



Enterprise Risk Management in New York State

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In the 2015 State of the State, Governor Cuomo announced the implementation of a strategic risk management system:



“Delivering results also means identifying and mitigating risks. Large corporations have developed sophisticated risk management functions to deal with a wide range of potentially costly risks. . . .”

In the FY 2018 Executive Budget Briefing Book, Governor Cuomo highlighted Delivering High Performance Government:

- Enterprise Risk Management (ERM) is integral to the state's strategic decision making process.
- ERM enhances agencies' day-to-day decision-making and management practices.
- ERM will assist agencies in developing their strategic plans, establishing performance goals and setting controls.
- ERM encourages substantive compliance with internal control and audit filings and provides a basis for prioritization.
- ERM provides continuous internal assessments and monitoring to identify and mitigate issues on an ongoing basis.

» *Governor's FY 2018 Executive Budget Briefing Book, p. 36*



WHY ENTERPRISE RISK MANAGEMENT (ERM) IN NEW YORK STATE AGENCIES?

- ERM is:
 - Designed to identify potential events that, if they occur, will affect the entity as a whole.
 - A mechanism for providing reasonable assurances to an entity's management and stakeholders that their organization's risk identification and mitigation functions are effective.
 - An ongoing process that flows through an organization.
 - Effected by people at every level of an organization.

WHAT IS ENTERPRISE RISK?

- Potential events that may affect an entity's objectives. Once identified, risks are managed to provide reasonable assurance of achieving an organization's objectives despite the existence of the risks.

BENEFITS OF AN ERM PROGRAM

- **Assist in Mandatory NYS Department of Budget Annual Filings:**
 - The ERM findings can help agencies prepare strategic plans and DOB B-350 filings.
- **Assist in Budget Cycles:**
 - ERM is continuous and can be timed to budget cycles to demonstrate good management practices and support funding requests.
- **Break Down “Silos”:**
 - ERM teams facilitate exchanges of viewpoints across departments to test control assumptions and improve overall achievement of agency missions.
- **Mission Planning & Vision:**
 - Provide “big picture” data for agency heads to use when allocating limited resources, personnel and budgets.

ERM ADOPTION IN NYS AGENCIES

- **Wave 1:**
 - State Liquor Authority and Justice Center
- **Wave 2:**
 - DTF, DEC, OASAS, and DOCCS
- **Wave 3:**
 - Division of Tax Appeals, and OMH

HOW DOES THE PROGRAM WORK?

- Risk Meetings
 - We will talk with senior executives and their teams across the agency to identify and define risks.
- Risk Prioritization
 - The implementation team will quantify the impact and likelihood of these risks.
- Risk Workshop(s)
 - Depending on the nature and scope of the identified risks, we will hold one or more workshops with senior management to review the risk prioritization and develop mitigation plans and assign risk owners.
- Risk Monitoring
 - Forming a risk council to oversee the implementation of the risk mitigation plans and to champion risk management within the agency.

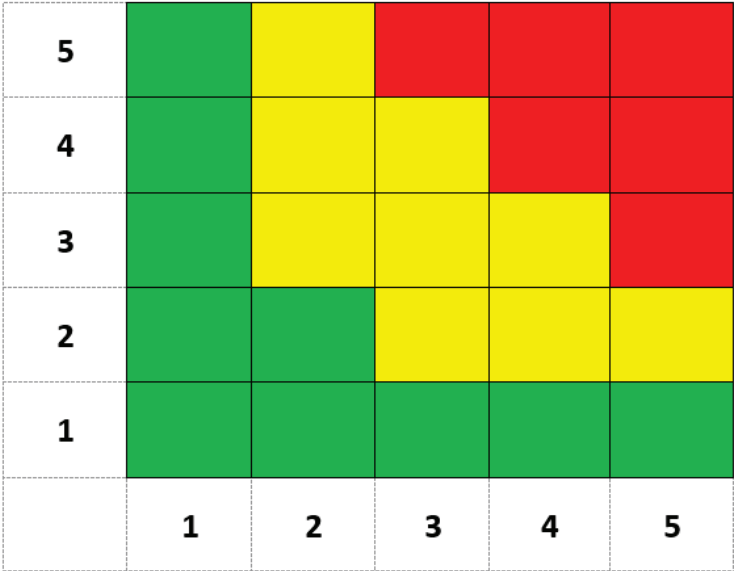
RISK MEETINGS

We will talk with senior executives and their teams across the agency to identify and define risks.

RISK PRIORITIZATION

The implementation team will quantify the impact and likelihood of these risks.

LIKELIHOOD	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
		IMPACT				



A 6x6 risk matrix with Likelihood on the y-axis (1-5) and Impact on the x-axis (1-5). The matrix is color-coded: Green for low risk (Likelihood 1-2, Impact 1-3), Yellow for medium risk (Likelihood 2-4, Impact 4-5), and Red for high risk (Likelihood 4-5, Impact 4-5).

LIKELIHOOD \ IMPACT	1	2	3	4	5
5	Green	Yellow	Red	Red	Red
4	Green	Yellow	Yellow	Red	Red
3	Green	Yellow	Yellow	Yellow	Red
2	Green	Green	Yellow	Yellow	Yellow
1	Green	Green	Green	Green	Green

RISK WORKSHOPS

Depending on the nature and scope of the identified risks, we will hold one or more workshops with senior management to review the risk prioritization and develop mitigation plans and assign risk owners.

RISK MONITORING

Forming a risk council to oversee the implementation of the risk mitigation plans and to champion risk management within the agency.

SPECIAL COUNSELS FOR ETHICS, RISK and COMPLIANCE

Risk Assessment Matrix



Risk Registry			Existing Control	Current Risk Rating			Proposed Strengthened Controls	Risk Owner
ERM #	Risk Category	Risk		Likelihood	Impact	Rating		
1						0		
2						0		
3						0		
4						0		
5						0		
6						0		

DRAFT/SUBJECT TO CHANGE
PRIVILEGED CONFIDENTIAL/ ATTORNEY WORK PRODUCT
~~INTRA/INTER-AGENCY DELIBERATIVE COMMUNICATION~~

7						0		
8						0		
9						0		
10						0		

RISK CATAGORIES	RISK TYPE	LIKELIHOOD	IMPACT	VELOCITY
Compliance Risk	People	1		1 Instant
Credit Program Risk	Process	2		2 1-30 days
Cyber Information Security Risk	Information	3		3 2-5 months
Financial Risk	Systems	4		4 6-12 months
Legal Risk	External	5		5 >1 year
Legislative Risk				>2years
Operational Risk				> 3 years
Political Risk				
Reporting Risk				
Reputational Risk				
Strategic Risk				