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Strategic Risk Analysis: Why It Matters and How to Do It

April 19, 2018

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About CliftonLarsonAllen

- A professional services firm with three distinct business lines
 - Wealth Advisory
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- More than 5,400 employees
- Offices coast to coast
- Serving Higher Education institutions for more than 50 years



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Speaker Introductions

Matt Ceppi

- Principal
- 20 years as higher education administrator and consultant
- Worked with university leadership on integration, alignment and fostering of strategic and long-range planning, enrollment planning, and resource allocation planning



Taylor Powell

- Consulting Manager
- Nine years experience in accounting and finance
- Works with higher education institutions in financial analysis/modeling, enterprise risk management, as well as internal and performance auditing capacities.



Learning Objectives

- At the end of this session, you will be able to:
 - Identify institutional risks and understand their relationship to strategy
 - Assess the likelihood of risk events based on institutional profile and data trends
 - Recognize opportunities for risk mitigation and monitoring
 - Engage institutional governance in strategy and associated risk discussions

Agenda

- ERM and factors driving institutions to do it
- Identifying, Assessing and Prioritizing Strategic Risks
- Strategic Initiative Assessment Model
- Bringing it all together
- Questions



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Key Benefits

- Consistent, on-going process
- Develops effective communication channels with governance and internal stakeholders
- Understand key risk drivers
- Defines Risk Appetite (Tolerance for Risk)
- Evaluating and Prioritizing Opportunities and Associated Risks Strategically
- Identify continuous improvement opportunities
- Actively Monitored
- Create a culture focused on strategic issues



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**Factors Driving Institutions to Implement
Enterprise Risk Management**

Matt Ceppi

Enterprise Risk Management

“Enterprise risk management is a process, effected by the entity’s board of directors, management, and other personnel, applied in strategy-setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within the risk appetite, to provide reasonable assurance regarding the achievement of objectives.”

- COSO Enterprise Risk Management – Integrated Framework 2004



Risk Defined

Pre COSO Report:

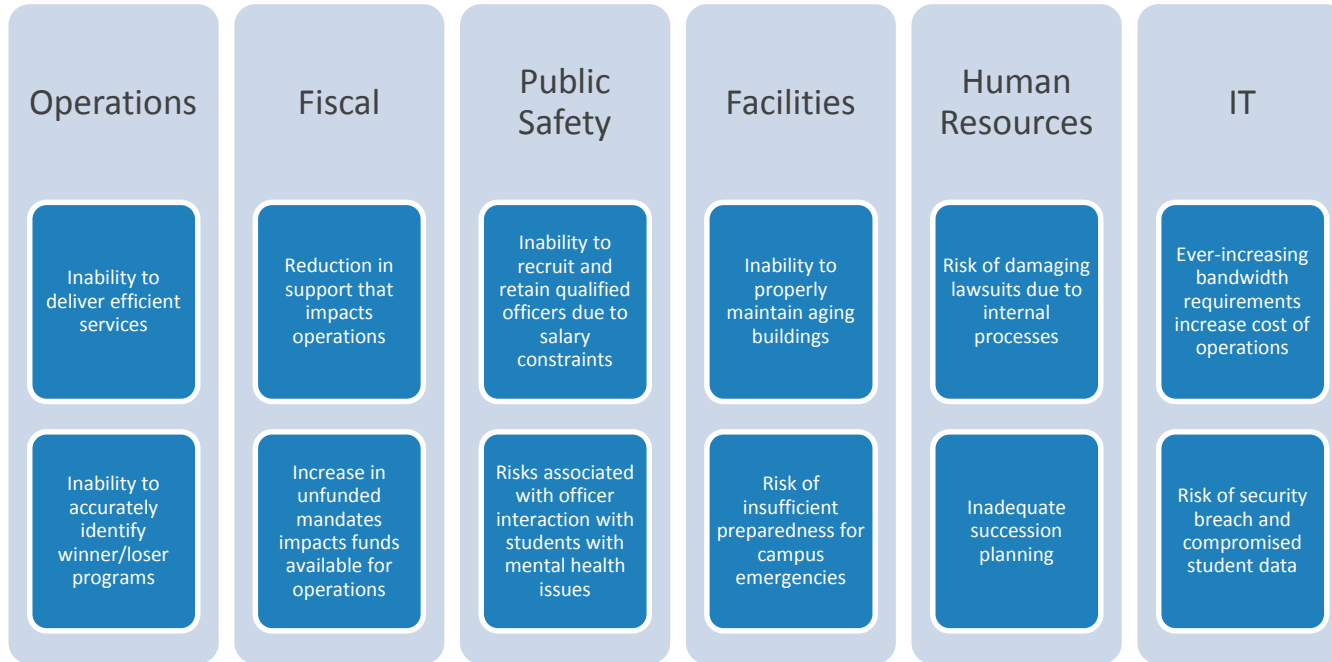
- Institution protected in the event of catastrophe, litigation, or negative outcome.

