

# Meet Me at the Intersection of Enterprise and Third-Party Risk Management: A Journey to Discovering Risk Reduction Opportunities in Contracts

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University of Massachusetts

Amherst • Boston • Dartmouth • Lowell • Medical • Law

# Learning Objectives

- Learn how to leverage enterprise risk management to support third party risk management
- Learn how enterprise risk management can identify opportunities to enhance third party risk management through the contracting process
- Learn the value that collaboration between procurement and ERM can bring to an institution of higher education

# Agenda

- University of Massachusetts Overview
- Enterprise Risk Management (ERM) Program Overview
- Unified Procurement Services Team (UPST) Overview
- Evolution of Contract Management
- Intersection of ERM and Third-Party/Contract Risk Management

# About UMass



Ranked #1 Public University in New England



Five undergraduate & graduate campuses



74,000 students



20,000 graduates annually



\$813M in Research; 3<sup>rd</sup> largest in MA;  
4<sup>th</sup> largest in New England



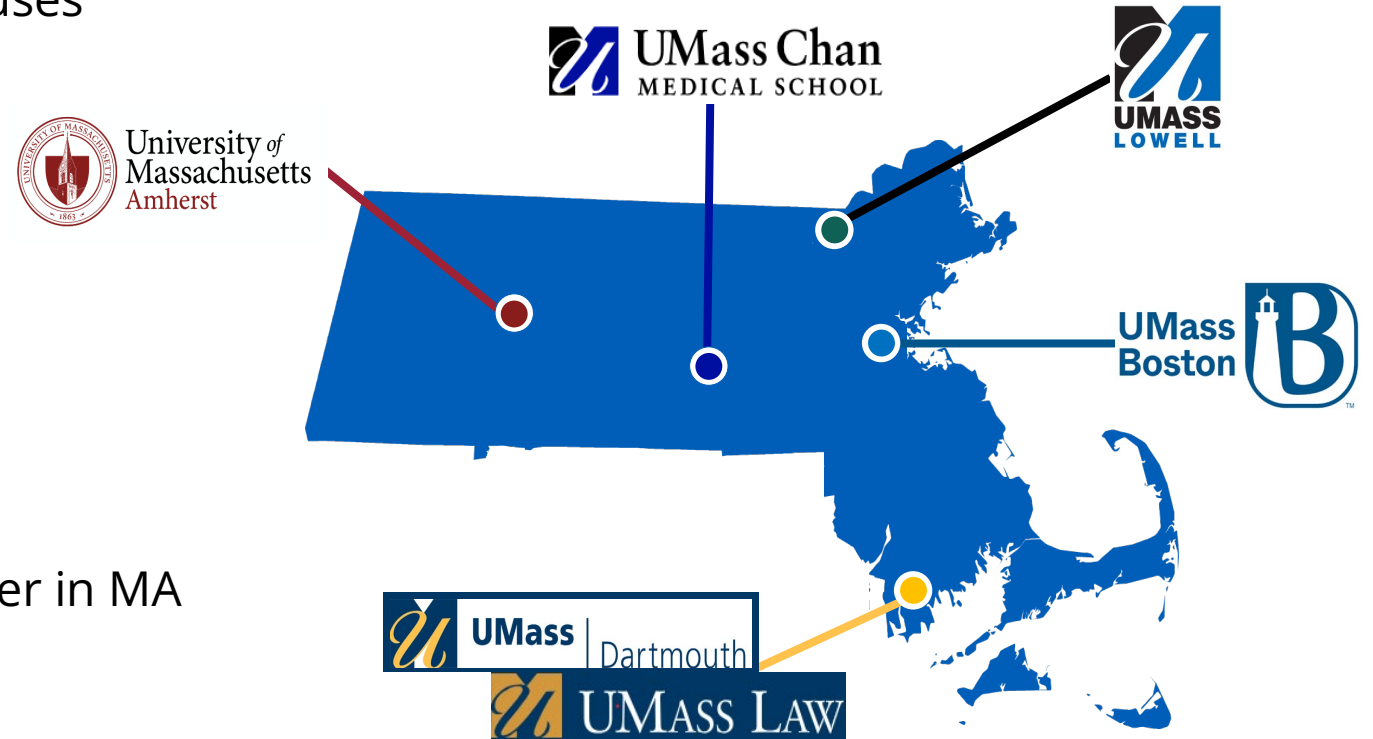
26,000 employees; 3<sup>rd</sup> largest employer in MA



\$4.3B Annual Budget



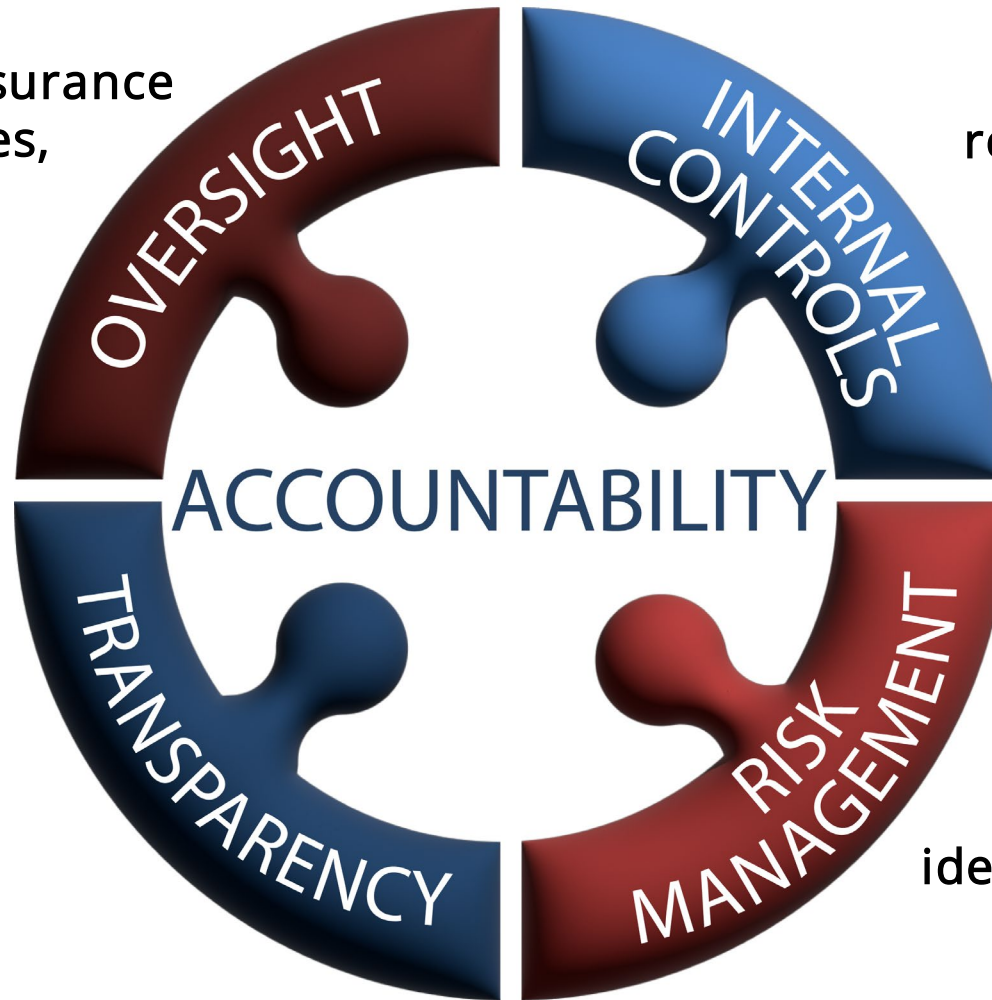
\$86.5M annual spend with 30K+ vendors



# A&F Accountability Framework

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

Standard processes to provide reasonable assurance regarding achievement of objectives



Reliable, timely information that is accessible & understandable

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

# UMass Systemwide Enterprise Risk Management Program





# What is Enterprise Risk Management?

Enterprise Risk Management (ERM) is a comprehensive and integrated framework used by organizations to identify, assess, manage, and monitor risks that could potentially affect their ability to achieve their objectives. ERM encompasses a wide range of risks.



