



GLOBAL  
GROWTH EXPERTS

# Introduction to Radius International Compliance Resource

University of California  
International Compliance Working Group

August 26, 2015

Brazil

China

Germany

India

Japan

Singapore

UK

USA

# Agenda

- Managing Compliance and Risk for University International Programs
- Who is Radius
- How We Work with Radius
- Managing Compliance and Risk for University International Programs
- Conclusions

# In the News ...

- Prominent non-profit debarred in Dec 2010, must pay over \$5.5 million in fines
  - Debarred due to...”defects in internal controls and that certain subcontractors may have engaged in corruption and other wrongful activities.”
  - Each year USAID will have a list of debarred contractors, i.e., 39 in 2010, with increased monitoring each year.
- Foreign governments are implementing or enforcing strict registration requirements
  - 16 foreign organizations banned in Ecuador in August 2011 for “failure to meet disclosure requirements”
  - New registration rules in Cambodia and in many developing economies.
  - Bahrain, Iran, Sudan and Venezuela “tightened grip” on non-profits recently for registration requirements



# More War Stories

- Independent contractors come forward in EU claiming to be employees
  - Settlements in excess of \$500,000
  - 3 recent cases - all study abroad contractors
- Foreign partner non-compliance
  - Multi-million dollar tax issue
  - No registration or required filings
  - Illegally paying employees as contractors
- Employee detained in India
  - Stopped at border flying home
  - Prevented from leaving country until visa/tax situation was resolved



# Why the Shakedown?

- U.S. Federal agencies under increased scrutiny by press and public for how federal monies are being spent
- U.S. and foreign governments facing daunting budget constraints – looking for revenue opportunities
- Countries creating “whistleblower” laws to encourage contractors to come forward



# Common Myths

- It's just an office for study abroad/research, and that activity is not a compliance issue
- Our partner has been there, so they must be doing everything right
- We are country experts and know how to manage the officials and to circumvent the system
- Non-profit status in the US automatically applies in a foreign country
- Our foreign “contractors” would never turn on us
- Compliance issues with international programs are someone else's issue at the university to deal with



# Transactions Which May Uncover Issues



**Wire transfers abroad**



**Cash receipts**



**Cash advances to employees**



**Addition of employees to payroll**

# Raise Issues When You See Them ...



**“International alert!”**



General Counsel's Office



External Professional help



# Permanent Establishment (Determination of “fixed place of business”)

- Often defined in tax treaties  
(US has 66 of them, though only a few in Africa)
- If no tax treaty, then defined in local tax law
- Income generating activities most common trigger, though not only
- Other contributing factors
  - Office or working space
  - Employment of local nationals
  - Duration of program (usually 6 months or more)
  - Decisions being made and executed in-country



International Research

JUST THE TIP OF THE ICEBERG

# If You Build It.....

- They will come.....(i.e., local authorities)
- Examples of common requirements when registering an entity
- (so plan resources accordingly!)
  
- Filing of the monthly financial statements with the local authorities
- Maintaining books and records in accordance with local GAAP
- Preparation, filing and payment of relevant statutory taxes
- Preparation, filing and coordinating payment of VAT/GST returns
- Employee monthly payroll income tax filings
- Computation of statutory social insurance contributions
- All books and records are appropriately “available for inspection” by local authorities
- Audit of the statutory financial statements by a locally authorized professional
- Filing of the annual corporate tax returns
- Inspection and renewal of business registration and licenses with government authorities
- Preparation and filing of annual payroll forms



# Internal Controls 101: Common Control Issues

## Cash Handling



- **Disbursements not authorized**
- Bank accounts not being reconciled
- Petty cash – lack of security

## Procurement



- **Improper vendor selection process**
- No authorization for large purchases
- No documentation of competitive bids and POs

## Payroll / HR



- **Timesheets not approved; Overtime not justified**
- Approved timesheets not kept in central files
- Missing employment agreements and job descriptions

## Expenses



- Travel and hosting – no business purpose
- No review and approval by higher level
- Improper allocation of costs



