

Annual Report 2021-22

Ethics, Compliance and Audit Services

November 16, 2022



ECAS at a Glance

The Office of Ethics, Compliance and Audit Services (ECAS) is responsible for coordinating audit, compliance, and investigations efforts across the system.

The locations' **Internal Audit Directors** and **Chief Ethics and Compliance Officers** report to both local leadership and to the Regents through ECAS' Senior Vice President – Chief Compliance and Audit Officer (SVP/CCAO).

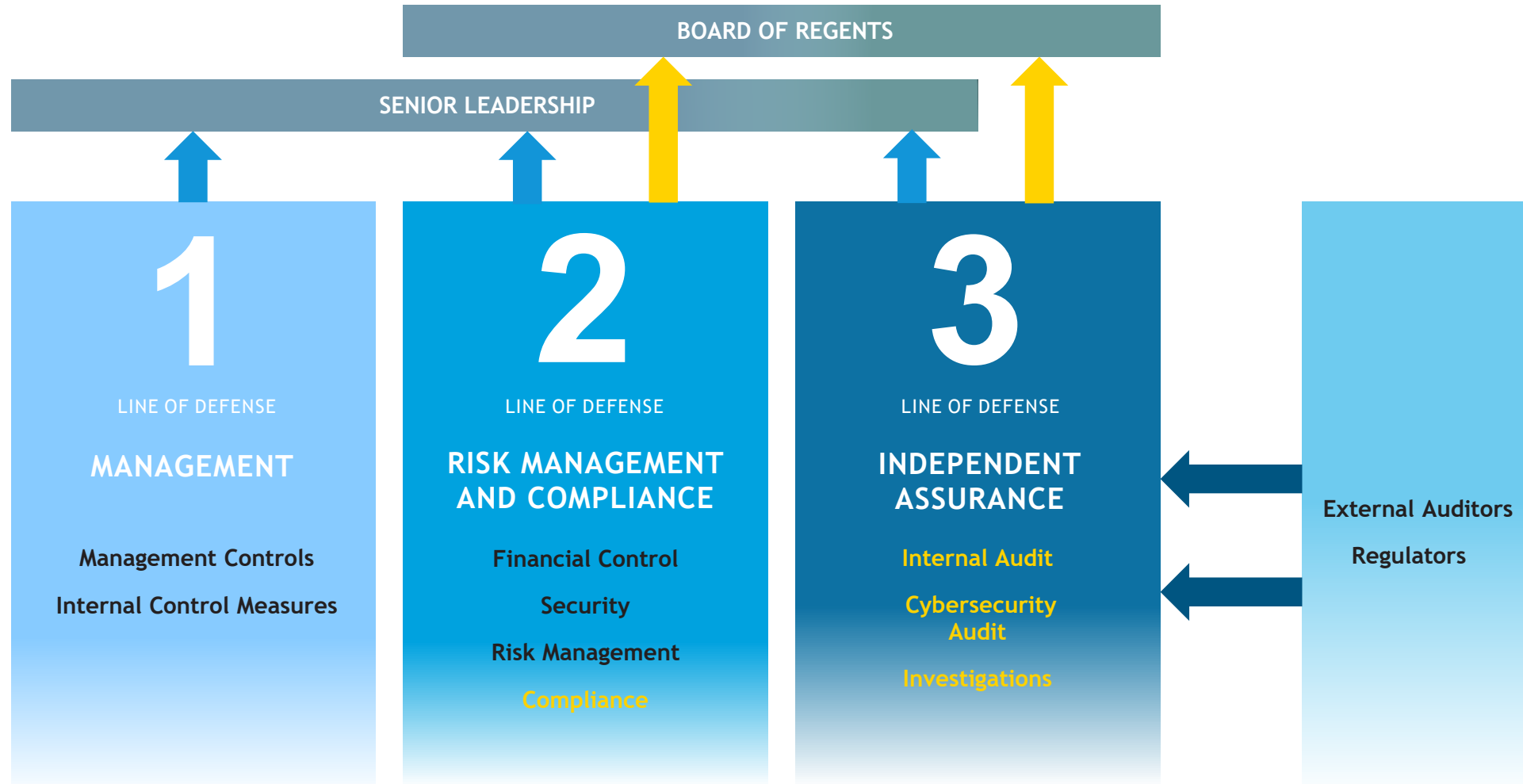
The health centers each have **Health Care Compliance Officers** who report to both the health centers' Chief Executive Officers and to the Regents through the SVP/CCAO.

ECAS maintains relationships with other campus compliance personnel ensuring compliance efforts are coordinated.



