

Thought Leadership for the Federal Enterprise Risk Management Community

In This Issue

A Note from the AFERM President	2
Enterprise Risk Management News	5
Ask a Risk Specialist	6
Welcome New Members	9
AFERM Announcements	11
2013 Officers and Committee Members	13
Request for Newsletter Feedback	15
Upcoming Events	16
Thank You to Our Sponsors	17



Reminder

Please stay tuned to your email for a formal announcement related to the next bi-monthly meeting!

Thought Leadership for the Federal Enterprise Risk Management Community

A Note from the AFERM President



The Importance of Proactive ERM in Lean Times

If ever there was a time in our lives that the federal government truly needed effective risk management, we may well be living in it right now. Far too few federal agencies undertook proactive measures to prepare for a possible sequestration, believing that such a scenario was unlikely—now we are in the midst of it. Risk management is most beneficial when it focuses on not what is likely, but rather what is unlikely. At a time when every agency should be considering the prioritization of programs and the application of budgetary resources based on Return on Investment, one might expect “Risk-Based Budgeting” to be the latest buzzword.

Unfortunately, many leaders appear to view risk management as a luxury that cannot be afforded in lean times. As I suspect all AFERM members will readily agree, lean times are when risk management is needed more, not less. Today’s fiscal environment calls for proactive planning and risk identification, using scenario analysis and other methods to identify risks and prepare potential responses. Too many agencies have resorted to a “wait and see” approach that inevitably leads to a proverbial “firefighting” response to events that were foreseeable. As planning moves from proactive to reactive, and from reactive to reactive-in-the-midst-of-crisis, the urgent need to act effectively increases, while the options available to the decisionmaker decrease.

Current challenges in risk management illustrate that we still have a distance to go in building awareness of ERM principles in the federal government. One of AFERM’s strategic goals is to educate stakeholders “on the benefits, tools and leading practices of Federal ERM.” To accomplish this goal, AFERM continues to develop opportunities to help members grow in their knowledge of ERM so that they can spread the ERM message to others who can benefit. Soon we will start hosting AFERM social hours, where all members are welcome to meet and mingle, and to bring along guests who are interested in ERM. You should have recently received an email from David Emanuel, chair of the AFERM membership committee, inviting you to complete a survey on your preferences for meeting days and locations. I highly encourage you complete this survey, if you have not already done so.

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The Meaning of ERM, cont.

Once these gatherings are underway, they will present a great opportunity to meet and share with your fellow members. Whether sharing lessons learned, networking for new career opportunities, or simply sharing in some good conversation, these social hours will be a valuable benefit to AFERM members. However, they will also be a valuable opportunity to share the benefits and best practices of ERM with your coworkers or clients. Soon we will send you information about AFERM's first social hour. Be thinking about coworkers and customers you know who would benefit from being introduced to our community of professional enterprise risk managers.



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- Protect the value of assets
- Increase likelihood of achieving key goals and objectives

STILL MANAGING RISK IN SILOS? ERM REDUCES COSTS AND ENHANCES EFFICIENCY.

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Enterprise Risk Management News

Risk Management: Mind Over Model?

An article published by the Wharton School of the University of Pennsylvania indicates that corporate risk leaders are rethinking traditional risk management models in light of emerging risks that were not identified and evaluated in time to reconsider their position. Because of rapid improvements in telecommunication and global business practices, companies have been forced to move beyond traditional, information-based risk management practices. As described by Erwann Michel-Kerjan, managing director of Wharton's Risk Management and Decision Processes Center, global reach has created new interdependencies within practically every industry. In the article, Michel-Kerjan notes the following:

Whatever industry you consider, it is always the same pattern. Things are getting faster, and therefore we need to make decisions faster, but based on information that we often don't have. Of course, we would like to have time to get all the information, but the reality is that managers have to make decisions under uncertainty, if not outright ignorance.

The article contends that the increased requirement for agility has resulted in risk management continuing to become more of a strategic discussion. This transition has turned risk managers into strategists who need to make difficult, proactive decisions under conditions of uncertainty. As a result, the authors believe that risk management will become even more important in the management of any enterprise.

The full article can be located at: <http://knowledge.wharton.upenn.edu/article.cfm?articleid=2205>

Transitions in Risk Management Techniques

A recent study indicates that risk managers at the global level must constantly consider changing their techniques to support in today's unpredictable environment. Based on the survey responses, leaders in risk management have indicated that they have had to plan their work strategically due to emerging risks, including organizational restructuring, social media, potential for economic downturns, and increased IT security concerns.

