

Federal Enterprise Risk Management

2019 Survey Results

October 30, 2019

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Survey Approach

- This report provides the results of the fifth annual survey conducted by Guidehouse and AFERM on Enterprise Risk Management in the U.S. Federal government. The vast majority of questions are repeated from last year's survey to enable the tracking of trends over time.
- The survey was administered between July 16 and August 13, 2019. Links to the online survey were sent to government members of AFERM, members of the Senior Executive Association (SEA), as well as to select leaders in the Federal ERM community who were not members of AFERM or SEA at the time of the survey. **The survey was only distributed to government personnel.**
- **We received the largest number of responses, across the broadest organizational base, in the five-year history of the survey.** In terms of organizational representation, responses were received from a total of **35 Federal organizations**, including **all 15 Cabinet agencies**. In many of these cases, additional variety was represented across multiple components or bureaus of these broad departments or agencies.

Responding Organizations (Department-level)

- Architect of the Capitol
- Commodity Futures Trading Commission
- 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 Justice
- Department of Labor
- Department of State
- Department of the Interior
- Department of the Treasury
- Department of Transportation
- Department of Veterans Affairs
- Environmental Protection Agency
- Federal Deposit Insurance Corporation
- Federal Housing Agency
- Federal Reserve
- General Services Administration
- Millennium Challenge Corporation
- National Aeronautics and Space Administration
- National Archives and Records Administration
- National Credit Union Administration
- National Science Foundation
- Nuclear Regulatory Commission
- Office of Personnel Management
- Railroad Retirement Board
- Securities and Exchange Commission
- Small Business Administration
- U.S. Agency for Global Media
- U.S. Federal Courts

Primary Demographic Breakdowns

- Organizations with an ERM Program
 - Yes: 77%
 - No: 21%
 - Don't Know: 3%
- Size of Organization
 - Less than 10,000 employees: 53%
 - More than 10,000 employees: 47%
- Duration of ERM Program
 - 3 years of less: 33%
 - More than 3 years: 41%
 - Don't Know: 27%
- Size of ERM Budget
 - Less than \$250K: 45%
 - \$250K to \$1M: 25%
 - Greater than \$1M: 30%
- Leader of the ERM Program
 - Chief Risk Officer: 43%
 - Chief Financial Officer: 12%
 - Other: 45%
- ERM Lead Reports to:
 - Agency Head: 30%
 - Deputy to Agency Head: 23%
 - Other: 47%
- ERM Lead Time Spent on ERM:
 - More than 75%: 30%
 - Between 50% to 75%: 14%
 - Below 50%: 55%
- ERM expectations included in SES Performance Plans
 - Included in all SES Plans: 26%
 - Included in some SES Plans: 34%
 - Not included in SES Plans: 40%

Primary Demographic Breakdowns: Correlation with Success

**Size of
Organization**

**Risk
Management
in SES
Performance
Plans**

**Duration of
ERM Program**

**ERM Lead:
Time Spent
on ERM**

**Leader of
the ERM
Program**

**ERM Lead
Reports To**

Primary Demographic Breakdowns: Correlation with Success

Size of Organization

Risk Management in SES Performance Plans

Duration of ERM Program

1. ERM Expectations in All SES Performance Plans
2. ERM Lead Reports to Agency Head/Deputy

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3. ERM Program Duration Greater than 3 Years
 4. ERM Program led by Chief Risk Officer