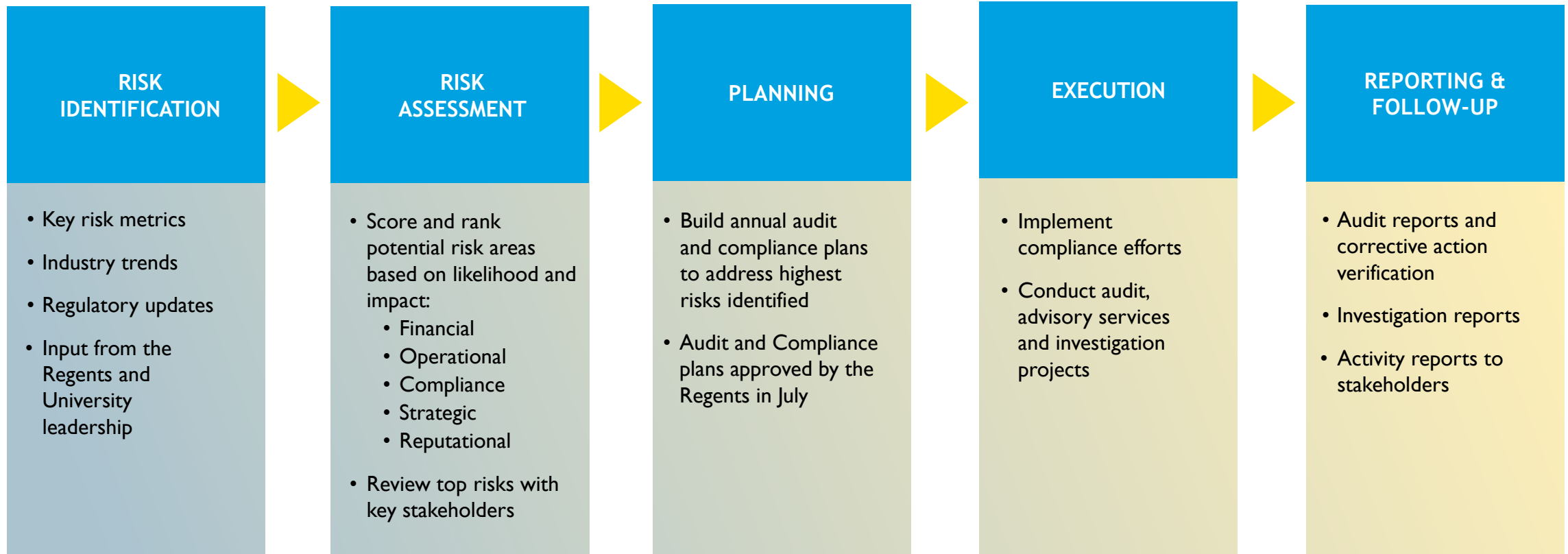
Three Lines of Defense

The Board of Regents and senior leadership are collectively responsible for managing the risks in accomplishing the University's mission and objectives. As depicted below, the University takes a coordinated approach to managing significant risks by utilizing a diverse group of professionals working together through the implementation of internal controls, risk management, and compliance efforts.



Risk Assessment Process

ECAS' risk assessment process involves the collection of risk information through interviews with leadership and management, surveys, regulatory and industry information, emerging trends, and data analytics. ECAS evaluates this information to identify UC's top institutional risk priorities that we address through internal audit and compliance projects.



Priority Risk Areas Identified for 2021-22

Each year, ECAS addresses a wide variety of operational, financial, and compliance risks facing UC. ECAS identified the following priority risk areas for 2021-22, through systemwide risk assessment efforts.



