

Thought Leadership for the Federal Enterprise Risk Management Community

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Highlights

*This 40th issue of the quarterly AFERM Newsletter includes thought leadership articles from enterprise risk management (ERM) practitioners with **Amazon Web Services, Accenture Federal Services, and Vereva Group.***

Thought Leadership for the Federal Enterprise Risk Management Community

The President's Corner

Updates on AFERM's Initiatives

By Daniella Datskovska, AFERM President

Hello AFERM members, sponsors, and all who are reading this because you are interested in ERM/AFERM and support our mission. I hope that this issue finds you and yours well and safe. When I wrote my last message to you in December, I contemplated the events of the past year and said that “we must approach our new decade with hope, a sense of adventure, and renewed flexibility. We know that things will not be ‘the same’ again.”

Experiencing the turmoil of the last two months—the war in Ukraine, heightened nuclear threat, worldwide food and energy shortages, exasperated supply chain disruptions— things indeed are not the same and never will be. I think, given that our professional experience trained us to think daily of risks and their subsequent opportunities, we are in a unique position to address these ongoing and ever-compounding threats with vigor and resilience. This can be done by thinking, planning, and acting to preserve or increase the long-term value of the organizations we serve.

Despite the gloominess of world events, spring is here. With it, we have revival, hope, and plans for a better tomorrow. Bearing this in mind, we are excited to begin planning and preparing for the AFERM marquee event – our annual Summit. After two years of virtual meetings and conferences, we are thrilled to announce our 2022 Summit: *Navigating the Unknowns that Matter*, will be held at the Ronald Reagan Building, October 26 and 27, 2022.

We encourage you to dust off your dress shoes and join us in-person for this two-day conference, where we will hear from a multitude of government and industry speakers and enjoy the comradery we have so deeply missed over the past couple years. That being said, we recognize and appreciate everyone’s personal preferences as we navigate the return to in-person events and are thus excited to offer a hybrid attendance option for those who still wish to participate virtually. Please be on the lookout for early bird registration announcements. Additionally, there is still time to volunteer on a committee to help shape the Summit’s plenary and breakout sessions, as well as aid with marketing and logistics.



**AFERM President
Daniella Datskovska**

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Our Programs Committee kicked off the year strongly. Hopefully, you had an opportunity to attend the webinars where we discussed ERM Areas of Practice Guidance and can apply the guidance in your work. We plan to offer more events leading up to the Summit, so please keep an eye on our announcements. There are some exciting topics and speakers that are being lined up for these events as we speak. The topics aligned well with the strategic areas of focus that many of you are working on with your organization, including environmental, social, and governance (ESG)/managing climate-related risks, transforming customer experiences and a number of others.

As you might recall, one of my priorities for this year—in addition to AFERM offering you enriched, relevant content—is to refresh and increase the AFERM volunteer community. I am really grateful and happy to report that, since the start of our volunteer recruiting campaign, we had nine more new volunteers join us! This is quite unprecedented in such a short time period. Thank you to each of you who joined us recently and, of course, to all our veteran volunteers. AFERM could not be what it is without these dedicated people.

Whether it is talent retention and succession planning; ESG matters; climate change; transforming customer experience; lingering global pandemic concerns; uncertain economic and market conditions; supply chain disruptions; rapidly changing digital technologies; and innovations with cloud computing, cyber, artificial intelligence/machine learning—whatever your organization's critical risks and opportunities might be, we are here to share, learn together, and exchange practical approaches and original ideas.

AFERM members, its Board, and sponsors represent many, if not most, of the federal agencies (and adjacent industries). I hope you get involved with AFERM, ask questions, and let us be your partner in our common purpose of enriching the ERM profession and managing risks and opportunities.

Thank you for the honor of serving as President of this one-of-a-kind association.

All the best,

Daniella

Daniella Datskovska, 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:

- **Daniella Datskovska**, AFERM President and Strategic Growth Advisor, Amazon Web Services
- **Dan Featherly**, Finance and Enterprise Performance Lead, Accenture Federal Services
- **Vlad Antikarov**, Principal, Vereva Group LLC

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@guidedhousefederal.com.

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Upcoming 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	Organization	Format	Date
ERM Mini Boot Camp	GWU	Virtual	6/1/2022
“Snow-verwhelmed” – Lessons for Risk Managers from the January 2022 Shutdown of I-95 in Virginia	AFERM and GWU	Virtual	6/7/2022
ERM Boot Camp Online Event	SimErgy	Virtual	6/14/2022
Government Performance Summit 2022 (GPS22)	Performance Institute	Virtual	6/15/2022
2022 ERM Workshop – The Journey to Integrate ERM	AFERM and AGA	Walter E. Washington Convention Center	6/15/2022
Applying and Integrating ERM Workshop August	RIMS	Virtual	8/3-4/2022
ERM Mini Boot Camp	GWU	Virtual	9/1/2022
Applying and Integrating ERM Workshop October	RIMS	Virtual	10/4-5/2022
2022 Summit Training	AFERM	Ronald Reagan Building and International Trade Center and Virtual	10/26-27/2022
Certificate Program in ERM for Government	GW	Virtual	12/5/2022

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

Anita Warner of Guidehouse and **Kim Weinberg** of Hilton coordinate the AFERM programs. They may be contacted at Programs@AFERM.org.

