Compliance, Audit, Risk Management and Legal Affairs Committee



Enterprise Risk Management

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- Enterprise risk management (ERM) is an enterprise-wide continuous process that enables an enterprise to pursue its strategic mission while identifying, controlling and mitigating risks.
- **ERM** is a tool that combines compliance and control with strategic decision-making.

What is Risk Management?



This Means:

- Identifying risks that may ultimately impact the university's core mission and goals
- Taking steps to assure that significant risks are being controlled and mitigated
- Providing senior leadership and the Board of Trustees the means to track significant risks and mitigation efforts
- Developing, over time, a culture of risk-informed decision making across campus that fosters a shared sense of risk-ownership

Issues Prompting Discussion of Risks

- Audit findings
- Business Continuity Planning
- Construction Projects
- Crisis Response Drills
- Cyber Security
- Enrollment Declines
- Financial Underperformance
- High Profile Event
- Legal/Regulatory Compliance

- New Academic Programs
- Litigation
- Reputation Issue
- Research/Healthcare
- Staff Reduction
- Student Health/Safety
- State Budget Reductions
- Tuition Increases

Core ERM Team



- David Stone (Chair) AVP Strategic Innovation and Planning.
- Prof. Timur Gok Dept of Finance.
- Scott Mooberry Acting Director, Environmental Health and Safety.
- Emily Hochstatter Compliance Coordinator, Risk Management).
- Jonathan Cavell Program Administrator, Strategic Innovation and Planning).

Role: Develop data collection tools, Conduct all information collection (leadership, unit leadership, unit level); Develop and conduct scenariobased risk exercises; Work with risk owners to develop and implement control and mitigation plans

Full ERM Team

- Alan Phillips (VP & CFO)
- David Stone (AVP Strategic Innovation (SI))
- Prof. Timur Gok (Finance Faculty)
- Scott Mooberry (Dir, EH&S)
- Emily Hochstatter (Dir, Risk Management)
- Jonathan Cavell (Program Admin SI)
- Brett Coryell (VP & CIO)
- Jerry Blazey (VP, RIPS)
- Larry Pinkelton (AVP, Finance)
- John Heckmann (AVP Facilities)

- Sue Mini (Vice Provost)
- Vernese Edghill-Walden (Assoc Vice Provost, Diversity)
- Celeste Latham (Assoc VP HR)
- Kelly Wesener-Michael (AVP, SAEM)
- Michael Stang (Asst VP, SAEM)
- Katrina Caldwell (Asst VP, SAEM)
- Debra Boughton (Assoc Dir, Athletics)
- Greg Brady (University Council)
- Foundation (TBD)

Role: Set criteria and definitions; Review unit level risk information; Assess Risk; Identify cross-cutting risks; Prioritize risks; Review mitigation and control plans; Develop plans for ERM infrastructure going forward.



Terms of Reference

- What are NIU's principal activities?
- What is the relative importance of those activities?
- What is the nature of the risks inherent in those activities?
- How do we assess the potential severity of the risks inherent in those activities?
- How severe could a risk event related to one of those activities be?
- Given the potential of a given risk, how effective are our control mechanisms for reducing the risk inherent in that activity to an acceptable level?
- Given the potential risks and severity of that activity and the effectiveness of our control strategies for it, how likely is it that we will experience a risk event for that activity?
- What initiatives do we need to put in place to ensure that these risks have been properly identified, assessed, mitigated, controlled, and managed going forward.



Risk Considerations

Risk Areas

- Academic Affairs
- Ancillary Services
- Enrollment/Financial Aid
- External Affairs
- Facilities
- Governance/Management
- Human Capital
- International/Abroad
- Information Technology
- Research
- Student Affairs
- Other

