

**WOLF & COMPANY, P.C.**  
Certified Public Accountants  
and Business Consultants  
*Insight and Integrity*

**WolfPAC<sup>sm</sup> Enterprise Risk Assessment**

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Michael J. McShea, CIA, CFSA  
Internal Audit Manager  
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June 8, 2010

Boston • Springfield • Albany

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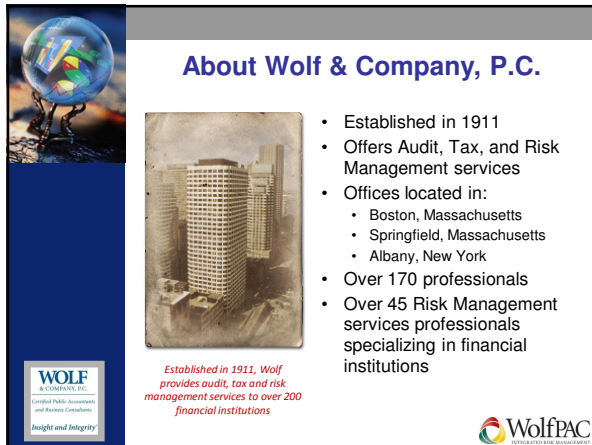
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**About Wolf & Company, P.C.**

- Established in 1911
- Offers Audit, Tax, and Risk Management services
- Offices located in:
  - Boston, Massachusetts
  - Springfield, Massachusetts
  - Albany, New York
- Over 170 professionals
- Over 45 Risk Management services professionals specializing in financial institutions

*Established in 1911, Wolf provides audit, tax and risk management services to over 200 financial institutions*

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**Our Financial Institution Expertise**

Provide services to over 200 financial institutions:

- Approximately 33 FIs with assets > \$1B
- Approximately 35 publicly traded FIs
- Constant regulatory review of our deliverables

Over 45 Risk Management Professionals:

- IT Assurance Services Group Professionals
- Internal Audit Services Group Professionals
- Regulatory Compliance Services Group Professionals
- WolfPAC<sup>sm</sup> Solutions Group Professionals

Provide RMS in 12 states

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### Our Presenter

Michael McShea, CIA, CFSA  
Internal Audit Manager  
(617) 428-5415  
[mmshea@wolfandco.com](mailto:mmshea@wolfandco.com)

**Wolf's Internal Audit Services group provides:**

- Lending (Real Estate, Commercial and Consumer)
- Finance (Asset Liability Management)
- Operations (i.e. NACHA, Electronic Banking)
- Branches (Cash Controls, Negotiable Instruments, Physical Security)
- Non-Deposit Investment Products
- Trust
- Human Resources
- Insurance Agency



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### Agenda

- Objectives
- What is ERM?
- Background & Challenges
- WolfPAC<sup>sm</sup> Integrated Risk Management
- Demonstration:  
WolfPAC<sup>sm</sup> Enterprise Risk Assessment
- Key Success Factors to an Effective ERM Process
- Additional Resources
- Q&A



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### Objectives

After attending this session, you will see how WolfPAC<sup>sm</sup> can help you:

- Document risks and internal controls in place at the enterprise level;
- Ensure cohesive risk responses and avoid redundancies; and
- Generate reports that identify threats and the effectiveness of established controls across your organization.



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### What is Enterprise Risk Management (ERM)?

*"... a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."*

Source: COSO Enterprise Risk Management - Integrated Framework, 2004. COSO.



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### Background & Challenges

ERM is an ongoing journey and is hard to implement in any organization. It must be woven throughout the organization and requires dedicated time commitment.

For your ERM program to be effective it must:

- Have executive level sponsorship;
- Be simple, understandable and consistent;
- Utilize a top down and bottom up process;
- Identify, prioritize and manage risks;
- Involve multiple parties within the organization; and
- Set and adhere to realistic deadlines.



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### WolfPAC<sup>SM</sup> Integrated Risk Management

A secure, online suite of risk management tools built by financial institution professionals for financial institution professionals.



- Built on industry standards & automatically updated to reflect regulatory changes.
- 8 fully integrated risk assessment and 5 risk management planning modules.
- Self-guided questionnaires to assess risk and document controls.
- Robust reporting for Board and management to analyze controls in relation to risk and provide documentation for examiners.

