

AGENDA

FINANCE/AUDIT COMMITTEE

UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES

May 10, 2008

1. APPROVAL OF RESOLUTION FOR REFUNDING THE UNIVERSITY OF SOUTHERN INDIANA AUXILIARY SYSTEM VARIABLE RATE DEMAND REVENUE BONDS, SERIES 2001B

At its meeting on March 6, 2008, the Board of Trustees approved the refunding of the auxiliary system variable rate demand revenue bonds, Series 2001B, and the selection of Old National Bank as the provider of the credit facility. Attachment A is a resolution that makes the necessary findings, and approves the necessary documents, to proceed with the transaction. The refunding is tentatively set to close on May 14, 2008.

Approval of the resolution in Attachment A is recommended.

2. RECOMMENDATION TO APPROVE PROPOSED MISCELLANEOUS FEES FOR 2008-2009

Miscellaneous Fees are those fees (other than Contingent, Academic Facilities, Student Services, and Technology Fees) charged to some, but not necessarily all, students in the course of their attendance. Examples include, but are not limited to, Laboratory Fees, Parking Fees, and Late Registration Fees. A schedule of proposed Miscellaneous Fees is in Attachment B.

Approval of a recommendation to the Board of Trustees for approval of the proposed Miscellaneous Fees for 2008-2009 (Attachment B) is recommended.

NOTE: IC 21-14-2 requires state universities in Indiana to approve Mandatory Fees ("Tuition"), such as the Contingent, Academic Facilities, Student Services, and Technology Fees, for a two-year period. Institutions must set those rates on or before May 31 of any odd-numbered year. The Mandatory Fee rates for 2007-2008 and 2008-2009 were approved by the USI Board of Trustees at its meeting in July 2007. Attachment C details those rates and is included for reference.

3. RECOMMENDATION TO APPROVE RESOLUTION AUTHORIZING THE LEASE OF REAL ESTATE TO THE CITY OF EVANSVILLE FOR CONSTRUCTION OF A WATER TOWER

Attachment D is a resolution authorizing the treasurer to negotiate and execute a long-term lease with the City of Evansville for a parcel of land that will allow the city to construct a water tower. The parcel will be an estimated 100' x 100'. The tower is a necessary improvement to the city's west side water distribution infrastructure and is needed to address recurring water pressure and quality issues on the west side. These recurring water issues directly affect the University, and especially affect the 2,500 residents of University housing. The lease would be for a nominal amount and would limit the use of the land to the construction and operation of a water tower. It also would give the University the right to place its logo on the water tower. The location of the water tower would be along Bluff Lane between the USI Foundation office and the support services building now under construction.

Approval of a recommendation to the Board of Trustees to approve a resolution authorizing the lease of real estate to the City of Evansville for construction of a water tower (Attachment D) is recommended.

4. REVIEW OF RISK ASSESSMENT REPORT FOR THE BUSINESS AFFAIRS DIVISION

The Business Affairs Division Risk Assessment Report (Attachment E) will be presented.

**RESOLUTION OF THE FINANCE/AUDIT COMMITTEE OF THE
BOARD OF TRUSTEES OF THE UNIVERSITY OF SOUTHERN INDIANA
FOR REFUNDING THE AUXILIARY SYSTEM VARIABLE RATE DEMAND
REVENUE BONDS, SERIES 2001B**

WHEREAS, the University of Southern Indiana (the "University") has previously issued its Auxiliary System Variable Rate Demand Revenue Bonds, Series 2001B (the "Series 2001B Bonds"); and

WHEREAS, the Series 2001B Bonds were issued for the purpose of financing or refinancing the construction and equipping of O'Bannon Hall, a student housing facility on the University's Evansville campus (the "Project"); and

WHEREAS, the Board of Trustees (the "Board") of the University has determined that a necessity exists to consider a refunding of the Series 2001B Bonds; and

WHEREAS, the Board has full power and authority under and by virtue of the laws of the State of Indiana, including, more particularly, the provisions of the Indiana Code 21-35-3 and 21-35-5, to issue bonds secured by Student Fees to finance and refinance academic and building facilities on its Evansville Campus; and

