

# International Activities Emerging Risks and Trends: What Can Internal Audit Bring to the Table?



Audit Services  
Monthly Webinar Presentation  
February 19, 2015

# Your Speakers

## **Wanda Lynn Riley**

Chief Audit Executive, Audit and Advisory Services  
UC Berkeley

Wanda Lynn Riley has over twenty-four years of experience in public accounting and college and university administration. She has first-hand experience in higher education from account analyses to general ledger overhaul; financial statement auditing and compilation, internal financial, operational, compliance, performance, and investigative audits; policy evaluations and proposals; and risk management. She started her career as an auditor with Deloitte & Touche LLP, served as associate controller at Tuskegee University, director of Risk Management and Audit Services at Boise State University, and director of Audit and Advisory Services at UC Santa Barbara. She has also been a presenter for the Western Association of College and University Business Officers (WACUBO) and on the faculty for WACUBO's Business Management Institute. She has her CFE and CCEP accreditations. She has a B.A. from Hampton University.



## **Jaime Jue**

Associate Director, Audit and Advisory Services  
UC Berkeley

Jaime Jue is the Associate Director in the Audit and Advisory Services group at UC Berkeley. Prior to UC Berkeley, he was a Director at KPMG LLP in their Advisory Services practice. He focused on providing Fraud Risk Management, Dispute Advisory, Internal Controls, Forensic Accounting, and Internal Investigation services for Fortune 500 companies in the financial services, healthcare, technology, and retail industries. While at KPMG, he served as a national instructor for client service staff on topics related to fraud risk management, forensic accounting, engagement risk management, and effective reporting writing, among others. He has a Ph.D. from UC Berkeley in economic history and international economics. He is a Certified Internal Auditor and Certified Fraud Examiner.

# Today's Topics

- The spectrum of international engagement
- Types of international activities
- Central campus support for units pursuing international opportunities
- Role playing – Having a conversation with senior leadership
- Appendix - Catalog of Potential Risks Associated with International Collaborations

# Learning Objectives

- Understand the spectrum of international engagement opportunities for a research university such as UC.
- Understand the types of individual activities associated with the various types of international engagement
- Awareness of the role of central campus units to support units pursuing international opportunities
- Have an intelligent conversation with a senior stakeholder on the opportunities and risks as well as costs and benefits associated with individual international engagement opportunities.

# Role Playing Exercise (PREVIEW)

Having a conversation with senior leadership



## Scenario

- You are the Audit Director for your campus.
- You are having your annual risk assessment discussion with Dean Wanda Lynn Riley, Dean of Engineering, Public Health, and School of Medicine.
- Through the grapevine, you have heard that she is very interested in partnering with foreign governments, universities, and perhaps opening branch campuses all over the world for both teaching and research.
- She has not been a great advocate of audit in the past.
- You want to have an intelligent conversation about opportunities and risk, but not to come across as necessarily looking for things to audit in her shop.
- Your goal is to help her think and to provide a path to clarity and insight.
- **Feel free to start sending in questions throughout the presentation.**



# The Spectrum of International Engagement

# Spectrum of International Engagement

	Individuals			Schools, Colleges, or Campus	
	Students	Teaching	Research	Teaching	Research
<b>Going There</b>	UC undergrad and grad students go abroad for instruction or research	UC faculty go abroad to instruct	UC faculty / researchers go abroad for research – potentially with a foreign partner	UC schools, colleges, or campuses seek to partner with UC campuses for teaching (i.e. Study Abroad)	UC seeks foreign partners for organized research in the foreign country
<b>Coming Here</b>	Foreign undergrad or grad students come to UC for instruction or research	Foreign faculty come to UC to instruct	Foreign faculty / researchers come to UC to conduct research.	Foreign partners seek to partner with UC campuses to send their students here (exchange programs)	Foreign partners seek to partner with UC campuses for organized research here

# Types of International Activities





# NACUBO

## International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

The screenshot shows the homepage of the NACUBO International Resource Center. At the top, there is a navigation bar with links for Home, nacubo.org, and Contact Us. The main header features the NACUBO logo and the IRC International Resource Center logo, set against a background of a globe. A search bar is located on the right side of the header. Below the header is a secondary navigation bar with links for Home Campus, Guide to Activities, Business Office, Country Profiles, Resources and Tools, and About IRC. The main content area is divided into several sections. On the left, there is a large graphic of diverse human silhouettes standing on a globe. To the right of this graphic is the 'IRC Mission' section, which contains a paragraph of text. Below the graphic and mission text are two columns: 'Featured' and 'News'. The 'Featured' column includes links for 'New Content' and 'Frequently Asked Questions', and a 'Recent News' section with three news items. The 'News' column includes links for 'BBC World News', 'Reuters World News', and 'U.S. State Department Travel Warnings'. At the bottom right of the page, there is a footer with contact information and a secondary navigation bar.

Home | [nacubo.org](http://nacubo.org) | Contact Us

**NACUBO** **IRC** International Resource Center

Search

Home Campus | Guide to Activities | Business Office | Country Profiles | Resources and Tools | About IRC

### IRC Mission

The IRC is a resource for colleges and universities engaged in international activities. It provides a framework for the key areas that institutions need to be mindful of when conducting activities abroad. Each activity has its own unique characteristics, which should be specifically addressed, but content on the site is meant to provide general guidance.

