University of Washington Memorandum

Date: February 29, 2008

To: President Mark Emmert

From: President's Advisory Committee on Enterprise Risk Management

Re: UW Enterprise Risk Management 2007 Annual Report

We are pleased to provide you with a report on the University's enterprise risk management accomplishments for 2006–07. An Executive Summary is provided, which highlights the organization and coordination, reports and tools, and major achievements by units throughout the institution in identifying and controlling significant risks. We have actively engaged members of senior leadership, our campus compliance officers, and teams from several key departments in identifying top risks and determining what actions to take to improve our risk profile, be it compliance, financial, operational, or strategic.

We appreciate the support you have provided for us to develop the University's Enterprise Risk Management program. Both the President's Advisory Committee on Enterprise Risk Management and the Compliance Council have full agendas to work on in 2007–08. We look forward to accomplishing even more in the coming year as more members of the institution engage in ERM activities.

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UW Enterprise Risk Management
2007 Annual Report
Executive Summary

" . . the number of issues and their complexity is stunning. Which is another way of saying that the complexity of this institution is stunning. The analogy that comes to mind is trying to get a drink of water from a fire hose."

Comment about risk assessments by Professor Daniel Luchtel, PACERM member, April 2007

The focus of Enterprise Risk Management (ERM) this year was to identify and prioritize risks throughout the institution. Key accomplishments are summarized in the full report and attachments. Highlights of the 2006-07 ERM accomplishments include:

Organization and Coordination

Formation of the President's Advisory Committee on Enterprise Risk Management (PACERM) and the Compliance Council created a strong base for engaging the institution's leadership in conversations about risk and compliance. An illustration of the University's commitment to ERM is contained in FY2008 budget allocations, which includes over $4.8 million in funding for topics that were included in this first year's assessment work, such as Student Life Counseling, Global Activities, and IT Security. Research was completed on how other institutions utilize compliance and ethics reporting lines ("hotlines"), in preparation for developing a plan next year for such a reporting service for UW.

Reports and Tools

An overview of the University's Enterprise Risk Management program was shared with the Board of Regents at their February meeting, along with annual compliance reports from the UW Medicine Board and from Intercollegiate Athletics. A peer review of the UW Audit Department was conducted in accordance with professional auditing standards, noting strengths of the department and providing key observations on roles and resources. During the year, six in-depth risk assessments were conducted for PACERM, using standardized risk mapping process and rating scales for likelihood and impact. These were summarized in the first institution-wide risk map which identified key risks related to research, student safety, and information security as priorities for further work. ERM has progressed to the point where a Development Model can be put forward, defining several levels along a continuum to measure institution-wide progress and enhance decisions that result in time and resource savings.

Major Achievements

ERM assessment tools were put to innovative use to evaluate barriers to the success of several significant projects. Alternative approaches and levels of investment for fulfilling federal faculty effort certification requirements were evaluated for the degree to which they would address compliance risks, helping identify the optimum level of project investment. UW Medicine credit analysis for construction project alternatives at UWMC included a risk assessment that helped illustrate differences among the project scope and timing alternatives. The Department of Environmental Health and Safety used risk assessments in updating its strategic plan for the biennium. Through outreach communications, we have shared ERM tools, and have been recognized in several ways: KPMG, the University's external auditor, views UW's ERM program as very robust and recommends that other institutions of higher education consider it as they start their own programs; and a major reinsurer remarked that UW's program is comprehensive and sophisticated.

A Key Risk: Safety

One risk topic that will continue to be on our minds is that of campus safety. It was identified as a PACERM priority last year, and the tragic shooting death of Rebecca Griego emphasized the need for the University to do more. There has been an institution-wide response and heightened awareness for everyone to be alert to safety concerns. New reporting and response systems are being put in place to make UW safer for all, and more will be done.

The Year Ahead

Both PACERM and the Compliance Council have full agendas to work on in 2007-08. Highlights include moving from risk assessment to documenting controls and assessing the results of mitigation plans. Where compliance risks were a focus the past year, we will plan for and develop a new focus on financial risks, and explore some key strategic risks. As more members of the institution engage in ERM activities, we will be able to accomplish even more in the coming year.

UW Enterprise Risk Management
2007 Annual Report

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Comment about risk assessments by Professor Daniel Luchtel, PACERM member, April 2007

The focus of Enterprise Risk Management this year was to identify and prioritize risks throughout the institution. Key accomplishments are summarized below.

Going forward, we will continue to document and assess the risk controls currently in place, such as policies/procedures and training, and to work with risk owners to develop additional mitigation measures where needed to better control and reduce risk exposures. Goals and directions for the coming year are outlined following the accomplishments.

2007 Accomplishments

The original seven recommendations from the Collaborative Enterprise 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 PACERM priorities, recommendations

   The year began with formation of the President's Advisory Committee on Enterprise Risk Management, and discussions on how the flow of risk identification, assessment, reports and recommendations may best be accomplished [Illustration 1: Decision Matrix, pg. 10]. PACERM members reflect broad cross-section of institutional operations and programs [Illustration 2: Institutional Participation, pg. 11]. PACERM discussions helped refine risk assessment tools and use (e.g., developing a Risk Validation matrix to identify the level of data, expertise and other resources used in preparing risk summary for each risk topic) [Illustration 3: Validation Matrix, pg. 12].

   ERM and Compliance updates for Regents

   The Board devoted a meeting of the whole on February 15, 2007 to UW Medicine Board Annual Compliance Report, ICA Compliance Update, and an overview/summary of Enterprise Risk Management. Several members of the Board are familiar with ERM from its use in their own business activities [see attached Reference Materials for the presentation slides, pgs. 53–70].

   UW Risk Management Leadership

   The Office of Risk Management has dedicated one staff member exclusively to the ERM initiative. In the past year, the risk assessment tools were developed, six in-depth risk assessments were conducted, the first UW-wide risk map was compiled, and a self-assessment guide for departments was drafted. The Risk Financing staff assisted departments undertaking risk assessments to better quantify their risks by briefing them on their claims history and coverage in place.

   UW continues to reinforce the importance of loss prevention in part by use of a cost allocation system in which self-sustaining units pay either a large portion of each claim settlement or a substantial annual premium to the UW's

self-insurance programs. Risk Management offers the departments a periodic review of their claims and emerging loss trends, along with recommendations for improvement.

UW Medicine Patient Safety Initiatives

Harborview Medical Center and UW Medical Center are participating in a national initiative, "Protecting 5 Million Lives From Harm," sponsored by the Institute for Healthcare Improvement (IHI) from December 2006 to December 2008. This follows an IHI initiative in which both medical centers, along with 3100 other hospitals, reduced patient deaths by an estimated 122,000 in 18 months during 2004-06 through improvements in patient care, including evidence-based quality improvement interventions recommended by IHI. The current initiative introduces new interventions designed to collectively protect patients from five million incidents of medical harm over two years. Intervention examples include ways to prevent harm from certain "high alert" medications, reduce surgical infection rates, prevent pressure ulcers, and deliver reliable and evidence-based care for congestive heart failure.

UW Medicine has also funded a collaborative project for development of an e-Learning delivery system to provide patient safety education to health professionals and trainees. Starting in 2006, a project team consisting of quality improvement representatives from the medical centers, Graduate Medical Education, the School of Medicine, and Health Sciences Risk Management has hired staff, with five learning modules in development for a planned launch in April 2008. The modules support the gains made via participation in the IHI patient safety initiatives, and also address educational opportunities identified by medical center-based quality improvement areas.

Integrity/Compliance/Stewardship investments in FY2008

UW fiscal year 2008 budget includes over $4.8 million in funds for topics included in this year's risk and compliance assessment work, such as: Animal Care, Biosafety/ Asbestos, Student Life counseling, Human Subjects, Global Activities, IT Security [Illustration 4: List of Funded Items, pg. 13].

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

Compliance Council accomplishments

Compliance officers from many diverse areas of regulatory expertise began building a common language and frame of reference for institutional compliance needs. A first University-wide compliance risk map was developed, and Council members gained understanding of the risks, controls and challenges in all compliance areas. The Executive Group for the Council provided leadership on Council topics and directions, and has developed a strong agenda for continuing the Council's work next year [Illustrations 5, 6 & 7: Compliance Risk Maps, pgs. 14–18 and Illustration 8: Compliance Council Report, pgs. 19–21].

Development Model

The Development Model is an educational and benchmarking resource. Using the development model ensures adoption of best practices that drive value and ERM program quality. The development model recognizes that the goals of ERM range from "basic" to "advanced," measures institution-wide progress, and enhances decisions that result in time and resource savings [Illustration 9: Development Model Chart, pgs. 22–24].

IT minimum data security standards adopted

PACERM endorsed a new policy statement that was recommended as a result of the IT Security risk assessment. New Administrative Policy Statement to be implemented in Autumn Quarter.

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

Outreach

ERM outreach beyond UW included presentations to the Joint Commission on Accreditation of Healthcare Organizations, the State of Washington Office of Financial Management, and Western Washington University. EHS shared its risk mapping with health and safety officers at the other four-year institutions through the Council of Presidents. On campus, an introduction to ERM and risk assessments was provided at an administrators forum, and to the University-wide health and safety committee.

Risk Mapping Process and Standard Rating Scales

A simple but flexible method for any risk owner to think about risk statements and current controls was validated through use in a wide variety of risk topics. Institutional standard rating scales for assessing likelihood and impact of each risk provide a common baseline for comparing and aggregating completed risk assessments. Rating validation considerations were defined in order to demonstrate what level of analysis and expertise was applied for each assessment [Illustration 10: Risk Mapping Process, pg. 25 and Illustration 11: Risk Rating Scales, pg. 26].

KPMG recognition/recommendation

The national lead partner for KPMG noted to the higher education partners across the nation that UW has a very robust ERM program. If their other higher education clients had not started down that road, potentially, UW's could be of assistance for them.

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

UW SAFE hotline

A new hotline was implemented in response to concerns about campus safety. It is available twenty-four hours a day, seven days per week for reporting all non-urgent concerns about violence on campus. Posters were distributed with this information and a new website on violence prevention made available. This is an example of how the University responds in a broad, institution-wide sense to important emerging risks. Other actions, including the hire of a Violence Prevention and Response Program Manager, are included in a report from the Advisory Committee on Violence Prevention [Illustration 12: Report on Action Items, pgs. 27–30].

Classroom Safety

UW's Center for Instructional Development and Research (CIDR) developed a webpage (http://depts.washington.edu/cidrweb/resources/safety.html) with info and resources for instructors [Illustration 13: CIDR webpage, pg. 31].

Schools and colleges are preparing safety information and brochures to give to all classes to ensure everyone is informed about how to handle emergency situations [Illustration 14: Copy of CAUP Brochure, pg. 32].

Research on best practices for reporting lines at other higher education institutions

A review was completed of over 70 other institutions and how they have implemented reporting lines, use of external services, and best practices for effective use of reporting lines to address compliance concerns. Compliance Council Executive Group reviewed demonstrations of vendor services, in preparation for proposal for a University reporting line next year [Illustration 15: Summary of Reporting Lines in Higher Education, pg. 33].

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

Indepth Risk Assessments

Six risk areas prioritized by PACERM completed in-depth risk assessments, considering levels of risk without any controls, with current controls in place, and with additional controls identified for any high residual risks:

- Global Activities [Illustration 16: Summary Risk Picture, pg. 34]
- IT Security [Illustration 17: Summary Risk Picture, pg. 35]
- Pollution [Illustration 18: Summary Risk Picture, pg. 36]
- Asbestos [Illustration 19: Summary Risk Picture, pg. 37]
- Post Award Financial Administration [Illustration 20: Summary Risk Picture, pg. 38]
- Student Safety [Illustration 21: Summary Risk Picture, pg. 39]

UW Medicine Credit Analysis

The ERM risk assessment model was included as part of credit analysis to assess UW Medicine's ability to fund current and future capital needs. A team including Treasury, UW Medical Center, UW Medicine, and Planning and Budget identified key risks associated with options for a major expansion of UWMC, and rated them for likelihood and impact. The mapping process created a forum for discussion of the relative risks of the expansion options, and moved the group towards a consensus. [Illustration 22: Summary Risk Picture, pg. 40]

eFECS alternatives assessment

During reviews of proposed investment in automated system improvements to support UW compliance with federal requirements for faculty effort certification, compliance risk statements were assessed for different levels of project scope and funding. This supported a recommendation for investment in a replacement system rather than modest enhancements to the existing system. The same risk statements were used to evaluate vendor software packages against an internal system build alternative, with the build option demonstrating greater risk reduction [Illustration 23: Summary Risk Picture, pg. 41 and Illustration 24: Cost/ Benefit Chart, pg. 42].

Environmental Health & Safety (EHS) Strategic Planning

EHS is using risk identification and assessment to prioritize top issues to include in departmental strategic plan update. EHS mission can be summarized as "risk reduction" and the ERM tools apply well in their planning process. [Illustration 25: Summary Risk Picture, pg. 43]

Neptune Project

Assistance was provided to UW leaders with development of a required risk management plan as part of proposal to the National Science Foundation.

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

Peer Review

UW Audit Department underwent a quality assessment review by audit peers in higher education, in accordance with professional internal auditing standards. Notable strengths include an audit approach that is cooperative, collaborative, and improvement focused. Audit staff is highly qualified and credentialed, and act with high standard of objectivity and care. Key observations noted the department's current role is tactical rather than strategic, resources were overly lean, and a separate internal audit function for UMWC and HMC lacked independence.

Added Responsibilities and Resources

Responsibility for audits of UWMC and HMC was assigned to UW Internal Audit. New resources for UW Internal Audit were provided through central funding, and UWMC and HMC. With the additional resources, UW Audit is hiring staff to provide independent audit coverage for UWMC and HMC, and expand UW-wide audit expertise and coverage for the areas of research and information technology.

Strategic Focus

The Executive Director of UW Audit meets with the President every six months to discuss emerging issues, and audit results with UW-wide strategic implications. Added resources provide audit time and expertise to analyze and evaluate strategic risk during each audit.

7. Check progress on compliance and risk initiatives.

Institution-wide risk map/risk transparency

The first institution-wide risk map makes transparent the top risks and priorities which should be addressed immediately, including: student safety; IT security; sponsored research post-award administration; international human subjects; and asbestos handling [Illustration 26: Summary Risk Picture, pgs. 44–45].

Re-insurer recognizes UW ERM

Information about UW's ERM program was included in this year's re-insurance renewal discussions with international underwriters.

The head of insurance operations for a major reinsurer remarked that our program is the most comprehensive and sophisticated that she has seen, saying, "It's fantastic."

2008 Recommended Goals and Directions

ERM has established a solid base on which to expand and enhance institutional consideration of risk of all kinds and at all levels in the organization. Potential areas of beneficial activity for the coming year are outlined using the original seven recommendations.

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

- Complete controls/mitigation recommendations for 2007 in-depth risk assessments
- PACERM prioritize additional risk assessments
- Continue periodic ERM and compliance reports to Board of Regents
- Recognize that campus safety will be a high concern
- Develop a new focus on financial risks• Continue work to expand risk assessment for UW Global Activities

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

- Compliance Council focus: Enhance and strengthen our culture of compliance—this is the goal and direction set by Compliance Council Executive Group for next year.
- Develop "Compliance Pyramid" concept, building understanding and awareness through several levels: roles and responsibilities; education and outreach; skill building and tools; review and reinforcement; reward and recognition; continuous improvement; to reach our goal of a Culture of Compliance [Illustration 27: UW Compliance Pyramid, pg. 46].

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

- Communications tools for campus on ERM webpage
- Self-assessment workbook and online tools
- One stop contact information and reporting on Compliance Council webpage

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

- Compliance and ethics reporting line: campus discussion, recommendation and imple-

mentation of reporting line for UW with campus constituents; identify best approach to support a reporting line, and launch a new compliance reporting line with appropriate communications and introduction.

5. **Minimize surprises by identifying emerging compliance and risk issues.**
   - Target other strategic topics, e.g., animal facilities, administrative systems roadmap project
   - Enhance forum for open discussion of emerging issues with PACERM and Compliance Council

- Continue to document and assess the risk controls currently in place, such as policies/procedures and training, and to work with risk owners to develop additional mitigation measures where needed to better control and reduce risk exposures.

