

Perspectives on Risk Management in the Federal Government

National Academy of Public Administration

February 20, 2015





Overview of the Federal Performance Framework

- The GPRA Modernization Act established a three level performance management framework to complement the annual budget process.

<u>Goals</u>	<u>Timing</u>	<u>Performance Reviews</u>
1. Federal Cross-Agency Priority (CAP) Goals	Every 4 years (next in Feb 2018)	Quarterly reviews by OMB Director/PIC
2. Agency Priority Goals (APGs)	Every 2 years (next in Feb 2016)	Quarterly reviews by agency COO/PIO
3. Strategic Goals and Objectives	Every 4 years (next in Feb 2018)	Annual strategic reviews by agencies and OMB

- This framework is designed to be comprehensive of agency activities, including mission outcomes and mission support areas.



Strategic Reviews and Enterprise Risk Management

The Strategic Reviews are:

- An annual assessment which synthesizes available performance information and evidence to inform budget, legislative, and management decisions
- Conducted by agencies for each “Strategic Objective” in an agency Strategic Plan, with OMB review

The Strategic Reviews will:

- Synthesize a broad evidence and information base (indicators, evaluations, risk management, partner contributions, external factors, research, etc.) and prioritize findings for decision-making
- Help meet the needs of leadership in identifying opportunities for reform proposals, executive actions, communications opportunities, etc.
- Incentivize organizations to develop a culture focused on learning and improving performance

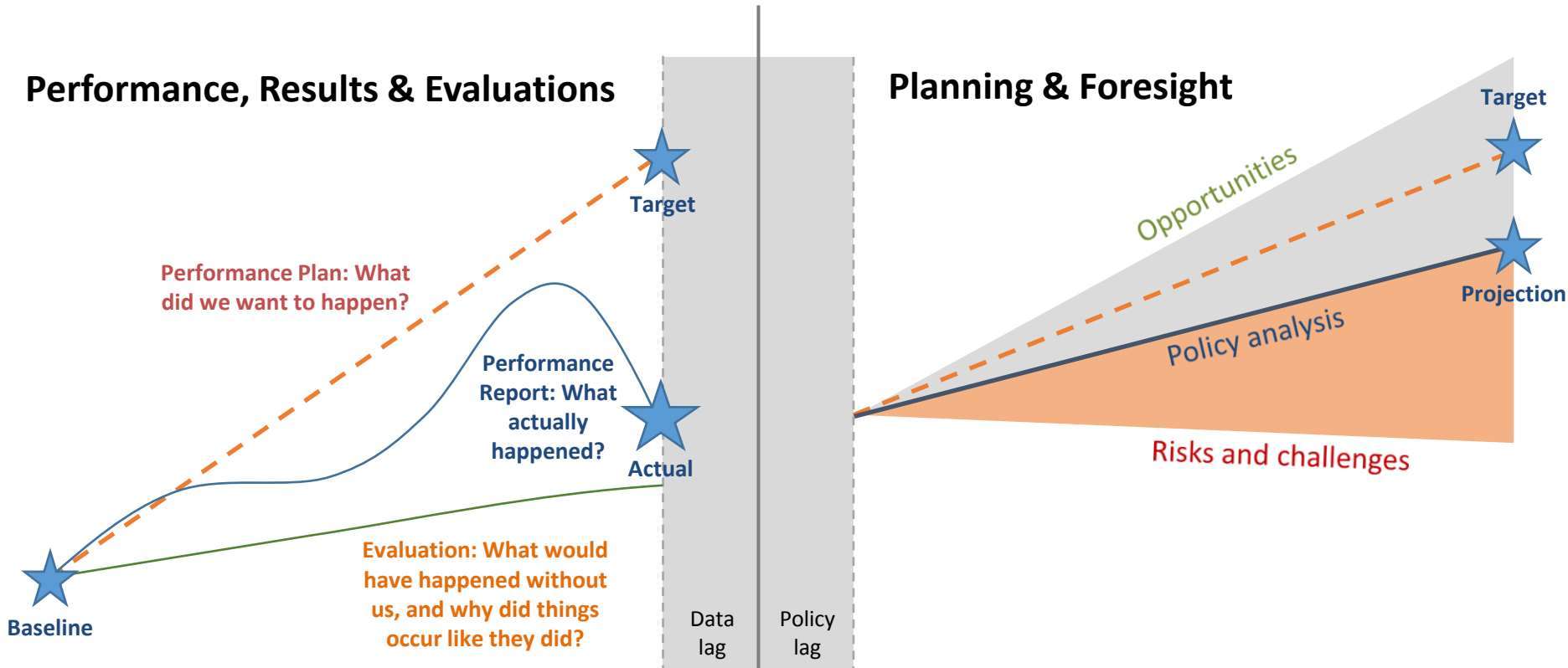
Actions to Incorporate Enterprise Risk Management

