

February 1, 2011

Mr. Jake McGuire  
Controller, Agriculture & Natural Resources  
University of California  
1111 Franklin St.  
Oakland, CA 94607-5200

Re: UC ANR Enterprise Risk Management Assessment

Dear Mr. McGuire:

We have enjoyed the opportunity to assist you with your enterprise risk management (ERM) program for the University of California, Division of Agriculture and Natural Resources (ANR) Research and Extension Centers (RECs).

Our Services were performed and this Report was developed in accordance with our engagement letter dated April 15, 2009 and is subject to the terms and conditions included therein. Our Services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through December 22, 2010. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report.

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with, University of California. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than University of California.

Sincerely,



Kristin D. Rivera

Partner

## **I. Background and Scope of Work**

PwC was asked to provide assistance with University of California's enterprise risk management (ERM) program for the University of California Division of Agriculture and Natural Resources (ANR) Research and Extension Centers. Specifically, PwC assisted ANR management in conducting workshops aimed at discovering and identifying compliance issues, capturing risk mitigation activities, identifying action plans, providing a forum to share risk mitigation activities and issues and serving as a platform for ongoing ERM activity.

PwC performed the following tasks as part of our preparation and planning for the engagement.

### Project Preparation

PwC advised and supported management in defining the scope of the project in the following areas: risk framework, REC operations, participants, desired outcomes and context of other UC ANR initiatives. During this process, we obtained an understanding of management objectives, shared leading practices, similar engagement experiences and industry knowledge to assist management in defining scope elements. PwC then assisted ANR management to develop a scope of work and project plan which governed the remainder of the project.

### Project Planning

PwC facilitated a management-led planning session with AVP Academic Programs & Strategic Initiatives and the Associate Director, REC. The goal of this session was to clarify management-determined short and medium term objectives with leadership. To complete this planning session, PwC visited one of the REC sites to gain an understanding of their operations. At the direction of management, PwC created a draft communication of project goals and activities, for distribution by management. During this process, PwC shared sample communication documents, leading practices, and similar engagement experiences to assist management in determining elements of initial communication project goals and activities.

## **II. Risk Identification Procedures**

To gain a better understanding of the key risks and risk mitigation procedures, PwC facilitated several workshops with REC Directors, Superintendents, Office Managers, and other stakeholders. The goals for each REC workshop were to identify key risks as defined by management and to identify future opportunities to share risk data across the centers.

### 1. January 23, 2009 Workshop – REC Directors

PwC facilitated a management-led two hour workshop focused on the following: defining risk universe, capturing risk data from REC directors, and identifying potential opportunities to share risk data. PwC conducted the workshop with 10 REC directors and other stakeholders (including Risk Services,

Personnel, and Environmental Health & Safety). The focus of the first workshop was mainly to identify and collect the entire population of risk factors. The four-hour workshop yielded strong discussion and results, producing over 450 summarized risk comments.

## 2. April 1, 2009 Workshop – REC Superintendents and Office Managers

PwC facilitated a management-led two hour online workshop with 25 stakeholders, including REC Superintendents and Office Managers in order to identify and collect the entire population of risk factors from their perspective. The workshop yielded strong discussion and results, producing over 340 risk comments.

## 3. July 2009 Online Survey – All REC Stakeholders

Following the two workshops, PwC in consultation with ANR management, Jake McGuire and Brian Oatman, analyzed the risk data collected from the stakeholders, which included approximately 800 individual comments. From these comments, 24 risk statements were developed that summarized and synthesized the comments from the workshop participants. PwC then further summarized these 24 statements into the following seven "risk themes":

- Funding
- Communication/Outreach
- Strategy
- Resources
- Staffing
- Research Quality
- Compliance

An online survey was prepared and distributed to the stakeholders to validate and rank the risk statements and accordingly, the risk themes. Survey respondents were asked to consider the likelihood, severity, financial cost, and reputational impact of each risk statement, and to identify any other hazards or issues that they felt could create a significant risk, but was not reflected in the risk statements. The results of the survey were used in subsequent risk mitigation activities

### **III. Risk Mitigation Activities**

To solidify PwC's understanding of ANR REC's risk, we performed procedures aimed at prioritizing risk data and collecting risk mitigation options for themed risks. PwC worked closely with GroupSystems (a consulting and software firm with expertise in facilitating collaboration through an interactive on-line tool) to organize and facilitate an online workshop session with the UC ANR management-selected stakeholders and an in-person workshop with UC ANR operational personnel in order to go through the top seven themed risk areas and identify potential risk mitigation actions.

#### 1. November 2, 2009 Director Online Workshop Sessions

PwC conducted and held an online session with the UC ANR management stakeholders to validate risk data via GroupSystems interactive online tool on November 2, 2009. There were a total of seven UC ANR directors who participated in the online two-hour session. The goal of the virtual workshop was to validate the data gathered in prior workshops and to arrive with the current best practices or potential ways of how to best mitigate the themed risks and collect participants' priority action items for risk exposures.

#### 2. November 4, 2009 Operational Personnel Live Workshop

PwC conducted and held a live workshop session with the UC ANR operational personnel to validate risk data on November 4, 2009. There were a total of twenty-seven UC ANR attendants who participated in the two-hour session. The main purpose of the live workshop was the same as the Directors' online session - to validate the workshop data and to arrive with the current best practices or potential ways of how to best mitigate the themed risks and collect participants' priority action items for risk exposures.

The participants of both workshops voted on the top seven themed risk areas and came up with 647 responses on how to mitigate those risks. PwC reviewed the data obtained from the online sessions above and prepared a risk mitigation analysis to be given to ANR key personnel in their desire to obtain an online searchable database/tool. PwC also facilitated ANR staff in their agreement on quick win and critical path action items.

### **IV. Project Output and Next Steps**

On March 19, 2010, PwC and ANR management jointly conducted an additional live workshop session with REC leadership to validate the output of the risk mitigation activities session. There were a total of six REC and ANR participants in the four-hour session. The main purpose of the workshop was to consolidate the data received from individual RECs during the workshops and to prepare a list of current best practices, as well as create a list of the potential activities that can be achieved in a short term and long term.

PwC assisted UC ANR management in summarizing 647 mitigation responses received in November workshops into 38 themed mitigation activities that were then discussed during the March 2010 workshop. The participants were asked to categorize the activities either as 'quick win' (easily achievable across the UC ANR group within six months) or long-term activity that needs to be further discussed with the senior management.

Approximately 70% of 'quick win' and 80% of long-term priority mitigation activities are already practiced across the organization, but are inconsistent. The participants agreed on next steps for each mitigation activity and assigned an owner. PwC discussed next steps with UC ANR management and key stakeholders to finalize the assessment and determine best practices of achieving the concluded objectives.

The following exhibits are attached:

Attachment 1	Risk and Mitigation Responses with Action Plan
Attachment 2	Risk and Mitigation Responses (Source Data)