	400	1
Academic Department - 1	500	2
Academic Department - 2	500	2
Academic Department - 3	500	2
Executive Compensation - Chancellor's Expenses (G-45) (Systemwide)	200	2
Executive Compensation - Annual Review of Annual Report on Executive Compensation (AREC) (Systemwide)	250	2
Total Planned Hours – UCLA	21,060	

UC Merced (2 FTE) – Audits	Hours	Est. Completion Qtr
Control of Equipment and Supplies	200	1
Records Management	200	1
Human Resources - Leaves and Workers Compensation	200	1
Purchase Card and Low Value Purchases	200	2
Financial Aid and Scholarships	200	2
Export controls	200	2
IT Security (Systemwide)	200	3
Executive Compensation (Systemwide)	100	3
Construction (Systemwide)	200	4
Dining Services - Control of Payments and Inventories	200	4
UC Merced – Advisory Services	Hours	Est. Completion Qtr
Financial Processes Reviews - Schools of Engineering and Social Sciences, Humanities and Arts (SSHA)	150	1
Additional uses of Data Analytics	200	3
Review of Uniform Guidance requirements	200	4
Total Planned Hours – UCM	2,450	
UCOP (1.5 FTE UCOP staff plus co-sourced auditors) – Audits	Hours	Est. Completion Qtr
ANR 4-H Youth Development Program Cash Review	200	1
ANR Research and Extension Center (REC) Review	200	1
UCOP – Advisory Services	Hours	Est. Completion Qtr
Research Grants Program Office (RGPO) System Implementation Advisory Assistance	100	4
Agriculture and Natural Resources (ANR) Cooperative Extension Support Costs - Phase 2	120	2
ANR Data Analytics Assistance	100	4
ANR UCPATH Future State Process Design Assistance	150	2
Office of General Counsel (OGC) Financial Controls Review	100	1
Business Resource Center (BRC) Data Analytics Assistance	100	4
Data Center Migration	150	2
Total Planned Hours – UCOP	1,220	
UC Riverside (5 FTE) – Audits	Hours	Est. Completion Qtr
School of Medicine	360	1
IT Security (Systemwide)	280	2
Housing, Dining and Residential Services (HDRS)	320	2
University Extension (UNEX)	320	2
Contracts and Grants	340	3

UC Riverside – Audits	Hours	Est. Completion Qtr
Laboratory Safety	300	2
Contract Audit - Performance	300	3
Business Continuity	300	4
Campus Mobile Devices	330	4
Senior Management Group (SMG) Travel & Entertainment	320	3
Annual Analytic Review & Fraud Detection	760	4
Construction (Systemwide)	320	3
UC Riverside – Advisory Services	Hours	Est. Completion Qtr
Campus Efficiencies/Operational Excellence	480	4
UCPath	140	4
Early Academic Outreach Program	320	2
Patent Expenses	280	1
School of Medicine	160	4
Training - Other	60	4
Training - Whistleblower & Fraud	60	4
Training - Orientation	60	4
Enterprise Risk Management (ERM)	120	4
Total Planned Hours – UCR	5,930	
UC Santa Barbara (6.75 FTE) – Audits	Hours	Est. Completion Qtr
IT: Financial System Implementation Project (FSIP) - Limited Scope Progress Review	325	1
UCSB Extension	300	1
California Nanosystems Institute (CNSI)	275	1
Stewardship of Student Funds	300	1
IT: Financial System Implementation Project (FSIP) - Phase I Post Implementation Internal Control Review (Business & Financial Services)	275	2
Lab Safety: Settlement Compliance	275	2
Associated Students Internal Control Review	275	2
Construction (Systemwide)	250	2
Long Range Development Plan (LRDP): Reporting and Mitigation Monitoring	250	3
IT: Information Security - Restricted Information	250	3
IT: Information Security - North Hall Data Center Physical Security	250	3
Executive Compensation: Annual Report on Executive Compensation (AREC) (Systemwide)	100	3
Credit Cards: Payment Card Industry (PCI) Compliance	275	3
Sponsored Projects: Cost Sharing	250	3

