



# RISKS AND RISK ASSESSMENT TOOLS

AGA – Phoenix Chapter

October 24, 2007

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University Audit and Advisory Services

## ■ Objectives

- Types of Risk
- ASU Methodology
- Higher Education Risks
- Demonstration of Risk Assessment Tool

## OptionFinder Question:

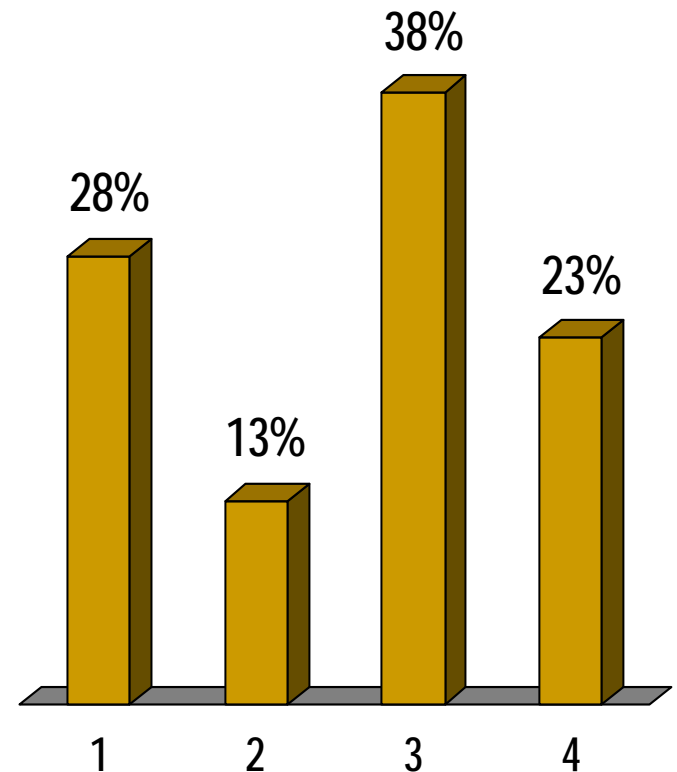
Why did you attend today's meeting?

1. Desperately need the CPE.
2. The food.
3. The exciting presentations.
4. Could not stand another minute in the office.

Please respond now.

1. CPE
2. Food
3. Presentations
4. Get Out of Office

Avg. = 2.55



## ■ Enterprise Risk Management

Enterprise risk management 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 the entity's objectives.

(COSO, September 2004)

- ERM Objectives
  - Strategic – high-level goals, aligned with mission
  - Operations – effective and efficient use of resources
  - Reporting – reliability of reporting
  - Compliance – compliance with applicable laws and regulations

# Risk Management



- There are things that we know we know;
- There are things that we know we don't know;
- There are things that we don't know we don't know.

# Types of Risk



- Types of Risk
  - Strategic
  - Operational
  - Financial
  - Compliance
  - Reputational

# Types of Risk



University of Pennsylvania

Internal Audit

[http://www.upenn.edu/audit/oacp/audit/operational%20audit/operational\\_audit\\_risk\\_and\\_controls.htm](http://www.upenn.edu/audit/oacp/audit/operational%20audit/operational_audit_risk_and_controls.htm)

# Types of Risk



| <b>Control Environment</b>      | <b>Fin</b> | <b>Opr</b> | <b>Strat</b> | <b>Comp</b> | <b>Rep</b> |
|---------------------------------|------------|------------|--------------|-------------|------------|
| Integrity, ethics               | X          | X          | X            | X           | X          |
| Competence, knowledge, training |            | X          | X            | X           | X          |
| Alignment of objectives         |            | X          | X            |             |            |
| Compliance                      |            |            |              | X           |            |

# Types of Risk



| <b>Risk Assessment</b>              | Fin | Opr | Strat | Comp | Rep |
|-------------------------------------|-----|-----|-------|------|-----|
| Business objectives                 |     | X   | X     |      |     |
| Risk ID, prioritization, strategies | X   |     | X     | X    |     |
| Employee participation              |     | X   | X     |      |     |

# Types of Risk



| <b>Control Activities</b>              | <b>Fin</b> | <b>Opr</b> | <b>Strat</b> | <b>Comp</b> | <b>Rep</b> |
|--|------------|------------|--------------|-------------|------------|
| Security (people, data, equipment)     | X          |            | X            |             | X          |
| Guidelines, approvals, verification    | X          | X          |              | X           |            |
| Disaster recovery, business continuity | X          | X          |              |             | X          |

# Types of Risk



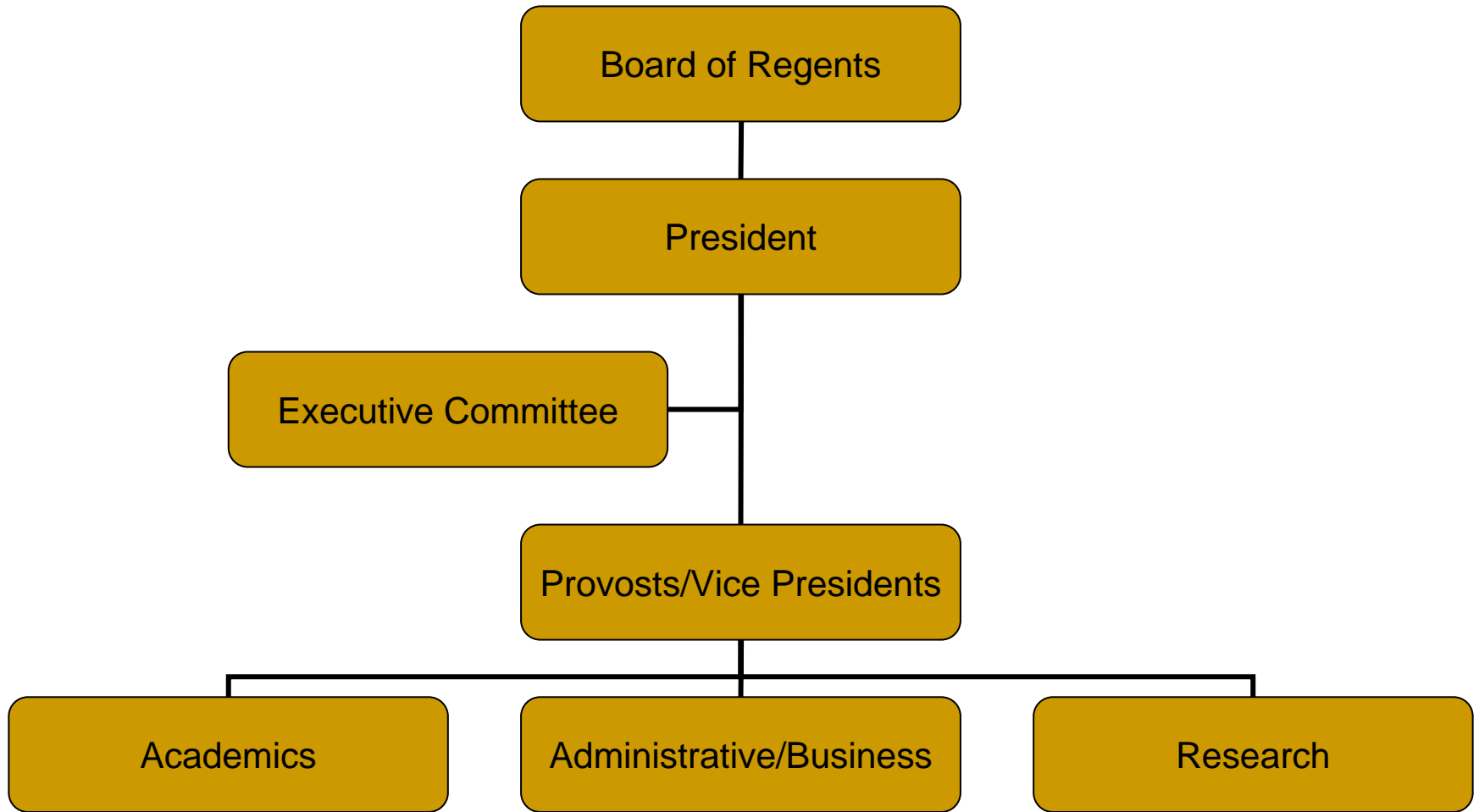
| <b>Information and Communication</b> | Fin | Opr | Strat | Comp | Rep |
|--------------------------------------|-----|-----|-------|------|-----|
| Operational information              |     | X   |       | X    |     |
| New laws, regulations                |     |     |       | X    |     |
| New initiatives                      | X   | X   |       |      | X   |
| Channel to report issues             |     |     |       | X    | X   |
| Staff suggestions                    |     | X   |       |      |     |

# Types of Risk



| <b>Monitoring</b>                     | Fin | Opr | Strat | Comp | Rep |
|---------------------------------------|-----|-----|-------|------|-----|
| Control environment                   |     |     | X     | X    | X   |
| Review financial data                 | X   | X   |       | X    |     |
| Risk assessment methodology           |     |     | X     | X    |     |
| Internal control system               | X   | X   |       | X    |     |
| Information and communication systems | X   | X   | X     | X    |     |

# ASU Methodology



|  |                                   |
|--|-----------------------------------|
| <p>ABOR</p>                            | <p>Significant issues</p>         |
| <p>ASU<br/>Executive<br/>Committee</p> | <p>Analysis of strategic plan</p> |

|  |   |
|--|---|
| <p>Vice Presidents</p>                   | <p>Operational, compliance and reputational</p> |
| <p>Academic and Administrative Units</p> | <p>Operational, compliance and reputational</p> |

## Higher Education Risk Categories And Definitions

EthicsPoint, Inc.

