Enterprise Risk Management Policy

Responsible Official:	Vice Chancellor for Business and Administrative Services
Responsible Office:	Risk Services
Issuance Date:	
Effective Date:	February 1, 2011
Summary:	This policy lays the framework for an enterprise risk management program by establishing responsibility for systematic and regular risk identification and analysis, planning for risk mitigation, and program management and oversight.
Scope:	This policy applies to all University Schools, Departments, and Divisions.

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I. POLICY SUMMARY

Risk is inherent in all academic, administrative and business activities. Risk management is the ongoing process of identifying risks and implementing plans to address them. Enterprise risk management (ERM) is a consistent, structured process across the campus for identifying, assessing, and responding to opportunities and threats that affect the achievement of campus objectives.

The University of California, Merced (UCM) recognizes that enterprise risk management is an integral part of attaining its strategic objectives of excellence in teaching, research and service. UCM is committed to embracing a culture that ensures an enterprise risk management approach is embedded in University daily operations and activities.

This policy lays the framework for an enterprise risk management program by establishing responsibility for systematic and regular risk identification and analysis, planning for risk mitigation, and program management and oversight.

A. OBJECTIVES

The objectives of this policy are to:

1. Define UCM's approach to ERM;

2. Provide a framework for the UCM's enterprise risk management process;

3. Ensure cabinet and senior management are in a position to make informed business decisions and strategic plans based on risk assessment;

4. Ensure material risk exposures are identified, assessed, prioritized and managed in an appropriate, coordinated manner;

5. Ensure potential opportunities that benefit the campus are identified and acted on, without exposing the campus to unacceptable levels of risk; and

6. Ensure University resources are safeguarded against the financial and other consequences of loss (eg. people, finance, property and reputation).

B. GUIDING PRINCIPLES

In order to fulfill the objectives of this policy and lay a strong foundation for the development of an enterprise risk management framework, this policy outlines the following guiding principles:

1. UCM will integrate the ERM process into its strategic planning and financial projections by addressing the risks to attaining the long-term objectives in each of those areas.

2. UCM ERM goals include:

   a. Identifying opportunities for and threats to achieving campus goals;

   b. Anticipating, recognizing, and planning for emerging risks;

   c. Establishing a consistent basis for risk based decision making and planning;

   d. Complying with relevant legal and regulatory requirements;

   e. Establishing cross-functional and organizational awareness of risks;

   f. Enhancing the health and safety of employees, faculty, students and visitors.

3. Controlling uninsured and insured risks contributes to the economic health of the University as a whole and UCM in particular. The University purchases commercial insurance through the Office of the President, Office of Risk Services for various and changing types of coverage exposures based on cost benefit analysis. The cost of insurance and the cost of risk that is retained by the University are costs that impact the campus and department budgets.

4. All Schools, Departments and Divisions are expected to identify risks related to their operations, analyze risks, determine if the risk impact is within the risk tolerance of the campus and University, evaluate and prioritize critical risks, treat critical risks considering priority and monitor critical risk using appropriate tools. If the risk impact is not within the risk tolerance of the campus, then University appropriate risk management techniques (such as risk avoidance, risk transfer, risk acceptance) shall be applied.

5. The campus's critical risks will be reported periodically to senior management. Senior management will assess the risks with reference to the campus's strategic priorities, taking into account the likelihood of the risk occurring, its potential impact and the range of implications it may have for the campus.

6. Where an unacceptable high risk is identified, responsible managers in areas that may be affected will be informed of it, and will be required to take action to address the matter.

7. High risks are only accepted in the long term where they are of rare likelihood (e.g., natural disasters), and then are reviewed periodically by responsible managers. Contingency plans will be developed and tested to respond to their occurrence.

II. RESPONSIBILITIES

It is the responsibility of every employee to identify, assess, and manage risks and opportunities relevant to their areas of responsibility. This role may range from identifying and reporting risks associated with their own functions to mitigating the risks to participation in the campus risk management process. Managers at all levels are required to create an environment where managing risk is accepted as the responsibility of each member of the University.

A. SENIOR MANAGEMENT

Senior Management is responsible for ensuring that the enterprise risk management process is integrated with strategic planning processes and other management activities in accordance with this policy. Senior management sets the tone/environment for risk management, provides risk direction, monitors compliance with this policy, and ensures strategic, operational, financial and compliance risks are effectively identified, managed, and reported.

B. ETHICS AND COMPLIANCE MANAGEMENT PROGRAM COUNCIL (ECMPC)

The ECMPC meets regularly to review the status and progress of key risk metrics and priorities focusing on ethics and compliance.

C. FINANCE AND OPERATIONS (F&O) RISK WORKGROUP

The F&O Risk Workgroup is a standing subcommittee of the ECMPC. The Workgroup acts as a cross-functional team of subject matter representatives to identify, evaluate, and prioritize finance and operations risks across the University and to identify

responsibility for managing and mitigating those risks. The activities of the Workgroup are reported to the ECMPC regularly.

D. RISK SERVICES OFFICE

Risk Services is responsible for the following:

1. Leading the activities of the Finance & Operations Risk Workgroup;

2. Developing and maintaining a central list of key performance metrics for finance and operations risk reporting activities;

3. Managing and implementing the local General, Automobile and Employment Practices Liability and Professional Medical & Hospital Liability programs to reduce operational risk in these programs;

4. Overseeing all liability claims and providing assistance and direction to the third-party administrator with regard to determining liability and processing the loss;

5. Allocating liability insurance premiums, uninsured losses, and other risk costs.