2019 American Society for Public Administration (ASPA) Annual Conference

Significant Risks in Higher Education—The Future is in Our Hands

Moderated by:
Cynthia Vitters, Deloitte & Touche

Panelists:
Michael Dean, U.S. Department of Education
Luke Figora, Northwestern University
Julie Zobel, George Mason University

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Dr. Michael Dean
Chief Risk Officer and Senior Executive Head of Portfolio, Risk & Data
U.S. Department of Education
College presidents find themselves in a setting that is unprecedented in its complexity.
As complexity, accountability, and visibility of institutional leadership has grown, so has the urgency to proactively manage risks across the enterprise.

### Complexity and the Presidential Role

<table>
<thead>
<tr>
<th>20-30 Years Ago</th>
<th>Today</th>
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<tbody>
<tr>
<td>Fundraising</td>
<td>Fiscal Solvency</td>
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<td>Athletics Performance</td>
<td>Severe Enrollment Pressures</td>
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<td>Curriculum</td>
<td>Education Disruptors</td>
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<td>Tradition Keeping</td>
<td>Outcomes</td>
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<td>Budget Planning</td>
<td>Cybersecurity</td>
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<td>Physical Plant</td>
<td>Sexual Assault</td>
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<td>Routine Compliance</td>
<td>Athletics Scandals</td>
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<td>Active Shooters</td>
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<td>Fraud</td>
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<td>Evolving Compliance</td>
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Rising college costs and stagnant or declining pecuniary benefits have led more persons to ask: “is college worth it?” or, “do I get a good return on my college investment?”

Forbes Magazine (2017)

Seven Critical Issues Facing Higher Education
Risk and Insurance (2018)

1. Fiscal Solvency
2. Athletic Concussion Injury
3. Sexual Assault
4. Gender Equality Issues
5. Erosion of Public Trust in Higher Education
6. Campus Crisis Readiness
7. Cybersecurity
Seven Challenges Facing Higher Education
Forbes Magazine (2017)

1. Cost is turning off potential customers, alienating public
2. Increase in federal financial aid linked to increase in regulation
3. Less expensive approaches to certifying competence, disruption of traditional higher ed
4. Traditional role of colleges as a place for divergent ideas continually under attack
5. Slow economic growth and aging population reducing resources
6. The value of a college degree as a device to signal knowledge, intelligence, and skills is fraying
7. At large campuses intercollegiate athletics has become too costly, exploitive, and heightened public awareness of scandals
Critical risks across the institution have interdependencies and cannot be managed effectively in silos.
Enterprise Risk Management and Institutional Leadership Context

**Risk**: The possibility that events will occur and affect the achievement of strategy and business objectives

**Risk Management**: A series of coordinated activities to direct and control challenges or threats to achieving an organization’s goals

**Enterprise Risk Management**: The culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value

**What does ERM seek to do?**

An organization-wide approach to addressing the full spectrum of the organization’s significant risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos.
Enterprise Risk Management and Institutional Leadership Context

Types of Risk

Financial
- Inaccurate, unreliable and/or incomplete financial statements and/or records
- Inadequate, ineffective and/or inappropriate internal controls

Reputation
- Inconsistent, inaccurate and/or inefficient administration, disbursement, and servicing of student aid
- Ineffective oversight and monitoring of Title IV programs and participants

Regulatory
- Failure to adhere to and/or implement requirements associated with Title IX/Clery Act
- Failure to resolve key control deficiencies identified during the audit process

Strategic
- Failure to achieve program targets
- Failure to achieve enrollment and retention targets
- Inability to perform significant academic or scientific research

Cyber
- Compromise of networks allowing unauthorized access to information
- Failure to protect personally identifiable information from unauthorized disclosure
Executives are responsible for managing and overseeing enterprise risk management. Cyber oversight activities include the regular evaluation of cybersecurity budgets, IT acquisition plans, IT outsourcing, cloud services, incident reports, risk assessment results, and top-level policies.

Cyber Risk Management Primer for CEOs, Department of Homeland Security (2017)

5 Questions CEOs/Presidents Should Ask About Cyber Risks

- What is the current level and business impact of cyber risks to our company? What is our plan to address identified risks?
- How is our executive leadership informed about the current level and business impact of cyber risks to our company?
- How does our cybersecurity program apply industry standards and best practices?
- How many and what types of cyber incidents do we detect in a normal week? What is the threshold for notifying our executive leadership?
- How comprehensive is our cyber incident response plan? How often is the plan tested?
Enterprise Risk Management and Institutional Leadership Context

Constructive Elements of Enterprise Risk Management

<table>
<thead>
<tr>
<th>Investment</th>
<th>Strategic Plan</th>
<th>Board &amp; Executive Level Focus</th>
<th>Organization Wide</th>
<th>Enterprise Cyber Risk</th>
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<tr>
<td>$</td>
<td>![Target Symbol]</td>
<td>![People Icon]</td>
<td>![Network Icon]</td>
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While the Board of Trustees and President have ultimate accountability for managing risks and for achieving strategic objectives, risk management is everyone’s responsibility.

