

Thought Leadership for the Federal Enterprise Risk Management Community

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Highlights

*This 36th issue of the quarterly AFERM Newsletter includes thought leadership articles from enterprise risk management (ERM) practitioners with **Accenture Federal Services, Bureau of the Fiscal Service, RMA Associates, and WAEPA.***

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The President's Corner

Updates on AFERM's Initiatives

By Nicole D. Puri, AFERM President

Spring is finally here, and it seems as though there may be light at the end of the pandemic tunnel. I hope each of you is enjoying the nice weather and able to start thinking about more activities with family and friends as the year goes on.

One of the best things to come out of the pandemic has been seeing how all of us, in government or government-supporting roles, have managed to work as hard as ever (or even harder) in making government work better through ERM. With a new administration we're seeing new priorities around risk management, including looking at climate change risk. We've seen Part 6 of the Office of Management and Budget's (OMB) Circular A-11 be reinstated, reinforcing the importance of integrating ERM with strategic planning and performance efforts. We expect more to come, and AFERM looks forward to continuing to work with the broader federal community to demonstrate ERM's value and effectiveness as new priorities emerge from the administration.

AFERM too has been busy this year. We are in the process of developing a voluntary set of best practices around ERM in the federal government, to share AFERM's view of critical elements for success in this space. We are reimagining our sponsorship program to provide more value both for sponsors and members. We are also actively pursuing partnerships with other institutions, including universities, to bring you cutting edge research and knowledge capital around federal ERM, and new, practical forms of training and development for practitioners.

We're also going back to a two-day format for the Summit this year, and while it will still be virtual with some in-person components, we expect it to be one of our best events in years. We're planning an array of exciting speakers, enhanced member and participant interaction, the opportunity for all of you to host and participate in breakout sessions, and the continuation of the digital demo we've had in the past.



AFERM President Nicole Puri

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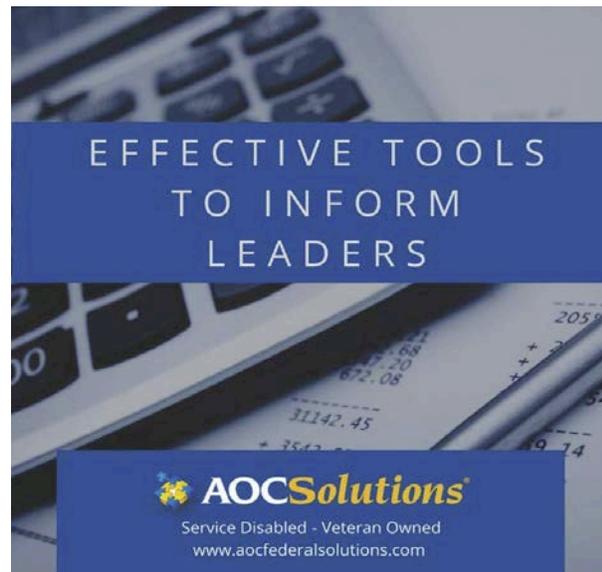
Finally, AFERM is currently testing a Knowledge Portal, which will allow members to post and share content in collaboration spaces through the AFERM website. While currently in use by the AFERM Communities of Interest, we expect to be releasing the main portal to all members in the coming weeks.

I want to thank the amazing federal ERM community for continuing your hard work and dedication to the advancement of progress. And for all of you who have and continue to reach out to me to keep in touch, volunteer your time for AFERM, or just provide general support, you have my sincerest thanks. It is a pleasure to be your President.

Best regards,

Nicole D. Puri

Nicole Puri, AFERM President, may be contacted at President@AFERM.org.



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Sharing Your Success Stories

Communicating the value of ERM

Essential to the AFERM's Newsletter are success stories and thought leadership from ERM professionals. The concepts, innovations, and lessons learned shared by ERM professionals help advance the dialog and contribute to the maturation of the profession. We hope you found the contributions to this Newsletter as informative and thought provoking as we do! We kindly thank the following contributors to our latest Newsletter:

- **Nicole D. Puri**, AFERM President, and CRO at the Bureau of the Fiscal Service
- **Dan Featherly**, Senior Manager, and **Simone Reba**, Principal Director, Accenture Federal Services
- **Wayne Liu**, IT Audit Senior Manager, **Brendan Bowers**, IT Supervising Senior Auditor, and **Kris Samiley Gonzales**, Manager, RMA Associates
- **M. Shane Canfield**, CEO, WAEPA

Please send your success stories or request for information on publishing a thought leadership piece to the AFERM Communications Committee at Communications@AFERM.org. The Committee is responsible for the AFERM Newsletter and is led by **Shelly Turner** of Guidehouse, who may be contacted at sturner@guidhouseFederal.com.

