

# Federal Enterprise Risk Management

## 2022 Survey Results

The 2022 Federal ERM Survey is Guidehouse's seventh annual survey in collaboration with the Association for Federal Enterprise Risk Management (AFERM). It is designed to provide federal managers and leadership with perspective on the current state and trends of ERM in the U.S. Federal Government.



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## Executive Summary

For the eighth consecutive year, the Association for Federal Enterprise Risk Management (AFERM) and Guidehouse have collaborated to conduct a survey of Federal government leaders and staff to gather insights into the current state of Enterprise Risk Management (ERM) in their organizations.

**In this year's survey, we continue to see Federal agencies exhibiting overall ERM performance levels reflective of an emerging capability – and expanding incremental positive trends related to effectiveness, integration, culture, and risk appetite – that were noted in last year's report.**

Previous surveys highlighted several characteristics positively affecting ERM effectiveness. That trend continues to be reflected in this year's survey, with the top two demographic categories having the highest mean scores and most positive response rates:

- Organizations that incorporate risk management into the performance plans of all members of the Senior Executive Service (or equivalent); and
- Organizations where the ERM program leaders spends more than 50% of his/her time on ERM.

Other demographic categories demonstrating a higher correlation with ERM effectiveness, albeit not as significant as the categories above, include:

- Organizations with longer-duration ERM programs (operating for three (3) or more years);
- Organizations in which the ERM program reports directly to the Agency Head or Deputy; and
- Organizations with a Chief Risk Officer (CRO) in charge of their ERM program.

During the past year, Federal government leaders have continued to focus on **navigating the unknowns that matter**, with cybersecurity/privacy, operational/programmatic, and compliance risks topping the list of risk types that capture the most attention and allocation of resources from management.

Additionally, Federal agencies reported notable improvements in **integrating ERM with budget and performance** management processes, **evaluating risk portfolios in context** of changing internal and external environments, and **aligning performance with appropriate levels of risk-taking** consistent with organizational risk appetite statements.

This year, there were notable increases in the percentages of organizations having defined risk appetite statements, as well as respondents indicating risk appetite statements are communicated throughout their organization and integrated into strategy setting and decision-making. These increases represent the highest rates of risk appetite statement adoption to date.

Responses to new survey questions this year were intended to gauge how frequently risk appetite statements are updated, as well as the nature of Federal agencies' identification and consideration of emerging risks. As a result, we are able to glean that nearly 90% of respondents indicated their risk appetite statement has been updated within the past three years. We also saw that human capital (employee retention, morale, and engagement) and technology (cybersecurity failures) risks top the list of emerging risks that respondents indicated should be added to their organization's risk profiles.



**Kate Sylvis**  
Director  
Risk Consulting Leader  
Guidehouse



**Alex McElroy**  
Associate Director  
Guidehouse



**Daniella Datskovska**  
President  
Association for Federal  
Enterprise Risk Management  
(AFERM)

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## Additional Key Findings

The following is a summary of additional key insights from this year's survey (in no particular order):

- For the fifth year in a row, **“cyber security/privacy” was identified as the top risk area currently receiving the greatest management attention.** It also tops the list of risks Federal agencies believe have the greatest current impact on strategic objectives. However, for the first time since it was added as an option to the survey in 2018, **“human capital” unseated “cybersecurity/privacy” to take the top spot on the list of risks anticipated to have the greatest impact in the next 3-5 years.**
- **Integration of ERM with other management processes increased this year,** but significant opportunities exist to improve outcomes by enhancing integration of ERM with strategy, performance, and budget activities. Survey results showed the highest degree of integration between ERM and internal control programs, followed by integration with strategic planning, and a tie between execution processes and budgetary processes.
- **The ability of organizations to prioritize and manage risk across the enterprise as an interrelated risk portfolio increased this year.** The average response this year (3.08) is 8% higher than last year (2.85) and the percentage of respondents indicating their organizations do this “Well” or “Very Well” increased to 35%, up from 26% last year.
- **A mismatch continues to exist in several risk areas** in which management is employing significant resources despite having different perceptions of actual current and future risk – these include business continuity risk, compliance risk, financial risk, fraud risk, and reporting risk.
- **For the second year in a row, “tone at the top, executive support for risk management” took the top spot for most impactful improvement area** for organizations to respond to current and anticipated risks. It was followed by “more clear linkage, alignment, or integration with resource allocation decision-making processes” and “well-established risk identification and assessment” as the #2 and #3 areas of improvement.
- **For the second year in a row, “enhanced management decision-making” topped the list of benefits resulting from ERM programs,** followed by “improved strategy execution,” and “reduced duplication in risk assessment and/or compliance activities.”
- While culture and leadership-related challenges continue to be prominent barriers facing organizations attempting to establish and maintain a formal ERM program, **budget limitations appear to be a rising concern to ERM programs.** “Bridging silos across organizations” and “rigid culture resistant to change” were once again the top two barriers selected, but **“budget constraints” rose to the #3 spot.** This year, **most respondents reported their budgets either stayed the same (65%) or decreased (6%) in the past year,** suggesting that Federal ERM program leaders face internal competition for scarce resources to advance and mature their ERM capabilities.
- For the fifth year in a row, **“Training and Awareness” tops the list of areas of ERM program focus** over the next 12 months, followed by “monitoring and reporting” and “risk appetite.”
- While most ERM programs in the Federal government remain small, with fewer than 10 full-time equivalents staffing the program, **ERM programs appear to be growing larger.** The percentage of programs staffed by more than 10 FTEs rose to 18%, the highest percentage to date.
- Use of enterprise Governance Risk & Compliance (eGRC) tools is growing in the Federal ERM community, with 12% of respondents indicating they use an eGRC tool as their primary tool for tracking enterprise risk data, which is the highest level of adoption to date.

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## Survey Approach, Demographics, Report Format

This report provides the results of the eighth annual survey conducted by Guidehouse and AFERM on ERM in the U.S. Federal government. While the majority of questions are repeated from prior years' surveys to enable tracking of trends over time, several new questions were introduced this year to gain insight into how agencies' risk management approaches are addressing emerging risks.

**In terms of organizational representation, responses were received from a total of 62 Federal organizations, including 16 Cabinet agencies.**

The report's bar charts include data from the 2021 and 2022 surveys, except for a small number of new questions, for which only this year's results are provided. To simplify presentation of data in these bar charts, percentages have been rounded to the nearest full percent. As a result, the sum of the percentages that are displayed may not equal exactly 100%.

For this year's report, the mean score for the 14 questions related to ERM integration, performance evaluation of ERM programs, and ERM & culture – which are based on a 5-point Likert scale – have been included next to the bar chart, along with the mean score for 2021, and the percentage difference between the results over the two years. In addition, breakouts for the means for the primary demographic categories for each of these questions have also been included this year in the Mean Breakouts section.

The survey was administered between June 14 and July 15, 2022. Links to the online survey were sent to the AFERM mailing list and posted to AFERM social media pages. The survey was only open to Federal government personnel. While all respondents received the same set of initial questions, subsequent questions followed one of two prescribed paths based on whether the respondent's organization had already implemented an ERM program.

Given that a random sample was not used to select the survey population, this approach represents a nonprobability sample which may not be generalizable to the entire Federal population. However, the survey respondents did span the breadth of the Federal government and across several demographic categories.

**Organizations from which responses were received are listed below (in alphabetical order). For Cabinet agencies, responses were received from main headquarters as well as components and bureaus. The latter are identified for those respondents who provided that information:**

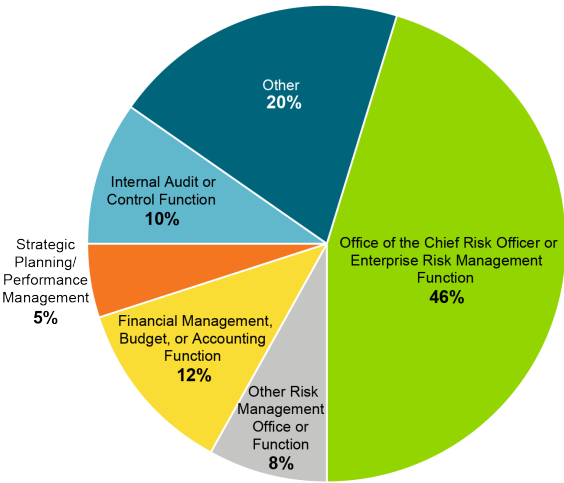
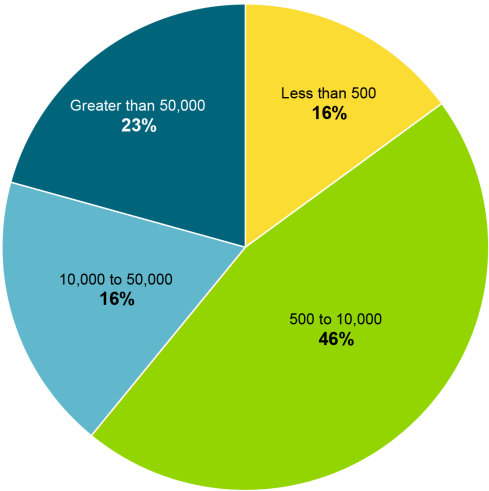
- Architect of the Capitol
- Consumer Financial Protection Bureau
- Department of Agriculture
  - Food Safety and Inspection Service
  - Foreign Agricultural Service
  - Forest Service
- Department of Commerce
  - National Oceanic and Atmospheric Administration
- Department of Defense
  - Defense Health Agency
  - Defense Human Resources Activity
  - Defense Media Activity
  - U.S. Navy
- Department of Education
  - Federal Student Aid
  - Office of Inspector General
- Department of Health and Human Services
  - Agency for Healthcare Research and Quality
  - Assistant Secretary for Financial Resources
  - Centers for Disease Control and Prevention
  - Centers for Medicare & Medicaid Services
  - Food and Drug Administration
  - Health Resources and Services Administration
  - National Institutes of Health
- Department of Homeland Security
  - Cybersecurity & Infrastructure Security Agency
  - Office of Financial Operation
  - Transportation and Security Administration
  - U.S. Customs and Border Protection
  - U.S. Immigration and Customs Enforcement
- Department of Housing and Urban Development
  - Public and Indian Housing
- Department of the Interior
  - Bureau of Land Management
- Department of Justice
  - Justice Management Division
  - U.S. Marshals Service
- Department of Labor
  - Office of Inspector General
- Department of State
  - Bureau of Diplomatic Security
  - International Boundary and Water Commission
- Department of Transportation
  - Federal Aviation Administration
  - Federal Highway Administration
- Department of the Treasury
  - Bureau of the Fiscal Service
  - Internal Revenue Service
  - Office of the Comptroller of the Currency
- Department of Veteran Affairs
- Environmental Protection Agency
- Export-Import Bank of the U.S.
- Federal Deposit Insurance Corporation
- Federal Executive Boards
- Federal Retirement Thrift Investment Board
- National Archives and Records Administration
- National Credit Union Administration
- National Transportation Safety Board
- Pension Benefit Guaranty Corporation
- Smithsonian Institution
- Small Business Administration
- U.S. Securities & Exchange Commission
- United States Agency for International Development
- United States Courts
- United States International Development Finance Corporation



While personally identifiable information was not requested from survey respondents, some demographic information about their role and organization was captured. Responses to each question in the survey were analyzed against these demographic categories to identify differences in results based on these categorizations. Additional breakdowns are also provided based on other characteristics of ERM Programs identified.