Cybersecurity

Technology Transfer

Research Security

Sexual Misconduct in the Clinical Environment

Healthcare Revenue Cycle

Clery Act Compliance

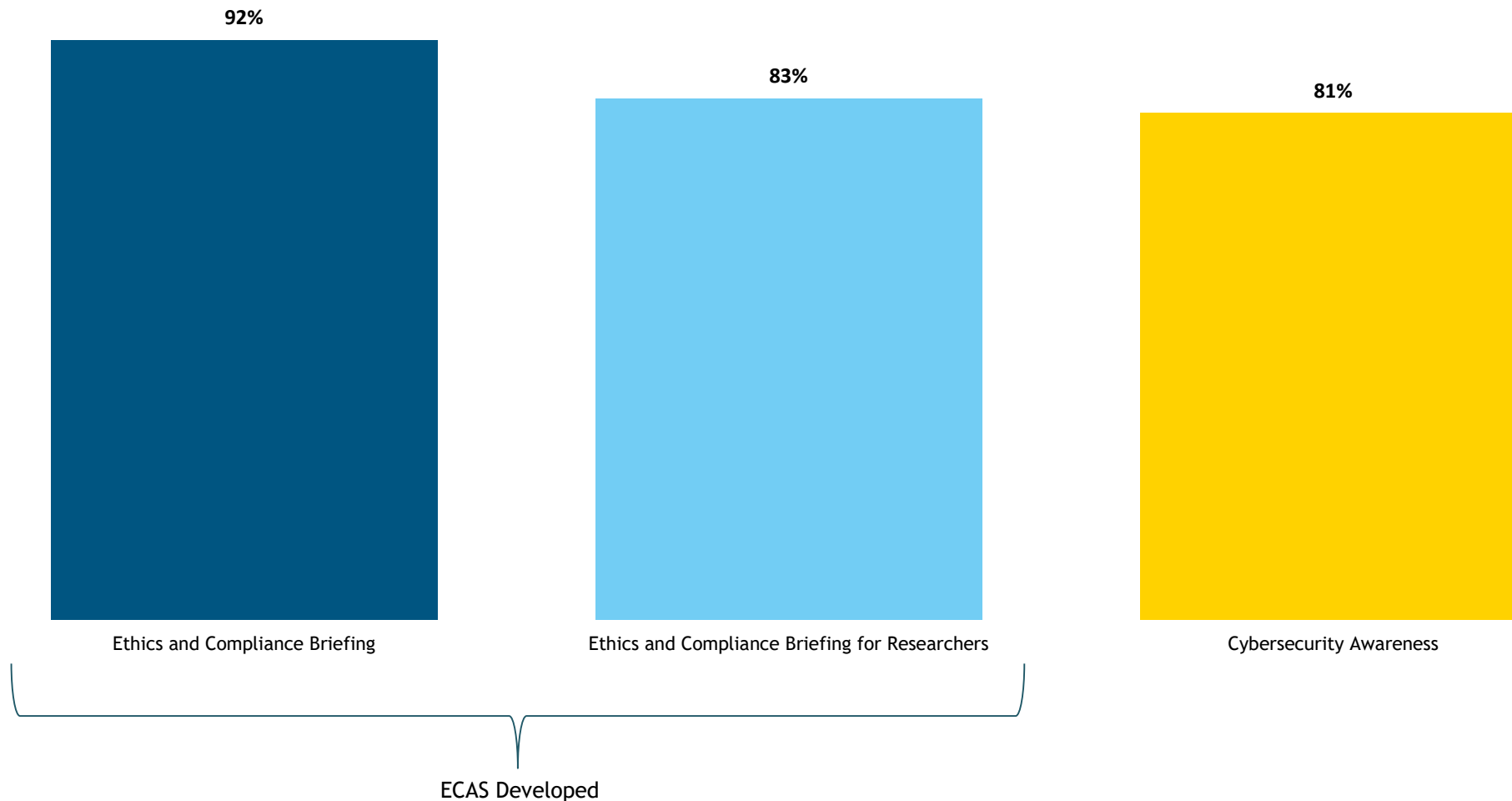
Data Governance

Conflict of Interest/Commitment

Mandatory Trainings

ETHICS AND COMPLIANCE BRIEFINGS AND CYBERSECURITY AWARENESS

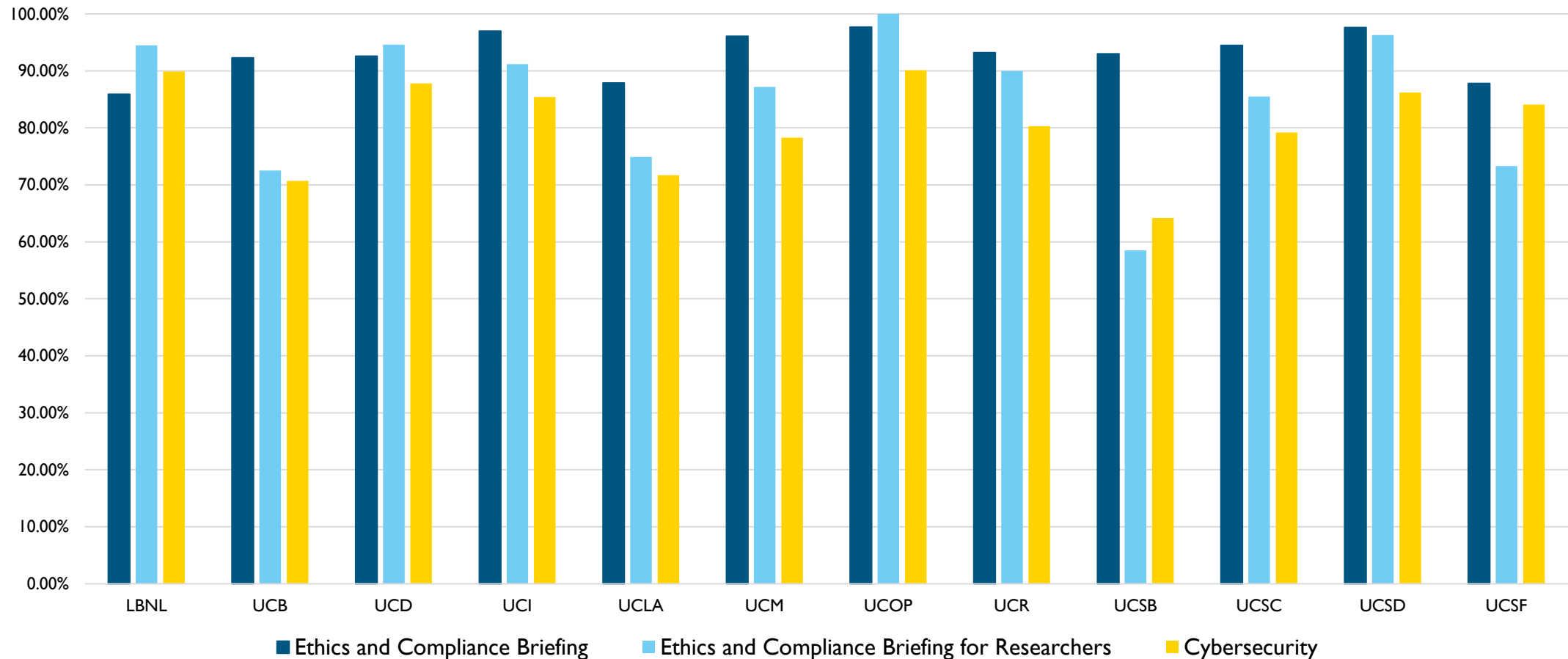
The University implemented several mandatory training programs throughout the system to satisfy regulatory obligations or policy requirements. ECAS tracks timely completion for the following courses and provides periodic compliance updates to all UC locations. This graph represents the most current (as of Oct. 2022) systemwide population of university faculty and staff who were required to take a specific training and completed the course.



Mandatory Trainings

ETHICS AND COMPLIANCE BRIEFINGS AND CYBERSECURITY AWARENESS

The University implemented several mandatory training programs throughout the system to satisfy regulatory obligations or policy requirements. This graph represents the most current (as of Oct. 2022) population of university faculty and staff who were required to take a specific training and completed the course for each location.

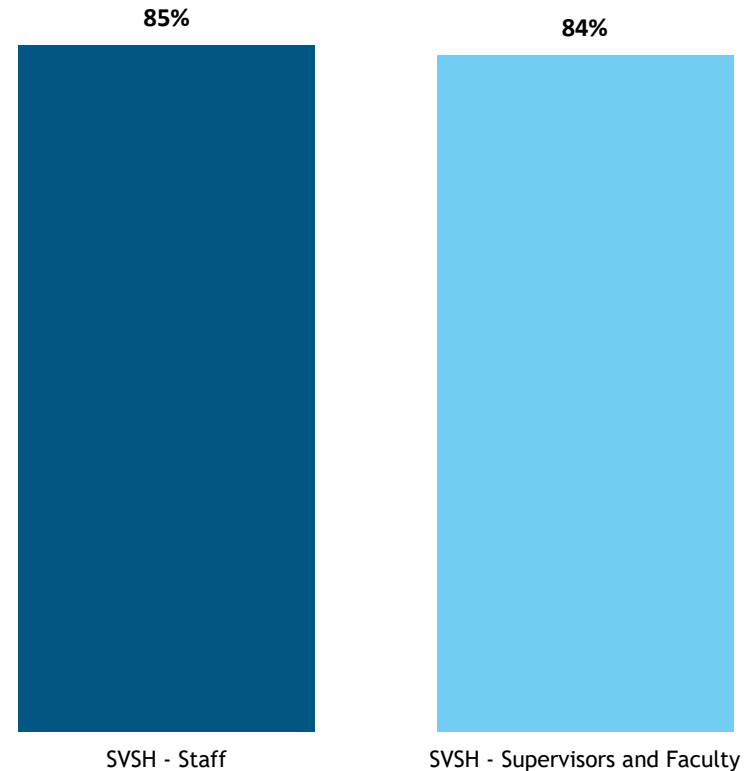


Mandatory Trainings

SEXUAL VIOLENCE SEXUAL HARASSMENT TRAINING

In addition to the Ethics and Compliance Briefings and Cybersecurity Awareness training, ECAS tracks the Sexual Violence Sexual Harassment (SVSH) training courses for staff and supervisors/faculty.

