

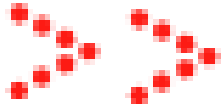




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Your Higher Education Auditing Connection



ACUA Kick Starters

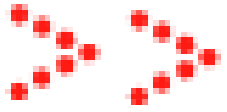
Use a Kick Starter to launch your next audit!

- Developed by ACUA members with subject matter expertise
- Focused on higher education specific topics

<https://acua.org/Audit-Tools/ACUA-Kick-Starters>



Do you have a great idea for an ACUA Kick Starter? Contact Lily Ly at lilyly@aa.ufl.edu.



New Kick Starters Available!

Payroll

Download today in the members-only section





Stay Updated

- The College and University Auditor is ACUA's official journal. Current and past issues are posted on the ACUA website.
- News relevant to Higher Ed internal audit is posted on the front page. Articles are also archived for your reference under the Resources/ACUA News.

Get Educated

- Take advantage of the several FREE webinars held throughout the year.
- Attend one of our upcoming conferences:
 - Audit Interactive**
April 5 – 8, 2020
Nashville, TN
 - AuditCon**
September 13 – 17, 2020
San Antonio, TX
- Contact ACUA Faculty for training needs.

Get Involved

- The latest Volunteer openings are posted on the front page of the website.
- Visit the listing of Committee Chairs to learn about the various areas where you might participate.
- Nominate one of your colleagues for an ACUA annual award.
- Submit a conference proposal.
- Present a webinar.
- Become a Mentor
- Write an article for the C&U Auditor.
- Write a Kick Starter.

Connect with us



www.ACUA.org

Connect with Colleagues

- Subscribe to one or more Forums on the Connect ACUA to obtain feedback and share your insights on topics of concern to higher education internal auditors.
- Search the Membership Directory to connect with your peers.
- Share, Like, Tweet & Connect on social media.

Solve Problems

- Discounts and special offers from ACUA's Strategic Partners
- Kick Starters
- Risk Dictionary
- Mentorship Program
- NCAA Guides
- Resource Library
- Internal Audit Awareness Tools
- Governmental Affairs Updates
- Survey Results
- Career Center.....and much more.



