

RISK ASSESSMENT:

*Prioritizing with
Limited Resources*

- ▶ Demonstrated Commitment from Senior Management
- ▶ Clear, Accessible Code of Conduct and Compliance Policies and Procedures
- ▶ Independent and Powerful Oversight Executives
- ▶ Appropriate Risk Assessment
- ▶ Regular Training and Continuing Education
- ▶ Appropriate Disciplinary Procedures and Incentive Rewards
- ▶ Third Party Due Diligence
- ▶ Confidential Reporting and Internal Investigations
- ▶ Periodic Testing and Review

**HALLMARKS OF EFFECTIVE FCPA
COMPLIANCE PROGRAM:**

*---DEPARTMENT OF JUSTICE AND
SECURITIES EXCHANGE COMMISSION*

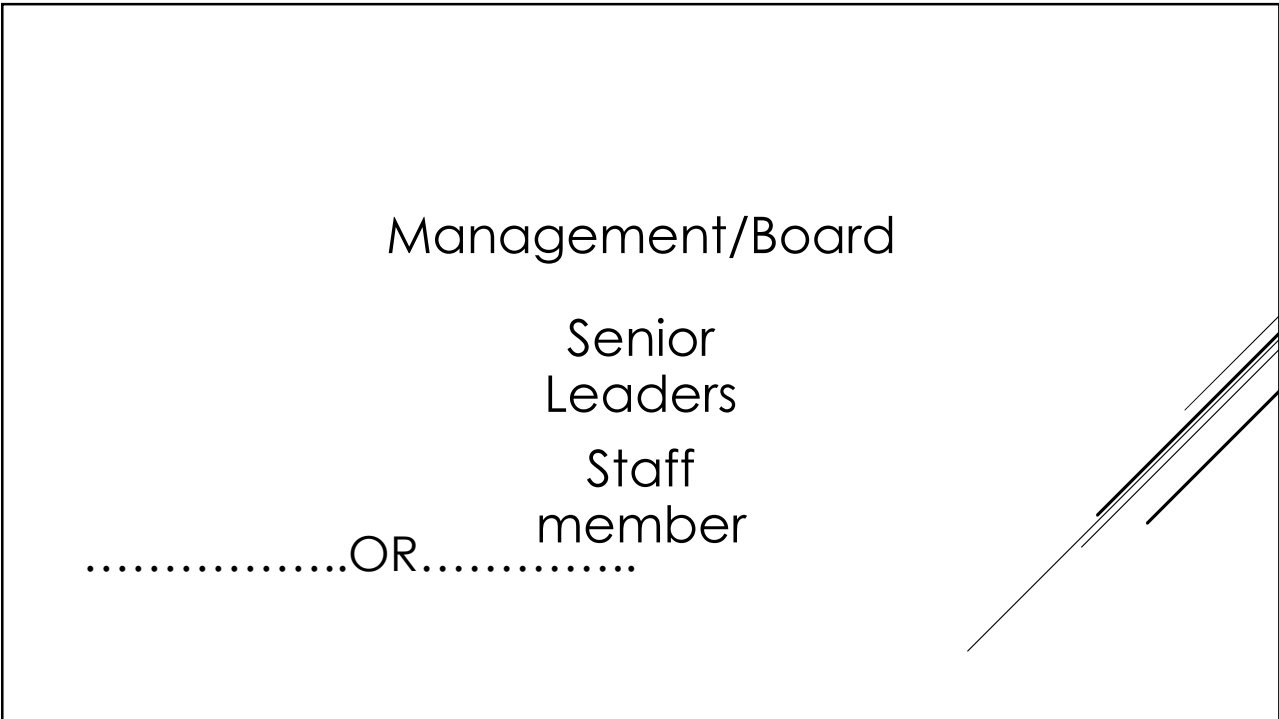
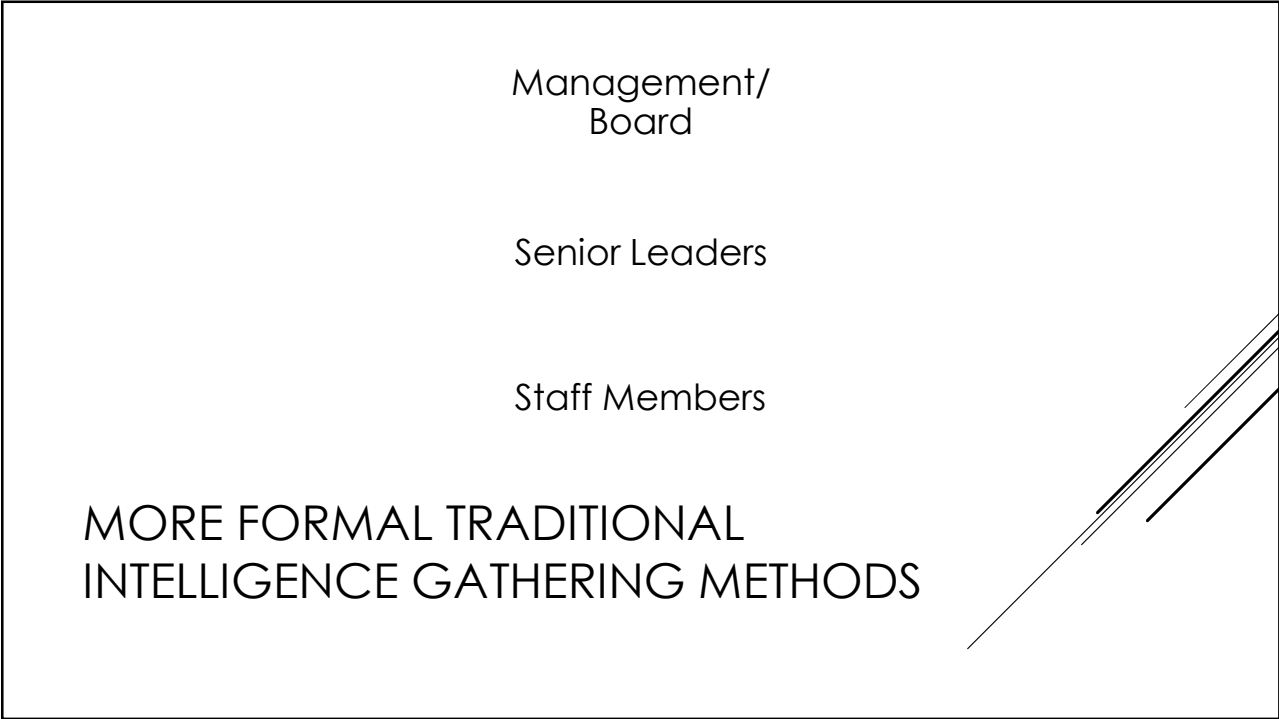
- ▶ Senior leaders must provide strong, explicit and visible support for its corporate compliance policies and must enforce compliance policies
- ▶ Written policies are important but other venues are critical too (in-person meetings, emails, telephone calls, incentives/bonuses, etc.)
- ▶ Senior executives should be responsible for the implementation and oversight of compliance and report directly to independent bodies
- ▶ Policies should be clear and in writing
- ▶ Compliance teams need adequate funding and stature
- ▶ Effective process for internal reporting of violations and conducting investigations
- ▶ Incentives and Discipline are important
- ▶ Third party vendors must be sensitized to company's expectation for compliance