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Thought Leadership

Transforming Risk Through Integrated Risk Management

By Dan Featherly and Simone Reba of Accenture Federal Services

Risks to federal agencies evolve, and so too must the tools and strategies organizations use to understand and combat them.

Enterprise risk management (ERM) has been the gold standard for mitigating risks for more than a decade. But ERM risk determination has often involved gut-feel assumptions and heavy manual effort to determine risk levels and how risk mitigations were pursued. With the increased complexity of risk environments and ever-increasing compliance regulatory requirements, integrated and dynamic tools that can identify and monitor risks on a larger scale, in real time, are needed now more than ever.

Traditionally, the governance, risk, and compliance (GRC) tools that have often been used to manage ERM and OMB Circular A-123 programs were control-centric, focusing on how they could limit internal processes in a way that limited risk as much as possible. These control-centric systems have led to data silos, slow performance, and an inability to scale beyond a single department.

More mature organizations, including some in the federal government, have moved to a different model that focuses on data integration and accessibility to gain important visibility into an organization's overall risk profile. Known as integrated risk management, or IRM, this method creates a cohesive risk management structure that provides greater integration and scalability while better tying back into an organization's larger business strategy for achieving mission objectives.

Integrated platforms focus on an asset-centric integration with interoperable solutions based in the cloud that enhance performance while scaling across an entire enterprise. These systems create integrated data that provides enhanced capabilities such as machine learning and automated intelligence that can be used to improve overall operational efficiency and risk awareness.



*Dan Featherly,
Senior Manager,
Accenture Federal
Services*



*Simone Reba,
Principal Director,
Accenture Federal
Services*

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Think of it as taking traditional risk management to the next level.

Characteristic	Old	New
Risk Analytics	Limited use of analytics by few specialists	Analytics is a core way of working for all
Control Automation	Manual testing and reactive response to failures	Automated and continuous control monitoring and testing with early warning of failures
Risk Measurement Improvement	Periodic validation of models with long development times	Continuous model validation with self-learning models and rapid improvement cycles
Data Quality	Poor data quality, time-consuming to source, clean and integrate	Broad scope of trusted and common structured and unstructured data
Cloud Infrastructure	Constrained by expensive legacy infrastructure	Flexible, cost-efficient and easily scalable platform
Operating Model	Unclear accountability or duplication across first and second line and siloed capabilities	Shared capabilities with clear accountabilities and responsibilities
Skilled Workforce	Traditional risk practitioners with narrow roles and responsibilities	Diverse and flexible workforce, teaming to solve problems supported by technology

Time for a Transition

At Accenture, we have seen our clients' risk management needs change in real time. In 2020, a defense agency we support was interested in implementing IRM. The governance, risk, and compliance (GRC) capabilities the agency had previously implemented improved overall aggregation of control execution and compliance reporting. However, the tools did not provide the desired integrated reporting, processes, and transparency across functional groups or departments within the enterprise. The agency's challenges fell into three buckets:

- Reactive responses – There was a significant amount of time spent tackling regulatory risk requirements. Without the requisite focus on proactively monitoring critical controls, it became easier to miss high-impact or emerging risks.
- Too many silos – Risk and compliance processes were inefficient, breaking down due to multiple functional silos with redundant processes and disparate systems. With no cross-functional process integration or way to prioritize critical risks and audit activities based on business impact, the enterprise was left open to loss events and unnecessary risk.
- Manual processes – Analysts were stymied by manual, antiquated, and inconsistent processes that involve meetings, phone calls, spreadsheets, email, manual signature approvals, and a variety of fragmented tools. GRC tools required significant effort to produce scorecards and dashboard reporting, and they often contained stale or inaccurate data by the time it was published to leadership. The organizational risk of major audit findings could be substantial.

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An IRM approach helps overcome these challenges by using data-driven insights enabling a more comprehensive site picture of risk-related data. This enables more predictive risk identification and remediation prioritization while reducing manual effort; complementing how business is done versus competing with it.

A More Efficient and Cost-Effective Approach to Risk

Effective IRM helps solve many of ERM's challenges through superior business performance. Beyond regulatory compliance, IRM enables increased productivity and risk resiliency that helps reduce costs, increase public confidence, and improve decision-making.

