



RIMS-CRMP

RIMS-Certified Risk Management Professional

RIMS-CRMP Examination Study Guide

Certification Programs

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Introduction

Thank you for your interest in the RIMS Certified Risk Management Professional (RIMS-CRMP) examination administered by RIMS, *the risk management society*™.

In order to qualify for the RIMS-CRMP examination, you must meet the eligibility requirements detailed in the Candidate Handbook, and listed on the RIMS-CRMP website. The Candidate Handbook provides detail on eligibility requirements, examination logistics, recertification requirements, the Code of Ethics and additional policies. The Candidate Handbook is available on the RIMS website at:

https://www.rims.org/certification/Documents/RIMS-CRMP_Handbook_2018.pdf

The purpose of this document is to serve as a study guide for anyone who is taking the RIMS-CRMP certification examination. It is not intended to replace any textbook or other resources you need to prepare for the examination, and using this guide does not guarantee that you will pass the examination. The study guide is divided into two sections. The first section deals with the background of the CRMP designation and provides guidance on the process of studying, taking examinations, and what to expect at the testing centers.

The second section summarizes five core competencies of a risk professional:

1. Analyzing the Business Model
2. Designing Organizational Risk Strategies
3. Implementing Risk Process
4. Developing Organizational Risk Competency, and
5. Supporting Decision Making.

It then reviews each of the core competencies based on five review components:

1. Learning objectives
2. Examples
3. Recommended reading
4. Self-assessment of content areas, and
5. Sample exam questions

The study guide concludes with a glossary of terms and bibliography.

Section 1 - Background and Process

About the RIMS-CRMP Certification

As the preeminent organization dedicated to advancing the practice of risk management, RIMS is a global not-for-profit organization representing more than 3,500 industrial, service, nonprofit, charitable and government entities throughout the world. Founded in 1950, RIMS brings networking, professional development and education opportunities to its membership of more than 11,000 risk management professionals who are located in more than 60 countries.

The RIMS-CRMP certification distinguishes the achievement of validated risk management competencies of an effective risk management professional. The RIMS-CRMP is based on a job task analysis completed by dozens of experienced risk management experts. It has been statistically and psychometrically validated by a global representation of RIMS members. Achieving the RIMS-CRMP credential represents a unique combination of experience, demonstrated knowledge and competency in risk management, and dedication to upholding high standards of ethical and professional conduct. Individuals who earn and retain the RIMS-CRMP certification are required to: attest to the certification requirements through an application, provide supporting documentation, pass a rigorous exam, uphold an established Code of Ethics and meet continuing education requirements in order to maintain the certification. Typically RIMS-CRMPs have expertise in a specific field of risk management and want to differentiate themselves as an acknowledged professional by earning the RIMS-CRMP certification.

RIMS-CRMPs may use the credential to establish credibility within their organizations, among other professionals and with the public. Adding the RIMS-CRMP certification to your professional profile demonstrates that you have achieved a high level of competency through validated expertise, education and experience to successfully manage risk and create value for your organization. So how do you begin?

Study Strategies

People review and process information in different ways. Some individuals find memorization easy, while others sort facts into a contextual framework. The RIMS-CRMP examination requires that you know factual data and use the information in decision-making and in problem-solving situations.

Learning styles differ. Some individuals prefer to study alone, while others prefer a study partner or study group. Discussing information with a partner or in a group can help clarify, process and integrate information. Some individuals learn better by hearing information, while others learn better by reading or writing information.

Research methods vary. How do you tackle unfamiliar topics? If you hear about something exciting and want to learn more, how do you go about finding information? Do you read about it, take a class, call an expert and ask for a demonstration, or purchase equipment and teach yourself? Some prefer one method over another. For example, if you chose to ask an expert, then you may prefer a hands-on approach where you can safely experiment (trial and error) and get input and feedback from someone knowledgeable in that area. Others choose a combination of methods. For example, you can attend courses, view webinars that can be repeated, highlight texts or write flash cards that can be reviewed.

Study groups can drive accountability. Whoever leads the group may utilize this study guide and/or additional resources. A group of people can talk through ideas, provide examples and support each other in their learning endeavors.

Formulate a study strategy and schedule sufficient time to prepare. You are the best judge of your study preferences, so use what works best for you.

Approaches to Memory and Retention

This section outlines some tips for memorization and retention. While the RIMS-CRMP examination is not based on “rote-learning” and memorization, using these types of techniques can prove effective to remember and recall pertinent concepts and facts. These techniques may help in preparing for this exam, as well as help you for other learning purposes.

Memorization and recall is a key component of studying. While you may already possess the practical knowledge, recalling it during a time of stress may prove challenging.

One key strategy to recalling information is to self-test. As you compile and address content areas from the exam, a theory called “the testing effect” shows that learning is enhanced by the act of recalling information after exposure (Dobson, J.L. and Linderholm, 2015). This simply means that by reading information, recalling and reviewing as much as possible (self-test) and then re-reading the information, retention was found to be greater than just reading and taking notes.

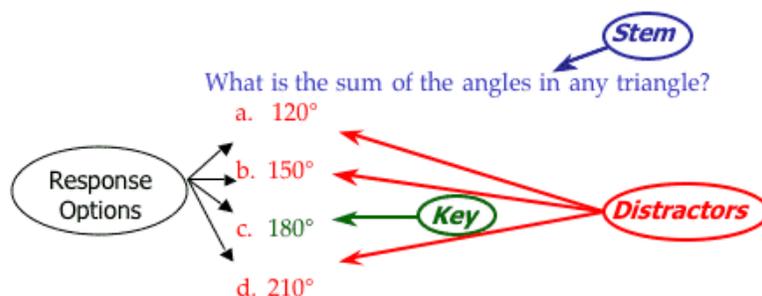
Other techniques associated with recalling information are:

- 1. Get organized.** Organize notes according to domain and content area. Find a quiet, uncluttered space in which to study. If you are studying in a group, make sure the group space is free from distractions from outside noise, chatter and clutter.
- 2. Make it meaningful.** Create mnemonic devices to help recall formal names of concepts. Various types of devices include rhyming (I before E except after C...), names (ROY G BIV = colors of the rainbow), or notecards. It’s also best, when possible, to relate a concept to a personal experience. If personal experience is attached, the concept holds more meaning therefore it may be recalled more readily.
- 3. Don’t cram.** Spread studying out over several days or weeks. Study in chunks of time. Do not spend three, four, or five consecutive hours studying. Take frequent breaks (every 20-25 minutes) to refresh and recuperate.
- 4. Take notes and create flashcards.** While most people have a laptop at their disposal, research shows that taking notes by hand is better than taking notes on a laptop for remembering conceptual information over the long term (Mueller, P.A. and Oppenheimer, D.M. 2014). The old-fashioned method of taking notes by hand forces you to synthesize information in ways that typing doesn’t.
- 5. Get enough sleep.** The right amount of sleep aids in better performance, mental agility and wards off stress. The brain converts facts from short-term memory into long-term memory while sleeping.

Strategies for Analysis of an Exam Question

All questions on the RIMS-CRMP examination are in the four-choice multiple-choice item type format. This item format consists of a stem, which is in the form of a question or incomplete statement, and four response options. Only one of the response options correctly answers the stem (the key); the other three options are incorrect (the distractors). When responding to the questions on the RIMS-CRMP examination; you select ONLY one of the response options. Figure one depicts a generic labeled example of a four-choice multiple-choice item. (Please note, this item is only representative of the format of the item and DOES NOT represent the content on the RIMS-CRMP examination.)

Figure 1
 Generic Labeled Example of a
 Four-Choice Multiple-Choice Item



The questions on the RIMS-CRMP examination may vary in complexity. Some questions ask you to recall information (such as, “What is X?”) and some questions require you to apply knowledge in order to select the most appropriate response or action given the situation in the stem. When responding to each question, you should always select the BEST option. You should also pay close attention to the words in the stem, to determine what the question is truly asking, as the question may be asking what MUST be done or what is MOST commonly done vs. what CAN be done.

Each question on the exam is written so that all four answers are plausible. If this was not the case, and the incorrect answers were implausible, then your knowledge would not be effectively measured. The exam does not use “trick” questions. Instead you must either know the data or be able to effectively apply the data in a decision-making process to choose the BEST answer.

All questions and answers are referenced to a recognized and accepted textbook or resource. Each question has been reviewed by a number of experienced professionals in the field who agree on the correct answer. In addition, a substantial amount of empirical data has been collected on each question to assure that it performs appropriately and effectively. The four answers presented may not agree with your individual interpretation of the material. Regardless, it will be necessary to choose one of the four answers provided as the best answer.

Being familiar with how test items are constructed may help when analyzing a question or choosing a correct answer if stuck. More information about how multiple choice items are developed can be found here:

<https://cft.vanderbilt.edu/guides-sub-pages/writing-good-multiple-choice-test-questions/>

General Strategies for Taking the Exam

Prior to the exam:

Prepare for the multiple-choice exam by employing a variety of test-taking strategies. These strategies do not guarantee passing the exam, but they will give insight as to how you can interpret questions and evaluate information:

Test strategies:

- Read the directions carefully.
- Know how much time is allowed (this governs your strategy).
- If time allows, review both questions and answers. It is possible to misread questions the first time.

Answering options:

Improve your odds by thinking critically. Cover the options, read the stem, formulate an answer, and select the option that most closely matches your answer. Strategies for answering difficult questions include:

1. Eliminate options you know to be incorrect.
2. Give each option of a question the “true-false test.” This may reduce your selection to the best answer.
3. “Eliminate look alike options.” Choose the best answer but disregard choices that mean basically the same thing, and thus cancel each other out.
4. If two alternatives seem correct, compare them for differences, then refer to the stem to find your BEST answer.

Remember that you are looking for the best answer not only a correct one, and not one that must be true all of the time, in all cases, and without exception.

Test Preparation Strategies

References provided throughout the review section do not constitute a required reading list. The important topics that you should study to successfully prepare for the examination are listed in the examination blueprint of core competencies found elsewhere in this guide. You are strongly encouraged to carefully review the examination blueprint to identify topic areas that may require extra review and study.

Moreover, learning objectives and examples provided in this guide have been developed independently of the examination questions. Rather than representing an exhaustive list of learning objectives or examples, their use is meant to create a starting point for you to think about the concepts in a way that not only helps you retain information to take a test but also to understand the competency areas you want to focus on.

As you prepare for the RIMS-CRMP certification examination, use the examination blueprint to build your study plan. The blueprint contains the major competency areas on the exam, and the percentage of the exam each competency area represents. You can decide what you want to read and study based on your current experience and knowledge about risk management to determine how much preparation is required for each topic area of the examination.

Ask yourself these questions:

- Which competency areas represent the greatest number of test questions? The greater the number of possible questions on the exam, the more focus you may need on these topics to prepare.
- How much time do you need to focus on these areas to prepare for the exam versus other areas? For example, if there is only one question on a specific item, it would not make sense to spend 50% of your study time on that topic.
- How do your current knowledge and skills compare to the competency areas of the exam? Are you strong in some, but weak on others? Making this assessment will help you budget your study time.
- How much training or work have you done in the areas on the exam? If you have had extensive training and/or experience in a specific area, you may decide that your focus should be on the areas that are less familiar to you.

Your analysis of the examination blueprint and your answers to the questions above will help you determine where you need to spend your study time. Once you are ready (or have prepared as much as you can) and have received confirmation that your application for the RIMS-CRMP was approved, you should schedule an appointment at an approved testing center to take the examination.

What to Expect at the Testing Center

Preparing for the day of the exam:

- Find the test location before test day. Allow for extra time for unforeseen events such as traffic.
- If you have considerable distance to travel, consider arriving the day before.
- Get a good night's rest.
- Eat a well-balanced meal prior to reporting to the exam site. Avoid excessive stimulants such as caffeine.
- Plan to arrive at the exam site at least 30 minutes prior to your appointment to allow plenty of time for registration and processing.

What you will need to bring:

Authorized candidates who are taking the RIMS-CRMP examination at a Pearson VUE testing center will be required to provide two forms of valid identification (ID). A primary ID must contain a photo and signature, and one secondary ID must contain a signature. The first and last name used to register must match exactly the first and last name on both of the IDs that are presented on test day.