# How the Systemwide ERM Functions at UMass



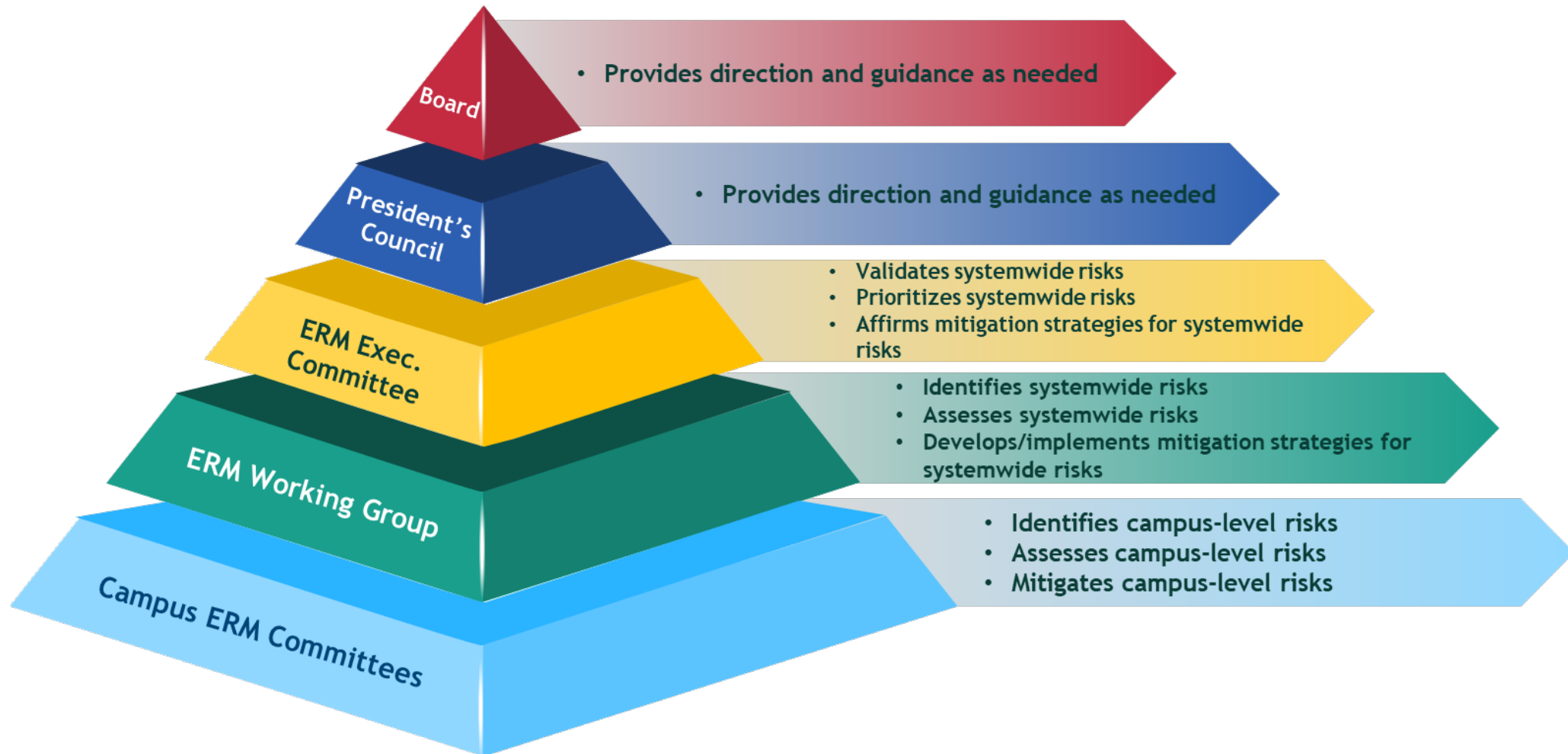
- Identify and assess risks with systemwide implications
- Support informed decision-making
  - Transparency of information/activity
  - Normalized review/prioritization of risk
- Facilitate systemwide coordination on risk identification and assessment
- Assist in identifying risk owners
- Facilitate coordination of mitigation activities for crisis response
- Facilitate the assessment of effectiveness of mitigation activities on risk



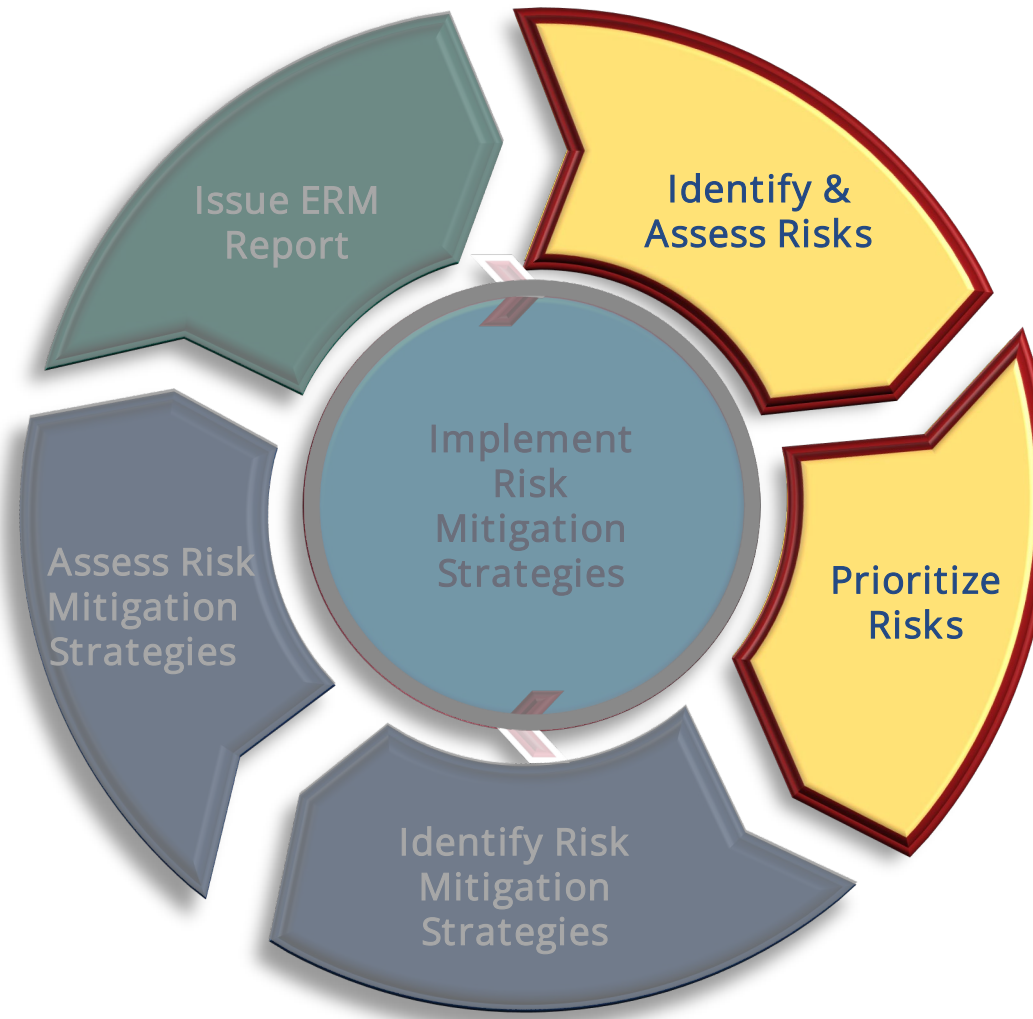
- Own risk
- Own risk mitigation strategies
- Implement risk mitigation strategies
- Own compliance review or monitoring
- Own campus ERM programs or plans



# Systemwide ERM Governance Structure



# Two-Year Systemwide ERM Program Cycle



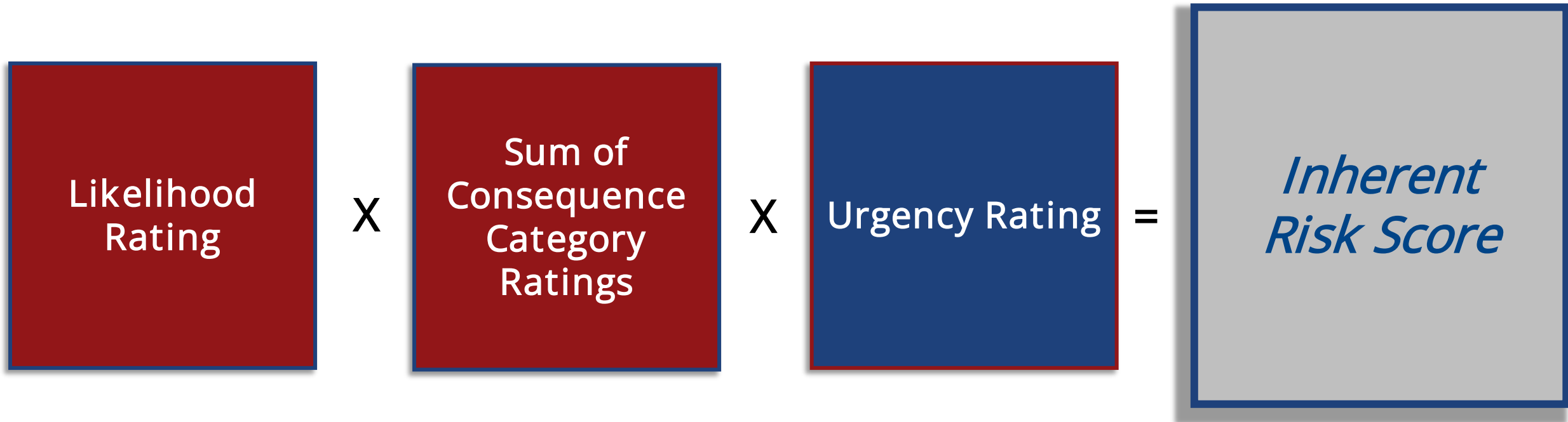
# Risk Assessment Process





- Focused on systemwide impacts
- Evaluates inherent exposure\* of the University to the risk
- Rates risks across three factors:
  - Likelihood (Values of 1-4): Could the University system experience this risk?
  - Consequence (Values of 1-4 for each category): How much would the University system be impacted by this risk?
    - Service/Operational Disruption
    - Financial
    - Legal/Compliance
    - Workforce
    - Reputation
    - Life Safety
  - Urgency: (Values of 1-3) How soon does the University system need to prioritize this risk?

