

VII. STANDING COMMITTEES**B. Finance, Audit and Facilities Committee**Enterprise Risk Management Annual Report

This presentation will be a discussion of the University of Washington's activities related to Enterprise Risk Management (ERM) and the role of the President's Advisory Committee on Enterprise Risk Management (PACERM). To queue up this presentation, we are providing you with the UW's 2011 ERM Annual Report and a recent report from the Association of Governing Boards of Universities and Colleges (AGB) entitled "New Strategies for Managing Risks: A Balancing Act for Boards." Under Best Practices in Academe on page 5 of the AGB report, the UW is identified as one of the "pioneers" in risk assessment.

Attachments

1. University of Washington Enterprise Risk Management Annual Report 2011
2. "New Strategies for Managing Risks: A Balancing Act for Boards,"
Association of Governing Board *Trusteeship Magazine*, January/February 2012
3. ERM Toolkit Distribution Summary as of April 30, 2012
4. ERM Presentation

ATTACHMENT

UNIVERSITY *of* WASHINGTON

Enterprise Risk Management Annual Report 2011

“...I am increasingly impressed to see that the remarkable drive, inquisitiveness, and ambition of our faculty, staff, and students are tempered by a deep pervasive respect for the rules and societal standards that define the right way to conduct our work. Such steadfast adherence to ethical principles is far from universal, nor can we take it for granted.”

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February 15, 2012

To: President Michael Young

From: President's Advisory Committee on Enterprise Risk Management

Subject: Enterprise Risk Management 2011 Annual Report

Enterprise Risk Management (ERM) at the University of Washington (UW) has been in place for five years, and assessment work continues to provide senior management with collaborative tools to address compliance, operations, financial, and strategic risks and opportunities impacting the institution. This report is to update you on our efforts to continue the ERM initiative, and more broadly, the management of risks facing the UW.

In 2010 – 2011, the President's Advisory Committee on Enterprise Risk Management (PACERM) provided a forum for senior leaders to discuss measures used to evaluate the University's academic personnel profile, as well as discuss measures used to monitor our financial strength in comparison to peer institutions.

By overseeing major information technology projects, PACERM contributed to fulfilling the University's responsibility for compliance with State of Washington Information Services Board and Department of Information Services policies and standards. This oversight role is consistent with the formation of PACERM in 2006 to "oversee and improve the UW's culture of compliance."

Looking ahead, we consider the UW Sustainable Academic Business Plan (SAB) and its 2011 – 2012 priority initiatives essential to keep the University strong and well-positioned in the 21st century. The SAB provides strategic direction for University staff to allocate declining resources, and the basis to apply UW ERM methodologies enterprise-wide.

The UW's approach to ERM, for which PACERM provides governance, provides an accessible forum for addressing emerging risks, or other events that may arise. With greater visibility and control over the top institution-wide risk issues, the UW can maintain its competitive advantage by enabling senior leaders to make decisions in alignment with our strategic goals and mission-critical activities.

We join you in resolving to make 2012 another year of hard work, carried out with the highest standards of integrity, underlined by a quotation from your January letter on renewing our pledge of integrity on the cover of this report.

As we introduce the Enterprise Risk Management model to you, we recommend:

1. Continuing President's Advisory Committee on Enterprise Risk Management (PACERM);
2. Reviewing PACERM membership, with an eye towards maintaining a broad representation of senior leaders;
3. Focusing this year's PACERM agenda as follows:
 - Monitor, maintain, and enhance financial health (e.g., develop enterprise financial analysis and forecasting relative to all missions at the UW);
 - Understand and support institutional efforts underway to ensure the health and safety of individuals in our community, particularly those most vulnerable;
 - Support implementation of Compliance, Operations, and Finance Council's plan to enhance existing compliance programs, and to maintain an institutional perspective for university-wide risk issues;
 - Strengthen UW's ability to compete successfully for faculty and students, given changing demographics and trends;
 - Explore other possible PACERM meeting topics (e.g., decrease administrative burden for researchers; one or more of the 2y2d Goals; one or more of the Sustainable Academic Business Plan 2011-12 Initiatives); and
4. Providing an annual Enterprise Risk Management report to the Board of Regents.

We appreciate your interest and support of this work.

I. Executive Summary

The risk environment in which the UW exists has never been as uncertain as it has been over the last few years. The fiscal tightening at both the federal and state levels has had a direct impact on the UW's missions of research, teaching and service. In particular, the unprecedented reductions in instructional support from the State of Washington have repeatedly demonstrated the importance of risk management, and the need to proactively manage resulting impacts, or risks, to our mission. Recent reductions have had lasting effects on our financial models and on our students and their families. At the same time, these challenges present never-before-seen opportunities to be innovative and transformative in how we manage the institution, now and into the future.

For all types of colleges and universities and, indeed, most similarly complex organizations and institutions, there is great interest in understanding the risks being taken when pursuing achievement of near-term and long-term strategic goals. A successful Enterprise Risk Management (ERM) initiative can affect the likelihood and impact of risks materializing, such as paying fines for regulatory non-compliance, as well as deliver benefits from more informed strategic decisions.

The UW ERM initiative has elevated risk discussions to the point where managing risk is happening enterprise-wide, and in more ways than ever. Through repeated use of a common ERM process, learning is occurring over time and across the UW.

The value of ERM is both qualitative (e.g., risk and opportunity maps) and quantitative (e.g., dashboards to contextualize and display metrics). Qualitative benefits accumulate because the risk mapping process allows groups throughout the University to collectively prioritize issues, and ensure that the effort and resources involved in root cause analysis, measurement and monitoring are applied only to the most significant concerns. Each iteration of the ERM process results in new capabilities, and insight gained into maintaining the University's competitive advantage – particularly from managing our financial risks and strategic opportunities better than peers.

I. Executive Summary (continued)

An example of ERM in action occurred in 2011, when the UW engaged in a comprehensive assessment of financial risk in response to questions from Moody's Investor Services, in light of the fiscal constraints in both the federal and state economies. We are fortunate the assessment resulted in an upgrade to our bond rating from Aaa negative to Aaa stable. This will have a direct impact on our ability to advance strategic initiatives in a financially advantageous manner. In addition, the overall effort, using ERM principles, evaluated our financial risks under several scenarios, and engaged UW senior leadership in collaborative and complimentary ways.

The UW Two Years to Two Decades (2Y2D) initiative has provided the focused vision necessary to proactively address the challenges and opportunities facing us as we embark on the new 21st century. Our paradigm is shifting and our need to demonstrate higher education as a public benefit has never been greater. The companion to 2Y2D is the UW's Sustainable Academic Business Plan. This Plan outlines the strategic goals and related activities that will keep the University strong and well-positioned in the 21st century. It provides strategic direction for University staff to allocate declining resources, and the basis to optimize UW ERM principles around the top risk issues while identifying opportunities for aligning mission-critical activities across the University.

This year's annual report covers some of the activities the UW is doing to be more competitive, collaborative, technology-reliant, nimble, and diversified.

II. State of the University

a. Managing Risk at the University of Washington

The risk environment in which the University of Washington exists has never been as uncertain as it has been over the last few years. The fiscal tightening at both the federal and state levels has had a direct impact on the UW's missions of research, teaching and service. Uncertainty at the federal level can be seen most vividly in the areas of federal research and healthcare. Current political events and how they may evolve in supporting a domestic research agenda suggest a watchful approach so that any potential impact can be addressed proactively. As the implementation of the national healthcare reform progresses, we must be vigilant in getting ahead of the impacts wherever possible.

More locally, with the unprecedented reductions in instructional support from the State of Washington, the UW has implemented initiatives to address and proactively manage the resulting impacts, or risks, to our mission of teaching, research and service. The impacts of the 2008 recession have had lasting effects on our financial models, from every sector, including government, both state and federal, philanthropy, students and their families, as well as almost every other source of support. At the same time, these challenges have presented, never-before-seen opportunities to be innovative and transformative in how we manage the institution, now and into the future. A primary example is the rapid expansion of the UW medical enterprise, the most recent being an affiliation with Valley Medical Center.

Since our UW community cannot meet these challenges alone, the University gathered input from senior leaders, and its dedicated academic personnel and staff to develop a compelling vision for the UW. Over 3,500 individuals from across the University participated in developing the Provost's Office initiative, **Two Years to Two Decades** (2Y2D), which will allow the UW to maintain its position as a preeminent public research university – indeed, perhaps to become the preeminent public university over the next 20 years – in this era of decreasing resources, increased competition from

II. State of the University

a. Managing Risk at the University of Washington (continued)

traditional and alternative education institutions, and 21st century trends. According to the 2Y2D initiative, the UW of the 21st century must be:

- ...more competitive,
- ...more collaborative,
- ...more technology reliant,
- ...more nimble, leading our way through change, and
- ...supported by a more diversified funding base.

A major component of the 2Y2D initiative is the **Sustainable Academic Business Plan**, which is a framework to maintain excellence in teaching, scholarship, and research while dealing with current financial realities. This detailed plan outlines **near-term goals** (e.g., Decrease Costs, Increase Revenues, Invest in People, Invest in Infrastructure), **long-term goals** (e.g., Sustain, Compete, Transform), and the **initiatives** (e.g., Organizational Effectiveness, Enhance Student Services, Campus of the 21st Century, etc.) that will keep the University strong and well-positioned for the 21st century. These efforts will enhance the University's competitive advantage in relation to its peers, and our ability to succeed in the coming years.

II. State of the University

b. Engaging Everyone at the Institution with Enterprise Risk Management

While higher education institutions create new strategies to address future needs, it is important to note that a **“risk conscious” tone at the top of an institution** is critical to link institutional governance, risk management, and the strategic goals. In fact, a systematic effort to maintain these links can support the advancement of the right strategy, at the right time, with a clear notion of the challenges, opportunities, and impacts those strategies may have on the institution.

An increasing number of **higher education institutions are adopting enterprise risk management practices**¹ to identify risk and opportunities earlier than peers, and to be better positioned to manage unforeseeable and unpredictable events.

The **financial benefits of Enterprise Risk Management**² for a college or university include:

- Cost-effective management of its resources,
- Greater efficiencies in use of constrained resources,
- Maintenance of competitive advantages,
- Elimination of paying fines for regulatory non-compliance,
- Enhanced capital and reduced loss of assets,
- Reduced cost of turnover by avoiding employment liability exposures,
- Reduced legal expenses,
- Enhanced communications across departmental “silos,” and
- Reduced claims or operational losses by enhanced loss prevention.

