

**VII. STANDING COMMITTEES****B. Finance, Audit & Facilities Committee**Enterprise Risk ManagementINFORMATION:

Today's presentation will be a discussion about the University of Washington's activities related to Enterprise Risk Management ("ERM") and the role of the President's Advisory Committee on ERM. To queue up this presentation, we are providing you with the UW's 2008 ERM Annual Report and a recent report from the Association of Governing Boards of Universities and Colleges ("AGB") entitled "The State of Enterprise Risk Management at Colleges and Universities Today."

In the AGB report appendix, example 1 on page 25 is a chart adapted from one published in the UW's 2008 ERM Annual Report and shows an Occupational Health and Safety Risk Summary Picture of top risks. Example 2 on page 26 cites Pollution Risks and is excerpted from *Enterprise Risk Management Tools for Self Assessment*, a step-by-step guide created by the University of Washington.

*Attachments*

1. University of Washington 2008 Enterprise Risk Management Annual Report
2. "The State of Enterprise Risk Management at Colleges and Universities Today"
3. ERM Presentation
4. UW ARRA Newsletter: *UW Responds to American Recovery and Reinvestment Act*

# 2008 Annual Report



University of Washington  
**ENTERPRISE RISK MANAGEMENT**

# University of Washington – Enterprise Risk Management

## University of Washington Memorandum

---

Date: November 2008

To: President Mark Emmert

From: President's Advisory Committee on Enterprise Risk Management

Re: UW Enterprise Risk Management 2008 Annual Report

We are pleased to provide you with a report on the University's enterprise risk management accomplishments for 2007-08. An Executive Summary is provided, which highlights the phases of development our program has gone through, noting how these parallel what has happened nationally with enterprise risk management programs. Senior leadership, campus compliance officers, and teams from key departments have continued to engage in identifying top risks and determining what actions to take to improve our risk profile, be it compliance, financial, operational, or strategic.

Follow up with risk assessments completed in 2007 demonstrates how risk owners have taken responsibility to pursue possible risk mitigation plans in their respective areas, enabling us to create a scorecard to track further progress on all assessments as they are completed.

2009 plans call for broadening our base, by refocusing the Compliance Council on financial and operational risks in addition to its regulatory ones. The President's Advisory Committee has begun discussions of key strategic risks for the institution, and this will continue as we think about the mega-risks that can impact the University's long term success.

Thank you for your continuing interest and support for this work.

## *In Recognition and Appreciation*

Two of our colleagues who recently retired after many years of service to the University of Washington provided exceptional leadership in establishing our Enterprise Risk Management program.

Maureen Rhea – Executive Director of Internal Audit

Maureen was instrumental in formation of ERM and especially the Compliance Council. She led the Council as facilitator its first two years, establishing a forum where compliance experts from throughout the University could discuss issues of importance and share ways to improve institutional preparation and response to external requirements.

Karen VanDusen – Director of Environmental Health and Safety

Karen and her team see “risk management” as a core function in all the services they provide to campus clients. Karen set a record for participation on risk assessment teams, including serving as team leader on numerous occasions. She demonstrated how risk assessment could be used to help her management team identify its strategic priorities for the biennium, and has advocated the ERM approach and process both on campus and off.

Many thanks to both Maureen and Karen for their outstanding work on behalf of the UW and Enterprise Risk Management.

## Table of Contents

I. Introduction	4
II. In Their Own Words	6
III. 2009 Recommended Goals and Directions	8
Mega-Risks Chart	9
IV. 2008 Accomplishments	11
Validation Rating Scale	15
Illustration 1: Safe Campus Progress Report	16
Illustration 2: Occupational Health and Safety Risk Summary Picture	18
Illustration 3: Privacy Oversight Group Risk Summary Picture	19
Illustration 4: Cash Handling Risk Summary Picture	20
Illustration 5: UW Animal Research Facilities Risk Summary Picture	21
Illustration 6: Impacts SE Campus Construction Risk Summary Picture	22
Illustration 7: Google Cloud Applications Risk Summary Picture	23
V. Progress Report on 2007 Assessments	24
VI. UW Compliance Council Annual Report	26
VII. CISO Risk Assessment and Scoreboard	28
VIII. ERM Self-Assessment Toolkit	32

## I. Introduction

With this second annual report on UW's enterprise risk management (ERM) program and accomplishments, it is a good time to reflect on the development of our program and compare it to the evolution of the industry.

The Compliance Phase A decade ago, the concept of managing risk in a formal, consistent, enterprise-wide manner was not widely applied in the business sector, and in higher education, it was scarcely discussed. The stunning 2001 collapse of Enron and the speedy passage of the Sarbanes-Oxley Act a year later was the impetus for the first phase of ERM. Boards of directors viewed ERM as a good way to organize an entity's compliance program and to identify the most significant weaknesses in financial controls. Here at UW in 2001, we were having some experiences of our own with compliance failures, some of which were quite costly, while others negatively impacted our reputation among our students, alumni and other stakeholders.

The Governance Phase By 2004, the attorneys general of several states were conducting investigations and filing lawsuits alleging excessive CEO pay, business conflicts of interest and consumer fraud. Various consultants and associations published models for risk assessment and treatment, some emphasizing top-down leadership and others promoting grassroots approaches. During this time, ERM emerged from being primarily a compliance-focused tool and became a systematic way to inform boards of directors about the financial, operational and strategic risks which could prevent an organization from achieving its objectives.

Around this time, several UW offices began to review the ERM literature and surveyed applications of the practice in higher education. In April of 2005, our new President, Mark Emmert formally charged V'Ella Warren, then-Vice President for Financial Management, and David Hodge, then-Dean of the College of Arts and Sciences, to identify best practices for managing regulatory affairs at the institutional level by using efficient and effective management techniques. We began a series of campus discussions with academic and administrative leaders about the management of risk across UW and recognized that a new layer of enforcement bureaucracy would not be accepted by the campuses; our model had to support the decentralized, entrepreneurial nature of our organization. A root cause analysis also informed us that our tendency to operate in information silos was at the heart of many of our compliance problems, and that the senior leadership did not receive truly comprehensive risk information.

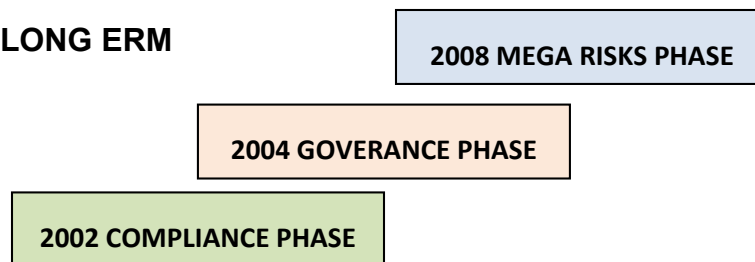
Further research into ERM models led to a decision to adopt a holistic approach which would integrate broad evaluation of risk and opportunity into enterprise-wide decision-making. Although not groundbreaking theoretically, we developed a practical and interactive model in which the results of methodical risk assessments would be discussed by a Compliance Council and a President's Advisory Committee on Enterprise Risk Management. The President chartered this model in the fall of 2006 and the processes began.

In the first years, a majority of the risk assessments and discussions were dedicated to reducing the institution's liability and raising the community's awareness of risk. Several important mitigation initiatives were funded as a result of this work. As the tools were refined, we realized the value of using them to assess various business opportunities.

The Mega-Risk Phase In 2008, ERM is again evolving, with an expanded focus on the mega-risks outside the control of any entity. The impacts of recession, the uncertainties of the global marketplace, energy shocks, demographic changes, technology vulnerabilities and many other uncontrollable elements are now among the variables an entity must consider in devising its risk strategy. Rapid assessment of the risks impacting various business models is a critical element of ERM in large companies today.

UW has also begun using ERM tools in new ways: to evaluate alternative methods of financing our mission-critical operations, such as patient care facilities; to streamline and organize our units' daily operations to strategically reduce risk; and to identify emerging mega-risks that will affect us in direct proportion to our preparedness to meet them. Agility is becoming the most valuable aspect of UW's ERM program as it continues to evolve.

## STEPS ALONG ERM



This year's reports highlights key accomplishments as ERM has grown throughout the University. A self-assessment toolkit is being shared with interested departments, to walk them through identifying top risks in their own operations and programs. UW's Chief Information Security Officer has taken risk assessments further, adapting the techniques to produce quarterly performance measures of security activities. Follow up on prior years' assessments has improved reporting metrics and enhanced documentation of controls for identified risks.

Recommendations for 2009 include raising the perspective to think about how mega-risks, such as extended financial crisis, may impact UW's ability to achieve its strategic goals. Improving resiliency in the University's operations is an exciting new challenge for the ERM processes. We will be using the ERM structure to address one of the institutional recommendations concerning the UW Technology business model. And our ERM program will be used in underwriting discussions with the financial rating agencies to help us maintain our credit rating. ERM continues to grow and be involved with new aspects of the University.

## ii. In Their Own Words

With two years of experience with our enterprise risk management program, we asked members of the President's Advisory Committee and others to share their thoughts on what ERM means to them.

*"I think that the ERM process has been of great assistance in using a common metric and process to identify and address risks across a wide spectrum of the campus. Without this process/metric, it would be easier to overlook specific risks or to just attempt to deal with the risk that is in the forefront without a careful analysis of the whole picture. Also, it is easier to compare risks across a wide variety of units. In all, I think this continues to be an important and fruitful process."*

**Cathryn Booth-LaForce**, Professor, Family and Child Nursing, and Chair of Faculty Council on Research

*"As an ex officio member of the Compliance Council, [I started the year expressing that] 'compliance' was not necessarily a good word for faculty members; indeed, when I recently mentioned the culture of compliance to a colleague of mine, she said, 'that's terrible!' What lies behind such reactions, I think, is the high value faculty accord to personal autonomy. . . . The notion of a culture of compliance sounds like yet another extension of impersonal, corporate control, shrinking the arena of self-expression in favor of discipline and conformity.*

*". . . Having served on this Council now for nearly a year, I'm happy to report that you don't strike me as an especially grim group. . . . Indeed, I'm very impressed by the acumen and professionalism of the staff and administrators who are themselves coping with externally imposed—and enforced!—regulations. Over the last ten months, I've come to understand that you're not here to get in our way, but to make it possible for us faculty legally to conduct the work we came here to do. . . . It's equally important, however, for you to understand what it's like for faculty who are mostly just trying to make things happen so their work can go forward. . . .*

*"To faculty, it can appear that somebody somewhere has made a rule that's making our lives crazy, no explanation is forthcoming, and nobody cares. I know that's not how we want it to be, and that compliance officers and staff are themselves struggling with difficult issues not of their making. . . . To put it positively: the main*



*point of these valedictory comments is that I've come to understand your situation, and I hope you understand ours. I hope that working together, we can try to spread such understanding further, so that we can make compliance—or whatever term you choose—less threatening to faculty and frustrating to staff.”*

**David Lovell**, Research Associate Professor, Psychosocial and Community Health, and 2007-08 Vice Chair, Faculty Senate



*“I think the ERM project has been very valuable. ERM is not a hard science, but it does bring a rational new discipline to identifying, weighing, and choosing among the categories of risks that inevitably face the institution. Without this rigor, it is easy to lose sight of the full range of risks and the tradeoffs involved in reducing the risks. The ERM process enables managers to assay substantial risk exposures with a common set of tools and to harmonize the standards and expectations for minimizing - and sometimes tolerating -- the downside of our activities.*

*“I think the goal in the coming year should be to increase the volume of programs and projects to which ERM protocols are applied. More complex, inter-departmental activities can be examined centrally while more individual departments can apply ERM techniques to review of matters that are managed entirely at their internal level.”*

**Jack Johnson**, Senior Assistant Attorney General

### iii. 2009 Recommended Goals and Directions

ERM continues to build on an established base of processes and tools for identifying, assessing, mitigating, and monitoring significant risks. Potential areas of beneficial activity for the coming year are outlined below, referencing the **original seven recommendations** from 2006.

- A. Consider what external “mega-risks” may impact UW’s ability to achieve its strategic goals. As noted in the Introduction to this year’s report, uncontrollable elements such as recession, energy shocks and demographic changes are variables that every entity must consider in devising its risk strategy. We propose to use a mega-risks model (on next page) to engage the PACERM in discussions of how such risks may impact the University’s ability to achieve its five strategic goals. This will contribute to the original recommendation of:

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

- B. New Charter for the Compliance-Operations-Finance (COFi) Council. A review of the University’s ERM efforts identified a need for the Council to go beyond a focus on compliance. The review concluded that the Council should expand its scope to include financial and operational risks. In August 2008 the Compliance Council name was changed to the Compliance, Operations, and Finance (COFi) Council to reflect this new focus. Goals for 2009 include:

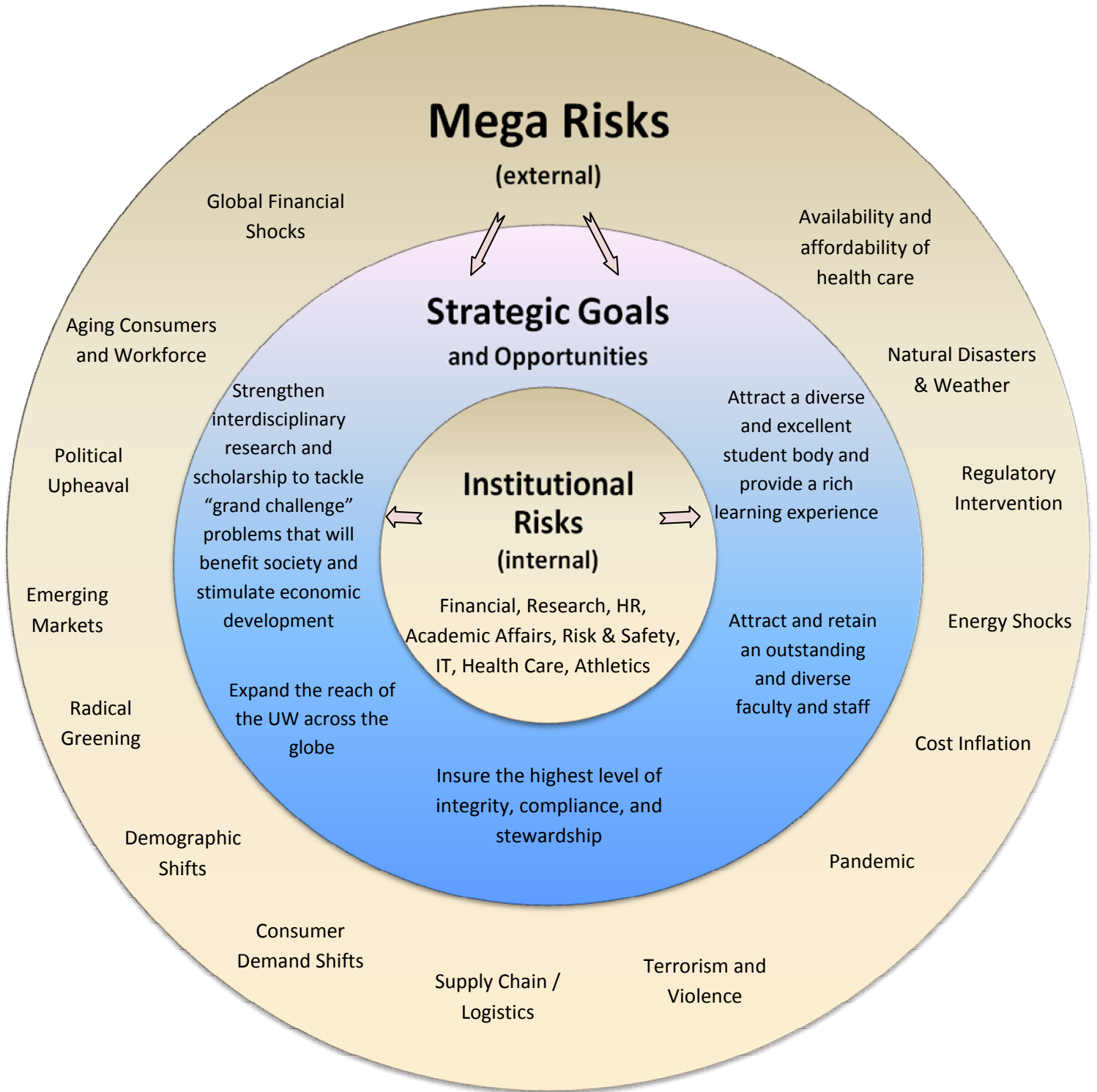
- Implement an anonymous reporting line and compliance web-site.
- Develop metrics for measuring and reporting achievements.
- Provide an open forum for identifying and assessing emerging risks.
- Continue to enhance and strengthen our culture of compliance.

This change in focus will address three of the original recommendations:

**Recommendation 2. Create an integrated, institution-wide approach to compliance which is consistent with best practice.**

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

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



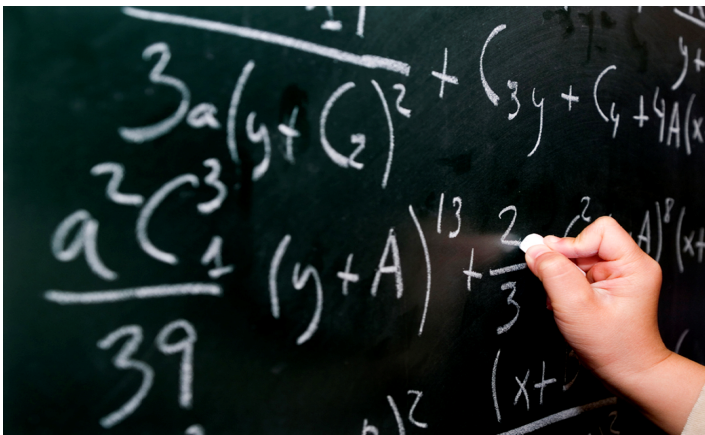
C. Continue to build the ERM program with the Office of Risk Management. ERM webpages will be enhanced. The self-assessment toolkit will be widely distributed and departments supported in their use of it. We will continue to follow up with risk owners on the progress they make with mitigation plans, and expand the monitoring to include all of the completed comprehensive assessments. Using the model developed by CISO for its own performance metrics, we will develop an institutional level version that summarizes progress on all the key risk indicators. This addresses two more of the original recommendations:

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

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

D. New audit leadership. The coming year will see the start of a new Executive Director for Audits, who will bring a new perspective on the use of enterprise risk management in identifying and assessing key institutional risks. That person will facilitate the COFi Council, and provide crucial guidance for our ERM program. This addresses another of the original recommendations:

**Recommendation 6. Maintain strong audit team with ability to proactively identify problems and collaboratively recommend solutions to appropriate decision-makers.**



## IV. 2008 Accomplishments

The original seven recommendations from the Collaborative Risk Management Final Report (February 13, 2006) form the outline of what has been accomplished this year.

