



EMERGING ISSUES IN ASSET MANAGEMENT & FINANCIAL REPORTING

Northeast Conference on College Cost Accounting (NECA)

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TOPICS FOR DISCUSSION



- Internal Controls
- Policies & Procedures
- Intellectual Property/Intangible Property
- Personal Property (Moveable Equipment)
- Real Property
- Public/Private Partnerships
- Questions?

INTERNAL CONTROLS



- Internal control over compliance for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards must:
 - (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Controls in the Federal Government” as issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
 - (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
 - (c) Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards.

INTERNAL CONTROLS (CONT.)



- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass – through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, State, Local and Tribal laws regarding privacy and obligations of confidentiality.

➤ How does this effect my institution?

- (a) The Uniform Guidance (UG) clearly is placing a very strong focus on internal controls in an effort to minimize the risk of any potential risk of waste, fraud and abuse in the stewardship of Federal funding. This said, more emphasis will be placed on the review of the Institution's internal controls by the audit community, in an effort to ensure and monitor compliance with applicable laws and regulations and that the institution communicates these controls and follows them.

POLICIES & PROCEDURES



1. As part of your internal controls your institution should review and update of all Policies & Procedures in place at your institution including your capitalization policies and procedures regarding real, personal and intellectual/intangible assets.
2. As a suggestion, asset lifing standards should be reviewed as well to reflect your institutions experience and consistency. Periodic reviews are encouraged by both the FASB and GASB and these reviews are in compliance with GAAP financial reporting standards.
3. These Policies & Procedures need to be clear regarding Government Furnished Property (GFP) vs. Grant Acquired Property.
4. Policies & Procedures should address how your institution addresses Excess Property, Surplus Property as well as Leased Property and "Computing Devices" as directed in UG.

INTANGIBLE ASSETS



➤ These assets typically comprise:

1. Patents
2. Trademarks/Tradenames
3. Copyrights
4. Lease Agreements
5. Loans/Notes /Other Debt Instruments
6. Non – compete agreements
7. All associated costs and Royalties must be considered
8. Usually housed in the Institutions Legal Department

PERSONAL PROPERTY/MOVEABLE EQUIPMENT



- Your institution should review your equipment inventory for the following:
 1. When was your last physical inventory, or inventory verification completed?
 2. Are your assets tagged?
 3. Can you identify Federally Funded Equipment?
 4. Do you periodically scrub your file for misclassified assets, missing data fields?
 5. Have you reviewed your asset lifing schedules?
 6. Are your Policies & Procedures/Capitalization Threshold/Gains and Loss Analysis current and reflective of your institutions experience?



➤ Real Property Assets Comprise:

1. Land
2. Land Improvements
3. Infrastructure
4. Buildings/Building Services
5. Leasehold Improvements
6. Leased Facilities vs. Owned Facilities
7. Plant and Security Costs
8. Donated Property

HIGHER EDUCATION PUBLIC/PRIVATE PARTNERSHIP



- A higher education institution Public/Private Partnership (P-3) program enables a college or university to enter into a P-3 and allows the private entity to assume full financial and administrative responsibility for an on-campus construction, reconstruction, repair, alteration, improvement, or extension of a building, structure, or facility of the institution so long as the college retains ownership of the land and the project is 100% privately funded.
- With the economy in its current situation many college and university systems are exploring this initiative in an effort to reduce costs, better maintain facilities and create new tools to finance and construct new and modernize academic buildings, research buildings, student housing and other campus facilities.
- To date, approximately 34 states and key federal government agencies have adopted new P-3 legislation.
- The P-3 concept enables institutions to engage business in the planning, financing, building and operating projects, from dormitories to higher education facilities and other campus infrastructure.

EXAMPLES OF RECENT P-3'S



- Ohio State University completed a 50 year - \$483 million lease of its parking assets 35,000 spaces in garages, surface lots and metered spaces. Most of the \$483 million “upfront” payment will be placed in the university’s endowment. The concessionaire will operate, maintain, manage and collect revenue from the parking spaces for 50 years and the deal caps rate increase on parking at 5% annually for the first 10 years of the lease.
- Texas A&M University announced the privatization of its campus dining, landscaping and building maintenance services. The university expects savings in the area of \$260 million in the coming decade.
- The University of Nebraska at Lincoln announced plans to privatize its aging University Health Center by partnering with a private entity to finance and build a replacement facility. The new operator will take over the overall operations at the current facility while it builds a new \$14 million facility.



Please do not hesitate to contact me at:

Kevin J. McHugh
Managing Director
Navigant Consulting
685 Third Avenue, 14th Floor
New York, NY 10017

Office : (646) 227-4701

Cell : (215) 514-4553

E-Mail: kevin.mchugh@navigant.com