These benefits, particularly in economic constrained times, can mean the difference between investments in the future or expenses that result from outcomes of unidentified risks. **UW ERM has elevated discussions to the point where managing risk is happening enterprise-wide, and in more ways than ever.**

¹ The State of ERM at Colleges and Universities Today; Association of Governing Boards of Universities and Colleges, 2009

² ERM in Higher Education, University Risk Management and Insurance Association, White Paper, September 2007

II. State of the University

c. Governing Through Collaboration

President's Advisory Committee on Enterprise Risk Management (PACERM) brings together leaders of the University to oversee and improve the UW's culture of compliance, discuss emerging risk issues, and review institutional metrics. The origin of PACERM presentations in 2010-2011 can be found in the need to acknowledge the financial realities of a decreasing resource base; increased competition from traditional and alternative education options available to the best students and faculty; and 21st century trends.

Compliance, Operations, and Financial Council (COFi) was created to nurture a more comprehensive institutional perspective on compliance, operations, and financial risk issues. It is the only formal mechanism for convening representatives from all compliance risk areas to share perspectives and learn from one another. COFi Council's 2011 – 2013 Strategic Plan³ describes a collaborative effort to focus a comprehensive institutional compliance perspective, and launch an action plan which integrates a wide range of UW components. Even though primary responsibility for compliance remains in the individual units of the University, the COFi Council will build on existing compliance structures and other UW strategic initiatives to strengthen the University's ability to respond to compliance, operations and financial risk issues.

Enterprise Risk Management (ERM) Methods

Facilitating risk assessments is a key part of the University's ERM initiative. Most, if not all PACERM and COFi Council members are familiar with the **tools and ERM services available** to evaluate risks and/or opportunities. Facilitated assessments provide a good starting place for groups to apply the ERM process in their own areas.

See appendix 2, for more information about roles and responsibilities within the ERM governance structure.

³ UW Compliance, Operations, and Finance Council 2011-2013 Strategic Plan

II. State of the University

c. Governing Through Collaboration (continued)

President's Advisory Committee on Enterprise Risk Management (PACERM) 2010 – 2011 Accomplishments

- Reviewed measures used to evaluate the University's academic personnel profile and competitiveness.
- Engaged membership in robust discussion of how institutional financial metrics and ratios are used to monitor the University's financial strength in comparison to peer institutions.
- Maintained an open forum for senior leaders to discuss emerging risk issues.
- Fulfilled the University's responsibility for compliance with State of Washington Information Services Board and Department of Information Services policies by overseeing major information technology projects.

Compliance, Operations, and Finance Council (COFi Council) 2010 – 2011 Accomplishments

- Developed initial matrix framework which links major compliance risk areas with appropriate University offices and contacts, an effort which formed the foundation for the COFI Strategic Plan to be further implemented in 2012.
- Developed Council awareness in several topics such as: Compliance and Risk in an Environment of Declining Resources; UW Privacy Program; Social Media Concerns; UW Budget Outlook; Labor Relations; Layoff Resources; and UW Medicine Compliance.
- Served as steering committee for the development of the Administrator Toolkit web portal; reviewed flowcharts, internal controls for procurement and payroll process to develop best practices with greater efficiencies.
- Established COFi Council web-site: <http://f2.washington.edu/teams/cofi/>.

II. State of the University

d. Assessing Institutional Financial Strength

The UW and peer institutions are facing similar **pressures from declines in the outlook for both state and federal government spending**. Of the Aaa rated public universities, the estimated range of reliance on government funding is 37% to 58% compared to UW's reliance of 49%. In 2009, rising credit risks led Moody's Investor Services to change the outlook for the entire higher education sector from stable to negative. The future trend in government support is now expected to be stagnant or negative for several years⁴. As a result, Moody's signaled the UW's Aaa stable credit rating would be lowered to Aaa negative in July 2011.

UW was challenged by external rating agencies to explain how it would manage enterprise financial risk. The University responded to this challenge by **forming an enterprise financial risk team and collaborating in ways not done before**.

The Moody's review in the Fall of 2011, included the development of projected financial statements through 2017, as well as stress tests with corresponding mitigation plans to address major revenue lines and involved key senior leaders at the UW, including President Young. While the primary objective of the UW is to maintain cost-effective access to the debt markets, the assignment required a thorough review of our financial health under current and future pressures. It was necessary to evaluate the **UW's ability to respond, both proactively and reactively, to single and combined events that could impact our financial stability**. This analysis was an opportunity to use historical data to communicate potential future trends and incorporate various stresses, in order to identify mitigation strategies that would be necessary to not only meet our financial obligations, but, most importantly, protect the core missions of teaching, research and patient care. We evaluated institutional revenues, current exposures, (e.g., to federal funding) and the uncertain healthcare environment and local expansion, as well as key organizational strategies necessary to create the institution for the 21st century.

⁴ U.S. Research Universities Face Looming Federal Funding Cuts, but Remain Well Positioned to Withstand Credit Challenges, December 15, 2011

II. State of the University

d. Assessing Institutional Financial Strength (continued)

Teaching:

The UW has a history of strong student demand, with undergraduate and total enrollment growing by 13% over the past five years. Freshmen applications over this period have increased by 37%. Although State funding reductions have been significant, especially in the last few years, the University's competitive pricing for tuition has allowed for strong offsetting growth in tuition revenues, with overall rates still below peers. In addition, the Board of Regents now has (conditional) authority to set all categories of tuition, including undergraduate. The risk going forward is to effectively set admissions policy which incorporates tuition elasticity, student demographics and enrollment trends.

Research:

Even with the significant reliance on federally funded research and the pressures of potential declines, the overall competitiveness and success of our faculty suggests our position will remain strong. The UW received the most ARRA (American Recovery and Reinvestment Act) funds of any U.S. university. We will experience the leveraging effect of that success into the future. Our overall market share of federally funded research grew over the last 3 years to almost 3% of the total dollars available. The key drivers to this success include investments in space, in addition to the fact that, even when funding is tight, top researchers are still funded. The risks facing the research enterprise include maintaining our ability to recruit and retain top faculty researchers, decreasing administrative burden for carrying out research, and continuing investments in infrastructure and facilities. In the event our market share of federal research funds trends negatively, we are well-positioned to respond by proactively controlling expenses, including space relocations, seeking additional non-federal funding, and continuing to identify and implement additional cost controls.

II. State of the University

d. Assessing Institutional Financial Strength (continued)

Patient Care:

UW's Aaa rating reflects the interactions between education, research, and service. As the largest healthcare provider in the Seattle area, UW Medicine provides opportunities for high-end diagnostic and surgery services. It also has the ability to conduct multidisciplinary research across the University, which then translates into innovations in treatment from bench to bed.

UW Medicine, consisting of 4 hospitals, clinics and other entities, has seen strong financial performance in recent years, including a solid operating margin for FY2011 of 4.1%. UW hospitals are highly ranked nationally. The School of Medicine serves as the sole public medical school for the five state region, and Harborview Medical Center is designated, by statute, as the only Level I adult and pediatric trauma and burn center in the State of Washington. While UW Medicine is a strong enterprise, rapid expansion combined with uncertainties in healthcare delivery nationally, have presented both opportunities and risks that require strategic leadership and the development of mitigation strategies.

To effectively address the risks and opportunities associated with a possible strategic alliance with Valley Medical Center (VMC), in spring 2011, a due diligence effort was launched to evaluate the proposed strategic alliance and any potential barriers. Overall, the objective of the alliance is to increase access to healthcare services for South King County residents, align best practice models, expand the clinical, teaching and research programs at both institutions and position for future healthcare reform opportunities. As part of this effort, KPMG was engaged to evaluate and review VMC's financial status and operations and to assess the due diligence process itself which they concluded represented a best practice model for assessing such opportunities. The due diligence effort did not identify any issues that would preclude entering into a strategic alliance with VMC. As a result, informed by the due diligence effort, the UW Board of Regents provided authority for the UW to execute documents necessary to implement the strategic alliance.

II. State of the University

d. Assessing Institutional Financial Strength (continued)

Other strategies to effectively manage potential risks with UW Medicine include continued focus on patient safety, quality, access and service; process improvement and other cost reductions; focus on maximizing investments in technology to improve efficiency; and continued preparation for healthcare reform. UW Medicine, in recent years, has generated \$18 million in savings in these areas.

As a result of Moody's review and its overall conclusions, more now than ever, the UW:

- Understands the markets and drivers for its three primary missions of education, research, and service;
- Manages within and across business lines by systematically assessing and managing expenses and focusing on revenue opportunities;
- Is positioned to mitigate declines in government funding through greater tuition pricing flexibility, research diversification and a commitment to recruit and retain faculty, etc.; and
- Has a strategy to maintain research competitiveness, including recruitment and retention packages, decreasing administrative burden for carrying out research, and investing in key facilities.

Because of UW's aggressive borrowing plans through 2021, enterprise financial analysis and forecasting is being developed for senior leaders and the Board of Regents to oversee debt outstanding, credit ratings, and compliance with debt covenants. This financial analysis and forecasting system, in part, will be based upon metrics and ratios used in Moody's review.

In the final analysis, Moody **affirmed the University's Aaa credit rating⁵, and revised the outlook to stable from negative.**

⁵ Moody's Affirms University of Washington's Aaa Rating; Outlook Revised to Stable from Negative. Moody's Investors Service, January 2, 2012

II. State of the University

d. Assessing Institutional Financial Strength (continued)

We effectively communicated the strength of the UW's integrated capital and debt planning as well as leadership's ability to effectively respond to potential impacts of continued uncertain and fiscal stresses to our core missions. In essence, the revision of the UW's outlook to stable from negative, despite the uncertainty caused by fiscal constraints at the state and negative outlook on the US Government's rating, reflects Moody's expectations that the University of Washington will be able to manage through any reductions in federal funding, absorb the additional debt issuance and successfully integrate growing healthcare operations.

III. Future of the University – Looking Ahead

According to Moody's⁶, the near-term outlook for U.S. higher education ranges between stable and negative, with larger, more diversified institutions like the UW having a more favorable outlook. Criteria for stability include the following elements, all of which apply to the UW in varying degrees:

- Market leadership with top-ranked academic programs and global reputations.
- Aaa credit rating.
- The ability to remain highly selective for top students and faculty.
- Multiple lines of business and diversified revenue sources.
- Generous donors, lower dependence on state funding.
- Strong balance sheets.

A stable outlook will provide the foundation that, along with a vigorous attention to emerging risks, will protect the University during anticipated downturns as well as from unforeseen events. In addition, a stable outlook will contribute to the ability to advance institutional strategies and objectives.

To be sure, the UW has been managing risks, to one degree or another, since its inception in 1861. With the introduction of the Enterprise Risk Management model in 2006, we began an organizational and systematic view of managing significant institutional risks by providing senior management with collaborative tools to address our financial, operational, compliance, strategic, and reputational risks.

Establishing an iterative process is at the heart of ERM. The ERM initiative continues to develop as the ERM process and tools are used. Each iteration results in new capabilities and insight is gained into maintaining the University's competitive advantage – particularly from managing risks and opportunities better than peers.

