GLBA Requirements for Higher Education Institutions and an Introduction to Risk Assessments

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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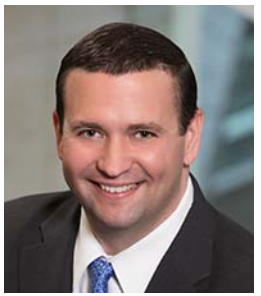
Learning Objectives

- Outline GLBA's specific requirements as they relate to the higher education industry
- Identify what is required in the Compliance Supplement as it relates to Student Financial Aid and what could potentially be included in the future
- Describe the GLBA risk assessment process and key steps required in the risk assessment

Speaker Introductions



Brian Pye

- Principal
- More than 20 years of experience
- Provides internal audit and information security services for higher education, governmental entities, and financial institutions
- Experience in risk assessments, IT general controls review, and internal auditing outsourcing

Speaker Introductions

Kadian Douglas

- Principal
- More than 12 years of experience in the industry
- Provides information security services for higher education, governmental entities, and financial institutions
- Experience in risk assessments, IT general controls review, and internal auditing outsourcing for financial and operational audits

Question #1

What year end describes your institution?

a. Prior to June 30
b. June 30 and later

What is GLBA?

- The Gramm Leach Bliley Act (GLBA) was first developed for and is applicable to “financial institutions” and requires that customer information is secure and confidential
- Colleges and Universities are considered financial institutions under GLBA.

GLBA Requirements

- Pretexting Rule
  - Addresses access to information under falls pretense
  - Addressed under the Red Flags rule
- Privacy Rule
  - Protection of and security of nonpublic information
  - If the institution is following Family Educational Rights and Privacy Act (FERPA) regulations this would address the privacy rule
- Safeguarding Rule
  - Addresses information security policies, risk assessments and controls in place mitigate identified risks.

Higher Education GLBA Requirement References

- The following includes documentation regarding the requirement for higher education institutions to be compliant with GLBA safeguards
  - Program Participation Agreement (PPA)
  - Federal Student Aid (FSA)
  - Student Aid Internet Gateway (SAIG)

2019 Fiscal Year Compliance Requirement

- The Institution has designated an individual to coordinate the information security program

- Institution has performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4

- Institution has documented a safeguard for each risk identified

Potential Future Addition

- Monitoring of third party service providers

- Potentially performing GLBA compliance in other processes/departments within the institution

Detail of the Risk Assessment Requirement

- Institution has performed a risk assessment that addresses the three required areas noted in 16 CFR 314.4
  - Employee training and management
  - Information systems, including network and software design, as well as information processing, storage, transmission and disposal; and
  - Detecting, preventing and responding to attacks, intrusions, or other systems failures

What is a Risk Assessment?

- A systematic process for utilizing professional judgments to evaluate probable adverse conditions and/or events and their potential effects on your organization.

- A process for risk identification and prioritization of the higher education institution's key business risks (i.e. operational, financial, strategic).

Question #2

Do you use a formal risk assessment process at your institution?

a. Yes
b. No

Why is a Risk Assessment important?

- Why is a Risk Assessment Important?
  - Proactive approach to removing potential barriers
  - Helps the institutions focus resources
  - Helps identify unknown risks

Question #3

- Identify a risk that impacts your institution

Major Types of Risk and Risk Areas (Examples)

Department for an Information Security Risk Assessment

The risks associated with collecting , storing and processing students data

- Admissions
- Registrar
- Student Financial Aid
- Student Services
- Academic Affairs
- Facilities
- Bursar
- Human Resources
- Health Services (clinic)
- Athletics
- Marketing and communications
- Operations and Auxiliary Services (bookstore, food services)

Major Types of IT Risk and IT Risk Areas (Examples)

IT computing environment

Risks associated with the organization's IT systems

- Hardware
- Software
- System interfaces
- Databases
- System and data criticality (system's importance to the organization)
- System and data sensitivity
- Data backup and recovery process

Logical access

- Password Administration
- Direct access to data
- Physical access to data centers/facilities/equipment
- Lack of segregation of duties

Network security and availability

- System security policies
- System security architecture

Operational environment of IT systems

- Functional requirements of IT system
- Users of the IT system
- Management of data changes

Execute Risk Assessment Approach

- **Planning & Data Gathering**:

  Validate objectives, scope, and approach; understanding of expectations, develop a project plan, etc.

- **Interviews / Surveys**:

  Identifying various participants, including key process owners and conduct interviews and/or surveys. Key risks are gathered and documented during this stage.

- **Ranking of Risks**:

  Using the risk model we rank each identified risk as high, moderate, or low based on the defined impact and vulnerability criteria.