### Featured

**New Content**  
[Frequently Asked Questions](#)

**Recent News**  
[Advice from the Centers for Disease Control and Prevention for Colleges, Universities, and Students about Ebola in West Africa](#)  
[U.S. Department of State: The United States and China to Extend Visas for Short-term Business Travelers, Tourists, and Students](#)

### News

[BBC World News](#)  
[Reuters World News](#)  
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1110 Vermont Ave NW, Suite 800, Washington, DC 20005

# Types of Activities (NACUBO examples)

- Banking/Sending Cash Abroad
- Collaborating Abroad
- Conducting Study Abroad Programs
- Employees Traveling Abroad Over 90 Days
- Generating Revenue Abroad
- Engaging Employees/Contractors Abroad
- Initiating a Program Over 90 Days

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Types of Activities (NACUBO examples cont'd)

- Renting, Leasing, Buying Real Estate Abroad
- Sending Equipment & Materials Abroad
- Sending Staff/Students Abroad
- Spending Grant Monies Abroad
- Closing Out a Program

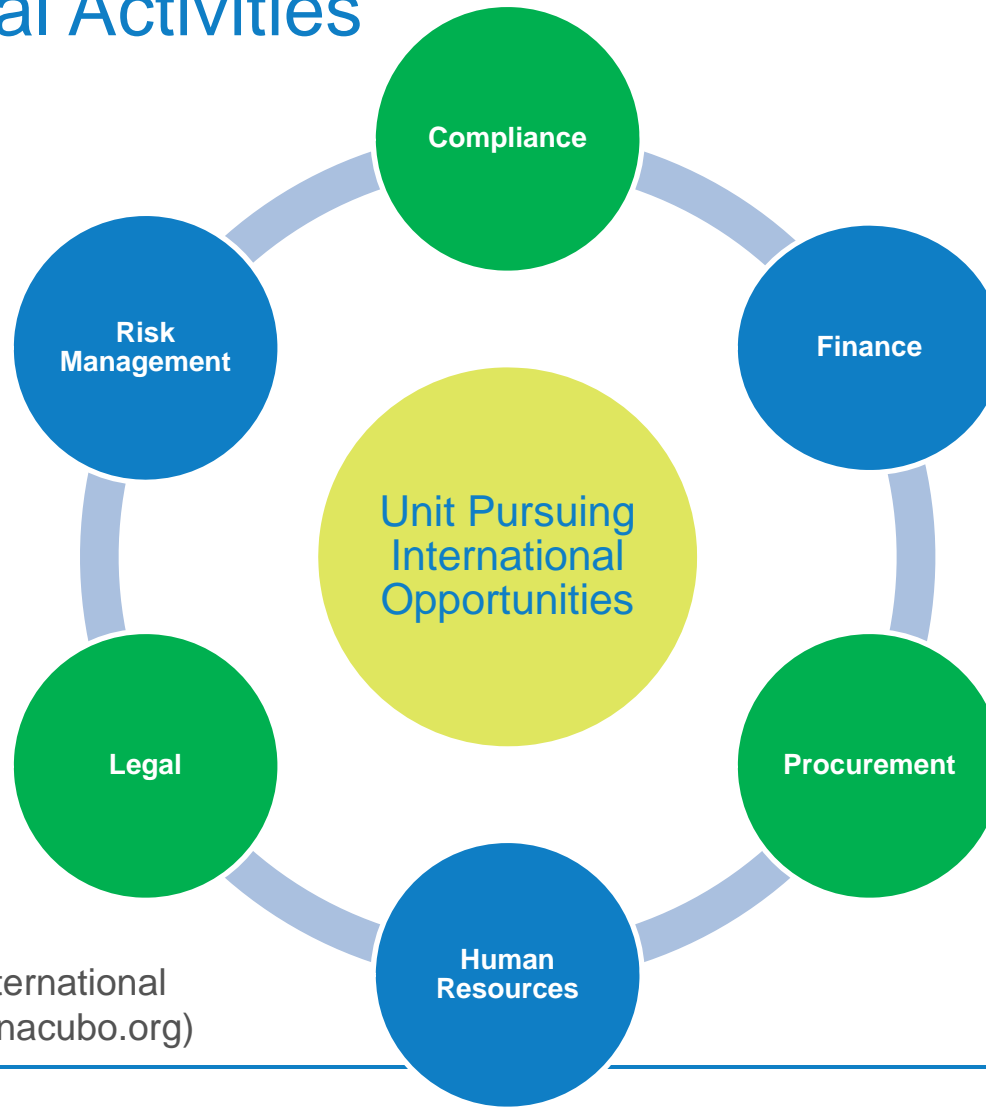
Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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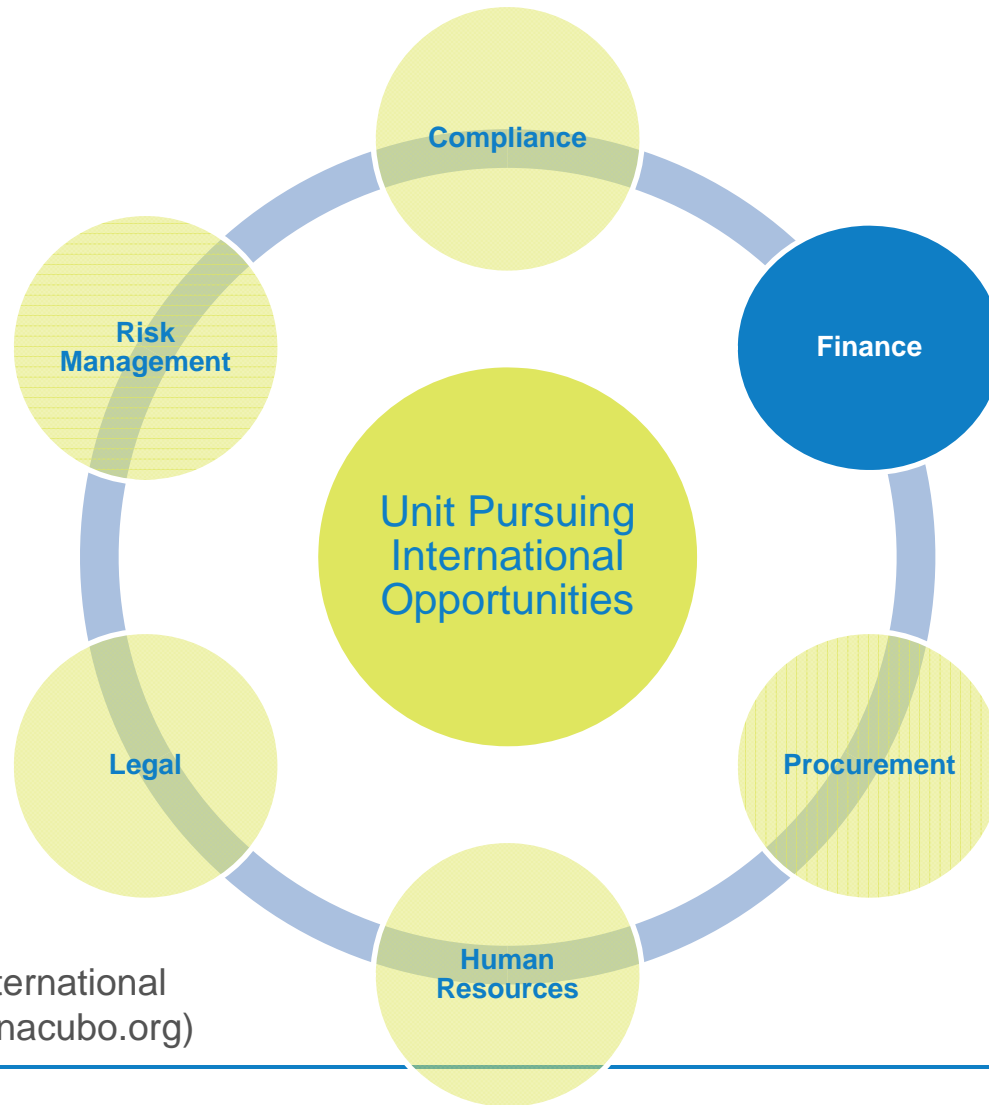
# Central Functions Supporting Units Pursuing International Activities