If you are interested in learning more about this survey, please access the following link:
<http://www.cgma.org/Magazine/News/Pages/20137712.aspx>

The ability to tackle what's next

Federal agencies are facing significant challenges in the areas of enterprise risk management, process improvement, project and portfolio management, financial management, and cyber security. As a trusted advisor, our Public Sector Practice is helping them address these most difficult challenges. For example, we have worked with the Department of Defense on management, business and financial planning, advised on data security, threat and vulnerability management for the Department of Homeland Security, and consulted on human capital and succession issues for the Internal Revenue Service.

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Ask a Risk Specialist

The Time is Ripe for Risk Management in Cross Agency Collaboration

When it comes to consumerism, we all have standards and expectations that influence our decision to purchase products or services. Let's take batteries for example. There are some batteries that are perceived as being of higher quality than others because of their

level of performance. This is a result of product perception or direct experience. Nevertheless, whether it is Duracell or Ever Ready- when the battery is placed within a device, the device should become empowered. This is a standard expectation of a battery regardless of the brand.

And so it goes for Government agencies. As the nature of Agency management changes due to volatile external environments, higher performance expectations, increased scrutiny and improved fiscal management; agencies will be inclined to find innovative ways to accomplish management efficiencies and performance outcomes.

One idea for doing so has been the use of cross agency collaboration. According to the report *Implementing Cross- Agency Collaboration: A Guide for Federal Managers*, by Jane Fountain, professor of political science and public policy at the University of Massachusetts Amherst; there have been many discussions surrounding the importance of cross-agency collaboration. Once seen as uncharted territory, Fountain acknowledges that recent changes in law and advances in technology have led to a new environment that makes cross-agency management far more achievable. An example is the GPRA Modernization Act of 2010 which requires the development of government-wide priority goals and greater coordination among agencies. There is definitely motivation in creating effective cross-agency collaborations that can improve outcomes significantly.

As a matter of practice, these collaborations can take many forms; including something as simple as using people skills to establish networks essential to effective multi-agency initiatives; to utilizing organizational processes, such as establishing formal agreements and pooling resources. While the net is far and wide; the opportunity to achieve shared outcomes and successes through collaboration may increase, but so do the risks of collaboration.

When engaging in these newly formed relationships, Agency leaders should understand that it is just as important to have a sense of a collaborative agency's risk management principles and practices as it is their ability to provide people skills and pooled resources. Utilizing ISO31000 as a standard "check-point" and guide can help an agency attain that level of insight.

For example, let's say that Agency A and Agency B both have the responsibility of creating a multi-billion dollar government-wide data system. Agency A has the people capacity and Agency B has the technological capacity. They enter into a Memorandum of Understanding (MOU) or interagency agreement to achieve shared outcomes. The agencies will not only share the benefits of the opportunity, but also share the risks in pursuit of the opportunity. Ensuring that either agency has a sense of how risks are identified and managed internally and externally would be a prudent business practice. A few key

Thought Leadership for the Federal Enterprise Risk Management Community

Ask a Risk Specialist, cont.

questions may include:

- Does your agency have a risk management strategy or framework in place?
- Does your agency have a risk philosophy?
- Has an assessment of risks that may impact the project or initiative been conducted?
- What action plans are in place to mitigate high risks?

ISO 31000 is a risk management “standard”. The term "standard" or "technical standard" includes the following: “Common and repeated use of rules, conditions, guidelines or characteristics for products or related processes and production methods, and related management systems practices.” (OMB Circular A-119)

As an internationally approved standard by the International Organization for Standardization, ISO 31000 is the “battery” for powering an organization towards effective risk management.

Risk management can be applied to an entire organization, at its many areas and levels, at any time, as well as to specific functions, projects and activities. While all organizations manage risk to some degree, this standard establishes a number of principles that need to be satisfied to make risk management effective. (American National Standard, ANSI/ASSE Z690.2-2011 Risk Management Principles and Guidelines)

As cross agency collaboration becomes the norm, the risk management practice of partnering agencies is one area that should not be overlooked.

Dr. Karen Hardy is Deputy Director Risk Management, Department of Commerce.



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Welcome New Members!