UC Santa Barbara – Audits	Hours	Est. Completion Qtr
Intercollegiate Athletics and Department of Recreation: Procurement and Contracting	300	4
IT: Enterprise and Campus-wide IT Project Costs: FY 2015-16 Review	275	4
Research Conflict of Interest	250	4
IT: Information Security (Systemwide)	200	4
UC Santa Barbara – Advisory Services	Hours	Est. Completion Qtr
IT: UCPath Implementation Support - Business Process Evaluation	275	3
IT: UCPath Implementation Support - Facilitating UCPath-Driven Change	275	4
IT: Financial Aid System Implementation - As-Needed Project	200	4
IT: Enterprise Systems Implementation - As-Needed Project	150	4
Data Analytics Program - Development and Collaboration	250	4
Outreach, Training, and Presentations	200	4
Total Planned Hours – UCSB	6,025	
UC Santa Cruz (4 FTE) – Audits	Hours	Est. Completion Qtr
IT Cloud Computing	430	2
Building Management Systems on Public Networks	450	3
Safety of Faculty & Staff on Field Research Assignments	400	2
Campus Key and Building Access Controls	450	3
Joint Ventures, Memorandums of Understanding (MOU's), Partnerships and Affiliations	455	2
Campus Policy and Guidance Implementation	350	3
Student Miscellaneous Fee Governance	325	4
Annual Report on Executive Compensation (AREC) (Systemwide)	100	4
Chancellor's Expenses - BFB G-45 Bi-yearly (Systemwide)	100	4
Construction (Systemwide)	250	3
IT Security (Systemwide)	200	3
UC Santa Cruz – Advisory Services	Hours	Est. Completion Qtr
NCAA Report Annual Review	58	3
Accessibility Governance – Accessible Technology Committee (ATC)	80	1
Strategic Plan - Silicon Valley	150	2
Enterprise Technology Center (ETC) Borland Proposal	325	1
Student Intern Program	60	4
Business & Administrative Services (BAS) Financial Reporting	40	4
Investigation Workgroup	40	4
IT Security Committee (ITSC)	40	4

UC Santa Cruz – Advisory Services	Hours	Est. Completion Qtr
Business & Administrative Services (BAS) Support	40	4
UC Laboratory Audit Committee Support	80	4
Total Planned Hours – UCSC	4,423	
UC San Diego (16.2 FTE) – Audits	Hours	Est. Completion Qtr
Effort Reporting	350	1
Cashiering and Sub-cashiering (BUS-49)	350	2
Drawdowns (Cash Management)	350	4
Sub-recipient Monitoring	350	2
Student Business Services	400	3
Major Capital Construction (Jacobs Medical Center) (Systemwide)	400	2
Advancement - Gift Processing	300	1
Department Financial Controls (Anthropology)	300	3
Recreation - Business Process Review	400	1
Graduate Student Funding	400	1
SIO Academic Affairs Business Processes	350	4
IT Security (Systemwide)	200	2
Clinical Research Billing	400	4
Clinical Partnerships - Site Operations Review	400	2
Surgical & Perioperative Services (Epic OpTime)	400	3
Gastroenterology/Endoscopy Services	400	2
Infusion Services (Hillcrest, La Jolla, Encinitas)	400	4
Medication Charges: Dispense to Administration	400	2
Authorization Management Processes	400	4
Advanced Beneficiary Notices (ABN) Process	400	3
International Statistical Classification of Diseases and Related Health Problems (ICD)-10 Implementation	350	4
Health Sciences Research Service Core	350	1
Stem Cell Clinical Trial Accounting	300	1
Department of Radiation Medicine & Applied Sciences	300	2
UC San Diego – Advisory Services	Hours	Est. Completion Qtr
Data Analytics - Bookstore Recharges	250	1
Annual Review of Executive Compensation (AREC) (Systemwide)	200	4
Data Analytics - Payroll and Faculty Compensation	250	3
Chancellor's Expenses (Systemwide)	200	1

UC San Diego – Advisory Services	Hours	Est. Completion Qtr
Charity Care	250	3
Financial Policy – Self-Pay Patients	250	3
Total Planned Hours – UCSD	10,050	
UC San Francisco (10 FTE) – Audits	Hours	Est. Completion Qtr
Joint Ventures / Affiliations	450	4
Clinic Operations	250	2
Clinical Funds Flow	350	1
EPIC Post-Implementation Review	450	3
Data Warehouse Management	250	2
Mission Bay Hospital	300	4
Faculty Compensation Plan	300	1
Construction (Systemwide)	250	2
Chemicals Management	250	3
Office of Sponsored Research New Process Validation	250	3
Conflicts of Interest / Commitment	250	2
Clinical Research Billing	200	4
Data Security Compliance Program Follow Up	350	3
Third Party Network Access	300	1
KPMG IT Remediation	250	2
IT Security (Systemwide)	200	3
Executive Compensation (Systemwide)	200	2
Human Resources Operations / Office of Federal Contract Compliance Programs (OFCCP) Compliance	400	4
UC San Francisco – Advisory Services	Hours	Est. Completion Qtr
Data Analytics - Quality Measures	250	4
UCSF Health Finance Organization	200	3
Data Analytics - Faculty Practice Organization (FPO) Monitoring Of Financial Performance	150	3
ACL Analytics - USBANK Services	150	1
UCSF Fresno - Research Activities	250	2
Facilities Services - New System Implementation	150	3
UCSF Foundation - Pace System Implementation	150	3
Capital Programs System Implementation	150	4
Continuous Monitoring Program	400	4
Background Check	150	2
Payment Card Industry (PCI) Compliance Advisory	200	3