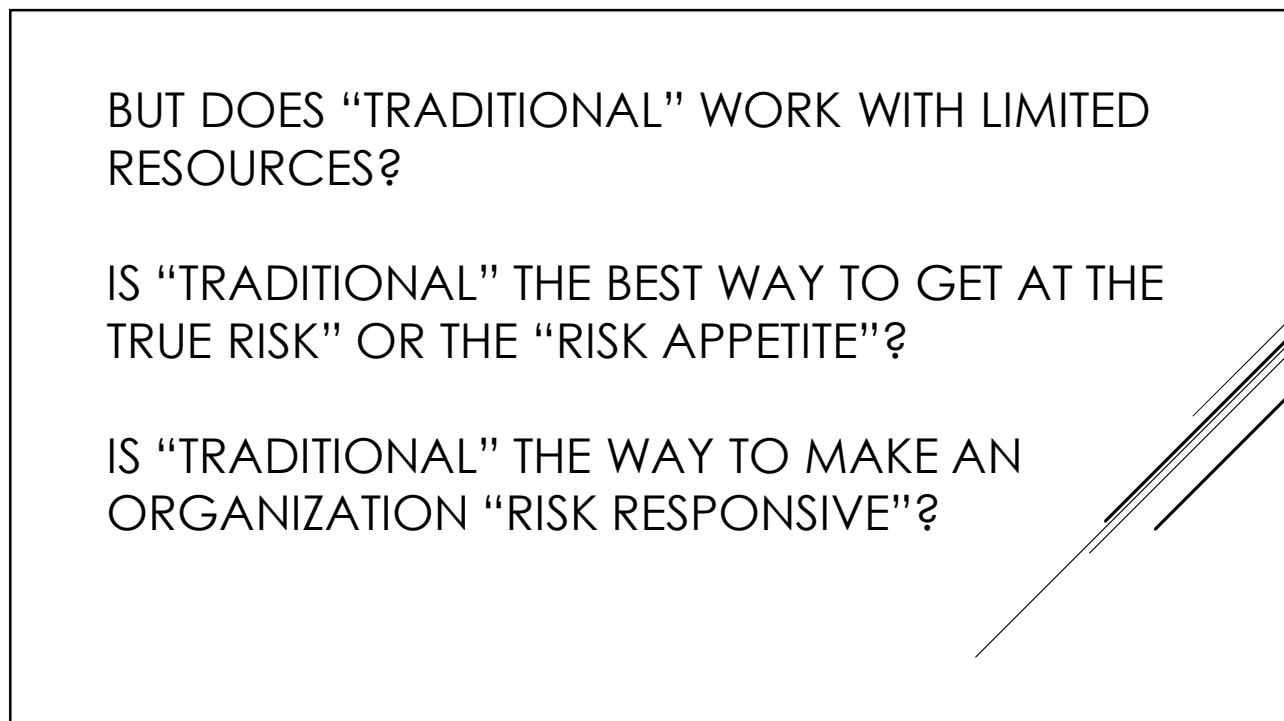
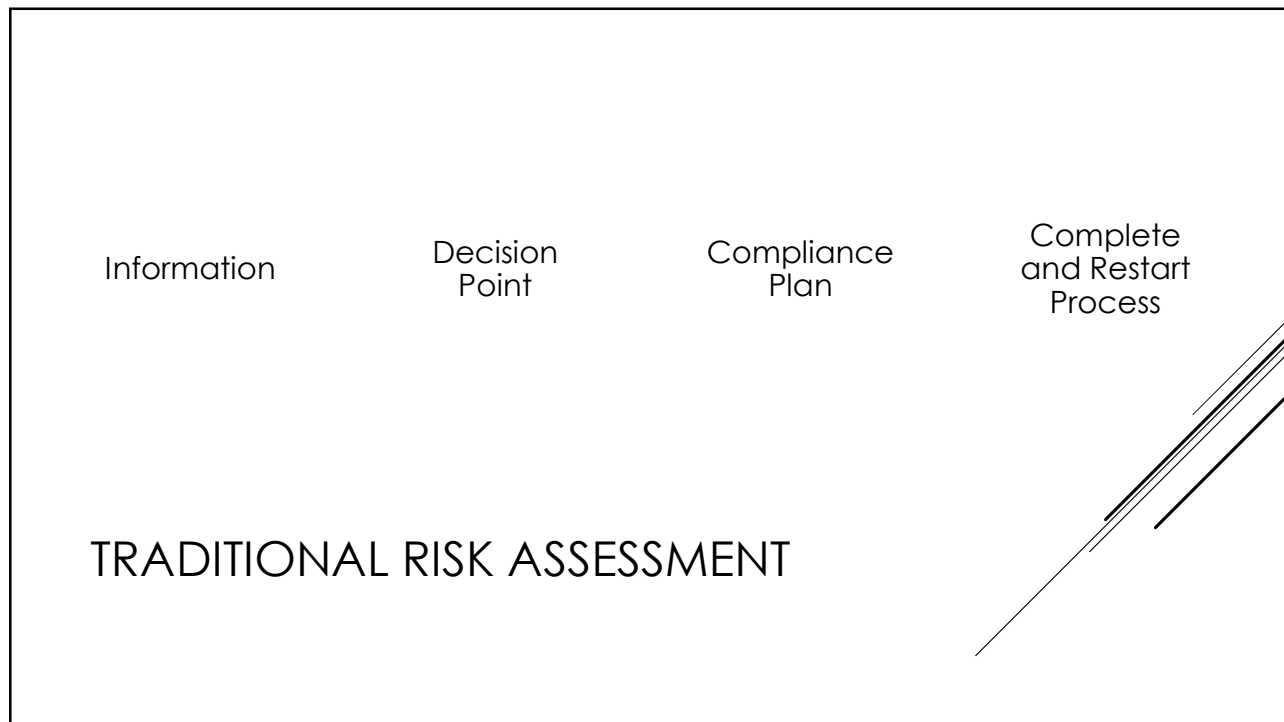
DEPARTMENT OF JUSTICE BENCHMARKS