New Member	Agency/Company
Gordon Garrett	BayFirst Solutions
Nevin Grieve	Wynyard Group
Salim Mawani	Smithsonian Institution
Mohsin Mughal	Smithsonian Institution
Helen Tierney	US Department of Veterans Affairs
John Zimmerman	Ernst & Young

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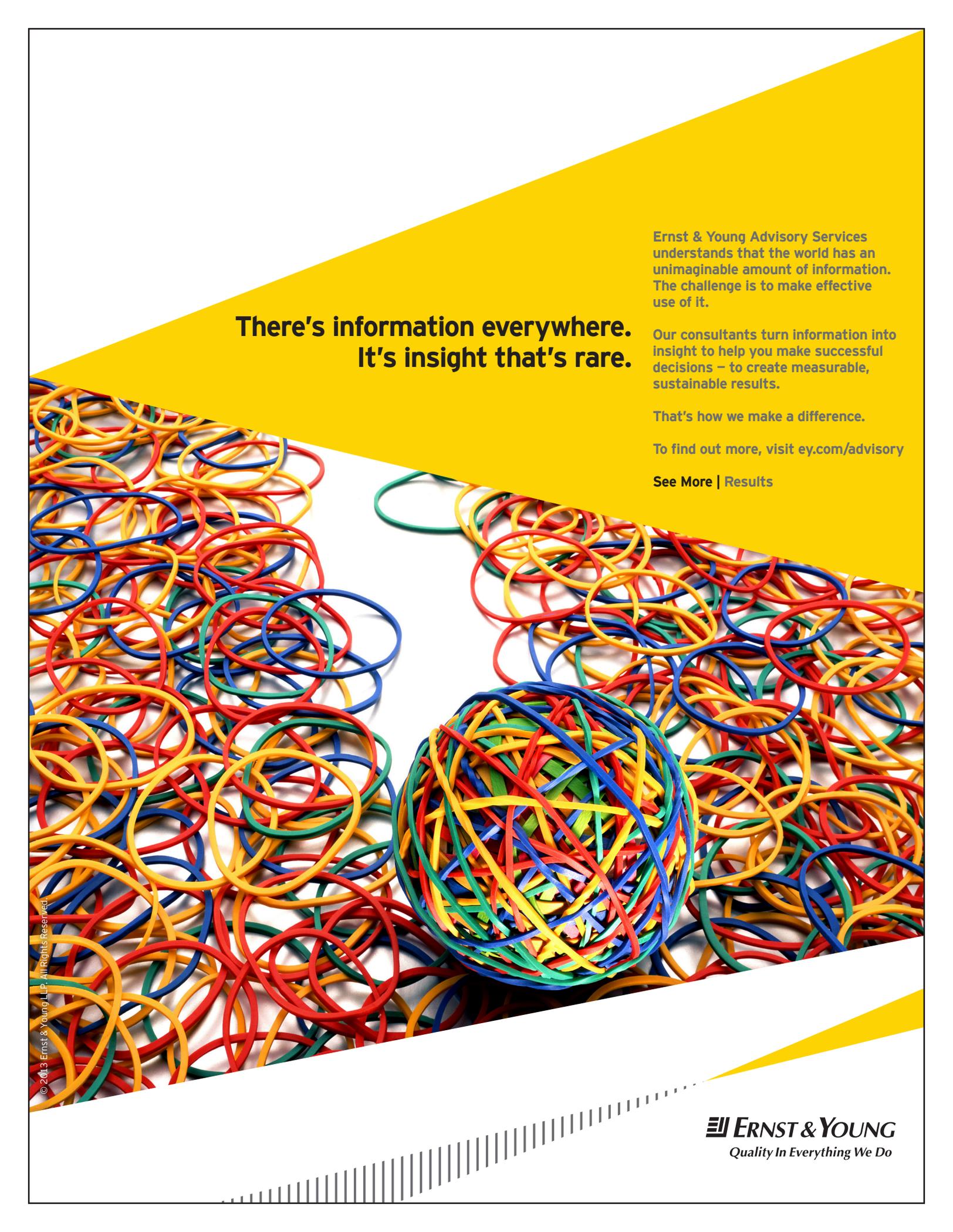


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AFERM Announcements

Call for New Committee Members

As a 100% volunteer organization, AFERM relies on the efforts of those of you who choose to contribute time and effort. Please consider adding your name to the list of those who have already volunteered to serve on an AFERM committee for 2013. The need is great and your support will be greatly appreciated!