*\*Risk assessment does not account for mitigation strategies when assessing likelihood and consequence*

# Inherent Risk Score Calculation



-  Assessed by ERM Working Group
-  Assessed by ERM Executive Committee

# Vendor Risk Management Risk Assessment

*FY24 risk assessment included ability to define and assess sub-elements of risk for risks that were previously too broadly defined.*



Risk Name	Risk Definition	Likelihood Rating	Service Disruption, Process Impact on Operations	Financial Impact	Legal/ Compliance	Workforce	Reputation	Life Safety	Urgency Rating
Vendor Risk Management*	Inability to screen vendors, ensure vendors meet contractual requirements, and vendor deliver acceptable services or deliverables.	Certain or Almost Certain	Medium	Low	Medium	Low	Medium	Negligible	Low
Vendor Risk Management - Vendor Screening	Inability to screen vendors through, as appropriate, restricted party screening, background checks, financial verification, and other identified checks and verifications.	Certain or Almost Certain	Medium	Medium	Medium	Negligible	High	Negligible	
Vendor Risk Management - Contractual Requirements and Monitoring	Inability to contractually require vendors and their subcontractors, as appropriate, to meet certain requirements, including but not limited to implementing and maintaining certain information and data security requirements, providing timely notification to appropriate UMass parties of data breach or fraud , maintaining obligatory insurance coverage, completing necessary training (Title IX, etc.), completing background checks, etc.; and inability to monitor compliance with said contractual requirements; and inability to enforce said contractual requirements	Certain or Almost Certain	High	Low	Medium	Low	High	Negligible	
Vendor Risk Management - Managing Vendor Performance	Inability to manage the performance of vendors to ensure acceptable completion of deliverables and/or delivery of services.	Certain or Almost Certain	Medium	Low	Medium	Low	Low	Negligible	

# FY24 Systemwide Risk Registry

 Priority Risks

FY24 Rank	Risk	FY24 Rank	Risk	FY24 Rank	Risk
1	Enrollment	11	Information Privacy	21	Environmental and Public Health, & Safety Regulations
2	Information Security	12	Sustainability	22	Alcohol and Substance Abuse
3	Facilities and Deferred Maintenance	13	All-Hazards Planning and Response Capabilities	23	Fraud, Waste, Abuse
4	Financial Sustainability	14	Labor Relations	24	Crisis Communication Coordination
5	Student Health & Mental Health Support	15	Data Management	25	Uninsured Loss
6	Artificial Intelligence	16	Vendor Risk Management	26	Multi-State Payroll Taxation
7	International Activities	17	Sexual Assault Policies and Response Procedures	27	Multi-State Business Taxation
8	Research	18	NCAA Regulations	28	Employment Laws and Regulations
9	Diversity, Equity, Inclusion and Accessibility	19	IT Disaster Recovery	29	Policies/Procedures Regarding Minors on Campus
10	Attract, Recruit, Retain Faculty and Staff	20	Continuity Planning	30	Academic Quality and Standards
				31	Oversight of Student Organizations