- **Validation of Risks**:

  Discuss and validate all risks identified, including risk rankings and recommendations with the institution.

- **Reporting Results**:

  Develop a report that is inclusive of the risk assessment methodology; the scope, objectives, and approach taken; and the specific risks identified including recommendations and risk ranking.

Identify and Analyze Risks

- Criteria for selecting Auditable Units:
  - Collects, store, process and share student sensitive and confidential information
- Risk forms:
  - Inherent
  - Residual

Identify and Analyze Risks, cont'd

- Define the Objectives Universe
  - Start with protecting and safeguarding student sensitive and confidential information
  - Determine alignment with organization's overall mission/vision
  - Categories of objectives
    - ◊ Reliability and integrity of information
    - ◊ Effectiveness and efficiency of operations
    - ◊ Safeguarding of assets
    - ◊ Compliance with laws, regulations and contracts

Identify and Analyze Risks, cont'd

- Define the Risk Universe
  - If you don't identify it, you can't measure, prioritize or manage it
  - Dependencies for success:
    - ◊ Thorough understanding of auditable units
    - ◊ Process to generalist list of possible risks
      - Risk framework
      - Questionnaires, Interviews
      - Prior Audit Results
      - Industry data

Identify and Analyze Risks, cont'd

- Define the Risk Universe, cont'd
  - Use of a Risk Framework
    - ◊ Exposure Analysis –from the perspective of the primary assets of the organization (physical, financial, human and intangible)
    - ◊ Environment Analysis –from the perspective of changes to external environments and their effects on management processes and controls
    - ◊ Threat Scenarios/Brainstorming – How internal control could be defeated by fraud or natural disaster

Identify and Analyze Risks, cont'd

- Reassess the Audit Universe
  - Additional information is often needed
  - Validation occurs
    - ◊ Review of Chart of accounts, Org chart, Telephone directory, Strategic Plan, Inventories, Audit Requests, External Benchmarking

Measure Risks

- More Art than Science
- Focus on overall objective; identification of high impact audits and program design
- Qualitative measurement most effective (High, Medium, Low)

Measure Risks – Score Risk Factors

- Choose Scoring Scale
- Establish criteria for rating
- Evaluate for strength and/or presence
- Calculate overall score
- Identify Total Risk

Impact on Controls

- **Facilitate Process and Internal Controls Discussions**
  - Discussions with key managers and stakeholders associated with the agreed upon process areas.
  - Facilitate discussions and to gain an understanding of the current state processes and internal controls, personnel involved, and supporting technology.
- **Document Current State Processes and Internal Controls**
  - Document the current state processes and internal controls, as necessary, to mitigate relevant risks as defined by the discussion.
  - Identify flow of a process, various internal control points that exist within each process, and identify significant risks.

Impact on Controls, cont'd

- **Walkthrough of Processes, Internal Controls and Supporting Documentation**
  - A walkthrough is the method of discussing all relevant processes and internal controls with key stakeholders and observing and/or inspecting the documentation available to validate whether appropriate documentation appears to be in place.

Outcomes and Improvements

- Outcomes include
  - Determine if current internal controls are designed appropriately to mitigate the identified risks.
  - Determine adequacy of the design of internal controls that currently exist as it relates to effective and efficient achievement of the specified purpose.
  - Provide detailed recommendations for future state improvements to internal controls.
  - Identify inefficient and ineffective processes and departures from existing policies and procedures — assess current management processes to identify issues and their underlying cause (i.e. people, process, or technology).

Prioritize Risks and Develop Audit Plan

- Primary methods to select audits to include in audit plan:
  - Cycle/Rotation Approach
  - Risk Based Approach (most popular)

Benefits of Risk Based Audit Planning

- Efficient use of resources
- Improves ability to impact organization
- Generates buy-in from management
- Creates ***value***

Prioritize Risks and Develop Audit Plan, cont'd

- Map risks to audits
- Rank the audits
- Audit plan based on coverage of total risk

Risk Assessment Results

- Results should be reviewed and challenged (peer review)
- Results should drive frequency and intensity of audit coverage
- Assurance can be provided through multiple delivery channels e.g. end-to-end process reviews, targeted procedures

Communicating Results

- Present an overview of the risk assessment process by highlighting the key steps followed in the three phases
  - Phase One: Develop Audit Universe
  - Phase Two: Identify and Analyze Risks
  - Phase Three: Weigh and Score Risks
- Develop a summary of the most significant risks
  - Categorize risks into financial, operational, and compliance