⁶2012 Annual Sector Outlook for U.S. Higher Education. Higher Education & Other Not-For-Profit Teleconference. Moody's Investors Service, January 24, 2012

III. Future of the University – Looking Ahead (continued)

Any single risk can become an institutional risk, and collaboration, consultation and sustained commitment are critical to effectively managing risk. Looking ahead, PACERM will serve as a checkpoint for communications and continue to be a forum to broaden senior leaders' understanding of University initiatives.

The UW Sustainable Academic Business Plan outlines strategic goals and related activities that will keep the University strong and well-positioned in the 21st century. It provides the strategic direction for University staff to allocate declining resources, and the basis to optimize UW ERM principles around the top risk issues while identifying opportunities for aligning mission-critical activities across the University.

Important issues we will be considering in the next year will include:

- Monitoring, maintaining, and enhancing financial health (e.g., develop enterprise financial analysis and forecasting relative to all missions at the UW);
- Understanding and supporting institutional efforts underway to ensure the health and safety of individuals in our community, particularly those most vulnerable;
- Supporting implementation of Compliance, Operations, and Finance Council's plan to enhance existing compliance programs, and to maintain an institutional perspective for university-wide risk issues;
- Strengthening UW's ability to compete successfully for faculty and students, given changing demographics and trends; and
- Exploring other possible PACERM meeting topics (e.g., decrease administrative burden for researchers; one or more of the 2y2d Goals; one or more of the Sustainable Academic Business Plan 2011-12 Initiatives).

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Appendix 1: UW Enterprise Risk Management Process

Enterprise Risk Management⁷ (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 with strategic goals,
- **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.



⁷ Committee of Sponsoring Organizations (COSO). Enterprise Risk Management—Integrated Framework: Executive Summary. COSO, New York, 2004.

Appendix 2: Roles and Responsibilities within the ERM Governance Structure

UW Units	ERM Program	COFi Council	PACERM	Internal Audit	UW President and Provost
<i>Take and Manage Risks</i>	<i>Monitor and Aggregate</i>	<i>Oversee</i>	<i>Advise</i>	<i>Validate</i>	<i>Acknowledge</i>
<ol style="list-style-type: none"> Ownership of activities which give rise to risk Risk and/or opportunity identification and unit level assessments Develop strategies and take action to mitigate risks Encouraged to share assessment results with ERM program 	<ol style="list-style-type: none"> Establish ERM framework, standards, and templates Monitor and participate in risk committees for the purpose of providing the enterprise view Provide administrative support, summary information and analysis to COFi and PACERM Train the trainer 	<ol style="list-style-type: none"> Oversight over eight functional areas of risk Identify and prioritize cross-functional issues (e.g., risks, responses, internal controls, measures) Identify topics for outreach 	<ol style="list-style-type: none"> Advise the University President on management of risks and opportunities which may significantly impact strategic goals or priorities Recommend policy changes and/or actions to reduce risk Oversight of entity level assessments IT project quarterly review 	<ol style="list-style-type: none"> Independent verification and testing of internal controls Oversight of changes in audited units (e.g., Internal Audit risk map) Provide administrative support, summary information and analysis to COFi 	<ol style="list-style-type: none"> Verbally acknowledge key documents such as: <ul style="list-style-type: none"> ERM Framework PACERM and COFi Council Charters Entity level assessments Reports to Regents Integrate PACERM advice into UW strategic priorities Establish policies and procedures based on PACERM recommendations

Appendix 3: Summary of Enterprise Risk Management Assessments

	Entity Level Top Down	Division or Function Level Middle Up	Department Level Bottom Up	Alternatives
2006 – 2007		<ol style="list-style-type: none"> 1. Global Support Project 2. Pollution 3. Asbestos 4. Post Award Financial Admin. 5. Student Safety 6. Compliance Council 	<ol style="list-style-type: none"> 1. Office of the Chief Information Security Officer 	<ol style="list-style-type: none"> 1. eFECS 2. UWMC Credit Analysis
2007 – 2008		<ol style="list-style-type: none"> 7. Occupational Health & Safety 8. Patient Privacy / HIPAA 9. Cash Handling 10. SE Campus Impacts from Construction Projects 11. Research Laboratories 	<ol style="list-style-type: none"> 2. Environmental Health & Safety 6-year Strategic Plan 	<ol style="list-style-type: none"> 3. Google Cloud Application 4. Animal Research Facilities Plan
2008 – 2009	<ol style="list-style-type: none"> 1. Faculty Recruitment and Retention 2. Extended Financial Crisis 	<ol style="list-style-type: none"> 12. Study Abroad 13. UW Technology Investments 14. Financial Oversight of Self-sustaining Units 15. ARRA Recovery Plan for WA Agencies (Risk Identification only) 16. International Tax 		<ol style="list-style-type: none"> 5. Housing & Food Services Credit Analysis, Phase I
2009 – 2010		<ol style="list-style-type: none"> 17. Electronic Discovery 18. Data Management Committee 19. Portage Bay Insurance 		<ol style="list-style-type: none"> 6. Housing & Food Services Credit Analysis, Project II
2010 – 2011		<ol style="list-style-type: none"> 20. Human Resources / Payroll 21. Cash Handling – <i>Update</i> 22. Google Applications 		<ol style="list-style-type: none"> 7. Enterprise Data Warehouse

Appendix 4: Tools to Help Manage Risks and Opportunities

Facilitating risk and opportunity assessments is a key part of the University's Enterprise Risk Management initiative. Most, if not all **PACERM and COFi Council members are familiar with the tools and ERM services available** to evaluate risks and/or opportunities.

The value of ERM is both qualitative (e.g., risk and opportunity maps) and quantitative (e.g., dashboards to contextualize and display metrics). Qualitative benefits accumulate over time because it is inclusive and more collaborative than older models of traditional risk management.

A few benefits are listed below:

- **Understanding institutional risk:** In the UW's decentralized environment, departments tend to have the most functional knowledge of risks and opportunities in their own unit or daily job activities. Where we seldom take time, is to understand the University's top issues cross-functionally.

UW ERM tools provide a framework to rank, aggregate and broadly consolidate the perception stakeholders have of the institution's risks and opportunities. Each facilitated ERM assessment results in a broad understanding of issues, and helps groups determine where risk potential is the highest so that limited resources can be directed to the areas with priority.
- **Avoiding surprises:** ERM assessments help the University identify what are considered to be the top risks and opportunities. This will include risks which have emerged with the passage of time, as well as secondary risks arising from implementation of new strategic initiatives or responses. Routine updates minimize additional surprises from risks which are unforeseeable today and become visible later – further making the case for why enterprise risk management is not a one-time process, and is repeated on a regular basis.
- **Basis for measurement:** Quantifying risks and opportunities can be time consuming and costly. Therefore, a qualitative mapping process is used as an initial scan, and to select a subset of issues for quantitative analysis, measurement and monitoring. Root cause analysis is the most effective way to ensure that the effort and resources involved in measuring and monitoring is applied to the most significant issues.

Appendix 5: President's Advisory Committee on Enterprise Risk Management 2010 – 2011 Membership

V'ella Warren, Senior Vice President, Finance and Facilities, co-chair

Ana Mari Cauce, Dean, Arts and Sciences, co-chair

Mary Lidstrom, Interim Provost

Sandra Archibald, Dean, Evans School of Public Affairs

Gerald Baldasty, Dean Graduate School

Thomas Baillie, Dean, Pharmacy

Cheryl Cameron, Vice Provost for Academic Personnel

Kenyon Chan, Chancellor, UW Bothell

David Eaton, Interim Vice Provost, Office of Research

Daniel Friedman, Dean, College of Built Environments

Eric Godfrey, Vice President and Vice Provost, Student Life

J.W. Harrington, Chair, Faculty Senate

Mark Haselkorn, Faculty Council on Research

Randy Hodgins, Vice President, External Affairs

Gary Ikeda, Division Chief, Attorney General's Office

Paul Jenny, Vice Provost, Planning and Budgeting

Mindy Kornberg, Vice President, Human Resources

Connie Kravas, Vice President, University Advancement

John Morris, Senior Associate Athletic Director for Compliance, Intercollegiate Athletics

Adam Sherman, Graduate and Professional Student Senate, University of Washington

Patricia Spakes, Chancellor, UW Tacoma

Johnese Spisso, Vice President Medical Affairs, UW Medicine COO

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

Support provided by Jennifer Johnston, Finance and Facilities

Appendix 6: Compliance, Operations, and Finance Council 2010 – 2011 Membership

Richard Cordova, Internal Audit, Facilitator
Ann Anderson, Financial Management/Controller
James Angelosante, Health Sciences Administration
Susan Astley, Faculty Senate
Kirk Bailey, Chief Information Security Officer
Sue Camber, Financial Management, Research/Student Fiscal Services
Jeff Cheek, Office of Research, Research Compliance and Operations
Elizabeth Cherry, Office of Risk Management
Lynne Chronister, Office of Sponsored Programs
Sue Clausen, Medical Affairs/Chief Compliance Officer
Marilyn Cox, UW Bothell, Administration and Planning
Scott Desmond, UW Medicine Compliance
Walt Dryfoos, University Advancement
Virjean Edwards, Office of the Registrar
Darlene Feikema, College of the Environment
Jessie Garcia, Human Resources, Campus Operations
Sara Gomez, Office of Information Management
David Green, UW Medicine, Chief Financial Officer
Shelley Kostrinsky, Academic Personnel
Kay Lewis, Student Financial Aid

David Lovell, Research Associate Professor
Richard Meeks, HIPAA Compliance Officer
Todd Mildon, Office of Planning and Budgeting
Karen Moe, Human Subjects Division
Kyle Pifer, Intercollegiate Athletics, Compliance
Linda Nelson, College of Arts and Sciences
Nona Phillips, Office of Animal Welfare
Gary Quarfoth, Office of Planning and Budgeting
Marcia Rhodes, Health Sciences Risk Management
Tom Sparks, College of Engineering
Ysabel Trinidad, UW Tacoma, Finance and Administration
Clark Westmoreland, Educational Outreach
Jude Van Buren, Environmental Health and Safety

