

University of Massachusetts Enterprise Risk Management Program Update

Audit and Risk Committee

June 3, 2025



University of Massachusetts

Amherst • Boston • Dartmouth • Lowell • Medical • Law

Agenda

- ERM Program Highlights
- Federal Impacts on Higher Education
- UMass Systemwide Risk Registry
- Federal Impacts on UMass Risks
 - Highlight: Impacts on Research
- FY26 Risk Assessment
- Research Mitigation Strategies

A&F Accountability Framework

Independent and objective assurance that analyzes data, processes, policies and controls



Standard processes to provide reasonable assurance regarding achievement of objectives

Reliable, timely information that is accessible and understandable

Systematic approach to identifying, assessing and managing risks across the organization

ERM is A Critical Tool for Monitoring and Managing Risk

The UMass Systemwide ERM Program has been nationally recognized by several entities.

Nationally Recognized ERM Program



Awarded the Public Risk Management Association's (PRIMA) 2024 Outstanding Achievement in Enterprise Risk Management Award

The Deloitte logo consists of the word "Deloitte" in a white, sans-serif font on a black rectangular background.

Deloitte.

ERM Program was assessed as "comprehensive" under Deloitte's ERM maturity model



Selected as Best of Conference for 3rd year in recognition of the ERM presentation delivered at the 2024 national conference



*"It is clear... that a robust ERM program can facilitate an institution's ability to monitor and assess [federal impacts] and other fast-changing risks and opportunities... the goal should be to **transform ERM from a transactional risk register to a high-maturity program**"*

The Moody's logo features the word "MOODY'S" in a bold, white, sans-serif font on a dark blue rectangular background.

MOODY'S

Through its Environmental, Social and Governance (ESG) assessment of UMass, Moody's recognized the University for its strong risk management and financial strategies, citing UMass as being **one of the strongest in its higher education portfolio in this space.***

*Moody's ESG scoring focuses strictly on credit risks and are not an opinion on the University's sustainability performance

First 100 Days: Federal Policy Impacts on Higher Education

Federal activities could have significant long-term consequences for higher education by creating funding gaps, complicating financial planning and compliance with regulations, and prompting policy and operational changes, causing Moody's to revise its industry outlook from stable to negative in March 2025



- Reductions in and realignment of federally funded research grants and contracts based on new agency priorities, and reductions in indirect cost recoveries
- Elimination of the Department of Education (ED), curtailment or elimination of certain grant and loan programs, and redistribution of certain ED functions to other federal agencies, states, or the private sector
- Inconsistent implementation of tariffs across global trading partners, which could lead to potentially higher costs for goods and services, exacerbating existing enrollment and tuition pricing pressures
- Rollback of student loan forgiveness programs and resumption of collections on defaulted loans.
- Increased transparency on foreign influence
- Reforms to accreditation
- Pushback on diversity, equity, and inclusion (DEI) programs under threat of loss of federal funding
- Proposed increases to the scope and rate of the federal endowment tax
- Pivot away from clean energy and climate change initiatives (including as to grant funding and tax incentives), and elimination of certain longstanding environmental regulations
- Changes to immigration, deportation, and international travel policies affecting students, faculty, and overseas programs
- Geopolitical developments in the Middle East, Eastern Europe, and other regions amid new U.S. foreign policy directives

FY2024 Systemwide Risk Registry

FY24 Rank	Risk
1	Enrollment
2	Information Security
3	Facilities and Deferred Maintenance
4	Financial Sustainability
5	Student Health & Mental Health Support
6	Artificial Intelligence
7	International Activities
8	Research
9	Diversity, Equity, Inclusion and Accessibility
10	Attract, Recruit, Retain Faculty and Staff

FY24 Rank	Risk
11	Information Privacy
12	Sustainability
13	All-Hazards Planning and Response Capabilities
14	Labor Relations
15	Data Management
16	Vendor Risk Management
17	Sexual Assault Policies and Response Procedures
18	NCAA Regulations
19	IT Disaster Recovery
20	Continuity Planning

FY24 Rank	Risk
21	Environmental and Public Health, & Safety Regulations
22	Alcohol and Substance Abuse
23	Fraud, Waste, Abuse
24	Crisis Communication Coordination
25	Uninsured Loss
26	Multi-State Payroll Taxation
27	Multi-State Business Taxation
28	Employment Laws and Regulations
29	Policies/Procedures Regarding Minors on Campus
30	Academic Quality and Standards
31	Oversight of Student Organizations

UMass Systemwide ERM Enables A Risk-Based Approach to Assessing Impacts of Federal Activities

All Top 10 FY24 risks are exacerbated by federal activities

Two-Year ERM Program Cycle

Federal Activities	
FY24 Top 10 Risks	
1	Enrollment
2	Information Security
3	Facilities & Deferred Maintenance
4	Financial Sustainability
5	Student Health & Mental Health
6	Artificial Intelligence
7	International Activities
8	Research
9	DEIA
10	Attract, Recruit, Retain Faculty & Staff