 <p>Comprehensive approach to regulatory compliance</p>	 <p>Improved effectiveness of integrated IRM / GRC programs</p>	 <p>Increased cost efficiency and business value across IRM & GRC programs</p>	 <p>Enhanced ability to holistically manage organization risks and impacts</p>
<ul style="list-style-type: none"> • Enterprise compliance program simplification: Establish a streamlined method to manage and evaluate processes, procedures, and controls mapped to regulatory requirements • Compliance readiness reviews: Review programs based on regulatory requirements and guidance • New product and/or service evaluation: Assess new products and services to comply with regulations • Policy and Controls Definition: Assess existing or develop new internal policies based on agency or regulatory compliance standards 	<ul style="list-style-type: none"> • Enterprise GRC strategy and roadmap: Define and build vision for building synergies across risk and compliance programs • Governance and operating model: Deliver the risk management function based on 3 Lines of Defense model with optimized operating model • Cybersecurity integration into enterprise GRC: Design risk management processes aligned to standards such as FFIEC; develop consistent risk taxonomy; and incorporate security risk with operational and enterprise risk. 	<ul style="list-style-type: none"> • Managed services: Perform IT control testing, IT risk and 3rd party risk assessments, and security remediation work, all as cost-effective managed services • IRM / GRC platform implementation: From envisioning use cases through architecting interoperable solutions, configuration and deployment • IRM / GRC program and tools optimization: Analyze current spending, tool strategy, and processes to provide insights on industry benchmarks, and leading practices towards building cost reduction roadmap 	<ul style="list-style-type: none"> • Security risk assessment: Assess maturity and effectiveness of risk management programs using industry standards and frameworks e.g. NIST and create optimization roadmap • Risk analytics: Generate actionable insights through identifying and analyzing risks, establishing risk baseline, and defining risk appetite • Risk reporting, KRI and KPI development: Develop risk and performance indicators, and early warning thresholds with effective dashboards

Critical Factors for a Successful IRM Journey

Any organization, regardless of its risk maturity, can switch to an IRM environment. At Accenture we have identified some key elements of a successful IRM rollout:

- *A shared understanding of risk.* For organizations to evolve from managing compliance and risk with ad-hoc manual processes to managing risk at a board level, they first need a sound risk and compliance culture where there is an agreed-upon level of acceptable risk. This can be created through a common taxonomy and language that ensures chief financial officers, chief legal counsels, and chief information officers understand what constitutes a low, medium, or high risk, and how to respond accordingly. With that, everyone may work together to manage risk to comply with regulatory regimes, take advantage of new business opportunities and operate more efficiently.

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- *A sound risk and compliance culture.* Risk is a driver of success — without risk, innovation stalls, and the competitive edge is lost. An organization with sound risk and compliance culture agrees upon an acceptable level of risk, and through continuous monitoring and prioritization, identifies and responds to risk effectively and consistently.
- *Established foundational elements.* Along with a common language and a stable risk culture, risk management programs need strong executive sponsorship. This means a person at the top who has both spending power and broad support.
- *A single source of truth.* Everything must be built around a consolidated data source that provides context for risk prioritization, allows cross-functional automation, and ensures individuals organization-wide can visualize risk in a meaningful way.
- *An accountability and risk reporting capability* that is built with the end in mind.

Once these foundational elements have been established, they must be tightly woven into an organization's strategy, people, processes, and technology to become a natural part of operations. Risk frameworks and associated monitoring criteria need to be designed before integrating data elements. To do this organizations need to:

- Create or re-engineer business processes that deliver risk and compliance outcomes and ensure teams, groups, and stakeholders can adequately follow them to increase interoperability across risk management functions, thereby enhancing user experience.
- Identify and implement processes that methodically track governance objectives, risk ownership and accountability, compliance with policies and decisions that are set through the governance process, risks to those objectives, and the effectiveness of risk mitigation and controls.
- Take advantage of technologies that accelerate strategy, establish processes, enable collaboration, drive engagement, support IRM strategies, and keep people informed and involved.
- Establish agreed-upon common reference data and taxonomies to facilitate data quality, consistency, and holistic risk reporting.

Embracing technology will allow the maturation of risk and compliance capabilities with technology enablement to provide greater integration and scalability.

Organizations will want to establish one platform to serve as a single source of truth to mitigate risk, using continuous, consistent processes for monitoring and enforcing policies. Organization-wide monitoring, prioritization, and cross-functional automation will drive better collaboration and decision-making to speed response. Reducing redundant and repetitive processes increases productivity and performance.

