

Thought Leadership for the Federal Enterprise Risk Management Community

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AFERM Newsletter

In the newest edition of the AFERM Newsletter, we are pleased to introduce our new president, Al Runnels. Check out his vision for the Association in A Note from the AFERM President on page 2!

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A Note from the AFERM President



The Association: A Renewed Focus

As our Association for Federal Enterprise Risk Management continues to mature in this, our third year of operations, I want to thank Doug Webster for his dedicated service as President for our first two years. Under Doug's excellent leadership, we accomplished much toward our mission of advancing the practice of ERM in the federal government through thought leadership, education, and collaboration. I want to thank all of our members for your interest in ERM and, more importantly, for your support, as we work together to contribute to the effectiveness of our federal government through promoting the practice of ERM within government agencies.

I also want to thank those of you that have served in Board, committee chair, and committee member positions for your service to AFERM. Special thanks to Jay Ahuja who, in addition to being part of the small group that established AFERM, is now serving for a third year as our Treasurer. I'm sure Jay is looking forward to a little rest next year, thanks to Nadine Cipriani, who joined the Board this year as Treasurer Elect. Thanks also to Laurie Champion for all the work she did the past two years in planning and preparing for our Federal ERM Summit and for joining the Board this year. I would be remiss if I did not thank Bill Hughes (Chair of our Corporate Advisory Group) and all of our Corporate Sponsors, not only for your generous monetary support of AFERM, which is essential toward accomplishing our mission, but also for the individual members of our association from your companies, many of whom serve in key roles. Lastly, I want to thank Brack Boone and Thomas Holland, who have stepped up to serve this year as Co-Chairs of our Programs Committee (Summit / Luncheons & Other Events), and also Vance Stewart (one of our newest members), who is taking over as Chair of our Strategic Planning Committee.

We have conducted two joint Board / Committee Chairs meetings over the past six weeks. As you would probably expect, among other things, we focused on updating the AFERM Strategic Plan, which, of course, is very important in any organization in setting the roadmap for what we want to accomplish over the next few years and how we plan to do it. I look forward to sharing our updated AFERM Strategic Plan with you after the Board approves it in our January session.

I am honored to serve as the President of AFERM for our third year of operations. I believe we need to focus on the following three areas:

1. Growth and capacity building. While we have progressed well over the past two years, we

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A Renewed Focus, continued

need to continue to grow our association and further enhance our activities. To this end I would encourage each AFERM member to recruit one new member this year. Also, while each of our Committee Chair positions are filled, we need some current AFERM members to dedicate some of their spare time in serving as committee members. Please contact me (allenrunnels@gmail.com), if you're willing to help by serving on the Programs Committee, the Finance Committee, or the Communications Committee. We also need to update, further upgrade, and maintain our website in a current status. Lastly, it is important that we continue to develop policy and procedures and that we ensure the interface and collaboration among the Board and Committees concerning managing certain important functions is effective.

2. Programs. Obviously, it is very important that we conduct a successful 2014 Federal ERM Summit. By all counts, based on the feedback we received from the approximate 200 participants this year, the 6th Annual Federal ERM Summit we conducted, in partnership with George Mason University's School of Management, was highly successful and we want to continue to enhance it each year. Mark your calendars for 9 and 10 September 2014, as the dates the Board has approved for the 7th Annual Federal ERM Summit. Also, we want to focus on continuing to obtain great speakers and move to a new venue for our quarterly luncheons.

3. Communication with our members and corporate sponsors. It is vital that we all work together to best promote federal enterprise risk management. I really believe that AFERM can serve as a catalyst in leading the federal government to better understand the value of enterprise risk management and recognize the need for its application sooner rather than later. While we have seen some agencies work toward establishing an ERM program over the past few years, more agencies need to do so and both OMB and GAO should play key roles in the expansion of ERM across the US Government.

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Enterprise Risk Management News

AICPA Encourages the Integration of ERM and Performance Management

An AFERM member recently contributed the AICPA's "Business Brief" entitled "The Perils and Promises of Integrated Enterprise Risk and Performance Management." Although it was initially released in early 2011, its message rings true today. Organizations should use their risk management frameworks to inform risk-based performance management.