- Last year we incorporated Enterprise Risk Management (ERM) into OMB’s guidance in Circular A-11 establishing the Strategic Reviews.
- This year OMB is working to complement integration into the performance framework by clarifying the linkages to Internal Controls, as laid in in Circular A-123.



Components of a Mature Strategic Review

Retrospective ← Decision Point → Prospective



Learning & Innovation

- What happened and why
- Lessons learned
- Research and improved understanding
- Exploration and innovation

Actions & Next Steps

- Changes to strategy and tactics
- Operational improvements
- Budget and legislative proposals

Maturity of ERM Within a Performance Framework

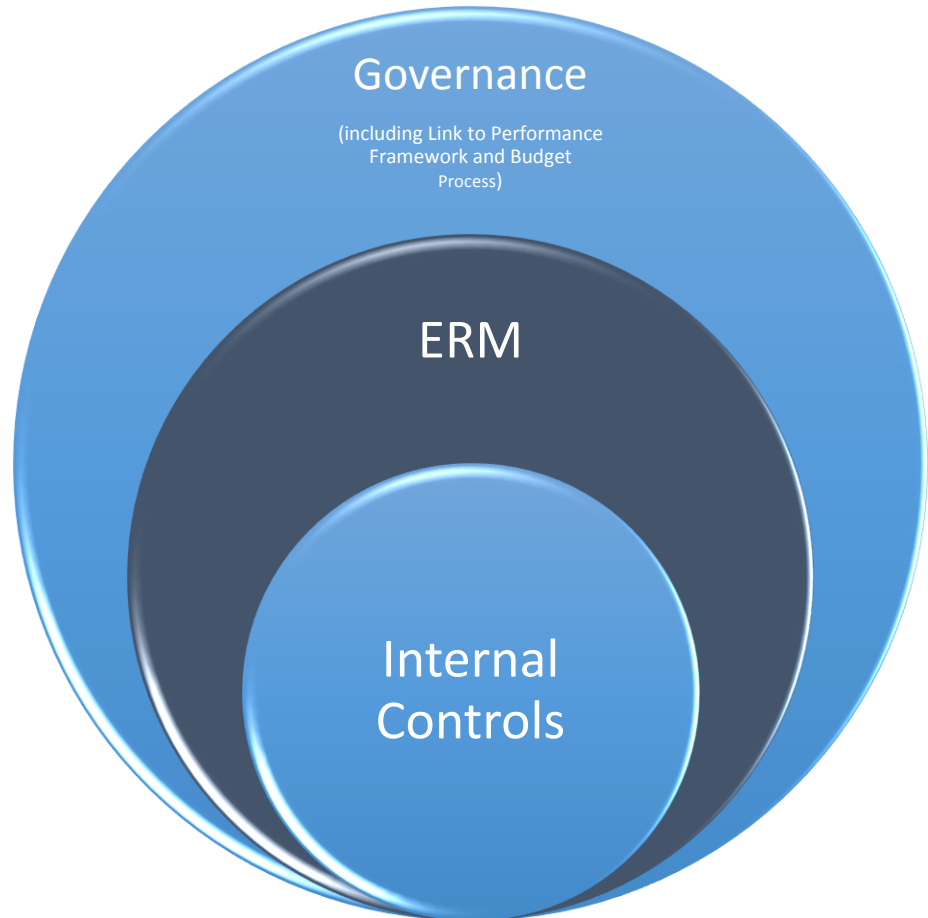




Enterprise Risk Management and Internal Controls