Acceptable Forms of Primary ID	Acceptable Forms of Secondary ID
<ul style="list-style-type: none"> • International Travel Passport • Driver’s license • Military ID (including spouse & dependents) • Identification card (national/state/province identity card) • Alien registration card (green card, permanent resident, visa) • Local language ID (not in Roman characters) – accepted only if issued from the country the candidate is testing in 	<ul style="list-style-type: none"> • Any ID containing at least name and signature, or name and recent recognizable photo that meets above ID requirements

* The primary ID must contain a photo and signature unless the signature is embedded in the identification. When this occurs, the candidate must present another form of signature identification from either the primary or secondary list, e.g., a passport AND a government-issued driver’s license OR state/national identification card with photo and valid signature AND signed credit card.

Please check the Pearson VUE website when scheduling an appointment to determine if there are additional instructions regarding identification requirements at the chosen test center. If you have any questions about the ID you are required to bring with you to the testing center for admittance for your exam, please contact Pearson VUE customer service at www.pearsonvue.com/contact.

During the exam:

The Test Administrator will keep the official time and ensure everyone is given the allotted time of two hours for the examination. If anyone leaves the room, for example, to take a restroom break, the examination time will not stop. Proctors will monitor the exam.

- Read and follow the instructions carefully. Ask the proctor for clarification if you are not sure about the instructions. Remember, the proctors cannot and will not answer questions related to exam content.
- Periodically check your progress. This will allow time for you to make adjustments.
- You may go back to review any items, so mark questions you wish to review if time permits.
- Pay attention to reminders of the time you have left to finish the exam.

If you have questions or concerns about a test item during the examination, you may leave a comment by clicking the “comment” button on the computer screen.

Rules at the test center:

No one is permitted to leave the examination area to go to a car, to speak to anyone, or to make personal calls. The Test Administrator may dismiss an individual from the examination for any of the following reasons:

- If admission to the examination is unauthorized.
- If the individual creates a disturbance or gives or receives help.
- If the individual attempts to remove examination materials or notes from the testing room.
- If the individual attempts to take the examination for someone else.
- If the individual has in his or her possession any prohibited item.
- If the individual exhibits behavior consistent with memorization or copying of examination items.

All examination questions are copyrighted property of RIMS. It is forbidden under applicable copyright laws to copy, reproduce, record, distribute, display or share these examination questions by any means, in whole or in part. Doing so may subject you to severe civil and criminal penalties and actions by the RIMS organization.

If the exam is computer-based, results (pass/fail by domain) may be provided to you before you leave the test center. Otherwise, you will be notified post-exam. Timing of notifications may vary.

To view a short video of test-taker tips and what to expect at the test center, go to:

<https://www.youtube.com/embed/gJF4jkkXhaU?rel=0&enablejsapi=1>

Section 2 - Examination Blueprint and Review Components

Summary of Examination Blueprint

Table 1 depicts the five domains — also referred to as core competency areas — and some of the key duties and tasks associated with each domain. The columns on the right side of the table show the percentage weight each domain has within the overall exam, and each task within each domain have based on the number of potential exam questions. The weighting will help you prioritize study time and identify opportunities for personal improvement. For example, the domain of “implementing risk process” represents slightly over a third of the exam, and its six duties and tasks are almost equally weighted. On the other hand, the domain of “analyzing the business model” represents 15% of potential exam questions, and of its seven duties and tasks, three are more heavily weighted: obtaining internal organizational information, analyzing operations, and understanding value chain.

Table 1
Domains and Key Duties

Duties and Tasks	Average % on Exam	
	Domain	Task
A. Analyzing the Business Model	15%	
A.1 Obtain internal organization information		3%
A.2 Obtain external information about organization		1%
A.3 Consolidate organizational information		2%
A.4 Analyze operations of the organization/due diligence		3%
A.5 Conduct benchmarking		1%
A.6 Describe and/or understand organization's value chain		3%
A.7 Identify organizational uncertainties		2%
B. Designing Organizational Risk Strategies	17%	
B.1 Develop risk strategy approach		3%
B.2 Define organizational risk competency capabilities		2%
B.3 Define success measures		2%
B.4 Design risk governance		2%
B.5 Design implementation plan		2%
B.6 Develop risk communication strategy		3%
B.7 Obtain organizational support for risk strategy		3%
C. Implementing Risk Process	35%	
C.1 Identify risks		6%
C.2 Analyze identified risk		6%
C.3 Evaluate risk		6%
C.4 Consult and create risk solutions		6%
C.5 Monitor risk		5%
C.6 Advise on risk management (e.g., strategic, enterprise, operational, business area, business initiatives)		6%
D. Developing Organizational Risk Competency	16%	
D.1 Deliver risk training		3%
D.2 Engage organization's risk network (e.g., safety, security, business continuity, internal audit)		3%
D.3 Coach organization on the risk process and techniques		3%
D.4 Continuously improve risk management process		3%
D.5 Integrate risk management into day-to-day operations		4%
E. Supporting Decision Making	17%	
E.1 Influence risk-based decision making		8%
E.2 Facilitate risk discussions		9%
Total	100%	100%

For review purposes, the domains may be viewed as sequential where competencies in one domain are needed to demonstrate competencies in the next domain. For example, you could say that you

“Analyze the business model” so that you can

“Design organizational risk strategies” so that you can

“Implement risk process” so that you can

“Develop organizational risk competency” so that you can also

“Support decision making” throughout the organization.

In reality, competencies in one domain reinforce competencies in each of the other domains. For example, the competencies within the decision-making domain strengthen the first domain of competencies regarding (on-going) analysis of the business model. In fact, in a dynamic business context, changes in the decision making domain could result in competency refinements within any or all of the other domains.

Figure 2 is a graphical representation of domains within the RIMS-CRMP competencies reinforcement loop. Keep in mind that the domains do not represent a standard, nor do they represent a risk management framework, per se. Their primary purpose is to communicate the core competencies associated with effective risk management as psychometrically validated through the RIMS-CRMP development process.

Graphical Representation of Core Competencies of the RIMS-CRMP Certification



Figure 2

Review Components

Detail on each domain is broken down into five areas in order to aid the studying process.

1. Learning objectives provide more detail around the tasks identified in the exam blueprint.
2. The examples section provides more detail in the form of definitions and examples.
3. The recommended reading section provides useful recommendations on books, articles, white papers, and other material that will help you learn concepts more thoroughly and find more examples.
4. The self-assessment offers you an important opportunity to self-rate your competency in each domain area generally and each competency more specifically. Appendix A contains a sample that can be used to track your progress over time, as well as a self-assessment worksheet.
5. The sample exam questions are actual questions from the test bank utilized for certification and give a real-life look at how questions are worded and show the source that supports the answer to the question.

Section 3 - Review

Domain 1: Analyzing the Business Model

The first domain in the RIMS-CRMP certification addresses analysis of the business model of an organization. The first domain provides a solid foundation for the remaining domains.

Learning Objectives

In order to successfully complete this portion of the examination, you should be able to answer questions related to:

1. Obtaining internal and external sources of information that help explain the purpose of the organization and the environment within which it operates.
2. Consolidating information by compiling, organizing, synthesizing, and prioritizing based on relevance to specific organizational objectives, threats and opportunities.
3. Analyzing operations by validating and comparing actual operations with the intended business model and strategy.
4. Conducting benchmarks, such as with peers or industry partners.
5. Describing and understanding an organization's value chain to recognize which activities are the most valuable.
6. Identifying organizational uncertainties utilizing various techniques and methods.

Examples

Obtain internal and external sources of information. Understanding the internal and external context of an organization is fundamental for the risk management professional. There are two primary sources of internal information. First, reports and documents organized by department or business unit are typically a good starting point to learn about organizational structure and process. Some examples include reports from finance, operations or human resources. Second, meeting with internal stakeholders and making site visits, if applicable, provides additional detail not captured in formal reports. A successful risk management professional will be able to use not only his or her business acumen to interpret technical documents but also utilize communication and research skills to collect information and identify connections between organizational objectives and the organization's culture and attitude about risk taking.

Consolidate organizational information. Another important competency in analyzing the business model is the ability to collect and read various reports, then organize, synthesize and prioritize the items based on relevance to specific objectives, threats and opportunities within the organization. For example, in a heavily-regulated industry, a risk management professional likely would pay close attention to material that focuses on risk associated with regulatory requirements and compliance.

Analyze operations. Analyzing operations is like an internal due diligence process. A risk management professional utilizes active listening, interviewing, and communication skills to validate the business model. Specifically, information and behavior are compared to organizational culture, and alignment or potential disconnects may be noted. How behaviors are rewarded also come into play to more closely align risk-taking decisions (e.g., sales force) with those bearing the risk (e.g., operations). Validation also extends to a comparison of information and behavior as they relate to organizational strategy and the organization's attitudes toward uncertainties. For example, over-managed risks may come to light that initially may seem like a poor use of resources. However, after learning that the organization's tolerance for the risk is extremely low because it could destroy the value of the entire organization if managed incorrectly, the perceived "over-management" is not truly over-management given the context of the organization's appetite and tolerance for risk.

Conduct benchmarking. Another fundamental competency is the ability to benchmark an organization with others. Benchmarking involves measuring the performance of an organization against external standards of reference that frequently come from similar organizations doing similar things. A risk management professional utilizes research skills to identify peers for common practices. Often, this involves an analysis of the industry sector and relevant market segments. One's own organization may be ranked against peers based on deviations from value, either positive or negative. A number of risk management professionals research and compare risk factors noted in competitors' financial reports as well as those of industry partners.

Describe and understand an organization's value chain. Stated simply – a value chain is what creates value for the organization, primarily its activities, components and processes, as well as inputs and outputs. Those chains may be different in organizations that market themselves as the "low cost" provider from organizations that undertake a "differentiation" strategy. Describing and understanding an organization's value chain begins with identification of:

- Value chains (i.e., series of business process steps that follow each other in succession intended to result in value creation) for the organization.
- Resources within those value chains.
- Key inputs and outputs of the value chains.
- Differentiators within an organization compared to peers.
- Influential macroeconomic factors.

Results should be summarized in a way that is easily shared with stakeholders (e.g., prose description or slide-based presentation style). As an extension of benchmarking, the description of value chains helps set the stage for identifying uncertainties the organization faces regarding achievement of objectives.

Identify organizational uncertainties. One of the key competencies of risk management professionals is the identification of organizational uncertainties. Based on the various data that is collected, plus the knowledge gained regarding value creation, a risk management professional utilizes various techniques to identify uncertainties (may be viewed as potential obstacles and/or accelerators) with respect to achieving organizational objectives. Common methods include gap analysis and analysis of strengths, weaknesses, opportunities, and threats (SWOT). A careful review of key external drivers such as political, economic, social, technological, environmental, and legal drivers (PESTEL analysis) may also provide insights regarding uncertainties. A risk management professional needs to be both assertive and inquisitive as uncertainties are noted, and look for key assumptions and possible biases built into the business model that may or may not be explicitly understood throughout the organization. Developing a deep understanding of the organization's business model is foundational for designing strategies for managing risk that should align with strategic objectives of the enterprise.

Recommended Reading

Works cited throughout the study guide and provided in recommended reading lists are consolidated in the bibliography.

Bookstaber, Richard M., and Bluford H. Putnam. Risk Management: Principles and Practices: Proceedings of the AIMR Seminar "Risk Management", March 8-9, 1999, Boston, Massachusetts. Charlottesville, VA: Association for Investment Management and Research, 1999.

Funston, Frederick, and Stephen Wagner. Surviving and Thriving in Uncertainty: Creating the Risk Intelligent Enterprise. Hoboken, NJ: Wiley, 2010.

Gamble, John, and Arthur A. Thompson. Essentials of Strategic Management: The Quest for Competitive Advantage. New York, NY: McGraw-Hill/Irwin, 2013.

Kaufman, Josh. The Personal MBA: Master the Art of Business. New York, NY: Portfolio/Penguin, 2012.

Sobel, Paul, and Kurt F. Reding. Enterprise Risk Management: Achieving and Sustaining Success. IIA Research Foundation, 2012.

Self-assessment of Content Areas

Review the sample self-assessment checklist in Table 2 prior to filling it out for yourself. The hypothetical person who filled out the sample self-assessment is well-versed in the domain of "analyzing the business model" (hence the score of 4 out of 5). In terms of specific tasks associated with the domain, the individual's skills are strongest when it comes to obtaining internal information but weaker regarding "describing an organization's value chain" possibly because he or she has no experience in this area. Given limited resources to prepare for the exam, this individual would benefit by focusing more time on studying the "describing/understanding an organization's value chain" competency.