WHEREAS, by resolution dated March 6, 2008, the Board delegated to the Finance/Audit Committee (the "Committee") of the Board the authority to review and approve the recommendations of the Treasurer and to approve the refunding of the Series 2001B Bonds; and

WHEREAS, the Treasurer has investigated, developed, evaluated and presented a plan of financing to the Committee including a demonstration of expected net savings and including an interest rate swap agreement to manage the interest rate risk on the Series 2008A Bond; and

WHEREAS, the Committee desires to approve the plan of financing presented by the Treasurer; and

WHEREAS, there has now been submitted to the Treasurer a form of Fourth Supplemental Indenture (the "Fourth Supplemental Indenture"), a form of Bond Purchase Agreement (the "Bond Purchase Agreement"), a form of the University's Series 2008A Auxiliary System Revenue Refunding Bond (the "Series 2008A Bond") and a form of Schedule to a 2006 ISDA Master Agreement with Old National Bank and a form of Confirmation (collectively the "Interest Rate Swap") in connection with the issuance of the Series 2008A Bond in an aggregate principal amount not to exceed \$9,800,000.00, which financing and refunding are pending approval by the State Budget Agency of the State of Indiana;

WHEREAS, the Interest Rate Swap is being entered into for the purpose of managing interest rate risk in connection with the Series 2008A Bond; and

NOW, THEREFORE, BE IT RESOLVED by this Committee as follows:

1. The University hereby determines that there is a need for a refunding of the Series 2001B Bonds and that the refunding will benefit the University because (i) a net savings to the University will be effected; or (ii) the net present value of principal and interest payments on the Series 2008A Bond will be less than the net present value of the principal and interest payments on the Series 2001B Bonds.

2. The plan of financing is hereby approved with respect to the refunding of the Series 2001B Bonds. The Interest Rate Swap is hereby designated as related to the Series 2008A Bond.

3. The issuance of the Series 2008A Bond by the University on the terms and conditions set forth in the Bond Purchase Agreement is hereby authorized in the total principal amount not to exceed the sum of \$9,800,000.00. The Series 2008A Bond shall bear interest at a variable rate per annum as set forth in the Fourth Supplemental Indenture and the Bond Purchase Agreement. The final maturity of the Series 2008A Bond shall not extend beyond October 1, 2021, and shall be subject to prior redemption and to periodic payment in quarterly principal installments as set forth in the Fourth Supplemental Indenture and the Bond Purchase Agreement. The Series 2008A Bond shall be sold pursuant to the Bond Purchase Agreement at negotiated sale to Old National Bank, as the sole purchaser.

4. The Fourth Supplemental Indenture is approved in substantially the form submitted to this Committee and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

5. The Bond Purchase Agreement is approved in substantially the form submitted to this Committee and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form submitted to the Board, with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

6. The Interest Rate Swap for the Series 2008A Bond is approved in substantially the form submitted to the Committee and is made a part of this Resolution as if set forth fully herein. The Chair, Vice Chairs, Treasurer, or Assistant Treasurer of the University, or any of them, is hereby authorized to execute and deliver the Interest Rate Swap in substantially the form presented to the Committee, together with necessary supplemental or confirming schedules and documents with those changes in form or substance that the officers executing that document shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

7. The Treasurer or Assistant Treasurer is hereby authorized to prepare the form of Series 2008A Bond, as approved by the Committee, in accordance with this Resolution, required for use in the issuance of the Series 2008A Bond, and to cause the same to be executed manually or by facsimile by the proper officers of the University as provided in the Indenture of Trust dated as of February 1, 2001, between the University and The Bank of New York Trust Company, N.A. (as successor to Fifth Third Bank, Indiana), the Fourth Supplemental Indenture and the Bond Purchase Agreement. Upon execution of the Series 2008A Bond, the Treasurer or Assistant Treasurer shall deliver the Series 2008A Bond to the Trustee for authentication, and upon its authentication, the Treasurer or Assistant Treasurer is authorized and directed to deliver such Series 2008A Bond, upon payment of the purchase price, to the purchaser thereof.

8. The Chair, Vice Chairs, Treasurer, Assistant Treasurer, Secretary, and Assistant Secretary of the University are, and each of them is, hereby authorized and directed to do any and all further acts and things necessary underlying execution and delivery of such additional or supporting agreements, documents or certificates as may be requested or necessary in order to complete the transaction contemplated by the Fourth Supplemental Indenture, Bond Purchase Agreement, Interest Rate Swap, and related documents hereby authorized.