Communicating Results to Audit Committee

- Consider using a heat map

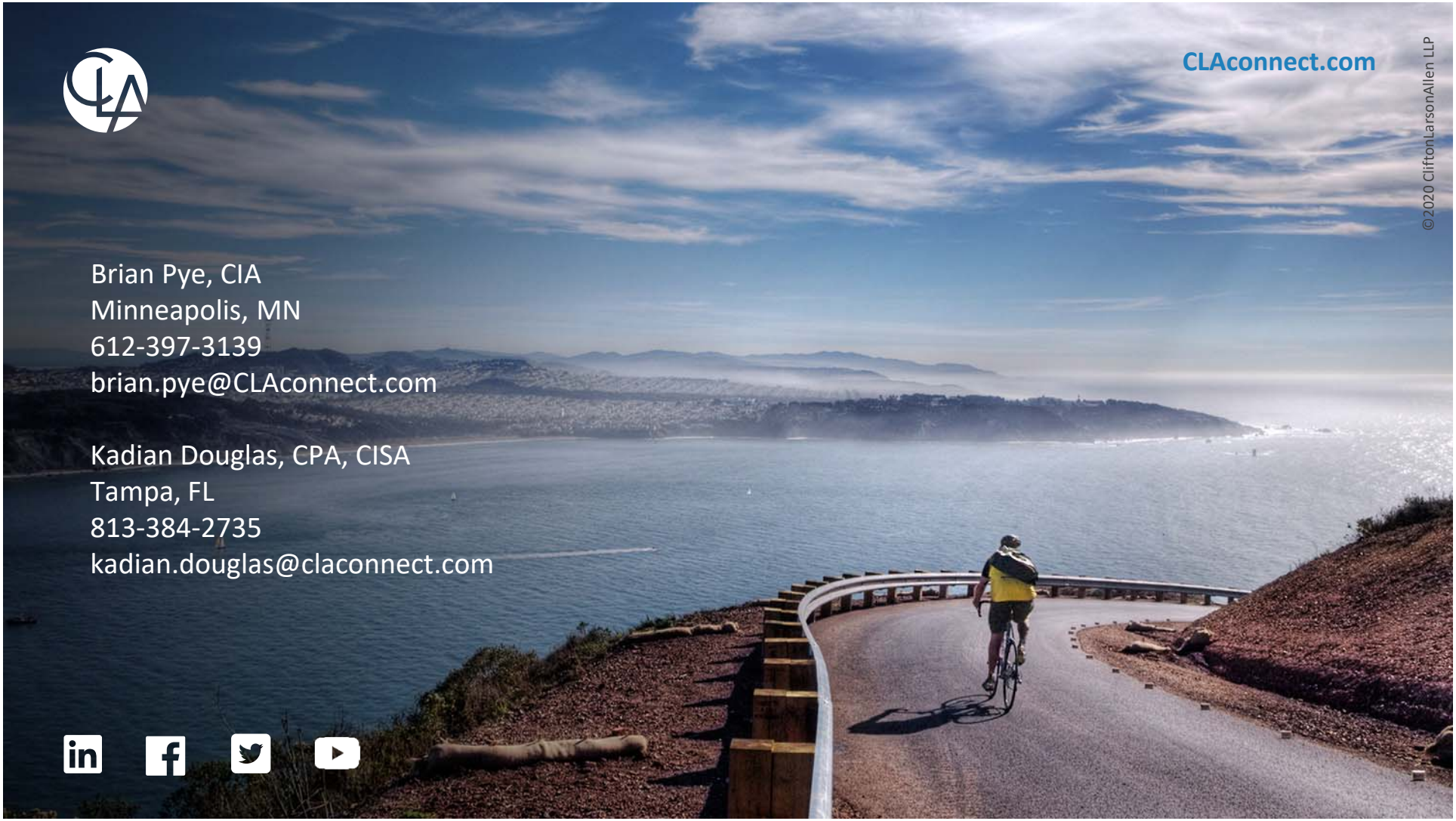
- Understand reader's expectations (high, medium and/or low reporting)

Best Practices

- Get consensus on measuring risks and risk tolerances
- Establish participants' understanding of the effectiveness of controls and other risk responses used in the institution
- Work closely with leadership to understand strategy and key objectives
- Communicate a high level clear summary of the Risk Assessment with the Audit Committee

Key Takeaways

- GLBA will be tested as part of the student financial aid audit
- GLBA requirements tested could increase in the future
- Risk Assessment is not an annual, one-time event
- Risk assessment considerations will differ based on the level of assessment
- Risk Assessment is more than simple risk identification – must include robust analysis
- Requires continuous engagement with relevant stakeholders
- Full written explanation of the Audit Plan and thought process applied
- Risk Assessment must be integrated into audit execution
- Common risk definitions support risk “convergence” with other lines of defense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