



University of California Enterprise Risk Management Report

October 19, 2012

Presented by the ERM Panel



UNIVERSITY
OF
CALIFORNIA

Introduction

The Enterprise Risk Management Panel has prepared this report to update you since our last report of February 18, 2010, on our efforts with advancing Enterprise Risk Management (ERM) at the University of California.

We hope that you will take the time to review this report and we look forward to your comments.

Please direct questions and comments to Chief Risk Officer Grace Crickette (telephone 510-987-9820, email grace.crickette@ucop.edu).

UC Regents Endorse the UC ERM Program

The Regents Committee on Finance in March 2012 approved the recommendation of UC President Yudof that the Regents endorse the Enterprise Risk Management Program, which is consistent with best practices as reflected in the common standards of the Committee of Sponsoring Organizations of the Treadway Commission* Enterprise Risk Management Framework and International Organization for Standardization 31000 Risk Management Standards.

UC ERM Program Recognized for Excellence

Enterprise Risk Management Award from American Productivity & Quality Center (APQC)

The University of California received the *APQC Best Practice Partner Award for Effectively Managing Strategic Risk Across the Enterprise* in April 2011. APQC (American Productivity and Quality Center) surveyed 63 ERM programs and selected the UC ERM Program as a Top 5 Best Practice Partner along with Caterpillar, Inc., Intuit, Marathon Oil Company, and Novo Nordisk A/S.

Standard and Poor's

UC was the first non-financial institution to receive rating agency acknowledgement of our Enterprise Risk Management Program:

“The UC has implemented a system-wide enterprise risk management information system, which, in our opinion, is a credit strength.”

—*RatingsDirect on the Global Credit Portal, September 9, 2010*

Additional Recognition

Information Security Executive (ISE) of the Year Award 2011 — North America & West

The University's ERM Program received recognition and an award for innovative problem solving related to a collaborative partnership with the University's Chief Information Officer and other Information Technology (IT) professionals, insurance brokers, and underwriters for securing previously unavailable and much needed cyber coverage and at the same time developing a program that will drive improvement and best practices into the future.

The Information Security Award in the Executive Category recognizes the individual who has demonstrated outstanding leadership in the field of information security in the past 12 months. Awarded to a chief security officer or an executive in an equivalent position, the ISE Award honors exemplary achievement and excellence in risk management, data asset protection, governance, regulatory compliance, privacy and network security. These pivotal members of the

* The Committee of Sponsoring Organizations (COSO) of the Treadway Commission, *Enterprise Risk Management – Integrated Framework*, (September 2004)—available online at <http://www.coso.org/erm-integratedframework.htm>

technology community play instrumental roles in ensuring the safety and security of their organizations.

Business Insurance Risk Manager Honor Roll 2012

Business Insurance magazine's annual Risk Manager Honor Roll recognizes outstanding performance in the practice of Risk Management. In 2012, the University's ERM program was recognized when the Chief Risk Officer was named to the 2012 Risk Manager Honor Roll. Honorees were selected by an independent panel of judges composed of former honorees and insurance industry executives. According to *Business Insurance*, it was the CRO's "successful implementation of ERM" that prompted her selection for the 2012 *Business Insurance* Risk Management Honor Roll. Honorees are profiled in the April 16, 2012 edition of *Business Insurance*.

Overview of ERM at the University of California

Enterprise risk management is a coordinated effort by management to treat all risks effectively thereby reducing the overall cost of risk. The campuses and ANR have charged work groups to oversee the treatment of all categories of risk and provide a complete picture of risk to executive leadership through their campus ethics and compliance risk committees.

Campus ERM programs enable limited resources to be used more effectively to manage the risks that can prevent the achievement of strategic and unit objectives. While campuses have been managing risks for a long time, the ERM work groups facilitate collaboration among the various campus units (e.g., safety services, accounting & finance, human resources, environmental stewardship). These work groups manage all types of risks reducing the cost of risk throughout the campuses and helping in the successful pursuit of new opportunities .

Examples of How ERM Systemwide is Reducing the Cost of Risk

Cost reductions from ERM are best seen currently from a systemwide perspective where the use of metrics is relatively mature. The nationwide COSO Enterprise Risk Management – Integrated Framework, recommended in March 2012 for formal endorsement by The Regents, is used systemwide to manage risks at all levels ensuring that the university can meet its goals of teaching, research and public service.

