

Enterprise Risk Management (ERM)



A Presentation to the Board of Regents
February 15, 2007

by

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Treasurer, Board of Regents

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

President Mark Emmert
April 22, 2005

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The Issue: Culture of Compliance

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Why Is a Culture of Compliance Important?

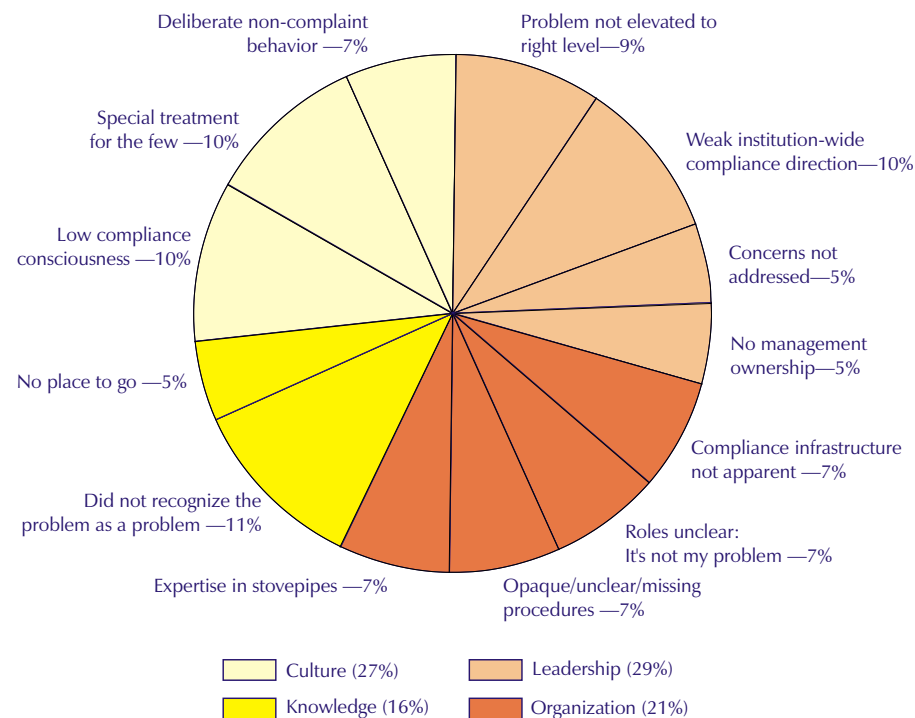
The University of Washington's (UW's) excellence is reflected in the institution's reputation. Creation of a strong model for compliance and risk management which encourages a culture of deserved trust will:

- Minimize threats to UW's leadership role in discovery and teaching.
- Protect our decentralized, collaborative and entrepreneurial culture.
- Ensure that stewardship of resources is consistent with best practices.
- Mitigate problems with institution-wide implications for reputation and resources.

What Were the Findings of the Review Committee on Strategic Risk Management?

- The President¹ asked the Dean of Arts & Sciences² and the Vice President for Financial Management³ to co-chair a Strategic Risk Initiative Review Committee charged with proposing a framework for managing institution-wide risk and compliance issues. The findings of that Committee are as follows:
 - UW has a long history of managing risk. Scattered throughout the institution are individuals and operations tasked with compliance, audit or risk management. These separate operations are done well, and many engage with an institutional perspective. However, due to the size, decentralization and complexity of the institution, expertise tends to be concentrated around separate and distinct risk areas (stovepipes).
 - An expanded role for oversight and regulation is likely in the future.
 - Risk and compliance are not formally integrated into strategic conversations.
 - Root causes of noncompliance events stem from persistent weaknesses in leadership, organization, culture, and knowledge.

Root Causes for Noncompliance at the UW



What Best Practices Were Identified?

- Seven best practices were highlighted by the Review Committee to serve as guideposts in strengthening UW's compliance and risk management model:
 - Integrate key risks into decision-making deliberations.
 - Create an integrated, institution-wide approach to compliance.
 - Ensure that good information is available.
 - Create a safe way to report problems.
 - Minimize surprises through identification of emerging risk issues.
 - Maintain a strong audit team.
 - Check progress on compliance and risk initiatives.
- The final report and executive summary are available at <http://www.washington.edu/admin/finmgmt/erm/>.

