



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Mital, Simpson and Helgeson  
FROM: Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager;  
Sarah Creighton, Enterprise Risk Supervisor  
DATE: June 27, 2018  
SUBJECT: SD20 Annual Enterprise Risk Management (ERM) Update  
OBJECTIVE: Information Only

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## **Issue**

SD20 calls for a periodic report on the status of Enterprise Risk Management (ERM) activities. The following is a status report on projects completed in the last year, in progress, and planned.

## **Background**

EWEB's risk management efforts are embedded across the utility. These efforts include the Safety program, Power Risk Management Committee (RMC), and the Dam Safety program.

With the adoption of SD20 in 2015, EWEB began moving toward an enterprise-wide approach to risk management. Enterprise risk management is designed to support the achievement of operational and strategic objectives, including responsible stewardship of our customer-owners' financial and natural resources, safety, and regulatory compliance. Managing risk is an integral part of decision-making across EWEB and is not a stand-alone activity. ERM staff coordinates EWEB's ERM efforts, which include identifying and analyzing existing risks, monitoring emerging risks, and creating and implementing mitigation strategies.

## **Discussion**

At the end of 2017, an updated risk analysis was completed by ERM staff and Management to determine which risks ERM should focus on from an organization-wide perspective. Top risks were selected based on projected impact and likelihood of occurrence after mitigation strategies were applied. These risks were determined to be:

- Complying with contracts other than those for goods and services
- Legal and regulatory compliance
- Cyber security
- Enhancing a risk-aware culture
- IS project execution

Contractual Compliance: The Contract Governance program has been operational since January 2017 and is designed to address non-standard contracts developed outside the Purchasing department. The program helps ensure stakeholders have an opportunity to provide feedback during contract development. Staff continues to use the tool that was created to track these contracts, providing increased visibility throughout the contract term. This tool also supports reporting functionality to aid in work planning. Presently, over 230 contracts have been identified and tracked.

Earlier this year, staff initiated a contract management software project. The goal of the project is to select a cost effective way to provide a digital repository for the contracts and tools to support proactive management of contractual obligations. This project is presently in the planning phase, and business requirements are being gathered to ensure the chosen solution best fits EWEB's needs.

In March 2018, ERM staff, in conjunction with other subject matter experts, developed and implemented a grants policy to ensure relevant stakeholder feedback and understanding are obtained and Board policies are followed before a grant application is submitted. If a grant is awarded, staff utilize a tracking mechanism to ensure compliance with various grant obligations.

Legal and Regulatory Compliance: ERM staff report monthly to Management on compliance activities, helping to ensure real time conversations on compliance opportunities. ERM staff also monitors legal and regulatory compliance changes. Training continues to be a strong focus. Moss Adams delivered Internal Controls training to managers and supervisors in April 2018. Comprehensive ethics training is required for all new hires, and all staff complete an annual ethics refresher training.

Privacy of employee and customer personal information remains a high priority. Staff revised the Identity Theft Prevention Policy in to reflect changes to Oregon's Consumer Identity Theft Protection Act that went into effect June 2018. Annual identity theft prevention training is required for staff whose jobs require access to personal information. Training last took place in August 2017 and is scheduled again for the fall of 2018. The Privacy Committee continues to investigate and respond to potential breaches of personal information. Over the past year, two potential events were reported and investigated. In both instances an investigation revealed no data breach occurred.

ERM staff maintains responsibility for compliance with public records archival and request laws. Over the past year, ERM staff has responded to over 40 public records requests.

Cyber Security: Employee awareness is a critical component of cyber security. Teaching users to know when something does not look right is an integral piece of ongoing cyber security strategy. The identity theft prevention training scheduled for later this year has a strong focus on cyber security. Staff employ a variety of communication methods including posters, emails, articles, and online training modules to help keep cyber security in the forefront of staff's minds.

Risk-Aware Culture: Decisions are made every day at all levels of EWEB. ERM staff is in the beta-testing stage of a risk-aware decision-making tool. This tool walks users through the risk assessment process to help ensure decisions are made by considering a variety of perspectives and potential outcomes. ERM staff frequently consult on projects to support risk-based decisions. A recent example includes a review of the process for managing mandatory unclaimed funds reporting, which enabled impacted staff to increase efficiency in a risk-aware fashion.

IS Project Execution: EWEB's Project Management Office recently standardized the Project Management Lifecycle. Use of the standardized lifecycle will lead to a consistent approach and more predictable outputs by implementing best practices to reduce risk and improve quality and value. IS and ERM staff partner on certain IS projects, including disaster recovery and response planning, electronic data retention, and data governance.

Other Functions: ERM staff are also responsible for claims, insurance procurement, responses to subpoenas, and internal reviews for operational efficiencies, internal controls, and effectiveness. The majority of liability and recovery claims EWEB experiences are within the self-insurance threshold and are resolved internally. EWEB maintains a broad portfolio of insurance policies to cover a variety of other exposures. This portfolio is evaluated at least annually to ensure the types and levels of coverage purchased continue to be adequate.

Internal review continues to focus on assessing internal controls, operational efficiencies, and effectiveness for a variety of processes. An evaluation of EWEB's loan program was completed to ensure compliance with internal controls. As a result of this review, staff made adjustments to processes to ensure compliance. ERM staff reviewed the miscellaneous accounts receivables process and recommended efficiency and internal controls enhancements. Future reviews are being planned to focus on customer-facing operations to support our strategic plan phase of fostering customer confidence through consistent performance and service responsiveness.

**Requested Board Action**

This item is information only and accordingly, there is no requested Board action.