UNIVERSITY *of* WASHINGTON

University of Washington

ENTERPRISE RISK MANAGEMENT

2012 ANNUAL REPORT

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July 11, 2013

TO: **President Michael Young**

FROM: **President's Advisory Committee on Enterprise Risk Management**

SUBJECT: **Enterprise Risk Management 2012 Annual Report**

This has been an incredible year for the growth in the Enterprise Risk Management (ERM) program at the University of Washington (UW). We have seen broader consideration of risk in decision-making and the continued evolution in the use of metrics and data to evaluate operational effectiveness and strategic initiatives.

We look back at 2012 as a year of significant progress in advancing the maturity of our enterprise-wide risk management processes. This year's growth in UW ERM arises from President's Advisory Committee on Enterprise Risk Management (PACERM) meetings, small group discussions, and use of real-time audience response survey instruments and industry best practices to identify the top 15 most important risks facing the institution. In total, we engaged more than 60 UW senior leaders, including the Compliance, Operations and Finance Council (COFi Council), and other subject matter experts to refine over 70 institutional performance measures, identify tolerance, and most critically, to engage stakeholders in developing consensus. This will establish an important baseline to support targeted mitigation going forward.

Additional efforts, with leadership from Finance and Facilities and the Office of Planning and Budgeting, made significant progress to develop a financial forecasting model that will enable data-driven analysis of strategic opportunities and risks.

The growth and accomplishments of ERM in 2012 are a direct reflection of your interest in this work. We appreciate the support and input you have provided as we have developed, for example, more robust institutional metrics and financial modeling, and your continued interest in ensuring safety on campus, and in encouraging continued expansion of a culture of compliance for the University community.

Over the next year, PACERM will continue refinement of the institutional metrics and top risks with dashboards to ease monitoring, with primary effort focused on analysis and mitigation of key areas of concern. We will also help to support efforts towards achieving institutional strategies and objectives using data to measure progress.

I. EXECUTIVE SUMMARY

Events across college campuses, such as natural disasters, major compliance failures, technology breaches, and crime on or near campus, have an increasing number of college and university leaders re-examining their approaches to risk management in an effort to become better informed and more prepared to address emerging threats to their institutions.

The UW is no exception to these efforts. With its inception in 2006, the Enterprise Risk Management (ERM) program at the UW set out to achieve 8 key goals:

1. Integrate key risks into the decision-making deliberations of senior leaders and Regents,
2. Create an integrated, institution-wide approach to compliance,
3. Ensure that good information is available for campus community,
4. Create a safe way for interested parties to report problems,
5. Minimize surprises by identifying emerging compliance and risk issues,
6. Recommend solutions to appropriate decision-makers,
7. Check progress on compliance and risk initiatives, and
8. Maintain a strong audit team.

The ERM program itself has continued to evolve, developing structural mechanisms to support the 8 initial recommendations. For example, the President's Advisory Committee on Enterprise Risk Management, composed of executive leadership of the University, meet periodically to prioritize the risk areas for in-depth assessment, discuss key emerging risks, and share mitigation strategies. In addition, reporting to the PACERM, the Compliance-Operations-Financial Council brings together campus compliance experts to identify compliance and risk issues, develop a common awareness of functional and strategic risks, and works to ensure good information is available to the University community with ultimate goals to enhance and strengthen UW's culture of compliance while protecting the decentralized, collaborative, entrepreneurial nature of our institution. In response to the 8th recommendation, the internal audit unit was augmented with additional staff, including increased focus on the clinical enterprise, to strengthen the audit function.

> **Events across college campuses, such as natural disasters, major compliance failures, technology breaches, and crime on or near campus, have an increasing number of college and university leaders re-examining their approaches to risk management ...**

The program continues to identify and incorporate best practices to assist in strengthening compliance, and most recently, to integrate metrics and data to facilitate the identification of top institutional risks. These efforts and others have led to increased management capability to address specific areas of concern and anticipate emerging risks.

The 2012 annual report highlights progress of the formal ERM program over the past year. In addition, and perhaps more importantly, this report summarizes and provides examples of broader institutional efforts to address both specific and strategic risk areas, demonstrating a growing institutional maturity and appreciation of incorporating best practices in risk assessment and mitigation. The report concludes with a look ahead to greater refinement of institutional success metrics, increased assessments of risks identified and continued expansion across the University to incorporate risk assessment into decision-making and strategic planning.

The work plan for 2013 – 2014, is to:

1. Quantify top risks, identify risk owners, and monitor with a dashboard that includes actionable metrics,
2. Charter efforts to address and mitigate selected top risk areas (e.g., lab safety),
3. Collect input from University executives about emerging risks, incorporating into existing dashboards, and
4. Select a limited set of key metrics to monitor the quality of the undergraduate education, financial health, core UW values, and mission-critical activities.

II. STRENGTHENING MANAGEMENT OF RISK AT THE UW

A. BACKGROUND

ERM at the UW began in 2006 by establishing a collaborative approach and structure to consider broad perspectives in identifying and assessing risk. This strategy has, in many respects, overcome common challenges with implementing ERM at universities, including:

- Addressing concerns about the real effectiveness of risk assessment,
- Moving past personal biases,
- Rationalizing (scarce) resource allocation, multiple bottom lines, multiple constituencies, inflexible funding and budget models,
- Getting agreement on definitions of impact,
- Seeking engagement from campus,
- Identifying risk "owners",
- Establishing accountability for risk mitigation,
- Moving beyond risk "discussion" and focusing on mitigation, and
- Identifying incentives to spur unit-level action.

The structure established to address these concerns includes the *President's Advisory Committee on Enterprise Risk Management* (PACERM) – senior leaders of the University whose role is to provide oversight for the ERM program, support improving the UW's culture of compliance, discuss top risk issues, review institutional metrics, and recommend actions to the President. Reporting to the PACERM is the *Compliance, Operations, and Financial Council* (COFi Council). COFi Council was created to nurture a more comprehensive institutional perspective on compliance, operations, and financial risk issues.

The first five years in the evolution of enterprise risk management at the UW were formative and included the following key activities:

- Developed a common language around risk,
- Conducted over 30 individual risk assessments, some focused on key opportunities and initiatives, including major research proposals,
- Focused discussion and mitigation of the Great Recession,
- Compared institutional financial strength (as gauged by Moody's Investor Services) against peers, and
- Drafted an initial compendium of enterprise-wide success metrics.

B. 2012: MATURING THE "CULTURE OF COMPLIANCE", IMPROVING SAFETY OF THE COMMUNITY AND TRANSFORMING ADMINISTRATIVE INFRASTRUCTURE

During the last year, the UW has demonstrated a broader utilization and alignment of "risk thinking" into a number of efforts across the institution, many coordinated external to the formal ERM program and structure and utilizing a variety of approaches, including:

- Establishing new, and/ or improving existing processes;
- Benchmarking emerging risks against peers and best practices,[1] and/or
- Eliminating risks altogether.

These activities underscore the growing ability of senior leaders and managers at the UW to identify risks, take action as needed and to monitor effectiveness of mitigation. In addition, these efforts suggest a maturation of the culture to a more sophisticated approach to managing compliance responsibilities, in ensuring the day-to-day safety of the university community, and in evaluating key institutional projects to transform critical administrative infrastructure.

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[1] A Practical Approach to Institutional Risk Management, Educational Advisory Board, University Business Executive Roundtable Risk Register 2012

Compliance

Although one is never "done" with compliance and a more integrated focus on compliance continues to evolve, the UW considers its role as a steward of the public's trust and resources as a critical component to successfully achieving its mission. Key areas, such as research, patient care, athletics, instruction and finance all have active and formal mechanisms for monitoring compliance with both internally and externally imposed requirements. The "tone at the top" at the University of Washington supports the commitment to excellence in this regard, to expanding the culture of compliance, and working towards instilling a sense that good stewardship is everyone's responsibility. Specific efforts over the last year to strengthen compliance in key areas include the following:

- **Title IX:** The Office of Risk Management established a program to coordinate assistance to units to ensure gender equity in academic programs.
- **Animal care:** Planning was initiated to develop a new multi-species Animal Research and Care Facility on campus to further advances in science and medicine and to strengthen compliance. The intent is to create a more centralized, efficient and flexible facility to address current and future research needs.
- **State procurement reform:** UW Financial Management staff played a leadership role in assisting the new Washington State Department of Enterprise Services to develop an innovative, risk-based approach to regulatory oversight over the purchase of goods and services in State government, including higher education. This model moves away from a one-size-fits-all approach to accountability and extends greater consideration of risk mitigation capabilities within agency procurement programs.

Safety

The UW is both a safe place to work, study and visit, and a place where continuous improvement in ensuring a safe community will always be a critical foundation to support all other activities. For example, the UW Police Department's (UWPD) statistics demonstrate that overall, incidents of crime have decreased over the last 5 years.[2]

Capital construction experienced its second busiest year on record in 2012, while at the same time, achieving a long standing goal of having a total incident rate of less than 2 (e.g., 1.41). Lost time incident rates also continued to decline, and are currently just 17% of the average for the State of Washington. Additional efforts to improve safety in 2012 and early 2013 included the following:

- **Safety of minors:** An assessment coordinated by the Office of the President evaluated current programs and policies involving minors, and documented additional opportunities to strengthening existing protocols.
- **Student mental health:** Additional staff added in Student Life to manage increased demand for student mental health services.
- **Sexual assault prevention and response:** A committee charged by President Young in early 2013 to assess current protocols and where appropriate, draft an action plan to improve prevention and response to sexual assaults on campus.
- **Violence prevention and response program (VPRP):** Human Resources expanded its training efforts in 2012 by joining with the UWPD to successfully pilot active shooter response training.
- **Laboratory safety risk framework:** A pilot effort will be launched to develop a risk-based approach to manage safety in laboratories, identifying key elements and mechanisms necessary for achieving lower risk profiles within labs.
- **Patient care:**
  - Advancement of an electronic dashboard tool for monitoring and reporting of the UW Medicine Patients Are First. The dashboard incorporates quality & safety data, with drill-down capabilities for physician quality of care and patient satisfaction data.
  - Successful completion of the first series of Patient Safety Innovation Program (PSIP) grants for promising pilot projects that promote collaboration between clinicians and researchers to explore solutions to patient safety and quality of care challenges. An example of a recently completed project is "Highlighting Radiology Critical Results in UW Medicine Electronic Medical Records Systems".