Advisors

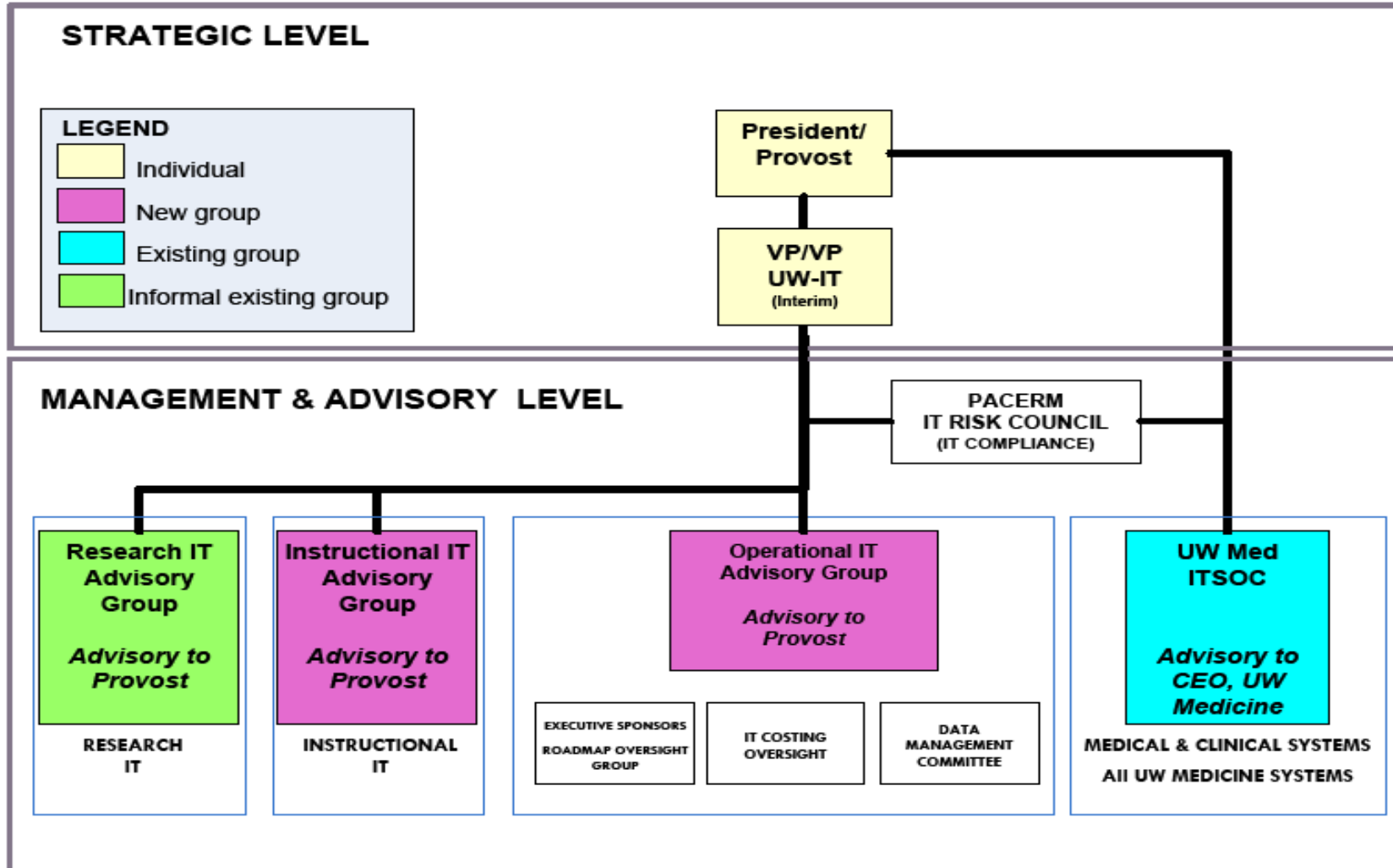
Andrew Faris, Enterprise Risk Management
Charlene Hansen, Internal Audit
Kerry Kahl, Enterprise Risk Management
Dina Yunker, Attorney General's Office

Support provided by Tamara Young, Internal Audit

Appendix 7: Information Technology Advisory Structure

IT Advisory Structure

Updated November 2010



Appendix 8: 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 a top priority. Several major steps towards accelerating the quality and safety agenda 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.
- ✚ Continued engagement of the UW Medicine Board, entity level boards, and 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.
- ✚ Ongoing implementation of the work plan based on the Studer Group, LLC Methodology (UW Medicine Patients Are First initiative) focused on service, safety, quality and financial viability.
- ✚ Development of an electronic version of UW Medicine Patients Are First dashboard with ability to drill-down into site-specific performance related to quality of care data, using the Amalga database.
- ✚ New Medical Staff on boarding educational program implemented to ensure key information and organizational expectations related to patient safety and quality are reliably conveyed to all incoming physicians. This aligns with the educational efforts provided to all other new staff employees in the clinical patient care environment.
- ✚ Review and revision of all organizational order sets is underway to standardize best practices in association with our Computerized Practitioner Order Entry (CPOE) system implementation in 2012.
- ✚ 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.
- ✚ Under the oversight of the Portage Bay Insurance board and the Office of Risk Management, implementation of the Patient Safety Initiatives Program, which has led to a number of pilot programs from faculty members designed to advance new initiatives in quality and patient safety.
- ✚ 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.
- ✚ Made significant improvements in the UHC Annual Report Card on Patient Safety and Quality in academic medical centers. Harborview and UW Medical Center now performing at or above the mean score for UHC which includes over 100 academic medical centers.

Appendix 9: UW Human Resources

Concerns about Job Security - There is a general state of concern among staff regarding potential job impacts due to further reductions in funding. With departments already operating with reduced staffing models, employees know that another significant budget cut will likely mean that organizations will have to either eliminate entire programs and/or eliminate positions as implementations of organizational efficiencies enable departments to consider further reductions in staffing. As would be expected, employees tend to worry about personal impacts of budget cuts, creating more anxiety and angst before and after decisions are made.

In 2009, Human Resources completed a full scale review and reengineering of layoff policies, processes, and resources for classified and professional staff and continues to review practices and communications to ensure that they are contemporary, compliant, and responsive to the needs of affected employees, their managers, and the University.

Risk mitigation protocols (including UWHR's assuming responsibility for administering professional staff layoffs) are in place to allow for early identification and resolution of potential problems and to ensure compliance with UW layoff practices. Partnering with other UW offices like the University Complaint Investigation and Resolution Office, Office of Equal Opportunity and Affirmative Action, and the

Office of the Attorney General will continue to play an important role in risk mitigation as we prepare for additional budget cuts in 2012.

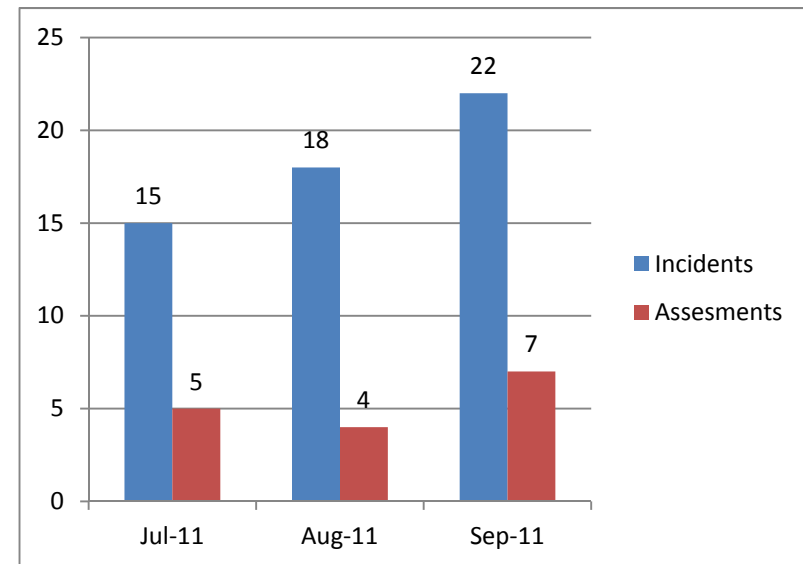
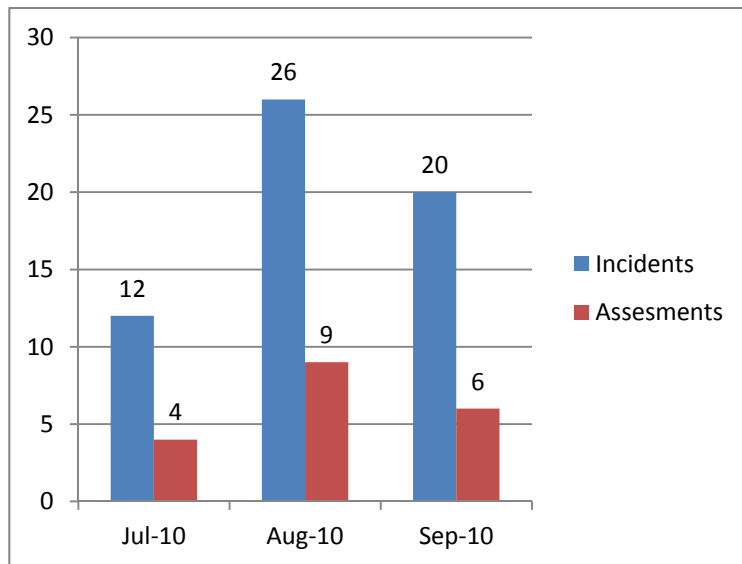
UW SafeCampus Update - Now in its fourth year of operation, the Violence Prevention and Response Program (VPRP) has become more integrated into UW's culture through the SafeCampus public information campaign, a violence prevention component in the new employee orientation for staff, and an ongoing training 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 Appendices.

Appendix 9 (continued) UW Human Resources
 SafeCampus Quarterly Report 07/01/2011 – 09/30/2011
 Violence Prevention and Response Program Third Quarter Report

Number of Incidents and Assessments by Month, Compared to Previous Year

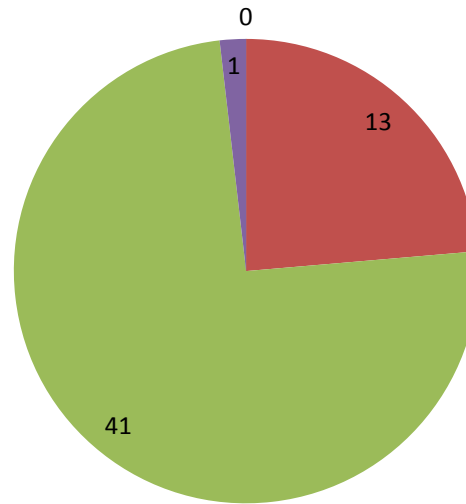


Report prepared by the Violence Prevention and Response Program (VPRP), University of Washington. VPRP acts as the central point of communication and the coordinating unit for violence mitigation activities across the UW. The Violence Prevention and Response Program is a partnership of key players in 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.