MISCELLANEOUS FEES
2008-2009

	Current Fee	Proposed Fee	Effective Date
Application Fee	25.00	25.00	09/02/08
Audit Fee (plus applicable lab fee)	35.00	35.00	09/02/08
Computer Lab Fee	35.00	35.00	09/02/08
Departmental Exams Fee	15.00	15.00	09/02/08
Distance Education Fee (Learning Center Fee, per credit hour)	25.00	25.00	09/02/08
Distance Education Delivery Fee (per credit hour)	10.00	10.00	09/02/08
Distance Education Supply Fee	100.00	100.00	09/02/08
Health Professions Insurance	15.00	15.00	09/02/08
Health Services Fee	40.00	47.00	09/02/08
Laboratory Fee (College of Science and Engineering)	45.00	45.00	09/02/08
Laboratory Fee (all other colleges)	35.00	35.00	09/02/08
Late Registration Fee (week 1)	30.00	30.00	09/02/08
Late Registration Fee (beginning week 2)	125.00	125.00	09/02/08
Matriculation Fee (all students)	65.00	65.00	09/02/08
Nursing Test Fee	30.00	30.00	09/02/08
Occupational Therapy Clinical Fee	50.00	50.00	09/02/08
Payment Plan Fee	30.00	30.00	09/02/08
Payment Plan Late Fee	25.00	25.00	09/02/08
Physical Education Fee	25.00	25.00	09/02/08
Respiratory Therapy Advanced Life Support Fee	100.00	100.00	09/02/08
Special Course Fee (varies by course; maximum amount)	200.00	200.00	09/02/08
Student Activity Fee (non-mandatory)	25.00	25.00	09/02/08
Studio Fee	35.00	35.00	09/02/08
Study Abroad Fee	100.00	100.00	09/02/08
Transportation and Parking Fee (8 or more credit hours per semester)	50.00	50.00	09/02/08
Transportation and Parking Fee (more than 3 and fewer than 8 credit hours per semester)	40.00	40.00	09/02/08
Transportation and Parking Fee (3 or fewer credit hours)	30.00	30.00	09/02/08

SCHEDULE OF STUDENT FEES AND OTHER MANDATORY FEES
2007-2008 and 2008-2009

STUDENT FEES 2007-2008
(per semester credit hour)

	<u>UNDERGRADUATE</u>		<u>GRADUATE</u>	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
Contingent	\$97.45	\$97.45	\$168.70	\$168.70
Academic Facilities	38.75	38.75	38.75	38.75
Student Services	16.50	16.50	16.50	16.50
Technology	5.00	5.00	5.00	5.00
Non-Resident		218.05		222.90
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$157.70	\$375.75	\$228.95	\$451.85

STUDENT FEES 2008-2009
(per semester credit hour)

	<u>UNDERGRADUATE</u>		<u>GRADUATE</u>	
	<u>Resident</u>	<u>Non-Resident</u>	<u>Resident</u>	<u>Non-Resident</u>
Contingent	\$98.55	\$98.55	\$174.05	\$174.05
Academic Facilities	44.75	44.75	44.75	44.75
Student Services	19.00	19.00	19.00	19.00
Technology	5.00	5.00	5.00	5.00
Non-Resident		231.15		236.30
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$167.30	\$398.45	\$242.80	\$479.10

OTHER MANDATORY FEES

University Services Fee (8 or more credit hours per semester)	\$30.00
University Services Fee (more than 3 and fewer than 8 credit hours per semester)	\$22.75
University Services Fee (3 or fewer hours per semester)	\$10.00

**RESOLUTION OF THE UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES
AUTHORIZING THE LEASE OF REAL ESTATE TO THE CITY OF EVANSVILLE
FOR CONSTRUCTION OF A WATER TOWER**

WHEREAS, the City of Evansville wishes to augment and improve its water distribution infrastructure on the west side of Evansville to enhance water pressure and water quality; and

WHEREAS, the University of Southern Indiana, and in particular its many resident students, would directly benefit from the proposed improvements to the City's water distribution infrastructure; and