Continuously implementing and evolving mitigation strategies



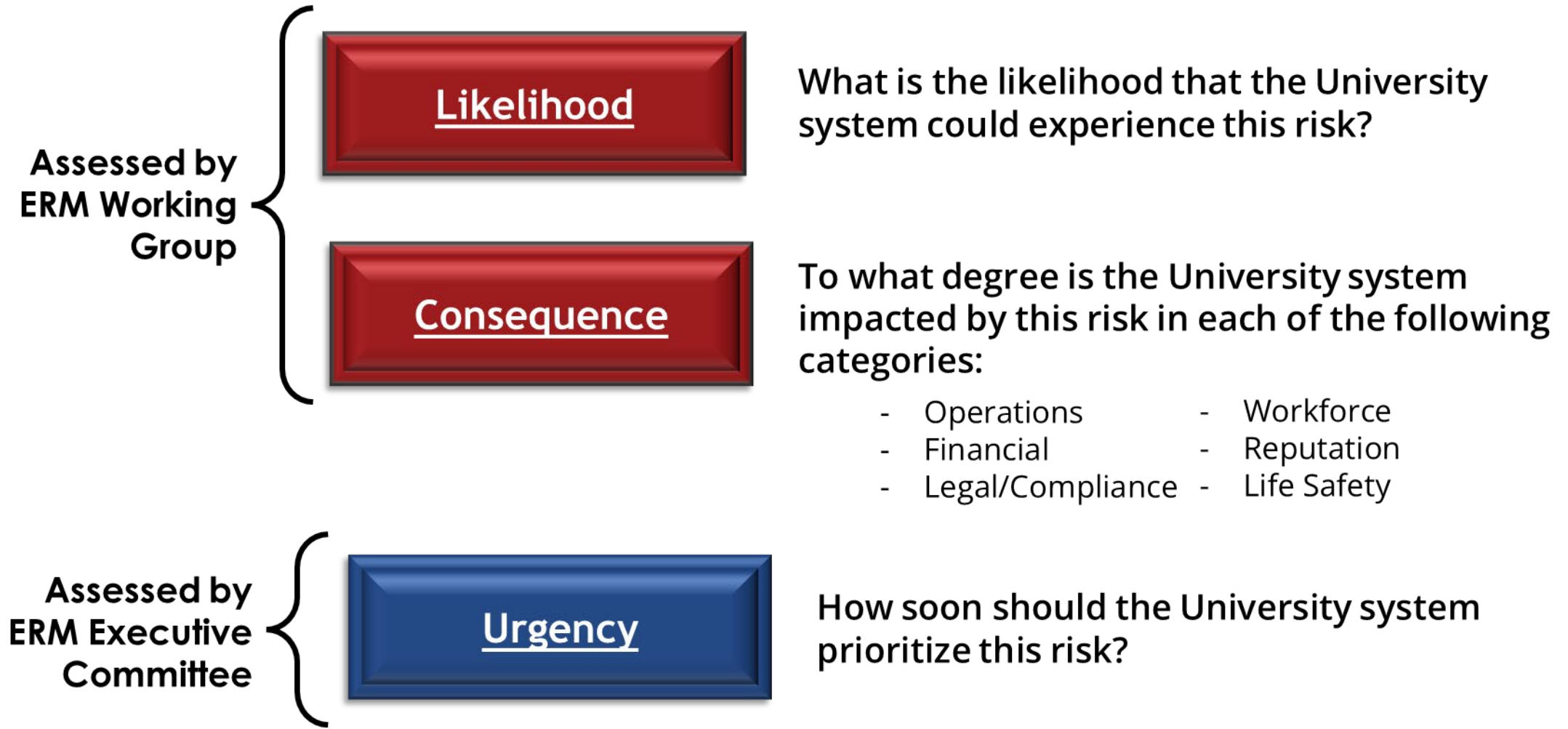
Launching FY26 Risk Assessment in June

Actively engaging in discussions on mitigation strategies across the system

Today's Discussion

Risk Assessment Process

ERM Governance identifies, defines and assesses inherent risk exposure for UMass system



FY68 Research Risk Assessment

Based on inherent risk landscape in FY24, research was ranked #8 on FY24 Systemwide Risk Registry

- Risk is defined with a focus on compliance with research requirements/regulations
- Evaluation of consequence impacts anticipated loss of some grants due to non-compliance with requirements/regulations
 - Did not assume widespread loss of federal research grants

Risk Name	Risk Definition	Likelihood	Operational	Financial	Legal/ Compliance	Workforce	Reputation	Life Safety	Urgency
Research	Inability to develop and/or maintain transparent and consistent research protocols across University System to ensure safety, accountability and compliance with applicable rules and regulations.	Likely	Low	Medium	High	Low	Medium	Low	Moderate

