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, email, 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
TRADITIONAL RISK ASSESSMENT METHODS

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

MORE FORMAL TRADITIONAL INTELLIGENCE GATHERING METHODS

Management/Board
Senior Leaders
Staff Members

Management/Board
Senior Leaders
Staff member

...........OR.............
TRADITIONAL RISK ASSESSMENT

BUT DOES “TRADITIONAL” WORK WITH LIMITED RESOURCES?

IS “TRADITIONAL” THE BEST WAY TO GET AT THE TRUE RISK” OR THE “RISK APPETITE”?

IS “TRADITIONAL” THE WAY TO MAKE AN ORGANIZATION “RISK RESPONSIVE”?

CHANGING THE PARADIGM: “INTELLIGENCE” SHOULD BE FIRST STEP
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 of 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
TRADITIONAL RISK ASSESSMENTS

- 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

THINKING HOLISTICALLY “INTELLIGENTLY”....
BUT REMEMBER: INFORMATION GATHERING IS OFTEN RANDOM AND UNPLANNED....

**Risk Sensing Process**

- Collect feedback from variety of constituents
- Conduct interviews via Internal Audit or surveys
- Update prior year priorities and incorporate items emerging from current round of feedback
- Updated risk register
- Update Risk Intelligence of the Organization

**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
DYNAMIC INTELLIGENCE GATHERING

THE FOUR PRIORITIES FOR RISK INTELLIGENCE

- 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

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

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### RISK/AUDIT INTERVIEWS - COLLECTION OF RISK CONCERNS/THMES

- **Audit Interviews**
- **Risk Concerns/Themes**
- **Audit Risk Rating and RIOC Input**

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**HAVING RISK INTELLIGENCE**

> “…it is more than understanding the rudiments of probability theory and human psychology. It is also about being able to make judgments when the data are not available, when the situation is very complex, or when there isn’t time to calculate the risks.”

OUTCOME: APPLYING RISK INTELLIGENCE TO COMPLIANCE PLAN

Under Risk Intelligence—Compliance Officer = Master Coordinator
Example of Campus Roles & Responsibilities

LESSONS LEARNED

- 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
QUESTIONS?

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