[www.ethicspoint.com](http://www.ethicspoint.com)

## RISK CATEGORIES

Financial

Human Resources

Risk & Safety

Information Technology

Research

Athletics

Medical

Academic Affairs

## FINANCIAL RISKS

- Fraud
- Accounting Issues
- Waste/Abuse/Misuse of Resources
- Improper Supplier/Contractor Activity
- Donor Stewardship
- Procurement Rules

## RESEARCH RISKS

- Conflict of Interest
- Data Privacy
- Human/Animal Research
- Grant Misconduct/Misappropriation
- Scientific Misconduct

## RESEARCH COMPLIANCE RISKS

Effort Reporting

Service Center Rates

End of Grant Charges

Animal Subjects

Direct vs. Indirect

Cost Sharing

Human Subjects

Financial Reports

## Examples of Recent Audits

### Medical Billings:

Washington \$35 M

Texas \$20 M

Thomas Jefferson \$12 M

## Examples of Recent Audits

### Effort Reporting:

|               |         |
|---------------|---------|
| Northwestern  | \$5.5 M |
| Johns Hopkins | \$2.6 M |

### Inflated Overhead Costs:

|          |         |
|----------|---------|
| Stanford | \$1.2 M |
|----------|---------|

## Examples of Recent Audits

### Misuse of Grant Funds:

|           |        |
|-----------|--------|
| Minnesota | \$32 M |
|-----------|--------|

### Improper Research Charge:

|               |         |
|---------------|---------|
| South Florida | \$4.1 M |
|---------------|---------|

## HUMAN RESOURCES RISKS

- Discrimination/Harassment
- Employee Misconduct
- Time Abuse
- Conflict of Interest
- Violence/Threat
- Benefits Abuse
- Unsafe Working Conditions

## ATHLETICS RISKS

- Financial Aid
- Substance Abuse
- Improper Gifts
- Recruiting Misconduct

## RISK & SAFETY

- Data Privacy/Confidentiality
- Environmental/Safety Issues
- Public Safety
- Unsafe Working Conditions

## MEDICAL RISKS

- Data Privacy/Confidentiality
- Healthcare Fraud
- Patient Abuse
- Patient Care

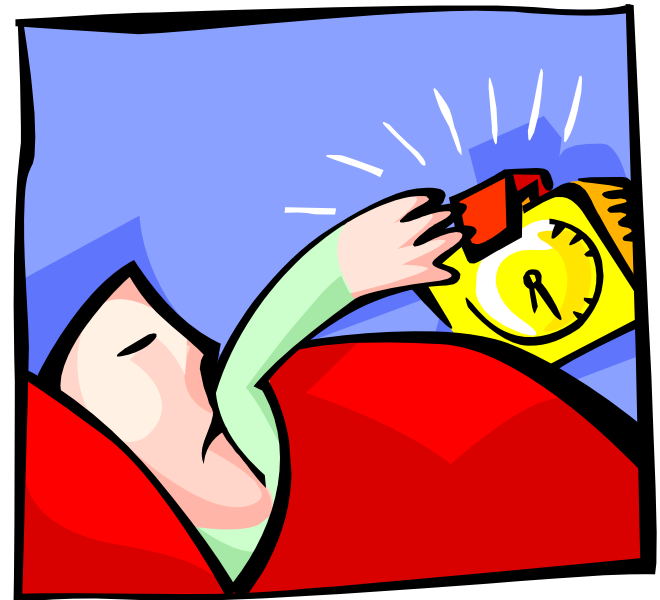
## IT RISKS

- Data privacy/Integrity
- Malicious Use/Misuse of IT Resources
- Software Piracy
- Theft of Assets/Data

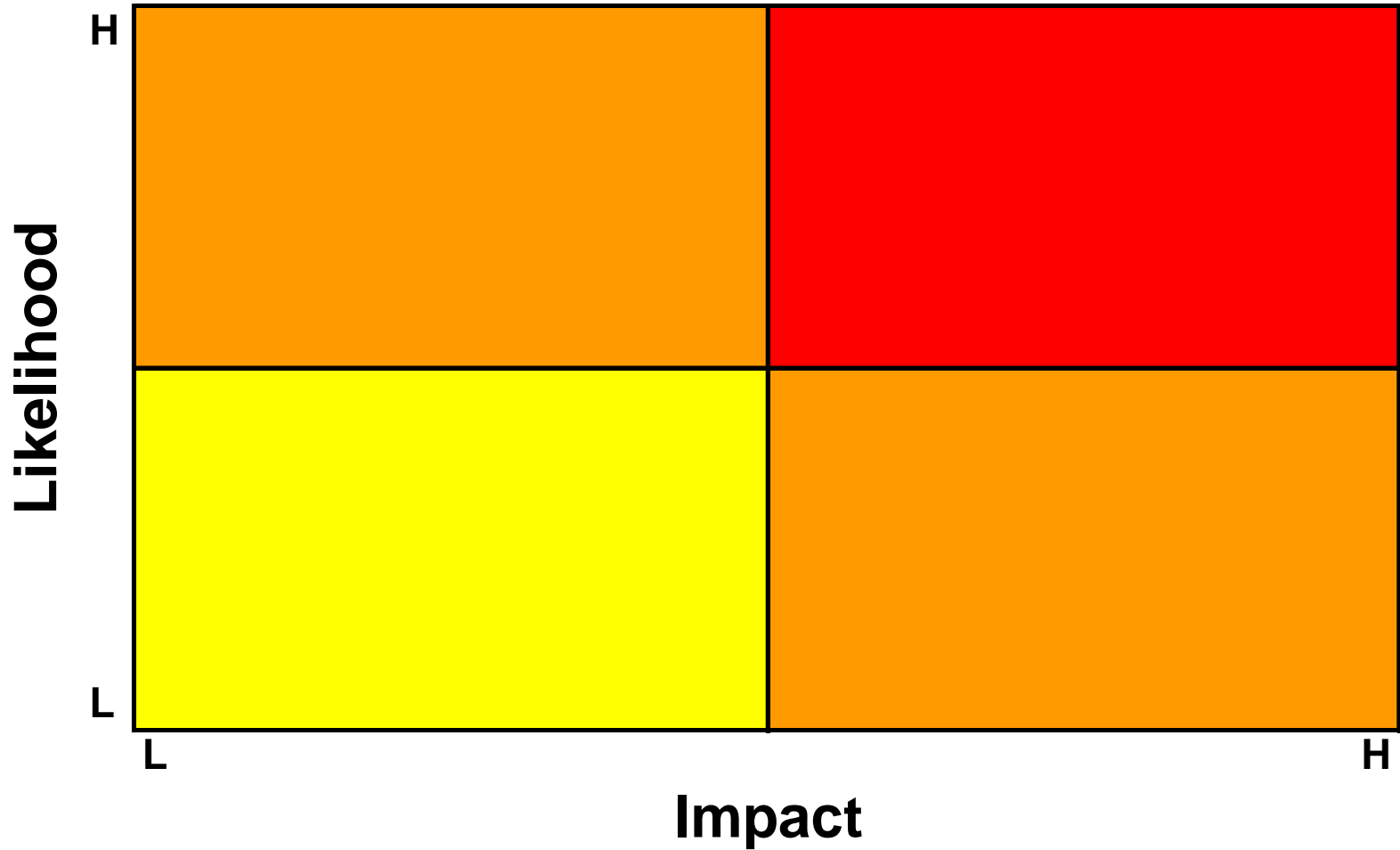
## ACADEMIC RISKS

- Cheating/Plagiarism
- Hazing
- Discrimination/Harassment
- Student Safety
- Academic Misconduct

What issues/risks/concerns keep  
you awake at night?



