Issue:  Administration of Financial Aspects of USF Health Panama

Proposed Action:  For Information

Background Information:

The Ciudad del Saber, the “City of Knowledge” (CofK) in Panama, is an international complex for education, research and innovation, developed to "promote and facilitate synergy between universities, scientific research centers, businesses, and international organizations.” An agreement for collaboration was signed by USF President Judy Genshaft and Dr. Jorge Arosomena, Executive Director of the City of Knowledge Foundation, on December 10, 2004. Subsequently, USF Health was formally accepted as an academic member of the CoK and the grand opening of the USF Health Office at the CoK was celebrated during the visit to Panama by Mayor Pam Iorio with the Tampa International Trade Mission in 2005. The USF Health Office became operational in spring, 2006.

A formal USF Health presence in Panama builds on our interest in being recognized as a leader in the global environment and is consistent with the USF Strategic Plan. Plans to build on international partnerships for facilitating health research and training in the Americas will be addressed through specific goals including 1) the education of leaders and practitioners for the health professions across the Americas, 2) the development and generation of funding support for USF/CoK collaborative research projects that span basic science, clinical investigation, community intervention, and translational studies, and 3) the linkage of education and research in their applications through community engagement, including extended field experiences for USF Health students, partnerships with international and humanitarian agencies, and advocacy for needed health improvements in the region. This Office will be self-sustaining through its programs within 3 to 5 years.

Since opening its USF Health Panama Office in 2006, the Colleges of Medicine, Nursing, and Public Health have already undertaken activities in Panama. The office is run by a USF COPH faculty member and assistant. In order to assure the furtherance of our global mission, a not-for-profit private interest foundation in Panama will be formed through the Health Professions Conference Corporation (HPCC; a USF DSO) that will provide legal status in Panama and that will handle all financial operations. The formation of the private interest foundation has been reviewed by USF General Counsel in consultation with an outside law firm specializing in international law; no legal impediments have been identified.

Significant Policy Issues for Board to Consider
USF will ensure all attendant financial issues are managed in accordance with university and IRS guidelines.

Budget and Finance Council Approval:
Supporting Documentation:  Administration of Financial Aspects of USF Health Panama
Prepared by:  Associate Dean Ann DeBaldo and Associate Dean Jay Evans
Administration of Financial Aspects of USF Health Panama

- **Current USF Health Panama Operations**
  - The USF Health Panama Office is currently directed by a member of the USF COPH faculty and operates in space leased from the City of Knowledge.
  - The Panama office also employs a program coordinator hired through a monthly contract with an employment agency in Panama City, Panama.
  - To support the local operating expenses of the USF Health office in Panama, a checking account was opened in Panama by USF Health. The funds in the checking account are used to cover operating expenses for the office, such as lease payments, utilities, telecommunications, and internet access.
  - The current signatory authorities on the checking account are:
    - Steve Klasko, Vice-President, USF Health
    - Joann Strobbe, Associate Vice-President & CFO, USF Health
    - Jay Evans, Associate Dean, College of Public Health
    - Arlene Calvo, Director, USF Health Panama, and Assistant Professor, College of Public Health
  - Transactions from this account to date have only been initiated by Dr. Calvo.
  - The current balance in the checking account is approximately $13,000. In addition to the current monthly wire transfers for operating expenses, the Panama office is expecting new revenue of approximately $21,000 for its first upcoming program, if it is fully enrolled, with monthly expenditures increasing consistent with the programmatic budget.
  - These funds are managed with the same expectations as any other resources at USF.
    - On a monthly basis, funds are wire transferred from Tampa to the Panama checking account.
    - The bank statement is reconciled monthly by USF Health staff in Tampa. The staff compare charges against the bank account to a check activity log and backup documentation provided by the USF Health Panama office.
  - While there are risks associated with having a foreign checking account, USF Health has taken the appropriate steps to ensure that all expenditures are reconciled and accounted for on a monthly basis.

