

How to Operationalize Enterprise Risk Management in an Increasingly Risky World: Practical Steps for Your College or University

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OVERVIEW

- University Demographics
- Our ERM Programs
 - Overview
 - Program Cycle
 - Governance
 - Risk Assessment
 - Risk Mitigation
- Making An ERM Program Your Own
 - Using Guidelines
 - Seizing Opportunities
 - Soft Skills
- Conclusions and Takeaways



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University Demographics

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UW	UMASS
<ul style="list-style-type: none"> • Public university <ul style="list-style-type: none"> ◦ Three campuses in the Puget Sound region ◦ 60,000 students ◦ Large healthcare system and medical school (29,000 employees) ◦ Law school • Campus employees: 52,000 • Annual budget: \$8.8B • Annual grant and contract funding (research): \$1.7B • #1 most innovative research university in the world: Reuters 	<ul style="list-style-type: none"> • Public university system <ul style="list-style-type: none"> ◦ Five undergraduate & graduate campuses ◦ 75,000 students ◦ Medical school ◦ Law school • 24,000 employees <ul style="list-style-type: none"> ◦ 3rd largest employer in Massachusetts • Annual budget: \$3.7B • Research: \$687M <ul style="list-style-type: none"> ◦ 3rd largest research university in Massachusetts ◦ 4th largest in New England

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Our ERM Programs

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ERM PROGRAM OVERVIEW

UW	UMASS
<ul style="list-style-type: none"> • Former ERM program went dormant in 2014 • Planning for new/revamped program began January 2020 • Comprehensive risk assessments (conducted with Internal Audit): Summer 2020 • New methodology for risk register created • New program launched February 2021 <ul style="list-style-type: none"> ◦ Presentation to governing board ◦ New risk register published • Significant support from Internal Audit, executive leaders, governing board 	<ul style="list-style-type: none"> • System-wide focus • Inherited an existing ERM program • Needed to reinvigorate so that program will “stick” and be less ad hoc • Leveraged what worked well <ul style="list-style-type: none"> ◦ Stakeholder participation and feedback • Created structure to address what wasn’t working well <ul style="list-style-type: none"> ◦ Governance ◦ Defined roles and responsibilities ◦ Consistent timeline/cycle



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ERM PROGRAM CYCLE

UW: 4-YEAR CYCLE

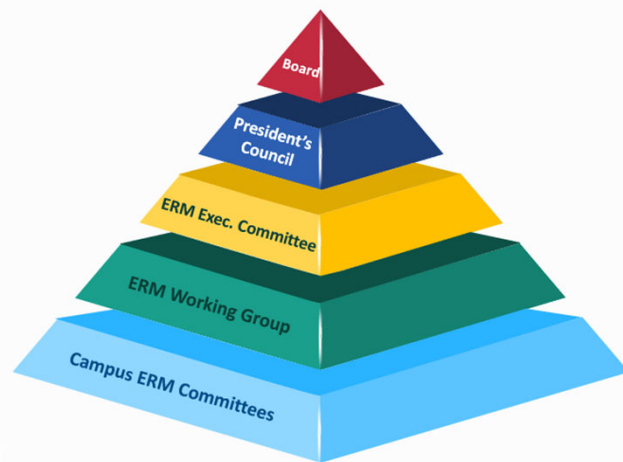
- Full risk assessment every four years
- Risk register published
- Risk Management Executive Group selects risks for action
- Risk mitigation projects developed and launched
- Annual reporting to Board of Regents on risk mitigation efforts

UMASS: 2-YEAR CYCLE



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ERM GOVERNANCE STRUCTURE



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RISK ASSESSMENT PROCESS

UW

- 50+ interviews with the governing board, deans, chancellors, vice presidents, vice provosts, healthcare system leaders, and others
- Mid-cycle risk register “refresh” conducted by ERM Program staff and Risk Management Committee
- ERM Program collects information on evolving/emerging risks and reports them to Risk Management Committee

UMASS

- Assess Inherent Risk Score for each system-wide risk
 - Does not account for risk mitigation strategies
 - Score calculated using ratings of likelihood, consequence and urgency
 - ERM Working Group assesses likelihood and consequence
 - ERM Executive Committee assesses urgency
- Risks ranked based on Inherent Risk Score



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RISK ASSESSMENT FACTORS

UW

- Assessment of impact, likelihood, velocity
- Assessment of risk management capability
- Inherent risk dimensions:
 - Safety
 - Compliance
 - Finance
 - Operations
 - Strategy
 - Reputation

UMASS

- Likelihood: Could the University system experience this risk?
- Consequence: To what degree would the University system be impacted across six categories:
 - Life safety
 - Financial
 - Legal/compliance
 - Service disruption/impact to operations
 - Workforce
 - Reputation
- Urgency: How soon does the University need to prioritize this risk?

