



CIECI 2009 Best Practices Forum

LeAnne Stewart, SVP, CFO and Chief Compliance Officer | October 9, 2009

Risk Assessment and Mitigation

GRANITE



Risk Assessment

Allows entity to understand extent to which potential events might impact objectives

- Assesses risks from two perspectives—likelihood and impact
- Employs combination of qualitative and quantitative methodologies

Risk Response

- Identifies and evaluates responses to risk—assume, avoid, mitigate, transfer or some combination
- Evaluates options relative to:
 - entity's risk appetite
 - cost vs. benefit
 - extent to which response will reduce impact and/or likelihood



Control Activities

Policies and procedures to ensure risk responses are properly executed

- Occur throughout organization—all levels and functions
- Effectiveness monitored/audited for compliance
- Routinely challenged for effectiveness as well as efficiency

The Process

- Survey management for identification of risks—
questionnaires, interviews
- Quantify, assess and prioritize risks
- Identify methods of risk mitigation
- Assess effectiveness of
mitigation programs



Example

- Risk: Contracting with the government—antitrust issues, affirmative action/DBE issues, corporate political activity, etc.
- Controls: Code of Conduct, Compliance Program, Compliance Training, etc.
- Monitoring: Compliance Hotline, Internal Audit, etc.

Final Thoughts

- Risk Management becoming more expected by: Boards of Directors, rating agencies, lending institutions, etc.
- Process should occur on a periodic basis (every 3 years), but in reality is an on-going process as entities work in an ever changing marketplace



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