# Two-Year Systemwide ERM Program Cycle

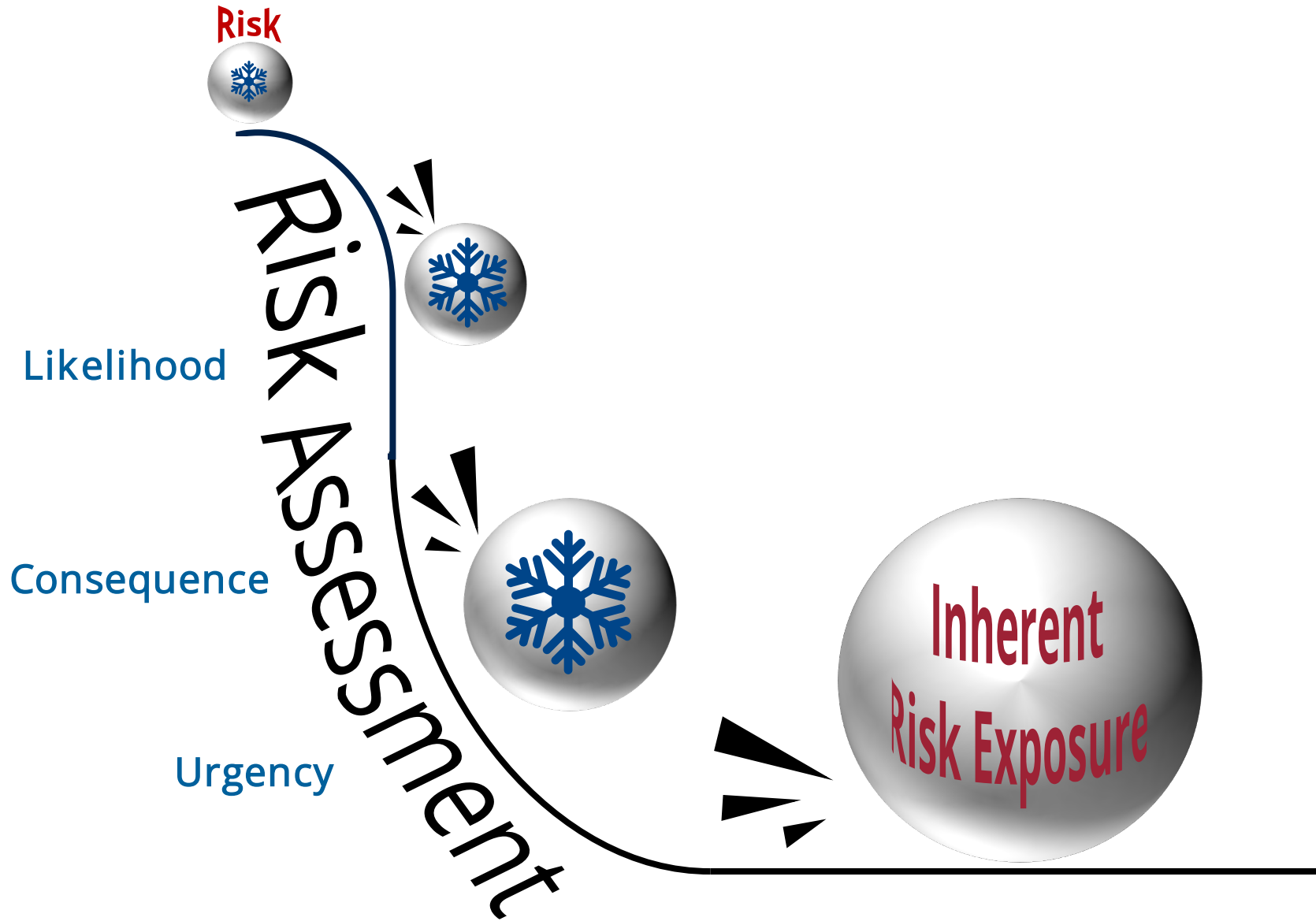


# Mitigation Assessment

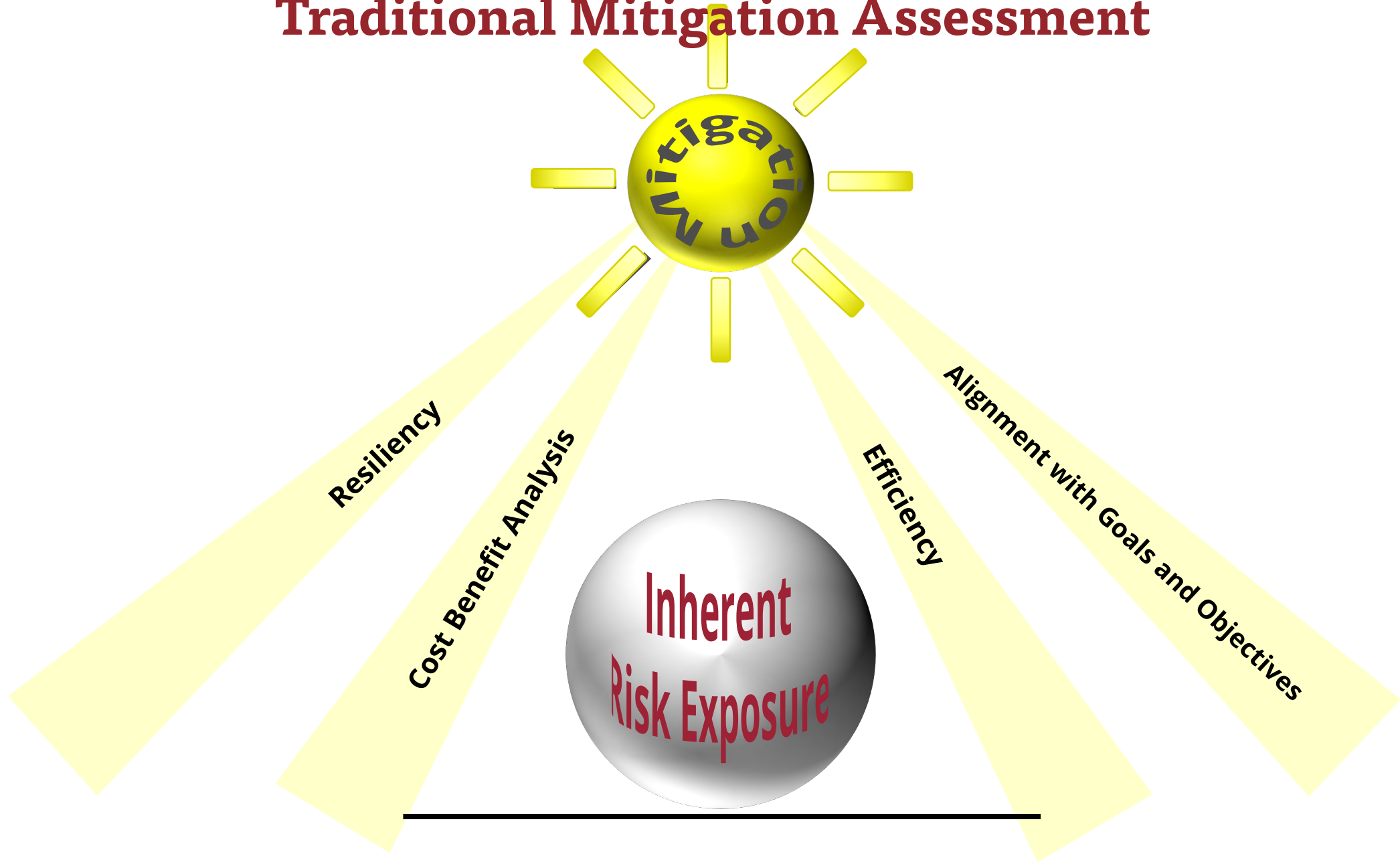


- Document risk mitigation strategies for *transparency*
  - Create a common operating picture for the University system
  - Increase awareness of risk and risk mitigation
  - Ground-truth the degree of risk exposure
- Demonstrate *impact* of mitigation strategies on risk exposure
- *Correlate* assessment of risk mitigation strategies to a risk's assessed inherent risk exposure
  - Traditional mitigation assessment considers important organizational factors, but these factors do not directly correlate to risk exposure
  - Needed to identify the impacts mitigation measures have in reducing the exposures identified in the risk assessment process

# Assessment of Risk Exposure



# Traditional Mitigation Assessment



# Correlation of UMass Risk Assessment and Mitigation Assessment



# MATRX Enables the Demonstration of Mitigation Strategies' Impact in Reducing Risk Exposure



## Individual Effectiveness

Measure the effectiveness of an *individual* mitigation strategy on reducing risk exposure

## Comparative Effectiveness

*Compare* the effectiveness of *multiple* mitigation strategies on reducing risk exposure (ranking)

## Aggregate Effectiveness

Measure the *aggregate* effectiveness of all risk mitigation strategies on reducing risk exposure



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# Unified Procurement Services Team



# Creating a Unified Approach to Procurement

*A Shared Services project to assess the potential of a shared services model at UMass was launched in 2018 at the request of the President with the support of the Board*

- **Establish objectives**

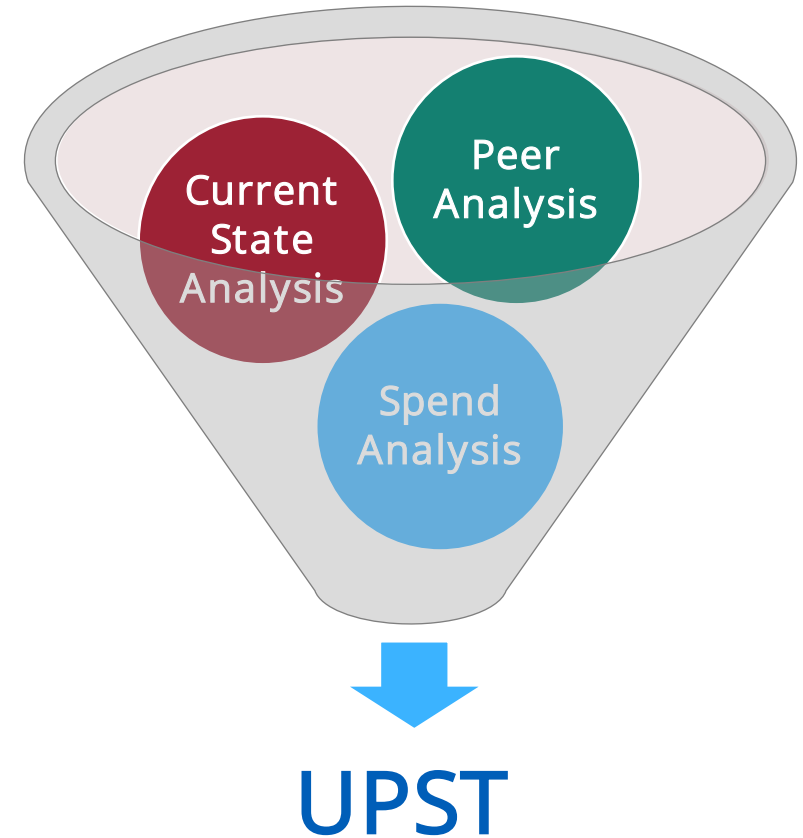
- Evolve A&F organization to provide world-class service across the entire system
- Modernize functions to provide services at lower cost
- Re-invest savings back to academic programs and ensuring continued affordability

- **Build on momentum of past initiatives**

- 2011 Procure to Pay Study
- Business Process Review (BPR)
- Efficiency & Effectiveness Taskforce (E&E)

- **Deliver comprehensive plan by January 2019**

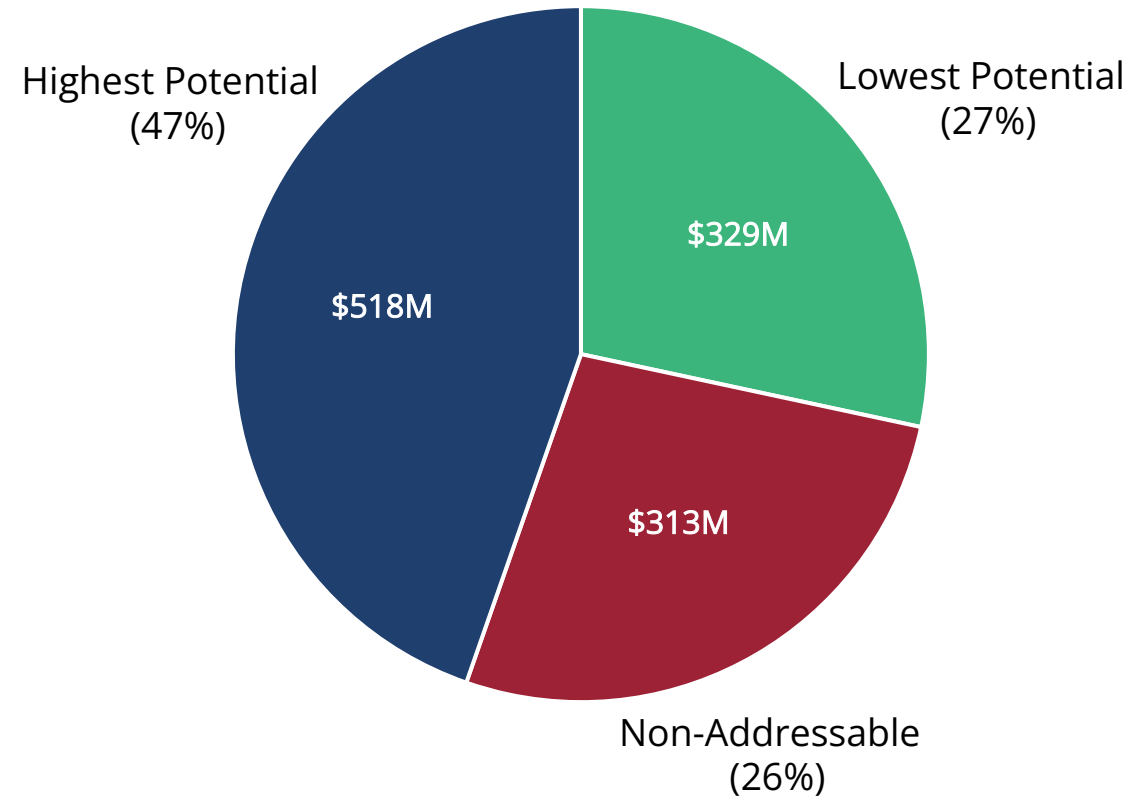
- Refresh 2011 Procure to Pay Study
- Perform initial assessment of payroll
- Collaborate with campus leadership, faculty, and staff
- Focus on accounts payable, procurement, and payroll



# A New Way of Procuring Goods and Services

- Designed a systemwide Unified Procurement Services Team
  - Centralized procurement and accounts payable services for all campuses and President's Office
  - Launched in January 2020
- Governed under a shared governance structure with strong campus customer representation
- Maintains campus presence to manage local relationships
- Measures and report results against agreed-upon Service Level Agreements (SLAs) and Key Performance Indicators (KPIs)
- Implements risk-adjusted approach

