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# **Enterprise Risk Management Risk Inventory Summary**

Prepared by: \_\_\_\_\_

December 1, 201X

# Definition

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Enterprise Risk Management (ERM) is a comprehensive, systematic approach to identifying events, and measuring, prioritizing and responding to the risks that challenge goals, projects and initiatives

# Executive Summary

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- Began To Formally Track Enterprise Risks in 20\_\_
  - Input from Senior Management
  - Reported to Audit & Compliance and Finance Committees
- Continue to Monitor ERM Techniques/ Best Practices
  - Senior Management meet weekly to review key/ strategic issues
  - Overall risks identified and managed for key projects/ tasks
  - Based in one geographic area
- Key Enterprise Risks Areas
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# 201X Highlights

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## Enterprise Risk Areas with Heightened Focus in 201X

- Health Care/Payment Reform

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- Regulatory

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- Macro Economic

- Unemployment is not resolved
- Financial health of state and federal governments
- Other providers financial viability

# Enterprise Risks

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## Top Level – *High Magnitude and High Likelihood*

- Cost Management
- Financial
- Health Care/Payment Reform
- Information Systems (IS)
- Investment Return/Liquidity/Debt
- Payer
- Providers
- Quality (Patient)
- Regulatory
- Research

## Mid-Level

- Joint Ventures/Strategic Affiliations

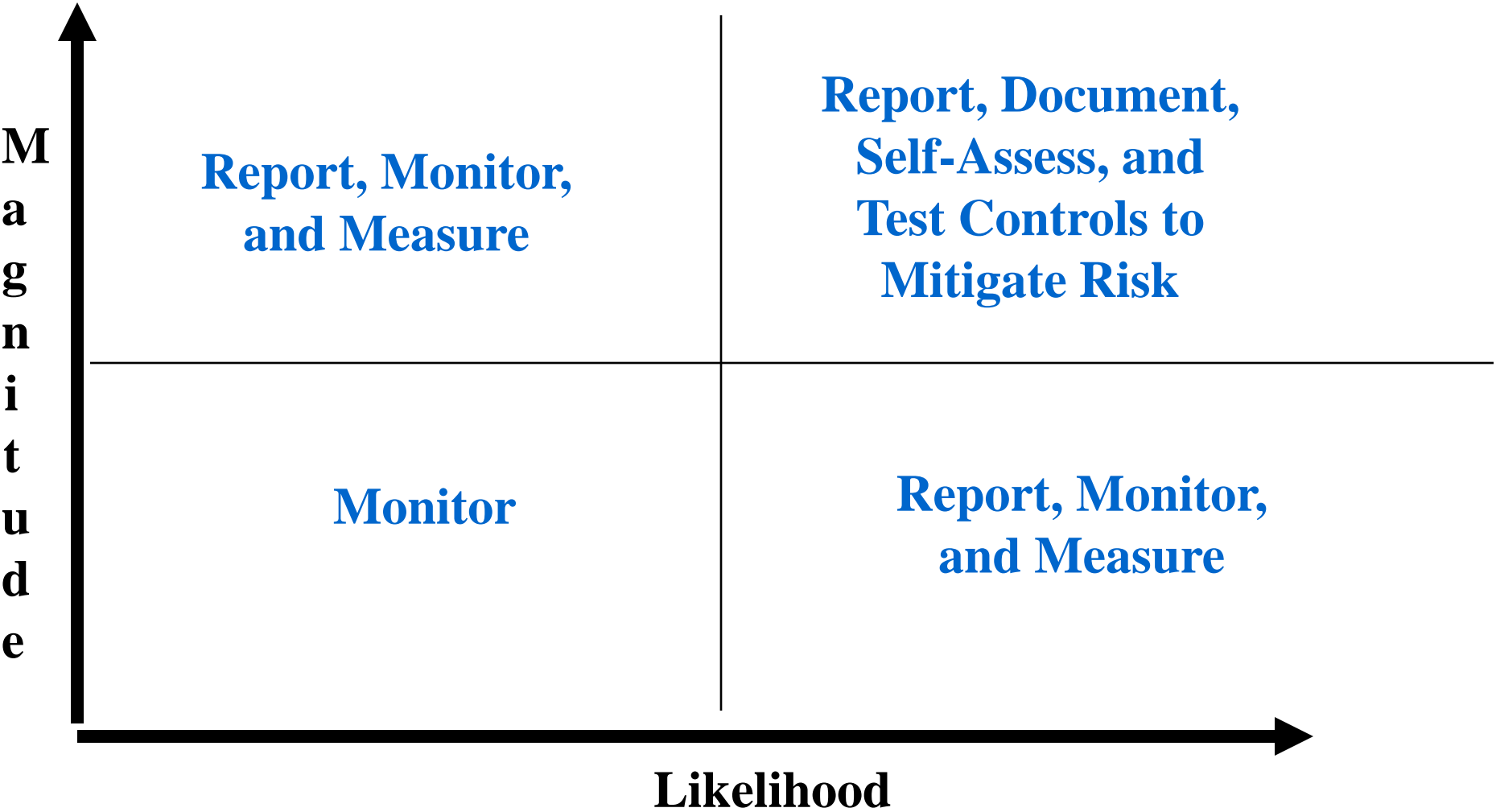
See Appendix for descriptions of the Enterprise Risks

