UNIVERSITY OF WASHINGTON
SENATE EXECUTIVE COMMITTEE MEETING MINUTES
January 9, 2006, 2:30 p.m.
142 Gerberding Hall

Present: Ashley Emery, Gail Stygall, Mark Emmert, Phyllis Wise, Margaret Rogers, Blayne Heckel, Rich Christie, Bill Welton, Robert Jackson, Donna Kerr, Don Janssen, Karen Boxx, Bill Erdly, Kalpana Kanal, Jan Carline, Brian Fabien, Brent Stewart, Clark Pace, Marcia Killien, Beth Kerr, Dina Mandoli, Ross Heath, Adam Grupp.

Absent: José Alaniz, Steve Buch James Antony, Michael Vitiello, Annie Lam, Kevin Laverty, David Lovell, Daniel Luchtel, John Schauffelberger, Kathy Gill, Lee Dunbar.

Guests: Ana Mari Cauce, Carol Niccolls.

1. Approval of Agenda. Approved.

2. Approval of Minutes of the 14 November 2005 Senate Executive Committee meeting and 1 December 2005 Faculty Senate meeting. Approved

3. Opening remarks from the Chair.
Ashley F. Emery, Chair of the Faculty Senate.

4. Report from the President.
Mark A. Emmert.

   - **Funds to address salary compression.** President Emmert noted that the University needs many times greater than the current two million dollars to adequately address salary compression; he said that he looks forward to having funds to address the problem of compression “many times and often.” Provost Wise added that she will be interested in address course corrections in the approach to distributing future dollars.

   - **Legislative session.** The legislative session starts today. Higher Education is not treated well in Governor Gregoire’s budget; the University will continue to work with the Governor. This is a short session focusing on targeted projects. The President said that he is looking for a fair share to come to higher education. He added that the Governor is still a good supporter of the University.

   - **Meeting in Washington, D.C.** Last week the U.S. State Department hosted a summit meeting of 60 college presidents on the relationship between higher education and international affairs. President Bush and several secretaries (with the Secretaries of State and Education present most of the time) and the representatives of higher education engaged in frank conversations. The President announced a new program for support of study of critical languages, where there is only very limited proficiency in the United States.

5. Report from the Senate Committee on Planning and Budgeting.
G. Ross Heath, Immediate Past Chair and Committee Chair.

The SCPB has been discussing salary compression, the budget, enterprise risk management (later on agenda), and the A/B salary policy, a draft of which is under review.

David Lovell, Faculty Legislative Representative.

With David Lovell in Olympia for the first day of the legislative session, Gail Stygall gave Professor Lovell’s report:
• He and other faculty members met with Helen Sommers, who requested to meet with faculty members interested in and knowledgeable about health care.
• The Council of Faculty Representatives (CFR) is producing a flyer to show what each of the public universities statewide does for the State of Washington – a publication that will feature 20 UW faculty members, among others. The CFR will next meet on February 28.
• Some bills that will be under consideration regard transfer students, smoother articulation for high school students who are taking college credit, and “outsourcing” as it affects research.

    President Emmert noted that last year he held a regular meeting with Gail; planning same this year with David and student leadership.

7. Report from the Secretary of the Faculty.
Donna H. Kerr.

    Professor Kerr said that Dr. Gene Kim and she are studying the codes or by-laws of the faculties of the various UW schools, colleges and “new” campuses for compliance with the UW Faculty Code – a project they hope to complete by spring.

8. Nominations and Appointments.

    Action: Nominations for 2006-2007 Vice Chair Candidates approved as below:
    James Fridley, Professor, Forest Resources and Mechanical Engineering
    James “J.W.” Harrington, Professor, Geography
    Daniel Luchtel, Professor, Environmental & Occupational Health Sciences

    Action: Nominees approved for Faculty Councils and Committees attached as {Exhibit A}.

    From the floor Don Janssen nominated Carla Rickerson, Association of University Librarians to replace Eileen Llona as a representative member of Faculty Council on Academic Affairs. This nomination was approved along with the list in Exhibit A.

9. Reports from Councils and Committees.

    Academic Standards and Benefits and Retirement had nothing to report.
    Educational Outreach is working on DL (distance learning) transcription.
    Educational Technology continues it’s work on plagiarism enabled by the internet.
    Instructional Quality is focusing on information system to help students understand what is in the curriculum.