---

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

#### *Senior Leadership Engaged in ERM Priorities and Recommendations*

The President's Advisory Committee on Enterprise Risk Management (PACERM) continued its role of identifying top risk areas for comprehensive assessments. Follow up on key risk from last year, Safety of Students, demonstrated the effort that has gone into this important topic. Open discussion of emerging risks brought forward new ideas, including a priority for the coming year to look at the risk of failing to recruit and retain top talent.

#### *Compliance Updates for Board of Regents*

UW Medicine and the Department of Intercollegiate Athletics presented annual reports on their compliance programs, and ongoing efforts to minimize risks and address current issues.

#### *UW Medicine Patient Safety Initiatives Update*

UW Medicine-Harborview Medical Center (HMC), UW Medical Center (UWMC), UW Physicians Neighborhood Clinics (UWPN) and UW Physicians (UWP) continue to focus on Patient Safety and Quality of Care as the top priority, with several major steps towards accelerating the quality agenda that include:

- ✚ Meetings with the National Leapfrog group, implementation of Leapfrog standards for quality and safety which are built on Institute of Medicine and IHI goals, and overall improvement of the publically reported Leapfrog scores for both medical centers-HMC and UWMC.
- ✚ Commissioned the University HealthSystem Consortium (UHC) to complete a focused assessment of the patient safety and quality program that included interviews with staff, physicians, management and Board members. The medical centers are utilizing the summary findings to develop the FY 09 work plan for improvement.
- ✚ Participated in the centers for Medicaid/Medicare Services (CMS) publically reported measurements (HCAHPS score) of patient satisfaction with quality of care received.
- ✚ Funded and implemented additional training modules for graduate medical education resident training to increase the quality and safety of procedures.
- ✚ Engaged in UW Medicine Board and Harborview Board level discussion to define and develop Patient Safety and Quality of Care metrics for Board review.

### *FY2009 Investments in Integrity/Compliance/Stewardship*

Institutional investments in areas that have been included in ERM reviews include: \$1.19 million for research administration support [staffing in Sponsored Programs, Human Subjects review boards, Grant and Contract Accounting, and Environmental Health and Safety compliance monitoring]; \$1.8 million in administrative support [SAFE hotline, staffing in Human Resources, Internal Audit, and Information Management]; and \$3 million in administrative computing systems.

### *New Focus on Financial Risks*

Recognizing that ERM needs to expand beyond a focus on compliance, a proposal has been developed for PACERM approval to recharter the Compliance Council with an expanded scope to include financial and operational risks as well as compliance, to better respond to the full spectrum of risks and opportunities.

## **2. Create an integrated, institution-wide approach to compliance which is consistent with best practice.**

Compliance Council continued to build networks and understanding among institutional compliance officers. Conversations included identification of UW affiliates, termed “orbiting orgs”, being all the related entities who may affect University risk exposure in various ways. Differences in responsibilities between audit and a compliance office illustrated how the roles are different, yet related. See the full Compliance Council report beginning on page 26.

In 2007, the Council produced the first institutional compliance risk map. During this year, more than a third of Council members provided further information about their existing procedures, training, monitoring, and other controls which address their specific compliance risks. This information fills in the institutional Risk Register, documenting the efforts to achieve compliance.

The Office of the Chief Information Security Officer (CISO) took these efforts a step further, using risk identification and assessment as a basis for creating a program performance scorecard; this work is described beginning on page 28.

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

ERM’s standard processes for risk identification and assessment, using common rating scales for likelihood and impact, have been incorporated into a “self-assessment toolkit” with the intent of encouraging departments and units throughout the University to apply ERM to their own operations. The toolkit is discussed beginning on page 32, and the complete toolkit booklet is provided as an attachment to this report.

The ERM program has been assigned within the Office of Risk Management, which itself is now part of the Treasury Office. ERM webpages are available through the Risk Management website.

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

##### *UW SafeCampus Update*

The Violence Prevention and Response Program, introduced in 2007, received permanent funding and is now staffed with a team experienced in violence prevention, victim advocacy and program management. Three SAFE phone lines operate 24 hours a day, seven days a week, serving the Seattle, Bothell and Tacoma campuses. Phone response staff helps callers clarify their concerns, identify immediate risk mitigation steps, connect callers with University or community resources, and arrange for follow-up as needed.

A SafeCampus public information campaign has been developed (for launch September 2008) to raise awareness of how violence can enter and affect our community, and of the University's policies and programs designed to prevent and respond to threats of violence. The campaign will center on publicizing violence prevention and response resources, policies, and training opportunities on the Seattle, Tacoma and Bothell campuses.

Other program developments, including the volume of services provided, are outlined in a progress report SafeCampus Progress Report/January 2008-August 2008 (see illustration #1 on page 16).

##### *Development of UW Reporting Line*

Additional work on determining how to establish an anonymous reporting line at UW included: meeting with two peer institutions to discuss how their reporting lines work; meeting with a few providers of reporting line services to understand the range of possibilities for this service; and discussions led by Internal Audit with senior leaders to identify questions they may have in how a reporting line may be implemented at UW.

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

Comprehensive risk statements were completed for the following priority topics:

- Occupational Health and Safety – Campus experts assessed general exposures, protection and training, systematic factors and costs that can impact the health and safety of faculty and staff.
- Privacy – Patient privacy officers identified and assessed key risks around the use and handling of confidential patient information.
- Cash Handling – Follow up to a state audit review, the assessment team looked at areas of potential loss for both central and campus units that handle and deposit cash.

- Animal Research Facilities Alternatives – Accreditation requirements determine the spaces suitable for conducting animal research; as pressures grow for such space, alternative investment options were considered for meeting the top risks.
- Southeast Campus Construction Impacts – The Sound Transit project is moving towards start of construction; this team brought together departments whose members and visitors/patients will be affected to identify key mitigation planning efforts.
- Cloud Computing Alternatives – Opportunities exist to use computing capacity and storage at large organizations, such as Google, to provide services for campus users at little or no cost; however, such remote and independently operated sites raise compliance concerns for privacy of student records, and ability to produce records when legally required to do so; this assessment looks at several alternatives which can be used to address those risks.

The top risk Summary Pictures for these assessments follow this report (see illustrations 2 to 7, beginning on page 18).

As noted above with the new focus on financial risks, the Compliance Council charter is proposed to add financial and operational risks. PACERM will enhance its strategic perspective, with discussions of “mega risks” that may impact UW; see 2009 Goals.

## **6. Maintain strong audit team with ability to proactively identify problems and collaboratively recommend solutions to appropriate decision-makers.**

The Internal Audit department was expanded from 9 to 15 audit staff. Audit teams were restructured and additional auditors were hired with expertise in research compliance and information technology. A separate audit team was established and responsibility for performing audits of UW Medicine was transferred to Internal Audit.

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

ERM followed up on progress by risk owners from the 2007 assessments, as to how they are addressing top risks. A format was developed to relate the original risk level with an updated risk level based on any mitigation in the past year. This model also identifies gaps between what the ideal risk level will be when mitigations are complete versus what the current level of risk is—a way for risk owners to think about priorities as they continue to manage their top risk areas. The progress reports are discussed further beginning on page 24.



## Validation Ratings

The following factors are considered in validating the level of analysis and risk ratings (likelihood and impact) for each completed risk summary picture (for reference with the risk summary pictures on pages 18 to 22).

	Basic Level	Intermediate Level	Advanced Level
<b>Quantitative Analysis</b>	Minimal data  Quantification of selected few risks, typically compliance or financial	Review of some UW data  Quantification of multiple risks, including operational risks	Analysis of UW data such a loss claims, EHS incident reports  Continuous feedback/ assessment of data
<b>Qualitative Analysis</b>	Reliance on people for information: opinion poll, anecdotes, case studies of UW experiences	More complete collection, review of UW experience  Review past audit reports  Consideration of peer/ industry best practices	Documented evidence of UW multi-year trends  Significant analysis/ comparison of UW with others, such as peer or industry studies
<b>Team Expertise</b>	UW team with general knowledge of risk area and requirements for compliance, financial, operations, and strategic	UW team with expert knowledge and experience in risk area	UW experts and outside expertise/analysis
<b>Other Factors</b>	Risk transfer: - Commercial insurance, self-insurance ; or - Contract requirements	Regulatory examinations and other periodic, formal external reviews or accreditation	Actuarial analysis  Financial analysis/ UW Treasury

Progress Report | January 2008 – August 2008

**RESOURCES**

- Permanent funding established for the Violence Prevention and Response Program (VPRP).
- Recruited and trained VPRP staff with expertise in violence prevention, victim advocacy and program management.
- UW Police Department appointed new victim advocate position responsible for assisting crime victims and their families, and witnesses through the process of physical, emotional and financial recovery.
- Rape Aggression Defense (RAD) Program added to UW Police Department-sponsored programs in August 2008. Enrollment open to UW community free-of-charge.
- Health & Wellness, a unit within StudentLife, established to work directly with students who may need a higher level of support and individual attention.
- UW Outdoor Alert system successfully tested after UW Technology installed 12 new Talk-a-Phone towers, which were approved by the Emergency Management Planning Committee as part of the UW's ongoing work to improve emergency communications.

**COMMUNICATIONS, OUTREACH & TRAINING**

- SafeCampus website averaged 162 visits per day.
- UW Alert registered 10,276 subscribers to receive emergency notifications by email and text messaging.
- Marketing materials and redesigned website produced for SafeCampus public information campaign starting in September 2008.
- 1372 people attended in-person training sessions (46 department-specific training sessions provided by UWPD and HR Operations; 13 campus-wide training sessions open to faculty, staff, and students; 54 safety talks/worksites security reviews conducted by UWPD)
- Violence prevention and response resources promoted at nine University events, including fairs at UW Bothell and UW Tacoma.

**POLICY**

- Implemented new legal provisions that assist victims of domestic violence, sexual assault, or stalking.
  - **Employment Leave for Victims of Domestic Violence (SHB 2602).** Employees who are or whose family members are victims of domestic violence, sexual assault, or stalking are entitled to reasonable leave to seek legal advice; find medical treatment, mental health or social services; obtain shelter; or participate in safety planning. Effective April 1, 2008.
  - **Shared Leave Sharing for Victims (SSB 6500).** Extends shared leave eligibility to employees who are victims of domestic violence, sexual assault, or stalking. Effective October 1, 2008.
- UW Police coordinated the compliance with the **Campus Safety and Security Act (SSB 6328)** by gathering information from other departments and organizing a uniform report format with other WA institutions of higher education.

**STATISTICS**

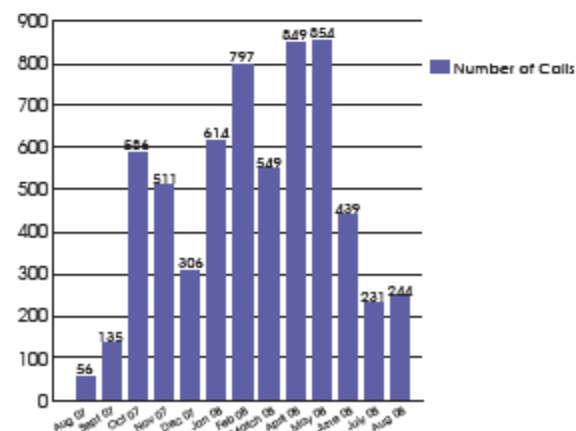
UW CareLink Utilization for individual consultations increased by 47% over the same period the previous year.

- January–June 2008: 945 individual consultations
- January–June 2007: 643 individual consultations

UWPD Crime Victim Advocacy Assisted over 35 students, faculty, and staff members. Services included:

- Enrolled three victims in the Washington State Address Confidentiality Program.
- Conducted 15 court accompaniments for victims petitioning for protective court orders.
- Assisted three victims in applying for Crime Victims Compensation.
- Facilitated the legal breaking of three apartment leases under RCW 59.18.575.

Husky NightWalk



Progress Report | January 2008 – August 2008

**Violence Prevention & Response Program**

- Calls to SAFE phone number reported 246 issues of concern and 45 requests for information/materials from January 2008 – August 2008.
- 58 assessments from January 2008–August 2008.

*Note: Previous Progress Reports included the number of assessments and "case reviews." In January of 2008, VPRP in cooperation with campus partners re-evaluated how calls were triaged and eliminated the category "case reviews." The new classification system follows:*

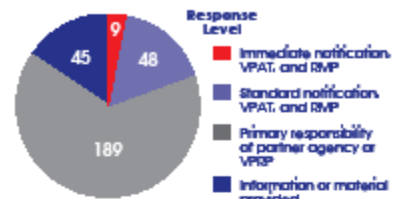
*Level 1: Violence Prevention Assessment Team (VPAT) is notified and convened as soon as possible.*

*Level 2: Issue is discussed at next scheduled VPAT meeting (VPAT meetings are held three times per week).*

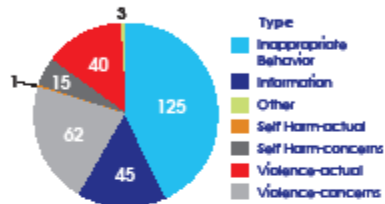
*Level 3: These situations require the same level of communication with the caller and analysis as other Response Levels. Situations assigned Response Level 3 do not have a VPAT. Instead, VPRP is responsible for monitoring and following up on required risk mitigation strategies or they are referred to other UW departments to be the lead and carry out further actions required—while keeping VPRP informed of developments.*

*Level 4: Request for information/materials or not UW jurisdiction.*

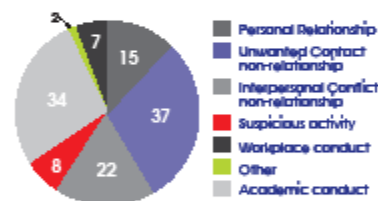
Number of Issues Reported - 291 total



Count by Issue Type - 291 total



Inappropriate Behavior Detail - 125 total



	Role of the Person Experiencing the Concern	Role of the Person Causing the Concern	Role of the Person Reporting the Issue
UW Faculty - Non Supervisor	23	11	11
UW Faculty - Supervisor	4	3	13
UW Graduate Student	1	1	0
UW Graduate Student Employee	6	3	1
UW Staff - Non Supervisor	88	42	57
UW Staff - Supervisor	23	6	83
UW Undergraduate Student	42	23	12
UW Undergraduate Student Employee	20	11	6
VPRP Partner	0	0	74
Public	4	6	2
Public (Patient)	2	24	0
Public (Personal Relationship)	3	35	8
Public (Previous UW Affiliation)	3	10	0
Unknown Identity	0	14	0
Other	2	1	2

## Occupational Health and Safety – Risk Summary Picture

Risk Assessment Work Group:

Stan Addison, Paul Brown, Thea Brabb, Robert Carroll, David Emery, Ron Fouty, Carol Garing, Norma Jean Haulman, David Kalman, JoAnn Kauffman, Dave Leonard, Bruce Miller, Erin Ondrak, Gary Pederson, Lou Pisano, Patricia Riley, Ellen Rubin, Denis Sapiro, Shari Spung, Stephanie Steppe, Michael Welch, Melinda Young, Karen VanDusen, Karen Zaugg, David Zuckerman

TOP RISKS	Current Environment
<b>Employee protection &amp; training:</b> Inadequate personal protection, training, monitoring and emergency preparation for researchers, staff and faculty cause short and or long term safety/health hazards, injury, illness or death	
<b>General exposures:</b> Environmental releases/excess exposure to physical, chemical, biologic, ionizing and non-ionizing radioactive, and/or other workplace hazards result in faculty, staff, or student injury, illness or death	
<b>Systemic factors and strategic planning:</b> UW research practices, risks, and/or lab acquired illnesses result in negative media coverage and negative impact on UW image/fund raising/reputation	
<b>Systemic factors and strategic planning:</b> Insufficient resources to provide comprehensive oversight of workplace and research risks/practices hinders research enterprise and ability to anticipate risks to employees, students, resulting in injury or illness	
<b>General exposures:</b> Employees/students injured as a result of acts of violence	
<b>Research factors:</b> Use of infectious agents or other hazardous materials without approval, adequate controls or monitoring causes disease/illness	
<b>Long term costs:</b> Insufficient NIH safety compliance regarding biosafety and animals leads to funding loss and capital costs	
<b>Systemic factors and strategic planning:</b> Insufficient process to deliberately and systematically identify health and safety risks leads to inadequate prevention and control of risks	
<b>General exposures:</b> Work being done by contractors & other non-UW employees' causes Injuries, illnesses, exposures to UW employees/students	
<b>Decentralization of academic programs:</b> Decentralization, turnover, inexperience hinders control programs for injury prevention, particularly in <u>Academic</u> side	
<b>Long term costs:</b> Increased costs and hazards due to limited consideration of environmental health and safety construction issues (e.g., codes, standards, accreditations) in renovation or new construction of labs or other facilities	

Validation Rating: **INTERMEDIATE.** UW team with expert knowledge and multidisciplinary experience in occupational health & safety, compliance requirements and internal controls. Assessment includes knowledge of University incidents/accidents, workers' compensation experience factors, fines and other regulatory reviews.