UC San Francisco – Advisory Services	Hours	Est. Completion Qtr
Office of Management and Budget (OMB)-81 Workgroup	25	4
Medical Center Compliance Committee	30	4
Clinical Enterprise Compliance Committee	30	4
Investigations Workgroup	60	4
IT Governance Committee	30	4
IT Governance Business Committee	25	4
IT Governance Technology & Architecture Committee	25	4
Ethics & Compliance Board	60	4
Security and Policy Committee	25	4
ICD-10 Committee	25	4
Research Advisory Board	25	4
Privacy Steering Committee	25	4
Total Planned Hours – UCSF	7,835	
All Campuses and Lab Total Planned Hours	88,013	

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



ETHICS AND COMPLIANCE PROGRAM PLAN FOR
FY 2015 – 16

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I. Executive Summary

Background and Overview

The Office of Ethics, Compliance and Audit Services (ECAS) is a Regental Office of the University of California (UC) responsible for leadership, strategic direction, campus guidance and resources to ensure the University fulfills its responsibilities in an ethical environment that is compliant with applicable laws, rules, regulations and University policies. ECAS develops an annual work plan to mitigate non-compliance in high-risk areas and ensure that UC's core mission and objectives are supported by effective compliance controls which are evaluated on a periodic basis.

The UC Ethics and Compliance Program Plan (Plan) for FY2015-16 (FY16) is developed in collaboration with the ten campuses, Lawrence Berkeley National Laboratory (LBNL), Office of the President, Division of Agriculture and Natural Resources (ANR), and the five academic medical centers. The Plan focuses on key compliance risk areas that are priorities for the system and campuses to address during the new fiscal year.

Key Compliance Areas and Strategic Foci

Seven systemwide priorities were identified in FY16 with 21 specific strategic foci. Embedded across and within these priorities are overarching critical drivers such as crisis management and business continuity plans, facilities maintenance and employment factors (retention, recruitment and succession planning). While we recognize these drivers and are cognizant of them in our efforts, the FY16 Plan focuses on areas under the direct purview of the compliance function.

Consequently, these seven priorities and 21 strategic foci are (listed in no particular order):

1. **Safety** - *ensuring our students, faculty, and staff are safe*
 - a. **Laboratory Safety**
 - b. **Sexual Violence and Sexual Assault Prevention and Response**
 - c. **VAWA/Clery Act Implementation**
2. **Research Compliance** – *addressing complexities of research in areas of government regulation, including export control*
 - a. **Research Regulations**
 - b. **Export Controls**
3. **Government Reporting** – *monitoring external regulatory activities, e.g. agency audits, and key risk areas where supporting documentation is required for receiving federal and/or state funding*
 - a. **OMB Uniform Guidance: New Processes**
 - b. **Regulatory and Reporting Requirements**
4. **Data Privacy and Information Security** – *auditing and monitoring, and continued training on protection of data across the UC landscape*
 - a. **Information Security**
 - b. **Data Management**
 - c. **PCI compliance (credit cards)**
 - d. **Privacy and Information Technology**

5. **Health Sciences** – *monitoring the complexities associated with the Affordable Care Act, clinical research and related billing, and other regulatory compliance areas*
 - a. **Clinical Research Billing**
 - b. **Open Payments: Conflict of Interests**
 - c. **Billing and Coding (ICD-10 Conversion)**
 - d. **Contract Management**
6. **General Compliance** – *implementing appropriate tools and resources for international activities, conflicts of interest monitoring, policy and procedure management, investigations, and overall tracking of emerging themes*
 - a. **International Activities**
 - b. **Third Party Relationships**
 - c. **UC Path**
7. **Culture of Ethics and Compliance** – *supporting the cultural tone of accountability and "doing the right thing"*
 - a. **ADA/EEOC/Accessibility**
 - b. **Systemwide Education and Training**
 - c. **Standards of Conduct and Policy & Procedures**

Further descriptions of each of the 21 specific risk categories are outlined in more detail in Section III of this Plan.

II. Compliance Program Plan and Development

Higher Education Ethics and Compliance Program

Industry standards confirm that the essential hallmarks of an effective ethics and compliance program are based on the nationally accepted foundation of the United States Sentencing Commission's seven elements of an effective compliance program. Guidance from the Commission recommends that an effective compliance program is comprised of:

- Clear oversight through governance structures
- Well-articulated policies and procedures
- General and targeted training addressing 'top risks'
- Monitoring and mitigation of 'top risks'
- Enforcement and appropriate discipline for non-compliance
- Transparency and optimal communication practices
- Methods for appropriate response and prevention

Within this framework, higher education continues to receive increased scrutiny, review and regulations at the state and federal levels. A recent report of the *Task Force on Federal Regulation of Higher Education* from the American Council on Education documented a range of complexities implicit and explicit in higher education regulations.