The foundation of UC's ERM program is the people who are actively managing risk, which led to the ERM program's theme: "*ERM means Everyone is a Risk Manager.*"

As a key support, UCOP continues to develop the ERM Information System (ERMIS), a flexible and dynamic system, to give campus stakeholders at multiple levels the information they need to make business decisions in a timely and effective manner. The ERMIS essentially "democratizes" information, in that it has the ability to provide key data and reports to personnel at all levels and locations of the University. As the data integrated becomes richer and use becomes more widespread, the value of the ERMIS will grow in creative ways which have not yet been considered.

UC Risk Services is working with the Regents' actuary, Bickmore Risk Services, to develop an ongoing method of review to track the value and savings of the ERM Program, including the ERMIS, in four areas of review:



The value and savings determined systemwide include benefits already enjoyed by all the campuses.

Reduce Cost of Risk

The UC ERM Program provides dashboards and reports through the ERMIS, easy to use tools (e.g., Excel workbooks) for self-assessments, ERM Maturity Level Work Plans for managing the ERM program, and a variety of other resources to help users throughout the system. While risk management has traditionally been viewed as managing only hazard risks (e.g., insurable risk and liability), the ERM Program and tools are comprehensive and applicable to all types of risks, including operational, compliance, financial, reputational, communication, and strategic.

Of the risk categories, hazard risk is currently the category for which the University has the best and most timely data and, therefore, offers an excellent data mine for demonstrating the ERM program's savings and value. Effective enterprise risk management has progressively reduced the direct cost of risk per \$1,000 of Operating Revenue based on actual claims from \$18.46 in FY 2003/04 to \$12.49 in FY 2010/11. The accumulated cost avoidance systemwide over this same period totals about \$561 million. Campuses have benefitted from these savings through reductions in the Workers Compensation and General, Automobile and Employment Liability (GAEL) premiums.

The ERMIS and other software tools can vastly improve the information managers use to identify and manage risk in all areas including financial, IT, health care, compliance, reputational and fraud . The ERMIS provides management with current information in minutes in the form of key performance indicators (KPIs), allowing managers to identify trends, spot areas which need improvement, and track results over time. In addition, the information is downloadable, facilitating additional analysis that may be desired. Better information enables management to

more effectively focus limited resources and ultimately save the University money. It is an ongoing goal of UC Risk Services to increase the systemwide awareness of ERMIS and its potential to help mitigate risk.

Programs such as “Be Smart About Safety” and “Shoes for Crews” have been effective at reducing workers’ compensation injuries and, hence, the cost of incurred claims. The ERMIS provides campuses with current information about the causes, frequency, and dollars incurred from workers’ compensation claims, enabling managers to see reductions in cost resulting from safety programs. Campuses are applying the tools and techniques proven through the management of hazard risks to all risk categories to reduce the overall cost of risk.

Improve Cost of Borrowing

ERM is considered to be so important to the success of an organization that credit rating agencies such as Moody’s and Standard & Poor’s now consider it in their evaluation of UC’s creditworthiness. UC’s ability to borrow is crucial to its success; in 2011 UC’s total debt exceeded \$14 billion. A 0.1% decrease in interest rates that UC pays on its debt load represents over \$14 million in potential savings. Ratings agencies grant favorable credit ratings to institutions that demonstrate stewardship and trustworthiness. UC’s proactive approach to ERM helps it maintain its excellent credit rating. The rating agency Standard and Poor’s has recognized UC for its ERM program, the first time a non-financial institution has been so recognized:

“The UC has implemented a system-wide enterprise risk management information system, which, in our opinion, is a credit strength.”

—RatingsDirect on the Global Credit Portal, September 9, 2010

Create Efficiency and Reduce IT Redundancy

The systems developed by UC Risk Services were designed to improve efficiency, thus enabling staff to focus on critical work. These systems, available to all campuses, are helping to reduce administrative costs by automating manual processes for gathering and reporting information.

The ERMIS centralizes data from many sources to create a foundation of information which is accessible, updated automatically, transparent, and less prone to error. As of February 2012, the ERMIS had 23 dashboard reports providing up-to-date information on 98 key performance indicators. The ERMIS also provides organizations at all levels of the University with automated reports that were formerly prepared manually, thereby reducing the staff time spent in updating information provided monthly to leadership. The UC Bond Debt dashboard on the ERMIS, for example, has reduced the OP staff cost of reporting on bonds by 0.5 FTE. The ERMIS reports are more reliable, more up-to-date, and are readily available without administrative support. As the type of data available is expanded and the correlating metrics mature, the analysis of data will be more in-depth and easily performed.

