September 18-19, 2018

Enterprise Risk Management Assessment Results
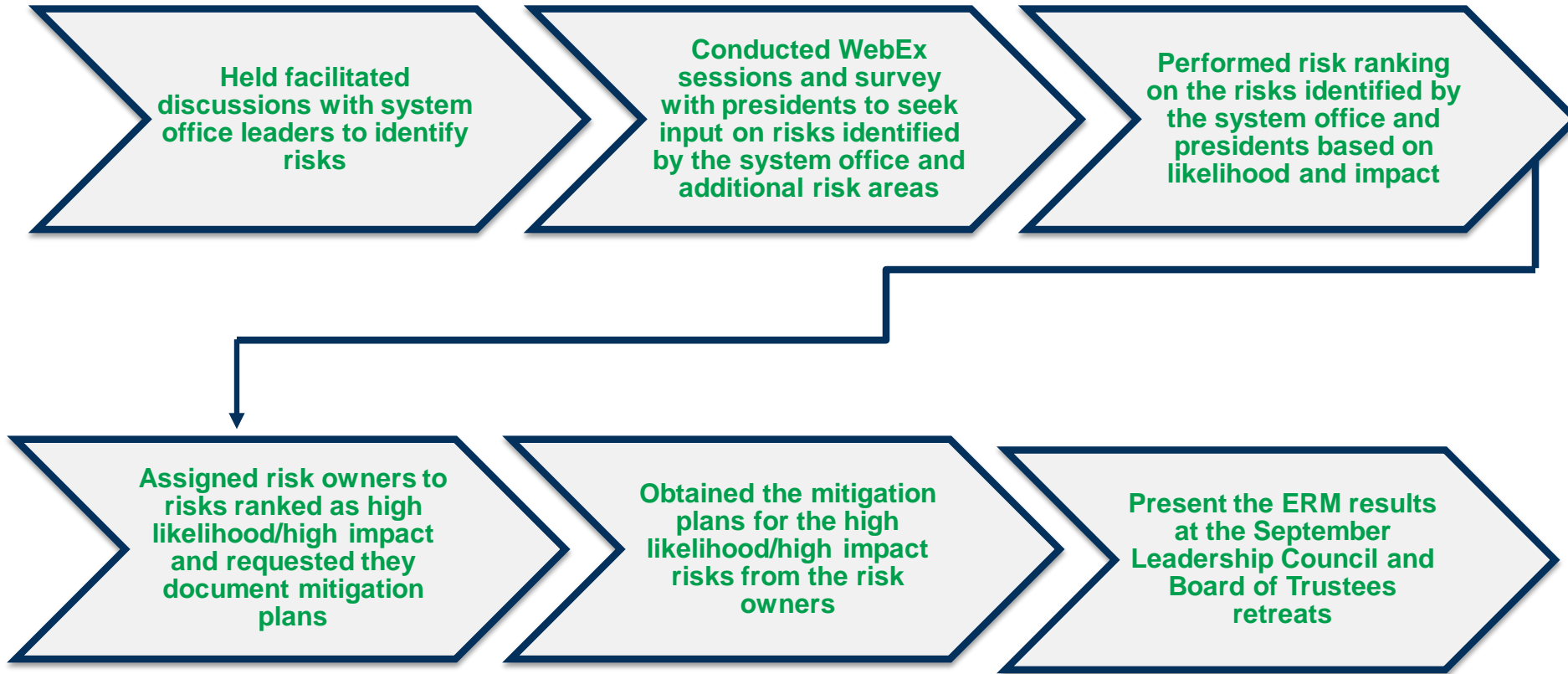
Board of Trustees Retreat

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Agenda

- ERM Process Overview
- ERM Roles & Responsibilities
- Minnesota State Strategic Objectives
- Top Minnesota State Strengths
- Presidents' Feedback
- Areas of Emphasis Prioritization
- Mitigation Plans – high likelihood, high impact
- Next Steps

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ERM Process Overview

Held facilitated discussions with system office leaders to identify risks

Conducted WebEx sessions and survey with presidents to seek input on risks identified by the system office and additional risk areas