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[2] www.washington.edu/admin/police/statistics_reports/AnnualReport.pdf

Infrastructure Management and Administrative Transformation

Over the last several years, numerous efforts have focused on strengthening administrative infrastructure. In particular, as central and departmental budgets have contracted in recent years, in many respects, institutional leaders have stepped up efforts to reduce administrative burden for faculty and students, streamline and even enhance where possible, administrative support. Many of these efforts are the result of new or enhanced technologies, which have also provided new tools to strengthen compliance protocols. Innovative approaches, such as the use of Lean process improvement in Finance and Facilities, have yielded positive results, such as significant reduction in backlogs in post award grants management and in processing traffic citation appeals. Other activities, such as improved IT security and the initial phase to modernize human resource/payroll technology, have explicitly incorporated risk assessments as part of the standard approach to decision-making. Examples of these efforts include the following:

- **Information technology security:**
  - Collaboration between Office of the Chief Information Security Officer and the Office of Risk Management to obtain information security and privacy insurance.
  - Development of a risk assessment tool to help business units assess risks and make informed decisions about information security and privacy.
  - Improved spam detection and mitigation capabilities, deploying new tools to help identify malicious network traffic.

- **Strategic Initiatives:**
  - Human Resource / Payroll Modernization Project: Risk assessment conducted to identify risks of not replacing the current payroll system in addition to identifying project specific risks and corresponding mitigation activities.
  - Procure to Pay Initiative: Utilizing Lean, Procurement Services in Financial Management/Finance and Facilities continued efforts to transform procurement at the UW to a fully integrated and on-line process. These efforts have significantly enhanced internal controls and compliance by eliminating duplicate entry, enhancing automating approvals, increasing data and information to campus, and reducing cost of goods and services.
  - Consolidating Administrative Support Services: Expansion of efforts in College of Arts and Sciences and School of Medicine to streamline support and strengthen compliance for payroll, procurement, pre-award grants management and visa processing.
  - 2012 Legislative Session Administrative Efficiencies: Led by administrative leaders from the UW, and in coordination with other state higher education institutions and the Council of Presidents, efforts successfully achieved legislative relief benefitting procurement, travel reimbursement, and payroll processes.

C. STRENGTHENING ERM FUNDAMENTALS

In addition to specific efforts that demonstrate a broader adoption of risk-based decision-making, the fundamental structures and systems to support effective management of enterprise risk continue to evolve. Over the last year, capabilities to manage operational and financial health have deepened with the planned launch of *UW Profiles*, an initial release of a robust financial forecasting model, and selected *"dashboards for success"* built from the Compendium of Enterprise Metrics (See **Figure 1** on page 7).

These tools, developed using best practices, are intended to be dynamic, and were coordinated with broad input and support from individuals and units across the UW and, to the extent possible, come from common data sets and definitions. However, much of the data is sourced to unit-specific databases and other repositories that aren't widely accessible. Thus, the longer term goal is to consolidate the data in the Enterprise Data Warehouse (EDW) to enable efficient and consistent access to metrics, data, and reports generated using these tools.

> **Innovative approaches, such as the use of Lean process improvement, have yielded positive results...**

Financial Forecasts

Effective and robust forecasting at the institutional level has, up to this point, been somewhat elusive, primarily due to the lack of a usable tool to model the complexities of the UW. Yet, the ability to project how decisions impact "the bottom line" is more critical now than ever. A single, significant financial setback can wreak havoc on the finances and operations of any organization. At the UW, the Great Recession confirmed that a perfect storm of concurrent and devastating economic events can significantly strain resources, impact operations and individuals, and stifle strategic priorities and initiatives.

The events of 2008-2010 impacted every revenue stream supporting the mission, including State appropriations and federal student financial aid, research, and payments for patient care. In addition, activities were further constrained by low investment returns and philanthropy negatively impacted by the economy. While robust scenario planning may not have predicted the actual events that occurred, the ability to effectively model individual as well as simultaneous events, based on real data, may have provided a window into potential impacts and created a broader platform for discussion and action that could have lessened the impact. For that reason, in 2012, Finance and Facilities, in collaboration with Planning and Budgeting and other partners, began implementation of a financial projection tool called Future Perfect.

Future Perfect is a comprehensive, fully integrated tool that will enable campus-wide planning into a single institutional point of view.

Future Perfect is a strategic/financial planning platform specifically developed to accommodate the complexities of colleges and universities. It is a comprehensive, fully integrated tool that will enable campus-wide planning into a single institutional point of view. It facilitates modeling varied and/or concurrent scenarios, such as changes in enrollment, research and workforce volumes, auxiliary cash flow adjustments and investment opportunities, and possible financial stresses. The intent is to inform proactive and more targeted decision-making, based on data-driven scenarios that align with the actual finances of the University.

The expected completion of the initial phase of implementation incorporating institution-level financial data is scheduled for early Summer 2013. Follow-on phases will be focused on integrating unit level data to enable more effective decision-making by Deans and other senior leaders.

UW Profiles

This effort by the Office of Planning and Budgeting, will provide current metrics and data for academic and central units focused on key areas of excellence, strategy and potential concerns. The tool is built on data visualization tools with charts and graphs that will allow senior leaders and others to select reports and measures they care about, as well as provide a platform for conducting ad hoc investigative analysis. The target date for first release is Fall 2013 and initial elements will include:

- Academic Measures: student credit hours, degrees granted, enrolled majors,
- Financial Measures: funding mix, research dollars, overall financial viability, and
- Human Resource Measures: full time employees, and other employee counts.

Future releases may include (many of these rely on new data being added to the EDW):

- Faculty workload,
- "Cost per …" measures (cost per student, cost per course, etc.),
- Space usage, and
- Turnover statistics.

Dashboards for Success

In 2011, a collaborative effort involving key PACERM members, Provost Cauce and President Young, resulted in the development of a compendium of institutional metrics, or key performance indicators (KPIs) focused on broad elements of stability and success as identified by Moody's Investor Services (See **Appendix 4**).

The next phase of this effort draws from the compendium KPIs, and forms the basis for consolidating various "views", or dashboards of selected measures into a single page-view of operational and financial health, top institutional risks, and key initiatives (See **Appendix 5**). PACERM will take an active oversight

role in using risk-based dashboards to monitor current indicators and trends over time and to charter groups such as the COFi Council to address specific risk areas. The dashboards will also be used for communicating key data supporting institutional health, as well as progress on strategies and risk mitigation activities to the President, Provost and other stakeholders.

As a follow-on to their 2011 effort, in early 2013, Moody's Investors Service revised its outlook for the entire US higher education sector to negative, marking a shift to negative from stable for even leading research universities. And while the credit rating for the UW remains Aaa, the reliance on federal funding sources suggests more scrutiny as a result of expectations that government support will be stagnant or negative for several years.[3]

According to Moody's, five critical factors contribute to the negative outlook:

1. Price sensitivity continues to suppress net tuition revenue growth,
2. All non-tuition revenue sources are strained; diversity no longer offers a safe haven,
3. Rising student loan burden and defaults taint perception of value of a college degree,
4. Increased public scrutiny drives escalated risk of more regulation and accreditation sanctions, and
5. Prospects for long term sustainability depend upon strong leadership through better governance and management.

Figure 1: Measuring Financial Health

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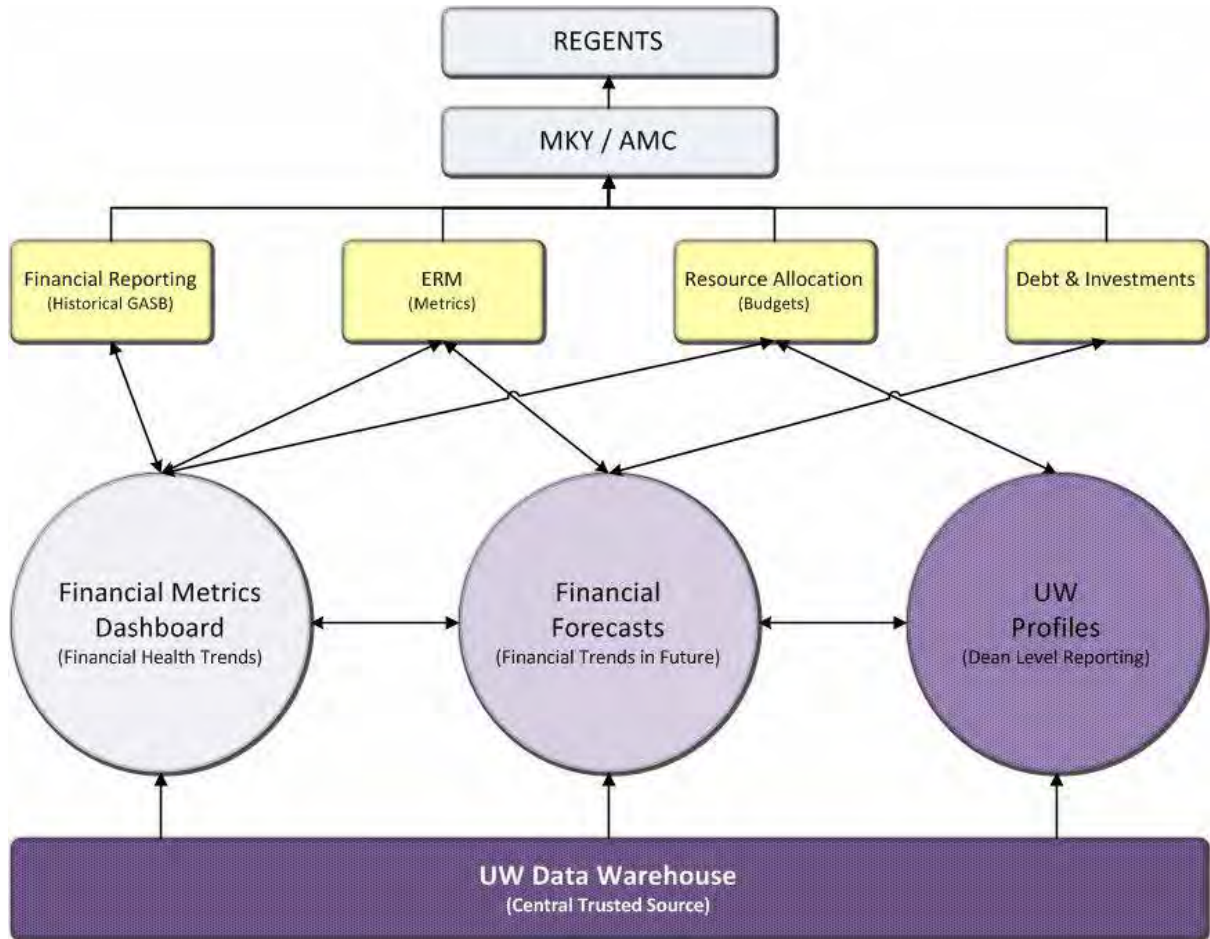
[3] U.S. Higher Education Outlook Negative in 2013. Moody's Investors Service, January 16, 2013

III. TOP INSTITUTIONAL RISKS

Like most large research universities, the UW is a very decentralized institution divided into academic units (e.g., schools and colleges) and administrative units (e.g., core services and support functions). While individual units have generally and, in most cases, effectively managed risks within their functional areas, until recently, a common view of top risks facing the UW did not exist, particularly those risk areas that cross functional silos.

