



East Carolina University.

**Enterprise Risk
Management**

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September 28, 2010

Dear Faculty Senate Member,

As a follow-up to the information Dr. Ballard shared with the Faculty Senate last spring, I have prepared this information packet on ECU's Enterprise Risk Management (ERM) program for your reference.

Inside you will find the slides of a general presentation on ERM, a copy of the Chancellor's View concerning ECU's approach to managing risks, and various other related documents. I hope you will find this packet helpful as you familiarize yourself with the basics of an enterprise approach to risk management.

Feel free to contact me at any time with your questions or suggestions. My business card is affixed to the inside pocket of the packet folder. In addition, Dr. Marianna Walker and Dr. Rick Niswander are both valued members of the university's enterprise risk management committee as representatives of the faculty.

Respectfully,

Tim Wiseman

From the Desk of Chancellor Steve Ballard

Printer Friendly



*Email your comments to the
Chancellor*

The Chancellor's View

Enterprise Risk Management (ERM) – Growing our Approach to Managing Risks

After the financial catastrophes of Enron and WorldCom, and the passage of the Sarbanes-Oxley Act, public universities found themselves under intense scrutiny and new demands for much better business practices. We are rightly expected to catch those who misuse resources, to prevent the worst abuses with strict internal controls, and to develop the best standards of practice across a range of difficult and often complex business enterprises. This is as it should be, but most universities haven't been aggressive enough in evolving their approach to risk management; nor vigilant enough in addressing both traditional and new vulnerabilities.

Our goal at East Carolina University is to have the best possible systems for controlling our risks and for internal auditing. For that reason, in addition to our Office of Internal Audit and Management Advisory Services, we established the Office of Enterprise Risk Management (ERM) one year ago, and then hired Tim Wiseman to oversee our ERM work. I view this as a vital effort in maintaining and improving public trust in our university.

Enterprise risk management is a holistic, comprehensive approach to risk identification and prioritization ultimately leading to better governance, strategic decision making, resource allocation and stewardship. In the university setting, ERM involves assessing risks in strategic, financial, operational, compliance and reputational categories.

A mature ERM program is proactive and prevention-oriented. It does not replace or interfere with our necessary internal auditing functions, but rather is complementary and reinforcing. It does not stymie initiative. Enterprise risk management instead helps us make the most of opportunities by increasing awareness of associated risks.

Enterprise risk management requires us to change our internal culture over time to train ourselves to think not only about risks associated with our individual departments, but also about the effect a procedural weakness or vulnerability might have on the university as a whole. ERM is a continuous process successfully implemented only when everyone is involved. It includes many pre-existing risk processes and functions and ties them together under the ERM umbrella.

The enterprise approach strives to develop a mindset that makes people at multiple levels ask "Who else needs to know?" and "Whom haven't I told?". Identified risks from all areas of the university are discussed and prioritized in terms of probability and cost/operational impact of occurrence of a risk-related event. This work is primarily done by our Enterprise Risk Management Committee (Risk Council). The recommendations and advice derived from this exercise are then used by senior leaders to better understand the inherent risks associated with the long term operation of a large and rapidly expanding university. Significant risks are also communicated to the Board of Trustees through the Board's Audit Committee, to facilitate its oversight role.

Enterprise risk management is a strategic enabler for ECU Tomorrow. By developing and implementing an effective ERM program, I hope to help focus our collective attention on traditional, as well as new and emerging risks, in advance of crisis so that we manage our risks wisely. With the tremendous growth ECU has seen in the past decade, and the further expansion we foresee in the future, we must also mature our risk assessment mechanisms and internal control methods and practices at a commensurate rate.