    Multicultural Affairs will recommend to the Provost the establishment of a program on American Sign Language. Chair Brian Fabien read the following statement: “The Faculty Council on Multicultural Affairs supports the establishment of the program on American Sign Language (ASL) at the University of Washington. This program will be housed in the Department of Linguistics, and will represent another cornerstone in the University’s strong commitment to embracing all aspects of diversity. In particular it will demonstrate our commitment to diversity in scholarship. Since, it will promote the study of a language indigenous to North America. This program will also demonstrate our commitment to increasing the diversity in the composition of our student body and faculty. Since, it will attract to the UW Deaf students and faculty. On numerous occasions President Emmert and Provost Wise have indicated that it is our duty as faculty to expose our students to a variety of ideas, opinions and cultures. The ASL program clearly fits into this vision and we support its establishment.”
Research – Chair Brent Stewart presented a major report on “Faculty Effort Certification” attached as Exhibit B. Questions and comments regarded the meaning of de minimus, the possibility of funding from a central pool and related problems, and the Kafkaesque character of 100% ownership of faculty.

Student Affairs is looking at undergraduate experience.

Tri-campus Policy is working on the transfer of program review from the Office of Shared Governance to the Office of the Registrar.

There were no reports from University Facilities and Services and University Relations, in the absence of their chairs.

University Libraries is considering three developments: digital space; Digital Futures Alliances, an initiative of Dean Betsy Wilson and software companies on the eastside; and the storage of Dewey decimal materials and the related conversion to the Library of Congress system.

Women in Academia, which continues to consider gender-based salary comparisons, is also now looking at flexible-career policies in other institutions.

Ad hoc committee on undergraduate education: Senate Vice Chair Gail Stygall reported that the Committee has been reviewing the results of the National Survey of Student Engagement: While the UW is strong relative to its peers at the freshman level, it falls off markedly between the first and final years. The group will be meeting with Betty Schmitz on the Curriculum Transformation project and talking with the Student Transfer Association, because UW is unusual in having such a large number of transfer students.

10. Information.

a. Enterprise Risk Management – Ross Heath, Immediate Past Chair. Exhibit C

Professor Heath briefly summarized the attached preliminary report of the Strategic Risk Initiative Review Committee. The Committee finds “Enterprise Risk Management” appropriate for application in the UW. In a review of root causes of noncompliance at the UW, the committee determined that we need (1) accessible, safe reporting mechanisms, such as a 911 for compliance; (2) a more proactive approach to identifying emerging issues; (3) a metric for gauging progress. He added that we need also to add the category of “compliance with the Faculty Code” to the preliminary report. Likely low-cost measures with high impact (e.g., a stock of liquid nitrogen could have saved research samples in Louisiana when Katrina hit).

b. Faculty Salary Compression Implementation – Ross Heath, Immediate Past Chair

Professor Heath said that the question of Code requirements for implementing the salary-compression increase was referred to the “Code Cops” [the Advisory Committee on the Faculty Code and Regulations], who rendered their interpretation attached as Exhibit D. In short, they reasoned that the distribution of funds to reduce compression should be carried out in accord with Chapter 24 of the Faculty Code.

Action: The SEC unanimously approved this interpretation for implementation. By a second vote, the SEC approved a motion to recommend directing schools and colleges to proceed as follows: those that carried out last year’s merit reviews in full compliance with Chapter 24, including with the criteria specified in 24-55, should use the results of that process in making compression-salary distributions this year; in those colleges where that was not done, a new review adhering to Chapter 24 must be undertaken. (These actions are advisory to the Provost and President.)
A concern was expressed that in the Compression Committees recommendations to the Provost, arithmetic averages rather than medians were used; the latter, it was contended, would be fairer. Both President Emmert and Provost Wise noted that in future years of addressing salary compression, they will want the process to benefit from such concerns raised in this round.

11. Announcements.
   There were none.

   There was none.

   Review January 26, 2006 Faculty Senate Meeting Agenda.

   Action: Faculty Senate Meeting Agenda for January 26, 2006 approved as attached {Exhibit E}.


PREPARED BY: Donna H. Kerr, Secretary of the Faculty
APPROVED BY: Ashley F. Emery, Chair, Faculty Senate

NOTE: If a continuation meeting is necessary, it will be held on Monday, Tuesday, January 17, 2006 at 2:30 p.m. in Gerberding 142
Faculty Council and Committee Nominations:

Nominate, for Senate appointment, effective immediately, representative members of Faculty Councils and Committees for terms ending September 15, 2006, with voting rights to be determined by the appropriate council:

A. Representatives from the Association of Librarians of the University of Washington:

   Research.................................................Nanette Welton to replace Susan Kane

B. Representatives from the Graduate and Professional Student Senate

   Instructional Quality.................................Ali Rowhani-Rahbar
   Multicultural Affairs...............................Sunny Diaz
   Student Affairs.......................................Rich Nobels
Faculty Effort Certification
Report to the Senate Executive Committee, January 9, 2006
Brent Stewart, Chair, Faculty Council on Research

Q: Why the sudden change in faculty effort reporting practice?