AUDIT Interactive

A Higher Education Collaborative Experience

April 5–8, 2020 Nashville, TN • Loews Vanderbilt Hotel



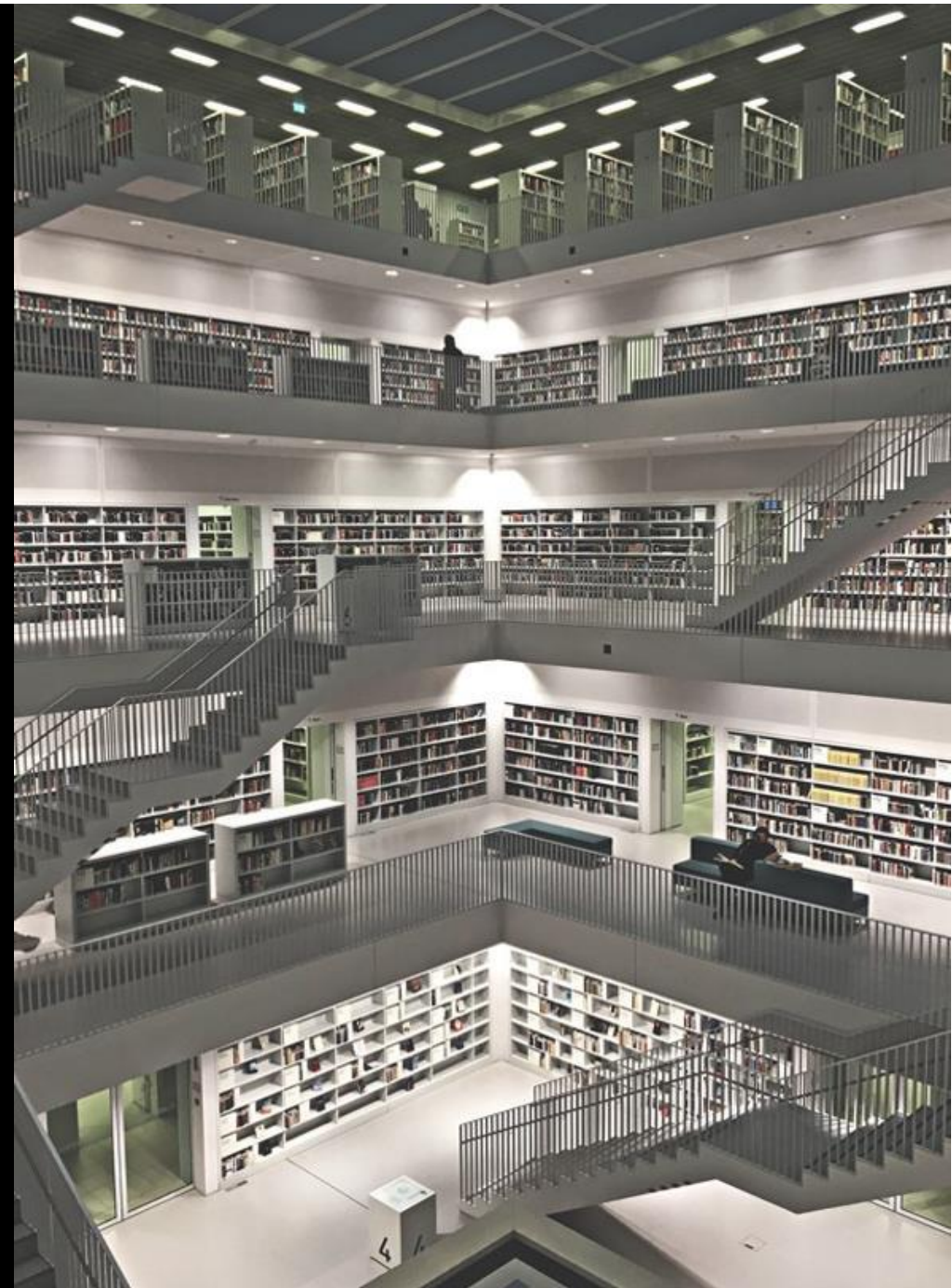
BAKER TILLY AND ACUA WEBINAR

Foreign influence – How internal audit can help address concerns and risks on campus

February 20, 2020



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INTRODUCTIONS

Today's webinar moderator



Lisa Gendusa

ACUA Virtual Learning Director
Internal Auditor
Texas State University System



INTRODUCTIONS

GoToWebinar guide

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Introduction



Ashley Deihl
CPA, CIA, CFE
Partner, Baker Tilly



Brynn Tomlinson
CPA, CFE
Manager, Baker Tilly

BACKGROUND

Agenda

- Objectives
- Overview
- Internal Audit areas of focus
- Resources
- Questions





FOREIGN INFLUENCE

Objectives

- Understand the current risk and regulatory landscape related to foreign influence concerns on campus
- Discuss specific operational and compliance impacts related to these risks including reporting, disclosure, and monitoring expectations
- Share concrete methodologies for internal audit to serve as an institutional partner to assess and address these risks

FOREIGN INFLUENCE

Overview- What do we mean by “Foreign Influence”?

- In the age of globalization, academic institutions benefit from the participation and collaboration of international faculty and researchers, accept funds from foreign governments and other entities, and participate in a variety of international research collaborations
- Performing research with a global mindset advances scientific discovery and helps to create a more impactful and inclusive research community
- However, recent focus on the threat of foreign influence has resulted in particular scrutiny of academic institutions due to theft of intellectual property (through diversion and peer review) as well as transfer of research results to foreign entities

