


Sponsored Projects – Export Controls
Project # 2019-41
May 22, 2019

Reviewed by:


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President

Executive Summary
Sponsored Projects – Export Controls Internal Audit Report
Project # 2019-41

Objectives:

Determine if UTSA's export control policies and procedures are being followed and monitored for:

- International travel,
- Non-US visiting scholars/visiting researchers,
- The purchase and shipping of export controlled commodities, and
- International purchases and shipping internationally.

Conclusion:

UTSA has Export Control policies, procedures, and training in place and is actively collaborating with Principal Investigators and UTSA staff to ensure compliance with Export Control Laws. Additionally, Non-US visiting scholars/visiting researchers are actively monitored by Office of Research Integrity (ORI).

However, opportunities for enhancement in the processing of export controlled financial activities exist because UTSA does not have a systematic means of tracking export controlled projects in the PeopleSoft Accounting System and UTSA relies on manual controls instead of automated controls in some instances. Specifically:

- UTSA relies on self-disclosure for international travel instead of proactively monitoring international travel because travel authorization are processed within the specific department.
- UTSA relies on self-disclosure for the purchase and shipping of export controlled commodities because export controlled commodity coding is not maintained in the PeopleSoft Accounting System.
- Purchases under \$5,000 paid with either research funds or department funds on a procurement card from international vendors, including shipping to international vendors and purchases of potential export controlled commodities are processed within the specific department.

Management Action Plans:

- International travel will be reviewed prior to the trip occurring (High)
- Restricted research projects will be coded in the PeopleSoft Accounting System (Medium)
- Export control training will be expanded (Medium)

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Background

Export Control Laws are the series of regulations over the flow of information, technology, and commodities internationally and to foreign nationals in the U.S. for the purpose of protecting national security and trade. Predominately, Export Control regulations are administered under three agencies:

- The Department of Commerce's Export Administration Regulations (EAR) is concerned with dual-use items, such as computers or pathogens that are designed for commercial use but have the potential for military application.
- The Department of State's International Traffic In Arms Regulations (ITAR) cover defense-related items and services.
- The Treasury Department's Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions that have been imposed against specific countries based on reasons of foreign policy, national security, or international agreements.

Obtaining, transferring, or working with materials, persons, or entities subject to export control regulations is not automatically prohibited, but instead requires submissions to the appropriate regulatory body for waivers licensing the restricted activity for use in academic research. Additionally, research in Higher Education can be excluded from export control regulations under the Fundamental Research Exclusion, which exempts researchers conducting research with the intent of publishing and sharing their results with the scientific community.

[Handbook of Operating Procedures \(HOP\) 10.01 Export Controls](#) is UTSA's policy for ensuring compliance with federal regulations and requires that the "Office of Research Integrity (ORI) determine if the activity (shipping, travel, financial transactions, foreign visit, etc.) is subject to export control laws and regulations."

ORI has [Export Controls Guidelines](#) posted for researchers and staff that outline detailed procedures for training Principal Investigators and staff on Export Control regulations. ORI collaborates with Principal Investigators to determine if their research is considered export controlled and assists in establishing Technology Control Plans (TCPs) when warranted. TCPs outline the restrictions and security measures necessary for the research. ORI also ensures appropriate licenses are obtained when required. Additionally, on an ongoing basis, ORI will partner with Principal Investigators and staff (such as Research Service Centers, the Purchasing Office, and Campus Mail Services) to monitor not only export controlled projects, but also potential export controlled activities such as international travel or the purchase or shipment of commodities that may be export controlled.



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UTSA had three export controlled projects that ended in December 2018 and currently has one active export controlled project. Additional export controlled projects are expected as UTSA continues to expand its research portfolio. Potential export controlled activities such as travel or the purchase or shipment of certain export controlled commodities can occur in projects that are not export controlled.

Audit Details

Objective: Determine if UTSA's export control policies and procedures are being followed and monitored for international travel.

International
Travel is Not
Independently
Monitored

ORI does not have an independent means of effectively monitoring if export control procedures are being followed for international travel prior to the trip occurring.