5. ERM Lead > 50% on ERM

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6. Size of Organization

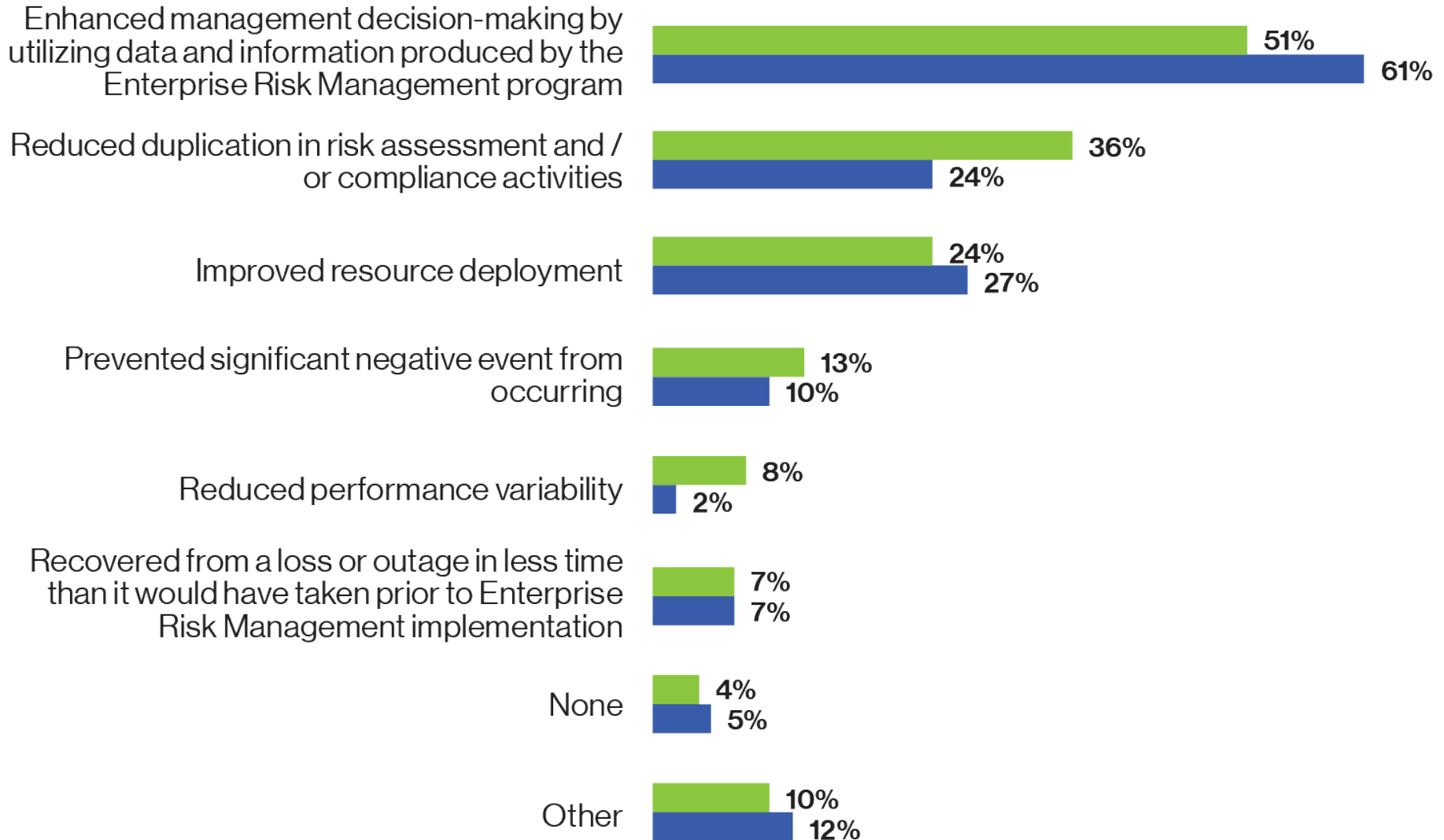
ERM Lead: Time Spent on ERM

Leader of the ERM Program

ERM Lead Reports To

Top Additional Findings

Benefits from ERM Programs



ERM Motivations & Areas of Focus

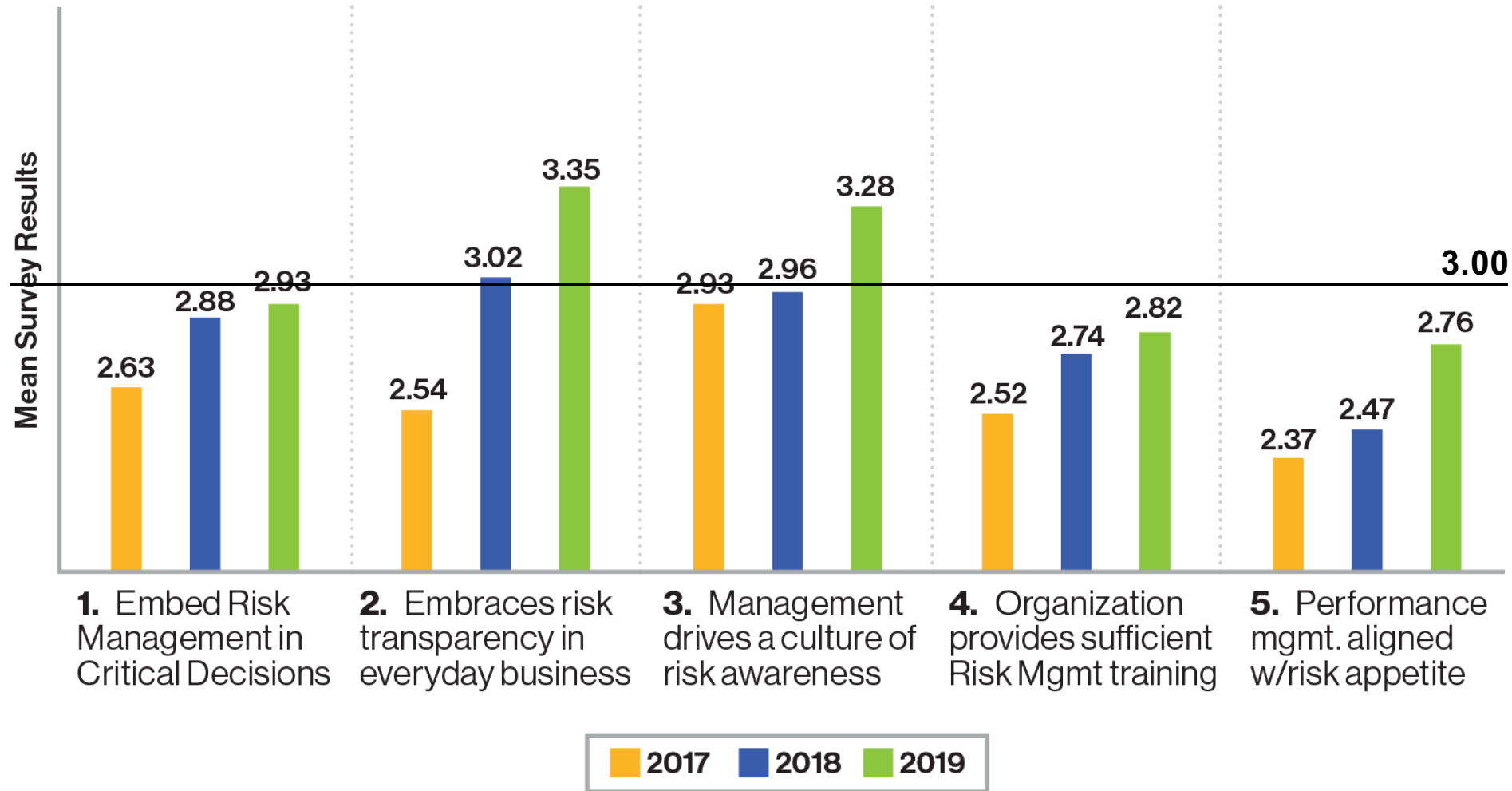
Top Motivators for Establishing an ERM Program at your Organization

1. OMB Circular A-123
2. Desire for Improved Management Decision-Making
3. Significant Risk Events Manifesting

Top Areas of Focus for your ERM Program over the Next 12 Months

1. Training and Awareness
2. Monitoring and Reporting
3. Risk Assessment
4. Policies and Procedures
5. Compliance with OMB Circular A-123

ERM and Culture: Still on the Lower Side, But Positive Trends Across the Board



Degree of Integration

Integration of ERM with other organizational processes continues to be relatively low (all means < 3.00), with results comparable to last year's survey:

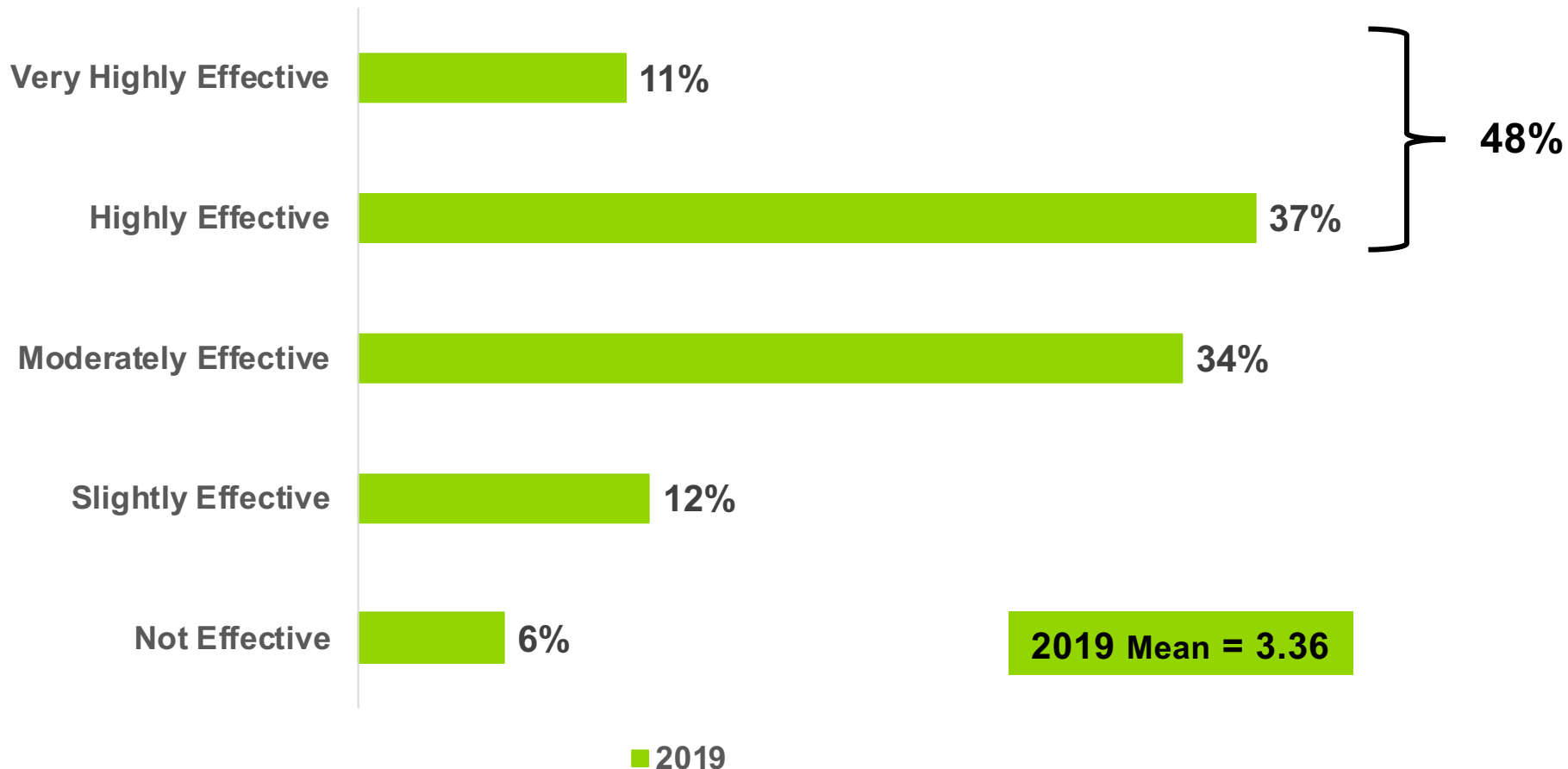
ERM integration with...	Mean
Management Internal Control Program	2.89
Strategic Planning	2.83
Performance Management and Execution Oversight	2.57
Budgetary Processes	2.45

Areas for Impactful Improvement & Barriers

- The **top three impactful improvements** organizations can make to better position themselves for effective risk management are:
 1. More clear linkage, alignment, or integration of risk with strategy and performance (cited by 51% of respondents)
 2. Tone-at-the-top, Executive support for risk management (40%)
 3. Culture change to accept risk management as part of day-to-day business (38%)
- The **top three barriers** to establishing a formal ERM program remain unchanged from a year ago, although the prominence of each barrier has decreased:
 1. Bridging silos across the organization
 2. Rigid culture and resistance to change
 3. Executive-level buy-in and support

ERM Program Effectiveness

How would you rate the effectiveness of your organization's ERM program in designing, implementing, managing, and maturing the organization's ERM capability?



