

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

MANAGE INTERNATIONAL ASSIGNMENTS

Control practices

The following control objectives provide a basis for strengthening your control environment for the process of managing international assignments. When you select an objective, you will access a list of the associated business risks and control practices. That information can serve as a checklist when you begin reviewing the strength of your current process controls.

This business risk and control information can help you assess your internal control environment and assist with the design and implementation of internal controls. Please note that this information is at the generic business process level and many companies will need to go beyond generic models to address the specific business processes that support the financial and nonfinancial disclosures being made. You can combine the insight of this business risk and control information with your industry-specific knowledge and understanding of your company's environment when conducting internal control assessments and designing and implementing recommendations.

Effectiveness and efficiency of operations

- A. Movement of international personnel is efficiently managed.
- B. International employees are fairly and equitably compensated.
- C. Management and affected employees have the information needed to make proper decisions regarding international human resources.
- D. International human resource policies are consistent with corporate strategy.

Compliance with applicable laws and regulations

- A. The company complies with home and host country laws, rules, and regulations.

Effectiveness and efficiency of operations

A. Movement of international personnel is efficiently managed.

Business risks

- Economies of scale will not meet their potential.
- Increased time will be required to deal with international human resources issues due to lack of expertise.
- Personal distractions will increase for employees involved in relocation.

Control practices

1. Appoint a centralized human resources group responsible for managing international personnel and provide them with the necessary services and capabilities needed to coordinate all international transfers.

B. International employees are fairly and equitably compensated.

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT MANAGE INTERNATIONAL ASSIGNMENTS

Business risks

- Employee morale will suffer.
- The ratio of acceptance to transfer offers will be low.
- Compensation among international employees will be inconsistent.
- Employees will be overcompensated, resulting in increased cost to the company.

Control practices

1. Design international compensation packages with the unique financial needs of international assignees in mind.
2. Structure a tax reimbursement policy within the overall corporate philosophy of international assignments.
3. Ensure that all employees are made aware of and trained in the corporate tax reimbursement policies before accepting international assignments.
4. Develop a compensation package that minimizes the employer's tax reimbursement costs.
5. Use tax advisors to develop compensation strategies that provide the most tax savings.
6. Familiarize the international human resources group with local tax laws in the countries where it has international assignments.

C. Management and affected employees have the information needed to make proper decisions regarding international human resources.

Business risks

- Human resources will not be properly allocated or will be allocated inconsistently between international locations.
- Senior management will not fully understand the needs of those on international assignments.
- Fewer employees will understand the details of international assignments, resulting in lower interest.
- Increased cost of international operations will result from poor planning.

Control practices

1. Develop a comprehensive, written international assignment policy.
2. Require that senior management approve international assignment policies and practices.
3. Educate all potential users about the provisions of the international assignment policy.
4. Apply reporting and processing systems that gather precise compensation data from all sources.
5. Implement payroll and compensation systems that are capable of generating compensation summary information from various users and locations.
6. Incorporate assignment cost projections into strategic business plans of global operations with international assignees.
7. Use a flexible budget forecasting system to manage the costs of international assignment.

UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT

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D. International human resource policies are consistent with corporate strategy.

Business risks

- Activities will not be concentrated on common objectives.
- Activities will be prioritized incorrectly and lack long-term focus.

Control practices

1. Align international human resource policies with overall corporate strategies.
2. Ensure the human resources group that manages international assignments has a strategy that is authorized by senior management.
3. Apply relevant performance measures and controls that ensure the human resources organization's approach is effective in achieving clear and understandable policies that facilitate the movement of international personnel.

Compliance with applicable laws and regulations

A. The company complies with home and host country laws, rules, and regulations.

Business risks

- The host country will view the company negatively.
- Financial and other penalties for noncompliance will be incurred.
- A restricted working environment will exist within the host country.

Control practices

1. Develop policies to ensure individuals comply with home and host country laws, rules, and regulations.
2. Provide employees taking international assignments with training on the host country laws, rules and regulations.
3. Monitor employee compliance with host country laws, rules, and regulations.