—ASSISTANT ATTORNEY GENERAL LESLIE R. CALDWELL "COMPLIANCE WEEK CONFERENCE" MAY 19, 2015

- ▶ Surveys
- ▶ Internal Audit Interviews
- ▶ External review/audits/complaints
- ▶ Walking the halls
- ▶ Water cooler conversations
- ▶ Traditional Hawaiian methods

TRADITIONAL RISK ASSESSMENT METHODS





Intelligence Risks Risk
 Intelligence

CHANGING THE PARADIGM:
"INTELLIGENCE" SHOULD BE FIRST STEP



Blogs

Research

News

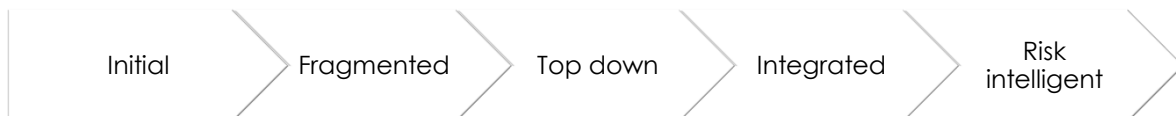
CHANGING THE PARADIGM....



Establishing a culture
of information sharing,
exploration,
questioning...

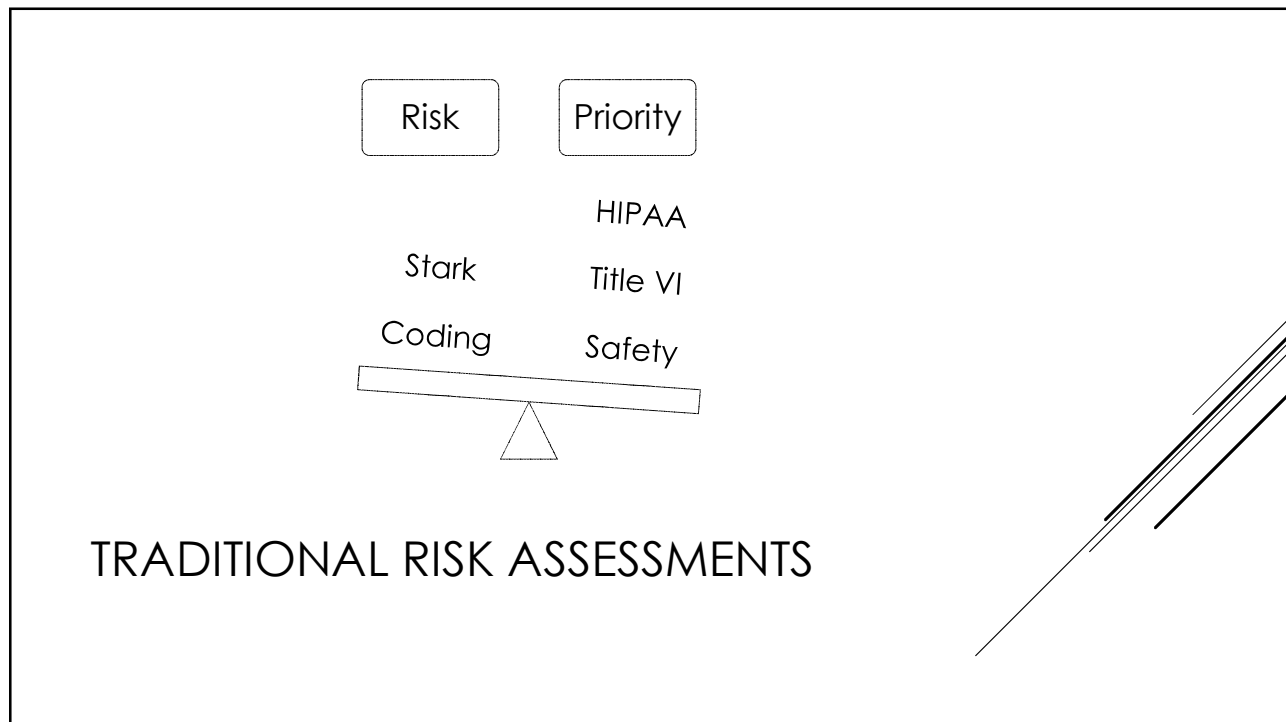
TRUE RISK INTELLIGENCE REQUIRES....

WHAT IS A RISK INTELLIGENT ORGANIZATION?