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AFERM's Federal ERM Guidance

Federal ERM Areas of Practice Guidance

A working group of five (5) ERM practitioners developed thought leadership to provide ERM practitioners guidance on four (4) Federal ERM practice areas:

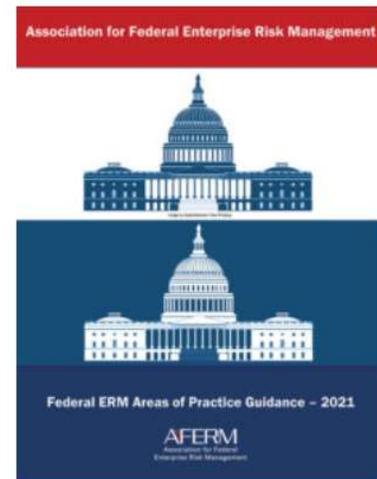
- Governance
- ERM Maturity Model and Maturity Assessment
- Risk Appetite Statement
- Establishing the Context

The working group is comprised of Daniella Datskovska, AFERM President, former AFERM Board Members Doug Webster, Harold Barnshaw, and Ken Fletcher, and Paige Nicholson.

The guidance is intended to support and not conflict with requirements established by authoritative government entities such as the Office of Management and Budget, and guidance/recommendations provided through the Federal ERM Playbook.

It amplifies those government sources with key attributes associated with various Federal ERM areas of practice and applies directly to ERM practitioners within U.S. Government Federal Agencies to assist in developing or strengthening key aspects of their agency's ERM programs.

Download the thought leadership on AFERM's website at <https://www.aferm.org/areas-of-guidance/>. AFERM also hosted two webinars on this guidance in March 2022 with panel discussions. AFERM members can watch these recordings on-demand at <https://www.aferm.org/webinars/>.



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AFERM's ERM Job Postings

Supporting ERM professional opportunities

Do you receive emails from AFERM announcing ERM job postings? Watch you email and be sure to check out our website for recent ERM position vacancies at <https://www.aferm.org/jobs/>, including the following:

- **GS-15 Program Analyst (Leader)**, Environmental Protection Agency (EPA), Office of the Chief Financial Officer (OCFO), in Washington, DC

If you have federal ERM positions you would like to have posted on AFERM's website, please contact webmaster@aferm.org.



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AFERM's ERM Podcasts

AFERM's podcasts continue the ERM dialogue

Be sure to check out the 55 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 five (5) most recent podcasts are listed below.

- Episode 55: ERM at WMATA
- Episode 54: 2021 AFERM-Guidehouse ERM Survey Results
- Episode 53: GMU'S Chief Risk Officer Program
- Episode 52: AFERM AGA 2021 ERM Workshop
- Episode 51: AFERM President Daniella Datskovska

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



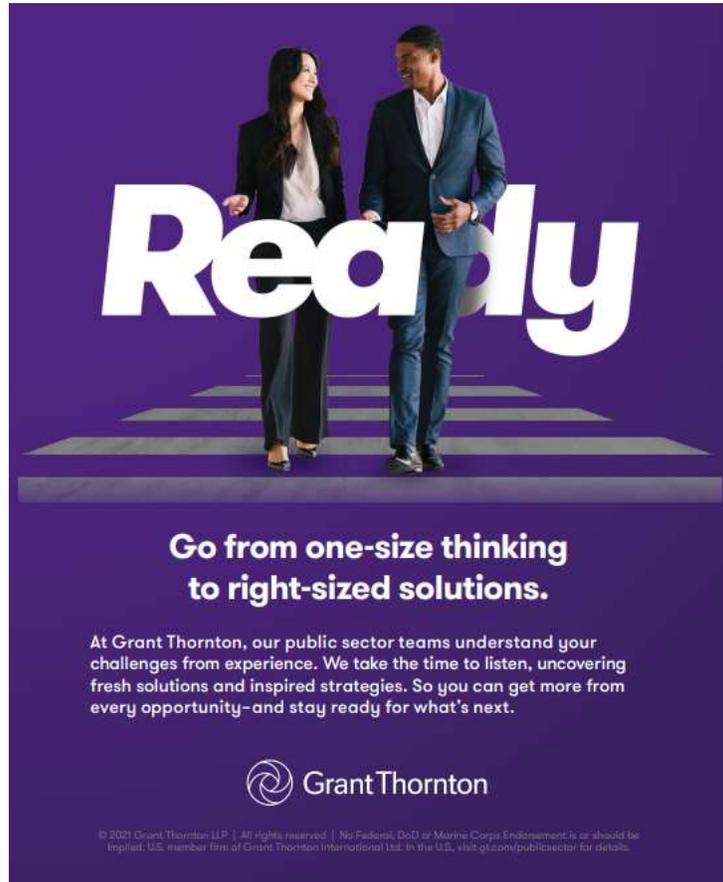
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➤ Systematic Innovation & Opportunity Management	✓ Quickly embed principles from ISO 31000, PMBoK, OMB A-123, NIST SP 800-37, NIST SP 800-53, ISO 27000 family & many more
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ERM News