Size of your organization, by number of employees.

To simplify the analysis associated with the size of organizations, the two smallest response categories are combined in the narrative portion of this document and referred to as “smaller organizations” (62% of respondents, less than 10,000 employees) while the two largest response categories are combined and referred to as “larger organizations” (38% of respondents, more than 10,000 employees).

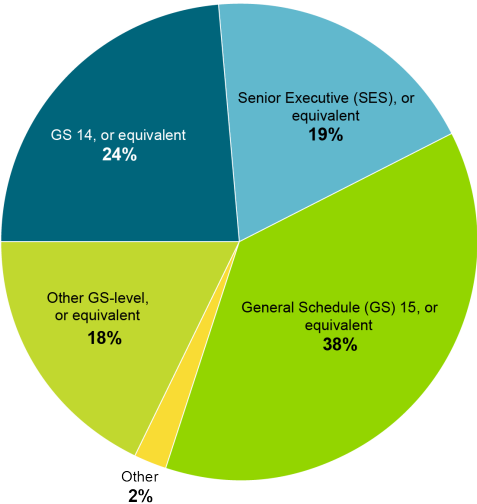


Please provide your current functional alignment within your organization.

Just over half of this year’s respondents currently work within their organization’s ERM or some other risk management function (54%), up slightly from last year (51%). Respondents from financial management, budget, and accounting functions represent 12% of total respondents in 2022, down from 16% last year.

What is your current level or grade?

Nearly 1 out of 5 (19%) of respondents are Senior Executive Service-level or equivalent (also referred to in this report as “SES” or “SES Cohort”). The remaining 81% of respondents are from the General Schedule System or equivalent (also referred to as “Non-SES or Non-SES Cohort”). There was little change in these results from the prior year.



# Survey Results

## Characteristics of Federal ERM Programs

### ERM Existence, Duration, and Budgets

In 2022, 85% of survey respondents indicated they work in an agency having a formal ERM program. This rate is on par with the preceding year's results and remains the highest level of ERM adoption in the history of our survey. Larger agencies were slightly more likely to report having an ERM program (92% of larger agencies vs. 81% of smaller agencies).

The percentage of respondents indicating their organization began practicing ERM in the past year remains low, decreasing slightly to 5% in 2022. Most respondents (83%) indicate that their organization has practiced ERM for more than three years.

Note: The two shortest duration response categories are combined in the narrative portion of this document and referred to as organizations with “**shorter-duration ERM programs**” (less than three years having an ERM program), while the three longest duration response categories are combined and referred to as organizations with “**longer-duration ERM programs**” (more than three years having an ERM program).

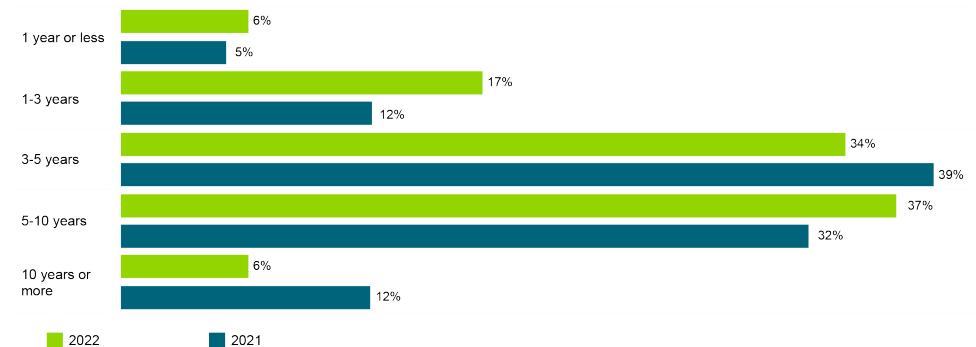
As in prior years, this year's survey shows that ERM programs tend to be staffed by a small number of full-time equivalents (FTEs) – 82% of respondents indicate their organization's ERM workforce consists of 10 or fewer people (including contractors).

However, the percentage of respondents indicating that more than 10 employees support their ERM function has been trending upwards. This year, 18% of respondents indicated that their ERM function is staffed by more than 10 FTEs—the highest percentage to date. Large agencies and organizations with longer-duration ERM programs are more likely than others to have 10 or more people supporting their ERM functions.

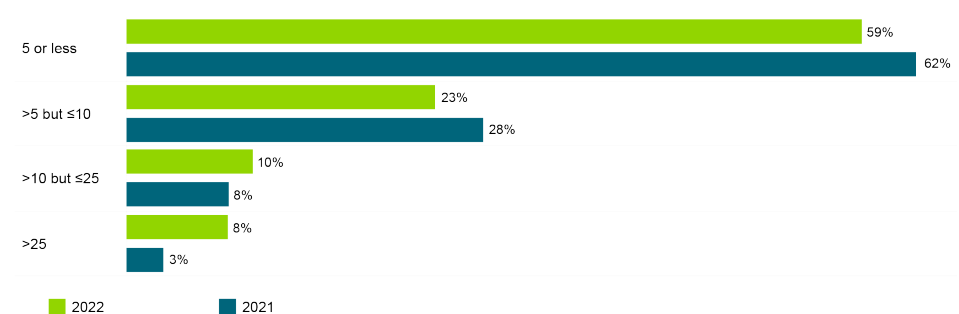
Q: Does your organization have a formal ERM program?



Q: How long has your organization practiced ERM?

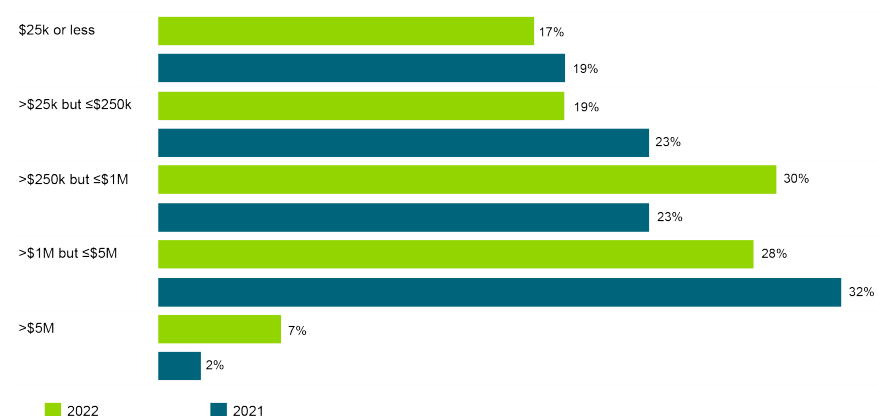


Q: How many full-time equivalents (including contractor support) are working in the ERM function?



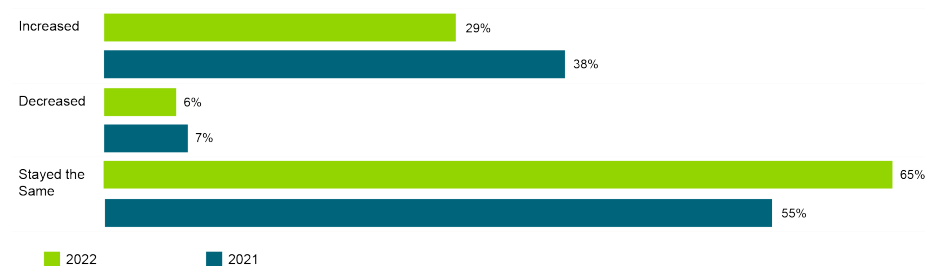
Budgets for ERM programs remain relatively small. Consistent with last year's results, approximately two-thirds (65%) of respondents indicate that their total annual budget for ERM activities is less than \$1M. Respondents from larger agencies were more likely to report having an ERM budget greater than \$1M (67% vs. 15%), as were respondents with longer-duration ERM programs (39% vs. 25%). **Organizations with CRO-led ERM programs appear to have smaller budgets for ERM activities** – only 24% of respondents from organizations with CRO-led programs reported having a budget of more than \$1M, whereas nearly double that percentage (48%) was reported by respondents with non-CRO-led programs.

**Q: What is the total annual budget for ERM activities across your organization?**



Consistent with survey results for the past six years, the majority (65%) of respondents reported that their organization's budget for ERM activities remained the same during the last year. This year, there was a decrease in respondents reporting an increase in budgets (29% in 2022 vs. 38% in 2021). Despite nearly all respondents indicating that their budget either stayed the same or grew in the last year, a later survey question shows there was an increase in the degree to which "budget constraints" were cited as a barrier to executing and maintaining an ERM program. This may indicate that stagnant budgets or minor increases are not sufficient to sustain or grow ERM activities.

**Q: In the last 12 months, the budget for overall ERM activities has done which of the following at your organization?**



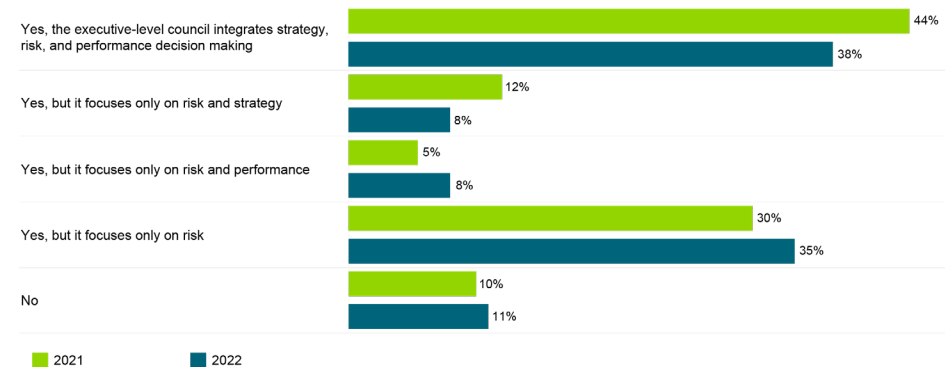
Respondents from larger organizations were more likely to report an increase in their budgets (42% vs. 19%) this year, as were organizations with longer-duration ERM programs (31% vs. 11%).



