

Annual Report 2022-23

Ethics, Compliance and Audit Services

November 15, 2023



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).

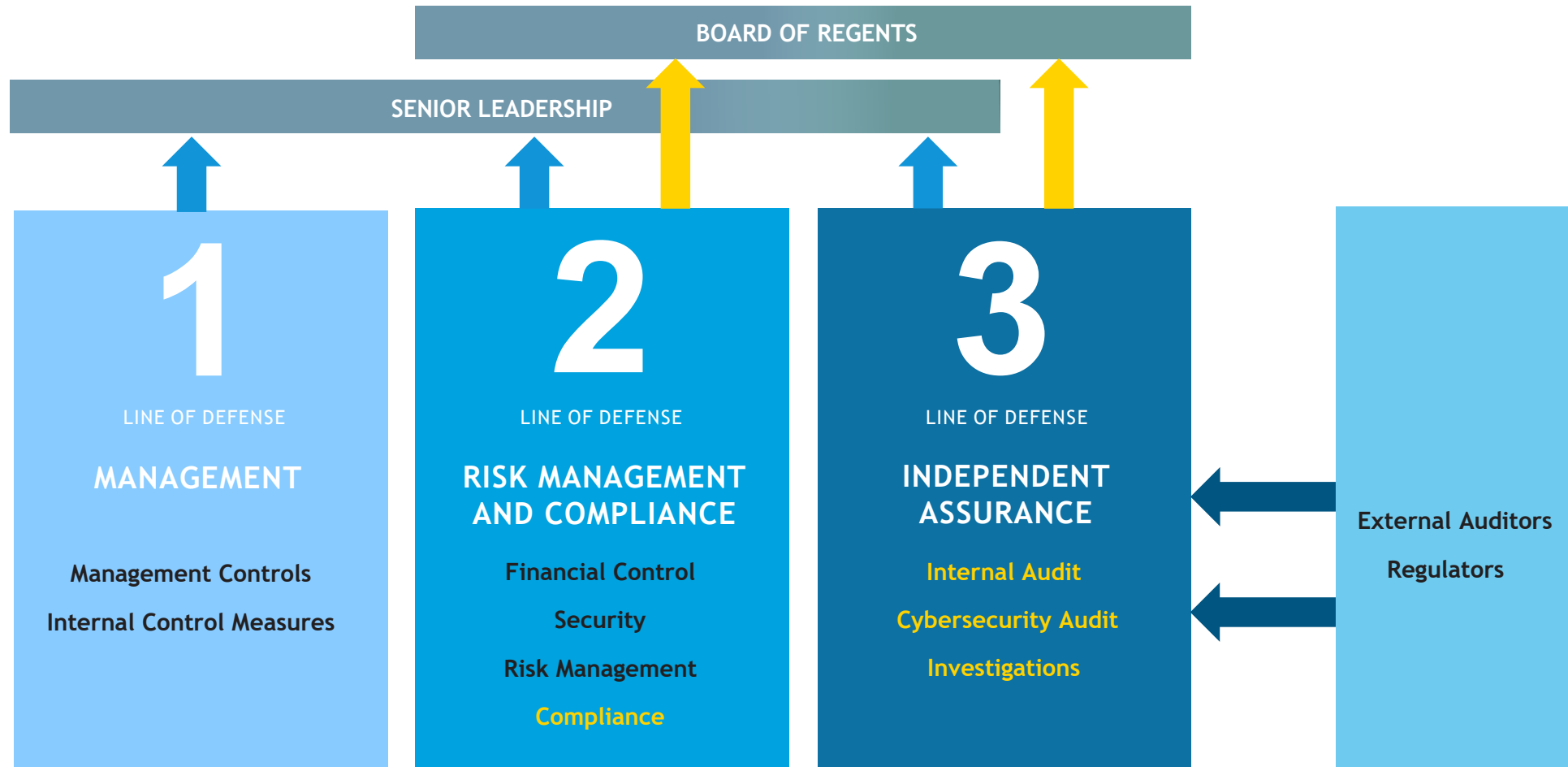
The health centers each have **Healthcare Compliance Officers** who report to both the health centers' Chief Executive Officers and to the Regents through the SVP/CCAO.