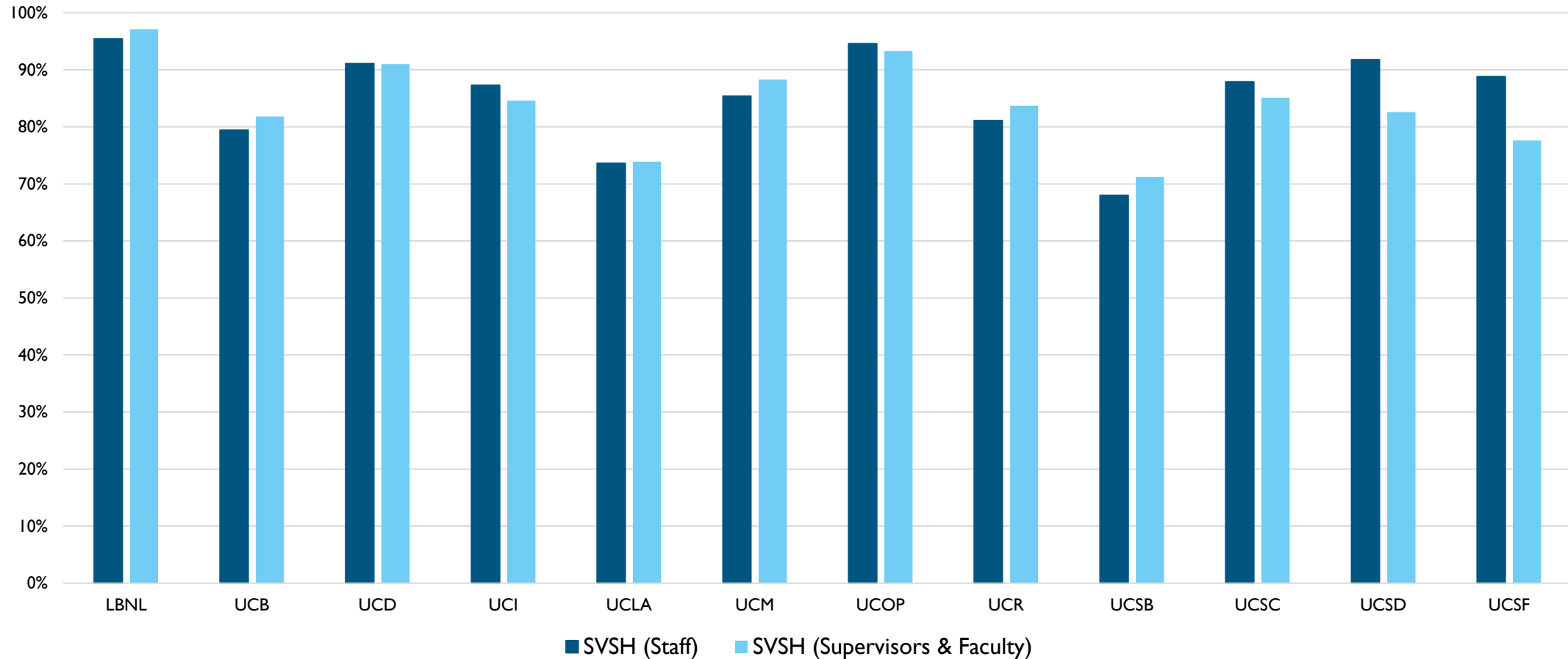
This graph represents the most current (as of July 2022) systemwide population of university faculty and staff who were required to take the SVSH training and completed the course on time. Due to a vendor issue, the SVSH courses were not available to learners during the first quarter of FY23. Both SVSH trainings are now available in the Learning Management System.



Mandatory Trainings

SEXUAL VIOLENCE SEXUAL HARASSMENT TRAINING

This graph represents campus compliance rates for the most current population of university faculty and staff required to take the SVSH training.



ECAS Compliance Activities

Collaborations and Consultations



ECAS collaborated with partners and stakeholders at all UC locations including UC Legal, Government Relations, and Research Policy Analysis and Coordination (RPAC) on regulatory and compliance guidance for the system.

- ECAS collaborated on **115** shared projects resulting in compliance guidance, toolkits, infographics, templates, and alerts to campuses on research, health, privacy and export control matters.

Campuses and UCOP partners requested ECAS' assistance with **1,094 regulatory and compliance-related matters.**

Peer Group Administration and Program Development



ECAS convened **13 systemwide peer groups to identify and address compliance risks, share best practices, communicate regulatory updates, and coordinate systemwide efforts:**

- Chief Ethics and Compliance Officers
- Healthcare Compliance Officers
- Locally Designated Officials
- Campus Privacy Officers
- Health Privacy Group
- Policy Advisory Group
- ADA Coordinators
- Campus Policy Coordinators
- Clergy Coordinators
- Research Compliance Group
- Clinical Research Group
- Export Control Officers and Workgroup
- Industrial Security Workgroup

ECAS members also participate in, provide support to and advise **27 other peer or workgroups that touch on compliance areas, both within UC and at the national level.**

ECAS Compliance Activities (Cont.)

Systemwide Training, Policy and Awareness Activities



ECAS regularly provided training and awareness activities to campuses on emergent and high risk areas.

- ECAS coordinated, produced and/or significantly contributed to **36** awareness activities for the compliance community systemwide, including the following:
 - Foreign Influence Guidance documents
 - Clery Act Campus Security Authority FAQ
 - California Information Practices Act presentation
 - Sanctions Update: Russia/Belarus
 - UC Health Data conference materials
 - Export Control Process Design Kit
 - National Security Presidential Memo-33 awareness products
 - Research Certificates of Confidentiality memorandum
 - Conflict of Interest/Conflict of Commitment disclosures: revisions to policy and collective bargaining agreement guidance
- ECAS designed, developed and/or implemented **26** trainings across the system, including the following:
 - Research Data Privacy Summit
 - Clery Act Training for Campus Security Authorities
 - Research Security video shorts
 - Restricted Party Screening online course
 - Virtual Care Collaborative Summit Regulatory update
 - Annual Systemwide Clery Act Compliance training
- ECAS' Policy Office oversees the policy process for all Presidential policies and facilitated the issuance of **21** new or revised policies across **14** UCOP divisions and departments.

ECAS co-chaired the UC Standing Artificial Intelligence (AI) Council to guide UC's development and use of AI in its operations.

Internal Audit Special Projects

In FY22, Internal Audit dedicated significant effort towards special projects and systemwide audits identified by leadership and external stakeholders, including:

Cybersecurity

- Conducted a systemwide cyber resiliency audit assessing UC Health locations' preparedness to respond to and recover from a significant cyberattack.
- Performed vulnerability scanning and penetration testing in high risk research areas across the system.

Police Complaints Process

- Conducted a systemwide audit of UCPD's handling of complaints and use of force reports to assess compliance with applicable policy requirements.

Technology Transfer

- Developed a proposed systemwide risk-based approach for identifying licensees for royalty audits through data-driven monitoring based on uniform criteria and additional required provisions in license agreements.

Compliance Monitor

- Served as Compliance Monitor for the implementation of recommendations from the UCLA Health and Student Health Special Committee Report.

