

University of Wisconsin System Enterprise Risk Management Initiative



What Is Enterprise Risk Management?

- There is no one definition.
- There are a number of frameworks.
- ERM should identify and prioritize real and potential risks (threats and opportunities).
- ERM is associated with, and representative of, good corporate governance.

Higher Education Risks

Higher education operates within a diverse and evolving risk environment.

- Competition
- Student Demands
- Increased Scrutiny from outside groups
- New Technologies
- Globalization
- Entrepreneurial ventures beyond traditional education
- Pressure for increased productivity and accountability while reducing costs
- Increased compliance
- Research
- Large physical plants
- Unique Collections
- Safety/Security

Background of ERM Initiative

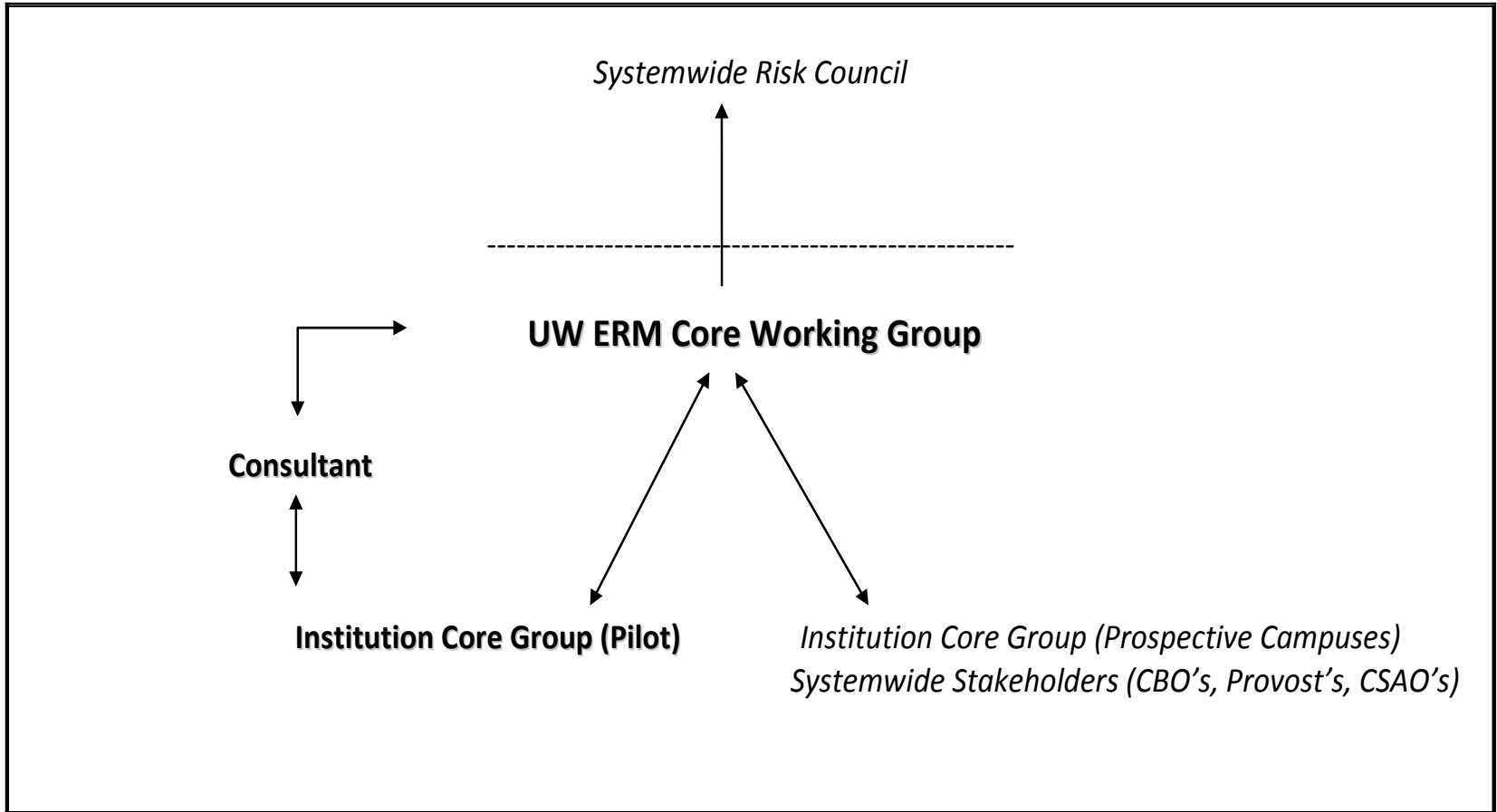
- Three-pronged origin
 - Evolution of Risk Management;
 - Align declining resources with mission-critical tasks; and
 - Sarbanes-Oxley and other accountability standards.