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



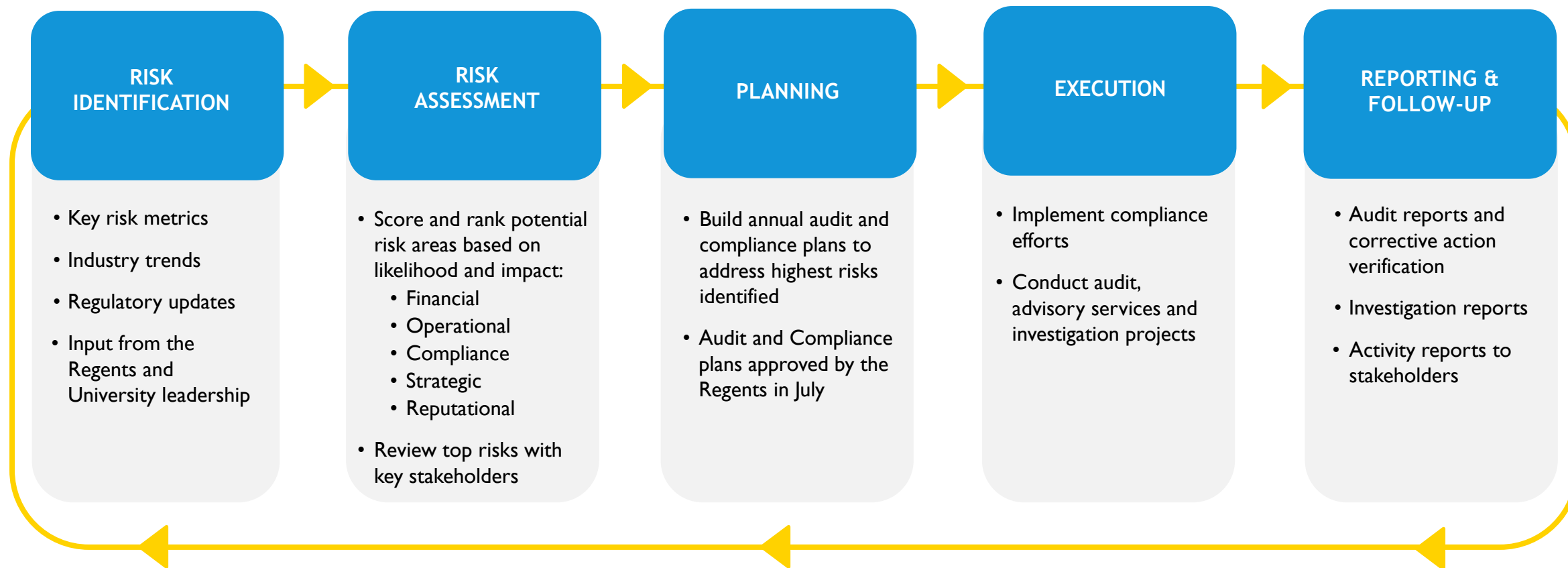
Three Lines of Defense

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

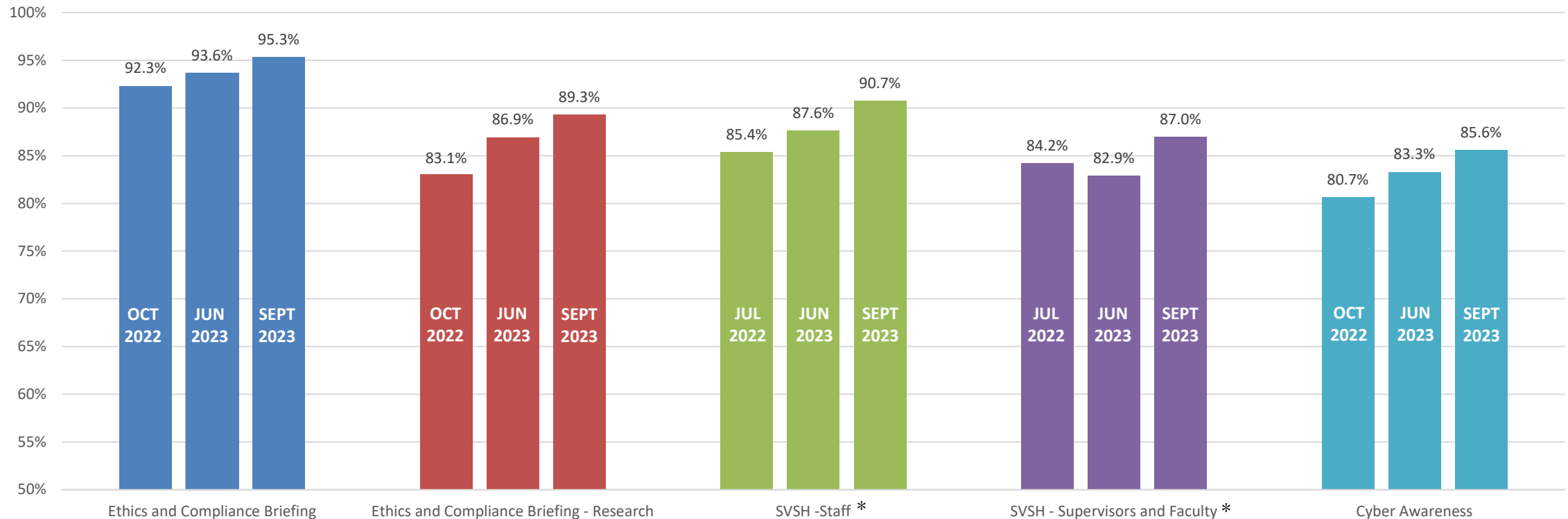
ECAS' risk assessment process involves the collection of risk information through interviews with leadership and management, surveys, regulatory and industry information, emerging trends, and data analytics. ECAS evaluates this information to identify UC's top institutional risk priorities that we address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



Mandatory Training Compliance Efforts 2022-2023

ECAS Promoted Initiatives To Measurably Increase Compliance Across All Mandatory Courses

- President Drake issued a letter to campuses re-confirming the importance of mandatory training requirements
- ECAS engaged with the systemwide compliance community to promote “Tone from the Top”
- Provided quarterly reports on compliance rates to Chancellors and Campus Chief Compliance Officers
- Utilized benchmarking surveys, promoted best practices, and collaborated with Systemwide HR to provide training and awareness



* The July 2022 data point is used for the SVSH courses that were unavailable in the learning management system from July-September 2022.

ECAS Compliance Activities

Peer Group Administration and Program Development



ECAS convened 14 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 Committee
- Americans with Disabilities Act (ADA) Coordinators
- Campus Policy Managers Group
- Clery Coordinators
- Research Compliance Group
- Clinical Research Group
- Export Control Officers and Workgroup
- Industrial Security Workgroup
- Research Security Steering Committee

ECAS participated in and/or advised 27* other cross-functional committees and workgroups on compliance matters, spanning UC and nationally, including the following:

- Federal Demonstration Partnership – Research Security
- Western Region – Association of Research Integrity Officers
- National Clery Compliance Officers and Professionals – Federal Legislative Working Group
- Academic Security Counter Exploitation Workgroup
- National Association of University Export Control Officers
- Association of American Universities (AAU) and Association of Public Universities (APLU) Science and Security Workgroup
- UC Artificial Intelligence Council
- Systemwide Contracts and Grants Directors
- Cyber Risk Governance Committee
- Center for Data Driven Insight (CDI2) Oversight Board
- CDI2 Health Data Access Repository Committee
- Systemwide Gender Recognition and Lived Name Health Tiger Team
- UCOP Data Loss Prevention (DLP) Strategy Workgroup
- UC Institutional Review Board Directors
- UC Responsible Conduct in Research Training Workgroup

* Displaying partial list of 27 Committees and Workgroups

ECAS Compliance Activities (Cont.)