# Risk Assessment Tool



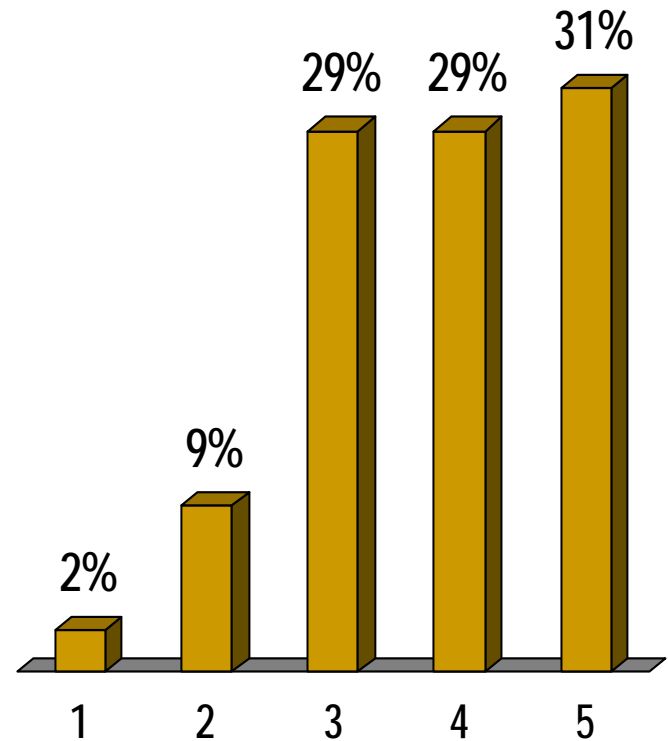
## RISK #1

# Risk #1 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.78



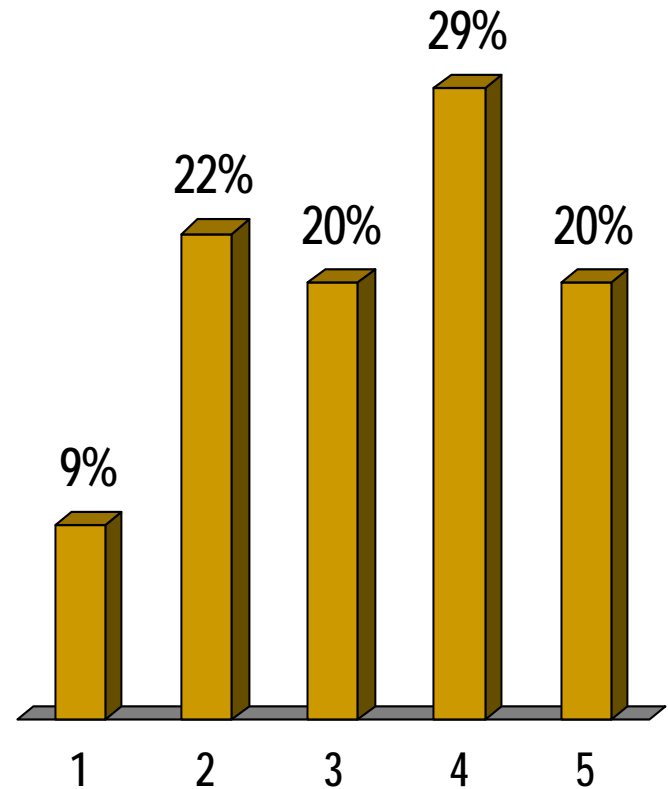
Impact

# Risk #1 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.29



Likelihood

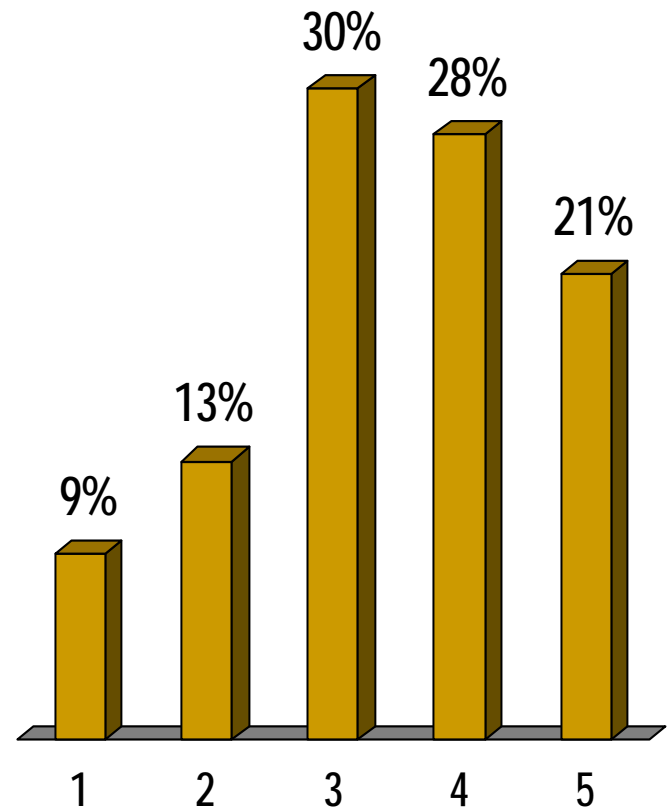
## RISK #2

# Risk #2 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.40



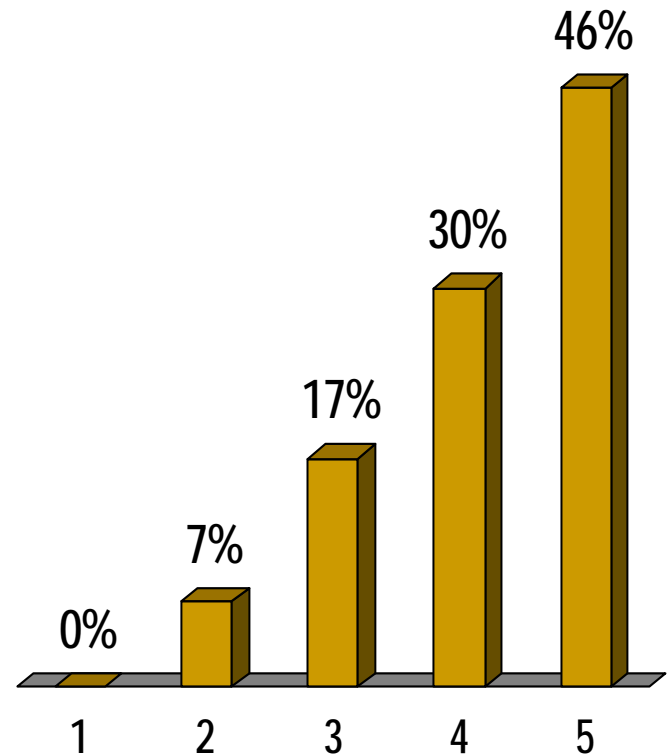
Impact

# Risk #2 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 4.15



Likelihood

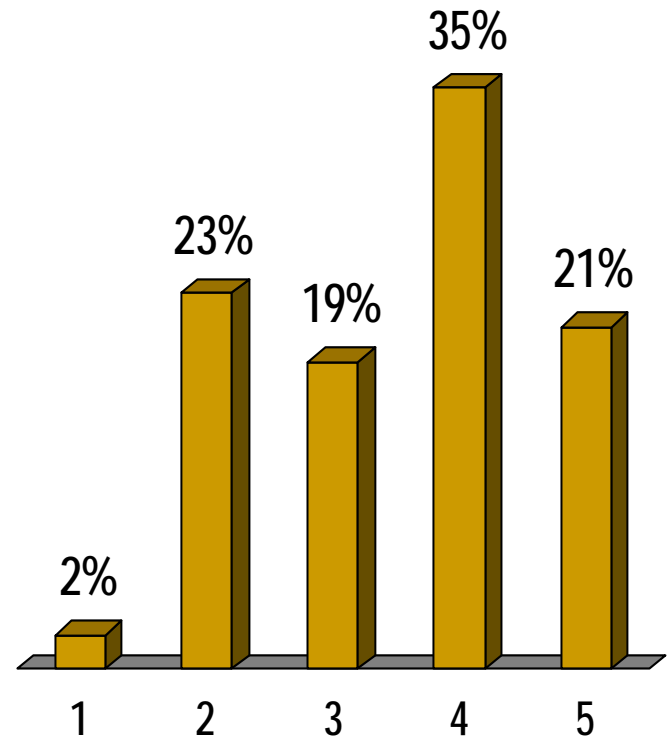
## RISK #3

# Risk #3 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.50



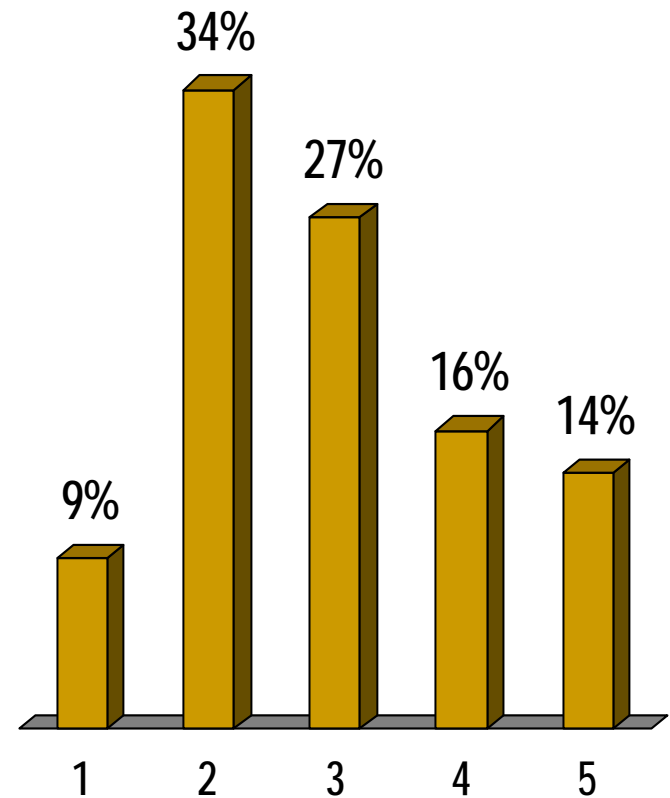
Impact