**\$1.2B Total FY 2018 Spend**



# UPST Key Performance Indicators (KPIs) 2020-2021

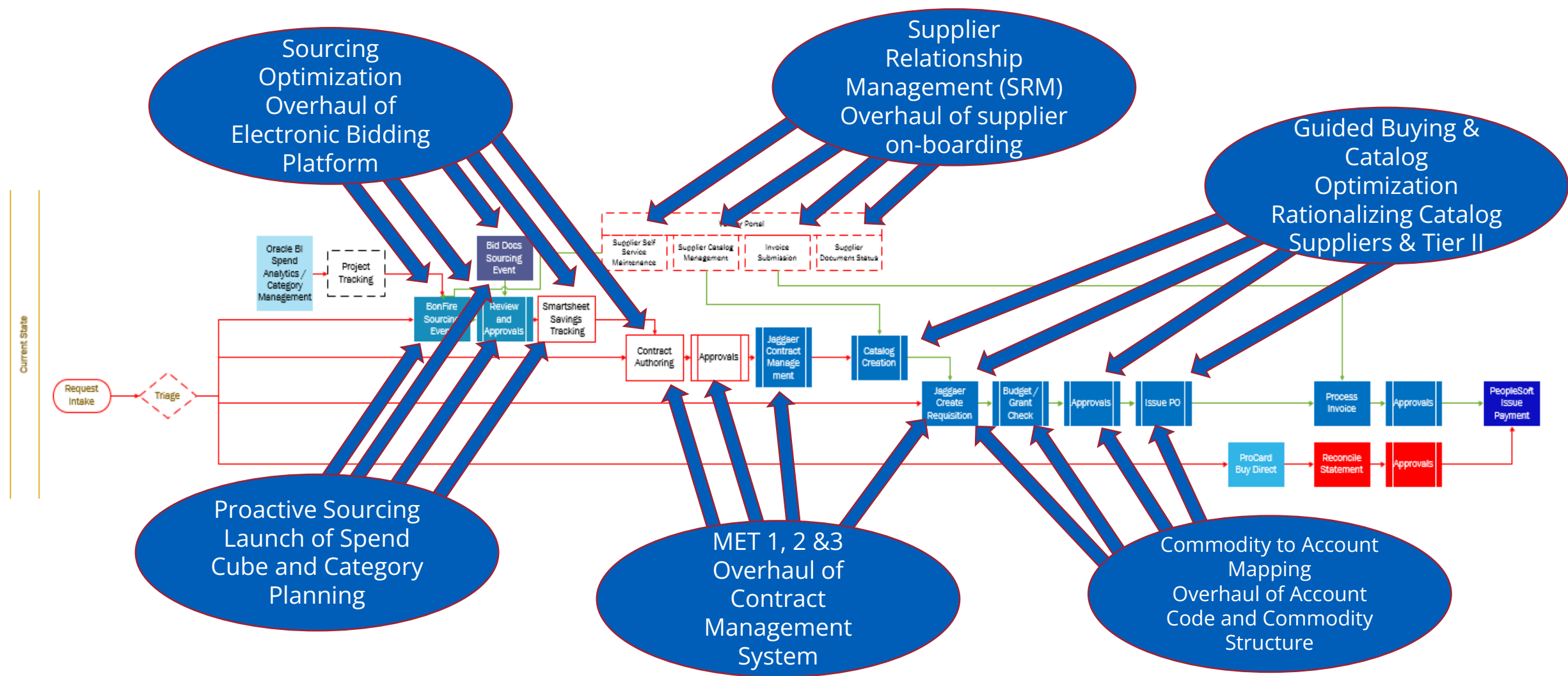
Performance Indicator .2	FY2020	Target	FY2021	January
<b>Operations</b>				
% of requisitions processed in 1 day	87%	88%	87%	92%
% of invoices received electronically	46%	58%	48%	50%
% of eligible invoice payment discounts captured	86%	80%	85%	89%
% late payments (greater than 30 days)	19%	<15%	16%	19%
Average # of days to approve a travel & expense reimbursements	10.8 days	8 days	12 days	14 days
Average # of days for UPST to approve a travel & expense reimbursements	3.4 days		1.3 days	1.2 days
% ProCard spend with catalog suppliers	5%	<5%	7.3%	5.3%
Average # of days to issue a new ProCard	19 days	10 days	12 days	16 days
<b>Service &amp; Quality</b>				
Average # of days to resolve a case	10.3 days	8 days	12 days	14 days
% of cases resolved	96%	80%	99%	99%
Average Customer Satisfaction Score	N/A	80% <sup>‡</sup>	82%	87%

## Legend:

- Meets or exceeds target
- Slightly below target
- Significantly below target
- No Target



# “Untangling” the Spaghetti Factory



# UPST Key Performance Indicators (KPIs) 2023-2024

Performance Indicator .2	FY2023	Target	FY2024	January
<b>Operations</b>				
Requisitions processed in 1 day	88%	88%	89%	90%
Invoices processed electronically	54%	58%	62%	67%
Eligible invoice payment discounts captured	91%	80%	95%	98%
Late payments (greater than 30 days)	16%	<15%	15%	17%
% of invoices created before POs	9%		9%	9%
Days to approve a travel & expense reimbursements	6 days	8 days	5 days	5 days
Days for UPST/EST to approve travel & expense reimbursements	1.1 days		0.6 day	1 day
Bank Card spend with catalog suppliers	2.7%	<5%	2.6%	2.8%
Days to issue a new Bank Card	6.9 days	10 days	6 days	6 days
Days to process Bank Card change request	1.3 days	2.5 days	1 day	1 day
<b>Service &amp; Quality</b>				
Days to resolve a case/request	7 days	8 days	6 days	9 days
Customer Satisfaction Score	85%	80%	88%	89%

## Legend:

- Meets or exceeds target
- Slightly below target
- Significantly below target
- No Target





# Evolution of Contract Management

# Risk-Adjusted Approach to Contracts

## 1. Leverage technology to enhance visibility to key stakeholders

- Certain categories of services have greater Risk Exposure than others:
  - Data (HIPPA, FERPA, PII, PCI), Insurance, Intellectual Property
- Technology routes contract requests to key stakeholders for both awareness and intervention
  - Workflow rules route based on data collected in the contracting intake process
- Mandatory Review as Risk Mitigation Strategy
  - IT, PCI, Insurance, General Council

## 2. System-wide Sourcing Activities create better contracts

- Leveraging the size and scale of UMass in a public procurement process enables UMass to dictate favorable terms
  - Shifting business from hundreds of suppliers, each with its own contractual risk to a small handful of approved suppliers reduces risk associated with millions of dollars of spend

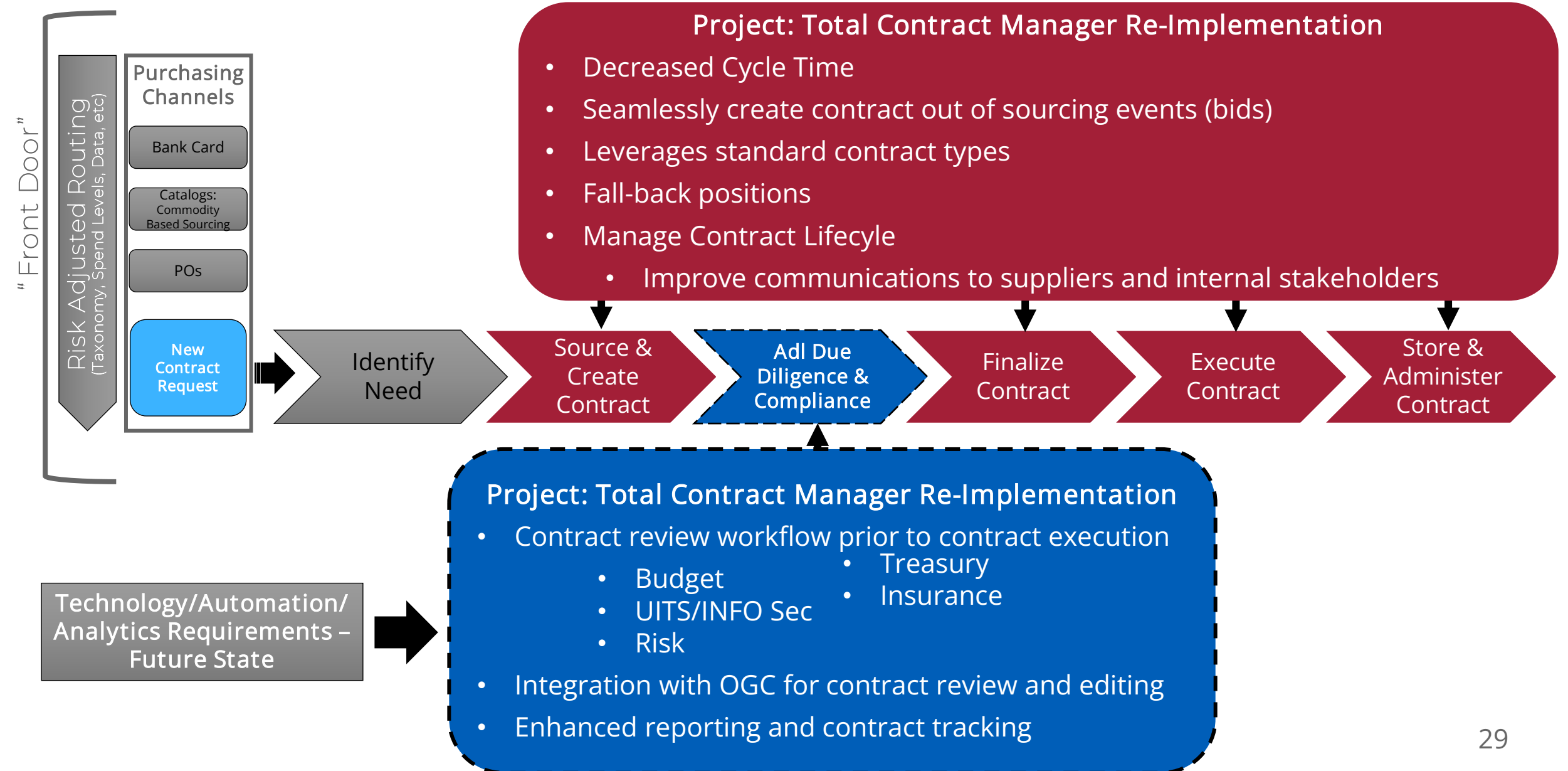
## 3. Standardized Contracts

- “UMass Paper First” mentality backed up with a hierarchy of other approved contracts, helps mitigate risk across multiple categories of spend



