Enterprise Risk Management: A Board of Trustees Risk Oversight Responsibility

The Community College of Baltimore County

Presenters:
Trustee Mary Margaret O’Hare
Trustee Michael Ertel, Sr.
Board Chair, Trustee Gene Leitner
CCBC is...

Largest Community College in Maryland

National Leader in Developmental Education Acceleration!
National Leader in Culturally Responsive Teaching!
Built Upon the Strength of Three

The Power of One

CCBC Catonsville

CCBC Dundalk

CCBC Essex
CCBC: 59,145 Students
• 26,826 Credit
• 32,319 Non-Credit
89% Enroll Part-Time
67% Need Remediation
12% Enter Directly From High School
50% Transfer
83% Jobs

Average Age: 38
Female: 58%
Minority: 52%

33% Pell Grant Recipients
12% Other Financial Aid Recipients
48% Work 20+ Hours Per Week

2,612 Non-Native Speakers
343 International Students

FY'19 CCBC Data
Education Agenda

AS

Economic Agenda

Everything we do is Workforce Development!

Student Success is Our Success
“Effective risk management prepares an institution to weather literal and figurative storms and sets the course for accomplishing the institution’s strategic plan.”
Enterprise Risk Management (ERM) assures that risks are measured throughout the institution from a variety of different viewpoints.

CCBC began its systematic ERM journey in 2017.
RISK EXISTS IN EVERYTHING WE DO. RISK, BY ITSELF, IS NOT A PROBLEM.

PROBLEMS WITH RISK

- Failure To Acknowledge Risk
- Trying To Identify Every Single Risk
- Failure To Honestly Assess Risk
- Failure To Plan And Mitigate Risk
- Failure To Understand That ERM is Cyclical And Mitigation Is Usually A Lengthy Process
Identify Risks
- Assign Senior Administrators
- Create Risk Registers (Lists)

Assess Risks
- Measure and Score Risks
- Likelihood x Impact = Score

Mitigate Risks
- Reduce Risk Score by:
  - Insuring Risk
  - Changing Processes or Procedures
  - Deciding to Stop “Risky” Activity

Report to the Board
Repeat Process

Board of Trustees Risk Oversight: Board Policy 4.12
STEP 1: IDENTIFY RISKS

- **Identify 5 - 8 key risks per “area”**
- **Invert the 80/20 rule**
  - Avoid pitfall of enumerating every risk faced by the college
  - Focus on mitigation
- **Create a Risk Register**

### Example Technology Risk Register

<table>
<thead>
<tr>
<th>Risk Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network Failure</td>
</tr>
<tr>
<td>Compromise of Individual or Group Credit Card Information</td>
</tr>
<tr>
<td>ERP System Failure</td>
</tr>
<tr>
<td>System Sabotage by Employee</td>
</tr>
<tr>
<td>Ransomware Infection</td>
</tr>
<tr>
<td>Telephone System Failure</td>
</tr>
<tr>
<td>Software License Non-Compliance</td>
</tr>
</tbody>
</table>
**STEP 2A: ASSESS OR SCORE THE RISK**

**DETERMINE THE LIKELIHOOD OF EVENT (RISK)**

<table>
<thead>
<tr>
<th>Points</th>
<th>Description</th>
<th>Likelihood of Occurring</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>Unlikely to happen in the near future and no immediate action is needed</td>
<td>5-35% chance of occurring</td>
</tr>
<tr>
<td>3</td>
<td>More than likely to occur and management should begin to mitigate.</td>
<td>35-60% chance of occurring</td>
</tr>
<tr>
<td>4-5</td>
<td>High probability risk will occur within a year; immediate plans are needed</td>
<td>60-95% chance of occurring</td>
</tr>
</tbody>
</table>
### STEP 2B: ASSESS OR SCORE THE RISK

**DETERMINE THE IMPACT OF THE EVENT (RISK)**

<table>
<thead>
<tr>
<th>Points</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2</td>
<td>Minimal impact on annual operations, reputation or finances.</td>
</tr>
<tr>
<td>3</td>
<td>Moderate impact. Could delay plan in place, affect short-term programs and require moderate management effort; one to six months recovery.</td>
</tr>
<tr>
<td>4-5</td>
<td>Significant/Catastrophic. Long-term and significant effect on ability to recruit students, faculty, financial support; material breach of confidence and reputation.</td>
</tr>
</tbody>
</table>
## Example: Administrative Risk Register with Assessment Scores