# Central Functions Supporting Units Pursuing International Activities



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Central Functions - Finance



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Finance

## Cash Management with International Activities

	Best option(s)	Next option(s)	Non-recommended options
Travel expenses	1. University card* 2. Expense Reimb.	1. Direct Bill (typically air travel only) 2. Wire from home country	Cash advance
Program expenses (no univ bank account)	Wire from home country bank account	1. Third party "partner" 2. University card*	Cash advance
Program expenses (with local univ account)	Paid by local entity via check or wire	Wire from home country bank account	Cash payments <sup>1</sup>

\* - "University card" may include a corporate credit card, reloadable bank card, or prepaid card

<sup>1</sup> - Cash payments for small incidentals or in cash-based economy will often be most practical method of payment

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Finance

## Cash Management with International Activities

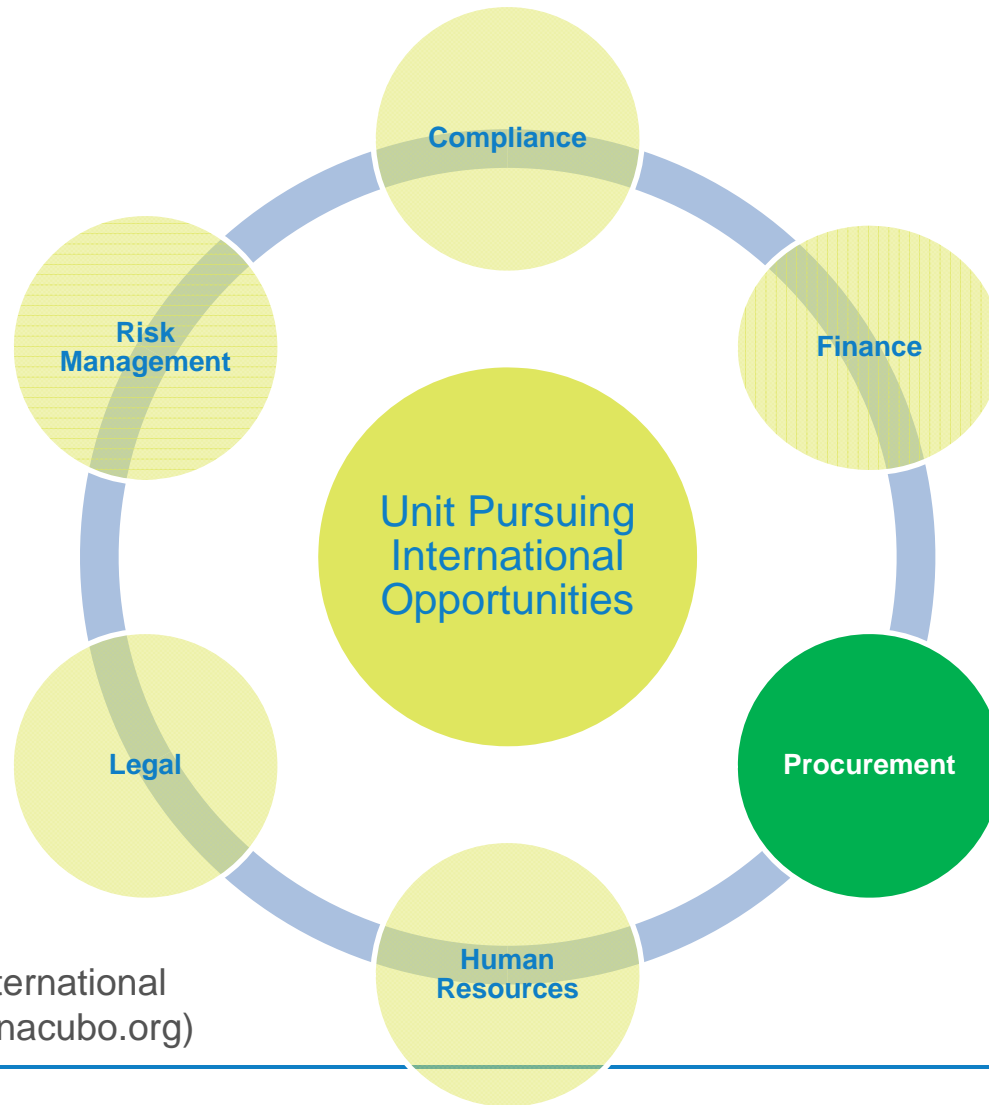
- University Bank Accounts
- Card Options
- Cash Advances
- Personal Bank Accounts
- Currency Fluctuations
- Compliance Requirements

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Central Functions - Procurement