Table 2
 Sample Self-Assessment Checklist

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
A. Analyzing the Business Model		4	
	A.1 Obtain internal organization information		5
	A.2 Obtain external information about organization		4
	A.3 Consolidate organizational information		3
	A.4 Analyze operations of the organization/due diligence		4
	A.5 Conduct benchmarking		2
	A.6 Describe and/or understand organization's value chain		1
	A.7 Identify organizational uncertainties		3
Notes			
1 Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.			

Use Table 3 to rate your competencies in the “Analyzing the Business Model” domain, based on your proficiency in the domain and tasks. Use a scale of 1 through 5 where 1 is weakest and 5 is strongest. This will help you prioritize your time for additional reading and studying. Enter only one score for each of the task areas, and use the overall score for the domain, as depicted in the example. Appendix A contains a self-assessment worksheet for all domains that can be used to track your progress over time.

Table 3
 Self-Assessment for the Domain Area
 of Analyzing the Business Model

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
A. Analyzing the Business Model	A.1 Obtain internal organization information		
	A.2 Obtain external information about organization		
	A.3 Consolidate organizational information		
	A.4 Analyze operations of the organization/ due diligence		
	A.5 Conduct benchmarking		
	A.6 Describe and/or understand organization's value chain		
	A.7 Identify organizational uncertainties		

Notes

¹ Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

Sample Exam Questions

1. A business model is a set of assumptions about the _____ .
 - A. financial stability of an organization
 - B. organizational structure of a business
 - C. products and services’ past performance
 - D. way an organization creates value

Answer: D - The business model represents the value an organization creates.

Reference: Gamble, John; Thompson, Jr., Arthur; Peteraf, Margaret (2012-07-01). Essentials of Strategic Management: The Quest for Competitive Advantage, 3rd edition (Page 80). McGraw-Hill Higher Education-A.

2. What two analytical tools are particularly useful in analyzing the business model?
 - A. Key performance indicators and total cost of risk
 - B. Key risk indicators and gap analysis
 - C. Pareto analysis and root cause analysis
 - D. Value chain analysis and benchmarking

Answer: D - The risk management professional should utilize appropriate analytical tools for analyzing the business model.

Reference: Gamble, John; Thompson, Jr., Arthur; Peteraf, Margaret (2012-07-01). Essentials of Strategic Management: The Quest for Competitive Advantage, 3rd edition (Page 80). McGraw-Hill Higher Education -A

3. Risk management professionals conduct supply-chain analyses to identify _____ .

- A. contingent business interruption coverage
- B. customer technology needs
- C. international regulatory requirements
- D. potential vulnerabilities to the organization

Answer: D - The vulnerability of the supply-chain helps determine the organization's ability to meet performance objectives.

Reference: Gamble and Thompson, Essentials of Strategic Management, 2010

4. Which activity does the risk management professional perform immediately after obtaining internal and external information about the organization?

- A. analyze the information
- B. organize the information
- C. prioritize the information
- D. report the information

Answer: B - To properly perform due diligence, the risk management professional needs to know the order of processing the information. Information must be organized before it can be analyzed, prioritized, or reported.

Reference: General knowledge. See RIMS Strategic Risk Implementation Guide, pg. 27

5. Which risk identification and analysis technique should a risk management professional use in order to gather information from multiple departments in a brainstorming session that helps to identify shared risks within an organization?

- A. checklists
- B. flowcharts
- C. workshops
- D. questionnaires

Answer: C - Workshops have an advantage in that they have a facilitator that can help to guide the discussion and identify information in this interactive format. Checklists, flowcharts, and questionnaires are less able to identify shared risks between departments as they are completed in a silo approach.

Reference: Elliott, Michael W., Risk Assessment and Treatment, 1st ed., The Institutes, 2012, p. 1.8.

6. When analyzing an organization's value chain, which of the following would be considered a primary activity?

- A. technological development
- B. human resources management
- C. infrastructure management
- D. outbound logistics

Answer: D - Porter's value chain model considers the following to be primary activities: Inbound logistics, Operations, Outbound Logistics, Marketing and Sales, and Service.

Reference: Porter, Michael, Competitive Advantage, 1st ed., Free Press, New York, NY, 1985, p.37

Domain 2: Designing Organizational Risk Strategies

The second RIMS-CRMP domain addresses the design of organizational risk strategies based on the business model of the organization.

Learning Objectives

In order to successfully complete this portion of the examination, you should be able to answer questions related to:

1. Developing a risk strategy approach.
2. Defining organizational risk competency capabilities.
3. Defining success measures that align risk strategy with organizational performance.
4. Designing risk governance arrangements.
5. Designing a risk strategy implementation plan.
6. Developing risk communication strategies.
7. Obtaining organizational support for risk strategy.

Examples

Develop risk strategy approach. Based on the business model and the needs of the organization, a risk management professional uses collective research to design a “fit-for-purpose” risk management strategy. The focus is on selecting risk management approaches that are most appropriate for the organization and its purpose, governance, strategy, objectives, operations and decision making processes. Two of the most commonly used risk management guidance documents are the ISO 31000 international standard and the COSO ERM Framework. Risk management professionals should be familiar with both documents to determine how the respective guidance might be used in developing a customizable risk strategy approach. Approaches and risk management objectives may differ within an organization depending on what is needed. When considering various risk strategy options, successful approaches generally are culturally appropriate and based on the needs of the organization. For example, highly regulated organizations with a deep foundation in quantitative metrics for decision-making may prefer statistical approaches for risk assessment and prioritization.

Developing tactics for integrating risk management processes into organizational reporting and budgeting processes, offers an important opportunity to seamlessly align risk management goals and objectives with organizational goals and objectives. Key enterprise planning functions, such as compliance, strategy and operations, internal audit planning, privacy and security and financial reporting and risk disclosure are integration opportunities. Determining risk management desired outcomes in light of the business needs generally reveals the resource needs and where internal support is needed. This reconciling process at times results in risk strategies changing to accommodate the application of limited resources to desired outcomes. Aligning the selected risk strategy option with the organization’s goals and objectives – at times, by answering “what outcome do we want to achieve?” – clarifies the value of the option when building a business case.

Define organizational risk competency capabilities. A key question is whether an organization has the ability to successfully execute the risk management approach. Designing a risk strategy so that it supports and aligns with the desired organizational risk management competencies is another critical competency for a risk management professional. A review of existing capabilities based on a gap analysis will determine which capabilities are already in place. As gaps between risk management competency and risk strategy are identified, adequate resources should be either developed or acquired in order to meet risk management goals. For example, an organization may have strong risk identification processes in place (e.g., ability to perform business risk assessments), but lacks the ability to follow through on the business risk assessments and reinforce the importance of governance. Risk management professionals may look to different maturity models to help design a customizable approach for identifying gaps in capabilities, and building needed risk competencies.

Define success measures that align risk strategy with organizational goals. Success measures are based on a solid understanding of organizational goals and objectives as they relate to internal and external benchmarks. Success measures of the risk strategy itself are an important component of the design stage. As risk – the effect of uncertainty on objectives – is part of every decision, how well an organization takes risk into account when making strategic, operational and tactical decisions may well be one of the measures of success in risk strategies. Success measures at times are expressed as key performance indicators (KPIs) and key risk indicators (KRIs). KPIs are measures that demonstrate progress toward achieving goals and objectives, while KRIs measure uncertainty associated with the achievement of goals.

Design risk governance. As noted in the ISO 31000 standard on risk management, “The effectiveness of risk management will depend on its integration into the governance of the organization, including decision-making.” This requires commitment from stakeholders, particularly top management. Accountability for managing risk, at times referenced as “risk ownership”, is an important aspect of the technical design of risk governance. For example, there should be clear understanding of roles, responsibility and accountability within the governance structure. Documentation of risk commitment that is either informal or formal (such as risk management policies, procedures, common vocabulary and standards) may be written and included in an organization’s overall governance arrangements.

Design a risk strategy implementation plan. The main components of an implementation plan are similar to project plans for most other major initiatives. As such, risk management professionals need to be competent in project management, able to identify the scope of the risk management initiative, set priorities for implementation, and engage key internal and external stakeholders. As with other projects, the implementation plan should identify key milestones, associated deliverables and resources needed. Include assumptions that may be implicitly or explicitly built into the plan, dependencies (e.g., prerequisites), and risks and constraints to meeting milestones. The implementation plan, once documented and authorized, should be monitored periodically.

Develop a risk communication strategy. An important competency for risk management professionals is the ability to create a communication plan. A communication strategy, or plan, is a document that expresses the goals and methods of an organization’s risk management activities, including what an organization wishes to share with various audiences and which stakeholders the organization is trying to reach. The plan formally defines who should be given specific information, when that information should be delivered and what communication channels will be used to deliver the information. A risk communication strategy can be developed as a component of the implementation plan and as a part of an organization’s overall communication strategy.

Obtain organizational support for risk strategy. Obtain commitment from the leadership of the organization for the purpose, scope, accountability, responsibility, and resources to implement the risk management strategy. One way is to develop a value-based business case for the risk strategy, implementation plan and communication plan. Develop a clear, compelling and concise message regarding the value expected to be gained from the risk strategy. Involve key decision makers and influencers within the organization by previewing the business plan with them. Validating the risk management strategy plan with these key decision makers requires the risk management professional to clarify the alignment of the strategy with organizational objectives.

Value-based messages may be:

- specific, such as identify positive outcomes on a project specific basis (e.g., as we expect a 10% increase in customers, assumptions that may change the outcome will be tested);
- more general (e.g., as we expect an increase in share price vis a vis both the market and our competitors of 10%, volatility will be monitored); and
- process based (e.g., deviations from formally established risk appetite and tolerance will be monitored and justified).

Recommended Reading

Fox, Carol, Bugalla, John, and Narvaez, Kristina. “An Overview of Widely Used Risk Management Standards and Guidelines.” A Joint Report of RIMS Standards and Practices Committee and RIMS ERM Committee. RIMS, 2011.

Lam, James. *Enterprise Risk Management: From Incentives to Controls*. Hoboken, N.J.: Wiley, 2014.

Elliott, Michael, ed. *Enterprise Risk Management*. 1st ed. The Institutes, 2014.

“RIMS Strategic Risk Management Implementation Guide.” RIMS, 27 Nov. 2012.

Risk Assessment Standard. 2015 ed. Vol. RA.1. Alexandria: ANSI/ASIS/RIMS, 2015.

ISO 31000:2018 Risk management – Guidelines

COSO Enterprise Risk Management – Integrating with Strategy and Performance: 2017

Self-Assessment of Content Areas

Table 4
 Self-Assessment for the Domain Area of Designing Organizational Risk Strategies

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
B. Designing Organizational Risk Strategies	B.1 Develop risk strategy approach		
	B.2 Define organizational risk competency capabilities		
	B.3 Define success measures		
	B.4 Design risk governance		
	B.5 Design implementation plan		
	B.6 Develop risk communication strategy		
	B.7 Obtain organizational support for risk strategy		

Notes

¹ Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

Sample Exam Questions

7. The organization's resources and internal support are _____ the risk management strategy.
- A. adjustable to match
 - B. inputs in the development of
 - C. metrics used to measure the value of
 - D. outcomes of the development of

Answer: B - The appropriate risk management strategy aligns with the organization's internal resources and support

Reference: Chapman, "Simple Tools and Techniques in ERM", 2011, 2nd edition, pp. 14-15

8. When defining the success measures for the organization's risk strategy, the risk management professional will include which of the following steps?
- A. a review of the goals and objectives of the risk strategy
 - B. a selection of appropriate media for communicating the risk strategy
 - C. an analysis of the organization's total cost of insurable risk
 - D. the development of timelines for implementing the risk strategy

Answer: A - Success measures can only be defined if one understands the strategy's goals and objectives.

Reference: Robert R. Moeller, "COSO Enterprise Risk Management" 2011, 2nd ed. Chapter 5 pp. 89-114

9. Which of the following BEST guides an organization's risk management decision-making process?
- A. risk financing opportunities
 - B. risk retention levels
 - C. risk strategy approach
 - D. risk treatment options

Answer: C - The design of the risk management framework should facilitate the integration of the risk management process into decision-making and the overall management of the organization.