# Risk #3 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 2.91



**Likelihood**

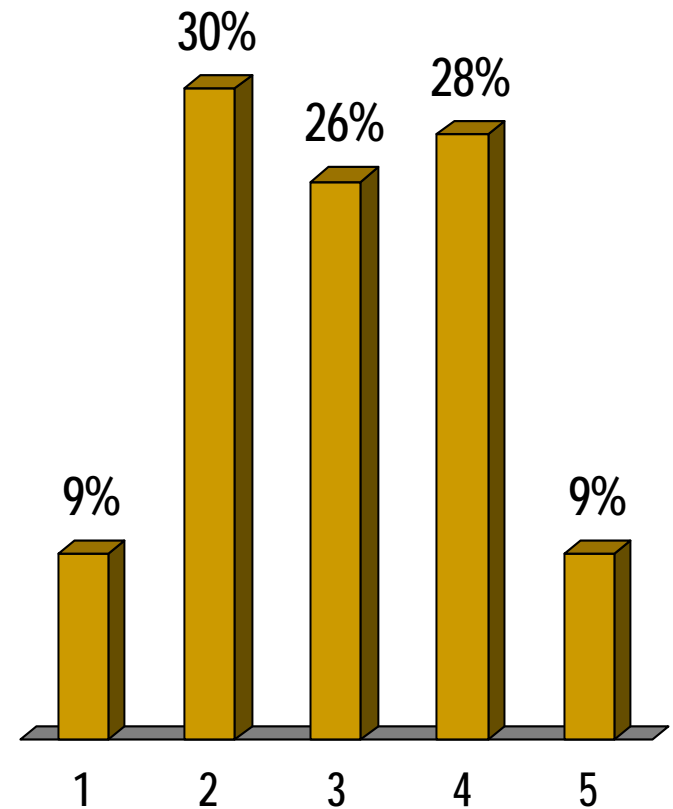
## RISK #4

# Risk #4 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 2.98



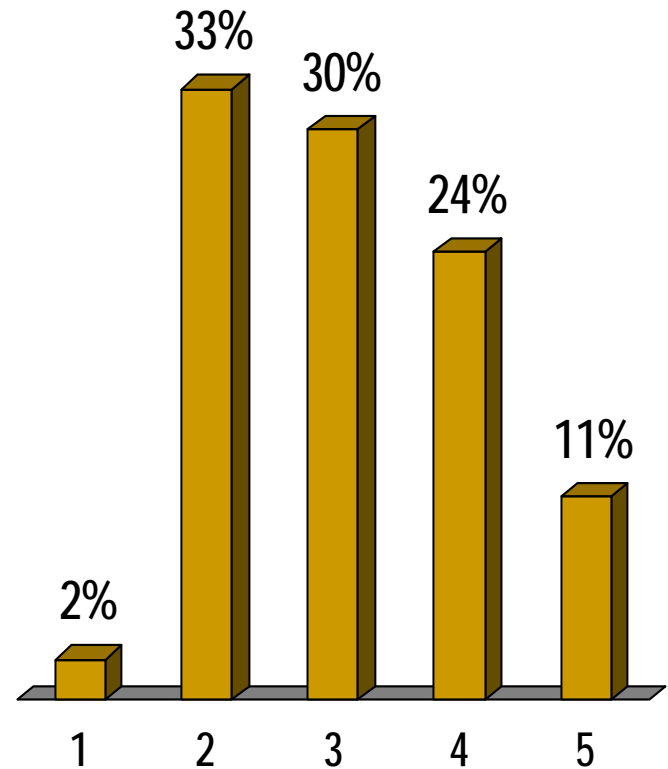
Impact

# Risk #4 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.09



Likelihood

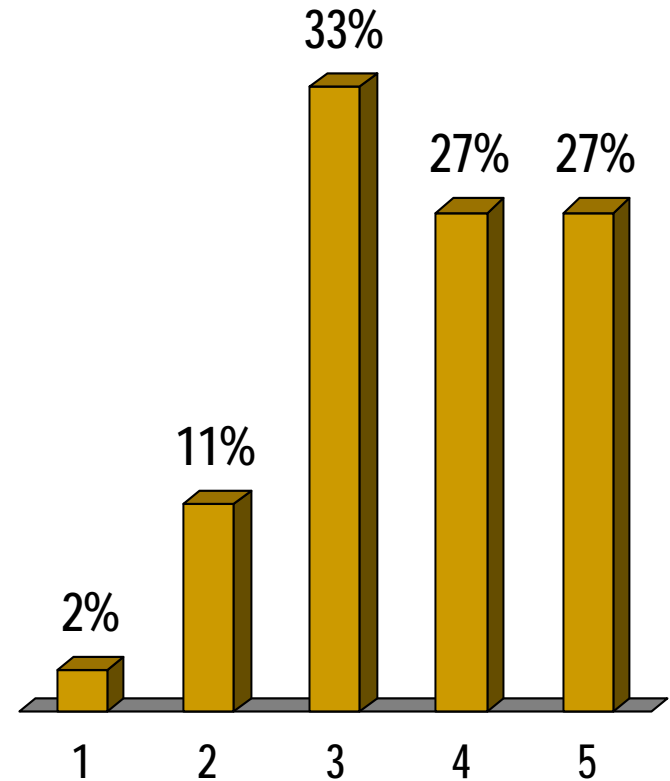
## RISK #5

# Risk #5 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.64



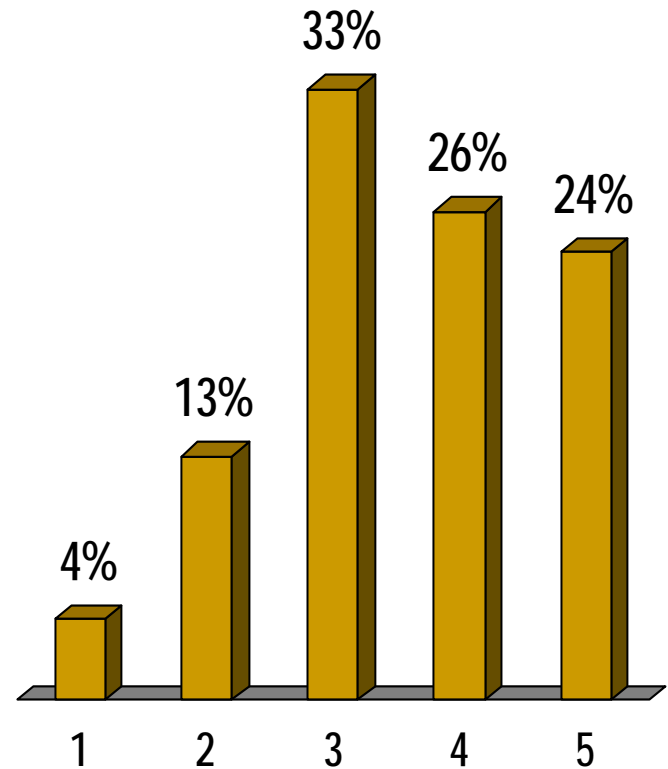
Impact

# Risk #5 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.52



**Likelihood**

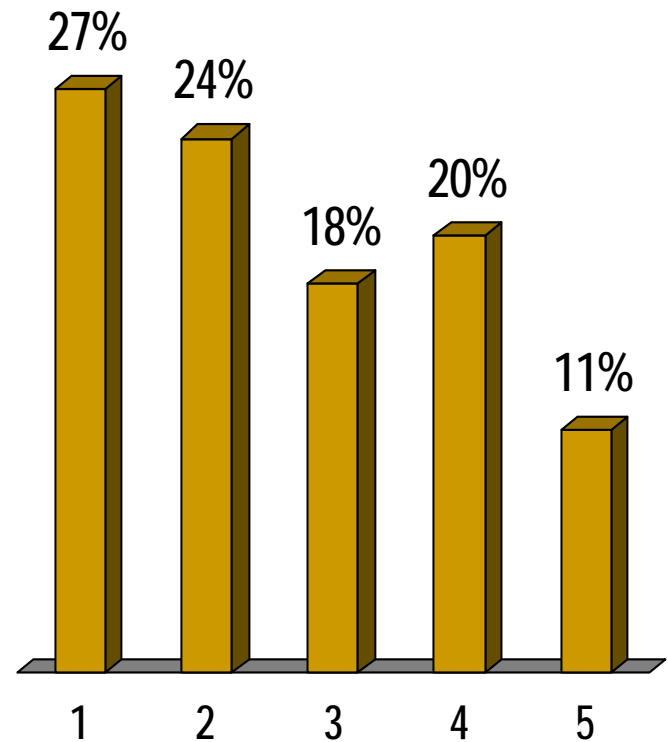
## RISK #6

# Risk #6 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 2.64



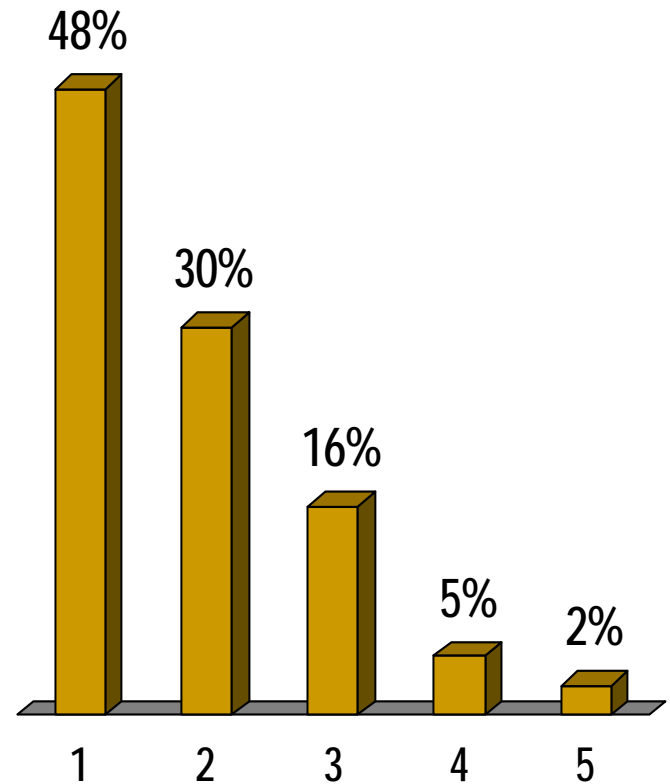