Federal Activity Impact Considerations for FY26 Risk Assessment

- Federal activities have altered our inherent risk environment
 - Exacerbate our inherent risk exposure
 - Have broad impact on numerous risks
 - Have long-term impact (duration of current Administration)
- FY26 risk assessment will include:
 - Review of risk definition to ensure it encompasses current risk environment
 - Review of likelihood, consequence and urgency ratings by respective ERM governance bodies
 - Contemplation of federal activities and their impacts

The Boston Globe

'A bloodbath': Trump administration moves to terminate hundreds of federal grants at Harvard

AP

Trump signs executive orders targeting colleges, plus schools' equity efforts

The Washington Post

Most Pell Grant recipients to get less money under Trump budget bill, CBO finds

As Trump attacks higher education, some students avoid U.S. colleges

IHE
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Trump's Latest Executive Orders Target Accreditation, Foreign Gifts

The New York Times

Trump Signs Order Barring Transgender Student-Athletes From Women's Sports

Re-Evaluating Research Risk

Update definition of primary risk on risk registry; then identify and assess sub-elements of risk to provide more granular understanding of risk and establish baseline against which mitigation can be measured

Primary Risk

Research

Loss of federal research revenue or inability to comply with existing or new federal or other research requirements resulting in the loss of federal research revenue impacts the University's research enterprise, campus operations and financial sustainability.

Evaluation of primary risk is "rolled up" from assessment of sub-elements; primary risk is then assessed for urgency

Sub-element

Compliance

Inability to comply with existing or new federal or other research requirements resulting in the loss of federal research revenue impacts the University's research enterprise, campus operations and financial sustainability.

Sub-element

Federal Grants: Terminations & Suspensions

Federal government termination and pausing of grants reduces research activity and financial sustainability.

Sub-element

Future Grants

Federal government may slow the availability and awarding of future grants, reducing research activity and financial sustainability.

Sub-element

Federal Grants: Reduction in F&A

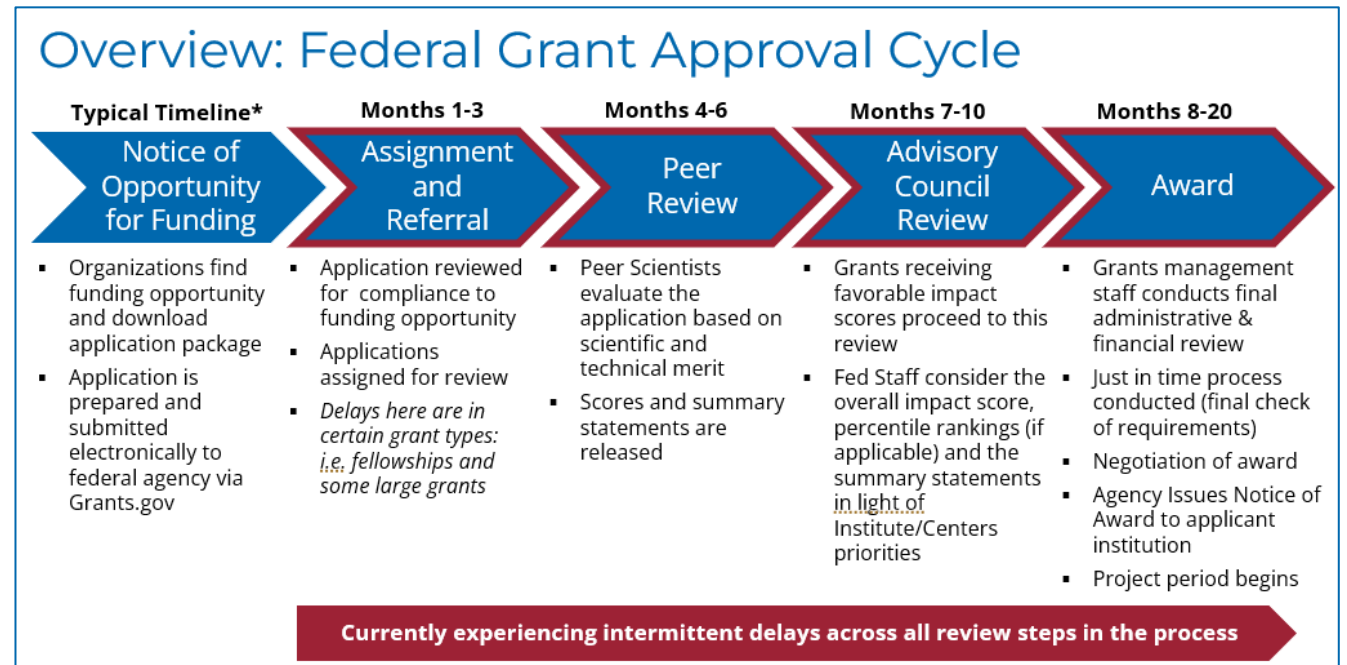
Federal government reductions in F&A decreases revenue used to support operating budgets and reduces financial sustainability.

