



Report to the Audit and Compliance Committee of
the UHS Board of Regents on:
The University of Houston-Clear Lake Export Controls
AR2021-07

UNIVERSITY of
HOUSTON

INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON-CLEAR LAKE

EXPORT CONTROLS

TABLE OF CONTENTS AND SUMMARY

EXECUTIVE SUMMARY..... 2

INTRODUCTION..... 3

BACKGROUND 3

Issue 1 – Policies and Procedures 4

Objective 4

Criteria..... 4

Risk..... 4

Observation 4

Conclusion 5

Issue 2 – Awareness and Education..... 5

Objective:..... 5

Criteria..... 5

Risk..... 5

Observation 5

Conclusion 5

Issue 3 – International Shipping Requests..... 5

Objective 5

Criteria..... 5

Risk..... 6

Observation 6

Conclusion 6

Issue 4 – International Travel 6

Objective: 6

Criteria: 6

Risk: 6

Observation: 6

Conclusion: 7

Overall Management Response: 7

Recommendations 8

EXECUTIVE SUMMARY

Overview and Scope Summary

Export controls are laws and regulations established by the United States Federal Government agencies to restrict the export of goods, technology, and information out of the country for reasons of national security or protection of trade. The regulations fall under the following export regulations, categories, and agencies:

- Export Administration Regulations (EAR): associated with exporting sensitive items while ensuring that trade can still occur between the US and foreign countries.
- International Traffic in Arms Regulations (ITAR): prohibit the export of sensitive military articles and services.
- Commerce Control List (CCL): category list of items that have both commercial and military applications.
- Office of Foreign Assets Control (OFAC): restricts commerce with certain foreign countries, companies, and individuals.

The scope for this audit was FY18 - FY20 for UHCL. Additionally, we focused on recommending improvements that will help ensure our ability to properly monitor export controls as well as mitigate risks related to foreign influence and the protection of research data presently and in the future as our research activities continue to grow.

Observations:

During audit, the Department of Internal Auditing focused on evaluating the various processes related to managing export controls. Although primarily related to research activity, export controls extend to other common university activities occurring across the university such as international travel, international shipping/receiving, protection of research data, and online courses involving individuals from other countries. We identified the need to develop policies and an education program related to export control matters, enhance controls that monitor research activity, increase awareness of laws, regulations (and associated penalties for non-compliance) and best practices, and automate processes.

Overall Audit Opinion

There were moderate to significant findings in this report related to the control structure surrounding export control, foreign influence, visiting scholars, and research data protection. These process areas include policies and procedures; education and awareness; international shipping; and international travel.

Recommendations:

UHS IAD recommends the following actions:

1. Management should develop policies and procedures for export controls, foreign influence, visiting scholars, research data security, monitoring international travel and shipments from the university, and required training related to the above referenced topics. These policies should define, at a minimum, export control and compliance requirements; UHCL's position on grant contracts with export control language; notification and/or approvals for visiting scholars; protection of research data, etc.; reviews, approvals, and monitoring of international travel; and reviews, approvals and monitoring of international shipping.
2. Management should develop an awareness and education program related to topics such as export controls, foreign influence, international travel, visiting scholars, and research data security. The awareness program should include, at a minimum, knowledge related to a general overview of export controls laws and regulations, allowable exclusions, penalties for non-compliance, foreign influence and research data security, and how these impact the research conducted at UHCL. The education plan should include, at a minimum, an evaluation of training needs as well as who should be required to take the training and how compliance should be monitored.
3. Management should reevaluate the control structure for international shipping requests and institute a process that requires OSP approval prior to shipping.
4. Management should implement a control structure to ensure compliance with System Administrative Memorandum 07.A.08 – Data Classification and Protection. This must include, but not be limited to, elements such as training to staff and faculty regarding the requirements of SAM 07.A.08, review of laptops prior to travelling internationally, and/or a “clean laptop” loaner program.
5. Procedures related to export controls, international shipments, international travel, training, visiting scholars, etc. such as reviews, approvals, monitoring, etc. should be automated, as appropriate.

ANALYSIS OF THE UNIVERSITY OF HOUSTON-CLEAR LAKE EXPORT CONTROLS

INTRODUCTION

The Department of Internal Auditing developed an annual audit plan based upon a system-wide risk assessment to identify significant areas of risk facing the System. All the audits on the plan are conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors (IIA).