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Buy-In Necessary for IRM Success

Finally, organizations implementing IRM need to establish and activate a risk-aware culture that includes sponsorship, plans, and roadmaps. Broad stakeholder input and active education and awareness are necessary for transforming return on investment (ROI) on paper into ROI in reality.

This includes the development and implementation of an IRM framework and performance improvement through effective governance and risk ownership. To do this, organizations should:

- Have early, frequent, and ongoing stakeholder involvement and communication.
- Empower everyone from leaders to individual contributors and give them the resources to perform their tasks.
- Establish a clear business owner to provide top-down support.
- Create a deployment strategy that favors quick wins and modest gains to show incremental progress.
- Secure executive support up front and across the enterprise for the program.
- Identify stakeholder groups and key representation for each to support and champion the program throughout its duration.
- Make provisions to implement the best and most appropriate means to track and inform stakeholders of risk response.

Enhancing your ERM efforts through technology-enabled IRM is a big shift, but one that will pay off for decades to come. As risks evolve, organizations with the most adaptable risk processes and technologies will be best able to react quickly and pivot to avoid unnecessary damage. Learn more about IRM at our [website](#).

Dan Featherly and Simone Reba of Accenture Federal Services may be contacted at daniel.featherly@accenturefederal.com and simone.a.reba@accenturefederaldefense.com, respectively.

About the Authors

Dan Featherly is a Senior Manager in Accenture's Management Consulting practice in the Washington, DC area. He has more than 15 years of experience assisting both commercial and Public Sector clients with driving solutions to support the accomplishment of mission objectives. Mr. Featherly is a licensed Certified Fraud Examiner and a Certified Government Financial Manager.

Simone Reba is a Principal Director and Accenture Federal Services' Finance and Enterprise Performance lead, with over 34 years of financial management experience helping the Department of Defense (DoD) develop solutions to its toughest financial

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problems. As a former DoD Senior Executive and Deputy Chief Financial Officer (CFO) of the Defense Logistics Agency, she has a deep understanding of DoD financial management needs, priorities, deficiencies, and how to make them auditable. She holds a BS in Business Management and Marketing, and a Master of Public Administration.



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ERM Events

Upcoming events of interest to ERM practitioners

Following is a list of events upcoming that may be of interest to ERM practitioners.

Event (Click Name for Link to Event Information and Registration)	Organization	Date	Location
Virtual AFERM & AGA 2021 ERM Workshop	AFERM and AGA	April 14, 2021	Virtual
RIMS LIVE 2021 Annual Conference	RIMS	April 18-23, 2021	Virtual
RIMS-CRMP-FED Prep Virtual Workshop May 2021 Note: \$200 Early Bird Discount through April 26	RIMS and George Mason University	May 24-26, 2021	Virtual
SimErgy: 2021 ERM Boot Camp Note: 20% Discount for AFERM Members	SimErgy	June 22-23, 2021	Virtual
2021 AFERM Summit Training, ERM in a Changing World	AFERM	October 26-27, 2021	Virtual

Please visit our website for more information at <https://www.aferm.org/events-list/>.

Varun Malhotra of Guidehouse coordinates the AFERM programs. He may be contacted at Programs@AFERM.org.

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AFERM's ERM Podcasts

AFERM's podcasts continue the ERM dialogue

Be sure to check out the 41 Risk Chat podcasts on our website featuring ERM subject matter relevant to the Federal sector. If you are interested in participating on a podcast, please contact Paul Marshall, MILCorp, and Tal Seaman, Navigator Solutions.

The Risk Chat podcasts are accessible on AFERM's website at <https://www.aferm.org/aferm-risk-chats/>. The most recent five (5) podcasts are listed below with active links.

- [Episode 41: Integrating Cybersecurity and ERM](#)
- [Episode 40: RIMS-CRMP-FED Certification](#)
- [Episode 39: Higher Education ERM](#)
- [Episode 38: ERM Around the World](#)
- [Episode 37: Operationalizing USAID's Risk Appetite Statement](#)

Paul Marshall may be contacted at pmarshall@milcorp.com, and Tal Seaman may be contacted at tseaman@navigatorol.com.



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ERM News

Staying current on ERM news with AFERM's Newsfeed

Following are headlines of just some of the many news articles identified by AFERM as relevant to Federal ERM this past quarter on our ERM News page. Those listed below include active links to each article.