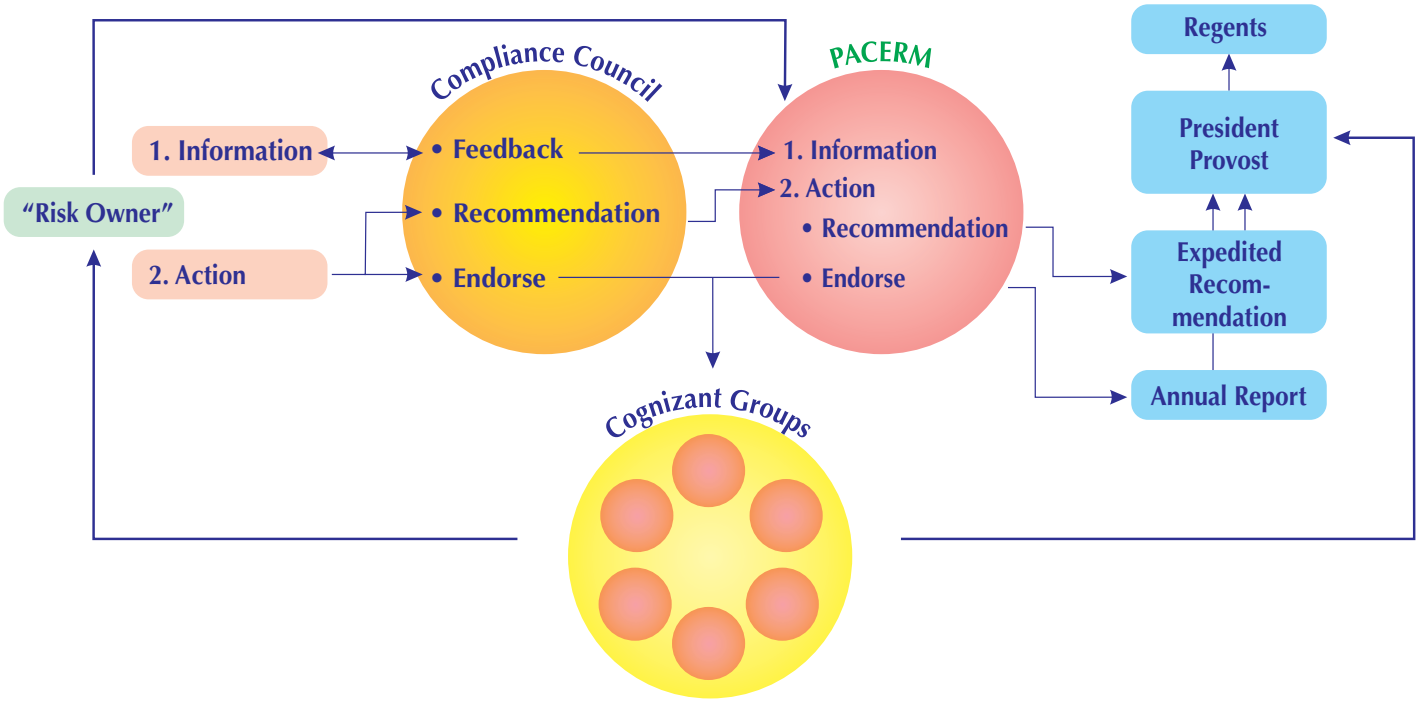
6. **Maintain strong audit team with ability to proactively identify problems and collaboratively recommend solutions to appropriate decision-makers.**
   - Staff UW-wide audit team; hire for new priorities, especially research and IT audits
   - Staff and develop new hospitals audit team
7. **Check progress on compliance and risk initiatives.**
   - Quarterly reports on 2007 assessment/mitigation plans
   - Follow up on UW FY08 budget investments

Decision Matrix: Information/Action Items

Illustration 1

Types of Items:

- Proposed Policies and Procedures
- Compliance related topics e.g., training
- Emerging compliance issues



Request to Endorse requires: Completed Risk Assessment
Request to Recommend requires: Completed Risk Assessment

Regulatory Basis
Institutional Oversight, Enforcement Plan
Roles, Responsibilities
Communications and Training Plans
Budget and Funding Strategy

2007 Institutional Participation in ERM Activities

Illustration 2

President Emmert

Ross Heath, faculty
Lea Vaughn, faculty

Jack Johnson, AGO
Lori Oliver

Provost
Phyllis Wise

Faculty Senate
Daniel Luchtel
Cathryn Booth -LaForce

Jonathan Evans, ASUW
Kimberly Friese, GPSS

Chancellors and Deans

Patricia Spakes, UW -Tacoma

Ron Irving, A&S

Suzanne Ortega, Graduate School

Patricia Wahl, Public Health/Comm Med

Nancy Woods, Nursing

[Medicine]
Sue Clausen , Compliance
Richard Meeks, HIPAA
Patient Care

Vice Provosts

Sara Gomez, CIO/OIM
Bill Shirey, IT

Eric Godfrey, Student Life
Kay Lewis, Student Financial Aid
Safety of Students

Mary Lidstrom, Research
Jeff Cheek, Research
Conflicts of Interest
Karen Moe, Human Subjects
Carol Zuiches, OSP
Pre -Award Rsch Admin

Jim Severson, IP & Tech Transfer

Gary Quarfoth, Budget/Planning
Linda Barrett, Budget

Cheryl Cameron, Academic Personnel
Scientific Misconduct

[Diversity]
Cheryl Angeletti -Harris, ADA/EEO

[Global Affairs]
David Fenner, Intl Programs
Global Education

Vice Presidents

Weldon Ihrig, EVP

V'Ella Warren, Financial Mgt
Maureen Rhea, Audit
Ann Anderson, Controller & Tax
Sue Camber, GCA
Post -Award Rsch Admin + RA
Elizabeth Cherry, Risk Mgt

Scott Woodward, External Affairs
Todd Turner, ICA
Jeff Compher, ICA
John Morris, I CA Athletics/NCAA

[Medical Affairs]
John Coulter, Health Science Admin
Nona Phillips, Animal Welfare
Marcia Rhodes, HS Risk Mgt
Karen VanDusen, EHS Pollution
Kathryn Waddell, HS Admin

[C&C]
Kirk Bailey, IT Security IT Security

[Human Resources]
Janelle Browne, Med Centers HR
Jessie Garcia, Health Sciences HR

[Development]
Walt Dryfoos, Donor Gifts

Color Key

- President's Advisory Committee on ERM
- Compliance Council
- Compliance Risk Map
- Risk Assessments

Not participating directly in 2007

UW-Bothell
Architecture/Urban Planning
Business
Dentistry
Education
Engineering
Forest Resources
Information School
Law
Ocean/Fishery
Pharmacy
Public Affairs
Social Work

Risk Assessments—Rating Validation

Illustration 3

Factors to consider in validating the level of analysis and risk ratings (likelihood and impact) for each completed risk summary picture.

Factors	Basic Level	Intermediate Level	Advanced Level
Quantitative Analysis	Minimal data Quantification of selected few risks, typically compliance or financial	Review of some UW data Limited survey of peer or industry data measures Quantification of multiple risks including operational risks	Analysis of UW data such as loss claims, EHS incident reports Peer/industry studies, benchmarks Continuous feedback/ assessment of data
Qualitative Analysis	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 data, trends Significant analysis/ compar-ison of UW with others, such as peer or industry studies Continuous feedback/ assessment of information
Team Expertise	UW team with general knowledge of risk area and requirements for compliance, financial, operations, and strategic	UW team with expert knowl-edge and experience in risk area	UW experts and outside expertise/analysis
Other Factors as Appropriate for Risk Area	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

Integrity/Compliance/Stewardship*

Illustration 4

The University is making an investment of over $7,665,000 in new funding for investments related to integrity/compliance/stewardship, and additional capital funding. Included in that total is over $4,800,000 for the following topics which have been part of this year's risk and compliance assessment work:

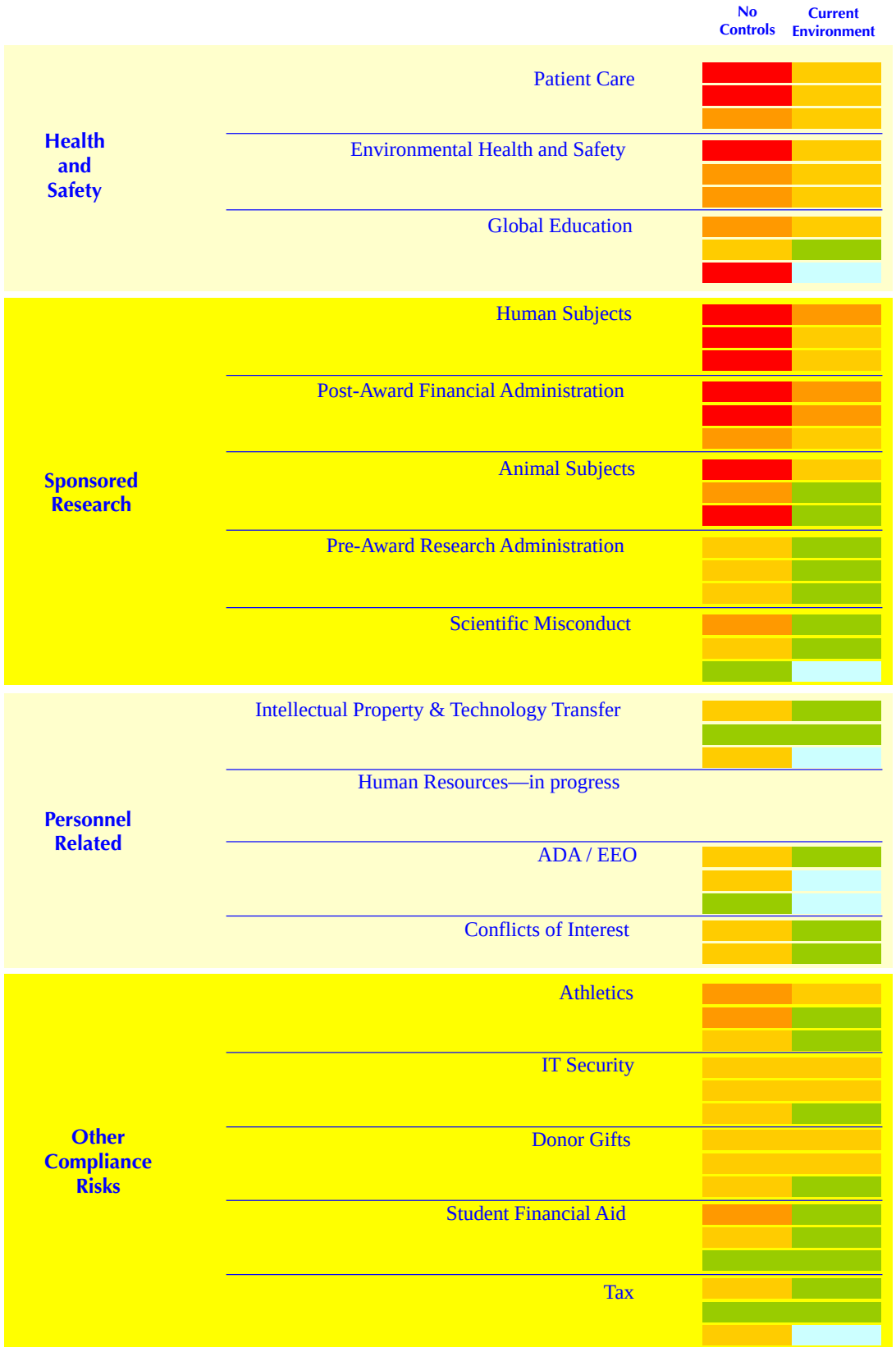
- Animal Care Committee initiation and staffing of multi-year animal care facilities improvements
- Biosafety/asbestos compliance staffing
- Campus health services – HIPAA compliance
- Student Life – counseling and disability services
- Office of Research staffing, supporting Human Subjects programs
- Global Activities staffing
- UW Police Department NightWalk safety service
- Information Management Advisory Committee – faculty effort certification system
- Information Technology security investments
- Internal Audit staffing
- Enterprise Risk Management program

** University of Washington Fiscal Year 2008 Operating and Capital Budgets*

Investments in Academic Program and Research Excellence

Compliance Council Risk Map—Summary of All Risk Categories

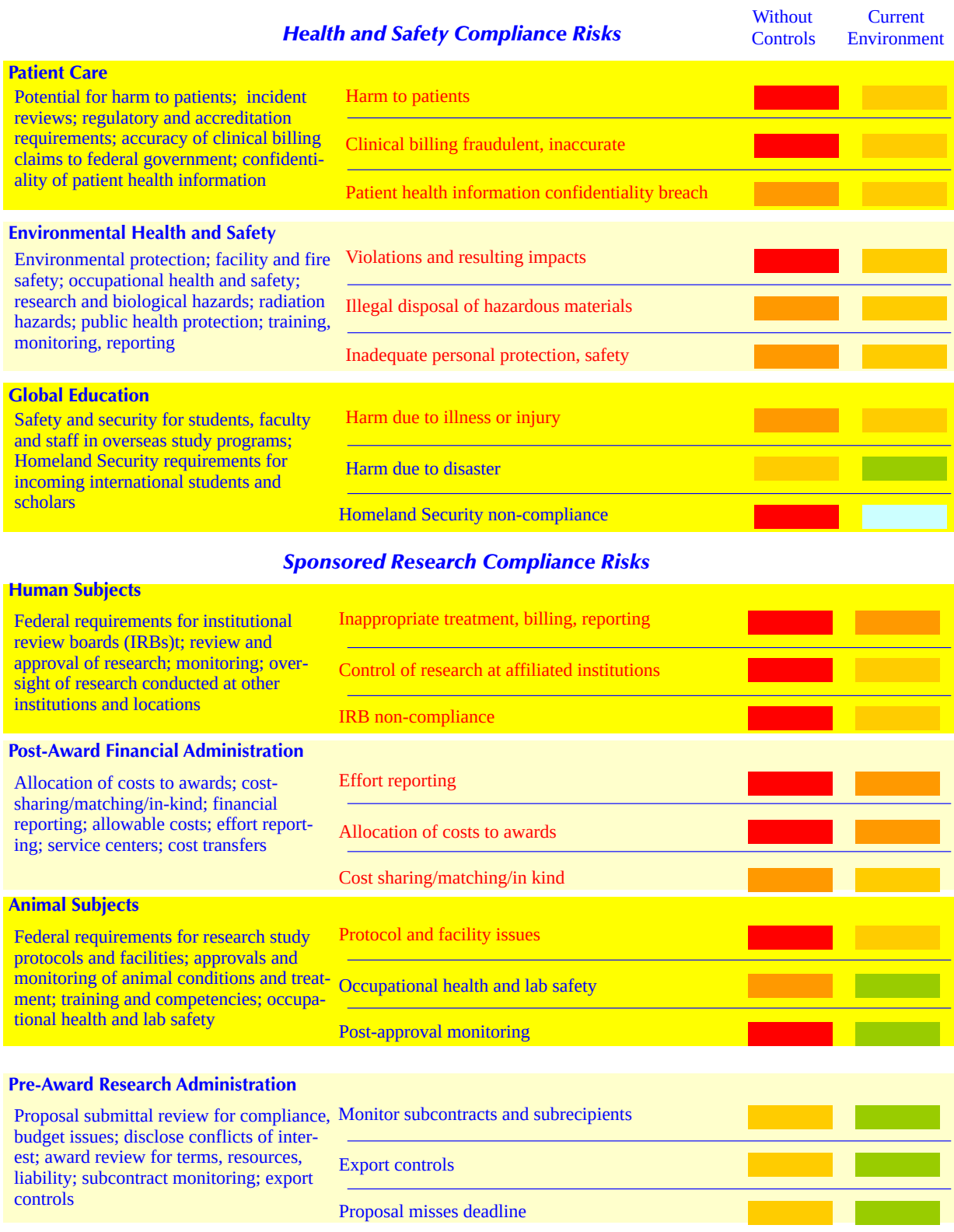
Illustration 5



Highest Likelihood Highest 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 the achievement of some objectives or capability
Lowest Likelihood Lowest Impact	Low	Little or no impact on the achievement of objectives or capability

