

**Heritage University**  
**Risk Management and Related Control Systems**  
**June 2011**

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## **1) University Overview**

Heritage University has provided quality higher education opportunities in the Yakima Valley for over 28 years. During these years the University has grown not only in size, but in system sophistication. This process of growth is ongoing and is intended to reflect the ever changing environment encountered in the educational process. The Board of Director and Management team generate a multi-year strategic plan that incorporates the mission of the University into measurable performance objectives. These objectives are reviewed on an annual basis by the Board of Directors as to accomplishment and ongoing purpose. The Strategic Plan is modified as needed to remain a viable foundation for University operations.

The University operates in a number of locations across the State of Washington under accreditation approval of both the Northwest College and University Accreditation Association and the Washington State Higher Education Board. Our main campus is in Toppenish Washington with satellite sites in Moses Lake, Tri-Cities, Seattle, and Yakima.

We currently have over 1,400 students with two major colleges.

## **2) Management Prospective**

The Management of the University is composed of the following:

Kathleen Ross	President thru 7/15/2010
John Bassett	President beginning 7/15/10
Sneh Veena	Provost and Academic V.P.
Rick Gagnier	V.P. for Support Services and CFO
Michael Moore	VP for Advancement

Each of the vice-presidents is responsible for their assigned areas and they report directly to the President of the University. They operate as a team with the President to develop specific goals and objectives consistent with the Mission of the University and Board directed Strategic Plan. The identification and management of risk is a shared responsibility.

## **3) Conflict of Interest**

The University has a clearly stated policy on conflict of interest for both the Board of Directors and the management of the University. The main focus of the policy is to identify conflict of interest areas and practices inconsistent with the operating philosophy

of the University. The highest level of professional conduct is expected of the Board and Management of the University. The standards are consistent with national and state guidelines. A copy of the Conflict of Interest policy is available in the University Policy Book.

#### 4) Risk Management

a) **Major Risk Elements-** The identification of major risk elements is an ongoing process. The University believes the identification of major risk factors is the first step to the development and design of risk management systems and internal control process. The list changes as our environment changes. An example of this is the recent focus on campus security from external un-authorized persons. The current list of major elements includes the following:

- 1) **Board of Directors Accountability** – We believe the Board of Directors should be composed of responsible individuals that widely represent of Mission of the University. These individuals need to be fully aware of their responsibilities and comfortable with the University systems that provide information and accountability to them for the operation of the University. The major committees of the Board are a) Executive Committee, b) Finance /Audit/Investment Committee, c) Academic Committee, d) Advancement Committee, e) Membership Committee, f) Tribal Relations Committee, and newly formed g) Facilities Committee. Each of these committees meets on a regularly scheduled basis and operates using an agenda and formal minutes of their proceedings.
- 2) **Management Accountability** – We believe that every member of management has a responsibility to perform in a professional manner with a focus on the best interests of the University. Due diligence in each of their areas or responsibility is expected and monitored through annual performance evaluations and updated job descriptions. Each manager oversees a budget of resources for their department that includes personnel and materials. Managers with grant responsibilities are expected to fully understand the purpose, scope, compliance, and accountabilities related to their grant funds.
- 3) **Loss of Assets** - The proper preservation of University assets is a priority of management. We have identified material assets at a value of \$5,000. These items include investments, major equipment, land, buildings, and valuable papers, student records, and collections. In addition, we have identified ‘attractive and high theft potential assets. This second class of assets includes computer equipment, small tools, small equipment, and bookstore items that are prone to theft.

- 4) **Loss of Accreditation** – We keenly understand the critical value of our state and national accreditation. Without proper accreditation it becomes impossible for us to achieve the mission of the University. There is an ongoing effort to involve our staff in the accreditation process for not only Heritage University but the accreditation process for other Departments of the University. The learning and awareness process that is achieved by our staff visiting other University during their accreditation process directly translates into our ability to maintain our own accreditation. Currently the following members of our staff have participated in the NW accreditation visits to other Universities: Sneh Veena, Rick Gagnier, Corrine McGuigan, Jim Borst, and Kathleen Ross. We will undergo a University wide 10 year accreditation review starting in 2011. We formally started our preparation for the review in early 2009. Each Vice President will guide the preparation for their respective areas.
- 5) **Student Admissions Standards** – Our Mission is to Provide Educational Opportunities to Student Populations underserved by regular higher education programs. We endeavor to provide encouragement to student's seeking a higher education. The admissions standards for the University have strengthened over the years. Our focus on admissions is to provide students that have the potential to graduate from college an opportunity to attend our University. We understand that many students have not been properly prepared for college level work. Through various testing process we try to identify those student with the potential to graduate. We keenly understand the financial realities for students that start the college process and then fail to graduate. They are left with significant financial loans without a corresponding increase in their earning ability. We currently use the COMPASS testing system to measure readiness for college level work.
- 6) **Information and Record Loss or Destruction** – We understand the high value and difficult if not impossible ability to replace lost or destroyed information or records. The majority of our student, financial, and donor records are in electronic data bases. The Jenzabar and Blackbaud systems are the core of our University record system. As such each system is regularly backed up with backup copies stores off-site.
- 7) **Student Information Confidentially Systems** – We are very careful to maintain strict student information confidentially. This is required by the federal agencies that provide financial aid as well as the accreditation agencies that oversee our operations. Student records include social security numbers, marital status, addresses, grades, academic standing, and financial records such as FERPA information. We have implemented an Identity Theft Policy and are limiting access to individual's social security numbers.

