



BOARD OF TRUSTEES

Fiscal and Legal Affairs Committee (FLAC)

Members: Trustee Macey Moore, Chair; Trustee Brad Bonner;
Trustee David Fall, Trustee Elizabeth Greenwood

AGENDA

Wednesday, September 20, 2023

Call to Order – Trustee Moore

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Internal Audit Activity Report

September 2023

INTERNAL AUDIT ACTIVITY CONDUCTED IN ACCORDANCE WITH THE AUDIT PLAN FOR THE PERIOD

September 2022 – August 2023, September 2023 – August 2024

AUDITS:

- Change of Management Audit – College of Health Sciences
- Capital Construction

FOLLOW-UP REPORTS:

- Follow Up Summary Report

INFORMATIONAL

- Internal Audit Schedule Review

CONSULTATION – MANAGEMENT ADVISORY NOTICES

AUDITS IN PROGRESS:

- Change of Management – College of Business
- Change of Management – Office of Research and Economic Development Division



UNIVERSITY OF WYOMING

Internal Audit

**Change of Management:
College of Health Sciences**

July 18, 2023

Auditors:

Danika Salmans MBA, CIA, CRMA

Rebecca Garcia, MBA, CIA

July 18, 2023

University of Wyoming Board of Trustees:

Internal Audit has completed a Change of Management review of the College of Health Sciences. Dr. Jacob Warren was appointed as the Dean in July 2022.

A change of management audit is an independent assessment providing feedback to management regarding the design and operational effectiveness of past leadership. This evaluation presents opportunities for improvement by identifying any risks to the University related to internal control weaknesses.

The objectives of this audit were to assess activity during FY2022 through current to acquire an understanding of operational components and complete an assessment of internal controls to mitigate operational, financial, compliance, and strategic risks.

Any concerns and weaknesses identified have been discussed with management and may be subject to follow-up. If the department is not in compliance with criteria, policies, procedures, or best-practice, this situation is described in a formal observation so that the department can develop an action plan to mitigate the risks. The following observations have been made:

- **Observation #1:** The Student Pharmacy does not have documented fund handling procedures and staffing fluctuations compromise internal controls
- **Observation #2:** Documented operational, financial, and personnel guidelines have not been fully developed to ensure effective and efficient progress toward shared strategic objectives between the college and EHCW
- **Observation #3:** Procedures for independent verification of access have not been established

A follow-up will be performed in nine (9) months to assess progress related to the audit recommendations. The audit will remain open until the completion of the follow-up review, at which time a closing report will be provided.

We would like to thank Dr. Jacob Warren - Dean of the College of Health Sciences, Jill Worden – Assistant Director, and the many other staff for the assistance we received on this audit.

Sincerely,



Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,



Becky Garcia MBA, CIA
Senior Internal Auditor

Background

The College of Health Sciences is comprised of divisions, programs, and centers.

Divisions

- Division of Communication Disorders
 - Coursework in speech correction, as it was known at that time, was initiated in 1940 and the first bachelor's degree in speech correction was awarded to Barbara Kahn in January 1952. The Division of Communication Disorders offers a Bachelor of Science (B.S.) in Speech, Language and Hearing Science and Master of Science degree in Speech-Language Pathology.
- Division of Kinesiology and Health Promotion
 - The Division of Kinesiology and Health offers two undergraduate programs leading to a B.S. degree; one in Kinesiology and Health Promotion, and one in Physical Education Teaching. The graduate program includes a M.S. degree (thesis and non-thesis) in Kinesiology and Health, as well as a graduate certificate in community and public health.
- Fay W. Whitney School of Nursing
 - It serves those entering nursing at the basic level; those who have previous bachelor's degrees and are changing career paths; nurses who want to earn a baccalaureate degree; nurses who want to become a nurse educator; and now for those nurses who would like to work toward the new standard in advanced practice nursing education, we provide the DNP program – doctor of nursing practice – offering family nurse practitioner or psychiatric mental health nurse practitioner tracks. The School has articulation agreements with each community college in Wyoming to help transition ADN nurses to BSN.
- School of Pharmacy
 - Doctor of Pharmacy program is nationally accredited with a 100% job placement rate. Our graduates' first-time pass rate on the NAPLEX is consistently over 95%, and our post-graduate residency placement rate is consistently well above the national average.
- Division of Social Work
 - The Division of Social Work envisions a global community in which our graduates serve as ethical social work leaders who promote social, economic and environmental justice, human rights, and health and well-being for individuals, families, organizations, and communities. The Division offers a Bachelor of Science in Social Work (B.S.W.) as well as a Master of Science in Social Work (M.S.W.) with programs on both the Laramie and Casper campuses.
- Wyoming Institute for Disabilities (WIND)
 - The mission of the Wyoming Institute for Disabilities (WIND) is to assist individuals with developmental and other disabilities and their families by promoting and supporting full community inclusion, community membership, independence, productivity and social participation.
- WWAMI Medical Education Program
 - **WWAMI is Wyoming's Medical School!** The University of Wyoming participates in the WWAMI Medical Education Program, which is affiliated with the [University of Washington School of Medicine \(UWSOM\)](#) in Seattle, Washington. Students accepted to the program spend 18 months on the University of Wyoming campus. The third and fourth years are spent at selected clinical sites throughout the WWAMI region.

Programs

- Dental Hygiene at Sheridan College
 - The University of Wyoming and Sheridan College, located in north central Wyoming, offer a cooperative program in dental hygiene. Students typically complete about 40 hours of prerequisites and apply for admission to the dental hygiene program which is offered through and only at Sheridan College. Once admitted, students complete a two-year program in dental hygiene and earn an associate's of applied sciences in dental hygiene from Sheridan College, which is the degree necessary to be eligible for licensure. Sheridan College dental hygiene students can also opt to complete additional requirements and earn a bachelor's of science in dental hygiene from the University of Wyoming.
- M.S. in Health Services Administration
 - This program offers health care professionals a masters degree to provide them with opportunities to advance their career. It is a 30-credit, non-thesis professional graduate degree.
- Medical Laboratory Sciences at UW-Casper
 - The UW-Casper Medical Laboratory Sciences (MLS) program is located within the UW College of Health Sciences, under the School of Pharmacy, and is offered on the UW-Casper campus. The MLS program is an articulation program with Casper College composed of 60 credit hours of course work between the junior and senior years, with the final semester being reserved for advanced clinical practicum courses. The MLS program specific course content encompasses such disciplines as clinical chemistry, hematology, immunology, immunohematology, microbiology, urinalysis, molecular methods, laboratory management, clinical research design and laboratory education methodology.
- Pre-Health Advising Center
 - The pre-health advisors are available for prospective UW students, for current UW students in all majors on campus, for UW alumni, and for any Wyoming residents who are exploring a career in health or allied health. They serve as career advisors for current students as they navigate their journey to and through application to professional school for [a number of professions in healthcare and allied health](#). The office provides workshops on various topics and facilitates visiting speakers from various healthcare professions and professional schools.
- Minor in Disability Studies
 - The undergraduate minor in Disability Studies examines disability issues from multiple lenses such as the nature, meanings, and consequences of disability from interrelated social, historical, cultural, and political perspectives.
- Research

Centers

- Albany Community Health Clinic (ACHC)
 - ACHC is a Federally Qualified Health Center in Laramie that offers a sliding fee scale as well as discounted pharmaceutical services. They have also added behavioral health to their line of services.
- Educational Health Center of Wyoming (EHCW)
 - The EHCW educates health professionals and provides quality healthcare services that promote health and healing. University of Wyoming Family Medicine Residency program has partnered with the EHCW from its inception. This collaborative relationship allows the residents in the program to interact with the patients in the EHCW clinics, providing healthcare services while in a learning environment. The organization is proud

to offer quality healthcare services to individuals regardless of their ability to pay. EHCW has locations in Cheyenne and Casper.

- Family Medicine Program – Casper
 - The residency program began in the 1970s and the Casper clinic has evolved into Casper's largest staff of providers with the commitment to serve every resident of the community. The mission is to increase Wyoming's access to care through their use of compassionate professionals.
- Family Medicine Program – Cheyenne
 - The residency program began in the early 1980s and has evolved into Cheyenne's premiere staff of providers.
- Speech, Hearing and Telepractice Clinic
 - The Clinic serves people of all ages and with a variety of communication, cognitive, hearing, and swallowing disorders. These include difficulties due to developmental disabilities, learning disability, stroke, traumatic brain injury, or other injuries and conditions, such as Parkinson's and Alzheimer's. Audiology services include hearing screenings, diagnostic evaluations, hearing aid evaluations and dispensing, hearing aid repairs, counseling concerning assistive listening devices, fitting custom earplugs, and auditory brainstem response testing.
- Student Pharmacy
 - The School of Pharmacy operates the on-campus Student Pharmacy, co-located within Student Health Services but operated as an independent unit. The Student Pharmacy dispenses prescriptions to students and to others who make use of their services.

Audit Scope, Procedures, and Outcomes

The following steps represent the extent of work needed to achieve the audit objectives and are summarized below. The scope of this audit focused on FY2022 through current. The status includes an evaluation of risks to the achievement of objectives.

- **Commendation** – The department is operating in an exemplary manner toward satisfying a criterion, policy, or procedure.
- **Satisfactory** – The department currently satisfies a criterion, policy, or procedure.
- **Improvements Recommended** – The department should strengthen areas of compliance with criterion, policy, or procedure to ensure that the quality of the program will not be compromised. These areas are discussed formally with management and may not be subject to formal observation and recommendation.
- **Action Required** – The department is not in compliance with the criterion, policy, or procedures. A formal observation is made, and recommendation is issued that will require the department to develop an action plan to mitigate the risks.

Function	Status	Summary of Findings/Recommendations
Foundation Accounts	Satisfactory	<p>The objective was to review foundation accounts, determine that management is reviewing reports, verify a sample of restricted accounts to ensure they are being spent in compliance with the agreements, and verify UW fund balance.</p> <p>Some accounts were noted with cross utilization of orgs. Monitoring needs to continue to include reviewing of activity by fund source. Spending appears to be compliant with criteria. No issues were noted.</p>
Financial Management and Reporting	Action Required	<p>The objective was to ensure that management is using accurate, timely, and reliable financial information that meets the needs of the College. Controls over financial processes were also assessed. The College utilizes system information in the creation of regular reports for unrestricted accounts that are presented to management for review. However, neither designated account activity nor financials related to the EHCW are a component of this current reporting process.</p> <p>The College is encouraged to define expectations for a regular presentation of financials to management including balances in designated accounts (including Foundation CDO report) and financials related to the EHCW. (See Observation #2)</p>
Budgeting	Action Required	<p>The objective was to ensure that the budget is accurate and representative of operations. Accounts were reviewed to ensure variances are managed and reported as per policy. Budgets appear to be appropriate for operation.</p> <p>The College should provide input regarding the EHCW overall annual operating and capital budget as well as assist in long-range financial planning. Unrestricted accounts and appropriated spending should be further clarified by UWYO to avoid confusing financial presentation. (See Observation #2)</p>

Payroll	Action Required	<p>The objective was to ensure that payroll records are complete and properly approved, to assess compliance with UW payroll policies and procedures, and to evaluate internal controls for payroll transactions. A sample of 10 supplemental/temporary payroll expenditures related to additional pay types were tested to evaluate compliance. In most instances, pay was appropriate and compliant with university guidance.</p> <p>The EHCW was found to have provided additional pay, awards, temporary increases, and/or retention awards to clinic employees and administration. In testing, some payments were found inconsistent with university personnel policies, procedures, and guidance. The unique operating environment of EHCW will need to be considered in the formalization of procedural guidelines for this unit. (See Observation #2)</p>
Cash Handling	Action Required	<p>The objective was to ensure that cash handling expectations are established and enforced. Three areas were reviewed for the presence of adequate cash handling policies and procedures. No issues were noted with The Speech and Hearing Clinic.</p> <p>The Student Pharmacy was unable to provide evidence of documented financial protocols nor was there a process of reconciliation between the point-of-sale system and inventory. The operation also lacks segregation of duties due to staffing fluctuations. (See Observation #1)</p> <p>The EHCW provided detailed procedural documentation; however, many documents were found to have been last updated prior to the 2021 amendment and prior to the implementation of WyoCloud. UWYO should engage in reviewing the financial management and control systems of the EHCW on a regular basis. (See Observation #2)</p>
Expenditures	Improvements Recommended	<p>The objective was to determine the presence of adequate controls over purchasing activities, and if the unit demonstrates compliance with policies and procedures. Testing of 35 expenditures (.5%) showed alignment with policies and procedures. It was reported that standardized expectations have not been established to provide guidance and increase efficiency in the processing of transactions.</p> <p>The college is encouraged to develop submission standards for transactions and provide regular training to units in the college regarding expectations.</p>
Access and Assets	Action Required	<p>The objective was to determine adequate accountability and controls for building access and assets under the department's jurisdiction. The most recent property listing of capitalized assets was obtained and the department demonstrated completion of a recent inventory.</p> <p>The college did not have a process to track or inventory sensitive assets. A listing of individuals with electronic access to the building was compared against those that should have access due to association with the college. The test demonstrated that individuals retained access after need had terminated. The department is encouraged to further develop internal controls in the review of access permissions. (See Observation #3)</p>

<p>Payment Card Industry Compliance</p>	<p>Improvements Recommended</p>	<p>The objective was to ensure that the college is compliant with PCI regulations. PCI compliance serves an important institutional control as there are significant risks to the University in the event of a breach. Training is a preventative measure installed to mitigate these risks.</p> <p>It was identified that individuals responsible for handling CC payments have not completed training on an annual basis nor have they completed the attestation certifying that they will follow UW expectations. 11 employees were tested. Of the 11, 4 were assigned training and of those 4, only one was found to have completed training. For 2023, all individuals have been assigned to the training.</p>
<p>Grants</p>	<p>Improvements Recommended</p>	<p>The objective was to determine if grant management processes are adequate to ensure compliance with agreements. A designated employee is responsible for grant proposal tracking and ensures consistent expectations are applied college wide. The implementation of ROAMWyo will require the redesign of processes and internal controls intended to mitigate errors and inconsistencies. The functionality of this system should be considered in the development of management's expectations for review and approval of grant submissions. A concern was noted regarding the process of monitoring grants post-award. Of the 158 active projects, 70 have passed their end date and should be investigated for proper closeout.</p> <p>Utilizing understanding of the new institutional grant management protocols, the college is encouraged to develop expectations for pre- and post-award submission, approval, and monitoring processes to mitigate errors and ensure consistency.</p>
<p>Strategic Objectives</p>	<p>Improvements Recommended</p>	<p>The college is in the process of developing goals that are in alignment with the University's strategic plan.</p> <p>As plans continue with the development of the Graduate Medical Education Consortium model, the college is encouraged to work with the EHCW board to develop and/or modify current strategic plan to incorporate collaborative implementation plans.</p>
<p>Fees – Program, Course, Miscellaneous</p>	<p>Improvements Recommended</p>	<p>The objective was to ensure that program/course fees are being utilized for their intended purpose and according to university policies; the information in the fee book is representative of actual activity; and fees are appropriately accounted for. The amount collected appears to be adequate but not in excess to meet the needs.</p> <p>Fees charged by various other units were also assessed. The Speech and Hearing Clinic represents its services and sliding fee rates in detail. The EHCW/ACHC fees are in the fee book but have not been reviewed for accuracy and omit information regarding the Albany clinic. The Student Pharmacy is not represented in the fee book.</p> <p>The college is encouraged to review fees charged to the public and ensure proper representation by the EHCW and the Student Pharmacy.</p>
<p>Culture and Governance</p>	<p>Improvements Recommended</p>	<p>The objective was to ensure adequate dissemination of information and representation for the development of consistent processes throughout the College. The degree to which culture impacts the strength of internal controls was also assessed. A culture and governance survey was completed and the results were provided to management. The college has bylaws, updated in November of 2021, that provide for the establishment of committees. The activity of the Administrative Council was validated to ensure compliance with the bylaws.</p> <p>Consistent with UW Regulation 2-411, the college is encouraged to review the bylaws and ensure that goals are in alignment with the strategic direction of new management. The Dean is encouraged to expand the Administrative Council to be inclusive of all</p>

		College-level units (WWAMI, WIND, Wyoming Center for Telehealth, Residencies, EHCW, and others as established).
Special Operational Controls	Action Required	<p>Every unit has unique operations that need to be compliant with stakeholder expectations. The objective was to assess the presence of these components and ensure that expectations will be met because of adequate controls. Operational controls were reviewed for the Speech and Hearing Clinic, the EHCW, and the Student Pharmacy.</p> <p>The Speech and Hearing Clinic demonstrated well-developed procedures to ensure function and accountability.</p> <p>The Student Pharmacy was unable to provide evidence of documented protocols. The function also lacks segregation of duties due to staffing fluctuations. (See Recommendation #1)</p> <p>The EHCW operates under the direction of an independent board of directors and functions are regulated by requirements associated with being a FQHC. A Co-Applicant agreement and amendment define the relationship and expectations between the EHCW and the University. As management proceeds in the development of the consortium model, further guidelines need to be developed to ensure that operational, financial, and personnel activities are outlined in consideration of UW policies and procedures and to ensure that strategic objectives of the University and the EHCW are achievable in parallel. (See Observation #2)</p>

Observations, Recommendations, and Responses

Observation #1

The Student Pharmacy does not have documented fund handling procedures and staffing fluctuations compromise internal controls

Criteria (control framework or policy that establishes the standard)

As per the Standard Administrative Policy and Procedure for the Receipt and Handling of University Funds¹:

- All departments that handle funds must develop departmental funds handling procedures that comply with the campus policy.
- It is the responsibility of all employees to safeguard University assets.
- It is the responsibility of all officers, deans and department heads to ensure that adequate internal controls within their units exist and are observed.

Condition (the current state based on testing)

The Student Pharmacy provides over the counter and prescription medications to students and is operated by a full-time board-certified pharmacist with sporadic assistance from a Pharmacy intern. Fluctuations in staffing have contributed to the lack of segregation of duties necessary for financial and inventory accountability.

The Student Pharmacy was unable to provide evidence of documented financial protocols, nor was there a process of reconciliation between the point-of-sale system and inventory.

Consequence (the impact to the unit or the University)

Internal controls are a set of policies, procedures, and practices designed to safeguard assets, ensure accuracy and reliability of financial information, promote efficiency, and mitigate risks within an organization. While internal controls primarily aim to protect the organization, they indirectly provide several benefits and protections to staff members.

To reduce risk of fraudulent activities, pharmacy internal controls must include the following: financial management controls, and physical inventory controls.

Financial management controls and physical controls work to ensure university assets are protected. Physical controls of incoming and outgoing inventory are also a legal requirement. Substances designated as Control Level II (CII) (controlled medications), are subjected to further physical controls, and must be always kept in a safe.

Corrective Action (action plans that address the condition, recommendations)

A student pharmacy is present on campus to enhance the health and wellbeing of university students. With this benefit comes a responsibility to ensure management in such a way that all are protected, and risks are mitigated through the establishment of adequate protocols.

It is recommended that the College of Health Sciences Dean's Office collaborate with the Student Pharmacy to develop financial and physical controls such as management of inventory, receipts

¹ https://www.uwyo.edu/regs-policies/_files/docs/policies/receipt_handling_univ_funds_8-2-22.pdf

and deposits of funds, as well as reconciliations. Limitations and risks associated with limited staff need to be addressed.

Response:

We agree. Our action plan to implement the audit recommendations is to:

- A: Convene a meeting between CHS Dean, Dean of Pharmacy, Director of Student Pharmacy, and CHS Assistant Director to conduct an internal assessment of current procedures in light of the audit findings.
- B: Following the meeting, charge a committee with developing recommendations for financial and physical controls including management of inventory, receipts and deposits of funds, and reconciliations, as well as recommendations for ways to more durably address the staffing needs of the Student Pharmacy.
- C: CHS Dean will review the recommendations and consult with Internal Audit to determine if the recommended changes will address the identified concerns and make modifications as needed.
- D: CHS Dean will identify resource availability within the College and work with central Administration to secure any resources necessary beyond the College's capacity to implement the recommended changes; changes not requiring additional resources will be implemented immediately by Student Pharmacy.
- E: Following finalization of resource availability, Student Pharmacy will implement any resource-dependent recommended changes.

The anticipated completion date for these tasks is December 31, 2023.

Observation #2

Documented operational, financial, and personnel guidelines have not been fully developed to ensure effective and efficient progress toward shared strategic objectives between the college and EHCW

Criteria (control framework or policy that establishes the standard)

As per the Co-Applicant agreement of 2013 as amended in 2021,

UWYO shall fulfill the following obligations with respect to the Educational Health Center:

2.2.4 Developing management and control systems for the Educational Health Center that are in accordance with sound financial management procedures, including:

2.2.4.1 the provision for an audit of the Educational Health Center on an annual basis to determine, at a minimum, the fiscal integrity of financial transactions and

report and compliance with the terms and conditions of Section 330 as applicable...