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:

- Enabling a More Resilient and Shared Supply Chain Strategy for the Nation: Lessons Learned from Covid-19
- ERM Remains Elusive for Many Agencies, but Now there's Help
- Three Things to Keep in Mind when Implementing Open Source Software in Defense
- Cyberrisk Management Tips for Businesses Amid the Russia-Ukraine War
- Managing Sanctions Risk from Russia's War on Ukraine
- NIST Refreshing Voluntary Cybersecurity Framework Amid Push for Mandates
- Agencies need to Measure Improvements to Critical Infrastructure Cybersecurity
- A Techrisk/Risktech Reading List from Risk Management Magazine
- Mitigating Risk, Managing Cybersecurity and Building Resiliency to Meet the Mission of Government
- Covid-19 Phase III — The New Urgency in Modernizing Supply Chains for Control, Integrity, and Dynamic Agility

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

Fraud in the New Digital Frontier

By Dan Featherly, Accenture Federal Services

With recent advancements in technology solutions, there has been a growth in fraudulent attacks and data breaches. As new technologies evolve, so does the risk of fraud, which must be met with new sophisticated risk techniques to detect and mitigate any potential fraud. This digital frontier is a global problem faced by both the Public and Private sectors, as illustrated in **Figure 1**.

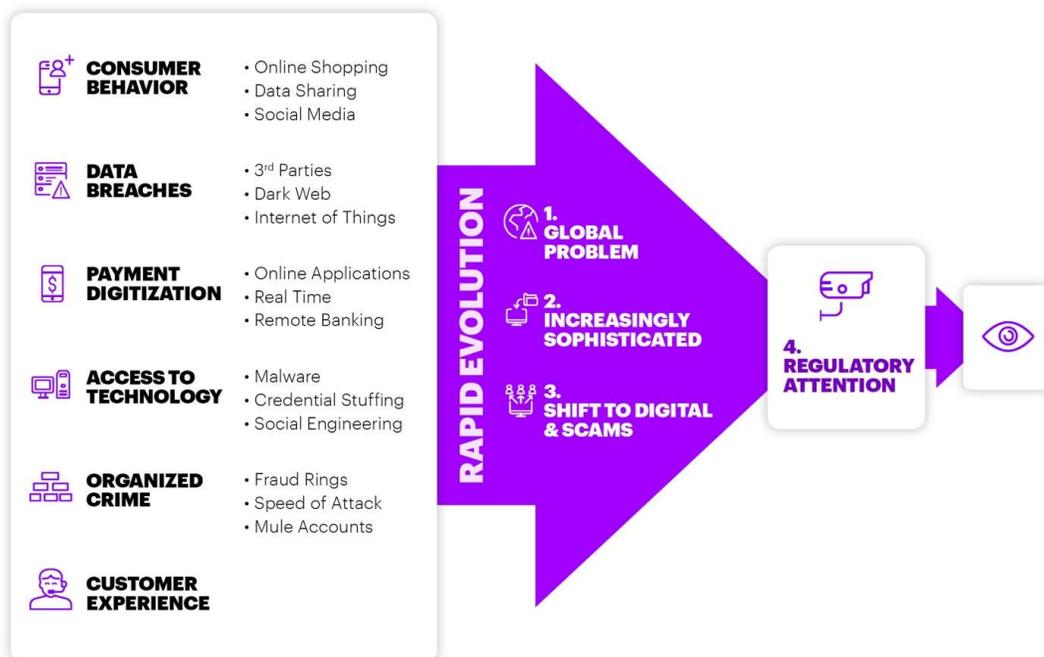


Figure 1

Fraud has the potential to disrupt the activity of any business, be it small or big. Fraud impacts people, industries, public bodies, services, and the environment. Understanding the total impact of fraud allows organizations to make informed decisions. Some of these impacts are:

- **Financial Loss:** Whether a case of a fraudulent order from someone pretending to be a client, a fake request to change supplier payment details, or simply employees or management putting their “hand in the till,” the loss is clear on the company financial statements.