Risk Today:

- Any issues (external and internal) that could affect an institution's strategy and ability to achieve its objectives.

Traditional Risk Management Model

Risk Identification, Assessment and Mitigation occurred primarily **within** each functional area

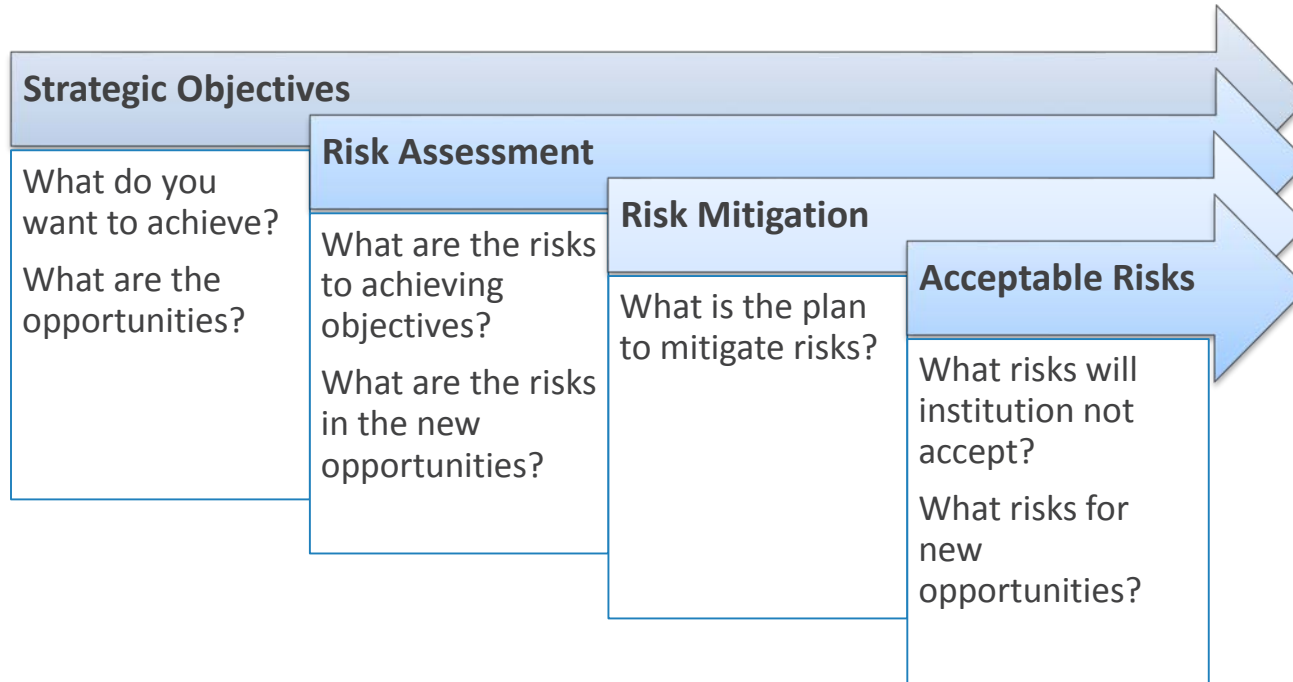


Risk is any issue that may affect your strategy and ability to achieve your objectives...