# Possible U.S. Tax and Reporting Requirements Triggered by an Office Abroad

- Foreign Corrupt Practices Act
- U.S. Export Control Act
- Anti-Boycott Laws
- OFAC (Office of Foreign Asset Control)
- Clery Act
- Federal Funding Accountability and Transparency Act (FFATA)



# Overview of HR Issues



# Engaging Individuals in a Foreign Country

- Employee vs. contractor - #1 compliance issue today
- Do not assume that foreign employee vs. contractor classification in foreign country is not as stringent as the U.K.
- An agreement that person is a contractor is not enough!
- Both contractor and local tax authority incentivized to pursue claims/fines
- Fines would far exceed cost of hiring as employee



# Faculty and Staff Working Abroad

## Compliance issues ...

- Visas and work permits
- Individual taxation
  - 183 day “rule of thumb”
  - Advances and personal bank accounts
  - Paying taxes to the IRS when employee is working abroad does not satisfy employee’s tax obligations in the foreign country



# Local Employee Considerations

- Employment contracts (often required by law, and in local language)
- Understand termination regulations before hiring
- Compensation and Benefits
  - Local laws and customs relate differently to local nationals, US expats, third-country nationals, and contractors
  - There should be an understanding of what benefits are mandatory in-country, then what incrementally would be “market norm”
  - Comparison with the US benefit plan can certainly be a factor in evaluating local benefits, but it shouldn't be the only one



