

Federal Enterprise Risk Management

2016 Survey Results

The 2016 ERM survey is PwC's second annual survey performed in collaboration with the Association for Enterprise Risk Management (AFERM). It is designed to provide Federal risk managers and leadership with perspective on the current state and trends of ERM in the U.S. Federal government.



Welcome

Welcome to our second annual survey of Enterprise Risk Management (ERM) in the U.S. Federal government. For the second consecutive year, the Association for Federal Enterprise Risk Management (AFERM) and PricewaterhouseCoopers LLP (PwC) have partnered to survey government leaders and staff members for their insights into the current state and maturity of ERM in their department or agency.

Evolution of Federal ERM

This has been a dynamic year for ERM in the Federal government, in no small part due to the addition of requirements for Executive Branch agencies to implement ERM programs as depicted in the July 2016 update to Office of Management and Budget (OMB) Circular No. A-123. This change has brought both opportunities and challenges to Federal agencies, as organizations determine how to chart their path to not only comply with the new requirements but also to achieve real value as a result of the adoption of ERM.

Even though this new catalyst has been recently introduced into the Federal landscape, we found that our survey continues to indicate that ERM remains very much a “start-up” industry in the Federal government. While a few trailblazers continue on an ERM journey that was launched long before the OMB requirements were even contemplated, many organizations have yet to initiate an ERM program, and many others remain in the very early stages. Programs that are underway remain quite small in terms of both people and funding, even though the expectation for producing positive results is rapidly increasing.

Positive Impacts Being Realized

Among the most promising insights from this year’s survey is that positive

results are being realized by many of the departments or agencies that have already implemented ERM programs, particularly those that have been up and running for at least three years. For example, benefits in the areas of enhanced decision-making as well as in avoiding significant negative events showed notable increases when compared to last year’s survey.

We also observed progress over the past year in the overall commitment to implementing an ERM program which is now nearly universal across government. Moreover, this year’s survey indicates that ERM program structures are changing, people are moving into new ERM roles, and the ERM programs that are emerging are increasingly more holistic across both mission and mission-support activities and are now encompassing a broad spectrum of risk categories.

This past year has also witnessed enormous growth for AFERM as ERM practitioners from both the public and private sectors have gravitated to the Association in record numbers. In fact, AFERM membership is up 94% over the previous year, serving as another indicator of the momentum being gained for ERM in the Federal marketplace.

Report Organization

This year’s survey results are aggregated into three broad categories in this report:

- ERM Program Design & Establishment
- Focus & Priorities
- Execution & Performance

In this context, we provide the results from the survey responses, as well as comparison results from last year’s inaugural survey. We also include analysis of the highlights of what we are learning from the data at the aggregate level, across a number of demographic breakdowns, and in year-over-year trends.



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Survey Approach & Demographics

➤ This report provides the results of the second annual survey conducted by PwC and AFERM for Enterprise Risk Management in the U.S. Federal government. The vast majority of questions from last year's survey were repeated this year to enable the tracking of trends over time. A few questions were eliminated from last year due to overlap with other questions, and a small number of new questions were introduced to address potential new trends in Federal ERM. The bar charts which depict the survey results in this report include data from both the 2015 and 2016 surveys, except in the case of the few new questions for which only this year's results are provided.

The survey was administered between July 8 and August 19, 2016. Links to the online survey were sent to all members of AFERM, as well as to selected leaders in the ERM community in the Federal government who are not currently AFERM members. The survey was only distributed to government personnel. All respondents received the same set of initial questions, however subsequent questions followed one of two prescribed paths based on whether or not the respondent's department or agency had already implemented an ERM program.

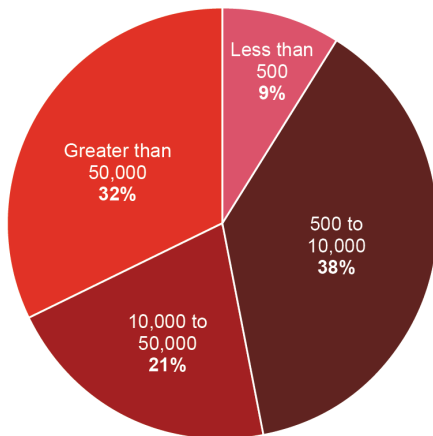
Given that a random sample was not used to select the survey population, this approach represents a nonprobability sample which may not be generalizable to the entire Federal population. However, the survey respondents did span the breadth of the Federal government and across a number of demographic categories. In terms of agency representation, we received responses from a total of 23 Federal organizations (primarily from the Executive Branch), including 13 of the 15 Cabinet agencies. In many of these cases, we received additional variety across multiple components or bureaus of these broad departments or agencies.

The 23 organizations from which we received responses include the following (in alphabetical order):

- Consumer Financial Protection Bureau
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of State
- Department of Transportation
- Department of the Treasury
- Federal Deposit Insurance Corporation
- General Services Administration
- Millennium Challenge Corporation
- National Archives and Records Administration
- Securities and Exchange Commission
- Small Business Administration
- Social Security Administration
- U.S. House of Representatives
- United States Postal Service

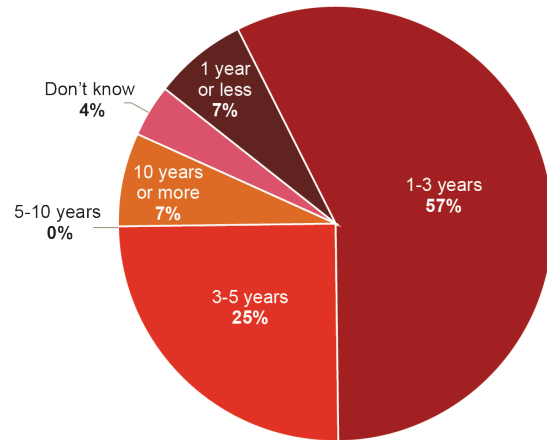
While we did not request any personally identifiable information from our respondents, we did capture some demographic information about their role and their agency. We selected the demographic categories with an expectation that the survey results might vary in a material way across these sub-categories and thereby provide some additional depth to our analysis and insights. Specifically, we obtained the following demographic information:

Size of your Department or Agency, by number of employees



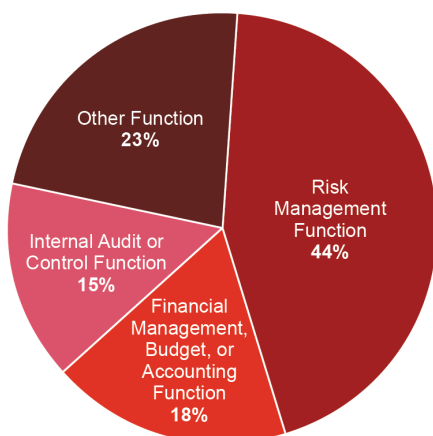
To simplify the categorization of the size of departments or agencies for our analysis, we aggregated the smaller two tiers into a category called “**smaller agencies**” (47% of respondents, less than 10,000 employees) and the larger two tiers into a category called “**larger agencies**” (53% of respondents, more than 10,000 employees).

Duration in which Department or Agency has practiced ERM

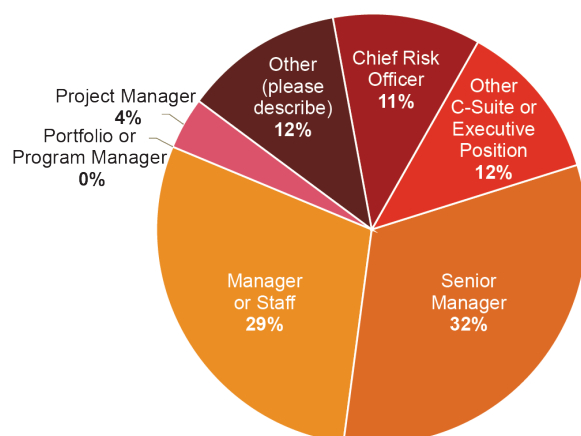


Once again, to simplify the categorization of departments or agencies in terms of their ERM maturity, we aggregated the shorter two tiers into a category called “**agencies with less mature ERM programs**” (64% of respondents, less than three years of an ERM program) and the longer three tiers into a category called “**agencies with more mature ERM programs**” (32% of respondents, more than three years of an ERM program). It should be noted that the responses to this category came only from people who worked for a department or agency that already had an active ERM program.

Functional Alignment



Position



In each section of this report, our analysis focuses primarily on current year results along with relevant comparisons to last year’s results. We also provide additional analysis against the demographic categories highlighted above. In particular, we highlight instances where specific demographic breakdowns demonstrated deviations from the overall results or where clear distinctions between the demographic categories occurred.