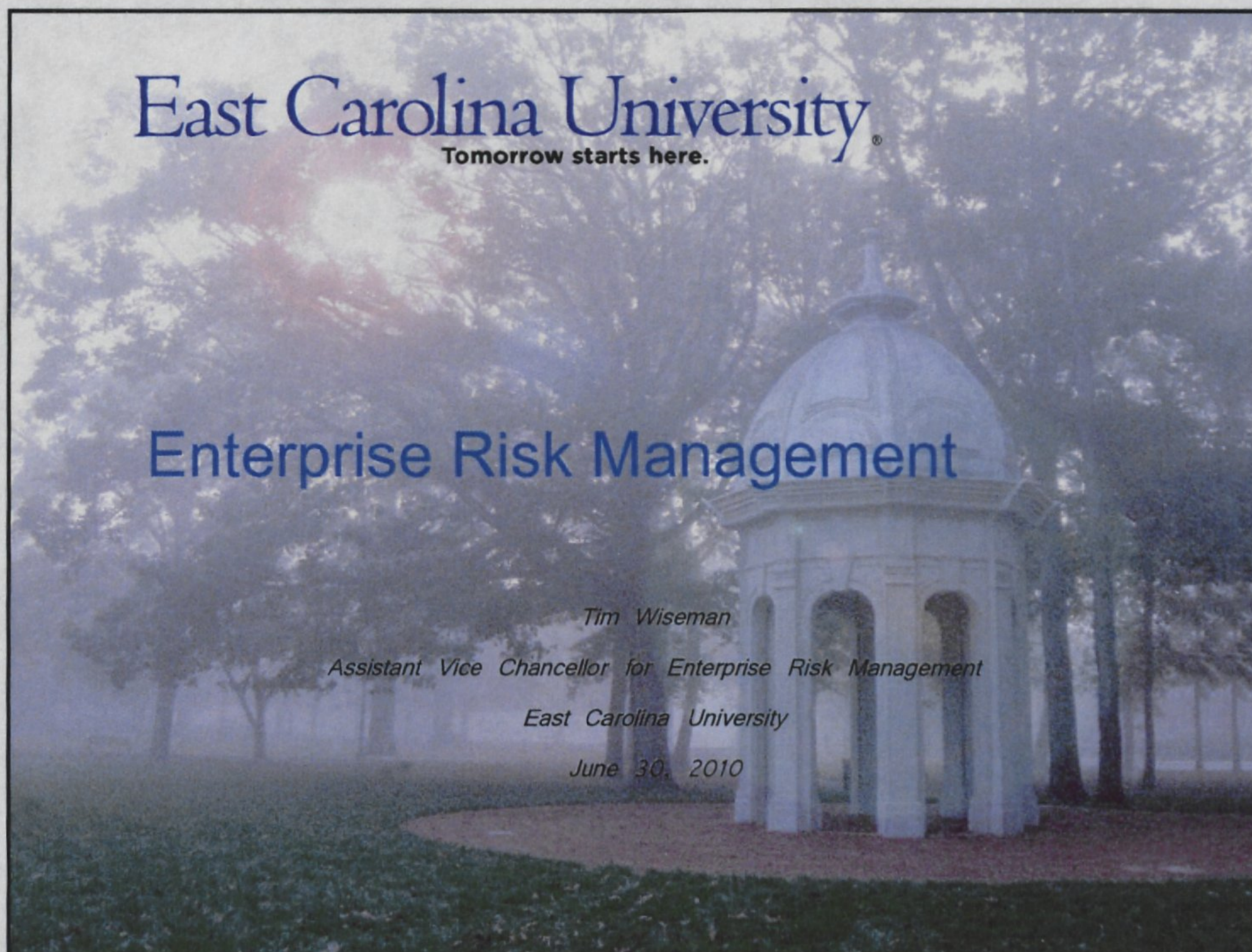
Done right, ERM will allow us to be good stewards of our resources, and may reduce reportable audit findings as we self-identify areas of concern and mitigate the risks before vulnerability is exploited. We have taken some significant first steps on our ERM journey, and in true Pirate fashion, we are in a

small, elite group of universities that have chosen to pioneer the ERM construct in a university environment. We cannot neglect our risks as our university's operations become more complex, interrelated, and far-reaching. I will offer "no quarter" to complacency in this regard, nor should we expect otherwise from our ECU supporters and stakeholders.



