Enterprise Risk Management at Texas A&M University

Assessing Our Risks

August 21, 2013
ERM Definition (coso)

- A process, affected by an entity’s board of directors, management, and other personnel, applied in strategy setting across the enterprise,

  designed to identify potential events (risks) that may affect the entity and to manage risk to be within the entity’s risk appetite (tolerance)

  to provide reasonable assurance regarding the achievement of the entity’s objectives.
Risks

**Risk:** An event/action that adversely impacts the entity’s ability to achieve its objectives

**Strategic**
affects the University’s ability to achieve goals and objectives, competitive and market risks, etc.

**Reputational**
affects reputation or brand, public perception, political issues, etc.

**Technology**
affects the University’s electronic processes, equipment, fraud, and data storage, etc.

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

**Financial**
affects loss of assets—equipment, funds, resources, fraud, etc.

**Compliance**
affects compliance with internal and external laws and regulations, safety and environmental issues, litigation, conflicts of interests, etc.
ERM Drivers

- Management (CEO, Provost, CFO)
- Board of Regents
- Audit Committee
- Auditors (Internal and External)
- Significant Events
ERM at TAMU

• Top down approach
    o URC review of significant mitigating activities (2008, 2010, and 2012)
  – Risk assessments performed on major University units updated periodically (i.e., individual Colleges, Research, Athletics, Finance, SFA, HR, EHS, UPD, Student Affairs, Diversity, Athletic Compliance, Transportation Services, UES, Graduate Studies, etc.)
Benefits of ERM

- Value added process
  - Involve participants in identifying and managing risks *active as part of the solution*
  - Increase participant’s exposure to other areas *enhances knowledge of operations*
  - Increase risk consciousness in decision making *provides new perspective*
  - Focus resources and efforts on high risk areas *breaks down barriers and demonstrates priorities that are used*
ERM Governance

- System Policy 03.01 (Aug. 2008, updated June 2010)
- President’s Memorandum (Sept. 2009)
- Internal Audit on ERM (Sept. 2010)
- Follow-up Internal Audit (Feb. 2012)
- Standard Administrative Procedure 03.01.01.M0.01 (March 2011)
Risk Assessment Steps

• Review mission and strategic plan/goals/objectives
  Identify major activities and functions

• Identify and rank risks
  Prioritize by considering two factors: impact and probability

• Identify and document mitigating activities, monitoring, and executive reporting processes
  Evidence of activity and designated accountable person/position, supervisory reviews, managerial oversight, communication flows, and other assurances gained by management that risks are effectively managed

• Assess effectiveness of mitigations / Follow-up
  Perform a review or observe the mitigations - focus on significant mitigating activities for highest ranked risks; determine that mitigations are adequate and working as planned
Risk Assessment Tools

• Facilitated sessions
• Excel spreadsheets
  – Color coded, easy to use, linked w/macros
  – Free (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

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
Contact Information

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• Websites
  http://urc.tamu.edu/
  http://universityrisk.tamu.edu/