Survey Results

> ERM Program Design & Establishment

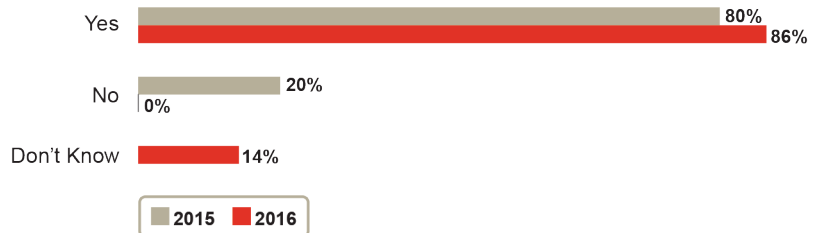
Federal ERM: Still Emerging

While Enterprise Risk Management continues to emerge as a capability across the U.S. Federal government, the overall effort remains very much in the early stages of adoption across the majority of Federal agencies. Similar to last year, approximately half our respondents indicated that they did not yet have an ERM program, but most of those indicated that they soon will. In fact, **nearly 90% of those whose agencies did not yet have an ERM program indicated that they expect to launch one, and nearly two-thirds said they expect to launch in the current year.** For those that do have an ERM program already up and running, 64% have had their program for less than three years, and nearly 90% have been running their ERM program for less than five years. Federal ERM is still a very young industry, but one in which adoption is increasing rapidly.

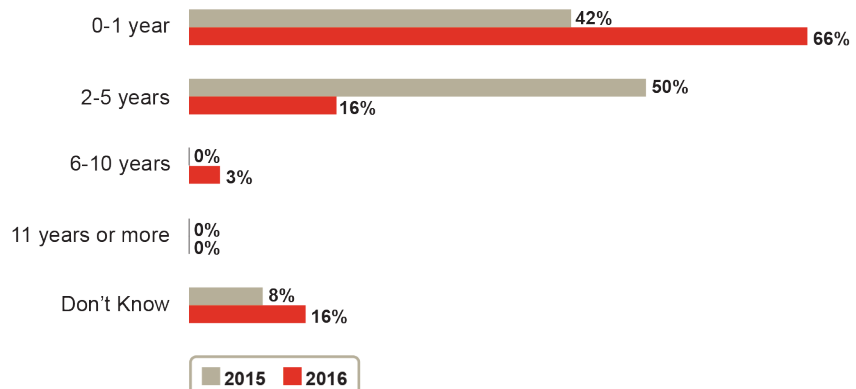
Q: Does your Department or Agency have a formal Enterprise Risk Management program?



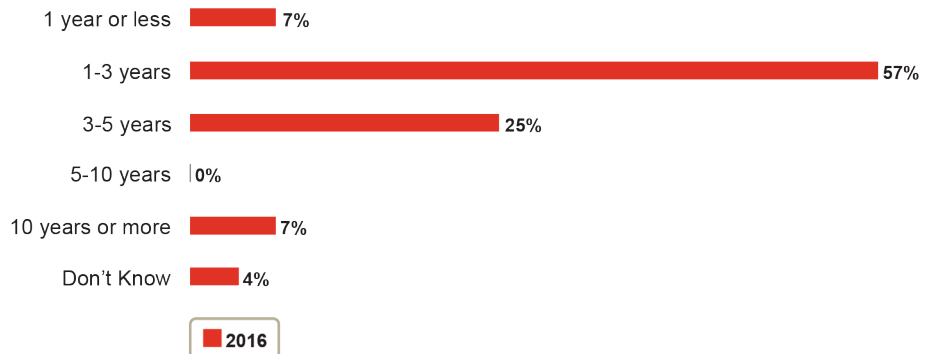
Q: If not currently practicing Enterprise Risk Management, does your Department or Agency plan to develop an Enterprise Risk Management capability in the future?



Q: In what time frame does your Department or Agency plan to establish an Enterprise Risk Management program?



Q: How long has your Department or Agency practiced Enterprise Risk Management?



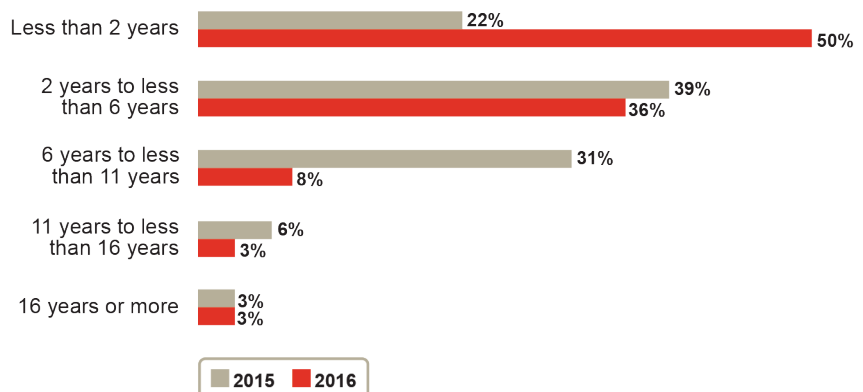
Tenure and Titles

The emerging nature of Federal ERM can be seen through the people who have embarked on this journey. **For example, half the respondents to our survey have been in their current position for less than two years.**

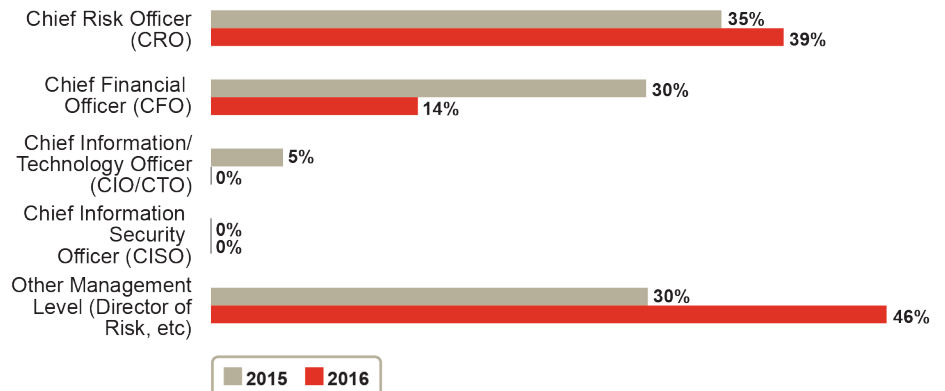
We also found that naming conventions in these emerging ERM programs is also highly non-standard. (See next page for results) For example, nearly half of our respondents selected “Other” as the title describing the person responsible for ERM in their agency, not identifying with one of the “standard” titles that were available in the listing in the survey. Chief Risk Officer (CRO) was the most prominent title in use, but only 39% of agencies with an ERM program had placed the leadership role into the hands of someone with the CRO title. The one title that fell off significantly was Chief Financial Officer (CFO), as the percentage of respondents who identified CFO as the title for the person responsible for ERM in their agency fell by half, down to only 14% of agencies with an ERM program.

Responses related to ERM program design and establishment started to highlight some of the differences between those agencies which had been running an ERM program for less than three years compared to those that have been doing so for more than three years. Among the patterns we observed was the increased adoption of standards as ERM programs mature, with titles representing one specific example. For instance, **CROs are nearly universally in place (89%) in these more mature ERM programs compared to only 17% of the less mature ERM programs being run by someone with the CRO title.**

Q: How many years have you served in this position?



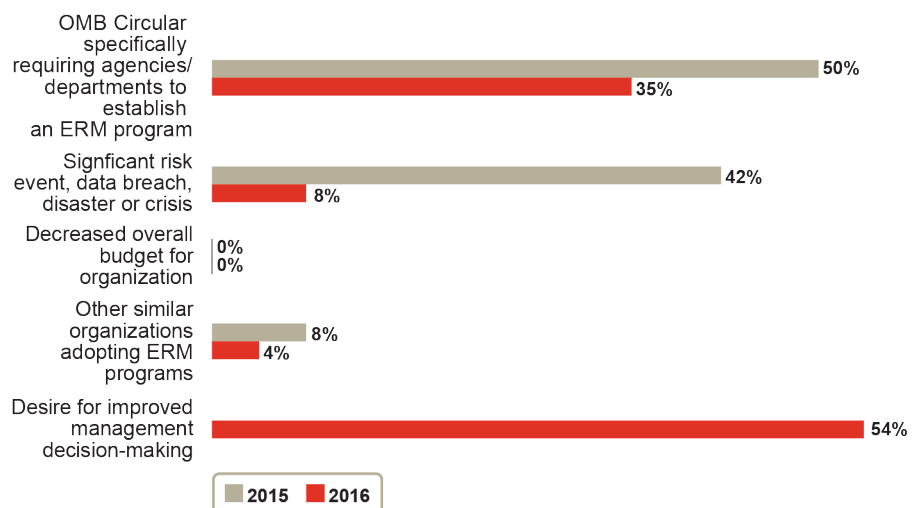
Q: Which of the following titles best describes the person responsible for your Department or Agency's Enterprise Risk Management program?



Motivation for ERM

In some instances, the emergence of ERM programs across the Federal government is due in part as a response to the release of the update to Office of Management and Budget (OMB) Circular No. A-123 and its new requirements for ERM for Executive Branch agencies. However, the Circular was *not* the top motivator for our respondents to implement an ERM program as it was a year ago. **The top motivator was shown to be the “desire for improved management decision-making”** with just over half the total responses, indicating a shift away from compliance and toward value for ERM motivation. The update to A-123 was second on the list, followed by a “significant risk event, data breach, disaster or crisis.” This latter motivator fell significantly from last year’s survey as it was selected by only 8% of respondents this year. We found that the OMB Circular had higher representation as the principal motivator for ERM with smaller agencies and for those with the less mature ERM programs. However, in neither case did the new Federal requirement top 50%, whereas the selection related to improved decision-making topped 50% as the top motivator for ERM in just about every demographic breakdown we reviewed.

