



Export Controls

Audit Report No. R2407 | *February 13, 2024*



Executive Summary

Audit Objective

To ensure that UTD has an effective compliance program over export controls that will ensure compliance with federal regulations related to export controls.

Controls and Strengths

- Industry specific documentation and procedures are in place.
- International travel authorizations go through an export control restricted party screening process.

Overall Conclusion

UT Dallas has processes in place to ensure compliance with federal and other regulations over export controls; however, processes can be improved that will enhance the overall effectiveness of the export control compliance program.

Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

| Recommendation | Risk Level | Management’s Implementation Date |
|---|------------|----------------------------------|
| 1. Strengthen the Export Controls Compliance Program | High | February 28, 2024 |
| 2. Provide Additional Export Controls Training and Outreach | Medium | April 30, 2024 |
| 3. Continue to Document Procedures | Low | July 31, 2024 |

For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.



Detailed Audit Results

| Observation | Risk Level/Effect | Recommendation ¹ |
|--|--|---|
| 1. Strengthen the Export Controls Compliance Program | | High |
| <p>Risk management plans (RMP) are designed to document a compliance program’s monitoring, training, and reporting procedures that help ensure instances of noncompliance with applicable regulations are minimized. Each quarter, the responsible party submits a report to the Office of Institutional Compliance that documents the results of the monitoring, training, and reporting procedures listed on the RMP.</p> <p>The following opportunities exist to strengthen the RMP and quarterly compliance reports:</p> <ul style="list-style-type: none"> The RMP in place outlines internal controls that help to minimize the risk of noncompliance, and these controls are primarily operational. Monitoring procedures that should be performed by the responsible party (the Director) should be documented separately from the operational controls. Ideally, monitoring procedures should be documented and performed by the designated responsible party who is | <p>The export controls compliance program is considered a high-risk area based on the impact noncompliance could have on UT Dallas research and operations. Without a strong and effective compliance program, the risk of noncompliance is increased.</p> | <p>Strengthen the export controls compliance program by enhancing the risk assessment process, improving the monitoring, training, and reporting procedures on the risk management plan, ensuring the quarterly reporting is submitted quarterly and in a timely manner to the appropriate vice president, and determining if staff resources are sufficient to ensure the compliance program is effective.</p> |

