

THE UNIVERSITY OF MICHIGAN
SENATE ASSEMBLY
ADVISORY COMMITTEE ON FINANCIAL AFFAIRS

Date: Thursday, October 24, 2019

TIME: 11:30 – 1 pm

PLACE: Palmer Commons - Boardroom #1

The Financial Affairs Advisory Committee met on Thursday, October 24, 2019 Palmer Commons, boardroom 1. Brian Love, chair of the committee and Kevin Hegarty, evpcfo, welcomed committee members to the meeting and introductions of all attending were made.

The committee discussed potential topics for the coming year.

Mr. Hegarty introduced Lorraine Currie, director of enterprise strategic risk management. Ms. Currie is the university's inaugural director in this area. Ms. Currie explained she works with all levels of the university and the Board of Regents to help them identify and assess strategic risks and put processes in place to manage them. Strategic risks are those risks that, if realized, could prevent the university from achieving its strategic goals. Ms. Currie reviewed the University's Risk Philosophy and Guiding Principles (attachment A), draft common risk language document (attachment C) and the university's path to Enterprise Strategic Risk Management (attachment C).

Chair Love thanked Ms. Currie for her time and for the work she is committed to doing. The meeting concluded at 1 pm.

Committee Members:

- Kevin Hegarty, Executive Vice President and Chief Financial Officer
- Brian J Love, (CHAIR) Professor of Materials Science and Engineering
- David Lott, Graduate Student, Business Administration MBA
- Elena Gallo, Associate Professor of Astronomy, College of LS&A
- Erhan Bayraktar, Professor of Actuarial Sciences and Professor Mathematics, College of LS&A*
- Erik Marshall, Lecturer II in Language, Culture and Communication
- John Allen, Professor of Internal Medicine, Medical School, and Interim Chief Clinical Officer, UMMB*
- Keith Riles, Professor of Physics*
- Liza Hochberg, Undergraduate Student, Business Administration*
- Magdalena Ivanova, Research Assistant Professor, Neurology
- Maryjo Banasik, Director, Faculty and Operational Support Activities*
- Melissa Kennedy, Administrative Assistant Senior, Utilities*
- Reed Dunnick, Professor of Radiology, Medical School
- Nancy Allee, Librarian, Health Sciences Library, University Library and Librarian, Learning Health Sciences, Medical School
- Raffi Indjejikian, Professor of Accounting, Stephen M Ross School of Business
- Walt Borland, Adjunct Clinical Associate Professor of Information, School of Information
- Jane Jakeway, Staff Support, Executive Assistant to the EVPCFO

Next Meeting: November 15, 2019

* not able to attend

University of Michigan Risk Philosophy and Guiding Principles

The endorsement of an enterprise risk philosophy by University of Michigan leaders recognizes that the university's missions of research, teaching, and service necessarily entail some risk. It also acknowledges that not all risks are equal and that risk cannot be completely eliminated.

Adopting a philosophy and adhering to guiding principles provides a framework for policy and process development and decision making throughout the university. This can empower faculty, staff, and students to take informed and reasonable risk in support of the university's mission and to elevate higher-level risk-related concerns. The philosophy and guiding principles also recognize that risks and tolerance for risk will vary among university units and so must be defined and coordinated by leaders in each area.

U-M's Risk Philosophy (i.e., the set of shared beliefs and attitudes characterizing how U-M considers risk in everything it does, from strategy development and implementation to its day-to-day activities)

1. Risk is inherent in the work of the university; therefore risk-taking is necessary to carry out our mission.
2. The university seeks to establish a risk-aware culture where the balanced consideration of risk is integrated into decision making at all levels.
3. Risk averse behavior and risk-taking behavior each have their place in university decision making.
4. Risk management is a shared responsibility at all levels of the university.
5. Risks will vary by unit and will change over time.
6. Informed decision making regarding risks can only occur after the risks are understood within the context of the work being done.
7. Appropriately managed risk unleashes potential for innovation, efficiency, and cost savings across the university, and can facilitate positive changes in each of the university's mission areas of education, research and scholarship, and service.
8. The effective allocation of resources requires an appropriate assessment of risk.

COMMON RISK LANGUAGE

Draft

Risk: The possibility of an event, incident or occurrence that will have an uncertain effect on the achievement of objectives or cause harm.

Enterprise Risk: The possibility of an event, incident or occurrence that will have a substantial uncertain effect on university-wide operations.

Strategic Risk: The possibility of events, incidents or occurrences that will have a substantial uncertain effect the university's ability to meet its mission, vision, strategic goals or objectives.

Impact: The consequence or result of an event, incident or occurrence.

Likelihood: The probability of an event, incident or occurrence happening.

Severity: Magnitude of impact of an event, incident or occurrence to the university and its ability to recover.

Risk Velocity: The time it takes for consequences of an event, incident or occurrence to begin or the time between the start of an event, incident or occurrence and the point at which the university feels its effects.

Risk Priority: Level of immediacy or focus necessary based on analysis of risk impact, severity and likelihood.

Controls: Strategies, plans or actions that modify, reduce or mitigate the likelihood or consequences of events, incidents or occurrences.

Enterprise Strategic Risk Management: The institutional discipline, culture and control structure in place to continuously improve risk management capabilities to meet the institution's mission, vision, strategic goals or objectives.



The University's path to



Early Enterprise Risk Discussions

Sample of Risk Presentations to Regents

based on risk discussions with executive leadership

- 2006: Emergency Preparedness & Pandemic Planning
- 2008: Incident Management
- 2011: Continuity of Operations
- 2012: International Activities
- 2013: Lab & Research Safety
- 2014: Utilities
- 2017: Research Risk Areas

University initiatives propelled by risk discussions with leadership

- Bio Research Shuttle for transport of samples between university buildings
- Digital signage
- Biological Safety and Compliance Program
- Security camera policy

ERM Committee Formed in 2017



Research



People



Healthcare



Cyber



Investments



Reputation



Athletics



Safety



Culture



Regulatory



Funding

Current Progress

- ✓ Initial enterprise strategic risk areas identified
- ✓ Detailed risks drafted in each area
- ✓ Mitigating controls outlined in risk detail

What's Ahead

Define

Roles & responsibilities
Common risk language

Develop

Enterprise risk framework
(identification, prioritization, evaluation, treatment)

Communicate

ERSM strategic vision
Strategic risk information