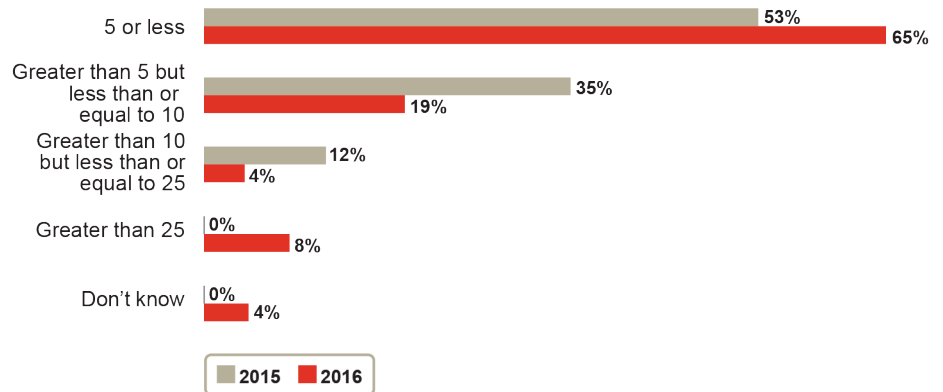
Q: Which of the following represents the primary motivator for the establishment of the Enterprise Risk Management program at your Department of Agency?



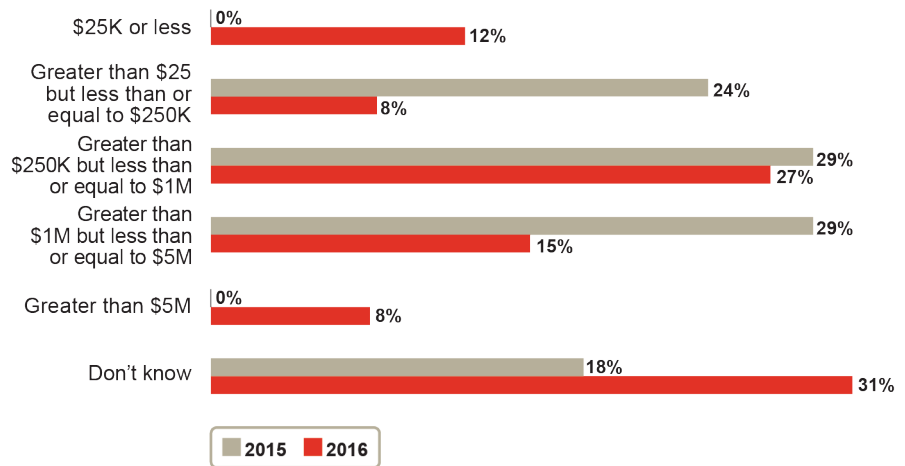
Program Size

ERM programs in Federal agencies remain small in terms of both people and budget, despite an expectation for increased demand for their services. **A strong majority of current programs (65%) have 5 or less full-time equivalents (including contractors)**, and only 15% have more than 10 full-time equivalents. In terms of budgets, it is difficult to draw too many conclusions about the size of ERM program budgets since nearly one-third of respondents indicated that they were not aware of the size of their agency's budget for ERM. That said, of those that *did* have insight into these budgets, two-thirds stated that the annual budget was less than \$1 million.

Q: How many full time equivalents (including contractor support) are working in the Enterprise Risk Management function?

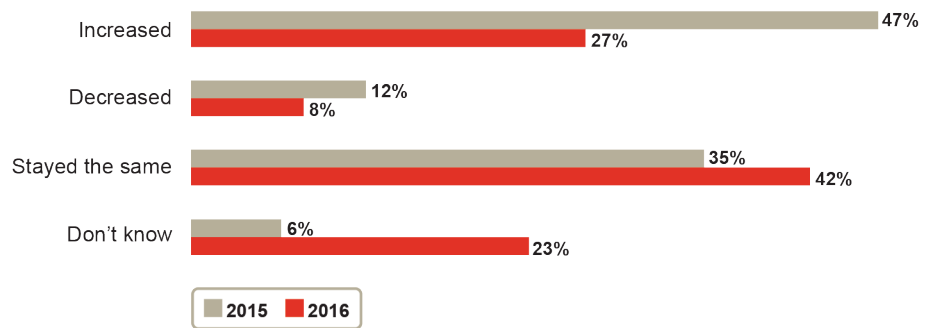


Q: What is the total annual budget for Enterprise Risk Management activities across your Department or Agency?

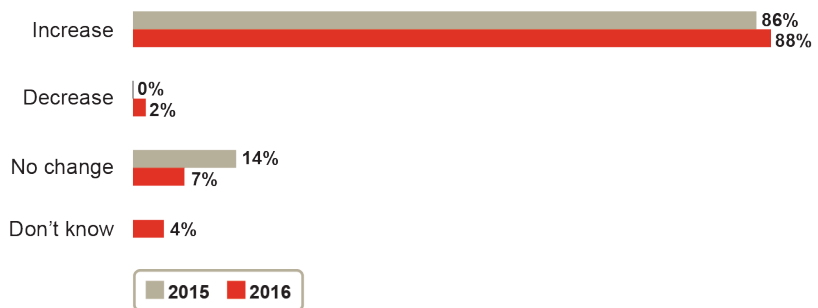


Despite last year's data indicating that ERM program budgets were slightly on the rise, a near majority this year saw budgets for ERM programs stay the same. This budget reality is observed despite the fact that **nearly 90% of respondents, across all categories, are expecting the demand for evidence of effective ERM will increase over the next three years.**

Q: In the last 12 months, the budget for overall Enterprise Risk Management activities has done which of the following at your Department or Agency?



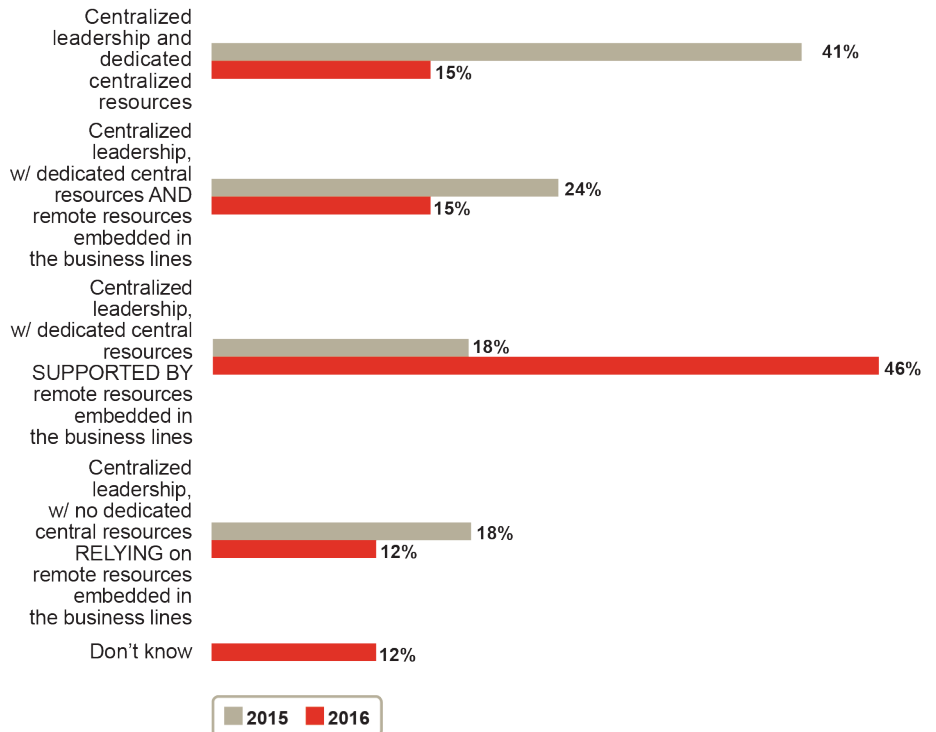
Q: Do you believe the demand for evidence of effective risk management will increase or decrease over the next three years?