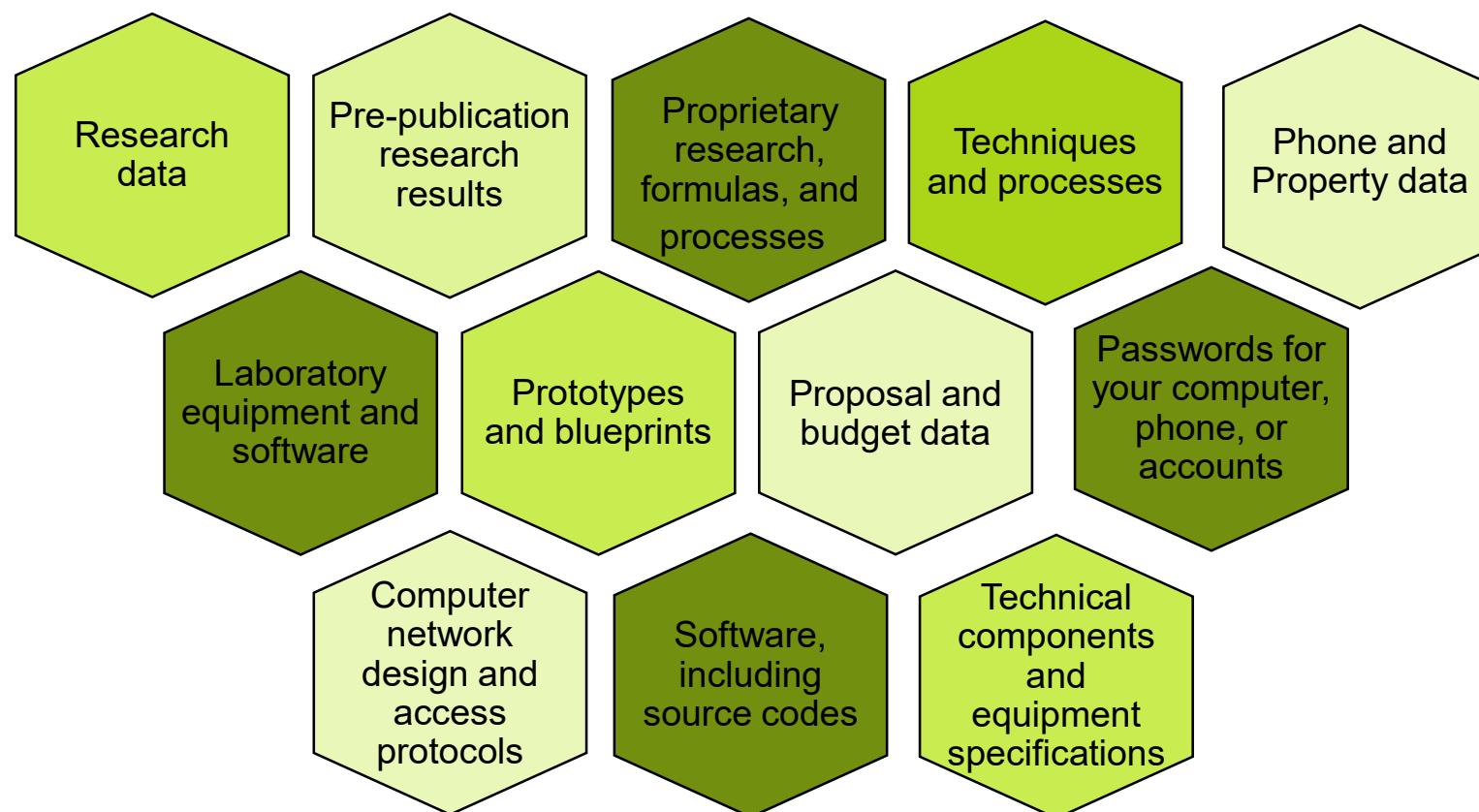
FOREIGN INFLUENCE

Overview- What do we mean by “Foreign Adversaries”?

- Seek to illicitly or illegitimately acquire U.S. academic research and information in order to advance their own strategic goals
- May attempt to acquire information through theft, plagiarism, or commercialization of early-stage collaborative research
- This can reduce U.S. competitiveness and take away revenue and work credit to those that deserve it
- Remember that the vast majority of foreign nationals on campus and other international collaborators are well-meaning and important members of our research communities!