A: Based on the advice of legal counsel, the University of Washington (UW) began Faculty Effort Certification (FEC) Compliance Review during 2004/2005, including review of related organizations and internal practices. Although effort reporting rules have not substantially changed since the early 1980s (A-21, see below), the impetus for review included recent major federal settlements with several large research universities (e.g., $5.5M with Northwestern University) and increasing scrutiny and stringent interpretation of these rules by auditors. Ross Heath, then Faculty Senate Chair and I met with several high-level members of UW Administration a couple times over the summer of 2005 to discuss proposed modifications of the then current UW FEC policy. Mandatory on-line FEC training was instituted during autumn quarter 2005. The new FEC policy can be found in Grants Information Memoranda (GIM) 35 (http://www.washington.edu/research/osp/gim/gim35.html).

Q: What are faculty effort and faculty effort certification reports?

A: Faculty effort is the time that faculty spend on instruction, research, patient care, administration, etc., which is compensated by UW. FEC reports are forms faculty complete to document effort paid from and cost sharing performed on both federally and non-federally sponsored projects, which include grants and contracts.

Q: What are the faculty effort reporting rules?

A: The faculty effort reporting rules given in the Office of Management and Budget (OMB) Circular A-21 (Cost Principles for Educational Institutions; http://www.whitehouse.gov/omb/circulars/a021/a21_2004.html) have been the product of compromise designed to free faculty as much as possible from the trouble and indignity of periodic timekeeping (e.g., punching timecards), while at the same time providing the federal government with some assurance that the faculty effort it is paying grantee institutions is in fact delivered.

Despite the relative liberality of the rules regarding faculty effort, or some would say because of that liberality, the accuracy of faculty effort reporting and the adequacy of its documentation represent a significant continuing compliance problem for research universities. The government states in A-21 that the process cannot be exact and there may be any number of acceptable methods of allocating effort and salary, however, does prescribe “Criteria for Acceptable Methods.” This leaves the general details of a faculty effort reporting program up to the grantee institution, as long as they abide by A-21.

Under A-21, the proper base for determining an individual’s effort percentages is the total activity for which the individual is compensated by the grantee institution. Requiring total effort to be the base for effort reporting purposes also makes it necessary to address the difficult question of what total effort is. This leads to anomalous results in some cases. For example, two faculty members receiving equal salaries and expending equal percent effort on a sponsored project (e.g., 50%) may expend very different amounts of effort if their total effort is significantly different (e.g., 80 hours/week versus 40 hours/week), even though they are paid the same for their efforts.

Using a standard 40 hour work week as the base for effort reporting - an approach often erroneously suggested by some program officers and, unfortunately followed – also leads to anomalous results. For instance, a faculty member works 30 hours per week on a sponsored project (e.g., NIH K award) and 30 hours per week covering teaching responsibilities. Under the ‘standard’ 40 hour work week, this leads to a reporting base of 150%. This is not only a red flag anomaly for auditors, but also an impossibility from a cost accounting standpoint. If alternatively, 75% of the salary were charged to the sponsored project and only 25% allocated to the teaching effort, there would be a disproportionate charge to the granting agency. The expression of research effort based on the standard 40 hour work week will almost always be inconsistent with A-21 if the individual in question works more than 40 hours/week [1]. The UW FEC
webpage Frequently Asked Questions (FAQ) section provides further effort allocation scenarios (http://www.washington.edu/research/maa/fec/#FAQs).

Materially inaccurate faculty effort reporting in connection with federal research is an area of great potential danger for universities, especially UW as we receive more federal research funding than any other American public university ($996 million in calendar year 2005). At best, the process of estimating and reporting effort associated with university research is an inexact process, as there are many different ways of considering what effort is and how it relates to particular sponsored projects.

Effort report forms must account for all effort for which the individual is compensated by the university. This normally would include all effort expended on university-related effort, including sponsored research, administration, instruction and unsponsored scholarly activity, clinical activity and other activities. Even where the number of hours of effort the individual expends each week substantially exceeds a ‘standard’ work week of 40 hours, it is necessary to base effort percentages on actual total effort, not just ‘standard’ effort [1].

Q: How much of this is University of Washington interpretation of the rules?

A: As stated previously, the government leaves the general details of a faculty effort reporting program up to the grantee institution, as long as they abide by A-21. There are a host of challenging issues that need be considered in any FEC program: definition of the institutional base salary, faculty work week (determined by % federal effort), proposal preparation costs, 9 month faculty, deciding what’s ‘in’ and what’s ‘out’ of the effort calculations, related organizations and their FEC systems, conflicting guidance from sponsors, 100% research faculty and faculty perception of salary allocation. What is considered effort ‘in’: research, instruction, administration, service, clinical activity and proposal preparation. What is considered effort ‘out’: outside professional work, volunteer community or public service, interdepartmental consulting (‘over and above’), sponsor review panels or other advisory activities for federal sponsors and other activities ‘over and above’ or separate from assigned University responsibilities.