BACKGROUND

The Department of Internal Auditing (IAD) performed a review of export controls at the UHCL.

The Office of Sponsored Programs is responsible for monitoring research activity, corresponding to expenditures of approximately \$1.3 million, to ensure compliance with export controls laws and regulations. The Executive Director of the Office of Sponsored Programs (Executive Director) performs all export control responsibilities, such as, reviewing grant documentation for export control restrictions, providing guidance to faculty and staff, monitoring international travel, assisting in the hiring of foreign faculty and staff, and evaluating the risks of foreign influence.

While the Executive Director handles the above mentioned responsibilities, UHCL primarily relies on self-disclosure by faculty researchers to identify potential export control matters. The Executive Director is responsible for overseeing a staff of five who perform other research administration tasks such as assisting with grant proposals and reviewing grant contracts.

OBJECTIVE AND SCOPE

The primary areas of focus for the Export Controls audit were:

- Compliance with Export Control Laws
- Organizational Structure
- Education and Training
- Grant Execution
- Foreign Influence
- International Travel
- Shipping and Equipment Transfer
- Distance Education

The objective of our analysis was to examine each of these areas for:

- Strength of controls for appropriate risk mitigation of university activities
- Compliance with federal agency export control laws and regulations
- Appropriate organizational resources dedicated to support export controls
- Adequacy of knowledge and awareness of export controls

Information relevant to this audit was obtained through:

- Interviewing OSP and other university personnel
- Reviewing laws, regulations, and other guidance from federal agencies
- Reviewing UHCL policies and procedures

- Reviewing other public research university websites
- Reviewing research grant documentation maintained at the University
- Data obtained from PeopleSoft Finance and Campus Solutions queries

Issue 1 – Policies and Procedures

Objective: To determine if UHCL has policies and procedures in place that are consistent with Federal Government laws and regulations and provide adequate controls and oversight to identify and monitor research activities with export control requirements, possible foreign influence, visiting scholars, and protection of research data.

Criteria: Regulations established by the Federal Government protect U.S. security and research interests through restricting certain items and information from being exported to certain foreign countries. In addition, best practices call for restricting the sharing of information with sanctioned countries and individuals associated with the government of those countries.

Risk: If UHCL does not operate according to export controls policies and procedures that are consistent with laws and regulations, it is at risk of violations possibly resulting in penalties and fines, loss of research funding, damaged reputation, and loss of research data.

Observation: The UHCL OSP has limited policies or procedures related to export controls, foreign influence, visiting scholars, or protection of research data from foreign influence.

Projects Requiring Export Control Compliance:

Research grants solicited and awarded at UHCL fall under the fundamental research definition and do not contain specific language requiring those grant contracts to comply with specific aspects of export control requirements. Thus, EAR and ITAR do not apply specifically to grant contracts awarded to UHCL. The University is still required to comply with EAR and ITAR regarding aspects, such as restricting work being performed outside the U.S., shipping certain items outside of the U.S., encryption software, participation/access of certain foreign individuals, etc.

UHCL has no current research projects that specifically require export control compliance nor does UHCL have the facilities to properly comply with regulations should a research project be undertaken requiring specific export control compliance.

Foreign Influence:

Foreign influence in research has become increasingly problematic and U.S. government sponsors have expressed recent concerns regarding the risk of foreign influence on research conducted within the U.S. and creating methods to mitigate some of the risks faced by academic research institutions.

OSP is reliant upon faculty researchers to receive notification of visitors. Because notification of visitors doesn't generally occur, UHCL has no way to monitor the locations visited or the information shared by the faculty host with the visitor. Once on campus, the visitor may have access to the locations and/or information that the faculty member allows them to have access to.

For international travel and shipping, the UHCL's Travel Office's Travel Guidelines require review and approval by OSP for all international travel (see International Travel observation below) and the General Services Department requires a UHCL Postal Expenditure Form for international shipping). However, OSP reviews and approves the travel form but not the shipping form. Neither the travel nor shipping risks and/or best practices are communicated to faculty or staff through policies or educational platforms.

Conclusion: There is a significant control weakness related to policies and procedures for export controls, foreign influence, visiting scholars, and protection of research data.