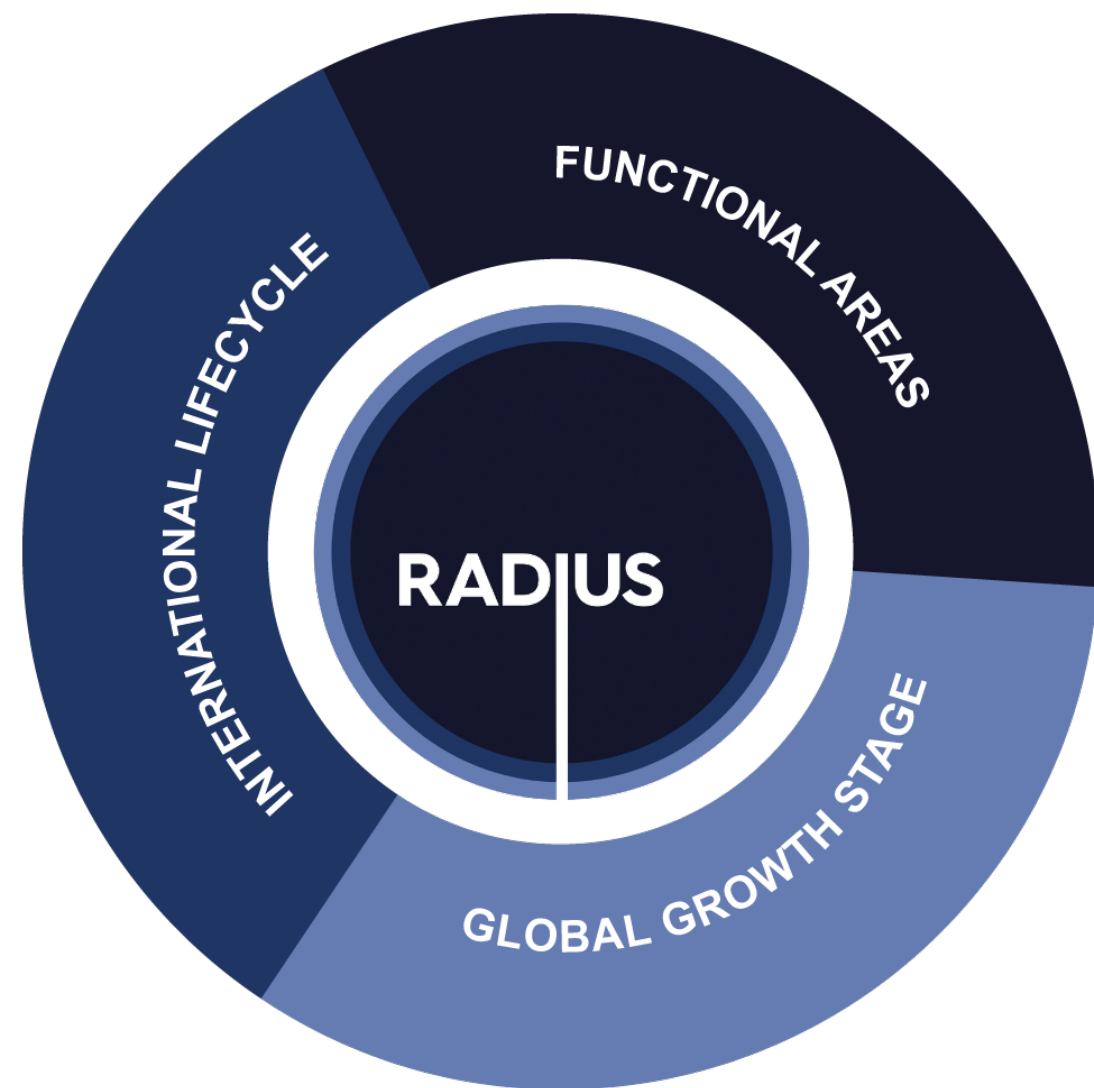
# Exit Strategies

- Successful exits actually begin during planning!
  - Employee termination requirements
  - Lease or property commitments
  - Partner or other contractual commitments
  - “Graceful” exit language in contracts
- Fulfilling financial commitments
- Closing bank accounts
- De-registration of entity

# Radius Services

Radius helps you **expertly plan, execute, and manage** international operations worldwide.

# International Business Operations



## Global Growth Stage

- ▶ Early Stage  
High-Growth
- ▶ Mid-Size Multinational
- ▶ Carve-Out or Spinoff

## International Lifecycle

- ▶ Planning
- ▶ Entity Setup
- ▶ Operational Improvement
- ▶ Winding Down

## Functional Areas

- ▶ Accounting
- ▶ Payroll
- ▶ Finance
- ▶ Tax
- ▶ HR
- ▶ Cash Management
- ▶ Compliance
- ▶ Legal

# How Radius can Help



## Banking

- › Cash management
- › Treasury services



## Finance

- › F&A managed services
- › Global payroll
- › Expense reporting



## Compliance

- › Tax
- › Accounting
- › Payroll
- › Data protection



## HR

- › Hiring
- › Employment contracts
- › Benefits
- › Global mobility



## Tax

- › Planning
- › Tax structure
- › Indirect tax/VAT
- › Transfer pricing



## Legal

- › Entity setup
- › Post-incorporation
- › Corporate governance
- › Contracts

# The Radius Solution



**Managed  
Services**



**Cloud-Based Software**  
*OverseasConnect*



**Advisory  
Services**

# Radius managed services

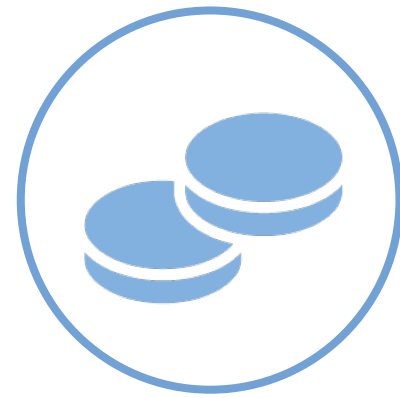
Radius **managed services teams** give you the option to outsource recurring overseas operations to one trusted partner.



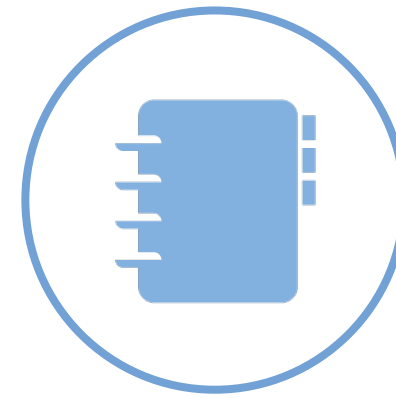
Finance &  
Accounting



Compliance  
Services



Cash  
Management



Payroll

# OVERSEASCONNECT

The **cloud-based platform** is a component of every Radius client engagement and includes a suite of core operating applications that allow finance and HR teams to execute critical functions for their international entities.

