


CSUF ASC POLICY AND PROCEDURES		Dept: ASC BUSNISS FINANCIAL SERVICES
Section: RISK MANAGEMENT –RM 360		No: RM 360
Approved by: Chief Financial Officer, TARIQ MARJI		Date: 8/14
Subject: Project Risk Assessment & Evaluation		

RM 360.1: PURPOSE

The CSUF ASC practices effective risk management to help minimize the adverse effects of actual and potential losses by either preventing such losses from occurring, or financing the recovery of any losses that do occur. The purpose of this process is assisting key employees in identifying events that create uncertainty, and providing direction and guidance for recovery actions when an undesirable outcome occurs.

RM 360.2 SCOPE

The ASC Project Risk Assessment & Evaluation policy encompasses all administration divisions, commercial services, grants & contracts and other ASC business entities. The risk assessment should be used in the development stage of every project to assess the potential impact on the unit and the enterprise.

RM 360.3 DEFINITIONS

ASC practices an Enterprise Risk Management (ERM) method that identifies, measures and manages the various risks that threaten the ASC’s mission, goals and objectives, while prudently managing the unexpected. Important risk factors to consider are:

Strategic Risk

Strategic risk refers to the risk in major investments for which there is a significant uncertainty about success or profitability, such as entering new markets.

Reputation Risk

Reputation risk is the risk that stakeholders, suppliers, grant agencies and/or regulators may decide that the organization has a bad reputation and decide not to do business with ASC.

Compliance Risk

Compliance risk refers to the legal and regulatory requirement ASC needs to comply with to insure the continuation of State and Federal support.

Financial Risk

Financial Risk is the risk associated with financing, including financial transactions that include loans in risk of default.

Operational/Tactical Risk

Operational/tactical risk is the risk of loss from inadequate systems, management failure, faulty controls, fraud, human error, and similarly related issues.

RM 360.4 THE PROCESS OF RISK MANAGEMENT

The risk management process involves determining risk tolerance, identifying exposure, quantifying the level of exposure, developing a suitable strategy, and monitoring and evaluating the effectiveness of the strategy.

1. Risk Tolerance

In general, ASC is averse to risk. The management team strives to avoid risk by not engaging in businesses or practices which contain unacceptable risk levels. In cases where risk is unavoidable, best efforts are made to transfer the risk through insurance, or to contractually transfer risk by requiring the risk be borne by another party.

2. Identifying Potential Exposures

Risk exposure in all areas must be identified clearly, both in terms of its likelihood (probability of occurrence) and in its potential impact on the individual unit and enterprise. Below are the categories for both probability and impact:

Probability Categories

Severe Risk	-	Very Likely
High Risk	-	Likely
Medium Risk	-	Could happen
Low Risk	-	Unlikely

Impact Categories

Severe Risk-	Failure that involves significant impact on the ASC and its ability to meet its objectives.
High Risk-	Failure that involves significant impact on the ASC, as well as involves an entire reworking, modification or reexamination of the project or unit.

Elevated Risk- Failure or delay that causes extra work and/or reevaluation of a project, or unit, but is containable.

Minor Risk- Failure that has some effect, causing reworking or reassessment, but is manageable.

3. Quantification of Exposure

Once the exposure is identified, it must be measured and assessed both quantitatively and qualitatively. Each segment in the potential exposure categories above is assigned a number from 1 to 4, where 1 is a minor risk and is unlikely to happen, and 4 is severe risk and very likely to happen.

The structure of the quantitative process is described below:

Probability Categories

Description		Prob	Scale Value
Severer Risk	Very Likely	65-80%	4
High	Likely	>65%	3
Medium	Could happen	25-65%	2
Low	Unlikely	<25%	1

Risk Category

Severer Risk		
High Risk		
Elevated Risk		
Minor Risks		

Impact Categories

Description	Guide	Scale Value
Severer Risk	Failure that involves significant impact on the ASC and its ability to meet its objectives	4
High Risk	Failure that involves significant impact on the ASC, as well as involves an entire reworking, modification or reexamination of the project or unit	3
Elevated Risk	Failure or delay that causes extra work and/or reevaluation of a project, or unit, but is containable.	2
Minor Risks	Failure that has some effect, causing reworking or reassessment, but is manageable.	1

4. Development & Implementation of Risk Management Strategy

If the risk cannot be avoided or transferred via insurance, or contractually transferred to a third party, the ASC's practice is to mitigate the risk by setting appropriate controls to limit potential exposure.

5. Monitor & Evaluate the effectiveness of the Strategy

The risk assessment chart should be reviewed and adjusted as risk factors change over time. A time-specific action plan should be developed and monitored with the project director, and the CFO or CEO, to determine the proper course of action.