2007 Compliance Council Risk Topics*

Illustration 6



**Risk statements in red are "top" risks identified in the Compliance Risk Map – Risk Summary Picture.*

2007 Compliance Council Risk Topics (continued)

Illustration 6

		Without Controls	Current Environment
Sponsored Research Compliance Risks (continued)			
Scientific Misconduct Process for response to allegations of misconduct; plagiarism, fabrication or falsification in performance of research	Plagiarism, fabrication, falsification		
	Response to allegation of misconduct		
	Failure to follow institutional procedures		
Intellectual Property and Technology Transfer Invention disclosure; reporting if federal funding involved; patent licensing and management	Failure to disclose invention information		
	Challenges to patent validity		
	Failure to report when federally funded		
Personnel-Related Compliance Risks			
Human Resources Disparate impact on protected classes; temporary employment; overtime; termination/ separation process; nepotism; negligent hiring/retention; protect confidential personal information	*In Progress*		
ADA / EEO Federal and state requirements for affirmative action information; determining and arranging reasonable accommodations; protect confidential health information; training for prevention of sexual harassment	Oversight of confidential information		
	Inadequate Affirmative Action reports		
	Arranging reasonable accommodations		
Conflicts of Interest Federal and state requirements for objectivity of research, disclosure of significant financial interests; state ethics rules; potential misuse of UW assets and resources	Declaration of significant financial conflicts of interest		
	Misappropriation or misuse of UW assets or resources		
Other Compliance Risks			
Athletics NCAA rules for all aspects of Athletics; requirements for staff, students, supporters; recruitment, eligibility, academic integrity, amateurism, financial aid and extra benefits, team travel, playing and practice seasons, gambling, camps and clinics	External supporters violate rules		
	ICA staff violate rules		
	Student athletes violate rules		

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 the achievement of some objectives or capability
Low	Little or no impact on the achievement of objectives or capability

**Risk statement in red is a "top" risk identified in the Compliance Risk Map – Risk Summary Picture.*

2007 Compliance Council Risk Topics (continued)

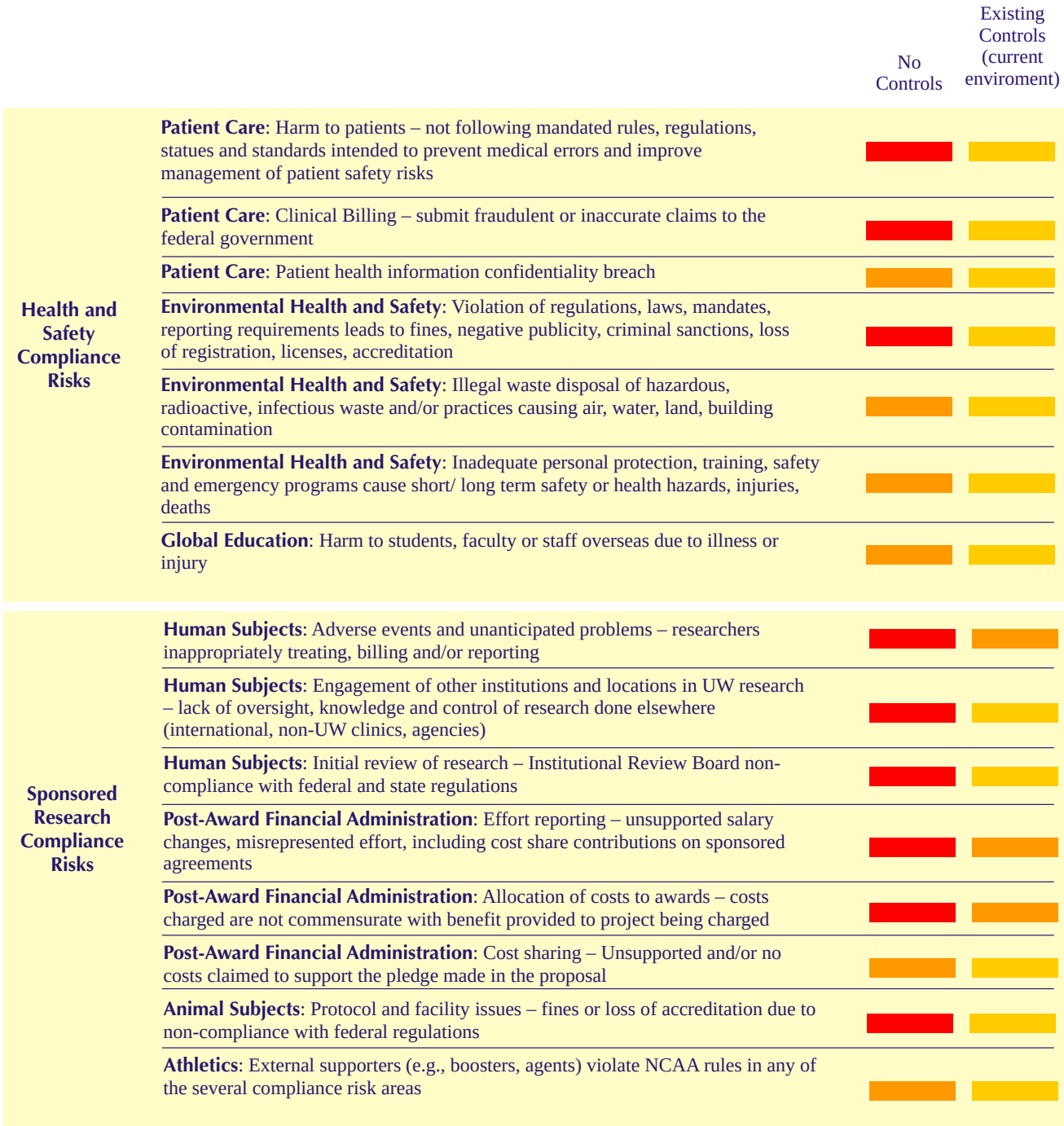
Illustration 6

Other Compliance Risks (continued)		Without Controls	Current Environment
IT Security			
Regulatory and statutory requirements for security standards; data sharing agreements; data privacy such as for students, patients; industry standards; p-card industry	Loss of credit card merchant accounts		
	Business sanctions for non-compliance		
	Loss of market share, reduced competitive advantage		
Donor Gifts			
Abiding by donors' intentions for use of gifts; documentation for federal tax reporting	Gift money not spent as specified		
	Gift money stockpiled, not spent		
	Charitable contributions not documented		
Student Financial Aid			
Student and institutional eligibility; awards and disbursements; billing and collection; accounting and reporting	Pell Grant/Direct Loan non-compliance		
	Over-award of financial aid		
	Disbursement to ineligible students		
Tax			
Federal primarily FICA, taxable fringe benefits, independent contractor vs employee, non-resident alien matters; state sales and use tax	Failure to withhold taxable fringe benefits		
	Failure to properly classify independent contractors		
	Failure to manage High Tech deferral		

Highest Likelihood Highest 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
Lowest Likelihood Lowest Impact	Medium	May degrade the achievement of some objectives or capability
	Low	Little or no impact on the achievement of objectives or capability

Top Compliance Risks

Illustration 7



Rating Validation: **BASIC LEVEL**. First effort to identify and assess institution-wide compliance risks. Risk owners identified top risks, discussed risk background and controls prior to polling by Compliance Council members. Polling results validated with risk owners.

The February, 2006 report to the President on Collaborative Enterprise Risk Management at the University of Washington recommended the creation of an integrated, institution-wide approach to compliance. The Compliance Council represents the University's strategy for creating a comprehensive institutional compliance function 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). Meetings are facilitated by the Executive Director of Internal Audit.

2007 Compliance Council Accomplishments

The Compliance Council charter included seven goals which are used to outline the year's accomplishments in the body of this report. Major Council accomplishments include:

Completion of an Institution-wide Compliance Risk Map

Compliance Council members completed UW's first institutional compliance risk map. The map highlights that sponsored research compliance, particularly in the areas of human subjects, faculty effort reporting, and accurate charging of research costs to awards, continues to be an area of high risk for non-compliance that need more focus on mitigation. Council members began to consider and understand compliance risks from an institutional perspective, and less of a stovepiped or individual organizational centric view.

Research Completed & Proposal Developed for an Anonymous Reporting Line

Information was gathered on anonymous compliance reporting lines. A proposal for a UW reporting line was developed.

Format and Model for UW Compliance Website Completed

A model for a compliance website was developed.

Goals and Directions for 2008

- Provide employees with a safe place to raise compliance concerns by implementing the anonymous reporting line.
- Support compliance training and outreach by launching the compliance website.
- Focus compliance risk work on identifying and assessing emerging risks.

2007 Accomplishments

The original seven goals from the Compliance Council charter form the outline of what has been accomplished this year.

1. Establish the Compliance Council.

The Compliance Council was created to assist senior managers assess university-side compliance risks, address compliance gaps and ensure the effectiveness of compliance programs across all functional areas.

Twenty-five Council members representing 19 different compliance areas met six times over the year to discuss existing and emerging compliance risks and issues, develop a framework and language for analyzing compliance risk, and to gain an understanding of seemingly isolated risks that are common across many stovepipes.

An Executive Group formed with representatives from the key UW-wide compliance areas of research, patient care, human resources, business services, IT security, risk management and internal audit. The team charted the strategic direction of the Council and developed the work plan for the year.

The Executive Director of Audits, who facilitates meetings of the Council and Executive

Group, reported at each PACERM meeting on the Council's activities and actions, and once to the Regents on Council organization and activities.

2. **Identify and assess institutional compliance risk; develop an institutional compliance risk map.**

   Compliance Council members, responsible for oversight of 19 broad compliance areas, completed UW's first comprehensive institutional compliance risk map [Illustration 7: Top Compliance Risks, pg. 18]. The map is important for two reasons:

   - It pulled together and ranked compliance risks in one place, providing a foundation for UW's future strategic and tactical management of these risks
   - Council members started viewing their compliance risks in the context of the institution as a whole through the mapping process

   Council members were asked to identify the top three risks in each of their respective areas. Each member discussed the significance and context of each of their risks with the full Council. The Council then assessed the likelihood and impact of an occurrence of each of the risks. Lastly, the Council's assessments were vetted with risk owners before being included in the final compliance risk map.

   The map identifies the greatest need for further risk mitigation work in the broad category of sponsored research. Specifically identified were the areas of human subjects, faculty effort reporting and charging of research costs to awards.

   Next in importance for further mitigation work are health and safety risks related to protecting UW employees, students and patients from harm. Included in this category are risks related to patient safety, clinical billing and protection of patient health information; management of hazardous materials to prevent exposure; and protecting faculty, staff and students traveling overseas from illness and injury. Risks to the security of data and our information technology infrastructure were also considered significant.

   The assessment process also identified significant risks that are adequately mitigated. Included here are some risks related to student financial aid, tax, athletics, and scientific misconduct.

3. **Assure the institutional perspective is present in Council discussions.**

   The composition of Council membership, the participation of an assistant attorney general in an advising role, the risk mapping exercise and regular reporting to the PACERM assures the Council stays focused on the institution as a whole.

4. **Identify strategies to identify and address significant emerging compliance 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, animal care, tax, technology transfer, conflicts of interest and donor gifts.

   Council members also learned and started to use a common language to describe compliance risks, and the likelihood and impact of risks occurring. This common language simplifies Council discussions on the nature and significance of risks arising in members' operating environments, and leads to swifter recognition of new and important compliance issues.

   In addition, the Council completed a review of over 70 other institutions and how they have

implemented anonymous reporting hotlines, their use of external hotline services, and best practices for effective use of hotlines to address compliance and ethics concerns (attachment 13). The Executive Group reviewed demonstrations of vendor services in preparation for development of a University proposal for a compliance and ethics reporting line.

5. **Support compliance training and outreach efforts throughout the University.**

   The Executive Group agreed on a format for a UW Compliance website in summer 2007, and development work on the site was started. Content for the site, provided by Council members, will include contact information for offices with compliance responsibilities and links to resources for information on specific compliance requirements. Internal Audit will be listed as the office to contact with compliance concerns.

   In an effort to add to Council members' compliance knowledge, Council meetings included presentations on attorney-client privilege, IT vulnerability testing, and tools for risk identification and risk assessment.

6. **Provide external auditors and regulators a single point of contact for compliance.**

   The Compliance Council website, once launched, will provide external parties with a single portal for compliance contacts.

7. **Avoid the creation of additional bureaucracy by minimizing redundancy and maximizing resources.**

   The Council reviewed, provided feedback and supported compliance work initiated by existing UW work groups in the areas of IT security and credit card payment processing.

   The Council provided feedback on the Minimum Data Security policy developed by UW's Chief Information Security Officer, recommended its adoption, and sponsored the CISO's presentation to the PACERM. The Council also reviewed and provided feedback on a proposed strategy for UW compliance with payment card industry standards.

   Once implemented, concerns and complaints received by the anonymous reporting line will be triaged through existing UW organizations with functional responsibility and subject matter expertise.

ERM Development Model Summary[1]

Illustration 9

The ERM development model establishes context and defines the criteria for evaluating the institution's Enterprise Risk Management progress. The model integrates the best elements from existing ERM maturity models and is intended to be applied University-wide.

Moreover, the framework below ensures the goals and processes are defined in a manner that also outlines progress in achieving each level of ERM development.

	Basic **Awareness & Education**	**Intermediate** **Comprehensive Process**	**Advanced** **Strategic Tool**
Outcomes	Risks prioritized enterprise -wide	Validation of likelihood, impact and root causes for selected risks	Risk viewed as an opportunity
Activities	Annual risk assessment with limited analysis and interpretation	Frequent risk assessments with rigorous analysis	Risk adjusted strategy, performance evaluation and reso urce allocation
Risk & Control Optimization	Risk and control transparency	Eliminate redundant and unnecessary activities	Risk management a source of sustainable competitive advantage
UW Examples	• Global Support • Compliance Council • Safety of Students	• IT Security • Pollution / Asbestos • eFECS / Post Award	• NEPTUNE • UW Med Capital Plan • ICA Compliance Cup

[1] The ERM Development Model and Summary is built upon concepts set out in two resources:

- *Enterprise Risk Management: Complacency Is No Longer an Option, But a Practical Start Is. KPMG Advisory*. KPMG International Position Paper (2006)

  Copy available at: http://www.kpmg.com/aci/docs/risk_mgmt/ERM_Position_Paper_Web.pdf

- *Guide to Enterprise Risk Management: Frequently Asked Questions*. Protiviti (2006)

  Copy available at: http://www.knowledgeleader.com/KnowledgeLeader/Content.nsf/Web+Content/EnterpriseRiskManagementGuidetoERMFrequentlyAskedQuestions!OpenDocument

ERM Development Model Summary (continued)

Illustration 9

Outcomes: Lag indicators describe ERM goals

	Basic **Awareness & Education**	**Intermediate** **Comprehensive Process**	**Advanced** **Strategic Tool**
Risk Identification	Awareness of risks	Risk mapped to financial, operational and strategic objectives	Best of Class Processes Risk as Opportunity
Risk Assessment	Risks prioritized enterprise-wide	Validation of risk likelihood, impact and root causes	Risk taking activities and control mechanisms are in balance
Risk Mitigation, Communication & Monitoring	Consistent reporting and linkage between management and operations	Understanding of root causes and improved strategic decision-making process	More confidence when pursuing or taking on new opportunities
Risk & Control Optimization	Risk and control transparency	Eliminate redundant and unnecessary activities	Risk management a source of sustainable competitive advantage

ERM Development Model Summary (continued)

Illustration 9

Activities: Lead indicators describe how ERM goals are accomplished

	Basic Awareness & Education	Intermediate Comprehensive Process	Advanced Strategic Tool
Risk Identification	A central risk management process to support external requirements	A risk management structure with clear accountabilities to support objectives	Risk accountability integrated with performance management
Risk Assessment	Annual risk assessment with limited analysis and interpretation	Frequent risk assessments with rigorous analysis	Risk and control activities embedded in business processes
Risk Mitigation, Communication & Monitoring	Mitigation and quantification of selected risks to support external requirements	Extensive reporting to committees on current and future risk issues	Institution-wide mitigation across all risk areas; alignment of all risk communication to provide a comprehensive single view of risk
Risk & Control Optimization	Management of top compliance risks	Increased emphasis on opportunities	Risk-adjusted strategy, performance evaluation and resource allocation