Impact

# Risk #6 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 1.84



**Likelihood**

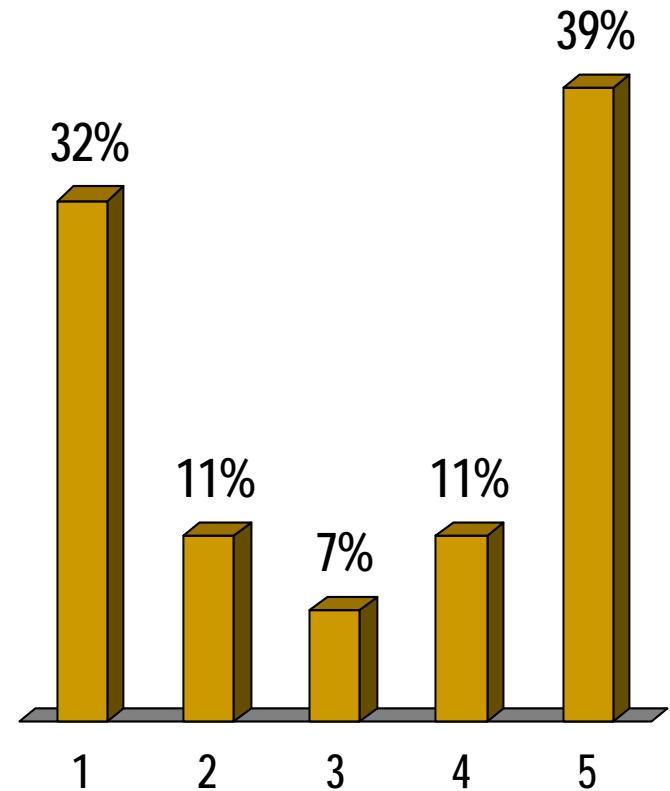
## RISK #7

# Risk #7 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.14



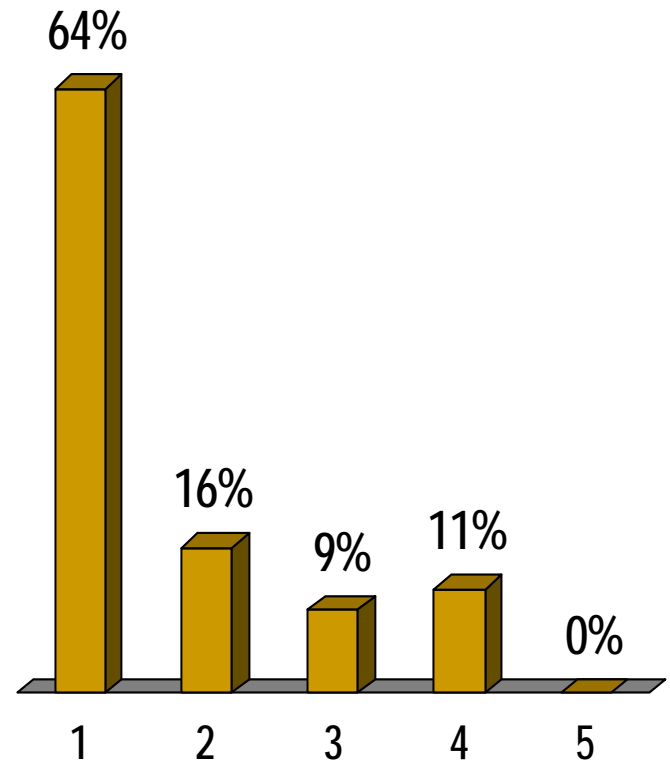
Impact

# Risk #7 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 1.67



Likelihood

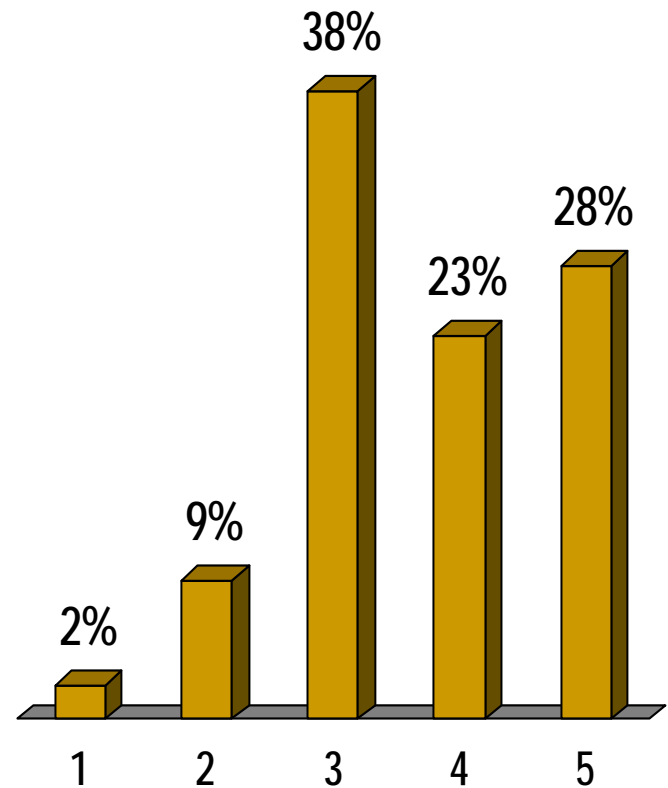
## RISK #8

# Risk #8 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.66



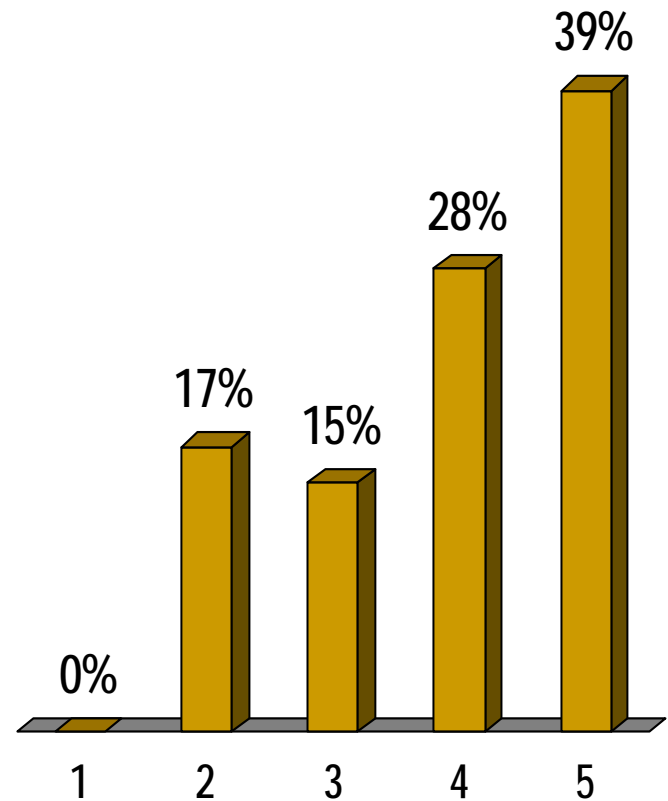
Impact

# Risk #8 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.89



Likelihood

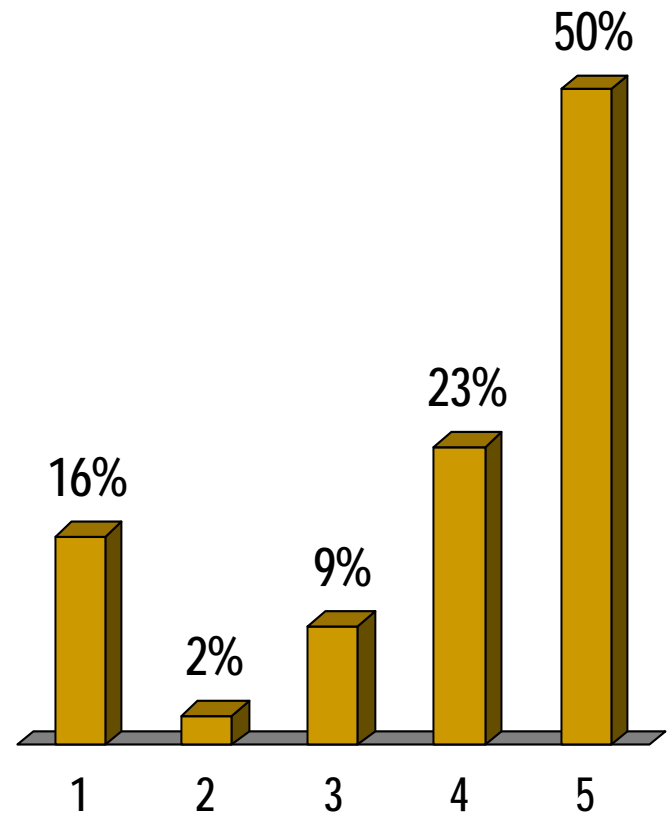
## RISK #9

# Risk #9 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.89



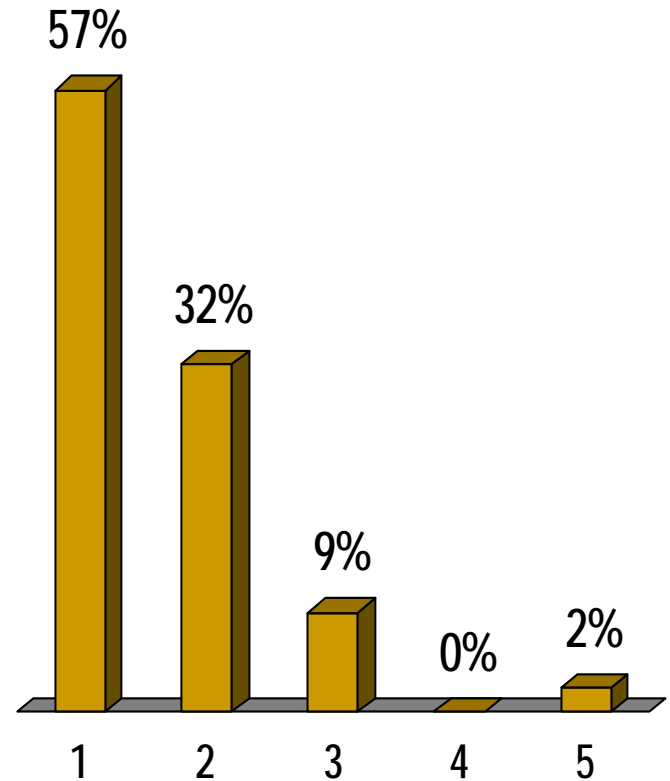