- **Development of Future Academic & Training Programs**
  - The goal of the USF Health Panama Office is to become financially self-sustaining within the next three to five years.
  - To accomplish this goal, the Panama Office will need to initiate revenue generating programs and begin to collect payments locally.
  - The first scheduled revenue generating program, a clinical research training program, will begin around August 1, 2007. Student payments will be received directly by the City of Knowledge, who will charge an overhead assessment for managing the cash collection process. A check will then be issued to the USF Health Office account in Panama representing the revenue collected less the City of Knowledge overhead assessment.
  - In addition to the Clinical Research training program, USF Health faculty are currently developing a wide range of training and development programs in Panama. These revenue generating initiatives include funding through US granting agencies, major international NGO’s at the City of Knowledge, private industry, and collected fees in Panama. Planned initiatives include but are not limited to:
    1. Epidemiology Field Training – Department of Health & Human Services and the Ministry of Health, Panama
2. Disaster Management Workshop – in coordination with the Pan American Health Organization
3. Tropical Disease Research Program – With financial support for scholarships from the Hispanic-Serving Health Professions Schools, a US association
4. Grantsmanship & Fundraising in a Global Economy
5. Leadership & Entrepreneurship – COPA Airlines

In addition to these programs, colleges within USF Health have used the Panama office to support FTE generating programs, such as student field experiences. Nursing in the Global Environment, a credit generating course, has been offered twice by the College of Nursing. Several other FTE-generating courses to be offered completely or partially in Panama to USF students are currently under development.

As discussed above, the goal of USF Health is for the Panama office to be completely self-supporting within the next three to five years. As such, the current plan is for revenue collected in Panama to remain in Panama. This will allow USF Health to decrease the funds provided in program start up to Panama, as well as allow the Panama office to grow as necessary. It should be possible to transfer funds back to USF should support costs such as faculty time need to be covered from fees generated in support of Panamanian programs. USF will confer with US and Panamanian counsel to confirm that there are no issues associated with such a fund transfer.

- Administrative Challenges & Responses in Panama
  1. There will always be a business risk over cash collections when doing business in a foreign country because of the remote location and reduced ability to monitor and provide oversight. In Panama specifically, and Latin America in general, credit cards are not as widely available as they are in the US and credit limits are small. This limits the ability to use existing credit card collection systems at USF.
  2. One measure to address this concern was to identify an independent third party institution to mitigate segregation of duties issues and to handle cash collections for USF Health.
  3. The City of Knowledge has agreed to assume this responsibility on behalf of USF Health in Panama. USF Health faculty and staff will not be expected to handle any cash collection responsibilities for their programs. Collections by the City of Knowledge will likely be in the form of cash (US currency or Panamanian balboa) or check. The funds received from the City of Knowledge, less their administrative fee, will be made payable in US dollars for deposit in the USF Health checking account.
  4. To further reconcile revenue received and programmatic activity, USF Health created an on-line database to track enrollment by course. Any revenue generating training programs will also be expected to use class attendance rosters signed by attendees, which will be reconciled against the registration database as well as the payments received to ensure that the appropriate revenue is received for each student.
  5. In discussion with a Panamanian attorney and other private not for profit foundations, a standard and recommended practice would be to have an independent Panamanian accountant audit the financial activity on a monthly and annual basis to ensure all transactions are in accordance with Panamanian law and to assist in the preparation of the annual tax documents.
5. In addition to the monthly and annual audit by a Panamanian accountant, USF Health will require at least an annual internal audit of the account by a designated internal auditor.
   a. If a USF entity has a foreign bank account, it must make sure that all applicable IRS guidelines are filed.
      2. Individuals with signature authority or other authority over a foreign financial account when accounts aggregate to more than $10,000 must report relationship on individual tax return Form 1040 Schedule B and file FBAR with IRS.
      3. Failure to file Form TD F 90-22.1 when required to do so may result in penalty up to $10,000 (or more in some cases). A person willfully violating this shall be fined not more than $250,000, or imprisoned for not more than five years, or both.
      4. Even if Bank Accounts are set up under DSO/Component Unit, if signers are USF employees, then USF may be liable for the tax filing.
         a. USF will consult and retain Panamanian attorneys to advise on issues such as employment, asset management, and tax issues in Panama should HPCC establish as recommended a private not-for-profit foundation in Panama.

- **Future Directions in Panama**
  a. With the formation of a private not-for-profit foundation in Panama through HPCC, all administrative and financial transactions would be subject to review by HPCC administration, and should be consistent with established guidelines.
  b. The existing checking account will be closed, and a new account opened by HPCC. All contracts for operating expenses in Panama, such as lease arrangements and utilities, would be through the Panamanian foundation.
  c. As specified above, HPCC would consult with local Panamanian attorneys for legal guidance on issues as they arise.
  d. On an annual basis, HPCC would be required to present as part of its annual financial report an update on its component unit in Panama to both the HPCC Board as well as the USF Board of Trustees.