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Discussion Agenda

- Risk Management & Enterprise Risk Management (ERM)
- ERM Defined
- Basic ERM Process
- ERM in the College and University Environment
- Allies in ERM
- ERM Road Map
- Tone at the Top and the Chief Risk Officer
- Typical Risks (Institutions of Higher Learning)
- Expectations and the Frog in the Kettle
- Questions

Risk Management & Enterprise Risk Management

- Traditional Risk Management
 - Insurance Services
 - Hospital Risk Management
 - Financial Sector Risk Management
- Sarbanes-Oxley (Sox) and the "Great Awakening"
- What???? Boards Accountable?

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ERM Defined

It is: "a process, effected by an entity's... management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." (COSO, 2004)

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Basic ERM Process*

1. Identify
2. Assess
3. Evaluate
4. Mitigate risk and/or exploit opportunities
5. Monitor

*(George Head, 1972)

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ERM in the College and University Environment

- Public versus Private Institution
- Heritage and Traditions
- Demographics and Location/Proximity
- Independent or Part of a System
- Research; Medical Campus; Vision/Objectives; Interface with Society and Community
- Size and Scale
- Budget and Capital Projects
- Non-Profit
- Shared Governance
- Academic Core

Main University Risk Categories:

- ✓ Strategic
- ✓ Financial
- ✓ Operational
- ✓ Compliance
- ✓ Reputational < Overarching

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ERM Allies, Partners, Advocates, and Resources

- Internal Audit
- Internal Control Program
- Environmental Health and Campus Safety
- Student Safety and Concerns Committee
- Identity Theft Prevention Committee
- Compliance Offices
- Board of Trustee Expertise
- Task Forces or Working Groups
- Other Pre-existing Entities

ECU ERM Website: <http://www.ecu.edu/erm/>

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ERM Road Map

Phase 1: Building the Case for ERM

1. Understand the institution's plans, environment, and culture
2. Determine the status of your existing risk management processes
3. State your goals and objectives
4. Present the case
5. Obtain top-level commitment, support, and participation

Phase 2: Building an ERM Foundation

6. Name a project leader
7. Plan your project and incorporate a timeline
8. Select or design an ERM Framework that best fits the institution's goals and campus culture
9. Create a cross-functional Risk Council
10. Create a mission and goals statement for the Risk Council
11. Develop a risk vocabulary and definitions