- Employees traveling internationally with UTSA property are required to complete a *Certification of Temporary Export of UTSA Property and Review for Export Control Regulations Form* documenting destination, purpose, who they are meeting with and why, and what UTSA property is traveling.
- Employees not traveling with UTSA property are not required to notify ORI unless the destination is subject to boycott or embargo or the traveler is entering into an agreement with an entity or person who is subject to embargo or sanction.

When ORI is notified about international travel, ORI utilizes the Visual Compliance Application administered by UT System to verify the destination and visited entity against authorities of prohibited nations and entities. If prohibited, ORI can facilitate obtaining a license with the Department of State prior to the travel occurring.

Faculty, staff, and student employees obtain travel authorizations prior to the trip occurring and file expense reports for UTSA sponsored travel. Students traveling with UTSA, but who are not employees, submit non-purchase order vouchers for travel reimbursement.

The National Institutes of Health and Department of Energy indicated that federal agencies will be seeking to tighten controls for the protection of funded research, including tightening the controls over travel to restricted nations.

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Utilizing the *International Travel Report* created by UT System Shared Information Services for reporting international travel to UT System Risk Management, 117 international trips occurred between September 1, 2017 and December 31, 2018. Audit selected a sample of 10 trips for testing.

Observation #1:	Nine of ten international trips funding by research grants had not been reported to ORI. Five of the ten trips were to restricted countries and four of the five were not reported to ORI for evaluation.
Risk Level:	The risk is HIGH that Principal Investigators or project personnel would travel to countries subject to restrictions, prior to review or appropriate licenses, potentially violating Export Control regulations.
Management's Response:	<p>ORI acknowledges this risk and will alleviate this risk through the following means:</p> <ol style="list-style-type: none"> 1) Work with Financial Affairs to add ORI to workflow approval in PeopleSoft for travel authorizations for international travel. ORI would be notified, via PeopleSoft workflow, of all international travel and would screen travel itinerary for Export Control concerns. Additionally, ORI would solicit a Certificate of Temporary Export form from traveler if traveler intended to take UTSA property. 2) Until #1 is complete and pending UT Shared Services approval and implementation, ORI will coordinate with Shared Information Services to obtain a weekly <i>International Travel Report</i> of which ORI was previously unaware. All pending travelers will be contacted if destinations involve export control concerns and for Certificates of Temporary Export forms for UTSA property. 3) ORI will develop focused training guidance (step-by-step guide) for UTSA administrative staff, which will cover Export considerations for international travel to include temporary exports of UTSA property, such as laptops. 4) ORI will initiate an outreach program to better inform department staff, including department chairs and administrative staff to explain requirements. This outreach will also include guests from federal investigative agencies (e.g., Department of Homeland Security) who can provide

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	<p>additional resources and answer specific questions from UTSA staff and faculty regarding Export Control regulations, requirements and threats.</p> <p>Regarding the four international trips that were not reported to ORI for evaluation, the departmental staff have been provided additional training and the travelers have been informed of procedural requirements related to export controls. Additional training described in #3 and #4 is expected to further reduce the risk of export control violations.</p>
Responsible Person:	Robert Mitchell, Research Security Manager
Implementation Date:	<ol style="list-style-type: none"> 1) October 2019, pending UT Shared Services approval 2) July 2019 3) August 2019 4) October 2019

Objective: Determine if UTSA's export control policies and procedures are being followed and monitored for the purchase and shipping of export controlled commodities, international purchases, and shipping internationally.

Accounting System
Workflow

Financial activities for research projects are processed in the PeopleSoft Accounting System. PeopleSoft has workflow to ensure RSC or ORI approval of transactions prior to processing payment in some processes as outlined in Appendix A and Appendix B. However, workflow is not in place for all financial activities within an export controlled project.

Institutional Plan for
Foreign Influence in
Research

The UT System Office of the Chancellor issued a memorandum to all UT institutions in April 2019 titled, "Protection of Intellectual Property". As required by the memorandum, UTSA submitted an Institutional Plan to Address Foreign Influence in Research. One Required Element in the Institutional Plan is to "categorize research data and prioritize the types of research subject to foreign targeting, including research funded by a federal granting agency specifically STEM and medical research."