Risk Mapping Process

Illustration 10

Risk identification and assessment to produce a visual array of likelihood and impact

Build a risk map

Write risk statements: compliance, financial, operations, strategic

Document controls: policies, training, information, monitoring, audit

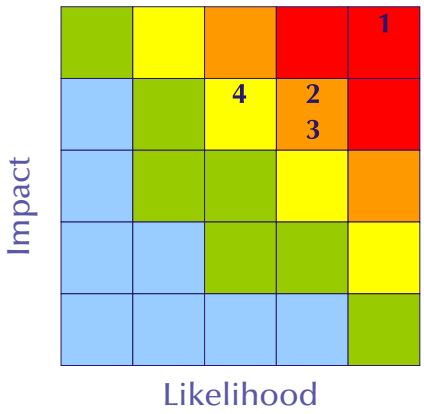
Assess risks without and with controls

Rate likelihood and impact of each risk

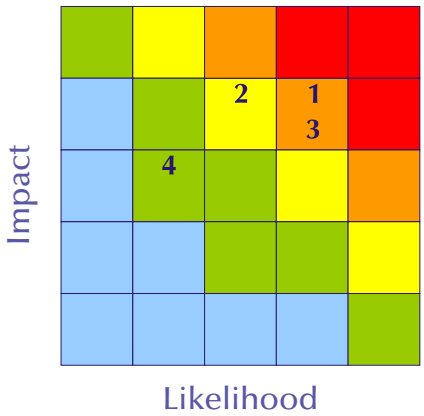
Mitigation

Select measures to address "residual risk" that remains with controls in place

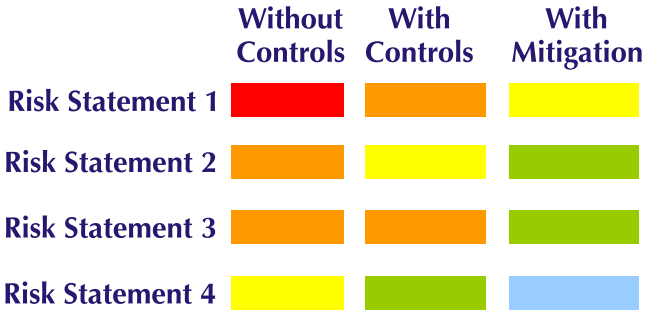
Without Controls

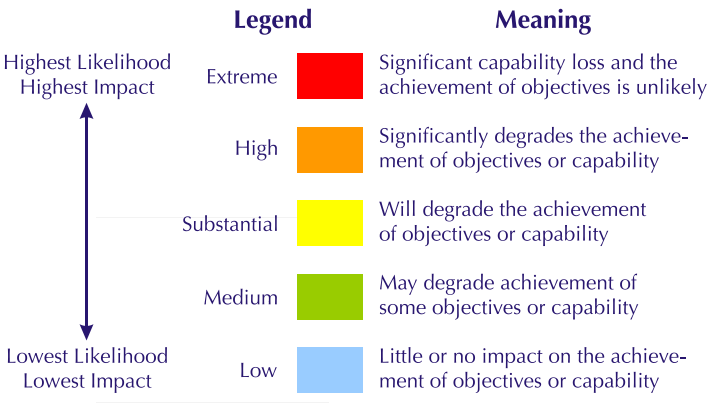


With Controls



Mitigation Matrix





Risk Assessment Rating Scales

Illustration 11

Measures of Likelihood

Rank	Likelihood	Description
1	Rare	May only occur in exceptional circumstances (e.g., less than once in fifteen years)
2	Unlikely	Could occur at some time (e.g., at least once in ten years)
3	Possible	Might occur at some time (e.g., at least once in five years)
4	Likely	Will probably occur (e.g., at least once per year)
5	Almost Certain	Expected to occur in most circumstances (e.g., more than once per year)

Measures of Impact

Rank	Description	Injuries	Financial Loss	Asset Loss	Interruption of Services	Reputation & Image	Performance Loss
1	Insignificant	No injuries	< $1M or < 1% of GOF/DOF Budget	Little or no impact on assets	< 1/2 day	Unsubstantiated, low impact, low profile or no news items	Up to 5% variation to Key Performance Indicators (KPI)
2	Minor	First aid treatment	$1M–$10M or 1% of GOF/DOF Budget	Minor loss or damage to assets	1/2–1 day	Substantiated, low impact, low news profile	5–10% variation to KPI
3	Serious	Medical treatment	$10M–$20M or 2% of GOF/DOF Budget	Major damage to assets	> 1 day to < 1 week	Substantiated, public embarrassment, moderate impact, moderate news profile	10–25% variation to KPI
4	Disastrous	Death or extensive injuries	$20M–$50M or 6% of GOF/DOF Budget	Significant loss of assets	1 week – 1 month	Substantiated, public embarrassment, high impact, high news profile, third party actions	25–50% variation to KPI
5	Catastrophic	Multiple deaths or severe permanent	> $50M or > 6% of GOF/DOF Budget	Complete loss of assets	>1 month	Substantiated, public embarrassment, very high multiple impacts, high widespread news profile,	>50% variation to Key Performance Indicators (KPI)

Illustration 12

REPORT ON ACTION ITEMS

MAY — JUNE 2007

ADVISORY COMMITTEE ON VIOLENCE PREVENTION

Illustration 12

REPORT ON ACTION ITEMS

MAY — JUNE 2007

RESOURCES

- **Roll out new escort service** [UW Police].

RESULT: Husky NightWalk launched on May 29. Received 168 calls since launch.

- **Establish team dedicated to violence prevention** [Advisory Committee].

RESULT: Violence Prevention and Response Program Manager and support staff appointed for ongoing program design, including developing education and communications program. New program manager started September 10.

- **Increase number of free counseling sessions** available to faculty, staff and academic student employees [HR, UW CareLink].

RESULT: Effective July 1, UW's contract with APS Healthcare increases the number of counseling sessions to five per incident. Counseling sessions are also available to family members of employees. New contract includes upgraded intake service where initial phone call is answered by a clinician.

POLICY

- **Review and possible consolidation of workplace and domestic violence policies** [HRAIS, UW Police, Rules Coordination Office].

RESULT: Two policies have been combined into the new UW Violence in the Workplace Policy and Procedure.

- **Streamline assessment completion** and protection order protocol [UW Police and HR Operations].

RESULT: Revised protocols have been developed and are in place. UWPD and HR Operations have established protocols for when/how protection orders are shared with the Violence Prevention and Response Team. UWPD is to be notified of all protection orders. The UWPD will notify the VP Manager to determine if an assessment is needed and/or any subsequent follow-up with the individual, supervisor and department head to discuss a safety plan.

COMMUNICATIONS

- **Establish a "whom to call" checklist** [HR Operations and UW Police].

RESULT: Committee recommended creating a single phone number for violence prevention. 685-SAFE is in place and is answered by the new Violence Prevention and Response Team from 8 a.m. to 5 p.m. and the Harborview Medical Center Crisis Line from 5 p.m. to 8 a.m. and weekends.

Bothell (425-352-SAFE) and Tacoma (253-692-SAFE) phone numbers activated on June 12.

- **Design and approval of "whom to call" posters** [HR Marketing & Communications and UW Marketing].

RESULT: 1500 posters printed; distribution started on June 8, and will continue into the fall quarter.

- **Streamline existing workplace violence checklist** on UWHR website [HR Marketing & Communications and HR Operations].

RESULT: Checklist updated to reflect new 685-SAFE resource.

- **Website launch** [HRAIS, Media Relations and Communications].

RESULT: **www.safecampus.washington.edu** site live as of June 8.

- **Enhance web search results** for violence prevention [HRAIS].

RESULT: Google bots have crawled and indexed the new safecampus website.

- **Campus-wide email from President Emmert** announcing early action items [Media Relations and Communications].

RESULT: Email sent on June 4.

- **Inventory of existing communication opportunities** in which a violence education component can be inserted [Advisory Committee].

RESULT: Professional and Organizational Development conducted inventory of violence prevention curriculum currently included in on-line and instructor led classes completed.

Advisory Committee on Violence Prevention
Report on Action Items May–June 2007 (continued)
Illustration 12

TRAINING

- **By request training** available to departments [UW Police and HR Operations].

RESULT: UWPD and HR Operations continue to provide training upon request. 21 presentations conducted for departments on Upper Campus since April.

- **Develop violence prevention notebook** for supervisors [HR Operations, UW Police, Student Life, UW CareLink].

RESULT: Violence prevention notebook to be published on Safe Campus website September 17.

VIOLENCE PREVENTION & RESPONSE TEAM AND SAFE HOTLINE STATISTICS

- 15 assessments from April 1, 2006 to April 1, 2007.
- 158 assessments and case reviews from April 4, 2007 to September 7, 2007.
- 133 calls into SAFE Hotline since inception:
  - 20% of calls considered serious risk;
  - 25% of calls considered medium risk; and
  - 55% of calls considered low to no risk (follow-up, various requests [e.g., posters] and questions).

ACTION ITEMS TO BE COMPLETED FALL/ WINTER QUARTERS

- **Create advocacy program**. New Victim Advocate position will reside with UW Police. Job description and classification is complete. Funding request is being included in the Provost's special request for funding that will go to the legislature in January.
- **Develop public information campaign** that promotes violence prevention resources. Communications plan for the campaign should include an inventory of communication opportunities in which a violence prevention component should be inserted.
- **Attend fairs** and other events to promote Safe Campus resouces. Wallet cards and magnets listing emergency response/resource phone numbers distributed.
- **Violence prevention lunchtime learning sessions** open to faculty, staff and students hosted by Professional and Organizational Development. Scheduled fall quarter.

SHORT, MID- AND LONG TERM CHALLENGES

SHORT TERM CHALLENGES

- **Ramp up time for new Violence Prevention and Response Program Manager**. Interim team has not completed documentation of all protocols and process due to heavier than expected call volume.
- **Funding for staff, resources and promotional materials.** To date, no funding has been received.
- **Roles and responsibilities of assessment team** need clarification and documentation.
- **Process to determine which cases require assessment team action**. Currently all cases are reviewed even if Violence Prevention and Response team assess the case at no risk.
- **Work with medical centers to ensure center-specific violence protocols** meet the needs of the University and the medical center(s).
- **Create a clear message** on how medical center staff should report non-urgent threats.

MID-TERM CHALLENGES

- **Ongoing outreach and training** to current UW community members to ensure Safe Campus resources are top-of-mind.
- **Outreach effort** that reaches new members of the UW community.
- **Clarification regarding Public Records/Attorney-Client Privilege/Confidentiality**: Are assessments attorney-client privileged? Will violence prevention database be subject to public records requests? Can we offer victims a level of confidentiality?
- **Iron out process** for situations involving patients and staff (HIPPA).
- **Work effectively across campuses** and constituencies taking "uniqueness" into consideration (contacts, policies, processes, systems, communities, and cultures).

LONG TERM CHALLENGES

- Identify the parameters of the program.
- Ensure the appropriate resources are allocated to carry out the mandates long-term.
- Sustain training and communication efforts over time.
- Assessment of program effectiveness.

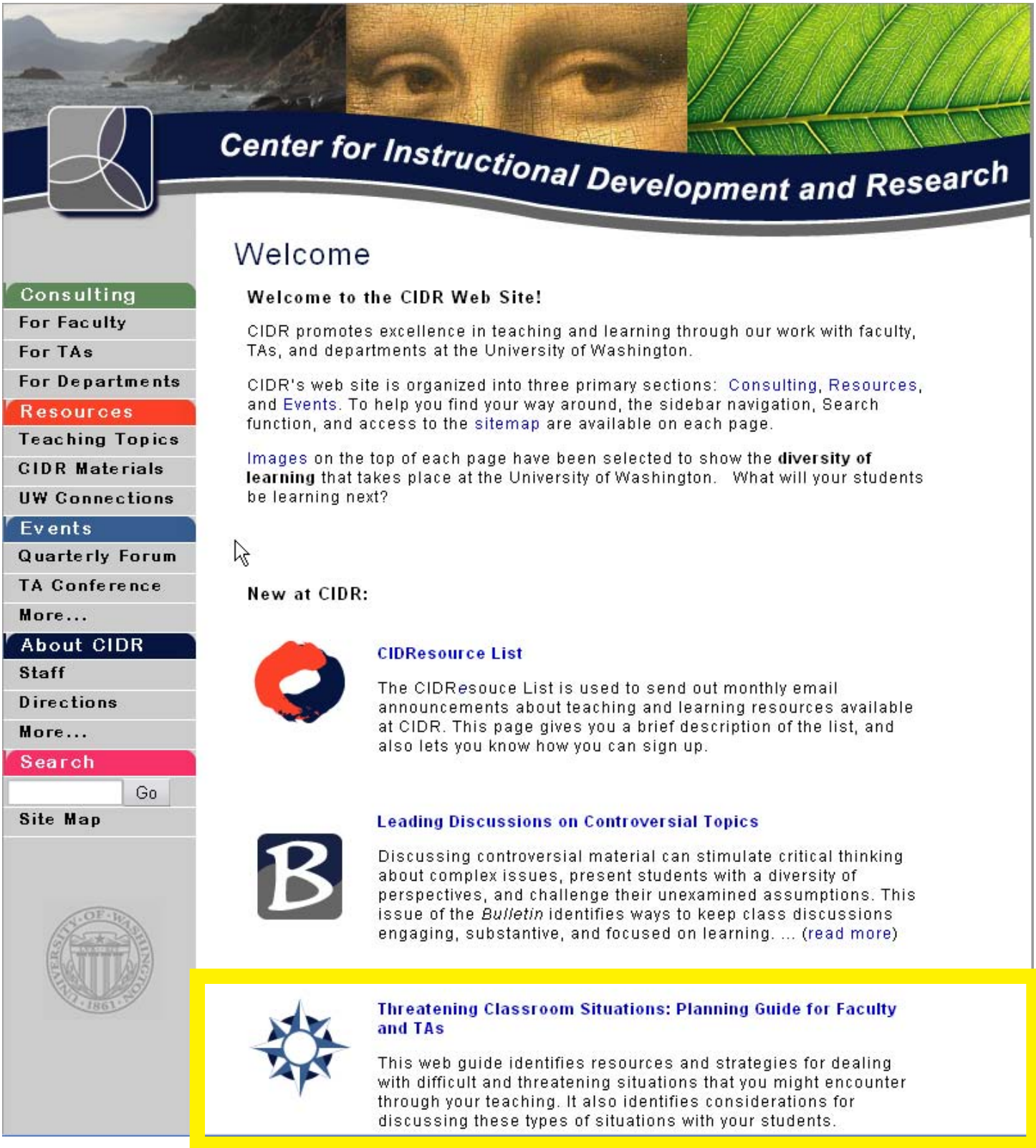
JANET BRODSKY—VIOLENCE PREVENTION AND RESPONSE PROGRAM MANAGER

Start Date: September 10.

Janet Brodsky is a Licensed Independent Clinical Social Worker with a Masters of Social Work (MSW) from the University of Washington. She most recently worked as the faculty coordinator for UW's Certificate Program in Psychological Trauma and is a Clinical Social Worker and owner of Seattle Trauma Associates. Janet also worked at Harborview for 13 years as a Clinical Social Worker and coordinator of the Traumatic Stress Program.

In 1995, Janet co-founded the Lake Washington Girls Middle School, a multi-ethnic, all-girls middle school. She has been awarded the UW Educational Outreach Teaching Excellence Award and was a nominee for the Crime Victim Service Award—the highest federal honor for victim advocacy.

As the UW's Violence Prevention and Response Manager, Janet will serve as the single point of contact for members of the campus community who have concerns regarding violence, and will ensure seamless triaging and connection of individuals with services or resources appropriate to their situation and need. Additionally, Janet will promote and increase early prevention, awareness, education and outreach efforts in order to foster a safer campus environment.