# Patient Privacy Oversight Group – Risk Summary Picture

Illustration 3

Risk Assessment Work Group:

Tara Adolfi, Jane Fellner, David Hays, Stephanie Jellison, Colleen Johnson, Eunice Little, Suzanne McCoy, Richard Meeks, Christopher Norton, Shelly Oosterman, Marcia Rhodes, Ellen Rubin, Bekki Sanchez, Tina Sheldon, Johanna Taylor, Addie Price, Catherine Thieman

TOP RISKS	Risk Evaluation based on:		
	Without Controls	With Controls	With New Controls "Mitigation"
<b>Verifying the Identity &amp; Authority of Individuals Requesting Access or Disclosure:</b> Inappropriate use/access of PHI	Orange	Orange	Yellow
<b>Verifying the Identity &amp; Authority of Individuals Requesting Access or Disclosure:</b> Workforce members releasing specially protected PHI	Red	Yellow	Yellow
<b>Training:</b> Workforce members, including volunteers, management & students, not completing required training	Orange	Yellow	Green
<b>Verifying the Identity &amp; Authority of Individuals Requesting Access or Disclosure:</b> Workforce members releasing PHI outside their scope of work	Orange	Yellow	Yellow
<b>Decentralized structure:</b> UW Medicine's decentralized structure results in inconsistent investigations, inconsistent sanctions, inconsistent hiring, rehiring practices, and fragmented Medical Record documentation.	Orange	Yellow	Green
<b>Verifying the Identity &amp; Authority of Individuals Requesting Access or Disclosure:</b> Workforce members releasing PHI not for Treatment, Payment, Healthcare Operations; under an authorization by a patient; or when mandated/permitted by law	Orange	Yellow	Yellow
<b>Research:</b> Accessing PHI for research without IRB approval	Orange	Yellow	Yellow
<b>Access:</b> Not deactivating access to PHI in a timely manner	Orange	Yellow	Yellow
<b>Access:</b> Provide PHI access outside workforce member's job duties	Orange	Yellow	Yellow
<b>Fundraising &amp; Marketing:</b> Patients misperception that UW Medicine is using PHI for fundraising	Orange	Yellow	Yellow
<b>Memorandums of Understanding:</b> Providing access to non-UW individuals then these individuals using and/or disclosing PHI inappropriately	Orange	Yellow	Yellow
<b>Accounting Disclosures:</b> Disclosing PHI that is mandated by law without accounting for disclosure	Yellow	Yellow	Yellow
<b>Training:</b> Privacy, Confidentiality, and Information Security Agreement are not being signed by workforce members at job performance evaluations / re-credentialing	Yellow	Yellow	Yellow
<b>Access:</b> Inappropriate collection and use of social security numbers	Yellow	Yellow	Yellow

Rating Validation: **INTERMEDIATE.** Excellent team expertise in all aspects of privacy, compliance requirements, current UW operations and internal controls. Known frequency of privacy events, fines; experience with investigations and external regulators.

## Cash Handling – Risk Summary Picture

Risk Assessment Work Group:

William Christensen, Tess Domingo-Herrera, Jeff Follman, Evelyn Jagoring, Karen Long, Sandie Rosko, Gina Salois

<b>TOP RISKS</b>	Risk Evaluation based on:		
	Without Controls	With Controls	With New Controls "Mitigation"
<b>State of Washington Admin. &amp; Accounting Manual:</b> UW departments are not in compliance with cash handing policies			
<b>Revolving Funds:</b> Funds are Misappropriated			
<b>Field Advances:</b> Funds are Misappropriated			
<b>Field Advances:</b> Financial Records are Incorrect			
<b>Small Decentralized Units That Direct Deposit:</b> Funds are Misappropriated			
<b>Large Decentralized Units that Direct Deposit:</b> Financial Records are Incorrect			
<b>Central Units:</b> Funds are Misappropriated			
<b>Large Decentralized Units that Direct Deposit:</b> Funds are Misappropriated			
<b>Revolving Funds:</b> Financial Records are Incorrect			
<b>Central Units:</b> Financial Records are Incorrect			
<b>Departments who receive small amounts of cash and transmit to SFS:</b> Funds are Misappropriated			
<b>Small Decentralized Units That Direct Deposit:</b> Financial Records are Incorrect			
<b>Departments who receive small amounts of cash and transmit to SFS:</b> Financial Records are Incorrect			

Rating Validation: **INTERMEDIATE.** Excellent team expertise in all aspects of cash handling requirements, current UW operations and internal controls. Analysis of transaction volume and audit results.

## Animal Research Facilities Plan – Risk Summary Picture

Risk Assessment Work Group:

Kathryn Waddell, Dave Anderson, John Chapman, Michael Carette, Denny Liggitt, Nona Phillips, Colleen Pike, Chris Malins, Jill Morelli, Stephanie Steppe, Oliva Yang, Jim Angelosante

<b>TOP RISKS</b>	Risk Evaluation based on three options:		
	No Further Investment	Remodel & Improve	Build New & Expand
Unable to maintain AAALAC accreditation, USDA Registration and UW's Animal Assurance			
Increasing requirements for specialized research space			
Unable to recruit & retain key research faculty, staff, and graduate students			
Not competitive for new grants and contracts			
Unable to sustain and expand animal census. Reduction in animal census and procedural areas due to space constraints			
Reputation risk for competitive research edge			
Physical harm to researchers, staff and animals			
Unable to maintain adequate support for teaching and research mission			
Investment costs increase due to construction inflation and/or interest rates increase, increasing the cost of borrowing			
Require additional University financial support			
Competing construction projects for South Campus space			

Rating Validation: **BASIC.** A first effort to identify risks associated with funding future Animal Research Facilities. Analysis of three options based on a team of campus experts with extensive knowledge and experience in risk areas.

## SE Campus Impacts from Construction Projects – Risk Summary Picture

Risk Assessment Work Group:

Jim Angelosante, Natalie Bankson, Alex Berezow, Andy Casillas, Jeff Compher, Peter Dewey, Theresa Doherty, Chip Lydum, Ralph Robinson, Daniel Schwartz, Helen Shawcroft, Stephanie Steppe, Chuck Treser

TOP RISKS	CURRENT Environment-Controls-Plans
<b>Interrelated Projects:</b> Project delays and cost increases for other UW construction, due to competition for trucks, labor, and roadways from Sound Transit project, and others.	
<b>Street Traffic:</b> Emergency vehicles, public transportation, shuttles, other UW operations disrupted due to traffic congestion.	
<b>Revenues:</b> Decline in revenues for UWMC Dentistry Athletics Waterfront Activities Ctr visits, rentals, reserv	
<b>Parking:</b> UW, UWMC, Dentistry, ICA visitors, faculty, staff, students and/or patients encounter greater challenges in finding parking.	
<b>Health and safety:</b> Increases in jaywalking, pedestrian/bicyclist injuries and near misses.	
<b>Health and Safety:</b> Concern for appropriate, nearby evacuation and assembly surface space (game days, large events, disaster planning and preparedness).	
<b>Financial impacts:</b> Increased UW operating costs (e.g. devote existing staff or hire new staff to coordinate for project impacts)	

Validation Rating: **INTERMEDIATE.** Good representation of units and programs to be impacted during construction. Excellent team expertise in all aspects of current UW operations, and majority of assessment team members knowledgeable about UW transit plans and impacts through participation in prior committees and meetings. Significant financial impact analysis by major units (UWMC, Athletics, Parking). Participation by UW Project Manager to provide information about plans and agreement terms.



## Google “Cloud Application” – Risk Summary Picture

Risk Assessment Work Group:

TOP RISKS	Option #1 – Current business operating environment	Option #2 – Current business operating environment with additional funding for strategic security initiatives	Option #3 – Risk associated by adding authorized cloud computing (incl Option 2) with standard contract and SAS 70 controls	Option #4 – Risk associated by adding authorized cloud computing (incl Option 3) and negotiated contract with additional security controls
<p><b>Large data caches with confidential data</b> (databases and large data files) &gt;100k individuals or &gt;\$250k loss                      [note these risks are similar for individual data caches/smaller databases and loss; impact somewhat lower for unnecessary breach notification/costs]</p>				
Unnecessary breach notification, associated costs and reputational loss				
Data collection by nation states				
Theft of data by organized crime				
<p>Risk ratings improve compared to current environment under options 3 and 4 for following:</p> <ul style="list-style-type: none"> <li>- Failure to meet data control requirements of state/federal regulations and contract obligations</li> <li>- Sanctions by regulators for compliance failures</li> <li>- Liability of civil action for loss of data</li> <li>- Loss of data integrity</li> <li>- Loss of access to data</li> </ul>				
<p><b>Federal Rules of Civil Procedure</b> (FRCP) – includes email and documents: Risk ratings improve compared to current environment under options 2, 3 and 4 for all identified risks:</p> <ul style="list-style-type: none"> <li>- Failure to respond to court request in a timely manner</li> <li>- Failure to be able to freeze records</li> <li>- Failure to provide all related data</li> <li>- Failure to demonstrate reasonable operational practices (due care)</li> </ul>				
<p><b>Data classified as public and restricted</b> (email and information sharing tools): Risk ratings improve compared to current environment under options 2, 3 and 4 for all identified risks:</p> <ul style="list-style-type: none"> <li>- Failure to meet data management compliance requirements (WA data retention rules, IRS related data)</li> <li>- Failure to provide enforcement for codes of conduct (appropriate use)</li> <li>- Failure to protect intellectual property interests</li> <li>- Data collection by nation states, or theft of data by organized crime</li> </ul>				

## v. Progress Report on 2007 Assessments

One of the accomplishments during the first year of enterprise risk management was to produce the University's first Institutional Risk Map, illustrating the top compliance, operations, financial and strategic risks. These risks were identified through comprehensive assessments of risk topics identified by PACERM as priorities for 2007.

As part of each assessment, the evaluation teams identified potential mitigations which they believed would reduce the institution's exposure in specific risk areas. During this second year of ERM work, each risk owner was asked to provide an update on mitigations that have been taken or put in place. Based on their assessment of those mitigations, and on any changes in their environment and in their programs or operations, the risk owners were asked for their judgment on the current likelihood and impact of each of the 2007 key risk statements.

The comparison of changes in risk exposure on these key risks is illustrated below.

<b>Compliance Risks</b>	2007	2008
Post-Award Financial Admin		
Post-Award Financial Admin		
Global Support		
Post-Award Financial Admin		
Asbestos		
Asbestos		
Student Safety		
Pollution		
Student Safety		
Pollution		

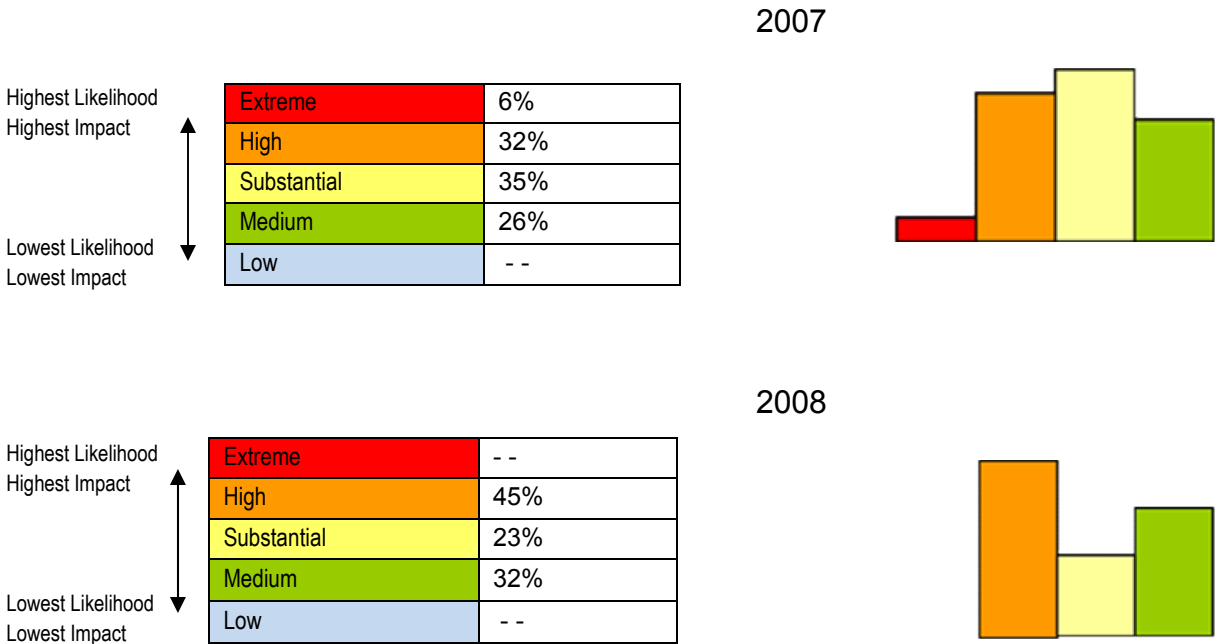
<b>Operations Risks</b>	2007	2008
Student Safety		
IT Security		
IT Security		
IT Security		
Global Support		
Student Safety		
Asbestos		
Global Support		
Global Support		
Pollution		
Pollution		

<b>Financial Risks</b>	2007	2008
Post-Award Financial Admin		
Post-Award Financial Admin		
IT Security		
Global Support		
Pollution		

<b>Strategic Risks</b>	2007	2008
Student Safety		
IT Security		
IT Security		
Pollution		
Global Support		

A number of risk areas, notably Student Safety and Post-Award Financial Administration, were able to somewhat reduce the highest risks through efforts in the

past year. Another view of how overall institutional risks in these categories has been reduced is shown below.



The ERM program will continue to assist risk owners who perform annual mitigation reviews and assessment updates. A goal for the coming year is to develop an institutional risk scoreboard along the lines of the one that is discussed in the section of this report on CISO Risk Assessment and Scoreboard.

## **vi. UW Compliance Council 2008 Annual Report**

Since 2006 the University of Washington has engaged in an Enterprise Risk Management program. As part of that program, the Compliance Council represents the University's strategy for creating a more comprehensive institutional risk perspective without sacrificing existing organizational structures. It is the formal mechanism for convening representatives from each significant institutional compliance area.

The Council is organized under the umbrella of the President's Advisory Committee on Enterprise Risk Management (PACERM). The Council includes 25 members representing 19 different compliance areas within the University. Meetings are facilitated by the Executive Director of Internal Audit, and were held seven times over the past year.

A Steering Committee is responsible for directing the work of the Council, making recommendations to PACERM on the Council's work plan, and acting as the subject matter expert/liaison for risk assessments or projects. The Committee members include representatives from the key UW-wide compliance areas of research, patient care, human resources, business services, IT security, risk management, and internal audit.

### **2008 Compliance Council Goals and Accomplishments**

During the past year the work of the Council was focused around four key goals.

#### **1. Enhance and strengthen our culture of compliance.**

The Council was introduced to the culture of compliance pyramid. The pyramid identifies the key elements that make up a model compliance program and helps provide an understanding and awareness of how to achieve our goal of an on-going "culture of compliance".

There are a variety of organizations that are closely affiliated with the University, or which the University is a member of such as the UW Alumni Association, Husky Fever, or Seattle Cancer Care Alliance. The Council explored the relationship of these organizations to the University and obtained an understanding of the types of risk that they represent to the University.

In an effort to enhance Council members' knowledge of compliance, Council meetings included presentations on the UW research enterprise, a comparison of academic healthcare compliance programs to the internal audit function, business continuity and essential services, the state ethics law, and use of the Enterprise Risk Management toolkit for risk identification and assessment.

#### **2. Provide employees with a safe place to raise compliance and ethics concerns by implementing an anonymous reporting line.**

The purpose and reason for implementing an anonymous compliance and ethics reporting line at the University was discussed with the Council. This information was shared with key faculty, administrators, and staff throughout the University to obtain their input and any concerns that may need to be addressed.

In February, a special meeting was held to provide Council members with the opportunity to learn about the compliance and ethics reporting lines at Michigan and Ohio State Universities. Presentations were made by the Directors of Internal Audit on how their reporting lines were structured, the implementation process, and lessons learned.

Work has begun on drafting the guiding principles and standard operating procedures for the anonymous reporting line. This project will continue on into 2009.

**3. Support compliance training and outreach by launching a compliance website.**

In 2007 the Steering Committee agreed on a format for the website. During 2008 a University wide survey was completed to identify what areas/departments are currently handling what types of compliance issues or complaints. This information will provide the basis for developing a useful and informative web-site.

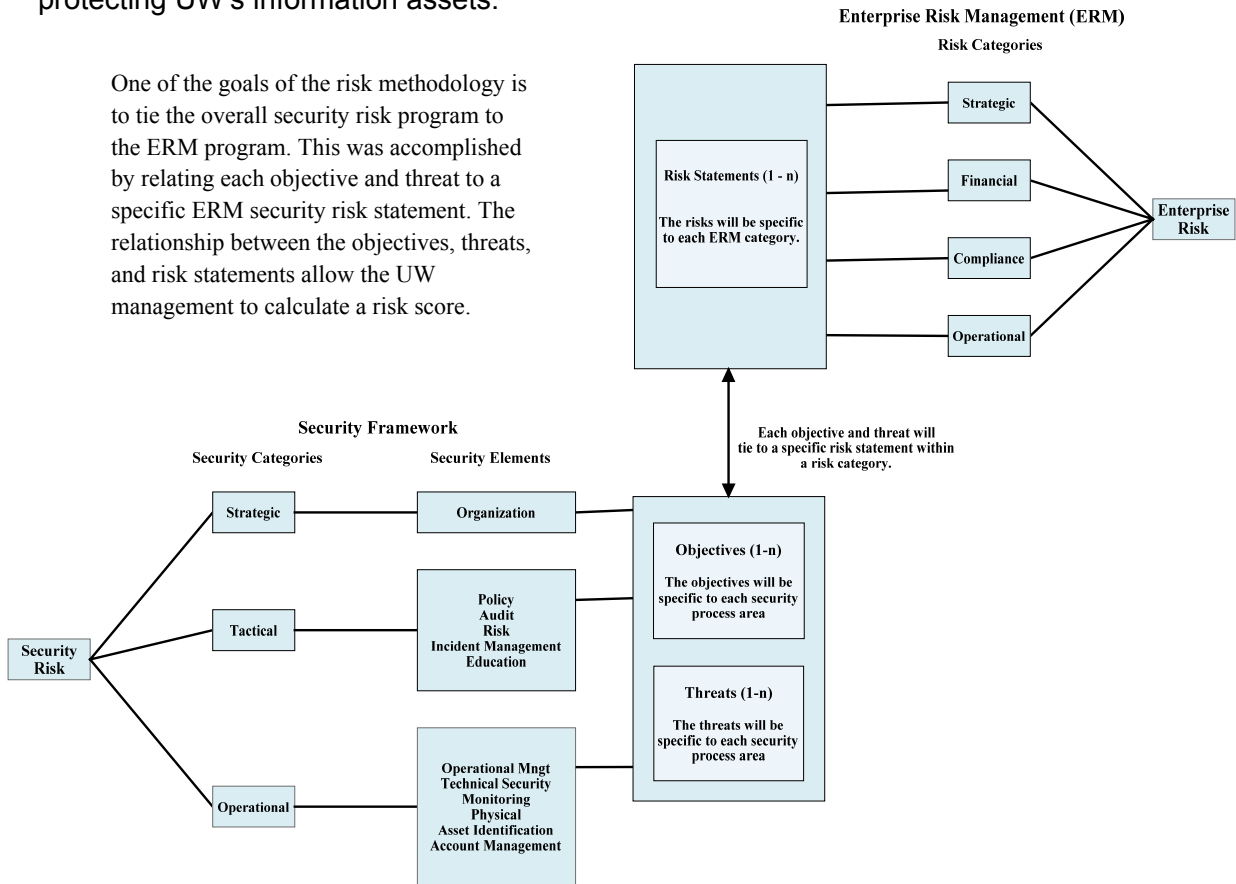
**4. Focus on providing an open forum for identifying and assessing emerging risks.**

Council meetings provided a supportive forum for discussing and vetting emerging compliance issues. Members discussed evolving issues in the areas of sponsored research, health and safety, human resource management, IT security, public information requests, and changes to the state whistleblower regulations.