## Governance, Program Scope and Technology

As in prior years, this year's results show that **nearly all (90%) organizations with established ERM programs have an executive-level risk management council**. The focus of these committees continues to vary widely. The percentage of respondents with ERM councils that integrate risk with strategy and performance for enhanced decision-making increased six percentage points this year, to 44%. Another 17% of respondents indicated that their ERM council focuses on risk and strategy or performance, but not both. This year, 30% indicated that their ERM council focuses only on risk.

**Q: Do you have an executive-level risk management council or committee that reports and monitors risk as it relates to strategy and performance?**



**Organizations with longer-duration ERM programs are more likely to have an ERM council with a broader focus, beyond just risk.**

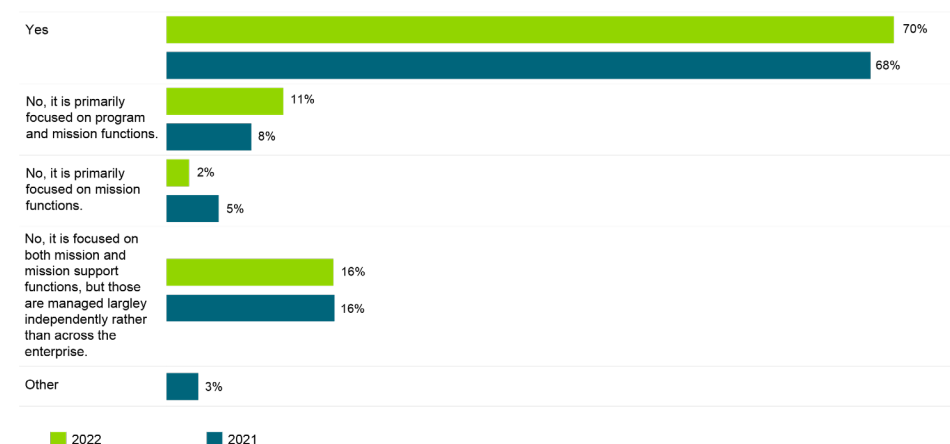
This year, respondents from organizations with longer-duration ERM programs (three or more years old) were twice as likely to indicate that their ERM council focuses on risk and strategy, risk, and/or performance (66% of longer-duration ERM programs vs. 33% of shorter-duration ERM programs).

**More mature ERM programs are more likely to have an ERM council that focuses on more than just risk.** This year, 20% of respondents who characterized the maturity of their ERM program as "initial" or "developing" indicated that they do not have an **ERM council**. **Only 3% of respondents with more mature ERM programs** (i.e., "managed" or "optimized") indicated they do not have an ERM council. Consistent with this result, ERM councils integrating risk with strategy and performance are more common in more mature ERM programs, with 66% of respondents characterizing their ERM programs as "managed" or "optimized" selecting this response. Meanwhile, only 28% of respondents that characterized their ERM program as "initial" or "developing" selected this response.

For the sixth consecutive year, **most (70%) respondents indicate that their organization's ERM program encompasses a holistic view** of mission and mission support functions.

This response is consistent across many demographic categories, with one of the highest percentages found in organizations with more mature ERM programs – 81% of respondents who characterized the maturity of their ERM program as "managed" or "optimized" also indicated that their program encompassed a holistic view, while only 52% of respondents with "initial" or "developing" ERM programs selected this response. Respondents from organizations where the ERM program leader spends over 75% of his or her time on ERM activities were also among the most likely to select this response, with 81% indicating that their program encompassed a holistic view.

**Q: Does your organization's ERM program encompass a holistic view of mission and mission support functions?**

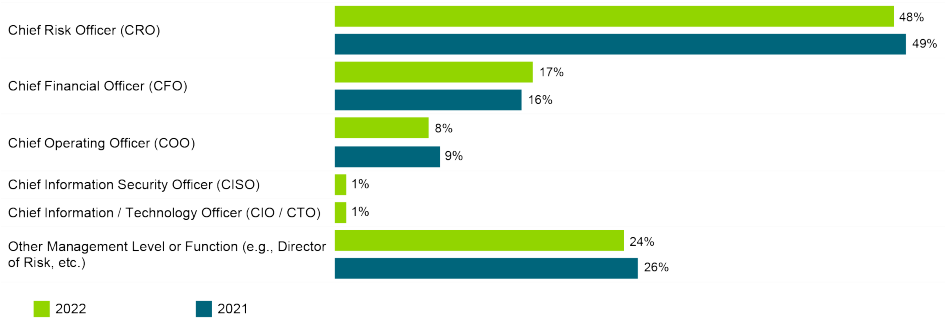


Responses to this question remain very similar to the prior year response. **Nearly half (48%) of respondents indicated that their ERM program is led by a CRO.** The second most common title of ERM program leaders is Chief Financial Officer (CFO), with 17% of respondents selecting this response.

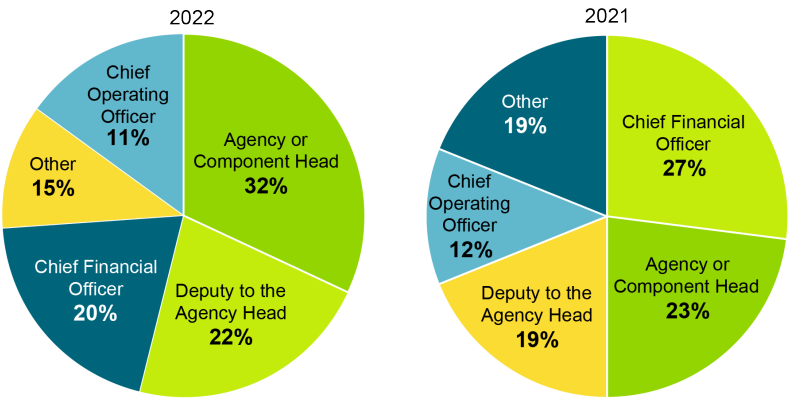
Slightly under a quarter (24%) of respondents selected “Other,” and the most commonly reported “Other” titles were various “risk management” titles other than CRO, such as ERM Director, Risk Management Officer, and ERM Advisor. The second-most commonly cited titles are strategy-related, such as Chief Strategy Officer and Director, Strategic Planning and Performance.

In this year's survey results, there was an **increase in the percentage of ERM program leaders who report directly to the Agency Head or Deputy** and a corresponding decrease in those that report to other leaders. The percentage of respondents who indicated the leader of their ERM program reports to the Agency Head or Deputy increased to 54% from 42% last year. At the same time, the percentage of ERM program leaders reporting to their organization's CFO fell to 20% this year, down from 27% a year ago. The percentage reporting to their Chief Operating Officer (COO) decreased only slightly from 12% last year to 11% this year.

**Q: Which of the following titles best describes the person responsible for your organization's ERM program? If other, please elaborate.**



**Q: To whom does the leader of your organization's ERM program report?**



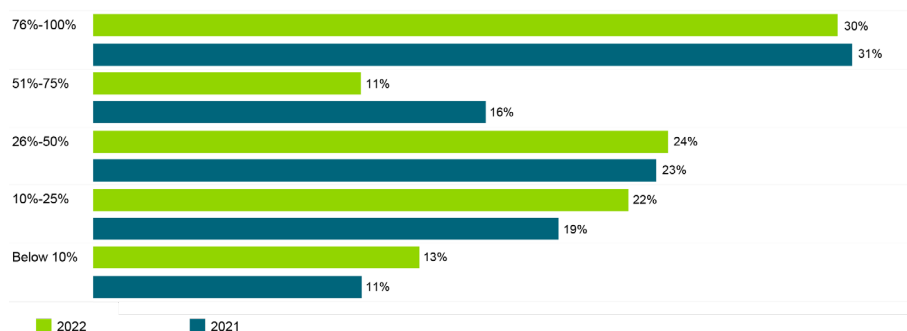
From year to year, survey results indicate that ERM leaders have many competing demands of their time. This year's results are no different and are similar to last year's results. Respondents report **30% of ERM program leaders spend more than 75% of their time focusing on the ERM program, down slightly from 31% from a year ago.** On the other end of the spectrum, **34% spend less than 25% of their time focusing on the ERM program.** Many ERM leaders who report directly to the Agency Head or Deputy appear to have other duties that occupy their working hours, with only 23% of these leaders spending more than 75% of their time focused on ERM, while 40% spend less than 25% of their time on ERM.

ERM leaders with more newly established ERM programs appear to spend more time focused on ERM, with 32% of these respondents indicating their ERM leader spends more than 75% of their time focused on ERM. Meanwhile only 7% of respondents from organizations with longer-duration ERM programs report the same time investment by their ERM leader.

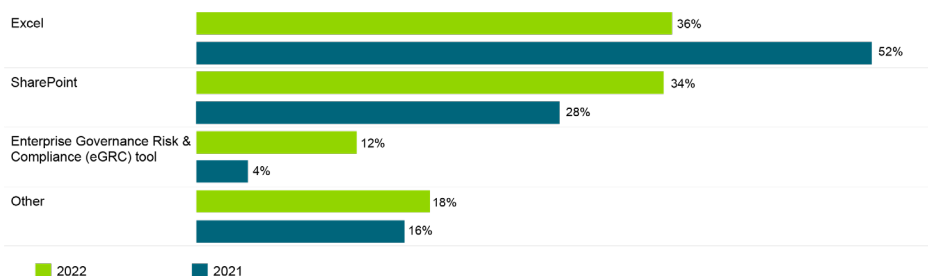
**This year, there was a notable drop in the percentage of respondents that reported using Excel as their primary technology enabler for their ERM program.** This percentage decreased from 52% in 2021 to 36% in 2022. However, Excel and SharePoint (34%) remain the most commonly used tools.