Center for Instructional Development and Research
Welcome
Consulting
For Faculty
For TAs
For Departments
Resources
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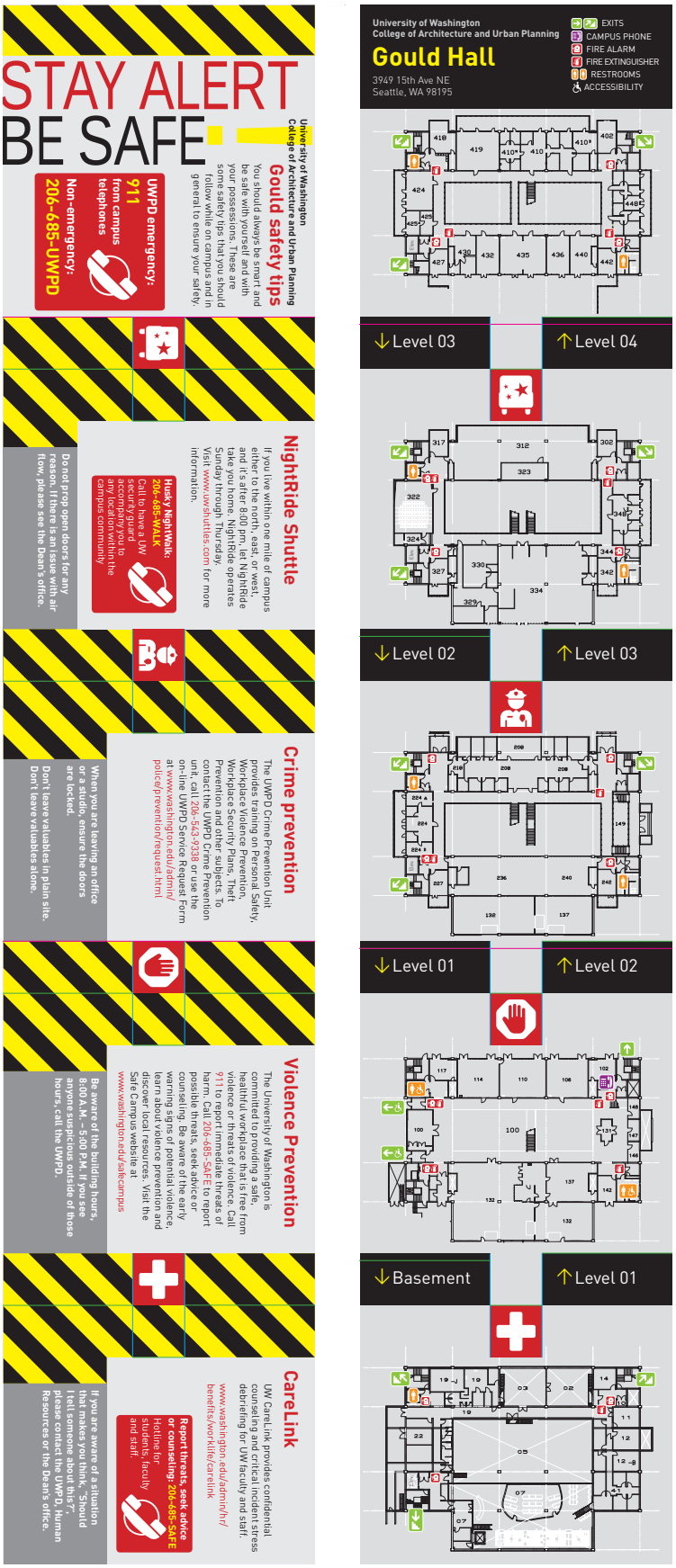
Welcome to the CIDR Web Site!
CIDR promotes excellence in teaching and learning through our work with faculty, TAs, and departments at the University of Washington.
CIDR's web site is organized into three primary sections: Consulting, Resources, and Events. To help you find your way around, the sidebar navigation, Search function, and access to the sitemap are available on each page.
Images on the top of each page have been selected to show the diversity of learning that takes place at the University of Washington. What will your students be learning next?
New at CIDR:
CIDResource List
The CIDResouce List is used to send out monthly email announcements about teaching and learning resources available at CIDR. This page gives you a brief description of the list, and also lets you know how you can sign up.
Leading Discussions on Controversial Topics
Discussing controversial material can stimulate critical thinking about complex issues, present students with a diversity of perspectives, and challenge their unexamined assumptions. This issue of the Bulletin identifies ways to keep class discussions engaging, substantive, and focused on learning. ... (read more)
Threatening Classroom Situations: Planning Guide for Faculty and TAs
This web guide identifies resources and strategies for dealing with difficult and threatening situations that you might encounter through your teaching. It also identifies considerations for discussing these types of situations with your students.

Sample Safety Brochure: College of Architecture and Urban Planning

Illustration 14



Summary of Research on Compliance Reporting Lines in Higher Education
Spring 2007
Illustration 15

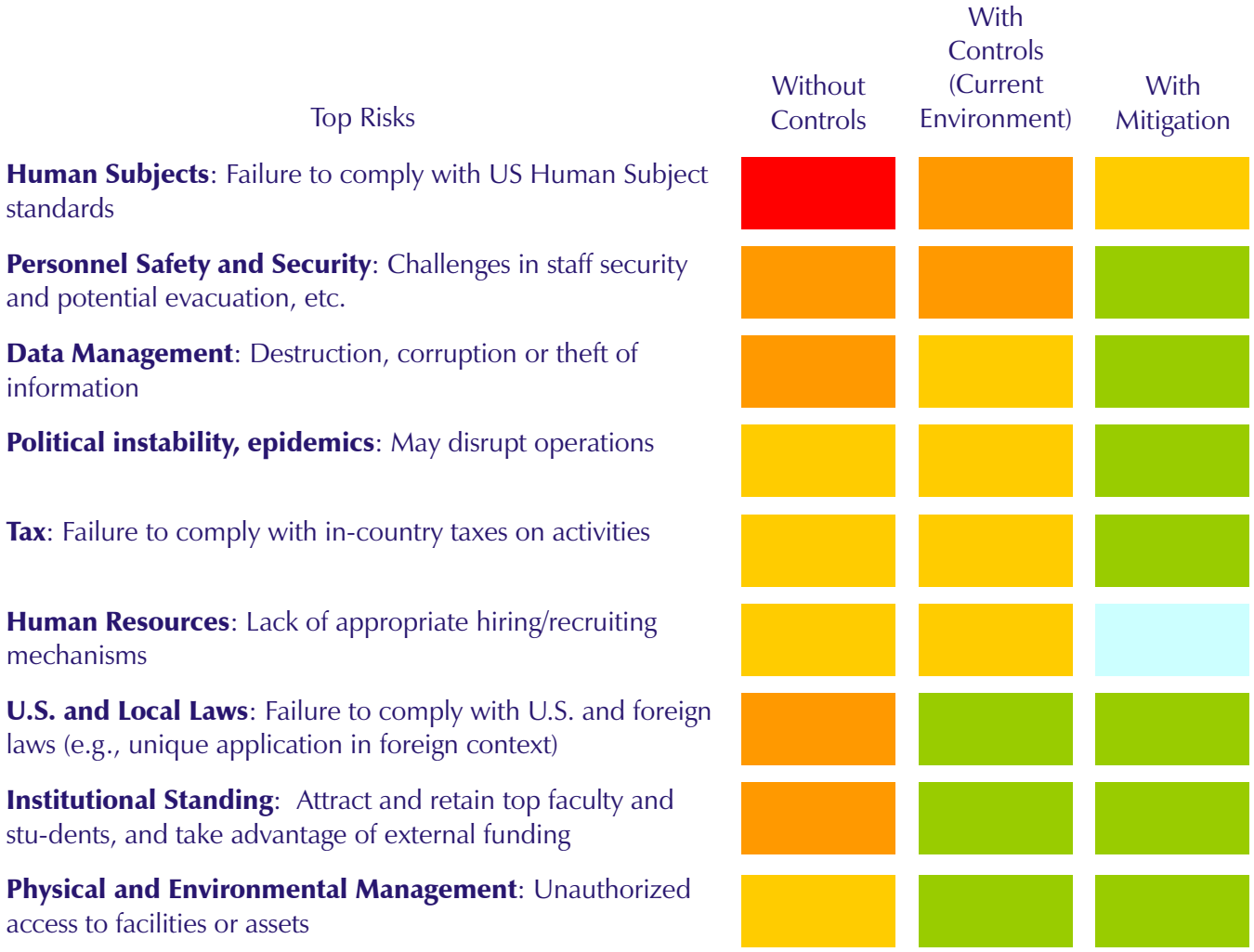
UW reviewed information about compliance reporting lines at seventy-six other universities that was published on their websites.

	If specifically cited as: Included	Excluded
Topics generally accepted:		
Human Resources	28	15
EHS	30	2
Research	27	
Athletics	24	
Information Technology	23	
Conflicts of Interest	18	
"Medical" (safety, privacy, billing)	10	
Development	3	
Topics generally not accepted:		
Faculty matters/grievances		7
Student conduct/grievances (grades)		7

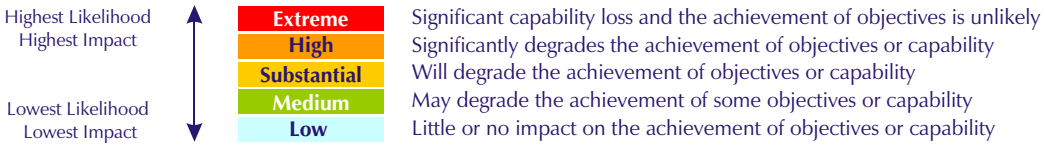
At least 65 of these universities (85%) outsource the reporting line service, often including an anonymous web reporting option as well as telephone line for reporting complaints.

Global Activities Summary Risk Picture

Illustration 16



Rating Validation: **BASIC** level, a first effort to identify risks associated with part of UW's global activities, primarily those related to research programs. Leveraged knowledge of existing Global team to identify and assess these risks.



Prepared February/March 2007 by Global Activities Team:

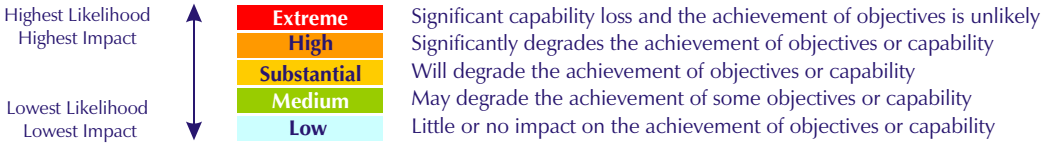
Constance Adams, Ann Anderson, David Fenner, Susan Jeffords, Kate Riley, Bill Nicholson, Linda Nelson, Lawrie Robertson, Jeanne Semura, Sally Weatherford, Carol Zuiches

IT Security Risk Summary Risk Picture

Illustration 17

Top Risks	Without Controls	With Controls (Current Environment)	With Mitigation
Computing Systems: Loss, disruption or unauthorized use of computing resources			
Network/Telecommunications: Loss, degradation or unauthorized access of network/telecommunication resources			
Data Management: Destruction, corruption or theft of information			
Organizational Authority: Unable to correct high risk incidents or behavior upon notice			
Organizational Authority: Unnecessary financial costs			
Contractual Compliance: Loss of merchant accounts			
Financial Penalties and Sanctions: Unquantifiable secondary costs (State law allows civil action)—judgments and settlements			
Strategic Business Partnering and Alliances: Missed legal and regulatory interests			
Strategic Business Partnering and Alliances: Missed business opportunities			

Rating Validation: **ADVANCED** level, based on expertise of risk owner, and involvement of outside expertise. Continuous monitoring of security risks and rigorous testing to validate that controls are effective. Comparison with industry best practices and benchmarks.

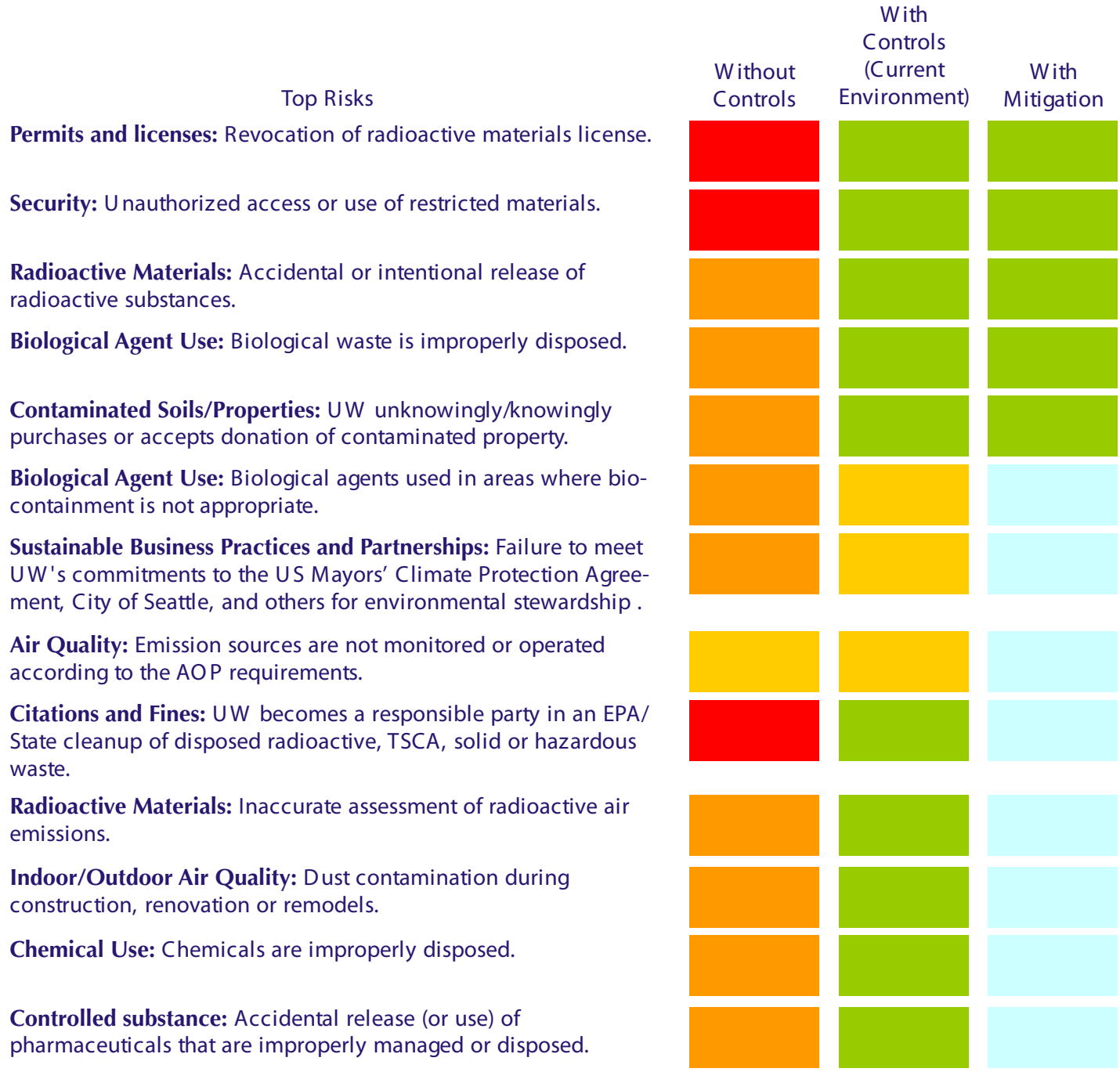


Prepared January/February 2007 by:

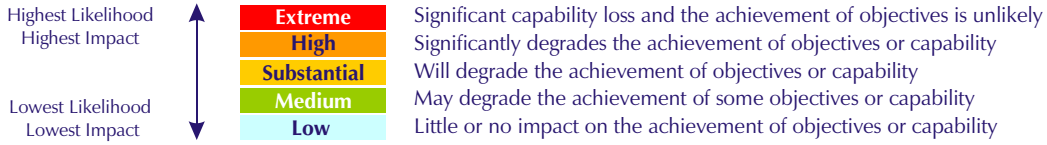
Kirk Bailey

Pollution Summary Risk Picture

Illustration 18



Rating Validation: **INTERMEDIATE** level. Excellent team expertise in all aspects of pollution, compliance requirements, current UW operations and controls. Known costs for clean ups, fines; experience with investigations and external regulators.