Taking all these issues into account by and large, UW Administration has worked with its legal counsel Hogan & Hartson LLP in Washington, DC and in consultation with Ross Heath (then Faculty Senate Chair), Brent Stewart (Chair FCR) and the FCR (22 November 2005 and 15 December 2005 meetings) to formulate a training program and policy (see GIM 35) regarding FEC. To minimize risk and ensure that everyone was apprised of and would participate in the new FEC process, a mandatory training program was instituted, required of all FEC faculty, deans, chairs and administrators (http://depts.washington.edu/fecnon). Also, an extensive (and growing) FAQ page was created (http://www.washington.edu/research/maa/fec/#FAQs). UW policy regarding FEC can be found in Grants Information Memoranda (GIM) 35 (http://www.washington.edu/research/osp/gim/gim35.html). GIM 35 also provides UW definitions for faculty effort, institutional base salary, faculty work week, distribution of effort and rules (OMB Circular A-110) regarding changes in level of effort.

Q: What are the major problems?

A: Although nothing has substantially changed in terms of A-21, the more stringent interpretation thereof by auditors has fostered UW to relate current best practices regarding FEC to the faculty, not only to adhere to the new practice, but also to reduce institutional risk and raise consciousness regarding the issues involved. One of the major problems regards faculty not being able to volunteer or donate time to the University for processes such as grant writing or curriculum development. Currently, there is no generally accepted solution to this problem.

A second issue regards 100% research faculty participation in events such as faculty elections, faculty senate and departmental faculty meetings. To the extent such activities are de minimis in nature, meaning that in the aggregate their inclusion in or exclusion from total effort would not affect the percentages of effort allocated to sponsored research, separate tracking and funding is not required. However, should such become greater than de minimis in nature for any reason, it may be necessary to reflect them in an administrative or other category of total effort. Questions about whether activities come within this guideline may require consultation. You may wish to consult the FEC FAQ webpage
Also, your departmental administrator, Management Accounting and Analysis (Executive Director, 6-1379) and Grant and Contract Accounting (Assistant VP, Research Accounting and Analysis, 3-8951) are available to assist in this consultation as needed.

Thirdly, efforts are underway through Administration, the Deans and department Chairs to address the approximately three hundred 100% research funded faculty’s ability to write grants through funding a small amount of their time while writing new and competitive renewal grant or contract applications.

Q: What are our peer institutions doing?

A: Most are in the process of accomplishing what UW has already achieved: clarifying and/or developing policies, developing mandatory or voluntary faculty training programs and implementing new effort reporting systems. A recent anonymous survey of eight peer institutions found that none allowed any administrative, clinical or teaching activity to be considered ‘non-university’ (volunteered) work. Also, six don’t allow any proposal writing (new or competing) to be considered ‘non-university’ (volunteered) work (the other two were checking but didn’t think so). When asked whether research faculty participate in governance, all responded yes, but also stated that the time required to participate was funded through sources other than grants.

Q: What is being done to resolve these problems?

A: All institutions of higher learning in this country are hamstrung and are seeking relief from the consequences of the current state of affairs regarding FEC interpretation which strike at the core of who we are as scholars. Some UW faculty and administration are members of the Council on Governmental Relations (COGR, an association of research universities), the Association of American Medical Colleges (AAMC) and the Association of American Universities’ (AAU) Committee on Effort Reporting, which are all actively seeking remedies to these problems with the government, though this is expected to be a long-term process with no quick-fix in sight.

Reference:
Managing Risk and Compliance at the University of Washington
A Proposal

Earlier this year, President Emmert observed

“With the most recent example of compliance issues, we have again been reminded that we have not yet created the culture of compliance that we have discussed on many occasions. …Clearly, the creation of a culture of compliance needs to be driven by our core values and commitment to doing things the right way, to being the best at all we do. …we need to know that the manner in which we manage regulatory affairs is consistent with the best practices in existence.”

He then charged a Strategic Risk Initiative Review Committee, co-chaired by V’Ella Warren and David Hodge, to prepare a set of recommendations that would best serve the University. This committee has completed its preliminary work and now seeks public input on its recommendations before formally submitting them to the President.

Most importantly, the Committee recommends that the University adopt an institution-wide Enterprise Risk Model (ERM) as the guiding structure for dealing with issues related to compliance and institutional integrity. This model will 1) foster institution-wide perspectives on compliance and integrity, 2) ensure that regulatory management is consistent with best practices, and 3) protect UW’s decentralized, collaborative, entrepreneurial culture.