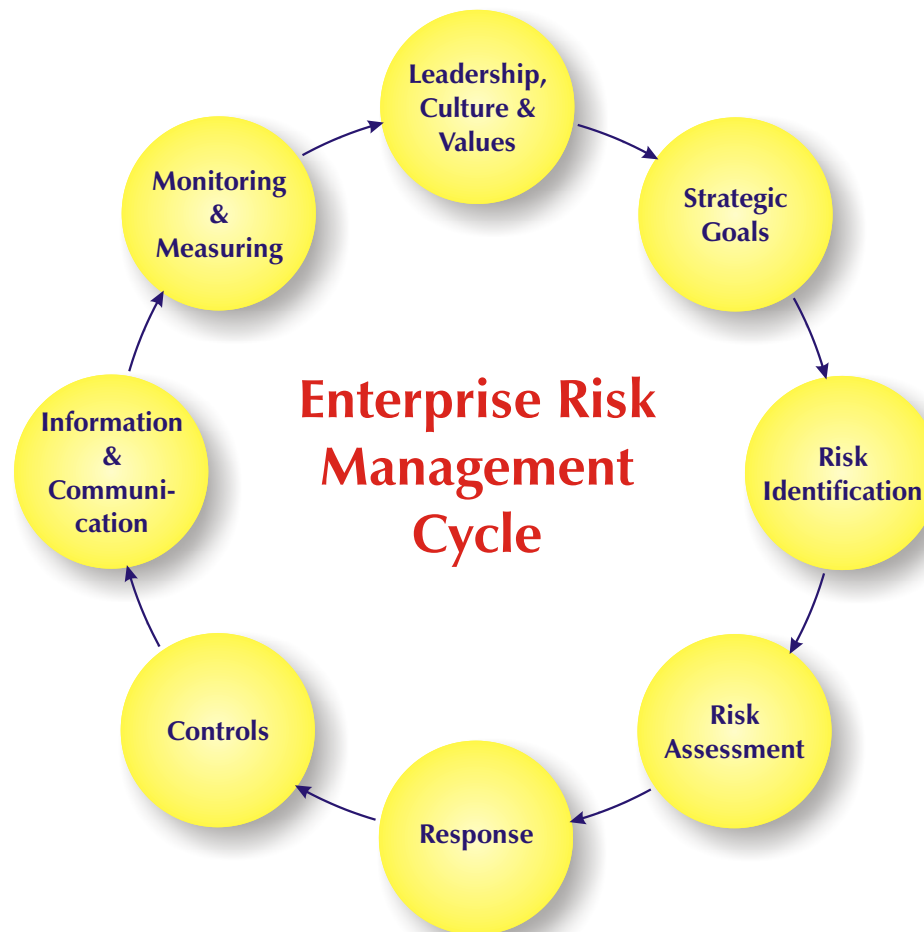
What Did the Review Committee Recommend?

- The UW should adopt an integrated approach to managing risk and compliance called Enterprise Risk Management (ERM).
- A President's Advisory Committee should be formed to oversee and improve the UW's culture of compliance by:
 - Debating risks of strategic importance.
 - Focusing on early identification.
 - Sponsoring education and other mitigation.
- A Compliance Council should be created, bringing compliance experts together to share information and advise the President's Advisory Committee by:
 - Identifying emerging compliance issues.
 - Ensuring good information is available to campuses.
 - Recommending safe, easy and effective ways for interested parties to report problems (help line, web guidance, early intervention program).
- Operational improvements identified in the final report on ERM should be evaluated and implemented as appropriate:
 - Maintaining a strong internal audit function.
 - Conducting formal risk assessments to advise an annual risk dialogue among senior leaders.
 - Adopting tools for self-assessment by campus units.
 - Analyzing risk benchmarks and trends.

