



FLORIDA A&M UNIVERSITY  
**ENTERPRISE RISK  
MANAGEMENT**  
DIVISION OF AUDIT

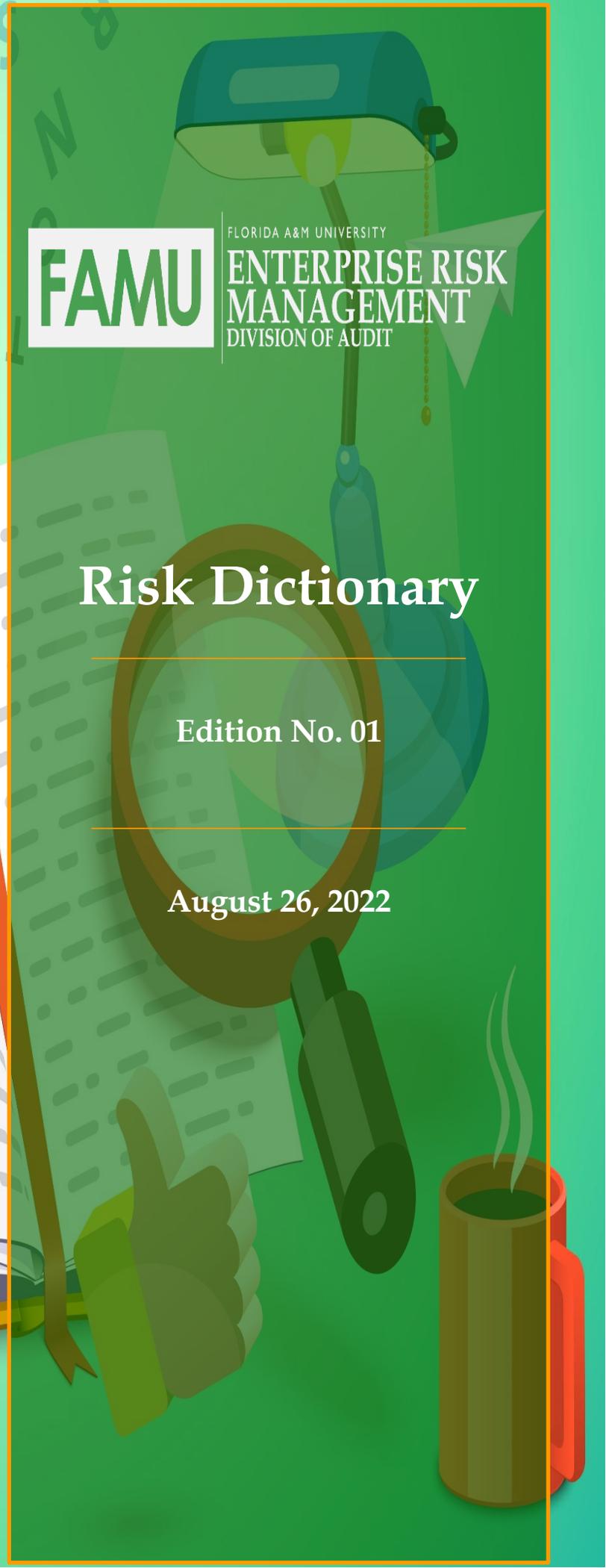
# Risk Dictionary

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## Enterprise Risk Management – Risk Dictionary

<b>Consequence</b>	The affect upon the institution when a risk becomes a reality. An example of a consequence is “the loss of a significant asset.” The risks leading to that particular consequence could be fire, theft, negligence, etc. An organization has no ability to directly manage a consequence, but can manage the cause-based events that lead to the consequence.
<b>Control</b>	A process effected by our Board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to identified risks. Actions or activities that minimize the frequency or severity of conditions or events that threaten the objectives of the enterprise (see also mitigation).
<b>Control Environment</b>	Encompasses the tone of an organization, and sets the basis for how risk is viewed and addressed by an entity, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which the organization operates.
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>Cost of Risk</b>	The financial impact of an organization from undertaking activities with an uncertain outcome. The cost of managing risks and incurring losses.
<b>Enterprise Risk Management (ERM)</b>	Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
<b>Enterprise-Wide Risk Assessment</b>	Evaluation of primary risks based upon impact, likelihood, and control effectiveness that uses input from Risk Owners from across the University.
<b>Event</b>	An incident or occurrence, from sources internal or external to an entity that affects achievement of objectives.
<b>Framework</b>	A framework is a real or conceptual structure intended to serve as a support or guide for the building of something that expands the structure into something useful.
<b>Impact</b>	Result or effect - there may be a range of possible impacts associated with an event. The impact of an event can be positive or negative relative to the entity's related objectives.



