



## **Risk Deep Dive**

**February 2023 Meeting of the UWC-USA Board of Trustees**

# Risk Deep Dive: Frame

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UWC and UWC-USA, I think it is safe to say, are inherently weighted toward risk taking rather than risk aversion. Our idealism can outpace our resources and our faculty and students are attracted to us precisely because of the autonomy and opportunities for pushing boundaries relative to other secondary schools. It is not surprising, then, that the school's approach to risk management has followed culture. We have historically been more informal and reactive in managing risk than formal and proactive. And while we can be proud of how we planned for and responded to Covid and wildfires over the last few years, we know that we have more to do across the entire enterprise, particularly financial, operations, compliance, and reputational risk management. This is one of the most important systems in need of attention as we strengthen our foundation. With this as background, our "deep dive" with the board will focus on educating ourselves on a new approach to risk at the school, alignment between board and school leadership on respective roles and responsibilities, enterprise risk program and approach, and identification of key enterprise risks at the school. The board will then be asked to approve three items as outlined in the board book and later in this presentation. – Victoria J Mora, President UWC-USA

# Risk Management and Oversight at UWC-USA: Objectives for Today's Session

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## **Align**

- School leadership and board regarding respective roles and responsibilities in addressing risk

## **Understand**

- New approach to risk at UWC-USA
- UWC-USA's Risk Management Program and the approach to risk that it entails
- Current assessment of specific risks at UWC-USA and offer board perspective

## **Approve**

- Key features of board oversight of risk management at UWC-USA
- UWC-USA's Risk Management Program and approach
- Remit of Audit and Risk Committee of the Board

# Agenda

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- I. Risk Management Oversight: Board Responsibility**
- II. Risk Management: School Responsibility**
- III. UWC-USA's Program and Approach: Enterprise Risk Management**
- IV. Discussion**
- V. Where we are at UWC-USA**
- VI. Risk Oversight: For Discussion and Approval**
  - A. Board Audit and Risk Committee Role**
  - B. Proposed Audit and Risk Remit**
  - C. Proposed Risk Oversight Process for Full Board**

# I. Risk Management: Board Responsibility

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**The board's responsibility is oversight of the school's risk management program, approach, and execution**

**The board does not manage risk at the school**

**Elements of oversight include**

- Awareness of risks (high level)
- Awareness of management approach to risk (high level)
- Awareness of management mitigation of risks (high level)
- Regular assessments of adequacy of risk management program, approach, execution, and mitigation
- Regular reports documenting assessments
- Clarity and shared understanding of the board's risk tolerance
- Regular method for addressing risks brought forward in real time by school leadership

## II. Risk Management: School Responsibility

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**There will always be risk in running a school**

**School leadership is responsible for managing risk, not eliminating it**

**In order to manage risk, the school must have**

- A clear risk management program understood by all at the school
- Structures in place through which risks can be brought to the attention of school leadership
- Clear criteria for assessing risk, including distinguishing enterprise risk from other kinds of risk
- Mitigation strategies as part of risk management
- Structures in place through which enterprise risk can be brought to the attention of trustees for purpose of oversight

# III. UWC-USA's Program and Approach: Enterprise Risk Management

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- What is Enterprise Risk Management (ERM)?
- What is an enterprise risk?
- What is not an enterprise risk?
- Why ERM?
- Impact Rating Scale
- Likelihood Rating Scale
- Matrix for Determining Category I, II, and III Risks (under development)
- Mitigation Status Rating Scale

# Enterprise Risk Management (ERM)

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What is Enterprise Risk Management (ERM)?

ERM is an institutional approach to identifying, prioritizing, and appropriately mitigating against key risks to the school's ability to fulfill its educational mission and achieve its strategic objectives.

It considers not only what can go wrong, but what is going right – and what needs to continue to go right.

# Enterprise Risk Management (ERM)

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## What is an enterprise risk?