The premise behind [the] risk-based performance management framework is to link risk performance to business performance. Whether defined narrowly or more broadly, performance management does not currently embrace risk governance. It should. Risk and uncertainty are too critical and influential to omit.

The full document can be located at:

http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/ERM/DownloadableDocuments/The_Perils_and_Promises_of_EIR_and_PM.pdf

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Enterprise Risk Management Article

What Is It and Why Is It Important to Federal Executives?

Enterprise risk management (ERM) is an enigma. Many executives in the private sector claim their organizations do it, yet get a group of them together and they won't agree on what it is. North Carolina State University issued research concluding that risk management processes in most organizations are relatively immature and ad hoc. Standards & Poor's (S&P) issued a report on how nonfinancial companies are managing risk based on its reviews, declaring that the state of development of ERM in non-financial companies is at a relatively immature stage. While we see some improvement since these publications were issued, we see little evidence that the state of the art has changed significantly.

In the public sector, in particular the Federal environment, ERM is also at an immature state. That assertion shouldn't be a surprise, as ERM has only recently become a topic of interest to Federal executives. To be sure, there are challenges in implementing ERM at a Federal government agency. The reality of political appointees with limited time in which to make their mark, the annual budgeting and appropriations process, the recent impact of the budget sequestration, and the reality of fragmentation and silos (that are so common in government) all combine to present formidable obstacles to implementing a forward-looking discipline like ERM. This is important because ERM adds limited value in an immature state leaving agency and departmental managers with a list of risks and very little insight as to what to do next.

ERM may increase risk awareness across an agency or department, but it will not be effective in driving decisions if it isn't integrated with policy setting and management's decision-making processes. As a result, risk is often an afterthought to policy and risk management is an appendage to performance management.

So what is ERM? The Committee of Sponsoring Organizations (COSO) points out that ERM: (a) is an ongoing process; (b) is applied in policy setting and across the enterprise; (c) is designed to identify potential events that will affect the entity if they occur; and (d) provides reasonable assurance regarding the achievement of the organization's business objectives and the management of risk to within its risk appetite.

ISO 31000 states that risk management is an integral part of organizational processes and a critical part of decision making.

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ERM: What Is It and Why Is It Important, continued

While these and other frameworks provide valuable insight in defining ERM, we believe ERM can be summed up as follows:

ERM is the discipline, culture and decision-making structure an organization has in place to continuously improve its risk management capabilities in a changing environment.

Why is ERM important? The following “governing realities” shed light on this question:

- (1) ***The time may come – sooner than Federal executives may expect – when the fundamentals affecting their unit are about to change.*** Like any other organization, Federal departments and agencies need an integrated view of their risk profile to ensure the risks they face are consistent with their mission and appetite for risk. ERM is about securing “early mover” positioning to take advantage of opportunities and deal with emerging risks. Managing in an uncertain environment requires an understanding of the key assumptions underlying policy and monitoring changes in the environment to ensure that these assumptions remain valid over time.
- (2) ***It is not what we know that matters; it is what we don't know that makes the difference.*** Is our approach to assessing risk identifying emerging risks and telling us something we don't know? Are we focusing on the risks that really matter? Are there soft spots in our plan needing further analysis and dialogue to improve our chances for success? Does everyone who matters feel free to raise their hands and express concern over a project, plan or initiative without fear of repercussions? ERM can facilitate the focus on the critical agency/departmental risks.
- (3) ***Reputation is everything; lose it and it's game over.*** The spiraling national debt, unrelenting political gridlock, increasing taxpayer burden and intensive media scrutiny all suggest that Federal government agencies and departments face performance issues and reputation risk, just like organizations in the private sector. Federal executives need to prioritize and focus on what is really important. The times demand “sun setting” of programs and initiatives that contribute little value to accomplishing mission. ERM can contribute a risk-based perspective to resource allocation decisions by ensuring that significant risks are identified and appropriate risk responses are in place to reduce the risks to an acceptable level.
- (4) ***Sooner or later, there will be a crisis that will test your department or agency.*** Even the most effective risk management cannot prevent this exposure. Decision-making should consider alternatives and the “fish bowl” environment in which the Federal government

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ERM: What Is It and Why Is It Important, continued

operates. Risk assessments should consider the speed and persistence of impact over time to different scenarios and the organization's response readiness to high impact, high velocity and high persistence scenarios.