Reference: ISO 31000:2018, 4.3.

10. An effective risk communication strategy requires the selection of appropriate _____ .
- A. coaches
 - B. data points
 - C. media channels
 - D. metrics

Answer: C - Communicating with stakeholders is done via one of two channels, depending on whether the audience is internal or external.

Reference: Elliott, Michael, Enterprise Risk Management, 1st ed., The Institutes, 2013, p. 12.16-12.20.

Domain 3: Implementing Risk Process

The third domain of the RIMS-CRMP certification addresses competencies related to implementing risk process.

Learning Objectives

In order to successfully complete this portion of the examination, you should be able to answer questions related to:

1. Identifying risk
2. Analyzing risk
3. Evaluating risk
4. Consulting and creating risk solutions
5. Monitoring risk
6. Advising on risk management

Examples

Identify risks. As objective facilitators, risk management professionals serve as consolidators to aggregate and synthesize data that enable people within an organization to make risk-effective decisions. The risk identification process is comprised of finding, recognizing and recording risks using a variety of methodologies. For example, if a SWOT analysis was utilized to identify obstacles and accelerators to the achievement of organizational goals, the same methodology (and results) can be incorporated into the risk identification process. Additional data collection methods that might be useful include stakeholder interviews, focus groups, incident details, claims, surveys, financial statements, document reviews and benchmarking. As data are collected, the results can be validated and recorded, capturing both threats and opportunities.

Analyze identified risk. Risk analysis is the process of characterizing and understanding the nature of risk and of considering the level of risk in the context of the organization's willingness to accept risk. High-quality risk analysis solves an issue or informs a decision when the criteria that will be employed to support the analysis and subsequent evaluation are fit for the purpose. Will the analysis need to be qualitative or quantitative in nature, or some combination? Will multiple analytical techniques be needed? Analysis criteria determine which analytical methods should be used. For example, focus groups create long transcripts of words that can be organized thematically and support content analysis. Alternatively, financial results can be measured against different independent variables by using statistical analysis, while survey results may benefit from a hybrid method where data are first organized qualitatively and then converted for quantitative analysis. Regardless of approach, varying aspects of risk can be analyzed depending on the issue at hand, the related criteria and chosen analysis method.

Evaluate risk. Risk evaluation uses criteria, such as risk appetite and tolerance levels, for the objective or issue being considered, in addition to outputs from risk identification and risk analyses to determine which risks are acceptable as they are and which require additional modification or treatment. Part of the evaluation includes consideration of various risk control and sharing options. Alternately, does the organization have the capacity to take on more risk? As with risk analysis, successful risk evaluation is based on determining appropriate evaluation criteria for the decision under consideration, as well as exploitation and modification alternatives.

Consult and create risk solutions. A risk management professional must be competent as a strategic advisor, solutions advocate and collaboration facilitator in developing and applying solutions to manage uncertainty. Collaboration is a fundamental competency since successful solutions must be tied to business model drivers, objectives and those who have primary responsibilities for managing risk, at times referenced as "risk owners." Collaboration also helps identify interdependencies between different solutions, leverages solutions that manage multiple risks with the same treatment and identifies inefficiencies where the solution may create more risk than it manages. Risk solutions should focus clearly and concisely on expected outcomes and align action with governance accountabilities.

Monitoring risk. A fundamental competency of risk management professionals is in creating a process for monitoring risk based on the organization's needs. Understanding the organization's priorities for monitoring highlights resources that are needed for the risk solutions expected to create the most value. An integrated method of monitoring risks is through performance metrics as measures of deviations from expected outcomes to help a firm see how it is performing (KPIs). Monitoring key risk indicators (KRIs) that affect business objectives simultaneously allow an organization to take action at an early stage of performance deviations. Establishing schedules within the normal business calendar provides the foundation for a continuous improvement process, which emphasizes measurement of performance against metrics and validates the performance of risk solutions. Developing risk reporting that both informs risk owners and communicates actionable information to various levels of the organization helps to drive change by making groups accountable and responsible, and can be used to conduct follow-up activities as required.

Advise on risk management. Whether an organization chooses to manage risk on an individual or on an integrated basis, an important competency of a risk management professional is to provide insights that others may not readily recognize. Establishing a reputation as a credible advisor on risk management enables risk management professionals to counsel other leaders within the organization (e.g., strategists, operations heads, or owners of business initiatives), offering insights into risks affecting overall organizational performance. These insights should be validated with key stakeholders in order to develop additional recommendations that can be communicated throughout the organization in an effort to focus on learning lessons and providing feedback about the effectiveness of risk management.

Recommended Reading

Chapman, Robert J. *Simple Tools and Techniques for Enterprise Risk Management*. Chichester, England: Wiley, 2011.

Elliott, Michael W. *Risk Management Principles and Practices*. Malvern, PA: The Institutes, 2012.

Vance, Beaumont, and Joanna Makomaski. *Enterprise Risk Management for Dummies*. Hoboken, NJ: Wiley, 2007.

"Orange Book. Management of Risk – Principles and Concepts" - Publications. HM Treasury on Behalf of the Controller of HMSO, 5 Oct. 2004.

Self-Assessment of Content Areas

Table 5
 Self-Assessment for the Domain Area of Implementing Risk Process

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
C. Implementing Risk Process	C.1 Identify risks		
	C.2 Analyze identified risk		
	C.3 Evaluate risk		
	C.4 Consult and create risk solutions		
	C.5 Monitor risk		
	C.6 Advise on risk management (e.g., strategic, enterprise, operational, business area, business initiatives)		

Notes

¹ Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

Sample Exam Questions

11. Which of the following is considered a risk analysis technique?

- A. budget allocation
- B. consensus building
- C. insurance placement
- D. Monte Carlo simulation

Answer: D - Insurance placement is considered risk treatment – not analysis.

Reference: "Risk Assessment" Tools, Technique, and Their Applied Forms: Leet. Ostrom & Wilhelmson; Wiley & Sons, 2012, pp.106-107.

12. When an operational area develops a treatment for a critical risk, the risk management professional MUST _____ .

- A. add the risk to the risk map
- B. communicate the treatment plan directly with internal audit
- C. evaluate the dollar savings associated with the treatment
- D. evaluate the impact upon other areas

Answer: D - Operations and plans should be examined to ensure appropriate integration and coordination.

Reference: ANSI/ASIS/RIMS RA 1-2015 Standard, 6.4.4.5, pg. 78

13. A risk management professional advises management on the status of key risks by _____ .

- A. annually identifying the inventory of risks
- B. providing information about competitors' risk management plan
- C. providing insights into the changing characteristics of a risk
- D. summarizing internal audit reports

Answer: C - Evaluating the inventory of risks and monitoring internal audit reports are risk identification activities, not advising on risk management.

Reference: COSO ERM - Integrated Framework 2004, pgs. 86-87

14. STEEP is a method used for strategic planning. The acronym STEEP stands for _____ .

- A. security, technical, emerging, external, profit
- B. social, technological, economic, environmental, political
- C. standard, technique, enterprise, environmental, process
- D. social, theory, external, engaging, program

Answer: B - STEEP is one traditional method used in strategic planning and has five sectors (Social, Technological, Economic, Environmental, Political).

Reference: RIMS Strategic Risk Management Implementation Guide, 2012, p. 37.

15. Once risks have been analyzed, the risk management professional should evaluate the risks against the risk _____ .

- A. appetite
- B. monitoring plan
- C. treatment
- D. underwriting criteria

Answer: A - The criteria for assessing the acceptability or otherwise of risks is usually set prior to the evaluation commencing, and should reflect the organization's risk context, tolerance, appetite, and the views of stakeholders.

Reference: ISO 31000 5.4.4 Risk Evaluation

Domain 4: Developing Organizational Risk Competency

The fourth RIMS-CRMP domain deals with developing organizational risk competency.

Learning Objectives

In order to successfully complete this portion of the examination, you should be able to answer questions related to:

1. Delivering risk management training.
2. Engaging an organization's risk network.
3. Coaching an organization on the risk process and techniques.
4. Continuously improving risk management process.
5. Integrating risk management into day-to-day operations.

Examples

Deliver risk management training. Executives consistently cite “formalize risk management training/education across the organization” as a top focus area for developing organizational risk management capabilities in surveys that Marsh and RIMS conduct annually. Risk management training should align to specific business goals by determining the learning activities needed to reach the performance goals through a training needs assessment, or gap analysis. Gap analysis seeks to answer the questions: “where are we?” – the current state and “where do we want to be?” – the desired future state. The results of this comparison, or gap analysis, determine the training content that needs to be provided to various audiences within the organization. Selection of communication channels is just as important as content. For example, depending on organizational culture and structure, face-to-face communication may be reserved for complex concepts, while the use of social media-based platforms may be more appropriate for updates.

Engaging an organization's risk network. Developing a risk network promotes greater consistency in approach and capabilities for risk management activities throughout an organization. Exploring and respecting the risk management activities of each functional area allows a risk management professional to implement an approach that considers the risks and risk management practices of the organization as a whole. A key consideration in a successful exchange is the collaborative relationship among risk management professionals, the risk network, and others within the organization. A risk management professional should take the time to build relationships with influential executives to determine their views on how risk management can benefit the organization over time. Empathy and listening skills are important in understanding each person's concerns and being clear on what executives would like to see occur. Risk management professionals should be seen as allies who are there to support the organization in reaching its goals and objectives.

Coach an organization on the risk process and techniques. While training may be a one-time or periodic occurrence, risk coaching occurs on an ongoing basis. In some situations, formal risk management training is not supported or even possible, possibly due to time and funding constraints. In these cases, risk management coaching becomes the main way to build organizational competencies. The term coaching typically refers to methods of helping others to improve, develop, learn new skills, find success, achieve aims, and to manage change and challenges. In organizational settings, coaching is the practice of providing support and advice to an individual or group in order to help them recognize ways in which they can improve their competencies and effectiveness. Risk management coaching involves providing guidance and support on becoming more proficient in using risk management process and techniques for problem solving in various environments. Coaching differs from training in style, approach and structure.

Continuously improve risk management process. Continuous improvement is an ongoing effort to improve products, services or processes within an organization, and can be either informal (e.g., checklist) or more formal (such as using a plan-do-check-act methodology). An important aspect of organizational risk competency is adaptation through the process of continuous improvement. The process begins by identifying aspects of the risk process that need improving and then collaborating with other key stakeholders to develop alternative approaches. Alternatives should be validated with key stakeholders and those responsible for managing risk before a new approach is chosen and implemented. Finally, the results of a new option should be monitored and modified as needed through an iterative process. Maturity models are a recognized measurement concept for demonstrating development progress and for highlighting consistent outcomes across organizations. Maturity as used here refers to an evolution toward the desired risk management attributes and competency drivers.

Integrate risk management into day-to-day operations. One of the indicators of a mature risk management process within an organization is the extent to which risk management is integrated into decision making at multiple levels of the organization. A risk management professional, with a depth of knowledge about the organization, has many opportunities to engage, influence, and build organizational competencies in risk management in various environments where decisions are being made. Opportunities could be in areas as diverse as

innovation labs, research and development, customer relations, and day-to-day operations. Risk assessments are the most obvious examples of full integration. Strategic risk assessments focus on the broader \ deliberation and actions regarding uncertainties and untapped opportunities that affect an organization’s planned strategy and strategy execution, such as growth (e.g., opening new markets) or contraction objectives (e.g., eliminating certain product or service lines). For example, has the organization built in a process to explicitly ask and answer risk based questions about opportunities and threats regarding organizational objectives? Operational risk assessments may be limited to uncertainties associated with existing operations and operational plans – the assets, processes, people, and systems in place – in order to deliver a particular outcome, such as planned earnings. Determining how alignment is measured between risk management methods and business outcomes strengthens integration. Project risk assessments typically are used to assess uncertainties and potential consequences related to expected outcome(s) of a particular project or initiative, such as delivering the project within the planned time, budget and scope. Employees who understand their respective roles for managing risk that they can affect and for raising awareness for risk that they don’t directly manage accelerate integration.