FOREIGN INFLUENCE

Overview- Potential academic targets



FOREIGN INFLUENCE

Overview- Potential techniques to access information

Appeals to
ethnicity or
nationality

Sponsorship
of foreign
travel

Coercion

Study
abroad
opportunities

Overseas
professional
opportunities

Talent
recruitment
programs

Social
engineering

Scholarships
or research
funding

Publishing
opportunities

Joint
research
opportunities

FOREIGN INFLUENCE

Overview- Recent regulatory activity

- Department of Justice
 - Recent arrests related to relationships with Chinese government
 - Recent arrests related to provision of biological materials
 - Increased enforcement of export controls laws
- Department of Education (ED)
- Department of Energy (DOE)
- National Science Foundation (NSF)
 - Fundamental Research Security report - https://www.nsf.gov/news/special_reports/jasonsecurity/JSR-19-2IFundamentalResearchSecurity_12062019FINAL.pdf
 - PAPPG proposed changes

FOREIGN INFLUENCE

Overview- Recent regulatory activity

- National Institutes of Health (NIH)
 - Letter to NIH grantees August 2018
 - Letters of inquiry regarding specific faculty
 - Disclosure guidance and FAQs
 - Example NIH investigation:

Dr. AA serves as PI on three active NIH awards: #1, #2, #3. Dr. AA also holds an affiliation at YY University, located abroad. Based on his citing of this affiliation in research publications, he has held this position since at least 201X. At least two foreign grants are associated with Dr. AA: the National Science Foundation of M Grant #1 and the Major International Joint Research Program Fund of M grant #2. Dr. AA's NIH-supported publications were also supported by foreign awards, suggesting a collaboration. The University failed to disclose Dr. AA's affiliation with YY University, his foreign grant support, and the foreign components of the awarded projects in applications and progress reports which designated Dr. AA as the Principal Investigator.

FOREIGN INFLUENCE

Overview- Risks and challenges

- Variety of pressures and communications to colleges and universities
 - Sponsoring agencies
 - Law enforcement agencies
 - Elected and appointed officials
- Political atmosphere and impact
 - Focus on “transparency”
 - Concerns regarding “targeting” and xenophobia
- Lack of sufficient, reliable data to assess risks
- Decentralized risks and oversight on campus

FOREIGN INFLUENCE

Overview- Impacted individuals and departments on campus

- President, Provost and other executive leaders
- Principal investigators (PIs) and other researchers
- Dean and Chairs
- Financial Aid
- Institutional Data Reporting
- Sponsored Programs
- Finance and Accounting
- Compliance
- Conflict of Interest Committee
- Export Controls Office



FOREIGN INFLUENCE

Overview- Potential internal audit focus areas

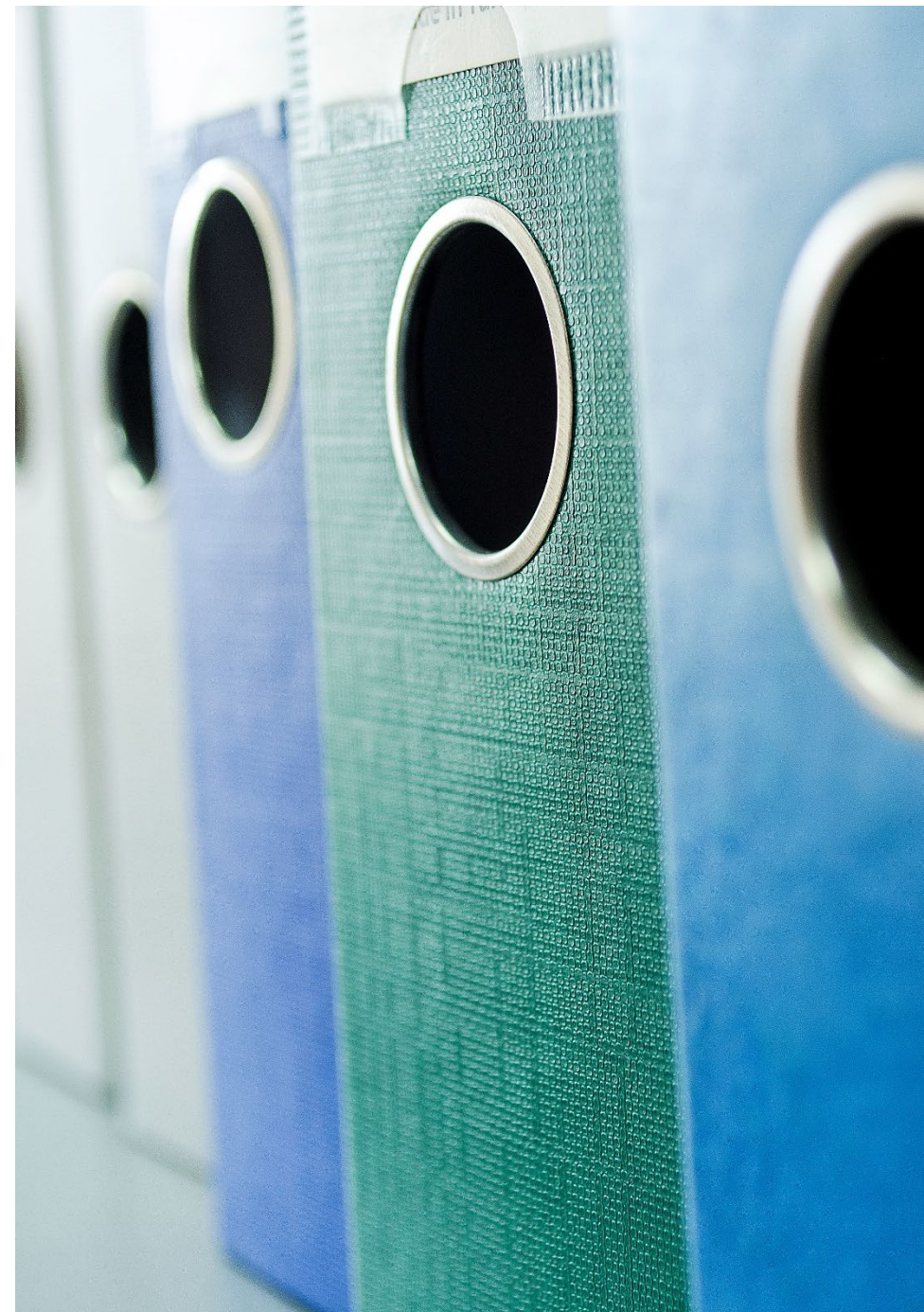
- Section 117 reporting
- Conflicts of interest
- Foreign travel
- Gifts and contracts
- Visitors on campus
- Foreign talent programs