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

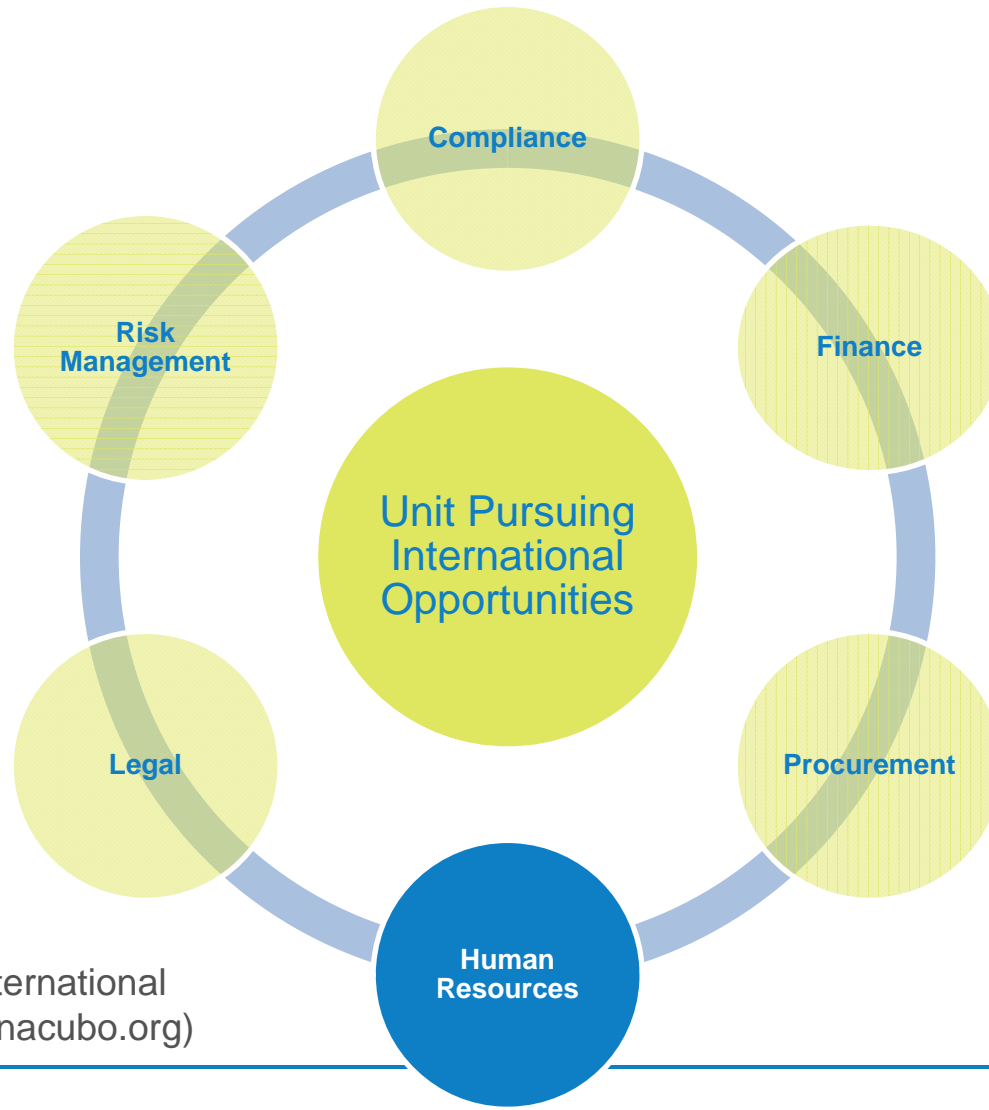
# Procurement

- Procuring Goods
- Procuring Services
- Lease or Purchase of Facilities

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Central Functions – Human Resources



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

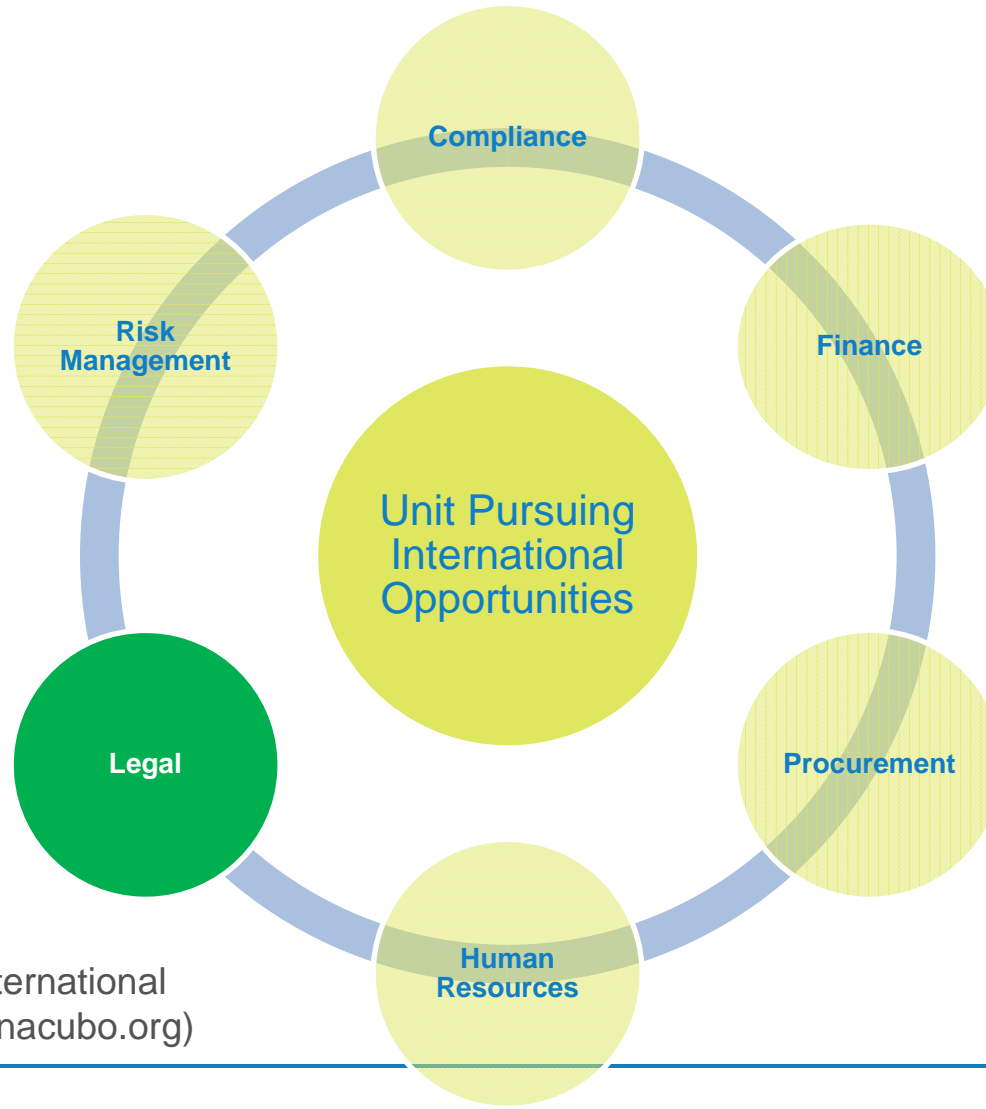
# Human Resources

- Classifying those working abroad
  - Local-hire employee (local hire)
  - Expatriate and third-country national (TCNs)
  - Temporary employees (casual employees)
  - Consultant or independent contractor
- Payroll
- Benefits
- Host country laws and regulations
- Voluntary and non-voluntary Separation

