University of California Office of the President
Enterprise Risk Management (ERM)

Bulletin #2

June 30, 2006

Project Status Update

The University has retained KPMG International to assist us in reviewing existing programs and data to identify which components of the ERM framework are in place, which components need to be expanded or improved, and which components do not yet exist at UC and will need to be implemented.

The ERM Initiative is in the initial data-gathering stage now. Consultants from KPMG are currently working on-site at UCOP gathering information and meeting with key stakeholders in areas such as employment practices, infrastructure and construction, student life, strategic sourcing, budget, safety & emergency preparedness, research, internal controls, IT risk, and more. Information from the stakeholder interviews will be used to develop a preliminary list of key performance indicators (KPIs) and to determine how those KPIs can be effectively represented in a dashboard report housed in a risk management information system (RMIS), which is being developed with the assistance of UCOP IR&C.

Sample Dashboard Reports
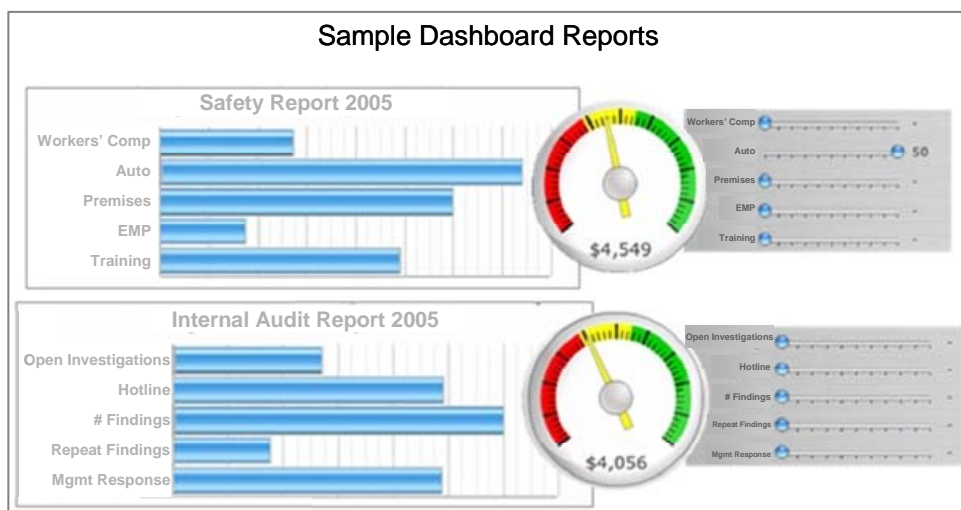
After the preliminary KPIs are developed, KPMG will visit each of the campuses and medical centers to meet with local stakeholders. The information gained in these interviews will be used to revise the proposed KPIs and create additional ones if necessary. Program assistants from your local Risk Management departments will be contacting stakeholders at your campus or medical center to schedule interviews.

What is a KPI?

Generally, strategic or operating plans will identify the critical success factors and key goals of an organization. Critical success factors are the areas that the organization must focus on and do well in to satisfy customer/client needs. An example may be "meeting client expectations".

KPIs are derived from critical success factors and define these critical success factors into more meaningful criteria. For example, the critical success factor of "improve productivity" might have KPIs such as cost, service quality, cycle time, streamlining of processes, and reduced duplication and/or rework.

How often can KPIs be updated?

KPIs can be updated as frequently as the data they are drawn from is updated. Some examples:

Claims Information................Daily

Payroll Information................Monthly

Construction Scheduling........Quarterly

How is improvement measured with KPIs?

Improvement is measured by looking at ratios between time periods relative to risk. For example, in the area of workers' compensation:

$$\frac{\text{\# of injuries}}{\text{person hours}} = \text{recordable rate}$$

Recordable Rate
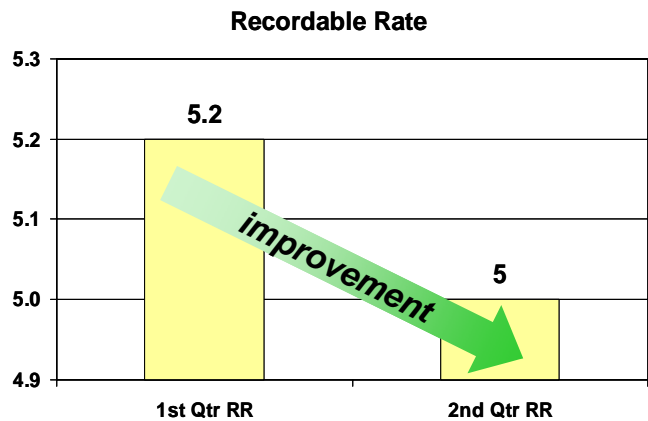
While the RMIS system will be prepopulated with some KPIs, we will be working with each location to develop KPIs that are helpful to supporting their own initiatives. Several ERM groups have been started at various locations and will find the RMIS an important tool for identifying and understanding risks.

To learn more, please visit the Risk Services website at http://www.ucop.edu/riskmgt/welcome.html and follow the "Enterprise Risk Management" link. If you have any questions, please contact Chief Risk Officer Grace M. Crickette (email grace.crickette@ucop.edu, telephone 510-987-9820).