This regulatory climate continues to intensify. During FY15, the University saw increased interest in biosafety compliance, campus crime reporting, sexual violence/sexual assault prevention and response, crime reporting/safety, health care billing, and research grant reimbursements. These

changes in the regulatory climate increase the pressure on UC to have an active, robust and transparent compliance program.

The University of California. The University of California is recognized nationally and internationally as having an industry-leading compliance program. A key underlying framework for the UC program is having a compliance plan based on the seven elements identified above coupled with strategic visioning, transparent assessment and Regental oversight. The Senior Vice President and Chief Compliance & Audit Officer provides leadership for the University and as a Regental Office has the unique ability and expertise to direct a compliance program that is transparent, responsive and innovative as the University continues as a leader in education, research and public service.

UC's Compliance Plan is Dynamic: Adapting to Change. While many colleges and universities have worked to establish compliance governance structures and communication frameworks, high-risk areas remain and there can be a gap between policy and behavior. These pressures—regulatory, budget, emerging cultural changes—necessitate a compliance program and Plan that is transparent and systematic while being fluid and responsive to change at system and local levels.

A key UC compliance program key strength is its ability to change and adapt to emerging issues, trends and regulatory changes. For instance, last Spring there was a call for a moratorium on work in biosafety Level-3 laboratories from national activists and the Centers for Disease Control and Prevention (CDC) to assess safety procedures. In response, President Napolitano formed the “President’s Task Force on Biosafety and Biosecurity” directing ECAS and Environmental Health & Safety (EH &S) to take a leadership role. In another example, new regulations in campus crime reporting required shifting resources within the FY15 approved Plan. Consequently, new or unanticipated regulatory requirements continue to re-direct the focus on emerging issues that drive our efforts and affect our Plan. Within ECAS’s strategic leadership role for the University’s compliance program, responding to these new risks is our highest priority.

Effective compliance programs and work plans should not be fixed but should be dynamic—they must have the ability to change as risks evolve and new ones are identified. Within UC, quarterly updates to the Regents and regular interaction with senior leadership allow the University’s Plan to change with both the current, and the unanticipated, emerging risks the University faces. This ability to implement four “R” processes—Review, React, Respond and Report—continues to be a strength of the University’s compliance efforts.

Emerging areas of risk were of consideration in the FY16 Plan and influenced the compliance effort’s focus for next fiscal year. For example, social media, electronic purchasing card transactions, common electronic medical record systems, and online education raise parallel data privacy and information security concerns. Another example includes the growing footprint of UC faculty and students in international activities that create increased challenges in conflict of interest/conflict of commitment monitoring and fiscal accountability. Further, issues of foreign transactional compliance require improvements in governance and accountability in our relationships abroad, as well as the continued

focus on the safety of our students, staff and faculty. Finally, the importance of ensuring our campuses are safe, accommodating and welcoming is continually at the forefront of everyone's efforts.

Ongoing Strategic Leadership. As an industry best practice, the effectiveness of a compliance program should be assessed on a regular basis. ECAS had a formal systemwide assessment by an outside reviewer in FY14, and changes and suggestions were implemented as a result of that review. ECAS continues ongoing self-assessments and identifying how processes can be improved in conjunction with the campuses. As well as ensuring ongoing effectiveness of the overarching compliance program, ECAS leads strategic efforts of the UC compliance program ensuring sustainability, transparency and ongoing focus on the highest levels of compliance.

Development of the Plan

The FY16 Plan draws on the efforts of hundreds of staff across the UC system. Each campus risk assessment and subsequent work plan involved efforts from staff across all departments and functional units. This year's Plan saw increased and improved effort to move the UC ethics and compliance program toward a more mature risk intelligent approach. "Risk intelligence" is an organization's ability to think holistically about risk by utilizing a common framework to help senior leadership make better decisions in achieving strategic goals. This year there was a concerted effort to involve these areas in "horizontal" risk assessments across the campus as opposed to silo-based, singular risk assessments.

Development of the individual campus plans included Campus Ethics and Compliance Officers (CECOs), partnering with experts in risk, internal audit and legal services, inclusion of a variety of subject matter experts, and discussions with leadership, campuses engaged in many processes to develop compliance plans based on a risk intelligence model and approach. Surveys and interviews of campus leadership and key risk owners, reviews of new regulations, guidance and legal findings, followed by prioritization of risk based on probability, severity and level of control. The goal was to work systemically from strategic goals to risk identification, analysis and then prioritization with the objective of identifying a scalable list of risk priorities. ECAS evaluates these individual campus plans and develops the overarching Plan for the University.