2.2.4.2 (as amended) provide input regarding the budget

2.2.4.3 establishment and, through the CEO, management of billing and collection systems...

2.2.4.4 through the CEO, assuring that the operation of the Educational Health Center will at all times be in compliance with (1) Section 330 of the Public Health Service Act... and all other applicable Federal, State, and local statutes, ordinances, rules, regulations, and guidelines

According to the By-Laws of the Educational Health Center of Wyoming (EHCW), Article II, Section 2, D:

- The Board may, through a Co-Applicant Agreement, delegate to a Public Agency authority to establish internal control procedures to ensure sound financial management procedures, and employee compensation, including wage and salary scales and benefit packages.
- The Board may, through a Co-Applicant Agreement, identify responsibilities given to a Public Agency to establish sound financial procedures, establish and enforce personnel policies and procedures applicable to all employees of a Public Agency who are assigned to the EHCW, provide all necessary clinical, professional, administrative and other staff necessary for the EHCW to perform its functions, provide accounting and bookkeeping services, financial reporting and assist with the development of the annual budget for the EHCW.

Condition (the current state based on testing)

The Educational Health Centers of Wyoming (EHCW) educates health professionals and provides quality healthcare services. University of Wyoming Family Medicine Residency program (UW FMRP) has partnered with the EHCW from its inception. This collaborative relationship allows the residents in the program to interact with the patients in the EHCW clinics, providing healthcare services while in a learning environment. The clinics are located in Laramie, Casper and Cheyenne.

In 2013 a Co-Applicant Agreement between the EHCW and the University of Wyoming was executed. This document defines the roles and responsibilities of each entity as they work to fulfil the requirement of a Federally Qualified Healthcare Facility (FQHC). According to the Health Resources and Services Administration (HRSA), FQHCs:

- Qualify for funding under Section 330 of the Public Health Service Act (PHS).
- Qualify for enhanced reimbursement from Medicare and Medicaid*, as well as other benefits.
- Serve an underserved area or population.
- Offer a sliding fee scale.
- Provide comprehensive services (either on-site or by arrangement with another provider), including:
 - Preventive health services;
 - Mental health and substance abuse services;
 - Transportation services necessary for adequate patient care; and
 - Hospital and specialty care
- Have an ongoing quality assurance program.
- Have a governing board of directors.

In May of 2021, the Co-Applicant agreement was amended after a review by HRSA to bring the language into better compliance with the requirements of the FQHC.

The Co-Applicant agreement of 2013, and amendment of 2021 remains as the guiding document that establishes the relationship between the EHCW and the University.

The Co-Applicant Agreement and the EHCW Bylaws place responsibility on the University/College of Health Sciences to ensure compliance through the development of management and control systems. During testing, and through interviews with involved parties, the following observations were made:

- Some expectations related to financial management procedures for accountability purposes have not been established by UWYO as required by the Co-Applicant agreement.
 - As a member of the EHCW board, the Dean may access information regarding financials at board meetings. Expectations have not been defined for a regular presentation of financials to the Dean.
 - UWYO is to “provision for an audit on an annual basis” to provide assurance that the operation of the EHCW is compliant with Section 330.
- Operational use of University-managed buildings and services requires standardization and consistency in the application of facility use agreements to formalize nuances of each individual clinic and expectations of each party.
- EHCW provided additional pay, awards, temporary increases, and/or retention awards to clinic employees and administration that were found compliant with grant intent. As UW employees, there is no provision in the UW Employee Handbook or other institutional guidance allowing for “bonus” or “incentive” pay. EHCW pay practices are reported to be for recruitment and retention purposes in remaining competitive as a medical clinic. Relevant nuances of the operation of a medical facility will need to be considered in the formalization of procedural guidelines for this unit.

Consequence (the impact to the unit or the University)

The EHCW is a unique operational component of the University of Wyoming. The entity operates to be compliant with federal, state, local, laws, and University Regulations. While a Co-Applicant agreement and bylaws serve as guiding documents, they do not address some components related to governance, operational, financial and personnel activities that are unique to the EHCW. If left undefined compliance, operational, reputational, and financial risks are increased, which could inhibit achievement of the strategic objectives of both entities.

Corrective Action (action plans that address the condition, recommendations)

As the EHCW remains partnered with the University of Wyoming and is considering the establishment of a Graduate Medical Education (GME) Consortium model, critical governance, operational, financial, and personnel operational components need to be identified, and controls established so that risks to the achievement of objectives of all partnering entities are mitigated. Therefore, to strengthen the current agreement as amended and bylaws, it is recommended that:

- The Co-Applicant agreement be evaluated and compared to current operational practices to ensure that UW is compliant and enforces all expectations.
- Operational guidelines be established that are in alignment with the agreement and are in consideration of current strategic direction.

Response:

We agree. Our action plan to implement the audit recommendations is to:

- A: Convene a meeting between CHS Dean, EHCW CEO, HR, Academic Affairs, General Counsel, and other parties as needed to evaluate current operational practices and compare against the current co-applicant agreement.
- B: Following the meeting, charge a committee with developing recommendations in two domains: a) changes that should be made to align current operations with the agreement; and b) changes that should be made to the agreement to better align with operational realities that have emerged subsequent to implementation of the original agreement.
- C: CHS Dean will review the recommendations and consult with HR, Academic Affairs, General Counsel, and Internal Audit to determine the feasibility of the recommended changes and if they will address the identified concerns. Modifications will be made as needed.
- D: CHS Dean will work within the University to gain approvals necessary for the recommended changes (e.g., Board of Trustees).
- E: Following approval by HR, Academic Affairs, General Counsel, and other entities as needed (e.g., Board of Trustees), CHS Dean and EHCW CEO will collaboratively develop operational guidelines codifying the approved changes.

The anticipated completion date for these tasks is July 1, 2024.

Observation #3

Procedures for independent verification of access have not been established

Criteria (control framework or policy that establishes the standard)

A key component of safeguarding University assets is an established procedure of independent review and verification of assets and access at unit levels.

Condition (the current state based on testing)

The College of Health Sciences utilizes electronic keycard access for exterior and interior doors. Access controls were tested by identifying 86 employees that should no longer have access to the building.

Consequence (the impact to the unit or the University)

In fulfillment of its mission and compliance responsibilities, the University must maintain procedures that safeguard University assets. The absence of strong processes will increase the risk of waste, loss, and abuse.

Conclusion (action plans that address the condition, recommendations)

Recommendation:

Because access is a shared responsibility with UW IT Application Security, the College should develop a process of regularly reviewing and verifying access levels against internal records of individuals who have need to access buildings. Those no longer needing access should be immediately removed.

Response:

We agree. Our action plan to implement the audit recommendations is to:

- A: Examine current procedures within the College to identify how building access is controlled.
- B: Within the CHS Dean's Office, develop and implement operational standards that will regularly review and update building access.

These tasks have already been completed.

Distribution List

Edward Seidel, President of the University of Wyoming

Alex Kean, Vice President for Budget and Finance

Kevin Carman, Provost and Executive Vice President

Jacob Warren, Dean of the College of Health Sciences



UNIVERSITY OF WYOMING

Internal Audit

Capital Construction

July 17, 2023

Auditors:

Danika Salmans MBA, CIA, CRMA

Rebecca Garcia, MBA, CIA

July 17, 2023

University of Wyoming Board of Trustees:

Internal Audit has completed a review of Capital Construction. This area was chosen for review during the annual risk assessment. The objectives of this audit were to assess activity during FY2021 through current to acquire an understanding of operational components and complete an assessment of internal controls to mitigate operational, financial, compliance, reputational, and strategic risks.

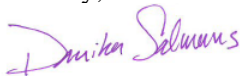
Any concerns or areas for improvement identified have been discussed with management and may be subject to follow-up. If the department is not in compliance with criteria, policies, procedures, or best-practice, this situation is described in a formal observation so that the department can develop an action plan to mitigate the risks. The following observations have been made:

- **Observation #1:** Institutional guidance documentation is either not present or not representative of current practices.
- **Observation #2:** Current mechanisms of financial tracking of expenditures and revenue complicate presentation of net results.

A follow-up will be performed in nine (9) months to assess progress related to the audit recommendations. The audit will remain open until the completion of the follow-up review, at which time a closing report will be provided.

We would like to thank Bill Mai – Vice President for Campus Operations, Jennifer Coast – Deputy Director of Capital Construction and Safety for Facilities Construction Management of Campus Operations, Darcy Bryant – Deputy Director of Business Services for Campus Operations, and the many other staff for the assistance we received on this audit.

Sincerely,



Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,



Becky Garcia MBA, CIA
Senior Internal Auditor

Background

Specific proposals for building renovations, improvements, or new construction must be evaluated through the university's formal capital planning process, taking into consideration the university's strategic priorities, competing demands for space, and budget constraints.

Staff in Facilities Construction serve as the University's Owner's representative and are responsible for coordinating the work of general contractors and construction managers with other University organizations (Facilities Architecture/Facilities Engineering/Utilities Management) and design consultants. The office is also responsible for seeing that buildings are constructed in accordance with the contract documents and schedules and budgets are maintained.

As per University Regulation Organization of the University 1-1¹:

Finance and Administration is responsible for the administration of all the business and financial affairs of the University and UW Operations, including business and capital planning, preparation and administration of the University budget and development of long-term financing strategies to support implementation of the Capital Facilities Plan. Finance and Administration advises the President on the status of the University budget and oversees such duties as are required by statute or by UW Regulations.

As per University Regulation Design, Construction, and Naming of Buildings 6-1²:

The selection and employment of architects for the design of all buildings of the University, the adoption of plans, specifications, and details for the construction of such buildings, and the receiving of bids and awarding of contracts for design and construction of buildings shall be a function of the Board of Trustees upon recommendation of the Vice President for Finance and Administration or designee consistent with all applicable statutory requirements. Through the Vice President for Finance and Administration or designee, the Trustees shall maintain general supervision over the construction and equipping of all University buildings.

As per University Regulation Project Development Policy and Procedure for UW Capital Construction Projects 6-9³:

Capital Construction Project: Projects that consist of new construction, demolition, renovation and capital renewal of or to any University building or facility and any other improvement necessary for the University building or facility, major maintenance as defined in W.S. § 16-6-101(a)(v) and major building and facility repair and replacement as defined in W.S. § 21-15-109(a)(iii).

Renovations: Projects that include the process of improving a broken, damaged or outdated structure, which includes but is not limited to restoration, refurbishment, reconstruction, remodeling, updating, modernization, and refitting.

¹ https://www.uwyo.edu/regs-policies/files/docs/regulations-2022/uw_reg_1-1_approved_5-12-22.pdf

² <https://www.uwyo.edu/regs-policies/files/docs/regulations-2020/uw-reg-6-1-approved-10-14-20.pdf>

³ https://www.uwyo.edu/regs-policies/files/docs/regulations-2018/uw_reg_6-9_approved_9-14-18.pdf

University Capital Construction Project: Those projects that require planning levels I, II, and III under Wyoming law (W.S. § 9-5-108). These projects are funded in whole or in part by state funds or University Pledged Revenues and are generally provided as a result of a budget request approved for submission by/to the Board of Trustees. For purposes of this Regulation, Capital Construction Projects include new construction in any amount and renovations, major maintenance or other capital construction projects for more than \$500,000.

The solicitation and performance of Capital Construction Projects for the University that do not meet the definition of University Capital Construction Project shall be done in compliance with all applicable laws, University Regulations, and University processes and procedures which shall be administered by the Senior Vice President for Finance and Administration or a designee. The procurement of Capital Construction Projects at the University shall be in compliance with W.S. § 9-2-3006.

As per W.S. § 16-6-101(a)(v)⁴:

“Major maintenance” means the repair or replacement of complete or major portions of building and facility systems at irregular intervals which is required to continue the use of the building or facility at its original capacity for its original intended use and is typically accomplished by contractors due to the personnel demand to accomplish the work in a timely manner, the level of sophistication of the work or the need for warranted work.

W.S. § 21-15-109(a)(iii)⁵:

“Major building and facility repair and replacement” means the repair or replacement of complete or major portions of school building and facility systems at irregular intervals which is required to continue the use of the building or facility at its original capacity for its original intended use and is typically accomplished by contractors due to the personnel demand to accomplish the work in a timely manner, the level of sophistication of the work or the need for warranted work. The term includes the following categories as hereafter defined:

- (A) “Code compliance” means system improvements or site improvements that are mandated in writing by an authority having jurisdiction for the continued use of a school building or facility;
- (B) “Site improvements” means the repair, replacement or upgrade of those components or equipment of school district buildings and facilities that are not system improvements, including the repair, replacement, or upgrade of:
 - (I) Sidewalks;
 - (II) Parking lots;
 - (III) Athletic tracks;
 - (IV) Playground features;
 - (V) Outdoor security features;
 - (VI) Landscaping;
 - (VII) Drainage systems; or
 - (VIII) Similar components or equipment.
- (C) “System improvements” means the repair, replacement or upgrade of components or equipment of school district buildings, including:
 - (I) Structural systems;
 - (II) Fire protection systems;

⁴ <https://wyoleg.gov/statutes/compress/title16.pdf>

⁵ <https://wyoleg.gov/statutes/compress/title21.pdf>

- (III) Indoor security features;
- (IV) Electrical, plumbing, heating, ventilation or air conditioning systems;
- (V) Roofs;
- (VI) Windows;
- (VII) Information technology systems; or
- (VIII) Similar components or equipment.

Audit Scope, Procedures, and Outcomes

The following steps represent the extent of work needed to achieve the audit objectives and are summarized below. The scope of this audit focused on FY2021 through current. The status includes an evaluation of risks to the achievement of objectives.

- **Commendation** – The department is operating in an exemplary manner toward satisfying a criterion, policy, or procedure.
- **Satisfactory** – The department currently satisfies a criterion, policy, or procedure.
- **Improvements Recommended** – The department should strengthen areas of compliance with criterion, policy, or procedure to ensure that the quality of the program will not be compromised. These areas are discussed formally with management and may not be subject to formal observation and recommendation.
- **Action Required** – The department is not in compliance with the criterion, policy, or procedures. A formal observation is made, and recommendation is issued that will require the department to develop an action plan to mitigate the risks.

Function	Status	Summary of Findings/Recommendations
Procedures and Processes	Action Required	<p>Operations maintains detailed documentation for many Capital Construction processes and procedures. Further development of guidance documentation that describes roles and responsibilities, segregation of duties, and installed checks and balances for the life cycle of capital construction projects is encouraged and should include expectations in conducting phase inspections. As practices of incumbents develop and evolve, guidance will need continuous and proactive updating to facilitate succession planning of substantive institutional knowledge in mission critical functions.</p> <p>Institutional Regulations indicate that the management of Capital Construction projects is housed in “Finance and Administration.” This division is not present in the current organizational structure. The University Facilities Council, as per the Standard Administrative Policy and Procedures is not reported as being currently active. (See Observation #1)</p>
Strategic Objectives	Improvements Recommended	<p>Key performance metrics should continue to be developed and monitored in a transparent manner as WyoCloud accounting and reporting functionality expands. For example, the division is encouraged to consider stakeholder reporting of KPI’s that assess outcomes against best practice indicators for change order statistics that includes scope/schedule/monetary level of detail.</p>
Financial Reporting, Monitoring, and Controls	Action Required	<p>Accounts were reviewed for solvency, budget authority, and expenditures within limits and criteria. Financial reports were also reviewed to assess the ongoing management of finances.</p> <p>Expenditures at the project level are currently effectively tracked utilizing WyoCloud PFM accounting tools. Revenues are not tracked in PFM due to</p>

		<p>system limitations. To understand project expenditures versus revenue, reports to stakeholders are prepared using shadow records.</p> <p>A campus-wide deficit balance in the capital construction fund source of \$1.6M was noted; these balances are not traceable to PPM accounting and may be legacy issues sourcing from Peoplesoft.</p> <p>Multiple versions of financial reports were observed. (See Observation #2).</p>
Expenditures	Satisfactory	<p>Operations effectively utilizes the services of construction auditors on a regular basis to control construction costs. This exercise also identifies areas of risk to enable Operations to proactively address process improvements.</p> <p>As noted in a previous Internal Audit observation, “Authority and accountability in managing obligations of funds in facility projects lacks clarity.” It has been reported that work in process to resolve official delegation is planned for implementation by September 2023.</p>

Observations, Recommendations, and Responses

Observation #1

Institutional guidance documentation is either not present or not representative of current practices.

Criteria (control framework or policy that establishes the standard)

As per University Regulation Organization of the University 1-1⁶:

Finance and Administration is responsible for the administration of all the business and financial affairs of the University and UW Operations, including business and capital planning, preparation and administration of the University budget and development of long-term financing strategies to support implementation of the Capital Facilities Plan. Finance and Administration advises the President on the status of the University budget and oversees such duties as are required by statute or by UW Regulations.

As per University Regulation Project Development Policy and Procedure for UW Capital Construction Projects 6-9⁷:

The procurement of Capital Construction Projects at the University shall be in compliance with W.S. § 9-2-3006.

As per Trustee Bylaws⁸:

Section 7-3. BIENNIUM BUDGET COMMITTEE

The Biennium Budget Committee is responsible for working with university administration as it develops and submits the University's budget requests to the Governor as a state agency, including the 067 University of Wyoming operating budget, the 069 WICHE budget, the 167 Medical Education budget, and the Enhanced Oil Recovery Commission's 070 operating budget. It also includes funding requests related to capital facilities, as well as any other recommendations in the University's budget request that would be included in the state's appropriations bill for the biennium or in a supplemental budget request.

In discharging their duties hereunder, the members of the Committee shall work with the Vice President for Administration and the Vice President for Governmental and Community Affairs.

Section 7-4. FACILITIES CONTRACTING COMMITTEE

The Facilities Contracting Committee is responsible for working with university administration to develop and recommend modifications to the University's facilities planning, contracting and

⁶ https://www.uwyo.edu/regs-policies/files/docs/regulations-2022/uw_reg_1-1_approved_5-12-22.pdf

⁷ https://www.uwyo.edu/regs-policies/files/docs/regulations-2018/uw_reg_6-9_approved_9-14-18.pdf

⁸ <https://www.uwyo.edu/generalcounsel/files/docs/university-governance/bylaws-of-the-trustees-of-the-university-of-wyoming-effective-5-12-22-schedule-6-14-23.pdf>

construction policies and procedures. These recommendations will be presented to the full Board of Trustees for review and approval.

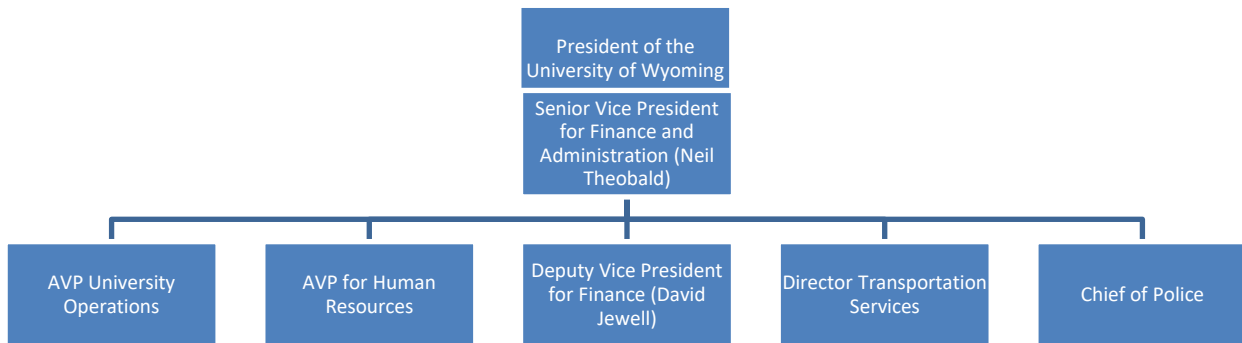
In discharging their duties hereunder, the members of the Committee shall work with the Vice President for Administration and the General Counsel.

In October of 2018, the Facilities Council Standard Administrative Policy and Procedure was enacted to formalize a structure for campus stakeholder groups to provide recommendations to the President regarding all aspects of physical facilities as per the spirit of transparency referenced throughout UniReg 6-9.