Phase 3: Implementation

12. Develop a risk portfolio
13. Assess your risks: validate and prioritize
14. Assign ownership and take action



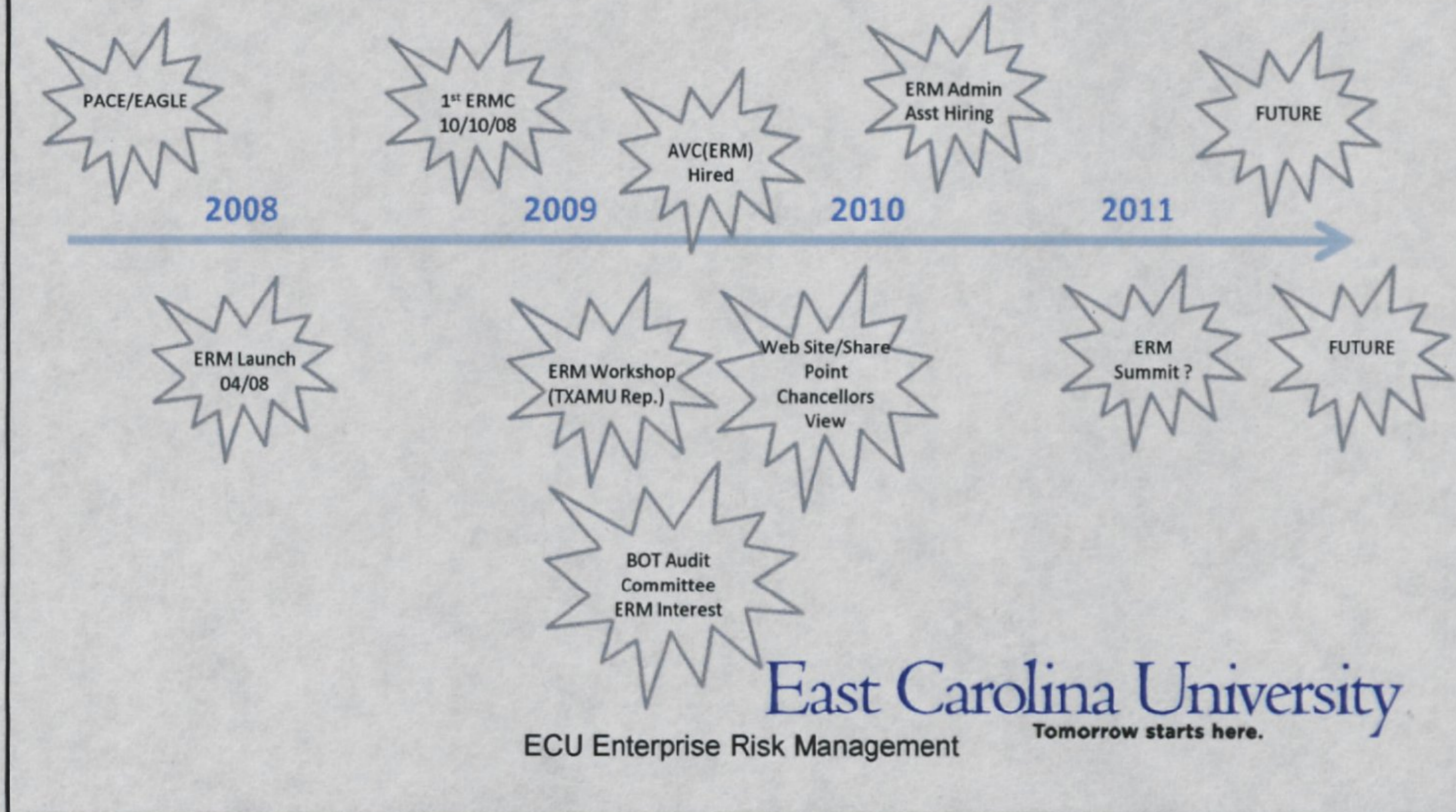
Phase 4: Sustaining Your ERM Program

15. Assess results
16. Review and realign risk treatments with available resources
17. Meet and Report
18. Do not neglect traditional risk management functions
19. Review any ERM framework you have followed
20. Develop institution-wide systems for communicating (ongoing)