Additionally, **there was an increase, from 4% to 12%, of respondents that report using an eGRC tool as their primary tool for tracking enterprise risk data,** the highest level of adoption to date. All of these respondents are from organizations with longer-duration ERM programs—none of the respondents with shorter-duration ERM programs cited eGRC tools as their main technology enabler.

**Q: What percent of the ERM program leader's time is allocated to the ERM program?**

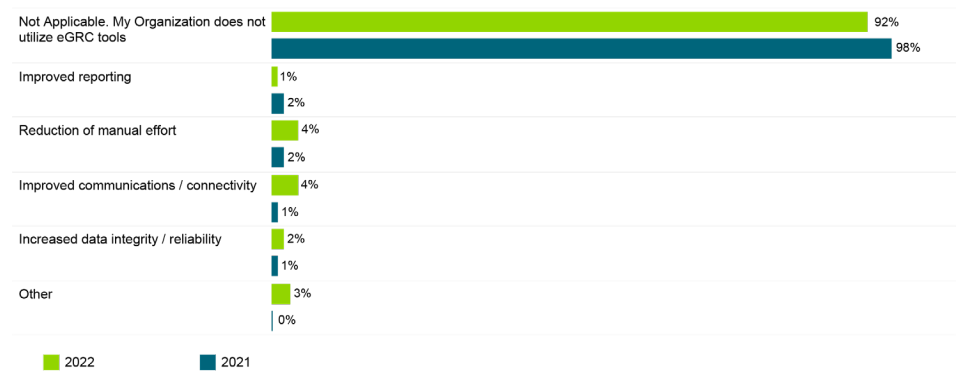


**Q: What is the primary technology enabler used by your ERM Program to track enterprise risk data?**



While the number of respondents who report using an eGRC tool has increased, the number remains small, and no meaningful insights into the benefits of using such tools can be gleaned from survey results. **92% of respondents indicated that their organization does not utilize eGRC tools.**

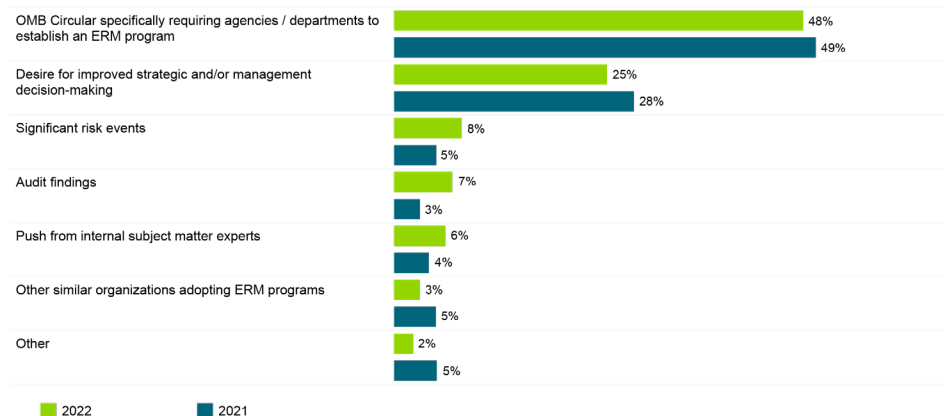
**Q: If your organization uses enterprise Governance, Risk, and Compliance (eGRC) tools, what benefits or returns has your organization realized? Please select all that apply.**



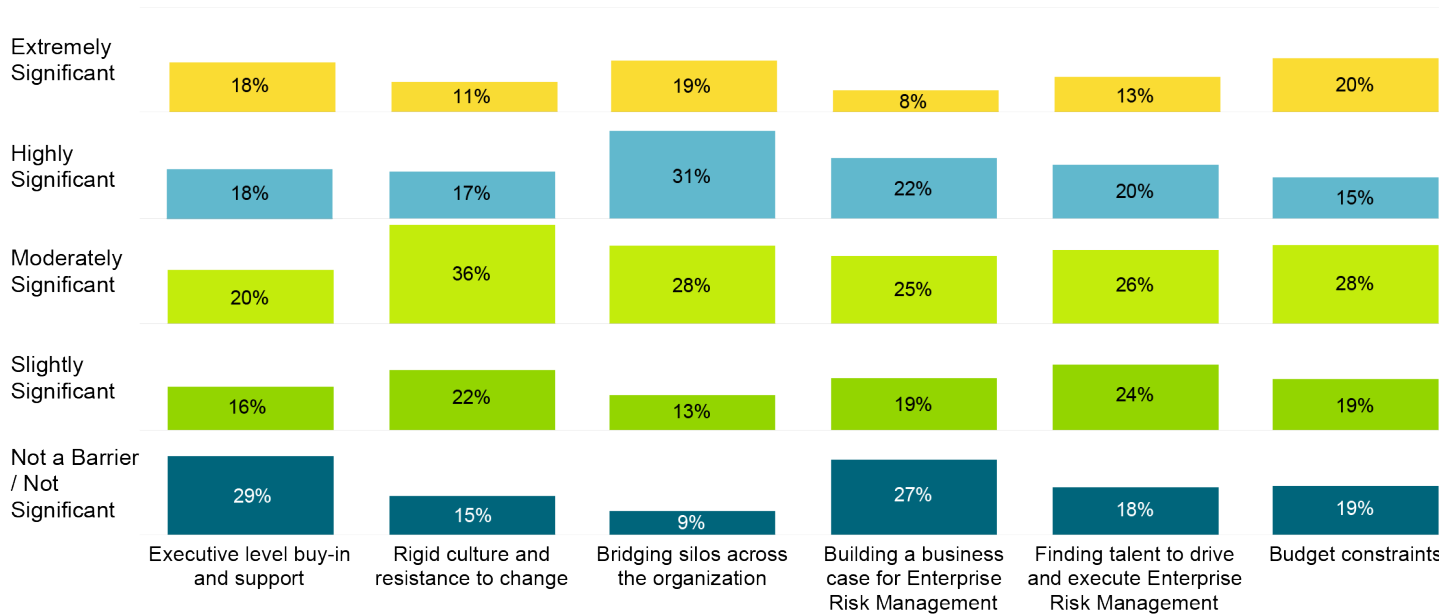
## Motivations and Barriers

Each year since 2017, **OMB Circular A-123** has been the top motivator for establishing Federal ERM programs. Similar to last year, nearly half of respondents (48%) selected that option. **“Desire for improved management decision-making,” was selected by 25% of respondents and remains the second-ranked selection, by a wide margin, for the sixth consecutive year.** These are the top two selections across almost all demographic categories.

**Q: Which of the following represents the primary motivator for the establishment of the ERM program at your organization?**



**Q: Which barriers does your organization face in establishing a formal ERM program and how significant are those barriers?**  
Please select the appropriate rating for each.



- **The rank order of barriers confronting Federal organizations over their ERM programs is similar to the prior year results, with a few significant changes to rankings.** As measured by the percentage of respondents identifying the barrier as either “Highly Significant” or “Extremely Significant,” **“bridging silos across the organization” continues to be the top barrier.** It’s followed by “executive level buy-in and support,” which moved up to the #2 spot. **“Budget constraints” jumped from the #6 spot last year to the #3 position, which is the highest this barrier has ranked to date.** It is followed by “finding talent with sufficient expertise to drive and execute ERM” and “building a business case for ERM.” **“Rigid culture and resistance to change” dropped four places to the #6 spot** on the list of most significant barriers. Organizations with non-CRO-led ERM programs are more likely to encounter difficulty finding talent to drive and execute ERM compared to those with programs led by CROs (14% compared with 45%).
- **“Rigid culture and resistance to change” is a less significant barrier to organizations with a formal ERM program,** posing a significant barrier to only 22% of respondents from these organizations. Meanwhile, 62% of respondents from organizations that do not have a formal ERM program cite “rigid culture and resistance to change” as a barrier.
- “Bridging silos across the organization” appears to be a more significant barrier for organizations with less mature ERM programs – 56% of respondents that characterized their programs as initial or developing identified this as a significant barrier. Only half that percentage (28%) of respondents with managed or optimized ERM programs ranked this barrier as extremely or highly significant.
- This year, several respondents who selected the “other” category cited workload and competing priorities as additional barriers faced by the ERM program.

## Integrated Capabilities

In 2021, the questions in this section on the integration of ERM with other capabilities showed regression and reversed some of the prior gains seen in prior year survey results. This year, responses to all four of these questions moved in an upward direction, with the mean of one question rising above the midpoint of 3.00 (moderately integrated). This increase in the degree of integration is accompanied by a change in the rank order of integration. Integration with budgetary processes, formerly ranked fourth in this list, is now tied in third with integration with execution processes:

1. Integration with the Management Internal Control Program (mean = 3.23)
2. Integration with Strategic Planning (mean = 2.95)
3. Integration with Performance Management and Execution Oversight (mean = 2.65)
4. Integration with Budgetary Processes (mean = 2.65)

Breakout categories in which the **mean response is at least 15% greater than its counterpart** are highlighted in the tables inserted below the text, as appropriate. Refer to the Mean Breakouts tab for definitions of breakout categories.

Among the four categories of ERM integration, the **top spot once again goes to linkage to management internal control programs. This year, the mean rose above the midpoint (3.00), with a mean of 3.23, which is a 15% increase from the prior year.**

Internal control programs often fall under the purview of an agency's CFO. For organizations where the ERM program reports to the CFO, the mean response this year decreased to 3.25 from 3.30 last year. Despite this decrease, the integration of ERM and internal control functions in organizations where ERM programs report to the CFO (mean = 3.25) is still greater this year than in those organizations where the ERM program reports to the Agency Head (mean = 3.19).