Secondly, the Committee recommends the formation of a Presidential Advisory Committee that is charged with guiding the creation of the ERM, working collaboratively with a Compliance Council. The committee will be made up of senior administrators, representatives from the Faculty Senate, and student leaders.

Thirdly, the committee offers a set of preliminary operational recommendations. The oversight committee will be charged with thoroughly evaluating and implementing these recommendations.

The executive summary and full text of their report are available on line at http://www.washington.edu/admin/finmgmt/erm/. Comments may be directed to V’Ella Warren (vwarren@u.washington.edu) by January 31, 2006.
EXECUTIVE SUMMARY
DRAFT—December 27, 2005

COLLABORATIVE ENTERPRISE RISK MANAGEMENT

For the University of Washington

Objective. The objective of this paper is to ensure that the University of Washington (UW) creates an exemplary compliance structure built on best practices, while protecting its decentralized, collaborative and entrepreneurial culture. The paper lays out a conceptual framework for thinking about risk management, followed by information on models used by other universities— including four case studies. The paper then provides an evaluation of the UW’s current situation. Finally, the paper presents the case that a collaborative, institution-wide model works the best, and proposes actions for implementing that approach.

Recommendations. The UW should create an integrated, university-wide enterprise risk management approach, led by a Presidential Advisory Committee of senior campus leaders. This Committee will identify and track significant risks and recommend corrective actions. An annual risk dialogue among senior leaders and Regents will be initiated by the Advisory Committee to share progress on risk mitigation initiatives. A Compliance Council will advise the Advisory Committee and stimulate communication on campus-wide compliance issues. A central compliance website should provide timely information to the campus community on emerging risk issues, links to individuals and hotlines for expressing concerns, and helpful information on best practices and institutional policies. A compliance helpline and web-contact service should provide a safe place to go with problems. An early intervention program is proposed to handle issues of grave institutional concern in an expedited manner. Tools to support self-assessment of risk should be made available to managers. The internal audit function should be staffed at levels appropriate to the UW’s size, complexity, and mission. Data on key risks should be collected and analyzed; and used to develop metrics on critical factors contributing to risk.

Reputation. The UW is a decentralized yet collaborative entity with an energetic, entrepreneurial culture. The community members are committed to rigor, integrity, innovation, collegiality, inclusiveness and connectedness. “We should acknowledge that these values are important to the institution’s continued excellence…”1

The UW’s excellence is reflected in the institution’s reputation, “the bottom line” which links members to the community. Each individual contributes to that reputation and benefits from the contributions of others. The opposite can also be true. This shared reputation can slide into a downward spiral. When this happens, stakeholders lose confidence in the ability of the institution to serve as a good steward of the public trust. It is, therefore, in the interest of everyone in the UW community to minimize and manage risks that affect the quality and reputation of the University.

Conceptual Framework. There are two models which might serve as a framework for the UW. The first, and recommended approach, is enterprise risk management (ERM)2 which views risk holistically rather than functionally, covers all risk types, and takes an institution-wide perspective. This approach integrates risk into the strategic deliberations of senior leaders and

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1 President Mark Emmert, “Emmert Launches Leadership Initiative,” University Week, April 7, 2005.
2 This approach is also called strategic risk management.
Board members. The second is a centralized compliance model, built on guidelines in federal law (the Federal Sentencing Guidelines). This approach, while institution-wide, focuses exclusively on compliance.

Although both models are university-wide approaches, they vary in a number of important aspects, including scope, objectives and benefits. Integrated compliance programs are concerned about compliance with law and regulation; ERM focuses broadly across all risks: compliance, finance, operations, and strategic. Integrated compliance programs seek to control all of the institution’s compliance activities. ERM, on the other hand, integrates risk into an institution’s strategic plans with the goal of achieving an appropriate balance of risk and return. Integrated compliance programs, if based on the Federal Sentencing Guidelines, provide potential protection from federal penalties. ERM does not necessarily provide that benefit, although it can if integrated compliance programs, such as the one emerging in UW Medicine, are sheltered under its umbrella. ERM benefits include improved communication on risk among the senior leaders and Regents which leads to more informed decisions, better allocation of resources, and stronger governance practices.3

Peer Universities. Peer universities select different approaches to compliance based on choices about philosophy, model and organization. This paper details the approaches of four benchmark universities: Stanford University, University of Texas System, University of Minnesota, and University of Pennsylvania.