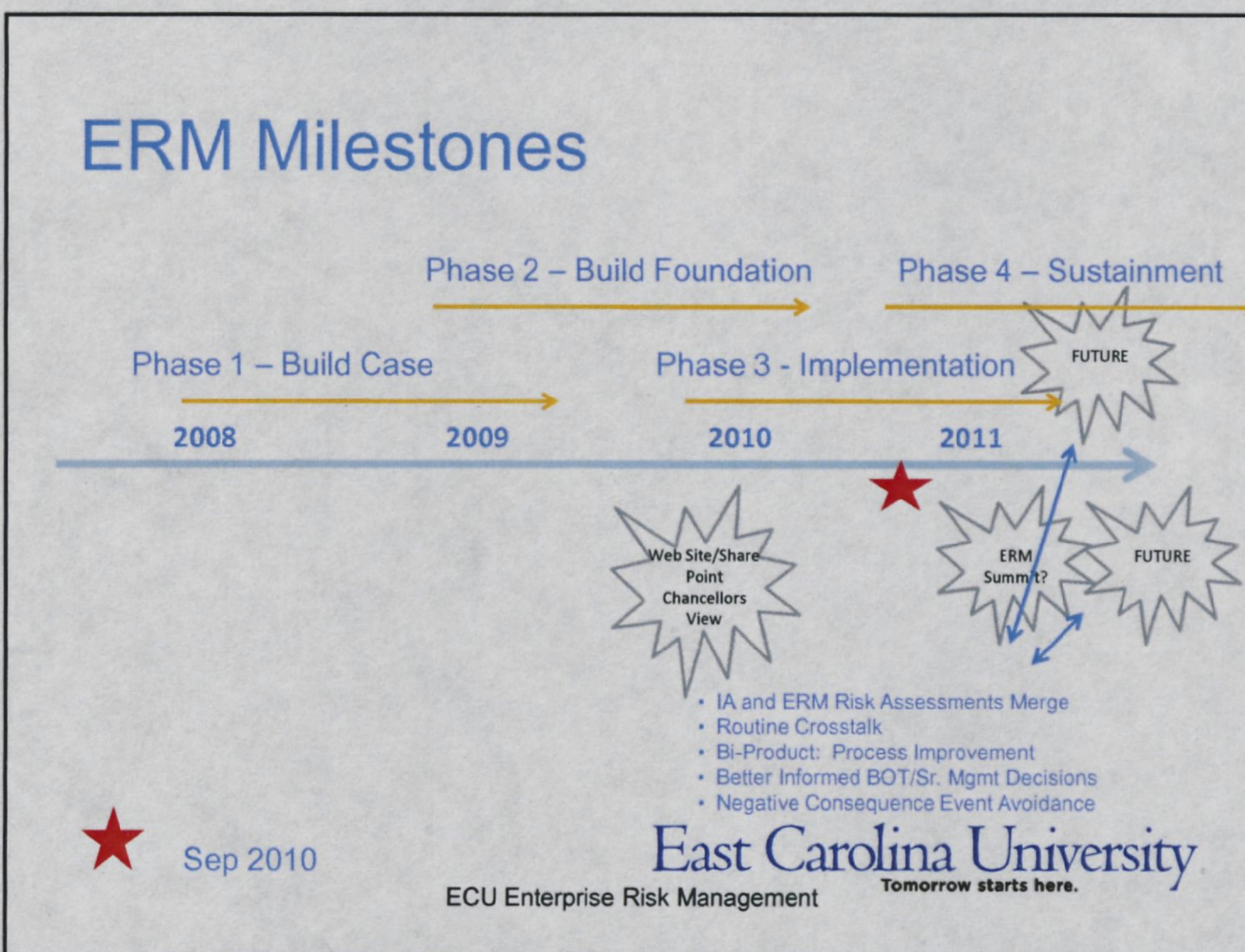
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Road to Implementation, Enterprise Risk Management for Colleges and Universities, Gallagher Higher Education Practice, 2009

ERM Milestones



ERM Milestones



Road Map to Drive the ERM Process:

• Phase 1: Building the Case for ERM

• Phase 2: Building an ERM Foundation

• Phase 3: Implementation

• Phase 4: Sustaining Your ERM Program

Phase 2, Building an ERM Foundation

8. Select or design an ERM Framework that best fits the institution's goals and campus culture . . .

11. Develop a risk vocabulary and definitions

Phase 3, Implementation

12. Develop a risk portfolio

13. Assess your risks: validate and prioritize

14. Assign ownership and take action

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ECU Enterprise Risk Management

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Tone at the Top and the Chief Risk Officer

- Board of Trustees Audit Committee
- Chancellor's View, Fall/Winter 2009: <http://www.ecu.edu/cs-admin/chancellor/erm.cfm>
 - Our goal at East Carolina University is to have the best possible systems for controlling our risks and for internal auditing.
 - Enterprise risk management is a holistic, comprehensive approach to risk identification and prioritization ultimately leading to better governance, strategic decision making, resource allocation and stewardship.
 - A mature ERM program is proactive and prevention-oriented. It does not replace or interfere with our necessary internal auditing functions, but rather is complementary and reinforcing.
 - Enterprise risk management requires us to change our internal culture over time to train ourselves to think not only about risks associated with our individual departments, but also about the effect a procedural weakness or vulnerability might have on the university as a whole.
 - The enterprise approach strives to develop a mindset that makes people at multiple levels ask "Who else needs to know?" and "Whom haven't I told?"
 - Enterprise risk management is a strategic enabler for ECU Tomorrow.
 - Done right, ERM will allow us to be good stewards of our resources, and may reduce reportable audit findings as we self-identify areas of concern and mitigate the risks before vulnerability is exploited.