FOREIGN INFLUENCE

Section 117 reporting requirements

Key risk considerations

- U.S. Department of Education requires all U.S. higher education institutions who receive Title IV federal assistance to report information about:
 - Gifts or contracts received from any foreign source exceeding \$250,000 in total
 - Any ownership interests in or control over the institution by a foreign entity
- Per the Higher Education Act of 1965- This has been around a long time!



FOREIGN INFLUENCE

Section 117 reporting requirements

Key risk considerations

- ED has launched investigations into foreign funding received by at least eight prominent universities
- Per ED, 70% of colleges and universities are not currently filing the proper disclosures¹
- Per ED, since July 1, 2019 over \$6.5 billion in foreign funding has been disclosed as a result of increased enforcement²
- Updates on proposed updated Section 117 regulations

¹ U.S. Federal Register/ Vol. 84 No. 173

² <https://www.ed.gov/news/press-releases/test-0>

FOREIGN INFLUENCE

Section 117 reporting requirements

Resources

- Section 117 of the Higher Education Act - <https://legcounsel.house.gov/Comps/Higher%20Education%20Act%20Of%201965.pdf#page=26>
- ED published reports and notices of investigation - https://www2.ed.gov/policy/highered/leg/foreign-gifts.html?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=
- Section 117 proposed regulations - <https://www.federalregister.gov/documents/2019/12/17/2019-27262/agency-information-collection-activities-comment-request-foreign-gifts-and-contracts-disclosures>

¹ U.S. Federal Register/ Vol. 84 No. 173

² <https://www.ed.gov/news/press-releases/test-0>

FOREIGN INFLUENCE

Polling Question #1- Who is responsible for Section 117 reporting at your institution?

- a) Office of Financial Aid
- b) Finance and Accounting
- c) Institutional Data Reporting
- d) Other or some combination
- e) This question makes me deeply uncomfortable

FOREIGN INFLUENCE

Section 117 reporting requirements

Internal Audit support - Assurance

- Audit the draft Section 117 report prior to submission, including:
 - Confirm amounts against all relevant systems- financial system/ ERP, grants management system, development system, centralized contracts database
 - Investigate online presence and validate that all funding sources are included
 - Scholarly publications
 - Faculty CVs and website
 - News and press releases
 - Focus attention on countries and specific entities noted by ED
 - Assess the accuracy and completeness of amounts based on IA's holistic understanding of the university (e.g., foreign campus funding)
 - Recalculate totals to ensure the \$250,000 threshold is met for reporting

