Last updated: June 2020

Fairleigh Dickinson University

Enterprise Risk Management Initiative

 This memorandum outlines a revised Enterprise Risk Management (ERM) initiative under the overall direction of FDU’s Chief Compliance Officer, working in close collaboration with the Director of Internal Audit, University Risk Manager, and other senior administrators.

 FDU’s ERM initiative is designed to focus not only on risks, but also opportunities. Our goal is to work with senior management and every level of the University community to strengthen the processes, infrastructure, and knowledge resources that provide the framework for innovation, operational improvements, and possible growth in such key areas as external collaborations and sponsored research. The new ERM program further aims to promote an ongoing risk-aware and knowledge-sharing culture across the University, to provide the means for a centralized depository of information that can be reported and acted upon at senior levels, as well as enabling decision makers to incorporate a risk-reward analysis as a routine part of their jobs.

 **Objectives**

* Identify and assess a broad array of risks that could negatively impact the achievement of institutional goals and objectives, building upon previous efforts and the existing risk inventory;
* Prioritize risks, based on an agreed framework, and develop a plan to address, with appropriate ownership, follow-up, and accountability;
* Promote and strengthen a compliance culture throughout the university. If successful, compliance activities will be recognized as a way to enable and help meet the university’s goals, and not as an inhibitor to innovation or bureaucratic exercise;
* Enhance and improve FDU’s current policies and practices for compliance, informed by federal and state governmental directives and other best practices;
* Focus not only on risks – but also on opportunities for possible growth in key areas, such as industry/university collaborations and sponsored research;
* Coordinate and centralize input and lessons learned from individual functional/departmental areas across FDU to enhance university-wide perspectives on risk;
* Provide education and training on compliance to the University community; and
* Ensure transparency with senior leadership and the Board of Trustees on ERM activities.

**Major Components of FDU’s ERM Program**

Enterprise Risk Management is generally described as a structured, consistent, and continuous process across the whole organization for identifying, assessing, deciding on responses to, and reporting on opportunities and risks that affect the achievement of the organization’s objectives. (Institute of Internal Auditors 2009) The focus is not simply on risk elimination or mitigation – or on regulatory compliance -- but on helping the organization achieve its mission, strategic plan, and goals through an effective program that identifies, weighs, and addresses both risk and opportunity. At FDU, the ERM program should be informed by and help drive forward the 2020-2025 Strategic Plan, as the plan is developed and continually refined. In addition, for fiscal year 2020-2021, a key focus has been helping to address the impacts of the COVID-19 pandemic.

The major components of FDU’s ERM program are:

* Establishing a core team and reporting structure for ERM activities;
* Identifying risks and opportunities in each major functional unit;
* Prioritizing key areas for attention;
* Developing a plan for addressing key risks and opportunities, including required resources for plan implementation;
* Reporting the plan to senior leadership and Board of Trustees;
* Implementing the plan; and
* Repeating the process on a continual basis, with updates and improvements.

Develop ERM resources, survey results, educational materials

Discuss known risks & opportunities

Identify functional units for deep dive

Prepare priorities & draft action plans

Coordinate lessons-learned and best practices across FDU

*Core Team and Steering Committee*:

FDU’s Chief Compliance Officer, working in close collaboration with the Director of Internal Audit and University Risk Manager, will have day-to-day responsibility for leading the ERM initiative. This core team develops ERM tools and resources -- including survey questionnaires and results, and training and education materials -- and prepares and delivers reports to senior leadership and the Board.

 This core team plus a designee from each major functional unit in the university has formed an ERM Steering Committee that will meet about every two months to: (i) review and update survey questions; (ii) identify functional units for the deep-dive review (see below); (iii) review and prioritize identified risks and opportunities; (iv) outline possible ways to address key risks and opportunities including resources and budget for implementation; (v) coordinate information and lessons learned across functional units, to centralize best practices (confidential information to be separately handled); and (vi) review training and educational materials and draft reports.

 The core team plus several members of the Steering Committee (selected on an ad-hoc basis depending on subject-matter expertise) will meet approximately every six weeks with representatives from a high-priority functional unit to explore in detail risks and opportunities. Non-confidential results will be shared with the ERM Steering Committee; confidential results will be separately documented and reported to senior leadership (and the Board, as applicable).

 The core team will report to FDU’s senior leadership in December each year. The core team will present ERM findings and recommendations each March to Board’s Executive Committee. Urgent matters may be escalated to senior leadership and the Board in between meetings, as appropriate.

*Identifying risks and opportunities in each major functional unit*:

Building upon work done in prior years, as well as the results of the detailed reviews, the Steering Committee will prepare and update survey questions and topics for planned detailed reviews. The core team will compile the results from meetings and detailed reviews in an ERM Results Index. The ERM Results Index will be updated at each meeting of the Steering Committee and will ultimately form the basis for a revised Top 10 Net Residual Risks report prepared each year.

*Prioritizing key areas for attention*:

The Steering Committee will develop a prioritized list of risk/opportunities areas for the short, medium, and long term, based on urgency rating and ease of implementation. This includes exploring the University’s risk appetite, with the understanding that some risks may be acceptable due to financial and other inherent constraints. Risks and opportunities will be accorded an urgency rating.

*Developing a plan for addressing key risks and opportunities*:

The Steering Committee will develop a draft action plan for addressing short-term and medium-risk risks and opportunities.

*Reporting the plan to senior leadership and Board of Trustees*:

The core group will report results to FDU’s senior leadership and the Board’s Executive Committee. Reported results will include a Top 10 Net Residual Risks table that contains an urgency rating and proposed action plan for each item.

*Implementing the plan*:

Approved actions should be assigned to a core team of operational leaders who will oversee the implementation within their functional unit. Results will be communicated to the core team, and will be incorporated into updated ERM reports.

Action plans will include delivery of training and educational materials to the applicable functional units, and as appropriate, larger segments of the entire FDU community.

*Repeat:*

The process is intended to be continual, and will be periodically updated and refined by the core team and Steering Committee.

May 8, 2020