



## **Enterprise Risk Management** **Update**

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# ERM Goals and Objectives



- 1. Create a culture of risk awareness where all employees understand and consider risk in decision-making.**
- 2. Reduce operational surprises and losses.**
- 3. Increase capacity to identify and seize opportunities by facilitating greater transparency and openness regarding risk.**
- 4. Enhance institutional decision-making by providing senior management and trustees with timely and robust information that improves their understanding of enterprise-level risks and opportunities.**
- 5. Improve the efficiency and effectiveness of institutional risk management efforts.**

# Core ERM Team



- La Vonne Neal (Chair) - AVP Operations.
- 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 scenario-based risk exercises; Work with risk owners to develop and implement control and mitigation plans

# Full ERM Team



- Alan Phillips (VP & CFO)
- La Vonne Neal (AVP Operations)
- Prof. Timur Gok (Finance Faculty)
- Scott Mooberry (Dir, EH&S)
- Emily Hochstatter (Dir, Risk Management)
- Jonathan Cavell (Program Admin)
- 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)

**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.

# Project Phases



- ✓ **Phase I: Identify strategic objectives**
- ✓ **Phase II: Identify operational controls and risks factors by functional areas**
- ✓ **Phase III: Assess risks and match with current risk management controls**
- ✓ **Phase IV: Identify key risk factors, interactions among risk factors and priorities**
- **Phase V: Design specific risk management action plans for control, mitigation, and timelines for each risk area, and identify resource needs for implementation**
- **Phase VI: Communicate resource needs and proposed action plans and timelines to the Board, the President and key decision-makers**
- **Phase VII: Design dashboards and set timelines to monitor progress**

# Progress to Date



- **Risk Identification and Assessment was completed for 14 units across campus.**
- **Over 100 faculty and staff were engaged in Identification and Assessment activities.**
- **188 Risks were Identified and Assessed.**
- **The Final ERM Report has been Drafted and will be provided to the Board at the September 15<sup>th</sup> Board Meeting.**

# Strategic Imperatives



The process of identifying and assessing risk began with identifying the university's strategic imperatives:

- **Increase Enrollment and Improve Retention**
- **Provide High Quality Programs that Contribute to Student Career Success**
- **Expand Research and Engagement**
- **Encourage Innovation**
- **Sustain Financial Health**
- **Promote Economic Development and Regionalization**
- **Provide the Best Possible Institutional Support**
- **Maintain the Campus Infrastructure in the Best Possible Condition Given Available Resources**
- **Maintain Safety & Security**

# Broad Risk Categories



- **The Committee's effort resulted in a ranking of the top three tiers of most serious risks (32 total risks – based on final risk scores). Taken broadly, those risks were classified as falling into five categories:**
  - **State Funding**
  - **Deferred Maintenance**
  - **Lack of Endowment Support**
  - **Personnel and Administrative Infrastructure**
  - **Compliance and Training**



# Top 15 Institutional Risks



PRINCIPLE ACTIVITIES/RISK NAMES	RISK MODE	RISK AREA	NIU STRATEGIC IMPERATIVES
<b>STATE FUNDING SUPPORT</b>			
Declining State Support	3	Finance	Financial Stability
Liquidity	2	Finance	Financial Stability
State Funding (MAP)	3	Enrollment	Financial Stability
<b>DEFERRED MAINTENANCE</b>			
Obsolete Boilers	1	Facilities	Infrastructure
Roofs Leaking	3	Facilities/Student Affairs	Infrastructure
Water Mains (Breaks & Contamination)	1	Facilities	Infrastructure
<b>LACK OF ENDOWMENT SUPPORT</b>			
Insufficient Revenue Generating Sources	3	Foundation & Advancement	Financial Stability
Lack of Endowment	3	Student Affairs- Compliance Certifications	Enrollment/Retention
Limited Endowment Support	3	Enrollment	Enrollment/Retention
<b>PERSONNEL/ADMIN INFRASTRUCTURE</b>			
Insufficient Depth in Personnel	3	Research	Research
Staffing Retention (Quality, Retention, Poor Compensation, Timeliness)	2	All Units	Support
Insufficient Infrastructure/Decentralized Systems/Outside Loops	2	Enrollment	Research
<b>COMPLIANCE AND TRAINING</b>			
Lack of Compliance Infrastructure	3	All Units	Compliance
Failure to Train Ethics/Compliance/Supervisor Training	3	Human Resources (All Units)	Support
Lab Safety	3	Research	Safety