FOREIGN INFLUENCE

Section 117 reporting requirements

Internal Audit support - Advisory

- Serve as a coordinator/ sit on committee to ensure all funding is captured in reporting
- Support institution to develop updated processes and controls to address current or proposed future Section 117 requirement
 - For example, recommend standardizations to gift accounting processes to ensure all amounts in excess of \$250,000 are reported completely and accurately)
- Support awareness efforts as part of ongoing audit and training activities

FOREIGN INFLUENCE

Conflicts of interest

Key risk considerations

- Federal agencies are more heavily scrutinizing foreign research activities and funding
 - For example, Department of Health and Human Services (HHS) Office of Inspector General (OIG) recent audit on COI
- Faculty may not be aware of changing requirements and therefore may not disclose all relevant foreign support/activities
 - Proposal “Other Support” pages
- University conflict of interest policies may be narrowly defined (e.g., focused solely on PHS regulations) leading to incomplete disclosure and review

FOREIGN INFLUENCE

Conflicts of interest

Key risk considerations

- Potential conflicts are very broad reaching and could include:
 - Consulting or training payments
 - Contracts or payments to a business owned by faculty member
 - Summer courses taught at foreign universities, government entities or companies
 - Honoraria for speaking events
 - Travel sponsored by foreign entities
 - Faculty appointments
 - Prestige titles or appointments
 - Provision of laboratory facilities and resources (e.g., “shadow labs”)
 - Promises of future benefits (e.g., titles, salary)

FOREIGN INFLUENCE

Conflicts of interest

Resources

- NIH Guide Notice to Investigators – <https://grants.nih.gov/grants/guide/notice-files/NOT-OD-19-114.html>
- NIH FAQs on Other Support and other COI issues - <https://grants.nih.gov/grants/faq-other-support-foreign-components.htm>
- HHS OIG Audit Report on COI - <https://oig.hhs.gov/oas/reports/region3/31903003.pdf>

FOREIGN INFLUENCE

Conflicts of interest

Internal Audit support - Assurance

- Audit adherence to conflict of interest policies and procedures including:
 - Verify completeness of COI disclosure form
 - Review online presence (CV, website, press releases)
 - Review annual faculty report for collaborations or new research streams
 - Review publications for sponsors and collaborators
 - Assess gifts, contracts, grants, MOUs, agreements managed by central offices
 - Interview collaborators, Chair, Dean to understand funding and new research streams
 - Test compliance with documented conflict of interest management plans
 - Test research proposals to confirm all identified funding sources are included

FOREIGN INFLUENCE

Conflicts of interest

Internal Audit support - Advisory

- Assess awareness across campus (e.g., is training and communication sufficient, are potential conflicts consistently disclosed)
- Assess whether university conflict of interest policies and disclosure expectations would identify undue foreign influence concerns
 - For example, does the COI disclosure form only request financial interests?
 - Does the COI disclosure form/ training provide examples of less obvious conflicts (e.g., sponsored travel, funding coming into a third party, etc.)

FOREIGN INFLUENCE

Polling Question #2- How confident are you that your COI process results in full disclosure of potential foreign conflicts of interest?

- a) Extremely confident- we are getting it all!
- b) I feel good, but it's never going to be perfect
- c) We could probably do better
- d) There is inconsistency across campus
- e) This question makes me deeply uncomfortable

FOREIGN INFLUENCE

Foreign travel

Key risk considerations

- Foreign travel may include meetings or collaborations with restricted parties
- Travelers may bring unsecured laptops, phones, or portable media to foreign countries where it can be accessed by unauthorized individuals or entities
- Software or equipment brought to foreign countries may require an export license
- University compliance offices may be unaware of travel that is not registered centrally
- Researchers may travel on outside funding but perform University activities during trips

FOREIGN INFLUENCE

Foreign travel

Internal Audit support - Assurance

- Verify that the full population of foreign travel is identified and has been disclosed to the university; sources may include:
 - University and/or Foundation general ledger
 - Concur or other travel reimbursement systems
 - Corporate credit card systems
 - International travel database