- [Stress Tested: Risk Professionals Share Their Experiences with ERM During the Pandemic](#)
- [The Legal Issues in Cyber Incident Response](#)
- [Understanding and Mitigating Social Risk](#)
- [Evolving Practices in Enterprise Risk Management at U.S. Department Of Health and Human Services](#)
- [Recognizing Strategic Risks and the Role of the CRO](#)
- [Ransomware Attackers Turn to Double Extortion](#)
- [Making Proactive Strategic Changes to Address Risk](#)
- [7 Key Challenges for Operational Risk Professionals](#)
- [COVID-19 and Its Impact: Seven Essays on Reframing Government Management and Operations](#)
- [How to Prepare Now for Your Next Crisis Post-COVID](#)
- [2021 Cyberrisk Landscape](#)
- [How To Address Low-Probability, High-Impact Risks](#)
- [Managing Workplace COVID-19 Vaccine Policies](#)
- [On Data Privacy Day, Catch Up on these Critical Risk Management and Data Security Issues](#)
- [3 Critical Risk Management Investments in 2021](#)

To view the AFERM Newsfeed, visit "Resources" on the AFERM website and choose "Newsfeed" or use the following link: <https://www.aferm.org/erm-newsfeed/>.

Your feedback and suggestions on the AFERM Newsfeed is welcome and may be submitted at AFERM.Webmaster@gmail.com.

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Thought Leadership

Don't Let Runaway RPAs Ruin Your ERM Program

By Wayne Liu, IT Audit Senior Manager, Brendan Bowers, IT Supervising Senior Auditor, and Kris Samiley Gonzales, Manager, of RMA Associates

Robotic Process Automation

Robotic Process Automation (RPA) is computer coded software that automates manual activities through the repetition of rules-based tasks. These tasks can include queries, calculations, and maintenance of records and transactions to handle high volume tasks previously performed by employees. RPA is most effective with structured processes that produce outcomes with little variation regarding their design and implementation. In other words, if a process involves a high level of subjectivity, it would be best for the process to be completed outside of the RPA environment. In performing structured business processes, RPAs can alert users of discrepancies detected and ensure all data gathered, internally and externally, is sufficient. For example, RPAs assist banks in detecting account limit violations as well as gathering and validating customer information from regulatory organizations.

The implementation of RPA has improved process efficiency for many federal agencies. RPA is not limited to finance departments but can be implemented in other departments across an organization, such as IT and HR departments. Managing the impact of an RPA implementation is an entity-wide issue and must be considered in the enterprise risk

management program. To utilize RPA properly, organizations need to be strategic when dealing with their associated risks.

RPA owners and users need to assess all associated risks before incorporating them into daily operations. To properly implement RPA into a business' core activities, governance should specify appropriate actions of RPA and the users. This governance should address an RPA's business justification, design, monitoring activities, lifecycle, and change management process through the employment of internal controls. Structuring and implementing these governance efforts in a holistic manner through an enterprise-wide organizational lens allows businesses to better understand RPA, which will lead to the implementation of RPA to maximize the entire enterprise's business efforts. Although RPA is relatively new, it is becoming abundantly clear they will become a commonality among thriving businesses.

Business Justification: Oversaturation of RPA

Automating processes through RPA are often seen as a stand-alone initiative to improve the efficiency of one business unit in an organization. However, there should be

Facts about RPA

RPA cannot replace humans. The biggest misconception about RPA is its ability to take over our jobs. RPA works alongside staff to make their lives easier. RPA software carries out jobs deemed repetitive. This allows us to focus on more complex endeavors thus improving efficiency.

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significant thought on how to provide oversight of managing multiple instances of RPA and whether there is a valid business need for such. Organizations should explore questions about how RPA is adequately managed and controlled in numerous silo environments to fully understand its enterprise-wide risks. What happens if an RPA owner leaves the organization? Are there other individuals who understand the procedures and controls? Is there a centralized location within the organization that can provide high-level oversight?

The organization should ask questions on an enterprise-level as to whether the RPA contributes to overall organizational goals. An organization should develop a process to put specific standards to determine if implementing an RPA would make sense from a cost and business perspective. Evaluating the need, cost, benefit, and underlying risks through the implementation of documented standards would be an important step towards providing effective governance for RPAs.

Statistics about RPA

According to the National Association of Software and Services Companies, organizations that implement RPA can reduce costs by 35-65% for onshore process operations and 10-30% in offshore delivery.

