

Texas A&M University

Enterprise Risk Management

Assessing Our Risks

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University Risk and Compliance

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<http://universityrisk.tamu.edu>

Objectives

- What is Enterprise Risk Management
- ERM activities at TAMU
- Risk assessment process and ERM tools used at TAMU

Enterprise Risk Management

Definition:

A process applied ***across the enterprise***, designed to

identify potential events that may affect the entity and ***manage risk*** to be within the entity's risk appetite

in order to provide reasonable assurance regarding the ***achievement of the entity's objectives***.

Enterprise Risk Management

Benefits:

- Increase risk consciousness in decision making
- Focus resources and efforts on key high risk areas
- Enhance planning and problem solving skills
- Increase understanding of how mitigating activities/controls affect risks
- Identify and manage cross-enterprise risks
- Provide integrated responses to multiple risks
- Identify events representing opportunity
- Improve allocation of resources
- Enhance capability to identify potential events and establish responses (reducing operational surprises and losses)
- Involve participants as part of the solution and active in identifying and managing risks

Common Risk Language

– Risk

- Any event or action that adversely impacts the organization's ability to achieve its objectives (strategic, operational, reputational, financial, technology, compliance, etc.)

– Mitigating activities/strategies

- Actions, procedures, and processes used to manage and monitor risks (limit, avoid, accept, transfer, share)

– Risk ranking

- Prioritized and rank (high, medium, low)
 - Consider potential impact (consequences)
 - Consider probability of occurrence (likelihood of happening)

– Risk assessment

- The process used to identify and document risks, mitigating strategies, monitoring processes, and any gaps

Enterprise Risk Management

Risk Categories

Strategic

(affects the University's ability to achieve goals and objectives, and competitive and market risks, etc.)

Reputational

(affects reputation, public perception, political issues, etc.)



Compliance

(affects compliance with laws and regulations, safety and environmental issues, litigation, conflicts of interests, etc.)

Financial

(affects loss of assets, **technology** risks, etc.)

Operational

(affects on-going management processes and procedures, etc.)

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Enterprise Risk Management

Mitigating activities

- The organizational structure, policies, actions, controls, and procedures that management uses to manage and/or mitigate the risks
- The risk assessment includes evaluating the mitigating activities/controls (identify gaps)
 - effectiveness (functioning as intended)
 - over- or under-controlled (resource allocation)
 - efficiency
 - deficiencies or duplications in accountability

Enterprise Risk Management

Monitoring and Reporting

- Review executive management monitoring processes to ensure critical mitigating activities are performed on a regular basis.
 - Verify and document the evidence that the procedure/control was done
 - Identify the accountable person responsible for the mitigating activity
 - Identify the reporting and assurances gained by executive management that risks are effectively managed

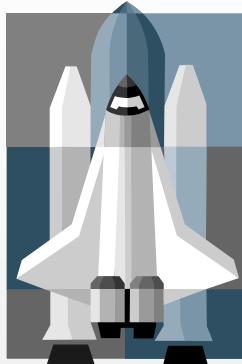
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Ranking the Risks

Impact

Effect on achieving objectives, the consequences



High

show-stopper, significant injury or death, large loss (>50% of budget), criminal penalty, loss of program, liability

Medium

inefficient and extra or re-work, fines, minor injury, moderate loss

Low

little to no effect, warning, extra work, reprimand, small limited loss

Probability

Likelihood that the risk will happen



High

will happen frequently, occurs often, on-going event, predictable, one-time event that recurs

Medium

happens infrequently, sometimes occurs, unpredictable

Low

will seldom happen, infrequent, rarely happens, has not happened

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- Risk ranking
 - Prioritized and rank (high, medium, low)
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 - Consider probability of occurrence (likelihood of happening)
- **Risk assessment**
 - The process used to identify and document risks, mitigating strategies, monitoring processes, and any gaps
 - facilitated by URC or done within unit

Risk Assessment Steps

Review mission/strategic plan/goals/objectives

Identify activities/major functions

Identify and rank risks

Identify and document mitigating activities

Review monitoring and executive reporting processes

Follow-up with a walk-through review

Risk Assessments at TAMU

(complete or in progress)

- Risk Management Discussion Group
- Provost
 - URC, EHSD, and UPD
 - College Asst. Deans/SABAs
 - Assessment
 - Information Technology
 - IPO
 - College of Science
 - College of Education
 - University Libraries
- Research
 - Research Compliance
- Student Affairs
- Athletics
- Athletic Compliance
- Facilities
- Finance (Controller)
 - Dining Services
 - Transportation Services
 - A/P and A/P Task Force
 - CSBA
 - Student Business Services
 - FMO and TAMUG-FMO
 - Logistics
 - University-wide financial
- Communications and Marketing
- Governmental Affairs
- Diversity
- Development
- TAMU – Galveston
- TAMU – Qatar

TAMU Risk Assessment Documentation Tools

- Excel spreadsheets
 - Linked with macros
 - No cost (developed by David B. Crawford, UTS)
- Voting software and touch pad equipment (Optionpower)
 - Anonymous ranking of impact and probability

Risk Assessment Tools

Risk Footprint Example

ACTIVITIES	RISKS											
	1	2	3	4	5	7						
Research Finance & Administration	HH	Noncompliance with policies, rules, laws	HH	Untimely reporting	HH	Not rewarding academic excellence	HM	Lack of coordinated research admin.	HM	Unfunded mandates	HL	Not following protocols
Research Development, Programs & Facilitation	HH	Decrease in State support	HM	Lack of research management information	HM	Ineffective metrics for evaluating programs and personnel	HM	Lack of seed/incentive funding	MH	Lack of industrial funding/partnerships		

Risks ranked considering both their impact and probability:

Impact - the consequence(s) of the risk occurring (H=High, M=Medium, L=Low)

Probability - the likelihood of the risk occurring (H=High, M=Medium, L=Low)

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

Risk Assessment Tools

Mitigating Activities Example

		Risks						
Research Finance & Administration		Noncompliance with policies, rules, laws	Untimely reporting	Not rewarding academic excellence	Lack of a coordinated research admin. structure	Unfunded mandates	Not following protocol	Evidence of Control Activity
Mitigating Activities	Training	x	x				x	Grant training for proposal development group, Research Foundation personnel, and dept staff. New faculty orientation. Online training.
	Marketing & communication to Legislators & Public			x		x		Presentation to legislature (Govt. Affairs/VPR/President). Publications/Website. Research road show - committee.
	Policies/Forms				x		x	Cost sharing, review procedures, signed approval documents.
	Signature authority - based on delegation	x	x		x		x	Signature sheets. Email notification for changes.
	PI certifications						x	Online training. Forms signed.
	Office of research compliance	x	x		x		x	Manager oversight and verbal communication with Sr. mgmt
	Budgetary control	x	x		x	x		Budget analysis (budget vs. actual). Analysis review documented by signature and date.

Mitigating Activities Worksheets

Columns

- Mitigating activities
- Risks
- Evidence of control/mitigating activities
- Accountable person/position
- Monitoring activities (manager oversight, supervisory reviews)
- Executive management reporting and communications (unit head, VP, Provost, CFO, CEO, and higher)

University Risk and Compliance (URC) Resources on the Web

- <http://urc.tamu.edu>
 - Contact information
 - Link to Risk Management
 - Link to TAMU Rules/SAPs
- <http://universityrisk.tamu.edu/>
 - ERM Information
 - Risk Assessment Tools
 - Excel files and instructions
 - Risk dictionary (draft)
 - Presentations