Identifying and Prioritizing Key Compliance Risks within the Plan. Once individual campus compliance plans were compiled, ECAS aggregated the prioritized risks and work plan activities from each of the locations' ethics and compliance risk committees. These prioritized risks were analyzed with the campus compliance officers and final 21 "key compliance areas" were identified and confirmed. These prioritized risks are expanded and discussed in Section III.

III. Key Compliance Risk Focus Areas

Section III presents the aggregated campus risks that form the compliance risk priorities for the FY16 Plan. This Section outlines key goals and related activities that will be undertaken by ECAS to assist the locations in mitigating their specific risks within each of the systemwide prioritized risk areas.

1. Safety

A. Laboratory Safety

Campuses continue to assess and mitigate risks associated with implementing laboratory safety procedures and processes. EH & S has implemented significant programs and distributed protective personal equipment across the system. However, campuses continue to identify safety in our laboratories as a key risk area. This risk category is also driven by recent emphasis on biosafety and biosecurity, the work of The President's Task Force on Biosafety and Biosecurity, and the subsequent Presidential directives to campuses.

Goal

ECAS will partner with EH & S to assess compliance with the directives in the President's memorandum on biosafety and biosecurity as they are implemented across the system. Monitoring implementation of key laboratory safety requirements and regulations, and working with EH & S to review key training and education initiatives will also continue to be a major focus.

B. Sexual Violence/Sexual Assault Prevention and Response

Continued elevated national awareness remains around sexual violence/sexual assault on college campuses. This is in part due to the Office of Civil Rights (OCR) regulations and investigations, the 2014 California State Audit report and recommendations, and other state and federal legislation. A key effort in FY15 was the implementation and support of the President's Task Force on Preventing and Responding to Sexual Violence and Sexual Assault (SVSA). Eight key initiatives form the substance of the Task Force's recommendations. ECAS will sustain monitoring for campus efforts to meet the goals in these recommendations in FY16's Plan.

Goal

ECAS will continue to focus monitoring implementation of the SVSA recommendations. In addition, continued focus on developing guidance tools for the CARE advocates and Title IX coordinators to assist them to fulfill their responsibilities and reporting requirements for Title IX, and the SVSA recommendations. Continued efforts with the campuses will include exploration of emerging issues around sexual violence prevention to ensure the University's model for sexual violence prevention is responsive, innovative and transparent.

C. VAWA/Clery Act Implementation

The enforcement and scrutiny in compliance efforts related to sexual violence prevention and response is additionally heightened due to final regulations in the Re-authorization of the Violence Against Women Act (VAWA) as part of the Clery Act. The Clery Act—a broad-based campus safety and crime statistic reporting act—requires annual security reports, designating campus security authorities and key policy development. Compliance with the multitude of

reporting and notification requirements of the Clery Act continues to be critical as enforcement, review and potential fines by federal agencies are increasing.

Goal

Guidance, coordination across campuses and training will be led by ECAS to support compliance with the Clery Act (including VAWA). A UC systemwide policy on Clery Act requirements is under development. ECAS will also continue providing systemwide leadership and training to the campus Clery Act Coordinators and the campus security authorities (CSAs).

2. Research Compliance Risk

A. Research Regulations

Protecting our research subjects is of highest priority for UC. Maintaining the integrity of our work with research subjects is similarly of utmost importance to the University. Continued changes to the regulations governing research compliance creates new challenges for campuses, particularly in light of budgetary and facilities limitations.

Goal

Monitoring of subject review, institutional research compliance, regulations and queries will continue. ECAS will assist campus programs in the review and evaluation of their policies and procedures to ensure compliance and best practices with all research regulations.

B. Export Controls

Compliance with the evolving export control regulatory and operational landscape remains a key compliance risk for UC in FY16. The University needs to remain vigilant with the monitoring of international collaborations involving foreign travel and the shipping of research materials, as well as traditional UC concerns regarding fundamental research and academic freedom. ECAS continues serving as the Systemwide Export Control Compliance and Empowered Official roles under the International Traffic in Arms Regulations (ITAR) as well as leading the University's broader compliance initiatives within the international arena.

Goal

ECAS will continue to oversee how campuses monitor export control processes and training. For instance, ECAS will launch new training initiatives and will expand awareness and oversight as a result of the significant regulatory revisions occurring under Export Control Reform (ECR). ECAS will lead discussions with other central departments and systemwide locations to finalize a formal Export Control Compliance policy and support campuses in their efforts to establish local compliance programs. ECAS is part of a national multi-university organization focused on export control regulations in university settings; this expertise will continue to be infused into the University's Export Control Program.

3. Government Reporting

A. OMB Uniform Guidance: New Processes and Phased Approach

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR Chapter I, Chapter II, Part 200 (Uniform Guidance) was published by the Office of Management and Budget (OMB) and the Council on Financial Assistance Reform (COFAR) on December 26, 2013 in the Federal Register. The Uniform Guidance represents the culmination of a two-year effort by the federal government to harmonize and streamline administration of assistance awards by combining eight previous OMB circulars covering the areas of administrative requirements, cost principles and audit requirements.