Meeting Location-Specific Requests

- ECAS collaborated with partners and stakeholders at all University of California locations including UC Legal, Government Relations, and Research Policy Analysis and Coordination (RPAC) on 266 shared projects resulting in regulatory and compliance guidance for the system.
- ECAS provided support to locations and UCOP partners who requested assistance from ECAS on 1,320 complex and sensitive matters requiring compliance subject matter expertise. These issues covered a range of areas including Research Security, Research Compliance, the Americans with Disabilities Act, healthcare, privacy and export control matters.
- ECAS and Campus Privacy Officers developed a three-year, risk-based, systemwide initiative project plan; with built-in progress reporting and a resource dashboard.

ECAS Compliance Activities (Cont.)

Training, Awareness and Major Projects

ECAS delivers compliance program products and tools to campuses on emergent and high-risk compliance areas.

- Sponsored the implementation of an enhanced healthcare risk assessment process and software. The successful pilot took place at UCI, UCD and UCR in 2023 with plans for software deployment at the remaining academic medical centers in 2024.
- ECAS Policy Office facilitated issuance of **41** new or revised policies. ECAS initiated a successful pilot program and delivered training for a new UCOP policy management software.

Produced and/or significantly contributed to awareness products and program improvement toolkits:

- Americans with Disabilities Act Academic Accommodations Briefings
- Clery Policy Revision
- Clery Annual Security and Fire Safety Report Reviews
- Export Control Iran Sanctions Tool
- ECAS Systemwide Newsletter

ECAS developed and/or implemented multiple trainings across the system, including the following:

- Annual Systemwide Clery Act Compliance Training
- Export Controls for Sponsored Research
- Emerging Topics in Export Control
- Export Control Semiconductor Compliance Alerts
- Designed and Managed Complex Disclosures E-Discovery
- Health Privacy Information Blocking Rule FAQs
- Revision of Policy Governing Presidential Policy Development
- Federal Grant Disclosure Requirements Alerts

Internal Audit Special Projects

In FY23, Internal Audit dedicated significant effort towards special projects and systemwide audits identified by leadership and external stakeholders, including:

Cybersecurity

- Conducted a systemwide audit to review cybersecurity controls in place at UC-run combined heating and power plants.
- Performed vulnerability scanning and penetration testing for high-risk systems within UCOP.

Contracting Out

- Conducted a systemwide audit to evaluate processes and controls to facilitate compliance with contracting out requirements.

UC Health Affiliations

- Conducted a systemwide audit to evaluate the UC's progress implementing Regents Policy 4405: Policy on Affiliations with Healthcare Organizations that Have Adopted Policy-Based Restrictions on Care.

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.

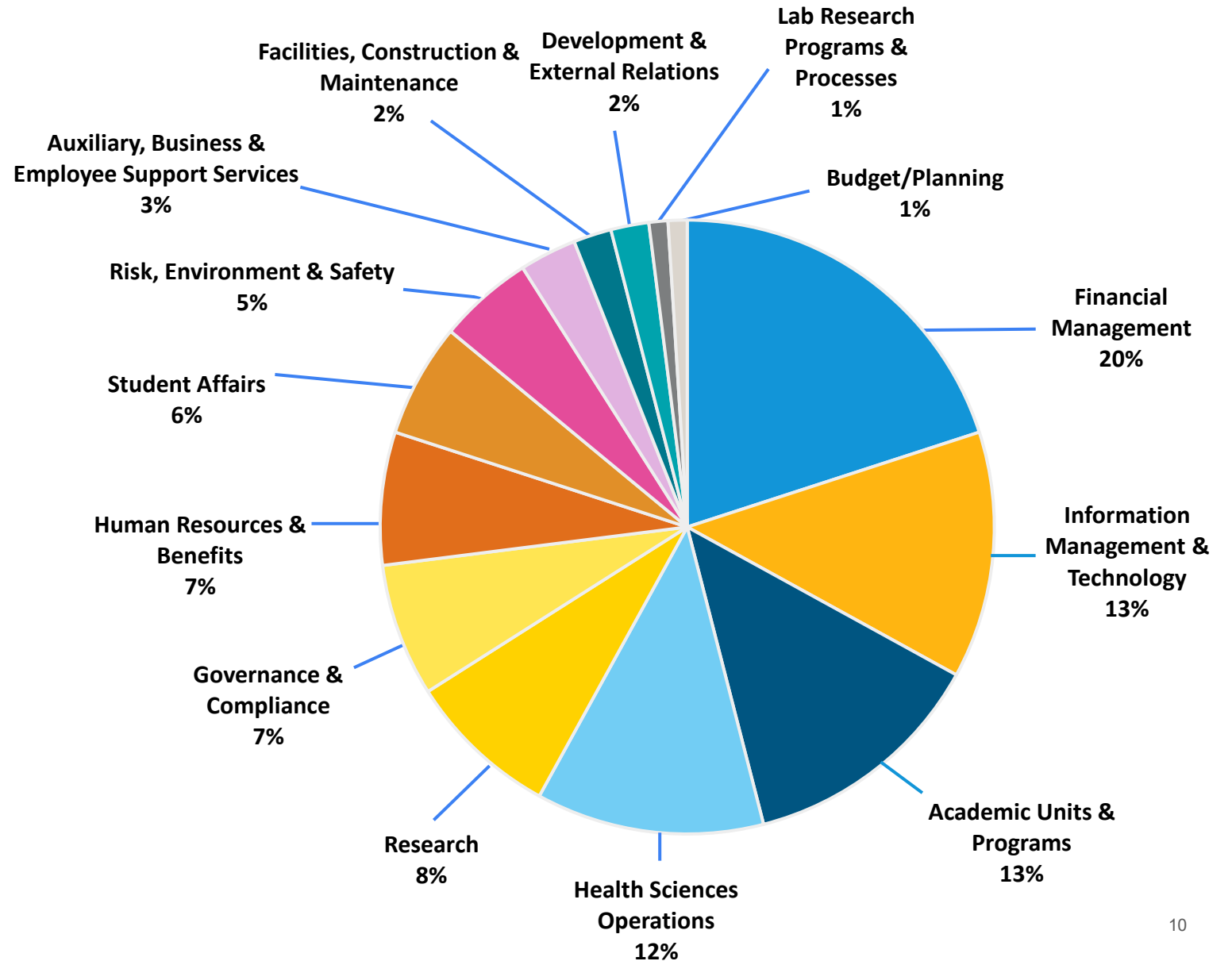
Internal Audit Services - Allocation of Effort

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, information management and technology, academic units and programs, and health sciences operations.