Appendix 9 (continued) UW Human Resources
SafeCampus Quarterly Report 07/01/2011 – 09/30/2011
Violence Prevention and Response Program Third Quarter Report

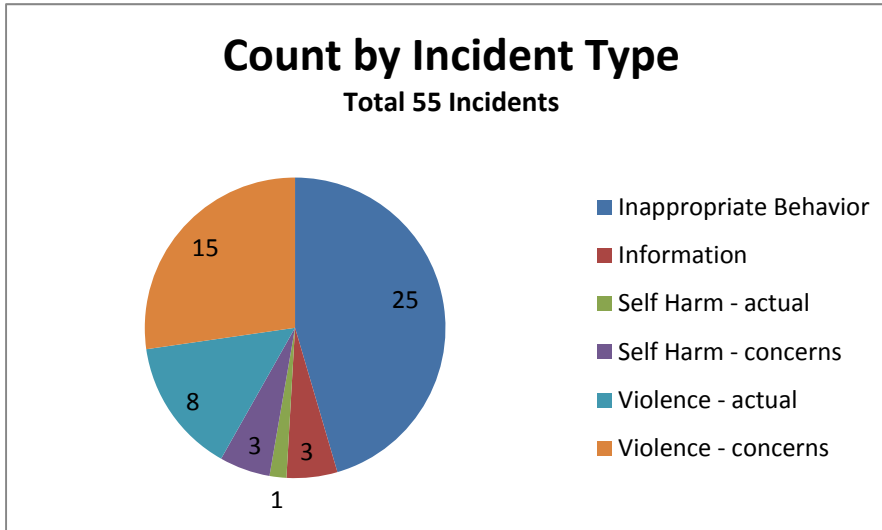
Number of Incidents by Response Level

Total- 55 Incidents

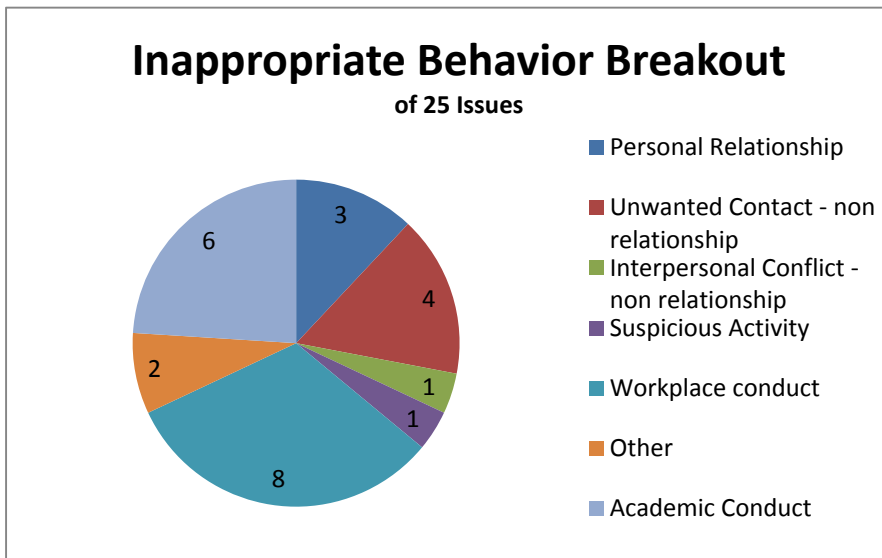


- Level 1- Immediate notification. Violence Prevention Assessment Team (VPAT) is notified and convened as soon as possible.
- Level 2- Standard notification. Issue is discussed at next scheduled VPAT meeting (VPAT held 3x/week) and Risk Mitigation Plan is developed.
- Level 3- Situations assigned Level 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.

Appendix 9 (continued) UW Human Resources
 SafeCampus Quarterly Report 07/01/2011 – 09/30/2011
 Violence Prevention and Response Program Third Quarter Report



Of the eight incidents involving actual violence, seven were interpersonal violence and one was an event in progress needing police response.



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

Appendix 9 (continued) UW Human Resources
 SafeCampus Quarterly Report 07/01/2011 – 09/30/2011
 Violence Prevention and Response Program Third Quarter Report

UW Affiliation of People Involved in Incidents

Person Reporting a Concern	
UW Affiliation	Count
None Listed	0
Other	0
Public	0
Public (Patient)	0
Public (Personal Relationship)	0
Public (Previous UW Affiliation)	0
Unknown Identity	0
UW Faculty	7
UW Graduate Student	4
UW Staff - Non supervisor	14
UW Staff - Supervisor	26
UW Undergraduate Student	2
VPRP Partner	5

Person Causing a Concern	
UW Affiliation	Count
None Listed	0
Other	0
Public	6
Public (Patient)	2
Public (Personal Relationship)	9
Public (Previous UW Affiliation)	1
Unknown Identity	0
UW Faculty	3
UW Graduate Student	3
UW Staff - Non supervisor	13
UW Staff - Supervisor	1
UW Undergraduate Student	8
VPRP Partner	0

Person Experiencing a Concern	
UW Affiliation	Count
None Listed	0
Other	1
Public	1
Public (Patient)	1
Public (Personal Relationship)	1
Public (Previous UW Affiliation)	0
Unknown Identity	0
UW Faculty	7
UW Graduate Student	5
UW Staff - Non supervisor	19
UW Staff - Supervisor	5
UW Undergraduate Student	4
VPRP Partner	0

Appendix 9 (continued) UW Human Resources
SafeCampus Quarterly Report 07/01/2011 – 09/30/2011
Violence Prevention and Response Program Third Quarter Report
Communications, Outreach, and Training Reports

Campus Violence Prevention Training

713 participants attended Campus Violence Prevention training in the time period.

CareLink

Utilization - 6.4%, New Cases - 455

Husky NightWalk

NightWalk performed 214 walking escorts, 269 vehicle transports, and had a total of 542 total services.

SafeCampus Communication

The SafeCampus website was accessed 2,988 times by 1,506 unique visitors during the third quarter of 2011, with an average of 2.46 page views per visit.

UW Police Department

UWPD provided 6 officer stand bys, 4 security surveys, 14 safety presentations, 19 presentations at orientation, and participated in 12 special events.

UWPD Crime Victim Advocate

The crime Victim Advocate had 117 Client contacts which included three trips to court and signing two people up for the Washington State Address Confidentiality Program.

UW Alert

UW Alert had 34,081 participants signed up for alerts, 2304 “Likes” on Facebook, and 1100 followers on Twitter.

New Strategies for Managing Risks: A Balancing Act for Boards

Trusteeship January/February 2012 Volume: 20 Number: 1

By Stephen Pelletier

Take Aways

Risk is inherent in academe, yet colleges and universities still lag behind business and industry in the development of enterprise-risk-management strategies.

At Duke University, top leadership took ownership of campus risk. With strong engagement from trustees, they developed a comprehensive strategy for risk management and evolved into an institutional culture that is attuned to risk-related challenges.

The experience at Duke offers lessons and insights for universities that seek to bolster their own approach to risk management and mitigation.

The stately collegiate Gothic buildings that define the iconic West Campus at Duke University evoke a strong sense of stability and the status quo. But like all institutions of higher learning, Duke faces many potential challenges to campus equilibrium—some of which could prove devastating to the university. At Duke, as elsewhere, risk is a fact of life.

Every college and university gives thought to how it can manage risk. Duke, however, has gone much farther than perfunctory planning. Taking a tack that is both strategic and focused, Duke's administration and board have developed one of the most comprehensive approaches to risk management in higher education today.

As a prominent and highly complex institution, Duke may inherently have a broader exposure to risk than some other institutions. The university alone has annual revenues on the order of \$2 billion, a figure that is matched by the Duke University Health System. The university's endowment totals approximately \$7 billion. Federal research support totals some \$500 million annually, 80 percent of which goes to the Duke School of Medicine. The university has 15,000 students and 33,000 employees. As a partner in a medical school with the National University of Singapore and currently building a campus in Kunshan, China, Duke does business in more than 135 countries.

Manifestations of risk at Duke can make headlines. In 2006, for example, accusations of rape against three members of the men's lacrosse team were widely reported and debated. While the students were eventually cleared, lawsuits related to the case persist. In another example, Duke University Health System was the target this past September of a lawsuit charging negligence and fraud in clinical trials of a lung cancer treatment.

Manage and Mitigate

Despite the real and ubiquitous threats that it faces, Duke hasn't always been fully prepared to manage and mitigate risk. As late as 2004, for example, Duke tended not to think about its risk comprehensively or strategically. Campus discussions of risk were sporadic and localized in offices or departments. It was not always clear which divisions, departments, or individuals were responsible for what risks. Conversations that considered risk from a campuswide perspective were rare. Moreover, there was little proactive reporting about risk to Duke's board of trustees or its audit committee. Consequently, the university as a whole had an incomplete understanding of the full range of risks it faced, which of course meant that it also lacked a comprehensive portfolio of strategies for mitigating those risks.

Duke's board includes a predominance of officers and trustees of public companies. During the early 2000s, those leaders had been dealing in their day jobs with the need for their companies to conduct more stringent internal risk assessments required under the Sarbanes-Oxley Act of 2002. Inevitably, they began to raise more risk-related questions when they met as members of Duke's board. Through discussions over time, Duke's trustees and administrators recognized that the university needed to be better prepared to anticipate and manage risk. Ameliorating those circumstances would require some significant changes in thinking.

"Of all the fronts on which Duke has evolved in the last six or seven years, I actually think risk management might be the one in which there's been the greatest transformation," says Duke University President Richard H. Brodhead.

ATTACHMENT 2

“We used to pay focused attention in a variety of areas, such as research, compliance, and athletics. For all that, I think it used to be regarded as a fairly localized activity in the university. And I think that there were many people who regarded it as quite a secondary activity.”

That mindset started to change in 2004, when Duke hired Michael L. Somich to be its executive director of internal audits. Formerly a partner in the Big Four accounting firm Deloitte & Touche, Somich has more than three decades of experience in hospital and healthcare audits. At Duke, he is responsible for all the internal audit activities of the university, its endowment management company, and the Duke University Health System. He reports to the chairs of the audit committees of those units.

Somich says that one of the first things he noticed was that, when it came to risk, the charters for Duke’s three large units (the university, its investment company, and its medical system) were inconsistent. One of his first tasks was to tweak those charters so that they were better aligned with each other and more consistent with best practices in the field.

Changing the charters was a cakewalk compared to what Somich had to do next: Convince Duke’s top leaders that they had to take full responsibility for risk. Fortunately for him--and for Duke--he made a persuasive case.

Taking Ownership

“Like many institutions, Duke wasn’t always clear as to who owned or was responsible for something,” Somich says. “As a result, you didn’t always have accountability. You didn’t have defined responsibility. You didn’t have consequences when something went wrong. So one of the things that this process has done is define who owns what. It allows us to talk about accountability, responsibility, and consequence.”

Starting soon after Somich came to campus, Duke began to take small steps to assess its approach to risk management and make incremental improvements. In the course of that groundwork, though, Duke took a substantive step forward when Somich convinced Brodhead that he had to “own” pieces of institutional risk. While Brodhead could delegate management of risks, he would retain ultimate responsibility for them.

