

Office of the Secretary and Chief of Staff

TO MEMBERS OF THE COMPLIANCE AND AUDIT COMMITTEE:

ACTION ITEM

For Meeting of March 15, 2017

RESOLUTION TO REAFFIRM THE UNIVERSITY OF CALIFORNIA ETHICS AND COMPLIANCE PROGRAM

RECOMMENDATION

The Chair of the Compliance and Audit Committee recommends that the Committee recommend to the Regents that the following resolution be approved:

WHEREAS, the Regents of the University of California made the decision in May 2006 to establish a university-wide program of corporate compliance and established the new position of Senior Vice President – Chief Compliance and Audit Officer, an officer of the corporation, by amending the Bylaws and Standing Orders accordingly; and

WHEREAS, President Napolitano strongly endorses and recommends that the University of California have a robust ethics and compliance program; and

WHEREAS, the structure for an effective Ethics and Compliance Program for the University has been established and implemented; and

WHEREAS, voluntary adoption of such a program is considered a best business practice that will serve to enhance the public trust and meet the expectations of the Regents and external stakeholders by demonstrating the Regents' commitment to good stewardship of federal, state and private resources; and

WHEREAS, the ethics and compliance program, in partnership with the campuses, has implemented an effective Ethics and Compliance Program that includes but is not limited to the following requisite elements:

1. Written standards of conduct as well as appropriate policies and procedures;
2. Program oversight is guided by the Regents Committee on Compliance and Audit and the Senior Vice President – Chief Compliance and Audit with the primary management responsibility for the campus ethics and compliance activities assumed by the Chancellors and delegated to the Campus or Medical Compliance Officer, as appropriate. Advice on compliance

matters and risk mitigation activities will be provided by the campus risk committee and UC Ethics and Compliance Risk Council

3. Development and implementation of regular, effective education and training programs, as well as mandated education such as sexual harassment prevention, cybersecurity, conflicts of interest, ethics and compliance, and other areas of concern,
4. Effective communication and processes maintained for reporting of potential and/or perceived compliance issues or improper governmental activities with timely responses while allowing the complainant to remain anonymous and free from retaliation;
5. Development and maintenance of compliance systems and controls that can be objectively assessed monitored and audited for effectiveness;
6. Assurance that management is enforcing appropriate disciplinary action for those who have violated University policies, procedures or applicable legal requirements; and
7. Assurance that management is taking appropriate corrective action and remedial measures when problems are identified to resolve and prevent reoccurrence of those issues; and

WHEREAS, the Senior Vice President – Chief Compliance and Audit Officer and the Office of Ethics, Compliance and Audit Services are primarily responsible to assure that campus responsibilities are executed related to ethics and compliance matters and to assess and monitor that campus compliance systems and controls are effective; and

WHEREAS, the ethics and compliance program infrastructure includes a broad cross-section of stakeholders from all University locations and specific risk areas; and

WHEREAS, performance metrics continue to assess and evaluate identified risks and the operation of related compliance systems to ensure rules, regulations, Regental and UC policies and other compliance requirements are met; and

NOW, THEREFORE, BE IT RESOLVED, that the Regents of the University of California do today approve and re-affirm the structure of the UC Ethics and Compliance Program as originally established in May 2006.

BACKGROUND

The Regents created the role of Senior Vice President (SVP) – Chief Compliance and Audit Officer as a corporate officer reporting directly to the Regents through the Committee on Compliance and Audit in May 2006 with the intent that a comprehensive ethics and compliance structure would be developed under this leadership role. In October 2007, the Regents appointed Sheryl Vacca as the first Chief Compliance and Audit Officer to the SVP position.

Upon arrival, Ms. Vacca consulted with the Regents and University leadership to identify major risk areas for initial focus. Insight and information gained from this process provided a foundation for understanding the complexity and scope of the University as well as the many regulatory requirements that govern its operations and led to the eventual adoption of a compliance and ethics structure and program for the University of California. UC's first SVP, Chief Compliance and Audit Officer left the University after nine years of exemplary service. In November 2016, the Regents approved the appointment of John Lohse as Interim SVP, Chief Compliance and Audit Officer until a permanent replacement is identified and approved by the Regents.

The Department of Health and Human Services and other federal funding agencies have outlined program guidance on the structure of an effective ethics and compliance program based on the Federal Sentencing Guidelines. This program guidance lists the seven elements that should be contained in a compliance program and these seven elements are identified in the language of the Regents resolution. Since UC is a recipient of significant federal, State, and private research dollars, it was determined in 2008 that this federal guidance would be used as the foundation for the establishment of the UC Ethics and Compliance Program.

The structure of the ethics and compliance program acknowledges the size and complexities of the University of California and takes into account the need for a university-wide approach sufficient to address these complexities. Respect for the individual and unique culture of each UC location, while providing a venue for communication and leveraging best practices within the UC system, are important aspects of the program structure. Upon approval by the Regents in 2008, the original program plan and structure were implemented at all UC locations. In the subsequent years, all UC locations worked to identify performance metrics for the University and develop each element of the program. The Ethics and Compliance Program communicated performance metrics related to high-risk areas to the Regents' Compliance and Audit Committee. An updated description of the Ethics and Compliance Program is described in further detail in the attached document, "University of California Ethics and Compliance Program Plan."

The Federal Sentencing Guidelines require that a governing board be "knowledgeable about the content and operation of the compliance and ethics program." For that reason, this resolution and continued affirmation of the compliance and ethics program and its structure is to be presented at a meeting of the Compliance and Audit Committee. Following this presentation, it is requested that the Compliance and Audit Committee recommend to the Regents that it approve and re-affirm the Ethics and Compliance Program by approving the resolution.

[Attachment: University of California Ethics and Compliance Program Plan](#)