## Mid-Level (continued)

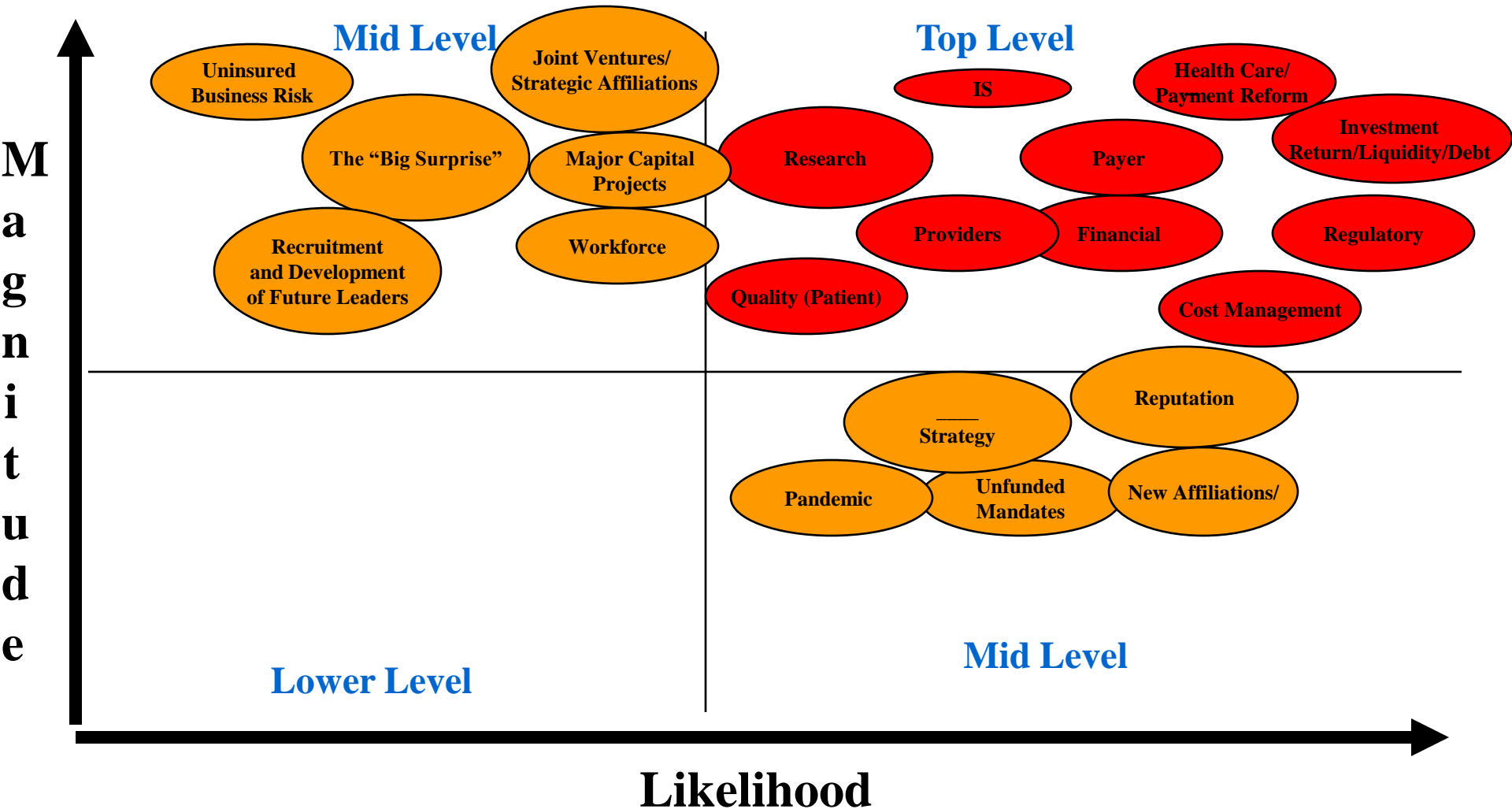
- Major Capital Projects
- New Affiliations
- \_\_\_\_\_ Strategy
- Pandemic
- Recruitment and Development of Future Leaders
- Reputation
- The “Big Surprise”
- Unfunded Mandates
- Uninsured Business Risk
- Workforce