UC Action, developed in collaboration with UC Davis, helps with monitoring controls established as a result of any type of risk assessment. Currently, it is being used to perform retrospective reviews of claims exceeding \$50,000. UC Action is reducing the cost of risk by improving the efficiency of retrospective reviews and monitoring the effectiveness of controls to prevent reoccurrences.

The concept, design and development of UC Tracker were led by UC San Diego. UC Tracker is a web-based system designed to allow for effective monitoring of the performance of control activities, reduce workload by consolidating paper-based manual processes into a single system for documenting and reporting on dashboards the performance and certification of key financial controls, and brings transparency to the entire process. The University must demonstrate effectively to external auditors that an internal control framework has been established and is practiced at all levels of business administration. Internal control weaknesses reported by our external auditors could damage the university's reputation and have negative impacts on funding and credit ratings. UC Tracker provides a dashboard to management showing the status of the performance and certification of internal controls.

ERM Program Goals

ERM managers at the campuses and locations collaborated and agreed to the following goals for their campus ERM programs:

- Articulate and promulgate the philosophy for managing risk
- Define the amount of risk the campus is willing to accept
- Establish a culture that promotes innovation consistent with their willingness to accept risk and that allows managers to manage their risks within established tolerances
- Develop an environment in which the assessment and management of risk is integrated into all business practices and decision-making activities
- Develop a portfolio view of current and emerging risks across the enterprise
- Promote an efficient and repeatable methodology for identifying, prioritizing and treating risks
- Ensure the risk responses (avoiding, accepting, reducing, or sharing risk) align with management's risk tolerances and willingness to accept risks
- Identify risk indicators and developing action plans to mitigate risks
- Monitor regularly the risks identified and the effectiveness of mitigation activities; and communicating findings to responsible executives
- Assess continuously risk management strategies to assure they remain current with regulatory, operational and legal changes; emerging risks and opportunities; and strategic plans

ERM leadership at the campuses/locations also agreed to common objectives all would pursue towards achieving these systemwide goals. Work groups at each campus report to their campus executive management on the progress towards achieving these ERM Program goals and objectives. Managing risk enables limited resources to be directed towards reducing the cost of risk, growing our academic programs and rising above the fiscal limitations we now face. ERM includes all risks, not just the insurable risks. In ERM Bulletin #12, UC Risk Services presented a list identifying some of the most common risks facing higher education. The risks listed were risks from actual UC strategic risk assessments and an evaluation of risks determined by other universities.

ERM Maturity Level Framework

The ERM Maturity Level Framework was created to enable UC Risk Service and the campuses to measure and monitor growth of the ERM Program. The Framework is also a basis for developing work plans for enhancing ERM Program maturity. The Framework measures program maturity based on the COSO Elements:

- Internal Environment/Objectives Setting
- Event Identification/Risk Assessment
- Risk Response/Control Activities
- Information and Communication
- Monitoring

Campuses and locations self-assessed the maturity of their programs at achieving both their program goals and the common objectives. The maturity ratings were based on the following 5-level scale developed by the University from the Standard & Poor's Quality Classifications:

| Standard & Poor's Quality Classifications | Description | UCOP Maturity Levels |
|---|--|-------------------------------------|
| Excellent | <ul style="list-style-type: none"> ▪ Advanced capabilities to identify, measure, manage all risk exposures within tolerances ▪ Advanced implementation, development and execution of ERM parameters ▪ Consistently optimizes risk adjusted returns throughout the organization. | Level 5: Leadership |
| Strong | <ul style="list-style-type: none"> ▪ Clear Vision of risk tolerance and overall risk profile ▪ Risk Control exceeds adequate for most major risks ▪ Has robust process to identify and prepare for emerging risks ▪ Incorporate risk management and decision making to optimize risk adjusted returns | Level 4: Managed |
| Adequate | <ul style="list-style-type: none"> ▪ Has fully functioning control systems in place for all of their major risks ▪ May lack a robust process for identifying and preparing for emerging risks ▪ Performing good classical "silo" based risk management ▪ Not fully developed process to optimize risk adjusted returns | Level 3: Repeatable |
| Weak | <ul style="list-style-type: none"> ▪ Incomplete control process for one or more major risks ▪ Inconsistent or limited capabilities to identify, measure or manage major risk exposures | Level 2: Initial or Level 1: Ad hoc |