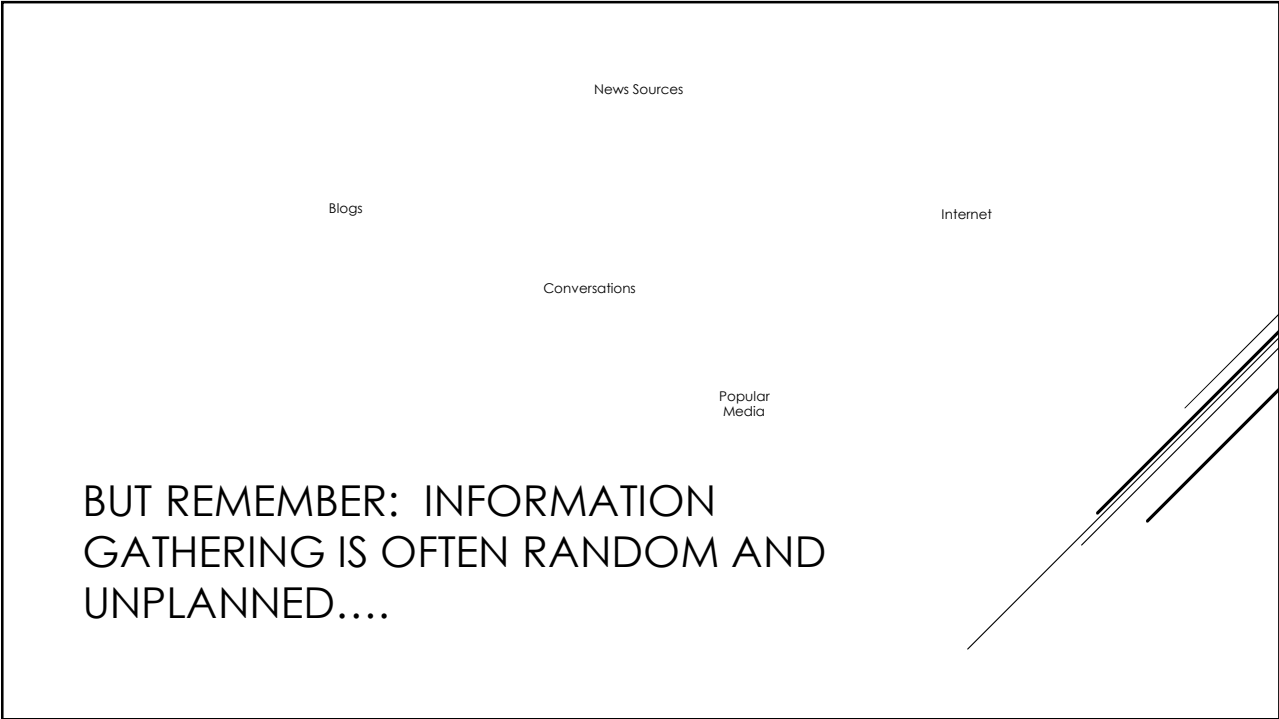
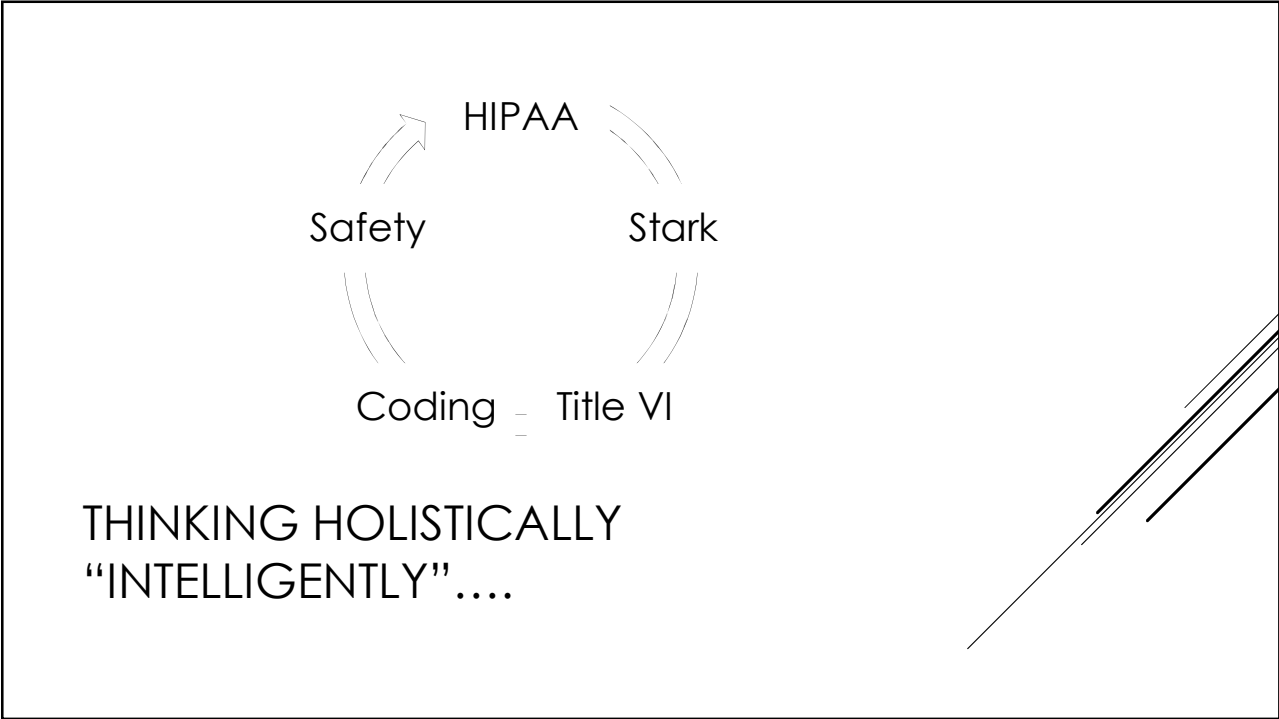