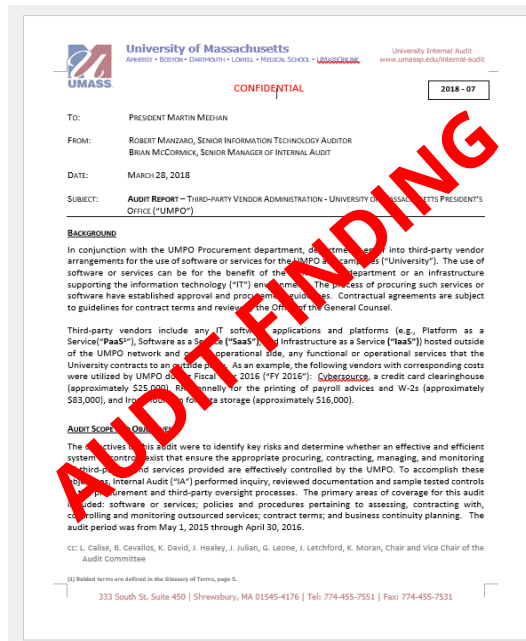
# Transforming the Contract Lifecycle Process

*Reducing risk by engaging internal stakeholders in contract review*



# Third Party Risk Management

- Risk mitigation does not stop once the contract is signed
- Stemming from an Internal Audit finding, UPST initially partnered with Enterprise Risk Management to develop Guidelines for Managing Supplier Performance



- Provides guidance addressing:
  - Supplier Selection
  - Contracting
  - Supplier Set-up
  - Supplier Performance Reviews
  - Payment
  - Renewal and Termination

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**GUIDELINES FOR MANAGING AND OPTIMIZING SUPPLIER PERFORMANCE**

**Introduction**

Managing the performance of suppliers is critical to the operation of UMass. Ensuring suppliers perform or supply goods and services that meet UMass expectations ensures the success of the University and mitigates potential issues during a contract period or after purchases are complete.

This document provides guidance to those responsible for managing the performance of suppliers on the key tasks and best practices for managing and optimizing our supplier relationships and minimizing the University's risk exposure. While UPST is responsible for the overall procurement process and must be engaged with purchases exceeding \$50,000, each individual (or UMass entity) seeking services or products is responsible for managing the performance and relationship with the supplier for these goods and services.

Coordination across the entire supplier relationship lifespan is critical to success: selection and onboarding of suppliers, implementation of projects and/or transactions, and conclusion of supplier relationships ensuring management of risks associated with termination of a supplier relationship.

UPST is here to support you throughout this process for all purchases regardless of the value. Please contact **UPST** at [upst@umass.edu](mailto:upst@umass.edu) or 774-545-UPST (8778) for assistance.

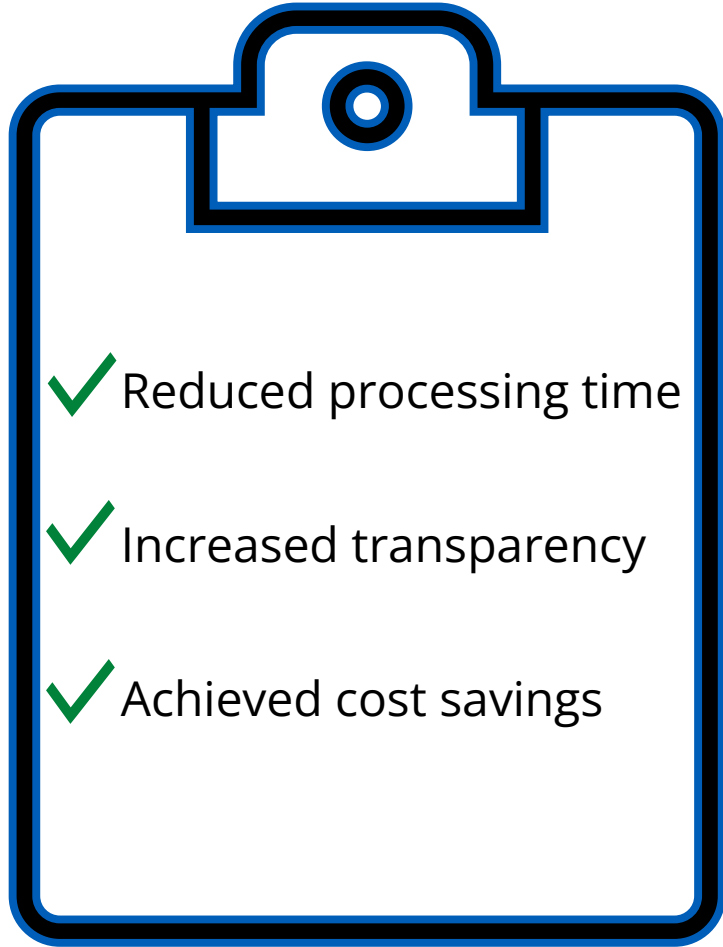
**Step 1: Supplier Selection and Onboarding**

Action	Description	Related Questions to Consider
<b>Find the right supplier</b>	Follow <a href="#">UMass Procurement Policy (Doc. T92-03)</a> to select the right supplier for your objectives. This policy includes guidance for supplier selection.	<ul style="list-style-type: none"><li>• What goods or services do I need to solve my problem?</li><li>• Will an existing supplier meet my needs, or do I need a new supplier?</li><li>• Should I leave it to the supplier to propose solutions, or do I need to define options for solutions?</li><li>• Could more than one supplier resolve the problem I am solving for?</li></ul>

**Page 1 of 8**  
Revised 2/23/24

# Let's Celebrate!

Enhanced processes and controls resulted in:



## BUT

*Are we actually reducing our risk exposure?*

*Are there opportunities for enhancement?*

*How can we know?*

# Intersection of ERM and Third-Party/Contract Risk Management



# Leveraging ERM

- Implement ERM mitigation assessment methodology to assess contracts-related mitigation strategies
  - Pilot of methodology at more granular level
- Identified four areas of focus
  - IT contracts
  - Revenue Collection Contracts
  - International Contracts
  - Vendor Performance Management
- Identified mitigation strategies for each area of focus
- Assessed mitigation strategies using MATRX

# Mitigation Assessment Results

# IT Contracts

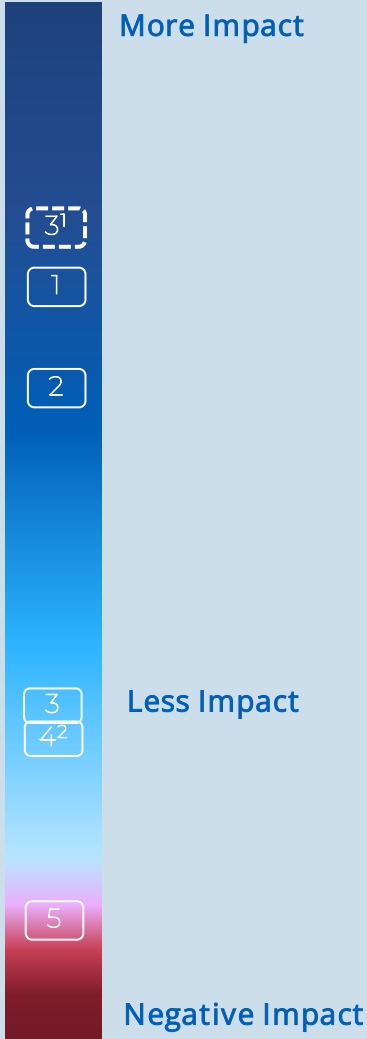
Rank	Mitigation Strategy	Systemwide Status
1	Review Process	Fully
	Contracts Framework/Guidance	Planned
2	Mandatory IT Review for All Scopes of Work that include Access to UMass Systems	Fully
	Training of UPST Contracts Staff Training	Fully
	Mandatory OGC Review	Fully
3	Standardized Terms & Conditions in BuyWays <sup>1</sup>	Partially
4	Systemwide Adoption of UPST Sourced Contracts <sup>2</sup>	Partially
	Systemwide Adoption of GPO or State Contracts <sup>2</sup>	Partially
	Systemwide Adoption of IT VAR Contracts <sup>2</sup>	Partially
5	Review and acceptance of risk	Fully

<sup>1</sup> If fully implemented, this strategy would be the #1 mitigation strategy (over the current #1 strategies).

<sup>2</sup> If fully implemented, these strategies would be ranked with the current #2 ranked mitigation strategies.