Issue 2 – Awareness and Education

Objective: To determine if UHCL has developed an adequate awareness and education plan to train faculty researchers on export controls laws and regulations and if management and faculty maintain an appropriate awareness when conducting research and sharing results with the international scientific community.

Criteria: Best business practices suggest that faculty researchers must be knowledgeable of compliance expectations and aware of when they need to consult with the OSP for additional guidance.

Risk: Inadequately trained faculty and staff are prone to unknowingly commit violations which exposes the university and faculty to fines and penalties and may result in loss of research funding, loss of research data, and a damaged reputation

Observation: OSP website contains information related to research activities such as human subjects and animal care but doesn't discuss export controls. Rather, OSP is available for faculty researchers to contact them directly with questions related to export controls. The University of Houston offers information related to export controls on its website related to a general overview of export controls laws and regulations, allowable exclusions, penalties for non-compliance, and travel, etc.

In addition, OSP offers training on human and animal subjects through Collaborative Institutional Training Institute (CITI Program) operated by the University of Miami, which provides web-based training on a number of research topics including research ethics and compliance with topics such as human and animal subjects and export controls. However, OSP utilizes the CITI Program for training faculty conducting research on animal and human subjects but the subscription level purchased by UHCL does not include access to the export controls training modules.

Conclusion: There is an opportunity for UHCL to improve management and faculty awareness of export controls laws, regulations and best practices. Additionally, there is an opportunity to establish an education program designed to reinforce knowledge related to export controls, foreign influence, and research data protection.

Issue 3 – International Shipping Requests

Objective: To determine if UHCL has policies and procedures in place to effectively monitor outbound shipments to sanctioned international destinations.

Criteria: Laws and regulations control equipment and information exported by a university. Best practices have identified risks associated with monitoring outbound shipments.

Risk: If faculty have the ability to export information or equipment to restricted persons or countries, the university is at risk of committing export controls violations that may result in fines and/or penalties for the university and/or faculty, loss of research funding, loss of research data, and damaged reputation.

Observation: The UHCL printing and mail room services provided through the General Support Services Office requires all shipments to have a completed UHCL Postal Expenditure Form to document the business purpose and department information. The form includes a signature line for OSP, but based on our review of Postal Expenditure Forms, an employee outside of OSP was signing on that line. Our discussion with OSP management revealed that the signature line was included on the form prior to the current administration. OSP was unaware of the form and did not review the form or monitor any outbound shipments to international destinations.

Conclusion: There is a significant control weakness and opportunity to enhance the monitoring of shipments to international destinations.

Issue 4 – International Travel

Objective: To determine if an adequate review of international travel is occurring prior to a trip and if UHCL has policies and procedures in place to effectively monitor export of information from university-issued, personal laptops, or other portable devices during international travel to sanctioned locations.

Criteria: Best practices suggest that adequately reviewing international travel requests prior to the trip can help a university avoid export controls violations when a faculty researcher traveling internationally shares information with individuals from sanctioned countries. Additionally, best practices provide guidance on how to avoid theft of computer and research equipment or having a computer illegally accessed during international travel.

Risk: Faculty researchers sharing information with individuals from sanctioned countries, or researchers that maintain information on a personal laptop, their primary university-issued laptop, or portable storage devices on international trips expose the university to risks of having information illegally accessed. Both instances can result in export controls violations, loss of research data, loss of research funding, and damaged reputation.

Observation: UHCL utilizes an Export Controls and Travel Embargo Form that must be completed by the traveler and attached to the Travel Authorization Form. Both forms have a signature line for OSP, and UHCL Travel Guidelines indicate when OSP review and approval is required. For international trips, OSP reviews the travel itinerary, conference meeting schedule, or other relevant information regarding the purpose of the trip provided by the traveler.

The process for review and approval is a trust based manual control process that relies upon travelers and/or departments to identify the required approvals and route the forms via email to obtain the necessary approvals.

In addition, the Export Controls and Travel Embargo Form contains questions that would assist OSP in determining if the travel may involve information, equipment, etc., that may be subject to export control laws. However, because faculty researchers have not received appropriate training regarding export controls and travelling internationally, a faculty researcher is unlikely to have the specific knowledge necessary to answer all of the questions on the Export Controls and Travel Embargo form, such as whether or not restricted equipment, materials, software, or technical data will be transported or distributed internationally.