- Risk discussion embedded in strategic planning, capital allocation, etc.
- Early warning system to notify management to risks above established thresholds
- Linkage to performance measures and incentives
- Risk management activities coordinated across business areas
- Risk analysis tools developed and communicated
- Enterprise risk monitoring, measuring, and reporting
- Scenario planning
- Opportunity risks identified and exploited
- Ongoing risk assessment processes

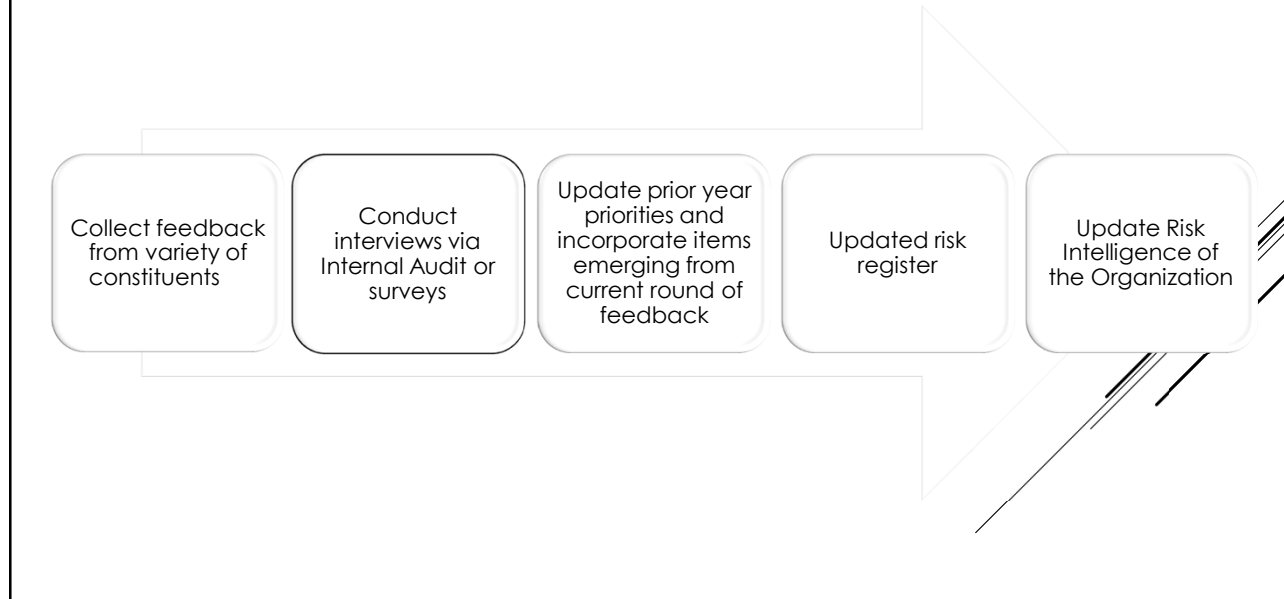
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- ▶ **Too many issues**
 - ▶ **No method for prioritizing**
 - ▶ **No priority**
 - ▶ **Competing resources**
 - ▶ **“My” risk is more important than “Your” risk mentality**
- CHALLENGE WITH TRADITIONAL RISK ASSESSMENT