Recommended Reading

- Bellman, Geoffrey M. Getting Things Done When You Are Not in Charge. San Francisco: Berrett-Koehler, 2001.*
- Kotter, John P. Leading Change. Boston, MA: Harvard Business School, 1996. Print. (Hardcover and Kindle, 2012)*
- Wan, Margaret. Incidental Trainer a Reference Guide for Training Design, Development, and Delivery. Boca Raton: CRC, Taylor & Francis, 2014.*

Self-Assessment of Content Areas

Table 6

Self-Assessment for the Domain Area of Developing Organizational Risk Competency

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
D. Developing Organizational Risk Competency			
	D.1 Deliver risk training		
	D.2 Engage organization's risk network (e.g., safety, security, business continuity, internal audit)		
	D.3 Coach organization on the risk process and techniques		
	D.4 Continuously improve risk management process		
	D.5 Integrate risk management into day-to-day operations		

Notes

¹ Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

Sample Exam Questions

16. After validating the training curricula, a risk management professional
- A. develops training
 - B. develops and schedules training
 - C. matches training to audience
 - D. schedules and conducts training

Answer: D - Thinking through a process: identify needs, develop, validate, schedule, and conduct.

Reference: ISO 31000: 2009, 5.4.1

17. What can a risk management professional recommend to management to protect an organization's critical infrastructure from a cyber attack?
- A. implement password protocols
 - B. buy a tower of cyber liability insurance
 - C. ensure employees do not post on social media
 - D. monitor employees use of the internet

Answer: A - There are many things that a risk management professional can recommend. Requirement of strong passwords and the necessity to change them on a periodic basis will help to protect the organization.

Reference: Cabrera, Ed, "Protecting Critical Infrastructure from Cyberattack", Risk Management Magazine, October 3, 2016.

18. Risk tolerance is defined as the _____ .
- A. amount of uncertainty that an organization is prepared to accept
 - B. desired level of risk that an organization believes is optimal to achieve its goals
 - C. amount of risk that an organization can actually assume
 - D. norms and traditions of the individuals of an organization and how they act on risk

Answer: A - Option B is defined as risk target; Option C is risk capacity; and Option D is the risk culture of an organization.

Reference: "The Steps to Successful Risk Taking", RIMS Executive Report, 2016, p. 3.

Domain 5: Supporting Decision Making

The final domain of the RIMS-CRMP deals with supporting decision making.

Learning Objectives

In order to successfully complete this portion of the examination, you should be able to answer questions related to:

1. Influencing risk-based decision making.
2. Facilitating risk discussions.

Examples

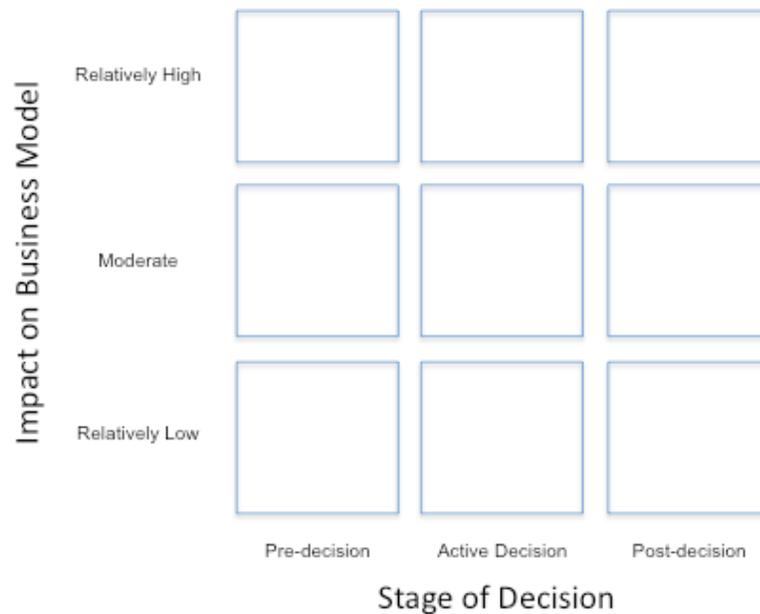
Influence risk-based decision making. People throughout an organization make decisions every day. Some decisions are strategic and complex. Others are significant but less complex. Most are simple and frequent. Risk management is most effective when it is embedded into both routine and strategic decisions. Objectives and decision timelines drive the use of specific types of risk assessments - and analysis techniques - for different situations, the issues under consideration and the type of decision being made. Therefore a key competency for a risk management professional is the ability to incorporate risk management into decision making throughout an organization: listening skills, coaching and adeptness as a facilitator all come into play. While a risk management professional may not have formal training in decision sciences, understanding decision-making stages helps determine at what point he or she can influence a decision: 1) a pre-decision stage in which decisions have yet to be made, 2) an active decision stage in which decisions are in the process of being made, and 3) a post-decision stage in which decisions have already been made.

Which decisions within each stage have the greatest impact on the business model and success of the objective(s)? For example, a risk management professional may choose to emphasize high-impact decisions in the pre-decision category in order to minimize as much downside risk as possible and maximize as much gain as possible.

Figure 3 depicts a nine-box approach to comparing decision making environment to impact of decisions. Key considerations are to identify who the actual decision makers are and to determine if there is a difference between the actual decision maker and the person accountable for the decision, as well as understanding risk-taking attitudes at each of the stages.

Figure 3
 Risk Management Decision Making Environments

Graphic source: Joseph A. Milan, 2017.
 Used with permission.



The farther along people are in a decision-making stage about a strategic initiative, the less likely they might be to raise concerns regarding threats to the success of an initiative. Openly considering risk at each stage improves the odds that beneficial course corrections will be made to increase the odds of success.

Facilitate risk discussion. For a risk management professional, understanding the components of quality decision-making is as important as understanding decision-making stages. Working with those who are (or should be) engaged in the discussion (e.g., decision makers, accountable individuals, or impacted stakeholders) requires knowledge of the organization, how quality decisions are made, negotiation and leadership skills. Risk management professionals can assume a number of different roles in decision discussions: strategic advisor, observer, coordinator or facilitator. As a facilitator, a risk management professional encourages participants to share relevant and reliable information by guiding a vigorous conversation. A facilitator has a responsibility to provide the team with updates on changes in the organization—whether those changes are operational or strategic—as well as emerging trends. In this role, a risk management professional should query and challenge what is said in order to fully develop a concept or issue and explore risk from multiple perspectives. Decisions made in one part of an organization may have ramifications in other areas. For example, launching a new product or service may affect the organization’s ability to meet other customer needs. Successful risk discussions should draw out opportunities and alternatives, as well as uncertainties associated with potential outcomes of decisions. The goal is to confirm that the decision-makers take known and potential risk into consideration. Emphasis should be on transparency and consensus building concerning risk when taking decisions. If transparency becomes an issue or if consensus is unattainable, a process should be in place to escalate the discussion accordingly.

Recommended Reading

Frigo, Mark, and Richard Anderson. *Strategic Risk Management: A Primer for Directors and Management Teams*. 1st ed. 2010.

Salter, Josh. *Exploring the Risk Committee Advantage*. Rep. Ed. Morgan O’Rourke. RIMS, 2015.

Young, Greg; Hasler, David S. *Strategic Finance. Managing Reputational Risk*. 92.5 (Nov 2010): 37-46

Self-Assessment of Content Areas

Table 7
 Self-Assessment for the Domain Area
 of Supporting Decision Making

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
E. Supporting Decision Making			
	E.1 Influence risk-based decision making		
	E.2 Facilitate risk discussions		

Notes

1 Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

Sample Exam Questions

19. What is the role of risk management in the strategic planning process?

- A. challenge the decisions made
- B. develop risk treatment plans
- C. draft the decisions to be made
- D. identify threats and opportunities

Answer: D - Of the response options available, D is the best choice.

Reference: Elliott, *Risk Assessment and Treatment, The Institutes*, page 1.11-1.12

20. When measuring the financial effectiveness of an organization's risk management plan, the risk management professional should _____.

- A. determine the overall cost of risk
- B. exclude risk financing costs
- C. involve the risk management committee
- D. determine the maximum level of uncertainty the organization can tolerate

Answer: A - Determination of the COR is the primary measure used by many organizations to gauge effectiveness.

Reference: Elliott, Michael, *Risk Financing, 6th ed., The Institutes*, 2012, p.1.9.

21. How can an ERM heat map help to facilitate discussion for a risk committee?

- A. It provides a risk register for an organization to be able to review all risks.
- B. It identifies how mitigation efforts could affect frequency and severity of a risk.
- C. It provides a map for insurance companies to price an organization's premiums.
- D. It can help benchmark risks for comparison with others in the industry.

Answer: B - When a heat map is used in workshops to assess the risks by individual managers, the discussions can be enhanced to see how risks in one part of the organization impacts another part of the organization. The resulting heat map can also be used to communicate the risk assessment to senior management, audit committees, and boards of directors. The heat map also enables a business conversation about mitigation alternatives.

Reference: CGMA *Tools: How to Communicate Risks Using a Heat Map*, AICPA: New York, NY, 2012

Appendix A

Self-Assessment Checklist Sample

Domain	Duties and Tasks	Self Rank Score ¹	
		Domain	Task
A. Analyzing the Business Model		3.0	
	A.1 Obtain internal organization information		2.0
	A.2 Obtain external information about organization		3.0
	A.3 Consolidate organizational information		5.0
	A.4 Analyze operations of the organization/due diligence		4.0
	A.5 Conduct benchmarking		2.0
	A.6 Describe and/or understand organization's value chain		1.0
	A.7 Identify organizational uncertainties		1.0
B. Designing Organizational Risk Strategies		4.0	
	B.1 Develop risk strategy approach		3.0
	B.2 Define organizational risk competency capabilities		4.0
	B.3 Define success measures		1.0
	B.4 Design risk governance		5.0
	B.5 Design implementation plan		4.0
	B.6 Develop risk communication strategy		5.0
	B.7 Obtain organizational support for risk strategy		5.0
C. Implementing Risk Process		2.0	
	C.1 Identify risks		5.0
	C.2 Analyze identified risk		5.0
	C.3 Evaluate risk		4.0
	C.4 Consult and create risk solutions		3.0
	C.5 Monitor risk		4.0
	C.6 Advise on risk management (e.g., strategic, enterprise, operational, business area, business initiatives)		
D. Developing Organizational Risk Competency		1.0	
	D.1 Deliver risk training		3.0
	D.2 Engage organization's risk network (e.g., safety, security, business continuity, internal audit)		2.0
	D.3 Coach organization on the risk process and techniques		4.0
	D.4 Continuously improve risk management process		2.0
	D.5 Integrate risk management into day-to-day operations		3.0
E. Supporting Decision Making		1.0	
	E.1 Influence risk-based decision making		1.0
	E.2 Facilitate risk discussions		2.0
Average (based on 5 domains and 27 duties / tasks)²		2.2	3.1

Self-Assessment Checklist (blank)

		Self Rank Score ¹	
Domain	Duties and Tasks	Domain	Task
A. Analyzing the Business Model			
	A.1 Obtain internal organization information		
	A.2 Obtain external information about organization		
	A.3 Consolidate organizational information		
	A.4 Analyze operations of the organization/due diligence		
	A.5 Conduct benchmarking		
	A.6 Describe and/or understand organization's value chain		
	A.7 Identify organizational uncertainties		
B. Designing Organizational Risk Strategies			
	B.1 Develop risk strategy approach		
	B.2 Define organizational risk competency capabilities		
	B.3 Define success measures		
	B.4 Design risk governance		
	B.5 Design implementation plan		
	B.6 Develop risk communication strategy		
	B.7 Obtain organizational support for risk strategy		
C. Implementing Risk Process			
	C.1 Identify risks		
	C.2 Analyze identified risk		
	C.3 Evaluate risk		
	C.4 Consult and create risk solutions		
	C.5 Monitor risk		
	C.6 Advise on risk management (e.g., strategic, enterprise, operational, business area, business initiatives)		
D. Developing Organizational Risk Competency			
	D.1 Deliver risk training		
	D.2 Engage organization's risk network (e.g., safety, security, business continuity, internal audit)		
	D.3 Coach organization on the risk process and techniques		
	D.4 Continuously improve risk management process		
	D.5 Integrate risk management into day-to-day operations		
E. Supporting Decision Making			
	E.1 Influence risk-based decision making		
	E.2 Facilitate risk discussions		