WHEREAS, the City of Evansville has identified a parcel of University land that meets the technical requirements for the construction of a water tower that will be a critical part of these improvements; and

WHEREAS, the University has determined the proposed location, along Bluff Lane south of the office of the University of Southern Indiana Foundation, can be used for a water tower and not interfere in the future development of the University; and

WHEREAS, this proposed improvement to the City's water distribution infrastructure will be constructed at no cost to the University, other than the leasing of the subject parcel of land at a nominal amount; and

WHEREAS, the parcel of land proposed for the water tower will be approximately 100 feet by 100 feet in size;

NOW THEREFORE BE IT RESOLVED:

1. The Board of Trustees of the University of Southern Indiana finds and determines that the proposed improvements to the City's water distribution infrastructure will be of direct and substantial benefit to the University; and

2. The Board of Trustees further finds and determines that the benefit to the University justifies a long-term lease of the required parcel of land for a nominal amount; and

3. The Board of Trustees directs that any and all agreements between the City of Evansville and the University of Southern Indiana regarding the use of the subject parcel for the construction of a water tower strictly limit the use of the land for the term of the agreement solely to the construction and operation of a water tower and no other use; and

4. The Board of Trustees directs that any and all agreements with the City of Evansville require that, in the event the resultant water tower and related infrastructure cease to be used as such, they be removed from University property at the City's sole expense within one year of such cessation of use; and

5. The Treasurer of the University is hereby fully and completely authorized to negotiate and execute any and all required agreements with the City, including, but not limited to, the lease of University land for an extended term, necessary to allow the City to construct a water tower on the subject parcel of land.



UNIVERSITY OF SOUTHERN INDIANA

BUSINESS AFFAIRS RISK ASSESSMENT REPORT

Prepared by

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and

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Internal Audit Department Risk Assessment Survey

University Division: **BUSINESS AFFAIRS**

Step 1: Identify the area's mission and goals.

Mission: The mission of the Business Affairs division is to further the cost effective, efficient, and fiscally prudent operation of the University; support the academic goals of the University; and enhance the operating prospects of the University. The Business Affairs division will achieve this mission through:

- Good stewardship of the University's assets
- Professional development of the Business Affairs staff
- The application of sound business and financial management principals to the operation of the University
- The provision of good service to the students, faculty, and staff of the University

Long-Term Goals or Objectives:

- The continued development of an enhanced sense of community at the University, both through the ongoing development of the campus and its buildings, and in partnership with Academic and Student Affairs in their various community-building initiatives
- The enhancement of the University's asset base through good stewardship of fiscal and physical assets
- The judicious application of University assets in the achievement of the academic and programmatic goals of the University
- The ongoing review, updating, and enhancement of Business Affairs policies and practices
- Continual review of the internal and external operating environment of the University, making operating adjustments as required

Short-Term Goals or Objectives:

- The delivery, on time and on budget, of over \$70 million in major capital improvements planned and funded over the next three years
- The borrowing of the attendant capital necessary to construct the planned improvements
- Providing the fiscal orientation for several new Board of Trustee members scheduled to be appointed July 1, 2008
- Supporting the needs of the pending executive leadership transition

Step 2: Identify the core processes (major functions) that support Business Affairs' mission and accomplishment of its goals and objectives.

- Business Affairs administration
- Business Office operations and services
- Risk management and environmental health/safety
- Computer and telecommunication operations
- Safety and security operations
- Physical plant operations
- Budgeting
- Internal auditing
- Financing and investing

Step 3: List the key activities performed for each of the core processes (major functions).

A. Business Affairs administration

- Represent the University on financial matters to the Board of Trustees
- Oversee development of operating budget; identify problems and opportunities
- Provide vision, inspiration, and effective leadership for the division
- Chair, serve, and represent the division and the University on numerous committees on and off campus
- Promote continued professional growth and development division wide
- Oversee planning, financing, and completion of construction projects
- Resolve issues as requested by the president

B. Business Office operations and services

- General accounting
- Accounts payable
- Bursar/cashier operations
- Inventory and fixed asset management
- Bookstore operations
- Travel services
- Procurement services
- Distribution services