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Observation #2:	There is not a systematic way to identify export controlled research projects in the PeopleSoft Accounting System.
Risk Level:	There exists a MEDIUM risk that transactions in restricted research project subject to export control are not detected.
Management's Response:	<p>There are partial controls in place for this item as described in the Appendices, yet the majority of these controls are manual and rely on effective staff training, awareness, and compliance.</p> <p>The prioritization of research data that will occur in response to the UT System Chancellor's request will result in improved training, awareness, and support for the highest-risk areas of research that introduce the greatest risk.</p> <p>A request has been made to UT System Shared Information Services to add a character to PeopleSoft project identifiers so they are easily "tagged" as export controlled. For example, a research project that is export controlled will have an "R" added to the end of the Project ID.</p> <p>Training for UTSA staff on both changes will be implemented within 30 days of implementation.</p>
Responsible Person:	Michelle Stevenson, Associate Vice President for Research Administration Beth Manning, Assistant Vice President for Research Finance Operations
Implementation Date:	October 2019

Automated and Manual Controls

Some automated workflow controls exist in the Accounting System over the purchase and shipping processes of export-controlled commodities and for international purchases and for shipping internationally. However, manual controls in various processes as outlined in Appendix A and Appendix B require self-disclosure to ORI to facilitate a review of the purchase and shipping of export controlled commodities and for international purchases and shipping internationally. In summary:

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	<ul style="list-style-type: none">➤ Expenditures with departmental funds from domestic vendors are not subject to a secondary review outside of requesting department.➤ Purchases through the procurement card are not subject to a secondary review outside of the requesting department.➤ Shipping expenditures are not subject to a secondary review if shipped domestically or if paid through the procurement card.
Export Controlled Commodity Purchases	<p>Export controlled commodities are not coded in the PeopleSoft Accounting System. If a commodity is thought to be controlled by the requestor, ORI should be manually notified to obtain the required licenses from the appropriate federal agencies. EAR and ITAR regulations place regulatory burdens on all parties involved with a transaction such as what materials are being transacted and who are receiving the materials.</p> <p>The four export controlled research projects identified had five expenditures. No expenditure was determined to be for an export-controlled commodity.</p> <p>Since there is no coding in the PeopleSoft Accounting System for export controlled commodity purchases, Audit was unable to identify such purchases and was unable to verify that appropriate reviews were performed. As such, no opinion is given as to the effectiveness of the controls over the purchase of export controlled commodities.</p>
International Purchases	<p>All purchases from an international vendor are automatically routed to ORI for review. The four export controlled research projects identified had no international purchase activity.</p> <p>Sampled international purchase activity performed through RowdyExchange, the Procurement System that connects to PeopleSoft, the Accounting System, had the international vendor appropriately reviewed and certified by ORI.</p>
Shipment of Export Controlled Commodities and International Shipments	<p>All expenditures that use research project funds are reviewed by the Research Service Centers (RSC) for appropriateness. As part of that review, the RSCs should consider shipping costs, the shipping destination, and the commodities to be shipped. The RSCs stated that shipments from UTSA to an international entity are rare and are addressed through international service agreements or material transfer agreements and are manually</p>

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routed to ORI for approval. However, the RSCs were unable to provide evidence of their review for two international shipments.

The coding in the Accounting System does not differentiate expenses for shipping to UTSA or shipping from UTSA. As such, a complete population of international shipments from UTSA could not be determined. No opinion is given as to the effectiveness of the controls over the shipment of export controlled commodities and international shipments.

The four export controlled research projects identified had no shipping expenditures.

<p>Observation #3:</p>	<p>Through discussions with the Office of Research Integrity, Research Service Center Directors, Campus Mail Services, and the Procurement Department, automated controls and manual controls exist to prohibit, control, and monitor the purchase and shipping of export-controlled materials by research projects to and from UTSA. In some cases, automated controls were noted to be implemented through PeopleSoft workflow, while in other cases manual controls relied on manually routing to ORI by the requestor, as is noted in Appendix A and Appendix B.</p>
<p>Risk Level:</p>	<p>As the manual controls to ensure export control purchasing and shipping are dependent on training, a period of staff turnover or lack of periodic refresher training presents a MEDIUM risk of compliance failure.</p>
<p>Management's Response:</p>	<p>The prioritization of research data that will occur in response to the UT System Chancellor's request will result in improved training, awareness, and support for the highest-risk areas of research that ultimately provide the greatest risk.</p> <p>Training content will be added to relevant courses designed for administrative staff to help them follow the procedures needed to improve controls. These staff, however, should not be expected to identify whether or not a commodity is export controlled, as that requires highly technical understanding of export control regulations. University staff will receive new guidance on what categories of items should be reviewed by ORI.</p>