**An enterprise risk is a top risk to the school's ability to fulfill its educational mission and achieve its strategic objectives. This includes:**

- **Financial risks**: risks that threaten our ability to meet financial obligations both in the short-term and long-term
- **Operational risks**: risks that threaten our ability to perform residential, academic, experiential education, and administrative functions in a sufficiently timely and effective manner
- **Compliance risks**: risks that threaten our ability to comply with applicable laws, regulations, and/or contracts and other binding agreements
- **Reputational risks**: risks that threaten our ability to develop and maintain strong relationships with current and future key constituents (e.g., faculty, staff, students, alumni, donors, national committee, local community)

# Enterprise Risk Management (ERM)

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## **What is not an enterprise risk?**

Key enterprise risks do not include all risks to the institution, or even all risks that may cause disruption, demand executive-level involvement, or attract media attention.

# Enterprise Risk Management

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## Why ERM?

- Directs appropriate attention from SLT members
- Enhances role clarification across divisions/departments
- Informs resource allocation
- Prompts changes to policies, processes, and technology
- Informs internal audit and compliance work plans
- Monitors progress of risk mitigation strategies
- Provides assurance to Trustees of thoughtful processes and oversight of enterprise risk management

# Impact Rating Scale

<b>High Impact</b>	<b>High-Moderate Impact</b>	<b>Moderate Impact</b>	<b>Moderate-Low Impact</b>	<b>Low Impact</b>
<p>Risk could be expected to have a <u>catastrophic adverse effect</u> on the school's <b>Finances, Operations, Compliance, or Reputation</b> resulting in devastating, long-term, and widespread damage to the school's mission that <u>requires vast time and resources to repair</u>. (i.e., financial/nonfinancial loss level is very high)</p>	<p>Risk could be expected to have a <u>major adverse effect</u> on the school's <b>Finances, Operations, Compliance, or Reputation</b> resulting in long-term, widespread and/or profound damage to the school's mission that <u>requires substantial time and resources to repair</u> (i.e., financial/nonfinancial loss is high).</p>	<p>Risk event could be expected to have a <u>moderate adverse effect</u> on the school's <b>Finances, Operations, Compliance, or Reputation</b> resulting in short-term, widespread and/or profound damage to school activities that <u>requires significant time and resources to repair</u> (i.e., financial/nonfinancial loss is moderate).</p>	<p>Risk event could be expected to have a <u>minor adverse effect</u> on the school's <b>Finances, Operations, Compliance, or Reputation</b> resulting in temporary, contained, and/or superficial damage to some school activities that <u>requires modest time and resources to repair</u> (i.e., financial/nonfinancial loss is low)</p>	<p>Risk event could be expected to have a <u>insignificant adverse effect</u> on the school's <b>Finances, Operations, Compliance, or Reputation</b> resulting in temporary, contained, and/or inconsequential damage to few school activities that <u>requires minimal time and resources to repair</u> (i.e., financial/nonfinancial loss is very low).</p>

# Likelihood Rating Scale

<b>High Probabaility</b>	<b>High-Moderate Probability</b>	<b>Moderate Probability</b>	<b>Moderate-Low Probability</b>	<b>Low Probability</b>
<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk is <u>highly likely</u> to occur given factors in the external environment and/or given that the school <u>does not have</u> processes, policies and procedures to mitigate the risk.</p>	<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk is <u>likely</u> to occur given factors in the external environment and/or given that the school's processes, policies and procedures to mitigate the risk are <u>inadequate or inconsistently executed across the school.</u></p>	<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk is <u>possible</u> to occur given factors in the external environment and/or given that the school's processes, policies and procedures to mitigate the risk are <u>adequate and/or consistently implemented and executed only in certain areas.</u></p>	<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk is <u>unlikely</u> to occur given factors in the external environment and/or given that the school's processes, policies and procedures to mitigate the risk are <u>well-designed, consistently implemented, and executed across the school.</u></p>	<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk is <u>highly unlikely</u> to occur given factors in the external environment and/or given that the school's processes, policies and procedures to mitigate the risk are <u>well-designed, consistently implemented, executed, and monitored across the school.</u></p>

# Matrix for Determining Category I, II, and III Risks

## Likelihood Rating

		<b>High Probabaility</b>	<b>High-Moderate Probability</b>	<b>Moderate Probability</b>	<b>Moderate-Low Probability</b>	<b>Low Probability</b>
Impact Rating	<b>High Impact</b>	Category I	Category I	Category I	Category II	Category II
	<b>High-Moderate Impact</b>	Category I	Category I	Category II	Category II	Category II
	<b>Moderate Impact</b>	Category I	Category II	Category II	Category II	Category III
	<b>Moderate-Low Impact</b>	Category II	Category II	Category II	Category III	Category III
	<b>Low Impact</b>	Category II	Category II	Category III	Category III	Category III