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Selected external and internal risks facing higher education

EXTERNAL RISKS		
Economic <ul style="list-style-type: none"> • Availability of capital • Debt rating • Investment return • Unemployment • Interest rates • Competition 	Social <ul style="list-style-type: none"> • Demographics • Student and parent behaviour • Terrorism • Privacy 	Process <ul style="list-style-type: none"> • Formal policies/procedures • Integration of key functions • Rigor of central administration/fiscal management
Environmental <ul style="list-style-type: none"> • Pollution control • Ability to handle natural disasters • Energy costs • Disposal of waste 	Technological <ul style="list-style-type: none"> • Emerging technology • Data security • Interruptions 	Technology <ul style="list-style-type: none"> • Data integrity • System usability • Usefulness of data • System maintenance
Political <ul style="list-style-type: none"> • Government regulations (Federal, State, and Local) • Legislative policies • Public policy • Neighbourhood relations 	INTERNAL RISKS	Compliance <ul style="list-style-type: none"> • Charging costs to sponsored projects • NCAA rules and regulations • Taxability of benefits • Human subjects • Scientific conduct • Detecting plagiarism • Charging to gift funds
	Infrastructure <ul style="list-style-type: none"> • Availability of assets • Access to capital • Institutional structure : multi-campus, international, etc. 	
	Personnel <ul style="list-style-type: none"> • Employee capabilities • Health and safety • Organizational structure-decentralized responsibility 	

PricewaterhouseCoopers
ERM Framework

June 22, 2009

Think "Likelihood" and "Impact/Cost" of Occurrence....

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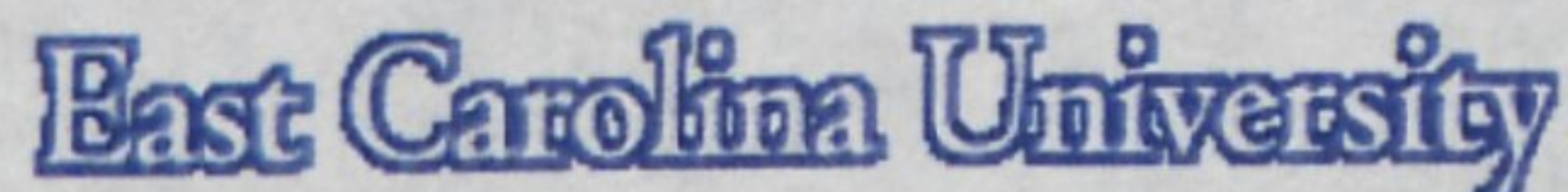
Expectations and Risk Appetite (Frog in the Kettle)
Contributors/Variables


- Helicopter Parents
- Town/Gown Relations
- Community Service
- Recent High Profile University Risk Situations
- Increased Regulation and Federal/State Oversight
- Data Privacy – Hospital Operations

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Questions?

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SEARCH ECU Website People 

Administration & Finance

Enterprise Risk Management



Related Links:

- [Safety and Security](#)
- [Risk Management and Insurance](#)
- [Office of Internal Audit and Management](#)
- [ECU Internal Audit and Management Advisory Services Audit Planning Risk Assessment Process](#)
- [ECU Fraud, Waste, and Abuse Hotline](#)
- [University Attorney](#)
- [Assistant Secretary to the ECU Board of Trustees](#)
- [ECU Policies, Regulations, and Rules](#)
- [The Brody School of Medicine Compliance Office](#)

Other Helpful Resources and References:

- [NC Office of the State Controller EAGLE Program](#)
- [NCSU College of Mgmt Enterprise Risk Management Initiative](#)
- [Committee of Sponsoring Organizations of the Treadway Commission \(COSO\)](#)

Welcome to the Enterprise Risk Management (ERM) web site for East Carolina University.