- Key ERM Questions Considered
 - Senior Management Support
 - Resources
 - Self-evaluation vs. consultant-directed
 - Risk Management Policy/Culture
 - Communication Strategy
 - Accountability/Authority

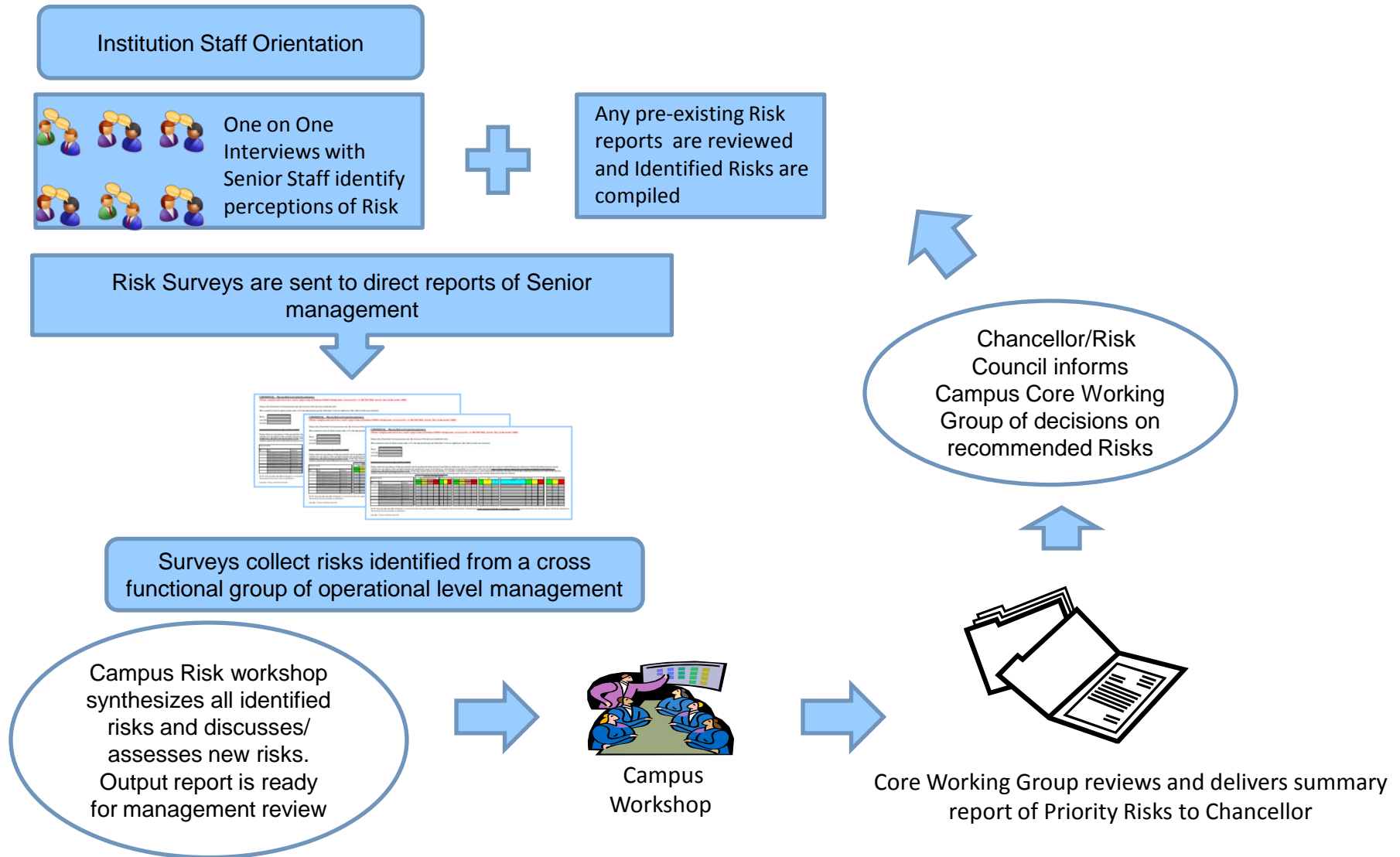
Goals and Objectives for ERM Initiative

- Goal #1: Integrate ERM into the culture and strategic decision making processes of the organization.
- Goal #2: Balance the cost of managing risk with the anticipated benefits.
- Goal #3: Manage risk in accordance with best practices, and demonstrate due diligence in decision making.
- Goal #4: Use the pilot projects to develop a system wide ERM implementation strategy.

