

www.pwc.com

An industry discussion with Wake Forest University

April 25, 2012

pwc

Agenda

- **Backdrop of Our Commentary**
- **Industry Compliance Milieu**
- **View of Federal Regulators**
- **Areas of Department Administrator/Business Manager Focus**
- **What the Future May Hold?**

Backdrop of our Commentary

- “Public Company” vs. “Public Interest Entity” standard - Municipal Debt Issuers
- Current and Evolving Expectations of Federal Regulators (e.g. NIH, NSF, SEC, FASB)
- Federal Agency Expectations - “Institutional Accountability” in a decentralized operating environment – How is it evidenced?
- Changing Expectations of external auditors
- How can Wake Forest University keep “ahead of the risk curve?”

Industry Compliance Milieu

- Proliferation of laws and regulations (federal and state)
- Surge of federal agency reviews over research activities – Post-Stimulus Funding
- On-going political concerns regarding affordability, salaries and benefits and unrelated business income
- Negative publicity related to Faculty Conflicts of Interest and proper disclosure and management
- Billing compliance audits and the evolving Healthcare Reform landscape
- Code of Conduct and Ethics questions (Penn State incident)

Other Salient Compliance Issues. . .

- Possible loss of restricted or sensitive data due to unauthorized intrusion into information systems or loss or theft of mobile computing devices
- Complicated export control rules
- Clinical trial protocols not being adhered to
- Lab safety rules and regulators
- Spotlight on NCAA compliance
- Private use of facilities constructed with tax-exempt bond proceeds
- Gaps in administration of sponsored research projects due to lack of integrated pre-award and post-award systems
- Financial pressures related to economy may result in university employees not complying with policies and practices

Views of Federal Regulators

- **Convergence of Federal Agency Focus**
 - NIH, NSF, Department of Education, etc.
 - IRS
 - HHS - Medicare, Conflict of Interest
 - SEC – Municipal Debt Issuers
 - States – Taxes, Medicaid, Restricted Funds
- **Continued focus on research universities (with academic medical centers)**
- **“Institutional Accountability and Oversight”**
- **Rules – based compliance requirements interpreted through an “accountability lens.”**

Views of Federal Regulators

- Driving of accountability and transparency through regulatory disclosures (IRS), higher standards of accountability (NIH, NSF), and oversight and monitoring (IRS, NIH, NSF, other (SEC?))

Areas of Compliance Attention

- **Common Areas of “Liaison” Focus**

- Tax
- Research
- NCAA
- Animal Care
- Patient Billing
- Environmental Health and Safety
- Privacy
- Human Subject Research
- HIPPA

- **Evolving Areas of “Liaison” Focus**

- Information Technology
- DOL/ERISA
- Supplier/outsourcer compliance
- Export controls
- Employment/Labor Compliance
- Code of Ethics
- International Operations
- Contracting Approval – Domestic and Global

How Can Institutional Departmental Administrators/Business Manager Prudently and Proactively Respond?

- Top 10 Areas of Decentralized Control/Compliance Attention
- The Department Administrator/Business Manager “Control Playbook”
- How are Others Responding?

Top 10 Areas of Decentralized Control/Compliance Attention. . . Where there have been unfortunate publicized events over the past year?

1. Use of P-Cards for personal benefit
2. Imprudent Travel and Entertainment Expenses – Unapproved/Undocumented
3. Inappropriate charging of restricted funds (e.g. gifts, grants, etc.)
4. Localized receipt of cash and off book bank accounts
5. Purchasing practices not appropriately followed – vendor file not updated
6. Untimely or cursory reviews of departmental expense activity
7. Undocumented and/or approved expense transfers
8. Inaccurate account coding of expense and revenue activity
9. International activities not in compliance with University Policy
10. Inaccurate graduation and job placement statistics

Selected Sound Departmental Practices. . . Where have others strengthened practices over the past year?

- Reliance on School/Center Annual Representation Letter
- Authorization and approval of expenditures
- Safeguarding of equipment
- Year end Accruals – Purchases and Services
- Compliance with Donor Restrictions
- Management and reporting of research activities
- School managed reserves for receivables and student loans
- Reconciliation of School managed accounts
- Analysis of Financial results – budgeted vs. actual
- Tax Reporting of Unrelated Business Activities

The Department Administrator/Business Manager “Control Playbook”

- Understand the “Key” financial and compliance controls – What are they? Who is responsible?
- Analyze budget/actual – Is the review threshold appropriate?
- “Support” the higher “compliance risk faculty”
- Document “institutional oversight and monitoring”
- Ensure adequate contemporaneous documentation of control activities
- “Don’t go at it alone” – Look to others for help and support
- Ask yourself, “Where is there institutional risk in my department?”
“What am I doing about it?”

How Are Others Responding?

- **Formalized Departmental Administrator Financial/Compliance Training and Certification**
- **Raising Faculty Awareness and Training**
- **Control/Compliance Initiatives to:**
 - **Identify key local controls**
 - **Assign specific accountability for control and monitoring**
 - **Measure effective compliance and controls**
- **Establishment of More Formalized Institutional Compliance/Risk Programs**
- **How can we assess whether our current investment in compliance/controls is enough and working effectively? What (and where) should our investment be in the next 18-36 months?**

What the Future May Hold?

- **Potential Hearings on the Quality and Effectiveness of Compliance Audits – Do they go far enough?**
- **Revisions of OMB A-133**
 - **Public company control and compliance standard?**
- **Period of increased federal and state audit activity – next 24-36 months**
- **Impact of the convergence of public company and not for profit reporting standards – Role of the SEC?**
- **Declining and/or flattening of research funding may present financial and compliance risks**
- **Access and affordability concerns may bring tax policy changes**

Thank you.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, [insert legal name of the PwC firm], its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2012 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.