

Enterprise Risk Management

Board of Regents Meeting

March 9, 2017

What is Enterprise Risk Management?

- Risk – the effect of uncertainty on objectives
- Risk Management – a coordinated set of activities and methods that are used to direct and control challenges or threats to achieving an organization’s goals and objectives
- **Enterprise Risk Management – is an enterprise-wide, strategically-aligned portfolio view of organizational challenges to provide better insight on how to prioritize resource allocation to ensure successful mission delivery**

Defining Enterprise Risk Management

Table 1: Comparison between Traditional Risk Management and ERM

	Traditional Risk Management		ERM
	Risk Management (Project or Program)	Internal Controls	
Definition	Coordinated activities to direct and control an organization with regard to risk. ⁵	A process affected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. ⁶	An effective agency-wide approach to addressing the full spectrum of the organization's significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos.

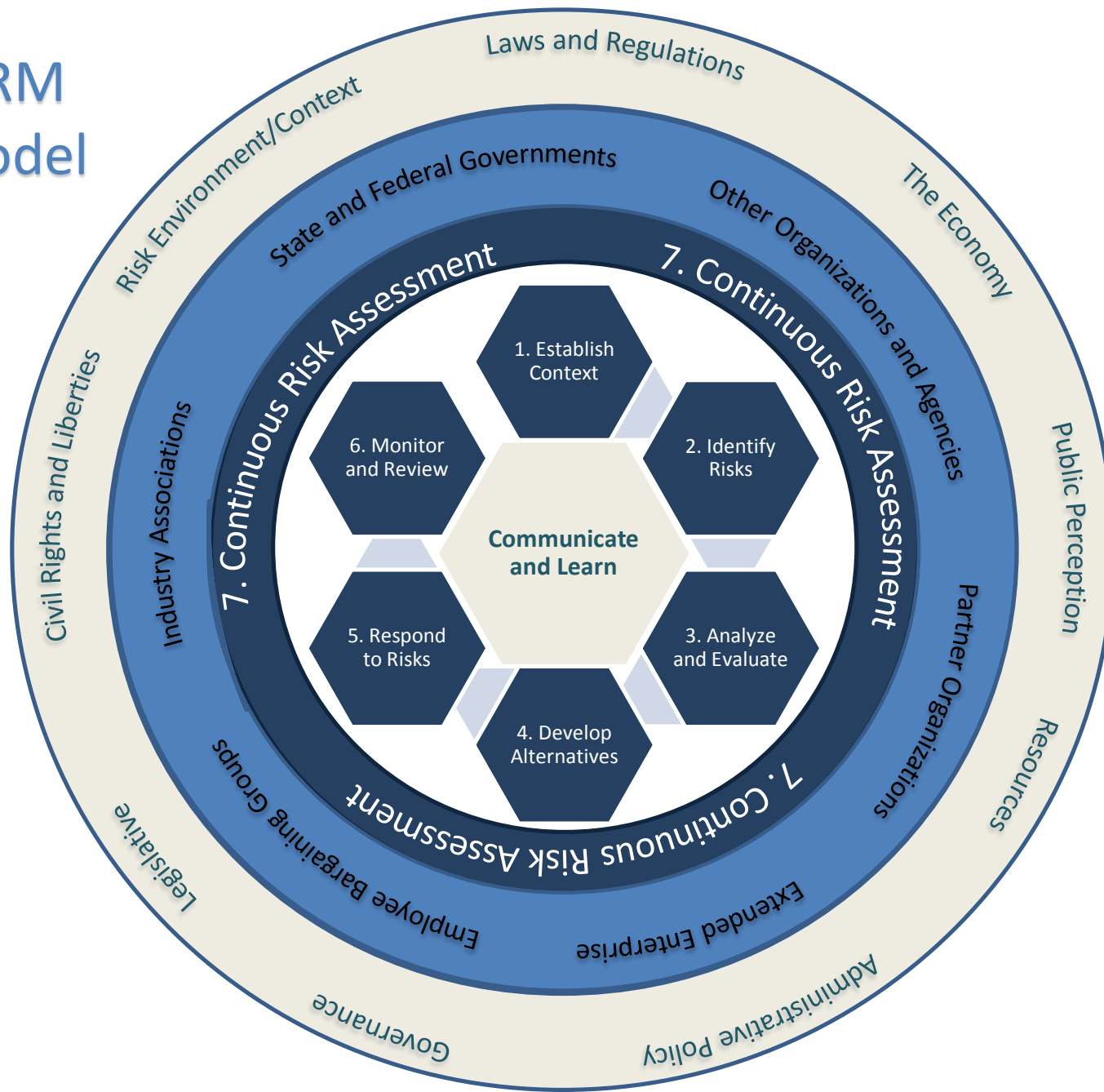
⁵ Risk Management – Principles and Guidelines, International Organization for Standardization (ISO) 31000:2009

⁶ Standards for Internal Control in the Federal Government (United States Government Accountability Office (GAO) Green Book)

Risk Management

- We have risk management professionals on campuses
- OCHE has historically worked with campuses to identify, assess and mitigate specific risks
- OCHE has not provided guidelines and framework to implement Enterprise Risk Management

ERM Model



ERM Plan

- OCHE will develop a coordinated, collaborative and intentional plan for Enterprise Risk Management
- Campuses will implement Enterprise Risk Management with a holistic view and response to risk
- OCHE will define the ERM structure, risk types and functional areas to assess for risk

ERM Plan

- OCHE will host quarterly meetings to discuss enterprise risk and provide leadership
- Campuses will follow the ERM process described by OCHE and approved by the BOR
 - Develop a risk inventory
 - Complete a risk assessment
- Campuses will provide OCHE/BOR an annual report detailing ERM efforts

Draft ERM Structure

- Establish Context
- Identify Risks
- Analyze and Evaluate
- Develop Alternatives
- Respond/Mitigate Risks
- Monitor and Review
- Continuous Risk Identification and Assessment

Risk Types

- Strategic
- Compliance
- Credit
- Market
- Cyber
- Legal
- Reputational
- Political
- Model
- Operational risks such as information security, human capital, business continuity

Functional Areas to Assess for Risk

- Academic Affairs
- Athletics
- Campus Safety and Security
- Continuing Education
- Emergency Preparedness
- Environmental Health and Safety
- Faculty and Staff
- Financial Close and Reporting
- Governance
- Grant Administration
- Human Resources and Payroll
- Information Technology
- Marketing and Communications
- Operations and Auxiliary Services
- Student Affairs
- Student Financial Processing

Next Steps

- OCHE will form an Enterprise Risk Management work group composed of campus and OCHE staff
- Enterprise Risk Assessment Plan for the Montana University System will be completed and presented as an action item at the Board of Regents meeting in May, for Board approval
- By July 1, 2017 OCHE will convene a system-wide meeting to roll out the plan with guidance and expectation
- Enterprise Risk and Shared Services Initiatives will be coordinated and collaborate extensively