

## **RISK ASSESSMENT AND CONTROL ACTIVITIES**

### **PROCEDURES**

#### **Developing four “categories of risk”**

For the purposes of this task, a risk assessment is the identification and analysis of the risks that could prevent the college from attaining its goals and objectives. Each major office or department on campus was asked to complete a Risk Assessment Development Worksheet indicating the Individual Goals, Risks, Existing Controls (if any) and Desired Controls for that area. Upon review of this information, it appeared that these data could be sorted into the following four “categories” of concern.

#### 1. Academic and Administrative Systems

In Fiscal Year 99, the College began a three and one-half year project to implement a comprehensive integrated administrative computing solution. The College purchased PeopleSoft, a software product utilizing an Oracle relational database. Phase I which includes General Ledger, Accounts Payable, Purchasing, Billing, and Accounts Receivable, was operational in July 2000. The student information module was introduced in the Fall of 2001. Issues regarding implementation and integration of these modules have continued to be challenges and need to be addressed. It is also necessary for the College to keep pace with current technological developments in the areas of classroom equipment, computer presentation software, production of presentation materials, and distance education. In addition, information technology must foster a computing environment that stimulates the integration of technology into the campus community. Concerns related to this category must be reviewed.

#### 2. Academic/Student Life Concerns

This category includes any and all matters that have an impact on the quality of academic programs and instruction, admissions and retention, student services, library and information services. Because of their primacy to the mission of the College, issues that impact these areas must be considered.

#### 3. Facilities/Health and Safety Issues

The Facilities area is responsible for the planning, design, construction, operation, maintenance, renovation, and repair associated with all college facilities, building-grounds and utilities. Space utilization and maintenance impact all aspects of the campus community. A review of the departmental risks revealed a significant number of issues that affect the health and well being of faculty, staff, and students. It is essential that these issues be considered as well.

#### 4. Financial Issues

The principal category of risk that impacts all others is that of not having adequate financial resources to support the needs of the College. During the past decade, the aggregate funding for the institution from all sources has kept pace with inflation. Yet the mix of State and Non-State funding has changed. And with no real growth, the financial challenge has been to maintain and even increase standards of performance, increase financial resources for academic programming, while at the same time maintaining the physical infrastructure and funding much needed improvements to keep up with technology as it applies to the learning environment. The challenge is to increase operating revenues in order to meet the needs of College.

#### **Defining “drivers of risk”**

Before risk management solutions can be developed, the current drivers of risk must be identified and then evaluated. Broadly stated, the drivers of risk are the factors that introduce risk into the environment (NACUBO Report: Developing A Strategy to Manage Enterprisewide Risk in Higher Education, 2002).

Beyond the overarching financial risk, are other types of risk. These are: strategic, financial, operational, and compliance risks.

1. Strategic Risk is risk that affects an organization’s ability to achieve its goals.
2. Financial Risk is risk that may result in a loss of assets
3. Operational Risk is risk that affects an ongoing management process.
4. Compliance Risk is risk that affects compliance with externally imposed laws and regulations as well as with internally imposed policies and procedures concerning safety, conflict of interest and the like.

Once managers identify and assess risks, they need to evaluate and develop methods to minimize these risks. These methods are control activities. Control activities are the structure, polices, and procedures, which the College has established so that identified risks do not prevent it from reaching its objectives. In addition to policies and procedures, Salem State College fully utilizes other basic management tools such as job descriptions, organizational charts and supervisory standards. We are cognizant that excessive controls can be as harmful as excessive risk because they can result in increased bureaucracy and reduced productivity. Thus, as the College’s managers performed a risk assessment and evaluated the relative controls, they were careful to avoid extremes.

After collating the data from all the Risk Assessment Development Worksheets, spreadsheets were prepared including risk driver, risk category, goal, risk, existing controls and desired controls. The following are the spreadsheets sorted by category and risk driver.