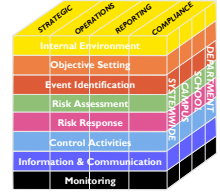


University of California Office of the President Enterprise Risk Management (ERM)

Bulletin #11



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Risk Assessments

The Risk Assessment process is a key part of all Enterprise Risk Management programs. Most of us are familiar with identifying and evaluating risk in our own departments or daily job activities, but we seldom take the time to measure the risk profile of the enterprise as a whole. One reason is that the process of generating a list of all the risks that face an organization as complex as the University of California (UC) can be a daunting task.

To help alleviate some of this burden, and to help facilitate a more enterprising view of risk, the University of California Office of Risk Services (OPRS) conducted a study to identify some of the most common risks facing the higher education industry. OPRS reviewed risk assessments and other documents that were publicly available and searchable on the web to identify the risks discussed most frequently by UC, professional associations affiliated with the higher education industry, and other institutions around the country. Based on this information gathering process, OPRS generated a list of approximately 40 risks and separated them by category, resulting in the table below:

Risk Category	Sample Risks
Hazard Risk	<ul style="list-style-type: none"> • Domestic terrorism (Animal rights activists, eco-terrorists, stem-cell research opponents, etc.) • Catastrophic natural event (earthquake, flood, fire) • Pandemic • Laboratory safety • Facilities and Grounds Safety
Financial Risks	<ul style="list-style-type: none"> • Conflicts of interest in financial transactions and agreements* • Budget impairment • Ineffective service center / auxiliary management • Non-compliant cost transfers • Insufficient oversight over third party vendors • Improper governmental activities including fraud, embezzlement, or misuse of university resources
Information Technology Risks	<ul style="list-style-type: none"> • Unauthorized modification of data • Decentralization of systems leading to data inconsistencies and fragmentation • Disclosure of confidential information (e.g., Personally Identifying Information (PII) and health care information)* • Obsolescence of systems / technology • Lack of common data definitions • Inability to recover from system loss or extended downtime • Lack of comfort with third-party vendor system security
* FY 2009/10 Systemwide Compliance Risk Priorities, per the Systemwide Compliance Plan	

Risk Category	Sample Risks
Human Resource Risks	<ul style="list-style-type: none"> • Personnel issues or workplace violence • Professional Liability Claims • Workers Compensation Claims • Employee recruitment and retention
Research Risks	<ul style="list-style-type: none"> • Research misconduct, such as falsification of data or results, or non-disclosure of research dangers • Intellectual property infringement • Inadequate lab processes and practices for the promotion of Environmental Health and Safety (EH&S) • Unethical / unapproved human/animal subject research • Threats to safety of researchers
Contract and Grant Risks	<ul style="list-style-type: none"> • Regulatory fines or penalties • Non-compliance with sponsoring agency regulations and agreement terms and conditions* • Cost sharing procedures are not compliant with federal requirements • Effort reports inaccurate, insufficient, or incomplete* • Agreement terms and conditions not met, but funds used • Failure to maintain equipment inventories in accordance with grant requirements • Sub-recipients not managed appropriately
Student Life Risks	<ul style="list-style-type: none"> • Sports / Public Event disturbances • Student mental health • Inappropriate athletic recruiting • Safety and security of students on and off campus
Facilities & Maintenance Risks	<ul style="list-style-type: none"> • Deferred maintenance • Increase in energy costs • Equipment / facility malfunction
* FY 2009/10 Systemwide Compliance Risk Priorities, per the Systemwide Compliance Plan	

This list provides a good starting point to help the University community consider the impact and likelihood of these risks at their institution. This list of risks will be revised and updated periodically based on emerging risk issues and evolving environments. If you would like to evaluate your location or department's risk profile for these pre-determined areas, OPRS has developed two different tools to help facilitate this process, both available at http://www.ucop.edu/riskmgmt/erm/risk_assessment.html

The first tool, "Higher Education Risk Assessment Using ERM," is a detailed risk assessment that helps the user identify estimated impact and likelihood for each item on this list as they relate to the different types of risks an organization faces, including strategic, financial, operational, compliance, reputational, and reporting risk; estimate the effectiveness of current controls; and calculate the correlating residual risk. Once the user has completed the required fields, available reports include a printable heat map that summarizes the residual risk for each item on the list by risk type, as well as a selection of bubble charts that illustrate the residual risk either by risk type (strategic, financial, operational, etc.) or by risk category (Hazard, Research, Information Technology, etc.). For these bubble charts, the larger the bubble, the higher the residual risk, and the closer the bubble moves to the upper-right hand corner of the graph, the higher the estimated impact and likelihood.

The second tool, titled "Summary Higher Education Risk Assessment," is a more abbreviated version of the tool described above. This abbreviated version does not consider each risk in terms of its

strategic, financial, operational, compliance, reputational and reporting impacts separately, but on a more general basis. The abbreviated version still helps the user to estimate the effectiveness of current controls and to calculate residual risk. Once the user has completed the required fields, available reports include a printable summary that identifies residual risk for each item, as well as a bubble chart that illustrates the estimated residual risk by risk category (Hazard, Research, Information Technology, etc.), where the closer the bubble moves to the upper-right hand corner of the graph, the higher the estimated impact and likelihood.

By evaluating your risks in these pre-determined areas, it not only provides you and your organization with some excellent insights to your campus or medical center's risk profile, but it also saves you time and resources from not needing to start from a blank page. Many of the risks identified above have already been acknowledged as priority areas by the UC, and OPRS is working to not only provide the tools to help identify departmental or campus / medical center risks, but also working to provide the appropriate tools to help these locations manage their risks. Tools include the Enterprise Risk Management Information System (ERMIS), and OPRS is working to develop new tools such as Control Tracker (the SAS 112/115 compliance system) and UC Action to assist with the ongoing monitoring of implemented controls.

Completing a risk assessment like this one will enable you to determine where your organization's risk potential is the highest, so that limited resources can be directed to the areas with the highest priority. Identifying and updating the most relevant risks and analyzing them for anticipated impact and frequency periodically will provide a basis to allocate limited resources appropriately to effectively manage your evolving risk profile.

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).