The Uniform Guidance significantly updates the federal government's approach to awarding assistance agreements (grants and cooperative agreements). It shifts the focus of administration from a prescriptive set of rules to institutional accountability and performance. Accordingly, the University will need to adapt existing policy and guidance to provide a framework for effective internal controls on the campuses, and campuses will need to review their own standards of and procedures for internal control. Within this overarching concept there are nine priority areas of change to existing policy, guidance and procedures. Those areas are: allowable/unallowable costs, procurement, equipment, sub-awards, facilities and administrative costs, prior approvals, pre-award: mandatory disclosures, internal controls, and financial management and reporting.

The significant change in the longstanding policies and procedures for pre- and post-award management, costing principles and internal controls creates the potential for widespread compliance risks.

Goal

Across the system, ECAS will lead efforts across the system to:

- (1) Update UC's understanding of internal controls for compliance with the new Uniform Guidance.
- (2) Review internal controls through identification and assessment. Strengthen internal controls as necessary. Acceptable audits in previous years should not be relied upon as an indication that internal controls are sufficient.
- (3) Review policies and procedures to determine if they adequately address protecting Personally Identifiable Information (PII). Identify information systems and material that could contain Protected PII, and other sensitive information, and assess if controls are in place. Determine whether existing policies and/or controls need to be strengthened or should to be created to ensure compliance.

B. Regulatory and Reporting Requirements

The University receives billions of dollars from outside funding agencies to support its core mission. These include funding for health care, financial aid, research, and state and federal

grants. With this funding comes requirements and responsibilities. Government funding agencies such as National Science Foundation (NSF), National Institutes of Health (NIH), and the Department of Health and Human Services (HHS) continue to increase their regulatory and reporting requirements. Political pressure continues on fiscal responsibility and eliminating fraud, waste and abuse. Finally, outside reviews and audits place new constraints on how our campuses fund and support research and other programs.

Goal

We will continue to monitor new reporting and regulatory requirements from governmental funding agencies to maintain compliance processes and procedures. Necessary trainings and guidance will be implemented to support UC's efforts to maintain leading edge research programs that maintain the integrity of our programs for the public trust and government funders.

4. Data Privacy and Information Security

A. Information Security

Information security continues to be an increasing area of concern across UC's risk landscape. UC is not unique in addressing the area of data breaches which have elevated in sophistication beyond any institution's technical capabilities and has created continued risk to our campuses and health care institutions. Notification and mitigation requirements increase operational costs and campus reputational risks.

Goal

ECAS will provide training, resources and guidance to mitigate and address security breaches and lapses. We will work with IT Services and the ECAS Privacy Program to develop compliance guidance and monitoring processes to maximize our technical skills and minimize both healthcare and non-healthcare breaches.

B. Data Management

The University retains large amounts of data from its business operations as well as its academic research and health records. Despite varying levels of regulatory requirements around this data, adding a more cohesive information classification and management strategy will lower the risk of breaches, clarify contractual obligations of third-party vendors who handle University data, and help ensure the appropriate use of the data created by and entrusted to the University.

Goal

In the coming year, ECAS will work with campus subject matter experts to improve standard contract language around Data Security and Privacy, as well as offer training and awareness about [UC values and principles](#) for keeping our data private and secure.

C. PCI-DSS: Payment Card Industry Data Security Standard

An emerging risk identified across the system is the capturing and storing of Payment Card Industry Data Security Standard (PCI-DSS) data, a proprietary information security standard for organizations that handle branded credit cards. The Payment Card Industry (PCI) Standard is mandated by card brands and administered by the PCI Security Council. This Standard's purpose is to detect and prevent fraud through improper credit card use.

Goal

ECAS will collaborate with Audit Services and Risk Services to monitor campus efforts to implement PCI-DSS compliance processes that meet the PCI standards. Information will be gathered and incorporated into the systemwide compliance guidance and direction.

D. Privacy and Information Technology

In FY15, UC campuses began implementing the approved recommendations from the President's Steering Committee on Privacy and Information Security, as well as President Napolitano's Cybersecurity Risk Reduction Initiative (GERI). ECAS continues its collaboration with information technology leadership, privacy, audit services, legal, and risk management. The FY16 Plan includes ECAS collaborating with system and campus information security, risk management and campus privacy committees to develop or revise policies as necessary, provide training, and implement appropriate monitoring programs to identify goals for management action to mitigate risks.

Goal

ECAS will lead continued implementation of the University's privacy initiative as campuses continue building their privacy programs. ECAS will provide direction and collaborate with other departments and campuses on such issues as incident breach response, conducting privacy impact assessments, and training on privacy in specific areas such as student health, counseling, etc. ECAS will provide resources, including additional tools and education, to foster awareness of UC Statement of Privacy Values and Principles and share best practices from across the system and industry.