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Central Functions – Legal



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Legal

- Types of Collaboration

Collaboration Types	Varying Scope	Various Benefits and Functions
<ul style="list-style-type: none"><li>• Study abroad</li><li>• Student exchange</li><li>• Student trips</li><li>• Summer school programs</li><li>• Joint degrees</li><li>• Research collaborations (sponsored or non-sponsored)</li><li>• Firms to assist with local recruiting</li><li>• Governments as part of a gift or grant</li><li>• Executive education</li><li>• Program set-up</li></ul>	<ul style="list-style-type: none"><li>• Faculty-to-faculty</li><li>• Student exchange</li><li>• One-way student flows</li><li>• Department-to-department</li><li>• Institution-to-institution</li><li>• Multi-institutional consortia</li></ul>	<ul style="list-style-type: none"><li>• Teaching and learning</li><li>• Research collaboration</li><li>• Compliance with educational regulation</li><li>• Institution and curriculum building</li><li>• Enhancing student recruitment</li><li>• Faculty, staff and organizational development</li><li>• Administrative support</li><li>• Or all of the above</li></ul>

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Legal

## Example of Institutional Structure for Collaborations



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Legal

## Sample Evaluation Criteria for Potential Collaboration

<b>Strategic</b>	<b>Logistical and Other</b>
<ul style="list-style-type: none"><li>▪ <b>Mission fit</b></li><li>▪ <b>Goal fit</b></li><li>▪ <b>Institutional reputation</b></li><li>▪ <b>Region or country</b></li><li>▪ <b>Mutual benefits</b></li><li>▪ <b>Impact on future gifts and grants</b></li></ul>	<ul style="list-style-type: none"><li>▪ <b>Administrative support</b></li><li>▪ <b>Leadership support</b></li><li>▪ <b>Funding</b></li><li>▪ <b>Planning/Preparation</b></li><li>▪ <b>Perceived student interest</b></li><li>▪ <b>Geographic issues</b></li></ul>

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))



# Legal

- Assessing the Need for Legal Status When Planning to Operate or Operating in a Host Status
- Options for Obtaining Legal Status in a Host Country
  - 1 – Register your university directly
  - 2 – Forming a new legal entity within the university's home country and registering it
  - 3 – Forming a foreign legal entity (including international holding company)

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Legal

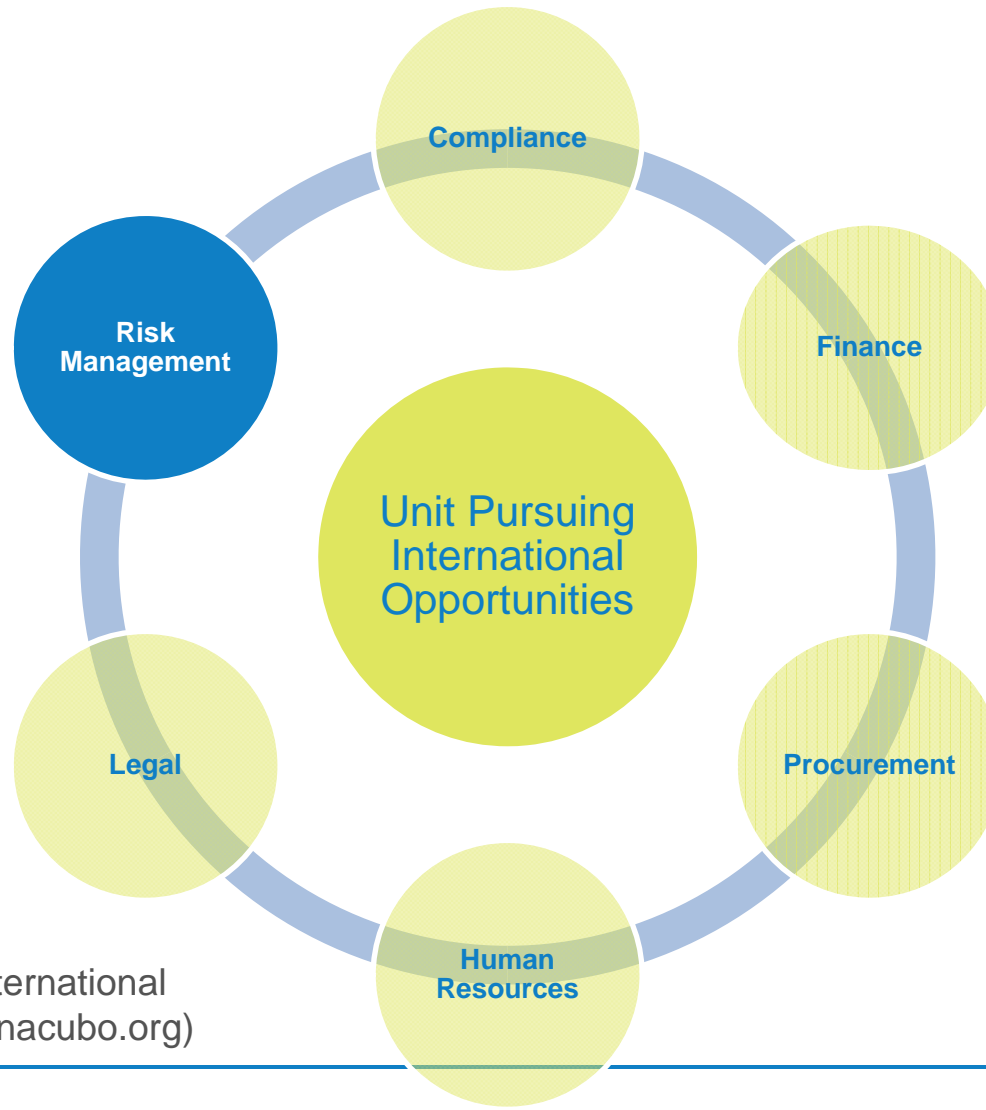
## Partnering and Contract/Agreement Types