Performed risk ranking on the risks identified by the system office and presidents based on likelihood and impact

Assigned risk owners to risks ranked as high likelihood/high impact and requested they document mitigation plans

Obtained the mitigation plans for the high likelihood/high impact risks from the risk owners

Present the ERM results at the September Leadership Council and Board of Trustees retreats

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ERM Roles & Responsibilities

Internal Audit

- Facilitate risk discussion with system office leaders
- Facilitate risk discussion with presidents
- Facilitate presidents' survey
- Draft top risks based on discussions with system office leaders and presidents and presidents survey
- Support a risk awareness culture

ERM Steering Committee

- Perform risk ranking
- Obtain risk owners' mitigation plans
- Communicate top risks to leadership council and board. Escalate concerns to board level
- Establish common risk language across the system

Risk Owners

- Communicate risk mitigation plans
- Monitor risk mitigation plans
- Escalate concerns to leadership council and ERM steering committee

Leadership Council

- Support ERM Steering Committee
- Provide feedback on risks identified
- Support risk owners in areas of responsibility and monitoring mitigation plans

Board of Trustees

- Provide oversight and objective feedback on ERM top risks

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Minnesota State Strategic Objectives

Minnesota State Priorities

1. Student Success

2. Diversity, Equity and Inclusion

3. Programmatic and Financial Sustainability

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Top Minnesota State Strengths

- **Accessibility** – Providing excellent and accessible education at different points in students' lives
- **Diversified Portfolio** – Offering a diversified portfolio of product offerings across 37 colleges and universities which include both 2 year and 4 year institutions
- **Scale** – Encompassing a vast geographical breath and graduating over 40,000 students annually
- **Alignment** – Aligning with changing demographics within the community
- **Community Involvement** – Partnering with communities and businesses throughout Minnesota and beyond
- **Affordability** – Providing an affordable education relative to other colleges and universities

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Presidents' Feedback

The table below represents the ten risks most frequently ranked in the "Top 10" from a system level and institution level.

- 26 Presidents (84%) participated in the WebEx discussions
- 21 Presidents (68%) completed the survey

Frequency

System Level	Institution Level
Financial sustainability*	**Enrollment management***
Collective bargaining	**Financial sustainability***
Change management*	Facility reliability, safety, cost, utilization
IT systems	Resource optimization
State and Federal government policy	Collective bargaining
Enrollment management*	**Change management***
Information security and privacy	State and Federal government policy
Resource optimization	Institution/system synergy
Institution/system synergy	Information security and privacy
Governance and compliance structure	IT systems

*Financial sustainability, change management and enrollment management were most frequently ranked as the #1 risk from both a system and institution level.

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Presidents' Feedback

The items below were incorporated into the ERM assessment as a result of the presidents' feedback.

Top Strength Added to Assessment

- Affordability

Risks Added to Assessment

- State and Federal government policy
- Public support

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Areas of Emphasis Prioritization