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- **Reputational Damage:** Fraud and security breaches could lead to a loss of public trust, negative customer perception, greater scrutiny from public advocates and leadership, and negative media attention.
- **Legal and Regulatory Implications:** These could be civil and criminal litigation and fines, prosecution, as well as non-adherence to compliance standards and audit commitments.

Legacy, silo-based, post transaction fraud detection is no longer sufficient. This old way of managing for fraud and associated risks will not meet current and future threats.

Organizations need a fraud ecosystem that seamlessly supports key fraud objectives. This optimized fraud ecosystem applies real-time integration and analytics driven fraud detection to support 7 key objectives:

1. Take a layered approach to fraud prevention and detection.
2. Work cohesively with identity and authentication countermeasures.
3. Maintain an enterprise-wide profile of a customer's interactions.
4. Support tailored, customer-specific fraud risk decisions.
5. Assess risk as early as possible during an interaction.
6. Proactively respond to risk activity with real-time interdictions.
7. Continuously measure and improve outcomes.

Taking an integrated approach enables a holistic view of internal controls, policies & procedures, monitoring techniques, advanced analytics, and rule-based methodologies to detect and prevent fraud. Organizations should look to a targeted operating model, which simultaneously disrupts existing processes, drives value, and improves customer experience while reducing costs to serve. An example of a Fraud Management Target Operating Model is displayed in **Figure 2**.

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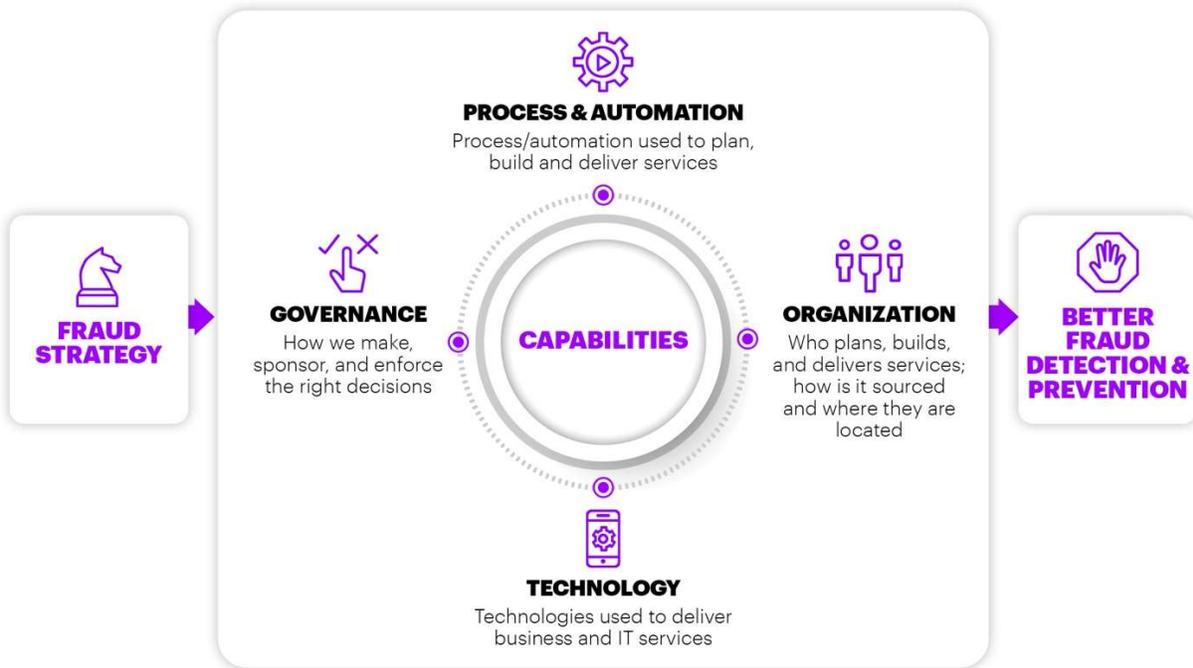


Figure 2

The Fraud Management Target Operating model is comprised of 4 integral functions:

1. **Governance:** The fraud governance model (**Figure 3**) provides a foundation for effective decision making across all functions within the fraud organization by using Governance Boards, a Steering Committee, and Fraud Intelligence and Operations. Together, these components enable Accountability, Alignment, and Efficiency.