FOREIGN INFLUENCE

Foreign travel

Internal Audit support - Assurance

- Test a sample of foreign travel for compliance with:
 - University policy
 - Restricted party screening
 - Export licenses
 - Data security
 - Visa and immigration compliance



FOREIGN INFLUENCE

Foreign travel

Internal Audit support - Advisory

- Serve as an advocate to encourage foreign travel central registration, communication, and training requirements
- Assist to develop monitoring programs leveraging above information sources

FOREIGN INFLUENCE

Gifts and contracts

Key risk considerations

- The university may accept funds from a restricted party, either directly or through a subsidiary or related party
- Agreements may be informal or nonmonetary (e.g., MOUs, letters of cooperation, membership agreements) and therefore not routed through proper channels
- Agreements may require export control review

FOREIGN INFLUENCE

Polling Question #3- Are all gifts and contracts being reviewed by the appropriate individuals at your institution?

- a) Gifts, grants, MOUs- you name it, it's getting a full review!
- b) Only gifts and contracts with a monetary value are regularly reviewed
- c) There is inconsistency across campus
- d) This question makes me deeply uncomfortable

FOREIGN INFLUENCE

Gifts and contracts

Internal Audit support

- Verify that all sponsors and other business relationships have undergone restricted party screening and export control review
- Confirm that screening occurred prior to any payments, visa sponsorship or sharing of data
- Perform due diligence on agreements to identify high risk relationships and assess appropriate treatment in collaboration with university compliance offices

FOREIGN INFLUENCE

Visiting scholars/visitors to campus

Key risk considerations

- Visitors may present potential vulnerabilities to sensitive University facilities (e.g., computer systems, laboratory access, sample/specimen access)
- Visitors should follow established protocols regardless of nationality, length of trip or role
- Be mindful of individuals added to the visitor list at the last minute or otherwise circumventing controls

FOREIGN INFLUENCE

Polling Question #4- To what extent are visitors to campus reviewed or screened for potential issues?

- a) Anyone who sets foot on campus!
- b) Only individuals whose visas are sponsored
- c) There is inconsistency across campus
- d) This question makes me deeply uncomfortable

FOREIGN INFLUENCE

Visiting scholars / visitors to campus

Internal Audit support

- Verify that all visiting scholars and other visitors have undergone restricted party screening prior to invitation
- Verify that visiting scholars have undergone the proper visa sponsorship process
- Verify that visitors from a restricted party institution are reviewed in depth by the export controls office and any management plans/restrictions are followed
- Confirm that all visitors to laboratory space are logged
- Join laboratory visits to assess whether visitors are properly escorted and prevented from accessing confidential data

FOREIGN INFLUENCE

Foreign talent programs

Key risk considerations

- Most prominent example is the Thousand Talents Program established in 2008 by the Chinese government
- Programs offers monetary funding, access to state-of-the-art research facilities, career advancement and/or prestige titles
- Risk of theft of intellectual property and other conflicts of commitment
- In June 2019, DOE restricted its personnel from participating in these programs in China, Iran, North Korea and Russia

FOREIGN INFLUENCE

Foreign talent programs

Resources

- DOE Guidance on Foreign Talent Recruitment Programs - <https://www.directives.doe.gov/directives-documents/400-series/0486.1-border/@@images/file>
- Federal Bureau of Investigation (FBI) Guidance on Foreign Talent Recruitment Programs - <https://www.fbi.gov/news/testimony/securing-the-us-research-enterprise-from-chinas-talent-recruitment-plans-111919>

FOREIGN INFLUENCE

Foreign talent programs

Internal Audit support

- Verify all new employees, researchers, visiting scholars, etc. undergo restricted party screening
- Ensure graduating students and retired, separated or dismissed researchers turn in university-issued property
- Assess communication and awareness on campus
- Provide convenient ways for employees to report suspicious behavior and encourage such reporting

A top-down view of a dark grey desk. In the upper right, a silver laptop is partially visible. To its left is a small white pot containing a green cactus. Below the laptop, a pair of red-rimmed glasses and a black pen are resting on a white notebook. A large black rectangular box is overlaid on the left and center of the image, with the word "Questions" written in white text in the center. A small yellow horizontal bar is located at the top edge of the black box.

Questions

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