Each sub-element is assessed for likelihood and consequence

Please note: the evaluation has not yet been completed; this slide provides an example of possible changes to the research risk

Risk Assessment and Mitigation Activities Occur Concurrently

- Risks are currently impacted and do not wait for risk assessment to occur
- Mitigation strategies are currently being designed and implemented
- Ongoing discussions with:
 - ERM Executive Committee
 - Chief Research Officers
- Working to Address:
 - Impacts to Current Grants
 - Impacts to Future Grants



Research Mitigation Strategies

Responses Observed in Higher Education

The velocity and volume of executive orders and other policy changes in 2025 thus far have disrupted and destabilized several aspects of the higher education sector, with individual institutions affected to varying degrees. Following are some of the actions and activities we have observed senior administrators taking in response to the rapidly evolving environment.



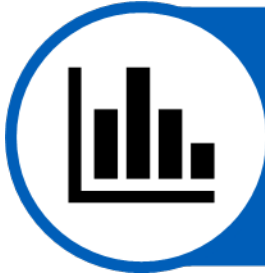
- Establishment of working groups around key risk areas
- Communications to and oversight by trustees
- Increased legal analysis and activity
- Evaluation of tariff impacts on costs and supply chains
- Evaluation of research enterprise and other grant impacts
- Assessment of changes to the U.S. Department of Education
- Assessment of immigration, deportation, and travel policy changes
- Reevaluation of DEI/ESG initiatives
- Enhanced modeling, sensitivity analysis, and scenario planning
- Operational and financial changes
- Enhanced financial reporting and disclosures
- Reconsideration of fundraising goals
- Reassessment of investment and endowment strategies amid market declines and funding gaps
- Evaluation of tax implications at federal, state, and local levels prompted by federal policy changes

Approach to Mitigating Federal Impacts



Immediate Actions

- Establish systemwide working groups
- File formal appeals
- Support litigation



Data Foundation

- Assemble uniform data
- Deploy management tools
- Develop consistent management reports



Financial Planning

- Understand assumptions for existing grant balances & new awards
- Complete sensitivity analysis
- Implement actions to preserve 2% operating margin



Future Outlook

- Track grant award process and cycle time
- Utilize quarterly reporting process to adjust assumptions
- Engage in multi-year planning on future federal grant revenue & expenses

UMass Strategies to Mitigate Federal Impacts on Research



Immediate Actions



Research Working Group

Established a systemwide working group that meets regularly to share information, strategize responses to federal impacts to research, and inform the development of guidance to be shared across the system



Appeal Grant Terminations

Campuses have filed administrative appeals for nearly all terminated grants. Appeals are drafted centrally with support of external counsel.



Litigation

Support Attorney General in filing litigation in response to various federal activities

UMass Strategies to Mitigate Federal Impacts on Research



Data Foundation



Analyze Federal Grant Revenue

Identify and analyze federal revenue sources, including student financial aid, research grants and F&A, and associated FTEs across the system and at the campus level



Monitoring Federal Grant Terminations & Suspensions

Actively monitoring and reporting on grant terminations and suspensions to identify revenue, expense and personnel impacts, and awards with near-term end dates



SPARC Research Dashboard

Implemented dashboard in SPARC detailing research revenue and expenditures for each campus

UMass Strategies to Mitigate Federal Impacts on Research



Financial Planning



Spending Review

- Assessing research-related personnel and non-personnel spending
- Expediting drawdowns of existing grants
- Assessing at-risk awards and prioritizing grants that may have the greatest level of success



Refine Approach to Letter of Credit Draws

Refining approach to federal grant drawdowns to decrease potential for additional reviews and associated delays



Scenario-Based Budgeting

Conducting scenario-based planning to analyze range of impacts on revenue and expense resulting from federal activities

UMass Strategies to Mitigate Federal Impacts on Research



Future Outlook



Assess Federal Research Grant Pipeline

- Assessing pipeline of grant applications
- Issued guidance on reframing proposals to increase likelihood of success
- Developed AI tool to review grant proposals for content that may reduce likelihood of success



Diversify Research Funding Sources

Exploring non-federal funding sources (private foundations/industry) to support terminated, suspended and future grants (recognizing non-federal funding sources cannot fully replace federal grant dollars and typically have greater restrictions)



Multi-Year Financial Planning

Engaging in multi-year financial planning on future research revenue and expenditures

Next Steps

- Conduct FY26 risk assessment
- Assess mitigation strategies against updated assessment