Using best practice methodology and beginning with an analysis of over 400 risks identified by higher education leaders throughout the US[4], the PACERM and COFi Council, along with feedback from the President and Provost, narrowed the list of 400 to the top 15 risk areas by evaluating each one for likelihood, impact, velocity and vulnerability (See **Table 1** on page 9). While the risks identified in these preliminary rankings are not necessarily unique to the University of Washington, developing consensus amongst senior leadership to establish baseline is critical to inform, prioritize and support next steps towards mitigation.

The preliminary assessment suggests, at this point, there are no risk areas that rank "extreme". Yet, if "high" or "substantial" ranking risks are left unattended, they could have significant impacts over time. Therefore, a thoughtful, yet expedient and systematic approach to better understanding these top risks, including internal controls and metrics evaluating current state will help inform appropriate prioritization of mitigation activities. Risk owners will be identified and, depending on the prioritization, may be chartered by PACERM to develop additional efforts to reduce risk. These efforts will be the primary focus of the 2013–14 ERM work plan. By way of one example already in early planning stages, in 2013 – 14, the PACERM will pilot an approach to mitigation utilizing an innovative risk-based model focused on strengthening safety in research laboratories. This approach employs a collaborative structure to foster ownership, understanding, and compliance and most importantly, how laboratory staff can achieve a lower risk environment. This is an extremely critical area supporting the research enterprise with significant compliance requirements. So, if using this approach proves successful, it can be expanded to address other top risk areas.

> **The preliminary assessment suggests, at this point, there are no risk areas that rank "extreme". Yet, if "high" or "substantial" ranking risks are left unattended, they could have significant impacts over time.**

The top risks, particularly those with active mitigation efforts, will be incorporated into a dashboard to facilitate monitoring by PACERM and expanded, as appropriate, to accommodate any emerging risks, and it provides a helpful basis for communicating risk issues to the broader UW community, stakeholders, and the Board of Regents.

[4] A Practical Approach to Institutional Risk Management, Educational Advisory Board, University Business Executive Roundtable Risk Register 2012

Table 1: Top 15 risks facing the UW for 2013 – 2014

Changing demographics	
🟨	Ability to recruit and retain top faculty, students and staff
Changing revenue streams	
🟧	Decline in competitive advantage diminishes research funding
🟧	Ability to adapt to changing revenue streams
🟨	Ability to meet enrollment and yield rates
Maintaining safety	
🟧	Safety (e.g., workplace, student and patient environment, laboratories, and campus community)
🟨	Earthquake (e.g., the "big one")
Increasing cost of regulatory compliance	
🟧	Information systems assurance: loss, corruption or compromise of institutional data and intellectual property
🟨	Federal grant regulations
🟨	Environmental and occupational health, lab safety, and hazardous materials regulations
🟨	Academic, scientific misconduct, research integrity policies and regulations
🟨	Healthcare regulations
🟨	Animal research regulations
Aging infrastructure and operational systems	
🟧	Age of IT systems and facilities
🟨	Information security and back up
🟨	Capital construction costs reduce financial flexibility for campus projects

Risk Level = Likelihood x Impact

Low	Medium	Substantial	High	Extreme

For more information about risk level, see **Appendix 8**.

IV. CONCLUSION

This has been a year of evolution for the UW's ERM program, with great strides made in addressing specific areas of risk and in strengthening the foundations of the program with data, metrics and information for more informed decision-making.

The next year will focus on refinement of top risks, continued build-out of metrics and data for financial profiling and projections, strengthening stewardship and compliance, and finally, to continue to encourage the integration of risk based thinking into decision-making at all levels. Institution-wide risks will be prioritized and mitigation efforts advanced in a thoughtful and candid manner. In support of these objectives, the ERM program itself will focus on coordinating discussion, assisting in the development of facts and data to augment solid judgment and expertise, and to help drive action.

Institution-wide risks will be prioritized and mitigation efforts advanced in a thoughtful and candid manner.

Effective management of an ever-increasing institutional risk profile with engagement at all levels will be critical in maintaining an environment that enhances excellence and discovery by faculty, students and staff. These ingredients will be critical in ensuring the UW can continue making important contributions to society and build on its status as a world-class institution for research, learning and service.

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APPENDIX 1: ROLES WITHIN THE ERM GOVERNANCE STRUCTURE

UW Units	**Take and Manage Risks**	1. Ownership of activities which give rise to risk 2. Risk and/or opportunity identification and unit level assessments 3. Develop strategies and take action to mitigate risks 4. Encouraged to share assessment results with ERM program
ERM Program	**Monitor and Aggregate**	1. Establish ERM framework, standards, and templates 2. Monitor and participate in risk committees for the purpose of providing the enterprise view 3. Provide admin. support, summary information and analysis to COFi and PACERM 4. Train the trainer
COFi Council	**Oversee**	1. Oversight over functional areas of risk 2. Identify and prioritize cross-functional issues (e.g., risks, responses, internal controls, measures) 3. Identify topics for outreach
PACERM	**Advise**	1. Advise the University President on management of risks and opportunities which may significantly impact strategic goals or priorities 2. Recommend policy changes or actions to reduce risk 3. Oversight of entity level assessments
Internal Audit	**Validate**	1. Independent verification and testing of internal controls 2. Oversight of changes in audited units (e.g., Internal Audit risk map) 3. Provide admin. support, summary information and analysis to COFi

UW President and Provost	**Acknowledge**	1. Verbally acknowledge key documents such as:
		  • ERM Framework
		  • PACERM and COFi Council Charters
		  • Entity level assessments
		  • Reports to Regents
		2. Integrate PACERM advice into UW strategic priorities
		3. Establish policies and procedures based on PACERM recommendations

APPENDIX 2: ENTERPRISE RISK MANAGEMENT PROCESS OVERVIEW
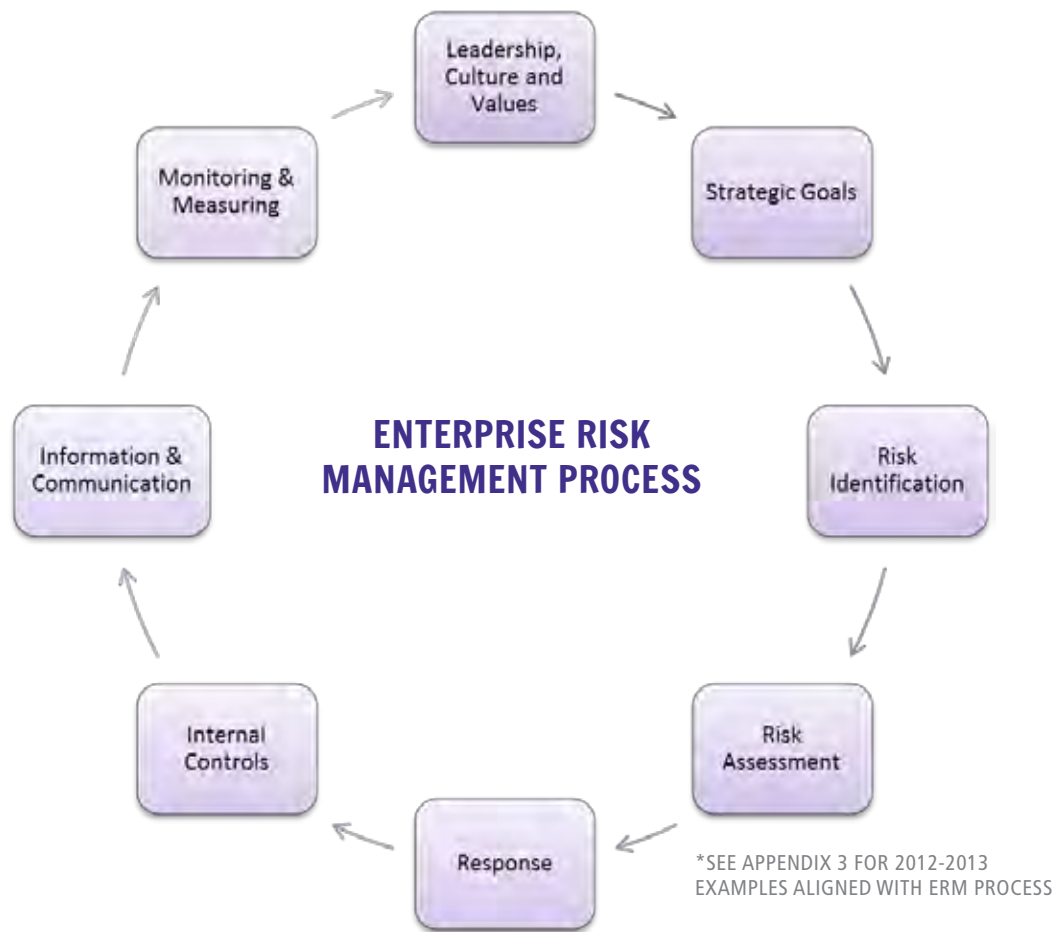
Enterprise Risk Management[5] (ERM) is "…a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

The UW ERM process is illustrated broadly in this chart. It includes eight interrelated process steps that consist of:

- **Setting** the tone at the top with Leadership, Culture and Values,
- **Establishing** context, and the basis for how risk is viewed,
- **Identifying** risks, or the harm we are trying to avoid,
- **Assessing** risks using a central focus and common language,
- **Aligning** response options with the level of risk,
- **Documenting** internal controls for top risks,
- **Communicating** with stakeholders and implementing response plans,
- **Monitoring** and measuring to ensure responses have been carried out as intended.