5. Health Sciences Compliance

A. Clinical Research Billing

Accurate and timely submission of billing and coding data to government reimbursement agencies continues to be a key compliance program risk that requires continual and focused vigilance. For UC's academic medical centers, the risks associated with clinical research billing represent an ongoing challenge. Due to changes in the California Medicare Administrative Contractor, the interpretation of reimbursable clinical items and services is being challenged by requirements for enhanced documentation for claim payment and appeal processes. The consequences of non-compliance with clinical research billing rules could be significant in terms of negative publicity for UC as well as increased paybacks of inaccurately billed services.

to insurers, potential monetary (civil) fines for billing errors to the Centers for Medicare and Medicaid Services (CMS), and undercharging or overcharging study accounts.

Goal

ECAS will review the clinical research billing processes and procedures at all UC academic medical centers and assess the extent that campus processes include timely Coverage Analyses, coordination with Institutional Review Boards (IRBs) and appropriate charges to third party payers. We will identify new or additional risks and develop systemwide approaches to mitigate these risks in an effective and consistent manner.

B. Conflict of Interest/Conflict of Commitment: Open Payments

Conflict of interest, conflict of commitment coupled with the federal government's new open payments database is a continued risk area for UC. With the recent implementation of the new Public Health Service conflict of interest regulations, UC faculty members now face multiple and sometimes divergent applicable policies related to conflict of interest and conflict of commitment. Federal funding agencies and some non-profit funders have adopted different standards related to reportable financial interests related to research and UC policies. The rollout of the CMS Open Payments Database, which captures pharmaceutical company (and other health care industries) payments to physicians and teaching hospitals, introduces another source of information that has potential to inform both research and healthcare related financial disclosures. However, the Open Payments Database is cumbersome, difficult to analyze and, thus far, full of inaccuracies.

Goal

ECAS will develop an analytic tool to analyze and synthesize the information in the Open Payments system. This tool will be made available for campuses to use with their internal determinations of conflict of interest and conflict of commitment.

C. Billing and Coding—ICD-10 Implementation

October 1, 2015 will see the long-delayed implementation of the CMS conversion of healthcare medical coding. Converting to the new coding system (called ICD-10) has been in preparation for several years and UC is ready. However, the conversion and changes are massive and compliance risks still exist related to medical necessity, appropriate documentation, monitoring of loss revenue, and staff errors that could result in potential false claims to government payors.

Goal

ECAS will continue providing training, guidance and leadership for ICD-10 implementation problems and issues. ECAS will continue to take the lead in providing resources for our academic medical centers to audit and monitor coding as we convert to the new system. Additionally, we will support the Student Health Centers and Counseling Centers with training in this area as well.

D. Contract Management

Contracts are generated and managed within different functions throughout our organization. Due to this fragmentation, areas of potential risk may be missed, i.e. proper privacy protections, appropriate rules addressed and correct application of regulations.

Goal

ECAS will work with key stakeholders on identifying appropriate areas to assist a more common approach to contract management.

6. General Compliance

A. International Activities

UC's international presence around the globe continues to expand. With expansion has come increased compliance monitoring activity and enforcement by the federal government. This increase reflects the climate of national security issues existing today. Changes in applicability of the Foreign Corruption Practices Act (FCPA) to higher education provide both opportunities and challenges for UC. Intercollegiate consortia, sponsored research, research collaborations, international alumni relations, foundations, trusts, etc., increase the pressure on UC to ensure compliance with both U.S. and multinational laws and regulations.

Goal

Campuses consistently rank compliance issues with international activities as a key risk. Risks associated with international activities will be mitigated through early implementation of controls, tools and training around key areas as well as establishing best practices across the system. ECAS is expanding its focus on compliance tools and initiatives for international travel programs and international shipping. Specifically, for the FY16 Plan, ECAS will lead an International Compliance Work Group comprised of key systemwide functions providing support to campuses. One key goal of this Work Group is the development of a web portal for UC researchers to access information to increase knowledge about, and compliance with, various laws and regulations from both U.S. and foreign governments.

B. Third-Party Relationships

One of the many aspects of UC that make it a world leader is our ability to partner with key entities, businesses, institutions and community agencies. A strategic focus for UC is innovation partnership to increase the University's footprint, reputation, legacy and financial foundation. However, campuses identified that this increased network of partners increases possible risks that come with memoranda of understanding, affiliation agreements, partnership arrangements and joint ventures.

Goal

ECAS will coordinate efforts across the system to inventory key legal, compliance, risk and regulatory issues that can arise from third-party arrangements. This inventory will be shared with senior leadership along with suggested possible guidance.