ERM Structures

The survey results indicated a sizeable shift from last year in terms of the structure of ERM programs within Federal agencies. Last year, ERM programs seemed to be primarily aligned to “centralized leadership and dedicated centralized resources” with a response rate of 41%, but that figure dropped to only 15% from this year’s respondents. **The far more popular model this year is “centralized leadership with dedicated central resources SUPPORTED BY remote resources embedded in the business lines” with a response rate of 46%, roughly three times any other structure.**

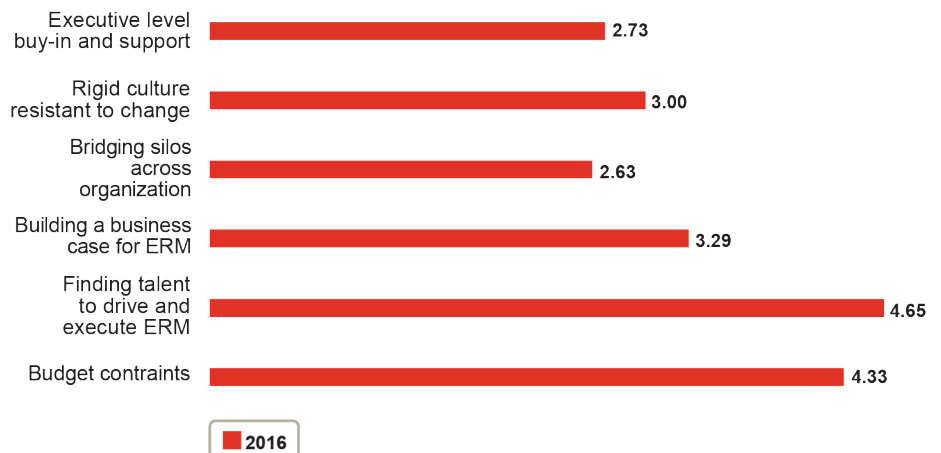
Q: Which of the following best describes the Enterprise Risk Management structure in your Department or Agency?



Barriers to ERM

Despite the relatively small size of ERM program budgets mentioned earlier, “budget constraints” ranked fifth out of our list of six barriers to establishing a formal ERM program. In fact, cultural and structural barriers were far more prominent than budget constraints in this regard. **“Bridging silos across organization” was our highest rated barrier**, followed closely by “executive level buy-in and support” and “rigid culture resistant to change.” These results were consistent across just about all of the demographic groups. Even the more mature ERM programs had similar findings with one notable exception where “executive level buy-in and support” was much further down the list of barriers for these organizations.

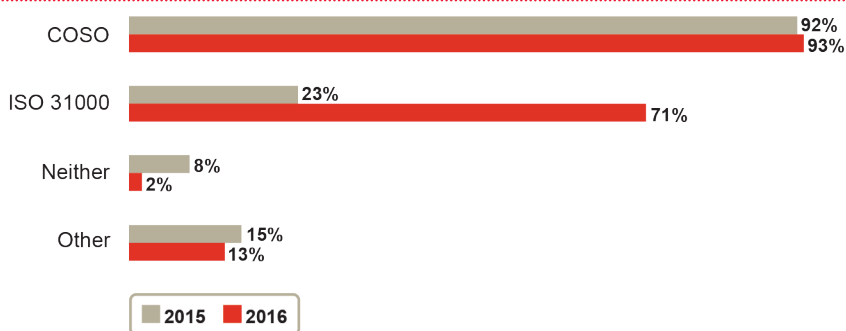
Q: What has been the biggest barrier to your Department or Agency establishing a formal Enterprise Risk Management program? Results indicate average ranking (low = biggest barrier).



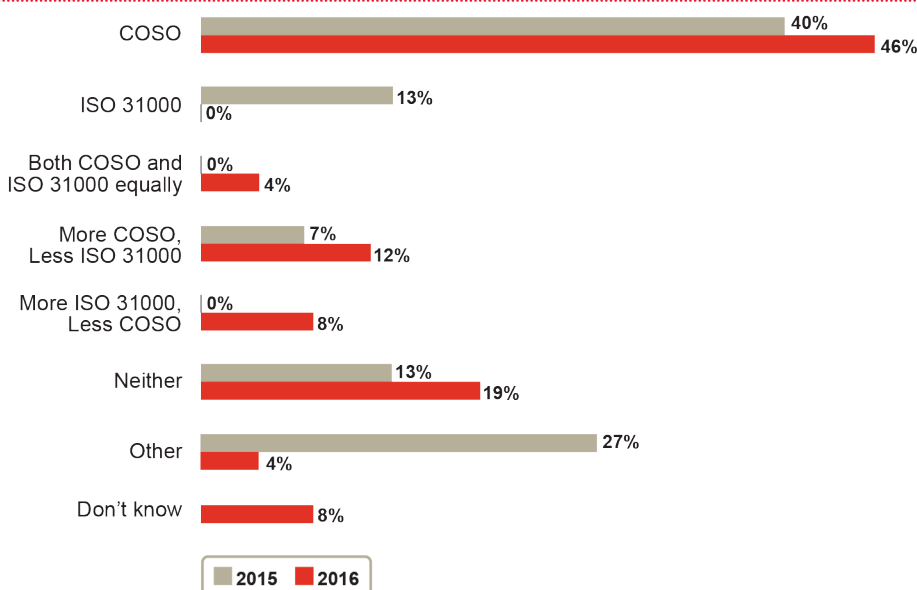
Industry Frameworks

The Integrated ERM Framework from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) remains the prominent industry standard that is both recognized and utilized in the U.S. Federal market. In terms of awareness, COSO remains top-of-mind with a 93% response rate in the survey, but the ISO 31000 standard made a dramatic leap from only 23% awareness in 2015 to 71% in this year's survey. This uptick in awareness, however, does not appear to have translated yet into application across the Federal government as none of our respondents indicated ISO 31000 as currently serving as the predominate industry standard in its ERM environment. ISO 31000 does have some partial representation in the Federal market as can be seen in some responses that currently utilize both of these frameworks, but that overall representation also remains small. COSO continued to hold a strong position as the top ERM industry standard in actual use in the Federal market with 46% of our respondents identifying the COSO standard as the one that their department or agency predominately follows, in addition to the 12% who indicated "More COSO, Less ISO 31000." These figures both represent increases over the survey results in 2015.*

Q: Which industry standard for Enterprise Risk Management are you aware of?



Q: Which industry standard for Enterprise Risk Management does your Department or Agency predominately follow?



* Editor's Note: PwC was the principal author of the COSO ERM Integrated Framework in 2004, and is currently serving as the principal author of the first revision to that Framework. The draft version of this update was released for public comment in July 2016.

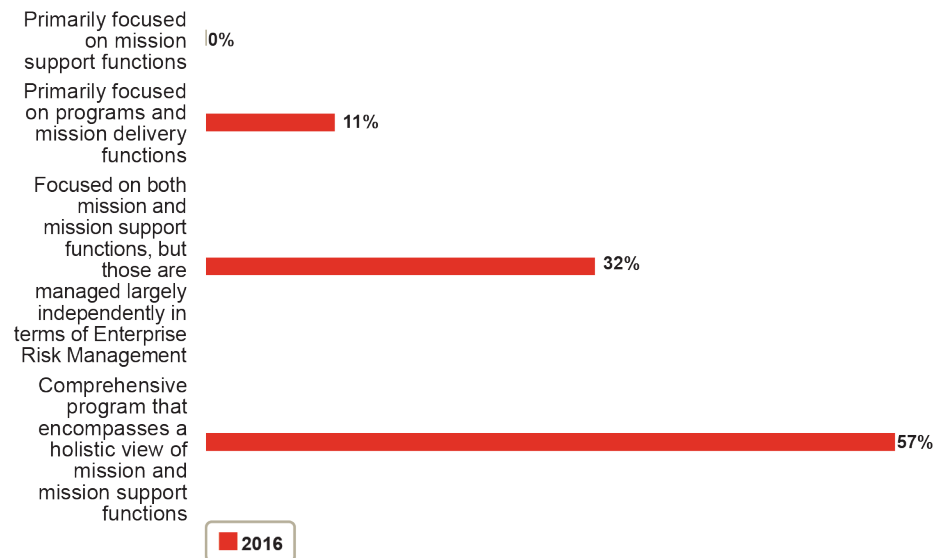
➤ Focus & Priorities: ERM Programs

Program Scope

With the ERM industry still in its early stages in many segments of the Federal government, it is helpful to understand the priorities and areas of focus as programs are launched and begin to mature. Our survey inquired into these priorities related to both the areas of focus for the ERM programs themselves, as well as the kinds of risks that are being prioritized by Federal agencies. In these areas we observed some increasing distinctions in perspectives across our different demographic breakdowns.

In terms of the scope of ERM programs, our respondents appeared to align with the concept that ERM is intended to encompass the full spectrum of risks across their entire organization. For example, **more than half our respondents (57%) whose agency has an ERM program indicated that the scope and focus of their program is a “comprehensive program that encompasses a holistic view of both mission and mission support functions.”** Moreover, not a single one of our respondents identified “primarily focused on mission support activities” as the scope and focus of its ERM program.

Q: Which of the following best describes the scope and focus of the Enterprise Risk Management program in your Department or agency?