The functional area with the largest increase in total effort from the prior year was financial management. Other areas with a higher allocation of total effort from the prior year include academic units and programs, research, human resources and benefits, auxiliary, business and employee support services.



Internal Audit Services - Themes in Internal Audit Results

Internal Control Issues

From the internal audit work performed during FY23, 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, policy compliance and governance.



Departmental Internal Controls

Campus auditors identified gaps in financial, operational and research administration controls in departments and academic units. Noted deficiencies related to budget management, review and authorization of transactions, and segregation of duties.



Procurement and Contracting

The systemwide contracting out audit found that processes and controls that facilitate compliance required improvement. Campus personnel experience frustration over delays and bureaucracy in the procurement process, which may lead to circumvention of controls and requirements.



Regulatory Compliance

Increasingly complex regulatory requirements have posed a compliance challenge for numerous areas of University operations. Noncompliance can result in financial penalties and reputational harm. Recent audits found noncompliance due to employee turnover, insufficient training and inadequate documentation.



Safety and Welfare

Auditors noted varied safety and welfare issues across the University's broad scope of operations, including sexual misconduct in the clinical environment, student welfare, laboratory safety and chemical management.



Business Continuity and Emergency Management

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. Recent significant events, including the pandemic, highlighted gaps in emergency management, disaster recovery and business continuity programs.



Talent Management

Workforce retention and recruitment, particularly in leadership and highly specialized positions, remains a significant challenge for the University. Many locations have experienced a high level of employee turnover in recent years. Unfilled positions lead to internal control risk due to gaps in coverage and loss of institutional knowledge.



Research Security

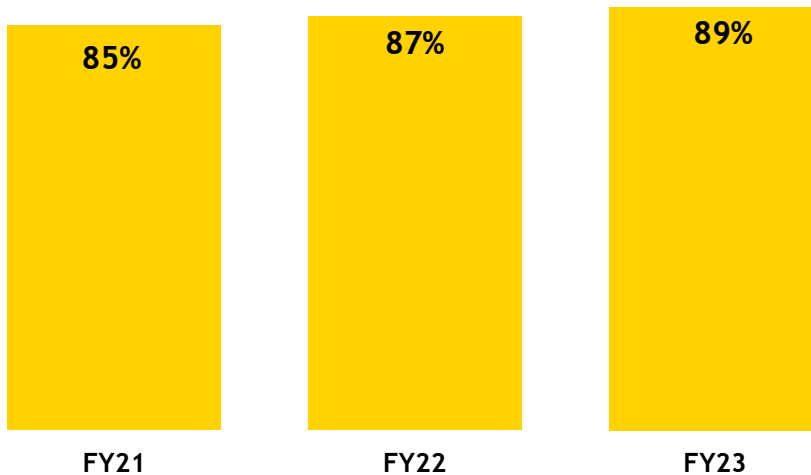
Recent federal guidance on research security underscores the need for the University to continue to implement appropriate safeguards to protect its valuable research. It is incumbent on campuses receiving federal research funds to implement effective institutional controls that facilitate compliance with these requirements.

Internal Audit Plan - Productivity

Plan Completion

Audit plan completion percentage, 3-year trend

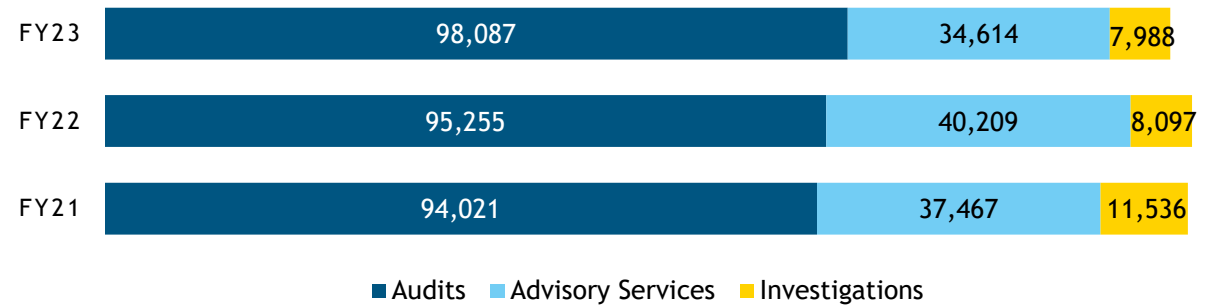
The percentage of audits in the Annual Internal Audit Plan completed by the end of the fiscal year has remained relatively stable over the past three years, ranging from 85-89%.



Distribution Of Effort

Distribution of effort by service line, 3-year trend

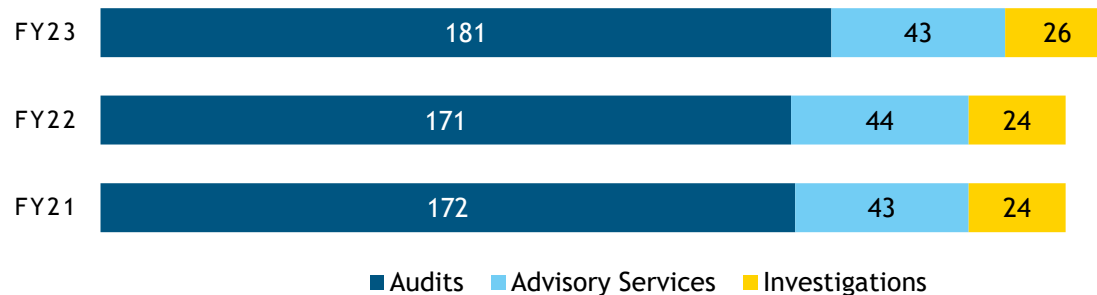
Internal Audit provides three lines of service: audits, advisory services and investigations. The following chart depicts the number of hours of effort allocated to each of our service lines over the past three years.



