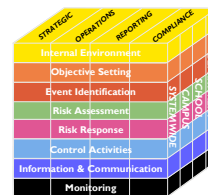# University of California Office of the President
Enterprise Risk Management (ERM)

Bulletin #7

January 7, 2009

UC Ethics and Compliance Program and Enterprise Risk Management

A crucial element of Enterprise Risk Management is taking a broad view of risk across an organization instead of keeping areas of responsibility siloed. How does the UC Ethics and Compliance Program work with ERM and prevent duplication of efforts? We believe that ERM is a useful tool in supporting the Ethics and Compliance Program, as compliance is integral to a successful ERM Program.

The UC Board of Regents approved and adopted the Board Resolution for the compliance initiative in July 2008 to create and maintain a comprehensive UC Ethics and Compliance Program (the Program). The Program is a major priority for the Regents and UC as it enhances the University's duty to perform its public responsibilities in an ethics- and compliance-based environment where all applicable legal, regulatory, Regental, UC policy and other compliance requirements are followed and in which the public trust is maintained. To learn more about the Program visit
http://www.universityofcalifornia.edu/compaudit/welcome.html

A successful compliance program must include a number of activities at departmental (micro) levels as well as senior management commitment (macro). Some of those activities include (but are not limited to) identifying, managing, and monitoring risks and their related controls. ERM is a natural adjunct to those functions by providing the tools to support these processes. For example, completing an ERM risk assessment prior to the roll out of a major new business venture provides a greater likelihood that the following can be documented in advance of implementation: 1) the identification of risks (what can go wrong); 2) the probability and impact of the risk; 3) the presence of any processes or controls that are currently mitigating the risk; and 4) the individuals who have the ability to mitigate the risk.

When high priority risk exposures are identified, ERM and the Program collaborate to ensure that risk exposures are mitigated by management through the development, implementation, and evaluation of compliance-focused policies and/or procedures. To assist in understanding the strategic relationship of ERM and compliance and how they are interrelated when addressing risks from an enterprise-wide perspective, the Office of Risk Services has a number of ideas for your review on its website:
http://www.ucop.edu/riskmgmt/welcome.html

Risk management departments and ERM initiatives can help to provide the foundation for identifying potential and/or real areas of noncompliance, as well as other types of risks due to the collective focus on data. Data aggregation, review, and trending provide the basis for identification and prioritization of risks, as well as for evaluating the effectiveness of any mitigating activities. The relevant information, once identified, can be shared with risk owners or leadership to modify their operation to reduce risk exposures and to improve compliance. The ERM Tool Kit located on the OPRS website provides assessment frameworks to document the assessment process and risk mapping tools for prioritizing some of the identified compliance risks.

Together, the UC Ethics and Compliance Services and Risk Services departments encourage each location to continue their positive movement in developing an enterprise-wide approach to managing risk, as well as ensuring compliance with University policies, procedures, and applicable legal requirements.

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) or Deputy Compliance Officer Lynda Hilliard (lynda.hilliard@ucop.edu, telephone 510-987-0851).