



# Objectives for Today's ERM Session

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- I. Background on Enterprise Risk Management and Portfolio Risk Management in Federal Agencies
- II. Progression of Guidance Addressing Risk Management & Internal Control
- III. Growth in ERM/Portfolio Risk Management Programs and Chief Risk Officer Roles
- IV. Highlights from 2014 Annual Federal CFO Survey
- V. Goals and Challenges of ERM/Portfolio Risk Programs
- VI. Success Factors
- VII. Implementation and Application of Enterprise Risk Management

# I. Background on ERM/Portfolio Risk Mgmt

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**Enterprise Risk Management** – Essentially boils down to:

- Developing a portfolio view of significant risks facing an organization;
- Using a common language to rank risks and consistent approaches to analyze them
- Integrating risk assessments into decision making, strategic planning, budget planning and related governance processes
- Acting proactively to address risk that could derail the organization from achieving its objectives
- Managing risk horizontally and vertically
- Leveraging risk data to pursue opportunities



# II. Progression of Guidance Addressing Risk Management and Internal Control

*Where We Are Now:*  
**Risk Management and Internal Control by Silo**

Improper Payments	Financial Statements	Spending Reports	OIG Major Management Challenges	Disaster Management	Acquisition Management	Program Integrity	Information Security
<b>Risk Assessment and Internal Controls by Silo</b>							
Risk Assessment and Mitigation	Audit Risk Mitigation Corrective Action Plans	USASpending.gov DATA Act Reporting Required by Other Special Legislation	Risk Mitigation Corrective Action Plans	Specialized Controls Added to Mitigate Risk	Charge Card Management Appendix B Requirements	Program Risk Assessment and Mitigation	FFMIA Compliance FISMA Compliance Plan of Action and Milestones (POAM)
<b>Control Assessment and Monitoring by Silo</b>							
A-123 Appendix C Assessment	A-123 Appendix A Assessment Separate Management Assurance over Financial Reporting	USASpending Error Rate and Controls	A-50 Audit Follow-up	Real-Time Assessments	A-123 Acquisition Assessments Program Reviews	Program Evaluations Other Compliance Assessments Management Assurance (FMFIA)	A-123 Appendix D Assessment
<b>Financial</b>		<b>Financial and Program</b>			<b>Program</b>		<b>Compliance</b>



## II. Progression of Guidance Supporting an Enterprise View of Risk in Federal Agencies

- **(6/2015) Executive Office of the President Office of Management and Budget (OMB)** - Updated guidance Federal Agencies follow to prepare budgets, identifying ERM as an important tool to help Federal Agencies align performance goals, budget resources and effective operations
- **(10/2015) OMB Expresses Support for an Enterprise Risk Protocol** Protocol would apply across the Federal Government, while reflecting that there is no one-size-fits-all solution for all agencies



Office of Management and Budget

\*Source: Association for Government Accountants (AGA) - "Highlights: A Conversation with OMB Controller, David Mader" [www.agacgm.org](http://www.agacgm.org), October 15, 2015

# III. Growth in ERM/Portfolio Risk Management Programs and Chief Risk Officer Roles

## Examples of ERM Programs /Portfolio Risk Management Programs in the US:

Financial Management, Financing, Financial Institution Oversight	Security , Public Safety Related Missions
Federal Retirement Thrift Investment Board - Administers Federal Retirement Plan	National Security Administration
US Department of the Treasury	US Department of Commerce
Bureau of the Fiscal Service	National Weather Service
Office of the Comptroller of the Currency (Bank Regulatory Agency)	National Oceanic and Atmospheric Administration
	US Department of Energy (Loan Program Emphasis)
	Bureau of Safety and Environmental Enforcement – Department of Interior
	Federal Aviation Administration- Department of Transportation
Internal Revenue Service	US Department of Homeland Security
	Transportation Security Administration
	<b>Health Related Missions</b>
Office of Housing and Urban Development	Department of Health and Human Services
Federal Housing Administration	Centers for Medicare and Medicaid Services
Office of Public and Indian Housing	<b>Other</b>
Federal Deposit Insurance Corporation	US Department of Education
Securities and Exchange Commission	

# IV. Highlights from 2014 Annual Federal CFO Survey

## What is the level of risk management maturity at your agency?



*The maturity model defines the roadmap and target strategic objectives to advance financial and operational risk management within an agency.*