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[5] Committee of Sponsoring Organizations (COSO). Enterprise Risk Management—Integrated Framework: Executive Summary. COSO, New York, 2004.

APPENDIX 3: 2012-2013 ENTERPRISE RISK MANAGEMENT ACHIEVEMENTS

Moody's Elements of Stability and Success
- Market leadership with global reputation
- Top students and faculty
- Diversified funding sources
- Strong donor and community support
- Solid financial metrics

- Financial Forecasts
- UW Profiles
- Dashboard view of key institutional success metrics

Monitoring & Measuring

Leadership, Culture and Values

Strategic Goals

Information & Communication

- Peer sourced list of over 400 risks, narrowed to 140 risk areas applicable to UW

Risk Identification

Internal Controls

Response

Risk Assessment

- Ranked 140 risk areas, and determined the top 32 UW risk areas
- PACERM members ranked impact for the top 28 risks
- COFi Council steering committee ranked likelihood, velocity, and vulnerability for top risks

- **Compliance:** Title IX, Animal care facilities, State procurement reform
- **Safety:** Protection of minors, Sexual assault prevention, Violence prevention and response, Student mental health counselors added, and Lab safety risk pilot project
- **Patient Care:** Dashboard tool for monitoring Patients are First quality and safety data, and Patient Safety Innovation Program grants
- **Infrastructure and Administration:** IT Security and privacy insurance, and Tools to identify malicious traffic
- **Strategic Initiatives:** HR / Payroll Modernization Project, and Consolidating administrative support services, and 2012 Legislative Session administrative efficiencies

APPENDIX 4: MOODY'S INVESTORS SERVICES ELEMENTS OF STABILITY AND SUCCESS

The corresponding areas of focus represent **criteria for stability as identified by *Moody's Investor Services*.**[6] The associated metrics communicate quantitative information to senior leadership about key areas of excellence, strategy and potential concern.

1. Market leadership with global reputation and top-ranked programs
2. Top students and faculty
3. Multiple lines of business and diversified funding sources
4. Strong donor and community support
5. Solid financial metrics

APPENDIX 5: DASHBOARD VIEW OF KEY ENTERPRISE METRICS FOR INSTITUTIONAL SUCCESS

NOTE: Although this information represents actual UW data, it is for illustrative purposes. It is intended to demonstrate how tolerance is set (e.g., internally or externally) and displayed in dashboard format. The dashboard is "preliminary" and does not reflect the final metrics PACERM has agreed to monitor for institutional success.
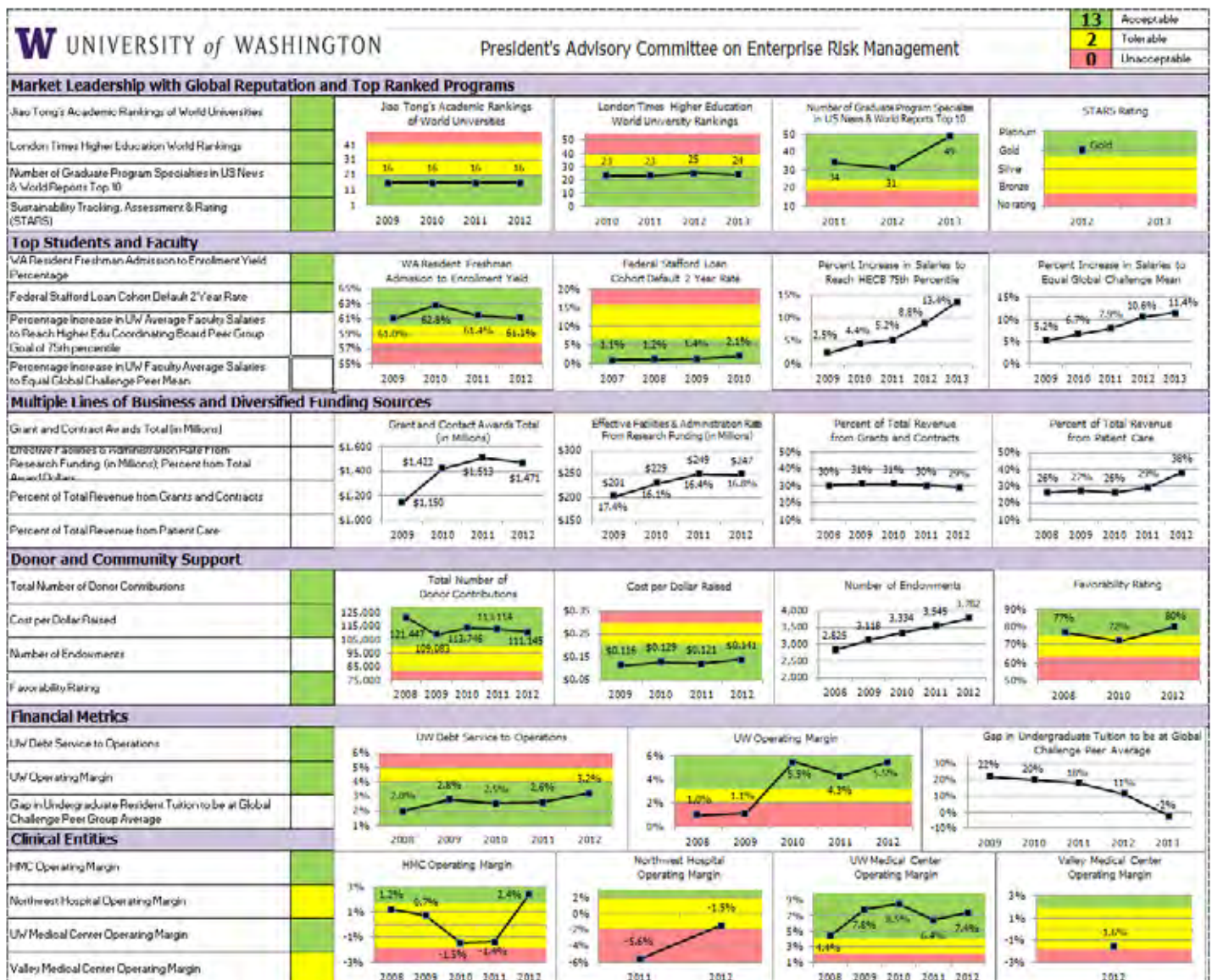
[6] Moody's affirms University of Washington's Aaa rating; outlook revised to stable from negative. Moody's Investors Service, January 2, 2012

APPENDIX 6: PRESIDENT'S ADVISORY COMMITTEE ON ERM 2011 – 2012 MEMBERSHIP

Ana Mari Cauce, *Provost and Executive Vice President, PACERM Co-Chair*

V'Ella Warren, *Senior Vice President, Finance & Facilities, PACERM Co-Chair*

David Anderson, *Executive Director, Health Sciences Administration*

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

Cheryl Cameron, *Vice Provost for Academic Personnel, Office of the Provost*

Kenyon Chan, *Chancellor, UW Bothell*

Gary Farris, *Interim Dean and Vice Provost, The Graduate School*

Eric Godfrey, *Vice President and Vice Provost, Student Life*

James Gregory, *Chair, Faculty Senate*

Randy Hodgins, *Vice President, Office of External Affairs*

Gary Ikeda, *Division Chief, Attorney General's Office*

Paul Jenny, *Vice Provost, Office of Planning and Budgeting*

Mindy Kornberg, *Vice President, Human Resources*

Connie Kravas, *Vice President, University Advancement*

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

Gerald Miller, *Chair, Faculty Council on Research*

Harlan Patterson, *Vice Chancellor for Administrative Services, UW Tacoma*

Shondell Reed, *Senior Associate Athletic Director, Intercollegiate Athletics*

Rakesh Saini, *Graduate and Professional Student Senate, University of Washington*

Joseph Salama, *Associate Students of the UW, University of Washington*

Johnese Spisso, *Vice President for Medical Affairs, UW Medicine*

Robert Stacey, *Dean, College of Arts and Sciences*

Tom Stritikus, *Dean, College of Education*

Kellye Testy, *Dean, School of Law*

Kelli Trosvig, *Vice President and Vice Provost, UW Information Technology*

Support provided by Joanne Matson, Office of the Senior Vice President

APPENDIX 7: COMPLIANCE, OPERATIONS, AND FINANCE COUNCIL 2011 – 2012 MEMBERSHIP

Richard Cordova, *Internal Audit, Facilitator*

Ann Anderson, *Financial Management*

James Angelosante, *Facilities Services*

Kirk Bailey, *Office of the CISO*

Sue Camber, *Financial Management*

Jeff Cheek, *Office of Research*

Elizabeth Cherry, *Risk Management*

Sue Clausen, *UW Medicine*

Marilyn Cox, *UW Bothell*

Walt Dryfoos, *University Advancement*

Virjean Edwards, *Office of the Registrar*

Darlene Feikema, *College of Environment*

Jessie Garcia, *Human Resources*

Sara Gomez, *UW Information Technology*

David Green, *School of Medicine*

Shelley Kostrinsky, *Academic Personnel*

Jack Lee, *Faculty Senate Representative*

Kay Lewis, *Student Life*

Richard Meeks, *UW Medicine*

Todd Mildon, *Planning and Budgeting*

Karen Moe, *Human Subjects Division*

Kyle Pifer, *Intercollegiate Athletics*

Linda Nelson, *College of Arts and Sciences*

Nona Phillips, *Office of Animal Welfare*

Gary Quarfoth, *Planning and Budgeting*

Carol Rhodes, *Office of Sponsored Programs*

Ben Robinson, *School of Public Health*

Jan Rutledge, *UW Tacoma*

Marcia Rhodes, *Health Sciences Risk Management*

Clark Westmoreland, *Educational Outreach*

Jude Van Buren, *Environmental Health and Safety*

Advisors

Andrew Faris, *Enterprise Risk Management*

Charlene Hansen, *Internal Audit*

Kerry Kahl, *Enterprise Risk Management*

Dina Yunker, *Attorney General's Office*

Support provided by Tamara Young, Internal Audit

APPENDIX 8: TOOLS TO EVALUATE RISKS

Assessing risks consists of assigning values to each risk using defined criteria. To be effective and sustainable, the risk assessment process needs to be simple and easy to understand.

Risk assessment is essential to establish and foster an active dialogue between the Board of Regents and senior leaders about risk and how it informs decision making and better enable the Board to fulfill its oversight role.

To answer questions such as how fast could a risk arise and paint the full picture, ranking scales are provided for **likelihood, impact, velocity, and vulnerability**.