> **Risk:**
> *The possibility that **events** will occur and **affect** the achievement of **strategy and business objectives**."*
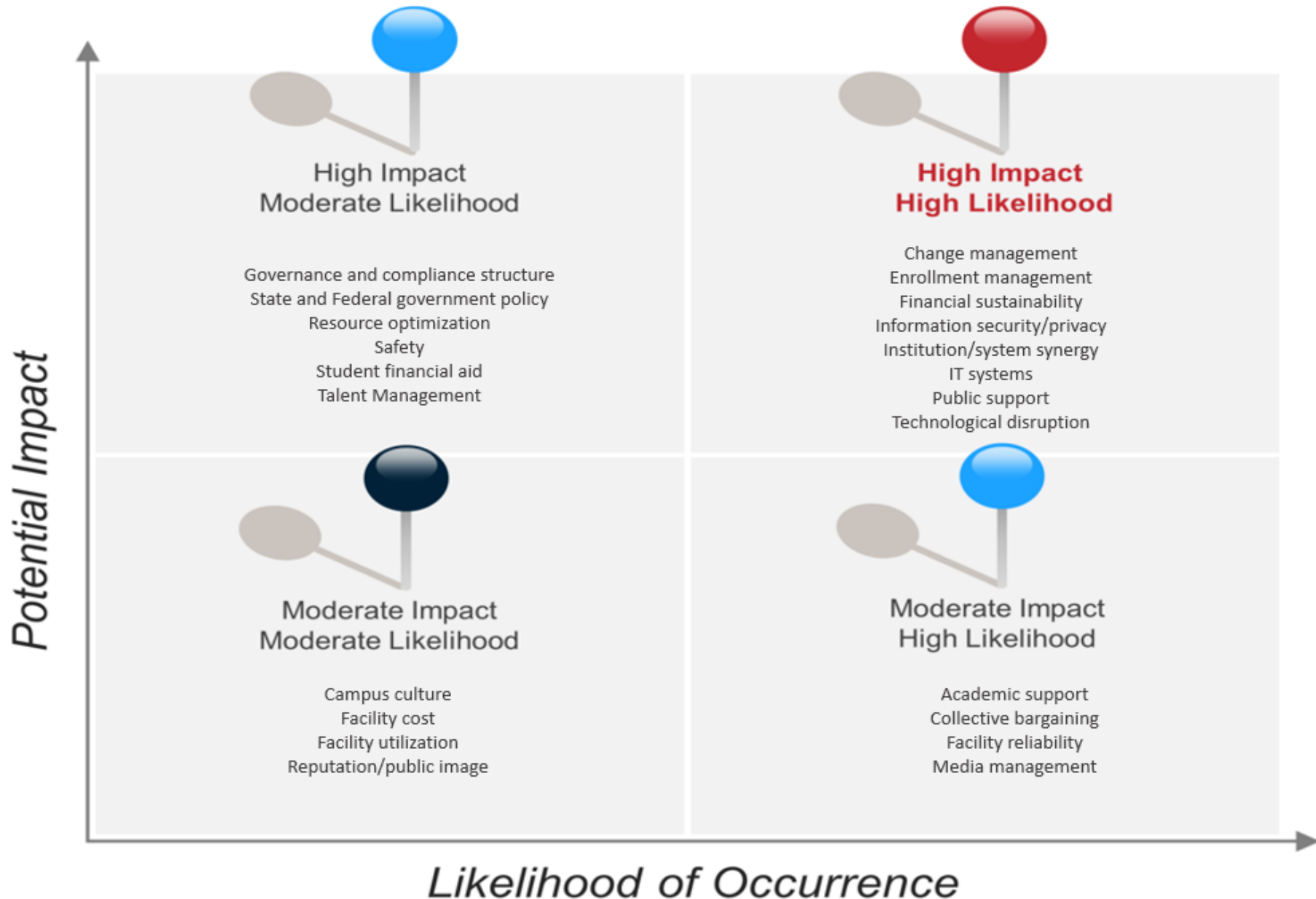> -Committee of Sponsoring Organizations of the Treadway Commission (COSO) June 2016 ERM Public Exposure Draft

Impact: *attempts to quantify the potential effect the risk could have on an entity across a number of factors*
Likelihood: *attempts to predict the probability that the risk could materialize*

Inherent Risk: *the risk to an entity in the absence of any direct or focused actions by management to alter its severity*
Residual Risk: *the risk remaining after management has taken action to alter its severity*

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Areas of Emphasis Prioritization

Potential Impact (vertical axis)

Likelihood of Occurrence (horizontal axis)

High Impact Moderate Likelihood

Governance and compliance structure
State and Federal government policy
Resource optimization
Safety
Student financial aid
Talent Management

High Impact High Likelihood

Change management
Enrollment management
Financial sustainability
Information security/privacy
Institution/system synergy
IT systems
Public support
Technological disruption

Moderate Impact Moderate Likelihood

Campus culture
Facility cost
Facility utilization
Reputation/public image

Moderate Impact High Likelihood

Academic support
Collective bargaining
Facility reliability
Media management

Summary Mitigation Plans – High Impact, High Likelihood

- Detailed mitigation plans have been developed by each risk owner for all risks ranked as high impact and high likelihood by the Steering Committee.