UHCL Travel Guidelines provide a link to U.S. Department of State Travel Warnings, Alerts, & Visa Services, by which a traveler can access travel advisory information for specific areas of travel. The Travel Guidelines are located on the UHCL Travel Office website.

System Administrative Memorandum (SAM) 07.A.08 – Data Classification and Protection, identifies research data necessary to substantiate research results or to satisfy grant-funding requirements, regardless of whether such data was developed by the university or obtained from third parties as Level 1 Data. UHCL did not have a control structure in place to monitor and ensure compliance with SAM 07.A.08, especially regarding faculty researchers travelling internationally. The University does not have a “clean laptop” loaner program which would allow a traveler to check out a “clean laptop” from OSP for any international trips.

Conclusion: There is an opportunity to enhance and automate controls for data security and protection of research information related to possible export control related information and/or foreign influence.

Overall Management Response:

University of Houston Clear Lake Management agrees with the observations, conclusions, and recommendations noted in this audit report. As noted in the attached Action Plan, we intend to implement several changes to adequately address the recommendations.

Recommendations

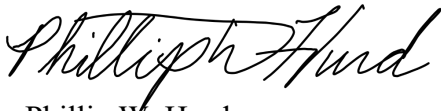
All four issues mentioned in this report reflect moderate to significant control weaknesses related to Export Control policies, procedures, and processes. With the current level of research expenditures, a lower risk exposure exists; however, continued growth of research and other activities at UHCL will increase the risk exposure and relevance in the future. UHCL currently has limited policies and procedures and relies upon trust based controls. Future expected growth discussed in UHCL's Impact 2025 strategic plan includes innovative research and community partnerships that will serve regional, state, and global locations. The objectives include leveraging and increasing the number of collaborations with external parties. These objectives will require the university to implement a more robust system of controls and monitoring procedures to ensure future compliance with governmental agency laws and regulations and risk mitigation. The Department of Internal Auditing recommends the following:

1. Management should develop policies and procedures for export controls, foreign influence, visiting scholars, research data security, monitoring international travel and shipments from the university, and required training related to the above referenced topics. These policies should define, at a minimum, export control and compliance requirements; UHCL's position on grant contracts with export control language; notification and/or approvals for visiting scholars; protection of research data, etc.; reviews, approvals, and monitoring of international travel; and reviews, approvals and monitoring of international shipping.
2. Management should develop an awareness and education program related to topics such as export controls, foreign influence, international travel, visiting scholars, and research data security. The awareness program should include, at a minimum, knowledge related to a general overview of export controls laws and regulations, allowable exclusions, penalties for non-compliance, foreign influence or research data security, and how these impact the research conducted at UHCL. The education plan should include, at a minimum, an evaluation of training needs as well as who should be required to take the training and how compliance should be monitored.
3. Management should reevaluate the control structure for international shipping requests and institute a process that requires OSP approval prior to shipping.
4. Management should implement a control structure to ensure compliance with System Administrative Memorandum 07.A.08 – Data Classification and Protection. This must include, but not be limited to, elements such as training to staff and faculty regarding the requirements of SAM 07.A.08, review of laptops prior to travelling internationally, and/or a “clean laptop” loaner program.
5. Procedures related to export controls, international shipments, international travel, training, visiting scholars, etc. such as reviews, approvals, monitoring, etc. should be automated, as appropriate.

* * * * *

The UHS Department of Internal Auditing would like to thank the UHCL Office of Sponsored Programs for their cooperation and assistance during this audit process.

Sincerely,

A handwritten signature in black ink that reads "Phillip W. Hurd". The signature is written in a cursive, flowing style.