Results will produce a risk summary picture that displays the level of risk associated with each option.

Likelihood of Occurrence (e.g., probability or frequency) is estimated by using a scale from 1 – 5. What do you think is the likelihood of risk occurrence?

Rank	Measures of Likelihood
- **1** - Rare	Not expected to occur in the next 5 years
- **2** - Unlikely	Could occur at some time in the next 5 years
- **3** - Possible	Might occur in the next 1 – 5 years
- **4** - Likely	Will probably occur at least once per year
- **5** - Almost Certain	Expected to occur more than once per year

Impact from Occurrence (e.g., consequence or severity) is estimated by using a scale from 1–5. When an event has multiple impacts, select the highest number for the measure of impact. What impact would a risk have?

Rank	Generic Meaning	Injuries	Interruption of Services	Financial Loss	Performance Loss	Reputation & Image
- **1** - Insignificant	Little or no impact on the achievement of goals or capability	No injuries	< ½ day	< $5M or < 1% of GOF/DOF Budget	Up to 5% variation to Key Performance Indicators (KPI)	Unsubstantiated, low impact, low profile or no news items
- **2** - Minor	May degrade the achievement of some goals or capability	First aid treatment	½ – 1 day	$5 - $20M or up to 2% of GOF/ DOF Budget	5 - 10% variation to KPI	Substantiated, low impact, low news profile
- **3** - Serious	Will degrade the achievement of some goals or capability	Medical treatment	> 1 day – < 1 week	$20M - $50M or 6% of GOF/DOF Budget	10 - 25% variation to KPI	Substantiated, public embarrassment, moderate impact, moderate news profile
- **4** - Disastrous	Significantly degrades the achievement of goals or capability	Death or extensive injuries	1 week – 1 month	$50M - $150M or < 18% of GOF/ DOF Budget	25 - 50% variation to KPI	Substantiated, public embarrassment, high impact, high news profile, third party actions
- **5** - Catastrophic	Significant capability loss and the achievement of goals is unlikely	Multiple deaths or severe permanent disabilities	> 1 month	> $150M or > 18% of GOF/DOF Budget	> 50% variation to Key Performance Indicators	Substantiated, public embarrassment, very high multiple impacts, high widespread news profile, third party actions

APPENDIX 8: TOOLS TO EVALUATE RISKS (CONTINUED)

Velocity of Impact is estimated by using a scale from 1 – 5, and helps gauge how quickly risks create loss events. The faster a risk event manifests itself, the quicker a response is needed.

At which speed will the risk impact the University?

Rank	Measures of Velocity
- 1 - Very Slow	Onset of risk would be evident over a year or more
- 2 - Slow	Onset occurs within 5 – 12 months
- 3 - Medium	Onset occurs within a matter of 1 – 4 months
- 4 - Rapid	Onset occurs in a matter of days to a few weeks
- 5 - Very Rapid	Instantaneous onset with little or no warning

Vulnerability[7] is estimated by using a scale from 1 – 5, and refers to how susceptible an entity is to a risk event, in terms of preparedness, agility, and adaptability.
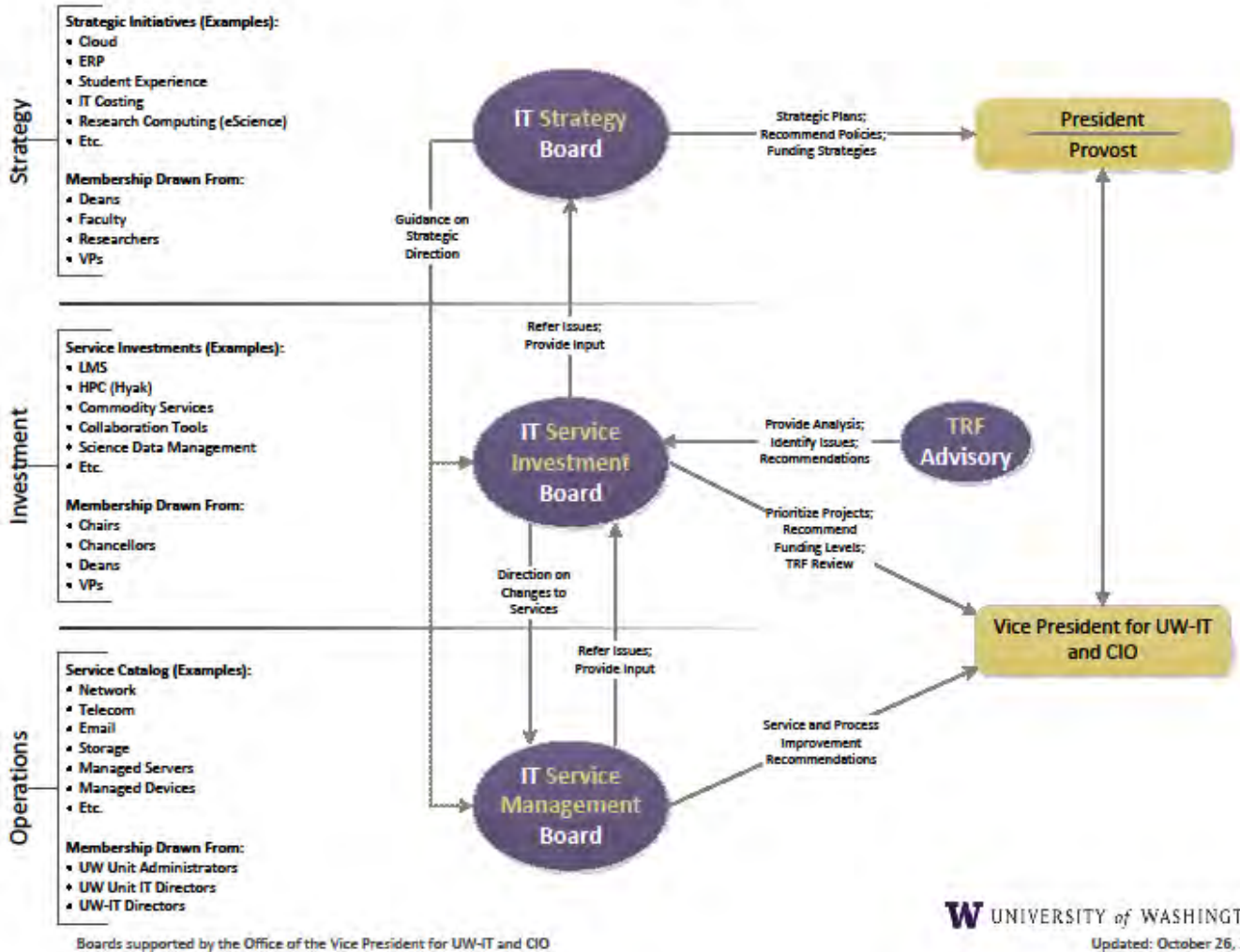
How well is the University managing risk?

Rank	Measures of Vulnerability
- 1 - Very Low	• Real options[8] deployed to maximize strategic flexibility • High enterprise level/process level capabilities to address risks • Redundant response mechanisms in place and regularly tested for critical risks • Contingency and crisis management plans in place and rehearsed regularly
- 2 - Low	• Strategic options defined • Medium to high enterprise level/process level capabilities to address risks • Responses implemented and achieving objectives except under extreme conditions • Contingency and crisis management plans in place, some rehearsals
- 3 - Medium	• Stress testing and sensitivity analysis of scenarios performed • Medium enterprise level/process level capabilities to address risks • Responses implemented and achieving objectives most of the time • Most contingency and crisis management plans in place, limited rehearsals
- 4 - High	• Scenario planning for key strategic risks performed • Low enterprise level/process level capabilities to address risks • Responses partially implemented or not achieving control objectives • Some contingency or crisis management plans in place
- 5 - Very High	• Scenario planning for key strategic risks performed • Low enterprise level/process level capabilities to address risks • Responses partially implemented or not achieving control objectives • Some contingency or crisis management plans in place

[7] Risk Assessment in Practice, Committee of Sponsoring Organizations of the Treadway Commission (COSO), October 2012

[8] A real option is an option involving real, as opposed to financial, assets. Real assets include land, plant, and machinery. Real option analysis uses option pricing theory to value capital investment opportunities. An example of a real option would be the overbuilding of a facility to provide strategic flexibility in the event that demand was to increase faster than production capacity.

Information Technology (IT) Governance

Strategy

Strategic Initiatives (Examples):
- Cloud
- ERP
- Student Experience
- IT Costing
- Research Computing (eScience)
- Etc.

Membership Drawn From:
- Deans
- Faculty
- Researchers
- VPs

Investment

Service Investments (Examples):
- LMS
- HPC (Hyak)
- Commodity Services
- Collaboration Tools
- Science Data Management
- Etc.

Membership Drawn From:
- Chairs
- Chancellors
- Deans
- VPs

Operations

Service Catalog (Examples):
- Network
- Telecom
- Email
- Storage
- Managed Servers
- Managed Devices
- Etc.

Membership Drawn From:
- UW Unit Administrators
- UW Unit IT Directors
- UW-IT Directors

IT Strategy Board

President / Provost

Strategic Plans; Recommend Policies; Funding Strategies

Guidance on Strategic Direction

Refer Issues; Provide Input

IT Service Investment Board

TRF Advisory

Provide Analysis; Identify Issues; Recommendations

Prioritize Projects; Recommend Funding Levels; TRF Review

Vice President for UW-IT and CIO

Direction on Changes to Services

Refer Issues; Provide Input

IT Service Management Board

Service and Process Improvement Recommendations

Boards supported by the Office of the Vice President for UW-IT and CIO

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Updated: October 26, 2012

APPENDIX 10: UW MEDICINE PATIENT SAFETY

UW Medicine Continues to Advance Patient Safety & Quality

UW Medicine - Harborview Medical Center (HMC), UW Medical Center (UWMC), Northwest Hospital (NWH), Valley Medical Center (VMC), UW Neighborhood Clinics (UWNC), UW Physicians (UWP), Airlift Northwest (ALNW), and the UW School of Medicine (SOM) continue to focus on Patient Safety and Quality of Care as the top priority through our Patients Are First initiative and our Coordinated Quality Improvement Program (CQIP) plan.[9] Major steps in accelerating the quality and safety agenda over the past year include:

- Ongoing integration of Patient Safety and Quality programs/metrics across UW Medicine system as outlined in the UW Medicine Strategic Plan and the UW Medicine Patients Are First Pillar Goals for FY 13.