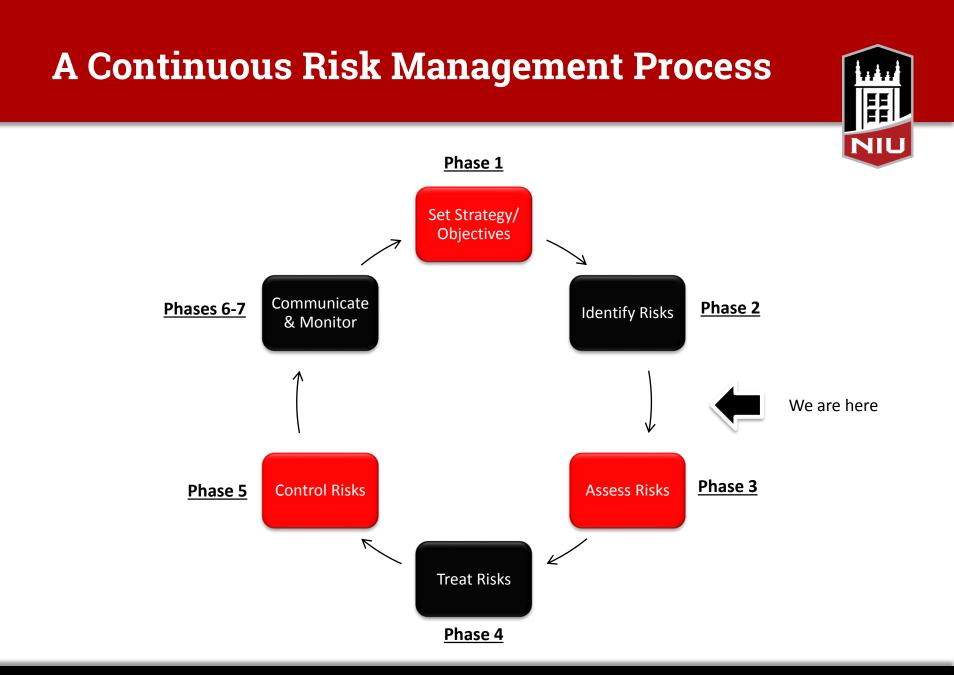
Risk Types

- Financial
- Health & Safety
- Operational
- Reputational
- Strategic
- Compliance

Additional Distinctions

- Internal
- External
- Emerging





Process Activities

- <u>Phase I</u>: Identify strategic goals, key risks, establish risk tolerance, develop strategy.
- <u>Phases II-III</u>: Gather information from unit leadership and unit staff in each of the risk areas to: Identify risks factors, existing control mechanisms, and opportunities by functional areas.
- Phase IV: Convene Full ERM Team to integrate the risk and opportunity maps and conduct gap analyses in order to prioritize risk management needs and potential opportunities in line with institutional strategic goals.
- Phase V: Design action plans for control and mitigation of risks, identify resource needs, and develop timelines for implementation.
- Phase VI: Communicate resource needs and proposed action plans and timelines to the Board, the President and key decision-makers
- □ <u>Phase VII</u>: Design dashboards and set timelines to monitor progress

Steps in the Identification and Assessment Process (Phases 2 & 3)

- 1. Identify the NIU Strategic Objectives
- 2. Identify the Unit Level Strategic Objectives and Goals
- **3. Identify the Unit Level Activities**
- 4. Identify the Unit Level Risks Associated with those Activities
- **5. Assess the Severity of the Risks**
- 6. Assess the Likelihood or Frequency of those Risks.

Core ERM Team Timeline (Phases 2 & 3)

Meetings Completed

- Facilities Management
- Office of General Counsel
- International Affairs
- Public Safety

Meetings Scheduled for February

- Athletics
- Research

- February 25, 2016
- February 29, 2016

Meetings to be Scheduled In March

Human Resources	- TBD
• IT	- TBD
 Academic Affairs 	- TBD
	TOO

Outreach - I BD

- December 18, 2015
- January 19, 2016
- January 28, 2016
- February 8, 2016





Risk Heat Map (Facilities, Public Safety, Legal, International Programs)



