Managing a College or University is, in many ways, like managing a small city. An increasingly expanding range of federal, state, and local regulations govern Colleges and Universities and they are currently facing an all-time high of governmental enforcement actions, as well as significant media attention when issues of non-compliance arise.

While it is important to acknowledge the role that regulations serve to ensure institutional accountability, it is impossible to overlook the costs, burdens, and pressures that such regulations place on Colleges and Universities as they strive to implement, monitor, and improve institutional compliance programs. Now more than ever, Colleges and Universities must manage countless compliance obligations, without losing focus of the individual institution’s vision, mission, and values. Developing, implementing, and maintaining an effective and current compliance program has become a requirement rather than a best practice option for all Colleges and Universities.

It is incumbent upon a College or University’s key stakeholders to provide ethical leadership to the organization and to assure that adequate systems are in place to facilitate ethical and legal conduct. A compliance program sends an important message to the College and University community that while the institution recognizes that mistakes will occur, there is an affirmative, ethical duty to come forward and report erroneous or fraudulent conduct, so that it may be corrected. Superficial programs that simply purport to comply with the elements discussed below or programs that are hastily constructed and implemented without appropriate ongoing monitoring will likely be ineffective. A compliance program should become part of the fabric of routine operations and a culture of compliance should be recognizable internally and externally throughout the institution.
The Office of Inspector General (OIG) believes that a basic framework for any voluntary compliance program begins with a review of the seven basic elements of an effective compliance program. It is the responsibility of the institution to mold the concepts contained within the seven elements of a compliance program to its individual culture, and institute a program that monitors the individual elements so as to assure ongoing program effectiveness. A review of these elements below provides the basic components of a fully developed and implemented compliance program:

1. Written Policies and Procedures
   The College or University should implement compliance standards through the development of written standards of conduct and policies and procedures that promote the institution’s commitment to compliance.

2. Compliance Program Oversight
   The College or University should designate a compliance officer to oversee and assure that compliance efforts are carried out and standards are enforced. Typically, a high-ranking individual within the institution should be designated to serve as the focal person for compliance activities. This responsibility may be the individual’s sole duty or added to other management responsibilities, depending upon the size and complexity of the College or University.

3. Compliance Education and Training
   Training and education on the compliance program, standards, and policies and procedures should be regular and ongoing within the College or University. As part of a compliance program, Colleges and Universities should require personnel to attend specific training on a periodic basis, including appropriate training in federal and state regulations, guidelines, and corporate ethics. Sessions should emphasize the commitment to compliance with these legal requirements and internal policy and procedure.

4. Effective, Confidential Communication
   A College or University must have a means to report instances of non-compliance, suspected non-compliance and/or issues and concerns. There should be no fear of retribution for good faith reporting of issues and concerns.

5. Enforcement of Compliance Standards
   A College or University may wish to incorporate measures that ensure that employees understand the consequences if they behave in a noncompliant fashion. An effective compliance program includes procedures for enforcing and disciplining individuals who violate compliance standards or fail to report non-compliance. Enforcement and disciplinary provisions are necessary to add credibility and integrity to the program.

6. Internal Auditing and Monitoring
   Institutions must develop methods with which to assess risk. This is accomplished through conducting internal auditing and monitoring through the performance of periodic compliance audits.

7. Detection, Resolution, and Response
   Upon identification of an issue of non-compliance or suspected non-compliance the College or University must respond appropriately to detected violations through the investigation of allegations as well as implementing systems to prevent continued non-compliance.
Compliance Considerations For Higher Education (Continued)

It is critical for every College or University to evaluate the effectiveness of its compliance program on a regular basis. During this evaluation process, the College or University should be sure to examine emerging compliance challenges as well as address national policy developments and activities relating to regulatory initiatives and government enforcement activities. The College or University should keep in mind that its compliance program related to the seven elements outlined above should also be scalable, affordable, feasible, and enforceable to the institution. Not all compliance programs can be, nor should they be, the same for each institution.

Paul Mayer is a Principal in our Compliance Solutions Division. When the regulatory compliance requirements of Federal, State, and local entities seem overwhelming, it is comforting to know that you can turn to The Bonadio Group’s Compliance Solutions Division for assistance.

---

“Higher education compliance requirements originate from so many different sources, they cut across many different functional areas, such as compliance for research and federally sponsored programs, NCAA athletics, environmental and safety compliance, accounting and financial reporting (IRS, GAAP and GASB); and regulations that were not initially intended for higher education, including the Gramm-Leach-Bliley Act and Red Flags Rules. Each compliance area has its own set of complex and ever-changing requirements and no one person can be expected to stay abreast of the latest developments. Regardless of the complexity involved in managing compliance, a breach in any of these areas can have serious consequences, including fines, penalties and reputation damage.”


