

**SOCIETY OF CORPORATE
COMPLIANCE AND ETHICS**

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**Risk Diverse Environments:
Prioritizing the Priorities**

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**Risk Diverse Environments:
Prioritizing the Priorities**

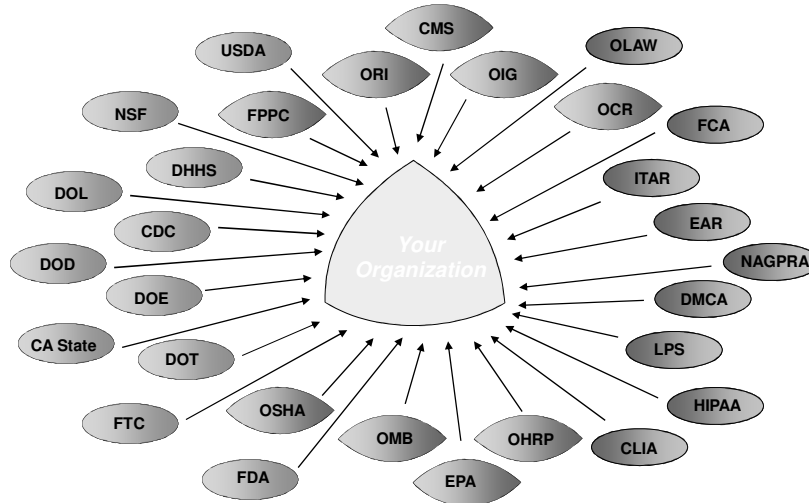
- Diverse risks, multiple priorities: How to address these through a scalable approach
- Prioritizing the diverse risks of your organization
- Addressing diverse risk priorities in a compliance auditing and monitoring plan

Environment - Identification of Risks

- What is the universe?
 - External indicators
 - Regulatory
 - Enforcement activity
 - Public viewpoint
 - Market area activity
 - Internal indicators
 - Culture
 - Enforcement activity
 - Previous audits/monitoring
 - Risk assessments

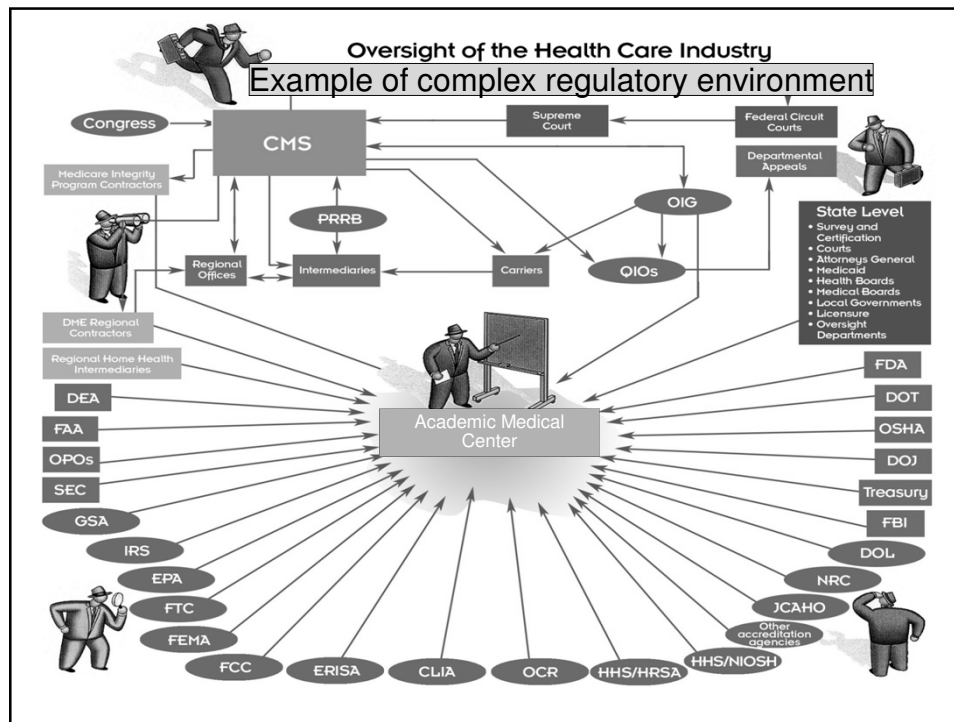
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Agencies/Regulations Impacting University Compliance*