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	(5,1)	(5,2)	(5,3)	(5,4)		(5,5)		(5,6)
			Water Mains (Breaks &	Event Management	•	Obsolete Boilers	•	Lack of Trained Staff in
			Contamination)	(Policy/Staffing)	•	Food Sanitation		the Heating Plant
			 Lack of Redundancy in 	Vehicle Fleets in			•	Roofs Leaking
			Transportation	Disrepair				
			1	Fume Hoods				
				Legal Bottleneck				
				Poor Student Support				
				(International)				
				Contractual Timeliness				
				No Centralized Reporting				
ł	(4,1)	(4,2)	(4,3)	(4,4)		(4,5)		(4,6)
	~ / /		Investigations	Use of Force (Police	•	Lack of Camera Access	•	Antiquated EOC/
			Loss of 911 Access	Operations)	•	Access Control	•	Antiquated Mobile EOC
>			Cultural Competence	Lack of Qualified Drivers	•	Officer Turnover		· ····· · · · · · · · · · · · · · · ·
2			Culture Competence	(Buses)				
ē				Lack of Redundancy in				
5				Heating Plant				
e l				ficating f lant				
Likelihood or Frequency	(3,1)	(3,2)	(3,3)	(3,4)		(3,5)		(3,6)
ō	(3,1)	(3,2)	Intergovernmental	Lack of Snowplows		Emergency Notification	•	Lack of Emergency
g			Relationship	Lack of Trained Staff in		(Malfunction)	1	Response Training
8			Intercommunity	Physical Plant		CAD		Response framing
Ë			Relationship	Façade Collapse		Export Control		
ē			Perception of Police	Steam Tunnel Disrepair		Export Collubr		
ΞI			Ferception of Fonce	International Health &				
				Safety				
-	(2,1)	(2,2)	(2,3)	(2,4)		(2,5)		(2,6)
	(2,1)	(2,2)	• Travel	(2,4)		(2,3)		(2,0)
			• Have					
		(1.2)	(1.0)			(1.5)		
	(1,1)	(1,2)	(1,3)	(1,4)		(1,5)		(1,6)
				Financial Exposure			•	Export Control – Deemed
				and the second				

Impact or Severity

Risk Opportunity Map (Facilities, Legal, International Programs

(5,1)	(5,2)	(5,3)	(5,4) • Public Safety Idea #1	(5,5) • International Idea #1	(5,6)
(4,1)	(4,2)	(4,3)	(4,4) • International Idea #2	(4,5) • International Idea #3	(4,6)
(3,1)	(3,2)	(3,3)	(3,4) • International Idea #4	(3,5)	(3.6)
(2.1)	(2,2)	(2,3)	(2,4)	(2,5)	(2.6)
(1,1)	(1,2)	(1,3)	(1,4)	(1,5)	(1,6)

Likelihood

Impact

Next Steps – Phase 4 – Treat Risks - Full ERM Team (April)

- The Full ERM Team will meet in April to:
- Review and discuss the information gathered to date regarding identified and assessed risks
- Identify those risks that cut across a number of areas of the university, especially those that may produce cascading risks that greatly multiply their initial impacts as they affect other areas on campus.
- Review and make determinations about risks that may demonstrate particular velocity effects, such that they need to be quickly mitigated or controlled in order to limit the severity of their impact (i.e. Steam Plant)
- Review potential opportunities.
 - Effective ERM programs look at both downside risk and the possibility of upside opportunities that could benefit the institution if the risks involved can be properly managed.
 - In the sessions we have been conducting, we have been identifying opportunities as well as risks.
 - We want to review those opportunities and again look for cross-campus synergies or the potential for cascading benefits with input from the Full ERM Team.

Next Steps – Phase 5 – Control and Mitigate Risks Core ERM Team (May)

- The Core ERM Team will take the Full ERM Team's recommendations regarding the most significant risks back to the respective risk areas and discuss existing control and mitigation strategies.
- Risk heat maps will then be modified to account for the relative presence or absence of controls.
- Where strong controls exist, an identified risk will move down in our risk rankings.
- However, where risks are very high and controls are weak, these risks will rise to the top of the ranking.
- For those areas of highest risk, where the gap between the level of risk and the capacity for mitigation is large, the expectation is that proposals for enhancing mitigation will be formulated by the effected units and placed into the annual and five year budget process.

Next Steps – Phase 6 & 7 – Communicate & Monitor - Full ERM Team (Mid-May)



A second meeting of the Full ERM Team is tentatively planned for mid-May. That meeting will have <u>three goals</u>, which are as follows:

- To review and discuss the results of our mitigation reviews and refine our heat maps to account for existing controls.
- To develop "dashboard" options for communicating risk, mitigation, and opportunity information to the senior leadership and to the Board.
- To discuss options for creating an ongoing ERM infrastructure (e.g., an ERM Office, an ERM Committee, etc.) and make a recommendation to the VP for Administration and Finance.

Bottom Line

- The ERM initiative is on track and continues to move forward.
- We have excellent participation and support for the effort throughout campus.
- We have already identified risk issues that need to be addressed more quickly than others.
- We believe that we are on schedule to meet our ERM objectives.
- The ultimate goal is to have a comprehensive ERM Program in place as we move into FY17.





QUESTIONS?