According to a recent study at Vanderbilt University, The Cost of Federal Regulatory Compliance in Higher Education: "A Multi-Institutional Study, An assessment of federal regulatory compliance costs at 13 institutions in FY 2013-2014, the total cost of federal regulatory compliance is estimated at $27 Billion per year.”
Current Events: GASB 68 - Accounting and Financial Reporting for Pensions

SUNY Community Colleges were required to implement GASB 68 in fiscal 2015. This statement requires community colleges to recognize their proportional share of the collective unfunded net pension liability (asset), pension expense, deferred outflows and deferred inflows of the New York State Employees’ Retirement System (ERS) and the Teachers’ Retirement System (TRS). Obtaining necessary information from ERS and TRS has presented some unique challenges.

ERS has provided information only on a county-by-county basis and this required information has not been allocated to community colleges. To further complicate matters, since counties have historically invoiced community colleges based on projected payroll costs as opposed to specific allocation percentages, counties are unable to provide their community colleges the required information regarding their proportionate share of the unfunded net pension liability. Community colleges are therefore forced to estimate the unfunded pension liability based on the information available.

TRS information has been reported on a college-specific basis, however, this information was not released until December 2015. This resulted in significant delays in financial reporting and made it very difficult, if not impossible, for SUNY Community Colleges to meet SUNY reporting deadlines. To make matters worse, this timeline is not expected to change in the near future and may result in permanent change to issuance dates of the Community Colleges audited financial statements.

The adoption of GASB 68 presents significant challenges to our community colleges. We recommend that you work closely with your accounting and auditing firms as you implement the provisions of GASB 68 for the 2015 fiscal year.

On the Horizon: Update on the Financial Accounting Standards Board’s (FASB) Exposure Draft of Proposed Accounting Standards Update-Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities (proposed ASU).

The June 2015 edition of On Campus with The Bonadio Group included an article on the FASB’s proposed changes to not-for-profit (NFP) financial reporting. The proposed standard included changes and additions to net asset classifications, liquidity, disclosures, a standard operating measure, reporting of expenses, and the method for preparing the statement of cash flows. The FASB comment period on the proposed standard ended August 20, 2015. During the comment period, the FASB received a significant amount of feedback, urging the Board to reconsider several of the proposed changes. (The Bonadio Group submitted a formal response to the FASB. You can read our response by clicking here.)

Due to the nature and volume of the comments received, the FASB decided, at its October 2015 meeting, to divide the proposed standard into two separate phases. The first phase will consist of items that are less controversial and not dependent on other projects coming to completion, thus allowing for finalization in the near term. This phase will include: reduction of net asset classes from three to two, disclosure of expenses by nature and function, and enhanced disclosure of cost allocation methodologies. The first phase will also include discussion regarding liquidity disclosures, as well as methods for presenting operating cash flows.

The second phase will include: items that are related to other ongoing projects, items that have received significant negative commentary from respondents, and items that require the consideration of alternatives provided by respondents which the FASB had not considered previously. Items in this phase include: discussions relating to operating measures—such as whether to require an operating measure, whether to define what the operating measure should consist of, and if so, what elements should, or should not be included in such operating measure. The realignment of certain items on the cash flow statement will also be included in the second phase.

Current Events: Single Audit Submission Deadline Delay

The Federal Audit Clearinghouse (FAC) has extended the single audit submission deadline until February 1, 2016. The FAC had been closed for submission since the summer of 2015, and single audit submissions due from July 22, 2015 through January 31, 2016 are delayed. As of November 29, 2015, the FAC has reopened and is accepting single audit submissions.

TECHNICAL UPDATE
by Richard Leicht and Grace Gonzalez
On the Horizon: Update on the Financial Accounting Standards Board’s (FASB) Exposure Draft of Proposed Accounting Standards Update- Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities (proposed ASU) (Continued)

The FASB met in December 2015 to deliberate on the items in the first phase and made tentative decisions related to the following:

1. Methods of presenting operating cash flows – NFP entities will not be required to use the direct method of presenting operating cash flows and can continue to choose between the direct and indirect method. Additionally, an indirect reconciliation will no longer be required if the NFP chooses the direct method presentation.