### Noteworthy Breakout Categories

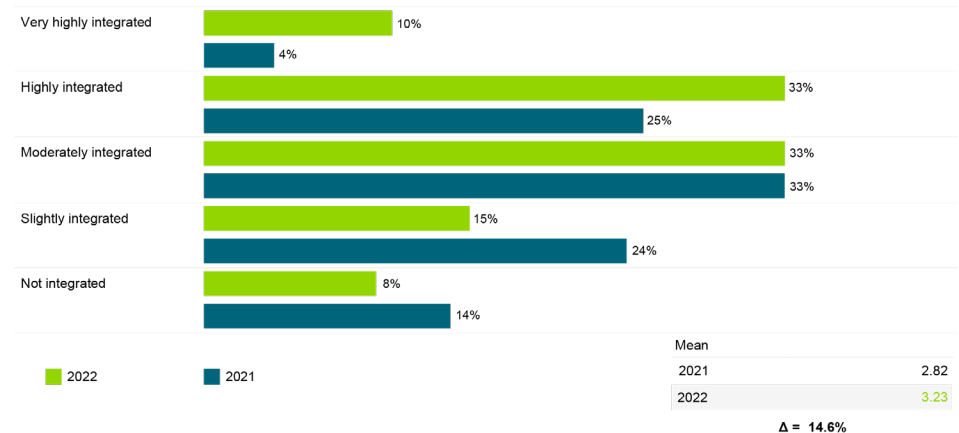
|                   |                |
|-------------------|----------------|
| Lead > 50% on ERM | SES Plan = All |
| Longer Duration   |                |

This year, the mean result for the integration of ERM with strategic planning is 2.95 (up from 2.81 last year). As in prior years, **the best performing category is for organizations where risk management is incorporated into the performance plans for all members of the SES.** These organizations represent a mean result that outpaces all other organizations by 43% (mean = 4.00, compared to 2.80 for other organizations). Other categories that outperformed the mid-point of 3.00 are organizations in which the ERM program reports to the agency head (mean = 3.12), longer-duration ERM programs (mean = 3.11), and larger organizations (mean = 3.28).

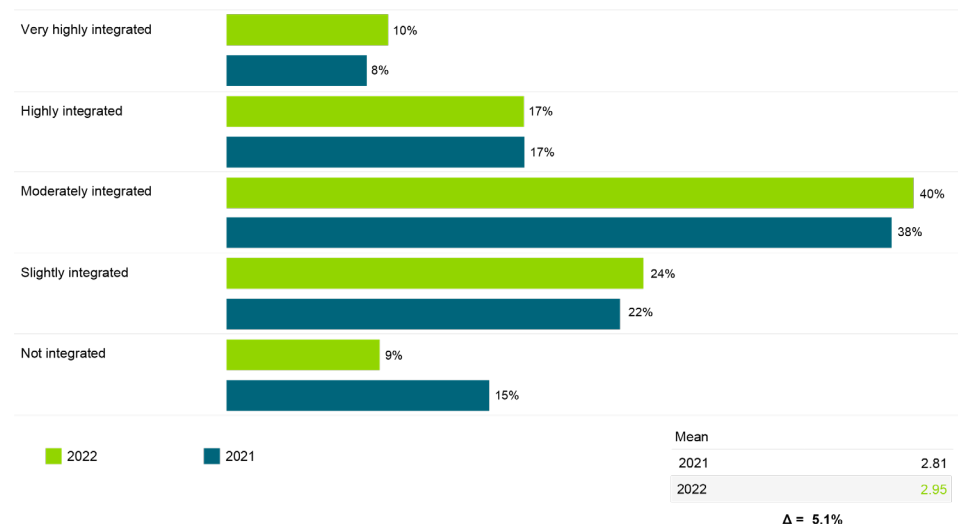
### Noteworthy Breakout Categories

|                   |                    |
|-------------------|--------------------|
| Lead > 50% on ERM | SES Plan = All     |
| Longer Duration   | Larger Agency Size |

**Q: To what extent has your organization integrated your ERM program with your Management Internal Control program?**



**Q: To what extent has your organization integrated ERM into strategic planning?**





The mean result for the integration of ERM with performance management and execution processes increased to 2.65 this year, up from 2.51 in 2021. **Only 21% of respondents indicate their organization is “Very Highly” or “Highly” integrated with execution processes, compared to 49% which indicate only “Slightly Integrated” or “Not Integrated.”** This year, there are two demographic categories reporting a mean above the midpoint (3.00) – organizations where the ERM program spends more than 50% of their time on ERM activities (mean = 3.06) and organizations where all SES Performance Plans incorporate requirements for risk management (mean = 3.75).

#### Noteworthy Breakout Categories

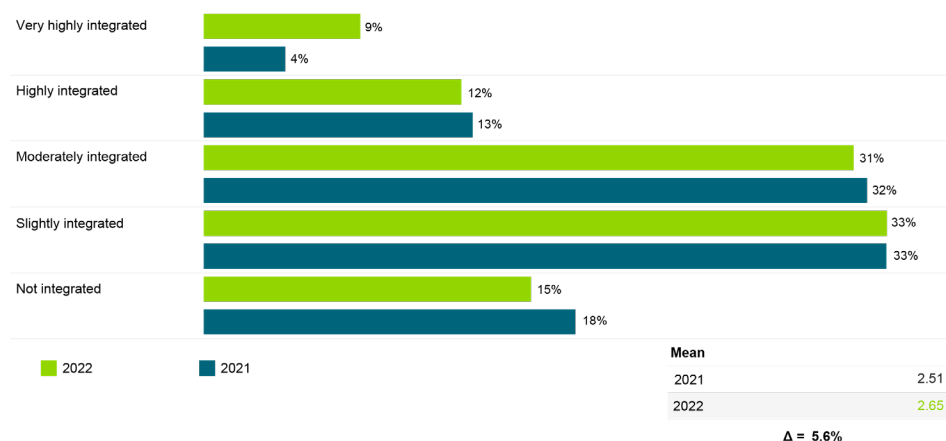
|                   |                    |
|-------------------|--------------------|
| Lead > 50% on ERM | SES Plan = All     |
| Longer Duration   | Larger Agency Size |

This year, we noted an increase in the mean result for the integration of ERM with budgetary processes (2.65 this year and 2.43 last year), which is now tied in third place among the four areas of integration covered by the survey. Only 18% of respondents indicate their organization is “Very Highly” or “Highly integrated” with budgetary processes, compared to 46% which indicate “Slightly Integrated” or “Not Integrated.” There are only two demographic categories for which the mean result of this question is greater than the midpoint response (moderately integrated) – organizations in which the ERM program lead focuses more than 50% of their time on ERM (mean = 3.26) and organizations where all SES Performance Plans incorporate requirements for risk management (mean = 3.58).

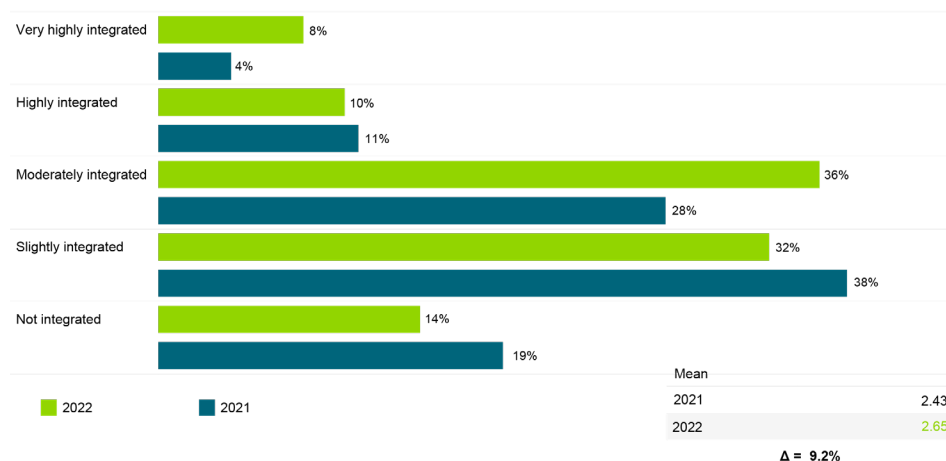
#### Noteworthy Breakout Categories

|                   |                    |
|-------------------|--------------------|
| Lead > 50% on ERM | SES Plan = All     |
| Longer Duration   | Larger Agency Size |

**Q: To what extent has your organization integrated ERM into execution processes (e.g. performance management and execution oversight)?**



**Q: To what extent has your organization integrated ERM into budgetary processes?**



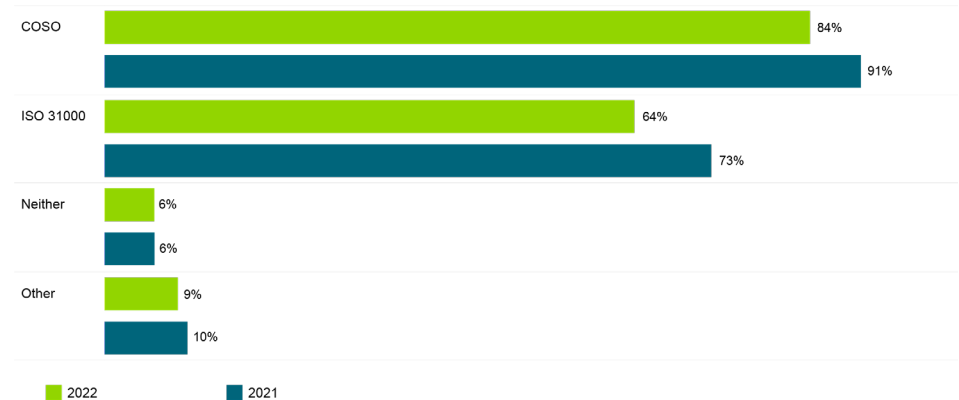
## Industry Frameworks and Certification Programs

Consistent with results from prior year surveys, the **COSO (Committee of Sponsoring Organizations of the Treadway Commission) ERM Framework** remains the most popular international framework in the Federal ERM community – 84% of respondents are aware of COSO, compared to 64% for International Organization for Standardization (ISO) 31000. The percentage of respondents who are not aware of either framework remains at 6%.

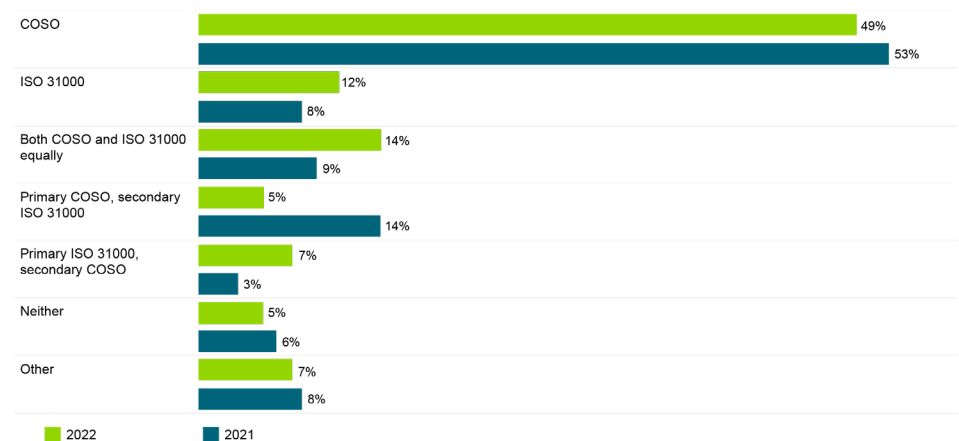
In terms of actual utilization, the **COSO ERM Framework continues to lead in adoption across Federal ERM**, with 49% of respondents citing COSO as their organization's predominate framework, increasing to 55% if the response "Primary COSO, Secondary ISO 31000" is also included. **ISO 31000 is identified by just 12% of respondents** as the predominate framework in use by their organization. That figure increases to 19% if the response "Primary ISO 31000, Secondary COSO" is included.