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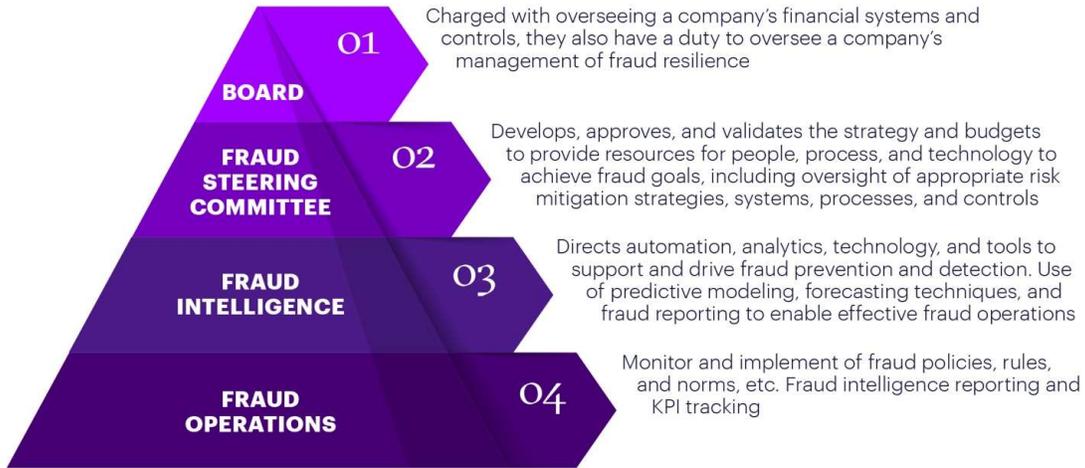


Figure 3

2. Process & Automation: The Process Model identifies and defines activities and maps the workflows that enable effective and efficient delivery of Fraud services. The Automation Model complements the Process Model by highlighting the tools used to deliver services and capabilities. Process and automation broadly constitute 6 process categories. The capabilities, maturity, and priority of the six categories

are assessed and defined as a part of the operating model design, as described by Figure 4.

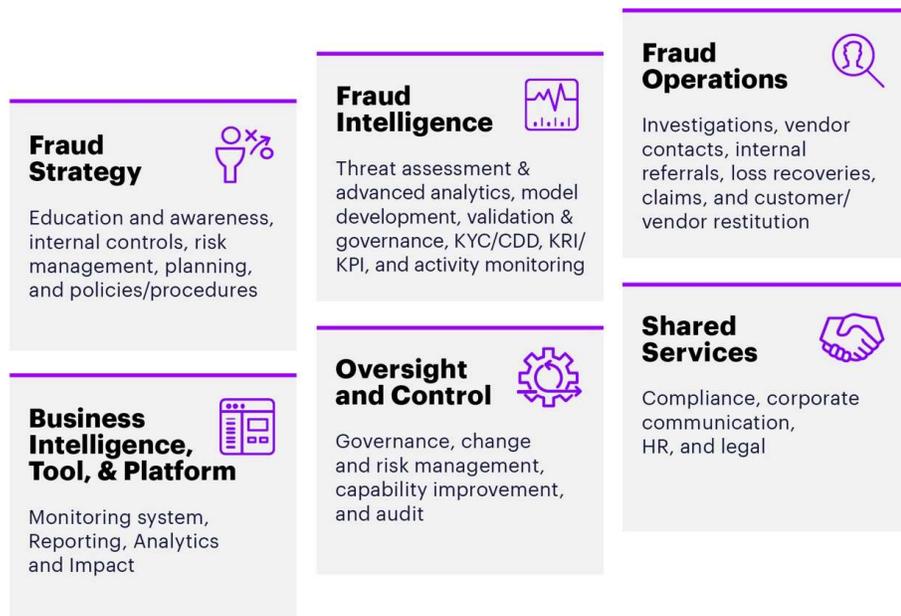


Figure 4

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3. **Organization:** A strong fraud management organization structure is the foundation to a secure environment against fraud and data breaches. Stakeholder support across diverse business functions is key in achieving the common goal of fraud detection and prevention:
 - **Fraud Management Owner:** Owns the fraud risk and bears the losses. This individual has ownership of customer journey and revenue. The Fraud Management Owner defines the level of fraud risk averseness depending on the current business objectives.
 - **Fraud Management Stewards:** Advisors to the Fraud Management Owners on trends, threats, and mitigating actions. This individual is accountable for reporting data and implementing new strategies.
 - **Fraud Management Operations:** Investigates alerts on customer activity to determine if there is fraud and takes corrective action. This individual maintains and reports upon Key Performance Indicators (KPIs) and Service Level Agreements (SLAs).
 - **Fraud Management Technology:** Designs integration between Fraud Management tools and wider organization core Information Technology (I.T.) systems. Engages with vendors to update any vendor tools & technologies.
4. **Tools & Technologies:** With the amount of data being produced in the current environment, the complexity of analysis has grown to unprecedented levels. There are many established tools and analytical techniques that could and should be implemented to support this analysis.

Figure 5 gives an overview of tools and techniques that can be leveraged to detect and address fraud.