Program Goals

The program goals (listed above) define what the ERM Program is to achieve in the long-term. Campus maturity ratings for the Program Goals are summarized by ERM Component:

| ERM Components | Average Maturity Ratings | | |
|--|-----------------------------|------------------------------|------------------------------|
| | Initiative Goals (Jan 2011) | Initiative Goals (Sept 2011) | Initiative Goals (Sept 2012) |
| Internal Environment/Objective Setting | 2.00 | 2.61 | 2.76 |
| Event Identification/Risk Assessment | 2.44 | 2.77 | 2.86 |
| Risk Response/Control Activities | 2.50 | 2.64 | 2.91 |
| Information & Communication | 2.10 | 2.45 | 2.64 |
| Monitoring | 2.28 | 2.36 | 2.50 |

Common Objectives

Common objectives (objectives implemented by all campuses) were agreed to in FY 2010-11. Additional objectives are other objectives added locally to the ERM Maturity Work Plan by the campus ERM work groups. The following table summarizes the campus assessments of the maturity levels of both the common and additional objectives since inception.

| ERM Components | Average Maturity Ratings | | | | | |
|--|--------------------------|---------|-----------------------|---------|-------------------|---------|
| | Common Objectives | | Additional Objectives | | Combined Averages | |
| | Sep '11 | Sep '12 | Sep '11 | Sep '12 | Sep '11 | Sep '12 |
| Internal Environment/Objective Setting | 2.76 | 3.21 | 3.19 | 3.26 | 3 | 3.23 |
| Event Identification/Risk Assessment | 2.82 | 3.05 | 3.3 | 3.26 | 3.09 | 3.08 |
| Risk Response/Control Activities | 2.96 | 3.28 | 3.33 | 3.5 | 3.22 | 3.32 |
| Information & Communication | 2.62 | 2.99 | 3.29 | 3.32 | 3.08 | 3.04 |
| Monitoring | 2.43 | 2.81 | 3 | 3 | 2.66 | 2.82 |

Location ERM Activities since the Previous Report

- **Agriculture & Natural Resources** - The Division of Agriculture and Natural Resources (UC ANR) is the land-grant mission arm of UC with facilities and operations based throughout California, including fifty-eight county locations, three campuses, and nine Research and Extension Centers (RECs). In fully embracing ERM, UC ANR conducts stakeholder-driven broad-based risk assessments throughout its statewide organization. Central to the ERM assessment process is the development of best practice mitigations to manage identified key risks in ANR. Assessments have included major organizational units in ANR such as Cooperative Extension (CE) and the RECs. Currently, ANR is utilizing ERM as an effective methodology to manage emerging risk inherent in organizational change and assessment work is underway to identify and best manage risk associated with a new CE-based organizational structure involving multi-County partnerships.
- **Berkeley** – The ERM program moved from the Controller’s Office (Administration Control Unit) to the Chancellor’s Office as part of a new department called the Office of Ethics, Risk, and Compliance Services (OERCS). OERCS reports to the campus’s Chief Ethics, Risk, and Compliance Officer (CERCO), who in turn reports to the Chancellor.

The Compliance, Ethics, and Risk Committee (CERC), composed of senior management from the seven campus control units, acts as the campus’s ERM committee, determining campus risk appetite and ERM priority projects. CERC supports and reports to the Compliance, Accountability, Risk, and Ethics Committee (CARE), composed of the six Vice Chancellors and the Chancellor. The CARE Committee is the campus body established in 2008 pursuant to the creation of the Regentally-mandated systemwide Ethics and Compliance Program. OERCS staffs both committees.

ERM activities at Berkeley have included assessing operational, reporting, compliance, and strategic risk at the level of each control unit; supporting the Operational Effectiveness team with risk management (particularly in the area of shared services); assessing campus fraud risk; and updating the compliance risk assessment originally conducted in fiscal 2010. ERM priorities for fiscal 2013 are now in development.

- **Davis** – UC Davis is making significant changes in administrative organizations, systems, and processes. In response, the former Enterprise Risk Work Group is changing into the UCD Compliance and Risk Assessment Workgroup. The Workgroup is charged with using ERM to develop a process for evaluating risks across the campus and advising the Chancellor’s Ethics, Compliance and Risk Committee on matters related to risk analysis, risk management, important compliance developments, and recommended compliance initiatives. Enterprise risks have been assessed in the past through a campuswide risk assessment published in 2006 and several MSO/CAO Risk Surveys, conducted in 2003, 2004, 2008, and 2009. The Workgroup is also responsible for the UC Davis Fraud Risk Management Program.

Through the Organizational Excellence Initiative, administrative changes are improving efficiency and reducing risk through the application of new systems and the move to shared services centers. UC Davis maintains an Administrative Responsibilities Handbook for administrative officials that communicates campus ethical and internal control principles and identifies delegated authorities, responsibilities and areas of potential risk. A training

program for new Department Chairs, started in 2005, provides new Chairs annually with key information about their fiscal responsibilities, financial risks, and resources to assist in transitioning to their new role.