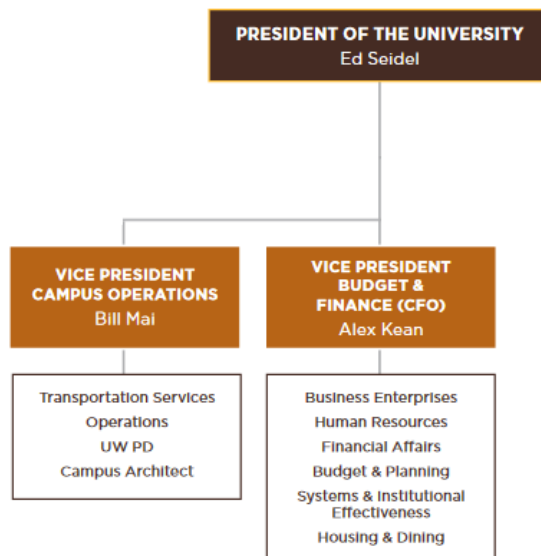
- Core membership includes 20 members
- Includes establishment of five sub-councils
- Procedures outline expectations for monthly, year-round, meeting

Condition (the current state based on testing)

In March 2021, the following organizational chart represented the internal reporting structure under the purview of the Senior Vice President for Finance and Administration.



As of April 2023, the position of Senior Vice President for Finance and Administration is no longer a component of the institutional chain of command and the functions have transitioned to administration by two Vice President’s – Campus Operations and Budget & Finance (CFO).



A change of management audit was conducted for the “Office of Finance and Administration” during the 22-23 audit year. In this audit report, a recommendation was made to address this reorganization.

It is recommended that a detailed job description for the position of “Vice President, Budget & Finance,” be formalized in tandem with an update of the “Associate Vice President, Finance,” and the “Assoc VP, Budget and Institutional Planning,” as well as other key positions in the division that represent the current roles, responsibility, and extent of authority as related to the reorganization of this division. Job descriptions should establish clear segregation of duties as well as the ownership of maintaining, monitoring, and enforcing internal controls.

As of 6/26/23, the University of Wyoming Human Resources Department has no record of position description documentation for the “Vice President, Budget and Finance” or “Vice President, Campus Operations.

With changes in leadership, institutional administration reorganizations, and updated strategic planning, the Facilities Council as originally outlined is not currently active.

University Regulation 6-9⁹ (Project Development Policy and Procedure for UW Capital Construction) Projects requires that the procurement of Capital Construction Projects at the University shall be in compliance with W.S. § 9-2-3006. However, no reciprocal institutional guidance was observed documenting internal control mechanisms in place to ensure procurement compliance with this statute. In addition, an outdated reference to a sunset UW Regulation 3-105 (Purchases) was noted in the Request for Proposal template.

Consequence (the impact to the unit or the University)

The lack of official delegation in functional versus fiscal capital facilities matters that formerly resided under a sole Senior, Vice President may result in confusion, ineffectiveness, inefficiencies, inconsistencies, gaps in internal controls, failure of internal controls, and waste.

Corrective Action (action plans that address the condition, recommendations)

- It is recommended that the Vice President of Campus Operations work with Human Resources to create detailed job descriptions for the “Vice President, Campus Operations.” Job descriptions should establish clear roles and responsibilities, address segregation of duties, and assign the ownership of maintaining, monitoring, and enforcing internal controls. To be considered should include all components of functional and fiscal management of Capital Facilities.

To ensure a proper understanding of authority and expectations, it is further recommended that the Vice President of Campus Operations work with the Vice President of Budget and Finance, and General Counsel to assess the need to update UniReg 1-1, 6-1, 6-4, 6-9, Trustee Bylaws, and other directive documentation to ensure congruency with state statute, nomenclature, and expectations.

- As directive documentation is evaluated and considered for revision, the costs, and benefits of institutional controls to meet institutional regulation requirements (i.e., Facilities Council) should be assessed. Controls should not exceed capacity and mechanisms deemed rigid, cumbersome, or overly bureaucratic should be revisited and refined to meet objectives efficiently and effectively.

⁹ https://www.uwyo.edu/regs-policies/files/docs/regulations-2018/uw_reg_6-9_approved_9-14-18.pdf

- It is recommended that the Vice President of Campus Operations work with the Vice President of Budget and Finance and Procurement Services to ensure that compliance elements of W.S. § 9-2-3006 are delineated in procurement procedures for Capital Construction Projects.

Response:

We agree. Our action plan to implement the audit recommendations is to:

A: UW Operations has begun reviewing the referenced University Regulations. The review will include consideration of items stated in this observation regarding clarity of authority. Revisions to the UniRegs will be brought to the Board of Trustees for final review and approval.

B: UW Operations has begun work to create detailed job descriptions

The anticipated implementation date for these objectives is July 01, 2024.

Observation #2

Current mechanisms of financial tracking of expenditures and revenue complicate presentation of net results.

Criteria (control framework or policy that establishes the standard)

The Matching Principle in accounting indicates tracking of revenues and expenditures in a standardized manner leads to ultimate common understanding of a net result.

Reconciliation processes are a critical component of maintaining an accurate picture of supplementary accounting records for the purposes of compliance, controlling risk, transparency, and lending to the goal of supporting decision making.

Condition (the current state based on testing)

Operations maintains facility management software, AiM, which is utilized to manage project and fiscal components related to capital projects. AiM expenditures data reconciled to WyoCloud project expenditures was found to be the primary source of reporting financial project activity to stakeholders. As an external system, reconciliation to WyoCloud is required for full accuracy and transparency, however, reconciliation of project revenues is not fully possible due to system limitations of the WyoCloud mechanism utilized for Capital Construction projects.

WyoCloud Project Management (PFM) is utilized to track project related expenditures in the system of record. This tool effectively tracks actual expenditures against a budget authority but does not allow for associated revenues to be reconciled against the budget authority nor attributed against the expenditures to produce a net balance. Therefore, tracking net results of Capital Construction projects and reconciling with state records requires cumbersome external tracking.

Multiple reports produced from various external tracking systems and spreadsheets were observed providing different representations of capital project financial activity to external stakeholders.

Consequence (the impact to the unit or the University)

Multiple levels of supplemental records that may not reconcile to the system of record lead to the risks of non-compliance, miscalculation, inconsistencies in reporting, and potentially contribute to confusion in decision making.

Corrective Action (action plans that address the condition, recommendations)

- It is recommended that Operations collaborate with Budget and Finance in transitioning to dedicated WyoCloud fund source accounting for project financial management; all deficits in the Capital Construction fund source 750002 should be resolved during this process. This chart of accounts mechanism should eliminate a layer of external tracking and lead to a less cumbersome process for transparent representation of net results. It is also anticipated that this mechanism will lead to administration's ability to reconcile appropriated capital construction funds with the state financial system.
- It is further recommended that a consolidated and singular methodology of financial reporting to stakeholders utilizing this data should be established.

Response:

We agree. Our action plan to implement the audit recommendations is to:

A: UW Operations will work with Budget and Finance in transitioning to dedicated WyoCloud fund source accounting for project financial management. Steps to implement a dedicated fund source accounting for each capital project in WyoCloud has begun. UW Operations will continue to work with the BAs and the Accounting office to fully transition to this new system of tracking revenue and expenditures by project.

B: UW Operations will collaborate with stakeholders to standardize reporting.

The anticipated implementation date for these objectives is July 01, 2024.

Distribution List

Edward Seidel, President of the University of Wyoming

Alex Kean, Vice President for Budget and Finance

William Mai, Vice President of Campus Operations

Jennifer Coast, Deputy Director for Capital Construction & Safety

Darcy Bryant, Deputy Director of Business Services



UNIVERSITY OF WYOMING

Internal Audit

Summary Follow-up Report

September 1, 2023

Auditor:

Danika Salmans MBA, CIA, CRMA

Rebecca Garcia MBA, CIA



UNIVERSITY OF WYOMING

September 1, 2023

University of Wyoming Board of Trustees:

According to International Internal Audit Standards 2500, Internal Audit must establish a follow-up process to monitor and ensure that management actions have been effectively implemented.

In the assessment of the actions made toward the observations, substantial progress has been made towards the implementation of objectives as indicated in responses to the original report.

As all material concerns have been addressed, these audits are considered closed.

- **Change of Management Audit for Arts and Sciences**
 - Audit Date: April 26, 2022; Follow-Up Due: October 26, 2022
 - Resolved Observation(s):
 - **Observation #1:** Internal controls applied to expenditures were not sufficient to maintain compliance
- **Change of Management Audit for the Office of the President**
 - Audit Date: August 23, 2021; Follow-Up Due: August 23, 2022
 - Resolved Observation(s):
 - **Observation #1:** Deficiencies were noted in the current support structure
 - **Observation #2:** Financial controls do not include a mechanism to assess strategic utilization of Presidential funds by other departments
- **UW Apartments**
 - Audit Date: October 20, 2021; Follow-Up Due: July 20, 2022
 - Resolved Observation(s):
 - **Observation #1:** Standard operating procedures need to be developed and compliance monitored
 - **Observation #2:** Contracts are not standardized and require manual data entry
 - **Observation #3:** Advertised rates and/or leases were not consistent with Fee book rates
 - **Observation #4:** WyoCloud account code functionality is not used consistently and does not fully allow for profit and loss analysis
 - **Observation #5:** Internal controls related to leaseholder account management need to be improve
- **Athletics Travel**
 - Audit Date: December 1, 2022; Follow-Up Due: June 1, 2023
 - Resolved Observation(s):
 - **Observation #1:** Travel procedures were not consistently enforced, and operational documents do not include some elements to reduce compliance risk
- **Change of Management Audit for the College of Engineering and Applied Science**
 - Audit Date: March 21, 2022; Follow-Up Due: September 21, 2022
 - Resolved Observation(s):
 - **Observation #1:** Processes related to account management, cash handling, and receivables are incomplete



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- **Observation #2:** Procedures for tracking and independent verification of assets and access have not been established
- **Observation #3:** An account holding Program Fees has a sustaining rolling balance
- **Cash Advance Process Review**
 - Audit Date: July 15, 2022; Follow-Up Due: February 15, 2023
 - Resolved Observation(s):
 - **Observation #1:** Processes, procedures, and guidance for CAs and CVs are not concentrated in a singular document; various guidance reviewed omits regulating procedures that could serve as important internal controls.
 - **Observation #2:** The current CA/CV approval processes do not include a pre-approval review of compliance with policies, procedures, or budget authority by the cost center approver.
 - **Observation #3:** CAs were used for purposes out of compliance with published guidance. No easily accessible guidance was observed for the acceptable uses of the CV process.
 - **Observation #4:** CA reconciliation timelines are not enforced as per the policy, and no reconciliation process was observed for CVs. Inherent reconciliation risks are not managed with adequate internal controls.

A follow-up has been performed for the following audit, however the units have items that are still in process or incomplete, and thus the follow-up has been extended so that sufficient progress can be made to mitigate the risks associated with the observations:

- **IMPACT 307**
 - Audit Date: March 1, 2022, Follow-Up Due: March 1, 2023
 - Resolved Observation(s):
 - **Observation #1:** The Wyoming Technology Business Center (WTBC) maintains a 501-c-3 nonprofit corporation designation that is separate from the University of Wyoming
 - **Observation #2:** The current process related to the collection and tracking of payments related to services and fee-based space has inconsistencies and increases financial risks
 - **Observation #3:** Current financial management processes does not allow for financial differentiation and tracking of distinct IMPACT locations
 - Unresolved Observation(s) :
 - **Observation #4:** Operational documents are not comprehensive and are not consistently enforced
 - **Observation #5:** Strategic planning needs to include consideration of sustainability to mitigate financial, operational, and reputational risks
- **NCAA Financial Aid Compliance**
 - Audit Date: December 19, 2022; Follow-Up Due: June 19, 2023
 - Unresolved Observation(s):
 - **Observation #1:** Written standardized procedures for financial aid administration still require defined Banner practices, and current processes do not include a complete reconciliation
- **Change of Management Audit for Administration and Finance**
 - Audit Date: December 22, 2022; Follow-Up Due: June 22, 2022



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- Resolved Observation(s):
 - **Observation #1:** Current leadership lacks formally documented job descriptions that detail responsibilities
- Unresolved Observation(s):
 - **Observation #2:** Written standardized procedures defining WyoCloud accounting practices were absent and accounting anomalies were observed
- **Wyoming State Veterinary Laboratory**
 - Audit Date: July 12, 2022; Follow-Up Due: January 12, 2023
 - Resolved Observation(s)
 - **Observation #1:** The Q-Pulse , Vetstar Animal Disease Diagnostic System (VADDS), and S2 system lack proper verification of access
 - **Observation #3:** Elements of lab safety and PCI training have not been completed by staff
 - **Observation #4:** Advisory committee has not been active as per Wyoming Statute 21-17-308
 - Unresolved Observations(s)
 - **Observation #2:** Processes related to account receivables, reconciliations, and cash handling are incomplete
 - **Due to changes in the environment this observation will be updated in a Continuation Report which is currently in development**
- **Student Health Services**
 - Audit Date: September 8, 2022, Follow-Up Due: June 8, 2023
 - Resolved Observation(s):
 - **Observation #1:** Relevant training has not been required or fulfilled
 - Unresolved Observation(s):
 - **Observation #2:** Quality control measures have lapsed
- **Student Course/Program Fees**
 - Audit Date: November 1, 2022; Follow-Up Due: May 1, 2023
 - Resolved Observation(s):
 - **Observation #2:** No procedural guidance has been provided to departments that standardizes practices regarding fee accounting and utilization
 - **Observation #3:** Rolling fund balances were identified that have not been disclosed during the annual assessment process
 - Unresolved Observation(s):
 - **Observation #1:** Banner access control deficiencies were identified
- **Change of Management Audit for the Office of the Provost and Executive Vice President for Academic Affairs**
 - Audit Date: August 22, 2022; Follow-Up Due: February 22, 2023
 - Unresolved Observation(s):
 - **Observation #1:** Some current operating procedures are not formalized, documented, and/or are dated
- **Center of Innovation for Flow Through Porous Media**
 - Audit Date: July 22, 2020; Follow-Up Due: April 22, 2021
 - Resolved Observation(s):
 - **Observation #1:** The management of conflict of interest should be improved through the establishment of a Conflict of Interest Committee



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- **Observation #3:** Expectation of academic, research and financial reports submitted to Petroleum Engineering, SER and the ERC need to be coordinated by leadership
- **Observation #5:** Departmental reports are not providing adequate financial information to the management of COIFPM
- **Observation #6:** Accountants and Cost Center Approvers do not have access to some necessary financial information
- **Observation #7:** Gifted assets were not reported to Asset Management
- **Observation #8:** Distribution of revenue to Equipment Maintenance and Acquisition accounts was not complete
- Unresolved Observation(s):
 - **Observation #2:** Written operating procedures need to be completed that complement the current operating structure and its future development
 - **Observation #4:** Expired grant accounts need to be closed, and overspent accounts need to be corrected

Sincerely,

Danika Salmans MBA, CIA, CRMA
Director of Internal Audit

Sincerely,

Becky Garcia MBA, CIA
Senior Internal Auditor



UNIVERSITY OF WYOMING

Internal Audit Plan Review

According to the International Professional Practices Framework adopted by the Institute of Internal Auditors, Performance Standard 2010 states that the Director of Internal Audit must establish a risk-based plan that is consistent with the University's goals.

Progress against the Audit Plan should be evaluated regularly to ensure that risks are being addressed. In any given year, there will be changes that might impact the audit plan due to the University's dynamic nature. As a result, it is important review the audit plan, manage the plan throughout its life cycle, and be flexible to University changes so that resources stay focused on evolving risk areas and concerns.

This section provides an overview of audits that were approved by the FLAC committee and progress against that approved plan.

Audit Schedule for September 2021- August 2022

Audit Year

Presented

Audit Schedule for September 2021- August 2022	Audit Year	Presented
Alumni (Annual) FY 21	2021-2022	11/17/2021
NCAA (Annual)	2021-2022	1/12/2022
4-H Foundation (Annual) FY21	2021-2022	1/12/2022
Main Cashier (Annual)	2021-2022	3/23/2022
NCAA Football Ticket Verification (Annual)	2021-2022	Canceled - not required
P-Card Initiative and Continuous Monitoring Progress (Annual)	2021-2022	3/23/2022
Risk Assessment Survey (Annual)	2021-2022	3/23/2022
Results and Reporting (Annual)	2021-2022	5/11/2022
Audit Schedule Development (Annual)	2021-2022	5/11/2022
Capital Construction Projects	2021-2022	8/24/2023
HR/Payroll Review - scope to be defined	2021-2022	1/25/2023
Cash Advance Process Review	2021-2022	9/14/2022
Student Course/Program Fees	2021-2022	10/31/2022
Student Health Services	2021-2022	11/16/2022
Alternative (see list below): State Vet Lab	2021-2022	9/14/2022
Consultation - Special Projects (COVID)	2021-2022	NA
Fraud, Waste, and Abuse (FWA) Investigations		
*FWA - questionable use of equipment	2021-2022	11/17/2021
Follow-Up Reports / Unfinished audits from previous year	2021-2022	8/31/2022
Change of Management Audit: Admin, Budget, Finance (David Jewell) added 9/2021 per FLAC	Additional	1/25/2023
IMPACT 307	Additional	3/23/2022
Alternatives:		
Operations		
State Vet Lab		
Crypto Currency/internal controls - College of Business		
Student Media		
OSP Invoicing		
Student Travel		

**20 scheduled
20 completed
= 100%**

Audit Schedule for September 2022- August 2023	Audit Year	Presented
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NCAA (Annual) 2021-2022	2022-2023	1/25/2023	
Main Cashier (Annual)	2022-2023	3/22/2023	
NCAA Football Ticket Verification (Annual) Fall 2022 Season	2022-2023	Canceled per NCAA	
P-Card Initiative and Continuous Monitoring Progress (Annual)	2022-2023	3/22/2023	
Risk Assessment Survey (Annual)	2022-2023	3/22/2023	
Results and Reporting (Annual)	2022-2023	3/22/2023	
Audit Schedule Development (Annual)	2022-2023	5/10/2023	
State Match / Footnote compliance	2022-2023	5/10/2023	
Foundation Accounts/UW Sister Accounts internal controls	2022-2023		
HR/Payroll Incremental Review - scope to be defined -- onboarding/offboarding	2022-2023	Late August	
Operations - General Facility and Deferred Maintenance	2022-2023	5/10/2023	
Alternative (see list below)	<div style="font-size: 2em; font-weight: bold; color: #8B4513;"> 22 scheduled 18 completed = 82% </div>		
*Student/Athletics Travel			1/25/2023
Fraud, Waste, and Abuse (FWA) Investigations			
*Investigation related to mis-use of UW equipment			10/31/2022
*Investigation of free services			10/31/2022
*Investigation Conflict of Interest - HS			3/22/2023
*Investigation Honorarium			6/14/2023
*Investigation Use of Foundation Funds			8/24/2023
Follow-Up Reports		8/24/2023	
Change of Management audits (and unfinished audits from previous year)			
* College of Business	2022-2023		
* College of Health Sciences	2022-2023	7/17/2023	
* Office of Research and Economic Development	2022-2023		
* Diversity Equity and Inclusion	2022-2023	Canceled / NA	
Alternatives:			
Campus security - S2 internal controls		Will be completed with HR	
Student Media			
OSP Invoicing and Receivables		NA as processes have changed	
Student Travel - Athletics Travel		Done	
Union operations (financial operations, etc.)			
IDT process and internal control assessment			

Audit Schedule for September 2023- August 2024

Audit Year

Presented

	Audit Year	Presented
NCAA (Annual)	2023-2024	
NCAA Football Ticket Verification (Annual) Fall 2023	2023-2024	
Continuous Monitoring Progress (Annual)	2023-2024	
Risk Assessment Survey (Annual)	2023-	
Results and Reporting (Annual)	2023-	
Audit Schedule Development (Annual)	2023-	
State Match / Footnote compliance (Annual)	2023-	
Fraud, Waste, and Abuse (FWA) Investigations	2023-	
Follow-Up Reports	2023-	
Fraud, Waste, and Abuse (FWA) Investigations		
Quality Improvement Plan	2023-	
HR/Payroll Incremental Review - Hiring / Recruiting	2023-	
Compliance: ADA Compliance	2023-	
Student Mental Health Resources	2023-2024	
Major Maintenance	2023-2024	
Athletics Ticket Office	2023-2024	
Retention, Tenure, and Promotion - Policies/Procedures, Best Practices	2023-2024	
Alumni - internal control assessment	2023-2024	
EHS - Safety / research compliance	2023-2024	
ASUW	2023-2024	
Contingency - Change of Management / Departmental / Audits from previous year	2023-2024	

**20 scheduled
0 completed
= 0%**

FORVIS Planning Communication to the Board of Trustees, the Fiscal and Legal Affairs Committee and Management

University of Wyoming
June 30, 2023

Thank You for Selecting FORVIS

We are grateful for the opportunity to serve the University of Wyoming (the University) and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the University, including summarized information required by professional standards, such as the planned scope and timing of the audit. Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Ms. Macey Moore, Chair of the Fiscal and Legal Affairs Committee

Your audit leader for any questions or communications is:

- Marcie Ardan | Marcie.Ardan@forvis.com | 303.837.2280

Overview & Responsibilities

Matter	Description of Audit Area
Scope of Our Audit	<p>We have been engaged to audit the financial statements of the University of Wyoming and Wyoming Public Media for the year ended June 30, 2023.</p> <p>Please refer to our contract dated April 14, 2023, for additional information and the terms of our engagement.</p>
Expected Opinion Modification	<p>An emphasis-of-matter paragraph will also be included for the implementation of GASB 96, <i>Subscription-Based Information Technology Arrangements</i>.</p> <p>In addition, an emphasis-of-matter paragraph will also be included for Wyoming Public Media for separately issued GAAP-based departmental financial statements that indicates the financial statements do not purport to, and do not, present fairly the University’s financial position, changes in financial position, or cash flows.</p>



Matter	Description of Audit Area
Audit Standards & Materiality	<p>We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial statement audits contained in <i>Government Auditing Standards</i> (GAGAS) issued by the Comptroller General of the United States, and Title 2 U.S. <i>Code of Federal Regulations</i> (CFR) Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance).</p> <p>Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and the audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget, <i>Compliance Supplement</i> that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.</p> <p>We will conduct our audit of Wyoming Public Media in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.</p>
Our Responsibilities	<p>We are responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.</p>
Your Responsibilities	<p>Our audit of the financial statements does not relieve you or management of your responsibilities.</p>
Distribution Restriction	<p>This communication is intended solely for the information and use of the Board of Trustees and Fiscal and Legal Affairs Committee and, if appropriate, management of the University and is not intended to be, and should not be, used by anyone other than these specified parties.</p>

Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

We expect to begin our audit on approximately September 5, 2023 and continue through October 31, 2023. We anticipate that our team will be performing activities both on site and remotely during these dates. We anticipate being on site the weeks of September 18, 2023 through October 6, 2023.