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Responsible Person:	Michelle Stevenson, Associate Vice President for Research Administration
Implementation Date:	November 2019

Objective: Determine if UTSA's export control policies and procedures are being followed and monitored for non-US visiting scholars/visiting researchers.

Visiting Scholars/
Visiting
Researchers

Export control policies and procedures are being followed and monitored for non-US visiting scholars/visiting researchers with appropriate background checks and Visual Compliance Application reviews.

Departments wishing to utilize visiting scholars/researchers without pay complete the Person of Interest (POI) Form for approval through the department and ORI. ORI determines if there are export control considerations to account for and if Technology Control Plans should be established by reviewing the POI form for:

- Evidence of eligibility to work in the United States and background elements (education/work history/nation granting passport)
- If the visiting scholars/visiting researchers could be in contact with export controlled materials and if so, if waivers are necessary.

Export control training is provided to visiting scholars/visiting researchers involved with export control research.

20 visiting scholars/visiting researchers who were not US citizens or US permanent residents that had supervisors funded by research were processed between September 1, 2017 and December 31, 2018. A sample of 4 visiting scholars/visiting researchers were selected for testing and appropriate background checks and Visual Compliance Application reviews occurred.

Conclusion

UTSA has Export Control policies, procedures, and training in place and is actively collaborating with Principal Investigators and UTSA staff to ensure compliance with Export Control Laws. Additionally, Non-US visiting scholars/visiting researchers are actively monitored by ORI.


Appendix A
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However, opportunities for enhancement in the processing of export controlled financial activities exist because UTSA does not have a systematic means of tracking export controlled projects in the PeopleSoft Accounting System and UTSA relies on manual controls instead of automated controls in some instances. Specifically:

- UTSA relies on self-disclosure for international travel instead of proactively monitoring international travel because travel authorization are processed within the specific department.
- UTSA relies on self-disclosure for the purchase and shipping of export controlled commodities because export controlled commodity coding is not maintained in the PeopleSoft Accounting System.
- Purchases under \$5,000 paid with either research funds or department funds on a procurement card from international vendors, including shipping to international vendors and purchases of potential export controlled commodities are processed within the specific department.

This audit resulted in 1 High and 2 Medium-level findings, but no Priority Findings. A Priority Finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.” Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated.


