ERM History

AgriLife Research has had financial and compliance management risk procedures in place for over 25 years:

- An Internal Auditor served the agency from the 1970’s through 1999
- From 1999 to 2005 a Financial Analyst was employed to review Internal Controls, as well as compliance with Policies and Procedures
- The Internal Management Review Team was created in fall of 2005

History

- AgriLife Research has the following programmatic review efforts in place:
  - Periodic updating of agency strategic plan
  - In-depth reviews of research programs in all units
  - Annual unit-level reviews of Strategic Plan and Metrics
Policy

An Internal AgriLife Risk Management Policy, drafted in September 2004, is currently under revision and includes the following sections:

- Approach to Risk Management
- Role of The Board of Regents
- Role of Executive Management (Director et al.)
- Key Components of Plan
- Annual Review of Effectiveness

Risk Tolerance Level

Definition: Risk Tolerance Level is defined as the amount of risk that the agency is willing to tolerate based on the Annual Risk Matrix. The agency will take corrective action on all risks that exceed the Tolerance level.

AgriLife Tolerance Level: The Risk Tolerance Level of AgriLife Research is any item shown in both the Low Impact area and the Low Likelihood area or above, on the Annual Risk Matrix.
ERM Objectives

The goal of the AgriLife Research Enterprise Risk Management (ERM) Plan is to ensure that all major risks to the Agency and System are:

- Identified
- Assessed
- Mitigated
- Monitored
- Corrected

Risk Identification

Risks are *identified* by the following methods:

- Internal strategic planning and performance evaluations
- Fiscal and programmatic analyses by Administration
- Management Review Team’s efforts
Risk Identification (cont.)

- External Audits
- Annual Risk Matrix process
  - The Enterprise Risk Matrix is annually reviewed and updated to reflect the changing environment in which the agency operates

Types of Risk

- **Strategic Risk**: Risk that affects the agency’s ability to achieve its goals
- **Financial Risk**: Risk that may result in a loss of assets.
- **Compliance Risk**: Risk that affects compliance with externally imposed law and regulations as well as internally imposed policies and procedures.
- **Operational Risk**: Risk that affects ongoing management process.
- **Reputational Risk**: Risk that affects the agency’s reputation, brand, or both.
**Texas Agricultural Experiment Station**

**Risk Matrix**

**September 30, 2007**

<table>
<thead>
<tr>
<th>Strength</th>
<th>Impact (High, Medium, Low)</th>
<th>Likelihood (High, Medium, Low)</th>
<th>Mitigation Activities</th>
<th>Monitoring Activities</th>
<th>Executive Management Reporting Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of strategic planning process resulting in misalignment with high quality and relevant objectives programs</td>
<td>High</td>
<td>Medium</td>
<td>Science Board/ SAMIS/ TUARC to Conduct, implement internal and external workshops, with guidance from executive management</td>
<td>Programmatic reviews</td>
<td>Programmatic Reviews/ Performance metrics/ TUARC/ SAMIS</td>
</tr>
<tr>
<td>Recabling and retaining skilled employees with high potential</td>
<td>High</td>
<td>Medium</td>
<td>Recruitment process, evaluation criteria, professional development opportunities, personal appraisals</td>
<td>Salary comparisons with peers, interaction with mid-levels</td>
<td>Training and mentoring reports/ on a monthly basis</td>
</tr>
<tr>
<td>Unbudgeted increases in outside expenditures</td>
<td>High</td>
<td>High</td>
<td>Realization of resources, including personnel actions, legislative recommendations through TUARC</td>
<td>Pay and travel assessments on a monthly basis</td>
<td>Monthly fiscal updates</td>
</tr>
<tr>
<td>Reflection of External Funding</td>
<td>High</td>
<td>Low</td>
<td>Creation of a Federal Initiative Office, close cooperation with the State GR Team, adequate staffing of the Contracts and Grants</td>
<td>Contracts and grants reports/ Federal updates</td>
<td>Monthly contracts and grants reports/ Accountant from Reasons in Washington D.C.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Compliance</th>
<th>Impact (High, Medium, Low)</th>
<th>Likelihood (High, Medium, Low)</th>
<th>Mitigation Activities</th>
<th>Monitoring Activities</th>
<th>Executive Management Reporting Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substandard state regulatory accountability</td>
<td>Medium</td>
<td>High</td>
<td>Program reviews, Advisory Committee meetings, training</td>
<td>External reviews, Identify meetings</td>
<td>1,000 performance measures System Internal Audit Reports Internal Management Review Reports</td>
</tr>
<tr>
<td>Lack of influence in agency and TUARC policies and tactical or strategic roles, lack of alignment</td>
<td>High</td>
<td>Low</td>
<td>Implementing principles of financial responsibility, emphasis training in appropriate areas with mid-levels</td>
<td>Management reviews, Budget audits/ Financial audits/ System/Internal Audit Reports Internal Management Review Reports</td>
<td></td>
</tr>
<tr>
<td>Inappropriate organizational structure</td>
<td>Medium</td>
<td>High</td>
<td>Effective training program management strategies, communication</td>
<td>Management reviews, Program success/ Program reviews</td>
<td>Internal Management Review Reports/ Programmatic Reviews</td>
</tr>
<tr>
<td>Hypothetical agency identity and poor visibility</td>
<td>Medium</td>
<td>Medium</td>
<td>Development of communications strategy, plan to accomplish agency program by external party</td>
<td>Review legislative success, Conduct surveys</td>
<td>Summarization of surveys and other communications with external parties Programmatic Review/ Monitoring Efforts</td>
</tr>
<tr>
<td>Insufficient diversity of faculty and staff</td>
<td>Medium</td>
<td>Medium</td>
<td>Aggregate, targeted, recruitment, diversity-orienting, including diversity finalist interviews, Participatory Action Plan, Staff Recruitment Guide</td>
<td>Composition of workforce reports</td>
<td>Periodic human resources reports on ethnicity</td>
</tr>
</tbody>
</table>
Risk Mitigation

**Mitigating Activities Include:**

- Informing employees of critical nature of adhering to procedures and policies
- Use of Science Roadmap to identify programmatic priorities
- Development and implementation of appropriate policies, procedures, rules, and controls
- Training of employees in critical areas
Risk Monitoring

_Monitoring_ Activities Include:

- Ongoing and regular fiscal and programmatic reviews of units by Executive Management
- Reports from Internal Management Review Team
- Monthly fiscal reports to Executive Management
- External Audits and Reviews

Risk Correction

_Corrective_ Activities Include:

- Reports to Unit Heads detailing findings and recommendations resulting from Review Team
- Follow-up reviews conducted to ensure corrective action has taken place
- Notification to Executive Management when adequate corrective action has not taken place
- New and revised policies and procedures as necessary
ERM Plan Assessment

AgriLife Research ERM Plan is evaluated at least annually in order to:

- Determine the effectiveness of the plan in place
- Determine new areas of concern
- Revise the plan as necessary