Stanford University has used collaborative institution-wide risk management at its hospitals for some time. On September 12, 2005, after discussion at Board and senior leadership levels, Stanford decided to implement a similar approach university-wide. Stanford refers to its framework as enterprise risk management (ERM). University of Texas System takes a different point of view, having a rich, structured approach to compliance, which closely resembles a corporate compliance program. It is hierarchical and relies heavily on a substantial network of compliance officers. Without constant monitoring, UT System leadership and Board believe that the cultural pressures are too strong to prevent noncompliant behavior. At the University of Minnesota, there is a small institutional compliance office run by a lawyer and former litigator which provides collaborative support to faculty and administrators on compliance. No monitoring is done. The University of Pennsylvania developed its compliance program in response to a string of problems. Finding no comprehensive higher education models, Penn turned to corporate best practices for guidance, adopting a structured program with a central focus. Since that time, the approach has become more collaborative.

While Stanford is the only institution which describes its approach as enterprise risk management, the other three universities have elements of this approach. Minnesota has had a series of broad-ranging risk discussions with its Board. Both Texas and Minnesota have Compliance Councils, which bring together leaders to assess risk and share information across compliance silos. Penn is considering reconstituting its Compliance Advisory Board.

University of Washington. Like Stanford and Minnesota, the UW has developed a collaborative, decentralized approach to management, including management of compliance and risk. The UW proactively identifies and manages specific risks; as is typical for this approach, responsibility for these specific risks is distributed among the institution’s organizational silos. These separate efforts are done well. "Mistakes" are corrected; procedures, business rules and processes are re-engineered to reduce the likelihood of "risky business." The central audit and risk management staffs work across these institutional silos, providing independent advice and expertise to campus administrators.

However, the UW does not formally integrate risk and compliance into its strategic conversations at the university-wide level, there is little, if any “cross-silo” communication, and there is no dedicated audit or compliance committee of the Board of Regents to provide oversight, unlike the universities described above.

Lessons Learned. An analysis of seven recent UW compliance problems was undertaken. That study revealed persistent patterns, coming from thirteen root causes, which can be classified into one of four categories: leadership, organization, knowledge and culture. A successful institutional risk structure must address the systematic problems revealed in this analysis.
Root Causes for Noncompliance at the UW

A Collaborative Enterprise Risk Management for the UW. In evaluating the framework proposed below, three guiding principles are advanced as criteria: the successful proposal must (1) foster an institution-wide perspective, (2) ensure that regulatory management is consistent with best practices, and (3) protect UW’s decentralized, collaborative, entrepreneurial culture. The proposal should also address systematic problems inherent in the UW’s present risk structure.

Recommendation #1: Integrate key risks into the decision-making deliberations of senior leaders and Regents.

1a. Charter a Presidential Advisory Committee of senior leaders to oversee and focus attention on efforts to improve the UW’s culture of integrity and compliance. This Committee will

- Engage in a risk mapping process at least annually, developing and tracking plans to address issues with “high impact” and “high likelihood.”
- Initiate an annual risk dialogue with President’s Cabinet, Board of Deans, Faculty
Senate, and other key bodies for the purpose of sharing major risks (UW Risk Map),
seeking feedback, and reporting on progress (UW Risk Plan and Risk Dashboard).

- Analyze events of unethical or noncompliant behavior, recommending changes in
  policy, organization, or information to prevent repetition.
- Coordinate with other initiatives (such as Leadership, Culture and Values and
  Undergraduate Student Experience) to strengthen the leadership and culture of
  integrity and compliance. Possible common work might include a UW Code of
  Conduct.
- Update the Board of Regents periodically.

**Recommendation #2:** Create an integrated, institution-wide approach to compliance:

2a. Designate the Director of Audit as the central person responsible for coordinating
    compliance awareness across campuses, with the title of Director of Audits and Compliance.

2b. Establish a Compliance Council chaired by the Director of Audit and Compliance, which will
    - Identify and prioritize current and emerging compliance issues, recommending
      appropriate actions to the issue owner and/or senior leaders.
    - Identify issue owners and establish a matrix of responsible parties for each risk area
      (UW Risk Matrix).
    - Support and advise the President’s Advisory Committee (see #1 above) as subject
      matter experts on compliance.
    - Ensure that all senior administrators are educated and aware of compliance and risk
      issues.

**Recommendation #3:** Ensure that good information is available for campus community.

3a. Introduce a brief electronic newsletter on emerging issues.

3b. Establish a website on key compliance issues. Include newsletters, hotlinks to related
    websites, the UW Risk Map(s), the UW Risk Plan, and the UW Risk Matrix.

3c. Include training, communication, policies and expected behavior in action plans for key risks.

3d. Share information among the stovepipes through the Compliance Council.

**Recommendation #4:** Create a safe way for interested parties to report problems.

4a. Contract with an outside party to manage an anonymous hotline (phone and web).

4b. Set up a website with information on where to take problems.

4c. Introduce an early intervention program.

**Recommendation #5:** Minimize surprises by identifying emerging compliance and risk issues.

5a. Provide an automated tool for self-assessment to campus leaders.