Impact

# Risk #9 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 1.59



Likelihood

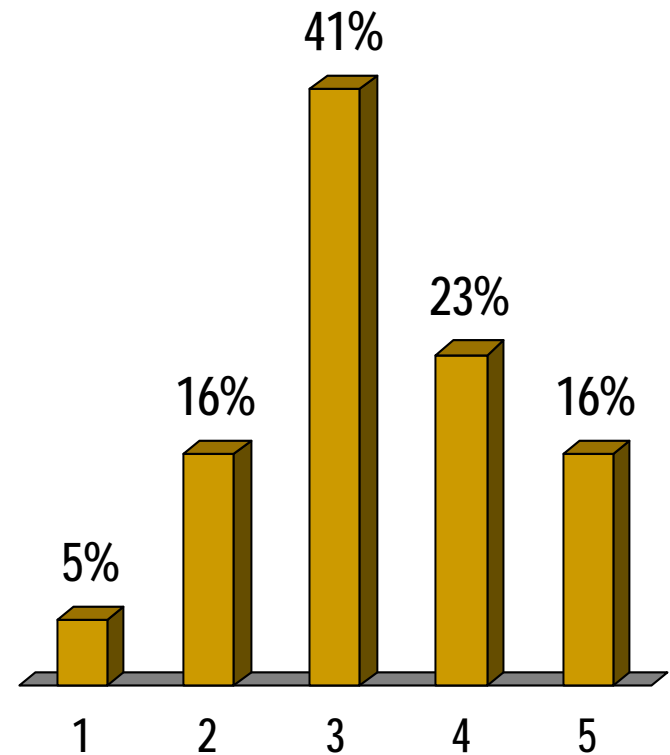
## RISK #10

# Risk #10 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.30



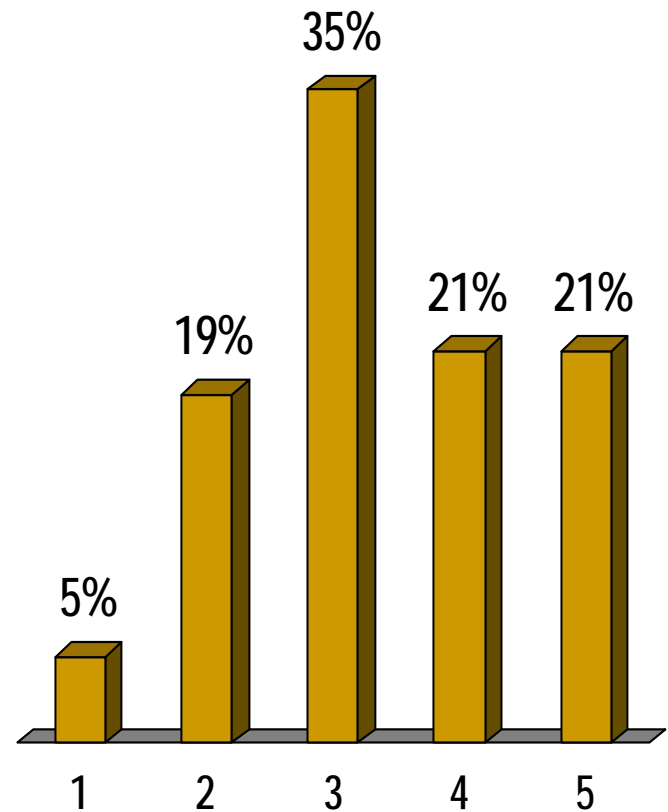
Impact

# Risk #10 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.35



**Likelihood**

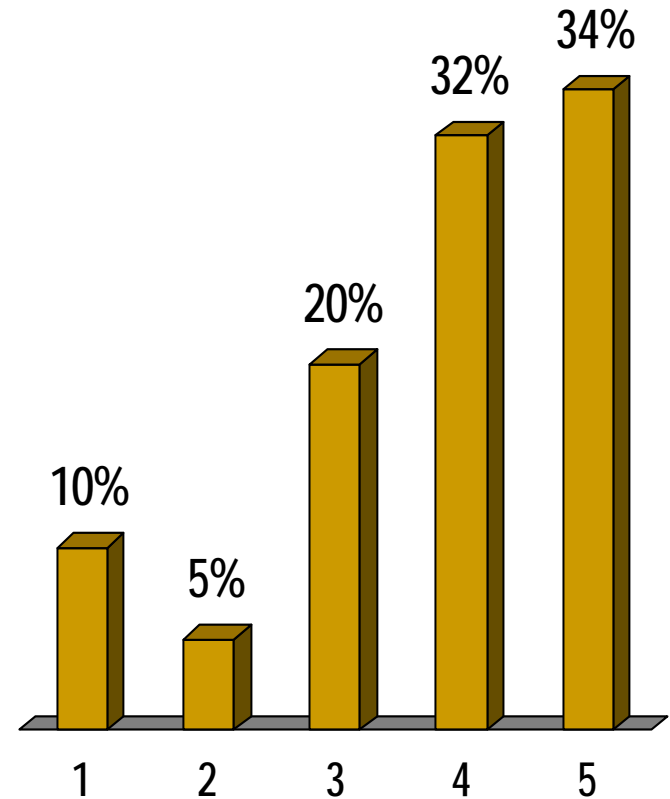
## RISK #11

# Risk #11 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.76



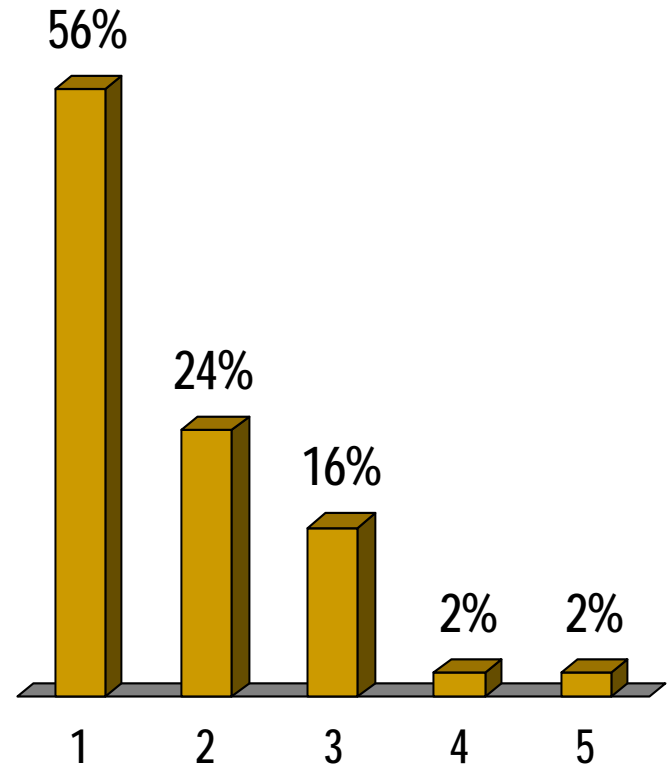
Impact

# Risk #11 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 1.71



**Likelihood**

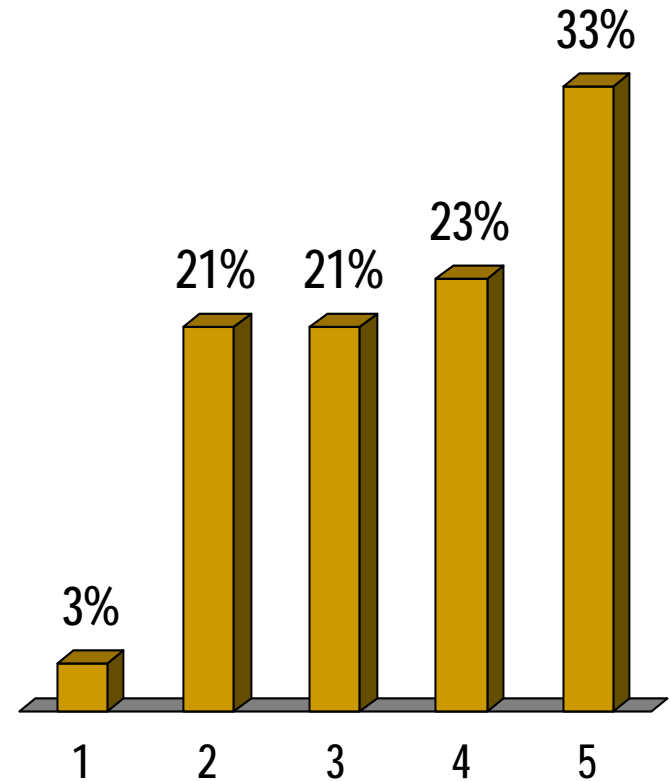