“I can remember the day that it was first proposed to me that I’d be a risk owner,” Brodhead says. “It’s not the way you really think of yourself. But ownership means you’ve got it—it’s yours. You can’t make this over to someone else.” Recognizing that the proverbial buck stopped at his desk, Brodhead accepted his role as risk owner. Other top leaders soon followed suit. That proved pivotal in Duke’s transformation of its risk-management practices.

“I think that the heart of the change has been discovering that while someone somewhere in the bureaucracy can have the job of managing risks,” Brodhead says, “risks have to be thought about and faced and pieced together at the highest levels of responsibility.”

Increased attention to risk-related issues across the campus and especially on the part of top administrators signaled that risk management was a new university priority. Once administrators accepted ownership of risk, that set the stage for managers to assess institutional risk more formally and comprehensively. Part of that process was to clarify who was responsible for managing which pieces of risk. Participants gradually learned the vocabulary and processes of risk management, part of a general education about risk across the campus as a whole. Moreover, the process helped the campus community reach a common understanding of what risks Duke faced and how they might be mitigated.

Pamela J. Bernard, a vice president of Duke and its general counsel, says that the involvement of top administrative leaders was crucial. Moreover, she reports, that involvement has not been superficial, but rather has regularly constituted a “deep dive into particular areas that all major research universities are dealing with.”

Prioritizing Risk

A 2009 report by AGB and United Educators lists several best practices of “enterprise risk management” (ERM)—the comprehensive approach to risk management that has been adopted widely in business and can also apply to higher education. The report said universities should define risk broadly, recognize both its opportunities and downsides, develop a culture of evaluating and identifying risk at multiple levels, and consider the total cost of risk. While Somich didn’t use the phrase “enterprise risk management” at Duke, essentially what he did was lead a successful institutionwide initiative to develop what is substantively an ERM approach.

As part of that process, Brodhead and other Duke leaders made formal presentations in late 2005 about the areas of risk that they owned—along with potential mitigation strategies—to the board of trustee’s audit committee. Those

discussions defined the Duke reputation as the asset most in need of protection from risk. The two areas of highest vulnerability were identified as athletics and research.

Those assumptions were confirmed the very next year, when the lacrosse incident exploded and Duke had to report to the federal government that it had overbilled Medicare in some clinical trials. Those challenges underscored the need for Duke to have a comprehensive risk-management process. Accordingly, Duke continued to be more intentional in its approach to risk, adding more formality to its risk management processes and driving that function deeper into the institution.

The university began to devote considerable energy to developing a comprehensive compliance program to ensure that it would meet the letter of laws pertaining to the research support it received. Somich's shop identified and trained the managers who were responsible for seeing that Duke operated within legal parameters. In addition, Duke conducted assessments of potential challenges that identified an array of operational risks, such as those pertaining to student behavior and misbehavior.

To help it distinguish different types of risks—and take a more sophisticated approach to risk in general—Duke adopted aspects of the widely respected risk framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). That group divides institutional risk-management objectives into four broad categories: strategic, operations, reporting, and compliance.

When Duke's administration first presented its assessment of risk to the board in 2005, the university's trustees were struck by the fact that the list focused on the operational side of the house and did not distill the institution's most pressing strategic risks. The board urged the administration to come back in 2006 with a list of the 10 top strategic risks that Duke faced, along with the campus owners of those risks and mitigation strategies for each of them. Strategic risks included those that were owned by the highest people in management, encompassing issues that would rise naturally to the level of board discussion, such as compliance with NCAA regulations, ensuring human-subject protections in clinical trials, and meeting all requirements for government funding.

At first, Duke thought that risk managers at the vice-presidential level could shape such a list. But Somich and his colleagues soon recognized that the vice presidents focused on managing operating risks, not those at the strategic level. That distinction proved to be highly instructive. Duke realized that it would be successful in identifying its strategic risks only if its senior leadership, the individuals who "owned" risk at the strategic level, were deeply engaged in the process.

A tool drawn from the business world, the "heat map," proved invaluable when it was first presented to the audit committee in 2006. In its simplest form, a heat map summarizes and ranks data. Duke developed a model that compared the probability of different risks to their potential impact on campus. Using that template, specific potential challenges—in such areas as research compliance, athletics, physician malpractice, information technology, international activities, and student security and general well-being—could be ranked as low, medium, or high risks. The tool helped administrators and trustees see risks at a glance, assess their potential danger relative to other risks, compare risk in a given category to that of the previous year, and determine whether appropriate mitigation strategies were in place.

Duke trustee Susan M. Stalnecker, the vice president of finance and treasurer of E.I. DuPont de Nemours and Company, notes that if risk management is not tied to other management processes, "it can wither on the vine very quickly." She says the heat map helps focus Duke's agenda around risk and helps ensure that discussions translate into action. "It informs the audit schedule in a very practical way," she says. "It also identifies subjects for the entire board to get engaged in."

Trustee Engagement

Ownership of risk at Duke rests with both management and the board of trustees. Broadly speaking, ownership and responsibility for risk at the board level lies with the executive committee. Responsibility for the risk-management process, however, rests with the board's audit committee. The audit committee is responsible for reviewing management's risk-related processes. And while the audit committee does not own any of the strategic risks, it is responsible for assessing management's conclusions related to strategic risks.

As Duke began to engage its trustees more regularly in systematic discussions of risk, the board pushed the institution to do even more. "Because many of our trustees come from corporate settings, they are quite familiar with enterprise risk management," Bernard says. "The interest that the trustees had in this issue sparked interest at the university level."

Two chairs of the audit committee— Susan Stalnecker and her successor in that role, Jack O. Bovender, Jr., a past chairman and chief executive officer at Hospital Corporation of America—emphasized the importance of the risk-management process and strategic risks by allotting significant time for discussion of those topics in audit committee meetings. They also highlighted senior leadership’s presentation about risk to the full board. “While they did a great job,” Somich says, “it was like singing to the choir as most of the board members are from public companies that have developed ERM programs.” A board retreat in 2008 focused on areas of strategic risk and the university’s risk management process as a whole.

“It’s fair to say that risks were discussed prior to the implementation of the current process,” says the chair of Duke’s board, G. Richard Wagoner, Jr., who retired as chairman and chief executive officer of General Motors Corporation in 2009. “But today, discussions around risk are much more structured. The whole issue of risk and risk management is more broadly considered throughout the general discussions that we have at the university.” Wagoner says those discussions are crucial because they clarify management and board responsibilities for understanding and managing risk.

Wagoner believes that Duke’s strategic approach to risk is vital. “This isn’t just an audit staff activity, or a compliance office activity, but one that is led on a strategic basis, through a committee structure, by the president of the university and all of his key reports,” he says. “I think that’s the sign of a good program. And I think it makes operating managers more effective, because the process of thinking about what risks could happen, how important they are, and how we can mitigate them is, in the end, an important part of strategic planning.”

Board engagement is a central component in Duke’s approach to risk management. As Stalnecker notes, “It is part of the board’s responsibility to ensure that the university has a robust and functioning risk-management process. Risk management is part of [the board’s] charter and definition of activities,” she says.

Boards must of course walk a fine line between engagement and micromanagement. “It’s not our role to tell the management of any particular part of the organization that owns a certain enterprise risk and its mitigation strategy the A-B-C’s of the mitigation strategy,” Bovender says. “We just have to make sure that they have worked through that process, and that we, at some oversight level, agree that that’s the appropriate approach to it. We’re not in the business of managing the process. We’re in the business of the oversight of the process.”

Duke continued to invest time and energy in considerations of risk. Efforts in 2007 and 2008, for example, dove more deeply into understanding strategic risk and sought to further clarify the university’s understanding of its operational risks.

By 2011, Duke had formalized a comprehensive approach to risk management and was already starting to fine-tune its strategies. Each year, the audit committee reviews Duke’s annual risk-management process plan and a heat map that assesses strategic risk, both of which are also provided annually to the full board. Every other year, Brodhead makes a presentation about strategic risk to the full board, which earmarks a portion of that meeting for discussion of risk. Bovender says that the risk-management approach that Duke developed is as robust and effective as the best ones he saw in his corporate life.

Lessons Learned

Duke has learned much from its development of a risk-management program. Early risk-assessment activities revealed, for example, that the university needed much stronger risk-mitigation strategies. “We learned that we didn’t have adequate response strategies, or hadn’t thought them through,” Somich says. That aspect of risk management quickly became a priority. Another takeaway was that compliance and internal audit functions cannot be considered substitutes for a full risk management process.

Having had some time to reflect on what Duke has accomplished, Somich offers several general observations. “You have to have the president actively involved in risk management and supportive of it,” he says. “He or she has to be able to articulate risk management and say that there are benefits from it.” That involvement signals that risk management is important to the institution, Somich believes. The fact that a top leader is personally involved inspires others to participate actively as well. At the same time, Somich says that it is vital that a university anoint a champion of risk management who can execute top leadership’s directives at the operational level. Brodhead asked Somich to serve that role at Duke.

Somich cautions universities interested in improving their risk-management strategies to move slowly. He urges that processes of risk management be tailored so that they fit an institution’s distinct culture. “The risk-management process is huge, and there are many different levels to it,” he says. “Don’t try to do too much too fast. Be patient.”

Educating people across the institution about risk management is also important, Somich says. Complementing formal training for risk managers, for example, Somich and his colleagues introduce concepts of risk management more informally for other staff through ongoing campus discussions with departments, research labs, and other branches of the university framework. He also says that regular communication helps people across campus gain a common understanding of the risk management process' activities and goals.

Best Practices in Academe

The 2009 report by AGB and United Educators found that higher education lags behind private industry in incorporating consideration of risk into planning, management, and board oversight. As many as 60 percent of respondents said their institutions do not use comprehensive and strategic risk assessments to identify major risks to mission success. Just 5 percent said their institutions had exemplary risk-management practices. (For more on the report, see page 40.)

One of the pioneers, the University of Washington, assesses risk in the context of strategic objectives and interrelated risk factors across the institution. The university readily shares a toolkit it designed to implement the enterprise-risk-management process. Another model is found at the University of Texas, which manages risk systemwide through a central office.

Emory University also has a sophisticated, comprehensive risk-management program. Michael J. Mandl, executive vice president for finance and administration at the university, says Emory takes a holistic approach through which enterprise risk management “provides a framework for entity-wide risk identification, prioritization of key exposures, and the development of operational responses to potential adverse events. That is all based on a foundation of ownership, accountability, and transparency.”

“We inherently accept risk and don’t feel that all risk is bad,” Mandl says. “In fact, risk is necessary for success. We feel it is important to mitigate surprise and try to assume risk judiciously—mitigate it when possible and prepare ourselves to respond effectively and efficiently when risks that we are aware of materialize. Our goal is not to eliminate all risk, but rather to manage it effectively.”

Catching Fire

The notion of enterprise risk management in higher education may be catching fire. Both Duke and Emory report that they field a steady stream of inquiries from other universities that seek ideas for how they can be more systematic and comprehensive about managing risk.