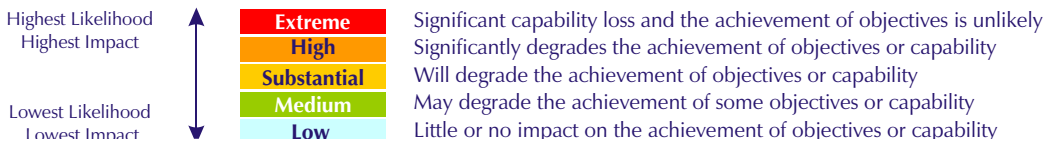
Prepared February-May 2007 by Pollution Topic Team:

John Chapman, Megan Kogut, David Lundstrom, Terry Nyman, David Ogrodnik, Shari Spung, AJ Van Wallendael, Karen VanDusen

Asbestos Summary Risk Picture

Illustration 19

Rating Validation: **INTERMEDIATE** level. Excellent team expertise in all aspects of asbestos management and disposal, compliance requirements, current UW operations and controls. Knowledge of history, fines with L&I; experience with relevant UW abatement projects.



Prepared February-April 2007 by Asbestos Topic Team:

Stuart Cordts, Jeff Davis, Ronald Fouty, Anne Guthrie, Megan Kogut, Jean Lee, Robert Lubin, David Ogrodnik, Saeid Rastegar, Denis Sapiro, Karen VanDusen

Post-Award Financial Administration Summary Risk Picture

Illustration 20

Top Risks	Without Controls	With Controls (Current Environment)	With Mitigation
Effort Reporting: Misrepresented effort, including cost share contributions, on sponsored agreements (e.g., effort claimed is not consistent with other measures of time expended). C11, C12			
Cash Management: Drawing or invoicing for unallowable or un-allocable costs. C9			
Penalties: Loss of expanded authority. F4			
Effort Reporting: FECs and Grant and Contract Certification reports certified late, certified inaccurately and/or not updated with salary transfers (RST). C14			
Funding: Delayed receipt of sponsor funding (e.g., withholding payments, loss of authorization to process letter of credit draws, etc.). F2			
Deficits: Department responsible for costs. F6			
Human Resources: Staffing issues that lead to inaccurate handling of financial matters, missed deadlines and inadequate oversight on sponsored projects (e.g., turnover, inadequate workforce). O1			
Allowable Costs and Cost Transfers: Improper allocation of shared costs (e.g., lab costs, space rental, payroll). C1			
Funding: Loss of current and/or future grant funds, including F&A funds. F1			
Cost Sharing/matching/in-kind: Cost sharing commitments not met or not met in a timely manner. C6			

Rating Validation: **INTERMEDIATE** level based on depth of expertise of assessment team. Drew on extensive knowledge of peer institutions' audits and settlements; work plans of Offices of Inspector General for two primary sponsoring agencies, NIH and NSF. Assessment team included major research department administrators as well as central office experts.

Highest Likelihood
Highest Impact

Lowest Likelihood
Lowest Impact

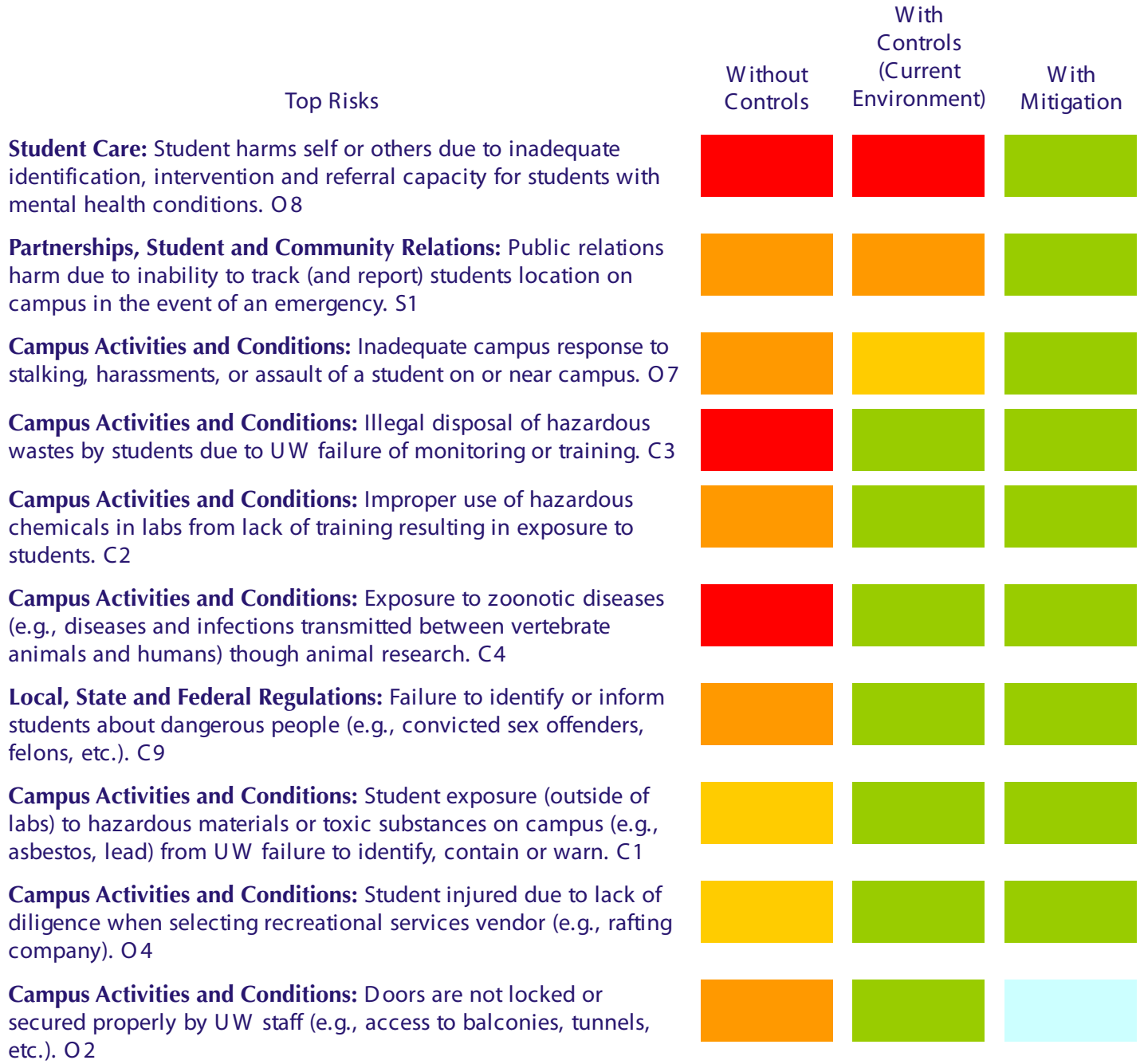
Extreme	Significant capability loss and the achievement of objectives is unlikely
High	Significantly degrades the achievement of objectives or capability
Substantial	Will degrade the achievement of objectives or capability
Medium	May degrade the achievement of some objectives or capability
Low	Little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

Prepared March–June 2007 by:

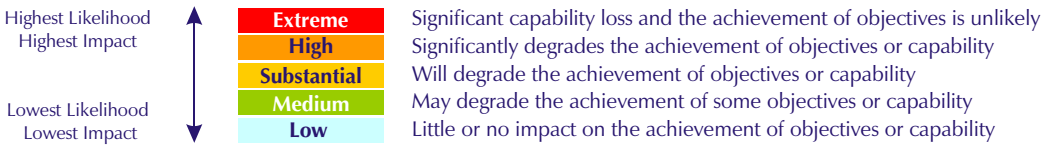
Patti Allen, Barb Byrne Simon, Sue Camber, Cristi Chapman, Nicole Flagg, Ted Mordhorst, Vicky Palm

Student Safety Summary Risk Picture

Illustration 21



Rating Validation: **BASIC** level; first effort to look at student safety issues broadly, and coordinate assessment among campus experts in several involved departments.



Prepared March–May 2007 by Student Safety Topic Team:

Phillip Ballinger, Paul Brown, Becky Bullock, David C. Dugdale, Jonathan Evans, Kimberly Friese, Darlene Feikema, Eric Godfrey, Kathryn Hamilton, Dyane Haynes, Aaron Hoard, Lincoln Johnson, Kay Lewis, Todd Mildon, John Pariseau, Vicky Stormo, Karen VanDusen

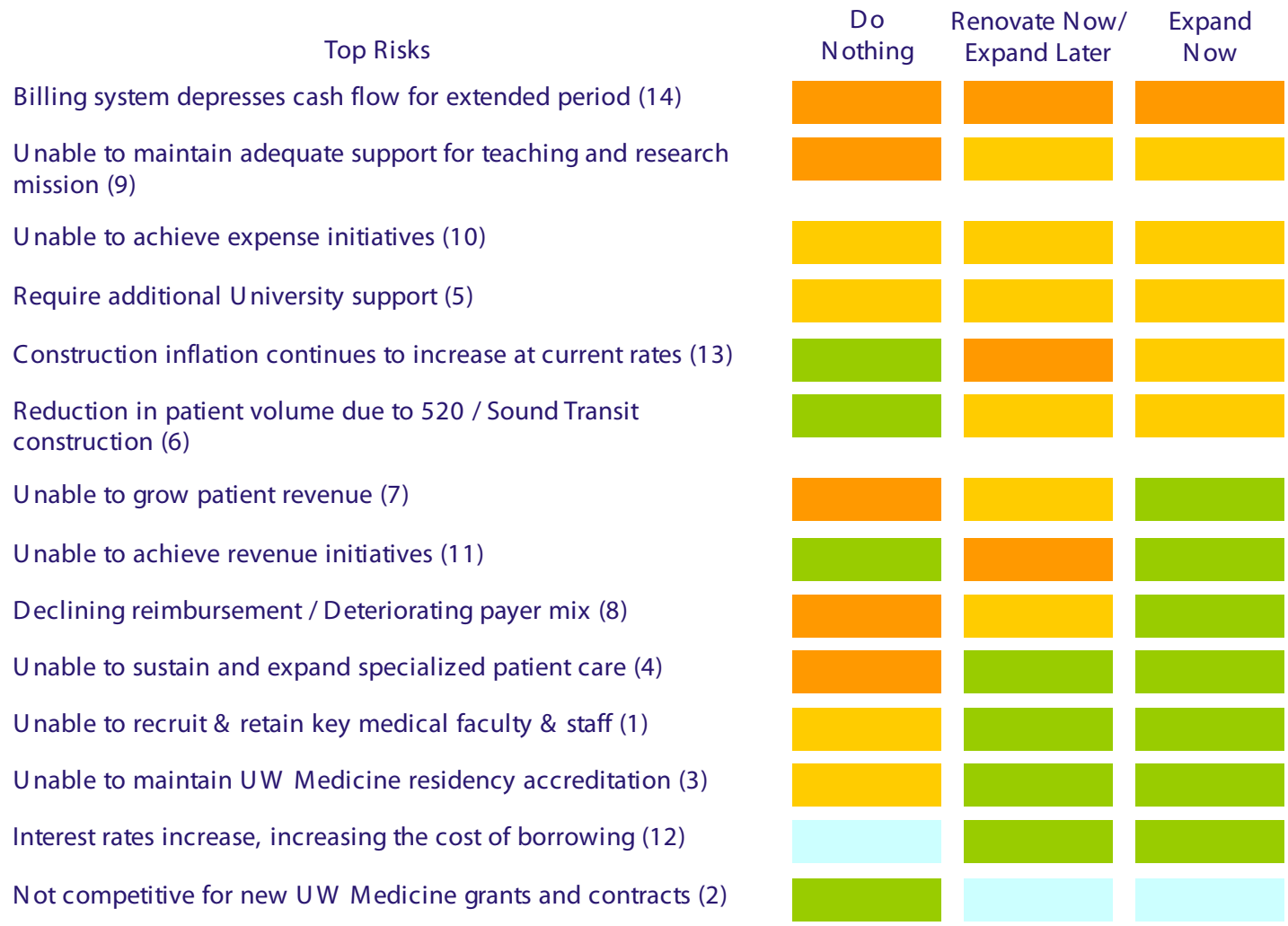
UWMC Alternatives Analysis—Risk Mapping Approach

Illustration 22

The UW Medicine Credit Analysis Team (UWMCAT) worked with the Enterprise Risk Management (ERM) Group to prepare an analysis of the various risks associated with the three UWMC options:

Option 1: No Expansion or Renovation ("Do Nothing")
Option 2: Renovate Now / Expand Later
Option 3: Expand Now

UWMCAT membership includes representation from SOM, UWMC, and the Treasury and Budget offices. The ERM group polled team members to evaluate a series of risk statements based on likelihood of occurrence and potential financial impact. The team determined that the lowest overall risk is associated with the Expand Now option, evaluated against the serious financial impacts of a degrading payor mix with the Do Nothing option and the higher costs and associated construction risk with the Renovate Now, Expand Later option. The results are presented below:



eFECS Summary Risk Picture

Illustration 23

Rating Validation: **INTERMEDIATE** level. UW experts analyzed audit experiences at peer institutions; estimated risk impacts for UW sponsored research programs. Innovative use of risk assessment to compare alternate mitigation plans, fix existing system vs. invest in new system.

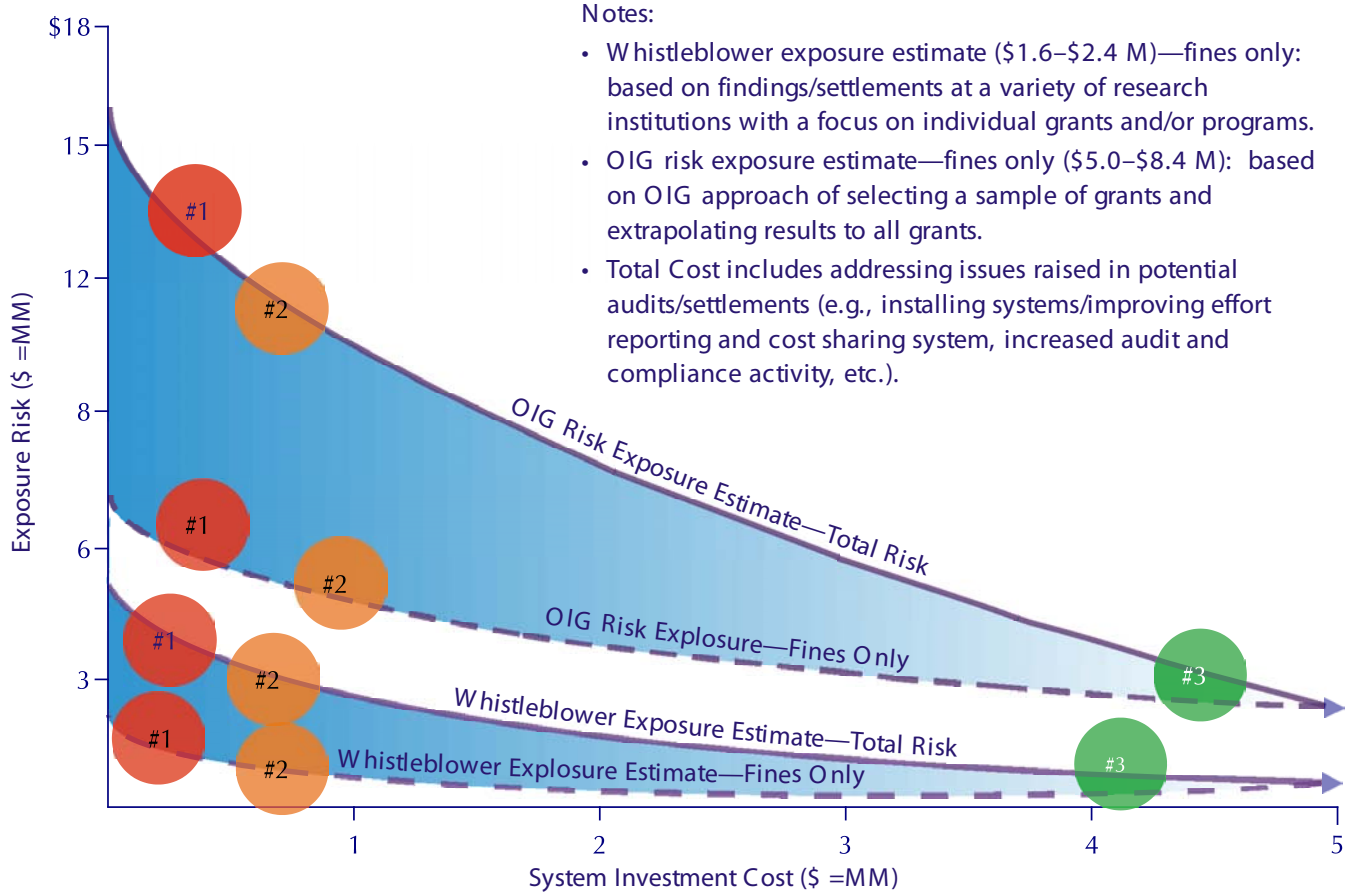
eFECS Exposure Risk & Mitigation Alternatives

Illustration 24

#1 Current Controls	#2 Fix Priority Issues with Existing Systems	#3 Comprehensive Solution
• Manual Process	• Correct errors in calculations	• Integrated approach for effort and cost share
• Data resides in multiple, aging mainframe systems	• Maintain mainframe data (slated for replacement)	• Automated certification process
• Requires redundant data entry and shadow systems	• Automate Retroactive Salary Transfers	• Online status tracking/reporting

Notes:

- Whistleblower exposure estimate ($1.6–$2.4 M)—fines only: based on findings/settlements at a variety of research institutions with a focus on individual grants and/or programs.
- OIG risk exposure estimate—fines only ($5.0–$8.4 M): based on OIG approach of selecting a sample of grants and extrapolating results to all grants.
- Total Cost includes addressing issues raised in potential audits/settlements (e.g., installing systems/improving effort reporting and cost sharing system, increased audit and compliance activity, etc.).