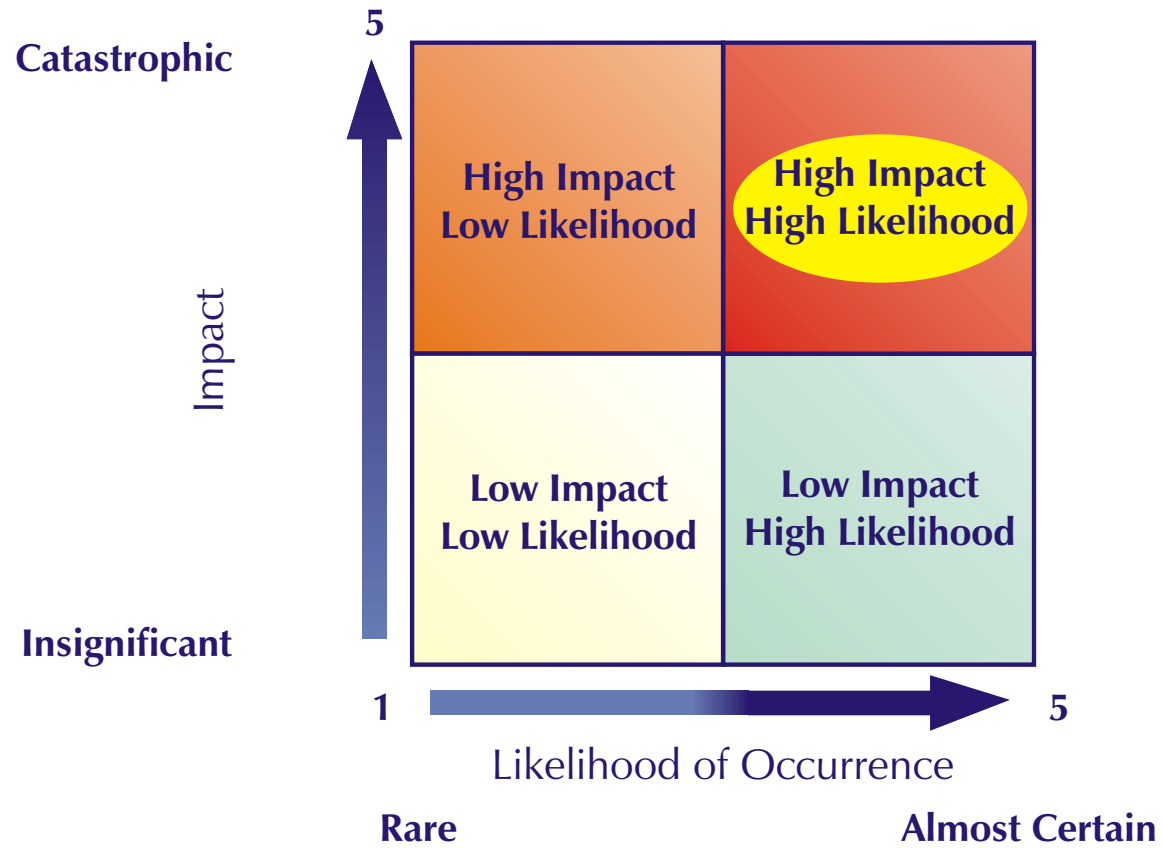
The Approach: Enterprise Risk Management

What Is Enterprise Risk Management (ERM)?

- ERM integrates risk into strategic deliberations, identifying the interrelations of risk factors across an organization's activities. Characteristics include:
 - Assessing risk in context of strategic objectives.
 - Viewing risk holistically, not functionally.
 - Covering all risk types: *compliance, financial, operational and strategic*.
 - Fostering a common awareness that allows individuals to focus their attention on risk with strategic impact.



What Is a Risk Map?



What Are the Benefits of ERM?

- A recent survey by the Risk and Insurance Management Society (RIMS) and Marsh, Inc documents ERM results:
 - Communications on risk with stakeholders and the Board are improved.
 - Decisions are more informed.
 - Resources to address risk are allocated better.
 - Governance practices are stronger.

Source: *Excellence in Risk Management: A Qualitative Survey of ERM Programs*,
Risk and Insurance Management Society (RIMS) and Marsh, April, 2005

Short-Term Goal: Common Language and Tools

What Progress Has Been Made Over the Last Year (2/06–1/07)?

- The Review Committee completed its work, forwarding its report to the President.
- The executive summary of that report was distributed to the Board of Regents.
- The President's Advisory Committee for Compliance and Risk Management (PACERM) and the Compliance Council were organized and meetings were scheduled for the academic year (see Appendices 1 and 2 for membership details).
- Short-term and long-term goals were established for both groups.
- The Compliance Council identified risk owners for major compliance issues and began educating one another across compliance stovepipes.
- PACERM identified areas for inaugural risk maps.
- Risk maps have been piloted on the Neptune project and data security.
- Internal Audit Peer Review was completed. Outcomes were discussed with the Board of Regents and PACERM.

What Are the Next Steps?