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Tools & Techniques	Overview	Useful For
Rules Based Systems 	Often hard coded and targeted to look for specific data trends in a set of structured data.	Good at detecting specific fraud trends, can often lead to high false positives if used in isolation.
Negative/Positive Lists 	A list of pre-identified bad data/good data that can be used to reference against within rules. Negative list example – risky merchants, whitelist example – safe beneficiaries.	Good at detecting specific fraudulent data from blacklist and identifying false positives through positive list, however require continuous maintenance and governance.
Scoring Models 	Risk models give output of a risk score typically between 0-999 based on a structured data input, built using historic data trends.	Helps improve detection and reduce false positives, but can become outdated if not updated on a regular basis.
Behavioral Profiling 	Builds a customer specific profile to take into consideration that specific customer's habits.	Improves false positives by making customer specific decisions, can also be useful at detecting more by spotting anomalies from typical trend.
Device Profiling 	Modern technique identifying and profiling customers electronic devices. For example, identifying changes in IP address and other risky activity on that device.	Improves detection by spotting bad devices earlier. Can be used for no password authentication as well.
Biometric Profiling 	Profiles customer's biometric behavior to identify the likeliness of customer completing activity.	Very good at identifying anomalies in logon events to improve detection, less effective on low activity customers.
Text to Analytics 	Ability to turn unstructured complex text and voice data into meaningful structured data for use in analytics.	Early warning of compromised accounts, ability to enhance detection and false positives by utilizing previous unutilized data.
Machine Learning 	Makes informed decisions using both structured and unstructured data as input. Model continuously learns from previous decisions and evolving trends in data.	Often improves detection and reduces false positives whilst reducing maintenance and response time. Data quality and consistency can be important to performance.
AI/Robotics 	Artificial intelligence and robotics can help make more accurate decisions faster. Often used post event to investigate and close alert without human intervention.	Reducing false positives and improving customer experience by improving the time to close genuine alerts once generated.
Cyber Data 	Utilizing both internal cyber threat data combined with external intelligence to identify compromised credentials before activity occurs on their account.	Detecting fraud and preventing before it occurs on the customers account, can cause complaints if not managed appropriately.
Interbank Data Sharing 	Real time sharing of confirmed fraud data and fraudulent beneficiaries between financial institutions can help speed up response times and improve in making accurate decisions.	Improves response times to fraud, could be used to help identify genuine beneficiaries in real time, however requires co-operation.
Data Visualization 	Improved visual representation of complex data structures through consolidation of data to key metrics that automatically refresh to graphical representation for easy to explain problems to senior management.	Improves response times to fraud, could be used to help identify genuine beneficiaries in real time, however requires co-operation.
Customer Education 	Segmented education and awareness to customers to help them avoid becoming victims of fraud. Ideally tailored to client transactions and behaviors through multiple channels and during transaction journey.	Improves customer awareness and can help break the fraudsters "spell" which is particularly useful for the growing digital fraud scams and also authorized push payment fraud.

Figure 5

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While the figure above outlines numerous useful tools and techniques, these need to be tailored to the specific environment, data, and risk appetite of the business. Different analytic methods can be used to detect various fraud typologies. Potential methods are outlined in **Figure 6**.