- Letter of Intent to Collaborate
- Memorandum of Understanding (MOU) or Memorandum of Agreement
- “Affiliation” Agreement
- Finder’s Fee Agreement/Broker Agreement
- Sponsored Research Agreement – Award or Subaward

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Central Functions – Risk Management



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

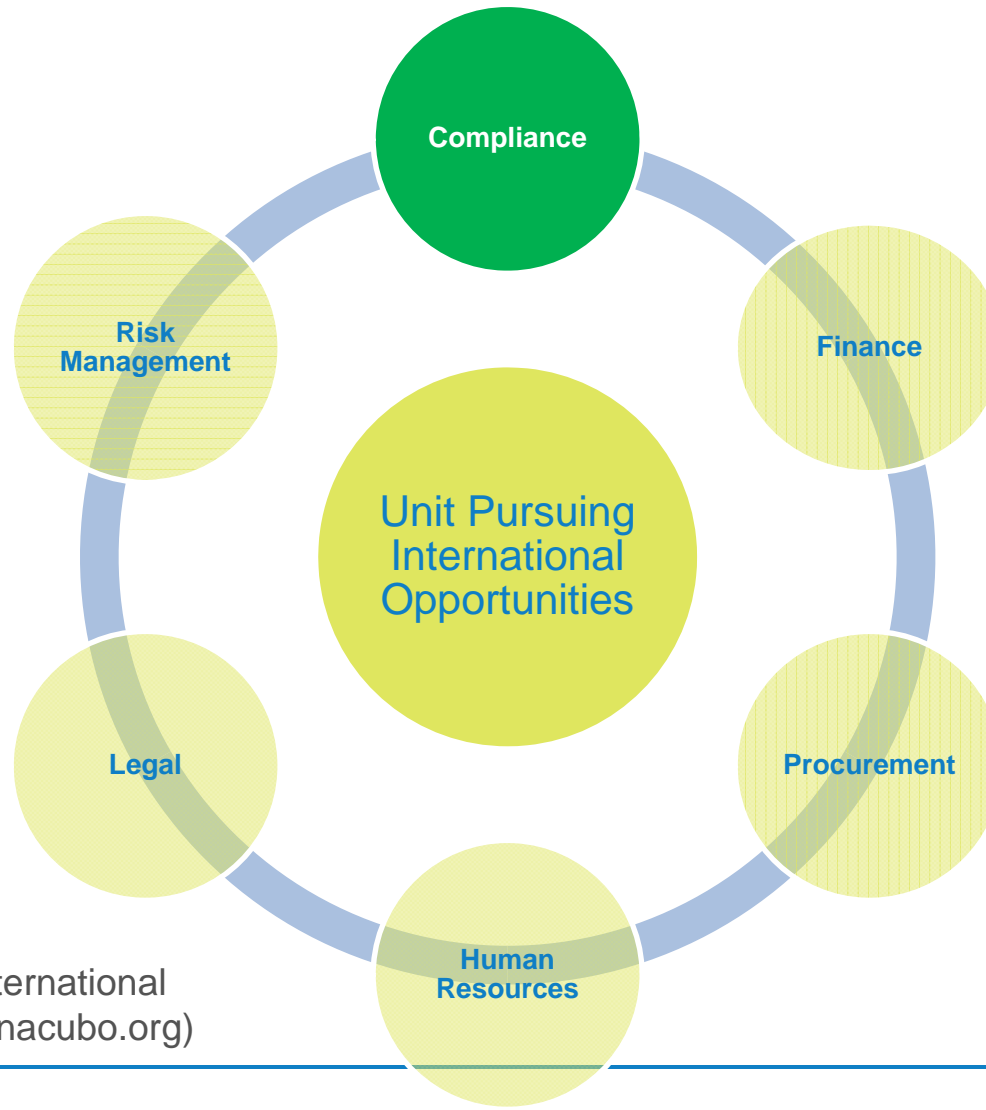
# Risk Management

- Safety and Emergency Preparedness Abroad
  - Emergency assistance
  - Security assistance (including evacuation)
  - Travel assistance
- Business Continuity
- Insurance

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Central Functions - Compliance



Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

# Compliance

- Compensating Human Subjects for Research Abroad
- Statutory Compliance & Reporting

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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# Compliance

## Examples of Domestic Reporting and Regulations

- IRS Form 990
- Export Controls Compliance
- The Office of Foreign Asset Control (OFAC)
- Report of Foreign Bank and Financial Accounts (Treasury Form TD F 90-22.1)
- Clery Act
- Foreign Corrupt Practices Act

Source: NACUBO International Resource Center ([irc.nacubo.org](http://irc.nacubo.org))

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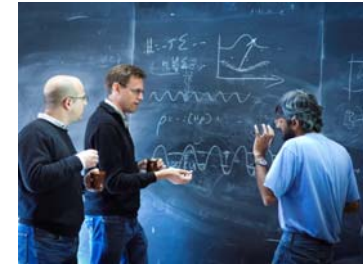
# Role playing – Having a conversation with senior leadership





# Role Playing Exercise

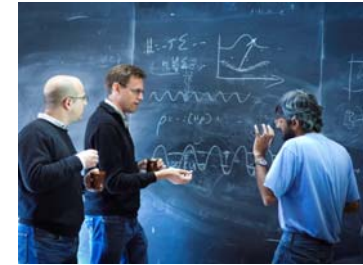
Having a conversation with senior leadership