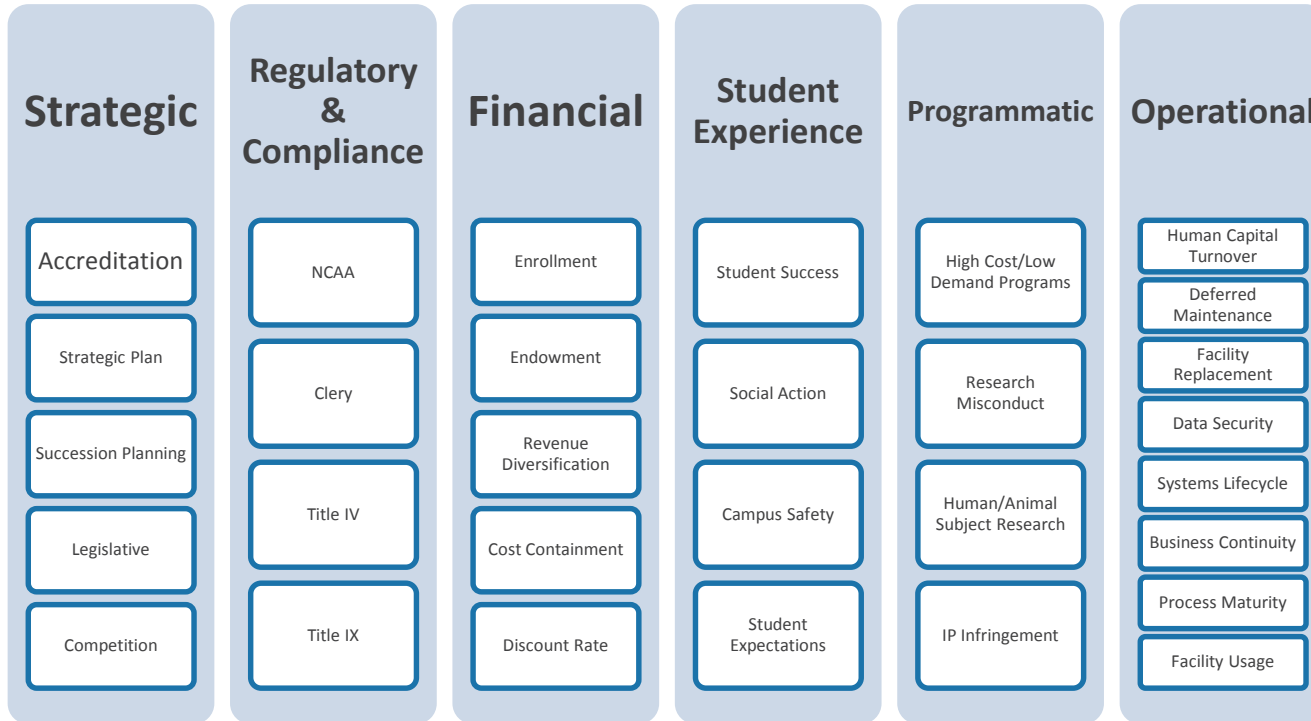


- Demographic shifts
- Public opinion of college value
- Reduced state subsidy
- Social action / protests
- Data breaches
- Cost increases (labor/benefits)
- Debt capacity
- Deferred maintenance
- Social action

Institutions thriving today have taken risks



A more strategic view of risks...



Enterprise Risk Management Model

Executive leadership aligns resource allocation
with the highest risks and the greatest opportunities
in light of Strategic Objectives