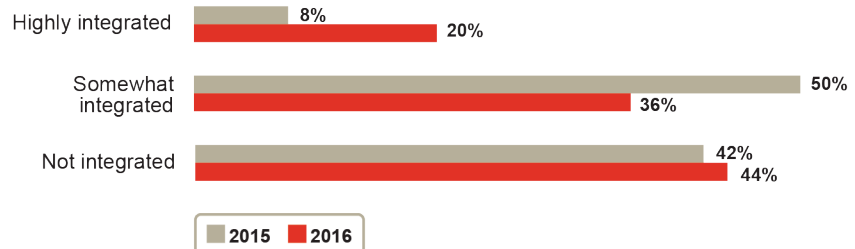
Integrated Capabilities

Beyond these broad categories of “mission” and “mission support,” the survey also inquired into the degree to which Federal agencies were focusing on integrating their ERM programs into other key functions in their organization, such as strategic planning, budgetary, and execution processes. **This kind of integration remains relatively low.**

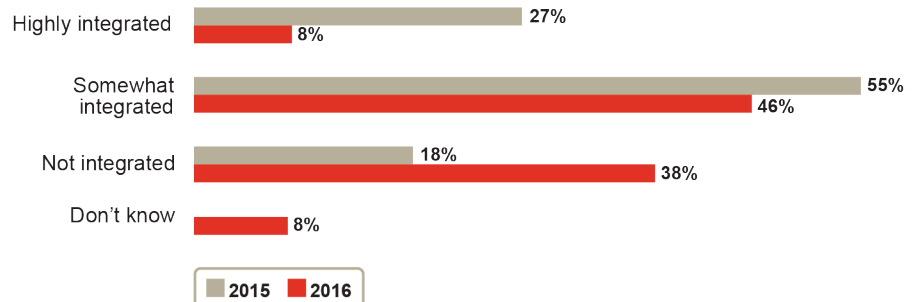
Similar to last year, nearly half of our respondents (44%) indicate that their ERM programs are not integrated with their strategic planning processes, although we did see some positive movement from the “somewhat integrated” category to “highly integrated.” The integration with budgetary and execution processes had similar results, with 38% still indicating that these processes were not integrated with ERM. Moreover, this amount of integration witnessed a significant decrease from the previous year’s results, with approximately twice the percentage of respondents selecting “Not Integrated” in 2016 when compared to 2015.

Agencies with more mature ERM programs did demonstrate notably higher degrees of integration compared to those with less mature programs, indicating that this kind of integration may become more of a priority after an initial baseline capability for ERM is established. For example, 78% of agencies with more mature ERM programs indicated either “somewhat” or “highly” integrated processes between strategic planning and ERM (compared to only 40% for agencies with less mature ERM programs). Similar results were found for agencies with more mature ERM programs for integration with their budgetary and execution processes.

Q: To what extent has your Department or Agency integrated Enterprise Risk Management into strategic planning?



Q: To what extent has your Department or Agency integrated Enterprise Risk Management into budgetary and execution processes?



Focus for the Next Year

In terms of the capabilities of ERM programs, we asked about the highest priorities for both focus and improvement over the next 12 months. In terms of focus for the next year, “compliance with the new ERM requirements in OMB Circular A-123” topped the list, but other topics were close behind, including Training and Awareness, Policies and Procedures, and Risk Assessments.

For our demographic breakdowns on this topic of immediate focus, the two areas in which “compliance with the new ERM requirements OMB Circular A-123” was not the top selection were large agencies (Training and Awareness ranked first) and agencies with the more mature ERM Programs (Risk Assessment topped the list). Among the options presented, “Testing, Reviewing, and Auditing” was the topic least selected both overall and across all of our demographic breakdowns.

Q: To what extent does your Enterprise Risk Management program plan to focus on each of the following over the next 12 months? (Average rankings shown; higher average = higher priority)



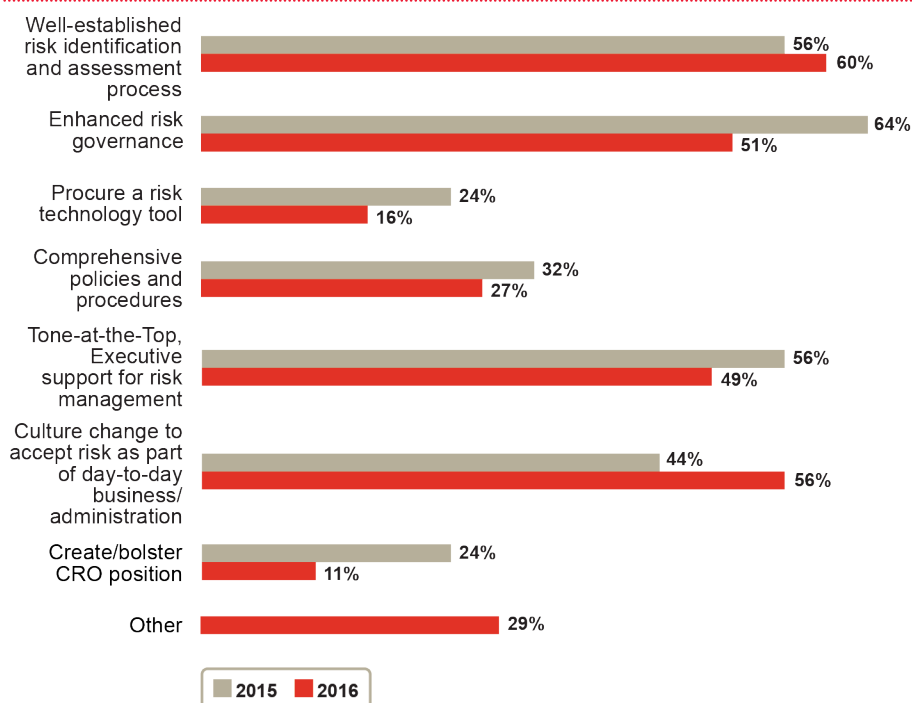
Highest Areas for Improvement

In terms of the highest priority areas for improvement to address current and future risks, the top four areas of focus were the same as last year, in slightly different order of priority. **“Well-established risk identification and assessment process”** was elevated to the highest priority this year in terms of desire for improvement, while the **greatest increase from last year was in “culture change to accept risk as part of day-to-day business/administration,”** which went from fourth to second in our results and just missed out on the top spot in this year’s survey.

In some of the breakout dimensions, the data showed differences from these overall results. Notably, the less mature ERM program population placed a much heavier emphasis on improvement to their risk identification and assessment processes compared to the more mature ERM programs. The same dynamic existed with small agencies, which also expressed a greater emphasis on enhanced risk governance when compared to their larger brethren.

We found that procuring a risk technology tool remained a low priority, both overall and across all of our demographic dimensions.

Q: Please select the top three improvements your Department or Agency could make to address CURRENT and FUTURE risks?



➤ Focus & Priorities: Enterprise Risks

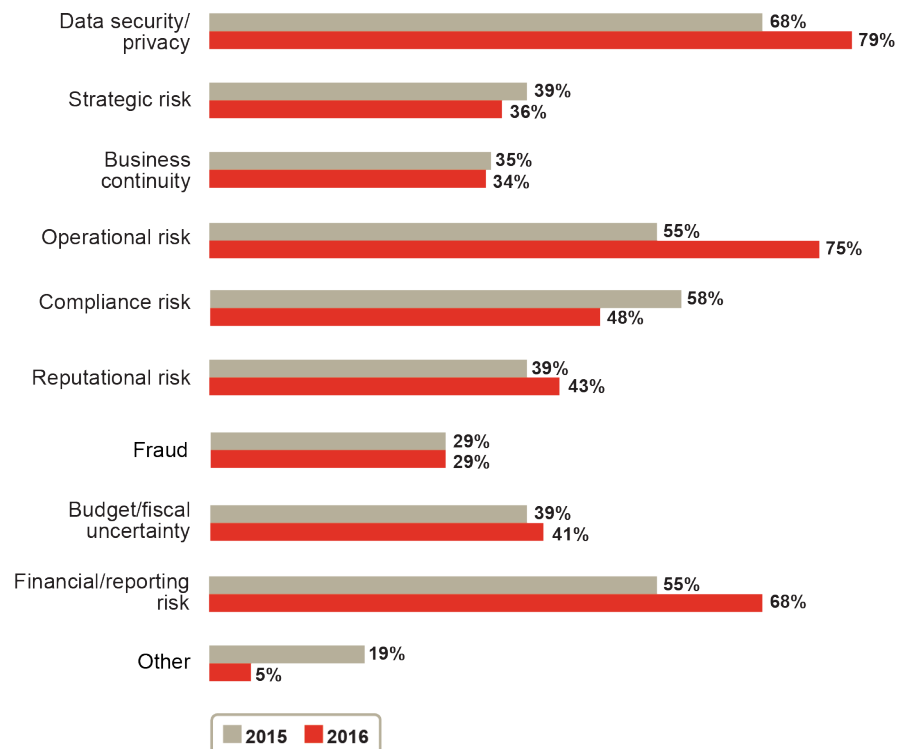
Greatest Management Focus for Current Risks

In addition to inquiring into the current priorities related to ERM programs themselves, we also sought feedback regarding the highest priority risks that are on the radar of Federal agencies, both current and anticipated in the future. In general, **data security/privacy was consistently the top risk mentioned across the several questions related to this topic.** Beyond that risk area, we found increased variability for the prominence of other key risks based on specific questions and demographic breakdowns.

In terms of risks that are currently receiving the greatest focus by Federal agencies, data security/privacy came in #1, slightly ahead of operational risk. The largest increase for risks receiving the most attention from the previous year was operational risk, which increased from 55% to 75% to become a close second to data security/privacy.