- Development of a new UW Medicine Board level Patient Safety and Quality Committee that meets quarterly to review the system-wide efforts. The committee has met over the past year and developed the first annual report to the UW Board of Regents which was presented in November 2012.

- Continued engagement of the UW Medicine Board, each entity level board, and/or committees of the boards in review and oversight of activities regarding patient safety, quality of care, access to care and satisfaction with care and services.

- Strategic Goals and Metrics developed, with focus on: Reductions in Preventable Deaths, Hospital Acquired Infections, and Preventable Adverse Events; and Improvement in Core Measures of Care, in Ambulatory Health Measures and Patient Satisfaction using national and regional benchmarks for comparison.

- Advancement of the UW Medicine electronic dashboard tool for monitoring and reporting of all UW Medicine Patients Are First quality & safety data with ability to drill-down into site-specific and physician specific performance related to quality of care and patient satisfaction data.

- Successful implementation of the major IT project for Cerner Computerized Physician Order Entry (CPOE) at Harborview and UW Medical Center this past year. CPOE provides over 400 standard order sets to assure high quality, safe, and cost effective care for our patients.

- UW Medicine system-wide Infection Control Committee created to coordinate the development, implementation, and resource utilization to support those infection control activities that span across UW Medicine and to develop and promote standardized infection control practices.

- Acceleration of TeamStepps training for physicians and health care team members and supported development of additional ISIS simulation training.

- Participation in an Association of American Medical Colleges (AAMC) and University Health System Consortium (UHC) "Best Practices for Better Care" initiative to improve the quality and safety of healthcare by expanding the culture of safety into medical education at the undergraduate and graduate medical education levels, and enhancing research into quality and patient safety.

- Continued to advance and improve the UHC Annual Report Card on Patient Safety and Quality in academic medical centers. Harborview and UW Medical Center are performing at or above the mean score in UHC which includes over 100 academic medical centers.

- Successful completion of the first series of Patient Safety Innovation Program (PSIP) grants for promising pilot projects that promote collaboration between clinicians and researchers to explore solutions to patient safety and quality of care challenges. An example of a recently completed project is "Highlighting Radiology Critical Results in UW Medicine EMR Systems". Seven new projects were selected and launched on February 1, 2013.

[9] RCW 43.70.510

APPENDIX 11: UW HUMAN RESOURCES

UW SafeCampus Update: Now in its fifth year of operation, the Violence Prevention and Response Program (VPRP) expanded its training efforts in 2012 by joining UW Police to pilot active shooter response training. In addition, the SafeCampus public information campaign, a violence prevention component in the new employee orientation for staff, is an ongoing training effort available to the community-at-large through general sessions, or upon request to specific groups or departments. Online training videos are also available on the SafeCampus website.

Staffed by individuals with experience in violence prevention, victim advocacy, and program management, the VPRP team responds to calls from the three SAFE phone lines. The phone lines operate 24/7 and serve the Seattle, Bothell, and Tacoma campuses. Staff help callers clarify their concerns, identify immediate risk mitigation steps, connect callers with University or community resources, and arrange for follow-up as needed.

Program enhancements and the volume of services provided are outlined in a SafeCampus report in the Appendices.

UW Affiliation of People Involved in Incidents

Person Reporting a Concern	
UW Affiliation	Count
None Listed	2
Other	1
Public	2
Public (Patient)	0
Public (Personal Relationship)	1
Public (Previous UW Affiliation)	1
Unknown Identity	0
UW Faculty	18
UW Graduate Student	3
UW Staff - Non supervisor	24
UW Staff - Supervisor	26
UW Undergraduate Student	10
VPRP Partner	9

Person Causing a Concern	
UW Affiliation	Count
None Listed	0
Other	0
Public	8
Public (Patient)	4
Public (Personal Relationship)	3
Public (Previous UW Affiliation)	3
Unknown Identity	1
UW Faculty	2
UW Graduate Student	4
UW Staff - Non supervisor	21
UW Staff - Supervisor	2
UW Undergraduate Student	16
VPRP Partner	0

Person Experiencing a Concern	
UW Affiliation	Count
None Listed	0
Other	0
Public	0
Public (Patient)	0
Public (Personal Relationship)	0
Public (Previous UW Affiliation)	1
Unknown Identity	0
UW Faculty	13
UW Graduate Student	6
UW Staff - Non supervisor	25
UW Staff - Supervisor	3
UW Undergraduate Student	10
VPRP Partner	0

APPENDIX 11: UW HUMAN RESOURCES CONTINUED:
SAFECAMPUS QUARTERLY REPORT 10/01/2012 – 12/31/2012
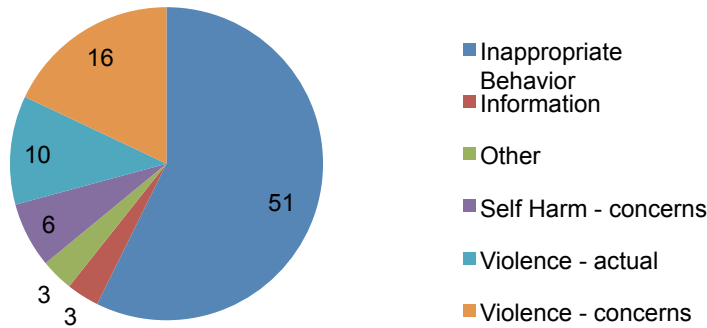**NUMBER OF INCIDENTS AND ASSESSMENTS BY MONTH**
Compared to Previous Year
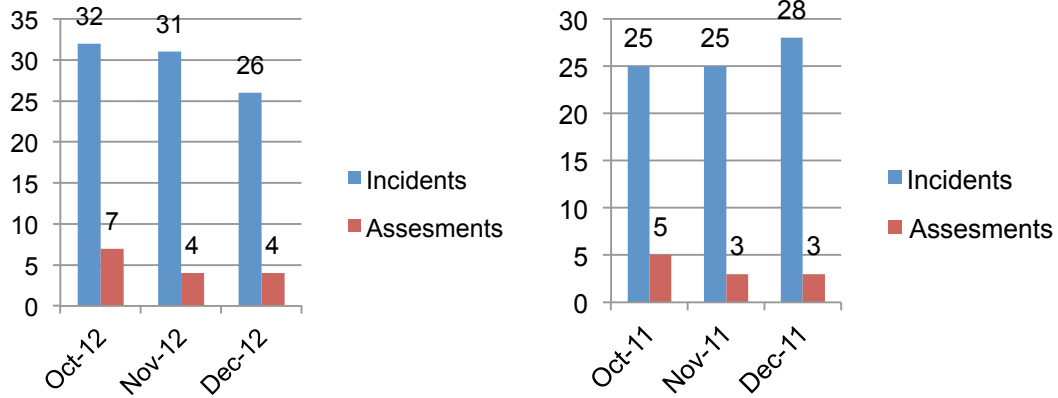
Number of Incidents by Response Level
Total- 89 Incidents
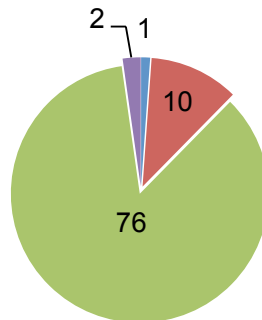
■ Level 1- Immediate notification. Violence Prevention Assessment Team (VPAT) is notified and convened as soon as possible.

■ Level 2- Standard notification. Issue is discussed at next scheduled VPAT meeting (VPAT held3x/week) and Risk Mitigation Plan is developed.

■ Level 3- Situations assigned Level 3 do not have a VPAT. VPRP is responsible for monitoring and following up on required risk mitigation strategies or they are referred to other UW departments to be the lead and carry out further actions.

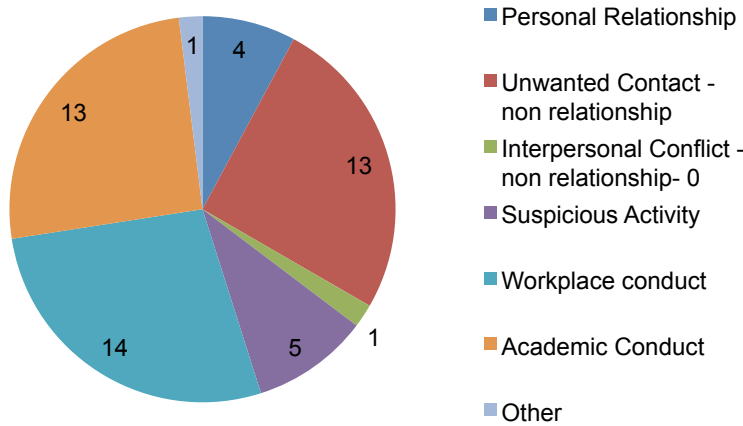■ Level 4- Request for information/materials or not UW jurisdiction.

Count by Incident Type
Total 89 Incidents

- Inappropriate Behavior
- Information
- Other
- Self Harm - concerns
- Violence - actual
- Violence - concerns

Of the 10 incidents of actual violence, seven were related to intimate partner violence, two were employee-on-employee assaults, and one involved a parking lot altercation between a professor and student.

Inappropriate Behavior Breakout
of 51 Issues

- Personal Relationship
- Unwanted Contact - non relationship
- Interpersonal Conflict - non relationship- 0
- Suspicious Activity
- Workplace conduct
- Academic Conduct
- Other

Inappropriate behavior is used to categorize a range of behaviors that are disruptive to the workplace or campus community. This graph shows the breakdown of different types of things categorized under the broad heading of inappropriate behavior.

APPENDIX 11: UW HUMAN RESOURCES CONTINUED:
SAFECAMPUS QUARTERLY REPORT 10/01/2012 – 12/31/2012
COMMUNICATIONS, OUTREACH, AND TRAINING

Campus Violence Prevention Training
During this quarter, 357 participants attended the violence prevention training. SafeCampus hosted four general sessions open to anyone on campus.

Response To Active Shooter Training
Seventy participants attended a training conducted for the iSchool.

Specialized Training Outreach
The Violence Prevention & Response Program continued partnering with Arts & Sciences leaders to increase training for the school's faculty and staff. The Political Science, Sociology, Center for the Studies of Demography and Ecology, and Physics departments all held training sessions during the time period.

Green Dot
The Green Dot Team gave 14 overview speeches to campus groups and conducted the six-hour bystander training for 25 students.