Addresses the impact of risks on the entire institution

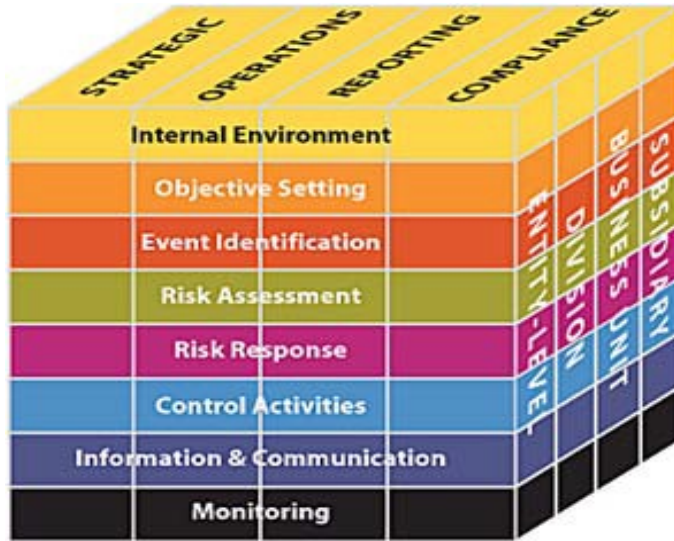


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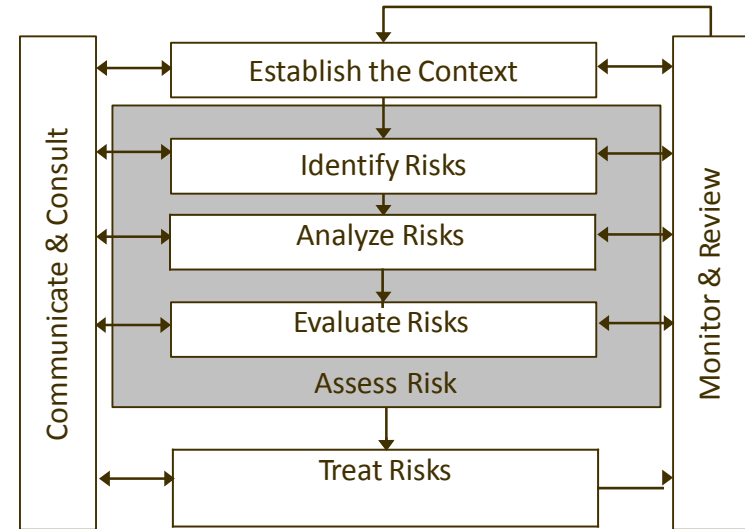
**Identifying, Assessing, and Prioritizing
Strategic Risk**

Two Popular Risk Frameworks

COSO integrated framework



AS/NZ - ISO 31000:2009



Traditional Approach to ERM



Evaluating Risk Management Capability

Two Key Questions on Risk Management Capabilities

1. Where is your organization in terms of risk management capabilities?
2. Where do you need to be?

Some ERM Pitfalls

- Can be too subjective if heavy reliance on surveys and self-reported information
- Can lead to institutional fatigue
- Limited institutional resources
- Viewed as an Internal Auditor initiative



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Strategic Risk Assessment Model

Taylor Powell

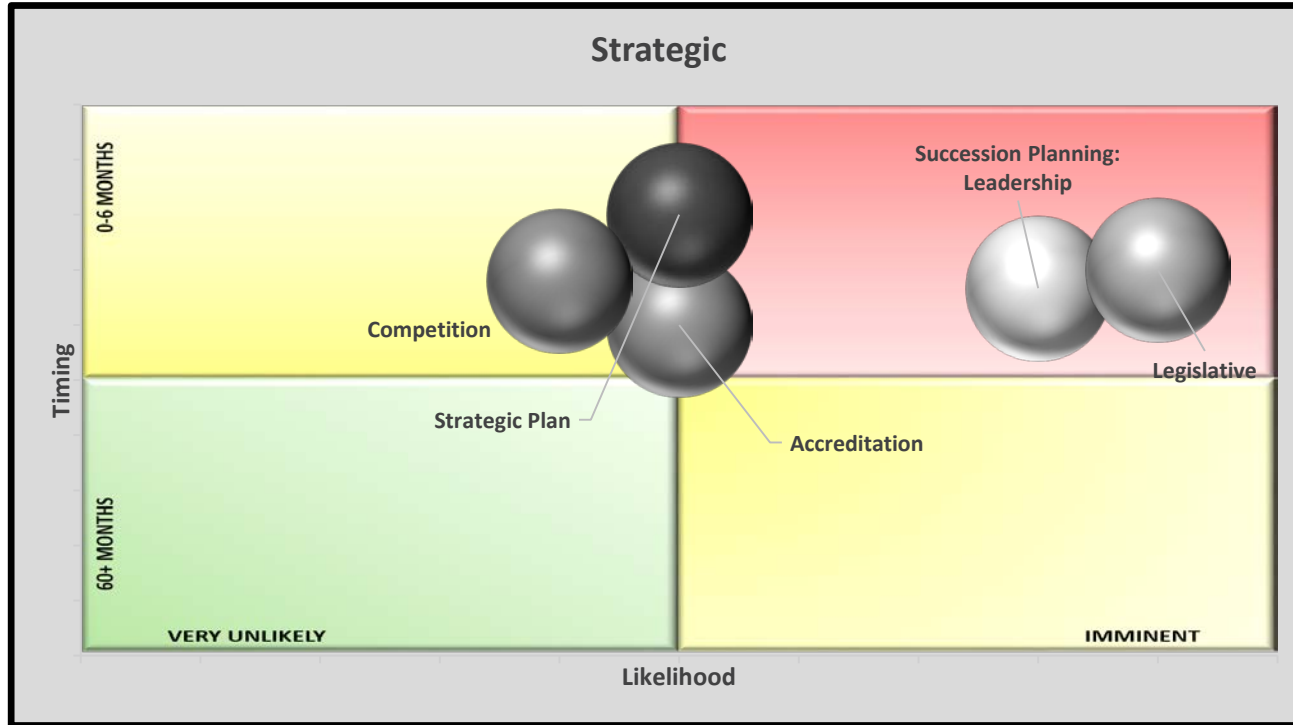
Key Processes are NOT Mutually Exclusive