Environmental Health and Safety Strategic Risk Ratings

Illustration 25

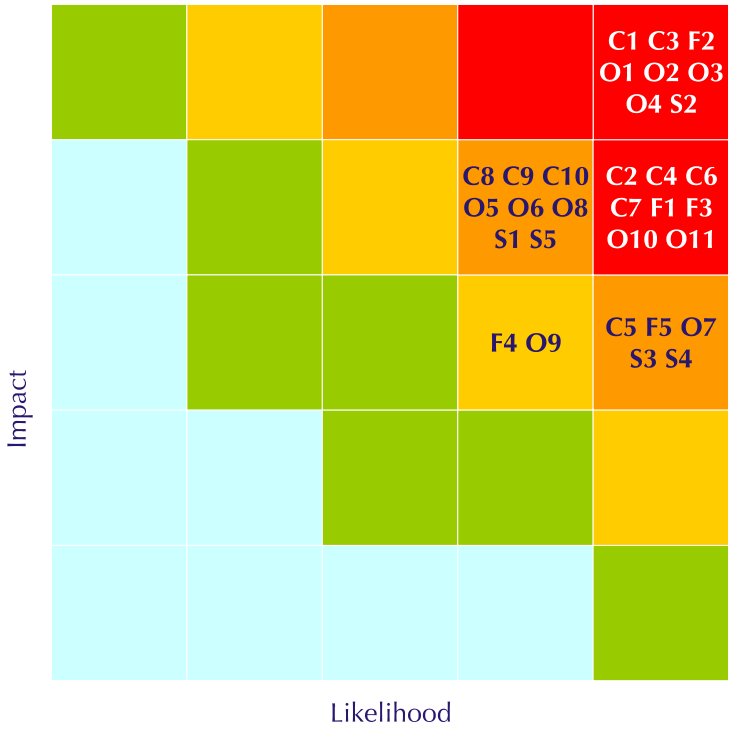
Environmental Health and Safety Dept Risk Rating—August 2007 (Catalyst response N=15)	Catalyst Results		
2. **Chemical spills**: Use and storage of chemicals can cause release and some exposure.	5.0	3.0	15.0
78. **Infectious Agent Use**: Agent use in wrong lab spaces with the wrong equipment.	5.0	3.0	15.0
64. **EHS Technical Resources for Expanding UW**: UW expansions fail to consider adequacy of/ resources for EHS oversight, support all locations.	5.0	3.0	15.0
6. **Chemical Waste Management:** Spills and illegal disposal from poorly managed chemicals.	4.0	3.0	12.0
27. **Fire/Explosion/Earthquake:** Fire, explosion or earthquake results in injury, loss of property, research and business interrupt/ bad PR.	3.0	4.0	12.0
35. **Training:** Employees not aware that training is needed and/or lack of compliance with training requirements within departments.	5.0	2.4	12.0
48. **Chemical Spill/Release:** Faculty, staff, students injured, property damaged, or regulations violated e.g., spills/release might be under reported. Property and equipment can be contaminated without knowing.	4.0	3.0	12.0
49. **Work on Energized Equipment:** Employees and students injured by preventable incidents with energize circuits.	3.0	4.0	12.0
50. **Asbestos:** University is found out of compliance with L&I regulations resulting in fines, and potentially contaminating faculty, staff, students, guests.	4.0	3.0	12.0
51. **Training:** Employees injured because of lack of understanding safety precautions and practices.	4.0	3.0	12.0
52. **Hazard Communication:** Faculty, staff, students injured from working with chemicals or chemical products and regulators could find fault.	4.0	3.0	12.0
54. **Lab Safety:** Lab workers injured from preventable incidents and a potential for loss of research.	4.0	3.0	12.0
55. **OHS Records:** Accurate records not located during a compliance inspection.	4.0	3.0	12.0
67. **Campus Partnerships:** EHS left out of critical decision and policy making results in added/unnecessary costs, inefficient or inappropriate services because of inadequate EHS referral.	4.0	3.0	12.0
68. **Occupational Health (OH):** Employees do not get needed or mandated surveillance.	4.0	3.0	12.0
86. **OH Research:** Employee with immunocompromised condition gets seriously ill.	3.5	3.2	11.2
81. **Infectious Agent Use:** Research staff don't practice biosafety principles/practices.	3.5	3.1	10.9
30. **Hazardous Materials Storage:** Storage location and containers do not conform and quantities exceed that allowed by Fire Code resulting in citation and fine and greater risk for injury, death, property damage.	3.4	3.0	10.2
3. **Environmental contamination:** Construction methods result in soil and water contamination.	3.5	2.8	9.8
71. **OH Blood borne Pathogen (BBP) and Exposure Control Plan (ECP):** Employees, students, visitors have an exposure incident and do not receive appropriate or timely post exposure evaluation.	3.5	2.8	9.8

Institution-Wide Risk Map

Illustration 26

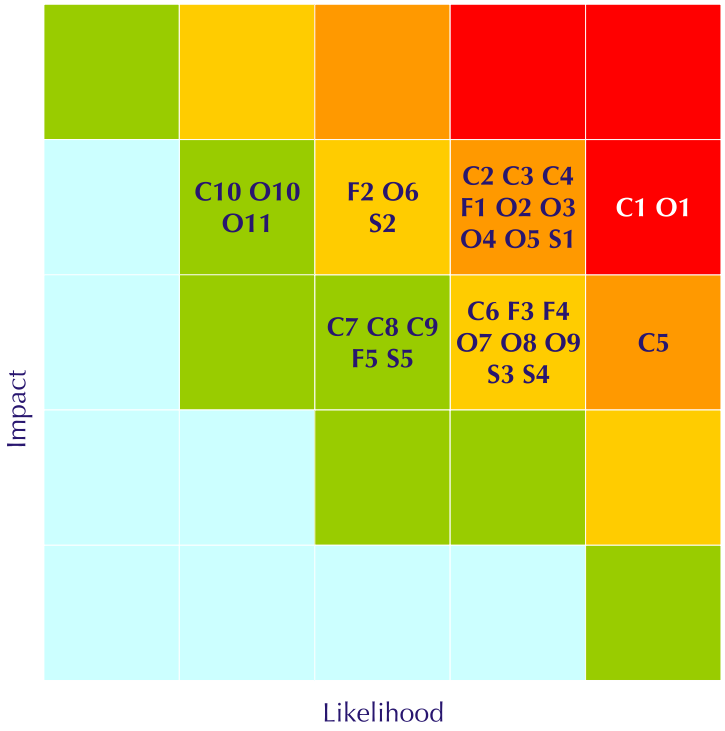
Institution-wide Risk Map Without Controls

A risk map without controls is a "worst case scenario" assessment that ignores any internal controls that are in place



Institution-wide Risk Map With Existing Controls

A risk map with controls is an "expected case scenario" assessment that considers the effectiveness of all internal controls



Institution-Wide Risk Map (continued)

Illustration 26

Compliance Risks

C1: **Post Award Financial Administration**: Misrepresented effort, including cost share contributions on sponsored agreement

C2: **Post Award Financial Administration**: Drawing or invoicing for unallowable/unallocable costs

C3: **Global Support**: Failure to comply with US Human Subject Standards

C4: **Post Award Financial Administration**: FECs, Grant Certification late, inaccurate or not updated

C5: **Asbestos**: Failure to label asbestos containing materials

C6: **Asbestos**: Improper disturbance of asbestos that leads to contamination

C7: **Student Safety**: Illegal disposal of hazardous waste by students

C8: **Pollution**: Biological waste is improperly disposed

C9: **Student Safety**: Improper use of hazardous chemical in lab; exposure to students

C10: **Pollution**: Accidental or intentional release of radioactive substances

Financial Risks

F1: **Post Award Financial Administration**: Delayed receipt of sponsor funding

F2: **Post Award Financial Administration**: Loss of expanded authority

F3: **IT Security**: Unquantifiable secondary costs (State law allows civil action), judgments and settlements

F4: **Global Support**: Failure to comply with in-country taxes

F5: **Pollution**: UW unknowingly/knowingly purchases or accepts donation of contaminated property

Operations Risks

O1: **Student Safety**: Student harms self/other due to inadequate identification intervention and referral capacity for students with mental health conditions

O2: **IT Security**: Loss, disruption, unauthorized use of computing resources

O3: **IT Security**: Loss, degradation or unauthorized access of network /telecommunication resources

O4: **IT Security**: Destruction, corruptions or theft of information/infrastructure

O5: **Global Support**: Challenges in staff/student security, evacuation, etc.

O6: **Student Safety**: Inadequate campus response to stalking, harassment or assault of a student on or near campus

O7: **Asbestos**: Facility shutdown or delay due to disturbance of asbestos

O8: **Global Support**: Destruction, corruption or theft of information / infrastructure

O9: **Global Support**: Political instability, epidemics disrupt operations

O10: **Pollution**: Revocation of radioactive materials license

O11: **Pollution**: Unauthorized access or use of restricted materials

Strategic Risks

S1: **Student Safety**: Public relations harm due to inability to track and report students' locations on campus in an emergency event

S2: **IT Security**: Unable to correct high risk incidents or behavior upon notice

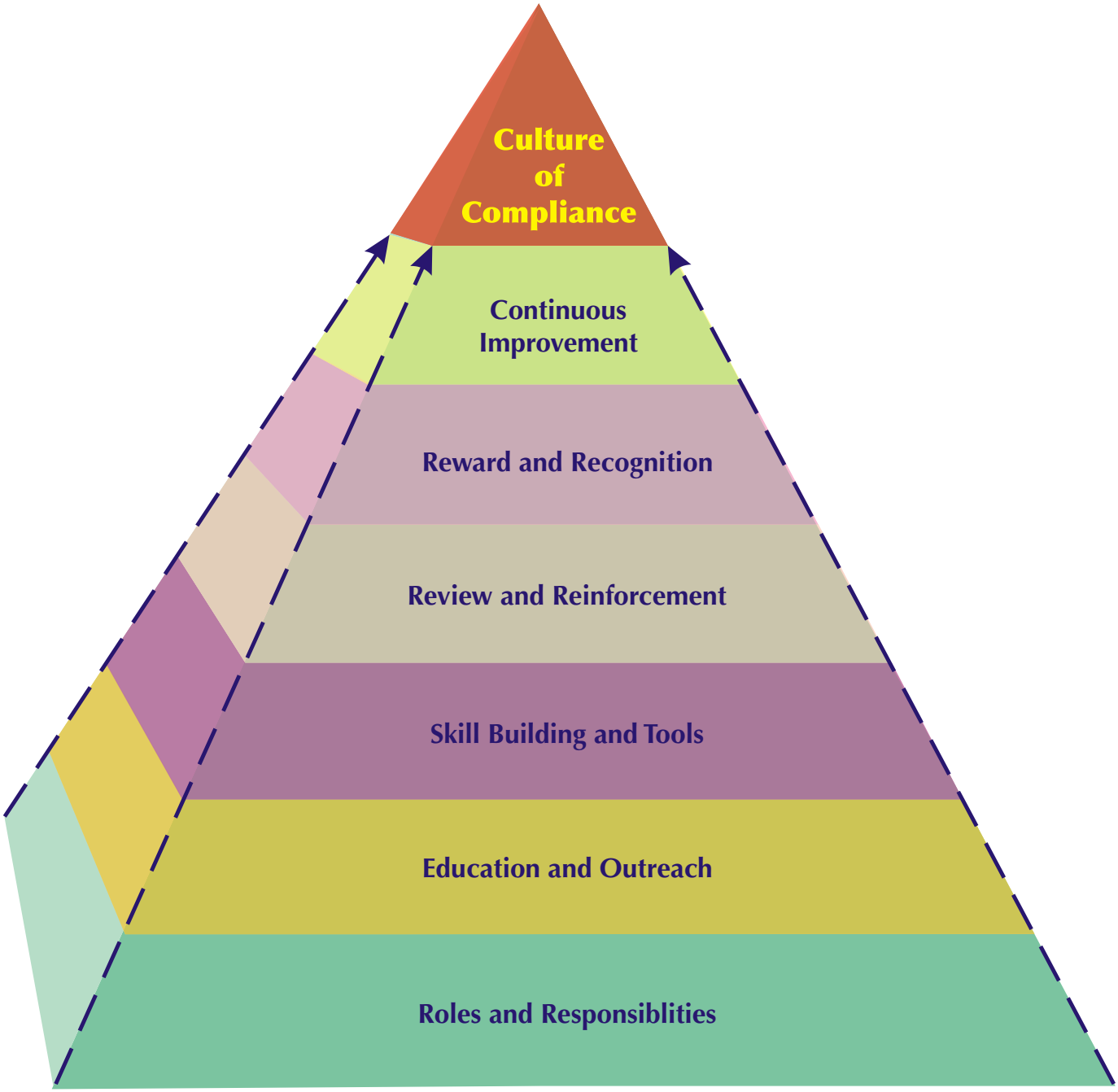
S3: **IT Security**: Unnecessary financial costs

S4: **Pollution**: Failure to meet UW's commitments for environmental stewardship and sustainability

S5: **Global Support**: Attract and retain top faculty/students, and take advantage of external funding opportunities

UW Compliance Pyramid

Illustration 27



Letter from President Emmert

April 22, 2005

Deans and Cabinet members,

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. As a number of you are aware, we have been working on these matters for some months now; making progress to be sure, but with much more to do. To this end, I make the following comments.

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 have an organizational culture that follows rule and regulations not just because they fear the regulation "police," but because it is the right thing to do, and because that is what we do at the UW. Similarly, we need to know that the manner in which we manage regulatory affairs is consistent with the best practices in existence, both in terms of how we assure compliance and also in terms of how we serve our faculty, staff and students. Compliance cannot and will not be compromised for the sake of expediency. On the other hand, there is no reason why effective compliance cannot be assured in a manner that promotes effective use of people's time and energy. We do not need or want another layer of bureaucracy. We do not need or want to create the regulatory police. But neither can we—or will we—accept anything less than complete confidence that we are in compliance with all the regulations within which we must operate.

To this end, we need to do several things. First, we need to continue the good work that is now underway. We have made very good progress on several fronts, including medicine and athletics. These good efforts need to be recognized, supported and driven to conclusion. Second, we need to move forward with the process we started last fall when we asked V'Ella Warren to develop proposals regarding best practices in this regard. This process has moved along well. Their preliminary assessment provides what I believe is a very useful framework for shaping a university-wide effort and discussion about actions needed. The framework includes creating an institutional compliance council and the creation of a model for identifying compliance issues in advance. It also proposes an early intervention program and enhancing staffing to make the process work well for users. Such an effort must be consistent with the principles outlined above. Moreover, it needs to work closely with those most directly impacted (deans, faculty, coaches, and staff) to make certain we are headed in the right direction. I am, therefore, asking V'Ella and David Hodge to immediately begin working through this framework to determine if it provides the elements and process that we need to move forward. David and V'Ella will be provided with the resources (including colleagues) they need to do this critical task. I am asking that they finish this work this quarter, if possible. We will need the help and cooperation of all of you to get this done.