Mode 1: An Active Risk that is related to an activity (e.g., putting students on a bus)

Mode 2: An Active Risk that creates an obstacle to the effective completion of an activity or the ability to meet a unit goal (e.g., delays in contracting or hiring processes)

Mode 3: A State of Vulnerability (e.g., aging infrastructure, lack of policies or appropriate training in a given area)

# Top 20 Risks: Full Risk Inventory



Row Number	Rank	Principal Activities/ Risk Names	Risk Mode	Risk Area	Financial	Compliance	Health & Safety	Operational	Reputational	Strategic	Likelihood or Frequency	Severity or Impact	Unweighted Risk	Velocity	Cascade Effect	Weighted Risk Without Controls	Mitigation Control Level	Weighted Risk With Controls	Rank Modifier	NIU Strategic Imperative
1	1	Declining State Support	3	Finance	X						5	5	25		Significant	25	0	25	(+2)	Financial Stability
2		Liquidity	2	Finance	X						5	5	25	5	Significant	30	0	30	n/a	Financial Stability
3		Obsolete Boilers	1	Facilities				X			5	5	25	5	Significant	30	0	30	n/a	Infrastructure
4		Insufficient Infrastructure/ Decentralized Systems/ Outside Loops	2	Enrollment				X			5	6	30		Moderate	30	0	30	n/a	Research & Innovation
5		Insufficient Revenue Generating Sources	3	Foundation & Advancement						X	5	6	30		Moderate	30	0	30	n/a	Financial Stability
6		Lack of Endowment	3	Student Affairs -- Compliance/ Certifications	X						5	6	30		Moderate	30	0	30	n/a	Enrollment/ Retention
7		Limited Endowment Support	2	Enrollment						X	5	6	30		Moderate	30	0	30	n/a	Enrollment/ Retention
8		Roofs Leaking	3	Facilities/ Student Affairs	X						5	6	30		Moderate	30	0	30	n/a	Infrastructure

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9	1	Failure to Train Ethics/ Compliance/ Supervisor Training	3	Human Resources (All Units)				X			5	5	25		Moderate	25	0	25	(+2)	Support
10		State Funding (MAP)	2	Enrollment	X						5	6	30		Moderate	30	0	30	n/a	Financial Stability
11		Insufficient Depth in Personnel	3	Research				X			5	6	30		Limited	30	0	30	n/a	Research & Innovation
12		Water Mains -- Breaks & Contamination	1	Facilities			X				5	5	25	5	Limited	30	0	30	n/a	Infrastructure
13		Lab Safety	3	Research			X				5	6	30		Not Scored	30	0	30	n/a	Safety
14		Equity Gap	3	Academic Affairs						X	n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	n/a	Strategic
15		Inadequate Resources to Support Operational Needs of Academic Programs	2	Academic Affairs				X			n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	n/a	Infrastructure

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16	1	Loss of Tenured and Tenure-Track Faculty	3	Academic Affairs				X			n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	n/a	Support
17		Non-Competitive Graduate Stipends	3	Academic Affairs				X			n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	n/a	Support
18		Lack of Compliance Infrastructure	2	All Units						X	n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	Per Full Team	Compliance
19		Staffing Retention	2	All Units						X	n/a	n/a	n/a		Not Scored	n/a	n/a	n/a	Per Full Team	Support
20	2	Data Security	1	Information Technology				X			5	5	25	5	Significant	30	0	30	(-1)	Support

# Next Steps



**Conduct a final review of our risk inventory to ensure that we have appropriately captured all risks that are relevant to NIU.**

## 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

# Next Steps



**Use the Final Report as the foundation for the development of a comprehensive ERM Program.**

- **Review existing team structure and determine an appropriate organizational structure for the management of ERM responsibilities within the University.**
- **Finalize forms, dashboard elements, and develop an appropriate format for providing ERM information to senior leadership and to the Board.**
- **Create an online Policy Library.**
- **Develop an annual ERM process for the identification, review, assessment, prioritization, mitigation, to include the incorporation of risk management funding requirements into the budget development process.**



**Questions/Comments?**