## 10 Strategies

Scale: Assessed Systemwide Impact of Mitigation Strategy by Rank



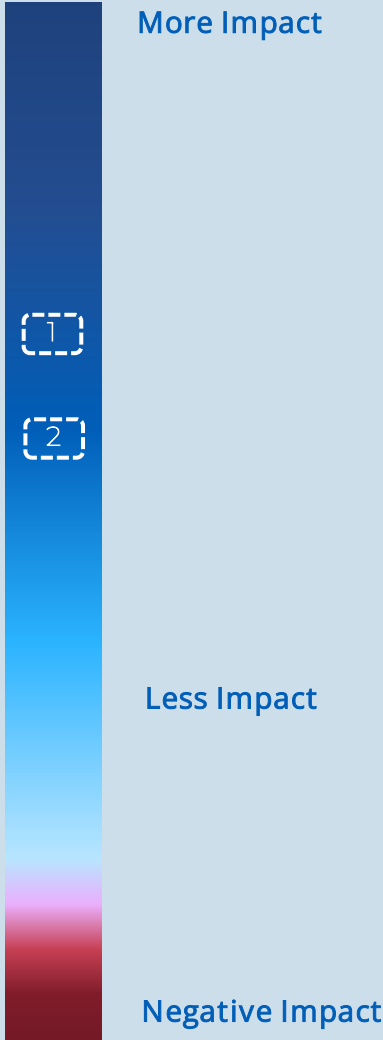
# Revenue Collection Contracts

Rank	Mitigation Strategy	Systemwide Status
1	Contract/SOW Template for Revenue Collection Services	Proposed
	Competitively bid contracts for significant revenue collection	Proposed
2	Require disclosure of student-facing charges in contract request questionnaire	Proposed

*All mitigation strategies are proposed; rankings reflect effectiveness if strategies were fully implemented.*

## 3 Strategies

Scale: Assessed Systemwide Impact of Mitigation Strategy by Rank



# International Contracts

Rank	Mitigation Strategy	Systemwide Status
1	Mandatory OGC Review for contracts \$100K+	Fully
	Vendor Screening	Fully

## 2 Strategies

Scale: Assessed Systemwide Impact of Mitigation Strategy by Rank



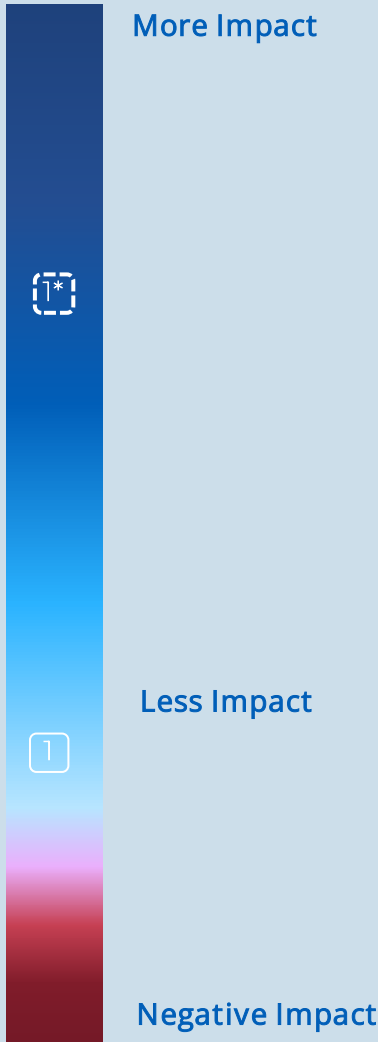
# Vendor Performance Management

Rank	Mitigation Strategy	Systemwide Status
1	Vendor Performance Management Toolkit Rollout	Partially
	Vendor Performance Management Training	Partially

*\*All mitigation strategies are partially implemented. If fully implemented, these strategies would be substantively more effective.*

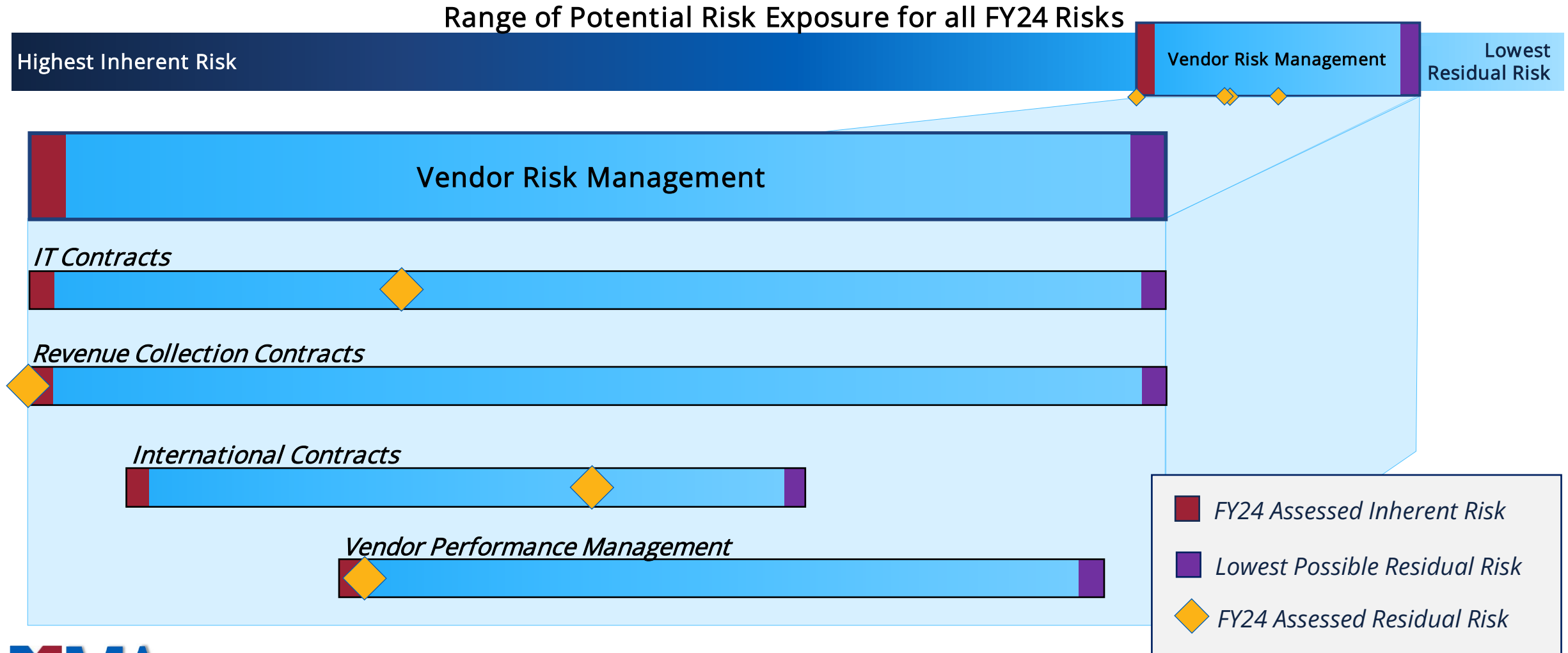
## 2 Strategies

Scale: Assessed Systemwide Impact of Mitigation Strategy by Rank



# Vendor Risk Management: Current Residual Risk

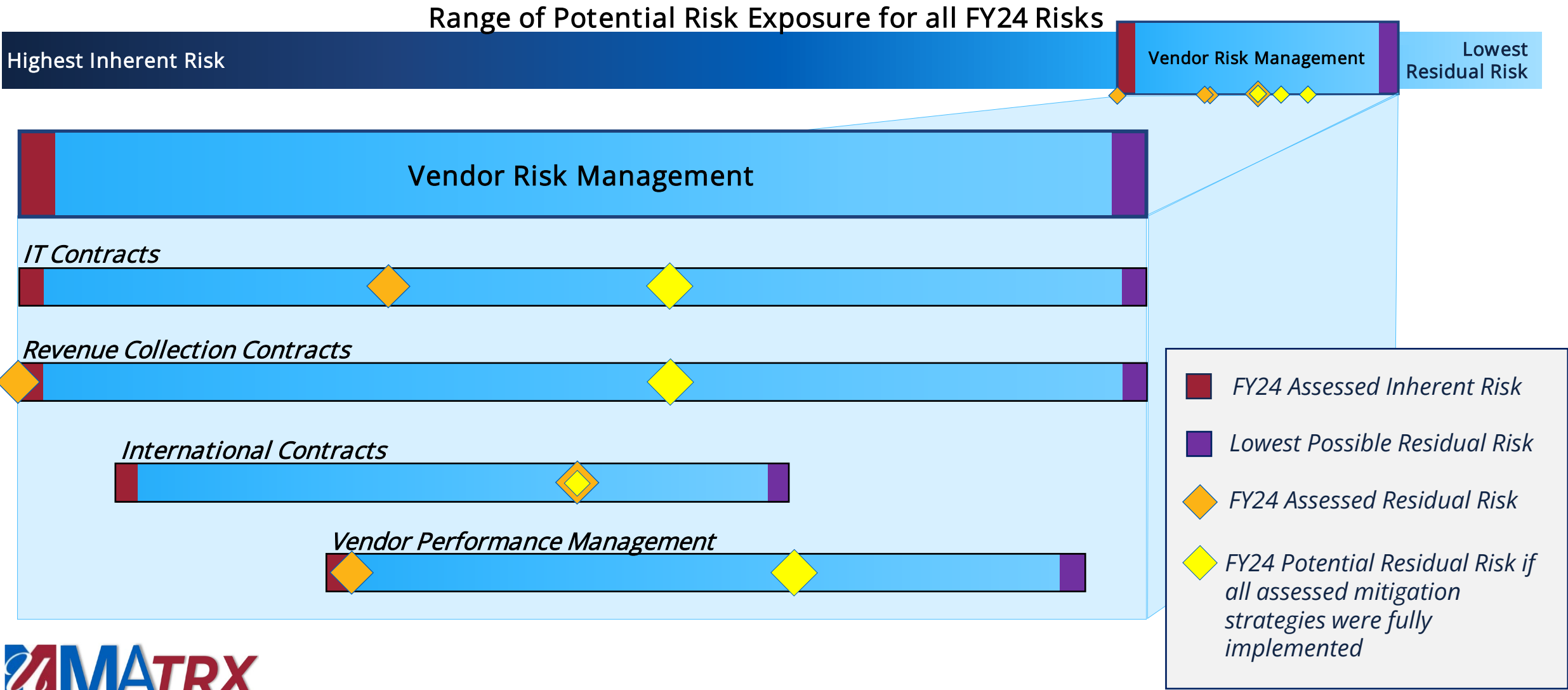
*Movement in Reducing FY24 Assessed Risk Exposure Based on Current Status Mitigation Strategies*





