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

Audit Services
Monthly Webinar Presentation
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Your Speakers

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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

<table>
<thead>
<tr>
<th></th>
<th>Individuals</th>
<th>Schools, Colleges, or Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Students</td>
<td>Teaching</td>
</tr>
<tr>
<td><strong>Going There</strong></td>
<td>UC undergrad and grad students go abroad for instruction or research</td>
<td>UC faculty go abroad to instruct</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UC faculty / researchers go abroad for research – potentially with a foreign partner</td>
</tr>
<tr>
<td><strong>Coming Here</strong></td>
<td>Foreign undergrad or grad students come to UC for instruction or research</td>
<td>Foreign faculty / researchers come to UC to conduct research.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Foreign partners seek to partner with UC campuses to send their students here (exchange programs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UC seeks foreign partners for organized research in the foreign country</td>
</tr>
<tr>
<td></td>
<td>Teaching</td>
<td>Research</td>
</tr>
<tr>
<td></td>
<td>UC schools, colleges, or campuses seek to partner with UC campuses for teaching (i.e. Study Abroad)</td>
<td>Foreign partners seek to partner with UC campuses for organized research here</td>
</tr>
</tbody>
</table>
Types of International Activities
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)
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)
Central Functions Supporting Units
Pursuing International Activities
Central Functions Supporting Units Pursuing International Activities

Source: NACUBO International Resource Center (irc.nacubo.org)
Central Functions - Finance

Unit Pursuing International Opportunities

Source: NACUBO International Resource Center (irc.nacubo.org)
# Finance

## Cash Management with International Activities

<table>
<thead>
<tr>
<th>Best option(s)</th>
<th>Next option(s)</th>
<th>Non-recommended options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel expenses</strong></td>
<td>1. University card*&lt;br&gt;2. Expense Reimb.</td>
<td>1. Direct Bill&lt;br&gt;(typically air travel only)&lt;br&gt;2. Wire from home country</td>
</tr>
<tr>
<td><strong>Program expenses (no univ bank account)</strong></td>
<td>Wire from home country bank account</td>
<td>1. Third party &quot;partner&quot;&lt;br&gt;2. University card</td>
</tr>
<tr>
<td><strong>Program expenses (with local univ account)</strong></td>
<td>Paid by local entity via check or wire</td>
<td>Wire from home country bank account</td>
</tr>
</tbody>
</table>

* - “University card” may include a corporate credit card, reloadable bank card, or prepaid card

¹ - 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)
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)
Central Functions - Procurement

Source: NACUBO International Resource Center (irc.nacubo.org)
Procurement

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

Source: NACUBO International Resource Center (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)
Central Functions – Legal

Source: NACUBO International Resource Center (irc.nacubo.org)
Legal

- **Types of Collaboration**

<table>
<thead>
<tr>
<th>Collaboration Types</th>
<th>Varying Scope</th>
<th>Various Benefits and Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study abroad</td>
<td>Faculty-to-faculty</td>
<td>Teaching and learning</td>
</tr>
<tr>
<td>Student exchange</td>
<td>Student exchange</td>
<td>Research collaboration</td>
</tr>
<tr>
<td>Student trips</td>
<td>One-way student flows</td>
<td>Compliance with educational</td>
</tr>
<tr>
<td>Summer school programs</td>
<td>Department-to-department</td>
<td>regulation</td>
</tr>
<tr>
<td>Joint degrees</td>
<td>Institution-to-institution</td>
<td>Institution and curriculum</td>
</tr>
<tr>
<td>Research collaborations</td>
<td>Multi-institutional consortia</td>
<td>building</td>
</tr>
<tr>
<td>(sponsored or non-sponsored)</td>
<td></td>
<td>Enhancing student recruitment</td>
</tr>
<tr>
<td>Firms to assist with local recruiting</td>
<td></td>
<td>Faculty, staff and organizing</td>
</tr>
<tr>
<td>Governments as part of a gift or grant</td>
<td></td>
<td>administrative support</td>
</tr>
<tr>
<td>Executive education</td>
<td></td>
<td>Or all of the above</td>
</tr>
<tr>
<td>Program set-up</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NACUBO International Resource Center (irc.nacubo.org)
Legal

Example of Institutional Structure for Collaborations

Source: NACUBO International Resource Center (irc.nacubo.org)
## Legal

### Sample Evaluation Criteria for Potential Collaboration

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Logistical and Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mission fit</td>
<td>• Administrative support</td>
</tr>
<tr>
<td>• Goal fit</td>
<td>• Leadership support</td>
</tr>
<tr>
<td>• Institutional reputation</td>
<td>• Funding</td>
</tr>
<tr>
<td>• Region or country</td>
<td>• Planning/Preparation</td>
</tr>
<tr>
<td>• Mutual benefits</td>
<td>• Perceived student interest</td>
</tr>
<tr>
<td>• Impact on future gifts and grants</td>
<td>• Geographic issues</td>
</tr>
</tbody>
</table>

Source: NACUBO International Resource Center (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)
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)
Central Functions – Risk Management

Risk Management
Compliance
Finance
Procurement
Legal
Human Resources

Unit Pursuing International Opportunities

Source: NACUBO International Resource Center (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)
Central Functions - Compliance

Compliance

Risk Management

Finance

Legal

Procurement

Human Resources

Unit Pursuing International Opportunities

Source: NACUBO International Resource Center (irc.nacubo.org)
Compliance

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

Source: NACUBO International Resource Center (irc.nacubo.org)
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)
Role playing – Having a conversation with senior leadership
Role Playing Exercise
Having a conversation with senior leadership

Scenario

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- You are having your annual risk assessment discussion with Dean Wanda Lynn Riley, Dean of Engineering, Public Health, and School of Medicine.
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- Your goal is to help her think and to provide a path to clarity and insight.
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