<b>Impact and Likelihood</b>	Result or effect of a risk and the possibility that it will occur. There may be a range of possible impacts associated with an event. The impact can be financial and/or reputational.
<b>Inherent Risk</b>	The risk in the absence of any actions management might take to alter either the risk's likelihood or impact.
<b>Monitoring</b>	The entirety of risk management is monitored and modifications are made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both.
<b>Opportunity</b>	The possibility that an event will occur and positively affect the achievement of objectives.
<b>Probability</b>	The likelihood that a risk will become a reality.
<b>Residual Risk</b>	The remaining risk after management has acted to alter the risk's likelihood or impact.
<b>Risk</b>	The possibility or uncertainty of an event occurring that will impact the achievement of objectives, positive or negative. The effect could be a detriment or an opportunity related to the objective. Risk is measured in terms of impact and likelihood.
<b>Risk Acceptance</b>	The decision to accept the consequences and likelihood of a risk.
<b>Risk Acceptance</b>	The decision to accept the consequences, impact, and likelihood of a risk. No action is taken to affect risk likelihood or impact.
<b>Risk Analysis</b>	A process of identifying, describing and measuring the risks associated with different courses of action in order to inform the decision-making process.
<b>Risk Appetite</b>	An organization's tolerance for risk; the amount of risk an organization is willing to accept in pursuit of its mission/vision.
<b>Risk Assessment</b>	The consideration of the extent to which potential events have an impact on achievement of objectives. Assessment is done from two perspectives; likelihood and impact. Includes positive and negative impacts of potential events. Risks are assessed on both an inherent and a residual basis.
<b>Risk Avoidance</b>	Avoiding the activities giving rise to risk.



<b>Risk Categories</b>	<p>Assists in sorting and organizing; examples include:</p> <p><b>Strategic:</b> Exposure to uncertainty related to long-term policy directions of the institution—the “big picture” risks.</p> <p><b>Financial:</b> Exposure to uncertainty regarding the management and control of the financial resources and physical assets of the institution.</p> <p><b>Operational:</b> Exposure to uncertainty related to day-to-day business activities.</p> <p><b>Reputational:</b> Exposure to uncertainty related to brand, perceived value, organizational status, and public perception and trust. Employee and educational integrity and a clear statement of the ethics and moral values emanating from the top are important components of this risk.</p> <p><b>Compliance:</b> Includes external regulatory agencies, internal and external reporting, financial and non-financial information.</p>
<b>Risk Control</b>	<p>The technique of minimizing the frequency or severity of losses by any number of means such as training, safety and security measures, a regulation, policy, or procedure.</p>
<b>Risk Estimation</b>	<p>The use of a tool or system (quantitative or qualitative) to determine probability of occurrence and consequences of risks.</p>
<b>Risk Evaluation</b>	<p>Comparing the results of Risk Estimation to established criteria for the purpose of determining the significance of risks and whether to accept them or treat them (see also Risk Mitigation and Avoidance).</p>
<b>Risk Financing</b>	<p>The mechanisms for funding risk mitigation strategies and/or funding the financial consequences of risk (i.e., insurance).</p>
<b>Risk Identification</b>	<p>The determination of risks that are material; i.e., that potentially can impact the achievement of objectives.</p>
<b>Risk Management</b>	<p>Coordinated activities to direct and control an organization with regard to risk.</p>
<b>Risk Management Plan</b>	<p>Specifies the issues, approach, management component and resources to be applied to the management of risk.</p>
<b>Risk Management Policy</b>	<p>Statement of the overall intentions and direction of an organization related to risk management.</p>
<b>Risk Mapping</b>	<p>The visual representation of risks (which have been identified through a risk assessment exercise) in a way that easily allows priority ranking them.</p>



<b>Risk Matrix</b>	Tool for ranking and displaying risks by defining ranges for probability and impact (or consequence and likelihood).
<b>Risk Mitigation</b>	Actions which reduce a risk or its consequences (see Risk Strategies).
<b>Risk Owner</b>	A risk owner is the individual or unit who will take the lead in developing and executing a mitigation activity plan. Additionally, the risk owner is also responsible for communication progress to senior management.
<b>Risk Portfolio</b>	A list of risks identified and evaluated by an organization (also called Risk Register) that represent our portfolio of risks at a certain time.
<b>Risk Prioritization</b>	The ranking of material risks on an appropriate scale, such as frequency and/or severity (see also Risk Mapping).
<b>Risk Reduction</b>	Action is taken to reduce risk likelihood or impact, or both. Measures to reduce the frequency or severity of loss.
<b>Risk Register</b>	A compilation of risk assessment results (also called Risk Portfolio).
<b>Risk Reporting</b>	Publishing information on risks to internal or external stakeholders.
<b>Risk Response</b>	Management selects risk responses-avoiding, accepting, reducing or sharing risk-developing a set of actions to align risks with the entity's risk tolerances and risk appetite.
<b>Risk Retention</b>	Acceptance of the potential benefit of gain, or burden of loss, from a particular risk.
<b>Risk Sharing</b>	Reducing risk likelihood or impact by transferring or otherwise sharing a portion of the risk.
<b>Risk Strategies (see Risk Mitigation)</b>	Possible responses to risk situations such as: Avoidance, Acceptance, Sharing, Reduction.
<b>Risk Tolerance</b>	The acceptable variation relative to the achievement of an objective.
<b>Risk Treatment</b>	The process of selecting and implementing measures to modify the risk.
<b>Silo</b>	Describes divisions, departments or other groups and individuals in organizations that tend to act in isolation.
<b>Stakeholder</b>	Person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

