

Enterprise Risk Management Policy

SUMMARY

Enterprise Risk Management (ERM) is a comprehensive view of risk. Morgan State University recognizes it is subject to a number of risks, including: strategic, financial, operational, compliance, hazard, and reputational risks, and is committed to implementing and utilizing an (ERM) Program for identifying, assessing, monitoring, mitigating and managing risks and opportunities to effectuate the achievement of the University's goals and objectives. The ERM Program should be a formal and continuous process involving all programmatic and functional areas of the University. The goal is to foster a culture of risk awareness that provides leaders the risk information they need to make the right decisions.

I. PURPOSE

This policy is expected to formalize a process by which the University will maintain a systematic organization-wide approach for proactively identifying, assessing, and managing risks and opportunities that affect the University's ability to meet its strategic, operational, reputational and financial goals and objectives; preserve its reputation for excellence; and provide a safe environment for the University community. To meet these objectives, the University will develop and maintain an ERM Program that is intended to incorporate risk management principles at all levels of the University.

II. REQUIREMENTS

The ERM Program will leverage and enhance the University's existing programs of internal control and compliance. These programs are designed to help ensure that the University has a system of accountability for and oversight of its operations, assist the University in achieving its goals and objectives, and facilitate ethical behavior, integrity of operations, and compliance with applicable laws, regulations, and policies. The function of an ERM Program is to (1) educate all campus constituencies regarding the scope of risks, (2) establish a framework and process to identify the risks, (3) identify who "owns" each risk, and (4) assess the likelihood of occurrence and potential impact to the institution's strategic interests and goals. It will also provide a framework for assessing the Board of Regents' risk tolerance and assure that the ERM Program effectively prioritizes, implements, and monitors risk mitigation strategies consistent with the Board's requirements.

Furthermore, the ERM Program supports the University's efforts to fulfill its mission, promote performance leading to the effective accomplishment of University goals and objectives, safeguard assets, provide for the accuracy and reliability of financial and other key data, promote operational efficiency and effectiveness, and ensure adherence

to applicable laws, regulations, policies and procedures. The ERM Program will elevate risk awareness by developing a strategic focus on risk management through education, monitoring and enforcement of fulfilling the goals of the ERM Program.

Design

Elements of the University's ERM Program shall:

- Identify the effectiveness of existing internal controls and compliance programs and structures at the University.
- Establish an Enterprise Risk Management Committee.
- Establish and fill a Director of Risk Management position.
- Monitor internal and external audit reports and findings and consider the inclusion of risk management initiatives to address and mitigate repeat findings.
- Identify and establish risk management initiatives designed to assess the University's risks and opportunities using a framework that may include, but not be limited to, control environment, risk assessment, control activities, education, training, information and communication, and monitoring activities.
- Train appropriate campus constituencies regarding risk management issues and concerns.
- Provide periodic reports regarding ERM milestones and activities to the President and the Board of Regents, the frequency of which shall be set by the Board of Regents.

III. RESPONSIBILITIES

- The Board of Regents is responsible for establishing an Enterprise Risk Management Policy which is designed to strengthen the University's management of risk through the proactive process of identifying, assessing, evaluating, mitigating and monitoring risks in all University operations and activities. It is the Board of Regents expectation that an appropriate culture of risk-awareness exists throughout the University.
- In order to support the Board, the President shall be responsible for assuring the Board is kept informed of the Office of Enterprise Risk Management (ERM's) regular and repeatable processes designed to manage institutional risks pursuant to this Policy.
- The ERM Committee is comprised of the Provost, Executive Vice President for Finance and Administration, Vice President for Information Systems and Technology, Vice President for Enrollment Management and Student Success, Vice President for Research and Economic Development, Vice President for Institutional Advancement, Vice President for Government Relations, Vice President for Student Affairs, Vice President for Athletics and Intramural Sports, Director of Internal Audit* and General Counsel*, or their designees. The ERM Committee meets as needed (but no less than semi-annually) and is charged with

guiding the advancement of Enterprise Risk Management at the University in accordance with the purpose of this Policy. *Internal Audit and General Counsel shall serve in advisory capacities and consultants to the University administration in the development and implementation of the Enterprise Risk Management program and for the purpose of assisting the Board of Regents in its fiduciary role for risk management.

- The Director of ERM provides university-wide leadership to identify and manage possible strategic, financial, operational, compliance, hazard or reputational risk. The ERM Director develops the University's ERM Program for the University, applying best practices, the standards mentioned above and other guidance applicable to public higher education. In order to foster a risk management culture, the ERM Director is available for consultation and discussion relative to issues of institutional risk as well as forwarding those issues to appropriate leadership.

The ERM Director chairs the University Enterprise Risk Management Committee and works with committee member to identify items for meeting inclusion. The Director works with the ERM Committee to collaborate on a holistic approach to evaluate university risks and select optimal risk treatments.

IV. REPORTING REQUIREMENTS

The President shall communicate to the Chair of the Board of Regents and the Audit Committee that an institutional enterprise risk management process is in place.

The President shall notify the Board by July 31st annually that a review or update of the University's risk assessment and management plan has been performed and is to provide a listing of significant events that have occurred in the prior calendar year that was contemplated and planned for the University's risk management process.

Pursuant to the President's leadership, the Director of Enterprise Risk Management, responsible for coordinating the Enterprise Risk Management functions, shall report to the President, ensuring that a University risk management process is in place and operational.

The President should determine a schedule for reporting the University's risk assessment and management plan presented to the President's Cabinet and to the Board of Regents, which shall not be less than annually.