Strategic Risk Assessment

- High level assessment of institutional risks
- Risk profile
- Longitudinal Institutional Data
 - Enrollment
 - Outcomes (retention, graduation)
 - Financial performance
 - Risk profile
- CLA industry knowledge and best practices
- Your own intuition

Focus on Imminent and Current Risks:

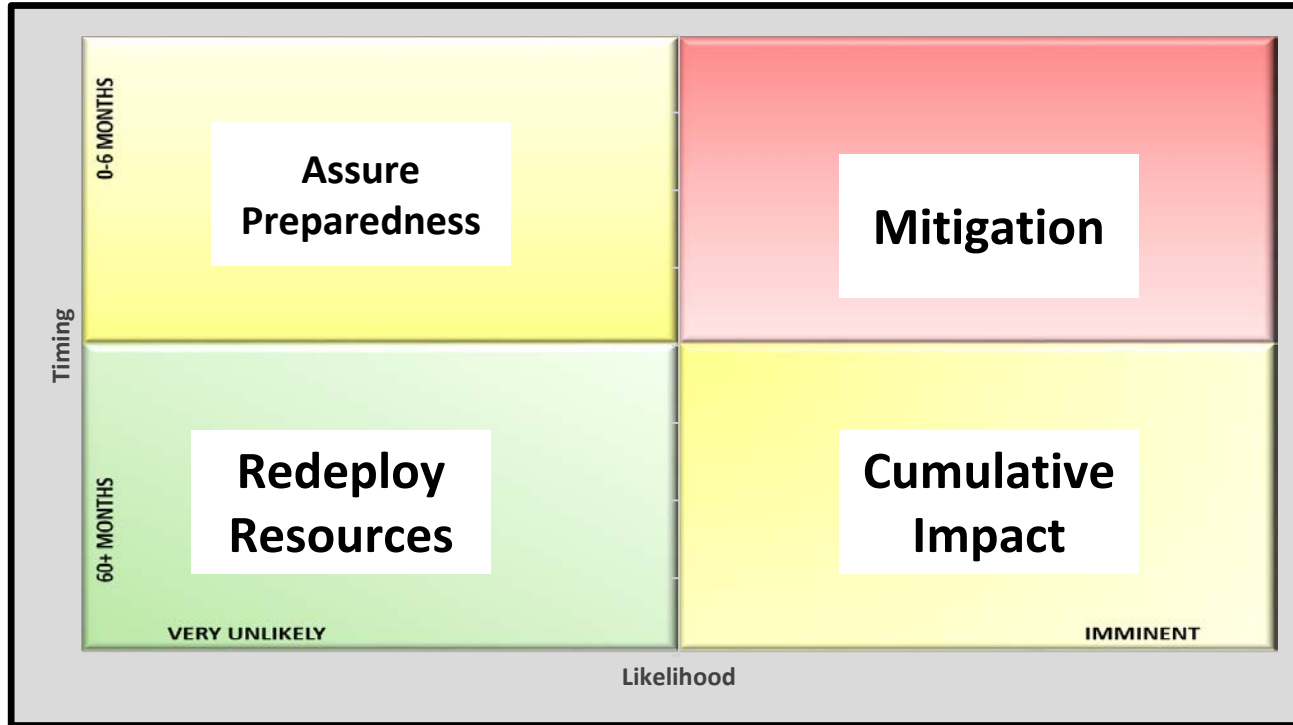


Strategic Risk Assessment



- More data driven
- Engage governance in higher level strategic discussions
- Focus governance and leadership on imminent issues
- Identify areas for deeper examination and drill down
- Focus resources on plans for mitigation

Deeper Examination and Action Steps:



Risk Assessment Tool

CLA's Higher Education Risk Assessment Tool

Institution Name:

Example Institution

Background

1	Is there an Athletics Program? If yes, what division	Yes	Division II
2	Does the Institution receive Title IV (Federal Student Aid) Funds?	Yes	
3	Are any Employees under a Collective Bargaining Agreement?	Yes	
4	Are all Courses Offered Online?	No	
5	What is the Level of Research at the Institution?	Low	
6	Is the Institution Currently on Probation with Accreditor?	No	
7	Pending state legislation that would impact financial position of University?	Yes	

Information Technology

8	Will any Mission Critical Systems reach End of Life within 5 years?	No	
9	When was the Last Time an Assessment of Information Security was Performed?	2015 - 13	

Strategy

10	When was the Last Revision to the Business Continuity/ Disaster Recovery Plan?	2015 - 13	
11	When was the Last Revision to the Strategic Plan?	2017 - 16	
12	When was the Last Time an Assessment of Organizational Processes was Performed?	2017 - 16	
13	When was the last time a Financial Aide Self-Assessment was performed?	2015 - 13	



Risk Assessment Tool

Strategic

- Accreditation
- Strategic Planning
- Succession Planning: Leadership
- Legislative
- Competition

Regulatory/Compliance

- NCAA
- Clery
- Title IV
- Title IX

Financial

- Enrollment
- Endowment
- Revenue Diversity
- Cost Containment
- Discount Rates



Risk Assessment Tool

Student Experience

- Student Success
