Who We Are

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Risk & Controls

Advisory Services:

Separate from Audit Staff
We are Risk & Compliance Managers
Facilitating the ERM Project
ERM will help you … it’s not an audit

Complements current risk assessment work

President’s Senior Staff working on top UNIVERSITY WIDE risks

Schools and Units will work on top LOCAL risks
“ERM is relevant to all types of organizations, including colleges and universities…”

• National Association of College and University Business Officers (NACUBO), 2007

“…we would expand our ratings analysis of nonfinancial corporations to include a review of enterprise risk management (ERM)…”

• Standard & Poors, June 2008

“SAS99 – Requires risk assessments be done to identify risks which are material.”

• American Institute of Certified Public Accountants (AICPA)
Consequences

**Settlements:**

- **2008**
  - **Yale University**
  - Effort Reporting Problems
  - $7.6 Million Settlement

- **2006**
  - **University of Conn**
  - Fraudulent Expense Claims
  - $2.5 Million Settlement

- **2003**
  - **Northwestern University**
  - Sponsored Programs False Claim
  - $5.5 Million Settlement

**Impacts:**

- Federal Agencies Can Reduce or Remove Grant Funding

- Civil or Criminal Lawsuits Directly Against Faculty

- Increased penalties or fines from Sentencing Guidelines
**Differentiate ERM vs. Audit**

**ERM** = Identify and record operational and strategic risks for University

**Audit** = Use risk information when conducting independent control testing.

**Enterprise Risk Management (ERM)**

ERM complements current risk assessment work.

ERM provides tools to understand and mitigate risk.

Risk decisions still reside with owners.
ERM and Risk

ERM Categorizes All Types of Risk

- Academic Risks
- Compliance Risks
- Financial Risks
- Operational Risks
- Reputational Risks
- Research Risks
- Strategic Risks

Risks are both OPPORTUNITIES and THREATS

Some level of RISK is needed to grow and SUCCEED
ERM Evolution

Assessment

Identify Key Risks

Risk Impact / Likelihood

Risk Mitigation w/ Owners

Risk Reports For Mgt

Maintenance

Quantification

Management
## ERM Roles & Responsibilities

<table>
<thead>
<tr>
<th>Role Type</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| President’s Senior Staff | • Executive Management  
• Manage Risk and set Risk tolerance levels |
| Risk Initiative Steering Committee (RISC) | • Senior Managers & Deans  
• Identify and Advise on how risk impacts University as a whole |
| University Management, Faculty Leaders | • Identify and Advise on how risk impacts Schools / Admin Units |
| Risk & Controls - Advisory Services | • Act as Facilitators and Administrators |
**Value for Schools & Units**

- **Understanding Top Risks** allows for alignment of objectives, budget and risk prioritization.
- Use your risk knowledge to ease compliance with **legal and regulatory** requirements.

**Value for University**

- University can identify **risk trends**, risks common across schools, units, open risk items.
- University can understand where controls are failing and where risks are **larger** than anticipated.
ERM Approach

**Audit & Advisory Services (A&AS)**

1. **Step 1a.** Identify local school/unit key risks.
   - **Local School/Unit Risks**

2. **Step 1b.** Identify University wide key risks.
   - **Global University Risks**

3. **Step 2a.** Combine risks into aggregate list and share with Risk Initiative Steering Committee (RISC).
   - **RISK DATABASE**
     - Top Key Risks

4. **Step 2b.** Identify risk impacts, likelihoods, and overall priorities.

5. **Step 3a.** RISC to identify Top Risk Issues for remediation.
   - **Risk Reports**

6. **Step 3b.** President’s Senior Staff (PSS) will meet with Risk Owners to discuss risk remediation.

7. **Step 4a.** President’s Senior Staff (PSS) will approve control/budget changes when needed.
   - **RISK MAINTENANCE**
     - Inherent Risk
     - Controls
     - Residual Risk

8. **Step 4b.** Audit & Advisory Services (A&AS) administratively tracks open risk issues.

**Risk Initiative Steering Committee (RISC)**

**President’s Senior Staff (PSS)**
ERM Initial Steps

Risk Survey
Capture initial risk concerns for facilitated sessions.
Investment = 30 minutes

Facilitated Session
Discuss survey results and capture priority, impact, frequency.
Investment = 60 minutes +

Follow-up Reports
Assemble risk information and share with Deans/Managers.
Investment = 30 minutes
# Aggregate list of all identified Top Key Risks

<table>
<thead>
<tr>
<th>Composite Rank</th>
<th>Key Risk Events (10)</th>
<th>Weighted Risk Composite Score</th>
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</thead>
<tbody>
<tr>
<td>1.)</td>
<td>Financial aid package numbers are calculated incorrectly leading to the misappropriation of funds.</td>
<td>6.7</td>
</tr>
<tr>
<td>2.)</td>
<td>Failure to recruit and/or retain quality faculty to meet the academic needs for a particular academic area.</td>
<td>3.9</td>
</tr>
<tr>
<td>3.)</td>
<td>Checks are not properly processed or deposited and money is potentially lost or delayed before being</td>
<td>3.6</td>
</tr>
<tr>
<td>4.)</td>
<td>A web hacker steals research results from a University server and tries to sell it online.</td>
<td>3.4</td>
</tr>
<tr>
<td>5.)</td>
<td>A University staff member violates the Code of Ethics when he engages in illegal behaviour while at work.</td>
<td>3.2</td>
</tr>
<tr>
<td>6.)</td>
<td>Expenses which are not allowed under a grant are erroneously charged to it.</td>
<td>3.1</td>
</tr>
<tr>
<td>7.)</td>
<td>An individual selects a vendor based on personal preference and does not execute the RFP process.</td>
<td>2.8</td>
</tr>
<tr>
<td>8.)</td>
<td>The structural integrity of a building fails and the building is rendered uninhabitable or usable.</td>
<td>2.4</td>
</tr>
<tr>
<td>9.)</td>
<td>A staff member awards a lucrative new contract for services to a company owned by a spouse.</td>
<td>2.2</td>
</tr>
<tr>
<td>10.)</td>
<td>Endowment funds are not expended in accordance with donor agreements and donor contributions are not maximized.</td>
<td>1.5</td>
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ERM Conclusion

Key Takeaways:

• Not an audit, no judgments / findings.
• Limited time investment from schools / units.
• Better understanding of risks, impacts, and priorities.

Next Steps:

• Identify staff to receive eMail survey.
• Select staff for facilitated session(s)
• Schedule sessions.
• For more information, please contact:

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