Reports

Number of reports issued, 3-year trend

The number of audit, advisory services and investigation reports remained relatively stable over the past three years, with a moderate increase in FY23 compared to the previous two years.



Internal Audit Services - Management Corrective Actions

MCA Activity

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

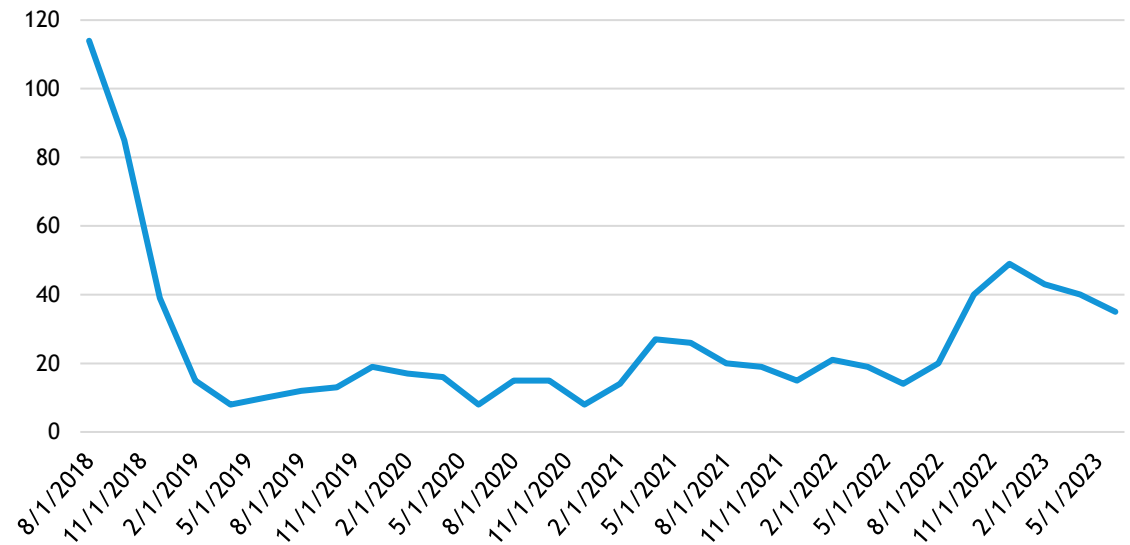
Every observation identified by Internal Audit generally has a reciprocal Management Corrective Action to address that observation, including a target date for completion. Local internal audit departments and systemwide Internal Audit track and monitor MCAs until completion. The table below provides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

	FY21	FY22	FY23
Beginning MCAs (open at start of fiscal year)	465	466	334
MCAs added	954	718	951
MCAs closed	953	850	792
Ending MCAs (open at end of fiscal year)	466	334	493

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. The spike observed as of December 2022 is largely attributable to 20 outstanding MCAs from a single audit that were closed after the end of FY23.

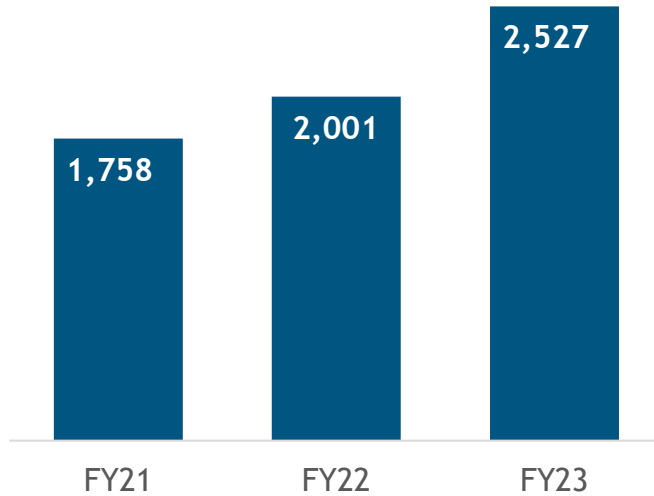


Investigation Data

Total Incoming Reports

Reports by fiscal year, 3-year trend

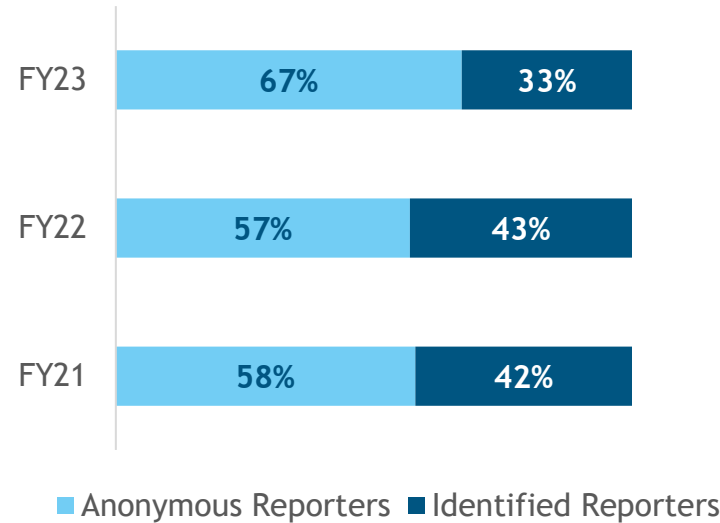
The number of reports year to year continues to rise. During this same time period, the employee headcount across the University rose from approximately 221,000 to over 251,000.