# IV. Highlights from CFO Survey - Chief Risk Officer Role among Federal Agencies

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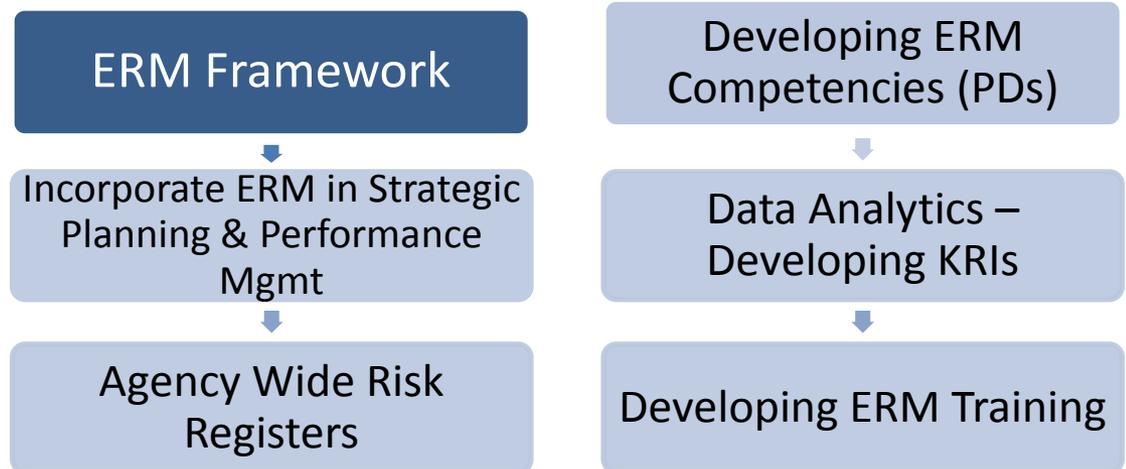
- 2004 - Department of Education is believed to have employed the first CRO (Office of Federal Student Aid) – Formalized ERM Office in 2006
  
- 2014 - Annual CFO Survey
  - 20% of Federal Agency respondents indicated that their Agency had a Chief Risk Officer role
  - Approximately 51% (just over half) of Federal Agency respondents indicated that their Agency had a role similar to that of a Chief Risk Officer performed through a variety of roles:
    1. Internal Control Division Chief
    2. Chief Operating Officer
    3. Chief Financial Officer
    4. Performance Improvement Officer
    5. Chief Safety Officer
    6. Senior Management Council
    7. Risk Committee

\*Sources: (1) Douglass Webster, Tom Stanton, *Improving Government Decision Making through Enterprise Risk Management*, IBM Center for the Business of Government Risk Series, 2015; (2) 2014 Annual Federal CFO Survey

# V. Goals and Challenges of ERM/Portfolio Risk Programs

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- Federal Agencies Established an Interagency Enterprise Risk Management Council in 2014 to Support Risk Management Directors/CROs
- Comprised by 15 Federal Agencies that have an enterprise risk management or portfolio risk management program
- Meets monthly to share information, discuss developments in Enterprise Risk Management (e.g., changes to national standards or guidance)
- Identified the following items to discuss and exchange ideas to strengthen their respective programs:



# V. Goals and Challenges of ERM/Portfolio Risk Programs

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## What are the Biggest Challenges to the ERM Program at your Agency?

1. **Leadership** – Consistently receiving and sustaining support and engagement from top leader(s)
2. **Culture** – ERM involves cultural change/maturity of a risk-aware culture; change in approaches in organizations that can be cautious and resistant to change
3. **Governance** – Leveraging risk-related data and analysis into governance processes including strategic planning, resource allocation, and other decision making processes
4. **Communication** – Obtaining and disseminating risk-related information to all business and program areas; Educating/demonstrating the value of the ERM function
5. **Organization Silos** – Gathering the right data from across the organization and making risk related analysis and reports useful across organizational lines; Evaluating risk on a portfolio basis regardless of organizational lines
6. **Resources** – Access to and deployment of staff and other critical resources; Reconciling roles of the ERM staff with those of the auditor or inspector general

\*Sources: (1) AGA Corporate Partner Advisory Group Survey Series , Annual Federal CFO Survey, October 2014 (2) Douglass Webster, Tom Stanton, *Improving Government Decision Making through Enterprise Risk Management*, IBM Center for the Business Government Risk Series, 2015

# VI. Success Factors Identified by Agencies with ERM or Portfolio Risk Management Program

- Tone at the Top – Engagement by Senior Leaders
- Common Vocabulary: Risk Management Framework
- Leveraging Data from existing Risk Management Processes to Inform Analysis of the Most Significant Risks
- Ensuring that ERM does **not** become a Stand-alone Compliance exercise with a set of Documented actions that don't Add Value
- Ensuring that ERM/Portfolio Risk Management **is** Integrated into and adds value to Decision Making Processes.



## Core Decision Making:

- Developing and Applying Risk Appetite in Governance Processes
- Thoughtful Consideration of Risk in Strategic Planning
- Thoughtful Consideration of Risk in Performance Measurement

\*Source: (1) Interviews with CROs Performed by M. Yakimov; Douglass Webster, (2) Tom Stanton, *Improving Government Decision Making through Enterprise Risk Management*, IBM Center for the Business Government Risk Series, 2015

# VII. Application of Enterprise Risk Management at the Bureau of the Fiscal Service

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- **Engagement/Tone at the Top** - Risk Committee (the most senior leaders) meets monthly to discuss risk
- **Common Vocabulary**: Enterprise Risk Management Framework and implementation policies/procedures
- **Informing Analysis of the Most Significant Risks** - Leverage Data from existing Risk Management Processes
- **Risk Appetite Statement** - Articulates acceptable levels of risk and expectations for leaders to manage risks in their areas
- **Examples of ERM Integration into Decision Making and Governance** :
  - Identify and discuss most significant risks facing our organization
  - Track and Discuss Risks to Strategic/Tactical Objectives
  - Discuss Risk Incidents Monthly



# Contact Information

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