

Section 117: Ensuring Compliance Through Systems and Processes

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As scrutiny over gift funding increases, institutions are challenged to manage the complexity of Section 117 reporting requirements. Institutions should consider decisions regarding the systems and processes in place to support compliance with this regulation.

To advance efforts in mitigating risk and the potential for noncompliance or underreporting to the Department of Education, institutions may consider the following suggestions, which may help develop a long-term strategic approach to institutional foreign gift reporting and compliance with Department of Education Section 117 regulations.

1. **Governance: Establish an institutionwide gift and contract acceptance committee.**

Governance includes both the system and the processes by which an organization is directed, controlled and held accountable. The institution's gift and contract acceptance governance committee will create the rules and boundaries within which continual evolution can take place. The committee must be granted the authority to create a leadership structure, define and establish roles and responsibilities, guide the direction of gift and contract acceptance with the institution's best interests in mind, and hold the institution accountable for adhering to enacted standards.

The committee should consider including broad and diverse representation, as well as faculty representation, from across the institution, including administrative offices such as legal, compliance and risk, the controller's office, the central office responsible for reporting institutional information, and other offices that accept gifts from and enter into contracts with any source on behalf of the institution as mentioned in the next section.

2. **Data management and collaboration: Understand data sources and assign data stewards across the institution.**

There are likely many offices across the institution that enter into contracts and/or receive gifts from a variety of sources on behalf of the institution. Visibility into the gift and contract activity through centralized oversight and collaboration can ensure these sources (and potential points of risk) are appropriately cataloged and reported.

Establishing a position responsible for data ownership and compliance (i.e., data steward) within each of these distributed offices will enhance transparency, improve collaboration, guarantee appropriate data collection, and continue to advance the institution's compliance plan.

As a representative on the governance committee, the data steward will manage communications and knowledge sharing between the office and the governance committee to safeguard awareness on

both sides. This dual approach of transparency and oversight will ensure that gift and contract source naming standards are met to accurately aggregate gift and contract totals to comply with the \$250,000 threshold.

3. Information systems: Leverage technology to reduce risk and simplify the reporting process.

Technology can offer solutions to mitigate risk and streamline the data collection and reporting process. Once governance for the appropriate identification of foreign sources, the recording of entity information (e.g., naming standards, aliases, global IDs, etc.), and determining gift and contract values has been established, mechanisms for easily coding records, aggregating information and creating reports can be built.

Institutions are already leveraging technology for the management of gifts and contracts, though opportunities exist for technology to resolve systemic challenges and reduce the administrative burden when reporting on these institutional activities.

- **Data collection:** As mentioned, functionality (e.g., granular security and privacy features, customizability, etc.) for appropriate data collection may cause some institutions to develop workarounds and out-of-system solutions to record relevant donor information when their core systems cannot accommodate their needs (such as tracking anonymous donors). This could have unfavorable impacts, including significant manual reconciliation and analysis of reports when aggregating information from distributed systems. Modern information systems enable robust configuration capabilities, mobilizing enhanced security of donor information, and allow institutions to track and report on relevant information within the system.
- **System integration and reporting:** More capable information systems can facilitate centralizing and digitizing operations into a single platform to support real-time, dynamic reporting processes. When aggregating information from distributed systems across the institution for activities such as reporting on Section 117, leaders

should focus on opportunities that increase efficiency and reduce risk via integrations. If cloud-based systems are a possibility, additional benefits such as collaboration functionality, work-from-anywhere capabilities and powerful in-system reporting tools may also reduce response time, increase accuracy and mitigate additional risks with regulatory reporting requirements.

Conclusion

Given potential legislative changes to Section 117, institutions may well have to replace familiar ways of recording and tracking foreign gift acceptance and contract reporting. To meet these increasing demands and ensure compliance, institutions can develop a longterm and intentional strategic approach by considering the following key questions:

- Have we identified all foreign sources of income at our institution?
- Do our gift intake forms allow donors to declare their international status?
- Does our institution have a foreign campus or satellite location?
- Are there effective gift and contract governance mechanisms in place to simplify data collection and reporting?
- Have we identified a central coordinator to collect foreign gift and contract information across the institution for reporting purposes?
- Do our information systems adequately support our efforts to efficiently and effectively capture and report our institutional data assets?
- Are our current management systems able to adapt to unforeseeable changes of existing regulations?

Foreign gift reporting is just one component of a larger conversation. Higher education's leaders should also be discussing their institutions' compliant engagement with international business partners and broader participation in foreign activities. In addition to foreign gift and contract reporting,

managing a comprehensive, institutionwide foreign influence compliance program should present institutions with broad capabilities for administering other gift and contract-related activities.

Huron has collaborated with many institutions to develop strategies to address their business operations and compliance challenges. We leverage our consultants' depth and breadth of expertise in higher education operations from across our organization to optimize our approach to each institution's specific needs. For more information on foreign activities in research, visit our [Research Compliance Resource Library](#).



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Key Takeaways

To develop an effective plan to anticipate and ensure compliance with Section 117, institutional leaders should:

Think differently.

Understand that current systems and processes may need to be replaced, enabling the institution to readily respond to more rigorous standards of reporting.

Plan differently.

Proactively develop a long-term strategic approach to institutional foreign gift reporting and compliance with the Department of Education Section 117 regulations.

Act differently.

Establish and empower an institutionwide gift and contract acceptance committee.