Safety Services publishes the *Principles of Safety* on their website establishing values for a safety culture: Community Spirit, Collaboration, Adherence to Law and Policy, Investment and Continuous Improvement Accountability. Environmental and health assessments are required when planning new facilities. Pre-design analyses include geotechnical reports, hydrology studies, land surveys, existing building analyses, and surveys of existing hazardous materials. *UC Ready* is used to document the comprehensive emergency plan establishing policies, procedures and an infrastructure for responding to emergency situations that overwhelm or threaten to overwhelm the day-to-day resources of the university. *Warn Me* alerts employees about emergencies via email accounts, phones and devices listed in the Campus Directory. Several units stand ready to respond to incidents involving the safety and well-being of the campus community, security breaches of personal or medical information, and improper activities.

UC Davis performs a number of activities to manage risks. UC Davis participates in the majority of the UC ERMIS dashboards. Key internal controls related to the university's financial statements are documented and updated annually. Continuous controls monitoring (CCM) is being developed to identify and warn management of instances of policy noncompliance and poor or improper accounting practices. Internal Audit Services (IAS) provides independent and objective assurance, advisory, and investigative services. The UC Davis Investigations Work Group oversees investigations of allegations to determine the causes of improper activities and takes actions to prevent reoccurrences. Self-assessment tools are available on the Accounting & Financial Services website, e.g., the *Departmental Risk Self-Assessment* Excel worksheet, for self-assessing separation of duties and staff training needs, and *Considering Risk in Budget Reduction in 9 Easy Steps* to assist departments in assessing risks related to possible budget reducing actions. Retrospective reviews of litigated claims exceeding \$50,000 identify causes and additional activities needed to prevent or reduce future claims.

- **Davis Health System** – The UCD Health System (UCDHS) is included in all the campus ERM activities. In addition, UCDHS has implemented a Compliance Program in the context of its core missions of teaching, research, patient care, and public service. The purposes of the program are to maintain and enhance quality of care; demonstrate sincere, ongoing efforts to comply with all applicable laws; revise and clarify current policies and procedures in order to enhance compliance; enhance communications with governmental entities with respect to compliance activities; empower all responsible parties to prevent, detect, and resolve conduct that does not conform with applicable laws, regulations and the program; and establish mechanisms for employees to raise concerns about compliance issues and ensure that those concerns are appropriately addressed.
- **Irvine** – The UC Irvine ERM Council includes members from the UCI Health System, Material & Risk Management, Workers' Compensation, EH&S, Human Resources, Internal Audit, the Controller's office, Information Technology, Office of Research, and Facilities Management and is chaired by the AVC of Administrative and Business Services. The Council's charge is "To review trends and develop metrics for tracking and controlling risk

and to communicate information across cross-functional groups.” The Council reviews and develops KPI data from the ERMIS system to support the Campus Ethics and Compliance Risk Committee (CECRC) as they assess, track and mitigate enterprise wide risk for the entire organization.

The ERM Council has successfully created several KPIs within the ERMIS. ERM has been integrated as part of UCI’s Leadership Academy and continues to be developed across the enterprise. UCI was awarded the 2011 Excellence in ERM award at the UC Risk Summit.

- **Irvine Health System** – UCI Health System’s ERM committee includes members of medical center senior leadership, Risk/Regulatory Affairs, Audit, School of Medicine leadership, Legal Counsel, Corporate Compliance, Research Compliance, HR, and Ancillary Services. The group annually develops the UCI Health System’s compliance plan and conducts a gap analysis identifying areas of probable high risk from a legal, patient safety and regulatory prospective. The UCI Health System compliance plan is integrated with the overall UCI campus compliance plan through communication and coordination with the CECRC.
- **Los Angeles** – The Controls Work Group (CWG) was established by the Chancellor to provide oversight to the strengthening and maintenance of Los Angeles’ systems of internal control and accountability. The CWG meets on a regular basis to monitor campus control systems and to help ensure the deployment of reasonable and understandable policies and procedures across the campus, and is currently in the process of conducting an enterprise risk assessment of the campus.

In FY 2010 the ERM efforts of the CWG were aligned with the Campus Ethics, Compliance and Risk Committee (CECRC) by making ERM a sponsored activity of the CECRC and reconstituting and expanding the Controls Work Group to include broader campus representation, and conduct targeted risk assessment work resulting from ERM activities.