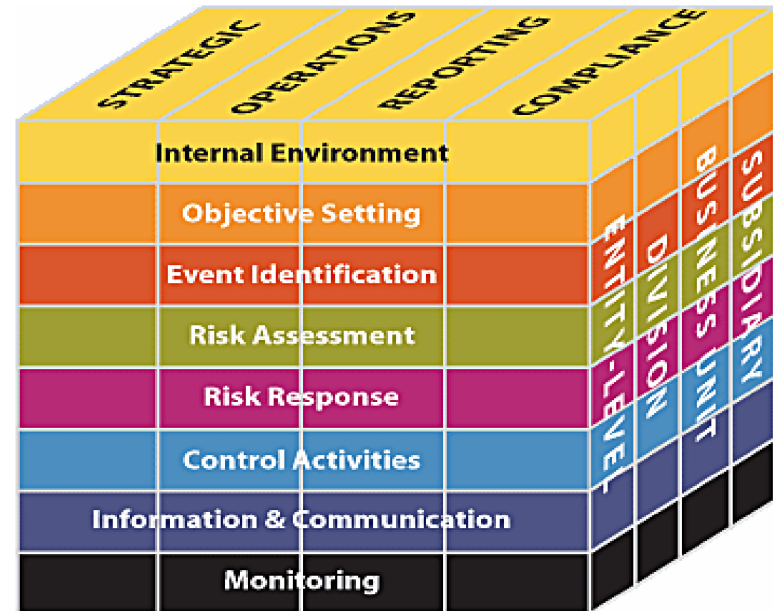
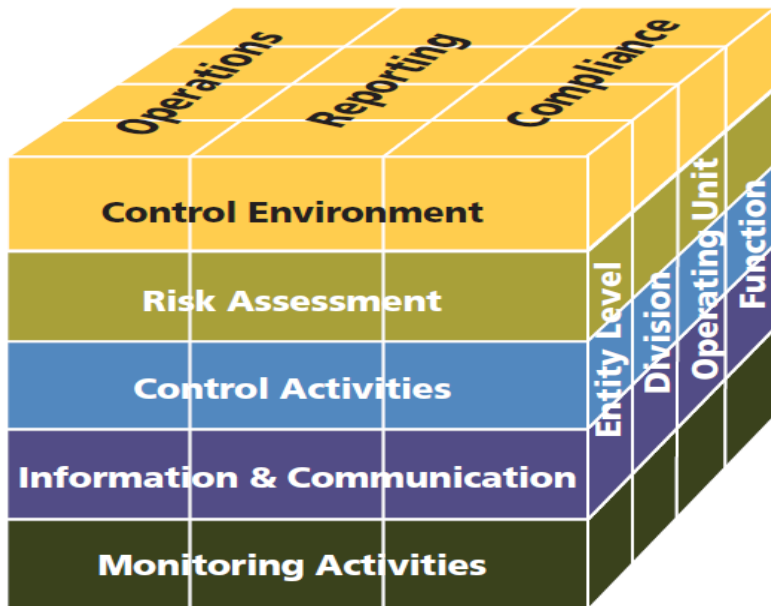
A-123 Future State

A-123 Current State





Enterprise Risk Management and Internal Controls





Survey of Emerging Practices

1. The CRO or equivalent role should be an objective role.
2. Make better use of data analytics.
3. Quantify the impact of past risk events.
4. Establish a culture of risk reward.
5. Senior management buy-in is essential.
6. ERM and A-123 should co-exist but not as stand-alone activities.
7. Establish/leverage a formal governing body.
8. Engage performance, strategic, risk management, budget activities simultaneously.
9. Document risk decisions and the rationale for managing risk.
10. Implement a Risk Management Framework and phased ERM Implementation approach.