Paul Tyler
Chief Audit Executive


Laura Buchhorn
Assistant Audit Director


Aaron Sanders
Auditor III

This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

Appendix A
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	<i>All Purchases from International Vendors</i>	<i>Purchases from Domestic Vendors paid with Research Funds</i>	<i>Purchases from Domestic Vendors paid with Non-Research Funds</i>
Purchase Over \$15,000	<u>Automatically</u> routed to ORI in RowdyExchange for vendor approval. RowdyExchange is Procurement System that connects to PeopleSoft, the Accounting System.	If there are questions on whether or not a commodity is Export Controlled, the Research Service Centers (RSCs) or Purchasing Office are trained to <u>manually</u> route to ORI for approval.	If there are questions on whether or not a commodity is Export Controlled, the UTSA Purchasing Office is trained to <u>manually</u> route to ORI for approval.
Purchase Under \$15,000 not using UTSA's procurement card	<u>Automatically</u> routed to ORI in RowdyExchange for vendor approval.	If there are questions on whether or not a commodity is Export Controlled, the Research Service Centers (RSCs) or Purchasing Office are trained to <u>manually</u> route to ORI for approval.	Unless involved with proscribed hazardous materials or special involvement with the Purchasing Office, no secondary review is performed to determine if the commodity is Export Controlled. The purchase will go through the internal approval process set up for the project by the Principal Investigator (PI), but not the RSC or other external office. Concerns about commodity control status are <u>manually</u> forwarded to ORI for review. Per ORI, the risk is minimal that shipping companies shipping to UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction. Researchers receiving controlled content are personally liable for failure to control materials while on campus.
Purchase made on UTSA's procurement card (\$5,000 limit)	Cardholders are responsible for <u>manually</u> ensuring compliance by submitting a restricted party screening request to the Office of Research Integrity prior to engaging the vendor. If there are questions on whether or not a commodity is Export Controlled, the PI is trained to <u>manually</u> request for ORI approval.	If there are questions on whether or not a commodity is Export Controlled, the PI is trained to <u>manually</u> request for ORI approval	If there are questions on whether or not a commodity is Export Controlled, the requestor is expected to be familiar with export controls and <u>manually</u> address concerns with ORI. Per ORI, the risk is minimal that shipping companies shipping to UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction. Researchers receiving controlled content are personally liable for failure to control materials while on campus.
<p>Section 7 of the FMOG indicates that no purchase over \$500 may be made from a vendor whose status is on hold with the State Comptroller's Office. Therefore, prior to completing a purchase, cardholders must <u>manually</u> verify vendor status via the Texas Identification Number System (TINS) Vendor Hold Search website.</p> <p>Purchase Requestors are provided mandatory trainings, which inform them that procurement cards may not be used to purchase various restricted commodities. A secondary review is not automatically being performed to determine if the commodity is Export Controlled. The purchase goes through a project internal approval process and not through the RSC or other external offices. Commodity control questions or concerns are <u>manually</u> communicated to ORI.</p> <p>Per ORI, the risk is minimal that shipping companies shipping to UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction. Researchers receiving controlled content are personally liable for failure to control materials while on campus.</p>			

Appendix B
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	All Shipments to International Locations	Shipments to Domestic Locations Paid with Research Funds	Shipments to Domestic Locations Paid with Non-Research Funds
Documents shipped via UTSA Campus Services	UTSA Campus Mail Services will only ship paper documents. Any international shipments are <u>automatically</u> routed from Campus Services to ORI for approval.	UTSA Campus Mail Services will only ship paper documents. Per ORI, the risk is minimal that paper documents shipped to parties within the US would contain export-controlled data.	
Commodities shipped via Three Internal UTSA processes	<p>1. <i>RowdyExchange</i> - Delivery services from international vendors processed in RowdyExchange are <u>automatically</u> subject to ORI review.</p> <p>However, if a domestic vendor is used to ship either domestically or internationally, no secondary review is performed.</p>	<i>RowdyExchange</i> – Domestically based delivery services hired through RowdyExchange would be reviewed <u>automatically</u> by RSCs but not be subject to review by ORI.	RowdyExchange – Domestically based delivery services hired through RowdyExchange would not be subject to a secondary review. The purchase goes through an internal approval process set up by the PI and not through the RSC or other external offices. Concerns about commodity control status are <u>manually</u> forwarded to ORI for review. Per ORI, the risk is minimal that shipping companies shipping from UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction.
	2. <i>International Service Agreements</i> (\$5,000 or less) or <i>Material Transfer Agreements</i> prepared during award origination require approval by RSCs and are <u>automatically</u> routed through PeopleSoft to ORI if export control triggers indicate transactions involving export controlled materials or export control restricted parties.		There is no secondary review performed to determine if a commodity is Export Controlled. The purchase goes through an internal approval process set up by the PI and not through the RSC or other external offices. Concerns about commodity control status are <u>manually</u> forwarded to ORI for review. Per ORI, the risk is minimal that shipping companies shipping from UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction.
	3. <i>Procard</i> - Section 7 of the FMOG indicates that no purchases with a procurement card may be made from individuals or entities contained in U.S. government restricted, denied, debarred, designated or blocked persons lists. Cardholders are responsible for <u>manually</u> ensuring compliance by submitting a restricted party screening request to ORI prior to engaging the vendor. Per ORI, the risk is minimal that shipping companies shipping from UTSA would fail to verify the content being shipped or the recipient as federal law places liability on the shipper for completing the transaction.		
Commodities shipped by means outside UTSA	Commodities could be shipped outside of UTSA's internal process, but this process would be to deliberately act to circumvent all internal controls. In that situation, the liability would fall on the perpetrator, not the institution.		