Risk Analysis and Evaluation

2015 Tier 1 Risk Profile

UNCW Institutional Risk Management

Presented to the Audit Committee of the UNCW Board of Trustees, April 16, 2015
One of the functions of Institutional Risk Management is to assure that risk identification, analysis and evaluation happens through regular and repeatable processes.

In accordance with ISO 31000, today’s process is designed:

- To create and protect value,
- is systematic, structured and timely,
- based on the best available information and
- is tailored to UNCW.
Goal: Analyze and Evaluate 2015 Tier 1 Risk Profile

Three Prong Assessment:

1. Investigators define and analyze risks identified by the IRM Committee (operational, financial, strategic and reputational). Senior officers assure an understanding and provide feedback and guidance.

2. 2014 Tier 1 Profile is reviewed for mitigation and change.

3. Senior officers undergo analyses of changing landscape.
## Acknowledgements

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<thead>
<tr>
<th>IRM Committee</th>
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Analyze and Evaluate
2015 Tier 1 Risk Profile

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Analyze New or Emerging Risks: Walkthrough Sample Risk Assessment

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Risk Statement(s):
- Risk of a credit card breach that could result in negative reputational and financial consequences. Although not likely, the greatest risk to the University is the possible loss of our ability to accept credit card payments

Why We Take this Risk:
- The acceptance of credit card payments in society is now expected as a means of payment
- Processing payments via credit cards is a convenience to the University and to our customers

Risk Assessment Objective:
- Compliance with PCI DSS 3.0 is a policy requirement of the North Carolina Office of the State Controller (OSC), as well as a contractual requirement of the merchant card service provider, which alludes to potential fines for noncompliance
Indicators:

- Increasing number of credit card breaches
- Focus on PCI compliance by all types of organizations, including higher education

Supporting Data:

- Credit card data breach examples in 2014*
  - Home Depot – 56 million
  - Michaels - 2.6 million
  - Staples – 1.2 million
  - Neiman Marcus – 1.1 million
- In 2014, 57 data breaches in educational sector affecting 1,247,812 records
- Roadmap published by UNC Office of Compliance and Audit Services

* Source: Identity Theft Resource Center, Data Breach Reports, December 31, 2014
**Walkthrough: Risk Assessment**

**PCI DSS 3.0 Compliance**

**Current Mitigations:**
- PCI Committee
- Credit Card Acceptance Committee
- Virtual Network
- Self Assessment Questionnaire – Passed
- Contract with Coalfire

**Proposed Mitigations (Recommendations):**
- Respond to results of the gap assessment from Coalfire
  - Hopefully primarily policy changes with minimal network infrastructure changes
- Employee training
- Policy and process changes to comply with new 3.0 PCI DSS standard
- Contract review with Aramark and Barnes & Noble
Analyze and Evaluate

2015 Tier 1 Risk Profile

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Analyze Mitigations:
Current and In Process
FY 2014-15

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Mitigations: Current and in Process FY15

- **Essential Resources**
  - Campus Based Tuition and Fees proposal passed BOG approval;
  - UNC System Security Fee passed BOG approval;
  - Student enrollment and retention maintaining high levels;
  - Potential for DE enrollment growth funding

- **Regulatory Compliance**
  - Recruitment of Asst. General Counsel – Compliance in process;
  - Recently filled leadership positions in Accounting/Finance, Human Resources and Audit;
  - Title IX positions in tuition request approved

- **Talent Management**
  - Recruited Chief Diversity Officer and Associate Vice Chancellor – Human Resources
  - Tuition request included funding for equity and excellence
Mitigations: Current and in Process FY15

• **Infrastructure**
  - IT Network Access Layer (Upgrade project) has a funding plan

• **Fire Protection**
  - 2 upgraded fire protection systems installed; 2 systems designed

• **Risk Management Integration**
  - Risk management working cooperatively with Internal Audit, General Counsel and numerous departments/divisions
  - Risk management providing education in classrooms and summer institutes
Review
Trends and Changes

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Evaluation: Essential Resources

Diverse Revenues

• Revenue by Source: % of Total
  • 2014 State Appropriations - 32% (FY11 and FY12, 34%, 31%)
  • 2014 Student Tuition and Fees – 32% (28%, 30%)
  • 2014 Sales and Services – 16% (14%, 14%)
  • 2014 Other Sources – 20% (20%, 15%)

• Decreases in 2014
  • Grants and contract revenue
  • Capital grant revenue

• Increases in 2014
  • Investment income

Assessment: In the short term, less volatile. Tuition and fee proposal approved. Watch and monitor to see if it needs to elevate
Evaluation: Essential Resources

Enrollment and Student Success

• Average Principal Loan Debt for UNCW undergraduate:
  • $23,709, or 8% increase ($21,901 the previous year)

• Last year:
  • The % of aid in the form of loans rose from 61% to 64%.
  • The % of aid in the form of grants/scholarships decreased from 38% to 36%.

• Demographic changes (greater number of offers to maintain quality):
  • The average admissions yield rate has decreased from 39% to 32% over a decade. The university must make more offers to meet enrollment targets.
  • Application rates are healthy but have remained constant over the past three years.