C. UCPATH

The implementation of a comprehensive unified human resources and payroll process system (UCPATH) is a goal set by the Regents. This year's Plan includes a review of the UCPATH implementation for risks associated with payroll, business payments and business financial continuity. Payroll errors, vendor payments or system down-time could impact University compliance and reporting requirements with federal, state and other grant-making agencies in addition to putting employees at risk if paychecks are not issued timely and/or accurately.

Goal

It will be important to monitor, in collaboration with Audit Services and Risk Services, the ongoing implementation of UCPATH to identify and mitigate associated risks from problems that are identified during testing and go-live periods. ECAS will work with UCPATH and campus leadership to communicate and address compliance concerns resulting from the UCPATH implementation.

7. Culture of Ethics and Compliance

A. ADA/EEOC/Accessibility

This year, campuses heightened the risk level of compliance with Americans with Disabilities Act (ADA), Equal Employment Opportunity Commission (EEOC) regulations, and specifically accessibility to information technology for students, faculty and staff. In addition, with the increased and mandatory reliance on computer technology for conducting everyday University business, campuses highlighted the risk of non-compliance with mandatory access issues. For instance, campuses must provide equivalent access for students, faculty and staff who require information technology for their work.

Goal

ECAS will facilitate the review of questions and issues around IT accessibility by partnering IT Services to develop necessary policies, trainings and recommendations for senior leadership.

B. Education and Training

The provision of systemwide training and education around a myriad of compliance issues is embedded throughout the Plan for FY16. Training and education—both for ongoing issues and emergent “just in time” issues—is critical for a transparent and effective compliance program.

Goal

ECAS will continue to develop and support leading-edge training and education programs on specific compliance topics. These trainings will include delivery of revised general ethics and compliance courses for all faculty and staff, new courses implementing sexual violence prevention information for students, faculty and staff, and training for campus security authorities (CSAs). In addition, ECAS will deliver specific, focused trainings for topics of need as identified by this Plan and new compliance risks.

C. Standards of Conduct and Policies & Procedures

Effective, accessible and accurate policies are the critical foundation for an effective compliance program. Maintaining, distributing and reviewing policies on a regular basis are essential.

In addition, a key component of effective compliance programs is investigating policy and standard of conduct violations when reported—including, but not limited to—violations that involve improper governmental activities and fraud. ECAS's Investigations Office continues to address a variety of investigation needs across the system and liaises with campus Locally Designated Officials (LDOs) and Campus Ethics and Compliance Officers (CECOs) to conduct fair, impartial and timely investigations. In FY15, the University issued a new Whistleblower Protection Policy and is updating the University's Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities (Whistleblower Policy).

Goal

ECAS will continue to provide clear and consistent guidance on Presidential policy management and governance. ECAS will continue developing the policy framework to provide a more consistent and transparent policy development process throughout the system. The University Policy Office will institute the systemwide policy crosswalk, linking Campus and Presidential policies, improving communication and ease of use, while continuing to enhance our web-based resources to improve access, transparency and tools for policy development.

The Investigations Office will augment its subject matter expertise with the addition of a Principal Investigator with experience in conducting workplace investigations in a health care environment. Additionally, it will work with Locally Designated Officials to develop and implement guidelines for minimum qualifications for UC's workplace investigators as well as facilitate increased training opportunities to promote best practices in investigations.

IV. Summary

The Compliance Plan for FY16 includes 21 overarching goals within seven key high level risk areas. The Plan was developed in collaboration with the campuses and discussion with the CECOs. During the year, ECAS will further review and refine the goals and objectives related to this Plan. It is important to realize that due to the dynamic nature of risks, the goals may be revised during the fiscal year to meet additional priorities or other business risks identified by the organization. Changes necessary to respond to emerging or new risks will be incorporated into the Plan and required revisions will be aggregated on a periodic basis and reported to the Regents' Compliance and Audit Committee.

Future Steps. As the UC compliance program continues moving towards a fully-developed mature risk intelligent model, cross-functional risk owners will continue coordinating their efforts to share different perspectives, reduce duplication of effort and conserve resources. For FY16, ECAS will continue working with the campus ethics, compliance and risk committees and mid-management compliance risk committees to help implement a "best practices" risk intelligent approach to continue implementing UC's model of risk intelligence. In addition, ECAS will be reaching out to systemwide campus partners to develop data analytic metrics that can be used to measure and benchmark risks and associated mitigation strategies. Partners in this collaborative model include Audit Services, Risk Management, Office of the General Counsel and ECAS working to develop a deliberate and transparent approach to risk reduction and compliance.

ECAS continues to collaborate with a variety of national universities to maintain our efforts to have "best practices" in place at the University of California. ECAS staff is involved with a variety of external collaborations that provide a forum to discuss and review compliance program best practices and process improvements. Our ongoing quality assessment challenges the UC compliance program to maintain the most robust, transparent and responsive compliance program among higher education campuses.