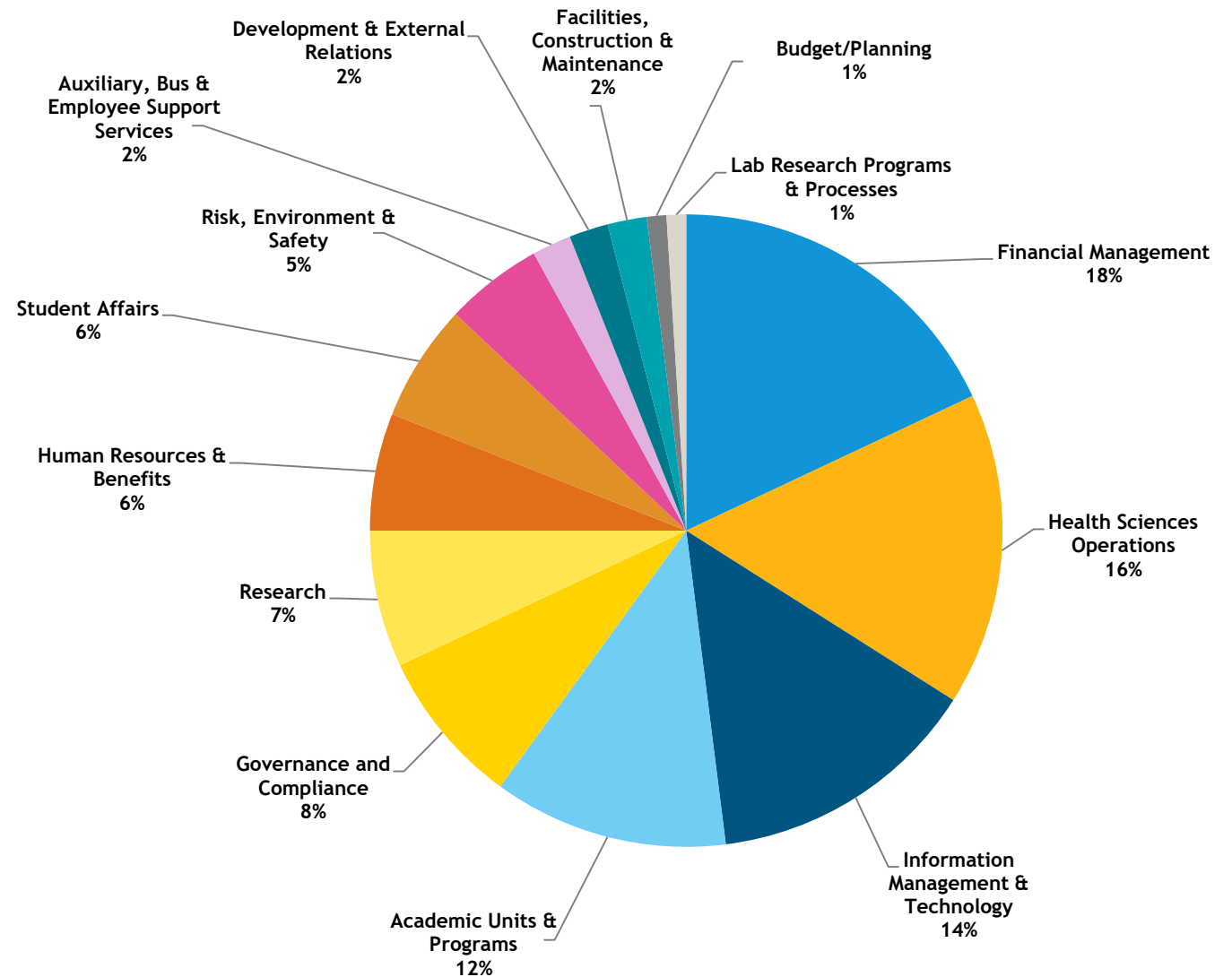
Internal Audit Services - Allocation of Effort

DISTRIBUTION OF EFFORT BY FUNCTIONAL AREA

The chart to the right depicts the breadth of projects covered by Internal Audit hours over 14 major functional areas based on total project hours.

As in prior years, Internal Audit's effort remained concentrated in the areas of financial management, health sciences operations, information management and technology, and academic units and programs.

The functional area with the largest increase in total effort from the prior year was governance and compliance. Other areas with a higher allocation of total effort from the prior year include academic units and programs, research, human resources and benefits, and budget/planning.



Internal Audit Services - Themes in Internal Audit Results

INTERNAL CONTROL ISSUES

From the body of internal audit work performed during FY22, the following were the most significant and common internal control issues Internal Audit observed:



IT Security and Information Privacy

The University has worked to protect its decentralized data and critical IT infrastructure from a multitude of evolving and emerging threats while complying with extensive and complex internal policy and external regulatory requirements. However, doing so has been an ongoing challenge as evidenced by recurring gaps observed in IT security controls and policy compliance.



Business Continuity

Threats posed by both natural and human-caused disasters highlighted the necessity of emergency and continuity planning given their potential to disrupt or compromise critical University operations, including the health enterprise and datacenters. Recent significant events including the pandemic highlighted gaps in disaster recovery and business continuity programs.



Talent Management

Several campuses had difficulty attracting and retaining sufficient numbers of qualified staff, especially for positions requiring specialized skills, and not all campuses had undertaken sufficient succession planning efforts. Further, campuses' inability to hire and retain staff resulted in deficiencies in internal control at several campuses.



Financial Controls and Management

Campus auditors identified issues pertaining to financial oversight and controls, including budget deficits, inadequate guidance and reporting for new financial systems, and gaps in cash and transactional controls.



Regulatory Compliance

Increasingly complex regulatory requirements have posed a compliance challenge for numerous areas of University operations. Recent audits found areas of noncompliance due to employee turnover, insufficient training and inadequate documentation.



Research Security

While management has made significant progress in implementing the recommendations from the systemwide foreign influence audit, several recommendations remain outstanding. Recently issued federal guidance underscores the need for the University to continue to implement appropriate safeguards to protect its valuable research.



Safety

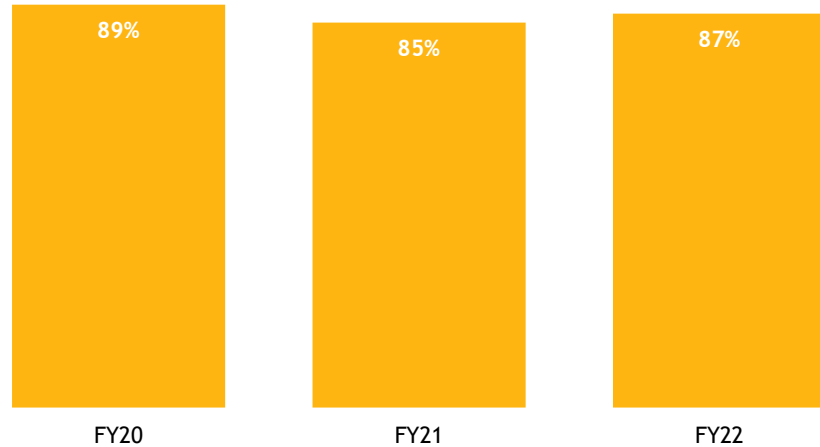
Auditors noted varied safety issues across the University's broad scope of operations, from inadequate response to adverse laboratory inspection results to subcontractor safety incidents.