Average (based on 5 domains and 27 duties / tasks)² _____

Glossary

- Benchmarking:** The process of measuring the performance of an organization against external standards of reference that frequently come from similar organizations doing similar things.
- Corporate governance:** The system of rules, practices and processes by which a company is directed and controlled (Investopedia <http://www.investopedia.com/terms/c/corporategovernance.asp#ixzz4QO62g4aC>).
- Enterprise risk management:** A strategic discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risk and managing the combined impact of those risks as an interrelated risk portfolio. (RIMS, 2010).
- Gap analysis:** Comparison of an existing process or procedure (current state-what is) to a desired, future state (what should be) in order to identify deficiencies or excesses in the existing process (what to consider). (ANSI/ASIS/RIMS Risk Assessment Standard RA.1-2015, p.45-46)
- Key performance indicator (KPI):** Measure(s) of deviations from expected outcomes to help a firm see how it is performing. (RIMS, Transitioning to ERM, 2014).
- Key risk indicator (KRI):** Leading indicator(s) of risk to business performance, giving early warning about potential risks. (RIMS, Transitioning to ERM, 2014).
- PESTLE analysis:** PESTLE is an acronym for Political, Economic, Social, Technological, Legal and Environmental and identifies the categories utilized to analyze internal and external environments. Other forms of the acronym include "PEST" and "PESTEL."
- Risk:** The effect of uncertainty on objectives. (ISO 31000:2018, Guide 73:2009)
- Risk appetite:** The total exposed amount that an organization wishes to undertake on the basis of risk-return trade-offs for one or more desired and expected outcomes (RIMS, Exploring Risk Appetite and Risk Tolerance, 2012).
- Risk attitude:** An organization's or individuals' view/perspective of the perceived qualitative and quantitative value that may be gained in comparison to the related potential loss or losses (RIMS, Exploring Risk Appetite and Risk Tolerance, 2012).
- Risk culture:** The beliefs, values, norms and traditions of behavior of individuals and groups within an organization that determine the way in which they identify, understand, discuss and act on the risk(s) the organization confronts and takes. (RIMS, Exploring Risk Appetite and Risk Tolerance, 2012).
- Risk champion:** Any person in an organization who is a leader and influences peers regarding the value that risk management adds to the organization.
- Risk governance:** Encompasses the oversight, practices and respective roles and responsibilities for risk within an organization's unique corporate governance.
- Risk management:** Coordinated activities to plan, direct, control and make decisions concerning the effects of uncertainty on objectives (adapted from ISO guide 73:2009).
- Risk owner:** An individual accountable for the identification, assessment, treatment, and monitoring of risks in a specific environment (Elliott, 2014, p. 3.5).
- Risk portfolio:** A broad collection and range of uncertainties that can affect an organization's future.
- Risk tolerance:** The amount of uncertainty an organization is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative (RIMS, Exploring Risk Appetite and Risk Tolerance, 2012).
- Root cause:** Underlying or initiating risk source or driver that produces certain outcomes or changes the impact of an outcome or outcomes. Commonly used to describe the point in a chain of events or conditions where an intervention could reasonably be implemented to improve performance or prevent an undesirable outcome. (adapted from ANSI/ASIS/RIMS Risk Assessment Standard, RA.1-2015).
- Root cause analysis:** Multiple risk assessment techniques and approaches, at times applied in a series, which are designed to identify the underlying or initiating risk source(s) or driver(s). (ANSI/ASIS/RIMS Risk Assessment Standard, RA.1-2015. P. 93).
- Strategic risk management (SRM):** A business discipline that drives deliberation and action regarding uncertainties and untapped opportunities that affect an organization's strategy and strategy execution. (RIMS Strategic Risk Management Implementation Guide, 2012).
- SWOT analysis:** SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats and is an analytical approach for environmental scanning that combines internal and external context with obstacles and accelerators to success in achieving objectives.
- Value chain:** A high-level model developed by Michael Porter used to describe the process by which businesses receive raw materials, add value to the raw materials through various processes to create a finished product, and then sell that end product to customers. (Investopedia <http://www.investopedia.com/terms/v/valuechain.asp#ixzz4QO5T8TRD>).
- Value chain analysis:** A strategy tool used to analyze internal firm activities. Its goal is to recognize which activities are the most valuable (i.e. are the source of cost or differentiation advantage) to the firm and which ones could be improved to provide competitive advantage. (Strategic Management Insight www.strategicmanagementinsight.com/tools/value-chain-analysis).

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Disclaimer

This guide is intended to provide only a general overview of the topics related to the RIMS-CRMP certification exam. This is not a complete analysis. The information provided is for general use only and is not intended to provide specific advice or recommendations, legal or otherwise, for any individual or organization. The information provided in this document is not mandatory to study nor does it guarantee a passing score on the RIMS-CRMP certification examination.

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RIMS-CRMP-FED

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RIMS-CRMP-FED Examination Study Guide

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Introduction

Those who qualify to take the RIMS-CRMP-FED examination have already met the eligibility requirements identified in the Candidate Handbook and passed the exam for the RIMS-CRMP.

The purpose of this section of the study guide is to support candidates taking the RIMS-CRMP-FED micro-credential examination. It is not intended to replace any textbook or other resources you need to prepare for the examination, and using this guide does not guarantee that you will pass the micro-credential examination.

The study guide is divided into two sections. The first section deals with the background of the RIMS-CRMP-FED micro-credential and provides guidance on the process of the micro-credential examination.

The second section summarizes three core competencies of a risk professional in the federal government of the United States:

1. Understanding the Federal Government Risk Management Environment
2. Risk Management Implementation in the Federal Government
3. Risk Management Reporting in the Federal Government

It then reviews each competency based on four of the same components that were utilized for the core RIMS-CRMP credential:

1. Learning objectives
2. Examples
3. Self-assessment of content areas
4. Sample exam questions

The study guide concludes with a glossary of terms and bibliography.

Section 1 — Background and Process

About the RIMS-CRMP-FED Micro-Credential

The RIMS-CRMP-FED is a micro-credential that was developed in cooperation with the Association for Federal Enterprise Risk Management (AFERM) and distinguishes the achievement of validated risk management competencies for an effective risk management professional in the federal government environment. Individuals who earn the RIMS-CRMP-FED have demonstrated their knowledge and competency in the area of risk management in the United States federal government, and are dedicated to upholding the same high standards of ethical and professional conduct that apply to the core RIMS-CRMP credential.

RIMS-CRMP-FEDs may use the credential to establish credibility within their organization and among risk management professionals. Adding the RIMS-CRMP-FED certification to your professional profile verifies that you have achieved a high level of expertise, education and experience required to successfully manage risk and support decision making in the federal government environment.

Strategies for Analysis of an Exam Question

Questions on the RIMS-CRMP-FED examination are based on the same structure and approach as the core exam (i.e., four-choice multiple-choice item type format). All questions and answers are referenced to an industry-accepted textbook or resource, and each question has been reviewed by a number of experienced professionals in the field who agree on the correct answer. In addition, a substantial amount of empirical data has been collected on each question to assure that it performs appropriately and effectively. The four answers presented may not agree with your individual interpretation of the material. Regardless, it will be necessary to choose one of the four answers provided as the best answer.

Test Preparation Strategies

The guidelines that apply to the core credential also apply to the micro-credential:

- **References provided throughout this review section do not constitute a required reading list, but rather are examples of acceptable sources for examination questions.**
- The important topics that candidates should study to successfully prepare for the examination are listed in the examination blueprint of core competencies.
- Learning objectives and examples provided in this study guide have been developed independently of the examination questions.

The micro-credential domain blueprint (see Table 1-FED on page 6) contains the major content areas on the exam, and the percentage of the exam each content area represents. Use the blueprint as a guide in identifying any content areas you need extra time and resources to prepare for, and ask yourself these questions.

- Which content areas represent the greatest number of test questions? The greater the number of possible questions on the exam, the more focus you need on these topics to prepare.
- How much time do you need to focus on these areas to prepare for the exam, versus other areas?
- How do your current knowledge and skills compare to the content areas of the exam? Are you strong in some, but weak on others? Making this assessment will help you allocate your study time.
- How much training or work have you done in the areas on the exam? If you have had extensive training and/or experience in a specific area, you may decide that your focus should be on the areas that are less familiar to you.

Your analysis of the content outline and your answers to the questions above will help you determine where you need to spend your study time. Eventually you will decide that you have studied all you can. Once you have reached this point, you should schedule an appointment to take the examination.

What to Expect at the Testing Center

As with the examination for the core credential, examinations for the micro-credential are administered by Pearson VUE. Therefore, all of the logistical considerations discussed above apply to the examination for the micro-credential as well. The main difference between the examinations is that the micro-credential test is shorter and is comprised of 50 questions with a 60-minute time limit.

Table 1-FED
 RIMS-CRMP-FED Domains

Domain	Duties and Tasks	% Exam
A	Understanding the Federal Government Risk Management Environment	40%
	A.1 Identify sources of government information and reporting (e.g., GAO, OIG, Grantees)	
	A.2 Assess key stakeholders	
	A.3 Identify the relationship between risks and controls in the Federal government environment	
	A.4 Analyze Federal government risk controls and other risk management initiatives according to Federal government standards (e.g., OMB, GAO, DOD, NARA, NIST)	
	A.5 Identify Federal government reporting requirements	
	A.6 Distinguish between Federal government requirements	
B	Risk Management Implementation in the Federal Government	40%
	B.1 Communicate role and responsibilities within the Federal government ERM process	
	B.2 Coordinate and work with stakeholders and partners (e.g., oversight bodies, internal, external, public or private sector, Federal, State, Local, Tribal, Territorial)	
	B.3 Engage Federal Government risk networks	
	B.4 Develop two-way internal communication strategies on the Federal government ERM process	
	B.5 Align internal controls to balance risk and opportunities with Federal government risk tolerance	
	B.6 Implement risk controls and other risk management initiatives according to Federal government standards (e.g., OMB, GAO, DOD, NARA, NIST)	
C	Risk Management Reporting in the Federal Government	20%
	C.1 Prepare internal reports according to Federal government reporting requirements	
	C.2 Prepare external reports according to Federal government reporting requirements	
	C.3 Report on the effectiveness of Federal government risk control according to standards (e.g., OMB, GAO, DOD, NARA, NIST)	
	C.4 Provide advice to federal officials on risk reporting and responses	
Total		100%

Section 2 — Exam Blueprint and Review Components

Examination Blueprint

The core competency areas are depicted in Table 1-FED as the key duties and tasks associated with each domain. The column on the right side of the table shows the percentage weight each domain has within the overall exam. The weighting will help you prioritize study time and identify opportunities for personal improvement.

The first micro-credential domain, “Understanding the Federal Government Risk Management Environment,” provides detail that relates to the core RIMS-CRMP domains of “Analyzing the Business Model” and “Designing Organizational Risk Strategies.” The second micro-credential domain, “Risk Management Implementation in the Federal Government,” provides detail that relates to the core RIMS-CRMP domains of “Designing Organizational Risk Strategies,” “Implementing the Risk Process” and “Developing Organizational Risk Competency.”

The third micro-credential domain, “Risk Management Reporting in the Federal Government,” provides detail that relates to the core RIMS-CRMP domains of “Implementing the Risk Process” and “Supporting Decision-Making.” Figure 1-FED is a graphical representation of the relationship between the micro-credential domains and those of the core RIMS-CRMP credential.

Figure 1-FED

Comparison of RIMS-CRMP-FED Domains to RIMS-CRMP Domains



Review Components

Each domain is broken down into four areas to aid the studying process:

1. **Learning objectives** provide more detail around the tasks identified in the exam blueprint.
2. **Examples** provide more detail in the form of definitions and illustrations.
3. **Self-assessment of content areas** offers you an opportunity to self-rate your competency in each domain area generally and each content area more specifically. Appendix B has a clean copy of the self-assessment worksheet that can be used multiple times to track your progress and perform comparisons.
4. **Sample exam questions** give a real-life look at how questions are worded and show the source that supports the answer to the question.

Section 3 — Review

Domain 1: Understanding the Federal Government Risk Management Environment

The first competency domain in the RIMS-CRMP-FED curriculum addresses some of the unique environmental and contextual considerations relevant to the federal government.