Periodic Monitoring

Detecting risk is critical to an organization in preventing an error from causing more extensive damage. Therefore, providing levels of governance on RPA is necessary to reduce risk. The RPA owner should provide oversight into the effectiveness and accuracy of the RPA so the organization can meet its stated system, department, and enterprise-level goals. In this respect, governance most effectively comes from implementing, managing, monitoring, and testing the outputs and subsequently putting into place remediation or business continuity plans if an RPA needs to be deactivated because of unintended results produced. Monitoring is most effective when it provides a real-time snapshot of organizational risk from an enterprise level. This ensures senior leadership is aware of any potential risks and issues handled enterprise-wide.

Change Management and Lifecycle Management

As new technologies are being introduced, others are replaced at the end of their lifecycle. This occurs with RPA as well. An organization's failure to maintain control of change management and lifecycle management can lead to numerous entity-wide risks. RPA, when implemented, becomes a part of an organization's daily processes. When changes occur in this environment, whether on a system, department, or organizational level, organizations must have the foresight to recognize whether a new operating environment changes how an RPA works. Organizations not

Facts about RPA

RPA cannot improve a flawed business process. RPA automates processes but does not improve any defects in the existing processes. Organizations may view RPA as a solution to all their issues. While RPA does help to streamline processes, it does nothing to improve a flawed process. Before automating, it's imperative to have a clearly defined business process.

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equipped to adapt the business environment's risk adequately must be evaluated, tested, and planned before an issue occurs. Just as there are internal controls for configuration management changes in any IT environment, organizations must implement the same principles for changes within the RPA environment. Organizations must monitor, evaluate, document changes, and perform periodic risk assessments.

Conclusion

RPA allows companies to remove manual processes, allowing for greater flexibility in accomplishing daily business activities. However, without proper governance, instead of creating efficiencies in the long term, companies may instead open themselves to unintended and unforeseen risks in the short term. Leadership should address RPA's business justification, design, monitoring activities, lifecycle management, and change management process before implementing any RPA. The main concern should always be determining if an RPA is needed. The organization should determine if the existing process is suitable for RPA. It should not be the ultimate solution to remediate the current flawed processes, which may complicate the existing issue. Once organizations consider these matters, they can look forward to incorporating exciting new business functionality, allowing them to stay on the cutting edge of robotic processes.

Wayne Liu, Brendan Bowers, and Kris Samiley Gonzales of RMA Associates may be contacted at w.liu@rmafed.com, bj.bowers@rmafed.com, and k.samiley@rmafed.com, respectively.

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AFERM's ERM Blog

ERM resources for Federal practitioners

AFERM's "Ask the Experts" blog continues to generate some great conversations on ERM! Our blog is hosted by ERM professionals **Tom Erickson**, NTT Data, **Ken Fletcher**, Kestrel Hawk Consulting, and **Sean Vineyard**, 11th Hour Consulting.

There are 37 separate conversations on ERM on the website. Here are the five most recent discussion topics with active links to each:

- [Private sector businesses often play a balancing act between company profit and insolvency risk. Is it necessary to perform similar analysis as part of a public sector ERM program, and how would that analysis differ?](#)
- [How does the application of ERM differ in making risk mitigation decisions vs. routine decision making?](#)
- [What methods can agencies use to identify risks that are not already realized problems?](#)
- [What are some of the top challenges facing agencies in integrating the OMB A-123 ERM framework with strategic objectives and decision-making processes?](#)
- [How can the agency ERM process and risk appetite principles be used to assist in mitigating strategic \(long-term\) risks resulting from COVID-19?](#)

Join the ERM discussion at AFERM's Ask the Experts blog - www.aferm.org/ask-the-expert/.



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AFERM's Communities of Interest/Practice

Supporting Federal ERM areas of specialty

AFERM maintains [three communities of practice/interest](#) for small Federal agencies, data analytics, and cyber-ERM. For more information on any of the communities of practice/interest, please reach out to the contacts noted below.

Community	Description	Contacts
Cyber-ERM Community of Interest (CYBERCOI)	A community of Federal ERM and IT practitioners seeking to bridge communications cross agency ERM and cybersecurity risk management functions	Nahla Ivy, Chair, Nahla.Ivy@nist.gov Julie Chua, Co-chair, Julie.Chua@hhs.gov
Data Analytics Community of Practice (DACOP)	A community of public sector ERM practitioners focused on advanced and applied data analytics supporting the evolution and maturity of agency ERM programs	Curtis McNeil, Chair, curtis.mcneil@aoc.gov
Small Agency Community of Practice (SACOP)	A venue for smaller agencies to share best practices and resources on ERM and a forum to discuss common challenges, provide learning opportunities, and foster networking and collaboration	Marianne Roth, Chair, Marianne.Roth@cfpb.gov Tal Seaman, Co-chair, tseaman@navigatorso.com AFERM.SACOP@gmail.com