ERM Initiative Structure



Implementation Approach



Key ERM Concepts

Controls

Types of controls

- **Rule-based** – Policy, process, or standard.
- **Management Control** – Responsibility for control is assigned to a specific person or function within the organization.
- **Compliance-based** – Rule-based or Management Control, where adherence is verified.
- **Physical Control** – Barrier, mechanical, or computer control.
- **Risk Culture** – Tone at the top for managing risk.

... More = Better

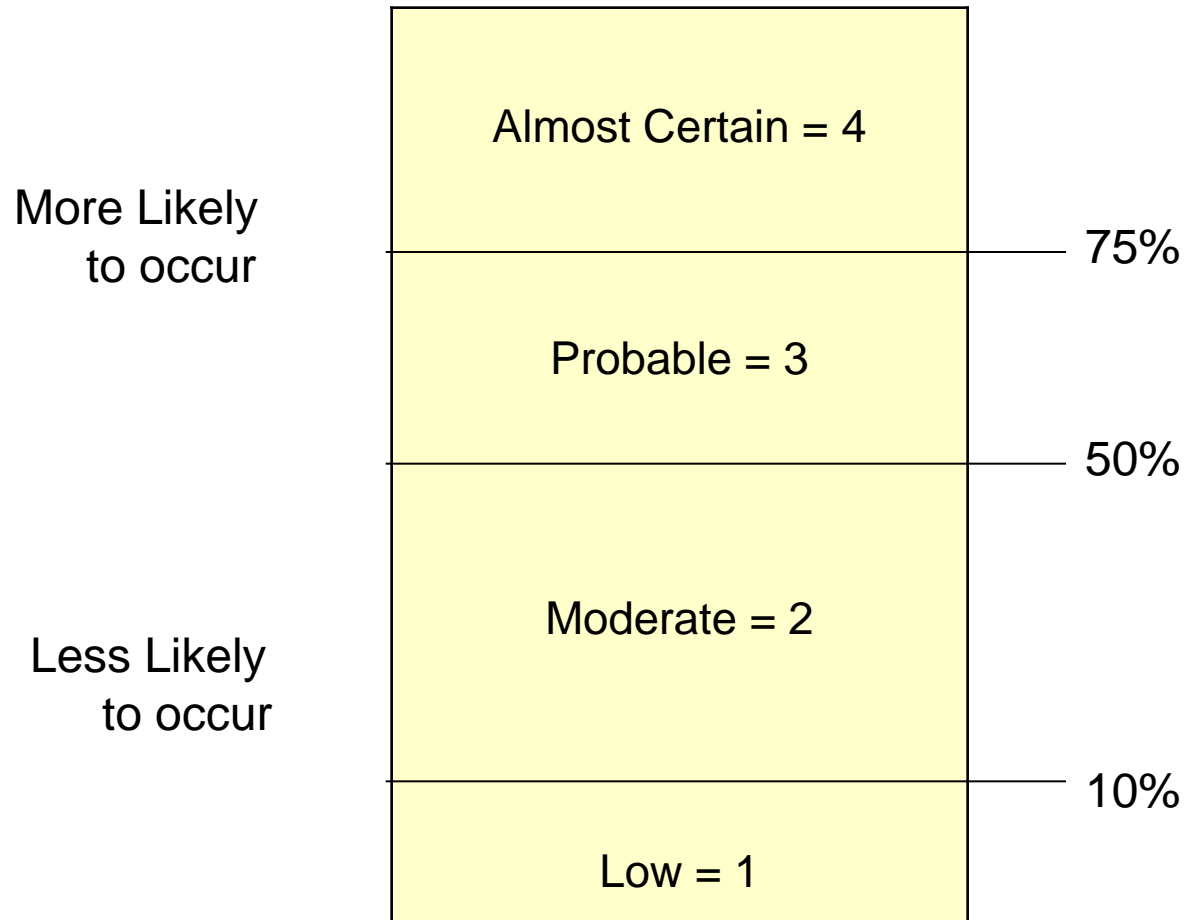
In a world with no constraints

Materiality Matrix

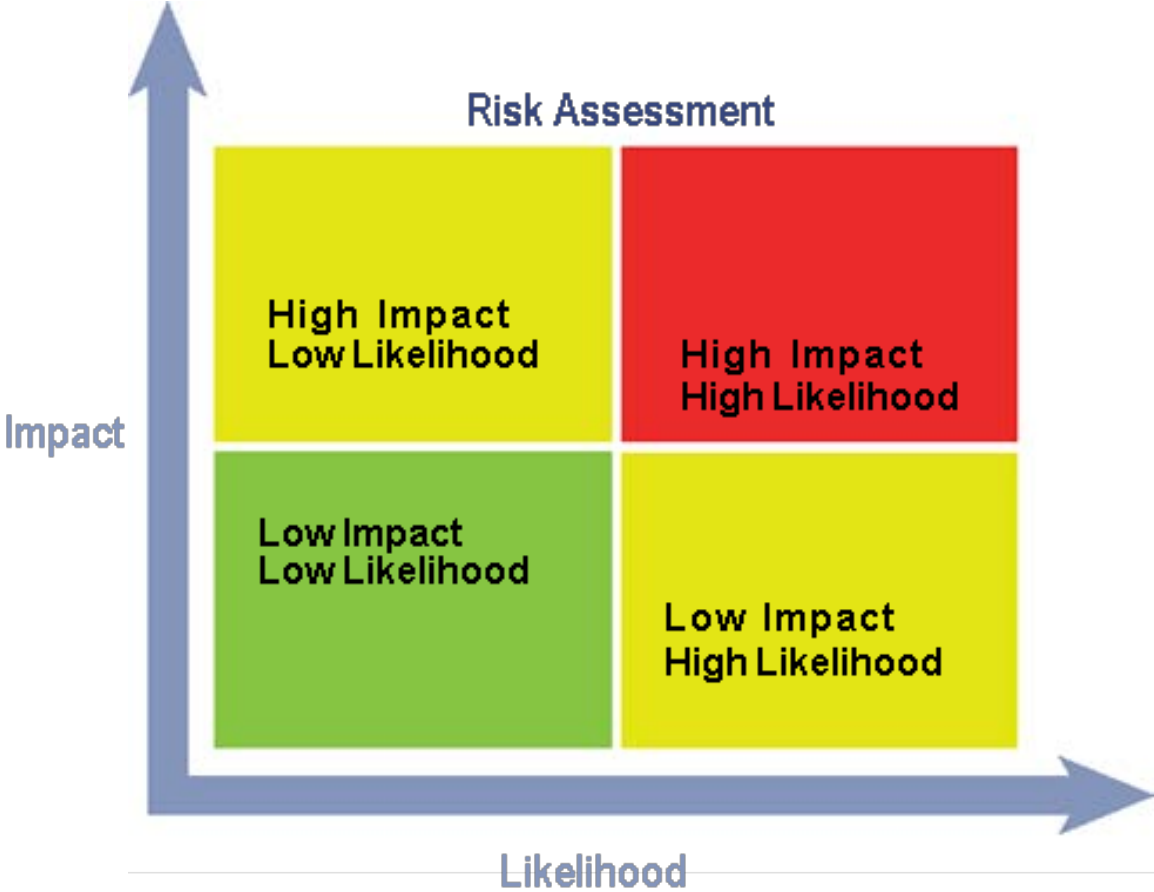
Materiality Area	Range of Metrics/Measures	Low	Medium	High	Extreme	System wide
Financial	Biennial Reduction in Total Revenue: Incorporates change in state support, tuition and fees, gifts, grants and contracts, endowments, and other income. Accounts for increases/decreases in expenses such as operating, debt, and loss.	Less than 1%	1 -3%	3 - 5%	> 5%	
Students	Annual Reduction in Number of New Freshman Applications: Incorporates change as influenced by factors such as high school graduate demographics, diversity/equity, safety, and learning opportunity array.	flat	0 - 3%	3 - 6%	> 6%	greater than 10% Systemwide
	Annual Reduction in Total Student Enrollment: Incorporates change as influenced by factors such as academic reputation, financial aid availability, program array, and faculty/staff resources.	flat	0 - 3%	3 - 6%	> 6%	greater than 3% Systemwide
	Annual Reduction in Number of New Transfers Admitted: New and re-entry transfers.	flat	0 - 3%	3 - 6%	> 6%	
	Annual Change in Six-Year Graduation Rate: Incorporates change as influenced by financial aid, student support services, and course availability.	flat	0 - 3%	3 - 6%	> 6%	greater than __% Systemwide
	Annual Change in First to Second Year Retention Rate: New full-time freshman.	flat	0 - 3%	3 - 6%	> 6%	greater than 3% Systemwide
Reputation	Reputation: Incorporates impacts as influenced by peer, public, and legislative perception of institution.	Contained within administrative unit. Limited impact to external stakeholders.	Contained within the administrative unit but known by the institution. Short-term impact to stakeholders.	Local public media interest. Impact < 1 year to mission critical stakeholder group.	National publicity or media interest. Multiyear impact to critical stakeholder groups.	National publicity > 3 days, resignations, drop in Carnegie Tier rating. Long-term impact across many stakeholder groups.