• Highest graduation 4 year and 6 year graduation rates during the last cycle.
Evaluation: Retaining Talent

Employee Turnover Analysis (FY13 thru Current)

- In FY13, 6 of 7 occupational groups experienced turnover greater than 10%
- In FY14, 3 of 7 occupational groups experienced turnover greater than 10%

Using data since 2009-10,

- Total Faculty turnover (includes retirements) was 6.8% in FY14.
- Total Faculty turnover reached 5.6% in two previous years (FY12 and FY13).
- Voluntary turnover in FY14 was the second highest year at 3.0%.

- Executive turnover is greater than 10% of the Executive workforce
  - 3 consecutive years (FY’s 13, 14, and YTD 15).

- Professionals and Tech/Para-professionals turnover is greater than 10%
  - 2 consecutive years (FY13 and FY14)
Evaluation: Retaining Talent

Turnover by Occupational Group thru 3/2015

*FY15 data is through March 20, 2015
Evaluation: Retaining Talent

9 month faculty positions (Professor, Associate, Assistant and Lecturer)

<table>
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<tr>
<th>Fiscal Year</th>
<th>Faculty Retired</th>
<th>Faculty Voluntary Separation</th>
<th>Faculty Appt Ended/Other Causes</th>
<th>Total</th>
<th>% Turnover-All Reasons</th>
<th>% Turnover-Voluntary</th>
</tr>
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<tbody>
<tr>
<td>11-12</td>
<td>8</td>
<td>18</td>
<td>6</td>
<td>32</td>
<td>5.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>12-13</td>
<td>15</td>
<td>2</td>
<td>13</td>
<td>30</td>
<td>5.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>13-14</td>
<td>16</td>
<td>18</td>
<td>7</td>
<td>41</td>
<td>6.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>14-15 thru Dec</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>**</td>
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**FY15 through December does not give an accurate portrayal of FY15, since separations typically rise at the end of the academic year.

For most of the faculty who left voluntarily in FY14 and FY15 through December using the information the faculty member provided during the exit interview, the informal reasons were:

- 9 faculty left for better positions and money (Accountancy, Anthropology, Public & International Affairs, Creative Writing, School of Health and Applied Human Services)
- 10 faculty left for personal reasons
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2015 Tier 1 Risk Profile

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Senior Officers Review: Changing Landscape

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Across the nation, declining state support is a driver for increased student costs

- NC funds higher education at a rate higher than most states
- Faculty turnover and bench depth were cited as driving issues for tuition funding across the UNC System
- Drive to institute performance based funding – more than one half of states are experimenting with wide variances in methods and degree
- UNCW ranks high on measures of student quality, academic quality, faculty teaching and scholarship, affordability and productivity
- UNCW’s value proposition is based on reputation for quality and affordability
- UNCW has a culture of doing things the right way and doing right by students
- Transition planning and turnover of leadership positions will be a challenge for UNCW
2015 Tier 1 Risk Profile

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2015-16 Tier 1 Profile

- 6 Risks appear as top rated risks - Med High or High
- 3 of the Top 6 Risks have compliance as a major component
- 2 of the Top 6 Risks have talent management as a major component; both of these risks are High
- 1 of the Top 6 Risks has slow external funding and authority as a major component
- In addition to the above, several of the Top Risks require some form of change management
## 2015-16 Tier 1 Profile (Top 6)

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<th>Topic</th>
<th>Level</th>
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<tr>
<td>Accelerating Change and Leadership Change calls for greater transition planning and adaptability</td>
<td>High</td>
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<tr>
<td>Ability to Attract and Retain Talent in key categories is essential to advance the mission and meet state needs</td>
<td>High</td>
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<tr>
<td>Challenges Related to Title IX, Clery, VAWA and other safety regulations are complex and changing</td>
<td>High</td>
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<tr>
<td>Ability to address Aging or Deteriorating Infrastructure relies on timely external Funding and Authority</td>
<td>Med-High</td>
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<tr>
<td>Privacy/Identity Management and IT Security/System Protection may require greater resources</td>
<td>Med-High</td>
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<tr>
<td>Online Course Content Development requires new faculty and department processes to achieve ADA Compliance</td>
<td>Med-High</td>
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2015 Tier 1 Profile (Top 6)

Risk Score, Likelihood and Impact Ratings

- Transition Challenges
- Attract and Retain Talent
- Title IX/Clery/VAWA Regs
- Infrastructure Funding and Authority
- PCI/PII Security & System Protection
- Online Courses ADA Compliance

Score: Yellow, Impact: Orange, Likelihood: Red
6 Other Risks to be Monitored and Mitigated

- Safety of Participants in International Travel, All Types
- Research Compliance (research involving subjects, conflict of interest, ethics)
- Other Compliance (e.g., Athletics Title IX, NCAA, EEO, Financial Aid)
- Student Wellness (e.g., infectious disease, suicide risk)
- Transportation by Vehicle, and Bike and Pedestrian Safety (athletics team travel, applied learning travel, bike/ped safety on campus and adjacent roads and intersections)
- Federal, State and Institutional Student Financial Aid