# Mitigation Status Rating Scale

<b>Identifying</b>	<b>Planning</b>	<b>Implementing</b>	<b>Complete/Monitoring</b>
<p>The <b>Financial, Operational, Compliance, or Reputational</b> risk has been raised as high priority and appropriate mitigation strategies are being identified.</p>	<p>Divisions/departments are actively planning for implementation of identified mitigation strategies.</p>	<p>Mitigation strategies are being implemented according to plan.</p>	<p>Mitigation strategies are complete and the school is actively monitoring to ensure additional steps are not needed.</p>

## IV. Discussion

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- A. Does the distinction between board oversight and school management of risk make sense? Do the elements of board oversight make sense? What needs clarification?**
- B. Does the proposed ERM Program look robust enough? Appropriate to our complexity/scale?**

# V. Where we are at UWC-USA: Status of Program and

## Approach

- Historically, Risk Management at UWC-USA has
  - mostly been managed internally and operationally,
  - focused on incident management and some annual planning through cross functional committees,
  - had numerous starts and stops, largely due to staff turnover,
  - been overseen intermittently by the AHFO (Associate Head for Finance and Ops) and President.
- While the institutional approach to Risk Management needs further development, the school has withstood real-time tests including Covid and Wildfire in 2020-2022, 2021-2022 respectively. The staff deserves recognition and respect for their risk management under incredibly challenging circumstances.
- 2020 Covid planning and execution was a step in the direction of institutional risk management, including collaboration with the board of trustees. Following that work, also in 2020, we began to systematize regular interdepartmental risk assessments and safety and risk reduction, allowing increased integration, oversight and continuity of efforts. This has been part of our strategy to strengthen our foundation through systems that can withstand change (Goal III).

# Where we are at UWC-USA: Status of Program and Approach

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- SLT adopted the current ERM model in 2021 and began to identify risks under each SLT division.
- An on-site Risk Management Team was convened in 2022 and began to use our ERM rubric. The RM Team includes the Associate Head for Finance & Operations (previously CFOO), Director of Security, Human Resources Director, Controller, Communications Director, and Dean of Students. The RM Team is co-chaired by the Director of Security and Dean of Students and reports to the SLT.
- The remit of the Risk Management Team is to identify, assess, manage, mitigate and report to SLT on enterprise operational, compliance, financial, and reputational risks. The RMT is also the repository for other types of risk and communicates appropriately.

## Where we are at UWC-USA: Status of Program and Approach

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- The Risk Management Team meets regularly and reports to the SLT monthly. Recently the RM Team led an employee meeting to invite feedback; a student input meeting is planned as well. The RM Team has also met with vendors, helped coordinate safety trainings, and is preparing a schedule of regular risk mitigation communications.
- To date, the RMT has focused primarily on operations. Compliance is underway and financial and reputational risk will be brought online in summer 2023. The RMT has also focused primarily on a general assessment, identifying and categorizing key risks, and determining where we are with mitigation.
- This presentation will focus on operations work to date.

## Where we are at UWC-USA: Specific Enterprise Risks Operational Categories

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- Facility - includes building/room configuration and egress, electrical upgrades, lighting, access issues, internet connectivity, storage, ventilation, emergency supplies on site, etc.
- Program delivery - includes transportation, staffing, mail, staff/student rapport, safeguarding, etc.
- Documentation and communication - includes logs, email chain, student files, data redundancy, cross training, staff/student lists and contact information, etc.
- Health - includes pandemics, injury, mental health, self-harm, access to treatment, supplies, etc.
- External threats - includes fires, water shortages, intruders, wind damage, violence, etc.