# Enterprise Risks – Action Steps By Category

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# Enterprise Risks - 2010 Summary



# Key Enterprise Risks – Top Level

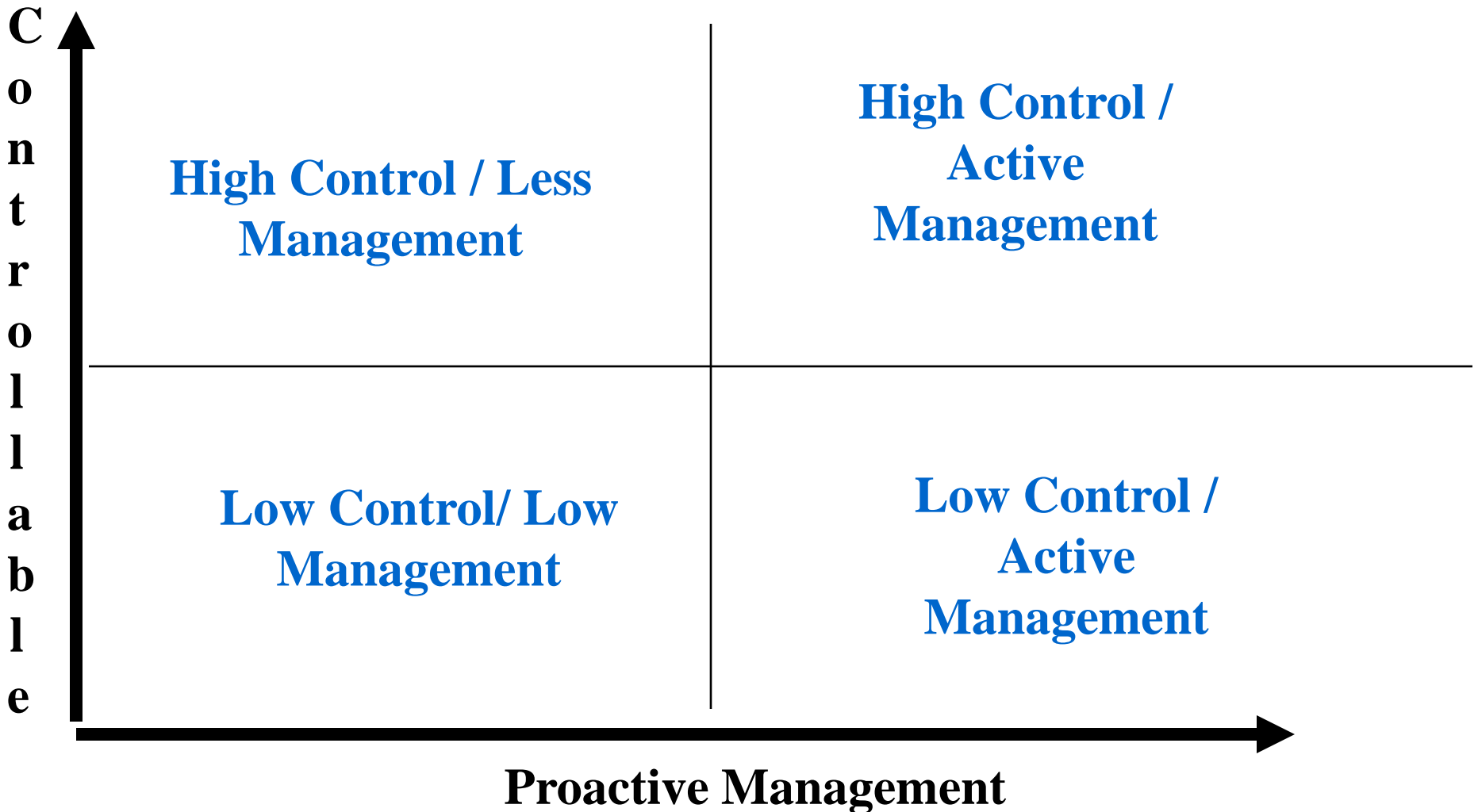
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<b>Top Level</b>	<b>Mgmt Responsible to Monitor</b>	<b>Board/Committee Reporting</b>
Cost Management	CEOs/VP of Finance	Board/Finance Committee
Financial	VP of Finance	Finance Committee
Health Care/Pmt Reform	CEOs/VP of Finance	Board/Finance Committee
Investment Return /Liquidity/Debt	Treasurer	Investment/Finance Committees
IS	CIO	IS Committee/ Audit Committee
Payer	CEOs/VP of Finance	Board/Finance Committee
Providers	CEOs	Hospital Board
Quality (Patient)	CMOs/CNOs	Board/Entity Quality Committees
Regulatory	OGC	Audit and Compliance Committee
Research	CSO/VP of Finance	Audit and Compliance Committee