# Vendor Risk Management: Potential Residual Risk

*Potential Movement in Reducing FY24 Assessed Risk Exposure with All Mitigation Strategies Fully Implemented*



# Resulting Next Steps

- Implemented a harder push for standard terms and conditions
- Standardized documentation of acceptance of risk in instances where acceptance is unavoidable (i.e., Google will never change their terms conditions)
- Built acceptance of risk into contracts process to more readily identify and report these occurrences
- Created risk matrix for IT procurement
  - Categorized into various aspects of associated risk
- Changed how we operate with University risk partners (General Counsel, UITs, etc.)
- Will continue to build upon this to enhance data and transparency

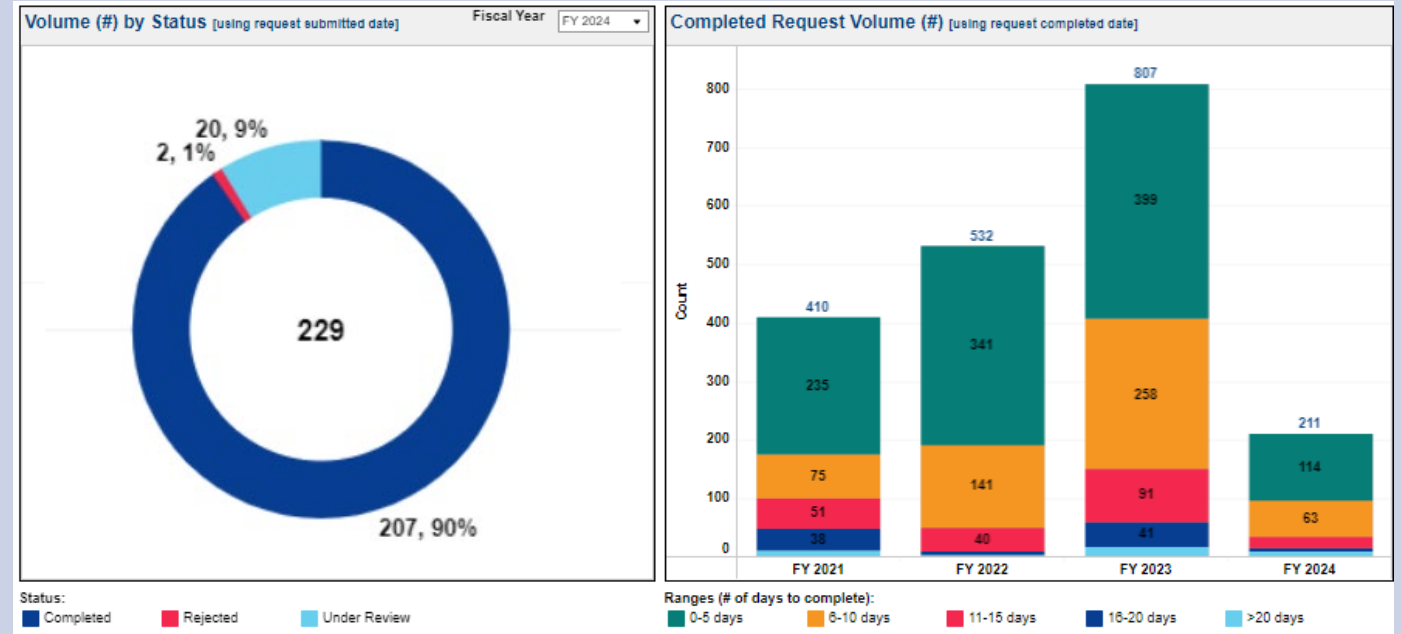


# What's Next in Contract Management? SPARC™ Pro

## What is SPARC™ Pro?

- Easy to Consume Data Visualizations: Designed for use by campus leadership; views to quickly see contract status and trends
- Leveraged the filtering capability of the SPARC dashboards allows filtering by campus, division or department
- Enables campus to leadership to better understand the impact of the contracting process across their organization

## Easy to consume data visualizations



## Robust Filtering

**Filters:** Campus: All, Functional Area: All, College/Division: All, Department: All

Campus	Functional Area	College/Division	Department	Speedchart Key	Account Description
(All)	(All)	(All)	(All)	Null	Null

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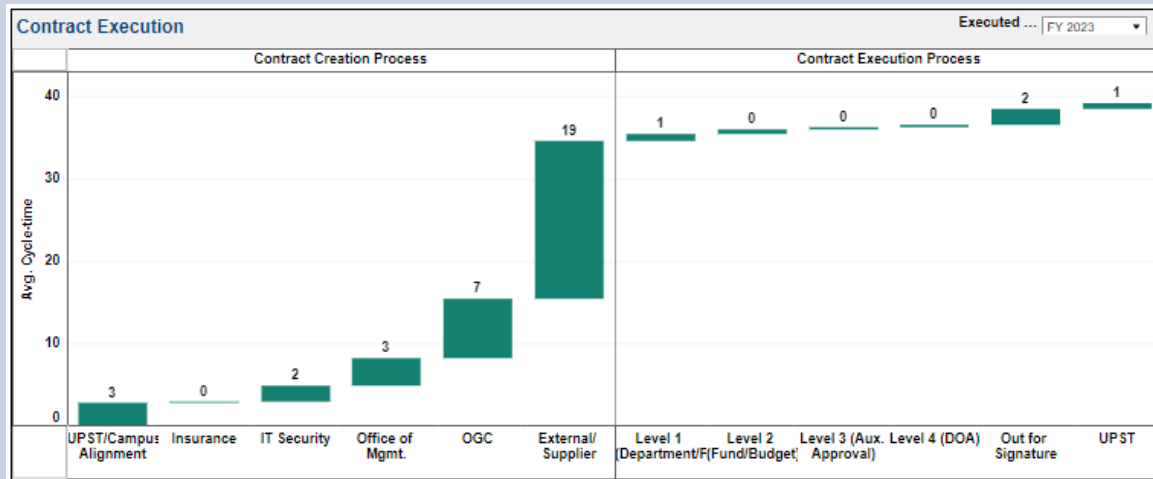
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# SPARC™Pro Enables Leadership to Ask Better Questions

**Stage View:** helps end users visualize the contract process from beginning to end; allows leadership to see which stages impact contract cycle time

Track contract stage cycle time by department or individual contract



**List View:** identifies the status of individual contracts and highlight contracts that are aging in a particular step, prioritizing action for the campus and UPST

View detailed data by contract, leveraging visual queues to identify contracts outside of standard

Contract Request Details						Sort by: # of Days
Submitted Month	Review Stage	Department	Request #	Contract Name	# of Days	
August 2023	Department Review	Medicine	9946034	Reliant MSO, LLC	51	
September 2023	Department Review	Mattapan Operations	10164445	Sequoia Consulting Group - MSA	30	
October 2023	Department Review	Administration	10154496	SALESFORCE - Sales Cloud software	24	
October 2023	Department Review	Neurobiology	9712255	Daniel Higgins/Alex/May 2023	23	
October 2023	UPST Approval	Mattapan Operations	10307382	42 North Solutions - Facilities Tech (FR) (A.LUCAS)_A.	18	
October 2023	UPST Approval	Facilities Mgt	10305771	Evaptech - Access Revisions / Cooling Tower	16	
October 2023	UPST Approval	Health & Equity	10393988	HCJ/JHE - Physician Solutions, Inc. - New Locum Tene..	11	
October 2023	UPST Approval	Health & Equity	10399592	HCJ/JHE Speak Easy Rehabilitation, PLLC - Amd. 2 - ..	10	
October 2023	UPST Approval	Family Med & Comm Health	10376935	SOCIAL SOLUTIONS * Ledwith/Lee * REMILLARD GR..	8	
October 2023	UPST Approval	Mattapan Operations	10421123	Robert Half - Supply Chain Manager Contractor - Ryan ..	8	
October 2023	Department Review	Pop & Quantitative Health ..	10431756	Social Good Fund	7	
October 2023	UPST Approval	Dining Services	10432472	Clarion Group- Dining Services Third Party Review	7	
October 2023	UPST Approval	Program in Chemical Biology	10446957	Hale MedChem Advisors LLC MSA Bridge Fund- Thom..	6	
October 2023	Department Review	Business Solutions Rollup	10460104	Salesforce Quote 06855660	5	
October 2023	Department Review	HSS Admin	10433349	UniMed MidWest, Inc dba Lighthouse Environmental Inf..	4	
October 2023	UPST Approval	Business Solutions Rollup	10468211	Salesforce Quote Q-07163651	4	
October 2023	UPST Pre-Review	Business Solutions Rollup	10474336	DocuSign Quote Q-01272337	4	



# Conclusions/Take Aways

- ERM can be a resource to:
  - Identify enhancement opportunities
  - Provide justification for activities required
- Turn the theoretical into reality
  - Mandatory IT review
  - Standard terms and conditions
- Risk mitigation doesn't have to be a burden
  - Risk-based approach to contracting allows you to focus resources where it will have most impact, and frees up resources for other areas

Thank you!



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