Internal Audit Plan - Productivity

PLAN COMPLETION

Audit plan completion percentage, 3-year trend

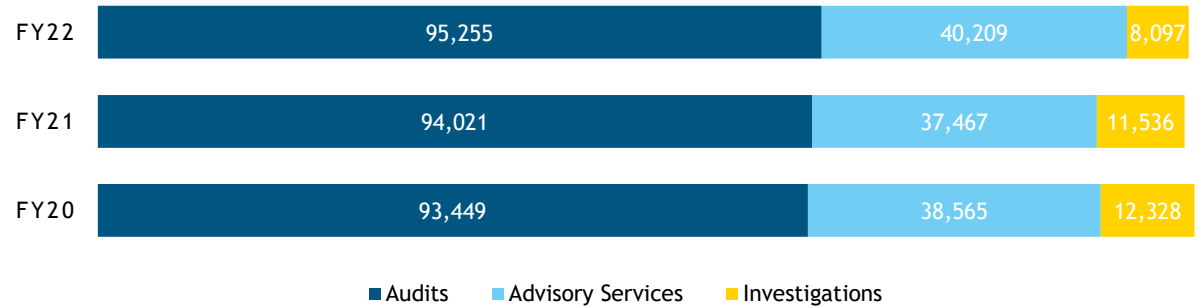
The percentage of audits in the Annual Internal Audit Plan completed by the end of the fiscal year has remained relatively stable over the past three years, ranging from 85-89%.



DISTRIBUTION OF EFFORT

Distribution of effort by service line, 3-year trend

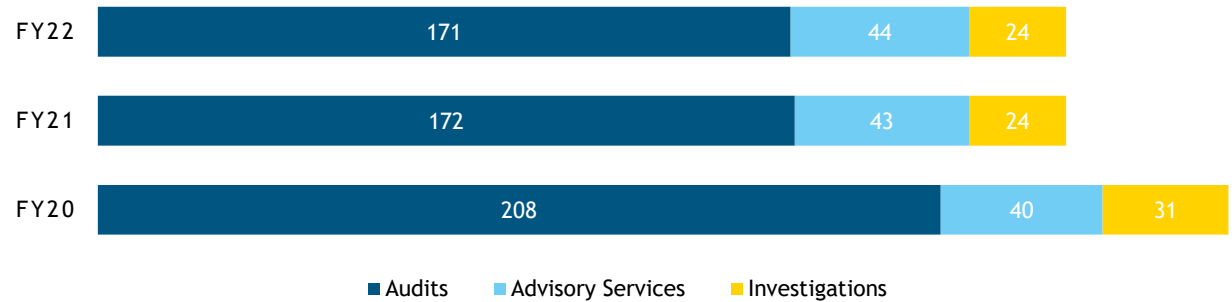
Internal Audit provides three lines of service: audits, advisory services and investigations. The following chart depicts the number of hours of effort allocated to each of our service lines over the past three years.



REPORTS

Number of reports issued, 3-year trend

The number of audit, advisory services and investigation reports declined starting in FY21 due to larger audits and special projects, staffing issues, and the impact of COVID-19.



Internal Audit Services - Management Corrective Actions

MCA ACTIVITY

Summary of Management Corrective Action (MCA) activity, 3-year trend

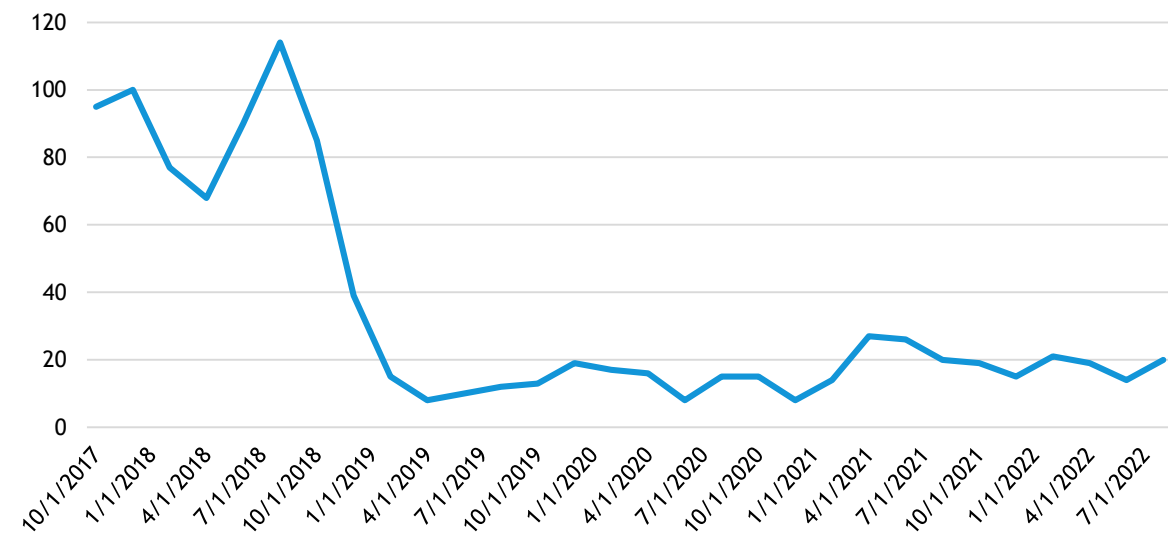
Every observation identified by Internal Audit generally has a reciprocal Management Corrective Action to address that observation, including a target date for completion. Local internal audit departments and systemwide Internal Audit track and monitor MCAs until completion. The table below provides a summary of MCA activity for the past three fiscal years.

	FY20	FY21	FY22
Beginning MCAs (open at start of fiscal year)	255	465	466
MCA's added	1,171	954	718
MCA's closed	961	953	850
Ending MCAs (open at end of fiscal year)	465	466	334

OPEN MCAs

Number of open MCAs over 300 days old, 5-year trend

Internal Audit reviews all management responses to ensure the corrective action is appropriate and timely. An escalation process to senior leadership and the Regents is in place if there are difficulties related to completion of the corrective actions. MCAs that have not been resolved in 300 days (from the audit report date) are discussed with leadership of the Regents Compliance and Audit Committee. The chart below displays the number of open MCAs over 300 days old over a five-year period.