C. Risk management and environmental health/safety

- Protect from risk of accidental injury and financial loss
- Provide programs on safe and healthy work/study conditions
- Provide education and training on environmental laws and regulations
- Provide technical services, periodic audits, and compliance assistance

D. Computer and telecommunications operations

- Provide computer hardware and software support and maintenance
- Maintain administrative software system (Banner)
- Provide network services and support
- Provide Web services support and maintenance
- Maintain and support academic computer labs
- Maintain and support library system support
- Provide telecommunications and voice mail

E. Safety and security operations

- 24/7 presence on campus
- Traffic and parking control
- Security of physical assets
- Safety of employees, students, and guests
- Provide first aid and emergency procedures
- Provide method to report crimes
- Teach and enforce code of student behavior

F. Physical plant operations

- Building maintenance
- Custodial services
- Grounds maintenance
- Special event and moving services
- Central heating and cooling plant operations
- Utility and energy management
- Fleet vehicle operations
- Construction and renovation planning
- Construction management

G. Internal auditing

- Risk assessment
- Compliance audits
- Financial audits
- Operational audits
- Internal control reviews

H. Budgeting

- Establish University operating budgets
- Assist departments in development and control of budgets
- Prepare schedules for biennial budgets
- Serve as liaison between business office and other departments

H. Financing and investing

- Issue bonds for capital projects
- Manage cash flow to meet daily/monthly needs
- Invest funds per policy

Step 4: Prepare a list of consequences that may occur if Business Affairs is unable to meet its goals and objectives. Rank the consequences based on the impact each would have on Business Affairs should it occur, no matter the reason.

CONSEQUENCES		IMPACT VALUE
0	Students unprepared to 'live wisely'	H
1	Loss of significant future revenue stream	H
2	Loss of credibility (long term bad PR)	H
3	Loss of significant assets	H
4	Declining enrollment	H
5	Significant interruption to business continuity	H
6	Death/Major injury	H
7	No awareness of USI - no name recognition	H
8	Decisions based on inaccurate or unreliable information	H
9	Qualified or adverse audit opinion	H
10	Low morale	M
11	Bad PR (short term)	M
12	Civil fines, penalties, or sanctions	M
13	Increased oversight	M
14	Loss of knowledge base (key personnel or data)	M
15	Re-work/Inefficiency	M
16	Lawsuits – individual	M
17	Criminal punishment	M
18	Lawsuits – class action	L
19	Letter of reprimand	L
20	Return funds	L
21	Increased costs	L

High = the consequence will prevent the organization/unit from meeting its goal and objectives.
Medium = the consequence will only slow, or make inefficient, the organization/unit from meeting its goals and objectives.
Low = the consequences will have little or no effect on the organization/unit meeting its goals and objectives.

NOTE: There is no significance to the order of consequences within each category.

Step 5: Brainstorm risks or challenges associated with each core process based on the activities identified in step 3.

Step 6: Using the ranked consequences, assign an IMPACT value to each risk/challenge based on the most likely consequence(s) should that risk happen.

Step 7: Assign a PROBABILITY value (High, Medium, Low) of the risk happening if there are no supervisory or oversight controls in place. [NOTE: This means only operating controls are in place, such as training and written policies and procedures that describe how to perform a task.]

The results of these steps are reflected on the following pages.

Core Process: Business Affairs administration	Impact	Prob.	Ranking	Consequences
1. Ineffective leadership	M	L	ML	2, 3, 10, 13, 15
2. Key staff turnover	M	H	MH	10, 14, 15
3. Insufficient budget dollars	H	L	HL	1, 3, 4, 10
4. Inadequate monitoring of productivity	M	L	ML	10, 13, 15
5. Ineffective communication with direct reports	M	L	ML	10, 13, 14, 15
6. Ineffective communication with other university departments	M	L	ML	1, 2, 4, 10, 13, 15, 16
7. Failure to identify and manage risks	M	M	MM	3, 6, 12, 13, 16, 17, 18, 19, 20, 21
8. Inadequate disaster recovery and business continuity plans	M	M	MM	5, 6, 11, 12, 13, 15, 18, 21