In FY 2011 eight working subgroups, primarily staffed by members of the CWG, assessed and reported on the key risks and mitigations efforts articulated by ERM Bulletins 11 and 12 in terms of risk impacts and related control effectiveness. In FY 2012 this summary report was reviewed and expanded upon by the Vice Chancellors and Chancellor Block with the CWG’s strategic input.

- **Los Angeles Medical Center** – UCLA’s Controls Work Group includes membership from the Medical Center and the risk assessment being conducted is intended to include both the campus and Medical Center risks.
- **Merced** – Campus summary risk metrics and indicators are reported quarterly to senior leadership assessing the control of strategic, operational, financial, and compliance risks. A comprehensive risk management policy was developed describing the risk management governance structure. The ERM Compliance Panel (ERM-CP) made significant progress developing the list of current campus wide risks, prioritized by likelihood and impact to campus mission and objectives. The ERM-CP contributed to development of the annual UCM compliance plan, in support of the Campus Ethics and Compliance Risk Committee (CECRC), where key risks are discussed with and managed/mitigated by senior leadership.
- **Riverside** –Over the last five years, the campus has focused on the identification & prioritization of ERM issues, through its Enterprise Risk Management Group (ERWG), Research Integrated Safety Committee (RISC), Campus Safety Committee (CSC), & other ad

hoc campus work groups, as well as through the annual Internal Audit Plan. Quarterly reports are provided to the campus Ethics and Compliance Risk & Audit and Controls Committee (ECRAC). This group advises the SVP/Chief Compliance and Audit Officer through the UC Ethics and Compliance Risk Council. The current issues being touched on involve all six risk areas of the UC Ethics & Compliance Work Plan model & are also tracked through the campus annual ERM Work Plan.

In the area of Campus Safety, the campus has a robust Laboratory Safety Accountability Project that provides a number of quarterly status reports to the Senior Management Group, members of RISC, as well as to UCOP. This project has greatly increased the number of safety compliant labs. The project is ongoing and is at a manageable maturity level. Another project within the realm of Campus Safety involves motor vehicle safety. With the implementation of a comprehensive motor vehicle safety initiative being championed by Transportation and Parking Services, this program is helping reduce the number & severity of incidents involving UCR motor vehicles. The project is ongoing and is at a repeatable maturity level. Additionally in the area of Campus Safety, UC Riverside is focused, like all campuses in the UC system, on the safety of minors on campus. The campus is working on developing & implementing guidelines & best practices in concert with UCOP Initiatives involving the safety of minors on all UC campuses. These efforts are focusing on establishing a campus culture that protects the overall well-being & safety of minors on campus, as well as for sponsored activities. The project is ongoing and is at an initial maturity level.

Other risk areas UC Riverside is focused on, include, but are not limited to:

- Government Reporting: Payroll Certification Project
- Data Privacy & Security/Government Reporting: PCI Compliance
- Research: Conflicts of Interest
- Culture of Ethics & Compliance: School of Medicine Compliance & Privacy Program
- Investigations: Campus Claims Review
- Health Care Reform: Health Center Operations

Additionally, UC Riverside has identified the *UCPath* Project as an area of risk in its culture of ethics & compliance. The campus is making efforts to develop a plan to track & assess deployment of the single payroll system & single HR system to determine the impact the deployment will have on campus operations & personnel

- **San Diego** – The Compliance, Audit, Risk, and Ethics (CARE) Committee functions in an advisory capacity to the UCSD Chancellor, and the UC Office of Ethics, Compliance and Audit Services on matters pertaining to compliance with laws, regulations, and UC policies and procedures; the conduct of the external and internal audit programs; and the identification and assessment of enterprise risk. In response to the need for a more coordinated approach to regulatory compliance and campus governance, this Committee combines various duties and responsibilities previously assigned to the Committee on Accountability and Control, the Audit Committee, and the Health Sciences Compliance, Privacy, and Enterprise Risk Management Committee.

The CARE Committee approved the formation of the UCSD Enterprise Risk Management Subcommittee. The ERM Subcommittee is advisory to the UCSD Chief Ethics and Compliance Officer, who chairs the UCSD Compliance, Audit, Risk, and Ethics Committee

(CARE). The ERM Subcommittee will annually evaluate the CARE Compliance Plan and will develop and compile appropriate reporting metrics for key risk areas, in support of the Plan, for the campus and the Office of the President. The ERM Subcommittee will coordinate efforts between campus areas charged with managing risk, and those tasked with overseeing compliance. The ERM Subcommittee will help to promote a climate of cooperation in identifying and ranking known risks and in bringing additional ones to the attention of campus leadership through an ongoing and inclusive process of evaluation, data-gathering and discussion. The ERM Subcommittee will work in close collaboration with the Health Sciences Enterprise Risk Management and Compliance Committee to ensure coordination of activities and identification of best practices for the campus as a whole.