Draft financial statements are expected to be ready November 1, 2023, and we will issue our report on approximately November 15, 2023.

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.



FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the University and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and propose to address these areas as described:

Risk Areas	Audit Approach
Risk of management override of controls	Review accounting estimates for bias, review of journal entries, evaluate business rationale for unusual transactions
Revenue recognition	Review revenue for proper cut-off and compliance with requirements determining recognition for significant revenue streams including state appropriations, tuition and fees, and grants revenue. Analytically test revenue accounts and inquire of unexpected variances.
Related-party transactions	Review transactions occurring between related parties (including component units) by comparing activities to agreements and/or confirmation of activity
Implementation of new accounting standards – GASB 96 – <i>Subscription-based Information Technology Arrangements</i> (SBITA)	Review management's determination and analysis of arrangements under GASB 96; test for proper valuation and presentation within the financial statements of assets and liabilities arising from GASB 96 implementation
Grants receivable	Perform various tests/analysis on balances to assess reasonableness of amounts recorded





Risk Areas	Audit Approach
University – Student accounts receivable, net and student loans receivable, net	Evaluate adequacy of allowance for doubtful accounts estimated by management
University – Compliance with requirements described in Title 2 U.S. <i>Code of Federal Regulations (CFR)</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards</i> (Uniform Guidance)	Select a sample of transactions and test for compliance with federal and grant requirements for major federal programs
Wyoming Public Media – Compliance with Corporation of Public Broadcasting (CPB) guidelines	Review financials for compliance with CPB guidelines

Other Procedures to Be Performed

We may also request written representations from the University’s attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters. We may identify additional significant risks as we complete our procedures.

Use of Resources

We plan to use the following in our audit:

- The following specialists or experts in our audit:
 - Harvest Investments will be used to test the valuation of the investments held by the University
 - ITRS review of the IT systems

Work Performed on Components of the University

The University of Wyoming Foundation (the Foundation), the discretely presented component unit of the University, is audited by other auditors. We will place reliance on the audit of the financial statements of the Foundation as of June 30, 2023, and for the year then ended. The audit of the Foundation is not audited in accordance with *Government Accounting Standards*.

Adoption of New Accounting Standards

The University must adopt GASB 96 as of July 1, 2021. Implementation of this standard may affect internal controls over financial reporting. We encourage you to communicate with management regularly regarding recognition of new financial statement amounts, and disclosures upon transition.

Consideration of Error or Fraud

One of the most common questions we receive from governing bodies is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias



FY 23 Audit Overview and Timeline

University of Wyoming FORVIS Audit Timeline:

- Main Audit Fieldwork - September 5th to October 31st
- Wyoming Public Media – October 2nd to October 20th
- Single Audit – September 5th to October 31st
- Cowboy Joe Club Agreed Upon Procedures – October 9th to October 13th
- NCAA Agreed Upon Procedures – October 2nd to October 20th
- Draft Financial Statements - November 2nd
- Review meeting of Draft Financial Statements – Possible dates for this ad-hoc FLAC meeting are proposed below for committee discussion:
 - Thursday, November 9, 2023
 - Friday, November 10, 2023
 - Monday, November 13, 2023
- Final Financial Statements – November 15th FLAC Meeting



University of Wyoming

Market and Portfolio Performance Update

September 20, 2023

Joan Evans, Director

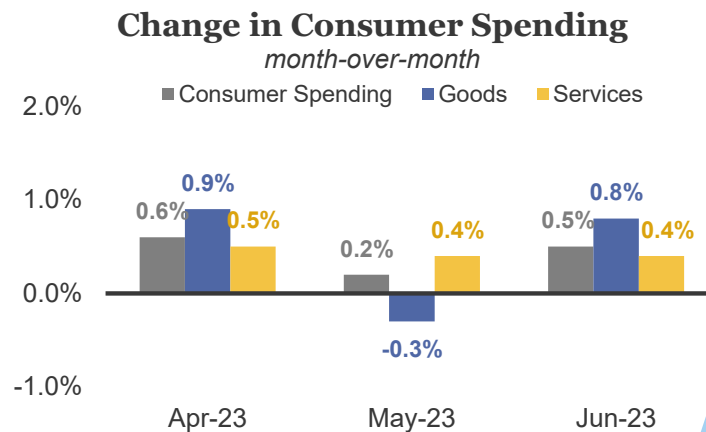
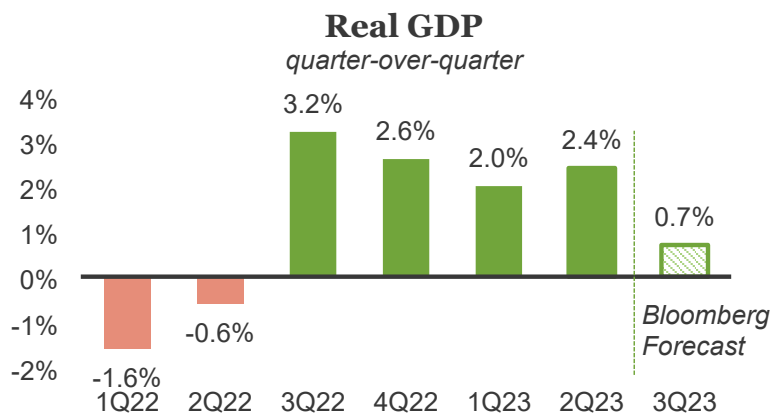
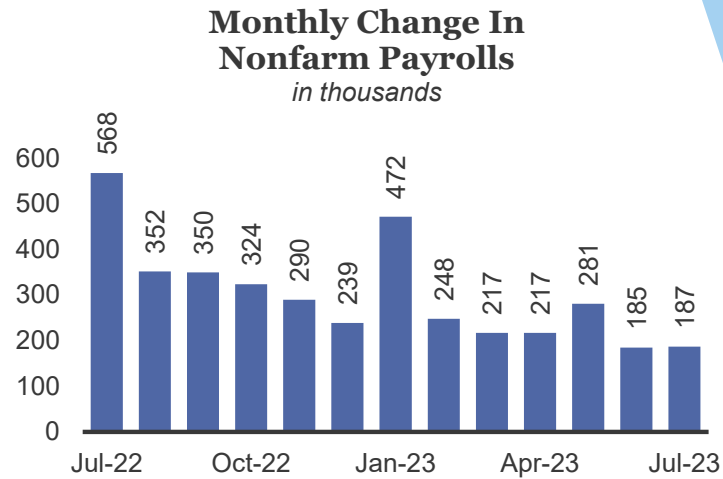
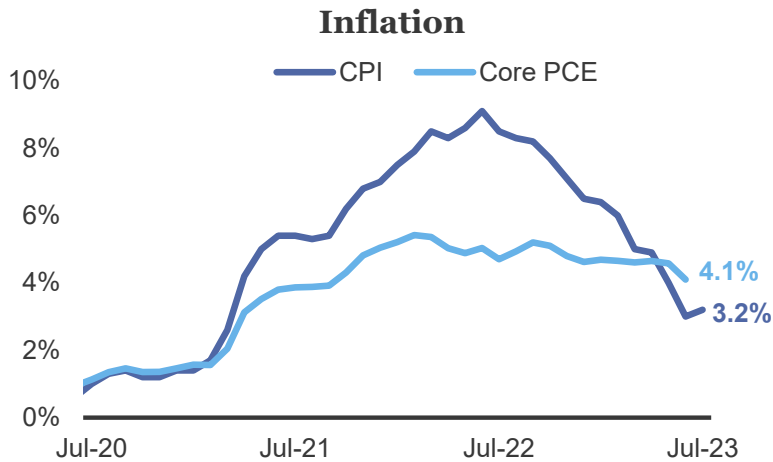
Gray Lepley, Portfolio Strategist

pfmam.com

PFM Asset Management LLC

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Strong Economic Data Continues to Buoy Markets

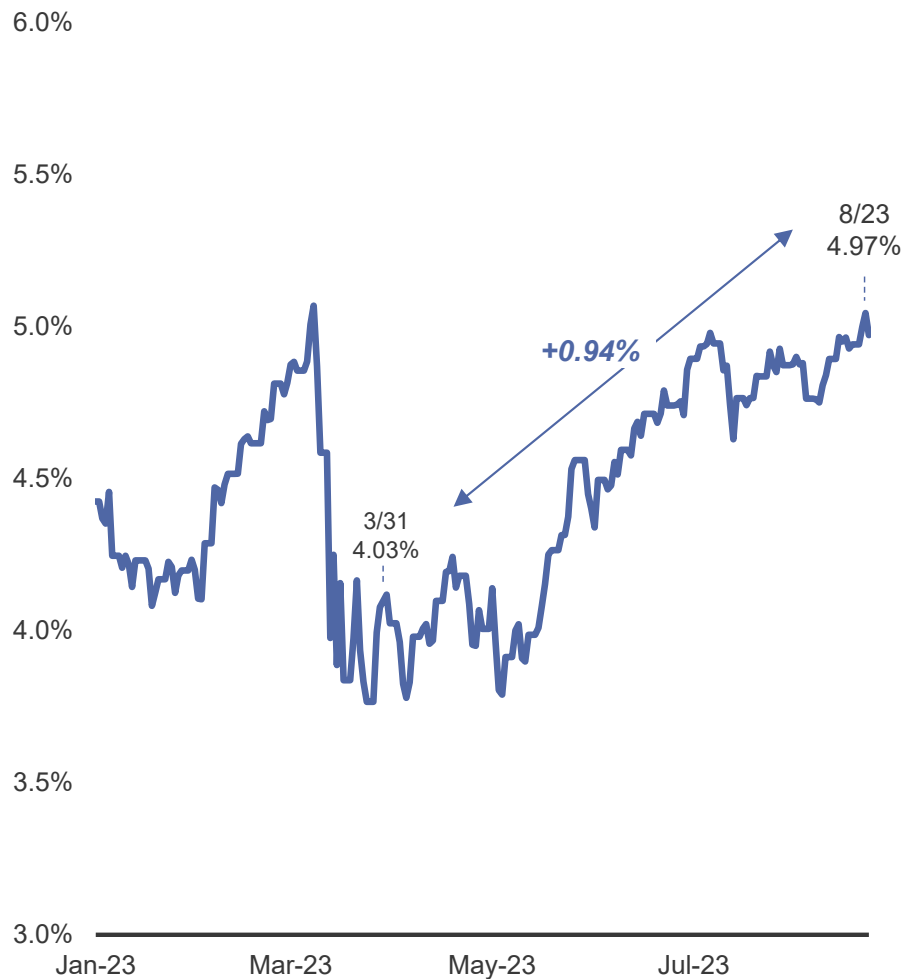


With the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, and persistent inflation, yields have climbed and expectations for rate cuts have been pushed out

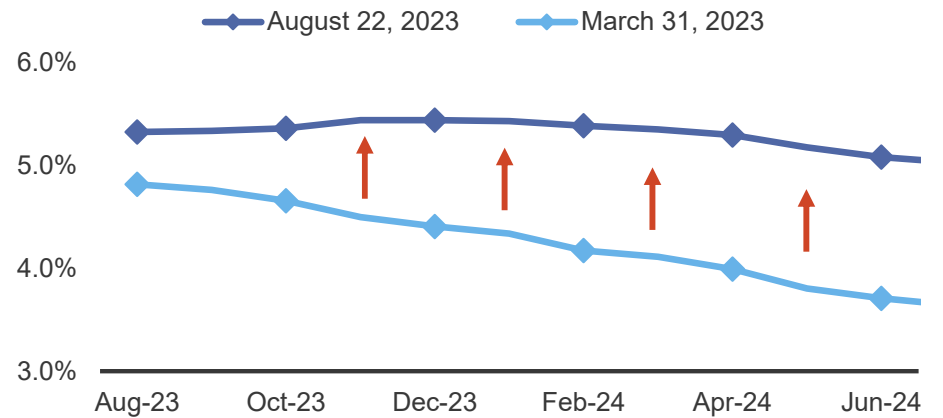
Source: Bloomberg, as of 08/23/2023.

Markets Weighing Higher Rates for Longer

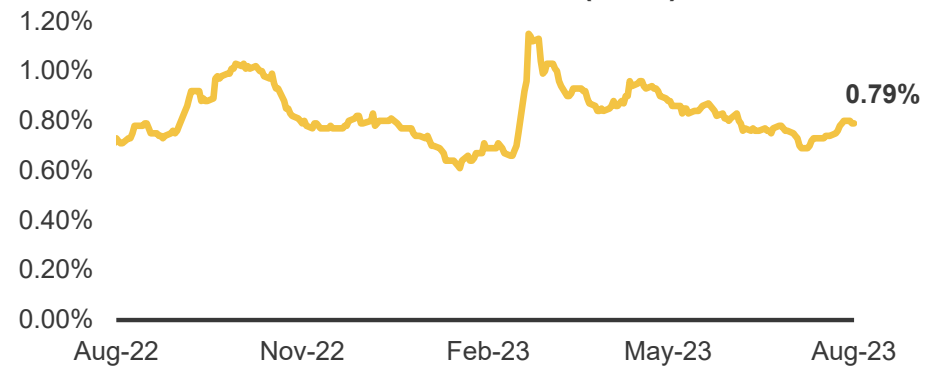
2-Year Treasury Yield



Implied Fed Funds Rate



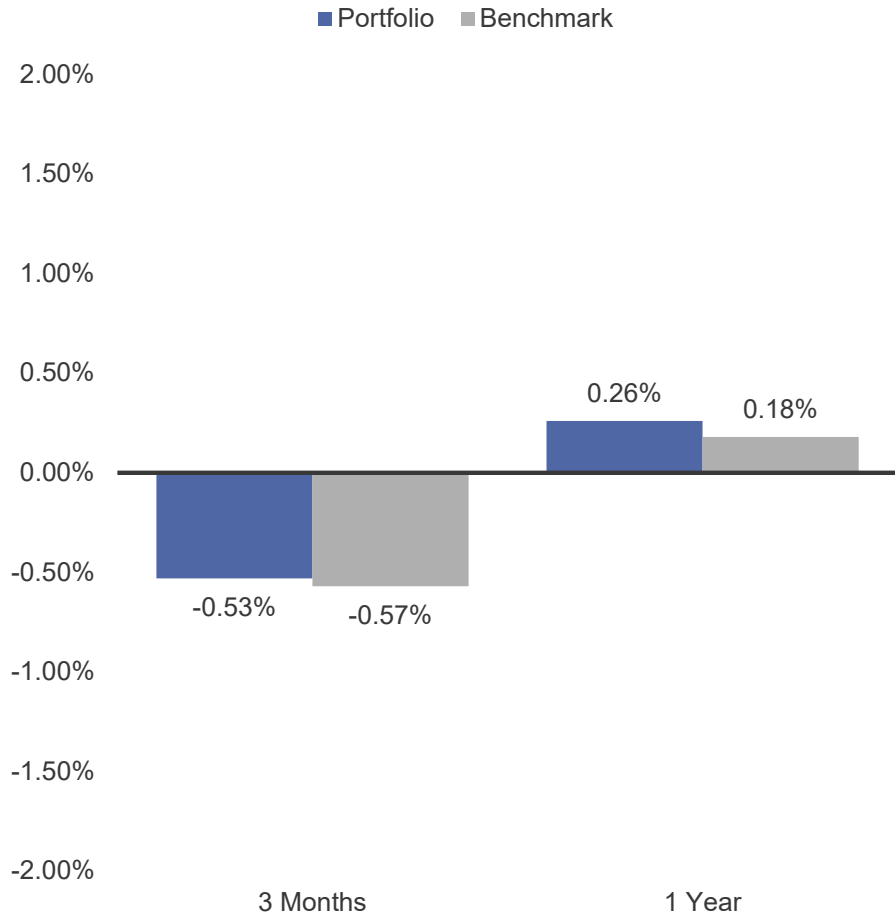
Corporate Yield Spreads 1-5 Year A-AAA (OAS)



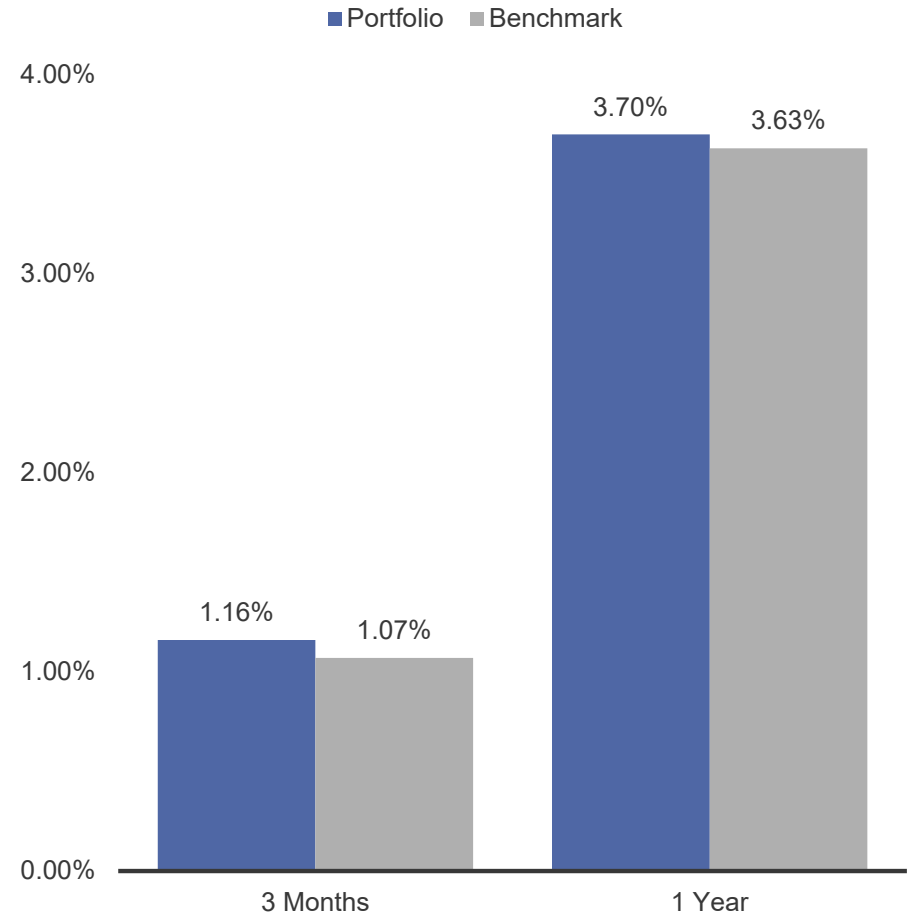
Source: Bloomberg, ICE BofA Indices, (bottom left) Bloomberg and MarketAxess, as of 08/23/2023.
Yields are for indicative purposes only; actual yields may vary by issue.

