Identifying Risk

A risk is anything that could jeopardize the achievement of an objective. For each of the department’s objectives, risks should be identified by asking the following questions:

- What could go wrong?
- How could we fail?
- What must go right for us to succeed?
- Where are we vulnerable?
- What assets do we need to protect?
- Do we have liquid assets or assets with alternative uses?
- How could someone steal from the department?
- How could someone disrupt our operations?
- How do we know whether we are achieving our objectives?
- On what information do we mostly rely?
- On what do we spend the most money?
- How do we bill and collect our revenue?
- What decisions require the most judgment?
- What activities are most complex?
- What activities are regulated?
- What is our greatest legal exposure?

It is important that risk identification be comprehensive, at the department level and at the activity or process level, for operations, financial reporting, and compliance objectives. Both external and internal risk factors need to be considered.

Below are some types of transactions that may pose higher risks to departments/colleges:

- Petty cash (if high volumes are processed)
- Assets with alternative uses
- Cash Receipts
- Payments for Services
- Travel Expenditures
- Scholarships
- Payments to Non-Vendors
- Purchase exemptions (sole source)
- Payroll (rates, changes, terminations)
- Equipment (including items moved off-location or delivered directly to department)
- Software licensing issues
- Intellectual property
- Confidential information
- Grants (meeting terms, not overspending)

These are transaction types that deserve a conscious risk review.
Identifying Risk

When evaluating the potential impact of risk, both *quantitative* and *qualitative* costs need to be addressed.

**Quantitative** costs may include the cost of:

- Property, equipment, or inventory
- Cash dollar loss
- Damage and repair costs
- Cost of defending a lawsuit

**Qualitative** costs can have wide-ranging implications to the University.

These costs may include:

- Loss of public trust
- Loss of future grants, gifts and donations
- Injury to the school's reputation
- Increased legislation
- Violation of laws
- Default on a project
- Bad publicity
- Decreased enrollment