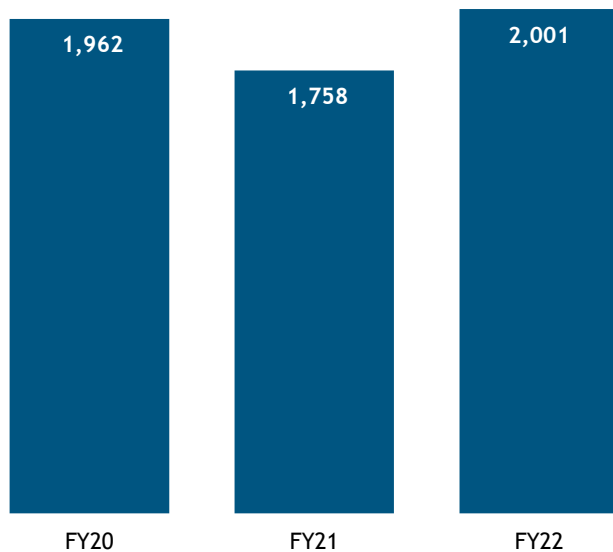


Investigation Data

TOTAL INCOMING REPORTS

Reports by fiscal year, 3-year trend

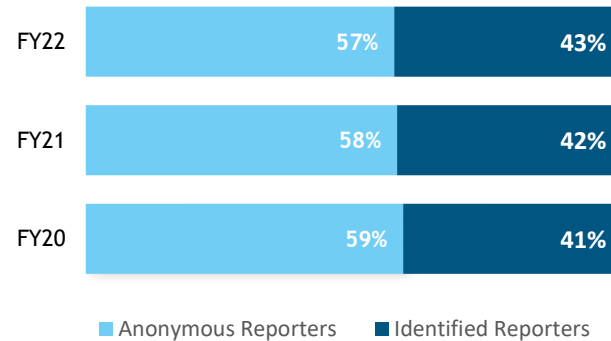
There was a slight increase in the number of reports received this fiscal year, following the general trend we have seen over the past five years. FY21 was an outlier likely due to COVID-19.



ANONYMOUS REPORTS

Reports by fiscal year, 3-year trend

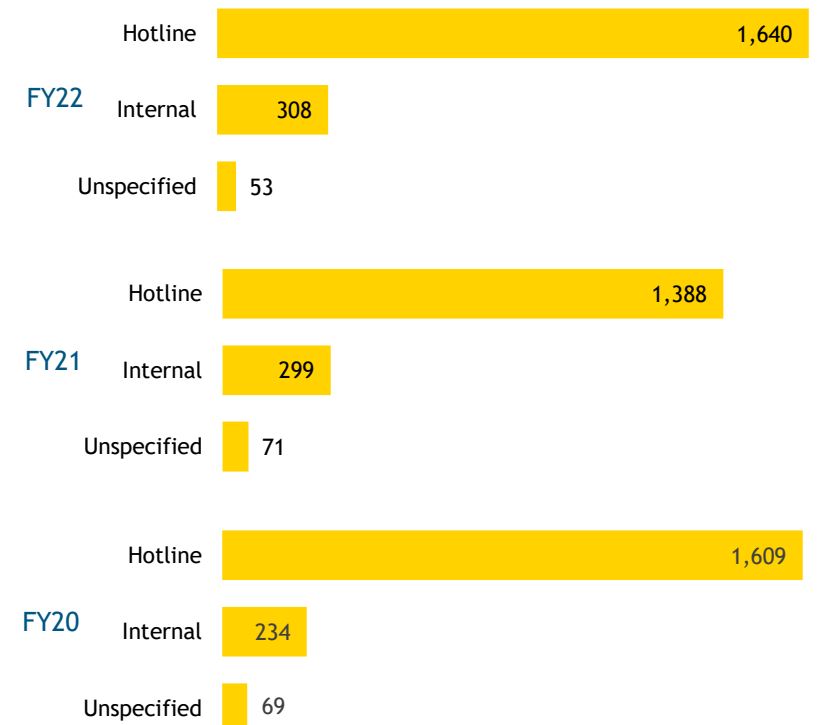
The majority of reports continue to come in anonymously. Across the system, 57% of the reports we received this fiscal year were submitted anonymously, which is consistent with previous years. The LDOs' offices can communicate directly with reporters through the hotline to acknowledge receipt and request additional information without sacrificing a reporter's anonymity.



INTAKE METHOD

Method by fiscal year, 3-year trend

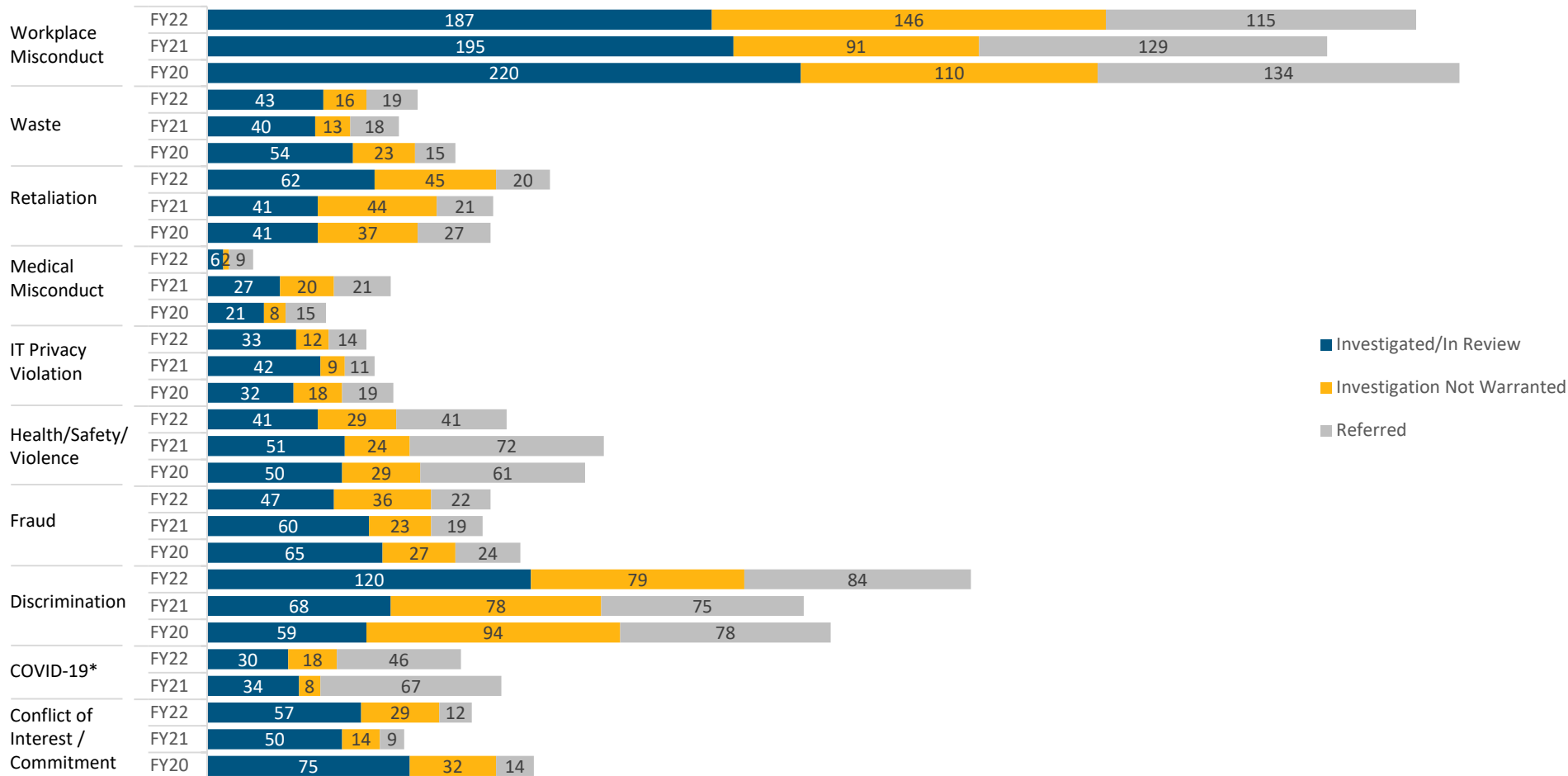
The Whistleblower Hotline, which is available 24 hours a day and in multiple languages, continues to be the primary reporting mechanism. A small portion of reports continue to come internally through email, phone, or US mail.