- **San Diego Medical Center** – A combined Health Sciences Compliance, Privacy and ERM (HSCP-ERM) Committee functions as a sub-group of UCSD’s CARE committee. Its membership is drawn from the highest levels of combined Medical School and Medical Center leadership, including the CFO, CMO, CCO, and CRO. UCSD Medical Center has recently conducted an ERM Risk Assessment.
- **San Francisco and San Francisco Medical Center** – Over the past 2 years, UCSF has seen the appointment of a new Chancellor, Executive Vice Chancellor, Senior Vice Chancellor for Finance and Administration, three of four school Deans, new Vice Chancellors for both Finance and Diversity, and a new Assistant Vice Chancellor for Ethics and Compliance. This comprehensive administrative reorganization around the new executives’ functions and attendant refocusing of UCSF strategic goals has resulted in a new alignment of resources devoted to oversight and management of risk.

A set of Chancellor-level committees now provides ongoing assessment, identification, response, communications and monitoring. These new committees, reporting to the Assistant Vice Chancellor for Ethics and Compliance, include Research Compliance, Conflict of Interest, Industry Relations, as well as several Diversity/Affirmative Action committees reporting to the Vice Chancellor for Diversity. In addition, several other groups continue the risk oversight activities in which they engaged prior to the new administration including the Investigations Group, Privacy Compliance Steering Committee, Health and Safety (and related safety subcommittees), Human Subject Injury Group, IT Security and Policy, Loss Control and Early Claims Resolution (LPEC), and the Hazard and Vulnerability Group.

Future ERM integration is being considered for facilities/deferred maintenance planning through the Hazard/Vulnerability group and internal investigations/non-litigated claims management through the LPEC. The Campus and Medical Center Risk Management offices continue to serve in an advisory capacity to many UCSF-wide oversight groups which encompass the core ERM oversight areas.

- **Santa Barbara** – The ERM Workgroup meets quarterly and the ERM Steering Committee meets quarterly with additional meetings as needed. Annually in the beginning of each year, the ERM Steering Committee coordinates with Internal Audit to gather information on emerging and existing campus risks. The ERM Steering Committee also coordinates with the Campus Ethics & Compliance Committee (CECo) designee on compliance activities, including the Compliance Workplan.

The ERM Workgroup assesses risk information gathered throughout the year and in the annual risk identification process. Those risks are evaluated and ranked to update the risk

register. The updated risk register is further reviewed and discussed before it is presented to the CECo. Emerging risks that are deemed actionable are further assessed, and the risk information with recommended actions is forwarded to CECo.

In FY 2011/12, to better educate the ERM Workgroup on the different types of risks the campus faces, presenters gave a 20 minute overview two of the risks in their functional areas. Risk presentations included IT, Physical Facilities, Student Affairs, Financial and Research risks. Presenters discussed all types of ongoing and emerging risks in their area, including operational, financial, compliance, and strategic risks. The ERM Workgroup also receives periodic updates from risk mitigation project groups and interdepartmental risk committees such as Lab Safety, Threat Management, Emergency Planning, and IT.

- **Santa Cruz** – UCSC now has an active Enterprise Risk Management and Compliance Program (ERMCP) management committee, which meets monthly to identify, assess and when necessary, recommend mitigation treatments to campus executive leaders, via the Campus Ethics & Compliance Risk Committee (CECRC). The management committee, which is co-chaired by the Campus Controller, Director of Internal Audit, and Director of Risk Services, integrates campus management of the full range of enterprise risks – compliance, strategic, operations, and financial, into the overall campus ERM program. As new risks are brought before the Committee, each is assessed to determine if residual risk with current treatment exceeds institutional risk tolerance. If yes, the exposure is referred back to the risk owner(s) for development of one or more recommended mitigation strategies which, if endorsed by the committee, are subsequently presented to executive leadership for decision-making. Other risks, with less urgent need for action, are maintained in a risk inventory for monitoring and periodic reevaluation by the committee.

Conclusion

Managing risks holistically reduces costs by preventing or reducing the severity of losses, reducing injuries and saving lives, and avoiding compliance issues and/or adverse publicity that can result. The goals of an effective ERM program are to provide a complete picture of significant risks, deliver information to support strategic decision-making, and facilitate designing the right processes to assure that opportunities are achieved successfully and provide the most benefit. The UC ERM Program is collaborating with other system-wide and campus units to identify, manage and mitigate risks so that the University accomplishes its goals and objectives in support of its mission of teaching, research and public service.