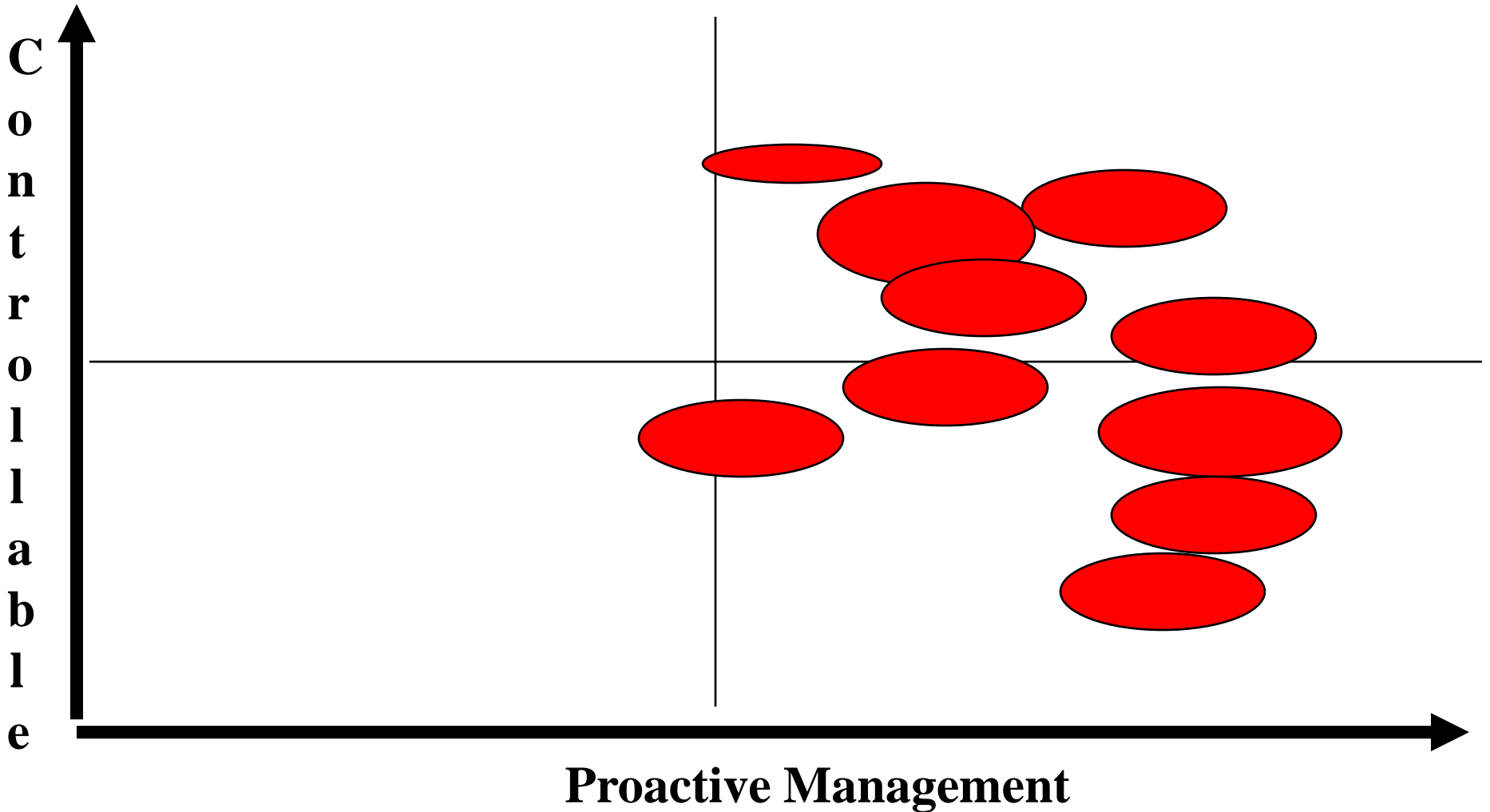
# Enterprise Risks – Assessment of Control & Mgmt