- 8) **Student Accounts** – Our student accounts as the source of our tuition funds. They represent 70% of our income. Maintaining accuracy, timeliness, completeness and accessibility to students is a high priority.
  - 9) **Grant Management Compliance** – A major source of funds for both the University and our students are the many grants received by the University. Each grant comes with specific expectations and outcomes from the granting agency. Fiscal and programmatic compliance with each grants requirement is a high priority of the University. (For more detail, see the Financial Procedures Manual.)
  - 10) **Financial Information Completeness and Accuracy** – Our financial integrity rests on the accuracy and completeness of our financial operation and information. The financial reports that provide management with information for internal decision making form the basis of our accountability system. In addition, the external reports we prepare for Board Members and the various reporting agencies must be accurate, timely, and complete so as to instill confidence in our financial operation. (For more detail, see the Financial Procedures Manual.)
  - 11) **Tax Return Preparation** – We understand the need to report our financial operations on a timely manner to the various taxing and government regulatory agencies. We routinely provide state sales and use tax reports, county property tax reports, and federal 990 and 5500 reports. This has been impacted by new rules and Federal regulations. We are working closely with our auditor to insure timely and accurate reporting.
- b) **Insurance Coverage** – A generally excepted risk management process is the purchase of insurance to mitigate significant financial risks. The University has elected to purchase the following types of insurance:
- 1) **Errors and Omissions Insurance** – This insurance provides protection to the Board of Directors and every employee for the risk or actions (non-criminal) that result in a liability or loss to the University. In addition this insurance provides coverage for failing to act that might also cause damage or generate a liability for the University. This coverage is provided by United Educators, a copy of the policy is available in the CFO office for review.
  - 2) **General Property and Liability Insurance** – This insurance provides protection from the loss of property (buildings, equipment, and cash). In addition is insurance provides general liability coverage for damages to others persons or property that is caused by the University or its staff. This coverage is provided by Conover Insurance, a copy of the policy is available in the CFO office for review.

- c) **Employee Training** – It is vital for the University to train and prepare our employees for their assigned duties. The changing nature of each job requires an on-going formal training process to insure professional quality work. Each employee group (management, faculty, and staff) has a process for employee training and development. This process is managed by the Human Resources department of the University. A copy of the staff development plan is available in the HR Office.
- d) **Internal Control System Major Elements** – The major internal control systems in operation at Heritage University are as follows:
- 1) **Human Resource Systems** – The management of our personnel is by our HR Director.
  - 2) **Procurement Systems** – The purchase of equipment, supplies, contract services, travel, are managed by our purchasing agent with the help of our Controller & Director of Plant & Maintenance.
  - 3) **Theft Prevention** – We utilize cameras, inventories, management observation, cash management, and regular review to control our theft prevention. Both our Controller and Director of Plant & Maintenance are key to the process.
  - 4) **Investment Management** – Our major investments are managed by a third party under contract (Baker Boyer Bank) under the direction of the Board Finance Committee.
  - 5) **Endowment Management** – We individually account for each endowment gift and insure the purpose and amount directed by the donor are honored. The Controller and Advancement department are responsible for this activity.
  - 6) **Revenue Recognition Standards** – We subscribe to the national guidelines for revenue recognition for private non-profit universities. Our Controller oversees the timeliness and accuracy of this activity.
  - 7) **Fiscal Calendar Management** – The University has a number of financial calendar related activities that take place on a regular basis. The range is from payroll processing to student account drawdown, financial reporting, and grant accounts. A comprehensive calendar that outlines the specific date for each activity has proven very helpful in maintaining an orderly system to our financial activities.
  - 8) **Technology Systems** – The core of our daily operations revolves around our technology systems. Student admissions, registration, student's accounts, payroll, accounting, donor management, and financial reporting are directly tied to our data bases and technology systems.
  - 9) **Accounting Systems** – Our accounting system provides both historical accounting information and real-time information for decision making purposes. We use the Jenzabar EX system to manage this critical area. (For more detail, see the Financial Procedures Manual. Specific modules covered by EX are General Ledger, Accounts Payable,

Accounts Receivable, and Payroll. Fixed Assets is covered by the Sage Software)

## **6) External Auditor**

The external auditor provides independent verification of the operation the University. They provide a careful review of our financial and compliance operation, systems, and controls. They issue reports that provide assurance to other both inside and outside of the University as to our financial and operational integrity. Heritage University contracts with the certified public accounting firm of Moss Adams for this vital service. Of particular importance is the grant compliance verification and the management letter. Both of these reports provide insight into the overall operation of the University.