Risk Focus and Perceptions (current and anticipated)

Management's Current Focus on Risks

1. Cyber Security/Privacy (80%)
2. Operational / Programmatic Risk (67%)
3. Human Capital Risk (58%)
4. Strategic Risk (48%)
5. Compliance Risk (38%)

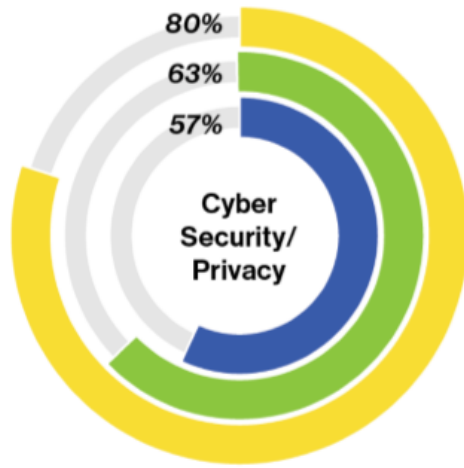
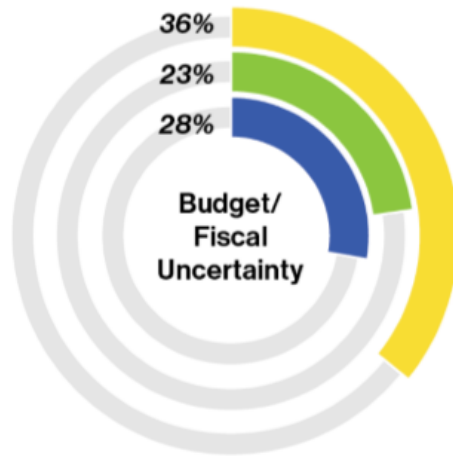
Perception of Risks Currently Believed to have the Greatest Impact on Strategic Objectives

1. Cyber Security/Privacy (63%)
2. Human Capital Risk (47%)
3. Operational / Programmatic Risk (41%)
4. Strategic Risk (24%)
5. Budget/Fiscal Uncertainty (23%)

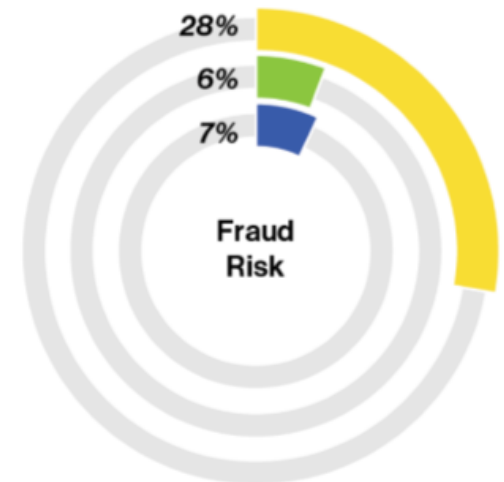
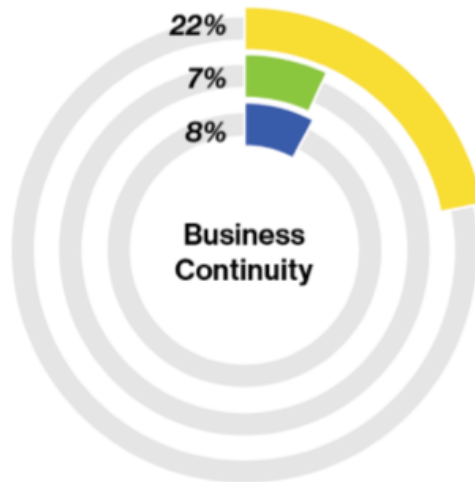
Perception of Risks Anticipated to have the Greatest Impact on Strategic Objectives over the Next 3-5 Years

1. Cyber Security/Privacy (57%)
2. Human Capital Risk (50%)
3. Operational / Programmatic Risk (38%)
4. Strategic Risk (37%)
5. Budget/Fiscal Uncertainty (28%)