Likelihood

The likelihood that a risk will occur within next 36 months recognizing current controls.



Risk Map



Risk Retention and Mitigation

- **Risk Retention.** If an identified risk is within Risk Retention, it is accepted without the need for additional action. Current controls are retained, maintained, and monitored.
- **Risk Mitigation.** If an identified risk is not within Risk Retention, further mitigation is planned and prioritized.

UW Oshkosh Experience

UW OSHKOSH: SUMMER 2009

- Held an early summer orientation meeting to discuss mission, materiality, & risk interview process
- Consultants interviewed various campus faculty, staff, and students to gauge perceived risks
- Held larger ERM Workshop with cross-functional group to discuss and vote on risks using materiality worksheets



LESSONS LEARNED: SUMMER 2009

- Summer was a difficult time to get faculty to attend ERM Workshop
- A single day of voting on various risks was too long. We probably should have split voting into two half-days.



UW OSHKOSH: ERM TEAM

- Our ERM Team is made up of a cross-functional group of 10 faculty, staff, and students
- Some members of our Team include: risk manager, internal auditor, faculty members, students, facilities staff, chief of police, marketing staff, and associate vice chancellor for administrative services



UW OSHKOSH: ERM TEAM MEETINGS

- Our ERM Team meets quarterly and has met in September 2009, November 2009, February 2010, May 2010, and September 2010.
- Our ERM Team chose two highly-ranked risks from our original voting:
 - 1 related to distance learning
 - 1 related to employee safety and health
 - 1 related to off-campus house parties



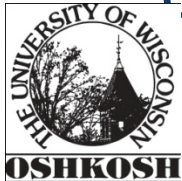
LESSONS LEARNED: ERM TEAM

- We've had to adjust the make-up of the ERM Team as people opt not to participate and/or others become interested in becoming part of the Team
- We are avoiding summer meetings due to shortage of staff and students on campus
- Many of the risks we've identified do not necessarily require additional funding