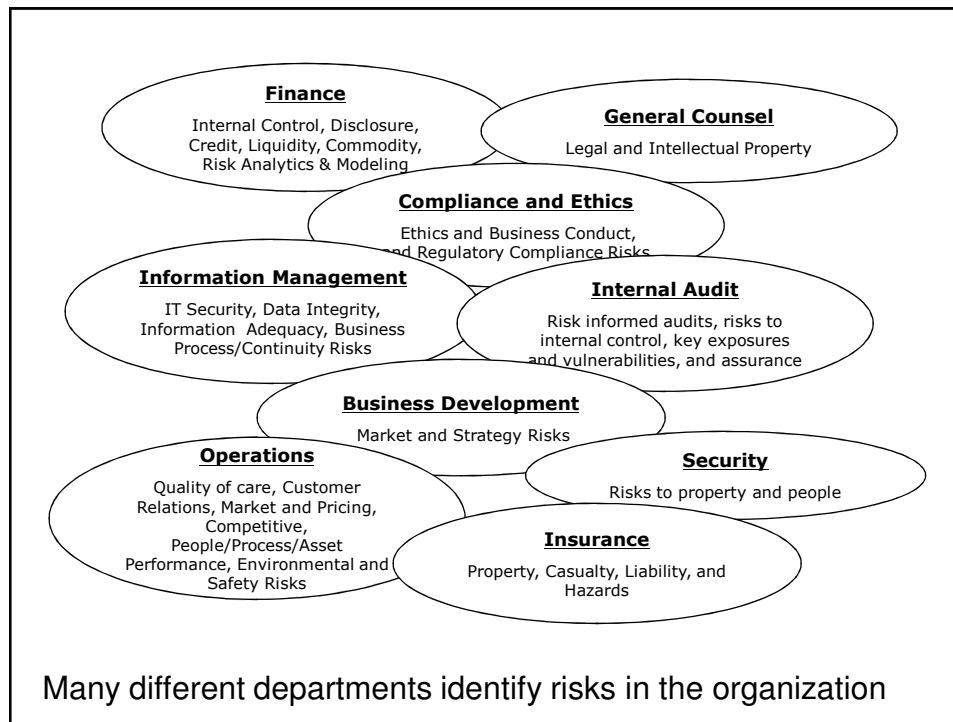
*Including but not limited to those listed

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Develop Understanding of Environment

- Culture
- Understanding of organization's risk efforts
- Resource/dollar constraints
- Best practices/good works
- Competing initiatives across the organization
- Who else is looking at risks in the organization?



Collaborate with Key Departments

Gather information about the risks

- Review of documents
 - About business operations
 - Enterprise risk assessments
 - Legal and regulatory docket
 - Compliance case log
 - Industry legal and regulatory trends
 - Employee ethics attitude surveys
- Surveys: validate whether the initial list is correct.
 - Ask for risk priorities and determine which parts of the business face specific risks.
- Interviews of people throughout the organization
 - Provides opportunity to probe and spark insights

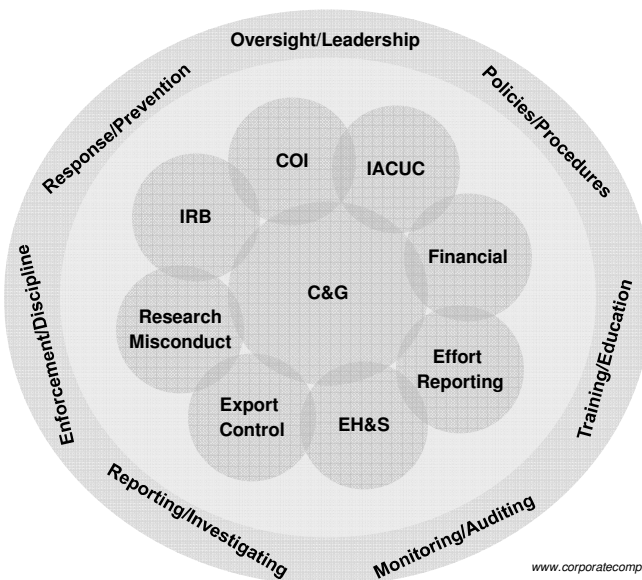
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Categorize the Risks

- Code of Conduct risk categories, i.e.: research misconduct, unfair treatment, etc.
- Policies and procedures, i.e.: lack of, aged and not reflecting practice
- Regulatory agency guidance
- Interviews and surveys
- Public perception
- Industry risks and related standards, i.e.: research/time and effort

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Research Areas of Risk - example



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Research Compliance: In the News - example