- ▶ Global Payroll
- ▶ Global Accounting
- ▶ Global Expense Reporting
- ▶ Executive Dashboards
- ▶ HR/Employee Data Repository
- ▶ Compliance Calendars
- ▶ Country Alerts
- ▶ Exchange Rate Information
- ▶ Intl. Office & Contact Info
- ▶ Secure Document Storage



# Radius ADVISORY services

Radius **advisors** provide actionable advice that helps customers avoid the pitfalls of overseas operations, mitigate risk, and speed up their go-to-market strategy.



Tax



Human  
Resources



Global  
Mobility



Legal Related  
Services



Establishment  
Services



Corporate  
Governance



# Why Radius?

The Radius platform of combined services, software and expertise is unique.



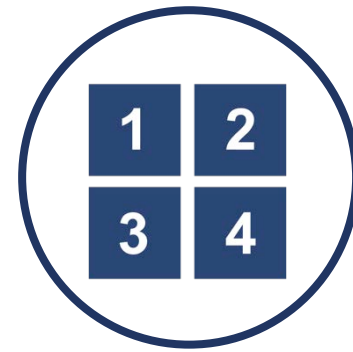
## **Global Growth Expertise**

Pragmatic advisory services



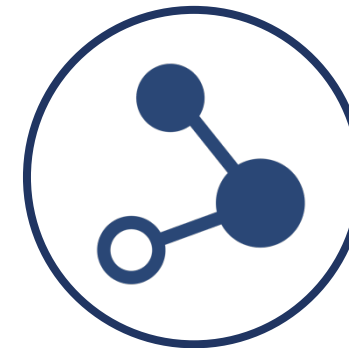
## **Operational Excellence**

World class customer service



## **Process Standardization**

Proven best practices, reduced risk



## ***OverseasConnect***

Productivity-driving software








## **A Single Point of Accountability**

One partner, fewer international hassles

# World Class Service Delivery Model



## Benefits

-  Top Talent
-  Quality and Timeliness
-  Deep Expertise
-  Proven Process
-  Software to Manage International Operations

1

### Client Services Lead

Your primary point of contact ensures timely, accurate, and personalized management of your business. Proven business leaders with 10 years professional experience, advanced training in business, economics, finance or accounting.

2

### Expert Advisor

Radius advisors have deep consulting experience in HR, tax, global mobility, entity establishment, corporate governance, and compliance to help solve the most complicated challenges.

3

### Accounting Services Manager

Your dedicated operations leader for managed services including finance and accounting, payroll, compliance and cash management across all countries.

4

### OverseasConnect

Cloud-based software for 24/7 visibility and control of you international operations.

# Corporate Overview



**20+**

**Years in business**



**600+**

**Customers**



**110+**

**Countries**



**800+**

**Employees**

# Radius Corporate Overview and Locations

## Headquarters: Bristol UK

### Corporate Overview



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USA

UK

Germany

Singapore

Hong Kong

China

Japan

India

# How Radius Can Assist With International Projects



## Force Multiplier

We act as an extension of your finance, HR, and legal teams



## Single Source

A single global partner



## Risk Mitigator

We ensure you're in compliance in all countries

### Finance

- Better HQ visibility and control
- Manage and control risk

### Human resources

- Be a great global employer
- Improve HR performance

### Legal

- Lower compliance risk
- Entity establishment and registrations

# How UCOP works with Radius

- UCOP has a retainer with Radius and a fixed number of advisory hours that can be assigned to various campus inquiries.
- Radius will also provide fixed fee prices for country assessments and services that will be billed through UCOP to each respective campus.
- Request campus support to UCOP-John Barrett or a member of his team who are managing Radius Relationship and hours and services utilized.
- Consult with UCOP for entity setup or managed services in countries abroad.
- Radius has affiliates they work with and have been working with UCOP on its university policies and procedures for setting up support and services abroad to simplify vendor or procurement procedures.
- UCOP will provide oversight of key issues with respective campuses and purchase orders that are required for services.
- Radius has an assigned Lead Advisor for UC requests.



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