

Worksheet for Oversight of Systematic Risk Assessment

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This information is excerpted from "The State of Enterprise Risk Management at Colleges and Universities Today" (2009). The report is available at www.agb.org and www.ue.org. It is designed to help inform discussion and aid in enterprise risk management. It is not intended as a substitute for legal advice or counsel.

Overview

This worksheet is designed to help boards, presidents*, and chancellors begin the process of systematic risk assessment by determining which areas of potential risk are the most urgent. After deciding which risk areas need immediate attention, the board and president should delegate those areas to subject matter experts to identify specific risks that require top-level attention. During the first years of the process, a college should focus on downside risks, gradually expanding the number of risk areas assessed. After the process becomes institutionalized and more advanced, an institution can begin to focus on upside risks and opportunities.

Contents of the Worksheet

The worksheet contains approximately 80 risk areas in four categories: financial, operational, compliance, and board governance. The worksheet is not comprehensive. It serves as a starting point by compiling risk areas drawn from assessments performed by numerous colleges and universities. Within each category, the worksheet contains space for institutions to add risk areas unique to their institutions.

Instructions for Using the Worksheet

The president and the board, through appropriate board committees, should review each of the areas in the checklist and assign them one of four urgency ratings in the middle column:

- 1 – Risk area needs immediate assessment
- 2 – Risk area to assess over the mid-term
- 3 – Risk area to assess over the long-term
- NA – Risk area not applicable to the institution

In deciding which risk areas to assess first, boards and presidents should consider the following questions:

- Which areas worry you most?
- Which areas have generated problems that could have been prevented?
- Which areas have caused problems for peer institutions?
- Which areas have the greatest potential for mitigation?
- In which areas do you or the institution lack sufficient information to make an informed assessment?

An institution should not assess more than fifteen risk areas in the first year. Many systematic risk management efforts have stalled or failed because institutions attempted too much in the beginning. The president, after consulting with top administrators, should delegate responsibility for each urgent risk area to a subject area expert on campus, and list that person in the column on the right. If the institution lacks expertise in an important risk area, it has discovered a serious information gap that must be filled either by hiring someone with the necessary skills or bringing in an outside consultant.

* The term “president” includes both presidents and chancellors for the purposes of this worksheet.

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The subject area experts, perhaps assisted by teams, should prioritize the most critical risks in each area based on probability of occurrence and severity of impact and determine which risks warrant elevated attention. The appendix of the full report, “The State of Enterprise Risk Management at Colleges and Universities Today” contains three examples of analysis subject area experts could perform. The first two examples were developed by the University of Washington and focus on risk identification. The final example, developed by United Educators, illustrates both risk identification and a basic method for risk prioritization. The three different examples show that there are multiple ways to achieve the same objective. Institutions should choose a method that best fits their needs and resources.

The final steps are for the board and president to review the highest priority risks identified by subject area experts, decide which risks pose the greatest threats to the institution’s strategic goals, and develop a procedure for monitoring efforts to mitigate them. For the most serious risks, the board should receive a written update at least once a year.

Operational Risk Areas

Academic Affairs

| | Urgency Rating | | | | Person to Assess (If rated “1”) |
|--|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Academic freedom | | | | | |
| Academic quality | | | | | |
| Accreditation | | | | | |
| Joint programs | | | | | |
| Distance learning | | | | | |
| Faculty conflict of interest | | | | | |
| Graduation rates/ student learning outcomes | | | | | |
| Grievance procedures | | | | | |
| Promotion and tenure | | | | | |
| Recruitment/competition | | | | | |

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External Relations

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Alumni relations | | | | | |
| Community relations | | | | | |
| Compliance with donor intent | | | | | |
| Crisis communications plan | | | | | |
| Gift acceptance policies | | | | | |
| Naming policies | | | | | |
| Officer codes of conduct | | | | | |
| Relationships with vendors | | | | | |
| Sale of donated property | | | | | |

