Summary: The Export Compliance audit was included in the Arizona State University (ASU) FY 2020 audit plan approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU senior leadership. The audit focused on assessing controls to ensure compliance to the defined federal export control regulations governing goods and technology including international travel and shipping. This audit is in support of ASU’s mission to establish ASU as a leading global center for interdisciplinary research, discovery and development.

Background: Export control laws regulate distribution of controlled information and technology to foreign nationals and foreign countries for reasons of foreign policy and national security of the people and technology of the United States. Federal regulations regarding export controls are governed by the Department of Commerce through its Export Administration Regulations (EAR) and the Department of State through its International Traffic in Arms Regulations (ITAR). ITAR controls the export of defense-related articles, services and technology to ensure defense technology and related technical information does not fall into the hands of anyone who is not expressly intended to have it. EAR applies to dual-use items (item has a regular civilian use and can have military applications). Violation of export control laws can result in significant civil and criminal penalties for both the individual researcher and the university as well as the university’s loss of export and government contracting privileges.

Most research and education activities taking place at Arizona State University are excluded from export controls because the university can assert the fundamental research exception. Fundamental research includes basic or applied research in science and engineering at an accredited institution of higher learning in the U.S., where the resulting information is ordinarily published and shared broadly in the scientific community.

ASU has appointed a member of Research Operations as the institutional Empowered Official as required by ITAR. The Empowered Official is authorized to sign and process export license applications on behalf of the university. ASU has also implemented multiple policies addressing export control requirements including the following:

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<tr>
<th>Policy</th>
<th>Description</th>
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<tr>
<td>RSP 214: Export Control</td>
<td>Explains the applicable laws and regulations regarding the dissemination of research results and the transfer of items and information.</td>
</tr>
<tr>
<td>RSP 406: Publication</td>
<td>Provides further guidance on when delays in publication could potentially impact research from qualifying as fundamental research.</td>
</tr>
<tr>
<td>FIN501: Travel Policy</td>
<td>Overall travel policy, which includes addressing export control implications related to international travel.</td>
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Research Operations has primary oversight over monitoring compliance with export control regulations while direct responsibility for compliance resides with the researcher or faculty member. To guide compliance, Research Operations published an Export Procedures Manual that provides detailed information on relevant regulations and
detailed procedures to guide compliance as well as an online tool (export wizard) to assist researchers in complying with export control laws. They also provide ongoing export control training to researchers and to the ORSPA Proposal & Negotiations team.

Defined procedures and work instructions have been developed to ensure incoming agreements/awards are assessed by the ORSPA Proposal & Negotiations team for export control restrictions. In instances where restrictions cannot be negotiated out of the agreement, Research Operations provides further support by confirming the restriction and processing the license application when required. In addition, they work with the researcher to develop and document a Technology Control Plan (TCP), which defines the specific controls the researcher has implemented to ensure that the item, data or technology is not unintentionally exported to a foreign official including physical security, information security, item security, personnel screening procedures, and training requirements. The researcher is responsible for ensuring controls are implemented and updates are made as necessary. Research Operations approves the initial TCP and then reviews it annually with the researcher while the project or research is active.

Research Operations and the Proposal & Negotiations team utilize a third party hosted system, Visual Compliance, to support export control activities including screening individuals and entities against the restricted party list, researching export control applicability and determining necessary export control licensing requirements.

**Audit Objective:** The objective of this engagement was to assess the design and effectiveness of controls in place to ensure compliance with federal regulations governing exports.

**Scope:** The scope of the audit focused on the period of January 2018 through July 2019.

Research Operations performs annual training with individuals identified in the TCP to ensure they are aware of their responsibilities as it relates to the export controlled information. While the initial training is documented through the completed TCP, which includes all project participant signatures, the ongoing annual training and review is not formally documented or tracked and therefore could not be tested. Although overall volume of TCPs is low, it is recommended that the annual review and training be formally documented as part of the standard TCP form in addition to maintaining a master listing of active TCPs to ensure annual activities occur.

**Methodology:** Our audit consisted of tests of procedures necessary to provide a reasonable basis for expressing our opinion. Specifically, audit work consisted of interviews with Knowledge Enterprise Operations and ORSPA Proposals & Negotiations,
review of work processes, review of documented policies and procedures, and substantive tests including the following areas:

- Performing a design assessment of related institutional policies and procedures to ensure key export control requirements are addressed.
- Confirming use of Visual Compliance screening tool through inquiry and walkthrough of the application.
- Validating a qualified Empowered Official has been appointed and is knowledgeable of the export control regulations through reviewing training and experience.
- Confirming defined procedures exist to guide international shipping.
- Reviewing 40 agreements from high-risk entities to ensure effective review and identification of export restrictions is occurring.
- Confirming enterprise record retention schedules have been filed with the State of Arizona to address defined retention requirements specific to export control items.
- Performing a design assessment of training materials to ensure key export control requirements are addressed.
- Assessing the logic appropriateness of the export wizard by confirming decision tree logic utilized.
- Assessing the completeness of the Technology Control Plans by reviewing documents for completeness and appropriate level of detail.

**Conclusion:** Overall, effective controls have been implemented to ensure compliance with federal regulations governing export controls. Specifically, institutional policies have been implemented to address requirements and establish accountability across all university faculty and staff. In addition, ASU has appointed an Empowered Official as required by ITAR. Research Operations has implemented training and education through multiple channels to ensure research personnel have an appropriate understanding of export regulations. Formal processes have been implemented to identify potential restrictions in all agreements/awards prior to execution to ensure appropriate security controls are in place to comply with the restrictions including obtaining export licenses where required.

Although there is a low volume of active TCPs due to most research falling under fundamental research, it is recommended that Research Administration implement additional validation activities related to the controls referenced in the TCP’s to ensure that controls are operating as intended. Specifically, reliance is made on standard university controls related to security and personnel screening; however, these controls are decentralized increasing the overall risk of controls not operating as intended. Testing identified multiple exceptions in both areas.

The control standards University Audit considered during this audit and the status of the related control environment are provided in the following table.
**General Control Standard**  
(The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)

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<tr>
<th>Finding No.</th>
<th>Page No.</th>
<th>Control Environment</th>
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**Reliability and Integrity of Financial and Operational Information**  
Not Applicable | N/A | N/A |

**Effectiveness and Efficiency of Operations**

- Export control restrictions are identified during pre-award contract negotiations.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

- Technology Control Plans are complete and have appropriate level of detail.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

- Research Operations provides export control training to faculty and staff.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

- Visual Compliance is utilized for restricted parties screening.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

**Safeguarding of Assets**  
Not Applicable | N/A | N/A |

**Compliance with Laws and Regulations**

- Institutional policy exists addressing export control regulations.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

- Record retention policy of ASU aligns with export control regulations record retention policies (EAR/ITAR).  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

- A qualified Empowered Official has been appointed as required by ITAR.  
  Control Environment: Reasonable to Strong Controls in Place.  
  Finding No.: N/A  
  Page No.: N/A

We appreciate the assistance of Research Operations during the audit.

Lisa Grace, Executive Director, University Audit and Advisory Services  
Andrea Idaszak, SR Internal Auditor, University Audit and Advisory Services
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