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# Top Level Risks (High Magnitude/ High Likelihood)

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# ERM Planned Strategy

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- Risks are **systematically identified and managed** on a consistent basis by accountable executives in business units and key functions allowing for a consolidated view of the enterprise risk profile
- Risks are **explicitly considered** when evaluating new strategies/ projects/initiatives on both a standalone and portfolio basis
- Senior management and the board make **informed decisions** regarding risk/reward tradeoffs related to existing portfolio of business/assets and new opportunities
- **Key risk indicators** impacting business performance targets are properly monitored
- Risk management **infrastructure is aligned** with business strategy and operations based on risk appetite
- Business unit **performance is measured on a risk-adjusted basis** in order to obtain a clear understanding of where and how much value is created / destroyed across the enterprise
- Strategic planning integrates risk management to ensure proper compensation of the risks being assumed and adequate **optimization of capital** usage

# Appendix – Index to Enterprise Risk Detail

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- Top Level - pages \_\_\_\_\_
- Mid Level - pages \_\_\_\_\_

Note: Item in *Italics* represent new listed risks in 201X

# Appendix – 2<sup>nd</sup> Example (Fundraising)

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## Risk Description

A previous version of this risk statement noted that “sustained loss of donor support for \_\_\_\_\_ endowment funds would have a more significant impact over the long-term” compared to the loss of gifts for operating purposes. This is only true if the level of giving for endowment increases dramatically. While endowment provides a secured flow of income over the long term, the approved annual spending rate on endowment funds means that large amounts of principal must be raised in order to yield significant levels of income flow that would make a dramatic difference in funding Institute needs and ambitions. Of greater significance is failure to grow donor support sufficiently to further diversify the Institute’s annual revenue streams.

Historically, the \_\_\_\_\_ has not relied extensively on philanthropy to fund core operations. In the next year or so it is unlikely that the \_\_\_\_\_ will secure increased philanthropic revenue, either for current use or for additions to the endowment, to a degree that the funds will provide substantive relief from the current level of program revenue dependence.

However, the heavy dependence on program revenue for the \_\_\_\_\_ operating budget must be relieved. Additionally, the \_\_\_\_\_’s aspirations, and its strategic plans for fulfilling those aspirations, anticipate significant increases in external funding. Philanthropy represents a key way of accomplishing that. The current fundraising efforts include traditional components: annual giving from alumni, staff and trustees; planned giving; support from corporations and foundations. In the past six years the annual Gala has been a major addition to the program, in time and effort involved as well as in the dollars generated.

## Risk Mitigation

Despite having those several program components, the overall dollars received each year remains modest relative to \_\_\_’s budget and its ambitions, currently \_\_\_% of the annual operating budget. Given where fundraising efforts and results are now, sustained increases in giving from all sources and for all purposes would represent significant improvement. The upside potential for achieving those increases is high. As a revised structure of the development program is implemented, under the direction of the new Chief Development Officer and bolstered by judicious and timely adjustments to the office staffing, that potential for growth is likely to be fulfilled. There is only medium likelihood that such improvement will not be fulfilled over an acceptable time period.

# Appendix – 2<sup>nd</sup> Example (Fundraising)

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## Monitoring Procedures

We will continue to track giving support on a monthly basis and in comparison to prior year's giving. We will implement and track appropriate metric goals for the Development staff including the Chief Development Officer, Director of Corporation and Foundations, Director of Annual Fund and Stewardship and the Director of Alumni Relations and Stewardship. This is a data-based framework that will enable the Chief Development Officer (CDO) to establish goals and objectives for each staff member, to see regular progress against those targets, to appreciate where activities have been done successfully and then anticipate where problems are or are likely to be. The success of this system depends on the committed and active use by each development officer, including the CDO, of the Raiser's Edge system. To ensure success the Development Operations Manager has been designated with the responsibility and authority for monitoring the active and correct use of Raiser's Edge by the staff, asking for and expecting corrective action when needed, and for generating the reports needed to enable informed performance management decisions. Without a focus on activity as well as on the numbers, there is a very real likelihood that systemic problems that could lead to diminished results would not be anticipated or addressed in a timely fashion.

## Action Plan If Risk Occurs

We would need to evaluate the investment in the development program and ascertain if \_\_\_\_ funds could be used in other ways to increase income or reduce expenses.

Authored: June 2009

Reviewed/Revised: November 2010 (*removed from narrative-required area of the Grid*)

Reviewed/Revised: May 2011 (*restored to narrative-required area of the Grid*)

Reviewed/Revised: February 2012

Reviewed/Revised February 2013