Compliance as a Component of ERM

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Compliance as a Component of ERM

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Compliance as a Component of ERM

Session Goals

- Develop an understanding of ERM
- How to work with ERM teams to identify top compliance and institutional risks
- Learn to identify and implement mitigation measures
- Document risk mitigation efforts

> *Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing.*
>
> Denis Waitley

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Elements of an Effective Compliance Program

- Written policies and procedures
- Compliance leadership and oversight
- Training and education
- Effective lines of communication with the compliance officer and disclosure program
- Enforcing standards: consequences and incentives
- Risk assessment, auditing, and monitoring
- Responding promptly to detected offenses and developing corrective action initiatives

What is ERM?

Enterprise Risk Management is an integrated approach to managing risk across an organization.

Goals of ERM

- Ensure the seamless integration of strategic planning
- Recognize early warning risk indicators
- Link decisions with stakeholder values
- Drive sustainable synergies

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ERM at Purdue

Vision

Enable all decision makers, including the Board of Trustees, faculty, management, operational staff, and others, to identify, assess, and manage risks in a continuously changing and uncertain environment.

ERM Is

- A continuous process led by senior leadership
- Built into day-to-day processes
- Designed to identify current and emerging risks
- Tied to strategic goals and objectives
- Holds leadership accountable for managing risks
- Applied across the university

ERM Is Not

- A means to prevent or eliminate all risks
- Owned by one function
- A prescriptive method to managing risks
- One-time process
- Tools, systems or software
- “One size fits all” framework

ERM at Purdue

Success Factors and Lessons Learned

- Process/Framework first, then system
- Link ERM to strategy
- Avoid overly complicated/labor intensive process; simplicity is key
- Focus on top risks only; phased approach
- Assign accountability for top risks
- Set achievable and realistic mitigation plans
- Define meaningful and measurable key performance indicators (KPIs)
- Define specific data and reports to be used in KPI development
- Monitor and continuously update/re-evaluate; automate where possible
- Identify, document and map internal controls to top risks
- Engage risk owners to present to the BoT; enforces accountability

Purdue ERM Governance Committee

Functional Areas Represented

- Internal Audit (lead)
- Finance/Business Services
- IT
- Academic Administration
- Risk Management
- Physical Facilities & Operations
- Public Safety
- Ethics and Compliance
- General Counsel
- HR
- Research

Goals and Objectives

- Identify high risk areas based on industry and university specific knowledge
- Establish appropriate risk assessment and mitigation strategies
- Develop a continuous risk assessment process embedded in our daily business operations

Purdue's ERM Process

Risk Identification

- Representation from all departments across the organization
- Internal Audit ERM Team coordinates and leads this process

Identification (Phase 1)

Internal Audit ERM team monitors mitigation plans for ongoing effectiveness

Risk Owners

Monitoring and Communication (Phase 4)

Assessment (Phase 2)

Impact and Likelihood Assessment

- Standard evaluation criteria defined
- Top risks will result from identification and evaluation

Continuous Evaluation

Mitigation

- Risk owners are assigned to all risks
- Mitigation plans and KPI's are documented for top risks

Mitigation (Phase 3)

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What is Risk?

Potential internal or external events or decisions that could preclude the organization from achieving it's strategic organizational or departmental objectives.

Top Risks for Higher Education

According to United Educators' Top Risks Survey

1. Enrollment
2. Data security
3. Operational pressures
4. Recruitment and hiring
5. Regulatory and legal compliance
   (Non-VAWA/Title IX)
6. Facilities and deferred maintenance
7. Student mental health
8. Funding
9. Public safety
10. General premises safety
    Title IX
    Political and societal pressures

United Educators

www.ue.org

Question:
What aspects of these institutional risks are also compliance risks?

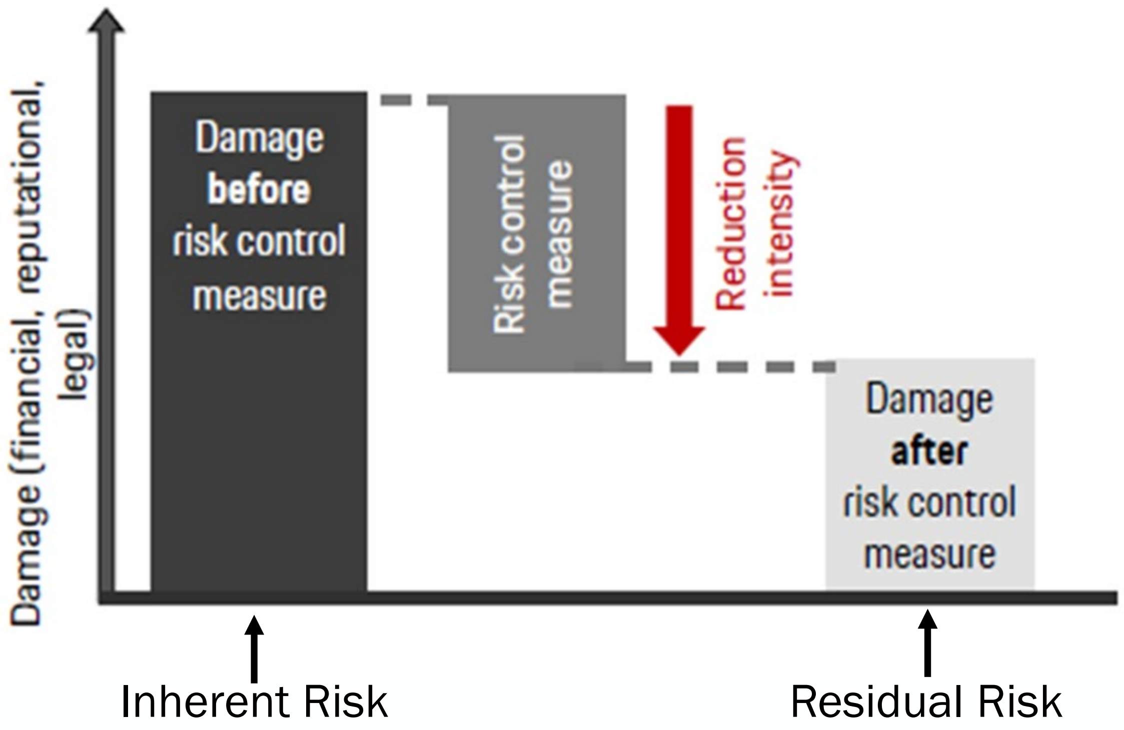
- Enrollment
- Data security
- Operational pressures
- Recruitment and hiring
- Regulatory and legal compliance (Non-VAWA/Title IX)
- Facilities and deferred maintenance
- Student mental health
- Funding
- Public safety
- General premises safety
- Title IX
- Political and societal pressures