University of Wyoming Fiscal Year Performance

Performance: Core Portfolio



Performance: Short-Term Portfolio



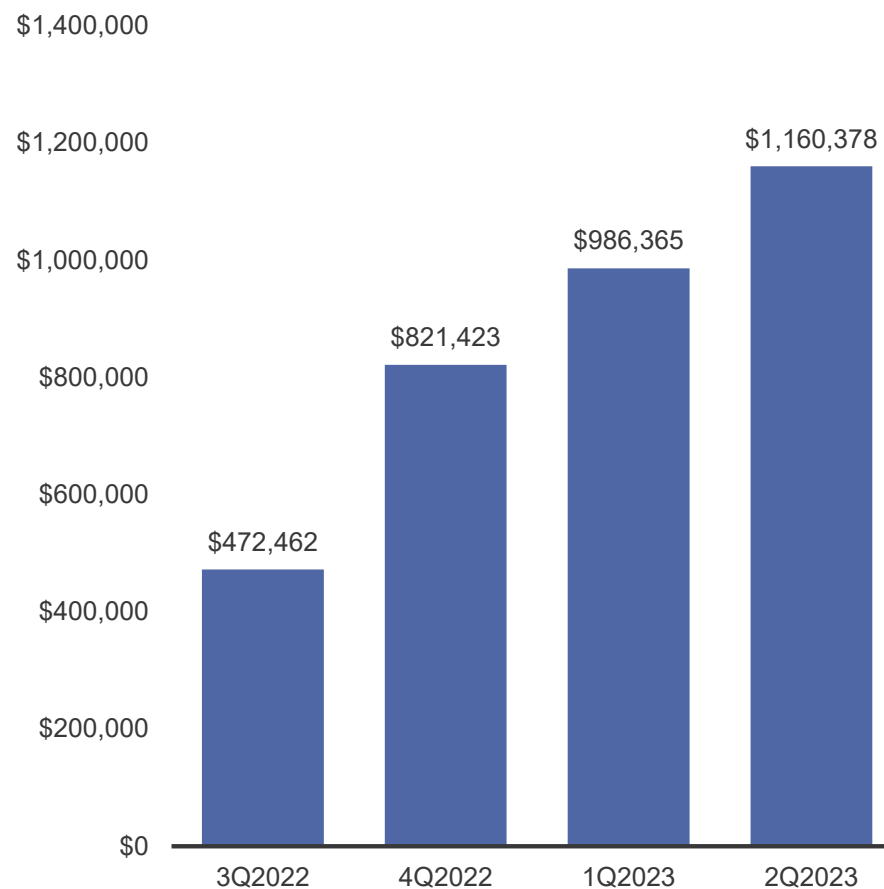
1. 3-month period and 1-year period ended 6/30/2023. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.
2. The core portfolio's benchmark is the ICE BofA 1-5 Year U.S. Government/Corp Index. The short-term portfolio's benchmark is the ICE BofA 6 Month U.S. Treasury Bills Index. Source: Bloomberg.

University of Wyoming Fiscal Year Earnings: Managed Funds

Accrual Basis Earnings: Core Portfolio



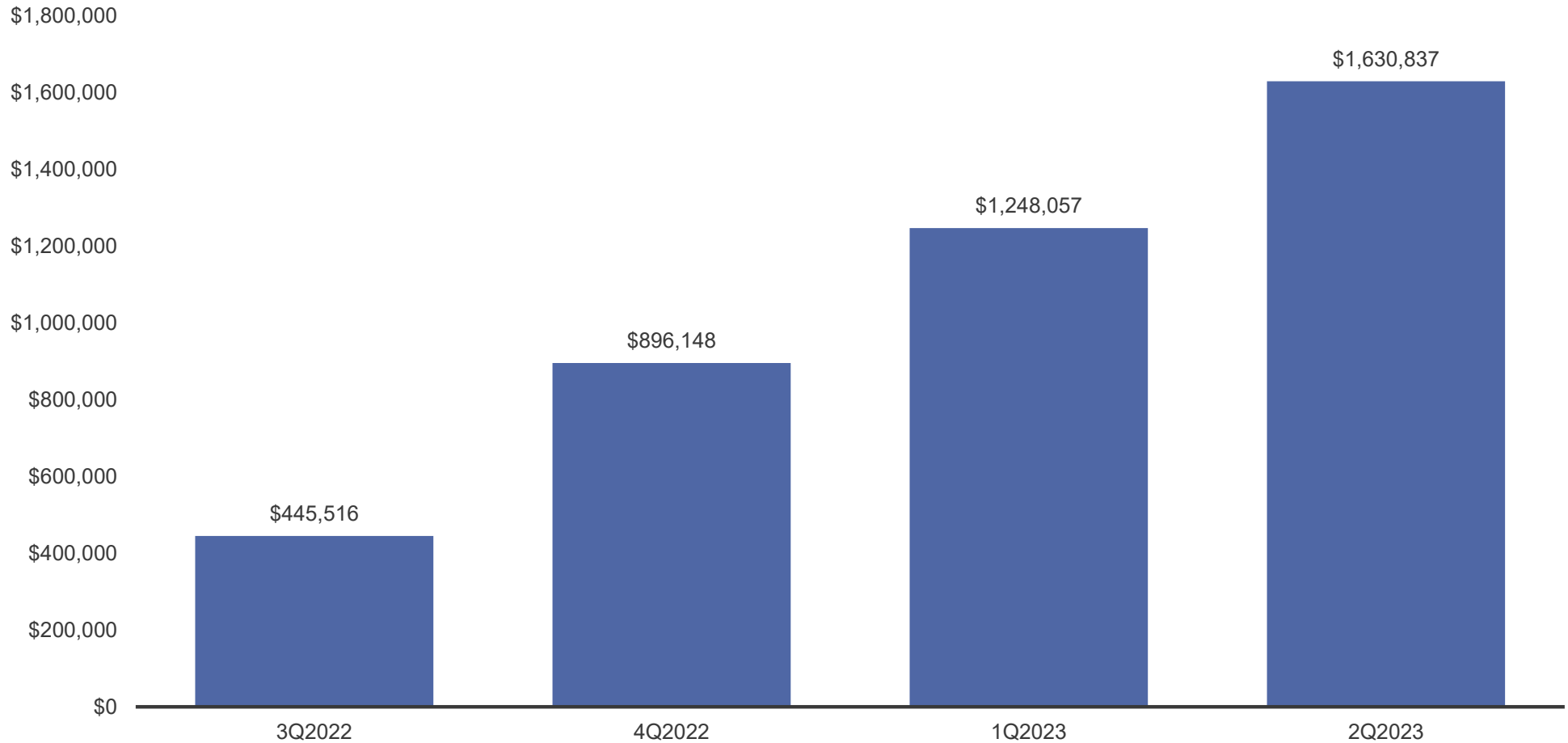
Accrual Basis Earnings: Short-Term Portfolio



1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

University of Wyoming Interest Earnings: WGIF

Interest Earnings: WGIF



In total, University funds produced over \$8.3 million of investment earnings for fiscal year 2023.

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM’s services please visit www.pfmam.com.





University of Wyoming

Investment Performance Review For the Quarter Ended June 30, 2023

Client Management Team

Joan Evans, Director
Gray Lepley, Portfolio Strategist
Amber Cannegieter, Key Account Manager

PFM Asset Management LLC

1720 Carey Avenue, Suite 520
Cheyenne, WY 82001
307-287-1514

213 Market Street
Harrisburg, PA 17101-2141
717-232-2723

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Agenda

- Market Update
- Account Summary
- Portfolio Review

Market Update

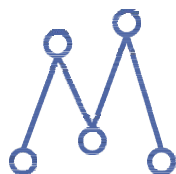
Current Market Themes



- ▶ The U.S. economy is characterized by:
 - ▶ Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation," is showing little sign of slowing
 - ▶ A labor market that has proven to be exceptionally strong
 - ▶ A more optimistic sentiment around economic growth due to resilient consumer spending



- ▶ Fed temporarily pauses rate hikes
 - ▶ The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - ▶ The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
 - ▶ Rates have moved up due to the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset

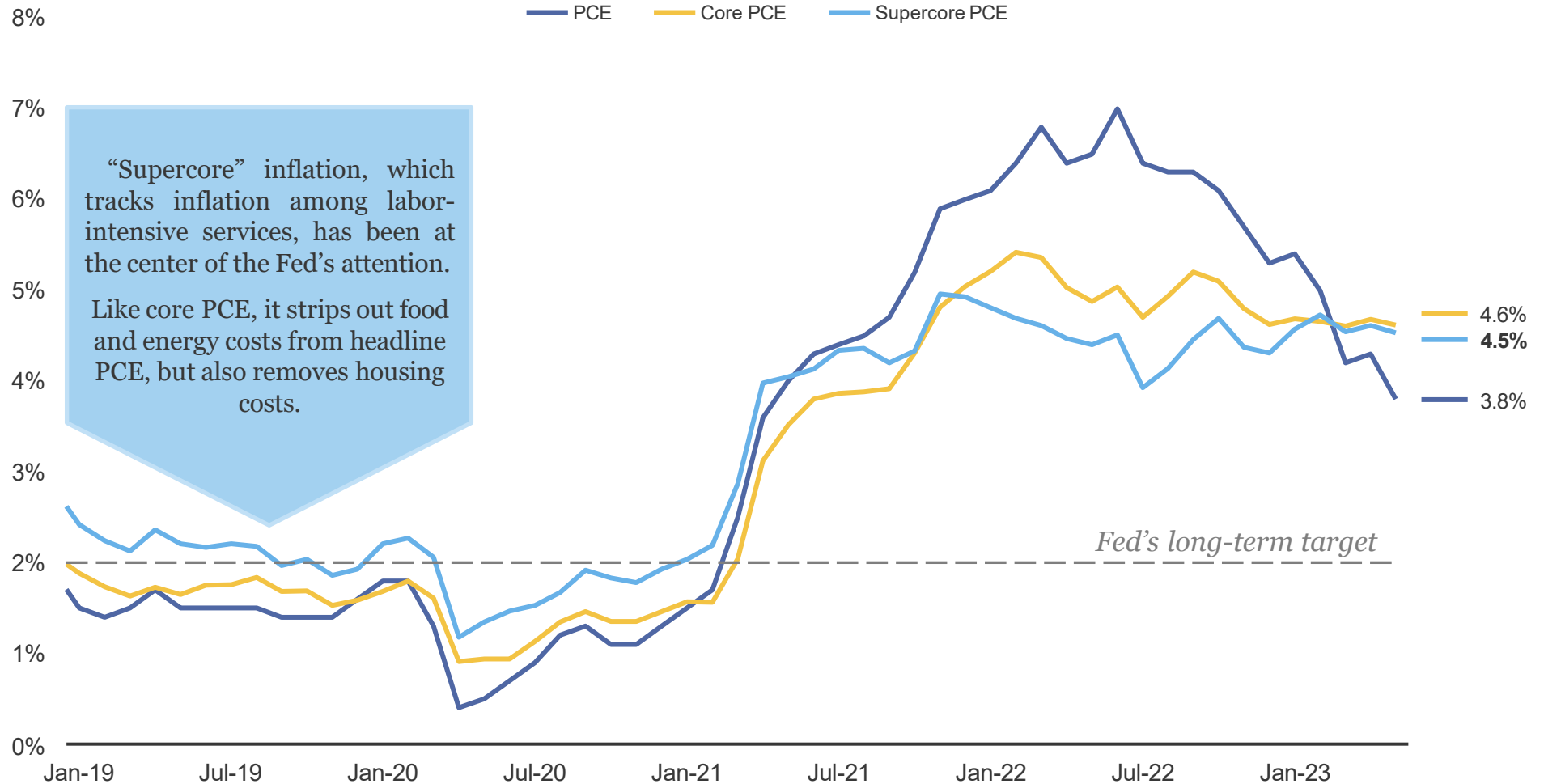


- ▶ Bond markets see continued volatility
 - ▶ The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - ▶ After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - ▶ The curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June

Inflation Measures Remain Above Fed's Target

The Fed's Key Inflation Rate

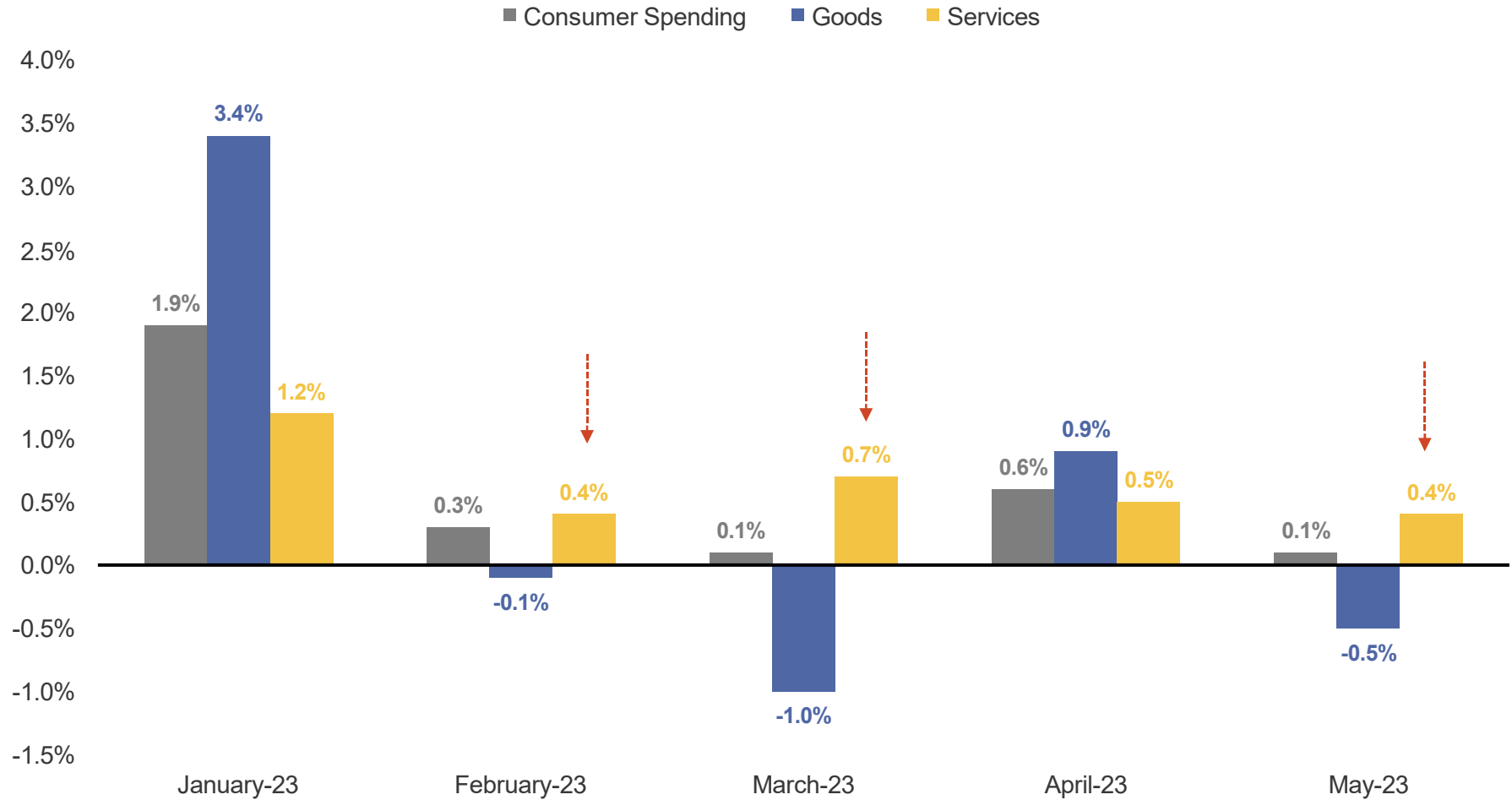
Personal Consumption Expenditure Price Index, Year-over-year



Source: Federal Reserve, Bloomberg, Bureau of Economic Analysis as of May 2023.

Consumers Have Been Spending More on Services

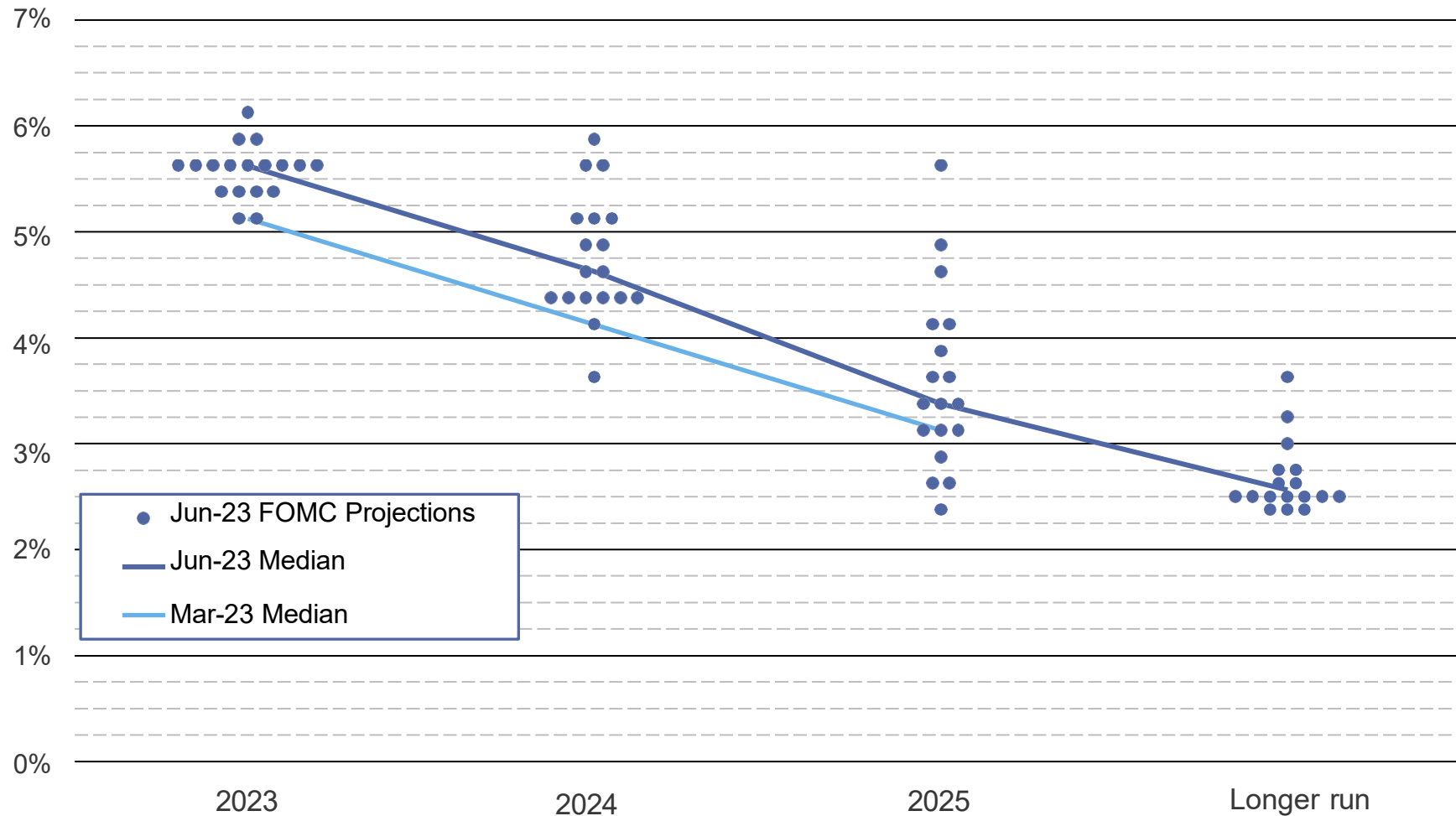
Change in Consumer Spending Month-over-month



Source: Bloomberg, Bureau of Economic Analysis as of May 2023.