## RISK #12

# Risk #12 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.64



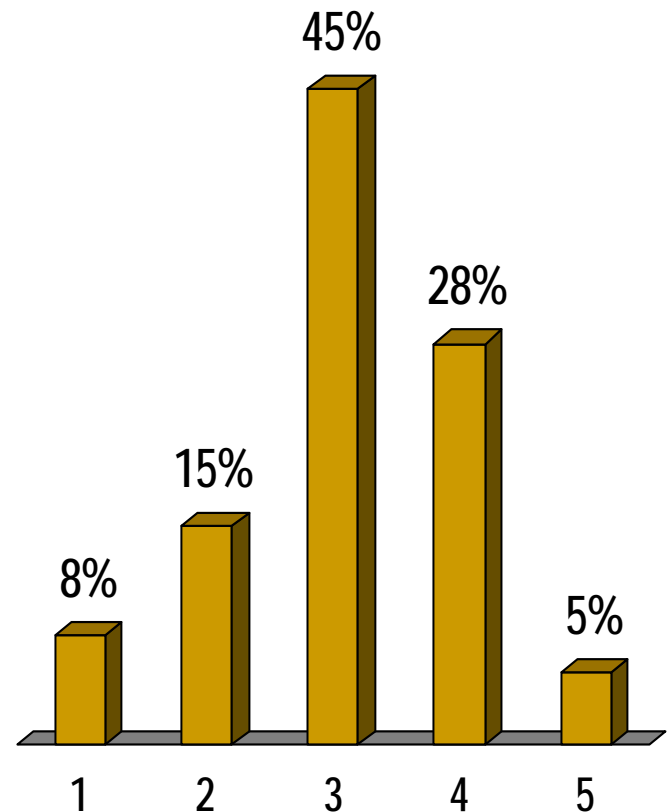
Impact

# Risk #12 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.08



**Likelihood**

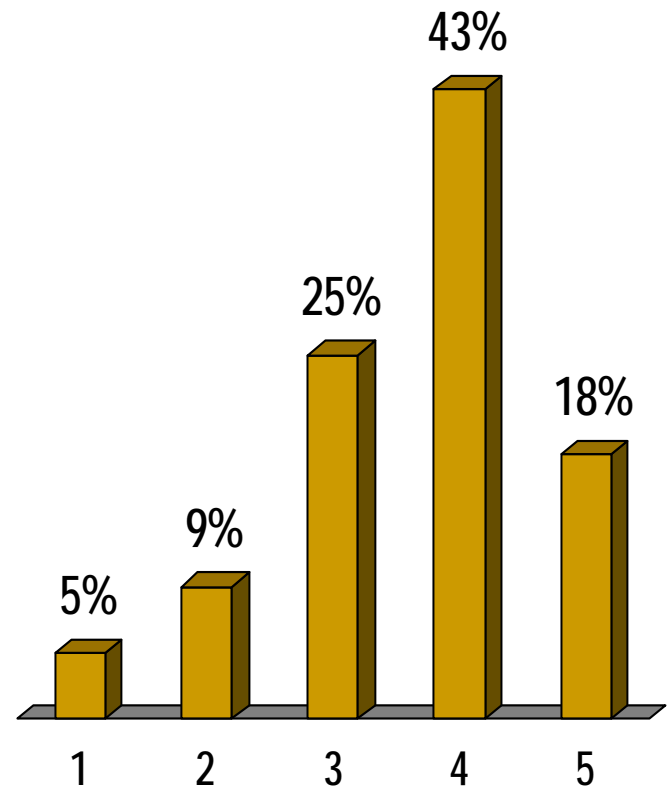
## RISK #13

# Risk #13 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.61



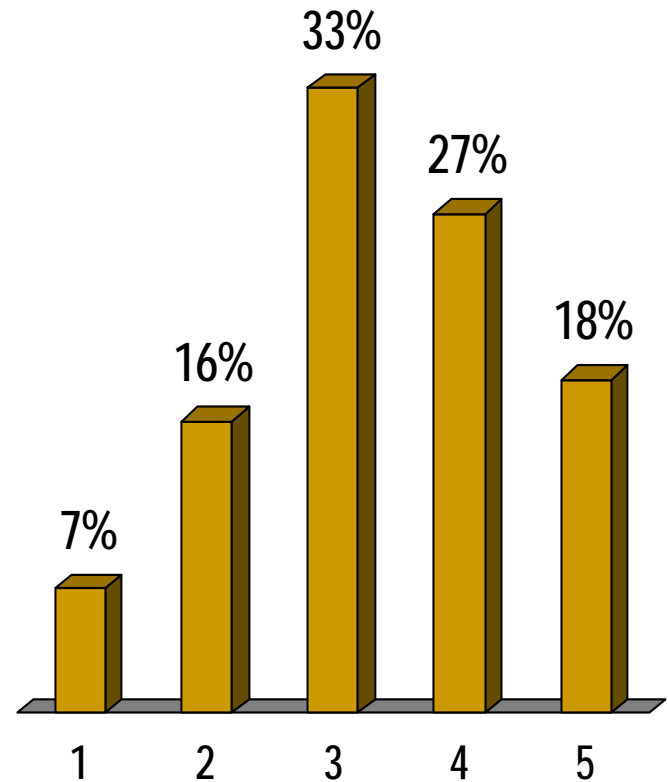
Impact

# Risk #13 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.33



**Likelihood**

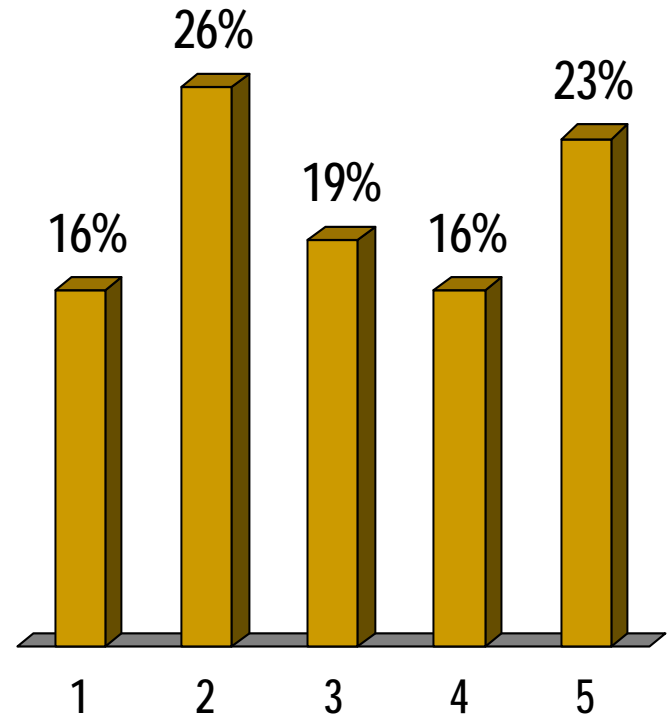
## RISK #14

# Risk #14 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.05



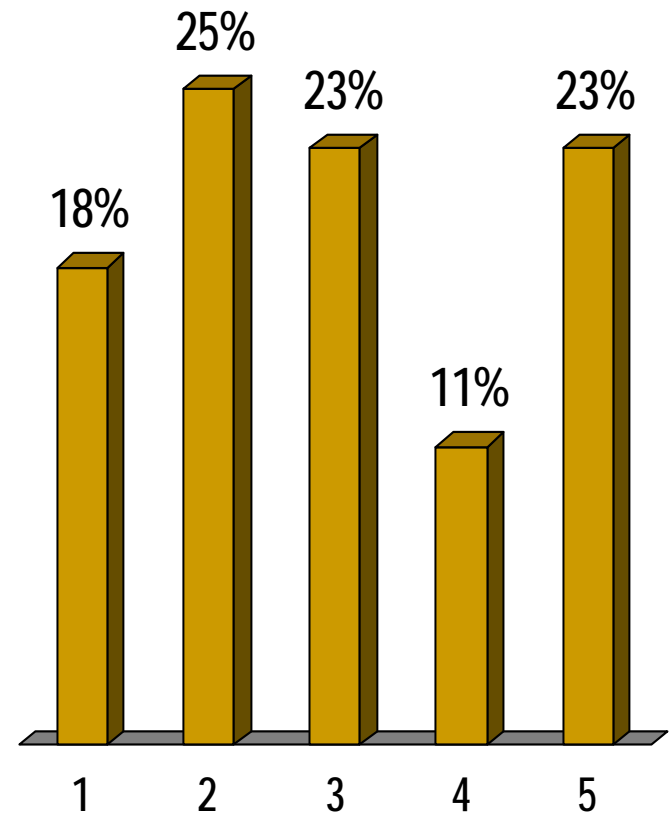
Impact

# Risk #14 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 2.95



**Likelihood**

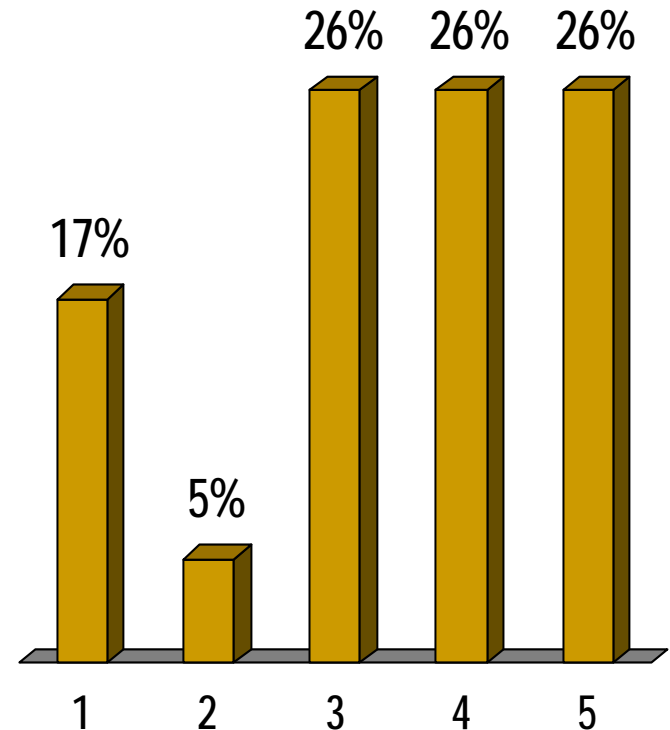