Leading ERM and Strategy Realization: Questions for Consideration

• Does your institution have an ERM program?
• Do you focus on solving issues or managing critical risks before they become issues?
• Are your key executives engaged in conversations about their units’ risks and interdependencies?
• Are you engaged in risk conversations with your senior administrators and do those conversations involve risks tied to strategic objectives?
• Does your institution provide tools and training for risk management?
• Does your business units have a risk register and/or risk portfolio that feeds an institution-wide process?
• Has your institution assigned responsibility to a key executive to drive your institution-wide risk management process?
• Do you involve your entire organization in disciplined risk management?
VA’S LARGEST PUBLIC RESEARCH UNIVERSITY

GEORGE MASON UNIVERSITY

37,000
Fall 2017 Enrollment

3 DISTINCT U.S. CAMPUSES + MASON KOREA

6,200 Residential Students

A SKILLED WORKFORCE

~6,000
Faculty & Staff

DIVERSE STUDENTS

130
Countries

50
States

TOP-TIER LOCAL COLLEGE OPTION

130
Countries

50
States

80%
In-State Students

RESEARCH OF CONSEQUENCE

Research 1 University
Highest Carnegie Research Classification

~$150M
Research Expenditures in FY19
Establishing Mason’s ERM Program

- Board and Executive Leadership recognized need for ERM (2011)
- New President (2012) & Senior Vice President (2013)
- Leadership Risk Survey (2014)
- Identified Chief Risk Officer (2015)
  - Reports to the Senior Vice President
- ERM Council Chartered by President (2015)
- ERM Council Composition:
  - Academic Administration
  - Athletics
  - Compliance & Ethics
  - Fiscal Services
  - Human Resources
  - Information Technology
  - Internal Audit
  - Research
  - Risk Management & Safety
- Provost and SVP serve as Executive Champions
Establishing Mason’s ERM Program

- Governance and Reporting

- Senior Leadership
- Senior Vice President
- ERM Council
- ERM Working Group
- ERM Compliance Sub-committee

Board of Visitors
- Audit*, Finance, Executive, Full
Establishing Mason’s ERM Program

1. Enterprise Risk Identified

2. ERM Council scores and prioritizes risk(s).

3. Risk owners are engaged and draft risk assessment & mitigation plan.

4. ERM Council reviews risk assessment and mitigation plan and offers input and recommendations.*

5. Risk owner updates risk assessment and mitigation plan and creates a business plan(s).**

6. ERM Council recommendations on highest priority risks are provided to SVP, Provost and President.

7. ERM Council updates BOV on risk priorities and progress annually.
Outcomes Realized at Mason

• Reducing University Exposures- Focus on Mitigation

• Further Prioritization of Resources

• Consistent Focus and Messaging

• Heightened Risk Awareness & Deeper Understanding
  o Executive Level
  o Enhanced Coordination Among Operational Level Peers

• Integration of Risk Management
  o Annual Budget Requests
  o HR Annual Review Process
  o IT Governance Group Prioritization Process
Luke Figora

Senior Associate Vice President, Chief Risk and Compliance Officer

Northwestern University
Operational Risk Structure at Northwestern

- SAVP, Chief Risk and Compliance Officer

- Functional oversight
  - Risk Management (insurance, claims, operational)
  - Internal Audit
  - Compliance
  - Business Continuity
  - Environmental Health and Safety
  - Procurement

- Goal: alignment of operational risk functions to ensure consistency of approach and coverage across the institution

- SAVP uses these functions as underlying operational support for enterprise risk management framework
ERM Governance Structure at Northwestern

- ERM iteration #3
<table>
<thead>
<tr>
<th>ERM Governance Structure at Northwestern</th>
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<tbody>
<tr>
<td><strong>Audit, Risk, and Compliance Committee</strong></td>
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<tr>
<td>Oversight of ERM process</td>
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<td>Strategic level risk reviews</td>
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<td>Stewardship of ERM program</td>
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<td>Quarterly ERM review meetings</td>
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<td>Risk initiative work-groups</td>
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<tr>
<td>Annual risk assessment and prioritization</td>
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<tr>
<td>Recommends annual ERM plan</td>
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<tr>
<td>Approves annual ERM plan</td>
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This table outlines the governance structure for ERM at Northwestern, detailing the roles and responsibilities of various committees and teams in overseeing and implementing ERM processes.
Annual ERM Assessment and Planning Process

**Risk and Compliance Committee**
- Updates risk inventory
- Conducts assessment exercise

**ERM and Compliance Leadership Team**
- Reviews and modifies assessments
- Prioritizes risk initiatives
- Recommends plan

**ERM Facilitators**
- Implement plan

**Sponsorship Group**
- Ensures strategic risks are identified
- Approves ERM plan

**ERM Facilitators***
- Addresses remaining open follow-up issues in plan
## Examples of ERM Topics and Outcomes

<table>
<thead>
<tr>
<th>ERM Topic</th>
<th>Examples of Outcomes</th>
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<tr>
<td>Minors on Campus</td>
<td>• Implemented new Minors at Northwestern Policy</td>
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<tr>
<td>Crisis Communications</td>
<td>• Five communications imperatives identified for active violence and data breach scenarios</td>
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<tr>
<td>Privacy</td>
<td>• Ongoing Global Data Protection Regulation (GDPR) working group established</td>
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<tr>
<td>Title IX</td>
<td>• Organizational restructuring</td>
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<tr>
<td></td>
<td>• Engaged stakeholders to evaluate new federal guidance</td>
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<td>Athlete Safety</td>
<td>• Post-eligibility medical support strategy developed</td>
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<tr>
<td>IT Security</td>
<td>• Developed policy-based strategy to respond to ransomware scenarios</td>
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<tr>
<td></td>
<td>• Cryptocurrency planning</td>
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<tr>
<td>Club Sports</td>
<td>• New club sport and coaching contracts developed</td>
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<td>Escalation Workgroup</td>
<td>• Escalation expectations for campus</td>
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<td></td>
<td>• Revised investigation protocol</td>
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<tr>
<td>Contract Workgroup</td>
<td>• Workflow guidance for broad set of agreements</td>
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<td></td>
<td>• Signature authority refinement</td>
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