Anonymous Reports

Reports by fiscal year, 3-year trend

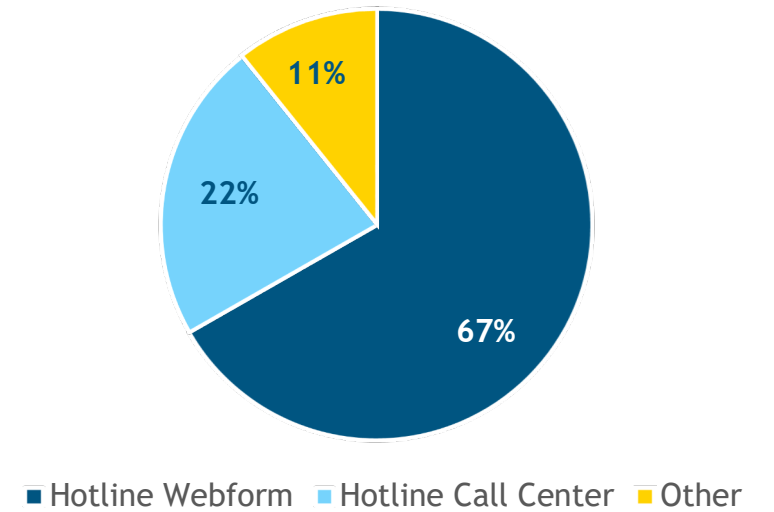
The majority of reports continue to come in anonymously. Across the system, 67% of the reports we received this fiscal year were submitted anonymously, which represents a significant uptick from previous years.



Intake Method

Method by fiscal year

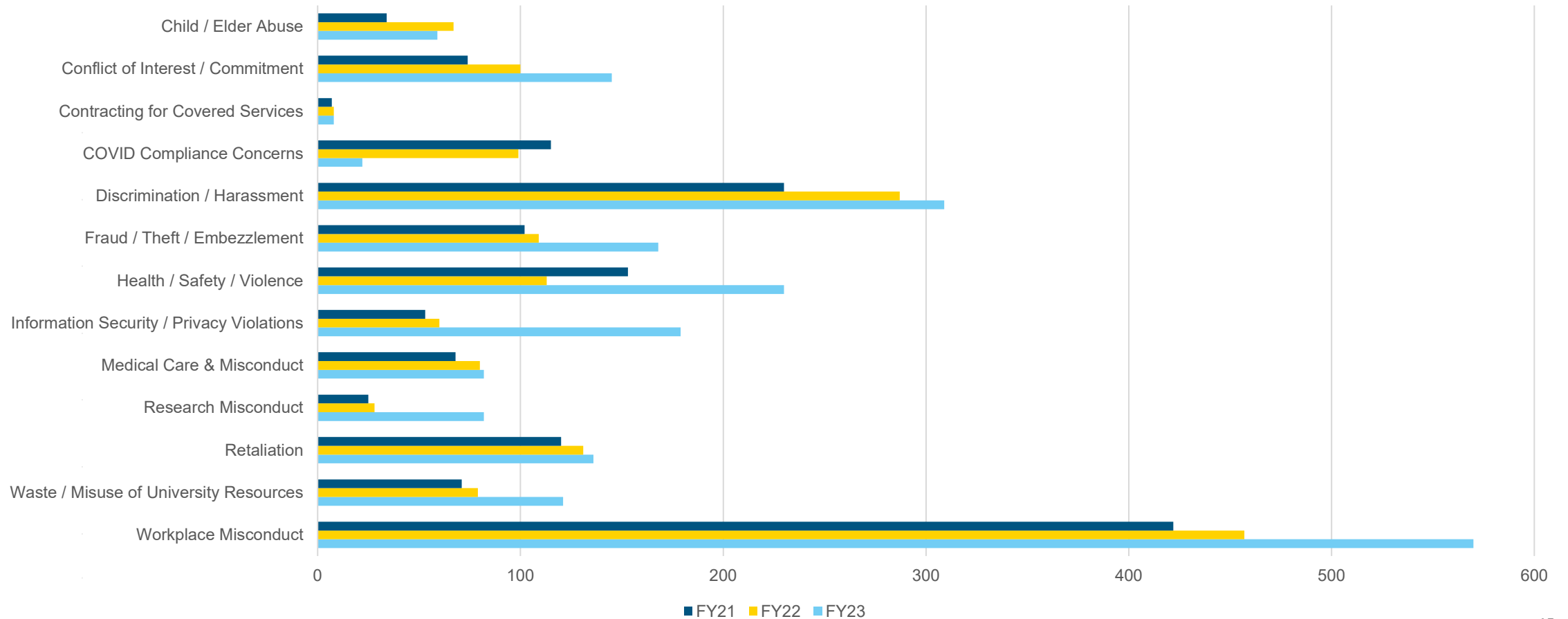
The Whistleblower Hotline, which is available 24 hours a day and in multiple languages, continues to be the primary reporting mechanism. A small portion of reports continue to come directly to the University through email, phone, or US mail.



Investigation Data

Total Reports, 3-year Trend

The chart below demonstrates increases for reports in most areas. The one area of significant reduction is COVID Compliance Concerns, which tracks with the ongoing improvements to treatments and decreases in severe illness and hospitalizations. Significant increases in Health/Safety/Violence, Information Security/Privacy Violations, and Research Misconduct are attributed to a large influx of false reports received in FY23, as demonstrated on the next slide.