(5) ***In the Federal government, “risk” is more than just “bad things happening,” it is also about “good things not happening.”*** Mission is vitally important, but so is delivering on commitments to citizens and taxpayers. ERM facilitates better decision-making in driving resource allocation, improving efficiency and effectiveness of critical processes and keeping everyone on mission to provide quality and reliable service, while exercising appropriate stewardship over government funds, information, and other assets.

These above governing realities are forcing Federal executives to take a fresh look at risk and crisis management, which is why the topic of ERM is attracting more attention. An effectively functioning ERM process is important, because it can help executives address these realities.

About the Authors

Jim DeLoach is a Managing Director with Protiviti. With over 35 years of experience, Jim assists organizations in every sector with integrating risk management with strategy setting, business planning and performance management. He is a member of the firm's Executive Council and Global Solutions Leadership Team.

Kevin Hawkins is a Managing Director and Government Market Leader for Protiviti. Over a period of 20 years, Mr. Hawkins has gained unique perspectives on government management and technology practices and issues through various groundbreaking projects. Mr. Hawkins holds a BS in Information Systems from Morgan State University; MS in the same from George Mason University and is Certified Information Systems Auditor.



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Welcome New Members!

New Member	Agency/Company
Alexandra Lampros	Department of Interior
Sharon Blake	Department of Interior
Thomas Burrell	Booz Allen Hamilton
Lucinda Comegys	Internal Revenue Service
Hilary Cronin	Department of Education
Daniella Datskovska	Ernst & Young
Ray Decker	Office of Personnel Management
Wayne Dunbar	Department of Interior
Michael Dunn	Department of Treasury
Eric Eisenstein	Department of Interior
Debra Elkins	Department of Homeland Security
Claude Etienne	Department of Housing and Urban Development
Cathleen Michelli	National Aeronautics and Space Administration
David Fuller	National Institutes of Health
Marc Greathouse	Deloitte
Frank Holloman	National Institutes of Health
Nahla Ivy	Department of Energy
Laura Jackson	ABS Consulting
Natesan Jambulingam	National Aeronautics and Space Administration
Emil Kabban	Department of Energy
Jacob Lee	Department of Interior
Denise Lippuner	Grant Thornton
Priscilla Logan	National Institutes of Health
Kirsten Matsumoto	NTT Data
Anne Long McDonnell	Department of Veteran Affairs
Patrick McHugh	Department of Interior
Doreen McKee	Quality Assurance & Risk Management Services, Inc.
Lonnie McNair	Department of Energy
Robert Navarro	
Michael Oliva	Department of Interior
Michelle Perry	Department of Veteran Affairs
Julie Pollitt	National Aeronautics and Space Administration
Alexandra Ritchie	Department of Interior
Michael Rogers	Department of Veteran Affairs
David Stalfort	ABS Consulting
Steve Talley	National Institutes of Health
Frank Tedeschi	IBM Consulting
Nancy Thomas	Department of Interior
Charles Uyeda	The Aerospace Company
Cynthia Vitters	Department of Education

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AFERM Announcements

AFERM Membership – Bring a Colleague!

As the only organization focusing on the advancement of risk management principles 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 operations, allowing the Aferm leadership to continue to bring together professional risk managers in the federal government and the risk management community, present innovative approaches, and provide a forum for the interchange of ideas in this emerging field. Since Aferm is a private, non-profit organization, we depend on the support of our members.

If you have a colleague or friend who might be interested in joining, please let them know that our annual dues are only \$35 for federal employees and \$75 for non-federal employees! We encourage new members to sign up via our website: <http://www.aferm.org/membership.php>.