5b. Monitor the effectiveness of the Compliance Council, hotline, website and early intervention
    program in minimizing surprises.

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4 Seattle Cancer Care Alliance has licensed a tool developed by the University of Minnesota.
**Recommendation #6:** Maintain strong audit team with ability to proactively identify problems and collaboratively recommend solutions to appropriate decision-makers.

6a. Benchmark the UW audit function against peer universities to advise resource allocation decisions.

**Recommendation #7:** Check progress on compliance and risk initiatives.

7a. Develop and analyze data for key risks.

7b. Develop metrics for senior leadership (risk dashboard).

**Conclusion.** These seven recommendations are consistent with the guiding principles and best principles among peer universities and businesses. Furthermore, if implemented, many of the recent issues with leadership, organization, knowledge and culture will be corrected. A detailed discussion of effectiveness is included in the full report.

Nonetheless, it should be recognized that risk management and compliance are a journey, not a destination. These suggestions are intended to continue that journey—which was started long ago—and in the process put in place a framework that will encourage further suggestions from others in the community. The proposed changes are not intended to replace what already works across the university. Rather they are intended to augment the existing organization with thoughtful direction, collaboration, and communication on strategic risks.

The University is strong and vital. It is a place where people learn and grow. Intuitively, then, it makes sense to adapt when the environment requires it. At the same time, it is important to protect the distinguishing qualities of the institution. This paper is offered as fuel for a good conversation about how to accomplish those objectives.

2/16/2006
Typical Evolution of ERM

Scope of the Risk

- Strategic
- Operational
- Financial
- Hazard Only

Degree of Cross Functional Integration

Separate Functions  Partial Integration  Full Integration
UW Risk Management Environment

Cross Functional & Emerging View of Risks

President’s Council
- Compliance
- Financial
- Operational
- Strategic

PASS Council
- Compliance
- Financial
- Operational
- Strategic

Provost and Deans
- Compliance
- Financial
- Operational
- Strategic

Operational Units
- Compliance
- Financial
- Operational
- Strategic

Patient Safety Committee
- Compliance
- Financial
- Operational
- Strategic

Silos: The UW has deep functional risk identification and risk assessment.

Our challenge is to establish a cross functional and emerging view of risks.
Enterprise-wide Risk Map

<table>
<thead>
<tr>
<th>LIKELIHOOD</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
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<tbody>
<tr>
<td>IMPACT</td>
<td></td>
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<tr>
<td>High</td>
<td>O1, O2</td>
<td>S1, S3</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>F1, F2, C2</td>
<td>S2, O4, F3</td>
<td></td>
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<tr>
<td>Low</td>
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<th>Strategic Risks</th>
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<td>S1 – Research &amp; Development</td>
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<td>S2 – Affiliate Relationships</td>
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<td>S3 – New Product Launch</td>
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<td>O3 – Business Continuity Planning</td>
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<td>O4 – Theft</td>
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<td>C2 – Intellectual Property</td>
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<td>C3 – Securities Law Compliance</td>
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Enterprise-wide Risk Map
with Mitigation

**Likelihood**
- **Low**
  - O1, O2, O3
  - F1, F2, F3
- **Medium**
  - S1, S2, S3
  - C1, C2, C3, C4
- **High**
  - S1, S2, S3
  - C1, C2, C3, C4

**Impact**
- **High**
- **Medium**
- **Low**

**Strategic Risks**
- S1 – Research & Development
- S2 – Affiliate Relationships
- S3 – New Product Launch
- S4 –

**Financial Risks**
- F1 – Interest Rate
- F2 – Strategic Investment
- F3 – Nonpayment
- F4 –

**Operational Risks**
- O1 – IT Security
- O2 – Natural Disaster
- O3 – Business Continuity Planning
- O4 – Theft

**Compliance Risks**
- C1 – Research Compliance
- C2 – Intellectual Property
- C3 – Securities Law Compliance
- C4 –
Ashley F. Emery, Chair Faculty Senate
UW Box 35271
Campus

January 6, 2006

Re: Salary raises to reduce “compression.”

The Advisory Committee on Faculty Code and Regulations is authorized by Faculty Code Section 22-61.A.3 to “render advisory opinions on interpretations of the Faculty Code” in aid of the Senate Executive Committee’s power to “interpret after consultation with and on the advice of the Advisory Committee . . . the provisions of the Faculty Code.” (Faculty Code Section 22-60.B.9)

The Committee has been asked for its interpretation of the Faculty Code provisions that bear on the allocation and distribution of funds to address salary “compression.” The Committee believes that funds targeted to relieve “compression” are designed to more adequately reflect the true merit of highly meritorious faculty whose salaries have been artificially stunted by the effects of market forces and funding decisions beyond the control of the University. As we explain more fully below, the Advisory Committee concludes that funds to address “compression” should be allocated as “unit-level adjustments” and distributed pursuant to the procedures applicable to “merit” increases to faculty whose salaries, compared to their peers, do not reflect the true value of their contributions to the University.