Learning Objectives

To successfully complete this portion of the examination, the certification candidate should be able to:

1. Identify sources of government information and reporting (e.g., GAO, OIG, Grantees).
2. Assess key stakeholders within the federal government.
3. Identify the relationship between risks and controls in the federal government environment.
4. Analyze federal government risk controls and other risk management initiatives according to federal government standards (e.g., OMB, GAO, DOD, NARA, NIST).
5. Identify federal government reporting requirements.
6. Distinguish between federal government requirements.

Examples

Sources of government information and reporting. The first domain of the core credential blueprint discussed how to analyze the business model of an organization and identify sources of information that explain the purpose of an organization and describe the environment within which it operates. Unique considerations related to the federal government that should be included in this analysis include identifying federal government specific sources of information and reporting. Given the importance of internal controls in the federal government, sources of information frequently come from activities that support internal controls assessments. For example, internal management reviews that focus on financial systems, cyber security and performance management provide valuable insights into risk management governance, framework and process. Additionally, external reports such as Office of Inspectors General (OIG) Management Challenges and Government Accountability (GAO) High Risk Reports can serve as measures of severity associated with certain key risks faced by a federal agency.

Assess key stakeholders within the federal government. The federal government environment is also unique from a stakeholder analysis standpoint because the overlap between internal and external stakeholders may be more common than the private sector. Certain stakeholders are readily classifiable as external (e.g., lobbyists) and internal (e.g., employees of the agency). However, often a stakeholder such as the OIG or other federal agencies are a hybrid and simultaneously represent internal and external perspectives and pressures. Specifically, stakeholders will have expectations about risk appetite and tolerance for the agency and, depending on the stakeholder's degree of influence, may have a significant impact on how the agency manages risk and its business processes on a day-to-day basis. A clear understanding of who the relevant stakeholders are for a federal agency and what their expectations are regarding risk appetite and tolerance will help set the foundation for effective enterprise risk management (ERM).

For ERM in the federal government, risk appetite "is the broad-based amount of risk an organization is willing to accept in pursuit of its mission/vision. It is established by the organization's most senior level leadership and serves as the guidepost to set strategy and select objectives." Risk tolerance "is the acceptable level of variance in performance relative to the achievement of objectives. It is generally established at the program, objective or component level. In setting risk tolerance levels, management considers the relative importance of the related objectives and aligns risk tolerance with risk appetite" (OMB Circular A-123, p. 10).

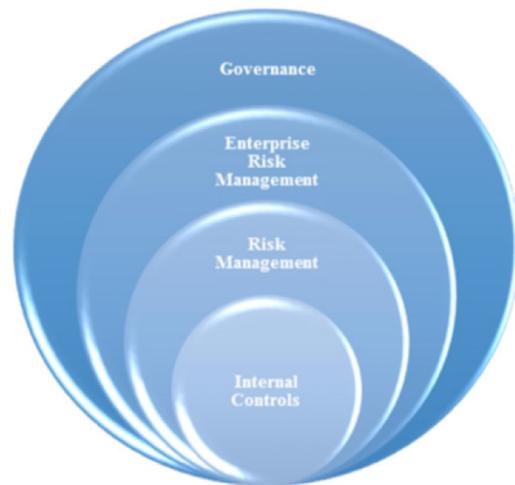
Identify the relationship between risks and controls in the federal government environment. Because of the influence and history of the GAO and its emphasis on ensuring public funds are spent responsibly, internal controls and audit are important in the federal government. In its mission to improve the performance, integrity, and reliability of the federal government the incorporation of internal controls into almost all agency management processes is a prerequisite for effective risk management. Controls are techniques and mechanisms that provide assurance that entity objectives will be met. Objectives are organized into three general categories: operations, reporting and

compliance. Finally, controls can be general (e.g., entity-level controls) or specific (e.g., transaction control activities) and are typically detailed in agency policy or procedures.

Traditionally, risk has been based on operational-specific execution and decisions regarding the trade-off between risk and opportunity based on project components such as cost, schedule and performance (Playbook: Enterprise Risk Management for the U.S. Federal Government, July 2016, p. 12). The control environment that evolved to address this traditional approach to risk was based on addressing risk reduction through application of discrete controls. Enterprise risk management (ERM) in the context of the federal government incorporates the legacy and foundation of internal controls coupled with traditional risks and incorporates them into a broader approach to managing risk at the enterprise level. The focus of ERM is on a portfolio view of both risk and opportunity that is based on strategy and mission, in addition to project specific considerations. The relationships among internal controls, risk management, enterprise risk management and governance as described are depicted in Figure 2-FED (OMB Circular A-123, p. 8).

Figure 2-FED

Relationship between ERM and Internal Controls and Enterprise Risk Management



Analyze federal government risk controls and other risk management initiatives according to federal government standards. Another defining characteristic of risk management in the federal government environment is the role and influence of various standards. A standard is an established norm or requirement, usually a formal document that establishes criteria, methods, processes and practices under the jurisdiction of an international, regional or national standards body. Whereas an ERM framework such as ISO 31000:2018 relates to a broad-based standard for implementing ERM, there are various other standards and frameworks relevant to the federal government environment. The NIST Enterprise Risk Management Framework is one such example. Furthermore, standards and frameworks in the federal government context frequently have corollaries in policy and or statute. In the case of the NIST Enterprise Risk Management Framework, policy comes from OMB Circular A-123 and one of the relevant statutes is the E-Government Act.

A federal government risk professional who has a clear understanding of the connections among and between statute, policy, framework and standards within the context of an agency's risk profile and strategic objectives is positioned to design better ERM approaches based on accurate analysis of the agency's business model, context, scope and governance.

Identify federal government reporting requirements. ERM reporting requirements are unique in the federal government context. All agencies, regardless of funding, focus and business model are subject to certain mandatory reporting requirements related to risk management. Additionally, some voluntary reports are also recommended to agencies to inform stakeholders about the effectiveness of ERM programs. Table 2-FED identifies reporting requirements based on source (i.e., internal or external) and whether or not they are mandatory or voluntary. Each report is classified as internal based on the potential for classified material to restrict or limit information sharing externally.

Table 2-FED
Reporting Requirements

Report / Source	Internal	External	Voluntary	Mandatory
Annual Assurance Statement	X ¹	X		X
Integration of ERM and Internal Control	X	X	X	
OMB Circular A-123, APX A	X	X	X	X
OMB Circular A-130, APX I ²	X	X		X
FMFIA (AFRs and PARs)	X	X		X
Govt. Corp. management report	X	X		X

Understanding reporting requirements will not only ensure program compliance but, more importantly, help a risk professional develop an objectives-based approach to ERM that supports agency mission.

Distinguish between federal government requirements. Finally, OMB's Circular A-123 identifies five requirements for ERM in the federal government:

- Management is responsible for the establishment of a governance structure to effectively implement, direct and oversee implementation of the Circular and all the provisions of a robust process of risk management and internal control.
- Agencies must maintain a risk profile to provide a thoughtful analysis of the risks an agency faces toward achieving its strategic objectives arising from its activities and operations, and to identify appropriate options for addressing significant risks.
- After initial implementation, the agency's risk profile must be discussed each year with OMB as a component of the summary of findings from the agency strategic review and FedSTAT (See OMB Circular No. A-11, sec 270).
- Management must evaluate the effectiveness of internal controls annually using GAO's Standards for Internal Control in the Federal Government known as "The Green Book" (OMB Circular A-123, p. 1 and 2). As applicable, ERM must be integrated with management's evaluation of internal control. In addition, it is important for the risk professional to keep in mind that the assurance statement is for internal controls, not the risks themselves, and is not an assurance statement over the ERM implementation as a whole.
- The agency risk profile must be updated at least annually.

Additionally, OMB's Circular A-123 makes additional recommendations for effective implementation of ERM in the federal government by suggesting that:

- Implementation of the Circular should leverage existing offices or functions within the organization that currently monitor risks and the effectiveness of the organization's internal control, and
- Agencies should develop a maturity model approach to the adoption of an ERM framework. For FY 2016, agencies were encouraged to develop an approach to implement ERM. For FY 2017 and thereafter agencies must continuously build risk identification capabilities into the framework to identify new or emerging risks and/or changes in existing risks.

Effective risk management professionals in the federal government will have a clear understanding of OMB's requirements and "presumptively mandatory requirements" (OMB Circular A-123, p. 2) regarding implementation of the Circular and be able to meet them in a timely fashion.

Self-Assessment of Content Areas. Table 3-FED is the self-assessment for the domain area of "Understanding the Federal Government Risk Management Environment." Please fill it out based on your self-ranked proficiency in each of the duties. Self-score your knowledge and understanding of each task based on a 5-point scale with 1 being the weakest and 5 being the strongest. Then, sum the scores and divide by the total number of tasks. Then, enter the quotient into the box for "Domain." The activity will help you prioritize time for additional reading and studying. Enter only one score for each of the task areas. Remember, appendix B has a clean copy of the self-assessment worksheet that can be used multiple times to track your progress and shows all domains and tasks in one location.

Table 3-FED

Self-Assessment for the Domain Area of Understanding the Federal Government Risk Management Environment

		Self-Rank Score	
		Domain	Task
Domain	Duties and Tasks		
A	Understanding the Federal Government Risk Management Environment	[]	
	A.1 Identify sources of government information and reporting (e.g., GAO, OIG, Grantees)		[]
	A.2 Assess key stakeholders		[]
	A.3 Identify the relationship between risks and controls in the Federal government environment		[]
	A.4 Analyze Federal government risk controls and other risk management initiatives according to Federal government standards		[]
	A.5 Identify Federal government reporting requirements		[]
	A.6 Distinguish between Federal government requirements		[]
	Sum		[]

↑
divide by 6

Sample Exam Question

According to federal guidance, what types of models are suggested to assist with the adoption of enterprise risk management?

- A. Capability maturity models
- B. Failure Modes and Effects Analysis (FMEA) models
- C. Monte Carlo simulation models
- D. Stochastic optimization models

Answer: A

Reference: OMB (July 15, 2016). Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Washington, DC: U.S. Government Printing Office. p. 2, 3rd bullet.

<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

Domain 2: Risk Management Implementation in the Federal Government

The second competency domain in the RIMS-CRMP-FED micro-credential curriculum addresses certain unique considerations in the federal government environment that relate to implementing ERM in the federal government.

Learning Objectives

To successfully complete this portion of the examination, the certification candidate should be able to:

1. Communicate roles and responsibilities within the federal government ERM process.
2. Coordinate and work with stakeholders and partners (e.g., oversight bodies, internal, external, public or private sector, federal, state, local, tribal, territorial).
3. Engage federal government risk networks.
4. Develop two-way internal communication strategies on the federal government ERM process.
5. Align internal controls to balance risk and opportunities with federal government risk tolerance.
6. Implement risk controls and other risk management initiatives according to federal government standards (e.g., OMB, GAO, DOD, NARA, NIST).

Examples

Communicate roles and responsibilities within the federal government ERM process. Roles and responsibilities for ERM implementation begin with the risk professionals who need to maintain a cohesive approach to interaction with risk owners and others involved in the overall governance of the ERM implementation.

OMB's guidance from Circular A-123 regarding the role of a risk management professional emphasizes:

- Helping senior management develop and implement core policies.
- Ensuring risk levels and processes are consistent with risk tolerance.
- Supporting implementation of effective controls.
- Developing strong reporting and analysis systems.
- Identifying emerging risk, concentrations of risk and interdependencies among risks.
- Elevating critical issues to appropriate levels within an agency in a timely fashion.

A successful risk professional in the federal government context understands the importance of finding the appropriate risk owners who are responsible for the effective management of risks and opportunities in their agency. Moreover, the risk professional should provide tools and techniques that help inform decisions risk owners make regarding how to minimize downside and maximize upside within the agency while balancing relevant risks and rewards.

From a governance standpoint, it is equally important to communicate the difference between the roles of risk professionals versus those of risk owners in both documentation of process and other reporting such as risk dashboards and external reports. By maintaining a clear understanding of the governance structure, execution will be more efficient and the risk professional will be able to keep the buy-in and commitment needed to sustain the implementation through its continuous life cycle.