Grants Administration--False Claims Act (FCA) Settlements

- Yale, Dec 2008—**7.6M**; cost transfers, effort reporting
- St. Louis Univ, July 2008—**1M**; supplemental compensation, effort reporting
- Institute for Cancer Prevention, Jan 2007—**3.2M**; cost allowability, cost allocation

Focus on Enforcement

- NSF Implementation of Program Fraud Civil Remedies Act
- Expansion of FCA under Federal Enforcement and Recovery Act (FERA)
- \$\$ allocated to IG ARRA activities
- NIH activity

Conflict of Interest

- Senator Grassley Inquiries

Export Control Violations

- University of Tennessee professor found guilty of export control violations (Sept 2008; deemed export of "defense articles" to Chinese foreign national)
- FBI investigations

IRB

- GAO Sting Operation

Research Areas of Potential Risk – example of industry pertinent risk for your organization

- Conflict of Interest Disclosure and Management – Compliance with state, federal, and sponsor rules
- Award terms -- Compliance with UC policies (publication; IP/data rights; nondiscrimination)
- C&G – OMB Circular A-110, A-21 Compliance
- NAGPRA
- ARRA Reporting Requirements
- Research Misconduct
- Stem cell oversight
- Human and animal research protection
- Export control
- Effort Reporting

How to Quantify Risk (example) – Prioritization

- Likelihood of Occurrence
 - 1 = improbable
 - 2 = Remote
 - 3 = Occasional
 - 4 = Frequently
 - 5 = All the time
- Impact of Occurrence
 - 1 = Minimal/Negligible
 - 2 = Slight
 - 3 = Moderate
 - 4 = Critical/Serious
 - 5 = Catastrophic

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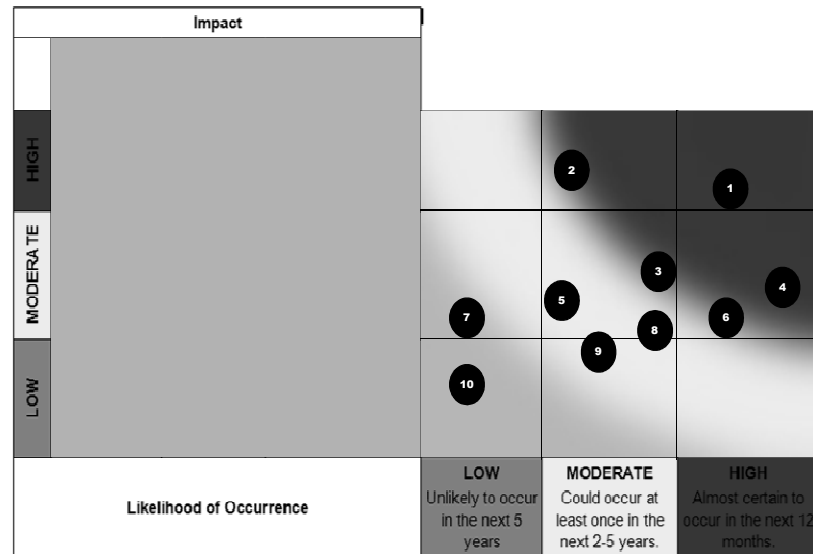
Rank the risks – Prioritization- example

	Reputation	Legal/Regulatory	Financial
High	Systemic loss of public/client confidence resulting in loss of customers; major media coverage – headline news for several days	Major infraction resulting in criminal or civil prosecution and/or significant discipline; loss of ability to operate in one or more countries	Significant financial impact with widespread liability
Moderate	Loss of confidence among large number of customers and a segment of the general public; major media coverage for 1-2 days	Infraction resulting in civil prosecution and/or discipline; loss of ability to operate within local jurisdiction	Considerable financial impact with regional liability
Low	Loss of confidence among a limited number of customers in local market/country; limited local media coverage	Minor infraction that is readily remediated; no loss of ability to operate	Minimal financial impact with localized liability

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Prioritize the Risks – Heat Map



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Develop Compliance Risk Based Audit and Monitoring Plan

After Prioritization, consider...

- Risk areas that can be addressed through another department's audit and monitoring
- What resources are available to address remaining risks?
- Map out the priority risks by resource availability, i.e.: other departments, your available resources
- Reprioritize for scalability, where necessary
- Plan document is dynamic, risks should be re-evaluated

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Summary of Effective Process

- Identification of risk universe
- Risk Universe is prioritized to scalable approach considering internal/external indicators
- Compliance risk based audit/monitor plan is dynamic and reviewed regularly to reflect highest priority risk for the organization
- Board and Senior Leaders are engaged and feel “ownership” towards risk based plan

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