Thanks,

Mark Emmert

Executive Summary Collaborative Enterprise Risk Management: 2/13/06

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

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

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

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

Conceptual Framework. There are two models which might serve as a framework for the UW. The first, and recommended approach, is enterprise risk management (ERM)[2] which views risk holistically rather than functionally, covers all risk types, and takes an institution-wide perspective. This approach integrates risk into the strategic deliberations of senior leaders and Board members. The second is a centralized compliance model, built on guidelines in federal law (the Federal Sentencing Guidelines). This approach, while institution-wide, focuses exclusively on compliance.

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

---

[1] President Mark Emmert, "Emmert Launches Leadership Initiative," University Week, April 7, 2005.

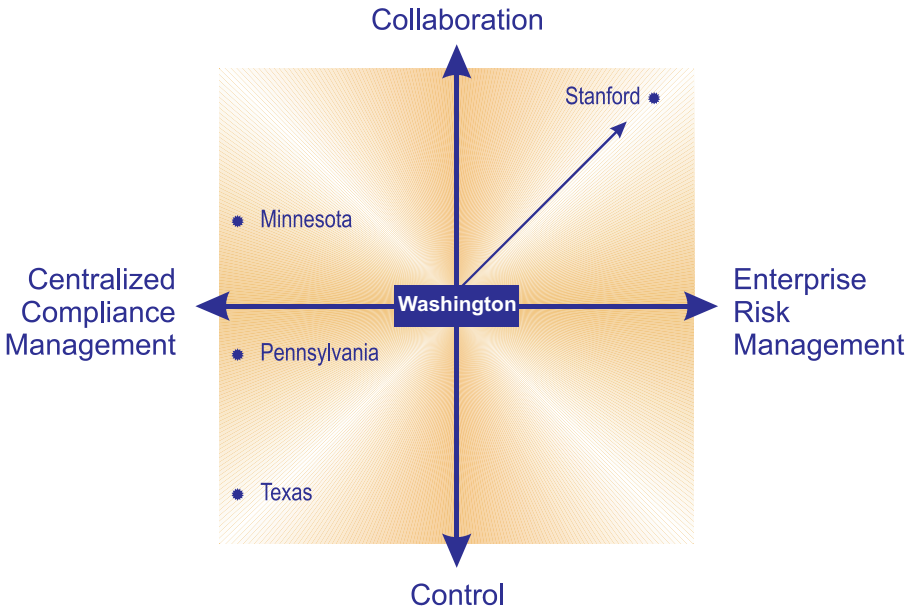
[2] This approach is also called strategic risk management.

[3] Risk and Insurance Management Society, Inc (RIMS) and Marsh, Inc. Excellence in Risk Management: *A Qualitative Survey of Enterprise Risk Management Programs*, April 2005.

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

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

Approaches to Compliance



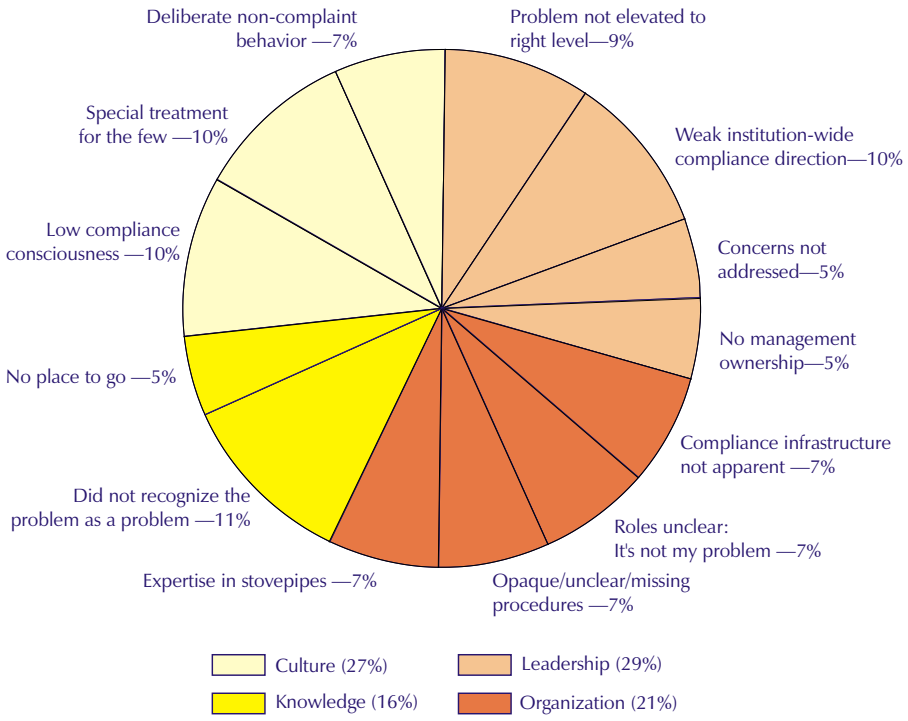
While Stanford is the only institution which describes its approach as enterprise risk management, the other three universities have elements of this approach. Minnesota has had a series of broad-ranging risk discussions with its Board. Both Texas and Minnesota have Compliance Councils, which bring together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

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

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

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

Root Causes for Noncompliance at the UW



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

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

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

- Engage in a risk mapping process at least annually, developing and tracking plans to address issues with "high impact" and "high likelihood."
- Initiate an annual risk dialogue with President's Cabinet, Board of Deans, Faculty Senate, and other key bodies for the purpose of sharing major risks (UW Risk Map), seeking feedback, and reporting on progress (UW Risk Plan and Risk Dashboard).
- Analyze events of unethical or noncompliant behavior, recommending changes in policy, organization, or information to prevent repetition.
- Coordinate with other initiatives (such as Leadership, Culture and Values and Undergraduate Student Experience) to strengthen the leadership and culture of integrity and compliance. Possible common work might include a UW Code of Conduct.
- Update the Board of Regents periodically.

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

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

2b. Establish a Compliance Council chaired by the Director of Audit and Compliance, which will:

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

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

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

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

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

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

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

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

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

4c. Introduce an early intervention program.

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

5a. Provide an automated tool for self-assessment to campus leaders. [4]

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

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

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

[4] Seattle Cancer Care Alliance has licensed a tool developed by the University of Minnesota.

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

7a. Develop and analyze data for key risks.

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

Conclusion. In his charge letter of April 22, 2005, President Mark Emmert stated that … "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." He went on to say that at the same time … "we need to know that the manner in which we manage regulatory affairs is consistent with the best practices in existence."

The objective of this paper is to address that challenge, ensuring that the UW creates an excellent compliance model based on best practices, while protecting its decentralized, collaborative, and entrepreneurial culture. The paper presents a conceptual framework for thinking about institution-wide risk management. That framework is followed by information on approaches used by other research universities, featuring vignettes from Stanford University, University of Texas, University of Minnesota, and University of Pennsylvania. Then the UW's current situation is described, including lessons learned from recent UW problems. That analysis reveals persistent patterns and suggests that the root causes of noncompliance at the UW can be classified into one of four categories: leadership, organization, knowledge, and culture. Finally, the paper has proposed a collaborative, institution-wide risk management model and lays out recommendations for implementing that proposal.

These proposed changes are not intended to replace what already works across the university. Rather they are intended to augment the existing organization with thoughtful direction, collaboration, and communication on strategic risks. This proposal identifies opportunities to strengthen the existing UW efforts by providing a central focus (President's Advisory Committee and Compliance Council), access to good information (websites, newsletters, hotlines, Compliance Council discussions), simple but effective tools (risk maps and plans, metrics, self-assessment approaches), and opportunities for leaders and subject matter experts to deliberate on risk, integrity and compliance issues.

At its core, the UW community is bound together by the shared reputation of the institution. Each member of the community contributes to that reputation and benefits from the contributions of others. Faculty, staff and students work hard to achieve preeminence in their fields, and in the process set the highest standards of intellectual rigor for themselves and their colleagues. It is that excellence which is reflected in the UW's reputation. Outcomes that reveal noncompliant activities diminish the regard with which the institution is held, obscuring the excellence of the work being done.

Critical to future success is the energetic, entrepreneurial culture of the UW, which is both decentralized and collaborative. Yet for that decentralized model to be sustainable, mechanisms must be created to develop, reinforce, and refresh common goals and values. Commenting on that important balance between commonality and individuality, Provost Phyllis Wise noted that … "distributed leadership requires shared values and a sense of community."[5] The actions proposed in this paper engage the UW community in sharpening its common viewpoint and approaches to risk management and, in the process, strengthening the culture of compliance at the UW.

Provost Wise has stated: "We want to incorporate the strengths of the people here, making a community that is stronger than the sum of individual effort."[6] This proposal is offered with the belief that its recommendations will contribute to that synergy, strengthening the UW's community, reputation, and leadership. It is offered with the hope of preventing damaging, noncompliant events from distracting faculty, students and staff from … "our special work"— … "the biggest, most complicated, most challenging questions and problems of the 21st century."[7]

12/17/2007

[5] Leadership, Culture and Values Initiative: A Report to the UW Community, 2005

[6] LCV Initiative: A Report to the UW Community, 2005

[7] Emmert, Mark (President, University of Washington), Address to the University Community, November, 2004.

Enterprise Risk Management (ERM)

A Presentation to the Board of Regents
February 15, 2007

by

V'Ella A. Warren
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

Why Is a Culture of Compliance Important?

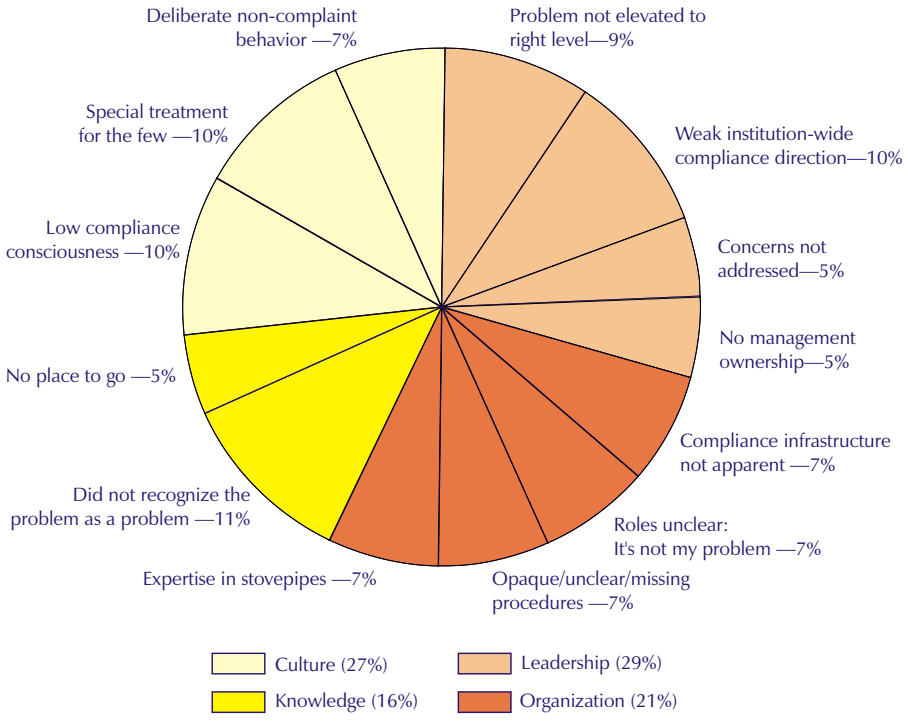
The University of Washington's (UW's) excellence is reflected in the institution's reputation. Creation of a strong model for compliance and risk management which encourages a culture of deserved trust will:

- 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 President [1] asked the Dean of Arts & Sciences [2] and the Vice President for Financial Management [3] 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 non-compliance events stem from persistent weaknesses in leadership, organization, culture, and knowledge.

Root Causes for Noncompliance at the UW



[1] Mark Emmert, [2] David Hodge, [3] V'Ella Warren

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 Managment (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)?

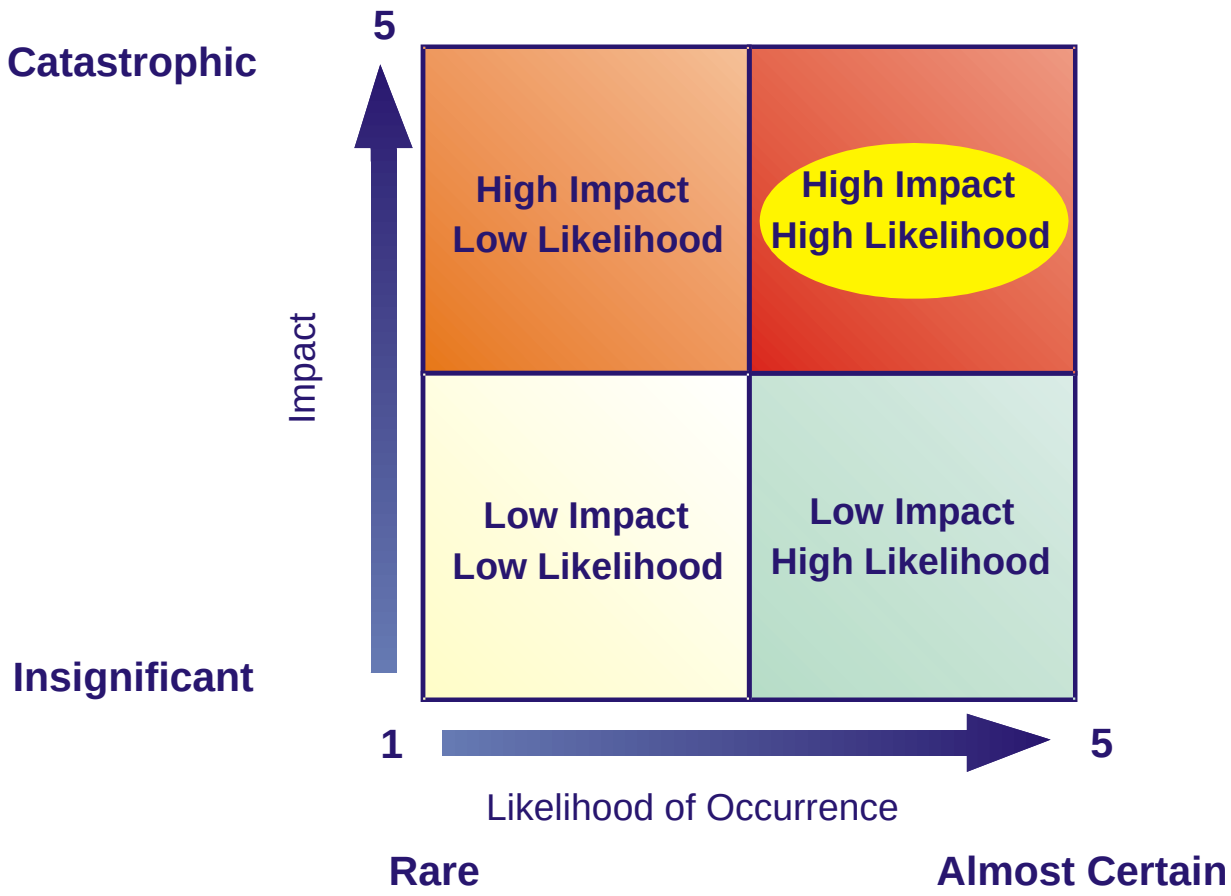
- ERM integrates risk into strategic deliberations, identifying the interrelations of risk factors across an organization's activities. Characteristics include:
  - Assessing risk in context of strategic objectives.
  - Viewing risk holistically, not functionally.
  - Covering all risk types: *compliance,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

What 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, Inc., April, 2005

What Is a Risk Map?



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 recommendations to the President.
- The recommendations were discussed with 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.

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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

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

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