Core Process: Business Office operations	Impact	Prob.	Ranking	Consequences
1. Inaccurate/untimely posting of financial information – receivables, payables, receipts, disbursements, etc.	M	L	ML	2, 3, 8, 9, 12, 13, 15, 19
2. Vendor payment errors not detected in timely manner	M	M	MM	11, 13, 15
3. Failure to follow governmental accounting standards	M	L	ML	2, 9, 13, 15, 19
4. Failure to follow USI policies and procedures	M	L	ML	2, 10, 13, 15, 19
5. Lack of knowledge of IRS regulations and changes	M	M	MM	2, 12, 13, 15, 19
6. Inappropriate use of University assets	M	L	ML	11, 13, 14, 21
7. Inappropriate release of confidential information	M	L	ML	11, 12, 16, 19
8. Computer systems malfunction/downtime	M	M	MM	5, 10, 11, 15
9. Conflicts of interest – vendor/employee	M	L	ML	2, 13, 17
10. Employee collusion, fraud, or theft	M	M	MM	2, 3, 10, 13, 15, 21
11. Cash and other assets not adequately safeguarded	M	M	MM	3, 11, 13, 15, 21
12. Capital assets valued incorrectly	H	L	HL	8, 9, 13, 15

Core Process: Risk Management and Environmental Safety	Impact	Prob.	Ranking	Consequences
1. Failure to alert campus community of hazardous materials in the workplace	M	M	MM	5, 6, 11, 12, 13, 15, 16, 21
2. Failure to comply with environmental health and safety regulatory requirements	M	M	MM	5, 6, 11, 12, 13, 15, 16, 21
3. Failure to provide environmental health and safety educational programs and training to USI constituents	M	L	ML	11, 12, 13
4. Inadequate insurance coverage	H	L	HL	1, 3, 4, 5, 8, 10, 16, 21
5. Increasing premium costs	L	H	LH	21

Core Process: Computer & Telecommunications services	Impact	Prob.	Ranking	Consequences
1. Attracting and/or maintaining qualified staff	M	M	MM	10, 11, 13, 14, 15, 21
2. Failure to keep pace with technology changes – software/hardware upgrades	M	M	MM	11, 13, 14, 15
3. Failure to maintain secure IT environment	M	M	MM	2, 3, 12, 13, 16, 18, 19
4. Unavailability of systems/necessary services – unscheduled downtime	M	L	ML	5, 8, 10, 11, 13, 15, 21
5. Inappropriate destruction or retention of data	M	L	ML	3, 8, 12, 13, 15
6. Failure to adequately protect/recover data from man-made or natural disasters	H	M	HM	3, 5, 8, 11, 13, 15

Core Process: Safety and security	Impact	Prob.	Ranking	Consequences
1. Inadequate staffing	M	L	ML	10, 11, 15
2. Inadequate emergency response plans for major disasters – natural or man-made	M	L	ML	2, 3, 6, 13, 15, 16, 17, 18
3. Inadequate education of campus community on emergency procedures	M	L	MM	6, 8, 11, 12, 13, 15, 16
4. Poor coordination with other law enforcement agencies	M	L	ML	10, 11, 13, 15
5. Failure to respond in a timely and appropriate manner	M	L	ML	3, 5, 6, 11, 13, 14, 16
6. Communications breakdown in emergency situation	M	L	ML	3, 6, 11, 13, 15, 16
7. Failure to practice safe campus procedures	M	L	ML	2, 10, 13, 15
8. Failure to test emergency response plans	M	M	MM	3, 5, 6, 11, 13, 15, 16

Core Process: Physical Plant operations	Impact	Prob.	Ranking	Consequences
1. Failure to attract qualified people for key positions (e.g., HVAC operator, maintenance mechanics)	M	H	MH	10, 13, 14, 15
2. Failure to maintain capacity to operate campus boilers, chillers, electrical, or HVAC	H	L	HL	3, 5, 11, 13
3. Failure to perform maintenance on facilities	M	L	ML	10, 11, 12
4. Failure to manage outsourced services (e.g., fire sprinklers, alarms and elevator maintenance, snow/ice removal, etc.)	M	L	ML	2, 6, 10, 12, 16
5. Theft or abuse of equipment, tools, supplies, or fuel	M	M	MM	3, 11, 13, 21
6. Failure to maintain and construct building components to current building or seismic codes	M	L	ML	12, 15
7. Inability to control utilities costs	M	H	MH	3, 5, 21
8. Dependency on city and Vectren for water and electricity	H	H	HH	5
9. Safety concerns of 15-passenger vans and fleet of golf carts on campus	M	M	MM	6, 11, 16
10. Excessive employee absenteeism	M	H	MH	10, 14, 15, 21
11. Failure to fill open positions in timely manner	M	H	MH	10, 11, 15
12. Serious accident at construction site	M	M	MM	6, 11, 12, 16