The Steering Committee's planning for 2009 Council activities led to development of a recommendation to expand the Council beyond a focus on compliance, by adding operational and financial risk considerations to the Council's work. A revised Council charter has been developed and will be submitted to the PACERM for its endorsement.

## vii. UW's Office of the Chief Information Security Officer Takes Risk Identification and Assessment to New Levels

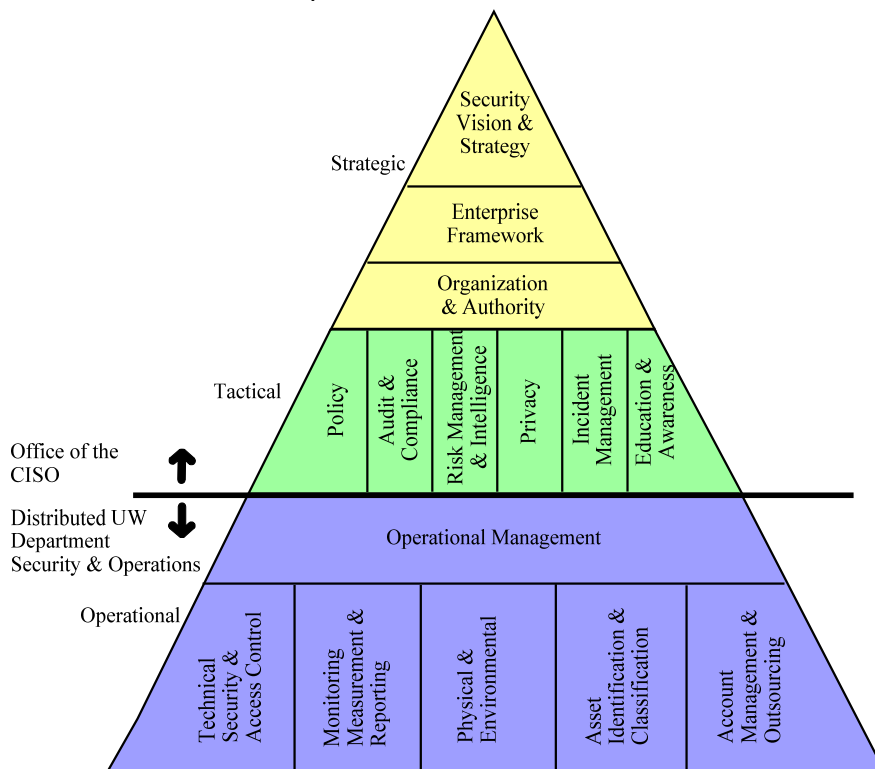
UW's Office of the Chief Information Security Officer (CISO) has embraced ERM and risk assessments as a valuable process for identifying and gauging the degree of threats for information technology. The Office of the CISO participated in the Compliance Council's compliance risk map and led a comprehensive assessment of information security risks. The top risks from the assessment helped establish the priorities to direct additional resources for protecting UW's information assets.



The Office of the CISO has taken the ERM process further: *“A fundamental accomplishment was the development and adoption of the Office of the CISO risk management tools and scorecard. The tools provide a valuable focus on our performance and resource expense. More importantly, publishing our scorecard provides a widely acceptable medium for UW management to understand how the Office of the CISO is addressing information security challenges. The strategic plan and security elements are based on risk tools and provide an effective compass.”* (September 2008 Office of the CISO Quarterly Risk and Scorecard Report)

This model of developing a comprehensive scorecard for all the applicable risks will be used as a basis for developing standard reporting in all of UW's major risk areas. We commend CISO for this excellent work.

The scorecard is based on Strategic Security Elements, responsibility for which is split between the Office of the CISO and UW departments.



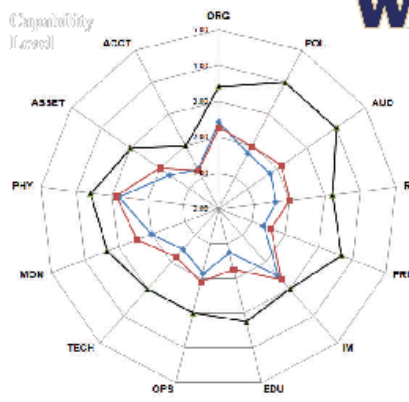
Each Strategic Security Element is evaluated quarterly for:

**Capability Level:** level of capability the organization has reached in developing its comprehensive security program for each security element. Capability level is five point scale.

**Threat Index Score:** Based on likelihood, impact and confidentiality-integrity-availability (CIA) relationship. Impact determined by damage caused to the asset or organization by vulnerability exploitation calculated by adding the likelihood score, impact score, and one point for each CIA relationship to the threat.

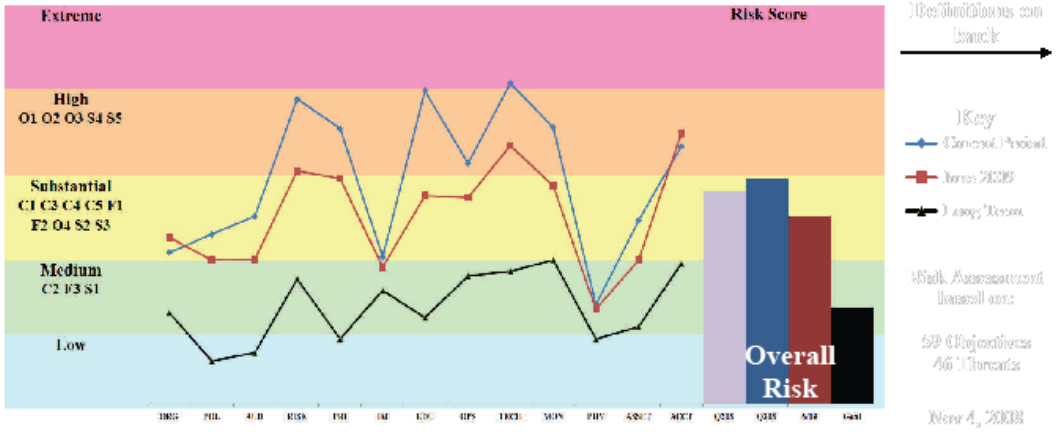
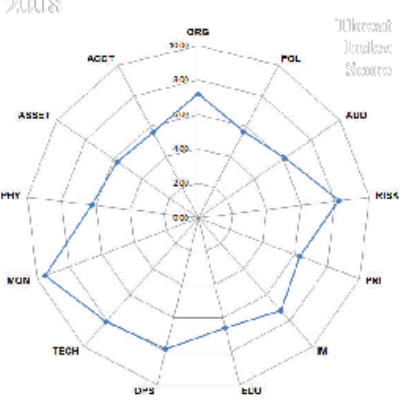
**Risk Score:** Represents overall risk in each element, calculated by formula:  $\text{Threat Index Score} \div \text{Capability Level}$

Both Capability Level and Threat Index Score are plotted on the following “radar” diagrams, and Capability is assessed at the current level, what is expected to achieve this fiscal year with available resources, and the long term goal. The Risk Score for each Security Element is plotted on the following graph along with the ERM Risk Categories. The graph also shows the overall risk for the last and current reporting period, end of fiscal year, and long term goal.



Period Changes

Positive	Increase in capability	Decreased threat
	ORG AUD	
Decrease in overall risk		
Neutral	ORG AUD	
	No change in	No change in threat
	PRI RISK PRI IM EDU	PRI AUD IM EDU MON
	PHY ASSET ACCT	PHY ASSET ACCT
No change in overall risk		
Negative	PRI IM EDU PHY ASSET ACCT	
	Decrease in capability	Increased threat
	OPS TECH MON	ORG RISK PRI OPS TECH
	Increase in overall risk	
RISK PRI OPS TECH MON		





### Security Framework Categories

<b>ORG</b>	Organization & Authority
<b>POL</b>	Policy
<b>AUD</b>	Audit & Compliance
<b>RISK</b>	Risk Management & Intelligence
<b>PRI</b>	Privacy
<b>IM</b>	Incident Management
<b>EDU</b>	Education & Awareness
<b>OPS</b>	Operational Management
<b>TECH</b>	Technical Security & Access Control
<b>MON</b>	Monitoring, Measurement, & Reporting
<b>PHY</b>	Physical & Environmental Security
<b>ASSET</b>	Asset Identification & Classification
<b>ACCT</b>	Account Management & Outsourcing

### ERM Risk Statements

<b>C1</b>	Failure to meet diverse, contradictory, or unmanageable compliance requirements
<b>C2</b>	Sanctions and limits on business
<b>C3</b>	Reputation loss or competitive disadvantage due to failures related to voluntary or obligatory compliance
<b>C4</b>	Loss of merchant accounts
<b>C5</b>	Criminal liabilities
<b>F1</b>	Regulatory sanctions, fines, judgments, and settlements
<b>F2</b>	UW failures created financial loss
<b>F3</b>	Vendor or business partner failures create financial loss
<b>O1</b>	Loss, disruption or unauthorized use of computing resources
<b>O2</b>	Loss, degradation or unauthorized access of network/ telecommunication resources
<b>O3</b>	Destruction, corruption, loss, or theft of information
<b>O4</b>	Theft, destruction, or unauthorized access to facilities or assets
<b>S1</b>	Unnecessary financial costs
<b>S2</b>	Unable to correct high risk incidents or behavior upon notice
<b>S3</b>	Loss of competitive advantage
<b>S4</b>	Missed legal and regulatory interests
<b>S5</b>	Missed business opportunities

## vii. ERM Self-Assessment Toolkit

The first year of UW's enterprise risk management (ERM) program developed and refined a number of processes and tools used in conducting comprehensive risk assessments. As we gained experience with more and diverse evaluation teams, it became clear that with some guidance, the ERM process could be used by individuals and departments to conduct their own risk assessments.



Andrew Faris, ERM Analyst, pulled together these materials and created a four-step self-assessment manual based on a standard risk management process.



The toolkit starts by asking users to think about the ERM development model, and understand the levels of outcomes, activities, risk and control optimization that are possible. Users are encouraged to begin with a “Basic” assessment that will increase risk awareness and education among those who participate. Examples from prior comprehensive assessments are provided to illustrate how each of the steps can be done.

**Step 1 – Risk Identification:** Think about risks in the areas of Compliance, Financial, Operational, and Strategic. Risk identification means writing risk statements that are specific as to the nature of potential loss of harm, and that focus on root causes.

**Step 2 – Risk Assessment:** Users choose the level of assessment they wish to conduct, based on the types of qualitative and quantitative information and analysis, and the level of expertise they have available to participate. UW's standard scales for rating likelihood and impact of each risk statement are used to convert each risk into a level from “extreme” to “low” and produce a prioritized list of department risks.

	Legend	Meaning
Highest Likelihood Highest Impact  Lowest Likelihood Lowest Impact 	Extreme	Significant capability loss and the achievement of objectives is unlikely
	High	Significantly degrades the achievement of objectives or capability
	Substantial	Will degrade the achievement of objectives or capability
	Medium	May degrade achievement of some objectives or capability
	Low	Little or no impact on the achievement of objectives or capability

Users need to document what controls—such as policies and procedures, education and training, oversight, monitoring and audits—are currently in place, since these form the basis for the risk ratings.

**Step 3 – Risk Mitigation:** Users think about their top risks from the assessment step, and in light of current controls, what options can be considered to mitigate (i.e. to prevent a loss from occurring) the top risks. Mitigation is a forward looking activity that typically addresses four classic risk management options: avoid, reduce, transfer, or assume the risks. This results in a mitigation plan to manage or reduce risk to an acceptable level, identifying who is responsible and how results will be communicated.

**Step 4 – Risk Communication and Monitoring:** A risk assessment will be of little value if it sits on a shelf and there is no follow up to the risks identified (unless all the assessed risks are “low” in which case the user may want to consider if they are **over-**controlling their risks). Communicating and monitoring ensures that risks, controls, and mitigation plans are transparent and relevant for the department. Depending on the risks assessed, actual progress on mitigation plans may become part of the organization’s performance measurement, management and reporting systems.

The ERM self-assessment toolkit is printed as a manual (copy available), and our goal is to share the self-assessment toolkit widely throughout the University, and with others in higher education. As users gain experience doing their own risk assessments, we look forward to sharing their results in future ERM reports.



# The State of Enterprise Risk Management at Colleges and Universities Today

For more than 80 years, the Association of Governing Boards of Universities and Colleges (AGB) has had one mission: to strengthen and protect this country's unique form of institutional governance through its research, services, and advocacy. Serving more than 1,200 member boards and 35,000 individuals, AGB is the only national organization providing university and college presidents, board chairs, trustees, and board professionals of both public and private institutions with resources that enhance their effectiveness. In accordance with its mission, AGB has developed programs and services that strengthen the partnership between the president and governing board; provide guidance to regents and trustees; identify issues that affect tomorrow's decision making; and foster cooperation among all constituencies in higher education.

United Educators (UE) is a licensed insurance company owned and governed by more than 1,150 member colleges, universities, independent schools, public school districts, public school insurance pools, and related organizations throughout the United States. UE was created to be "Education's Own Insurance Company" in 1987 on the recommendation of a national task force organized by the National Association of College and University Business Officers. UE's mandate is to provide long-term, stable alternatives to the cyclical unavailability and erratic pricing of commercial liability insurance. UE understands the special nature of education and is committed to reducing the overall cost of risk for its policyholders. UE members benefit from tailored coverages as well as value-added, education-specific services in claims and risk management. UE is Rated A (Excellent) by A.M. Best.

This publication is intended to inform discussion and aid in enterprise risk management for higher education. It is not intended as a substitute for legal advice or counsel.

Additional resources on this topic can be found in United Educator's [Risk Management Library](#) and in [Essentials of Risk Management](#), part of AGB's Board Basics series.

*Copyright © 2009 by the Association of Governing Boards of Universities and Colleges, 1133 20th Street, NW, Suite 300, Washington, D.C. 20036 and United Educators, 2 Wisconsin Circle, 4th Floor, Chevy Chase, MD 20815.*

## Contents

<b>Best Practices for Boards, Presidents, and Chancellors</b> .....	02
<b>Worksheet for Oversight of Systematic Risk Assessment</b> .....	04
<b>Survey on Enterprise Risk Management: Summary of Key Findings</b>	
Results.....	15
• Part I: Attitude Toward Institutional Risk.....	17
• Part II: Strategies to Manage Risk and Protect the Institution.....	18
• Part III: Policies and Procedures.....	21
Recommendations.....	24
<b>Appendix</b> .....	25
<b>Resources</b> .....	28

## Enterprise Risk Management: Best Practices for Boards, Presidents, and Chancellors

In private industry, boards and chief executives routinely consider risk in strategic planning, but a new survey by the Association of Governing Boards and United Educators reveals that higher education is lagging behind in this important fiduciary responsibility. (A detailed summary of the survey results is available at [www.agb.org/research](http://www.agb.org/research) and at [www.ue.org](http://www.ue.org).) Key survey findings include:

- Sixty percent of respondents said their institutions do not use comprehensive, strategic risk assessment to identify major risks to mission success.
- Fewer than half of the respondents said they “mostly agree” with the statement, “Board members and senior administrators actively engage in discussions regarding institutional risks.”
- Five percent of respondents said their institutions have exemplary practices for management of major risks to mission success.

College presidents\* and boards should collaborate in developing and overseeing a system for evaluating campus risks at the strategic level. Specific ways in which the board and president can support risk assessment are recommended in the following Best Practices and Action Steps.

### Best Practices

**1. Define risk broadly.** Traditionally, institutions focused on financial risks covered by insurance. Current thinking defines “risk” as any impediment to accomplishing institutional goals. In a 2000 report, the National Association of College and Business Officers (NACUBO) discussed the “new language of risk” and identified five types of risk: strategic, financial, operational, compliance, and reputational.

**2. Recognize both the opportunities and downsides of risk.** Many colleges focus only on the downsides of risk. In addition, they should weigh risks against potential rewards. All successful organizations take risks, and the most promising opportunities often involve heightened risk.

**3. Develop a culture of evaluating and identifying risk at multiple levels.** Presidents and board members rarely see the first warnings of risk. Institutions need to identify and assess risks regularly at multiple levels so that the most critical ones filter up to top decision-makers.

**4. Look at the total cost of risk.** Risk is not just about dollars and cents. Institutions must consider all the consequences of risk. For example, in a lawsuit over denial of tenure, there are litigation costs, but there are also non-monetary costs such as lost productivity, distraction from mission, and negative publicity.

**5. Boards and presidents should collaborate.** They need to engage in candid discussions at the strategic level. By working together, presidents and boards can fulfill their shared responsibility for ensuring the success of the mission and stability of the institution.

\* The term “president” includes both presidents and chancellors of higher education institutions.