United Educators President and CEO Janice Abraham offers institutions this advice about risk management: “A, get started. B, look at what your colleague institutions have done. C, make it a regular process of doing business and make sure the board looks at no more than 10 and preferably five risks. Keep it small, keep it simple, and get it into the DNA of the institution.”

Managing risk may not rise naturally to the top of university leaders’ to-do lists, but Duke’s experience suggests that it must be made a priority for the well-being of an institution as a whole. “Risk is not just inherent at universities. It is necessary,” Bernard says. “It is a necessary part of moving forward in bold ways to challenge longheld beliefs and to improve the world for the benefit of mankind.”

“Truth to tell, universities aren’t here to manage risks,” Brodhead says. “They’re here for a great variety of functions: education, research, healthcare. It’s just that it turns out that each of those functions carries risk. And you have to pay suitable attention to the risk in order to best further the positive mission of the university.”

How Can the Audit Committee Fulfill Its Role of Risk Management?

- First, the committee must develop a comprehensive view of risk for the organization. This can be accomplished through ongoing education of the committee by management and external experts.
- Second, the committee must hold management responsible for both an effective internal-control structure and the development of a risk-management plan.
- Finally, the internal-audit function serves as a critical risk-management tool, facilitating the identification of risks and the probability they will occur, as well as assessing their impact on the organization and ensuring that management has implemented risk-management strategies.

— from *The Audit Committee*, by Richard L. Staisloff (AGB Press, 2011)

Common Areas of Risk

- Student alcohol abuse
- Workplace discrimination, harassment, and retaliation
- Natural disasters and business continuity
- Safety in study-abroad programs
- Delivering on the promise of graduate programs
- Violence and crisis response
- Response and treatment provided by campus health clinics
- Increasing student demand for mental-health support
- Transportation of student groups and athletic teams
- Concussion and head injuries in athletics

Emerging Risks

- The expanded role of Title IX as it relates to student sexual assault
- Minors on campus
- Hazing in student activities, including and beyond the Greek system

Compiled by United Educators

References

Janice Abraham, "Students and Risk: Eight Critical Issues." November/ December 2010.

Martin Michaelson, "How Is Your Institution Doing on Conflicts of Interest?" November/December 2007.

Richard L. Staisloff, *The Audit Committee* (AGB Press, 2011).

"The State of Enterprise Risk Management at Colleges and Universities Today" (AGB and United Educators, 2009).

Laura A. Kumin and Burton Sonenstein, *Essentials of Risk Management* (AGB , 1998).

About the Author:

Stephen G. Pelletier is a freelance writer and editor who writes regularly on higher education.

Enterprise Risk Management Toolkit Distribution Summary

April 30, 2012

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Full Toolkit attachments Include: 43 page PDF File; *Word documents*: risk and/or opportunity assessment worksheets, polling matrix, alternatives polling matrix; risk list; risk summary picture, and examples of monitoring and measuring; and *Excel Worksheets*: risk register to merge risk maps; basic risk register to review internal controls.

For information on licensing the ERM Toolkit, visit UW Center for Commercialization office on line at: <http://depts.washington.edu/uwc4c/express-licenses/assets>

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Other Notables Toolkit Requests & Licenses	
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2009	Harvard University, Amanda McDonnell, Manager of Risk and Audit Services
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2012	<ul style="list-style-type: none"> ○ Julliard School of Music, NYC – Jon Rosenhein, VP and COO Jon is the former VP of Finance and Budget at Columbia University

ERM Toolkit – First Edition provided to the following:

2008

1. Yale University, Director of Enterprise Risk Management

2009

1. Harvard University, Risk Management & Audit Services
2. HURON Consulting
3. University of New Mexico
4. City University of New York, Environmental Health
5. University of North Carolina, Charlotte, Internal Audit
6. University of Miami, Risk Management
7. Rice University, Office of the President

January 2010

1. University of Alabama, Birmingham, Compliance Office
2. University of North Carolina, Wilmington, ERM Officer
3. California State Automobile Association, VP of Compliance and ERM
4. College of Wooster, VP of Finance and Business
5. Institute of Technology Bandung, Indonesia, Engineering Department

February 2010

6. University of Utah, AVP for Auditing & Risk Services
7. Hospital Authority of Hong Kong, Business Administration Office
8. University of Houston, Compliance Officer
9. State University of New York, Chief Compliance Officer
10. * Cascade Water Alliance, Bellevue, WA (**Toolkit License @ \$2,500**)
11. University of South Florida
12. Georgian Court University
13. Xavier University
14. World Vision, Federal Way, WA
15. Nova Southeastern University
16. Kutztown University
17. Medical College Wisconsin
18. Colorado School of Mines
19. Hunter College
20. Emory University

21. Saginaw Valley State University

March 2010

- 22. Western Washington University
- 23. Muhlenberg College
- 24. Azusa Pacific University
- 25. Northwestern University
- 26. University of Alabama Birmingham
- 27. Robert Morris University
- 28. William Patterson University of New Jersey
- 29. Washington DC Suburban Sanitary Commission on Waste Water
- 30. UNICEF
- 31. Wake Forest University
- 32. Bronx Community College
- 33. BYU – Idaho

April 2010

- 34. University of California at Davis
- 35. Auburn University
- 36. Smith College
- 37. State University of New York
- 38. University of Vermont
- 39. University of Northern Colorado

June 2010

- 40. Amerigroup Corporation
- 41. Marquette University
- 42. Kathryn Wire Risk Strategies

July 2010

- 43. HEC Montreal
- 44. Lehigh University

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September 2010

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54. Scott Smith
55. *Heather Lopez, Washington State University (**Toolkit License**)
56. Vietsourcing – Hanoi Vietnam
57. * National Research Council, Winnipeg, Canada (**Toolkit License**)

October – 2010

58. TriNet
59. University of Central Florida Foundation
60. * Cobala net, Montreal, Canada (**Toolkit License**)
61. Valentina Giagnoni
62. * GFI Group, Inc., New York (**Toolkit License**)
63. City of Winnipeg Canada – Internal Audit
64. Sumitomo Chemical – Japan
65. Costco Wholesale Internal Audit
66. Savings and Loan – Santiago Chile
67. Vantage West Credit Union – Arizona
68. Blue Cross and Blue Shield of Kansas City
69. Winnipeg Regional Health Authority – Canada
70. Royal Caribbean Cruise Line – Miami Florida
71. University of Maryland School of Medicine
72. Pacific Blue Cross
73. Brinker International Restaurants
74. Institute of Technology – Bandung Indonesia

75. Gadjah Mada University – Indonesia
76. Lethbridge College – Alberta, Canada
77. Drexel University
78. University of Alabama System
79. Johnson Community College Kansas
80. Farm Credit Services of the Mountain Plains
81. Moss Adams of Portland, OR
82. Metro Vancouver Canada

November 2010

83. Olga Rubini
84. Devin Maness
85. Puget Sound Energy
86. City Colleges of Chicago
87. * University of North Carolina at Greensboro (**Toolkit License**)
88. Florida International University
89. * Seattle Public Schools, Richard Staudt (**Toolkit License**)
90. Ivan Choi, AON
91. Seton Hall University
92. * Santa Fe Healthcare, Gainesville, FL (**Toolkit License**)
93. North Iowa Area Community College
94. Namibia Road Fund – Africa
95. * Builders First Source, Dallas, TX (**Toolkit License**)
96. Tulane University Legal

December 2010

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98. Neil Love
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101. * Jonathan Buckley, Troy, MI (**Toolkit License**)
102. * Washington State University, Richard Heath (**Toolkit License**)
103. California Department of Public Health
104. Federal Way Public Schools
105. Indiana Wesleyan University
106. UW Bothell

January 2011

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2. NKS Group – Cyprus
3. ABN AMBRO Bank
4. National Penn Bank
5. University of Alabama – Birmingham
6. * Pacific Northwest Laboratories (**Toolkit License**)
7. UW Human Resources
8. UW Ombudsman
9. UW Human Resources
10. UW Global Affairs
11. UW Student Planning and Administration

February 2011

12. Creighton University
13. Marygrove College
14. Midwest Baptist Seminary
15. Futa Jalon Capital
16. Henrik Narva
17. Glacier Bancorp
18. Safaricom

March 2011

19. University of Oregon
20. Hamdan Bin Mohammed eUniversity – Dubai, UAE
21. University of Michigan Health System
22. Clayton State University
23. Ashton Tiffany
24. Diamond Resorts International
25. Christophe Nemeth
26. Martin's Point Healthcare
27. COMSYS

April 2011

28. College of North Atlantic – Doha, Qatar
29. Federal Reserve Bank – Kansas City
30. University of California – Merced

31. Cooper Union for Advancement of Science and Art
32. Pan American Health Organization and World Health Organization
33. University of California – Santa Barbara
34. UW IT
35. Indiana University
36. University of Maryland
37. Brand Energy Services

May 2011

38. University of New Mexico
39. University of California – Berkeley, Controller's Office
40. Western Michigan University
41. Ben Gurion University of the Negev – Israel

June 2011

42. The Heico Companies
43. Safeco Insurance
44. East Carolina University
45. American University
46. University of Illinois
47. UW Department of Oral Medicine
48. West Chester University
49. UW IT Information Management
50. The Heico Companies
51. Safeco Insurance
52. World Doc

July 2011

53. Y.K. Al Moayyed & Sons – Bahrain
54. CIMMYT
55. A. KAHN
56. HMS, Inc.
57. Donnell SNC – Italy
58. University of Saskatchewan – Canada – Risk Management
59. Texas Children's Hospital

August 2011

60. State of North Dakota
61. Blue Cross & Blue Shield of Kansas CityE5kuk

62. UW Global Affairs
63. Carleton College
64. Wayland Baptist University
65. Bharathula Venki
66. Gordon Derr
67. Marsh – South Africa

September 2011

68. HMC Rehabilitation and Psychiatry
69. UW Humanities & Shared Services
70. UW Controllers Office
71. Algonquin College – Canada
72. Trent University
73. Eastern Cape – South Africa

October 2011

74. Daytona State College
75. Stellenbosch University – South Africa
76. UW ITECH
77. Ohio Public Employees Retirement System
78. Al Munajem

November 2011

79. Lake County Government – Illinois
80. MBF Cards – Malaysia

December 2011 - None

January 2012

1. Julliard School of Music – NYC
2. Georgia Gwinnett College – Internal Audit
3. University of La Verne
4. University of Saskatchewan – Canada – Internal Audit
5. Qatar Petroleum
6. Academic Risk Resources

February 2012

7. CS Mott Community College
8. McGill University – Canada

9. University of Maryland – Risk Management
10. Franklin College
11. Adelphi University
12. Florida Institute of Technology
13. Accountability Plus

March 2012

14. Resurrection University
15. Harding University
16. Mount Royal University
17. Brock University
18. Saskatchewan School Boards Association
19. Massachusetts Institute of Technology (MIT)
20. Marquette University
21. Banco Santander
22. IBCS PRIMAX – Bangladesh
23. Philippine Institute of CPAs

April 2012

24. UW IT – eFECS
25. Pacific University Board of Trustees
26. Fenshaw College – Ontario Canada
27. UC Davis – Compliance
28. Wilson College

UNIVERSITY *of* WASHINGTON

Enterprise Risk Management Annual Report 2011

Board of Regents

May 2012

“...I am increasingly impressed to see that the remarkable drive, inquisitiveness, and ambition of our faculty, staff, and students are tempered by a deep pervasive respect for the rules and societal standards that define the right way to conduct our work. Such steadfast adherence to ethical principles is far from universal, nor can we take it for granted.”