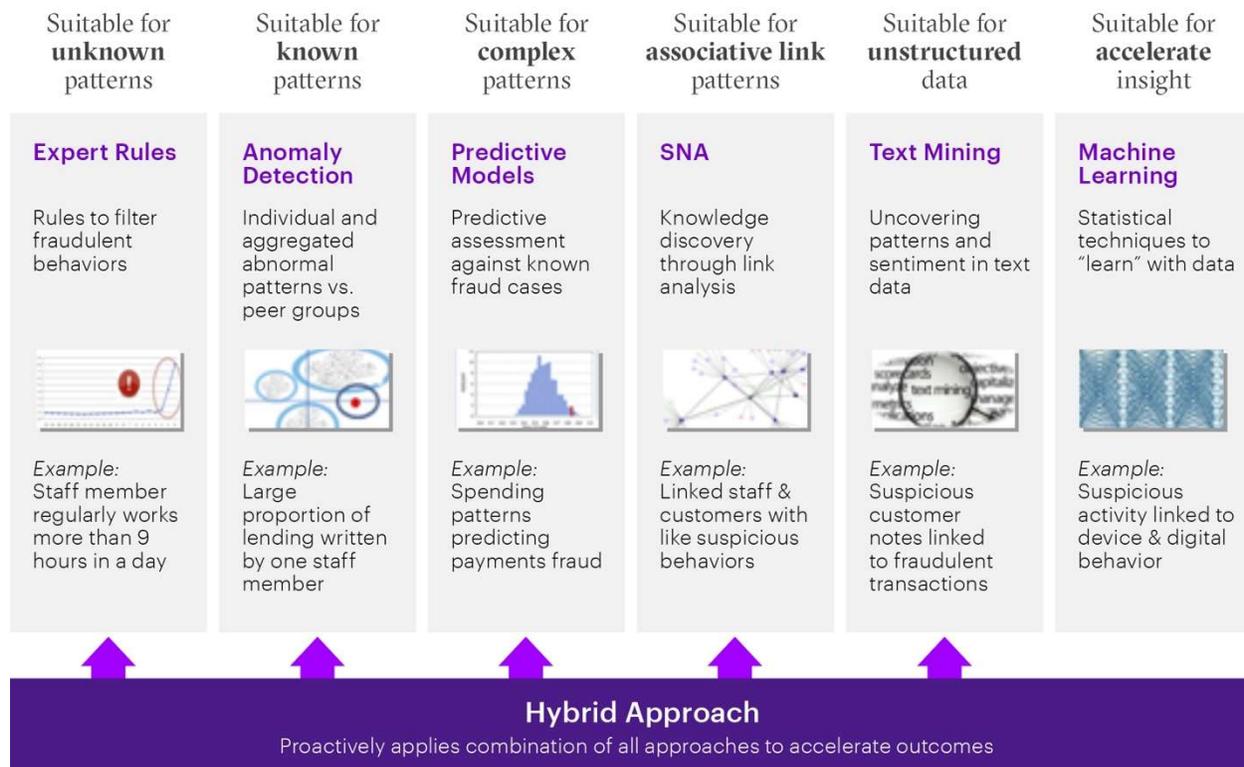


Figure 6

This integrated fraud management approach provides many benefits to businesses and agencies, including improved business resiliency and real-time visibility into threats and adverse situations, increased productivity, and improved confidence in the organization. In the digital frontier, fraud management is not just a compliance activity; it should be a transformation of existing internal control and compliance frameworks to create a more value-added, integrated, risk based, and less burdensome operating model.

Organizations should focus on creating a flexible and lightweight capability as part of their daily operations. This allows organizations to successfully sustain and evolve their fraud management approach in the face of rapid change.

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Dan Featherly, Finance and Enterprise Performance Lead, Accenture Federal Services, Washington, DC

Dan Featherly is the Accenture Federal Services' Finance and Enterprise Performance lead. He has more than 20 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.

Dan Featherly may be contacted at daniel.featherly@accenturefederal.com.

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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 at <https://www.aferm.org/ask-the-expert/>. Here are the five most recent discussion topics:

- 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?

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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. Please see our website at <https://www.aferm.org/communities-of-interest-practice/>, and 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
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, SACoP@aferm.org

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Thought Leadership

Embedding ERM in Federal Agencies' Capital Budgeting to Strengthen Organizational Agility

By Vlad Antikarov, Vereva Group LLC

Over the last few years, it has become clear that the federal agencies are and will continue to operate in a more turbulent and unpredictable environment. The COVID pandemic, the internal and international political tensions, and climate change are only some of the risk factors that are likely to sustain this turbulence. In this new environment, investing in organizational resilience where the agencies can meet their objectives under a wide range of risk scenarios should become a key priority for their budgeting processes.

It has been a long-stated maturity objective of the ERM function to embed risk management principles in key decision processes. The growing resilience-building requirements for the federal agencies will provide the challenge and the opportunity for the ERM professionals to engage with their finance colleagues and respective agency's leadership to improve the current capital budgeting decision processes and enable the more rigorous assessment and approval of resilience-building projects.

Reactive Resilience vs. Proactive Resilience

Every organization has some level of resilience where it responds to a particular risk by absorbing and overcoming its negative impacts. The unfolding of the COVID pandemic underscored the difference between:

- **Reactive Resilience** where the organization starts to develop a response, mobilize resources, and deploy required capabilities only when the threat emerges.
- **Proactive Resilience** where through pre-planning responses and pre-positioning contingent capabilities the organization can take prompt, effective, and efficient actions to mitigate the threat.

Only through building up proactive resilience, the federal agencies will be able to sustain mission-critical operations while coping with a range of possible risk impacts.

Optimizing and Justifying Investments in Contingent Capabilities

Federal agencies through the capital budgeting process build up and maintain a wide range of operational capabilities enabling them to meet their objectives under the regular course of business conditions. However, under certain risk scenarios they need additional contingent capabilities to enable their effective response and resilient operations. The pre-investing and pre-positioning of the necessary contingent capabilities is a critical element of building and maintaining proactive resilience.

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At federal agencies, investments are assessed with Benefit-Cost Analysis comparing their long-term benefits with incremental costs¹. Projects with a positive benefit-cost ratio are approved for financing and implementation. The challenge of investing in contingent capabilities is that while their up-front costs are predictable, their long-term benefits are uncertain. A good example is the requirement for federal agencies to invest in climate change resilience and adaptation capabilities². Because the climate in the short-term is highly uncertain, the timing and the size of the expected benefits from climate risk mitigation investments are uncertain as well and hard to assess with traditional benefit-cost analysis.

In recent years, there have been some innovations based on the insight that contingent capabilities provide organizations with different “options” to respond to risks if they occur. These options can be properly valued by option pricing methodologies used in financial markets. This area of finance is called Real Options Analysis (ROA)³ and is a well-established field of research and practice. Foreign governments, particularly the UK Government, have been using Real Options Analysis in multiple areas such as energy investments and climate adaptation⁴. U.S. federal agencies also can benefit from the application of this innovative best practice to their budgeting decision processes.