The biggest differences between small and large agencies in terms of current focus by Federal agencies were in the areas of strategic risk (50% for large and 21% for small) and operational risk (89% for large and 60% for small). In terms of agencies with different levels of program maturity, those with more mature ERM programs had a much greater focus on strategic risk while those with less mature ERM programs had greater focus on operational risk, compliance risk, reputational risk, and financial/reporting risk.

Q: What risks are focused on and managed the MOST at your Department or Agency? Please select all that apply.

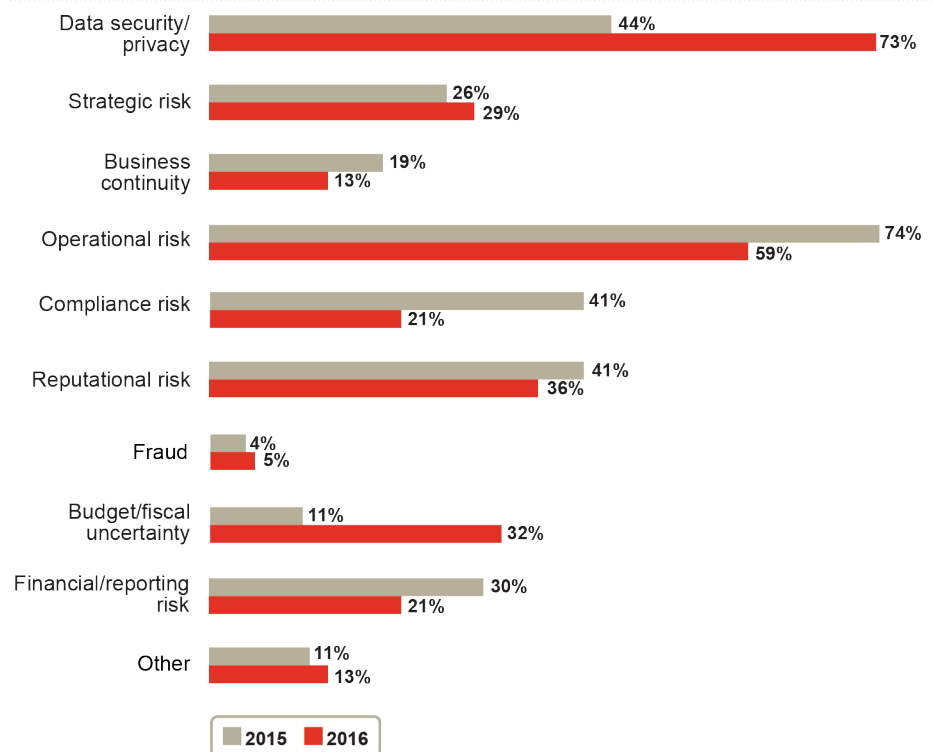


Perception of Greatest Current Risks

While the previous question pertained to management's focus on current risks, we also inquired into the perception of the top risks facing their department or agency, regardless of whether or not they are receiving attention from management. **Data security/privacy moved into the top position of current perceived risks with nearly three-quarters of respondents selecting it as one of the top three risks currently perceived to exist in their department or agency.** While operational risk remained prominent in this listing as well, the percent of respondents selecting it as one of the top three current risks dropped from 74% to 59% from the previous year. We also note that fraud risk remained the lowest on this list of current perceived risks at just 5%, which is consistent with last year's survey results as well.

When looking at these two questions together, we found a significant difference in the perceptions on the topic of strategic risk from those respondents who work in agencies that already have some sort of ERM program when compared to those from agencies without a current ERM program. Specifically, people in agencies *with* an ERM program were more than twice as likely (54% to 23%) to identify strategic risk as among those risks currently receiving the most attention by management when compared to people from agencies that do not have an ERM program. On the other hand, people from agencies *without* an ERM program were nearly three times as likely as those from agencies with an ERM program (42% to 15%) in identifying strategic risk as one of the top risks currently perceived to exist in their organization. This kind of difference was not found in most of the other risk types.

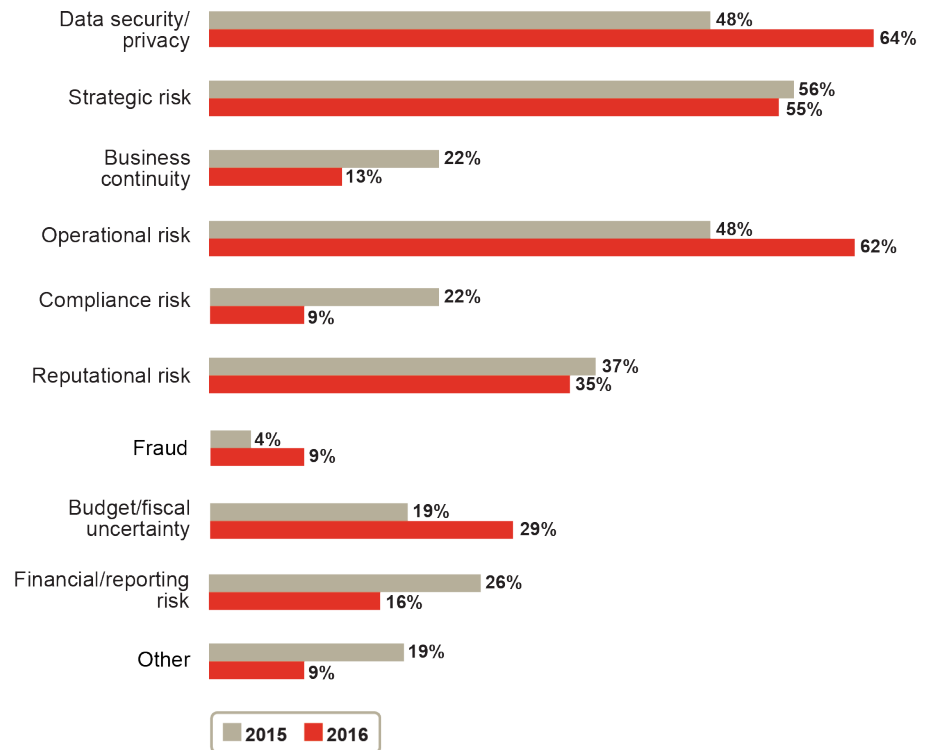
Q: Please select the top three areas in terms of CURRENT perceived level of risk to your organization.



Future Risks

In terms of perceptions around future risks, data security/privacy and operational risks remain the top two concerns, both of which experienced sizeable jumps from last year's results. The largest growth from current to future risk is found in the area of strategic risk which jumps from 29% (current) to 55% (future). We note that most of this growth can be seen in smaller agencies and in those agencies with less mature ERM programs.

Q: Please select the top three areas in terms of FUTURE perceived level of risk to your organization.

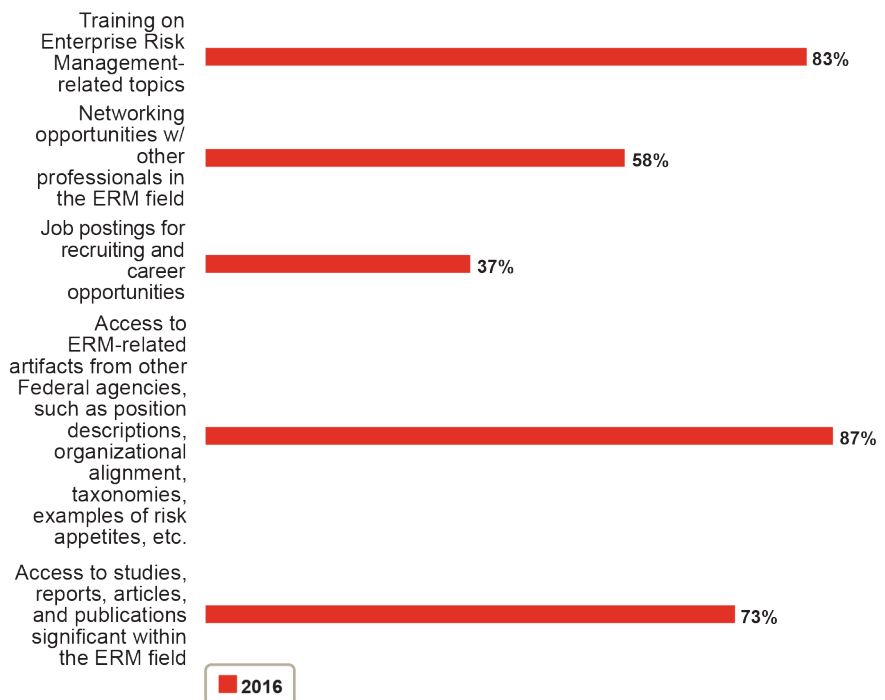


➤ Focus & Priorities: AFERM

Program Scope

In this year's survey, we added one specific question to identify what the Federal ERM community might be looking for from the one professional association that is focused exclusively on ERM in the Federal market – AFERM. **More than 80% of respondents selected two items** from our list of services. Topping this list was “access to ERM-related artifacts from other Federal agencies,” followed by “training on ERM-related topics.” These responses will help inform AFERM's programming plans for future planning cycles.