Core Process: Internal audit	Impact	Prob.	Ranking	Consequences
1. Inadequate audit coverage	M	H	MH	8, 10, 13
2. Audits not focused on risk and/or significance	M	M	MM	2, 8, 15, 21
3. Audits not performed objectively	M	L	ML	2, 8, 13, 15, 19
4. Insufficient audit staff	M	M	MM	10, 13, 15
5. Noncompliance with IIA Standards	M	M	MM	10, 12, 13, 19
6. Restricted independence/scope/access	H	L	HL	2, 3, 8, 9, 10
7. Lack of management or audit committee support	H	L	HL	2, 10
8. Inability to communicate effectively with auditee, management, or audit committee	M	M	MM	2, 10, 15

Core Process: Budgeting	Impact	Prob.	Ranking	Consequences
1. Decreasing State appropriation	H	M	HM	1, 4, 10
2. Insufficient budget staff	M	H	MH	10, 11, 13, 14, 15
3. Competing budget priorities	M	H	MH	10, 11
4. Understated expenditure and/or overstated revenue budgets (significant variances)	M	M	MML	8, 11, 13, 15
5. Budget additions or changes not properly approved or traceable	M	M	MM	8, 13, 15
6. Inability to control consistent budget overruns year after year	M	M	MM	11, 13, 15, 21
7. Inability to prevent end-of-year spending to 'use up' available budget	M	L	ML	11, 13, 15, 21

Core Process: Financing and investing	Impact	Prob.	Ranking	Consequences
1. Rating change of underlying credit instrument, either bond insurance or bank liquidity	M	M	MM	15, 21
2. Failure to meet spending requirements for tax-exempt borrowing	M	M	MM	13, 20
3. Inability to make timely payment of principal and interest	H	L	HL	2, 5, 13
4. Downgrade in our stand-alone rating causing increase in the cost of borrowing	M	L	ML	11, 13, 21
5. Failure to meet the 'private use' restriction for space constructed with tax exempt financing	M	L	ML	11, 13, 21
6. Failure to ensure that cash flow is adequate to meet daily needs, payroll, and periodic large outlays such as bond payments	H	L	HL	2, 5, 13
7. Failure to maximize revenue generation while maintaining investment security	M	L	ML	13, 21
8. Minimizing lost revenue associated with interest-loss requirements from early cash-in of investment	M	L	ML	13, 21
9. Market values affected by the change in the interest rate environment	M	H	MH	13, 21
10. Call provisions associated with the purchase of notes or bonds	M	H	MH	13, 21
11. Allowing funds to sit in non-interest earning accounts	M	L	ML	13, 21

Point values: H = 3; M = 2; L = 1

Impact based on average score of Consequences listed:

H = 2.5 and above
M = 1.5 thru 2.49
L = < 1.5

Ranking scores:


HH, HM
HL, MH
MM, ML, LH
LM, LL




Critical Risk
Near-Critical Risk
Moderate Risk
Low Risk

Step 8: Generate a Risk Footprint based on the risks and associated rankings for each core process.
See attached.