Now in its fifth year of existence, the **RIMS-CRMP-FED micro-certification continues to lead the Federal ERM community in terms of awareness and importance**, with 61% of respondents characterizing this certification as "Very Important" or "Moderately Important." The RIMS-CRMP Certification and the George Washington University Certification in ERM both rose in the rankings this year to second and third place, with around half (53% and 47%, respectively) of respondents indicating that that these certifications are "Very Important" or "Moderately Important." Meanwhile, the COSO ERM Certificate lost ground this year, decreasing from second to fourth place in rankings.

**Q: Which industry standard(s) for ERM are you aware of? Please select all that apply.**

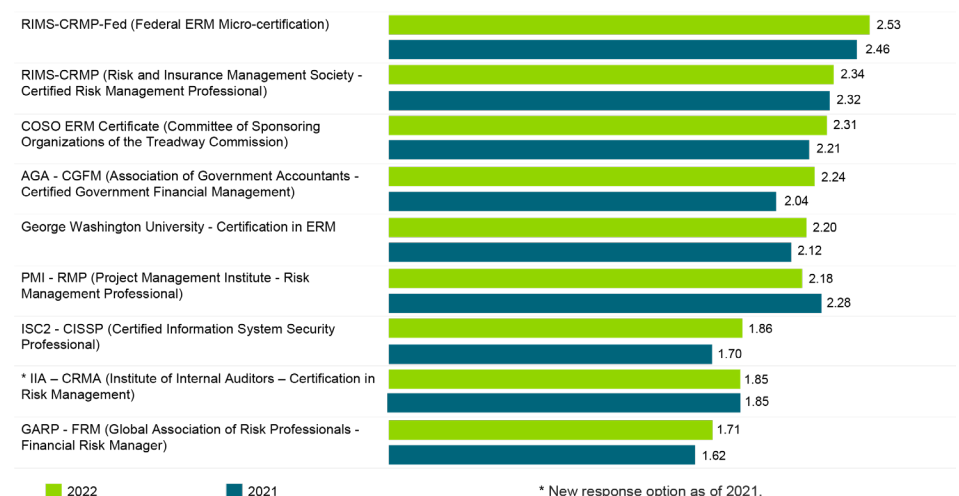


**Q: Which industry standard for Enterprise Risk Management does your organization predominately follow?**



**Q: What risk management or ERM certifications are you aware of and how important is it to you that you, your staff, or supporting contractors hold each certification?**

*(Results are displayed based on the mean response on a four-point scale: (1) Not Aware of this Certification; (2) Not Important, Useful, or Desirable; (3) Moderately Important, Useful, or Desirable; (4) Very Important, Useful, or Desirable.)*



\* New response option as of 2021.

# Focus & Priorities

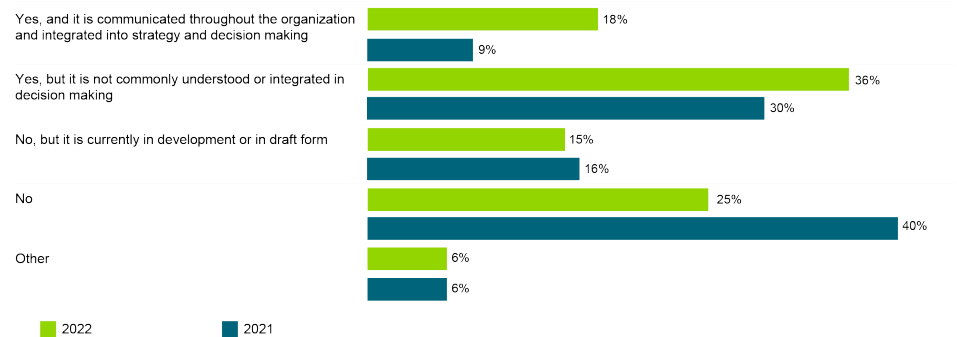
## Risk Appetite

This year, we observed a notable increase in the percentage of organizations that have a defined risk appetite statement (54% in 2022 compared to 39% in 2021). Additionally, the percentage of respondents indicating risk appetite statements are communicated throughout the organization and integrated into strategy and decision-making increased from 9% to 18% this year. **These increases represent the highest rates of risk appetite statement adoption since this question was added to the survey in FY17.** These increases were accompanied by a corresponding decrease in respondents indicating they do not have a risk appetite statement or that one is currently in draft form – 40% of respondents selected these responses in 2022, compared to 56% in 2021.

**Respondents from organizations with longer-duration ERM programs were more likely to report having a risk appetite statement**, with 65% indicating they have one, compared to 36% for organizations with shorter-duration ERM programs. Organizations with ERM programs led by a CRO are also more likely to indicate the existence of a risk appetite statement – 64% of these respondents reported having a risk appetite statement, compared to 47% of organizations with non-CRO-led programs.

In response to a new question added to this year's survey, nearly 9 out of 10 respondents (89%) from organizations having risk appetite statements indicated their statement has been updated within the last three years. Larger organizations were more likely to have a risk appetite statement that was updated more than three years ago (17% vs. 7%), as were organizations without a CRO-led ERM program (17% vs. 4%).

### Q: Does your organization have a defined risk appetite statement?



### Q: When was your organization's risk appetite statement last updated?



## Focus & Improvement Opportunities for ERM Programs for the Next Year

For the fifth straight year, “training and awareness” tops the list of focus areas for ERM programs over the next 12 months. “Monitoring and reporting” overtook “risk appetite” for second place in this year’s results. Across nearly all demographic categories, these three categories of activities were at or near the top of the list for this question.

Since 2019, “compliance with OMB Circular A-123” has remained in the last spot in terms of upcoming areas of focus for Federal ERM programs. This selection was once again last across nearly every demographic category this year.

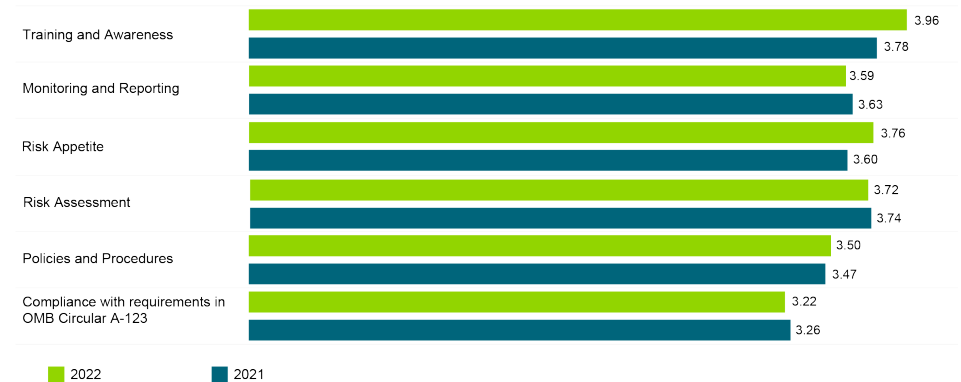
For the second year in a row, “tone-at-the-top, executive support for risk management” is at the top spot in the list of most impactful improvements organizations could make to better position themselves to respond to risks, with 38% of respondents making this selection. Respondents from organizations with newer ERM programs were the most likely to select this response, with 67% indicating that it would be one of the most impactful improvements for their organization.

“More clear linkage, alignment, or integration with resource allocation decision-making processes” (36%) rose to the #2 spot, up from sixth place last year. “Well-established risk identification and assessment” (32%) remains in the #3 spot, followed by “more clear linkage, alignment, or integration of risk with strategy and performance” (30%) in fourth place.

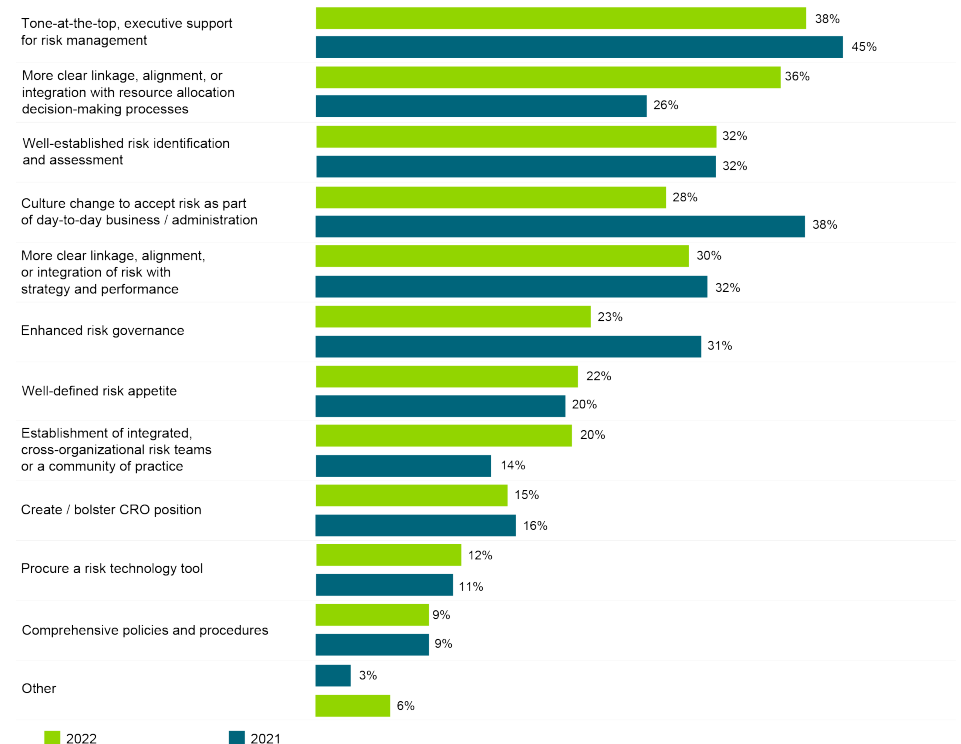
While the top four categories remain fairly consistent across demographic categories, there are a few notable differences within categories this year. “Enhanced risk governance” is tied with “well-established risk identification and assessment” as the #2 most-commonly selected response for organizations with newer ERM programs but is #8 and #7 respectively for organizations with longer-duration ERM programs.