## RISK #15

# Risk #15 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.40



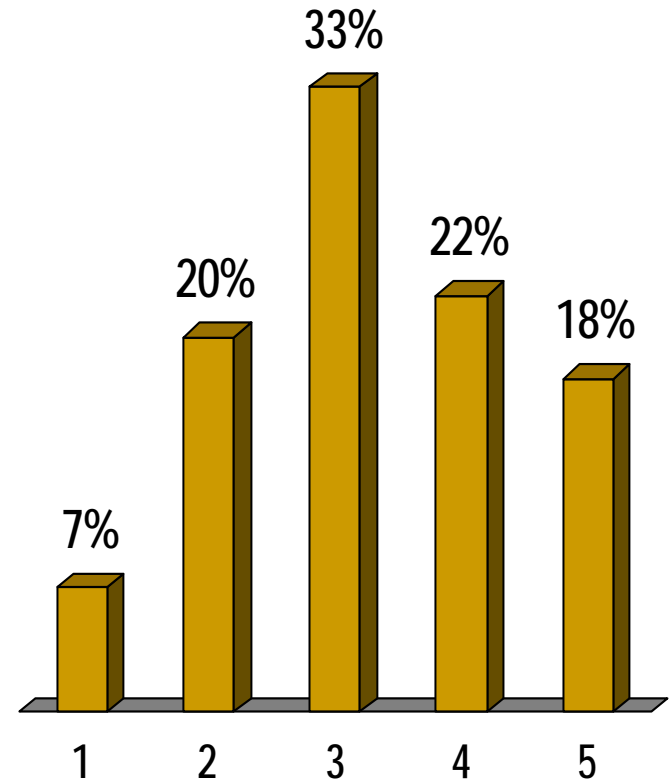
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# Risk #15 - Likelihood



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 3.24



Likelihood

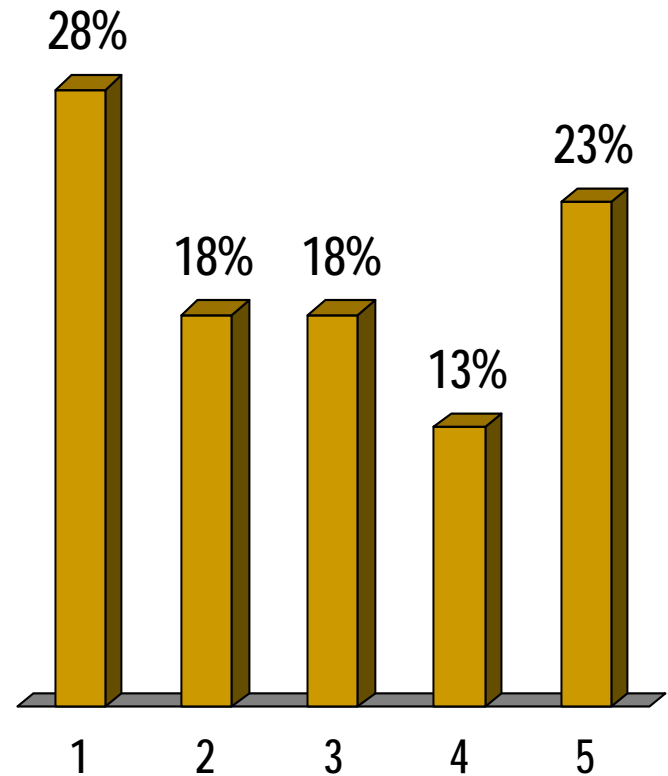
## RISK #16

# Risk #16 - Impact



1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 2.85



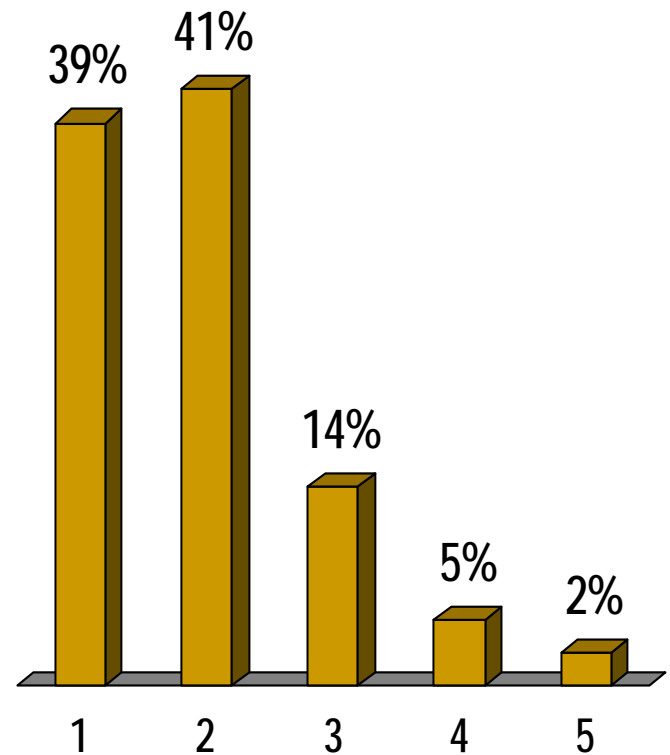
Impact

# Risk #16 - Likelihood



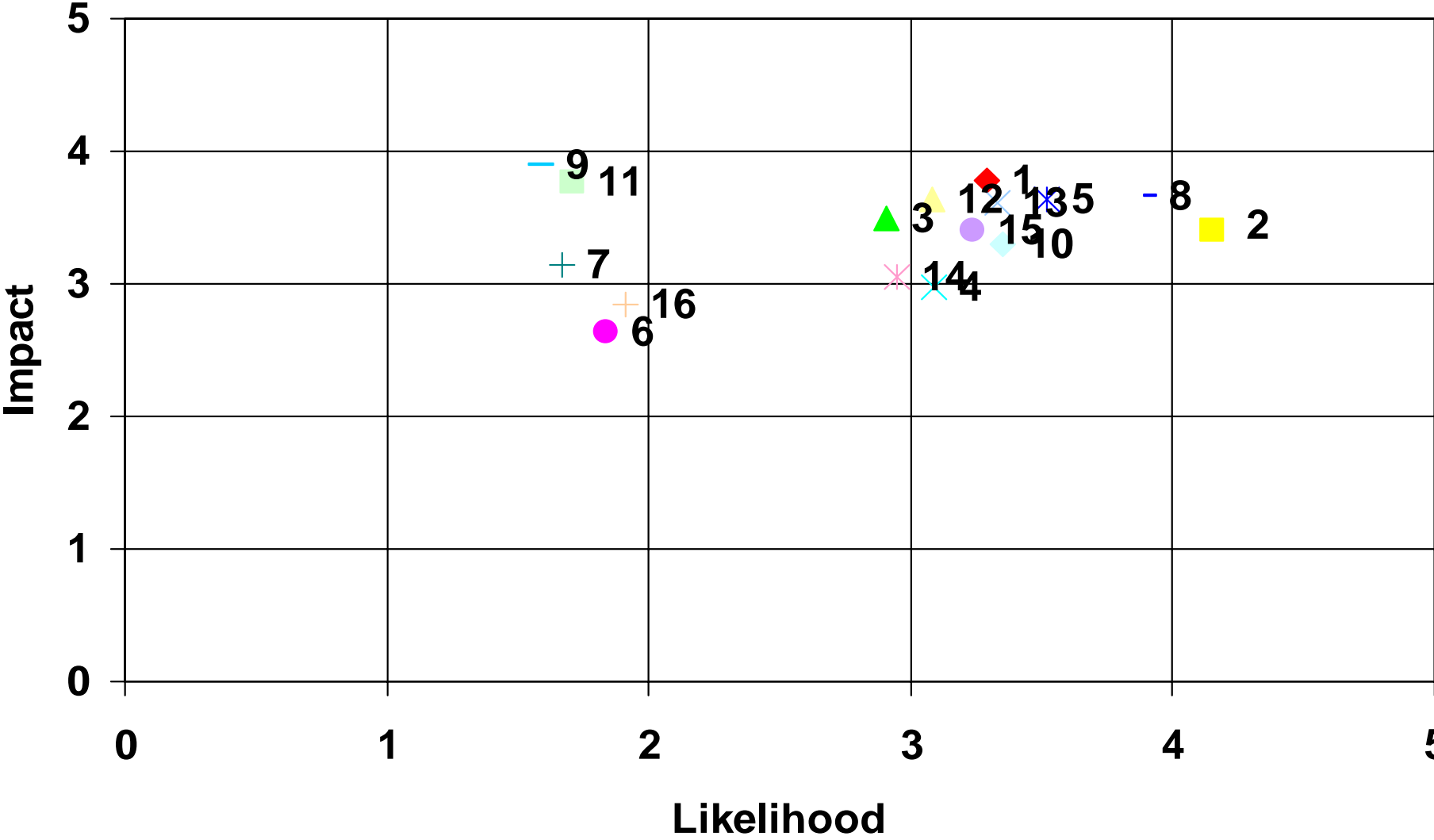
1. Low
2. Low/Moderate
3. Moderate
4. Moderate/High
5. High

Avg. = 1.91



**Likelihood**

# Risk



THANK YOU

David DeStefano (480) 965-5511

[david.a.destefano@asu.edu](mailto:david.a.destefano@asu.edu)