Facilities

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|---------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Accessibility | | | | | |
| Auto/fleet | | | | | |
| Disaster preparedness | | | | | |
| Maintenance and condition | | | | | |
| Outsourcing | | | | | |
| Pollution | | | | | |
| Safety | | | | | |
| Security | | | | | |
| Transportation | | | | | |

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Human Resources

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|-------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Affirmative action | | | | | |
| Background checks | | | | | |
| Benefits | | | | | |
| Code of conduct | | | | | |
| Employee handbook | | | | | |
| Employee retention | | | | | |
| Executive succession | | | | | |
| Grievance procedure | | | | | |
| Harassment prevention | | | | | |
| Labor relations | | | | | |
| Non-discrimination | | | | | |
| Performance evaluation | | | | | |
| Sexual molestation prevention | | | | | |
| Termination procedures | | | | | |
| Workplace safety | | | | | |

Information Technology

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Back-up procedures | | | | | |
| Communications systems | | | | | |

Worksheet for Oversight of Systematic Risk Assessment

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|----------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Cyber-liability | | | | | |
| Data protection | | | | | |
| End-user training | | | | | |
| Incident response | | | | | |
| Network integrity | | | | | |
| Privacy | | | | | |
| Security | | | | | |
| Staffing and support | | | | | |
| System capacity | | | | | |

Research

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Accounting | | | | | |
| Animal research | | | | | |
| Clinical research | | | | | |
| Environmental and lab safety | | | | | |
| Hazardous materials | | | | | |
| Human subjects | | | | | |
| Lab safety | | | | | |
| Patenting | | | | | |
| Security | | | | | |
| Technology transfer | | | | | |

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Student Affairs

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|-----------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Academic standards | | | | | |
| Admissions/retention | | | | | |
| Alcohol and drug policies | | | | | |
| Athletics | | | | | |
| Code of conduct | | | | | |
| Crime on campus | | | | | |
| Diversity | | | | | |
| Experiential programs | | | | | |
| Financial aid | | | | | |
| Fraternities and sororities | | | | | |
| Free speech | | | | | |
| International students | | | | | |
| Privacy | | | | | |
| Student debt | | | | | |
| Study abroad | | | | | |

Additional Operational Risk Areas:

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Worksheet for Oversight of Systematic Risk Assessment

Financial Risk Areas

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|----------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Auditor independence | | | | | |
| Budget | | | | | |
| Cash management | | | | | |
| Conflict of interest | | | | | |
| Contracting and purchasing | | | | | |
| Cost management | | | | | |
| Depletion of endowment principal | | | | | |
| Enrollment trends | | | | | |
| Financial aid | | | | | |
| Financial exigency plan | | | | | |
| Fundraising | | | | | |
| High risk investments | | | | | |
| Insurance | | | | | |
| Investment oversight | | | | | |
| Long term debt | | | | | |
| Reserve fund | | | | | |
| Tuition dependency | | | | | |

Additional Financial Risk Areas:

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |

Worksheet for Oversight of Systematic Risk Assessment

Compliance Risk Areas

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|----------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Animal research | | | | | |
| Athletics | | | | | |
| Clinical research | | | | | |
| Copyright and "fair use" | | | | | |
| Environmental | | | | | |
| Government grants | | | | | |
| Higher Education Act | | | | | |
| HR/employment | | | | | |
| Intellectual property rights | | | | | |
| Privacy | | | | | |
| Record retention and destruction | | | | | |
| Taxes | | | | | |
| Whistleblower policy | | | | | |

Additional Compliance Risk Areas:

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|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Worksheet for Oversight of Systematic Risk Assessment

Board Governance Risk Areas

| | Urgency Rating | | | | Person to Assess (If rated "1") |
|---------------------------------|----------------|---|---|----|------------------------------------|
| | 1 | 2 | 3 | NA | |
| Board member independence | | | | | |
| Board performance assessment | | | | | |
| CEO compensation and assessment | | | | | |
| Conflict of interest oversight | | | | | |
| Governance policies | | | | | |
| IRS Form 990 | | | | | |
| Participation | | | | | |

Additional Board Governance Risk Areas:

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|-------|-------|
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| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