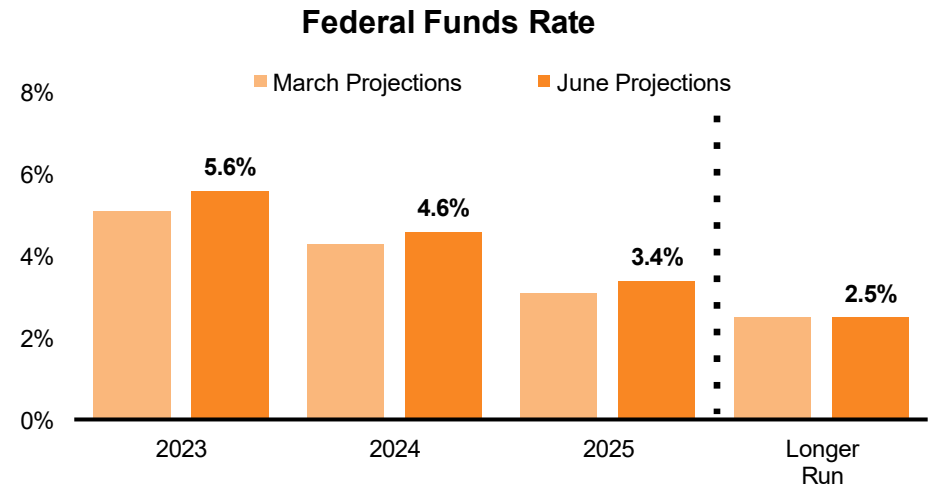
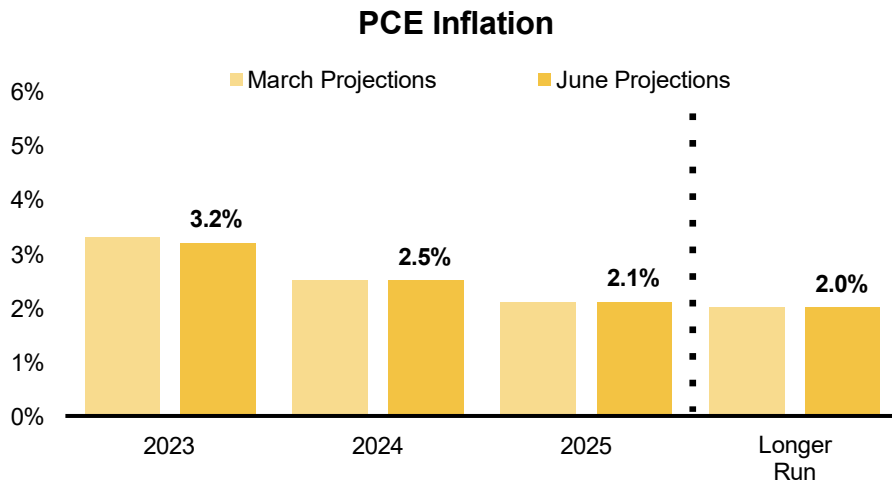
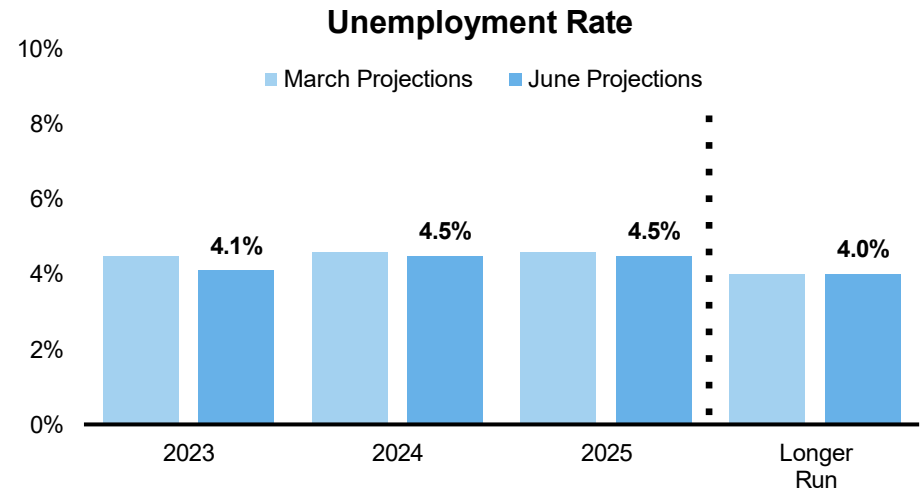
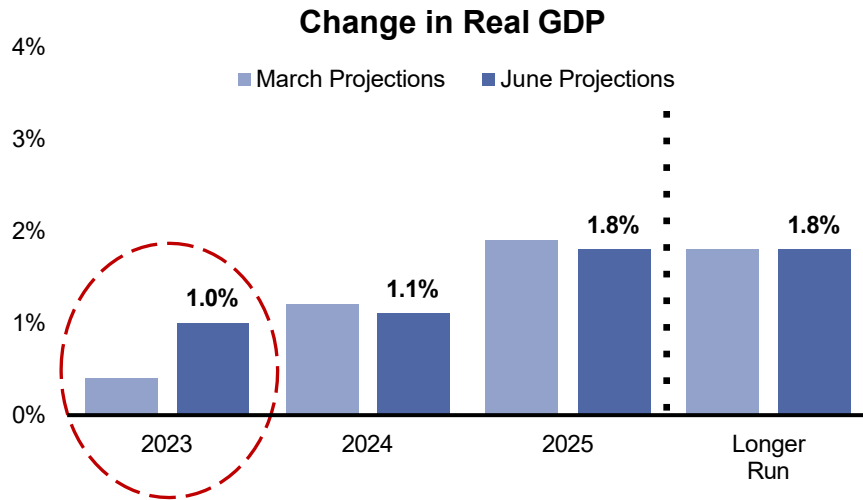
Fed's "Dot Plot" Shows We Are Nearing Sufficiently Restrictive Territory

Fed Participants' Assessments of 'Appropriate' Monetary Policy



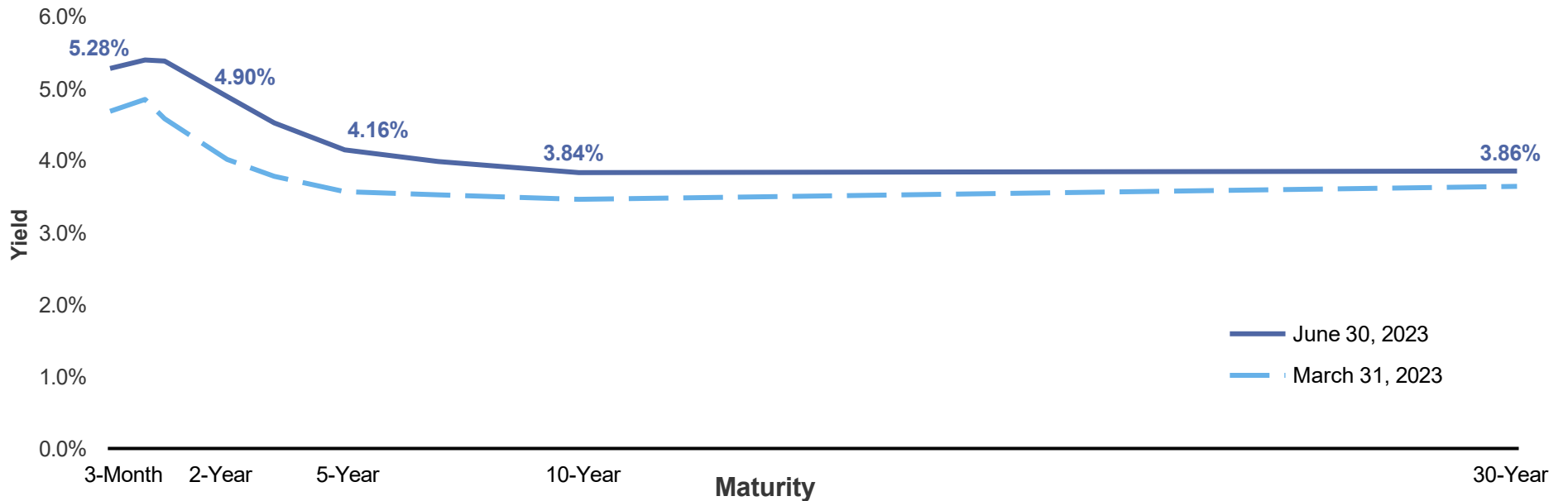
Source: Federal Reserve and Bloomberg. Individual dots represent each Fed members' judgement of the midpoint of the appropriate target range for the federal funds rate at each year-end.

Fed's Updated June Projections Reflect Stronger Economic Expectations for 2023

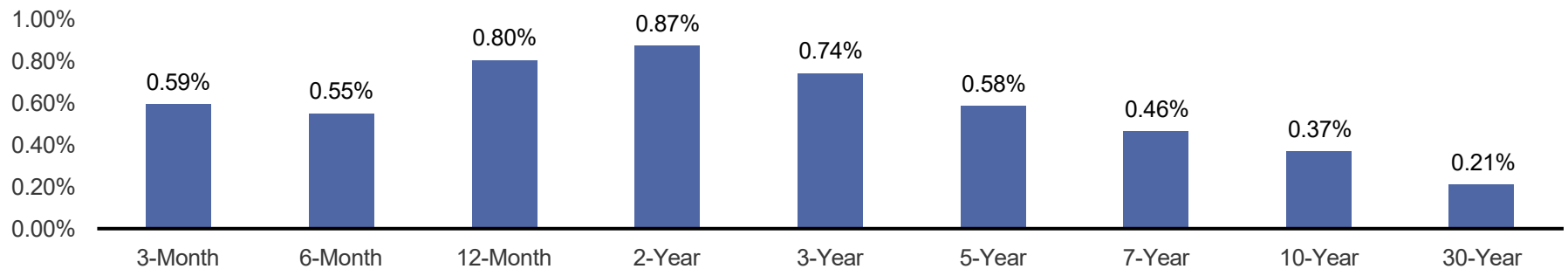


Source: Federal Reserve, latest economic projections as of June 2023.

Interest Rates Rise as “Higher-for-Longer” Mantra Sets In U.S. Treasury Yield Curve



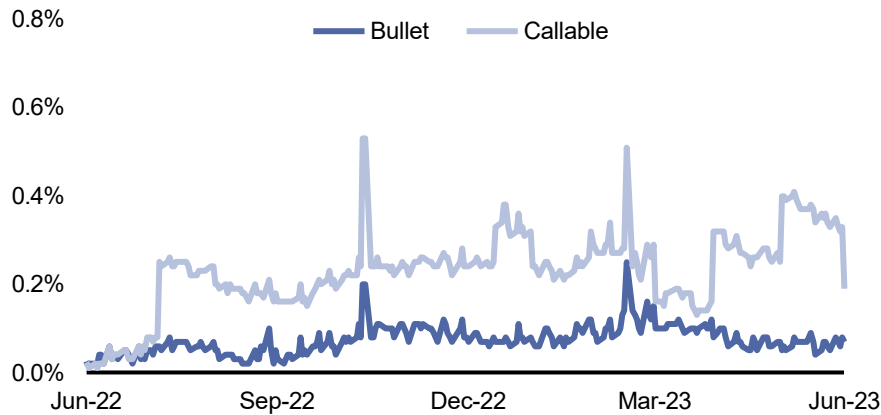
Yield Changes by Maturity from March 31 – June 30, 2023



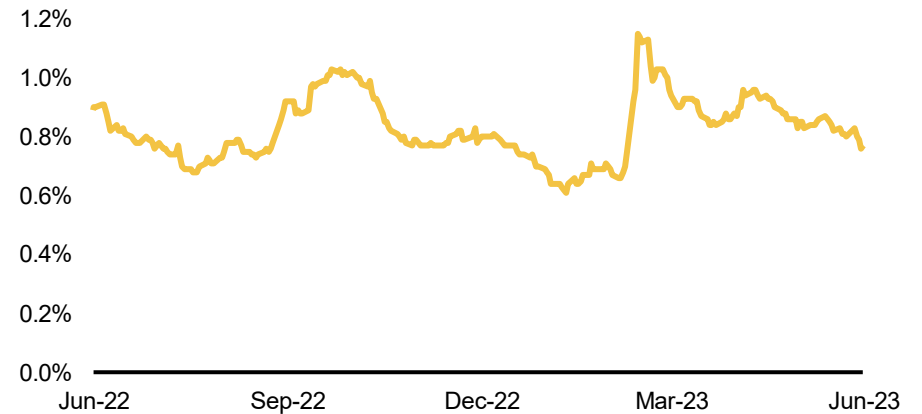
Source: Bloomberg, as of 06/30/2023.

Sector Yield Spreads

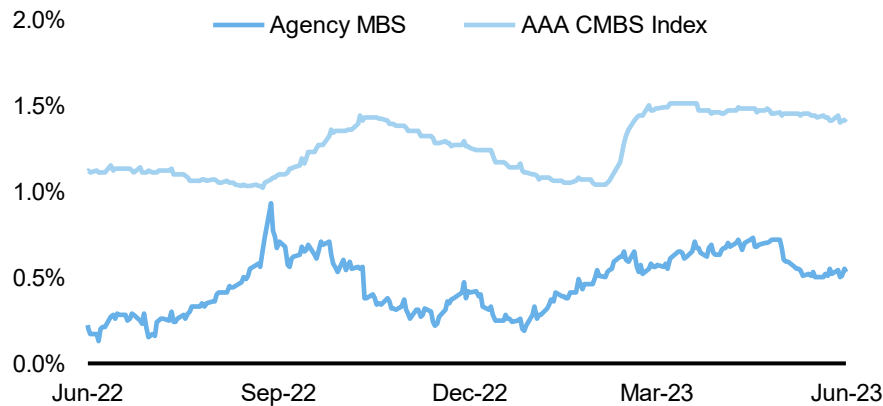
Federal Agency Yield Spreads



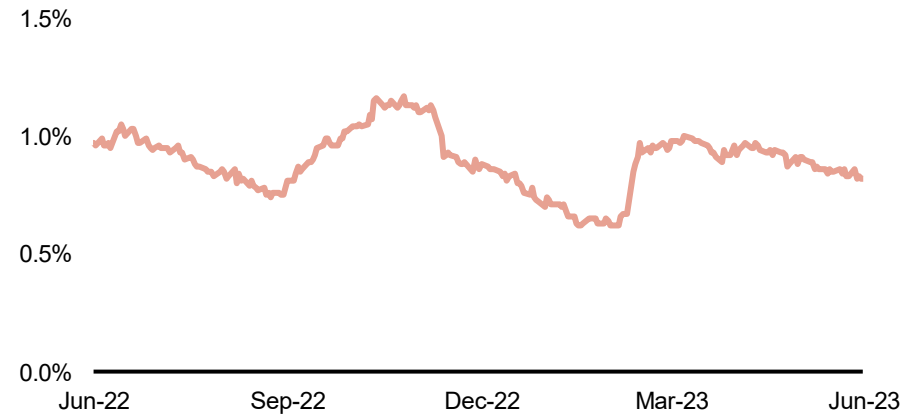
Corporate Notes A-AAA Yield Spreads



Mortgage-Backed Securities Yield Spreads



Asset-Backed Securities AAA Yield Spreads



Source: ICE BofAML 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 06/30/2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

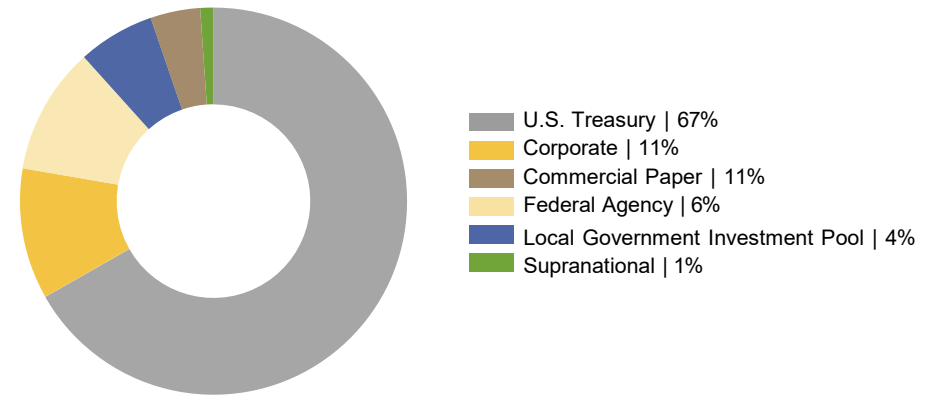
Account Summary

Consolidated Summary

Account Summary

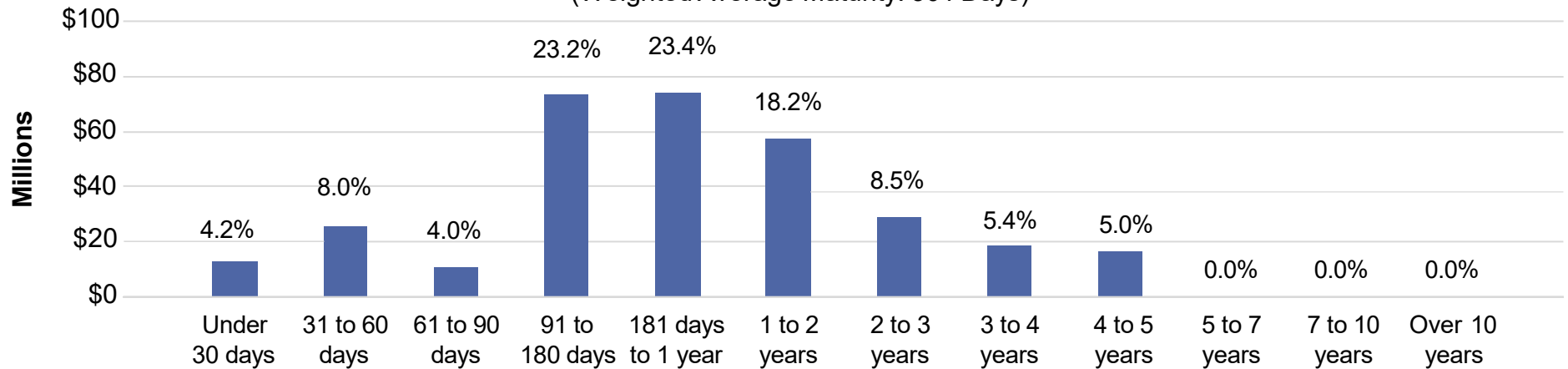
WGIF	\$133,646,338
WGIF Managed Account	\$307,663,509
Total Program	\$441,309,847

Sector Allocation



Maturity Distribution

(Weighted Average Maturity: 301 Days)



1. Account summary and sector allocation include market values, accrued interest, and overnight balances. Maturity distribution includes market values and excludes accrued interest and overnight balances

Certificate of Compliance

During the reporting period for the quarter ended June 30, 2023, the account(s) managed by PFM Asset Management ("PFMAM") were in compliance with the applicable investment policy and guidelines as furnished to PFMAM.

Acknowledged : *PFM Asset Management LLC*

Note: Pre- and post-trade compliance for the account(s) managed by PFM Asset Management is provided via Bloomberg Asset and Investment Management ("AIM").