Organizations with ERM programs led by CROs were nearly a third as likely to select “well-established risk identification and assessment” (16%) as organizations without CRO-led ERM programs, identifying “enhanced risk governance” (32%), “culture change to accept risk as part of day-to-day business / administration” (29%), and “establishment of integrated, cross-organizational risk teams or a community of practice” (20%) as more impactful improvements.

**Q:** To what extent does your ERM program plan to focus on each of the following over the next 12 months? (Results are depicted showing the average score for each of the five choices listed from the following scale: (1) Decrease significantly; (2) Decrease somewhat; (3) No change; (4) Increase somewhat; and (5) Increase significantly).



**Q:** Please select the most impactful improvements that your organization could make to be better positioned to respond to CURRENT and ANTICIPATED risks? Please select up to three.



## Enterprise Risks

In this section, the focus and priorities for enterprise risks are explored from three perspectives:

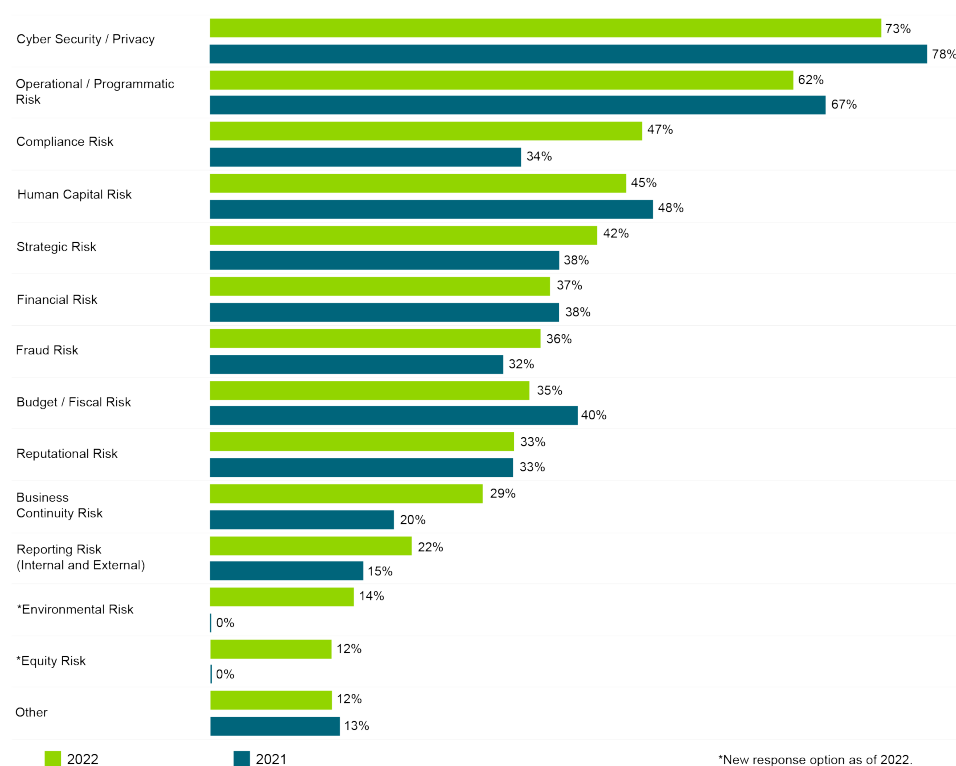
1. Management's current focus on risks
2. Perception of risks currently believed to have the greatest impact on the achievement of strategic objectives, regardless of management's focus
3. Perception of risks anticipated to have the greatest impact on the achievement of strategic objectives over the next 3-5 years, again regardless of management's focus

### Management's Current Focus on Risks

For the fourth year in a row, “cyber security/privacy” (73%) remains at the top of the list of risks which are capturing the greatest allocation of resources by management. “Operational/programmatic risk” (62%, down from 67% a year ago) remains in second place, followed by “compliance risk” at #3 (47%, up from 34% last year), “human capital risk” (45% this year, down from 48% last year) at #4, and “strategic risk” (42%, up from 38% last year) taking the #5 spot.

Two new response options were added this year to these questions regarding enterprise risk focus and priorities, to capture sentiments on **environmental risk** and **equity risk**. These responses ranked last in all three questions.

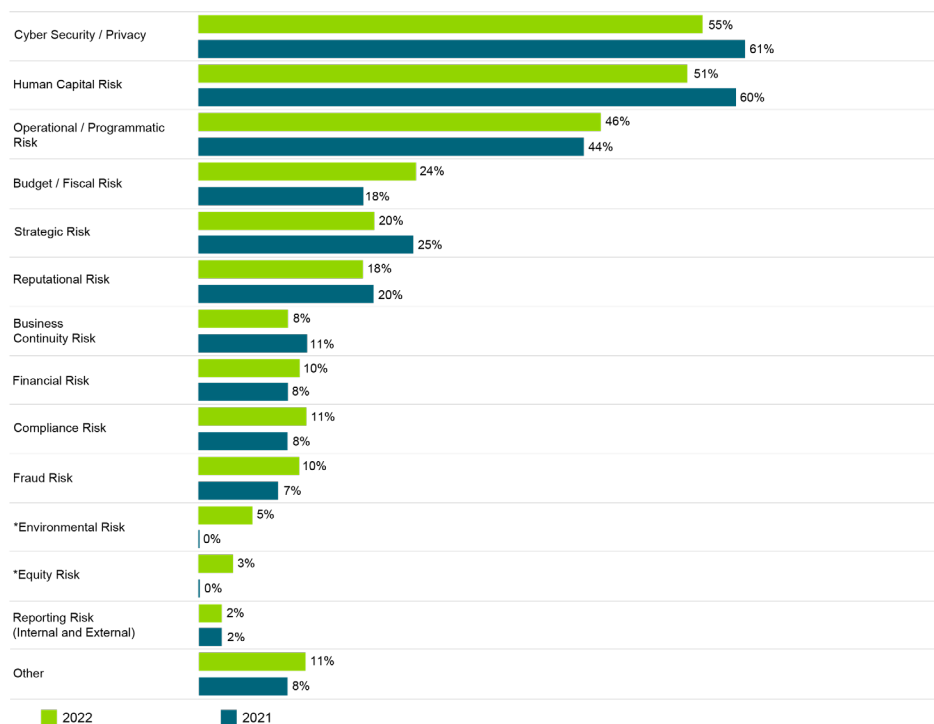
**Q: Which types of risk does your management focus resources on the MOST? Please select all that apply.**



## Perception of risks currently believed to have the greatest impact on strategic objectives

In terms of risks currently perceived as having the most significant impact on organizations' ability to meet its mission or strategic objectives, regardless of actual management focus, **the rank order of responses this year is similar to the prior two years**, with "cyber security/privacy" at the top (55%, down from 61% a year ago), followed by "human capital risk" (51%, down from 60% last year), "operational/ programmatic risk" (46%, up from 44% last year), "budget / fiscal risk" (24%, up from 18% a year ago), and "strategic risk" (20%, down from 25% a year ago) taking the top 5 spots this year.

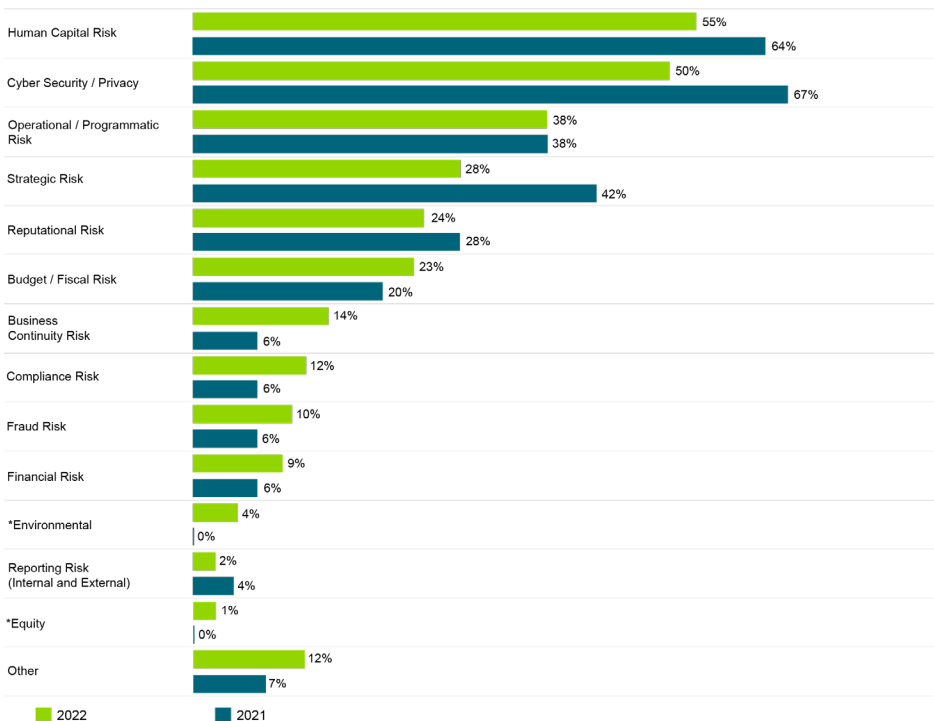
**Q:** Regardless of management focus, which types of risk are CURRENTLY perceived as the highest to your organization's ability to meet the mission or strategic objectives? Please select up to three.



## Perception of risks anticipated to have the greatest impact on strategic objectives over the next 3-5 years

In terms of risks believed to have the greatest impact on strategic objectives over the next 3-5 years, **the rank order of the top risks changed this year**, with "human capital" moving up to the #1 spot (55%, down from 64% last year), replacing "cyber security / privacy risk" (50%, down from 67% last year). "Operational / programmatic risk" (38%, on par with last year) is in the #3 spot, followed by "strategic risk" (28%, down from 42% last year), and "reputational risk" (24%, down from 28% last year).

**Q:** Regardless of management focus, which types of risk do you ANTICIPATE to have the highest impact in the next 3-5 years on your organization's ability to meet the mission or strategic objectives? Please select up to three.