Your continuing support for the ERM Program at your location is critical to the program's success. UC Risk Services is available to help you get the most benefit from the ERMIS and to create custom dashboards of key performance indicators that are in alignment with campus and medical center goals and objectives. Visit the UC ERM Website periodically to see what new tools are available and learn more about the many ways we are working to support your campus and medical center ERM programs.

For more information, please contact the Chief Risk Officer (grace.crickette@ucop.edu, 510-987-9820) or visit the UC Risk Services website at: <http://www.ucop.edu/riskmgmt/>.

Appendix A: History of UC ERM Program

Since 1996, the University of California (UC) has been moving towards an enterprise approach to identifying and managing risk:

- The Regents adopt COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control framework (1996)
- Controller positions established at each campus and Agricultural and Natural Resources (ANR) (late 1990s)
- Several campuses and ANR develop ERM initiatives (2003–present)
- UCOP Chief Risk Officer position established December 2004
- ERM Panel formed to develop an ERM strategy (June 2005)
- ERM meetings and interviews at campuses and medical centers completed (October 2006)
- ERM survey completed (February 2007)
- ERM Panels formed at most campuses and medical centers (August 2007)
- The Regents appoint Chief Compliance and Audit Officer (October 2007)
- The Regents Committee on Compliance and Audit adopts resolution to create a Systemwide Ethics and Compliance Program
- Campus Ethics & Compliance Officer (CECO) positions and Campus Ethics & Compliance Risk Committees (CECRCs) established at each UC location
- Enterprise Risk Management Information System (ERMIS) launched (late 2008)
- ERM Maturity Model developed (June 2009)
- APQC Recognition as one of five Best Practice Organizations (April 2011)
- Standard & Poor's recognized the UC ERM Information System as a credit strength (September 2010)
- The Regents Committee on Finance recommends that the Regents endorse the Enterprise Risk Management program (March 2012)

Appendix B: ERM Panel Members

Monir Ahmed – Asst VC, Bus & Fin Svcs, UCM
J. Michael Allred – Assoc VC, Fin/Controller, UCD
Allison Baird-James – Assoc VC, Admin-Corp Fin Serv/Controller, UCLA
Steven Beckwith – VP, Research & Graduate Studies, UCOP
Georgianne Carlson – Assoc VC, Fin & Bus Ops, UCR
Bob Charbonneau – Coordinator, Facilities Administration, UCOP
Ron Coley – Assoc VC, Bus & Admin Svcs, UCB
Ron Cortez – Assoc VC, Administrative Services, UCSB
Paul Craig – Chief Risk/Safety Officer, UCSDMC
Grace Crickette – CRO, Risk Services, UCOP
David Ernst – Assoc VP & CIO, IR&C, UCOP
Bruce Flynn – Director, Risk Mgmt & Insurance Svcs, UCSF
Carrie Frandsen – ERM, Emergency & Continuity Services, UCSB
Jon Good – Director, Systems Development, UCOP
John Gregg – Dir, Cntl & Acctabty, UCD
Khira Griscavage – Special Advisor to the VC, Administration, UCB
Hans Gude – Director, Enterprise Risk Services, UCB
Norman Hamill – University General Counsel, UCOP
David Harmon – Dir, Fin Mgt Prog, UCLA
Terri Kielhorn – Risk Mgr, Prof, Med & Hosp Liability, UCOP
Don Larson – Asst VC, Bus & Fin Svcs/Controller, UCSD
Paige Macias – Assoc VC, Admin & Bus Svcs, UCI
Jake McGuire – Controller, ANR, UCOP
Mary Miller – VC, Administration, UCM
Nidavone Niravanh – Director, Risk Management, UCR
Brian Oatman – Director, Risk & Safety Services, ANR
Luanna Putney – Director, Research Compliance, UCOP
Charles Rowley – Interim VC, Research, UCR
Dan Sampson – Assistant VP, Financial Controls and Accountability, UCOP
Barbara VanCleave Smith – Deputy Chief Ethics, Risk and Compliance Officer, UCB
John Stobo – Sr. VP, Health Sciences & Services, UCOP
Peter Taylor – Chief Financial Officer, UCOP
Sheryl Vacca – Sr. VP & Chief Compliance and Audit Officer, UCOP
Linda Williams – Associate Chancellor, UCB
Erike Young – Director, Environment Health & Safety, UCOP