## Scenario

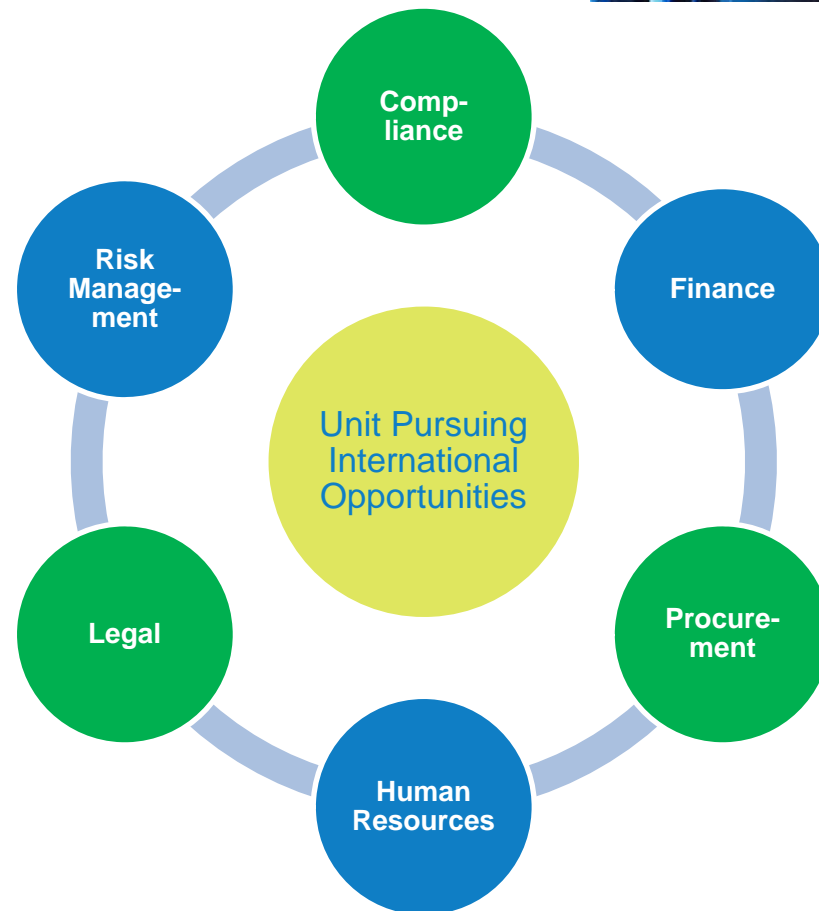
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# Role Playing Exercise



## Your role

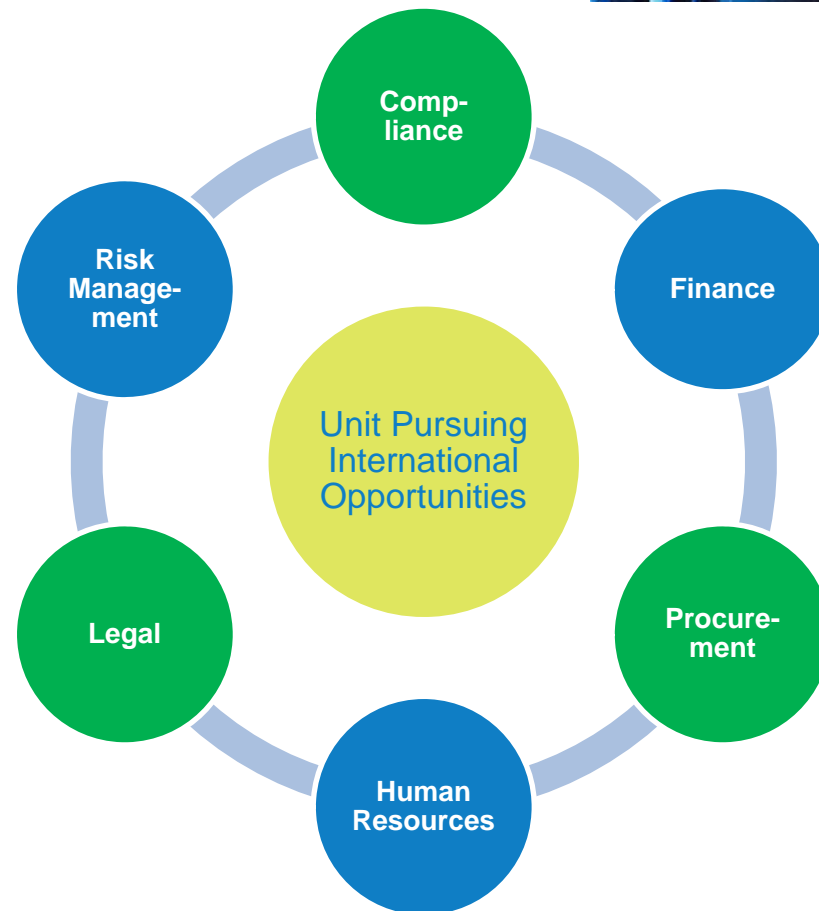
- Use the text function of the webinar to send in questions.
- Jaime will ask questions on your behalf.
- Please submit follow-up questions if you think Dean Riley did not fully answer the question.
- We'll take about 15-25 minutes.
- Here is a reminder of the topic areas we've covered:



# Role Playing Exercise

## Some hints:

- What does Dean Riley want to do?
- What does success look like to her?
- What help does she need from the campus?
- Is there a role for audit to be of help?
- What does she know about her potential foreign partner?
- How much risk is she willing to tolerate?



# What Can Internal Audit Bring to the Table?



Ways that Internal Audit can help:

- Current State Assessments of Risks or Readiness
- Conduct Focus Groups or Surveys
- Develop a Resource Guide or Contact List
- Facilitate Brown Bag Presentations / Subject Matter Expert Panels
- Conduct External Research – Benchmarking / What Are Our Peers Doing?

# Learning Objectives

- Understand the spectrum of international engagement opportunities for a research university such as UC.
- Understand the types of individual activities associated with the various types of international engagement
- Awareness of the role of central campus units to support units pursuing international opportunities
- Have an intelligent conversation with a senior stakeholder on the opportunities and risks as well as costs and benefits associated with individual international engagement opportunities.