Our Mission: Provide leadership and management experience to better identify and manage the university's strategic, financial, operational, regulatory compliance, and reputational risks holistically as an enterprise.

What is Enterprise Risk Management? *It is "a process, effected by an entity's... management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives" (COSO, 2004).*

ECU's ERM Approach:

1. Work through the Enterprise Risk Management Committee in a decentralized fashion to accomplish ERM goals
2. Improve risk measurement to support strategic decision making, risk mitigation efforts, and resource allocation
3. Use pre-existing risk identification and internal control processes to the greatest extent possible
4. Raise institutional awareness of existing and emerging risks and their relative potential effects on the institution as a whole
5. Provide training and relevant information on ERM to enhance the internal controls and risk management mindset of ECU employees, students, and other stakeholders

Got a risk concern, recommendation, or suggestion? [Contact us](#)



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ENTERPRISE RISK MANAGEMENT COMMITTEE MEMBERSHIP
(as of 18 Aug 2010)

<u>Kevin Seitz</u>	Office of Record
<u>Tim Wiseman</u>	Director of Enterprise Risk Management
<u>Steve Duncan</u>	OPPD & Military Programs
<u>Anne Jenkins</u>	Financial Services
<u>John Toller</u>	Human Resources
<u>Joe Norris</u>	Information Technology & Computing Services
<u>Margaret Umphrey</u>	IT Security Admin
<u>Bill Koch</u>	Environmental Health & Campus Safety
<u>Scott Buck</u>	Business Services
<u>Margie Boyd</u>	Risk Management and Insurance
<u>Nick Floyd</u>	Athletics
<u>Austin Bunch</u>	Academic Affairs
<u>Virginia Hardy</u>	Student Affairs
<u>John Chinn</u>	Research Compliance
<u>Kathie Hall</u>	Grants & Contracts
<u>Micky Dowdy</u>	University Advancement
<u>Bill Clark</u>	ECU Foundation
<u>Amanda Pantelidis</u>	University Advancement
<u>Kenneth Deville</u>	Interim BSOM Compliance
<u>Jody Cook</u>	BSOM Risk Management
<u>Donna Payne</u>	University Attorney
<u>Liz Johnston</u>	ADA Coordinator
<u>Stacy Tronto</u>	Internal Audit
<u>Taffye Clayton</u>	EEO & Affirmative Action
<u>Brad Teasley</u>	Student Government Association
<u>Bill Bagnell</u>	Campus Operations
<u>Paul Clifford</u>	Alumni
<u>John Durham</u>	Chancellor's Office
<u>Norma Epley</u>	IRB
<u>Chris Locklear</u>	Provost Office
<u>JJ McLamb</u>	Athletics
<u>Scott Shelton</u>	Police
<u>Nellie Taylor</u>	Materials Management
<u>Gary Vanderpool</u>	Health Sciences-Admin.
<u>Mark Wharton</u>	Athletics
<u>Marion Swinker</u>	Prospective Health
<u>Rick Niswander</u>	Dean, College of Business
<u>Marianne Walker</u>	Faculty Senate

Enterprise Risk Management Committee Meeting Themes

(As of 8/26/2010 – Subject to Change)

	ERMC	Date	Guest Speaker/Lead	Theme
2010	1 st Qtr	Feb 10	Chancellor	Strategic
	2 nd Qtr	Apr 14	Mr. Chalk, BOT Member	Strategic
	3 rd Qtr	July 14	Compliance Officers	Compliance
	4 th Qtr	Oct 13	Committee Work/CRO	Operational (Risk Workshop)
2011	1 st Qtr	Feb 9 Mar 9 (T)	VC, A&F / Fin Svcs / IA ERM eSymposium (T)	Financial Strategic
	2 ^d Qtr	Apr 13	Dir of Emergency Svcs	Operational
	3 rd Qtr	July 13	Attorney & Chief, News & Communication	Reputational / Compliance
	4 th Qtr	Nov 9	Provost / Academic Affairs	Strategic / Operational

Risk Categories: Strategic, Operational, Financial, Compliance, Reputational