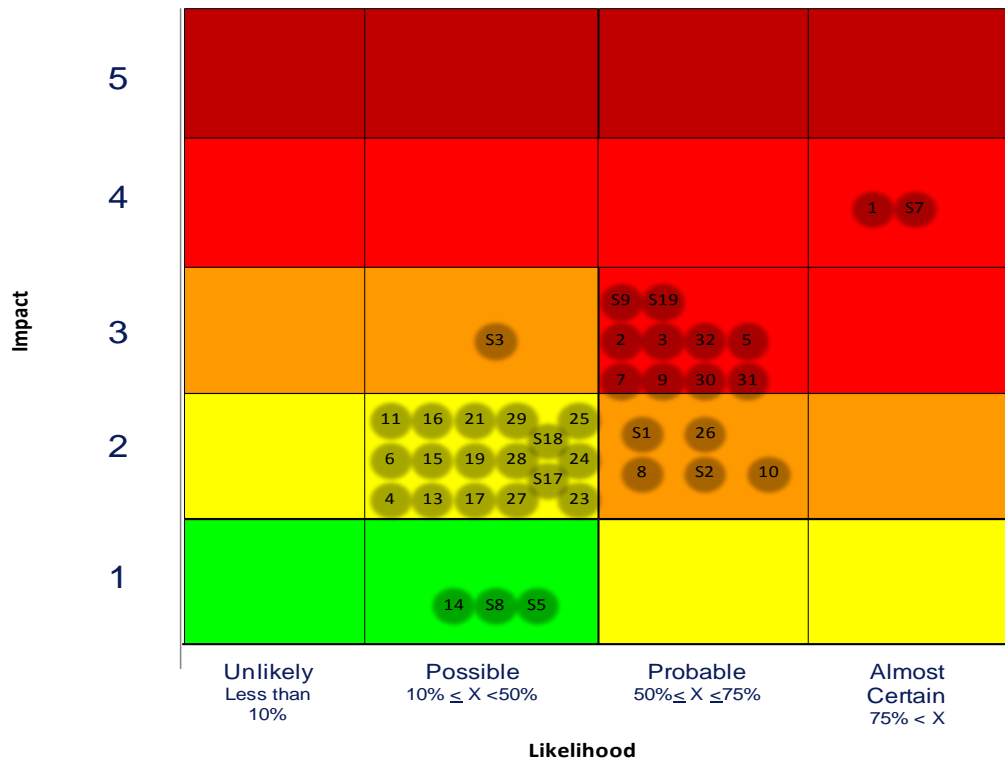
UW OSHKOSH: THE FUTURE

- We have taken on two additional risks since beginning the ERM Team
 - 1 related to communications in the event of an emergency on campus
 - 1 related to alcohol consumption at house parties on and off campus
- Each team member has identified two additional campus faculty, staff, or students to interview in order to continuously update our risk list



UW-Oshkosh

Risk Map 2009: University of Wisconsin - Oshkosh All risks Voted



1	Slow movement to online courses impacts long term success.
2	Opportunity - Increased faculty involvement in long term solutions.
3	Lack of educational focus on diversity.
4	Retention of Faculty.
5	Alcohol consumption at House parties.
6	Facilities- lack of adeq. funding for maintenance and back-up of critical infrastructure
7	COOP: Challenges in implementation, disconnect in role of COOP project.
8	Lack of adequate support for International Students needs.
9	Limited or lacking cultural/student diversity on campus
10	IT support and coordination.
11	IT/IS resource coordination.
13	Inadequate snow/ice removal.
14	Student Safety/ Strong Armed Robbery.
15	Campus security - limited resources.
16	Campus Safety Group - lack of Proactivity
17	Lack of overall campus training program strategy for safety/compliance
19	Emergency management organization.
21	Student Safety - Oppor around messaging to active and potential student/parent
23	Student safety- Study abroad.
24	Fleet & Athletic travel with University fleet.
25	Lack of student advisor training program and metrics.
26	Staff Management capability: Lack of ability/training/development.
27	Opportunity to leverage best in class programs.
28	Student body and club resourcing
29	Lack of activity review process for student activities, particularly for off campus travel
30	Retention of Faculty
31	Electronic data security/ confidential data etc.
32	Endowment Fund Challenge
S1	State Agency regulations reduce efficiencies and challenge long term development.
S2	Lack of Coordinated sign-on across campuses restricts student learning.
S3	Distance Learning: coordination in course offerings, etc between campuses.
S5	Current Governance system authority of local campus vs. System result
S7	Bachelor of Applied Arts & Sciences by current 2 yr institutions.
S8	Lack of adequate library content funding.
S9	Lack of Resources to address basic long term operational requirements.
S17	Potential for Fraud and theft: To Endowment and on campus.
S18	Long Term Staffing Challenges.
S19	HR challenges created by tax eff. reductions and reduction of pay raise

Summary and Conclusions

Achievements

- Establishment of ERM program structure
- Transfer of ERM knowledge and expertise
- Implementation at four institutions
- Increase awareness and interest in ERM system wide
- Presentations at regional and national conferences
- Creation of a UWSA ERM website

Lessons Learned

- High level sponsorship is critical
- No new bureaucracy required!
- Define vocabulary (e.g. materiality)
- Top Down/Bottom Up involvement – early in process – if not provided from the beginning, implementation is delayed
- Critical to tie to existing operational capabilities and processes
- Disclosure concerns from legal perspective are addressable
- Cross-functional involvement is critical
- Sustainability is assured if ERM becomes an element of annual budget and strategic planning cycles

Next Steps

- Continued support of four pilot campuses
- Expand the number of UW institutions implementing ERM
- Refine UWS ERM Model and continue the transfer of knowledge
- Leverage results into self-directed integrated and sustained ERM effort throughout UW System
- Consider the establishment of a system-level Risk Council

Questions and Comments