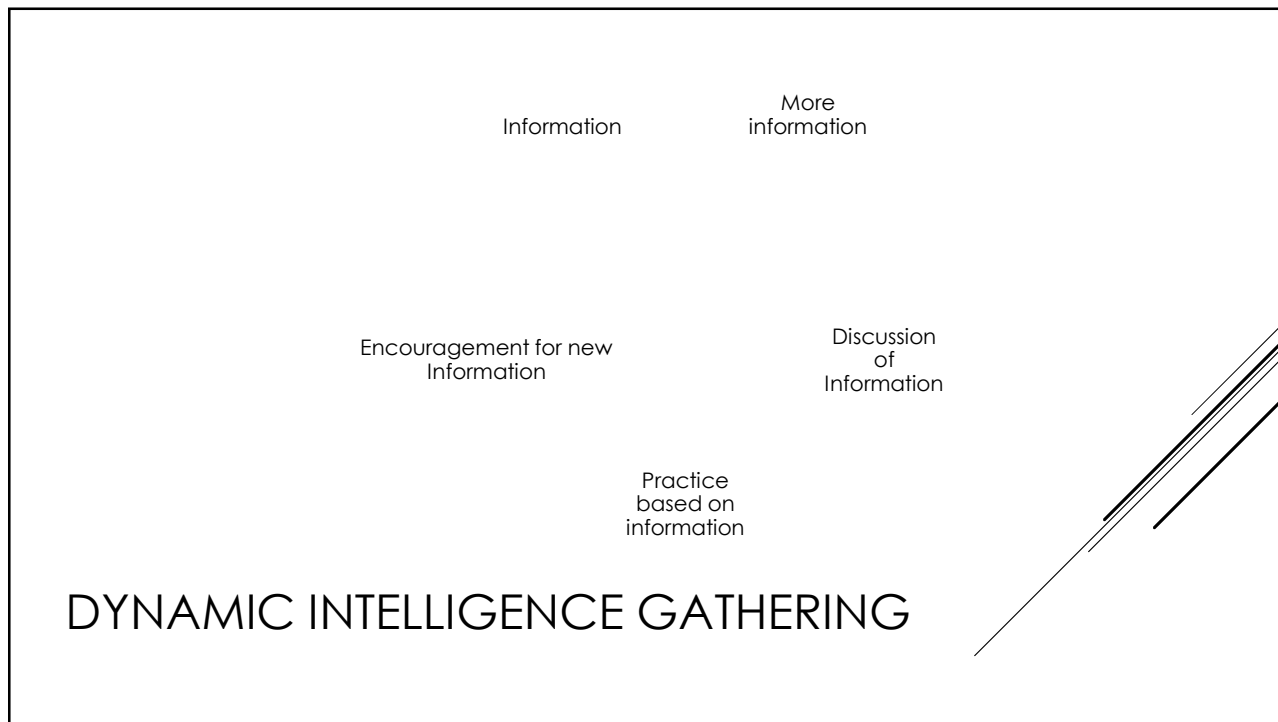


Risk Sensing Process



CHANGING THE RISK ASSESSMENT PROCESS: SOME FRAMING QUESTIONS

- What are the trends and driving forces affecting our organization in the next 5-10 years (technological, social, economic, political, environmental) – map them based on timeframe
 - **What are the factors affecting our specific hospital/clinic?**
 - **What do we not know?**
 - **What is outside our control?**
- What risks emerge based on these driving forces?
- What potential scenarios result?
 - **How do the identified scenarios impact our current risk intelligence models, risk priorities for our hospital/clinic and decisions**