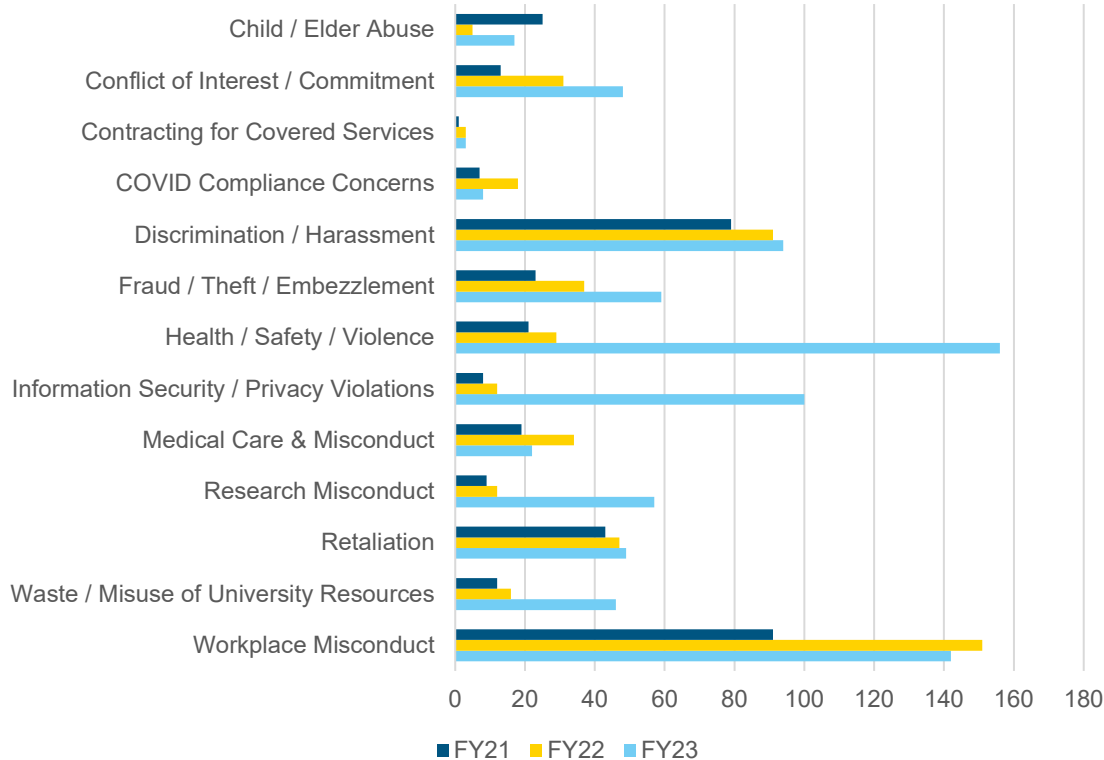


Investigation Data

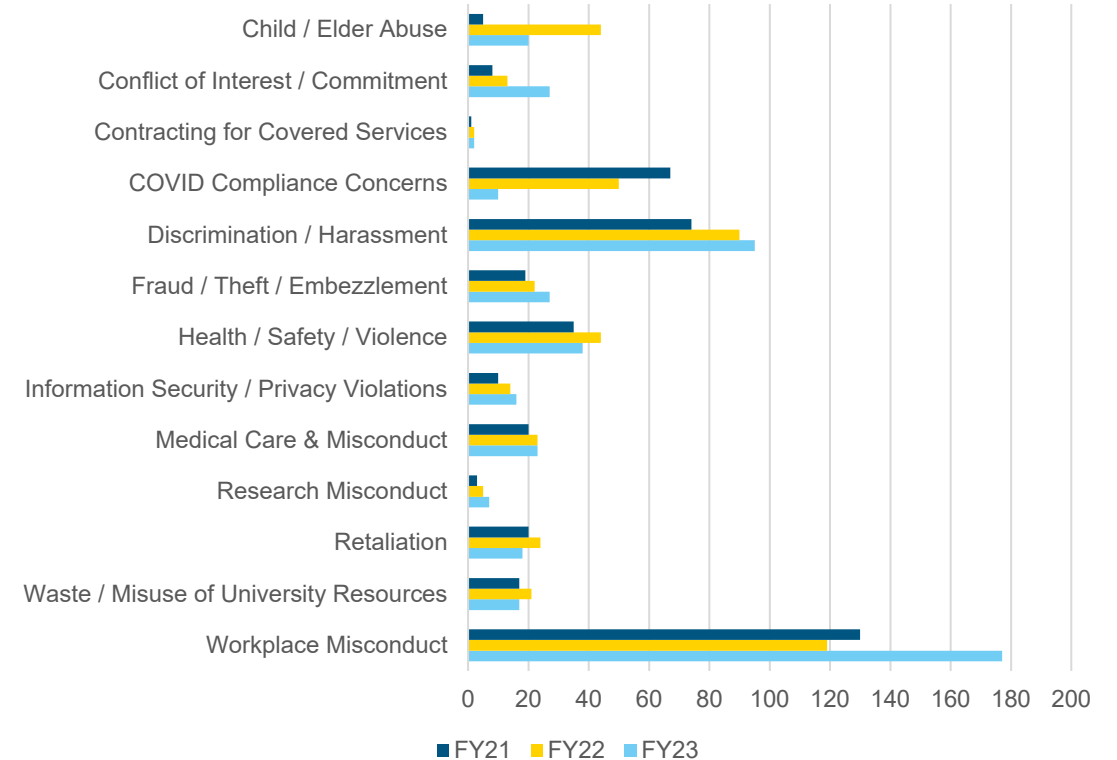
Cases Not Investigated Or Referred, 3-year Trend

While report rates continue to increase, so do the number of reports where an investigation is not warranted, or the case is referred. Generally, an investigation is not warranted when the reporter does not provide adequate information for the University to review the allegations; or when the allegations, even if true, would not constitute an improper governmental activity. In FY 23, there was also an increase in false reports filed that were immediately closed without action. Cases are generally referred when the allegations can better be handled through another unit (e.g., HR, Research Compliance, Privacy) or through management action.