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		RISKS 											
CORE PROCESSES		1		2		3		4		5		6	
Physical plant operations	HH	Dependency on city and Vectren for water and electricity	HL	Failure to maintain capacity to operate campus boilers, chillers, electrical, or HVAC	MH	Failure to attract qualified people for key positions	MH	Inability to control utilities costs	MH	Excessive employee absenteeism	MH	Failure to fill open positions in timely manner	
Budgeting	HM	Decreasing State appropriation	MH	Competing budget priorities	MH	Insufficient budget staff	MM	Significantly understated expense and/or overstated revenue budgets	MM	Budget additions or changes not properly approved or traceable	MM	Inability to control consistent budget overruns year after year	
Computer and telecommunications services	HM	Failure to protect/recover data from man-made or natural disasters	MM	Attracting and/or retaining qualified staff	MM	Failure to keep pace with technology changes	MM	Failure to maintain secure IT environment	ML	Unavailability of systems/necessary services	ML	Inappropriate destruction or retention of data	
Finance and investing	HL	Inability to make timely payment of principal and interest	HL	Failure to ensure that cash flow is adequate to meet daily needs	MH	Market values affected by change in interest rate	MH	Call provisions associated with the purchase of notes or bonds	MM	Rating change of underlying credit instruments	MM	Failure to meet spending requirements for tax exempt borrowing	
Internal auditing	HL	Restricted independence/scope/access	HL	Lack of management or audit committee support	MH	Inadequate audit coverage	MM	Audits not focused on risk and/or significance	MM	Insufficient audit staff	MM	Noncompliance with IIA Standards	
Business Affairs administration	HL	Insufficient budget dollars	MH	Key staff turnover	MM	Failure to identify and manage risks	MM	Inadequate disaster recovery and business continuity plans	ML	Ineffective leadership	ML	Inadequate monitoring of productivity	
Business Office operations	HL	Capital assets valued incorrectly	MM	Vendor payment errors not detected in timely manner	MM	Lack of knowledge of IRS regulations and changes	MM	Computer systems malfunction/downtime	MM	Employee collusion, fraud, or theft	MM	Cash and other assets not adequately safeguarded	
Risk Management and Environmental Health and Safety	HL	Inadequate insurance coverage	MM	Failure to alert campus community of hazardous materials in workplace	MM	Failure to comply with environmental health and safety regulatory requirements	ML	Failure to provide environmental health and safety educational programs to constituents	LH	Increasing premium costs			

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CORE PROCESSES		RISKS 											
		1		2		3		4		5		6	
Safety and security operations		MM	Failure to test emergency response plans	ML	Inadequate staffing	ML	Inadequate emergency response plans for major disasters	ML	Inadequate education of campus community on emergency procedures	ML	Poor coordination with other law enforcement agencies	ML	Failure to respond in a timely and appropriate manner

HH, HM  Critical Risk

HL, MH  Near Critical Risk


MM, ML, LH  Moderate Risk

LM, LL  Low Risk

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CORE PROCESSES	RISKS →											
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		RISKS 											
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HH, HM  Critical Risk

HL, MH  Near Critical Risk

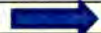
MM, ML, LH  Moderate Risk

LM, LL  Low Risk

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		RISKS 										
CORE PROCESSES		7	8	9	10	11	12					
Physical plant operations	MM	Serious accident at construction site	MM	Theft or abuse of equipment, tools, supplies, or fuel	MM	Safety concerns of 15-passenger vans and fleet of golf carts on campus	ML	Failure to perform maintenance on facilities	ML	Failure to manage outsourced services	ML	Failure to maintain and construct building components to current building or seismic codes
Budgeting	ML	Inability to prevent end-of-year spending to 'use up' available budget										
Computer and telecommunications services												
Finance and investing	ML	Failure to meet the 'private use' restriction for space constructed with tax-exempt financing	ML	Failure to maximize revenue generation while maintaining investment security	ML	Minimizing lost revenue associated with interest-loss requirements from early cash-in of investment	ML	Allowing funds to sit in non-interest earning accounts	ML	Downgrade in stand-alone rating causing increase in cost of borrowing		
Internal auditing	MM	Inability to communicate effectively	ML	Audits not performed objectively								
Business Affairs administration	ML	Ineffective communication with direct reports	ML	Ineffective communication with other University departments								
Business Office operations	ML	Inaccurate/untimely posting of financial information	ML	Failure to follow governmental accounting standards	ML	Failure to follow USI policies and procedures	ML	Inappropriate use of University assets	ML	Inappropriate release of confidential information	ML	Conflicts of interest – vendor/employee
Risk Management and Environmental Health and Safety												

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CORE PROCESSES		RISKS 												
		7	8	9	10	11	12							
Safety and security operations	ML	Communication breakdown in emergency situation	ML	Failure to test emergency response plans										

HH, HM  Critical Risk

HL, MH  Near Critical Risk

MM, ML, LH  Moderate Risk

LM, LL  Low Risk