## Action Steps

- 1. Develop a disciplined process to consider risk in strategic discussions.** Most institutions monitor risk on an ad-hoc basis. Institutions need a disciplined process to ensure that mission-critical risks are elevated from the operational level to strategic discussions of institutional goals. For policy decisions, boards need to ensure that comprehensive risk assessment has occurred.
- 2. Designate an owner of the risk identification process.** Risk identification is the first step of risk evaluation. To ensure the process moves forward, institutions should designate an administrator to oversee risk identification by every department throughout the institution. The right person will vary by institution and could be the president, chief financial officer, risk manager, chief auditor, or general counsel.
- 3. Require all top administrators to prioritize risk.** Once identified, risks should be prioritized based on probability of occurrence and severity of impact.
- 4. Sift through the prioritized risks to decide which ones warrant attention at the highest level.** Boards and presidents need to monitor those risks that could interfere with strategic goals of the institution and establish tolerances for each risk. They should limit the number of risks monitored so that top risks receive sufficient discussion.
- 5. Require annual written reports on each high-priority risk being monitored.** Annual written reports ensure that administrators stay focused. In addition, they allow boards and presidents to monitor progress in managing key risks.
- 6. Re-assess priority risks at the board level at least once a year.** An institution's environment is constantly changing. At least once a year, the board and president need to determine which risks are emerging, and which ones can come off the priority list.
- 7. Look for blind spots.** At least once a year, boards and presidents need to ask, what downside risks are we leaving out, and what opportunities are we missing? Imagine the unimaginable—a flood that closes your campus for a year, a student killing more than 30 classmates, a 20 percent drop in the stock market in one week. All of these “unimaginable” events have occurred.
- 8. Move risk identification deeper into the institution each year.** Many serious risks are first spotted by employees without fancy titles. Who at an institution would first know that campus buildings are developing mold problems, a donor database has security flaws, or a student is becoming dangerous to others?
- 9. Keep repeating the process.** Risk management is not a one-time endeavor. Boards and presidents need a dynamic approach to protect the institution from mission-critical risks and take advantage of emerging opportunities. Most institutions focus on downside risks in the beginning and then move to opportunities as their risk-management processes become more advanced.



# Worksheet for Oversight of Systematic Risk Assessment

## Overview

This worksheet is designed to help boards, presidents\*, and other higher education leaders begin the process of systematic risk assessment by determining which areas of potential risk are the most urgent. After deciding which risk areas need immediate attention, the board and president should delegate those areas to subject matter experts to identify specific risks that require top-level attention. During the first years of the process, a college should focus on downside risks, gradually expanding the number of risk areas assessed. After the process becomes institutionalized and more advanced, an institution can begin to focus on upside risks and opportunities.

## Contents of the Worksheet

The worksheet contains approximately 80 risk areas in four categories: operational, financial, compliance, and board governance. The worksheet is not comprehensive. It serves as a starting point by compiling risk areas drawn from assessments performed by numerous colleges and universities. Within each category, the worksheet contains space for institutions to add risk areas unique to their institutions.

## Instructions for Using the Worksheet

The president and the board, through appropriate board committees, should review each of the areas in the checklist and assign them one of four urgency ratings in the middle column:

- 1 – Risk area needs immediate assessment
- 2 – Risk area to assess over the mid-term
- 3 – Risk area to assess over the long-term
- NA – Risk area not applicable to the institution

In deciding which risk areas to assess first, boards and presidents should consider the following questions:

- Which areas worry you most?
- Which areas have generated problems that could have been prevented?
- Which areas have caused problems for peer institutions?
- Which areas have the greatest potential for mitigation?
- In which areas do you or the institution lack sufficient information to make an informed assessment?

An institution should not assess more than 15 risk areas in the first year. Many systematic risk management efforts have stalled or failed because institutions attempted too much in the beginning. The president, after consulting with top administrators, should delegate responsibility for each urgent risk area

\* The term “president” includes both presidents and chancellors for the purposes of this worksheet.

to a subject-area expert on campus and list that person in the column on the right. If the institution lacks expertise in an important risk area, it has discovered a serious information gap that must be filled either by hiring someone with the necessary skills or retaining an outside consultant.

The subject area experts, perhaps assisted by teams, should assign a priority ranking to the most critical risks in each area, based on probability of occurrence and severity of impact and determine which risks warrant elevated attention. The appendix contains three examples of analysis that subject area experts could perform. The first two examples were developed by the University of Washington and focus on risk identification. The final example, developed by United Educators, illustrates both risk identification and a basic method for risk prioritization. The examples show that there are multiple ways to achieve the same objective. Institutions should choose a method that best fits their needs and resources.

The final steps are for the board and president to review the highest priority risks identified by subject area experts, decide which risks pose the greatest threats to the institution’s strategic goals, and develop a procedure for monitoring efforts to mitigate them. For the most serious risks, the board should receive a written update at least once a year.

**Operational Risk Areas**

<u>Facilities</u>	<u>Urgency Rating</u>				<u>Person to Assess (If rated “1”)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>NA</u>	
<u>Accessibility</u>					
<u>Auto/Fleet</u>					
<u>Disaster preparedness</u>					
<u>Maintenance and condition</u>					
<u>Outsourcing</u>					
<u>Pollution</u>					
<u>Safety</u>					
<u>Security</u>					
<u>Transportation</u>					

**Additional Facilities Risk Areas:**

_____	_____
_____	_____

**Academic Affairs**

	Urgency Rating				Person to Assess (If rated "1")
	1	2	3	NA	
<u>Academic freedom</u>					
<u>Academic quality</u>					
<u>Accreditation</u>					
<u>Joint programs</u>					
<u>Distance learning</u>					
<u>Faculty conflict of interest</u>					
<u>Graduation rates/ student learning outcomes</u>					
<u>Grievance procedures</u>					
<u>Promotion and tenure</u>					
<u>Recruitment/competition</u>					

**Additional Academic Affairs Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**External Relations**

**Urgency Rating**

**Person to Assess  
(If rated "1")**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>NA</b>	
<u>Alumni relations</u>					
<u>Community relations</u>					
<u>Compliance with donor intent</u>					
<u>Crisis communications plan</u>					
<u>Sale of donated property</u>					
<u>Gift acceptance policies</u>					
<u>Naming policies</u>					
<u>Officer codes of conduct</u>					
<u>Relationships with vendors</u>					

**Additional External Relations Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Human Resources**

**Urgency Rating**

**Person to Assess  
(If rated "1")**

	1	2	3	NA	
<u>Affirmative action</u>					
<u>Background checks</u>					
<u>Benefits</u>					
<u>Code of conduct</u>					
<u>Employee handbook</u>					
<u>Employee retention</u>					
<u>Executive succession</u>					
<u>Grievance procedure</u>					
<u>Harassment prevention</u>					
<u>Labor relations</u>					
<u>Non-discrimination</u>					
<u>Performance evaluation</u>					
<u>Sexual molestation prevention</u>					
<u>Termination procedures</u>					
<u>Workplace safety</u>					

**Additional Human Resources Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

<b>Information Technology</b>	<b>Urgency Rating</b>				<b>Person to Assess (If rated “1”)</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>NA</b>	
<u>Back-up procedures</u>					
<u>Communications systems</u>					
<u>Cyber liability</u>					
<u>Data protection</u>					
<u>End-user training</u>					
<u>Incident response</u>					
<u>Network integrity</u>					
<u>Privacy</u>					
<u>Security</u>					
<u>Staffing and support</u>					
<u>System capacity</u>					

**Additional Information Technology Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

<u>Research</u>	<u>Urgency Rating</u>				<u>Person to Assess (If rated "1")</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>NA</u>	
<u>Accounting</u>					
<u>Animal research</u>					
<u>Clinical research</u>					
<u>Environmental and lab safety</u>					
<u>Hazardous materials</u>					
<u>Human subjects</u>					
<u>Lab safety</u>					
<u>Patenting</u>					
<u>Security</u>					
<u>Technology Transfer</u>					

**Additional Research Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Student Affairs**

**Urgency Rating**

**Person to Assess  
(If rated "1")**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>NA</b>	
<u>Academic standards</u>					
<u>Admissions/retention</u>					
<u>Alcohol and drug policies</u>					
<u>Athletics</u>					
<u>Code of conduct</u>					
<u>Crime on campus</u>					
<u>Diversity</u>					
<u>Experiential programs</u>					
<u>Financial aid</u>					
<u>Fraternities and sororities</u>					
<u>Free speech</u>					
<u>International students</u>					
<u>Privacy</u>					
<u>Student debt</u>					
<u>Study abroad</u>					

**Additional Student Affairs Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____



**Financial Risk Areas**

	Urgency Rating				Person to Assess (If rated "1")
	1	2	3	NA	
<u>Auditor independence</u>					
<u>Budget</u>					
<u>Cash management</u>					
<u>Conflict of interest</u>					
<u>Contracting and purchasing</u>					
<u>Cost management</u>					
<u>Depletion of endowment principal</u>					
<u>Enrollment trends</u>					
<u>Financial aid</u>					
<u>Financial exigency plan</u>					
<u>Fundraising</u>					
<u>High-risk investments</u>					
<u>Insurance</u>					
<u>Investment oversight</u>					
<u>Long-term debt</u>					
<u>Reserve fund</u>					
<u>Tuition dependency</u>					

**Additional Financial Risk Areas:**

_____	_____
_____	_____
_____	_____

**Compliance Risk Areas**

	Urgency Rating				Person to Assess (If rated "1")
	1	2	3	NA	
<u>Animal research</u>					
<u>Athletics</u>					
<u>Clinical research</u>					
<u>Copyright and "fair use"</u>					
<u>Environmental</u>					
<u>Government grants</u>					
<u>Higher Education Act</u>					
<u>HR/employment</u>					
<u>Intellectual property rights</u>					
<u>Privacy</u>					
<u>Record retention and destruction</u>					
<u>Taxes</u>					
<u>Whistleblower policy</u>					

**Additional Compliance Risk Areas:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**Board Governance Risk Areas**

	Urgency Rating				Person to Assess (If rated "1")
	1	2	3	NA	
Board member independence					
Board performance assessment					
CEO compensation and assessment					
Conflict of interest oversight					
Governance policies					
IRS Form 990					
Participation					

**Additional Board Governance Risk Areas**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

## Survey on Enterprise Risk Management: Summary of Key Findings

- Forty-one percent of respondents “mostly agreed” that risk management is a priority at their institution.
- Twenty-three percent of respondents (and 29 percent of trustees) “mostly agreed” that their governing board monitors institutional risk through regular, formal reports from the administrator who is assigned responsibility.
- A majority (60.1 percent) of respondents reported that their institutions do not identify major risks to institutional mission success through comprehensive, strategic risk assessments.
- Fewer than half of respondents (41.7 percent) reported frequent or routine monitoring of “political or reputational” risks which pose serious threats for colleges and universities.
- Half of respondents (50.8 percent) reported that board members and senior administrators at their institutions evaluated major risks identified by strategic risk assessment only on an as-needed basis.
- The survey responses of presidents were consistently more optimistic than those of chief financial officers (CFOs), who are most frequently delegated risk-management responsibilities.
- While the survey results suggest there is considerable room for improvement in risk-management practices, only 11.4 percent of respondents rated their own institution’s risk-management performance as lower than average.

### Results

This survey was jointly conducted by the Association of Governing Boards of Universities and Colleges (AGB) and United Educators (UE) and reports data on attitudes, practices, and policies regarding enterprise risk management<sup>1</sup> among American colleges and universities. The survey was completed by more than 600 respondents between June 11 and 25, 2008. The population was generally representative of American higher education with greater participation of four-year private institutions and lesser participation of two-year public institutions; 77.2 percent were private colleges and universities, and 22.8 percent were public. Respondents included contacts and members of both AGB and UE and in descending order of frequency, presidents<sup>2</sup>, CFOs, trustees, chief academic officers, risk managers, and general counsels. The profile of the most common respondent was a president or CFO of a private, baccalaureate institution with 1,000 to 4,999 (FTE) students and annual expenditures between \$25 and \$99 million.

This paper shares some of the results; a detailed summary of text responses can be found at [www.agb.org/research](http://www.agb.org/research) and [www.ue.org](http://www.ue.org).

---

1. The terms “enterprise risk management” and “institutional risk management” are used synonymously in this document.

2. The term “president” includes both presidents and chancellors of institutions of higher education.

Survey Population and Respondents

Survey Respondents and Response Rate	
Total Surveys Sent	4,192
Responded	606
Opted Out or Undeliverable	223
Response Rate (606/3,969)	15.3%

I serve in the following position at the institution:

Answer Options	Response Percent	Response Count
President	24.5%	120
Chief financial officer	24.3%	119
Governing board member	17.2%	84
Provost/VP academic affairs	13.7%	67
Risk manager	13.7%	67
Other	8.6%	42
General counsel	6.5%	32
answered question		489*
skipped question		117

\*multiple responses were allowed

The institution(s) I serve is/are:

Answer Options	Response Percent	Response Count
Baccalaureate	46.2%	234
Master's	44.8%	227
Doctoral	25.8%	131
Associate	9.3%	47
Specialized	5.5%	28
System	5.5%	28
Other	4.3%	22
answered question		507*
skipped question		99

\*multiple responses were allowed

The institution(s) I serve is/are:

Answer Options	Response Percent	Response Count
Private	77.2%	396
Public	22.8%	117
answered question		513
skipped question		93

The total number of full-time equivalent (FTE) students enrolled is:

Answer Options	Response Percent	Response Count
0 to 999	15.5%	80
1,000 to 4,999	53.4%	275
5,000 to 9,999	12.6%	65
10,000 to 24,999	9.7%	50
25,000 or more	8.7%	45
answered question		515
skipped question		91

The total annual expenditures for the institution I serve total:

Answer Options	Response Percent	Response Count
Under \$25 million	18.7%	95
\$25 to 99 million	45.6%	232
\$100 to 499 million	24.4%	124
\$500 to 999 million	4.5%	23
Over \$1 billion	6.9%	35
answered question		509
skipped question		97

## Part I: Attitude Toward Institutional Risk

Fewer than half of respondents “mostly agreed” that their institution’s risk tolerance is understood (46.6 percent) and guides decision making (43.8 percent). Even fewer (40.7 percent) “mostly agreed” that risk management is a priority at their institution (Q1). Those who “mostly agree” with each of the statements typically came from private, doctoral institutions with 10,000 to 24,999 (FTE) students and \$500 to \$999 million in assets. More presidents (57.1 percent) than general counsels (41.7 percent) or risk managers (35.8 percent) “mostly agreed” with each of these statements.

Almost as many respondents answered “somewhat agree” to each part of the three-part question about attitudes towards risk: 39.5 percent “somewhat agreed” that risk tolerance is understood, 40.9 percent “somewhat agreed” that it guides decision making and 40.7 percent “somewhat agreed” that risk management is a priority at their institutions. While a positive response, “somewhat agree” is not a very strong foundation for understanding and using information about risk in decision making.

Q1. Please rate your level of agreement with the following statements:

Answer Options	Mostly agree (1)	Somewhat agree (2)	No opinion (3)	Somewhat disagree (4)	Mostly disagree (5)	Rating Average	Response Count
The institution's appetite and tolerance for risk are understood and are a part of the institution's decision-making culture.	274 (46.6%)	232 (39.5%)	12 (2.0%)	58 (9.9%)	12 (2.0%)	1.81	588
The institution's risk tolerance guides strategic and operational decisions.	256 (43.8%)	239 (40.9%)	20 (3.4%)	59 (10.1%)	10 (1.7%)	1.85	584
As a philosophical matter, oversight of institutional risk management is a priority at my institution.	237 (40.7%)	231 (39.6%)	32 (5.5%)	65 (11.1%)	18 (3.1%)	1.96	583
answered question							591
skipped question							15

**Part II: Strategies to Manage Risk and Protect the Institution**

Of the respondents, 42.6 percent “mostly agreed” and 41.6 percent “somewhat agreed” that board members and senior administrators at their institutions actively engage in discussions regarding institutional risks (Q2); presidents (56 percent) were much more likely to “mostly agree” with this statement than risk managers (30.3 percent). Looking at institutional assets, the largest segment to “mostly agree” (52.9 percent) were respondents at institutions with the largest assets (over \$1 billion).

For two-thirds of all institutions, discussion and consideration of institutional risks occur primarily in finance committee meetings (67.1 percent) and audit committee meetings (63.2 percent) (Q3). However, for institutions with over \$500 million in assets these discussions occur more often in meetings of the audit committee (90.9 percent for assets \$500 to \$999 million and 82.4 percent for assets over \$1 billion). This may indicate that institutions with larger assets tend to follow the recommended practice of establishing a separate audit committee. According to the 2008 AGB survey on the state of higher education governance, 38.8 percent of public and 59.4 percent of private institutions reported that the board had a separate audit committee. This represented a substantial increase from 2004 when 23 percent of public institutions (40 percent of systems) and 38.6 percent of private institutions reportedly had a separate audit committee (*2004 AGB Survey on Policies, Practices and Composition of Governing Boards*).

Larger research universities are also more likely to identify risks to the success of this mission through comprehensive, strategic risk assessments (Q4). Although fewer than 40 percent of all institutions employ such an assessment, that number increased to 53.4 percent among institutions with over \$500 million in assets. Most institutions (89.9 percent) that have conducted a comprehensive risk assessment have done so in the past two years (Q5).

Fewer than a quarter of respondents (23.6 percent) “mostly agreed” that board members and senior administrators use monitoring activities to determine the effectiveness of institutional risk management activities (Q8). A majority (60.1 percent) of respondents reported that their institutions do not identify

major risks to institutional mission success through comprehensive, strategic risk assessments (Q4). And half of respondents (50.8 percent) reported that board members and senior administrators at their institutions evaluated major risks identified by strategic risk assessment only “as needed” (Q6).

Q2. Please rate your level of agreement with the following statement:

Answer Options	Mostly agree (1)	Somewhat agree (2)	No opinion (3)	Somewhat disagree (4)	Mostly disagree (5)	Rating Average	Response Count
Board members and senior administrators actively engage in discussions regarding institutional risks.	229 (42.6%)	224 (41.6%)	14 (2.6%)	57 (10.6%)	14 (2.6%)	1.89	538
answered question							538
skipped question							68

Q3. Discussion and consideration of institutional risks occur primarily in (check all that apply):

Answer Options	Response Percent	Response Count
Full board meeting	46.8%	240
Audit committee meeting	63.2%	324
Finance committee meeting	67.1%	344
None of the above	9.6%	49
Other	37%	190
answered question		513
skipped question		93

Q4. Major risks to success of your institution’s mission are identified through comprehensive, strategic risk assessments.

Answer Options	Response Percent	Response Count
Yes	39.9%	216
No (skip to question 6)	60.1%	325
answered question		541
skipped question		65



Q5. If you answered “yes” to the previous question, when was the most recent comprehensive risk assessment conducted?