Q: Which of the following best describes the current Enterprise Risk Management needs of your Department or Agency that you would like to see AFERM address through programming and resources?



Execution & Performance: Benefits

While ERM programs remain relatively new to the Federal landscape and small in terms of people and budget, this year's ERM Survey indicates that these programs are having a positive impact on the performance of their agencies in some very specific areas. **The most significant impact has been seen in the area of “enhanced decision-making by utilizing data and information produced by the ERM program.”** A full 81% of respondents identified this as a benefit that has been realized, twice as many as last year.

Breaking down this particular benefit, **100% of our respondents from agencies with the more mature ERM programs experienced this kind of enhanced decision-making resulting from their ERM program**, and even 69% of agencies with the less mature programs also realized this benefit. In terms of functional communities, more than 90% of respondents from the risk management community indicated that their organization had realized this benefit, but significant portions of the other functional communities also indicated this positive result (75% of respondents from the financial management community and 50% from the “other” communities). Both small and large agencies also realized this benefit in about 80% of cases.

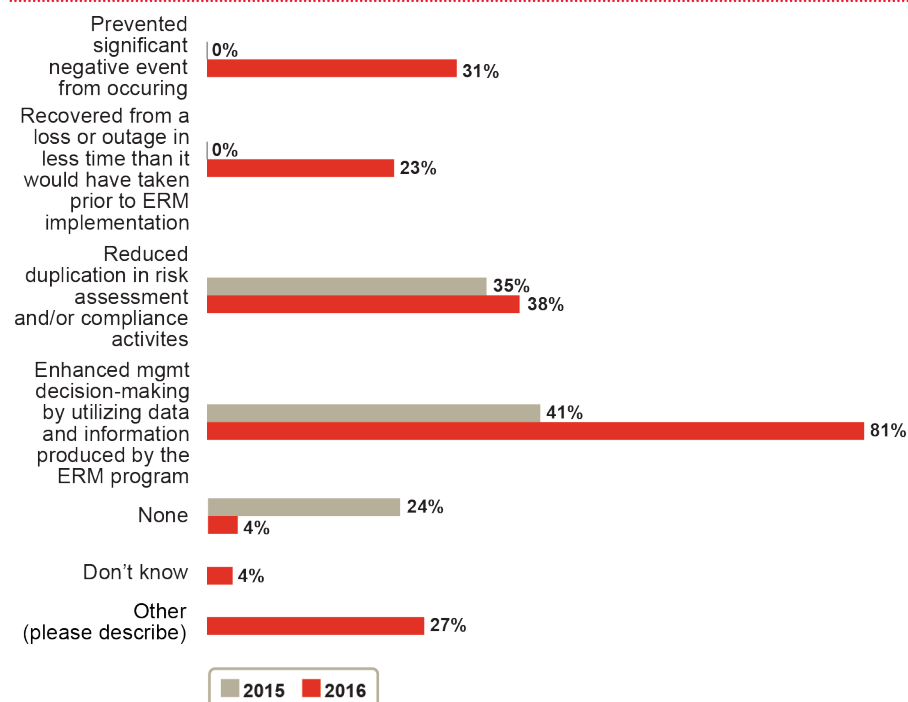
In terms of “preventing a significant negative event from occurring” as a benefit of their ERM program, 31% indicated that this outcome had been experienced in their department or agency, whereas no one noted this kind of benefit last year. While this benefit was still rarely identified for the less mature ERM programs, **for organizations that had more than three years of running their ERM program, this kind of benefit had been realized in two-thirds of departments or agencies.**

A similar spike in performance could be seen in the “recovery from a loss or outage

in less time than it would have taken prior to ERM implementation.” Where no respondents had realized this benefit last year, 23% of respondents had realized this benefit according to this year's results. Large agencies were twice as likely to realize this benefit as small agencies, and agencies with more mature ERM programs were more than three times as likely to realize this benefit as agencies with the less mature ERM programs.

Consistent with these findings, last year nearly one-quarter of respondents (24%) indicated that no benefit had been realized from their ERM program. That figure dropped to just 4% this year.

Q: Since developing an Enterprise Risk Management program, has your Department or Agency realized the following benefits from the Enterprise Risk Management program?



➤ **Execution & Performance: Performance Evaluation**

We asked our respondents again this year to evaluate their department or agency's performance in specific areas of risk management. All questions were repeated from last year's survey with the exception of one new question related to the cultural aspects of risk transparency. The specific performance areas we covered include:

- All areas of risk exposure (strategic, financial, operational, compliance, reputational, etc.)
- Prioritizing and managing those exposures as an interrelated risk portfolio
- Evaluating the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders
- Providing a structured process for the management of all risks
- Viewing the effective management of risk as a value add / organizational advantage
- Embedding risk management as a component in all critical decisions throughout the organization
- Embracing the cultural aspects of risk transparency

In most cases, the responses followed a traditional “bell curve,” with “Acceptably” being the most common response in just about all cases (the middle of the 5-point scale) which represented similar outcomes from last year's survey. We did see some improvement in the areas of “managing risk exposures as an interrelated risk portfolio” and in “evaluating the risk portfolio in the context of all significant internal and external environments” with a shift of some responses from “Acceptably” to “Well.” The greatest positive movement related to these performance areas was in “viewing the effective management of risks as a value add / organizational advantage,” where the shift of 12% primarily moved from “Acceptably” all the way to “Very Well.”

The one question where the responses differed the most from a traditional bell curve was our new question related to **“embracing the cultural aspects of risk transparency.” In this case, the response curve was shifted to the lower end**, with nearly half of our respondents (48%) identifying results that were either “Poorly” or “Very Poorly.” This result, along with our previous finding of “rigid cultural resistance to change” as a barrier to the establishment of ERM programs, as well as the increased desire for improvement in the “culture change to accept risk as part of day-to-day business/administration,” further accentuates the opportunity for improvement across the many essential cultural components of ERM. Based on these findings, we may further explore additional elements of culture and ERM in next year's survey.

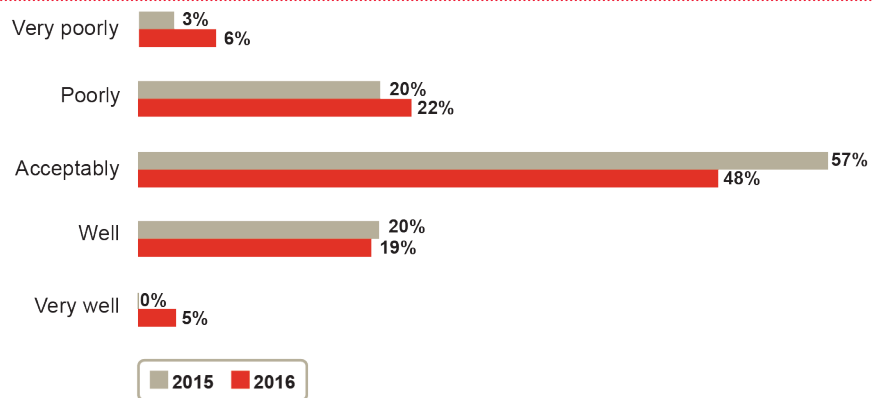
Perhaps not surprisingly, **departments or agencies with more mature ERM programs fared better in their results for each of these performance areas**, with an *average* score per question approximately a half point higher than programs which have been in existence for three years or less (this was consistent for each performance area). The biggest difference in performance for the more mature ERM programs was in the area of “having a structured process for the management of all risks,” with an *average* score nearly a full point higher than the less mature ERM programs. We observed a similar difference in performance evaluation between agencies with an ERM program and those with no ERM program, with the former also scoring an average of about a half point higher across each of these questions. The greatest differences between these two groups related to “embracing the cultural aspects of risk transparency” and “having a structured process for the management of all risks.”

Similarly, from a functional standpoint, our respondents from the finance community had consistently higher performance assessments in each of these areas for their departments or agencies when compared to our respondents with other functional backgrounds. There was little difference in results from the other functional areas.

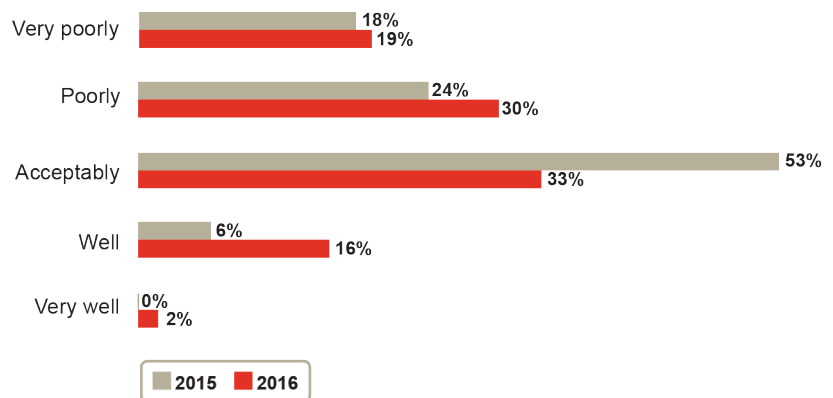
We saw minimal differences to these seven questions in the average scores between small and large agencies, with one exception. Small agencies had a significantly higher average performance result in the area of “viewing effective management of risk as a value add / organizational advantage” when compared to responses from large agencies.