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How ERM is Guiding Leaders in Government and Business through a Global Pandemic

By M. Shane Canfield of WAEPA

Organizations from across the public and private sectors have weathered an unpredictable last twelve months. Almost overnight, leaders around the world were forced to shift their daily operations to working remotely. Typical day-to-day office interactions were restricted to video calls and team chats. Annual meetings and conferences, nearly a year in the making, were cancelled or converted to virtual gatherings. A global pandemic almost instantly catalyzed our full dependence on technology and innovation. Now a year later, I do not think any of us could have imagined we would still be here – operating under a not-so-new “normal.”

All organizations – large, small, government, corporate, or nonprofit—are trying to assess the risks imposed by the pandemic. We are not only grappling with a change in management and procedures, but also attempting to assess the economic fallout of the pandemic and the impact it will have long-term on business. Enterprise Risk Management (ERM) is a necessity for any business to effectively plan for and manage risk. When properly communicated and executed, an ERM framework encourages consistency and accountability in a team. And, when an organization’s leadership can rely on its employees to mitigate crises, it lends more time for leadership to focus on strategy.



*M. Shane Canfield, CEO,
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WAEPA’s Response to the Pandemic

At WAEPA, the pandemic pushed us to pivot quickly and make decisions that protected the safety of our employees, prioritized our members, and set up our business to withstand the tremendous risk and loss scenario that a global pandemic presents. Thankfully, WAEPA is designed to withstand major outlier events and risk scenarios; our planning horizon is not measured by upcoming months or years, but in decades. In response to the pandemic, we updated our risk profile. This considered our particular book of business, the projected impact from the pandemic, and unstable financial markets. We were also forced to adjust our underwriting model for a world that doesn’t allow you to be in the presence of other people.

WAEPA is putting into practice the ERM strategies we developed for a variety of outlier risk scenarios that we hoped never to experience, but which are sometimes inevitable. As an insurer, the sudden and severe economic downturn resulting from COVID-19 forced us to reconsider our principal resource financial model (capital reserves

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accumulation) to a more defensive risk management posture. Uncertainty was the primary driver in shifting to a more defensive stance as financial markets and the economy reacted with volatility to rapid and massive unemployment.

First, we conducted a review of our baseline risk tolerance policies, capital allocations prescribed by our investment policy statement, and governance model to identify areas requiring adjustment.

Next, we modeled long-term claims (decades out) by applying various scenarios and likelihood of outcomes. Then we compared that against our current investments and their probable performance given current and future economic conditions. We looked at claims over time, recovery scenarios, and tested our assumptions. We ensured that our KPIs were still tracking the appropriate risk factors, updating them as needed to reflect current market realities and forecasted future conditions.

All of this information was synthesized to determine whether our risk management plan needed to be adjusted to meet two drivers: expected return and appetite for risk. WAEPAs had to answer the fundamental question of whether we would be able to meet our potential claims obligations and other capital needs with our reserves.

Finally, this analysis cannot be done in a vacuum without consideration to our strategic business objectives, both current and long-term. The result was a newly adjusted ERM strategy that accommodated our obligations and our business plans. Part of that was risk mitigation -- reinsurance, cash flow, direct investments by type of asset, and other approaches were examined.

In the end, we developed an adjusted ERM strategy and a mechanism for monitoring as economic changes occur.

What Makes an ERM Program Successful

In my nearly 30 years as an executive leader, I have learned that implementing a successful ERM strategy goes beyond a concrete step-by-step process. Its framework should include room for flexibility and adaptability. The process of mitigating risk can be as difficult and unpredictable as the risks themselves. Challenges during these times should be expected, but our greatest lessons in leadership come from times of immense challenge. Plus, learning to navigate issues that arise encourages the optimization of future ERM programs. ERM is a living, breathing, and evergreen process. Even in good economic conditions, we must continuously address it by testing assumptions and analyzing investment policy, coupled with assessing the appetite for risk and the needs of the business. 2020 reminded us, and insists, that ERM is a critical, ongoing process.

ERM programs should be more than a “check the box” exercise for management. The ERM model should be incorporated into all strategic planning efforts. Last year, leaders around the world witnessed how an effective ERM program, or lack thereof, can impact

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an organization's ability to fulfill its mission. This is doubly true in an organization that is built on risk itself.