Coordinate and work with stakeholders and partners. One of the practical implications of assessing stakeholders (item two from the first competency domain) is the identification of interdependencies among and between risks, and the resources required to successfully execute programs and initiatives. Use of an approach to coordination based on the individuals who are responsible, accountable, need to be informed or need to be consulted (RACI) helps maintain clearer understandings regarding execution of either risk management or project management. The risk management professional can further support the process by identifying the risk tolerances of different stakeholders and partners and combining them into a common risk philosophy that has important implications for selection of risk treatments and the amount of risk that an agency may take in order to achieve objectives.

Engage federal government risk networks. At a tactical level, risk professionals work with the risk networks—comprising the stakeholders and partners identified above—in order to apply risk treatments in an effective fashion and develop organizational risk competency. Following through on effectiveness of risk treatments is more productive when a RACI methodology is utilized. Moreover, the risk professional can target training and coaching to support risk owners on the use of tools and methods such as risk registers, monitoring and reviewing, and measuring deviations from expected outcomes. Finally, effective communication is supported as well.

Develop two-way internal communication strategies on the federal government ERM process. Without clear and effective communication in all directions, the best designed approaches to ERM will not succeed. As a starting point, establishing a common language for the ERM implementation is helpful. For example, glossaries that clarify tools, techniques and the vocabulary of ERM avoid confusing situations where terms or acronyms may be the same but have different meanings within the agency. It can be as simple as understanding the difference between a general ledger and general liability insurance.

Benefits of a clear communication process include:

- Effective meetings with risk owners, following through on risk treatments and support of goal achievement.
- Maintaining a clear distinction between risk ownership and process ownership.
- Establishment of a portfolio view on risk process (i.e., aggregation of risk measurements throughout the agency).
- Use of joint decision-making when applicable.
- Effective upward communication through dashboards and other reports that support governance roles in the process.

Align internal controls to balance risk and opportunities with federal government risk tolerance. Item three from the first domain above—Identification of the relationship between risks and controls in the federal government environment—laid the foundation for applying an integrated approach to risk management. The primary purpose of an enterprise-wide based approach to risk management is to move from the traditional position of reactive responses and transactional process to proactive risk treatments and interaction with risk owners to support the goals and objectives of the agency. Strong internal controls are an important component of an ERM implementation. By leveraging traditional risk management tools and techniques, an effective risk management professional in the federal government supports:

- A forward-looking view of risk to drive strategy and business decisions.
- Identification of more risk management options through enterprise-level trade-offs.
- Explicit definitions of risk appetite and tolerance in order to allocate resources and make decisions about risk treatments.

Implement risk controls and other risk management initiatives according to federal government standards. This competency is the practical extension of item four from the first domain above—analysis of federal government risk controls and other risk management initiatives according to federal government standards. After having identified the relevant interdependencies among frameworks and standards, policy and statutory requirements, the effective risk management professional works with risk owners to implement risk treatments and controls according to the applicable standard.

For example, at the beginning of its ERM implementation, an agency may develop a priority goal based on applicable statute and ensure that the required resources are applied to the goal in order to support compliance with the law. Conversely, as a result of applying gap analysis in the monitoring and reviewing stage of the risk process, an agency may identify new or revised standards that drive the development and incorporation of additional agency priority goals (APGs) based on the changing regulatory and enforcement environment that is unique to the federal government.

The federal government risk professional who has the ability to actively monitor the dynamic environment of standards will be more successful in delivering value to stakeholders.

Table 4-FED

Self-Assessment for the Domain Area of Designing Organizational Risk Strategies

		Self-Rank Score	
		Domain	Task
Domain	Duties and Tasks		
B	Risk Management Implementation in the Federal Government		
	B.1 <u>Communicate role and responsibilities within the Federal government ERM process</u>		
	B.2 <u>Coordinate and work with stakeholders and partners (e.g., oversight bodies, internal, external, public or private sector, Federal, State, Local, Tribal, Territorial)</u>		
	B.3 <u>Engage Federal Government risk networks</u>		
	B.4 <u>Develop two-way internal communication strategies on the Federal government ERM process</u>		
	B.5 <u>Align internal controls to balance risk and opportunities with Federal government risk tolerance</u>		
	B.6 <u>Implement risk controls and other risk management initiatives according to Federal government standards (e.g., OMB, GAO, DOD, NARA, NIST)</u>		
		↑ divide by 6	
			Sum

Sample Exam Question

Which of the following establishes the requirement for agencies to develop, document and implement an information security and protection program?

- A. Federal Information Security Modernization Act
- B. Information Security Forum
- C. Information Technology Association of America
- D. International Committee for Information Technology Standards

Answer: A

Reference: Federal Information Security Modernization Act of 2014, 44 U.S.C. §§ 113-283 (2014).

Domain 3: Risk Management Reporting in the Federal Government

The third competency domain in the RIMS-CRMP-FED micro-credential curriculum addresses some of the unique reporting requirements of the federal government environment.

Learning Objectives

To successfully complete this portion of the examination, the certification candidate should be able to:

1. Prepare internal reports according to Federal government reporting requirements.
2. Prepare external reports according to Federal government reporting requirements.
3. Report on the effectiveness of Federal government risk control according to standards (e.g., OMB, GAO, DOD, NARA, NIST).
4. Provide advice to federal officials on risk reporting and responses.

Examples

Prepare internal reports according to federal government reporting requirements. OMB's Circular A-123 identifies three deliverables related to an ERM implementation. The first is a report that describes the agency's ERM implementation approach and addresses governance process—with an emphasis on risk philosophy, methodology for developing risk profiles and an implementation timeline. The second report is the risk profile of the agency and should be integrated with both the strategic plan of the agency and the president's budget. Finally, when internal controls have been identified as a component of the risk profile, a description of how ERM supports internal control must be incorporated into Agency Financial Reports (AFRs) or Performance and Accountability Reports (PARs) as applicable.

Prepare external reports according to federal government reporting requirements. This competency is the practical extension of item five from the first domain: identification of federal government reporting requirements. After the risk management professional has determined which reports are applicable to his or her agency, the process of integrating ERM into the communication flow begins. Two common reports that should incorporate information related to ERM are annual assurance statements and the AFRs and PARs required by the Federal Managers' Financial Integrity Act (FMFIA). Annual assurance statements address integration of ERM with internal control as well as risk control activities that fall outside of the traditional internal control process. AFRs and PARs, depending on maturity of the ERM program, may include detail on ERM governance (e.g., Risk management Councils,); and risks that may not have associated internal controls that are addressed in the summary of corrective action plans or findings of material weakness.

Report on the effectiveness of federal government risk control according to standards. OMB's guidance from Circular A-123, combined with the GAO Green Book, are the primary standards that drive reporting requirements regarding effectiveness of risk control in the federal government environment. There are 17 principles and five internal control components that are described in the Green Book that relate to reporting on effectiveness of risk controls. When the principles are organized based on internal control component (see Figure 3-FED on next page), they are easier to understand and apply to ongoing internal control and ERM process.

The reporting requirements around effectiveness of internal controls are an integral part of the Circular A-123 from OMB and comprises reports that:

- are based on assessments of internal control,
- are based on summaries of internal control deficiencies,
- conclude on internal control principle evaluation and component evaluation, and
- conclude on overall assessment of systems of internal control.

An effective risk professional in the federal government environment will leverage the foundation of internal control evaluation into an ERM-based approach that evaluates an overarching system of internal and risk controls that reduces risks associated with achieving objectives. Moreover, an enterprise-wide approach will help manage opportunities as well as risks and support resource allocation based on risk tolerance.

Provide advice to federal officials on risk reporting and responses. Competent risk management professionals in the federal government environment maintain a strong focus on risk ownership in order to ensure successful outcomes in selection and application of risk treatments. To provide advice to federal officials and assist them in making risk-informed decisions, risk management professionals may be less directly involved (e.g., a spectator or coordinator) or more involved (e.g., facilitator or strategic advisor).

Figure 3-FED

Internal Control Principles Organized by Component

Control environment	Risk assessment	Control activities	Information & communication	Monitoring activities
1. Demonstrates commitment to integrity and ethical values	6. Defines objectives and risk tolerances	10. Designs control activities	13. Uses relevant, quality information	16. Performs ongoing monitoring activities
2. Exercises oversight responsibilities	7. Identifies, analyzes and responds to risk	11. Selects and develops general controls for the information system	14. Communicates internally	17. Evaluates issues and remediates deficiencies
3. Establishes structure, authority and responsibility	8. Assesses fraud risk	12. Deploys and implements control activities	15. Communicates externally	
4. Demonstrates commitment to competence	9. Identifies, analyzes and responds to change			
5. Enforces accountability				

Regardless of approach, the goal is to support both strategy and operations. Strategic planning is improved through incorporation of risk data that impact Agency Priority Goals (APGs) into regularly scheduled reviews. Operations are improved through decision-making that is informed by incorporation of risk appetite and tolerance considerations that support resource allocation and decisions regarding the balance between risk and reward associated with risk treatments.

The three competencies of the RIMS-CRMP-FED micro-credential, when combined with those of the core certification, create a valuable and unique opportunity for risk management professionals in the federal government to support the diverse missions of all agencies within the federal government.

Self-Assessment of Content Areas.
Table 5-FED

Self-Assessment for the Domain Area of Risk Management Reporting in the Federal Government

Domain	Duties and Tasks	Self-Rank Score	
		Domain	Task
C	Risk Management Reporting in the Federal Government		
	C.1 Prepare internal reports according to Federal government reporting requirements		
	C.2 Prepare external reports according to Federal government reporting requirements		
	C.3 Report on the effectiveness of Federal government risk control according to standards (e.g., OMB, GAO, DOD, NARA, NIST)		
	C.4 Provide advice to federal officials on risk reporting and responses		
	Sum		

↑
divide by 4

Sample Exam Question

According to OMB Circular No. A-123, agencies must develop a risk profile on an annual basis coordinated with their:

- A. Leadership
- B. Budget
- C. Strategic reviews
- D. Disaster recovery plans

Answer: C

Reference: OMB (July 15, 2016). Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Washington, DC: U.S. Government Printing Office. p. 2, 3rd bullet.

<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>

Appendix A-FED

Self-Assessment Checklist

		Self-Rank Score ¹	
		Domain	Task
Domain	Duties and Tasks		
A	Understanding the Federal Government Risk Management Environment		
	A.1 Identify sources of government information and reporting (e.g., GAO, OIG, Grantees)		
	A.2 Assess key stakeholders		
	A.3 Identify the relationship between risks and controls in the Federal government environment		
	A.4 Analyze Federal government risk controls and other risk management initiatives according to Federal government standards (e.g., OMB, GAO, DOD, NARA, NIST)		
	A.5 Identify Federal government reporting requirements		
	A.6 Distinguish between Federal government requirements		
B	Risk Management Implementation in the Federal Government		
	B.1 Communicate role and responsibilities within the Federal government ERM process		
	B.2 Coordinate and work with stakeholders and partners (e.g., oversight bodies, internal, external, public or private sector, Federal, State, Local, Tribal, Territorial)		
	B.3 Engage Federal Government risk networks		
	B.4 Develop two-way internal communication strategies on the Federal government ERM process		
	B.5 Align internal controls to balance risk and opportunities with Federal government risk tolerance		
	B.6 Implement risk controls and other risk management initiatives according to Federal government standards (e.g., OMB, GAO, DOD, NARA, NIST)		
C	Risk Management Reporting in the Federal Government		
	C.1 Prepare internal reports according to Federal government reporting requirements		
	C.2 Prepare external reports according to Federal government reporting requirements		
	C.3 Report on the effectiveness of Federal government risk control according to standards (e.g., OMB, GAO, DOD, NARA, NIST)		
	C.4 Provide advice to federal officials on risk reporting and responses		
Total			

Notes

1 Score your knowledge of each domain and task based on a 5 point scale with 1 being the weakest and 5 being the strongest.

2 By calculating your average score, you can compare yourself to yourself at different points in time.

Glossary

For a listing of many common terms and acronyms related to enterprise risk management, please see appendix F from CFO and PIC. (July 29, 2016). Playbook: Enterprise Risk Management for Federal Government. Washington, DC: U.S. Government Printing Office.

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Disclaimer

This guide is intended to provide only a general overview of the topics related to the RIMS-CRMP-FED micro-credential exam. This is not a complete analysis. The information provided is for general use only and is not intended to provide specific advice or recommendations, legal or otherwise, for any individual or organization. The information provided in this document is not mandatory to study nor does it guarantee a passing score on the RIMS-CRMP-FED micro-credential exam.

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