

Texas A&M University

Enterprise Risk Management *Assessing Our Risks*

April 2009 Overview

University Risk and Compliance
Peggy Zapalac, Director of University Risk Management
<http://universityrisk.tamu.edu>

Objectives

- What is Enterprise Risk Management
 - Terms, Process, and Tools Used
- ERM Risk Assessment Activities 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 to provide reasonable assurance regarding the ***achievement of the entity's objectives***.

Drivers:

Management, Board of Regents (Audit Committee), Auditors, System Policy 03.01^β

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, fraud, 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

– Risk tolerance (conservative - moderate)

Enterprise Risk Management

Risk Categories

Strategic

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

Compliance

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



Risks

Operational

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

Reputational

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

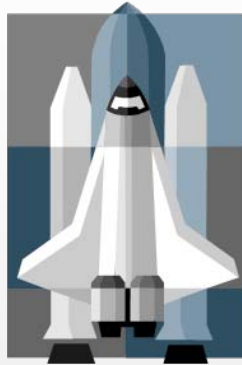
Financial

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

Ranking the Risks

Impact

Effect on achieving objectives, the consequences



High

show-stopper, significant injury or death, large loss (%/\$ of budget, revenues, expenses), 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

Risk Assessment Steps

Review mission/strategic plan/goals/objectives

Identify major activities and functions

Identify and rank risks

Identify and document mitigating activities

Evidence of activity and accountable person/position

Review monitoring and executive reporting processes

Supervisory reviews, oversight, communication flow, assurances gained by management that risks are effectively managed

Follow-up with a walk-through/limited review (URC)

Focus on significant mitigating activities of highest ranked risks

TAMU Risk Assessment Documentation Tools

- Excel spreadsheets
 - Color coded, easy to use, linked with macros
 - No cost (developed by David B. Crawford, UTS)
 - Available on URC Website <http://universityrisk.tamu.edu/>
- Voting software and touch pad equipment
 - Anonymous ranking of impact and probability
- Software to capture and report data
University-wide
- Facilitated sessions (URC personnel)

Risk Assessments at TAMU

(complete or in-progress)

- University-wide Risk Mgt. Discussion Group (2004, 2006, and April 2009)
- Provost Office
 - Assessment
 - Diversity
 - IPO, Costa Rica, Mexico Center
- Colleges
 - Science, Education, Libraries, Engineering
 - Architecture, Vet Med, Bush School, Mays
 - College Asst. Deans/SABAs
- Research
 - Research Compliance
- Information Technology
- Student Affairs
- TAMU Galveston
- TAMU Qatar
- Finance
 - University-wide financial
 - Logistics
 - A/P and A/P Task Force
 - CSBA
 - Student Business Services
 - FMO and TAMUG-FMO
- Athletics
- Athletic Compliance
- Operations
 - URC, EHSD, and UPD
 - Dining Services
 - Transportation Services
- Governmental Affairs
- Development
- Communications
- Facilities
- Other: TX A&M Foundation

University Risk and Compliance (URC) Resources on the Web

- <http://urc.tamu.edu>
 - Contact information
 - Charley Clark, cbc@tamu.edu, 845-1323
 - Peggy Zapalac, m-zapalac@tamu.edu, 845-8116
 - Larry Keller l-keller@tamu.edu, 862-7739

- <http://universityrisk.tamu.edu/>
 - ERM Information and Presentations
 - Risk Assessment Tools
 - Excel files and instructions
 - Risk dictionary (draft)