Alignment of Focus and Perceptions

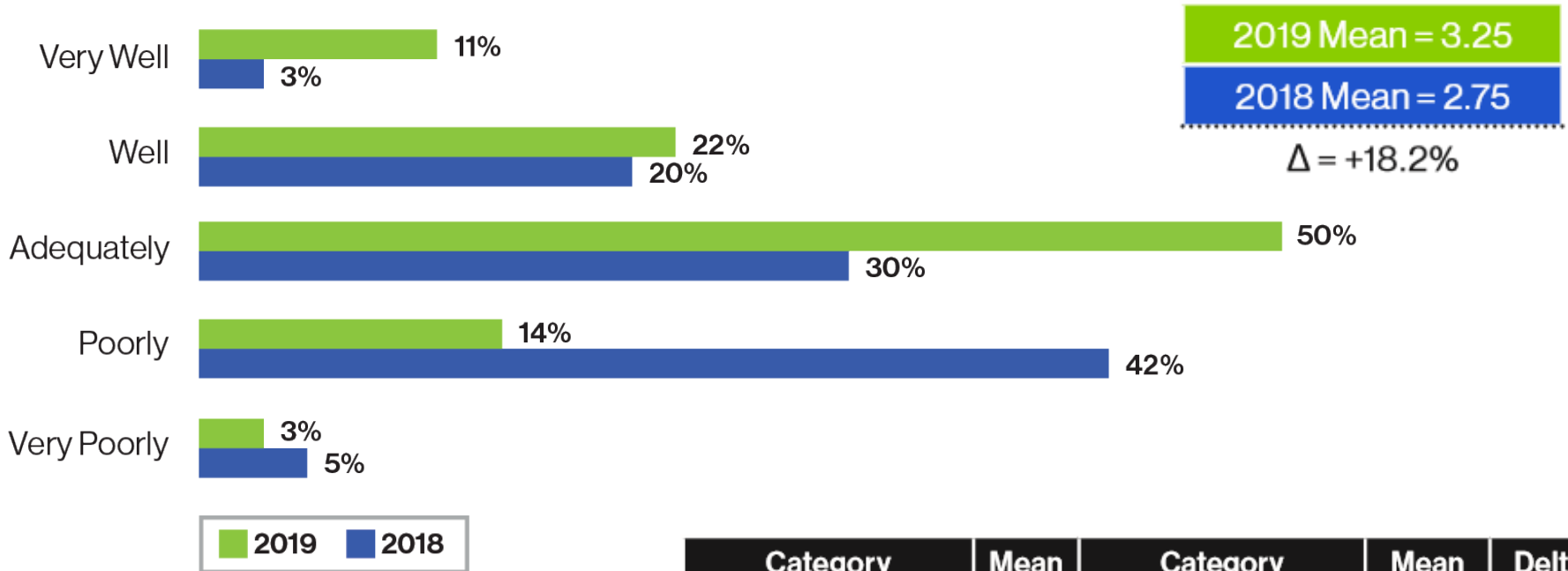


Alignment of Focus and Perceptions



Presentation and Data Tables

How well does your Organization prioritize and manage risk across the organizational structure as an interrelated risk portfolio rather than within individual silos?



Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All
Lead > 50% on ERM	Report to Head/Deputy

Category	Mean	Category	Mean	Delta
ERM = Yes	3.05	ERM = No	2.23	36.9%
CRO-Led	3.25	Non-CRO-Led	2.89	12.5%
Report to Head/Dep	3.32	Report to Other	2.72	22.1%
Lead > 50% on ERM	3.31	Lead < 50% on ERM	2.84	16.5%
SES Plans = All	3.67	SES Plans = Some/∅	2.67	37.5%
Longer Duration	3.20	Shorter Duration	2.91	10.2%

Primary Demographic Breakdowns: Correlation with Success

**1. ERM Expectations in
All SES Performance
Plans**

**2. ERM Lead Reports to
Agency Head/Deputy**

**3. ERM Program Duration
Greater than 3 Years**

**4. ERM Program led by
Chief Risk Officer**

**5. ERM Lead > 50% on
ERM**

6. Size of Organization

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