¹ See Appendix B on page 12 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <p>typically not involved in the day-to-day operations. Monitoring procedures are typically performed periodically to ensure that the operating processes are working as intended.</p> <ul style="list-style-type: none">• At the time of the audit, the Director and the Assistant Director were the only staff members that were involved with the compliance program. During the audit, additional resources were added; however, due to the complexity of the export controls compliance program and the other responsibilities of the Director, this may not be sufficient.• Review of the monthly reports from Sponsored Projects, Technology Commercialization, and Contracts Administration should be included in the monitoring procedures.• Monitoring of the Technology Control Plans and Export Control Review Checklists should be implemented to ensure the plans and checklists are being followed as required.• During FY22 and FY23, the Quarterly Compliance Report was not approved timely for each quarter and was not | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <p>approved by a Vice President. The FY23 quarterly reports were all prepared on August 4, 2023.</p> <ul style="list-style-type: none">• The training section of the Quarterly Compliance Report should also track Export Control Staff training and certifications.• UTS 178 is no longer an active policy and should be removed from the Quarterly Compliance Report. <p>The risk assessment process can be enhanced by conducting more formal documented and periodic risk assessments that include all risks pertaining to export controls. The Office of Audit and Consulting Services provided a list of additional risks to consider during the closing meeting of the audit.</p> | | |
| <p>Management's Action Plan:</p> <p>Vulnerability #1: Weakness in Risk Assessment and Management Plan Process Mitigation #1: Director will perform annual Risk Assessment and will incorporate the results into the Risk Management Plan, including the planning of program development and operational priorities. Mitigation #2: Director will make program development reports to Vice President for Research and Innovation and Vice President and Chief of Staff on a quarterly basis.</p> | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <p>Mitigation #3: Director will revise the Risk Management Plan to remove specific process language and focus on identifying the program-level scope of active and planned mitigation efforts related to each risk statement. The process language will be incorporated into the planned Export Control Operations Guide.</p> <p>Mitigation #4: Director will undertake professional development opportunities as available concerning compliance risk management and reporting.</p> <p>Vulnerability #2: Weakness in Monitoring and Reporting Process for Risk Management Plan</p> <p>Mitigation #1: Director will formalize and update the risk management plan quarterly compliance testing and reporting process, including an update to the reporting form. Director will share the report on a quarterly basis with the Vice President for Research and Innovation and Vice President and Chief of Staff and hold a meeting to review the report.</p> <p>Mitigation #2: Director will delegate primary operational responsibility for export control compliance functions to the Assistant Director for Research Security as necessary to improve program effectiveness.</p> <p>Mitigation #3: Director and VPR will use the quarterly report data to assess operational program effectiveness and inform staff resource decisions.</p> <p>Vulnerability #3: Insufficient Staff Resources</p> <p>Mitigation #1: Additional staff resources have been devoted to the export control program. The Conflict of Interest Specialist II has been re-assigned to the Research Security Analyst position, reporting directly to the Assistant Director, with duties for research security and export control functions. The Conflict of Interest Specialist II position was re-posted and filled by a new hire, who started January 3, 2024. The Research Security Analyst will complete a formal export control training and certification (ECTI EAR/OFAC) at the earliest opportunity.</p> <p>Mitigation #2: Director and VPR will use the quarterly report data to assess operational program effectiveness and inform staff resource decisions.</p> <p>Responsible Party Name and Title: Conor Wakeman, Director, Ethics and International Research</p> <p>Estimated Date of Implementation: February 28, 2024</p> | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|--|--|
| 2. Provide Additional Export Controls Training and Outreach | | Medium |
| <p>Information on export controls is periodically included in the annual compliance training for all faculty and staff, even if their job responsibilities would not involve export controls compliance. This is a good practice to ensure that all employees are aware of the compliance risks.</p> <p>Because the export controls information is included with other compliance-related information, the completion rate for the export controls portion of the annual training is not being monitored, especially for faculty and staff whose job responsibilities may include export controls compliance.</p> <p>Outside of the annual compliance training, other export control training is performed on a one on one and as needed basis and is documented in the quarterly compliance reports. There is no additional targeted or required training offered to the campus community that relates specifically to export controls, although the Office of Research and Innovation website provides guidance². Specific training and outreach could help to better educate the campus personnel who are involved with research, international</p> | <p>Specific, targeted export controls training can reduce the risk of noncompliance with export controls regulations. Without monitoring training attendance, it is difficult to ensure that employees are aware of export controls regulations.</p> | <p>Provide additional export controls training and outreach to faculty and staff involved with research, international travel, shipping, or other areas that may encounter export control risks. Continue to document the training attendance and consider monitoring to ensure those that may encounter export controls risks are properly trained.</p> |

² <https://research.utdallas.edu/researchers/export-control>



| Observation | Risk Level/Effect | Recommendation ¹ |
|--|---|---|
| travel, shipping, hiring, or other areas that may encounter export control risks. | | |
| <p>Management’s Action Plan:</p> <p>Vulnerability #1: Insufficient Export Control Training Mitigation #1: Director and Assistant Director will perform benchmarking of export control training against peer research institutions. The results of the benchmarking exercise will be incorporated into the risk management plan as planned mitigation efforts. Mitigation #2: Director and Assistant Director will develop and implement training identified as necessary to ensure program effectiveness. As of the writing of this report, expanded training is planned for persons engaged in export-controlled research, for high impact researchers engaging in international travel, and international shipping.</p> <p>Vulnerability #2: Insufficient Monitoring of Export Control Training Completion Mitigation #1: Director will monitor faculty and staff training completion during quarterly compliance testing. Mitigation #2: Assistant Director will create and maintain log of assigned and completed faculty and staff training.</p> <p>Responsible Party Name and Title: Conor Wakeman, Director, Ethics and International Research</p> <p>Estimated Date of Implementation: April 30, 2024</p> | | |
| 3. Continue to Document Procedures | | Low |
| Policies and procedures help employees understand their responsibilities and are especially helpful during times of turnover. While there are numerous forms and checklists surrounding export controls compliance, there are currently | Without detailed procedures, faculty and staff may not understand their responsibilities, furthering the risk of noncompliance. | Continue to document procedures with step-by-step guidance. |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| no documented procedures with step-by-step guidance on the processes. | | |
| <p>Management’s Action Plan:</p> <p>Vulnerability #1: Insufficient Operational Process Documentation Mitigation #1: Export Control web page content will be revised and expanded, including suitable content from the Export Control Handbook. Mitigation #2: Export Control Operations Guide will be created, for internal use by export control program staff. Mitigation #3: Export Control Handbook will be created, for use by university faculty, staff, and students.</p> <p>Responsible Party Name and Title: Conor Wakeman, Director, Ethics and International Research</p> <p>Estimated Date of Implementation: July 31, 2024</p> | | |