SafeCampus Website Communications
The SafeCampus website was accessed 5,302 times by 2,911 unique visitors during the fourth quarter of 2012, with an average of 2.55 page views per visit.

UW CareLink
UW CareLink utilization was at 6.0%, and 446 news cases were opened.

On outcome surveys, 90 to 92% of respondents indicated that they were able to function better at work, could manage their problems better, and had improved relationships.

UW Police Department
UWPD officers provided 13 standbys, 8 safety presentations, 5 security assessments, and served or attempted to serve 21 courts orders. Participants registered 67 bikes and 279 pieces of electronic equipment with UWPD.

UWPD Victim Advocate
The victim advocate worked with 33 new clients and provided 8 accompaniments to court. The victim advocate had a total of 329 client contacts in the fourth quarter.

UW Alert
UW Alert had 54,338 subscribers during the time period. There were 2 alerts to the Bothell Campus and 9 alerts to the Seattle Campus.

Report prepared by the Violence Prevention and Response Program (VPRP), University of Washington. VPRP acts as the central point of communication and the coordinating unit for violence mitigation activities across the UW. The Violence Prevention and Response Program is a partnership of key players in campus safety and violence prevention, including Student Life, Human Resources, the Bothell and Tacoma campuses, UW and Harborview Medical Centers, the UW Police Department, Academic Human Resources, and the Graduate School.

The University of Washington – Who Are We?

- Founded 1861
- 42,000 Students, 10,000 degrees awarded annually
- 47,000 Extension Students
- 40,000 Faculty/Staff (3rd largest employer in WA)
- $5.3 B Annual Budget
- $1.3B Externally funded research
- $2.6B Clinical Medical Enterprise
- $9.0B Economic Impact to the State of WA
- 3 campuses; 17 major schools/colleges
- 13 registered/legal operations abroad

University and Industry Approaches to ERM – Are They Different?

They are different! But How??

"Typical" Corporation
(Top Down Approach)

Average Research University
(Bottom Up approach)

Risk Identification
20-30 risks

Risk Assessment & Prioritization
3-5 prioritized risks

Risk Treatment
Focus on narrow set of risks leaves ample time and resources for risk treatment

Risk Identification
200-500 risks

Risk Assessment & Prioritization

50-100 risks

Risk Treatment
Campaign fatigue from long identification process and prioritization phases leaves little energy for risk treatment

* Educational Advisory Board

Common University Challenges with ERM

- Serious doubts over the effectiveness of the risk assessment and prioritization process
- Moving past personal biases
- Rationalizing (scarce) resource allocation; multiple bottom lines; multiple constituencies; inflexible funding and budget models
- Getting agreement on definitions of impact
- Seeking engagement from campus; identifying risk "owners"
- Lack of accountability mechanisms in treating risks
- Insufficient incentives to spur unit-level action

* Educational Advisory Board

University ERM – It's Different, So What to Do?*

"*De-average*" ERM process and move to leaner and more manageable risk initiative by first identifying:

- ○ *Systemic and existential risks*: Impact all of higher ed; unable to directly control (>5%)
- ○ *Institutional risks*: Typically relate to inability to meet strategic objectives; best addressed at senior executive level (20%-30%)
- ○ *Unit-level risks*: Generally relate to broken processes; best addressed by divisional head (65%-75%)

* Educational Advisory Board

UW Enterprise Risk Management

- ○ Institutional Strategic Initiatives
- ○ History
- ○ Structure
- ○ Roles
- ○ Assessments
- ○ UW ERM in Action!
- ○ What's Next?
- ○ Lessons Learned (or Learning!)

Institutional Initiative:
Tomorrow's University Today

"At its core, Tomorrow's University Today is about **leading change**. By **turning the UW inside out**, we intend to apply the ideas, research and innovations from our labs and classrooms to the community — whether that community is across the street or across the globe. In doing so, we aim to **improve the health and well being of our people and our planet**".

Michael K. Young, President
University of Washington

Institutional Initiatives

1) Lead change in higher education:
- Provide transformational experiences;
- Use technology to "flip" the classroom;
- Provide students with opportunities for truly transformational experiences;
- Reaffirm commitment to meeting the educational needs of the workforce and creating a diverse community of lifelong learners;
- Ensure that public higher education is both accessible and affordable.

Institutional Initiatives

2) Turn the UW "Inside Out": Use strong record of interdisciplinary collaboration to:
- Improve K-12 and early learning;
- Create sustainable planet and ensure healthy environment;
- Expand efforts to improve efforts promoting healthy lives, reaching underserved communities.

3) Drive our economic future:
- Propel research and ideas out of our labs and into the economy where they will create jobs and improve lives.

UW ERM – The Beginning

A 2006 committee appointed by the UW President recommended:

1. **An integrated approach to enterprise risk management (ERM) to:**
   - Foster an institution-wide perspective on compliance and risk
   - Encourage problem-solving and collaboration across the institution
   - Ensure regulatory management is consistent with best practices, and
   - Protect the UW's decentralized, collaborative, and entrepreneurial culture

2. **The formation of a President's Advisory Committee to:**
   - Oversee and improve the UW's culture of compliance
   - Provide a central focus for early identification, education and debate on risks of strategic importance
   - Target significant concerns for action and tracking

UW ERM – The Beginning (con't)

3. **The formation of a Compliance Council to share information across operational "silos" to:**
   - Identify emerging compliance issues and ensure adequate information available to campus
   - Ensure safe, easy, and effective ways for interested parties to report problems, including a help line, web guidance, and an early intervention program
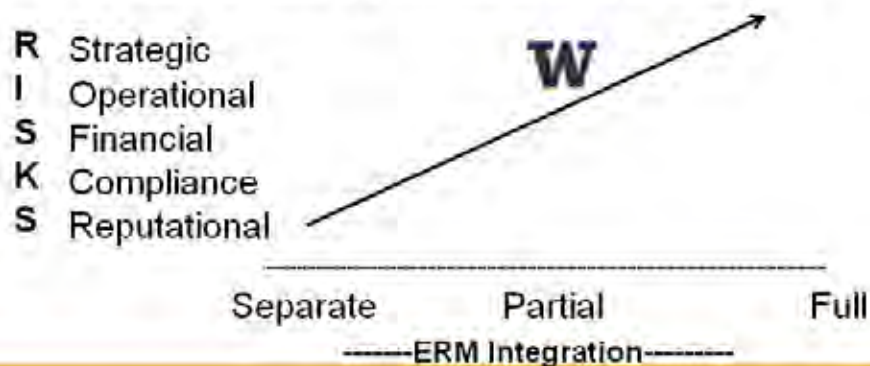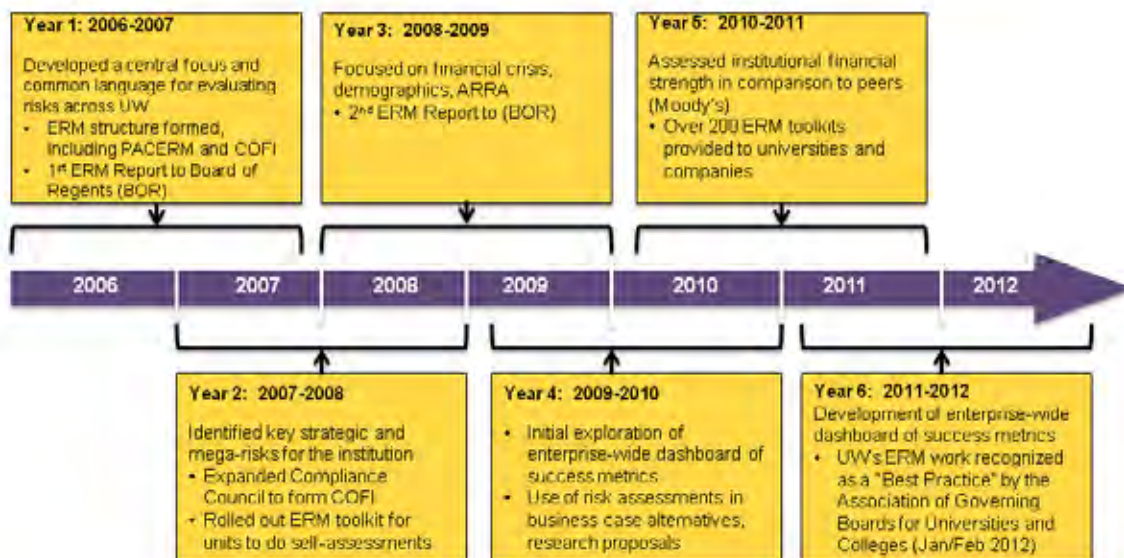
UW ERM "Guideposts"

- 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 strong audit team
- Check progress on compliance and risk initiatives

Evolution of ERM at the UW - Overview

- Faculty are **innovative and entrepreneurial** and create new **knowledge**
- The UW is **highly decentralized** with significant **interdisciplinary research and teaching**
- Operational units have historically focused **risks mitigation within their "silos"**
- **Transformational opportunity** in renewed efforts addressing cross unit, cross organizational risks , balanced with effective consideration of the upside of achieving institutional strategic objectives
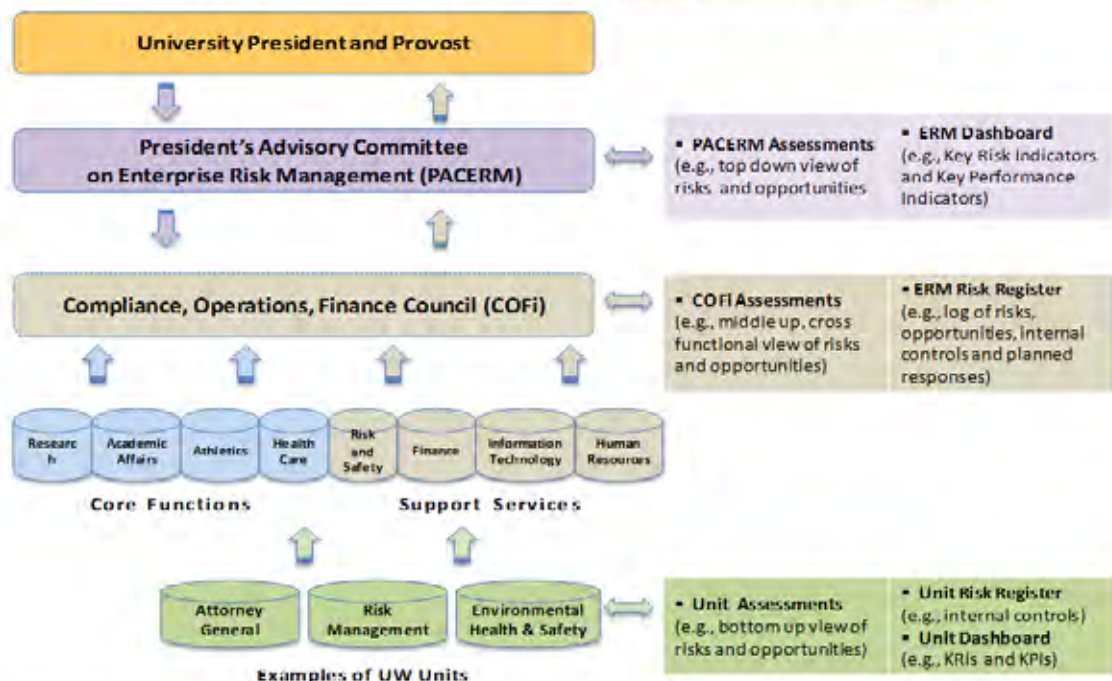
R Strategic
I Operational
S Financial
K Compliance
S Reputational