Please feel free to contact David Emanuel, Membership Committee Chair, if you are interested in learning more about these opportunities. However, if you know of a particular committee on which you would like to serve, please reach out directly to the following individuals:

- Program Committee Co-Chair (Bi-monthly Meetings): Anita Marchion anita.marchion@treasury.gov
- Program Committee Co-Chair (Summit): Laurie Champion laurie.champion@aon.com
- Communications Committee: David Fragale david.l.fragale@us.pwc.com
- Membership Committee: David Emanuel david.emanuel@activerisk.com
- Long Range Planning Committee: Catherine Chatfield Catherine.chatfield@hq.dhs.gov
- Bylaws, Policies and Procedures Committee: Fred Nunley Fredrick.nunley@morganfranklin.com
- Audit Committee: Harold Barnshaw harold.barnshaw@treasury.gov

Members Make a Difference

As the only organization focusing on the advancement of risk management principals and standards in the federal sector, AFERM is dedicated to instructing, training and informing government managers in the field of ERM. You, as members, provide crucial support of AFERM's operations that allows the AFERM leadership to continue to bring together professional risk managers in the federal government and the community, present innovative approaches, and provide a forum for the interchanges of ideas in this emerging field. Since AFERM is a private, non-profit organization, we depend on the support of our members.

At the time of AFERM's inception in October 2011, the board members had agreed that membership dues would be levied on a calendar year (ending December 31) basis. However, since AFERM's financial year end is September 30, the Board recently voted to change the membership year to coincide with the financial year. Given that AFERM membership dues were collected with the understanding that the membership year would end on a calendar year basis, the change has resulted in all paid members having prepaid their dues for one quarter of the next year (October 1, 2012 to September 30, 2013). To adjust for this prepayment, AFERM will bill renewing members only for the nine months (three remaining quarters). Furthermore, the Board has also authorized that the dues for new members will be prorated on a quarterly basis.

Thought Leadership for the Federal Enterprise Risk Management Community

To summarize, the following shows the applicable membership dues:

1. Existing members renewal - Membership expires on September 30, 2013 = \$56.25 (75% of dues due to prepayment of 25% dues as part of last year's membership payment)
2. New members joining between **October 1, 2012 and December 31, 2012** = \$75 (100% of dues)
3. New members joining between **January 1, 2013 and March 31, 2013** = \$56.25 (75% of dues)
4. New members joining between **April 1, 2013 and June 30, 2013** = \$37.50 (50% of dues)
5. New members joining between **July 1, 2013 and September 30, 2013** = \$18.75 (25% of dues)



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*Vice President, Treasurer Elect,
Tom Stanton*

Vice President, Secretary, Frank Wood

Vice President at Large, Sallyanne Harper

Vice President at Large, Karen Hardy

Vice President at Large, Deb Swedberg

Membership Committee

- David Emanuel, Chair
- Anne Beemer
- Terry Boyd
- Calandra Dixon
- Gilda Kolesnikova
- Yehuda Schmidt

Program Committee

- Anita Marchion, Co-Chair
- Laurie Champion, Co-Chair
- Brian Barnier
- Brack Boone
- Folake Fadayomi
- Thomas Holland
- Janelle Pannell
- Andy Tiedeman

Bylaws, Polices and Procedures

- Frederick Nunley, Chair
- Lon Cross

Long Range/Strategic Planning Committee:

- Catherine Chatfield, Co-Chair
- Arnold Hill

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- Jay Ahuja

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Communications Committee:

- David Fragale, Chair
- Pankaj Bhasin
- Irene Ilie
- Ellen Kleiman-Redden
- Steve Leftwich
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***To Contact Officers or
Committee Members,
please E-mail
membership@aferm.org***

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Active Risk understands the unique challenges faced by government entities, and has extensive experience helping our government clients manage risk. By implementing Enterprise Risk Management (ERM) practices, government agencies can run more like a business by proactively managing the risk across their entire portfolio of programs. Managing risks across the portfolio helps break down the inherent silos between each program to provide improved transparency across departments. It helps anticipate the impacts of short-term budgets "fixes," enabling leaders to act proactively, improving your agency's reputation.

Download our free ERM Readiness Guide at www.activerisk.com/readiness

Request for Newsletter Feedback

If you have any comments or suggestions regarding the newsletter, the AFERM Newsletter Team needs your help! We strive to deliver informative and exciting materials to our valued membership. Please contact us if you have any suggestions for future articles or features, comments on the content or form of the newsletter, or questions about content.

Please send your comments, questions, or contributions for inclusion in the next newsletter to:

Newsletter Team at newsletter@aferm.org

Thought Leadership for the Federal Enterprise Risk Management Community

Upcoming Events

May AFERM Bi-Monthly Meeting

The AFERM Program Committee is currently planning the next bi-monthly meeting, to be held at the end of May! Please stay tuned for more information as the details are finalized.

As always, we look forward to seeing you at our next exciting event. Please encourage your colleagues to attend. The success of AFERM depends on your active involvement!

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