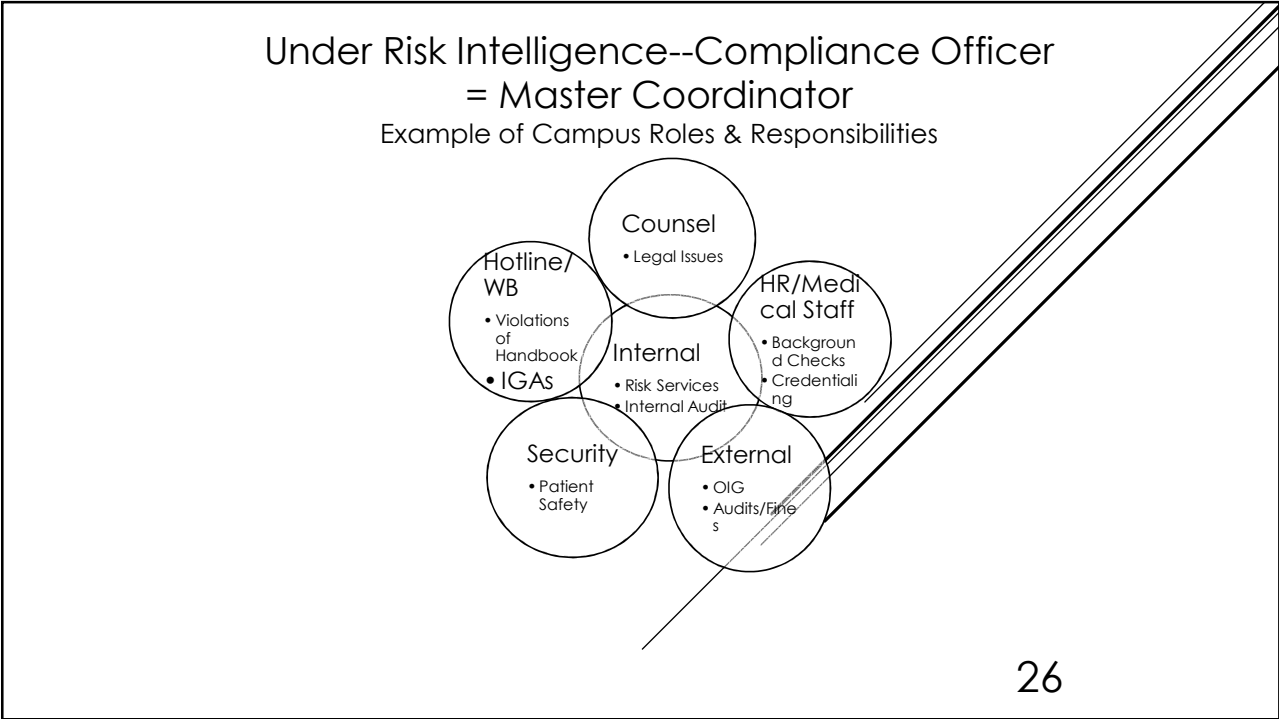
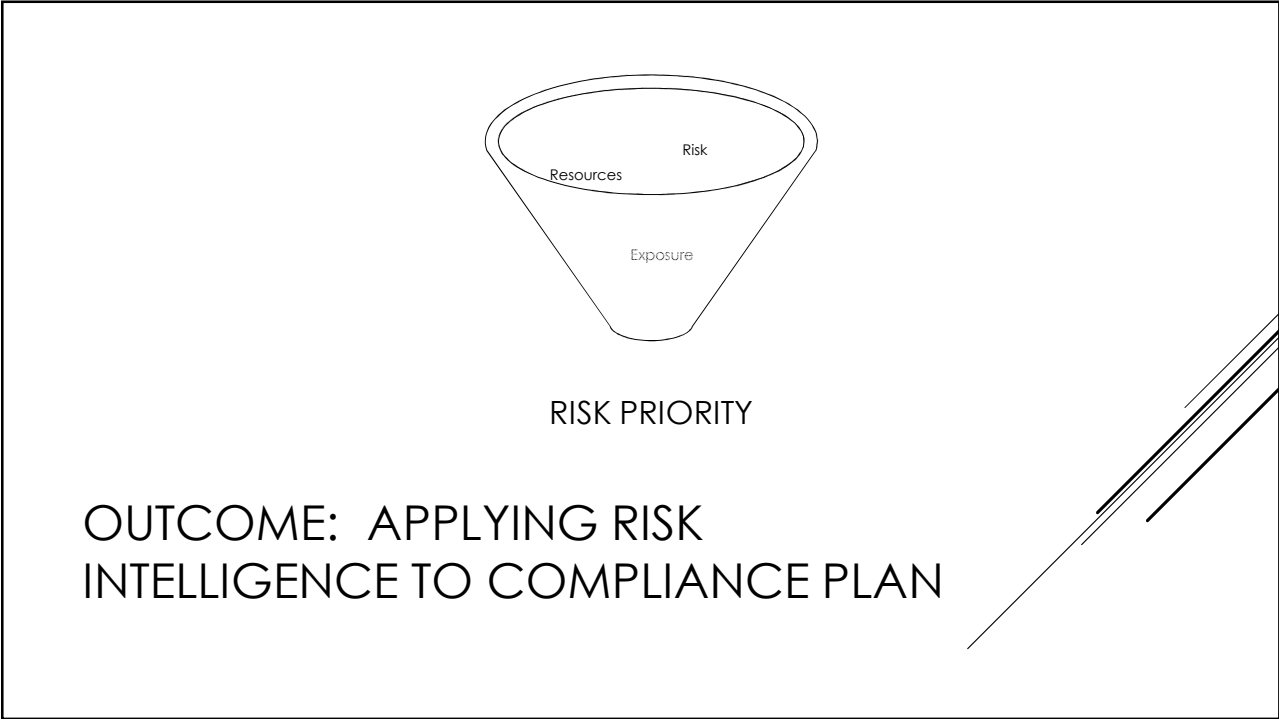
- ▶ Share and discuss risks
- ▶ Ask questions
- ▶ Allow leaders to not be experts
- ▶ Lead by example
- ▶ Look for warning signs—they do not always come from the obvious
- ▶ Bring intelligence to the table in concerted effort
- ▶ Brainstorm

PROCESS: BECOME INTELLIGENCE “SAVVY”

RISK INTELLIGENCE GOVERNANCE

Group	Role	Function
Risk Intelligence Oversight Committee	Risk governance	Oversight (Foster a Risk Intelligent culture, discuss enterprise risks, meet with internal audit)
Compliance	Risk Infrastructure and management	Providing common risk infrastructure (Define the risk appetite, evaluate proposed strategies against risk appetite)
Risk Intelligence Working Group	Risk ownership	Risk process (identifying, measuring, monitoring, and reporting on specific risks, led by the business units and functions)

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- ▶ Risk intelligence leads to consideration of more perspectives
- ▶ Allows more deliberate thought about risk priorities and allocation of resources
- ▶ Leads to better “real risk” discussions
- ▶ Accommodates both the art and science aspects of risk sensing
- ▶ Leaders are more fully engaged—not just an exercise
- ▶ Allows for dynamic change as necessary
- ▶ More process driven rather than product driven

LESSONS LEARNED

QUESTIONS?

David Lane, Ph.D., CHC, CPT
Systemwide Deputy Compliance Officer
The University of California
David.Lane@ucop.edu