# Questions



*This presentation was prepared solely for delivery to Audit Services for the University of California. It is intended to supplement an online webinar. The information contained herein is of a general nature and is not intended to address the circumstance of any particular campus, unit, or individual. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.*

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Thank You





# Appendix – Catalog of Potential Risks Associated with International Collaborations





## Potential Risks Associated with International Collaborations

### 1 - ORGANIZATION AND GOVERNANCE

- **Campus Strategy for International Engagement**
- **Coordination of Pursuits across Academic and Research Units**
- **Vetting of Pursuits across Academic and Research Units**
- **Select Form of Joint Governance**
- **Determine Need for a Foreign Affiliation or Operation**
- **Distinguish between Need for Legally Binding and Non-Legally Binding Arrangements**
- **Select Form of Legal Entity**
- **Establishing Legal Status in a Foreign Country**
- **Obtaining Business Licenses and Permits in a Foreign Country**
- **Obtaining Licenses or Permits to Conduct Teaching, Research or Public Service in a Foreign Country**

## Potential Risks Associated with International Collaborations

### 2 - WORKFLOW PROCESS FOR EVALUATING INTERNATIONAL OPPORTUNITIES

- **International Opportunity Evaluation Workflow**
- **Comprehensive Risk-Benefit Assessment**
- **Gap Analysis of Key Controls Needed to Mitigate Risks**
- **Approval of International Activities**
- **Validation of Campus Risk-Benefit Tradeoffs**
- **Central Campus Consideration -- Consistency with Mission of the University**

## Potential Risks Associated with International Collaborations

### 3 -DUE DILIGENCE ON FOREIGN COUNTER-PARTIES OR PARTNERS

- Due Diligence Procedures

## Potential Risks Associated with International Collaborations

### 4 - APPROVAL OF INTERNATIONAL ACTIVITIES

- **Unit Approval of International Arrangements**
- **Campus Approval of International Arrangements**
- **Systemwide or Regental Approval of Foreign Operation**
- **Systemwide or Regental Approval of Waivers from Foreign Affiliate Guidelines**

## Potential Risks Associated with International Collaborations

### 5 - REGIONAL OR COUNTRY-SPECIFIC RISKS

- **Political Risks**
- **Financial Risks**
- **Cultural Risks**

## Potential Risks Associated with International Collaborations

### 6 - PREVAILING LAWS (STATE, US AND FOREIGN), REGULATIONS & DISPUTE RESOLUTION

- **Compliance with US, State, and Foreign Laws and Regulations --**
  - Assessing Risks
  - Consulting with Legal Counsel
  - Developing a Compliance Program
- **Dispute Resolution**
- **Specific Regulations**
  - Import and Export Controls, Sanctions, etc.
  - Anti-Corruption and Anti-Bribery
  - Anti-Money Laundering
- **Right to Audit the Books and Records of the International Arrangement**

## Potential Risks Associated with International Collaborations

### 7 - DEVELOPMENT, OWNERSHIP AND USE OF INTELLECTUAL PROPERTY

- **Intellectual Property**
  - Development
  - Ownership
  - Use

## Potential Risks Associated with International Collaborations

### 8 - COLLECTION AND USE OF INFORMATION SUBJECT TO PRIVACY LAWS

- Collection and Use of Information Subject to Privacy Laws



## Potential Risks Associated with International Collaborations

### 10 - EMPLOYMENT

- UC Employees/US Nationals Working in a Foreign Country
- Hiring Foreign Nationals in Their Local Country
- Local Employment Laws
- Compensation
- Conflicts of Interest

## Potential Risks Associated with International Collaborations

### 10 - APPLICABILITY & ENFORCEABILITY OF UC/CAMPUS POLICIES ABROAD

- **Applicability & Enforceability of UC/Campus Policies in Foreign Countries**

## Potential Risks Associated with International Collaborations

### 11 - RISK MANAGEMENT, INDEMNIFICATION & LIMITATIONS ON LIABILITY

- **Insuring Risks**
- **Indemnification**
- **Limitation of Liability**

## Potential Risks Associated with International Collaborations

### 12 - US AND LOCAL TAX ISSUES

- Compliance with US Tax Laws
- Compliance with Foreign Tax Laws

## Potential Risks Associated with International Collaborations

### 13 - CASH MANAGEMENT, FUND ADMINISTRATION, RECORDS MANAGEMENT & FINANCIAL REPORTING

- **Financial Reporting**
  - US Requirements
  - Local Foreign Country Requirements & Other Contractual Requirements
- **External Audit Requirements**
- **Records Management**
  - US (UC) Requirements
  - Local Foreign Country Requirements
- **Transfers of Funds Between US and Foreign Country**

**Potential Risks Associated with International Collaborations**  
**13 - CASH MANAGEMENT, FUND ADMINISTRATION, RECORDS**  
**MANAGEMENT & FINANCIAL REPORTING (cont'd)**

- **Use of Foreign Bank Accounts**
- **Anti-Money Laundering Compliance**
- **Distinguishing Between Restricted Gift and Collaboration/Partnerships**
- **Use of Restricted Gift, Private, State, or Federal Funds to Support the International Operations**
- **Annual Status Report for Each Foreign Affiliate to the President**

## Potential Risks Associated with International Collaborations

### 14 - OWNERSHIP AND USE OF ASSETS (TANGIBLE AND INTANGIBLE)

- **Ownership and Use of University Owned Property Located in a Foreign Location**
- **Ownership and Use of Property Owned by the International Entity**
- **Ownership and Use of Intangible Asset -- UC Name and Branding**

## Potential Risks Associated with International Collaborations

### 15 - PROCUREMENT OF GOODS AND SERVICES

- Procurement of Goods
- Procurement of Services



## Potential Risks Associated with International Collaborations

### 16 - OBTAINING USE OF OR CONSTRUCTING EQUIPMENT AND LOCAL FACILITIES

- **Obtaining Use of Existing Equipment or Facilities in a Foreign Country**
- **Constructing New Equipment or Facilities in a Foreign Countries**
- **Management of Foreign Facilities Leased to Third-Parties**

## Potential Risks Associated with International Collaborations

### 17 - ONGOING PROGRAM MONITORING

- **Periodic Assessment of International Activities against Established Criteria**
- **Ongoing Monitoring of International Climate Risks**

## Potential Risks Associated with International Collaborations

### 18 - EMERGENCY MANAGEMENT

- **Handling Crises in the Foreign Country**

## Potential Risks Associated with International Collaborations

### 19 - TERMINATION

- **Right to Terminate the Agreement**