Answer Options	Response Percent	Response Count
Less than 1 year ago	61.9%	135
1-2 years ago	28.0%	61
3-4 years ago	7.3%	16
5 or more years ago	2.8%	6
answered question		218
skipped question		388

Q6. Board members and senior administrators regularly evaluate major risks identified by the strategic risk assessment (check all that apply):

Answer Options	Response Percent	Response Count
Every board meeting	8.6%	45
Every year	24.4%	128
Every other year	3.1%	16
As needed	50.8%	266
None of the above	13.7%	72
Other	10.7%	56
answered question		524
skipped question		82

**Q8. Please rate your level of agreement with the following statements:**

Answer Options	Mostly agree (1)	Somewhat agree (2)	No opinion (3)	Somewhat disagree (4)	Mostly disagree (5)	Rating Average	Response Count
Board members and senior administrators regularly consider and assess the likelihood and impact of expected and unexpected events.	173 (32.1%)	244 (45.3%)	26 (4.8%)	82 (15.2%)	14 (2.6%)	2.11	539
In responding to major risks to mission success, board members and senior administrators consider strategies such as: risk avoidance, risk mitigation, risk sharing, and risk acceptance.	175 (32.5%)	231 (42.9%)	37 (6.9%)	74 (13.8%)	21 (3.9%)	2.14	538
Board members and senior administrators identify activities needed to ensure that institutional controls for major risks are in place.	217 (40.3%)	224 (41.6%)	32 (5.9%)	53 (9.8%)	13 (2.4%)	1.93	539
Board members and senior administrators use monitoring activities to determine the effectiveness of institutional risk management activities.	126 (23.6%)	224 (41.9%)	47 (8.8%)	115 (21.5%)	22 (4.1%)	2.41	534
answered question							540
skipped question							66

**Part III: Policies and Procedures**

Fewer than one-third of respondents “mostly agreed” (29.7 percent) and just over one-third “somewhat agreed” (34.7 percent) that their institutions capture their risk management philosophy in policy statements, oral and written communications, and decision making (Q9). Looking at the combined responses for “mostly agree” and “somewhat agree,” we find that institutions with over \$1 billion in assets are significantly more likely to agree (79.5 percent) compared with those with less than \$25 million in assets (56.4 percent).

Financial risks received the most attention among risks typically discussed during board meetings; 81.2 percent of respondents reported discussing financial risks either “frequently” or “routinely” (Q10). “Legal and regulatory” risks received slightly less attention. Also, fewer than half of respondents (41.7 percent) reported frequent or routine monitoring of “political or reputational” risks, which pose serious threats for colleges and universities.

Half of respondents (49.7 percent) reported that their governing board or president has assigned primary responsibility for institutional risk management to their institution’s chief financial officer (Q11). When responses were examined by respondent role, approximately half of the trustees (50.6 percent) identified the president as the person to whom the responsibility for risk management was primarily delegated, while 43.2 percent of presidents reported that the duty fell to the chief financial officer. It’s interesting to note that presidents’ survey responses were consistently more optimistic than CFOs, to whom the responsibility for risk management was most frequently delegated.

## The State of Enterprise Risk Management at Colleges and Universities Today

Respondents reported that boards were not routinely monitoring or sufficiently informed about institutional risk. Only 22.8 percent of all participants (and 28.6 percent of trustees) “mostly agreed” that their governing board monitors institutional risk through regular, formal reports from the administrator assigned responsibility (Q12); an additional 30.4 percent “somewhat agreed.” Moreover, only 42.6 percent of respondents “mostly agreed” that they are provided enough information about institutional risks to meet their legal and fiduciary responsibilities; an additional 32.7 percent “somewhat agreed.” The percentage of those who “mostly agreed” that they are provided with enough information about institutional risks varied by position: 53.3 percent of general counsels, 50.4 percent of presidents, 41.2 percent of chief financial officers, 40.5 percent of board members, 36.4 percent of provosts or vice presidents of academic affairs, and 31.7 percent of risk managers.

Lastly, while the survey results suggest there is room for improvement, only 11.4 percent of respondents reported that their own institution’s performance on risk management was less than average (Q14).

### Q9. Please rate your level of agreement with the following statement:

Answer Options	Mostly agree (1)	Somewhat agree (2)	No opinion (3)	Somewhat disagree (4)	Mostly disagree (5)	Rating Average	Response Count
The institution’s risk management philosophy is captured in policy statements, oral and written communications, and decision making.	153 (29.7%)	179 (34.7%)	36 (7.0%)	108 (20.9%)	40 (7.8%)	2.42	516
answered question							516
skipped question							90

### Q10. How often are the following risks typically discussed during board meetings?

Answer Options	Never (1)	Rarely (2)	Occasionally (3)	Frequently (4)	Routinely (5)	Rating Average	Response Count
Operational	4 (0.8%)	65 (12.8%)	192 (37.9%)	161 (31.8%)	84 (16.6%)	3.51	506
Legal and regulatory	5 (1.0%)	42 (8.3%)	197 (35.4%)	174 (34.5%)	105 (20.8%)	3.66	505
Financial	2 (0.4%)	14 (2.8%)	79 (15.6%)	203 (40.1%)	208 (41.1%)	4.19	506
Political and reputational	6 (1.3%)	72 (15.2%)	198 (41.9%)	137 (29.0%)	60 (12.7%)	3.37	473
answered question							540
skipped question							66

Q11. To whom has the governing board (or president) assigned primary responsibility for institutional risk management?

Answer Options	Response Percent	Response Count
President	32.1%	150
Financial officer	49.7%	232
Provost/VP academic affairs	0.4%	2
Chief legal counsel	6.6%	31
Chief compliance/audit officer	4.1%	19
Chief risk officer	7.1%	33
Other	14.8%	69
answered question		467*
skipped question		139

\*multiple responses were allowed

Q12. Please rate your level of agreement with the following statements:

Answer Options	Mostly agree (1)	Somewhat agree (2)	No opinion (3)	Somewhat disagree (4)	Mostly disagree (5)	Rating Average	Response Count
The governing board monitors institutional risk through regular, formal reports by the administrator assigned responsibility for institutional risk management.	118 (22.8%)	157 (30.4%)	45 (8.7%)	125 (24.2%)	72 (13.9%)	2.76	517
In my role as a governing board member or senior administrator, I am provided enough information about institutional risks to meet my legal and fiduciary responsibilities.	216 (42.6%)	166 (32.7%)	56 (11.0%)	56 (11.0%)	13 (2.6%)	1.98	507
answered question							517
skipped question							89

Q14. Overall, how would you rate your institution's approach to, and management of, major risks to mission success?

Answer Options	Response Percent	Response Count
Exemplary	5.0%	26
Above Average	43.6%	225
Average	39.9%	206
Below Average	9.7%	50
Poor	1.7%	9
answered question		516
skipped question		90

## Recommendations

### Attitude Toward Institutional Risk

- An institution's appetite and tolerance for risk needs to be understood and part of the institution's decision-making culture.
- An institution's risk tolerance ought to guide strategic and operational decisions.
- Fewer than half of respondents "mostly agreed" that their institutions adhere to these attitudes. An interest in improving risk management and leadership from the president and board are needed for practices to change.
- A comprehensive risk assessment presents an excellent opportunity to educate and raise awareness about risk management. An inclusive process is needed to produce the best results.

### Strategies to Manage Risk and Protect the Institution

- Board members and senior administrators should actively engage in discussions regarding institutional risks; 42.6 percent of respondents "mostly agreed" they were doing so. Discussion and consideration of institutional risks take place most often in finance and audit committee meetings, not with the full board. Good practice suggests that all committees and the full board assume responsibilities for discussing and considering risk.
- Institutions ought to identify major risks to the success of their missions through periodic comprehensive, strategic-risk assessments. However, the majority (60.1 percent) of respondents don't follow this practice. Instead of evaluating risks on an ad-hoc basis prompted by a campus incident, an audit, or in the aftermath of another institution's tragedy, such as the shootings at Virginia Tech's—events commonly cited by respondents—evaluating risks through routine strategic assessment should be protocol. But simply having a policy isn't enough, either. The institution must use the information about risks in decision-making to be effective.
- In summary, board members and senior administrators should:
  - regularly consider and assess the likelihood and impact of expected and unexpected events—comprehensively assess risk and consider risk in making decisions;
  - consider strategies such as risk avoidance, risk mitigation, risk sharing, and risk acceptance in responding to major risks to mission success;
  - identify activities needed to ensure that institutional controls for major risks are in place; and
  - use monitoring activities to determine the effectiveness of institutional risk-management activities.

### Policies and Procedures

- Institutions with a sound risk-management philosophy should capture it in policy statements, oral and written communications, and decision making. These institutions will also keep in mind that financial risks are not the only type. Operational, legal and regulatory, and political and reputational risks are also significant and merit routine discussion at board meetings.
- Governing boards at institutions with good policies and procedures should monitor institutional risk management through regular, formal reports by the administrator assigned responsibility. As such, governing board members and senior administrators ought to be informed about institutional risks and the efforts being taken to manage, mitigate, and insure the institution against such risks to meet their legal and fiduciary responsibilities.

## Appendix: Sample Risk Assessments by Campus Experts

### Example 1: Occupational Health and Safety – Risk Summary Picture

#### TOP RISKS

##### General exposures:

- Employees/students injured as a result of acts of violence
- Environmental releases/excess exposure to physical, chemical, biological, ionizing and non-ionizing radioactive, and/or other workplace hazards result in faculty, staff, or student injury, illness or death
- Work being done by contractors and other non-university employees causes Injuries, illnesses, exposures to UW employees/students

**Decentralization of academic programs:** Decentralization, turnover, inexperience hinders control programs for injury prevention

**Employee protection & training:** Inadequate personal protection, training, monitoring, and emergency preparation for researchers, staff, and faculty cause short- and or long-term safety/health hazards, injury, illness or death

##### Long term costs:

- Increased costs and hazards due to limited consideration of environmental health and safety construction issues (e.g., codes, standards, accreditations) in renovation or new construction of labs or other facilities
- Insufficient NIH safety compliance regarding biosafety and animals leads to funding loss and capital costs

**Research factors:** Use of infectious agents or other hazardous materials without approval, adequate controls or monitoring causes disease/illness

##### Systemic factors and strategic planning:

- Insufficient resources to provide comprehensive oversight of workplace and research risks/practices hinders research enterprise and ability to anticipate risks to employees, and students, resulting in injury or illness
- Insufficient process to deliberately and systematically identify health and safety risks leads to inadequate prevention and control of risks
- Research practices, risks, and/or lab-acquired illnesses result in negative media coverage and negative impact on image/fundraising/reputation

Notes: This chart is adapted from one published in the University of Washington's 2008 Enterprise Risk Management Annual Report. The chart in the report lists members of the risk-assessment work group at the top and has the categories in a different order.

Example 2: Pollution Risks

	Risk Areas	Risk Statements
<b>Compliance Risk</b>	<ul style="list-style-type: none"> <li>Air quality (fires/smoke, toxins, second-hand smoke, fume hood exhaust, N<sub>2</sub>O, ethylene oxide, diesel generators, odor, greenhouse gases, carbon dioxide, methane, paint spray booth emissions, outdoor spraying)</li> <li>Indoor air quality (odor, asbestos-containing materials, mold, radon, cleaning chemicals)</li> </ul>	<ol style="list-style-type: none"> <li>Air Quality: Air emissions exceed Air Operating Permit (AOP) limits</li> <li>Indoor Air Quality: Dust contamination during construction, renovation, remodels or construction</li> <li>Indoor Air Quality: Employee and/or public exposure to indoor contaminants or odors that cause acute or chronic health effects</li> </ol>
	<ul style="list-style-type: none"> <li>Chemical use (storage, spills, waste management, pesticide use)</li> </ul>	<ol style="list-style-type: none"> <li>Chemical Use: Chemicals are stored or managed improperly and result in accidental release</li> </ol>
	<ul style="list-style-type: none"> <li>Contaminated soil and properties (purchasing, cleanup, selling, disposal, people factors)</li> </ul>	<ol style="list-style-type: none"> <li>Contaminated soils/properties: Improper disposal of contaminated soils from construction and remediation projects</li> </ol>
<b>Financial Risk</b>	<ul style="list-style-type: none"> <li>Capital development and building maintenance</li> <li>Citations, fines, and lawsuits</li> <li>Electronic equipment, computers, battery use (disposal)</li> <li>Property purchasing practices</li> </ul>	<ol style="list-style-type: none"> <li>Lawsuits: Damage and injury claims for exposure to hazardous materials or pollution generated by university</li> <li>Electronic equipment/computers/batteries: Large waste stream with little or no disposal options (e.g., use of leading edge or new equipment/chemicals/construction materials)</li> </ol>
<b>Operations Risk</b>	<ul style="list-style-type: none"> <li>Permits and licenses</li> <li>Security</li> <li>Shipping and transportation of hazardous materials</li> <li>Work space</li> </ul>	<ol style="list-style-type: none"> <li>Permits and licenses: Revocation of radioactive materials license</li> <li>Security: Unauthorized access or use of restricted materials</li> <li>Shipping and transportation of hazardous materials: Public exposure to hazardous materials and agents during transit</li> </ol>
<b>Strategic Risk</b>	<ul style="list-style-type: none"> <li>Investing in sustainable business practices and partnerships</li> </ul>	<ol style="list-style-type: none"> <li>Sustainable business practices and partnerships: Liaison with wrong business partner</li> </ol>

Note: This chart is excerpted from *Enterprise Risk Management Tools for Self Assessment*, an excellent step-by-step guide created by the University of Washington that can be accessed at [www.ue.org/documents/University\\_of\\_Washington\\_ERM\\_Self-Assessment\\_Tools.pdf](http://www.ue.org/documents/University_of_Washington_ERM_Self-Assessment_Tools.pdf)

Example 3: Faculty and Staff Background Checks

Risk	Probability (1 to 5)	Severity (1 to 5)	Priority Rating (1 to 5)	Elevated Attention? (Y or N)
Employee with unsupervised access to children is sex offender.	2	5	3.5	N
Job applicants using false identities.	3	2	2.5	N
Job applicants misrepresenting academic credentials.	4	2	3	N
Employee handling significant funds has history of credit fraud.	3	3	3	N
Users of campus vehicles have poor driving records.	3	4	3.5	N
Campus police officers have criminal records.	1	4	2.5	N
Researchers handling select agents have criminal records.	1	5	3	N
Employee with master key access to buildings is convicted felon.	2	4	3	N
No procedure for handling negative info learned in checks.	2	4	3	N
Employees promoted into sensitive positions not checked.	2	4	3	N
No follow-up checks of existing employees.	5	3	4	Y
Existing employees in critical positions resistant to checks.	4	4	4	Y

Notes: This table was developed by United Educators and is a compilation of procedures used at many colleges. The “priority rating” in column 4 is the average of columns 2 and 3. A priority rating of “4” or higher merits elevated attention.



## Resources on Enterprise Risk for Colleges and Universities

### *Nine Easy Steps to Consider Risk in Budget Reductions*

<http://accounting.ucdavis.edu/>

The budget reduction analysis tool developed by the University of California at Davis provides managers with a framework for considering risk when making budget cutting decisions. In “9 Easy Steps” managers are able to compare the benefits and risks of the options they identified to meet their budget reduction goals. Since budget reductions will most often result in reducing the number of personnel, the framework also provides a guide for best assigning responsibilities among the remaining staff.

### *Creating a Risk Conscious Climate, by Rick Whitfield*

<http://usfweb2.usf.edu/uac/documents/RiskManagementArticle.pdf>

This article by the former vice president for audit and compliance at the University of Pennsylvania (now executive vice president and treasurer at Pace University) analyzes how risk management can affect strategic planning in higher education. In addition, the article explores lessons that colleges and universities can learn about risk from the corporate world.

### *Developing a Strategy to Manage Enterprisewide Risk in Higher Education*

[http://www.nacubo.org/documents/business\\_topics/enterprisewide\\_risk.pdf](http://www.nacubo.org/documents/business_topics/enterprisewide_risk.pdf)

This joint publication by the National Association of College and University Business Officers (NACUBO) and the consulting firm PriceWaterhouseCoopers was one of the first to examine changing conceptions of risk in higher education. The publication is divided into four sections: the definition of risk; the drivers of risk; implementing a risk management plan; and advancing the risk-management agenda further.

### *Enterprise Risk Management Tools for Self Assessment*

[www.ue.org/documents/University\\_of\\_Washington\\_ERM\\_Self-Assessment\\_Tools.pdf](http://www.ue.org/documents/University_of_Washington_ERM_Self-Assessment_Tools.pdf)

This guide created by the University of Washington provides step-by-step instructions in plain English on how to identify, assess, and mitigate risks. It includes numerous examples and provides guidance on how to conduct the process at either a basic, intermediate, or advanced level.

### *ERM in Higher Education*

[http://www.urmia.org/library/docs/reports/URMIA\\_ERM\\_White\\_Paper.pdf](http://www.urmia.org/library/docs/reports/URMIA_ERM_White_Paper.pdf)

This white paper published by the University Risk Management and Insurance Association (URMIA) provides an excellent introduction for colleges to enterprise risk management (ERM). It explains how to implement ERM on a campus and includes four cases studies of institutions that have adopted ERM.

*Measuring the Total Cost of Risk*

[https://www.urmia.org/library/docs/WhitePapers/TCOR\\_WhitePaper\\_20081114.pdf](https://www.urmia.org/library/docs/WhitePapers/TCOR_WhitePaper_20081114.pdf)

This advanced URMIA white paper is primarily aimed at risk managers who want to quantify the total costs of specific risks. It contains a suggested methodology and a hypothetical case study to illustrate how the methodology works.

*Meeting the Challenge of Enterprise Risk Management in Higher Education*

[http://www.nacubo.org/documents/business\\_topics/NACUBORiskmgmtWeb.pdf](http://www.nacubo.org/documents/business_topics/NACUBORiskmgmtWeb.pdf)

This white paper arose out of a summit of higher education leaders hosted by NACUBO and the Association of Governing Boards (AGB). It describes the components of ERM, how to implement it, and the roles of the board and specific campus administrators in the process.

*Texas A&M – List of Risks*

<http://universityrisk.tamu.edu/AssessmentTool.aspx>

Texas A&M University has made public its spreadsheets listing risks commonly found in nine functional areas of the institution. A tenth spreadsheet serves as an index file to guide users to the appropriate Excel workbook and tab.

*University of Minnesota Heat Maps*

<http://www1.umn.edu/audit/HeatMapSummary.html>

The University of Minnesota has made public its “heat maps,” which evaluate risks in various categories based on the probability of the risk occurring and the severity of its impact.