Separate   Partial   Full

--------ERM Integration--------

ERM Timeline

Year 1: 2006-2007

Developed a central focus and common language for evaluating risks across UW
- ERM structure formed, including PACERM and COFI
- 1st ERM Report to Board of Regents (BOR)

Year 3: 2008-2009

Focused on financial crisis, demographics, ARRA
- 2nd ERM Report to (BOR)

Year 5: 2010-2011

Assessed institutional financial strength in comparison to peers (Moody's)
- Over 200 ERM toolkits provided to universities and companies

2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012

Year 2: 2007-2008

Identified key strategic and mega-risks for the institution
- Expanded Compliance Council to form COFI
- Rolled out ERM toolkit for units to do self-assessments

Year 4: 2009-2010
- Initial exploration of enterprise-wide dashboard of success metrics
- Use of risk assessments in business case alternatives, research proposals

Year 6: 2011-2012

Development of enterprise-wide dashboard of success metrics
- UW's ERM work recognized as a "Best Practice" by the Association of Governing Boards for Universities and Colleges (Jan/Feb 2012)

UW ERM Structure

- ERM program staff (1.5 FTE):
  - Reports to AVP/Controller for the University
  - Supports the work of the President's Advisory Committee on ERM (PACERM); coordinate institution-wide measures of success in addition to targeted assessments and risk identification by units

- Internal Audit maintains an independent approach to identifying and testing internal controls. The Executive Director of Audits leads the COFi Council.

- Senior leadership is advised by PACERM on significant risks as needed. The Provost and Sr. VP for Finance and Facilities co-chair the PACERM.

Components and Capabilities of ERM – At All Levels

Examples of UW Units

11/2/2012

UW Units	ERM Program	COFi Council	PACERM	Internal Audit	UW President and Provost
Take and Manage Risks	*Monitor and Aggregate*	*Oversee*	*Approve*	*Validate*	*Acknowledge*
1. Ownership of activities which give rise to risk 2. Risk/opportunity identification and self assessments 3. Develop strategies and take action to mitigate and monitor risks 4. Encouraged to share summary of assessments with ERM program	1. Establish ERM framework, standards and templates 2. Monitor and participate in risk cmtes for the purpose of providing the enterprise view 3. Provide admin support, summary info and analysis to COFi and PACERM 4. Train the trainer	1. Oversight of COFi Assessments (e.g., the division or function level) 2. Approval of methods to monitor risks 3. Identify topics for outreach	1. Approval of key documents such as ERM Annual Report 2. Oversight of PACERM Assessments (e.g., the entity level) 3. Advise the University President on the management of risks and opportunities which may significantly impact strategic goals/priorities	1. Independent verification and testing of internal controls 2. Oversight of changes in unit level risks (e.g., Internal Audit risk map) 3. Provide administrative support, summary information and analysis to COFi	1. Verbally acknowledge key documents such as: 2. ERM Framework 3. PACERM and COFi Council Charters 4. PACERM Assessments (e.g., the entity level) 5. ERM Dashboard 6. Reports to Regents

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ERM Assessments

- Since its inception in 2006, UW ERM has conducted over 30 risk assessments, identifying almost 250 risk statements.

- Risk assessment teams include risk owner (team lead) with members from 2 to over 35, with initial focus on identification and evaluation of risks.

- Best practices for writing risk statements have been developed with standard scales of *Likelihood* of a risk occurring, and to rate the *Impact* if it does occur. Impacts may include health and safety, financial, service interruption, and reputation.

- Risks assembled into Risk Map, so that top risks from across widely different areas and operations are seen as part of the overall University's risk profile.

Summary of Completed Risk Assessments

(Since 2006)

- Global Support Project
- Pollution
- Asbestos
- Post Award Financial Admin.
- Student Safety
- Compliance Council
- Occupational Health & Safety
- Patient Privacy/HIPAA
- Cash Handling
- Campus Impacts from Construction Projects

- Research Laboratories
- Technology Investments
- Financial Oversight of Self-Sustaining Units
- ARRA Recovery Plan for WA Agencies (risk ID only)
- International Tax
- Liquidity and Cash Management (concepts only)
- Electronic Discovery
- Data Management

Risk Mitigation in Action!

○ **Global Support Program**
○ **Compliance Operations Finance Council**

The UW's Global Support Project

The problem: Significant administrative barriers for faculty conducting research and teaching internationally

The Risks: Researchers (and their $) going elsewhere; compliance; reputation, complexity

The Objectives: Streamline processes, leading with service, compliance results as "derivative"

Guiding Principles:

- Align with UW global strategies
- Accept and manage international risk
- Ensure transparency

- Develop multiple process options
- Facilitate collaboration
- Leverage Improvements

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Transformative Improvements!

Research	
Research	• Statutory change to banking law • Streamlined honorarium process • Established "UWorld" • Streamlined cash management, hiring, leasing, subcontracting • Strengthened connectivity and other IT tools • Developed proposal guidelines for and training
Study Abroad	• Streamlined cash advance process • Statutory change to permit student health insurance • Established required training for faculty program directors
Overall	• Created Global Operations Support Website • Established Global Emergency Management Program, including creating Travel Security Management and Information position • Streamlined hiring process for UW employees relocated abroad and foreign employees abroad • Established single points of contact in central admin offices • Developed comprehensive training for units

COFI Council – *Primary* Goals
Compliance-Operations-Finance Council

1) *Engage* in a continual, cross-functional process that results in effective prioritization of institutional responses to compliance, financial, operational risks, and considers the impacts to strategic and reputational risks;

2) *Assure* the institutional perspective is always present in risk and compliance management discussions;

3) *Identify* strategies to address emerging risk and compliance management issues.

COFI Council – *Primary* Goals (Con't)

4) *Support risk* and compliance management training and outreach efforts throughout the University;

5) *Provide* external auditors and regulators with information about the University's risk and compliance programs;

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

COFI Council – *Strategic* Goals

1) Ensure academic personnel and staff know who is responsible and accountable for coordinating compliance with laws, regulations, contractual obligations and University policies:

- Establish information architecture or framework to link University units with institutional obligations specified in law and regulation;
- Identify gaps in roles, responsibilities, policies or procedures.

COFI Council – *Strategic* Goals (con't)

2) Improve the compliance environment through the actions of University units and coordinated efforts between academic personnel and staff:

- Evaluate the completeness of existing compliance environment;
- Develop a model for measuring compliance;
- Serve as resource conduit and/or forum to University in developing or improving compliance related processes and training.

COFI Council – *Strategic* Goals (Con't)

3) Connect with appropriate senior leadership (e.g., President's Advisory Committee on Enterprise Risk Management), and other University-wide strategic initiatives:

- Pursue targeted areas of opportunity to advance COFI mission;
- Top Institutional Risks;
- Metrics Compendium/Dashboard.

8 Elements of an Effective Compliance Program

	1	2	3	4	5	6	7	8
	Written policies and procedures that are current and internally consistent	Designated compliance officer and compliance oversight group	Effective education & training program	Effective lines of communication to receive complaints or questions. Procedures to protect complainant from retaliation	Clearly defined roles and responsibilities resulting in effective oversight	Self-Audits and compliance monitoring	Systems of appropriate disciplinary action	Investigation of misconduct and appropriate corrective action and preventative measures
ADA and Title IX								
Environmental Health & Safety								
Ethics								
Health Care								
NCAA								
Privacy & Information Security								
Research								

Stage of Compliance Program Development

Lacking	Emerging	Evolving	Mature

[1] Federal Sentencing Guidelines for Organizations, 2005

What's Next?

Measuring Institutional Health

- Development of Institutional Financial Forecasting Model
- Development of Unit-level profiles focused on excellence, strategy and areas of concern
- Identification of Institutional "Top Risks" (10-15)
- Metrics Compendium

Metrics Compendium

- ○ Three broad elements of success, focusing on criteria to demonstrate stability to, e.g., rating agencies;
- ○ Quantitative information about key areas of excellence, strategy and potential concern;
- ○ Over 100 (draft) measures;
- ○ Potential for "dashboards" with more narrowly targeted views, depending on area of focus, e.g., financial, academic, etc.

Metrics Compendium – Core Elements

- ○ **UW's Core Mission**
  - Market leadership with global reputation and top-ranked programs
  - Top students and faculty
- ○ **Sustainable Academic Business Plan**
  - Multiple lines of business and diversified funding sources
  - Donor and community support
  - Financial metrics
- ○ **Stewardship**
  - Compliance metrics
  - Administrative Burden/Efficiency
  - Infrastructure

Potential Areas of Institutional Risk

- Regulation and compliance
- Aging infrastructure and systems
- Managing talent and aging workforce
- Declines in research funding
- Cyber security
- Inflating costs such as energy and healthcare
- Alliances, affiliations and industry consolidations
- Philanthropy and investment returns
- Shifts in competition and consumer demand for higher education

Lessons Learned (or learning!)

- Clarify roles of risk committees
- Develop "workplan" for committees
- Develop engaging agendas, focused at the right level
- Staff committee activities adequately
- Don't overemphasize "lowest common denominator" risks
- Gather data/information to develop expertise on specific risks
- Avoid discussing low-level, narrow risks – takes too much time!
- Don't get into the weeds with implementation and process – delegate actions to responsible parties

Questions?

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