- Social Action (Protest)
- Campus Safety
- Student Satisfaction
- Student Expectations

Programmatic (Academic & Research)

- Research Misconduct
- Human/Animal Subject Research
- Intellectual Property Infringement
- High Cost Low Demand Programs

Operational

- Human Capital: Talent/Turnover/Vacancy
- Deferred Maintenance
- Facility Replacement
- Data Security
- Mission Critical System's Lifecycle
- Business Continuity / Disaster Recovery
- Process Maturity
- Facility Usages



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TAX PLANNING
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BUSINESS PROCESS IMPROVEMENT



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REDUCING RISK

Four Rules of Thumb for Assessing Public-Private Partnerships in Higher Education

By Matt Cepai
5/28/2018

Colleges and universities are increasingly turning to private sector partners



IMPACTS OF FINANCIAL DECISIONS

Transform Higher Education Strategic Decisions With Financial Modeling

By Taylor Powell
3/15/2018

Many higher education institutions operate in the shadow of the industry rapidly changing and becoming ever more competitive for funding and enrollment. At the same time, colleges and universities make major spending commitments on projects that help attract students, keep up with trends, and stay compliant with regulations. In such



REDUCING RISK

Is Your Higher Education Institution Ready for ERM?

By Chara Hollowell
8/22/2017

Enterprise risk management (ERM) is a practice that is catching on at colleges and universities across the country. But before you take on an ERM implementation project, you should assess whether your higher education institution is actually primed and ready for this intensive, cross-organizational effort.

Here are some items you might consider as you contemplate whether your institution is ready for ERM.



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Questions?

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Contact us to receive a demo of the risk assessment tool!



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