In one final performance area, we asked about the impact that Governance, Risk, and Compliance (GRC) tools have had on agencies which had implemented them. **The most noteworthy component of this response was that a strong majority of our respondents (65%) had indicated that they had not implemented a GRC tool.** (This selection was not offered in 2015 so no trend data is available.) This lack of adoption of a GRC tool was consistent across all of our demographic dimensions, with more than 60% of respondents selecting this option in each demographic category. For those organizations that have implemented a GRC tool, the greatest benefit was in the area of “improved communications/connectivity.” This was the only benefit that was selected by more than 20% of our respondents.

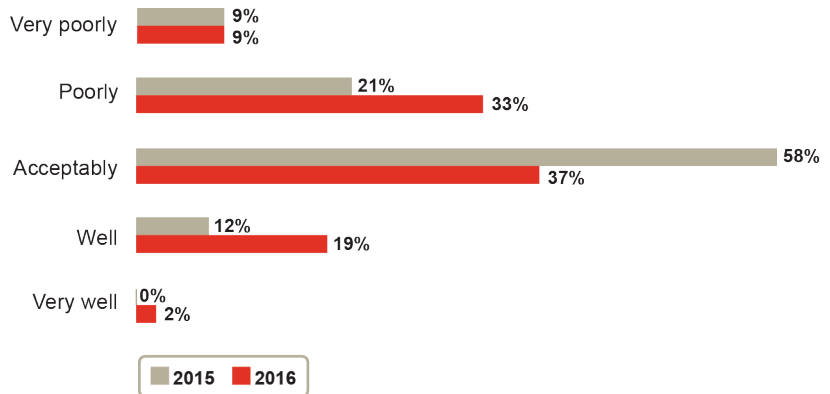
Q: How do you rate how well your Department or Agency manages all areas of organizational risk exposure (strategic, financial, operational, compliance, reputational, etc.)?



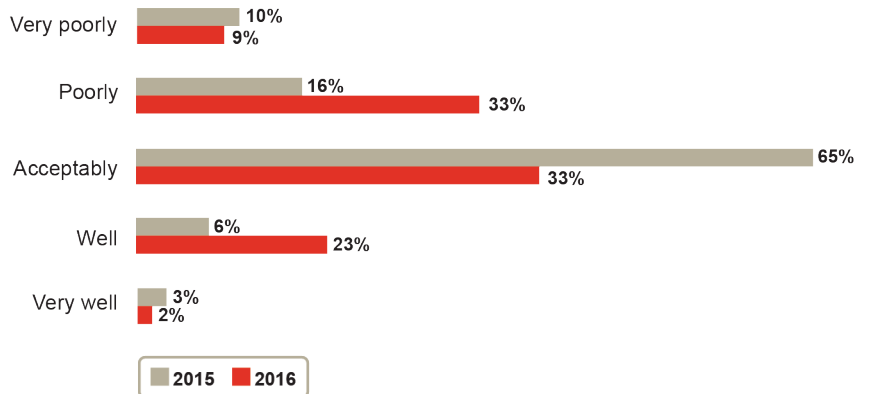
Q: How do you rate how well your Department or Agency prioritizes and manages those exposures as an interrelated risk portfolio rather than as individual silos?



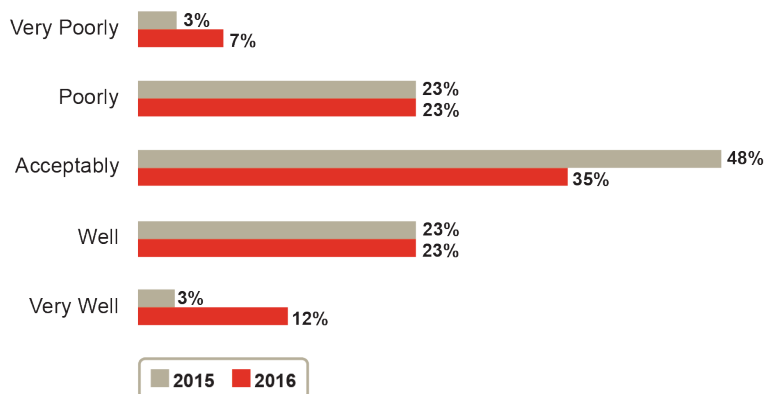
Q: How do you rate how well your Department or Agency evaluates the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?



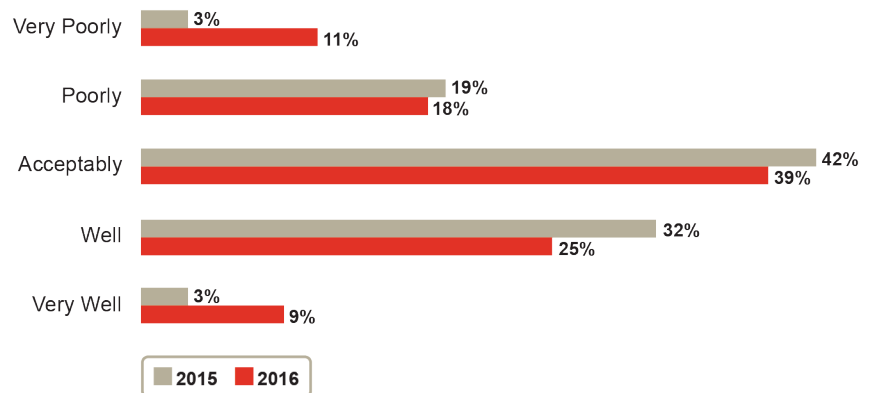
Q: How do you rate how well your Department or Agency provides a structured process for the management of all risks, whether those risks are primarily quantitative or qualitative in nature?



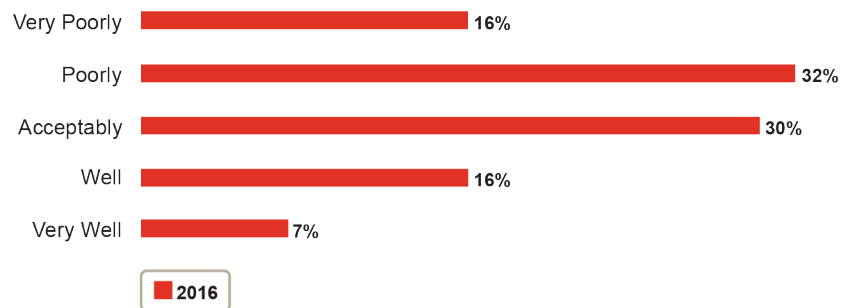
Q: How do you rate how well your Department or Agency views the effective management of risk as a value add / organizational advantage?



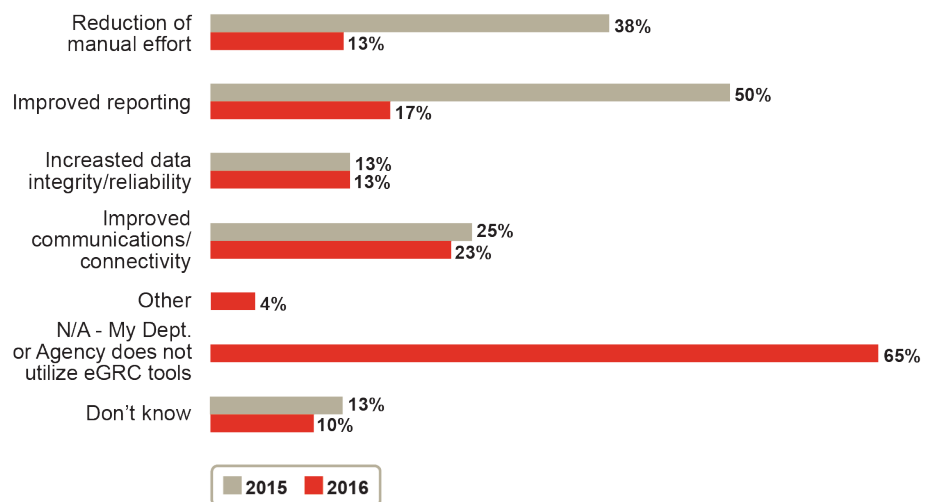
Q: How do you rate how well your Department or Agency seeks to embed risk management as a component in all critical decisions throughout the organization?



Q: How do you rate how well your Department or Agency embraces the cultural aspects of risk transparency, providing an environment where managers and staff are open to discussing risks as a part of everyday business?



Q: What benefits or returns has your Department or Agency realized from its Governance, Risk, and Compliance (eGRC) tools? Please select all that apply.



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AFERM

AFERM is the only professional association solely dedicated to the advancement of Enterprise Risk Management (ERM) in the Federal government through thought leadership, education and collaboration. AFERM provides programs and education about benefits, tools and leading practices of Federal ERM and collaborates with other organizations and stakeholders to encourage the establishment of ERM in Federal departments and agencies.



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Acknowledgments

This survey report is the product of a collaborative effort between PwC and AFERM. We extend our gratitude to the respondents from the Federal ERM community to our online survey. Our analysis and reporting would not be possible without your time and candid input.

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