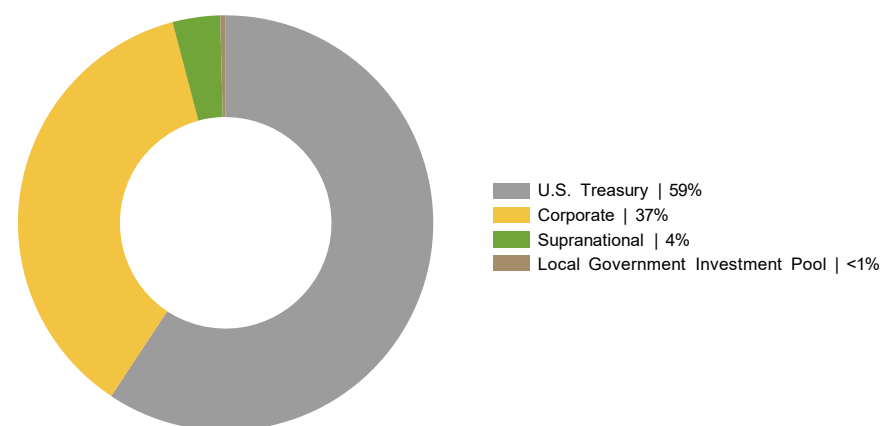
Portfolio Review:
WGIF-UNIVERSITY OF WYOMING CORE

Portfolio Snapshot - WGIF-UNIVERSITY OF WYOMING CORE¹

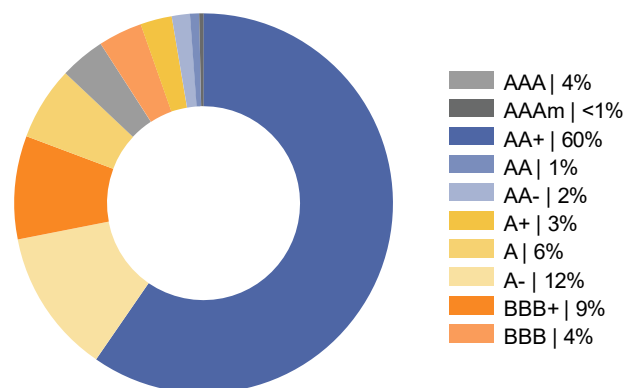
Portfolio Statistics

Total Market Value	\$95,743,983.99
Managed Account Sub-Total	\$94,909,056.44
Accrued Interest	\$485,373.13
Pool	\$349,554.42
Portfolio Effective Duration	2.45 years
Benchmark Effective Duration	2.51 years
Yield At Cost	2.16%
Yield At Market	4.90%
Portfolio Credit Quality	AA

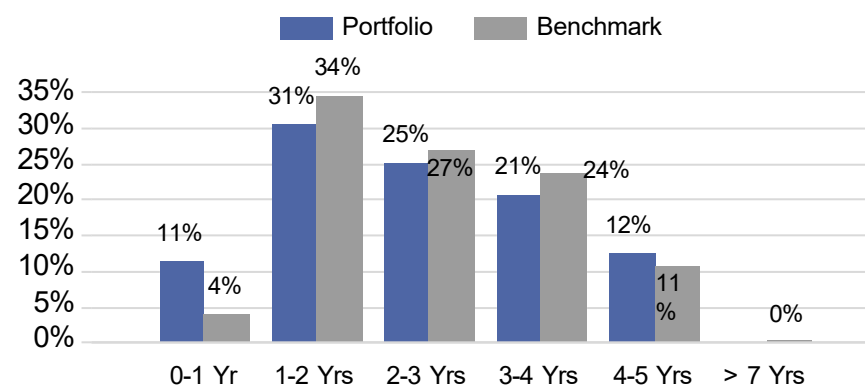
Sector Allocation



Credit Quality - S&P



Duration Distribution



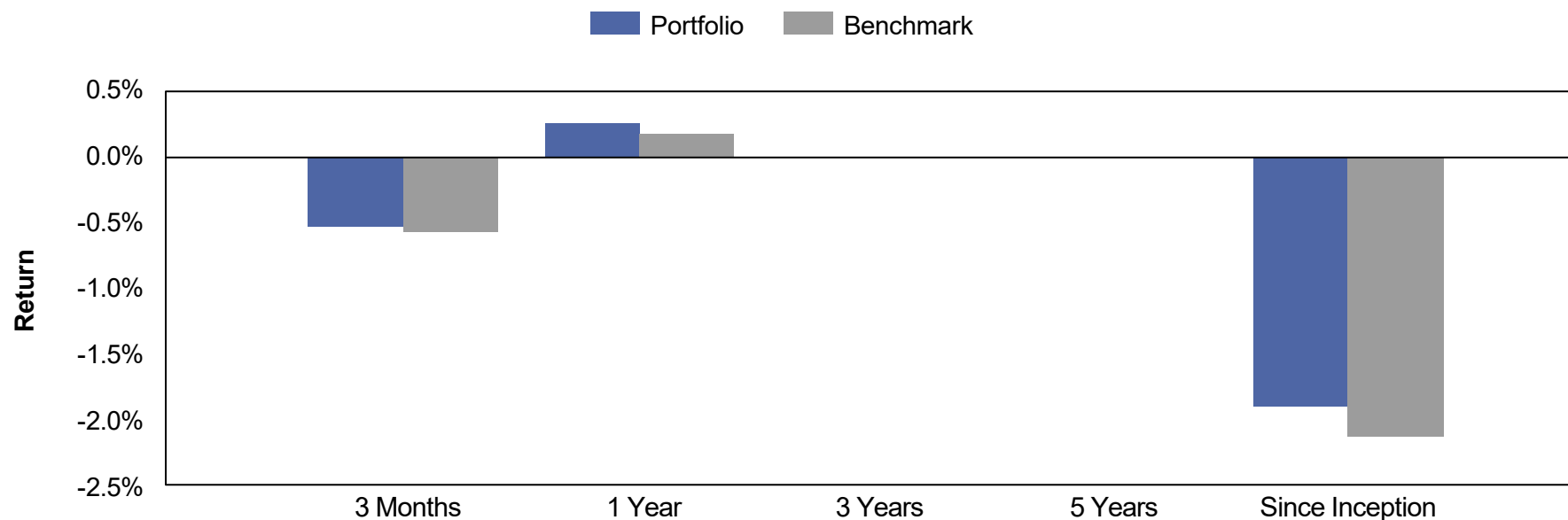
1. Total market value includes accrued interest and balances invested in WGIF, as of June 30, 2023.

Yield and duration calculations exclude balances invested in WGIF.

The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Government/Corp Index. Source: Bloomberg.

An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$518,728	\$1,724,920	-	-	\$2,861,501
Change in Market Value	(\$1,031,349)	(\$1,475,502)	-	-	(\$6,742,305)
Total Dollar Return	(\$512,621)	\$249,418	-	-	(\$3,880,804)
Total Return³					
Portfolio	-0.53%	0.26%	-	-	-1.90%
Benchmark ⁴	-0.57%	0.18%	-	-	-2.14%
Difference	0.04%	0.09%	-	-	0.23%

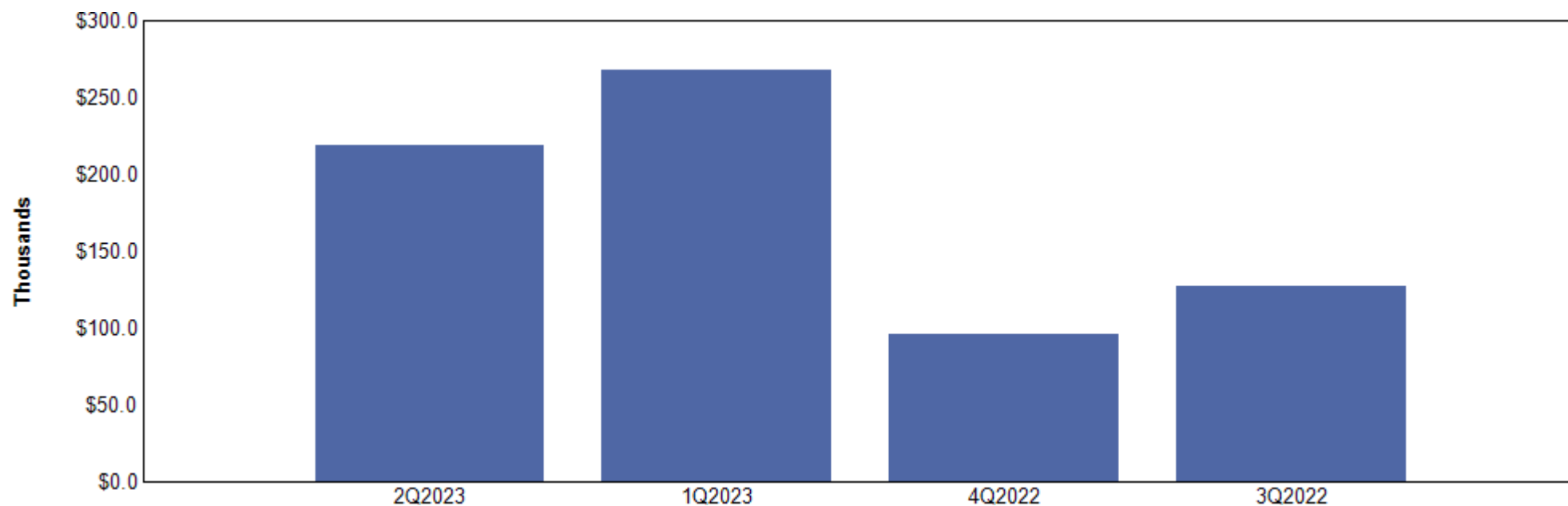
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is March 31, 2021.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 1-5 Year U.S. Government/Corp Index. Source: Bloomberg.

Accrual Basis Earnings - WGIF-UNIVERSITY OF WYOMING CORE



Accrual Basis Earnings	2Q2023	1Q2023	4Q2022	3Q2022
Interest Earned ¹	\$518,728	\$451,455	\$396,786	\$357,951
Realized Gains / (Losses) ²	(\$282,366)	(\$168,691)	(\$272,928)	(\$180,010)
Change in Amortized Cost	(\$17,180)	(\$14,719)	(\$28,300)	(\$51,128)
Total Earnings	\$219,182	\$268,045	\$95,557	\$126,813

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

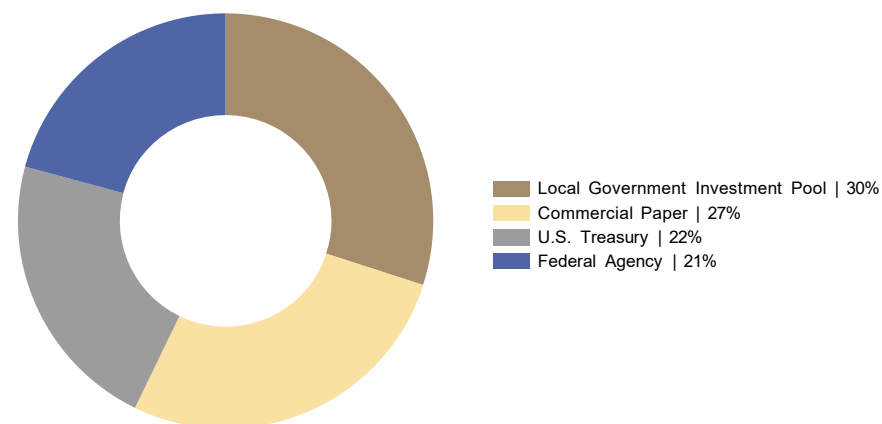
Portfolio Review:
WGIF-UNIVERSITY OF WYOMING SHORT TERM

Portfolio Snapshot - WGIF-UNIVERSITY OF WYOMING SHORT TERM¹

Portfolio Statistics

Total Market Value	\$98,585,701.95
Managed Account Sub-Total	\$69,059,612.65
Accrued Interest	\$2,629.78
Pool	\$29,523,459.52
Portfolio Effective Duration	0.34 years
Benchmark Effective Duration	0.39 years
Yield At Cost	5.11%
Yield At Market	5.43%
Portfolio Credit Quality	AA

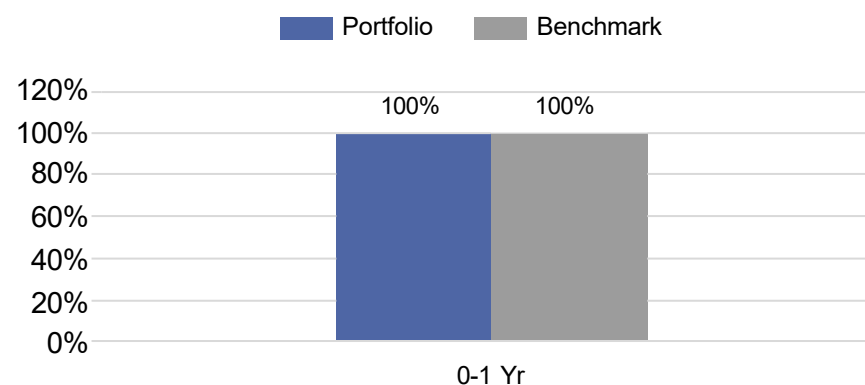
Sector Allocation



Credit Quality - S&P



Duration Distribution



1. Total market value includes accrued interest and balances invested in WGIF, as of June 30, 2023.

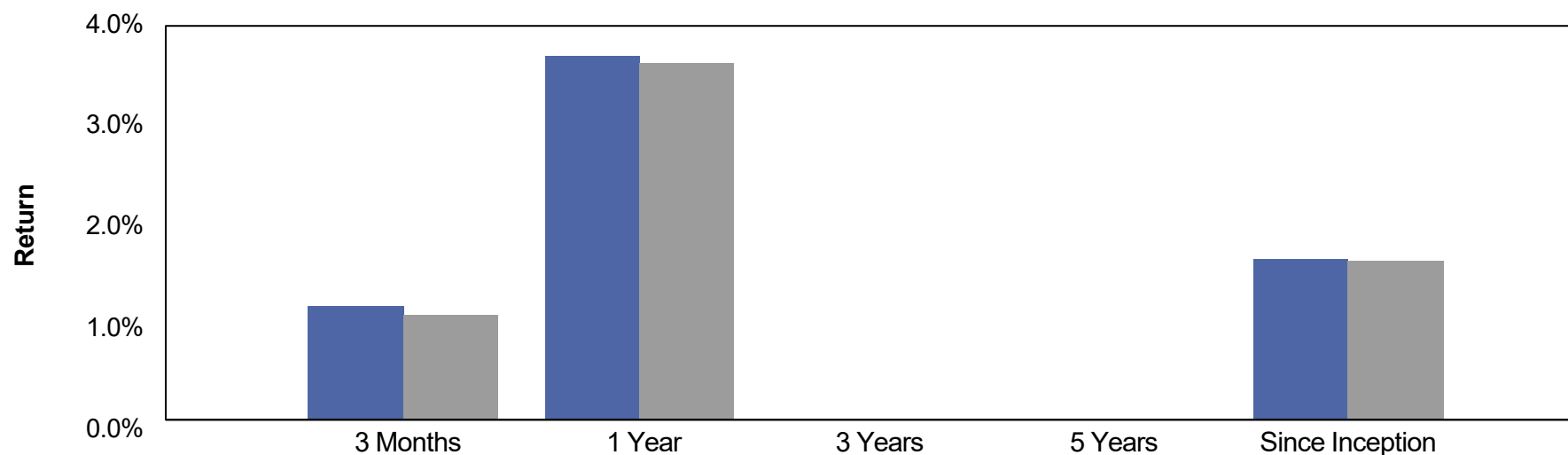
Yield and duration calculations exclude balances invested in WGIF.

The portfolio's benchmark is the ICE BofA 6 Month U.S. Treasury Bills Index. Source: Bloomberg.

An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Portfolio Performance

■ Portfolio ■ Benchmark



Market Value Basis Earnings	3 Months	1 Year	3 Years	5 Years	Since Inception ¹
Interest Earned ²	\$257,531	\$561,196	-	-	\$789,361
Change in Market Value	\$874,567	\$3,182,523	-	-	\$2,910,582
Total Dollar Return	\$1,132,098	\$3,743,719	-	-	\$3,699,943
Total Return³					
Portfolio	1.16%	3.70%	-	-	1.62%
Benchmark ⁴	1.07%	3.63%	-	-	1.61%
Difference	0.09%	0.07%	-	-	0.01%

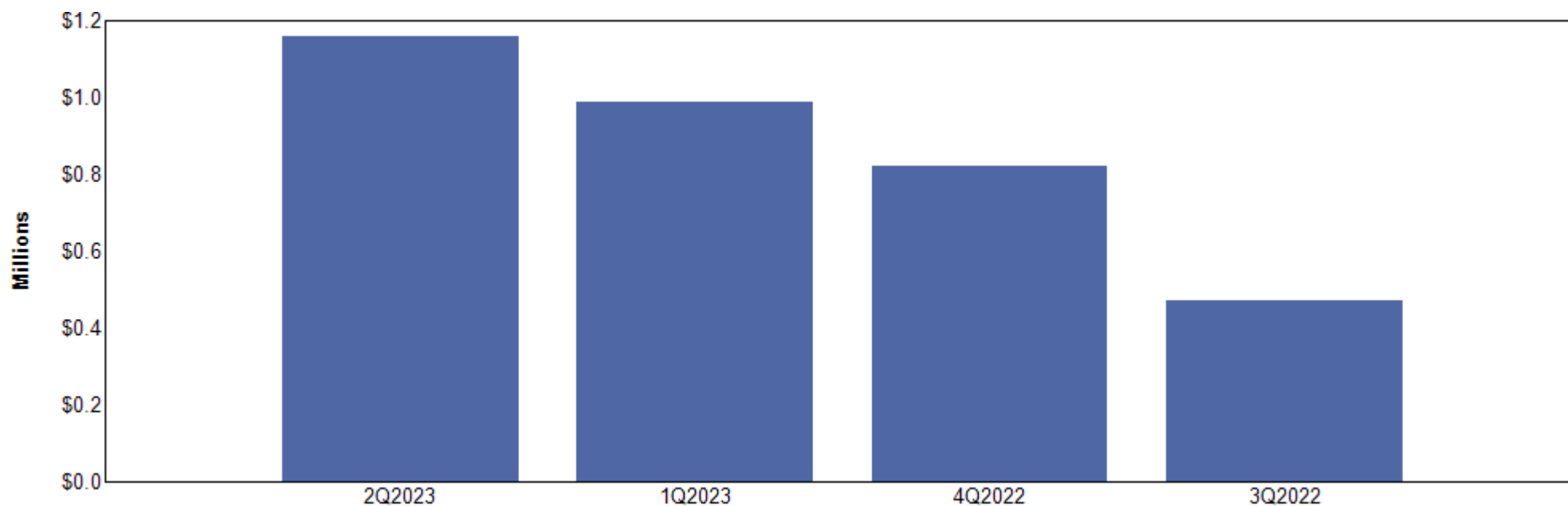
1. The lesser of 10 years or since inception is shown. Since inception returns for periods one year or less are not shown. Performance inception date is March 31, 2021.

2. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

3. Returns for periods one year or less are presented on a periodic basis. Returns for periods greater than one year are presented on an annualized basis.

4. The portfolio's benchmark is the ICE BofA 6 Month U.S. Treasury Bills Index. Source: Bloomberg.

Accrual Basis Earnings - WGIF-UNIVERSITY OF WYOMING SHORT TERM



Accrual Basis Earnings	2Q2023	1Q2023	4Q2022	3Q2022
Interest Earned ¹	\$257,531	\$115,581	\$131,544	\$56,540
Realized Gains / (Losses) ²	-	-	\$100	-
Change in Amortized Cost	\$902,847	\$870,784	\$689,779	\$415,921
Total Earnings	\$1,160,378	\$986,365	\$821,423	\$472,462

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

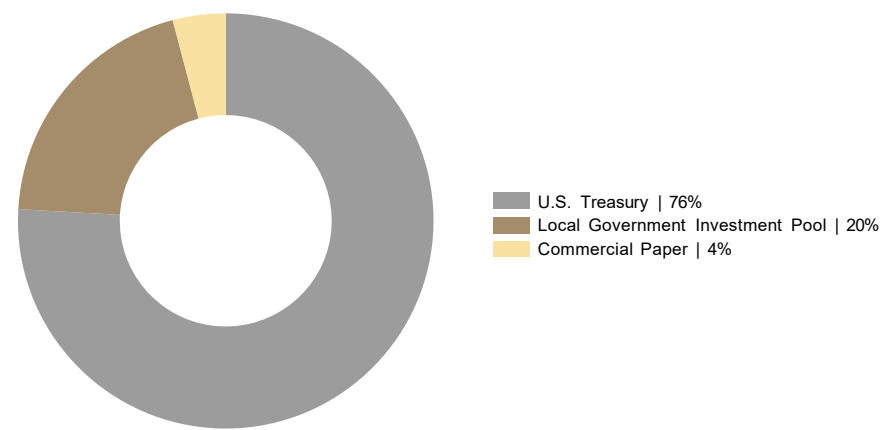
Portfolio Review:
WGIF-UOW 2021 CONSTRUCTION FUND

Portfolio Snapshot - WGIF-UOW 2021 CONSTRUCTION FUND¹

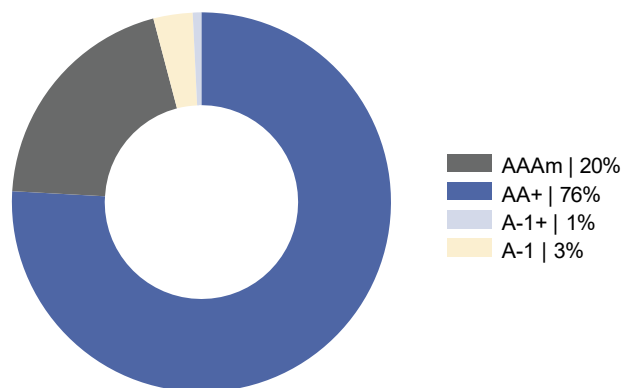
Portfolio Statistics

Total Market Value	\$178,815,179.91
Managed Account Sub-Total	\$142,547,683.92
Accrued Interest	\$659,152.64
Pool	\$35,608,343.35
Portfolio Effective Duration	0.61 years
Yield At Cost	1.25%
Yield At Market	5.34%
Portfolio Credit Quality	AA

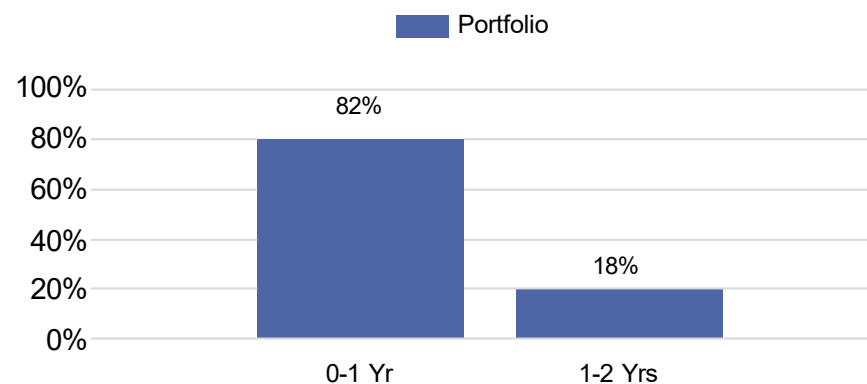
Sector Allocation



Credit Quality - S&P



Duration Distribution

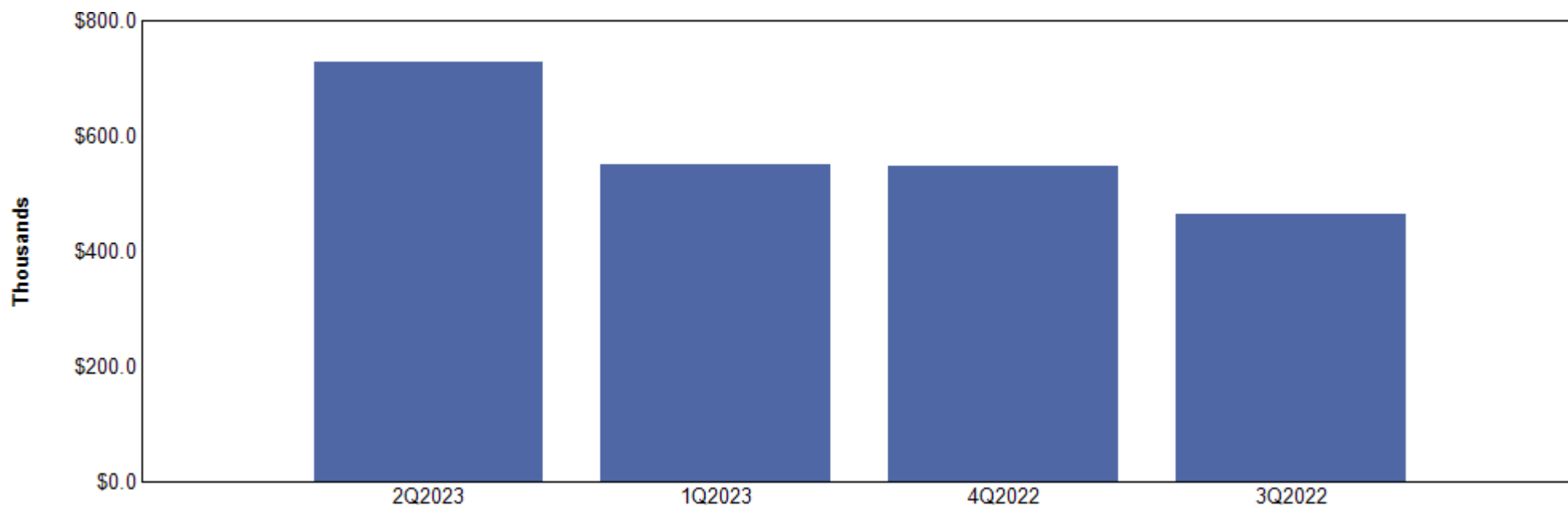


1. Total market value includes accrued interest and balances invested in WGIF, as of June 30, 2023.

Yield and duration calculations exclude balances invested in WGIF.