A successful ERM program includes effective communication from leadership to employees – the people tasked with implementing responses. If leadership is disengaged from the personnel responsible for executing the plan, then risks may be identified, but not relayed to the attention of the appropriate staff. A strong ERM program signals that an organization's internal messaging is intact, and it bolsters performance by increasing the likeliness of effective and efficient responses to risks. With successful ERM planning, leaders learn to appropriately lean into their teams, with transparent guidance, and clear expectations for engagement.

While the pandemic has brought circumstances out of anyone's control, it has allowed leaders across the globe to glean lessons in leadership, including how to adapt quickly, and identify opportunities within a challenge.

About the Author

M. Shane Canfield brings more than 25 years of experience in insurance and non-profit leadership to WAEPA. Shane came to WAEPA in 2016 and served previously as Executive Director of the Council on Employee Benefits. He has spent most of his career in the pooled-risk group/affinity insurance industry. In his role as WAEPA CEO, Shane is responsible for strategic planning and leadership, managing stakeholder relationships, and serving our Board of Directors in organizational oversight. With extensive experience in coalition building, government relations, and reporting to Boards, Shane leads WAEPA by consistently prioritizing member satisfaction, membership growth, and retention.

He earned a Master of Business Administration (MBA) from George Mason University, a Bachelor of Science in Business Administration from Washington Adventist University, and is a board member for the Council of HR Management Associations, member of LIMRA, PIMA, International Foundation of Employee Benefit Plans (IFEBC), and is a past board member of the ASAE Business Services Inc. Additionally, Shane holds various certifications, including CEBS, RHU, CAE, SPHR, and SHRM-SCP.

For more information, contact WAEPA at info@waepa.org.



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Benefits of AFERM membership include the following:

- Education, training, and knowledge
- Insights on emerging trends, tools, and techniques
- Career advancement and networking opportunities
- Direct access to risk management professionals in the public and private sectors
- Annual Federal ERM Summit for advancing industry best practices

To join AFERM, please use the following link: <https://www.aferm.org/membership/>.

The chair of the AFERM Membership Committee is **Yehuda Schmidt** of Cotton & Company at Membership@AFERM.org.

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RIMS-Certified Risk Management Professional for Federal Government Credential

The RIMS-CRMP-FED is a credential that was developed in cooperation with the Association for Federal Enterprise Risk Management (AFERM). It distinguishes the achievement of validated risk management competencies for an effective risk professional in the federal government. Individuals who earn the RIMS-CRMP-FED have demonstrated their knowledge and proficiency in the area of risk management in the U.S. Federal Government, and are dedicated to upholding high standards of ethical and professional conduct.

Benefits

- Prove your knowledge of risk management competencies.
- Demonstrate your commitment to the profession by adhering to a strict Code of Ethics and meeting continuing education requirements.
- Enhance your professional reputation and gain a competitive advantage.

Eligibility

Degree and Experience Requirement

- Bachelor's degree or higher (or global equivalent) in risk management, and
- One year of full-time work experience (or full-time equivalence) in risk management*

OR

- Bachelor's degree or higher (or global equivalent) in non-risk management area of study, and
- Three years of full-time work experience (or full-time equivalence) in risk management*

Note: Degrees must be obtained from accredited or equivalent schools of higher education. Internships count toward risk management experience.

Non-Degree Experience Requirement

- Seven years of risk management experience*
- Possessing the Associate in Risk Management (ARM) counts towards two years of risk management experience.

Examination

The RIMS-CRMP-FED exam is two parts: the core RIMS-CRMP exam and the FED exam. The computer-based exam is three hours and comprises 170 questions. It addresses five risk management competencies and three federal domains:

- Analyzing the Business Model
- Designing Organizational Risk Strategies
- Implementing the Risk Process
- Developing Organizational Risk Competency
- Supporting Decision Making
- Understanding the Federal Government Risk Management Environment
- Risk Management Implementation in the Federal Government
- Risk Management Reporting in the Federal Government

How to Earn the RIMS-CRMP-FED

- Meet the eligibility requirements.
- Apply online at www.RIMS.org/Certification.
- Receive approval to take the exam.
- Schedule an exam date during your six-month authorization period.
- Take the exam at a Pearson VUE Testing Center. Visit www.PearsonVUE.com/RIMS to find a testing center.
- Pass the exam to become a RIMS-CRMP-FED.

*Risk Management Experience is occupational experience that leverages the opportunities and uncertainties associated with an organization's goals and objectives. This includes implementing, developing or leading the risk management practices that enable an organization to make risk-effective decisions that create and sustain value.

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