Question:
What risks are missing from the list?

- Enrollment
- Data security
- Operational pressures
- Recruitment and hiring
- Regulatory and legal compliance (Non-VAWA/Title IX)
- Facilities and deferred maintenance
- Student mental health
- Funding
- Public safety
- General premises safety
- Title IX
- Political and societal pressures

Can the Inherent Risk be Reduced?

- ERM evaluates each risk and determines whether the inherent risks associated can be reduced or eliminated.
- Elimination of all risk is unlikely, what is left is residual risk.



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Four Types of Mitigation

Risk Avoidance

- Elimination of risk by choosing not to engage in certain activities

Risk Transfer

- Shifting some or all risk to third parties
- Examples include insurance, contracting with outside entities

Risk Reduction

- Taking steps to minimize the likelihood or impact
- Examples include implementing safety measures, conducting periodic reviews, offering training

Risk Acceptance

- Acknowledging the risks that come with certain activities

Break-out Groups

Choose a Topic

1. Research
2. Intercollegiate Athletics
3. Free Speech/Campus Protests
4. Artificial Intelligence
5. Academic Freedom
6. DEI

Break-out Groups

Questions for Your Group to Discuss and Answer

1. Identify the inherent risks relative to your group's topic.
2. What mitigation measures can be put into place to reduce or eliminate the risks?
3. Identify which of those measures is the responsibility of the compliance function and which are of other units.
4. What obstacles are there to implementing the measures the compliance function is responsible for?

Report Out: How did your group answer the questions?

1. Identify the inherent risks relative to your group's topic.
2. What mitigation measures can be put into place to reduce or eliminate the risks?
3. Identify which of those measures is the responsibility of the compliance function and which are of other units.
4. What obstacles are there to implementing the measures the compliance function is responsible for?

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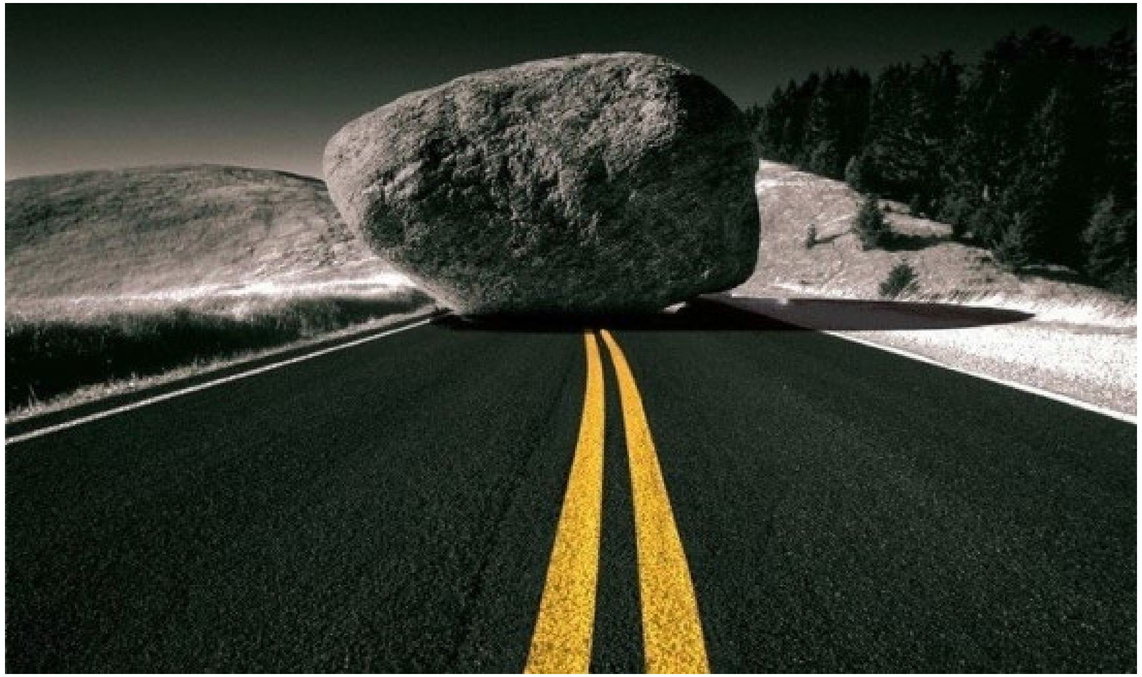
When Obstacles Prevent Mitigation

Who owns the risk?

- Compliance
- Topic owner
- Board of Trustees/Regents

Can an alternative mitigation method be utilized?

- Avoid
- Transfer
- Reduce
- Accept



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Documenting Compliance Mitigation Efforts

- Policies and procedures
- Training and education
- Communication
- Auditing/monitoring

Questions?

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