- Management understands that the mitigation plans serve as a baseline to mitigating the risks ranked as high impact and high likelihood. Management will assess the residual risk on an ongoing basis, as the mitigation plans continue to be deployed.

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Mitigation Plans

Risk Statement	Current Mitigation Plan
Change Management– Appropriately anticipating, responding to and facilitating disruptive changes with regards to people, process and operations. The ability to be innovative and nimble. **(Chancellor Malhotra)**	• Implementing the board initiative: *Reimagining Higher Education: Minnesota State* • Reviewing and evaluating past change efforts • Setting expectations for change leadership for institution and system office leaders
Institution/System Synergy– Balancing constraints to enable innovation and synergy realization. **(Chancellor Malhotra)**	• Implementing collaborative and enterprise service initiatives • Re-envisioning the role of the system office • Eliminating structural and community barriers • Developing and communicating a narrative on the value of higher education

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Mitigation Plans

Risk Statement	Current Mitigation Plan
Information Security/Privacy– The ability to safeguard and manage data and information resources. **(Vice Chancellor and Chief Information Officer, Ramon Padilla Jr.)**	• Completed IT Risk Assessment (in process of reviewing results) • Following Minnesota State Board Policies section 5.22 and 5.23 (six have been completed or updated since February 2017) • Established the "Top 5 Information Security Plan" • Reviewing data management and governance policies and procedures • Filled the Data Director position in June of 2018 • Established the information security event communication protocol in 2016
IT Systems– The sustainability of legacy applications and the ability to monitor the development of institution-specific applications. **(Vice Chancellor and Chief Information Officer, Ramon Padilla Jr.)**	• Completed IT Risk Assessment (in process of reviewing results) • Migrated from obsolete VMS operating system to Linux in FY18 • Migrated ISRS from Jboss to Tomcat • Relocated to a more modern and secure data center • Recognized the need for, built consensus around, established the business plan, and launched replacement project for ISRS called NextGen

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Mitigation Plans

Risk Statement	Current Mitigation Plan
Financial Sustainability– Ensuring the system can continue to operate in the short-term as well as achieve it's long-term objectives. **(Vice Chancellor of Finance and Chief Financial Officer, Laura King)**	• Practicing robust financial performance oversight • Implementing predictive analytics for enrollment management • Implementing collaborative planning for academic programs

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Mitigation Plans

Risk Statement	Current Mitigation Plan
Public Support– Managing legislative and public support. **(Chief Marketing and Communications Officer, Noelle Hawton)**	• Practicing robust government relations efforts • Gaining public awareness and support through earned and paid media • Utilizing key messaging in all communications on the opportunities Minnesota State can provide to its students

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Mitigation Plans

Risk Statement	Current Mitigation Plan
Technological Disruption– The ability to adapt to technology innovations for student services, learning, course delivery and administration. **(Sr. Vice Chancellor for Academic and Student Affairs, Ron Anderson)**	• Continuing to explore new learning technologies • Supporting institutions in implementing online education strategies • Expanding the development and adoption of programming and resources for students and faculty • Enhancing enterprise opportunities and solutions (NextGen, CRM) • Transitioning on premise technologies to cloud-based solutions
Enrollment Management– The ability to attract and retain students in an equitable manner despite macro-economic factors such as the level of employment and changing demographics. **(Sr. Vice Chancellor for Academic and Student Affairs, Ron Anderson)**	• Emerging work in curriculum modernization, collaborative planning, student success and outreach • Implementing initiatives to ease the transfer process, enhance curriculums and reduce the barriers of educational equality • Re-envisioning the processes for recruitment, orientation and placement testing • Strengthening partnerships with local communities, high schools, industry leaders and diverse organizations • Implementing predictive analytics for enrollment management • Expanding institution capacity for collaborative efforts

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Next Steps

Steering Committee

- Monitor risks and mitigation plans
- Create tools and templates to help facilitate the implementation of the ERM framework at the institutions
- Create a timeline for the implementation of the ERM framework at the institutions

Presidents

- Review key risks
- Discuss mitigation approaches with institution leadership
- Begin planning for the implementation of the ERM framework once the tools and templates are available

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