UW President Michael K. Young, *Renewing Our Pledge of Integrity*, January 3, 2012

For Today

Enterprise Risk Management (ERM)

- Definition and Objectives
- UW ERM Process
- Roles and Responsibilities
- Timeline
- ERM 2011 Annual Report Summary
- UW will be Financially Healthy if It ...
- Areas of Institutional Risk
- Goals for 2012
- Appendix: Sample Risk Register

Enterprise Risk Management

Enterprise Risk Management (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.”

Committee of Sponsoring Organizations (COSO).

Enterprise Risk Management—Integrated Framework: Executive Summary. COSO, New York, 2004.

ERM Objectives

Seven best practices serve as guideposts for UW's ERM approach:

- 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:

<http://f2.washington.edu/fm/sites/default/files/erm/2011ERMAnnualReport.pdf>

UW ERM Process



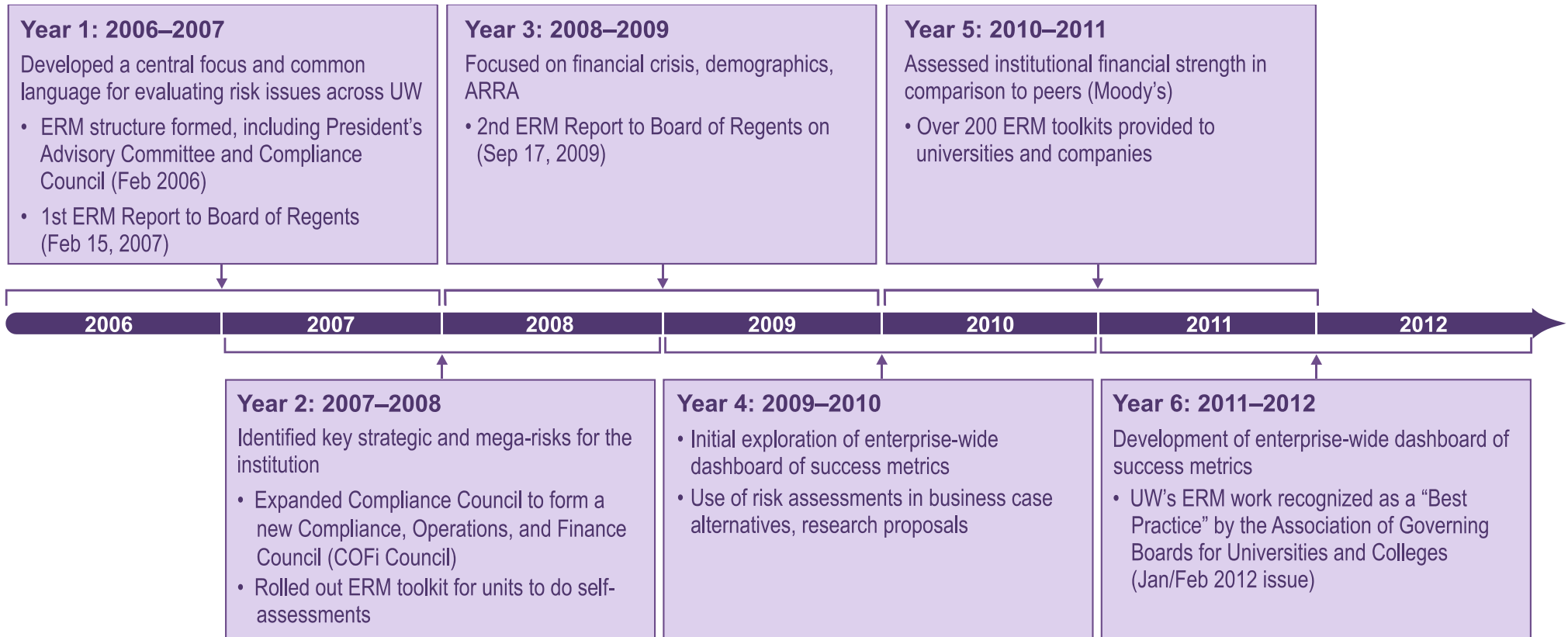
Steps:

- **Setting** the tone at the top with Leadership, Culture and Values,
- **Establishing** context, and the basis for how risk is viewed with strategic goals,
- **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.

ERM Roles and Responsibilities

<i>UW Units</i>	<i>ERM Support</i>	<i>COFi Council</i>	<i>PACERM</i>	<i>Internal Audit</i>	<i>UW President and Provost</i>
<i>Take and Manage Risks</i>	<i>Monitor and Aggregate</i>	<i>Oversight</i>	<i>Advise</i>	<i>Validate</i>	<i>Acknowledge</i>
<ol style="list-style-type: none"> 1. Ownership of activities which give rise to risk 2. Risk/opportunity identification and unit level assessments 3. Develop strategies and take action to mitigate risks 4. Encouraged to share assessment results with ERM program 	<ol style="list-style-type: none"> 1. Establish ERM framework, standards and templates 2. Monitor and participate in risk committees for the purpose of providing the enterprise view 3. Provide administrative support, summary information and analysis to COFi and PACERM 4. Train the trainer 	<ol style="list-style-type: none"> 1. Oversight of functional areas of risk by individual risk owners 2. Identify and prioritize cross-functional issues (e.g., risks, responses, internal controls, measures) 3. Identify topics for outreach 	<ol style="list-style-type: none"> 1. Advise the University President on the management of risks and opportunities which may significantly impact strategic goals or priorities 2. Recommend policy changes and or actions to reduce risk 3. Oversight of entity level assessments 4. IT project quarterly review 	<ol style="list-style-type: none"> 1. Independent verification and testing of internal controls 2. Oversight of changes in audited units (e.g., Internal Audit risk map) 3. Provide administrative support, summary information and analysis to COFi 	<ol style="list-style-type: none"> 1. Verbally acknowledge key documents such as: <ul style="list-style-type: none"> • ERM Framework • PACERM and COFi Charters • Entity level assessments • Reports to Regents 2. Integrate PACERM advice into strategic priorities 3. Establish policy and procedures based on PACERM recommendations

ERM Timeline



ERM 2011 Annual Report

Assessing Institutional Financial Strength

- In 2009, Moody's Investor Services changed the outlook for the entire higher education sector from stable to negative.
- In July 2011, Moody's signaled the UW's Aaa stable credit rating would be lowered to Aaa negative.
- UW responded by forming an enterprise financial risk team and collaborated in ways not done before.
- In December 2011, Moody's affirmed the University's Aaa credit rating and revised the outlook to stable from negative.

UW will be Financially Healthy if It...

- 1. Achieves market leadership as demonstrated by**
 - Global reputation
 - Top-ranked programs and hospitals
- 2. Attracts and retains top students and faculty**
- 3. Enhances diversity of funding sources by having**
 - Multiple business lines and revenue sources
 - Low reliance on state support
- 4. Develops strong donor and community support**
- 5. Maintains access to debt markets at attractive rates by exhibiting**
 - Strong balance sheet
 - Prudent debt management
 - Sustainable academic business plan

Areas of Institutional Risks

1. Regulation and compliance
2. Aging infrastructure and systems
3. Managing talent and aging workforce
4. Declines in research funding
5. Cyber security
6. Inflating costs such as energy and healthcare
7. Alliances, affiliations and industry consolidations
8. Cost reductions
9. Philanthropy and investment returns
10. Shifts in competition and consumer demand for higher education

Looking Ahead—ERM Goals for 2012

1. Monitor and enhance financial health

- Develop enterprise financial analysis and forecasting relative to all missions at the UW.
- Provide senior leaders and the Board of Regents with new tools to oversee outstanding debt.

2. Develop institutional success dashboard (PACERM)

- Consolidate existing, high-quality measures that align with Core Mission, the Sustainable Academic Business Plan, and Credit Rating Agencies.
- Display “key indicators” that enable senior leaders and the Board of Regents to anticipate changes in UW risk and performance profile.

Looking Ahead—ERM Goals for 2012 (cont'd)

3. Support COFi Council Strategic Plan

- Ensure responsibility and accountability for coordinating compliance with laws, regulations, contractual obligations and University policies.
- Perform gap analysis for significant compliance requirements.
- Develop mitigation strategies to close compliance gaps.
- Improve the compliance environment through outreach, monitoring/measurement and through other stakeholder collaborations.

Appendix: Sample Risk Register

Risk Category	Institutional Risks
Academic Quality	<ul style="list-style-type: none"> • Inability to maintain desired levels of teaching quality
Admission & Enrollment	<ul style="list-style-type: none"> • Inability to meet enrollment/yield targets • Inability to maintain affordability due to increasing student fees
Facilities & Maintenance	<ul style="list-style-type: none"> • Inability to meet presidential sustainability targets • Inability to provide sufficient space to meet teaching, research and administrative needs
Financial & Economic	<ul style="list-style-type: none"> • Inability to cope with unexpected revenue shortfall/budget reductions • Inability to manage/absorb rising healthcare costs • Inability to adequately fund all desired programs due to fund diffusion across multiple objectives • Failure to control growth in debt burden • Inability to fund progress on deferred maintenance queue
Human Resources	<ul style="list-style-type: none"> • Inability to recruit and retain top faculty, staff and senior administrators
Information Technology	<ul style="list-style-type: none"> • Inability to maintain or replace obsolete systems/technology in a timely manner • Inability to prevent unauthorized modification of data (cyber security) • Inability to grow IT resources and data center capacity to meet campus needs
Public Safety & Hazard	<ul style="list-style-type: none"> • Inability to ensure safety of faculty and students domestically and globally
Research & Grants	<ul style="list-style-type: none"> • Inability to detect or prevent major breaches in research integrity and ethics • Inability to detect or prevent conflict of interest stemming from third-party contracts • Failure to comply with applicable human/animal subject regulations • Export control violations
Student Life	<ul style="list-style-type: none"> • Inability to ensure that student mental health challenges are adequately addressed • Inability to recruit or retain students due to student dissatisfaction with campus experience
Student Success	<ul style="list-style-type: none"> • Inability to meet retention targets

Discussion