University of Washington

# ENTERPRISE RISK MANAGEMENT (ERM)

Presentation to the Board of Regents

September 17, 2009

by

V'Ella Warren

and

Ana Mari Cauce

Senior Vice President

Dean, College of Arts and Sciences

# UW Enterprise Risk Management Accomplishments – Summary

- 16 Comprehensive risk assessments – experts in risk topic identify and rate likelihood and impact of **compliance, operations, finance, and strategic** risks and controls
- 5 Business case/alternatives assessments – compare degree of risk under several scenarios; primarily to assess impact from different levels of resource investment, such as a facility project
- 1 Toolkit of ERM processes, summarized for units to use in conducting their own self-assessments

Expanded tools and processes to consider “**opportunity**” as well as risk in assessment topics, for example what can be done within existing resources to improve UW’s ability to recruit and retain top faculty

Refocused ERM efforts: **President’s Advisory Committee on ERM** with a strategic view, considering external “**mega-risks**” and Expanded **Compliance Council** to add **Operations and Finance** risk considerations to broadly assess internal controls



# ERM Evolution at UW

Mega Risks Phase

Governance Phase

Compliance Phase

## Internal Control Risks

- Global Support
- Pollution / Asbestos
- Post Award Financial Admin
- Student Safety
- IT Security

- Occupational Health and Safety
- Patient Privacy
- Cash Handling
- Campus Impacts/Sound Transit
- Biosafety Labs

- Study Abroad
- UW Technology Investments
- Financial Oversight/Self-Sustaining
- International Tax

## Business Alternatives

- UWMC Credit Analysis
- Faculty Effort Cert System

- Cloud Computing
- Animal Research Facilities
- EHS Strategic Plan Update

- Housing/Food Services
- Credit Analysis

## Goals / Opportunities

- Faculty Recruit/Retain
- Extended Financial Crisis

*What external “mega-risks” may impact UW’s ability to achieve its strategic goals?*





## UW's Vision

- Attract a diverse and excellent student body, provide rich learning experience
- Attract, retain outstanding and diverse faculty and staff
- Strengthen interdisciplinary research on “grand challenge” problems
- Expand UW's reach across the globe
- Insure highest level of integrity, compliance and stewardship

MEGA RISK: **Global Financial Shocks**

What impact would an ***extended financial crisis*** have on the institution's ability to achieve its strategic goals and objectives?

# 2008 FINANCIAL CRISIS

## ASSESSING THE IMPACT OF A MEGA RISK ON UW STRATEGIC GOALS USING AN ERM APPROACH

UNIVERSITY OF WASHINGTON  
PRESENTATION TO THE BOARD OF REGENTS

SEPTEMBER 17, 2009

BY

DOUG BRECKEL

AND

PAUL JENNY

ASSOCIATE VICE PRESIDENT

VICE PROVOST

TREASURY OFFICE

PLANNING AND BUDGETING

# UW STRATEGIC GOALS vs. MEGA RISKS



## PARTICIPANTS

- PLANNING & BUDGETING
- TREASURY OFFICE
- CONTROLLER
- RESEARCH FISCAL SERVICES
- OFFICE OF RESEARCH

- UW TACOMA
- HEALTH SCIENCES
- SCHOOL OF DENTISTRY
- STUDENT LIFE
- SCHOOL OF MEDICINE

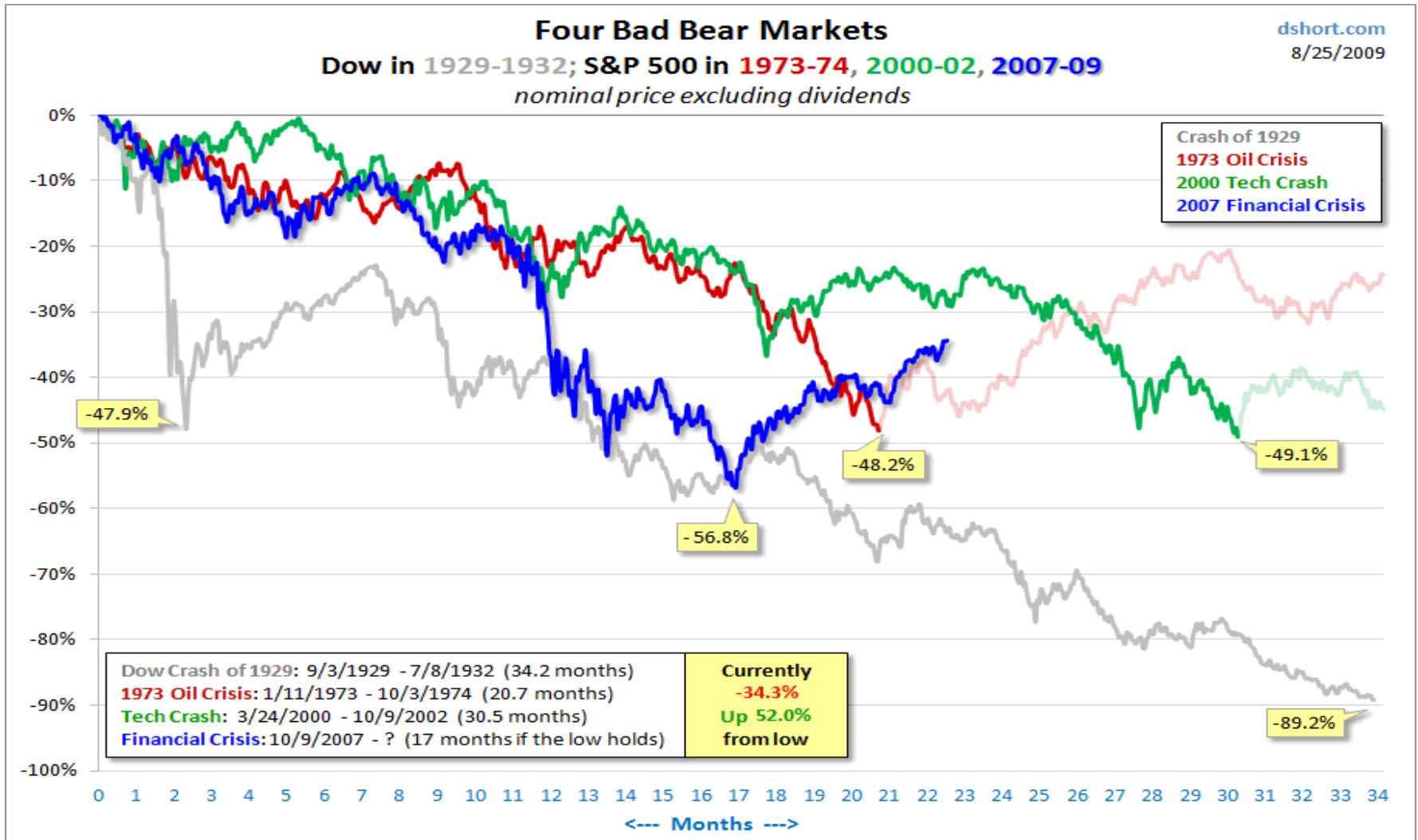
# APPROACH

- **PROBLEM:**
  - CRISIS WILL LIKELY HAVE AN ADVERSE MULTI YEAR IMPACT OF UW CASH FLOWS
- **SCOPE:**
  - IDENTIFY STRATEGIC GOALS MOST LIKELY TO ADVANCE THE UW'S MISSION
  - IDENTIFY STRATEGIC OBJECTIVES WHERE ACHIEVEMENT IS MOST AT RISK
- **PROCESS:**
  - INVOLVED SENIOR ADMINISTRATIVE AND ACADEMIC STAFF
- **RESULTS:**
  - PRESENTED RESULTS TO PRESIDENT'S ADVISORY COUNCIL ON ENTERPRISE RISK MANAGEMENT (PACERM)

# CONTEXT FOR PARTICIPANTS

- PROJECTED CASH FLOWS FY09 - FY13 CASH FLOWS FOR:
  - CORE EDUCATION (STATE FUNDS, INVESTMENT DISTRIBUTIONS, GIFTS, ICR ETC.)
  - MEDICAL ENTERPRISES (UWMC HMC, UWP/UWPN, SELLS & SERVICES)
  - OTHER AUXILIARIES (ICA, HFS, PARKING)
  - RESEARCH
- PROVIDED DATA ON PREVIOUS FINANCIAL DOWNTURNS AND RECOVERIES
- PROVIDED TOPICAL PERSPECTIVES FROM HIGHER EDUCATION FORUMS

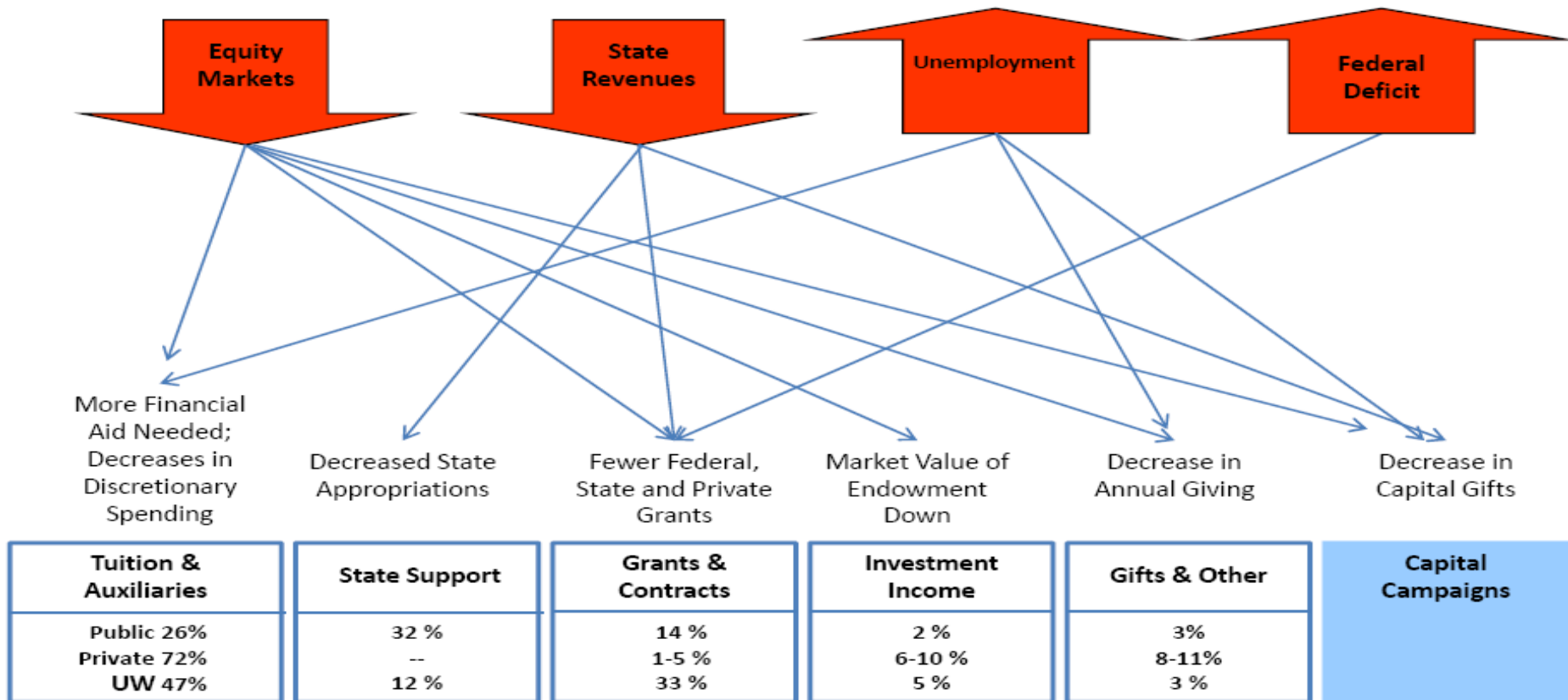
# CONTEXT FOR PARTICIPANTS



# CONTEXT FOR PARTICIPANTS

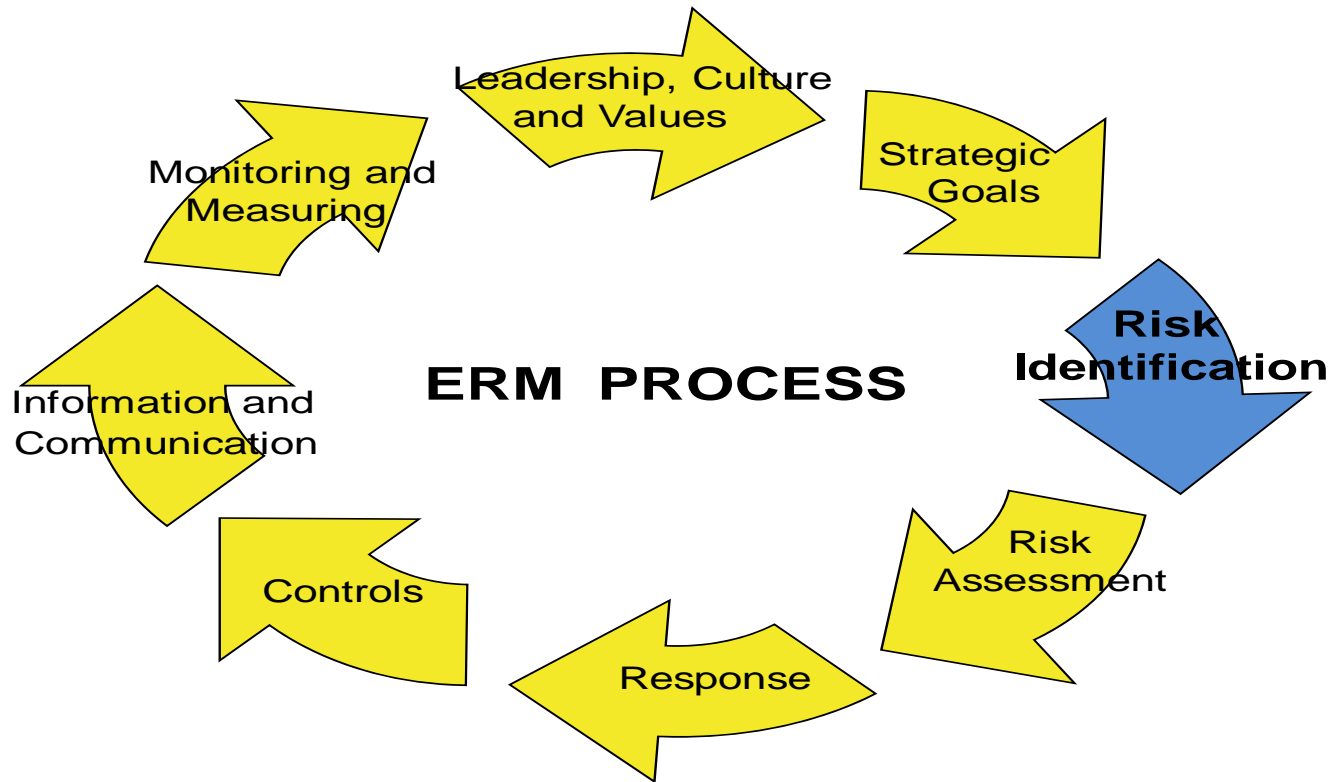
## General Impact of Current Economic Climate on Higher Ed Budgets

*Percentages are shown from Moody's 2007 Medians; publics on top line, privates on bottom line for small and large institutions.*



UNDERSTANDING THE INSTITUTIONAL IMPACT OF CURRENT ECONOMIC CLIMATE  
NACUBO DECEMBER 2008

# IDENTIFYING RISKS AND OPPORTUNITIES



WHAT RISKS PREVENT OR DELAY ACHIEVEMENT OF OBJECTIVES?

WITH EXISTING RESOURCES, OR ATTAINABLE RESOURCES, WHAT OPPORTUNITIES MIGHT IMPROVE OUR ABILITY TO ACHIEVE STRATEGIC GOALS?