The use of salary funds to reduce compression is explicitly authorized by Section 24-55, Procedure for Salary Increases Based Upon Merit. Subsection A.4 of which provides that “Salary compression and other inequities, including those resulting from variations in the level of merit funds available over time, may be considered in making merit salary recommendations.” We thus turn to the Faculty Salary Policy (Faculty Code Sections 24-70 and 24-71) for the rules applicable to funds allocated for this purpose.

Section 24-70.B describes several ways in which faculty salaries may be increased. The Advisory Committee believes that the contemplated raises fall within Section 24-70.B.5, whereby “A salary increase . . . may be awarded as a result of unit-level adjustment (in accord with Section 24-71.B.2)” Subsection B.2 authorizes the Provost to distribute funds allocated by the President “to address the market ‘gap’ of an individual unit.” Such allocations require “close consideration of individual units and consultation with the Senate Committee on Planning and Budgeting,” which, the Committee understands, has been accomplished.

While Section 24-71.B.2 does not refer specifically to “compression” as a basis for the allocation of a “unit-level adjustment,” it does not preclude an adjustment for that purpose. It is certainly plausible to view compressed salaries as a particularly pernicious form of “market gap” that affects only a random segment of the unit’s faculty. Moreover, the procedures required for
distributing unit-level adjustment funds are well adapted to the distribution of raises to relieve compression. Following the assessment of individual units and consultation with the Senate Committee on Planning and Budgeting, the Provost is instructed to “gather updates on salary information from appropriate sources” and to make those findings available to the faculty. In the opinion of the Advisory Committee, the allocation and distribution of funds to alleviate salary compression in identified units implements the goal, set forth in Section 24-55.A.4 that “Salary recommendations shall seek to minimize salary inequities” and is consistent with the policies and procedures prescribed by the Faculty Salary Policy in Sections 24-70 and 24-71.

Faculty Code Section 24-71.C mandates that “deans of the schools and colleges shall, after consultation with their elected faculty councils (Section 23-45.B), allocate to the faculty of their constituent units of their school/college, all funds made available to provide salary increases under Section 24-70.B.”

The role of the faculty in the distribution of such funds is addressed twice in Section 24-71. Subsection B.2 instructs the chair (or dean of an undepartmentalized school/college) to “consult with the unit’s voting faculty who are senior (or, in the case of full professors, equal) in rank—or the unit’s designated faculty committee(s)—about the appropriate distribution of these funds.” Subsection 24-71.C states that “Distribution of [all funds made available to provide salary increases under Section 24-70.B] to individual faculty shall be carried out following the requisite procedures of Chapter 24.”

The Advisory Committee believes that because the funds currently available for distribution are designed to augment, retroactively, merit raises already awarded for the 2005-06 academic year, recommendations for salary increases to reduce compression should be based on the evaluations carried out during Spring, 2005, and should not trigger an entirely fresh evaluation of cumulative merit. This does not preclude, however, the need for deans and unit chairs to consult with their faculty councils and appropriate faculty in accordance with Chapter 24 of the Faculty Code.

Respectfully submitted,

John M. Jonker, Chair
Wilceal F. Vaughan
Sandra V. Silberstein
Steven M. Goldblatt

cc. Donna H. Kerr, Secretary of the Faculty
Ana Mari Cauce, Executive Vice Provost
Call to Order and Approval of Agenda.

Introductory Comments – Professor Ashley F. Emery, Chair, Faculty Senate.


Report of the Senate Committee on Planning and Budgeting – Professor G. Ross Heath, Immediate Past Chair and Committee Chair.

Legislative Report – Professor David Lovell, Faculty Legislative Representative.

Summary of Executive Committee Actions and Upcoming Issues and Actions.

Memorial Resolution.

Nominations and Appointments.

a. Discussion: Statements from candidates for Vice Chair of the Faculty Senate.

b. Action: Approve Nominees for Faculty Councils and Committees.

Announcements.

Requests for Information.


b. Faculty Salary Compression Implementation.

New Business.

*Motions involving Class C actions should be available in written form by incorporation in the agenda or distribution at the meeting. It is preferable that any resolution be submitted to the Senate Chair and Secretary of the Faculty no later than the Monday preceding a Senate meeting.*

Adjournment.

PREPARED BY: Donna H. Kerr, Secretary of the Faculty
APPROVED BY: Ashley F. Emery, Chair, Faculty Senate

NOTE: If a continuation meeting is necessary, it will be held on February 2, 2006 at 2:30 p.m. in Gowen