An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

Accrual Basis Earnings - WGIF-UOW 2021 CONSTRUCTION FUND



Accrual Basis Earnings	2Q2023	1Q2023	4Q2022	3Q2022
Interest Earned ¹	\$1,087,374	\$972,762	\$924,836	\$871,405
Realized Gains / (Losses) ²	-	-	-	-
Change in Amortized Cost	(\$359,480)	(\$423,595)	(\$376,526)	(\$408,337)
Total Earnings	\$727,894	\$549,167	\$548,309	\$463,069

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Realized gains / (losses) are shown on an amortized cost basis.

Important Disclosures

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It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

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- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. Past performance is not indicative of future returns.
- Bank of America/Merrill Lynch Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **Asset-Backed Security:** A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

Glossary

- Repurchase Agreements: A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- Settle Date: The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- Supranational: A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- Trade Date: The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- Unsettled Trade: A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- U.S. Treasury: The department of the U.S. government that issues Treasury securities.
- Yield: The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- YTM at Cost: The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- YTM at Market: The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.

**Enterprise Risk Management Advisory Committee
Current Membership Roster (As of 08/18/2023)**

Cabinet Level Oversight (Office of Record)
Vice President and General Counsel – Tara Evans

Chair/Committee Administrator
Chief Risk Officer – Tim Wiseman

Academic Affairs – Isadora Helfgott
Admissions – Shelley Dodd
Athletics – Sam “Diesel” Brodie and Tyson Drew
Chief Information Officer – Robert Aylward
Communications & Marketing – Chad Baldwin
Deans Representative – Jim Ahern
Departmental Representative – Kem Krueger
Faculty Representative – Jason Thompson
Faculty Senate Representative – Brenna Philbrick
Financial Affairs – Eric Webb
Global Engagement – Shelley Jewell
Human Resources – Bob Link
Internal Audit – Danika Salmans
Legal Department – Paula Whaley
Office of the President – Kelsey Kyne
Operations – Michael Samp
Police Department – Josh Holland
Research and Economic Development – Carolyn Brandt
Staff Senate Representative – Tanya Wheeler
Student Affairs – Kim Chestnut Steich

Additional Subject Matter Experts/Advisors

ASUW – Saber Smith
Capital Construction and Safety, Facilities Engineer – Jennifer Coast
Education Abroad/Global Engagement – Sara Robinson
Faculty Senate – Robert Sprague
UW Safety - Curtis Cannell
Staff Senate – Timothy Nichols
Risk Management/Insurance – Kimberly Flowers
Others from the broader university community as needed

2023

THE STATE OF RISK OVERSIGHT

AN OVERVIEW OF ENTERPRISE RISK MANAGEMENT PRACTICES

14TH EDITION | JUNE 2023

MARK S. BEASLEY

ALAN T. DICKSON DISTINGUISHED PROFESSOR
DIRECTOR, ERM INITIATIVE

BRUCE C. BRANSON

ALUMNI DISTINGUISHED PROFESSOR OF ACCOUNTING
ASSOCIATE DIRECTOR, ERM INITIATIVE



NC STATE Poole College of Management
Enterprise Risk Management Initiative

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ABOUT THIS STUDY

In light of evolving challenges linked to ongoing geopolitical turmoil, social change, economic volatility, disruptive technologies, environmental expectations, and a host of other uncertainties, innovative and forward-looking business leaders are strengthening how they proactively manage potentially emerging risks that can quickly derail their organization's strategic objectives and goals. Failure to anticipate changing uncertainties can quickly trigger a flow of risks that significantly impact business models and strategic plans.

Managing risks before they occur and in the context of what is strategically important can provide incredible competitive advantage, if done so more effectively than others in the marketplace. This occurs by strengthening their organizations' processes surrounding the identification, assessment, management, and monitoring of risks most likely to impact – both positively and negatively – the entity's strategic success.

Over the past two decades, governance and strategy best practice advocates have been encouraging boards and C-suite executives to embrace enterprise risk management (ERM) practices to provide an organization's leadership a top-down, strategic perspective of risks on the horizon so that those risks can be managed proactively to increase the likelihood the organization will achieve its strategic objectives.

We have partnered for more than a decade with the American Institute of Certified Public Accountants (AICPA) Management Accounting - Business, Industry, and Government Team to survey business leaders regarding a number of characteristics related to their current enterprise-wide risk management efforts. Data was collected in winter/early spring 2023 through an online survey instrument sent to members of the AICPA's Management Accountants in Business and Industry group who serve in chief financial officer or equivalent senior executive positions.

This 14th Edition of our report reflects insights from **454** fully completed surveys from individuals representing different sizes and types of organizations (see Appendix A for details about respondents). This report provides a snapshot of the state of risk oversight maturity and includes a number of probing questions for executives and boards to use to assess the relative strength of their risk governance efforts.

Readers of this report can use the findings to benchmark their organization's approach to risk oversight against current practices. In addition to highlighting key findings for the full sample of 454 respondents, we also separately report many of the key findings for the following subgroups of respondents (Note: some organizations are included in more than one category, therefore the sum of these exceeds 454):

- 130 large organizations (those with revenues greater than \$1 billion)
- 94 publicly traded companies
- 119 financial services entities
- 121 not-for-profit organizations

The following page provides an overview of the various aspects of an organization's risk management process that we examine, which is followed by a high-level summary of key take-aways from our research. The remainder of the report provides more detailed information about other key findings and related implications for risk oversight.

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Alan T. Dickson Distinguished Professor
Director, ERM Initiative

BRUCE C. BRANSON

Alumni Distinguished Professor of Accounting
Associate Director, ERM Initiative

The ERM Initiative in the Poole College of Management at North Carolina State University provides thought leadership on enterprise risk management (ERM) and its integration with strategic planning and corporate governance, with a focus on helping boards of directors and senior executives gain strategic advantage by strengthening their oversight of all types of risks affecting the enterprise. Our website (<https://www.erm.ncsu.edu>) includes an ERM library that contains summaries of over 600 ERM resources. Additional ERM resources are also available at <https://www.aicpa-cima.com>.

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OVERVIEW OF TOPICS ADDRESSED IN THIS STUDY

Our survey asked participants to respond to over 40 questions that address a number of aspects related to their organization's risk oversight processes. The data in this report summarizes key insights related to the following components of an organization's enterprise-wide risk management approach:

TOPIC	PAGE
Drivers for Enhanced Risk Management	8
Overall State of Risk Management Maturity	16
Strategic Value of Risk Management	21
Impact of Culture on Risk Management	26
Assignment of Risk Management Leadership	32
Risk Identification and Assessment Processes	38
Risk Monitoring Processes	46
Board Risk Oversight Structure	49
Board Reporting and Monitoring	53

At the beginning of each of the sections, we present questions readers can consider as they review the findings summarized in that section. Those questions prompt readers to consider various aspects of their own organization's risk oversight processes as they review the benchmarking information. For each of the above topics, we subdivide the discussion into a number of subtopics. We provide "Key Insights" that highlight the primary take-aways we observe from the data.

The report concludes with a number of "Calls to Action" (see page 60) that include several questions that ERM leaders can use to identify opportunities for improvements in their organization's risk management processes. The Calls to Action encourage readers to consider questions related to these issues:

1. What are management's perceptions about the current approach to risk management?
2. Is there consensus about the most significant enterprise risks?
3. How is the output from risk management used in strategic planning?
4. Does management have access to robust key risk indicators?
5. Is our entity sufficiently prepared to manage a significant risk event?

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EXECUTIVE SUMMARY OF KEY INSIGHTS

While this report provides detailed insights about specific dimensions of risk oversight practices, here are five overarching themes suggested by this year's aggregated findings:

5 Themes:

- 1. Risk management processes may not be keeping pace with realities in the global business environment.** The broader business context is becoming increasingly complex and organizations are facing significant operational disruptions from risk events they have inadequately considered. While two-thirds of respondents describe the volume and complexity of risks as higher than prior levels, less than one-third describe their risk management processes as mature or robust. That suggests a disconnect between risk management capabilities and needs.
- 2. Stakeholders are expecting business leaders to “up their game” in regards to how they anticipate and manage risks.** Boards of directors, regulators, and shareholders are pressuring management to strengthen their organization's resiliency and governance of organizational continuity. Unfortunately, the organization's leadership and culture may not see risk management as an important priority for their organization. Many leaders believe risk management is a distraction. The “tone at the top” may not be sufficiently embracing the value and relevance of risk management in the context of the organization's strategic success. Many tend to view risk management as bureaucratic and non-value adding.
- 3. Entities struggle to integrate risk management and strategic oversight.** While executives appreciate the reality that risk and return are interconnected, most respondents do not view their organization's risk management efforts as providing strategic insight. A majority of respondents indicate their risk management processes are not focused on assessing emerging strategic, market, and industry risks. Instead, the focus is on more traditional internally focused risks related to IT, financial reporting, operations and compliance.
- 4. Fundamental risk management elements are in place, but there is room for enhancing risk metrics to monitor emerging risks from both internal and external drivers.** There has been a surge in the creation of management level risk committees to help management monitor risks across the enterprise and many organizations have standardized templates to help them assess risk probabilities and impact of various risks. Despite that, only 28% describe their key risk indicators (KRIs) to monitor risks as robust and insightful for strategic decision making and most risk management processes are based on qualitative rather than quantitative approaches.
- 5. Risk governance is an important responsibility for the full board of directors; however, most delegate that to a subcommittee.** Most organizations report risks to the board on an annual rather than a quarterly or more frequent basis, despite the ever-changing nature of the global risk environment. Only one-quarter of respondents believe risk information generated by the organization's ERM process is formally discussed by the full board of directors when it discusses the strategic plan. Rich insights about the interconnected nature of risks and their impact on the strategy of the organization should be a primary and regular input to overall board discussions and governance.

The following pages provide more specific highlights of a number of key findings from this year's survey results.

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EXECUTIVE SUMMARY OF KEY INSIGHTS

DRIVERS FOR ENHANCED RISK MANAGEMENT

Several factors are leading to calls for better risk management:

- The volume and complexities of risks remain at high levels as organizations continue to deal with challenges related to the economy and inflation, geopolitical uncertainties affecting trade and supply chains, continual threats related to cyber security and privacy, and the conflict in Eastern Europe among a host of other risk triggers – no type of organization or industry is immune to risk.
- A large majority of organizations have experienced a significant operational surprise in the past five years, which may signal existing deficiencies in their enterprise-wide risk management processes.
- Strengthening organizational resiliency is a priority among many leaders, as risk events continue to unfold at record pace. There is need for real change in how organizations govern business continuity and crisis management.
- Shifting stakeholder expectations for organizations to improve their oversight of risks may be creating pressures for senior executives to be better prepared when unexpected risk events emerge to avoid being surprised.
- Individuals who serve on the board of directors are increasing their calls for effective risk management.

OVERALL STATE OF RISK MANAGEMENT MATURITY

Existing enterprise-wide risk management processes may not be keeping pace with the realities of the fast-changing risk environment:

- More than two-thirds of organizations surveyed still cannot claim they have “complete ERM in place.”
- Fewer than half of respondents describe their organizations’ approach to risk management as “mature” or “robust” here after despite the perception among over two-thirds of the respondents that the volume and complexity of risks has increased noticeably.
- Just over one-half of the public companies surveyed do not describe their risk management processes as robust or mature. Non-profit organizations are less likely to have structured risk management processes relative to other organizations.

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STRATEGIC VALUE OF RISK MANAGEMENT

Organizations struggle to integrate risk management and strategy activities:

- While risk insights should be an important input to strategic planning, most respondents do not believe their risk management processes provide strategic advantage.
- A large percentage of organizations' ERM process does not formally assess emerging strategic, market, or industry risks.
- Many organizations are not emphasizing the consideration of risk exposures when management evaluates different possible strategic initiatives or when making capital allocations.
- Most organizations do not formally articulate tolerances for risk taking as part of their strategic planning activities.
- There is noticeable room for improving ERM processes to help manage risks impacting reputation and brand.
- There are opportunities to reposition an entity's risk management process to ensure risk insights generated are focused on the most important strategic issues.

IMPACT OF CULTURE ON RISK MANAGEMENT

Cultural factors, including the tone at the top set by the board and C-suite may explain the lack of ERM maturity across organizations:

- A dominant belief exists in many organizations that "risks are managed in other ways besides ERM." Others believe there are other more important priorities that compete with the need to enhance risk management.
- Most organizations do not provide training and guidance on risk management, potentially creating a lack of understanding of how proactive versus reactive risk management might help.
- Few organizations embed risk management incentives in performance compensation arrangements.
- There may be a disconnect between desired versus actual risk management capabilities given the majority of organizations describe their risk culture as "strongly risk averse" to "risk averse" despite the finding that only a minority of respondents describe their risk management processes as "mature" or "robust."

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ASSIGNMENT OF RISK MANAGEMENT LEADERSHIP

Organizations are pinpointing leadership of ERM by assigning an individual to serve as chief risk officer and by creating management level risk committees:

- Identifying an executive to lead the risk management process is becoming more common relative to a decade ago; however, still less than one-half of our surveyed organizations are doing so.
- Individuals serving in the CRO or equivalent role most often report directly to either the CEO or CFO.
- A management level risk committee is quite common particularly for large organizations and public companies.
- Most risk committees meet quarterly, with an additional 33% meeting monthly.
- There is a nice mix of executives who serve on management level risk committees, with CFOs most often engaged.

RISK IDENTIFICATION AND ASSESSMENT PROCESSES

Structural components of an ERM process exist, but vary across organizations:

- There is substantial variation in the frequency of updating the identification of risks affecting the enterprise, with around half updating annually with an additional one-third updating semi-annually or quarterly.
- About half of organizations surveyed formally define the term "risk" and when they do, they tend to focus that definition on both the upside (opportunities) and downside (threats) dimensions of risks.
- Some form of standardization, such as a template, is commonly used to engage business leaders across an organization in risk identification activities.
- There is a heavy emphasis on risks related to technology, legal/compliance, and financial issues, with ERM processes less focused on emerging strategic/market/industry risks or risk related to reputation.
- There is a growing trend among organizations to maintain enterprise-level risk inventories compared to a decade earlier; however, the majority of organizations do not aggregate risk information to an enterprise-level inventory of top risks.
- Consistent with the recent past about two-thirds of the largest organizations, public companies, and financial services organizations provide explicit guidelines to business unit leaders for them to use when assessing risk probabilities and impact.
- While organizations on average use both a quantitative and qualitative approach to risk assessment, the process tends to be more qualitative than quantitative.

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RISK MONITORING PROCESSES

Most management dashboards do not include key risk indicators for management to monitor risk trends:

- Across the full sample, only 28% describe their key risk indicators as “mostly” to “extensively” robust, suggesting there is room for improvement in KRIs.
- Data analytic tools may provide opportunities for management to strengthen their management “dashboards” to include more information that helps track potential risks on the horizon.
- Risk communications to senior management are most likely to be *ad hoc* as part of other management meetings.

BOARD RISK OVERSIGHT STRUCTURE

While risk oversight is a core board governance responsibility, most boards of directors delegate responsibility for risk oversight to a subcommittee:

- Boards typically assign formal responsibility for overseeing management’s risk assessment and risk management process to the audit committee, except for financial services organizations that have a risk committee at the board level.
- Delegated responsibility for risk oversight is usually specified in board committee charters.
- The presence of a formal risk management policy statement is mixed across organizations, with fewer than half of all organizations in our survey having a formal statement.

BOARD REPORTING AND MONITORING

Most organizations prepare a formal report on top risks to the board at least annually:

- Financial services organizations are more likely to report risks to the board on a quarterly versus annual basis whereas most other organizations are more likely to report annually rather than quarterly.
- The majority of boards set aside a specific meeting to discuss the aggregate report of top risk exposures facing the organization, particularly for public companies.
- There is noticeable variation in the number of top risk exposures reported to the board across different types of organizations, with most reporting between five and 19 risk exposures.
- The integration of risk information with discussion of the strategic plan is not occurring extensively across most organizations, suggesting there may be opportunities to enhance the integration of risk information with strategic planning efforts for most organizations.
- Organizations of all types are experiencing an increase in the public disclosure of risk information to external stakeholders.

A number of additional insights are contained in the pages that follow. It is our hope that this data provides important insights that business leaders can use to benchmark and improve their organization’s strategic use of risk insights for competitive advantage.

Information Paper
Fiscal and Legal Affairs Committee (FLAC) Meeting – September 20, 2023

Subject: '23-'24 Enterprise Risk Management Advisory Committee (ERMAC) Update

1. Purpose. To advise BOT-FLAC members of significant ERM activities from the past two months and those planned or anticipated for the next two months.

2. Action Recapitulation:

a. Significant ERM Activities from the Past Two Months (July-August):

- Reconstitution of ERMAC Membership for '23-'24 – Issuance of Appointment Letters
- ERMAC New Member Onboarding
- Reset of ERM References and Admin Tools – Meetings Schedule and Themes/Topics
- Initial '23-'24 ERMAC Organizational Meeting and Year 3 ERM Focus Discussion – 8/21
- ERM Consultations/Research/Inquiries – Various Departments

b. Significant ERM Activities Next Two Months (September – October):

- Coordinate '23-'24 Risk Survey and Assessment Strategy in Conjunction with Internal Audit
- Develop Residual ERM Project and Focus Area List for Carry Over Concerns from Year 2 Projects & Identify and Assess New or Emerging Risks
- “Quick Look” Feedback from Departments Represented on the ERMAC Related to Acute Personnel or Financial Resources Adequacy Gaps
- Develop Draft ERM Handbook and ERMAC Charter
- Determine Approaches (and Opportunities) to Infuse Campus Work on UW Strategic Plan and Presidential Goals with Risk Management Considerations
- Share Relevant Materials from 2023 University Risk Management and Insurance Association Annual Conference with Campus Community
- Create and Publish Periodic Risk Management Topical Communications to Employees
- ERM Consultations/Research/Inquiries – Various Departments

3. Other: Attached is the executive summary extract from the recently published 2023 State of Risk Oversight report for reference, and an updated copy of the current ERM Advisory Committee membership.



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