Enterprise Risk Management
VCU Process

What is Enterprise Risk Management?

- An organization-wide systematic approach to identify and tactically manage risk.
- A best practice to prioritize risk and implement processes to monitor risk.
- Movement from a traditional transactional risk approach to a global, strategic approach.
- A framework to manage reputational risk.
Enterprise Risk Management

- **Strategic Risk** – high-level goals aligned with the mission
- **Operational Risk** – ongoing management processes
- **Financial Risk** – protection of assets
- **Compliance Risk** – adherence to laws and regulations
Enterprise Risk Management

Why should institutions implement ERM?

- Improve how it actively manages not only financial and compliance risk, but also strategic and reputational risk.
- Focus on risks that could prevent the institution from successfully reaching the goals in the strategic plan.
- Continue vision to be forward looking and planning for the future.
Enterprise Risk Management

Possible ERM Approaches

- **Current Risk Identification Approach**
  - Top-down, try to eliminate risk, silo approach

- **Process-driven Approach**
  - Bottom-up, takes significant time and expense, possible failure from being too detail oriented

- **Measurement-driven Approach**
  - Middle-up, takes advantage of current experience, uses current operational staff
Enterprise Risk Management

How will ERM progress at VCU?

1. Adopt a measurement-driven approach.
2. Establish interdisciplinary ERM Subject Matter Teams.
   - Uses experienced staff from different areas to cover subjects like HR, IT, Finance, Safety and Facilities, Research, Academics, Student Affairs
3. ERM Subject Matter Teams brainstorm possible risks.
Enterprise Risk Management

How will ERM progress at VCU?

4. ERM Executive Committee prioritizes Key Risks.
   - Consists of Assistant Vice Presidents and senior management levels.
   - May need to limit number of Key Risks to about 50 to sustain manageability.
   - Revisit risks periodically to add new risks or drop less important risks.
Enterprise Risk Management

How will ERM progress at VCU?

5. Each Key Risk is assigned to a Process Owner.
   - Process Owners help develop plans to manage each Key Risk with operational managers.

6. Annually, Process Owners report on their plans and progress to ERM Executive Committee for approval.
   - ERM Executive Committee includes the President and Vice Presidents.
   - Quarterly meetings to cover ¼ of Key Risks.
Enterprise Risk Management

How will ERM progress at VCU?

7. Annual Report on ERM progress to entire Board of Visitors. Updates for Audit and Compliance Committee at every meeting.
   - Discuss accomplishments and progress.
   - Discuss areas where residual risk is highest.
   - Ask for input on risk assessment.
Enterprise Risk Management

• Background on VCU’s Experience
  • Interest and Charge; Complements Strategic Plan
  • Tone at the Top: Board members, President, Vice Presidents
  • White Paper – 8 pages based on other Universities’ ERM Experiences
  • President’s Website with ERM section (www.ERM.vcu.edu)
  • ERM Implementation Committee using a higher education ERM consultant to assist with ERA and RMM Kick-off
  • RFP selection process wrapping up
We at Virginia Commonwealth University are committed to operating ethically and efficiently in every way. That includes doing everything we can to foresee, manage and mitigate potential risks before they occur.

As such, we are launching an enterprise risk management (ERM) program, a comprehensive approach to identifying risks that could severely impact the university and prevent us from meeting our goals. Such risks may come from operations, finance, regulations or strategic decisions related to Quest for Distinction, and they ultimately impact our most precious asset — our reputation. We are committed to doing everything possible to prevent potentially significant “surprises” before they happen.

The Board of Visitors, the university leadership team and I have initiated and fully support an ERM program at VCU. We have convened an implementation committee that is charged with oversight of the ERM program. In the coming months, committee members will begin interviewing administrators on both campuses to help identify potential risks that will be consolidated, analyzed and prioritized by the vice presidents. Based on this work, management plans will be created and monitored to mitigate these enterprise level risks. Most of this work will be completed this fiscal year.

This will be a dynamic process. We need to continually assess and mitigate the risks we face. If you become aware of any risk to the university, please communicate it to your administrator or members of the ERM Implementation Committee.

Thank you for your support. We also appreciate your feedback, particularly if you are asked to participate in this initiative. Issues around risk affect us all, and we must all be vigilant.

Sincerely,

Michael Rao, Ph.D.
### Enterprise risk management

#### Recent events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2012</td>
<td>Discussion of need for ERM program by Audit and Compliance Committee chairman and request for white paper</td>
</tr>
<tr>
<td>Feb.-May 2012</td>
<td>Researched processes and best practices; white paper drafted by VCU staff</td>
</tr>
<tr>
<td>May 2012</td>
<td>ERM white paper presented to the Audit and Compliance Committee of the Board of Visitors</td>
</tr>
<tr>
<td>June 2012</td>
<td>ERM Implementation Committee established to provide oversight, guidance and implementation</td>
</tr>
<tr>
<td>July 2012</td>
<td>Decision by ERM Committee to use outside consultant to assist with designing an ERM framework and resource augmentation (<em>consultant deliverables</em>).</td>
</tr>
<tr>
<td>July 2012</td>
<td>Committee conducted additional research with universities that have existing ERM programs</td>
</tr>
<tr>
<td>Aug. 2012</td>
<td>Timeline established</td>
</tr>
<tr>
<td>Aug. 2012</td>
<td>Statement of work developed; <em>request for proposal issued</em>; pre-proposal conference held (<em>RFP addenda</em>).</td>
</tr>
<tr>
<td>Sept. 2012</td>
<td>ERM Implementation Committee met to discuss ERM RFP review and scoring process, RFP presentation discussion and scoring date, on-site vendor presentation dates, monthly committee meeting dates and approval of official ERM Web pages and content on the Office of the President’s website</td>
</tr>
</tbody>
</table>

For a more detailed schedule on the implementation of the program, including specific project deliverables, please see our ERM timeline.
Enterprise Risk Management

ERM Program Organization

• Board of Visitors Updates

• Executive Management – VPs Risk and Plan responsibility

• Senior Sponsors: VP Finance and Administration & Executive Director, Assurance Service

• ERM Implementation Committee

• ERM Executive Committee
Enterprise Risk Management Timeline

- May 2012  Present ERM Whitepaper to Board of Visitors
- June 2012  Establish ERM Implementation Committee
  Conduct interviews with leading ERM universities
- Aug. 2012  Develop scope of work statement and vendor evaluation criteria for consultant RFP
  Develop web site
- Oct. 2012  Evaluate RFP responses, award contract
- Nov. 2012  Communicate Presidential support and expectations to key stakeholders
  Begin ERM implementation process with vendor
Enterprise Risk Management Timeline

• Jan. 2013  Develop subject area work groups and conduct interviews
• Feb. 2013  Develop list of risks and assess impact of mitigating controls
• Mar. 2013  Consolidate risks by Associate VP for prioritization
• April 2013 Present highest 10 risks to President and VPs
• May 2013  Assign ownership of risks
• June 2013  Conduct workshops on risk management and mitigation (RMM) plans
Enterprise Risk Management

How will ERM benefit VCU?

- A tool to successfully implement *Quest for Distinction*.
- Create quick, decisive, resilient plans to react to unexpected occurrences.
- Assurance to stakeholders that VCU is doing what it can to be ready for the future.