Overall Conclusion

UT Dallas has processes in place to ensure compliance with federal and other regulations over export controls; however, processes can be improved that will enhance the overall effectiveness of the export control compliance program.



Appendix A: Information Related to the Audit

Background

The Export Controls Officer, within the Office of Research and Innovation, is responsible for ensuring compliance with laws that regulate “the export of and access to data, technologies, software, and hardware for reasons of foreign policy, national security, and trade protection.”³ Due to the impact that noncompliance could have on the university’s research funding as well as operations, export controls has been designated as a high-risk compliance area that requires a documentation risk management plan with quarterly reporting to the Vice President for Research and Innovation as well as the Chief Compliance Officer. Because the Chief Compliance Officer also serves as the Associate Vice President for Research and Innovation, the Vice President and Chief of Staff, responsible for oversight of Institutional Compliance, also receives the quarterly compliance reports for review.

The FY23 Export Controls Risk Management Plan lists the following risks of noncompliance of export controls, and controls to mitigate these risks are included in the plan:

- Responsible persons do not identify export control obligations required to perform externally funded research, or purchase or receive materials, technology, or equipment from an external party.
- UTD persons engage in covered transactions or exports with Parties of Concern without necessary government authorization.
- Responsible persons release export-controlled technology or research to foreign nationals or Parties of Concern without necessary government authorization.
- While traveling outside of the United States, responsible persons release or transfer export-controlled items, technology, or research to foreign persons, or engages in covered transactions with Parties of Concern without necessary government authorization.
- UTD persons engage in the export of controlled items or equipment to foreign persons or Parties of Concern without necessary government authorization.

³ <https://research.utdallas.edu/researchers/export-control>



Objective

To ensure that UTD has an effective compliance program over export controls that will ensure compliance with federal regulations related to export controls.

Scope

The scope of the audit was FY23. Fieldwork was conducted from August 2023, and the audit concluded on January 24, 2024.

Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

| Audit Area | Methodology | Observations Related to the Audit Area |
|--------------------------|---|--|
| Gaining an Understanding | <ul style="list-style-type: none"> • Gained an understanding of the compliance program by reviewing federal regulations, the related UT Dallas policies, and internal procedures. • Interviewed various responsible parties within the Office of Research and Innovation. | Observation #3 |



| Audit Area | Methodology | Observations Related to the Audit Area |
|-----------------------------|--|--|
| Risk Management Plan | Reviewed and evaluated the Risk Management Plan to ensure that a plan exists that will ensure compliance with federal regulations over export controls. | Observation #1 and #2 |
| Quarterly Compliance Report | Reviewed the quarterly compliance report to ensure the monitoring procedures, training procedures and reporting procedures were performed as outlined in the risk management plan. | Observation #1 and #2 |

Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.


| Risk Level | Definition |
|-----------------|---|
| Priority | If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC). |
| High | High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Medium | Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Low | Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Minimal | Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting. |



Appendix C: Report Submission and Distribution

We thank the Office of Research and Innovation management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

DocuSigned by:

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Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

Distribution List

Members and ex-officio members of the UT Dallas Institutional Audit Committee

Responsible Vice President

Dr. Joseph Pancrazio, Vice President for Research and Innovation

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Persons Responsible for Implementing Recommendations

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Other Interested Parties

Ms. Sanaz Okhovat, Chief Compliance Officer and Associate Vice President for Research and Innovation

External Parties

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

Engagement Team

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