Likelihood
x
Consequence
x
Urgency
=
Inherent Risk Score

■ Assessed by ERM Working Group
■ Assessed by ERM Executive Committee



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TOP RISKS

UW: 2022 RISK REGISTER
<ul style="list-style-type: none"> • ADA compliance/equal access • Campus and U District safety and security • Changes to/pressures on revenue streams • Condition of facilities/deferred maintenance • Cyber/information security • Emergency/disaster preparedness • Financial connections/dependencies between the academic and healthcare enterprises • Societal and campus climate • Student and employee wellness • Transformation of University financial reporting and data systems

UMASS: FY22 RISK REGISTRY
<ol style="list-style-type: none"> 1. Enrollment 2. Information security 3. Financial sustainability 4. Facilities and deferred maintenance 5. Student health and mental health support 6. Vendor risk management 7. Attracting, recruiting and retaining faculty and staff 8. International activities 9. Information privacy 10. Diversity, Equity and Inclusion

BOLD denotes similar risks identified by both universities



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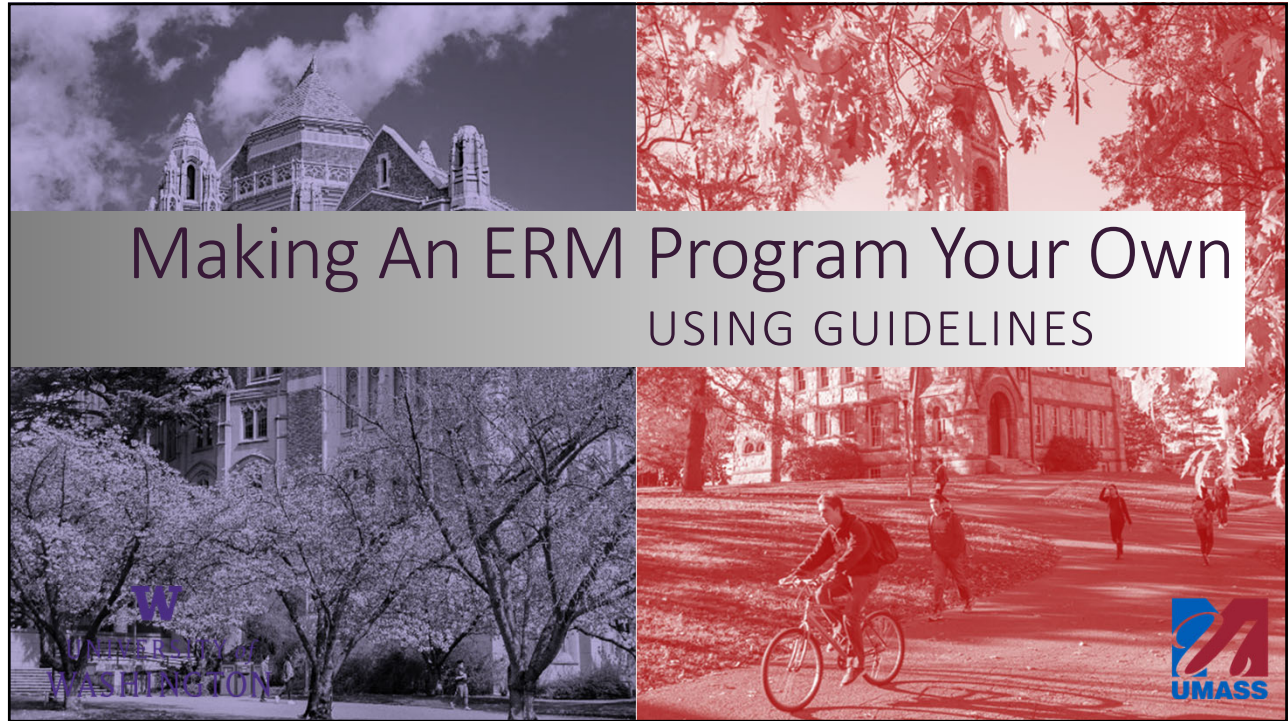
RISK MITIGATION

UW
<ul style="list-style-type: none"> • Risk mitigation projects being developed and launched now <ul style="list-style-type: none"> ◦ Changes to/pressures on revenue streams (campus: 4; healthcare enterprise: 3) ◦ Condition of facilities/deferred maintenance/ADA compliance in the built environment (3) ◦ Cyber/information security (6) ◦ Emergency/disaster preparedness (1) • Senior leaders serve as project leaders for guidance, accountability • ERM Program provides facilitation, coordination, project management support

UMASS
<ul style="list-style-type: none"> • Developed tool to document and evaluate the effectiveness of risk mitigation strategies on risks <ul style="list-style-type: none"> ◦ Assesses effectiveness of individual strategy on a risk ◦ Compares effectiveness of multiple strategies on a risk ◦ Assesses total effectiveness of all mitigation strategies on a risk • Residual Risk Score • Pilot: Ongoing mitigation strategies