Net Present Value (NPV) vs Agility Adjusted Net Present Value (AANPV)

Under normal circumstances, a project would require certain investments and provide certain benefits all reflected in a base case scenario. If risk events are to occur the performance of the project would deteriorate and it could require extra costs or deliver lower benefits. This possibility can be described with a stress test risk scenario.

An additional resilience-building mitigation project would require additional funding but would improve the stress test scenario by reducing the likely losses. For example, building and maintaining a storage facility with emergency supplies for a hospital would require an initial investment and ongoing costs but would provide great benefits under emergency shortages scenarios.

Current **Net Present Value**-based cost-benefit methodologies like the Benefit-Cost Analysis mentioned above, evaluate only the base scenario and do not incorporate the potential improvements in the stress test scenario of a project.

Agility Adjusted Net Present Value is an improved cost-benefit methodology that enables the correct valuation of resilience-building projects. In addition to the base case scenario, it

¹ Circular A-4, Office of Management and Budget 2003

² *Executive Order on Tackling the Climate Crisis at Home and Abroad*, White House, January 2021

³ *Real Options: A Practitioner's Guide*, Tom Copeland and Vladimir Antikarov, 2003

⁴ *Real Options and Investment Decision Making*, The Office of Gas and Electricity Markets (Ofgem), UK 2012.

Accounting for the Effects of Climate Change, Department for Environment Food and Rural Affairs (Defra), UK 2009

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incorporates the stress test scenario and an upside potential scenario. The total Agility Adjusted Net Present Value of the project is equal to the value of its baseline performance minus the value of downside risk plus the value of upside potential⁵.

An additional resilience-building project, while reducing the baseline value with the extra cost requirements would also reduce the negative value of the downside risk scenarios. As a result, the total AANPV of the resilience-building project could be positive and its funding could be justified.

Quantifying the Strengths and Weaknesses, Opportunities and Threats (SWOT) Analysis with AANPV

The SWOT analysis has been the standard approach for assessing operations and projects. The Strengths and Weaknesses of a project determine its projected future results reflected in the base case scenario and plans. The uncertainty around the actual results of the project is reflected in the Opportunities and Threats analysis. Opportunities represent likely positive developments that would enable the achievement of results higher than the base case projections. Analogously, the threats analysis captures the likelihood and negative potential impact of future risks on the base case expected results. Currently, the Opportunities and Threats analysis is part of a project's assessment, but their specific valuation impacts are not incorporated into the Benefit-Cost Analysis. With the use of AANPV the whole SWOT analysis can be quantified and included in the final benefit-cost ratio.

Key Benefits of Incorporating the AANPV into the Federal Benefit-Cost Analysis

By correctly evaluating resilience-building projects, AANPV can become a critical tool in achieving the following key objectives:

- Motivate and empower agency leaders to develop and implement resilience and adaptation projects consistent with their fiduciary duties.
- Optimize project design to achieve long-term proactive resilience and adaptability at minimum cost to the taxpayer.
- Achieve additional benefits to the consumers of government services by increasing their availability and reliability at critical moments of unfolding risks.

By strengthening their proactive resilience, federal agencies will successfully overcome their present and forthcoming challenges and meet their objectives in serving the American people.

⁵ Both the values of the downside risk and upside potential scenarios of the project are correctly valued using Real Options Analysis. (Real Options: A Practitioner's Guide – Tom Copeland and Vladimir Antikarov, 2003)

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AFERM's Discussion Forum

Connecting ERM members

As a benefit for our members, AFERM established a discussion forum on our website to connect members and support discussions on subject matter relevant to the practice of ERM. We invite you to check out the **ERM Knowledge Exchange** discussion forum and participate at <https://www.aferm.org/forum/>. Current active discussion topics include the following:

- ERM Software
- Policy: Definition of Risk Champions
- RegTech in the Government?

Contribute to these topics or create your own, and be sure to subscribe to the AFERM Discussion Forum and/or the discussion topics of interest to you. This will enable you to receive alerts when there is something new posted. You may also notice links to discussion forums for the AFERM Communities of Practice (COP). If you are a member of any of the COPs, you can access these discussion forums, as well.

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AFERM Membership

Membership provides access to valuable ERM resources

With around 600 members, AFERM serves the Federal government and the public through sponsoring efforts for full and fair accountability for managing risk in achieving organizational objectives. AFERM maintains a forum for discussion of government ERM, sponsoring educational and training programs, encouraging professional development, influencing risk management policies and practices, and serving as an advocate for the profession.

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-CRMP-FED Certification



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 averages 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.

Learn More and Apply Online | www.RIMS.org/Certification



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