*Introduced by Wolf in 2004, WolfPAC<sup>SM</sup> helps automate a financial institution's enterprise risk management program.*



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### WolfPAC<sup>sm</sup> Enterprise Risk Assessment

- WolfPAC<sup>sm</sup> modules are integrated.
- The Enterprise risk assessment takes results from all other WolfPAC<sup>sm</sup> risk assessments to aid in aligning risk management resources with your threats.
- The Enterprise risk assessment methodology is consistent with guidance provided in standards including:
  - Basel Committee on Banking Supervision;
  - OCC's "Nine Categories of Risk" Classification; and
  - FDIC Risk Management Manual of Examination Policies.
- The result is efficiency, cost savings and consistency across the entire risk management process.




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### WolfPAC<sup>sm</sup> Demonstration


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### Enterprise Risk Management Report

**Enterprise Risk Management Report**  
**The Bank**

**Retail Banking**

Product / Service	Operations Risk				CI	CO	Financial Risk		Market Risk				Strategic
	TX	IT	VR	DRP	ISB			Int	Credit	Price	Liquidity	FX	
1. Checking Account	H	L	L	L	L	L	L	M	M	L	L	L	L
2. Consumer Loans	H	M	M	M	M	M	M	M	M	M	M	M	M
3. Internet Banking	M	M	M	M	M	M	M	M	M	M	M	M	M

**Commercial Lending**


Product / Service	TX	IT	VR	DRP	ISB	CI	CO	Financial Risk		Market Risk				Strategic
								Int	Credit	Price	Liquidity	FX		
1. Commercial Real Estate Lending	M	M	L	L	L	L	L	H	M	H	H	H	H	
2. Asset Based Lending	H	M	L	L	L	L	L	M	M	M	M	M	M	
3. Cash Management	H	M	M	M	M	M	M	M	M	M	M	M	M	

**Deposit Operations**

Product / Service	TX	IT	VR	DRP	ISB	CI	CO	Financial Risk		Market Risk				Strategic
								Int	Credit	Price	Liquidity	FX		
1. Cash Processing	H	M	M	M	M	M	M	M	M	M	M	M	M	
2. Mail Deposits	H	M	M	M	M	M	M	M	M	M	M	M	M	

**Corporate Services**

Product / Service	TX	IT	VR	DRP	ISB	CI	CO	Financial Risk		Market Risk				Strategic
								Int	Credit	Price	Liquidity	FX		
1. IT Operations	H	M	M	M	M	M	M	M	M	M	M	M	M	
2. Finance	H	M	M	M	M	M	M	M	M	M	M	M	M	
3. Compliance	H	M	M	M	M	M	M	M	M	M	M	M	M	




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### Key Success Factors to an Effective ERM Process

1. Define an assessment methodology with consistent measures that everyone performs.
2. Build the program from the bottom up to ensure all Threats and Risks are considered. A Top Down approach considers Entity Level risks and is complimentary.
3. Keep it simple! ERM should be explainable to the Board and down to the most junior associates within your organization.
4. Integrate the risk management tools into daily activities and operations.



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### Key Success Factors to an Effective ERM Process

To aid organizations in protecting their reputation, assets, and competitive positions, the WolfPAC<sup>SM</sup> Enterprise risk assessment allows organizations to document the bottom-up view of risks and internal controls in place at the enterprise level - creating a holistic view of enterprise risk.



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### Questions?

Michael J. McShea, CIA, CFSA  
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or

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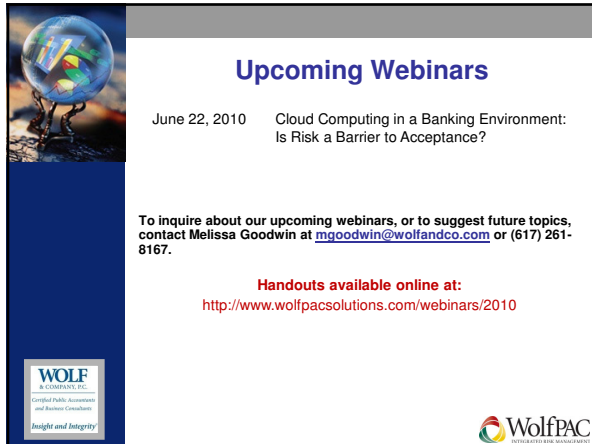
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The graphic features a globe with a bar chart on top, set against a blue background. Below the globe is a dark blue vertical bar containing the Wolf & Company, P.C. logo and tagline. The main content area is white with a grey header.


### Upcoming Webinars

June 22, 2010    Cloud Computing in a Banking Environment:  
Is Risk a Barrier to Acceptance?

To inquire about our upcoming webinars, or to suggest future topics,  
contact Melissa Goodwin at [mgoodwin@wolfandco.com](mailto:mgoodwin@wolfandco.com) or (617) 261-  
8167.

**Handouts available online at:**  
<http://www.wolfpacolutions.com/webinars/2010>

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