Investigation Data

Total reports, 3-year trend

The number of reports that continued to an investigation varied by the issue reported, but generally remained below 50%. Of the reports not investigated by the LDOs' offices, the majority were referred to other units, such as Human Resources or Environmental Health & Safety, for appropriate action. For cases where an investigation was not warranted, primary reasons were because the report did not provide the necessary information to proceed, even after follow-up with the reporter; or because the report, even if true, did not constitute an improper governmental activity or whistleblower retaliation.

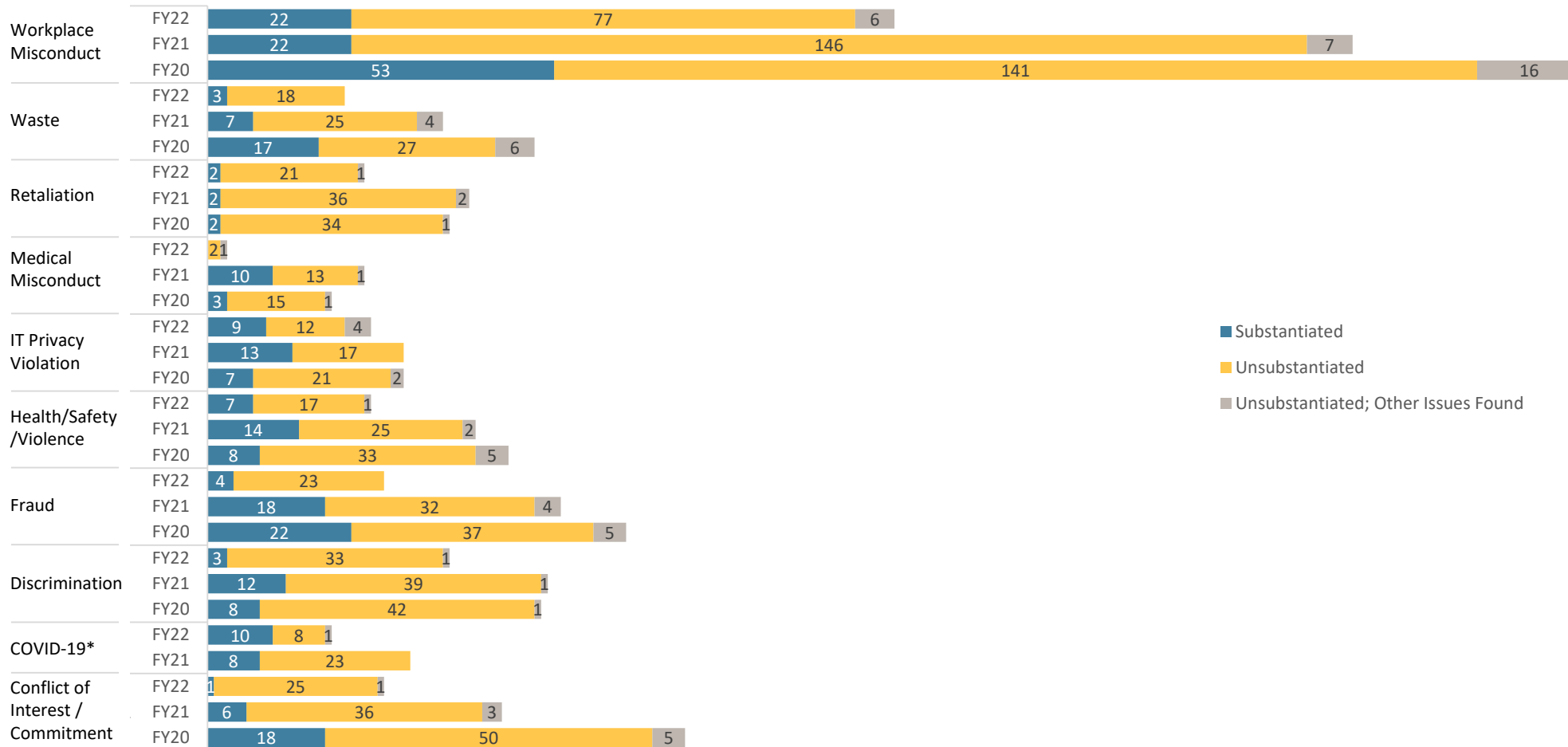


* Before September 2020, COVID-19 reports were made through the Health/Safety/Violence issue type.

Investigation Data

Investigation outcomes, 3-year trend

The substantiation rate on reports that go to investigation varied from a low of 6% (Retaliation) to a high of 34% (IT/Privacy violations). Most categories fell between 15-20% substantiated. For reports that were “Unsubstantiated; Other Issues Found,” the original issue reported was unsubstantiated as an improper governmental activity or whistleblower retaliation, but the investigation identified procedural issues, practices, or gaps in policies that should have been addressed by management. Note that cases in review are not included in the numbers below.



* Before September 2020, COVID-19 reports were made through the Health/Safety/Violence issue type.