Phillip W. Hurd
Chief Audit Executive
University of Houston System

PWH/pwh/Export Controls Audit

Participating Auditors: Brandee O'Neal and Jeff Collier

UNIVERSITY of HOUSTON
INTERNAL AUDITING DEPARTMENT

Action Item Number	Audit Area	University	Recommendation Summary	Task	Responsible Person	Targeted Date	Status
Issue 1 - Policies and Procedures							
1	Policies and Procedures	UHCL	Management should develop policies and procedures for export controls, foreign influence, visiting scholars, research data security, monitoring international travel and shipments from the university, and required training related to the above referenced topics. These policies should define, at a minimum, export control and compliance requirements; UHCL's position on grant contracts with export control language; notification and/or approvals for visiting scholars; protection of research data, etc.; reviews, approvals, and monitoring of international travel; and reviews, approvals and monitoring of international shipping	Develop and post Export Control Procedures on OSP web site: <ul style="list-style-type: none"> - Overall coordination and site management - Export control compliance requirements - Export control language for grant awards - Procedure for approval and notification of visiting scholars - Protection of research data - Review, Approval and Monitoring of International Travel - Review, Approval and Monitoring of International Shipping - Develop procedures for access to restricted research spaces 	<ul style="list-style-type: none"> - Exec Director, OSP - Exec Director, OSP - Exec Director, OSP AVP for Global Learning & Strategy and CIO - CIO - AVP-Business Operations - AVP-Business Operations - Sr. VP – AA Exec Director, FMC Police Chief 	8/31/2021	
Issue 2 - Awareness and Education							
2	Awareness and Education	UHCL	Management should develop an awareness and education program related to topics such as export controls, foreign influence, international travel, visiting scholars, and research data security. The awareness program should include, at a minimum, knowledge related to a general overview of export controls laws and regulations, allowable exclusions, penalties for non-compliance, foreign influence or research data security, and how these impact the research conducted at UHCL. The education plan should include, at a minimum, an evaluation of training needs as well as who should be required to take the training and how compliance should be monitored.	<ul style="list-style-type: none"> - Add CITI course on Export Compliance to UHCL CITI Contract - Customize CITI Export Compliance Course for learner groups; communicate certification requirements based on role (faculty, staff in various departments, senior leadership) - Send training reminders and CITI registration information at beginning of FY and track dissemination to new employees - Incorporate Export Control training into new employee training for specific units - Monitor training completion and report to division VPs semiannually - Schedule periodic reminders (every semester?) to faculty and staff regarding SAM 07.A.08 	<ul style="list-style-type: none"> - AVP - Academic Affairs - Exec. Director, OSP - Exec. Director, OSP - AVP-Business Operations, Sr. Business Admin. - Exec. Director, OSP - CIO 	8/31/2021	

UNIVERSITY of HOUSTON

INTERNAL AUDITING DEPARTMENT

Issue 3 - International Shipping Requests

3	International Shipping Requests	UHCL	Management should reevaluate the control structure for international shipping requests and institute a process that requires OSP approval prior to shipping	<ul style="list-style-type: none"> - Revise Postage form to require OSP signature for international shipments - Educate General Support Services (GSS) staff on signature requirement 	AVP-Business Operations	8/31/2021
---	---------------------------------	------	---	---	-------------------------	-----------

Issue 4 - International Travel

4	International Travel	UHCL	Management should implement a control structure to ensure compliance with System Administrative Memorandum 07.A.08 – Data Classification and Protection. This must include, but not be limited to, elements such as training to staff and faculty regarding the requirements of SAM 07.A.08, review of laptops prior to travelling internationally, and/or a “clean laptop” loaner program.	<ul style="list-style-type: none"> - Revise Export Control form for international travel - Develop procedure for use of UHCL laptops prior to international travel - Educate international travelers about the use of personal laptops containing UHCL data - Establish a “clean laptop” loaner program and educate international travelers about its availability - Consistently enforce completion of the Export Control form prior to international travel and return to traveler if incomplete - Hold Travel Expense Form if Export Control Form not submitted with TA prior to international travel 	<ul style="list-style-type: none"> - AVP-Business Operations and Exec Director, OSP - CIO - CIO, AVP, Global Learning & Strategy, and AVP-Business Operations - CIO, AVP, Global Learning & Strategy, and AVP-Business Operations - CBAs and DBAs - AVP-Business Operations 	12/31/2021
5	International Travel	UHCL	Procedures related to export controls, international shipments, international travel, training, visiting scholars, etc. such as reviews, approvals, monitoring, etc. should be automated, as appropriate	<ul style="list-style-type: none"> - Prepare, distribute, and post checklists of essential review and approval processes in strategic locations - Establish semiannual schedule for auditing compliance with established procedures and advise leadership of recommended corrective action 	<ul style="list-style-type: none"> - AVP-Business Operations - AVP-Business Operations and Exec. Director, OSP 	8/31/2021