Investigation Not Warranted



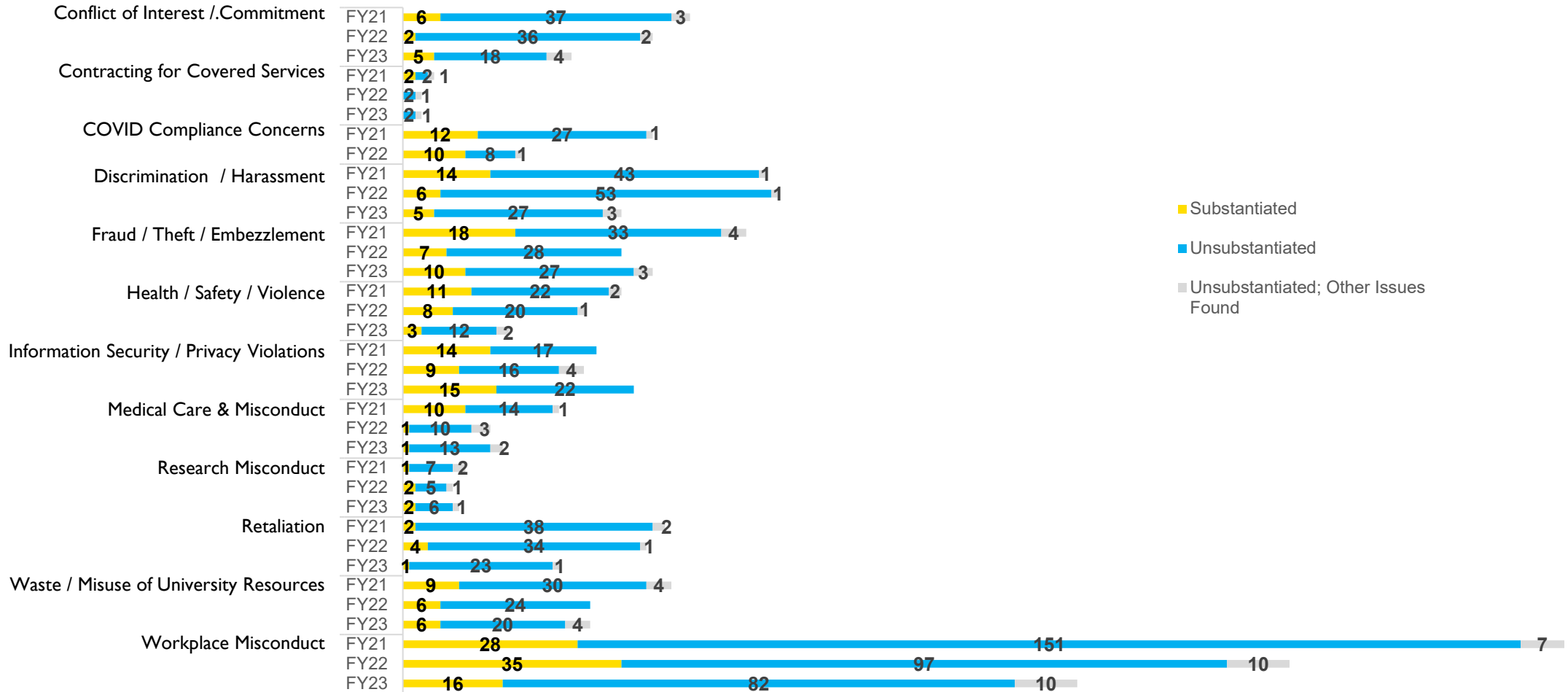
Referred



Investigation Data

Investigation Outcomes, 3-year Trend

The chart below demonstrates the outcome of cases where an investigation has been conducted and the case is closed. Note that this does not account for cases that are currently still in investigation or are in another review process.



UC Artificial Intelligence Council 2022 - 2023

- The UC AI Council is the centralized, systemwide group of experts, charged with supporting UC's adoption of AI technology, in a manner that evaluates the potential drawbacks of AI technology, while enhancing the positive outcomes by curating training and awareness materials.
 - The Council works to achieve this through the creation of educational resources, the development of a framework for assessing and monitoring risks, and a transparency database that documents AI-enabled tools in use across the system.
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- Council added new members, new co-chair, and established new goals to meet UC's needs in the rapidly evolving AI development and regulatory landscape
 - Council serves as a sponsor and central point for other systemwide AI initiatives to ensure consistency and maximize UC resources
-
- Council members
 - developed and delivered live and recorded trainings and awareness
 - participated in vendor evaluations, contract negotiations, legal advisories, regulatory and legislative analysis
-
- ECAS Co-Chairs and staffs the UC AI Council with audit and compliance experts

ECAS Compliance and Audit Symposiums

The Symposium is an off-site event designed for UC professionals to directly interact with federal government partners, subject matter experts, university leadership, and industry experts. It facilitates discussions on compliance and audit topics, regulatory changes, emerging risk and enforcement trends, and encourages collaborative engagement with peers to explore current best practices.

Presentations

Speakers included federal and UC presenters from:

- UC Board of Regents and Executive Leadership
- Department of Defense
 - Office of the Secretary of Defense
- Department of Health and Human Services
 - Office of Human Research Protection
 - Office of Research Integrity
 - National Institutes of Health
- National Science Foundation
 - Office of International Science & Engineering
- U.S. Department of Commerce, Bureau of Industry and Security
- UCB CITRIS Policy Laboratory
- UC community of subject matter experts

Presentations included:

- Research Security Program
- Cybersecurity
- Audit Risk Assessment, Data Analytics, IT System Implementations and Healthcare Topics
- Artificial Intelligence Governance
- Investigations
- Compliance Topics In Privacy, Research, Healthcare, Clery Act and Americans with Disabilities Act (ADA)
- Environmental Health And Safety

Audience

Attendees included representatives from all UC campuses, medical centers, Lawrence Berkeley National Laboratory and UC Agriculture and Natural Resources (ANR), from the following areas:

- Research Compliance
- Auditors
- Investigations
- Risk Services
- UC Legal
- Information Technology
- Compliance Professionals
- Human Resource Professionals
- Cybersecurity

Attendance

2019 – 300 attendees

2022 – 400 attendees

ECAS's upcoming 2024 symposium – 500 anticipated attendees

Professional Development

Participants received continuing education credits from numerous professional organizations, including credits required for auditors.

Questions?