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Making An ERM Program Your Own

USING GUIDELINES

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GUIDELINES

- Not standards
 - Two primary guidance documents
 - **Highly recommended approach: YOURO(wn)**
- COSO (Committee of Sponsoring Organizations)
 - Five organizations: American Accounting Association, American Institute of CPAs, Financial Executives International, Association of Accountants and Financial Professionals in Business, and the Institute of Internal Auditors
 - Guidance: Enterprise Risk Management—Integrated Framework
 - ISO (International Organization for Standardization)
 - Independent, non-governmental association with 167 national standards bodies as members
 - Guidelines: principles, framework, process for managing risk



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CREATING YOUR OWN GUIDELINES

Significant number of options available:

- Choose what works for your organization

Be aware of/knowledgeable about, but not beholden to, COSO and ISO:

- Extract the meaningful elements that work for your organization

Build institutional accountability for ERM implementation:

- Set regular cadence or program will become an afterthought

Borrow design ideas from peers:

- What works/doesn't work well for a peer may be good/not good for you

Short-term goals with long-term vision:

- Break off bite-size pieces to accomplish



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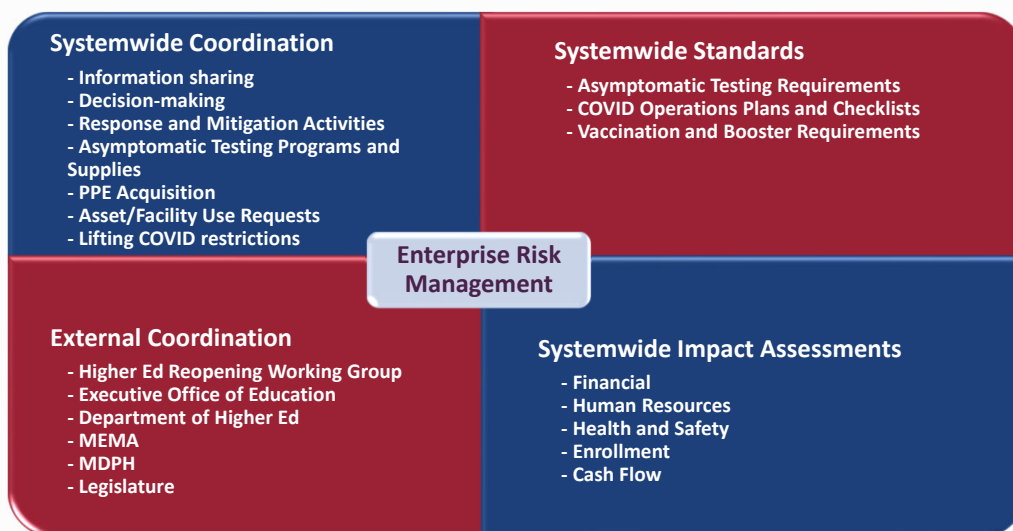
UNIVERSITY OF WASHINGTON

- Coordination/alignment with Internal Audit processes
- Partnership/collaboration with local ERM expert
- Relationship building with CIOs (campus and healthcare enterprise) as an ERM “laboratory”
- Alignment with strategic planning effort for University’s insurance portfolio (particularly commercial property coverage and liability self-insurance program)



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UMass Leveraged ERM for Systemwide COVID-19 Response Coordination



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Making An ERM Program Your Own

SOFT SKILLS

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SOFT SKILLS ARE ESSENTIAL

Skill	Purpose
Relationship Builder	Relationships are essential to any ERM Program
Problem Definer	<ul style="list-style-type: none"> • Must understand the problem before identifying solutions • Not all problems are resolved with money or personnel
Navigator	Politics, politics, politics
Facilitator/Coordinator	Must work across disciplines, departments, schools, campuses
Shepherd	Herd cats, dogs, horses, sheep ...
Conductor	Project management



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Conclusion and Takeaways

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IF YOU BUILD IT, THEY WILL COME

- Stop talking and start doing
- Demonstrate value
 - Provide visibility and multi-disciplinary perspective
 - Align shared goals and objectives
 - Provide leverage to compete for limited resources
 - Present opportunities to highlight work already underway
- Do the leg work (that maybe only you can)
- “Keep up with the Joneses”
- Remind campus stakeholders: gaps/deficiencies are already known
 - Connect the dots
 - Spotlight activities to get traction




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SMALL, INCREMENTAL STEPS: THE KEY TO A SUCCESSFUL PROGRAM



Be the Tortoise



- Take an iterative approach
- Find your champion
- Look for ways to build a strong foundation
- Create a sense of shared responsibility for addressing risk mitigation goals/targets
- Don't be afraid to jettison practices/ideas that don't get traction or don't serve program objectives
- Play the long game



Not the Hare



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