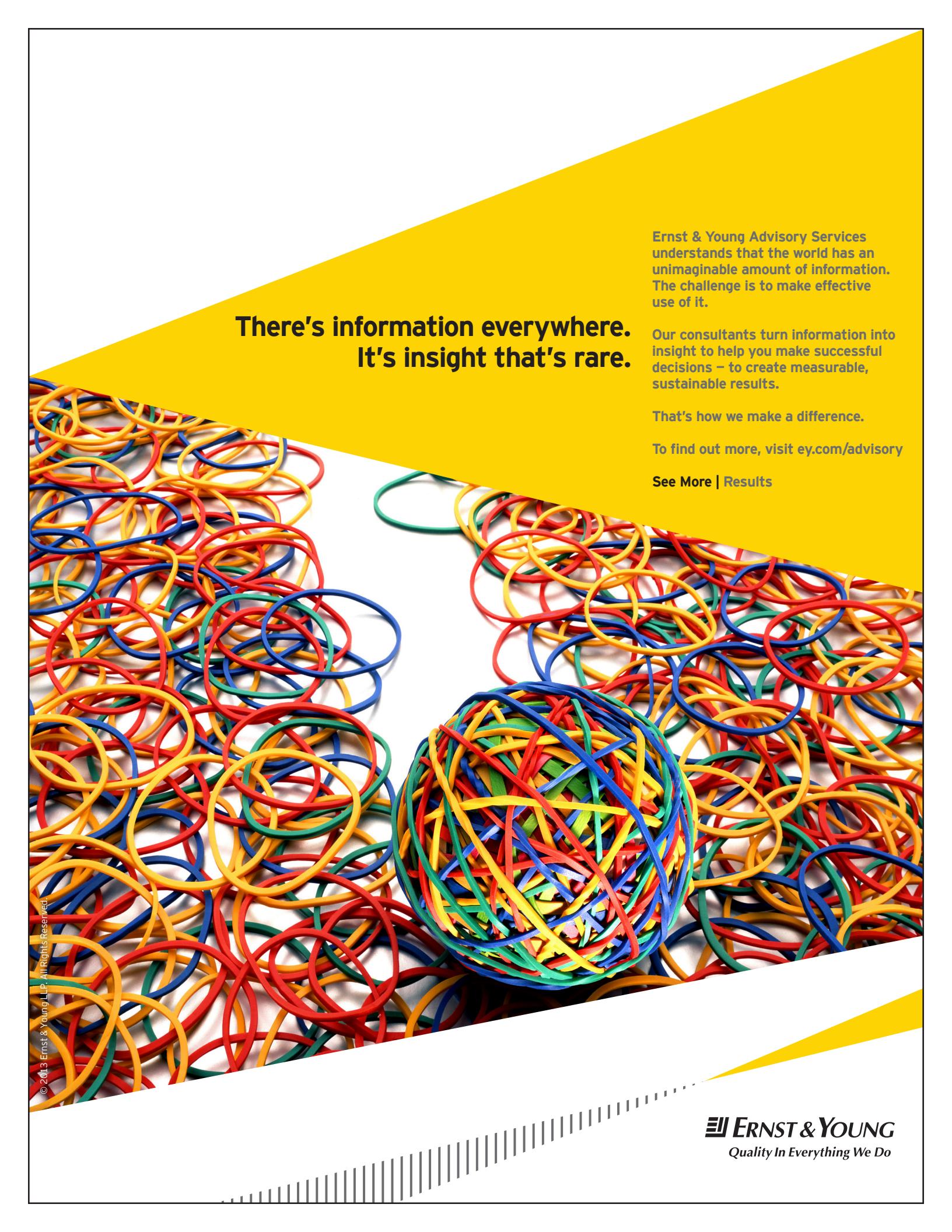
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- Terry Boyd
- Calandra Dixon
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- Thomas Holland, Co-Chair
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- Folake Fadayomi
- Daniella Datskovska

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**To Contact Officers or Committee Members,
please E-mail
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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

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Upcoming Events

January 30, 2014: A FERM Membership Building Networking Event

We are looking forward to holding a Membership Building Networking Event on Thursday, January 30, 2014 at the Hamburger Hamlet in Crystal City from 5:30 – 7:30pm! This will be an opportunity for us to come together as an Association, network with our colleagues, and introduce others who may be interested in A FERM. We look forward to seeing everyone there!

February 28, 2014: A FERM Lunch Meeting with Speaker

The Programs Committee has scheduled our first A FERM Lunch Meeting for the new year! We look forward to hosting a lunch on February 28, 2014 at The Hamilton in Washington, DC, including a risk management subject matter expert. Please be on the lookout for a formal announcement and RSVP for this exciting event via email!

September 9-10, 2014: Seventh Federal ERM Summit

Save the date for the seventh annual Federal ERM Summit, to be held on September 9 and 10, 2014!



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