- PACERM will review inaugural risk maps for targeted high risk areas:
 - Data security
 - Safety of students
 - Global activities
 - Clinical billing
 - Environmental pollution
 - Human subjects
 - Post-award research
- The Compliance Council will develop a risk map for all compliance issues, which will be reviewed by PACERM.
- Risk Management staff will draft the first institution-wide risk map, covering all risk types.
- PACERM and the Compliance Council will continue to expand their common understanding of key risk issues. In addition to reviewing the inaugural risk maps (see above), PACERM will discuss minimum data standards, business continuity, the State Ethics Law, the Faculty Code and faculty effort reporting.
- A website will be developed to serve as a portal for access to information on compliance, risk issues and contacts.
- An annual report will be sent to the President from PACERM with input from the Compliance Council.

Appendices

Appendix 1: President's Advisory Committee on Enterprise Risk Management (PACERM)

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

John Coulter, Executive Director, Health Sciences Administration; Associate Vice President for Medical Affairs

Eric Godfrey, Vice Provost for Student Life, Student Life

Sara Gomez, Vice Provost / Interim Chief Information Officer, Office of Information Management

Weldon Ihrig, Executive Vice President, Office of the Executive Vice President

Ron Irving, Interim Dean, College of Arts and Sciences

Jack Johnson, Division Chief, Attorney General's Office – UW Division; Senior Assistant Attorney General

Mary Lidstrom, Vice Provost for Research, Office of the Provost

Daniel Luchtel, Vice Chair, Faculty Senate; Professor, Environmental & Occupational Health Sciences

Suzanne Ortega, Vice Provost and Dean, The Graduate School

Gary Quarfoth, Interim Vice Provost for Planning and Budgeting

Patricia Spakes, Chancellor, UW Tacoma

Todd Turner, Athletic Director, Intercollegiate Athletics

Patricia Wahl, Dean and Professor of Biostatistics, School of Public Health & Community Medicine

V'Ella Warren, Vice President for Financial Management and Treasurer of the Board of Regents

Phyllis Wise, Provost, Office of the Provost

Nancy Woods, Dean, School of Nursing

Scott Woodward, Vice President for External Affairs

Kimberly Friese, Graduate and Professional Student Senate (GPSS)

Jonathan Evans, Associated Student of the University of Washington (ASUW)

Appendix 2: Compliance Council Members

Name	Organization	Compliance Area
Ann Anderson	Financial Management	Financial Compliance/reporting
Cheryl Angeletti-harris	Provost's office	ADA, EEO
Kirk Bailey	C&C	Information Security
Linda Barrett	Provost's office	Budget
Janelle Browne	Human Resources	Health Sciences Human Resources
Sue Camber	Financial Management	Post-Award Administration
Cheryl Cameron	Provost's office	Faculty/Staff Conflicts of Interest
Jeff Cheek	office of Research	Research
Elizabeth Cherry	Financial Management	Risk Management
Sue Clausen	School of Medicine	School of Medicine Compliance
Jeff Compher	ICA	NCAA Compliance
Walter Dryfoos	Development office	Donor Gift Restrictions
David Fenner	Provost's office	International Students, Faculty, Staff
Jessie Garcia	Human Resources	Upper Campus Human Resources
Kay Lewis	Student Affairs	Student Financial Aid
Richard Meeks	Uw Medicine	HIPAA Compliance
Karen Moe	office of Research	Human Subjects
John Morris	ICA	NCAA Compliance
Nona Phillips	Health Sciences	Animal Welfare
Marcia Rhodes	Health Sciences	Health Sciences Risk Management
Kate Riley	School of Dentistry	School of Dentistry Compliance
Jim Severson	Technology Transfer	Technology Licensing, Intellectual Property
Bill Shirey	Office of Information Management	IT/Data Security
Karen Vandusen	Health Sciences	Environmental Health & Safety
Lea Vaughn	Faculty Member	Faculty Compliance Issues
Kathryn Waddell	Health Sciences	Animal Subjects
Carol Zuiches	office of Research	OSP, Pre-award Administration

*Erm Advisors: Andrew Faris, Kerry Kahl And Lori Oliver
Facilitator: Maureen Rhea*

Appendix 3: Survey of Recent Fines, Penalties and Repayments Made by Research Universities

(Dollars in Millions)

UW	Medical billing	\$35.0
Minnesota	Misuse of federal grants	32.0
Texas	Medical billing	20.0
Thomas Jefferson	Medical billing	12.0
Yale Medical	Credit balances	5.6
Northwestern	Effort reporting fraud	5.5
South Florida	Improper research charge	4.1
Johns Hopkins	Effort reporting	2.6
Stanford	Inflated overhead costs	1.2
Chicago	Research fraud and abuse	0.7
Duke	Sexual harassment	0.5
Michigan	Conflict of interest	0.1