# Where we are at UWC-USA: Progress Report, Operational Risk General Assessment

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- Aging facilities and infrastructure represent significant risks and require ongoing investment and specific expertise to maintain
- Staff turnover challenges continuity of operations
- Transportation, labor availability and access to services (e.g., health, contractors, purchasing) as a function of location all impact operations on a daily basis and make additional demands on staff to problem solve
- Connectivity, documentation, communication each demand further development to mitigate risk
- Environmental (e.g., fire, water) threats take a disproportionate time due to location

# Operational Category I Risks

## Likelihood Rating

		<b>High Probability</b>	<b>High-Moderate Probability</b>	<b>Moderate Probability</b>
<b>Impact Rating</b>	<b>High Impact</b>	Fire, Illness/pandemic	Water Shortage, Water infrastructure, Transportation related injury	Active shooter
	<b>High-Moderate Impact</b>	Student services	Lack of local providers and general services, 30%+ employee turnover/burn out, Extended Internet failure/data breach/hacking, Poor cell and landline reception	
	<b>Moderate Impact</b>	Significant percentage of staff commuting from outside Las Vegas		

# Operational Category II Risks

		Likelihood Rating				
		High Probabaility	High-Moderate Probability	Moderate Probability	Moderate-Low Probability	Low Probability
Impact Rating	High Impact				Water quality issue	Lack of cross-training
	High-Moderate Impact			Insurability, Significant deficit	Stock market crash	Food supply, contamination
	Moderate Impact		Significant student injury, Local land dispute	Violent incident	Significant flooding	
	Moderate-Low Impact	Plumbing/ HVAC challenges	Significant facilities fix/infrastructure breakdown	Significant employee injury		
	Low Impact	Aggressive wildlife/strays	Significant extended travel disruption			

# Operational Category III Risks

		Likelihood Rating				
		High Probabaility	High- Moderate Probability	Moderate Probability	Moderate- Low Probability	Low Probability
Impact Rating	High Impact					
	High- Moderate Impact					
	Moderate Impact					Lacking registrations/ certifications
	Moderate- Low Impact				Extended understaffing/ delayed replacement	Supply chain/ critical path breakdown
	Low Impact			Extended loss of power	Program restrictions/ access issues	Legal action

# Operational Risk Mitigation Status and Examples

## Identifying

### Documentation and communication

(30% employee turnover and burnout, extended internet failure/data breach, Significant percentage of staff commuting from outside Las Vegas)

## Planning

### External Threats

(Water Shortage, Active shooter, Lack of local services/providers)

## Implementing

### Facility Program Delivery

(Water Infrastructure)  
(Student services, 30% employee turnover and burnout)

## Complete/Monitoring

### Health

(Illness/Pandemic)

### External threats

(Fire, water quality)

## Examples:

*Back up systems for extended Internet failure/data breach/hacking*

*File organization and storage*

## Examples

*Alert systems*

*Improved cameras*

*Evacuation*

*Water leakage isolation*

## Examples

*Deferred maintenance planning and schedule*

*Professional development, evaluations*

*Transportation related injury - speed governors, contracting out, driver training*

*Active shooter intervention training*

## Examples

*COVID/Pandemic plan*

*Student wellness plans and surveys*

*Fire evacuation plan*

*Reservoir/planned city water upgrades*

## VI. Risk Oversight: To discuss and approve

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### A. New Board Audit and Risk Committee

1. Audit brought under broader category of enterprise risk (approved, committee constituted)
2. Audit and Risk Committee provides oversight and recommendations to full board regarding enterprise risk at UWC-USA (to discuss and approve)

### B. Proposed Audit and Risk Committee Remit (to discuss and approve)

1. Develop a risk tolerance framework, to be approved by the full board, and review framework every three years or as circumstances require
2. Educate itself three times a year on identified enterprise risks at UWC-USA SLT
3. Advise SLT on its enterprise risk program execution
4. Prepare an annual report for the board on enterprise risk management at UWC-USA
5. Advise on any immediate risks brought forward by the president and the board chair, framing those risks for the board as needed

## VI. Risk Oversight: To discuss and approve

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- C. Proposed Risk Oversight Process for Full Board (to discuss and approve)**
1. Approve a risk tolerance framework, developed by the Audit and Risk Committee, to be used by the board in assessing risk management at UWC-USA.
  2. Receive and discuss annual report from Audit and Risk Committee on enterprise risk at UWC-USA and direct president accordingly
  3. Advise on any immediate, real-time enterprise risks brought forward by the Audit and Risk Committee