<table>
<thead>
<tr>
<th>Event</th>
<th>Likelihood Score</th>
<th>Impact Score</th>
<th>Risk Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catastrophic Failure of Aging Electrical Switchgear</td>
<td>4</td>
<td>5</td>
<td>20</td>
</tr>
<tr>
<td>Compromise of Personally Identifiable Information</td>
<td>5</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Registered Sex Offenders on Campus</td>
<td>4</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Natural Disaster impacting Campus Buildings</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Significant Financial Funding Reduction (Enrollment or Governmental Appropriation)</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Widespread Computer Network Failure</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Active Shooter on Campus</td>
<td>2</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>
Step 2C: Plot your Risks on a Heat Map

Board of Trustees should focus on risks in the “red zone”
Top 5 CCBC Risks in April, 2019

- Data Breach
- Switchgear Failure
- Active Shooter
- Loss of Funding
- Natural Disaster

Mitigation Efforts

1: Rare Occurrence
2: Mild Impact
3: Likely Impact
4: Significant Impact
5: Catastrophic Impact
Board of Trustees’ Role

- Assure that ERM is occurring at the college.
- Receive periodic reports on risk identification and mitigation.
- Understand of “red zone” risks (risks with high likelihood and high impact).
- Understand and support President’s work plan to mitigate “red zone” risks.
- Receive notifications of key risks that actually occur.
DEFERRED MAINTENANCE IS A RISK.

DEFERRED REPLACEMENT OF A 50 YEAR OLD ELECTRICAL SWITCHGEAR AT CCBC CATONSVILLE WAS OUR BIGGEST RISK IN 2017. MITIGATION TOOK ALMOST 3 YEARS.

**Fully Mitigated by December, 2019**

- Secured $4M in Funding from State and County Sources
- Locally Funded Design
- Completed Bidding Process
- Construction is progressing on Switchgear and all underground electrical feeders
IT RISK: EMPLOYEE ELECTRONIC BEHAVIOR

An action by a user that results in the compromise of college systems or data. Examples include:

• Clicking on links that download viruses, malware, or ransomware.
• Improperly handling and storing sensitive college information such as Credit Card numbers or Social Security Numbers via email.

9 out of 10 successful data breaches start with an email phishing attack.

77% of ransomware attacks bypass company email filters.

Mitigation: New Mandatory Annual Cyber Security Training
Mitigation of Significant Funding Reduction Risk

- Implement programs to recruit and retain students
- Reduce cost inefficiencies in program and purchases
- Budget and commit resources conservatively
- Create a “rainy day” fund for unanticipated reductions

Board should periodically review metrics or “dashboard” on identified funding goals
RISK : ACTIVE SHOOTER AT CCBC

**Mitigation:**

- **Train the College Community**
- **Conduct Campus Emergency Drills**
  - Practice Notification Systems
  - Practice Run, Hide, Fight Response
- **Address issue of firearms for Public Safety**

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- **Institute Student Incident Report System:**
  “See Something, Say Something”
- **Create a Trained Behavioral Intervention Team to Evaluate Troubling Student Behavior**
RISK: NATURAL DISASTER AT CCBC

**Mitigation**

- **Create a Business Continuity Plan**
  - Assure All Departments Participate
  - Have Tabletop Drills
- **Have a Technology Disaster Recovery Site**
- **Train Staff For Immediate Response**
  - Online Training and FEMA Workshops
  - Public Safety Officers
  - Facilities Management Staff
  - Key Administrators
Transfer of Risk: Insurance

CCBC has sovereign immunity.

- For state claims above $100,000 since CCBC is self-insured
- For federal claims above $100,000 except where specifically waived (example $300,000 maximum for EEO)
- Trustees, as gubernatorial appointees, have total sovereign immunity except for "actual malice" in their duties

Maryland Code COURTS AND JUDICIAL PROCEEDINGS
§ 5-519 - Immunity -- Community colleges

Section 16-107 of the Education Article does not prevent a board of community colleges trustees, described under Title 16, Subtitle 1 of the Education Article, on its own behalf, from raising the defense of sovereign immunity to any amount of a claim in excess of the limit of an insurance policy or in excess of $100,000 in the case of self-insurance.
• Purchase Commercial Insurance for $320M of Capital Assets (Buildings, Equipment)

Property Risk

• Baltimore County Self-Insurance Pool for Worker’s Compensation and Auto

Risk of Workplace Injuries and Vehicle Accidents

• Baltimore County Self Insurance Pool
• County Office of Law defends CCBC

Risk of Personal Injuries on Campus

• Local law firm retained for advice and defense
• CCBC has paid any settlements

Employment and Student Practice Risks

• Purchase Commercial Insurance for all Health Professions Students and Faculty

Medical Malpractice Risk