2. The net asset classification scheme and related issues – Affirmation of the proposal to combine temporarily and permanently restricted net assets, as well as the proposal to require the disclosure of the amounts and purposes of board-designated net assets. Affirmation of proposals related to underwater endowment disclosures and classification. Also, proposals related to expiration of restrictions on contributions for long-lived assets were affirmed.

3. Information useful in assessing liquidity – The FASB required further exploration of an approach that provides alternative ways of presenting quantitative information on liquidity.

The FASB will meet again at the end of January 2016, and expects to issue a proposed standard in early 2016. Items in the second phase are expected to be addressed later in 2016. Additional updates will be provided as new information becomes available.

Richard Leicht is a manager in Bonadio’s Tax-Exempt Division, specializing in the business and accounting needs of not-for-profit organizations. His expertise includes financial statement audits and tax reporting for colleges, foundations and health and human service organizations.

Grace Gonzalez is a manager in Bonadio’s Tax-Exempt Division. She provides a variety of services to her tax-exempt clients including financial statement audits, governmental accounting, single audits, informational tax return preparation and business consulting.

Higher Education Risk Offensive Software Tool

You have spent decades building a reputation for excellence, but it can be destroyed in a matter of minutes!

In recent years, many of our most revered colleges and universities have faced the dire consequences of unforeseen risks. Shootings, sexual assaults, lawsuits, security breaches, and NCAA compliance issues are only a few examples that come immediately to mind. Let’s face it, in a college or university setting, risk is pervasive and it is largely unavoidable.

Although you cannot eliminate risk, you can make a focused effort to prepare for it and to mitigate its impact. A thoughtful, planned, and ongoing approach to enterprise risk management is essential to preserving your most precious asset, your reputation.

In the summer of 2015, the Bonadio Group launched its new Higher Education Risk Offensive (HERO) software. This mobile friendly tool, originally developed by Niagara University, makes the process of enterprise risk management more practicable. Our HERO software will provide a uniquely tailored methodology for storing, assessing, and ranking identified risks. HERO software will also facilitate the preparation of risk reports for your board of directors.

While the business world has embraced the concepts of enterprise risk management, the higher education sector has been slow to act. Can you afford to do nothing? How much is your reputation worth to you?

For further information or to schedule a HERO demonstration, contact Jean Close at 585-249-2815 or Carl Cadregari at 585-249-2779 for additional information.
Bonadio's Higher Education Division

The Bonadio Group currently serves as the financial statement auditors for over 20 colleges and universities. We also perform audit and consulting services for over 30 colleges and universities. Our team consists of 21 partners, principals and managers who have significant experience within the higher education industry. We leverage The Bonadio Group’s expertise with enterprise risk management, tax consulting services, and more to provide comprehensive value above and beyond traditional audit services. Through our Moore Stephens affiliation, combined with our own international tax expertise, we are able to provide international tax and compliance consulting services. We take pride in being a trusted partner of our higher education clients.

TBG Spotlight: Bettina Lipphardt

Bettina Lipphardt is a Partner in The Bonadio Group’s Tax-Exempt/Healthcare Division. She spends a significant amount of her time in TBG’s higher education practice. Bettina began her career with TBG in 1997 as an intern. She received her B.S. degree in accounting from St. John Fisher College. Bettina is active in her local community volunteering for the high school that she graduated from. When she’s not working, Bettina really enjoys spending time outside, camping, hiking, kayaking and fishing. Bettina hopes to become a 46er by completing the 46 high peaks in the Adirondacks. So far she has completed 32 of them!

What's new at Bonadio

Growth at The Bonadio Group continues. Survey results published in Accounting Today revealed that Bonadio is the 40th-largest accounting firm in the nation, now with 10 offices and more than 700 people. What’s more, the firm’s campus hiring initiative will bring in more than 40 entry level accountants in 2016 from 20 different schools. Also for the third consecutive year, The Bonadio Group has been recognized by two national women’s groups as one of the 10 Best Public Accounting Firms for Women. The honor is awarded by the Accounting & Financial Women’s Alliance and the American Women’s Society of Certified Public Accountants. Women comprised 16 of Bonadio’s 71 partners, and 31 percent of The Bonadio Group’s partners and principals, marking a two percent increase since 2014. This high level of women in partner and principal roles is well above the industry average of 22 percent.

Breakfast Series

We hope you were able to attend our November breakfast series where Tim Shanahan, special agent from the Internal Revenue Service, provided a presentation on fraud risk, detection strategies, and real life events. We hope you will join us for our next breakfast in the spring. The topic will be the development of a comprehensive compliance program.