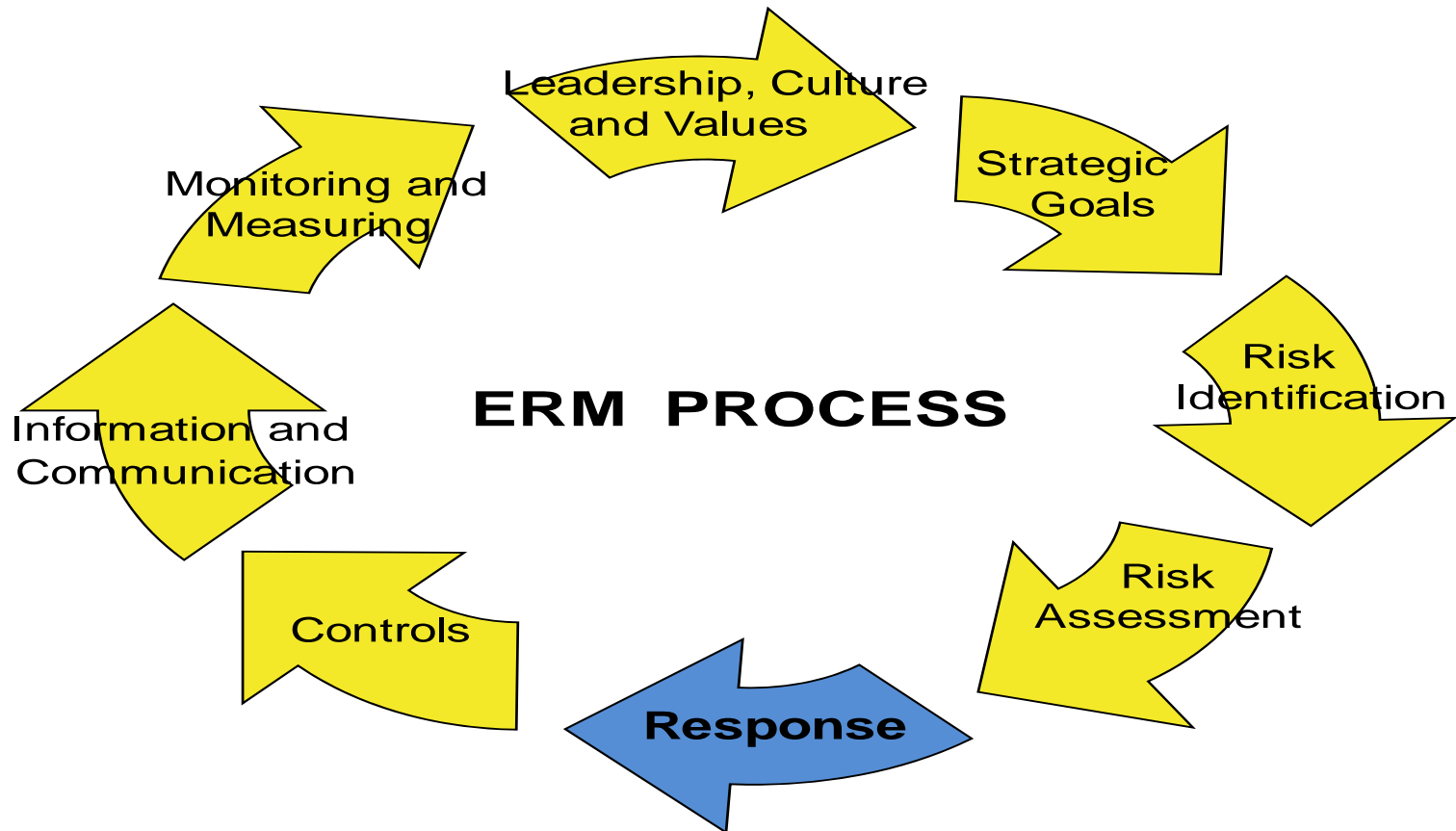
# RISKS IDENTIFIED

RISK LEVEL				
LOW	MEDIUM	SUBSTANTIAL	HIGH	EXTREME

	GOAL 1	GOAL 2	GOAL 3	GOAL 4	GOAL 5
OBJECTIVE 1					
OBJECTIVE 2	1				
OBJECTIVE 3				2	
OBJECTIVE 4					3
OBJECTIVE 5					
OBJECTIVE 6					

- GOAL 1, OBJ. 2 LEARNING ENVIRONMENT:** FEWER RESOURCES TO IMPROVE AND ENHANCE LEARNING ENVIRONMENT FOR OUR STUDENTS, SUCH AS INCREASED CLASS SIZE, FEWER TA'S, FEWER LAB OPPORTUNITIES
- GOAL 4, OBJ. 3: FACILITIES AND EQUIPMENT:** NO STATE CAPITAL FUNDS, INDIRECT COST TAPPED OUT, WHAT LITTLE EQUIPMENT AND RENOVATION MONEY THERE IS JUST A DROP IN THE BUCKET COMPARED TO OUR NEEDS
- GOAL 5, OBJECTIVE 4: CULTURE OF COMPLIANCE:** FEWER STAFF MAY BE PULLED IN TOO MANY DIRECTIONS, QUALITY SUFFERS, MISTAKES ARE MADE AND NOT CAUGHT; PLUS ADDED REQUIREMENTS WITH STIMULUS FUNDS

# RESPONSE TO OPPORTUNITIES



**MITIGATE** – USE OF DIFFERENTIAL BUDGET CUTS TO PRESERVE KEY PROGRAMS AND SUPPORT FUNCTIONS

**REDUCE** – REVIEW, PRIORITIZE AND CONSOLIDATE CAPITAL PLAN

**MONITOR** – COMPLIANCE (PACERM)

# OPPORTUNITIES IDENTIFIED

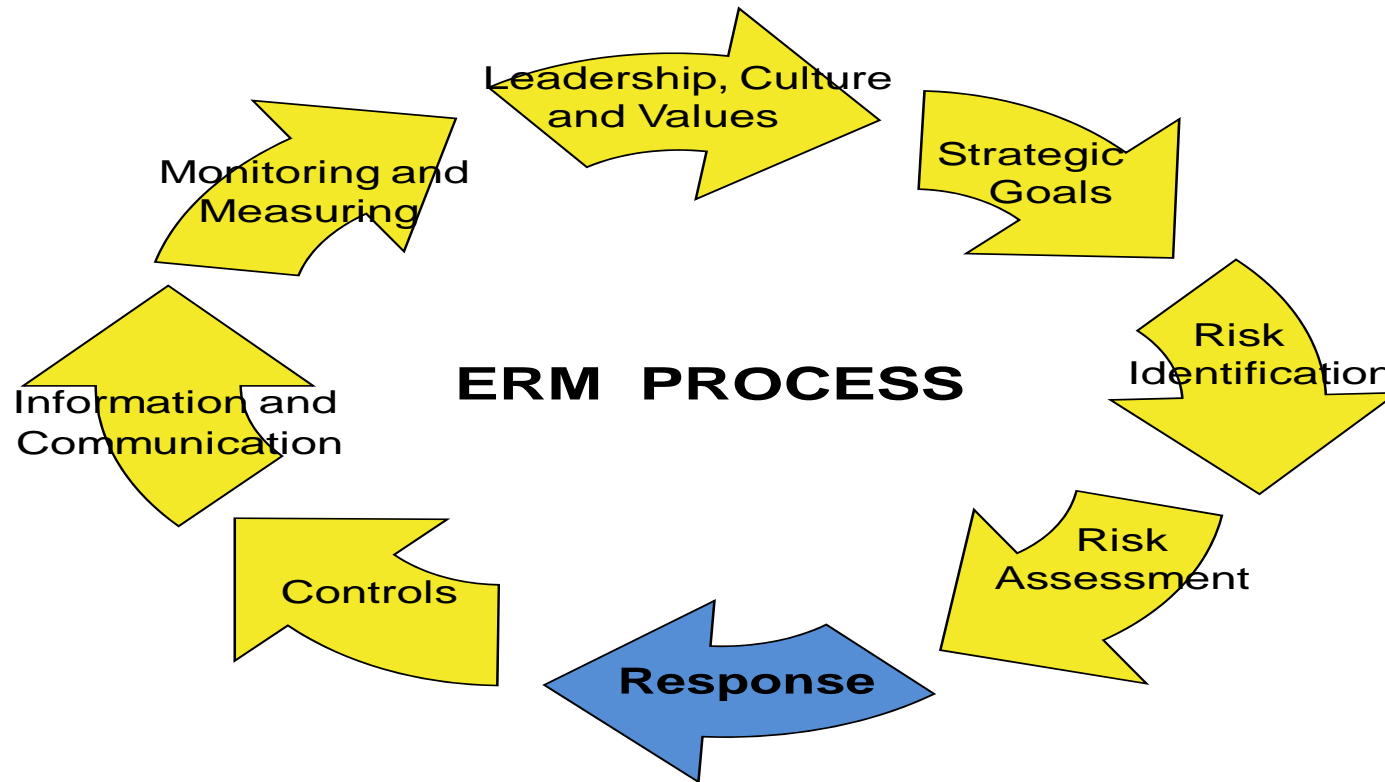
	INTERNAL SOURCES	EXTERNAL SOURCES
<b>GOAL 1</b> – ATTRACT A DIVERSE AND EXCELLENT STUDENT BODY AND PROVIDE A RICH LEARNING EXPERIENCE		
<b>GOAL 2</b> – ATTRACT AND RETAIN AN OUTSTANDING AND DIVERSE FACULTY AND STAFF		
<b>GOAL 3</b> – EXPAND THE REACH OF UW ACROSS THE GLOBE		
<b>GOAL 4</b> – STRENGTHEN INTERDISCIPLINARY RESEARCH, SCHOLARSHIP TO TACKLE "GRAND CHALLENGE" PROBLEMS TO BENEFIT SOCIETY AND STIMULATE ECONOMIC DEVELOPMENT		
<b>GOAL 5</b> – ENSURE THE HIGHEST LEVEL OF INTEGRITY, COMPLIANCE, AND STEWARDSHIP		

**EXAMPLES OF INTERNAL OPPORTUNITIES FOR GOAL 5:** TECHNOLOGICAL INNOVATION, STREAMLINING , MERGING, CONSOLIDATING PROCESSES AND PROGRAMS. PARTNERING WITH OTHERS (INTERDISCIPLINARY, PUBLIC/PRIVATE). REWARDING FINANCIAL STEWARDSHIP AT SCHOOLS AND COLLEGES, RENEGOTIATE EXISTING CONTRACTS FOR OUTSIDE SERVICES, LEASES, ETC.

**EXAMPLES OF EXTERNAL OPPORTUNITIES FOR GOAL 5:** SEEK CHANGES IN STATE REGULATIONS SUCH AS: BID LIMITS, INVEST AUTHORITY, INTERNATIONAL SERVICES, CONTRACTING OUT FOR SERVICES.

BENEFIT LEVELS				
INSIGNIFICANT	MINOR	MODERATE	MAJOR	OUTSTANDING

# RESPONSE TO OPPORTUNITIES



EXPLOIT- DEVELOP NEW BUSINESS MODEL

# UW STRATEGIC GOALS AND OBJECTIVES

UW Goal 1 – Attract a diverse and excellent student body and provide a rich learning experience	UW Goal 2 – Attract and retain an outstanding and diverse faculty and staff	UW Goal 3 – Expand the reach of UW across the globe	UW Goal 4 – Strengthen interdisciplinary research and scholarship to tackle "grand challenge" problems that will benefit society and stimulate economic development	UW Goal 5 – Ensure the highest level of integrity, compliance, and stewardship
Goal 1 Objectives	Goal 2 Objectives	Goal 3 Objectives	Goal 4 Objectives	Goal 5 Objectives
Attract a diverse student body	Provide competitive compensation for faculty and staff	Develop global educational and research programs	Pursue targeted areas of research to further our strength in areas of funding opportunity	Provide workshops to consult and inform faculty of new guidelines, rules and regulations
Improve and enhance the learning environment for our students (including access to clinical settings)	Increase the diversity of our faculty and staff	Increase the number of student and faculty study and perform scholarly work abroad	Provide the infrastructure to enable efficient communication to develop innovative and novel collaborations	Maintain and enhance information security to safeguard sensitive data
Increase the number of scholarships and amount of financial aid	Facilitate collaborations in learning and discovery	Innovate interdisciplinary programs to strengthen management of global affairs	Provide facilities and equipment to increase research capacity	Establish process and activities to manage all enterprise risks with respect to compliance, finance, operations, strategy and reputation
Prepare students for positions in a complex global environment by learning experiences abroad and service learning at home	Provide stronger support for leadership and career development in order to attract and retain the best faculty and staff	Increase partnerships with local, regional, and global industries and businesses to enhance our global competitiveness	Attract and train the most highly qualified graduate students and postdoctoral fellows	Oversee and improve UW's culture of compliance
Attract and retain the best graduate students and postdoctoral fellows from the nation's and the world's best universities				Provide means for early identification, education, and debate on risks of strategic importance
Provide undergraduate and graduate students and postdoctoral fellows career and leadership training				

## **Association of Governing Boards** and **United Educators**

2009 Report: **The State of Enterprise Risk Management at Colleges and Universities Today**

**BEST PRACTICES** – Define risk broadly; Recognize both opportunities and downside of risk; Develop a culture that identifies and evaluates risk at multiple levels; Look at total cost of risk

**ACTION STEPS** – Develop process to consider risk in strategic discussions; Decide which prioritized risks warrant attention at highest level; Look for blind spots; Keep repeating the process

**UW's ERM** work cited as examples for risk summaries; Self-assessment toolkit “an excellent step-by-step guide”

## Questions / Discussion

## 2009 PACERM membership

**Sandra Archibald**, Evans School of Public Affairs

**Timothy Carter**, Graduate/Professional Student Association

**Ana Mari Cauce**, Arts and Sciences

**Daniel Friedman**, College of Built Environments

**Eric Godfrey**, Student Life

**Sara Gomez**, Office of Information Management

**Mark Haselkorn**, Faculty Council on Research

**Randy Hodgins**, External Affairs

**Paul Jenny**, Planning and Budgeting

**Jack Johnson**, Attorney General's Office/UW

**Holly Jones**, Associated Students of UW

**Mindy Kornberg**, Human Resources

**Mary Lidstrom**, Office of Research

**David Lovell**, Faculty Senate

**Martha Somerman**, School of Dentistry

**Patricia Spakes**, UW-Tacoma

**Johnese Spisso**, UW Medicine

**Ed Taylor**, Undergraduate Academic Affairs

**Kathryn Waddell**, Health Sciences Administration

**V'Ella Warren**, Finance and Facilities

**Phyllis Wise**, Provost

**Scott Woodward**, Intercollegiate Athletics



## 2009 COFi membership

**Ann Anderson**, Financial Management

**James Angelosante**, Health Sciences Admin

**Kirk Bailey**, Information Security

**Bruce Balick**, Faculty Senate

**Sue Camber**, Financial Management

**Cheryl Cameron**, Academic Personnel

**Jeffrey Cheek**, Office of Research

**Elizabeth Cherry**, UW Risk Management

**Lynne Chronister**, Office of Sponsored Programs

**Sue Clausen**, UW Medicine

**Marilyn Cox**, UW-Bothell

**Walt Dryfoos**, Development

**Bruce Fergusson**, UW Medicine

**Jessie Garcia**, Human Resources

**Charlene Hansen**, Internal Audit

**Marcia Killien**, Faculty Senate

**Kay Lewis**, Student Financial Aid

**Barb McPhee**, Environmental Health and Safety

**Richard Meeks**, UW Medicine

**Todd Mildon**, University Registrar

**Karen Moe**, Human Subjects

**John Morris**, Intercollegiate Athletics

**Linda Nelson**, Arts and Sciences

**Marcia Rhodes**, Health Sciences Risk Mgt

**Nona Phillips**, Animal Welfare

**Gary Quarfoth**, Planning and Budgeting

**Bill Shirey**, Office of Information Management

### Advisors and Staff

**Barbara Benson**, Records Management

**Lori Oliver**, Attorney General's Division

**Eliza Saunders**, Public Records/Open Meetings

**Andrew Faris**, Enterprise Risk Management

**Kerry Kahl**, Enterprise Risk Management

**Tamara Young**, Internal Audit

# UW Responds to American Recovery and Reinvestment Act (ARRA)

September 2009

## Funding Opportunities and Risks

UW is among the top recipients of ARRA funds so far, with over \$64,000,000 awarded as of end of August. A total of over 1100 new proposals have been submitted, joining about 300 previously submitted proposals for consideration by federal sponsors. If awards to UW continue at this pace, we may well receive over \$250 million in sponsored research funds above the usual level of federal awards. All ARRA funds are to be awarded by federal sponsors by the end of September, and must be spent in two years.

UW may also be leading its peers in internal preparations for the added reporting requirements for ARRA awards. A collaborative effort involving the Office of Research, Finance and Facilities, and Human Resources has developed a “data mart” to simplify compliance with federal reporting. The data mart, hosted by Human Resources in its new state of the art information management platform, draws data from a variety of existing UW systems. It reduces the number of data elements that Principal Investigators must provide to only 2 out of the total of 99 required elements:

- Project activity/milestones
- Percent of project completed

## Key Points about ARRA at UW

- ARRA sponsored research projects are not “business as usual.” They create a new and complex set of additional reporting requirements, both to the federal sponsors and to the State of Washington.
- UW’s Principal Investigators will be responsible for ensuring that compliance risks, such as not commingling ARRA funded work with other existing sponsored research, are appropriately managed.
- In approving the stimulus package, Congress added more restrictions and requirements, which may increase exposure to audit findings and severe consequences for any violations of the requirements.
- The sizable increase in our research funding for the next two years requires the rapid recruitment and hiring of several hundred new staff. UW Human Resources has established hiring banks and pools of candidates to expedite the hiring process.
- UW’s preparations for supporting proposals and awards, and compliance with reporting and other ARRA requirements, is the result of extensive collaboration across the institution.

Each of these points is discussed in more detail below. UW will monitor key indicators during the two years of ARRA fund reporting, in order to track overall performance and compliance.

## Not Business as Usual – A New Model for Reporting Creates Complexity and Risks

Every ARRA award will have at least two new types of reports submitted, in addition to all the usual reports required for sponsored research grants and contracts:

1. UW will be required to report with more frequency and in significantly more detail to federal sponsors than on non-ARRA awards. UW Grant and Contract Accounting will act as the UW reporting coordinators working with faculty to ensure required information is entered into a newly-developed central federal system.
2. UW faces considerable reporting requirements to the State of Washington. Even though UW is receiving only a very small fraction of its overall ARRA funding directly from the State, the State’s Office of Financial Management is requiring UW to report data (yet to be defined) different from that required by federal sponsors—creating an additional reporting burden for ARRA projects.

A further set of reporting must be tracked for subcontract awards. In the case where UW is the prime recipient and is making sub-awards to other institutions, we will require those institutions to report the required data to UW. Where UW is a sub-recipient, the prime institution will determine how they want UW to report, either to them or directly to the federal system.

### **Risk at the Individual PI level**

Information via the web and email, and in-person training sessions, is being provided to Principal Investigators and department administrators. The University depends on every individual PI to ensure compliance with all terms of the ARRA awards, including:

- Spend the money and complete the work within the specified time period (usually 2yrs);
- Continue to make good progress on previously awarded non-ARRA projects;
- No co-mingling of ARRA funds with other projects/prior awards;
- Additional sub-recipient monitoring of sub-awards;
- Timely submission of quarterly data; and
- Any special requirements which the sponsoring agency may have added.

### **Severe Consequences for not Reporting Properly**

ARRA has high visibility, creating unprecedented levels of transparency. Individual projects will be audited, and the added requirements increase vulnerability to audit findings, and findings on large projects could be expanded to apply to all awards from an agency. The Recovery Act stipulates repercussions for not following the mandates including:

- Termination of awards.
- Return of funds to the sponsor both on an individual and institutional level.
- Debarment from receiving future funds, both on an individual and institutional level.
- Failure to submit reports on time will shut down awards.
- Non-compliance will be highly visible, nationally and internationally, and could impact UW's reputation and credibility.
- 

### **Human Resources Geared up for ARRA Hiring**

Human Resources has established a team of HR staff dedicated to quickly filling ARRA-funded positions. HR is creating specialized candidate banks in UWHIRES to enable candidates to submit application materials without waiting for a specific requisition to open. The candidate banks will help identify individuals with required skill sets and quickly make referrals of qualified candidates. HR has also created a new tool to help their recruiters quickly identify those candidates who have the skills that best match the needs of each position. ARRA funded positions will note the temporary period when funds are available. HR is using available data to prepare the required jobs reporting, both at the institutional level and for each ARRA project quarterly report.

### **ARRA Risk Tracking**

There will be regular monitoring and reporting of ARRA activities throughout the year, such as:

- UW experience submitting required reports, both federal and state (first submittal due Oct 10).
- Overall ARRA awards relative to peers.
- Extent of training and ongoing communications.
- Hiring of ARRA funded staff.
- Emerging risks, and other indicators of ARRA impacts and benefits.