## Comparison: Current Management Focus vs. Perception of Current and Future Risks

### Summary: Top 5 by Category

The following tables summarize the top five results for each of the previous three questions.

| Management's Current Focus on Risks | Perception of Risks <i>Currently</i> Believed to have the Greatest Impact on Strategic Objectives | Perception of Risks <i>Anticipated</i> to have the Greatest Impact on Strategic Objectives over the Next 3-5 Years |
|-------------------------------------|---|--|
| 1. Cybersecurity/Privacy (73%)      | 1. Cybersecurity/Privacy (55%)  | 1. Human Capital (55%)   |
| 2. Operational/Programmatic (62%)   | 2. Human Capital (51%)  | 2. Cybersecurity/Privacy (50%)   |
| 3. Compliance (47%)                 | 3. Operational/Programmatic (46%)   | 3. Operational/Programmatic (38%)  |
| 4. Human Capital (45%)              | 4. Budget/Fiscal (24%)  | 4. Strategic (28%)   |
| 5. Strategic Risk (42%)             | 5. Startegic (20%)  | 5. Reputational (24%)  |

As can be seen in the "Top 5" listings above, there continues to be high correlation across these categories for several risk types such as cyber security/privacy, operational/programmatic, human capital, and strategic which are in the top 5 rankings of all three categories, **indicating proper alignment between the perceived severity of the risk with the amount of management attention.**

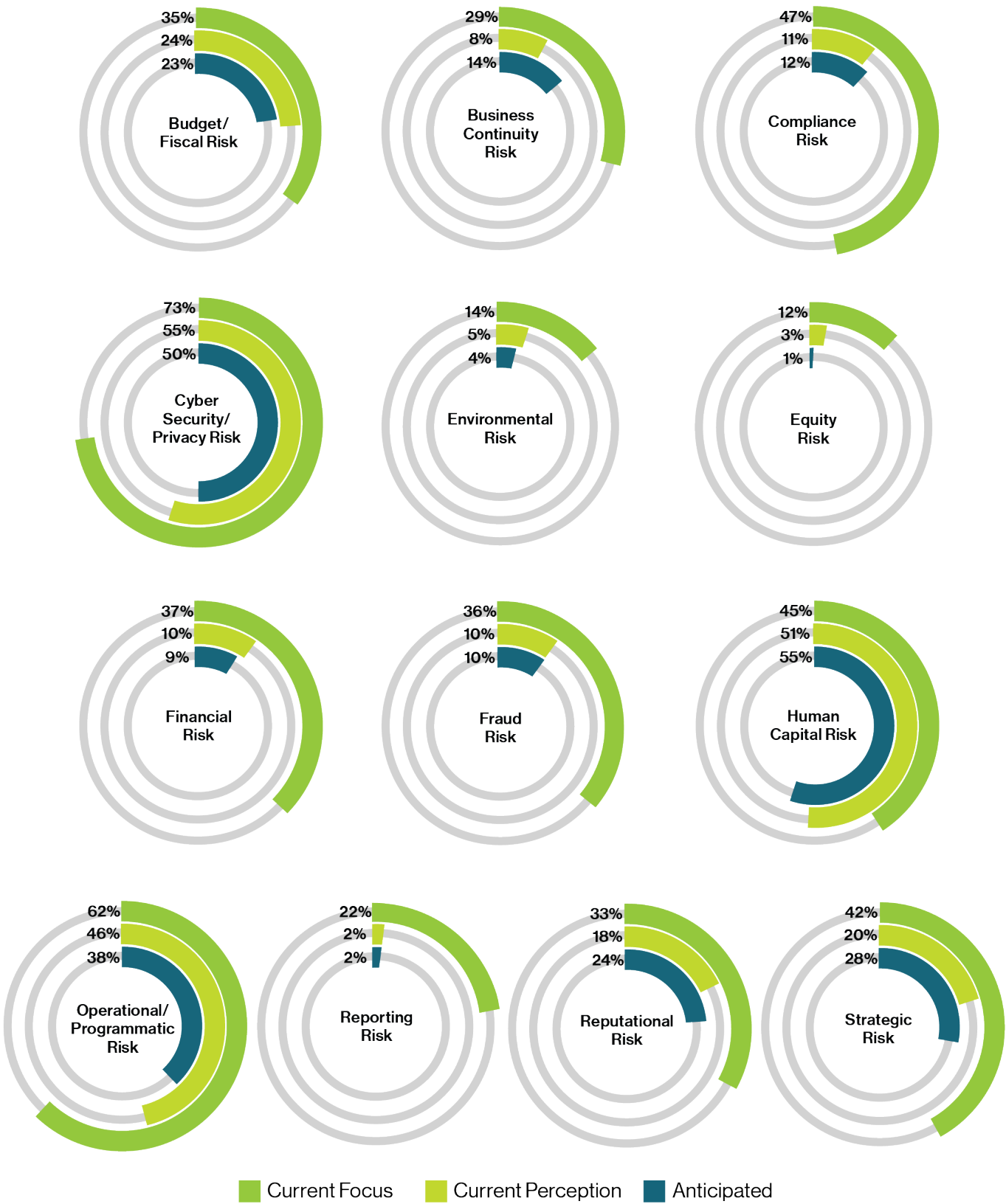
However, as can be seen in the following charts, there continues to be **some risk types that are currently receiving significantly more attention from management compared to the perception of the current or perceived future risk**, including the areas of business continuity, compliance, fraud, financial, and reporting. For example:

- 29% of respondents identify business continuity risk as one of the risks receiving the most management attention, while only 8% perceive it as one of their organization's most significant risks, and only 14% anticipate it as one of their most anticipated future risks.
- 47% of respondents identify compliance risk as one of the risks receiving the most management attention, while only 11% perceive it as one of their organization's most significant risks, and only 12% anticipate it as one of their most anticipated future risks.
- 37% of respondents identify financial risk as one of the risks receiving the most management attention, while only 10% perceive it as one of their organization's most significant risks, and only 9% anticipate it as one of their most anticipated future risks.
- 36% of respondents identify fraud risk as one of the risks receiving the most management attention, while only 10% perceive it as one of their organization's most significant risks, and that same percentage anticipate it as one of their most anticipated future risks.
- 22% of respondents identify reporting risk as one of the risks receiving the most management attention, while only 2% perceive it as one of their organization's most significant risks, and only 2% anticipate it as one of their most anticipated future risks.

Many of these risk types have been cited in prior year surveys as areas of mismatch, **indicating a potential opportunity to reallocate resources that are currently being expended in these areas to focus on higher priorities and risks**, given the low sense of actual current or future risks to their organizations.

Comparison: Current Management Focus vs. Perception of Current and Future Risks

(Note: Risks are arranged in alphabetical order.)



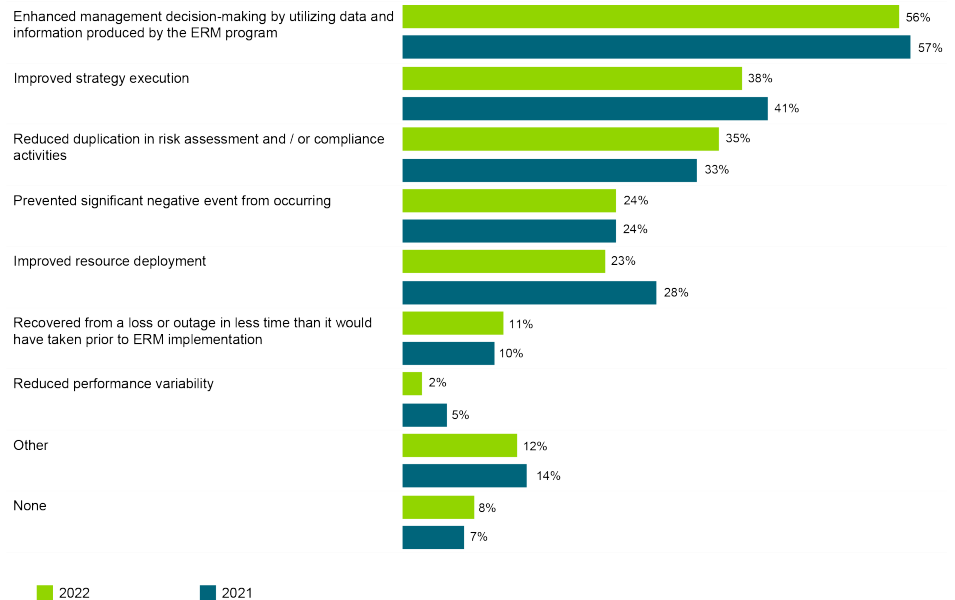
# Execution, Performance, & Culture

## ERM Benefits

For the eighth consecutive year, “enhanced management decision-making by utilizing data and information produced by the ERM program” is the most commonly cited benefit realized by organizations since introducing their ERM program, with 56% of respondents selecting this response. The ranking and percentages of the top five benefits is nearly identical to the prior year. “Improved strategy execution,” (38%) was the second-most frequently cited benefit and “reduced duplication in risk assessment and / or compliance activities,” (35%) took third place this year, followed by “improved resource development” (24%) in fourth. “Prevented significant negative event from occurring” (23%) remains in fifth place, decreasing slightly from the prior year (28% in 2021).

Notable “other” benefits identified by respondents this year include risk awareness, faster recognition and management of emerging risks, and meeting compliance requirements.

**Q:** Since developing an ERM program, which of the following benefits has your organization realized? Please select all that apply.



## Performance Evaluation of ERM Capabilities

In 2022, there were gains across nearly all performance evaluation capability-related questions, and the mean results reached or exceeded the mid-point of 3.00 for all questions.

For many of these questions, certain demographic categories tend to perform, on average, above the midpoint response. These categories include:

- Organizations with ERM programs;
- Organizations with CRO-led ERM programs;
- Organizations in which the ERM lead spends more than 50% of their time on ERM activities;
- Organizations in which ERM is included in all SES plans; and
- Organizations with longer-duration ERM programs.

Breakout categories in which the **mean response is at least 15% greater than its counterpart** are **highlighted** in the tables inserted below the text, as appropriate. Refer to the Mean Breakouts tab for definitions of breakout categories.

**This year's survey results show that ERM programs appear to be maturing, as a whole.** The bulk of responses remain spread nearly equally across "Developing" (Level 2), "Defined" (Level 3), and "Managed" (Level 4). However, the percentage of respondents indicating that their organization's ERM program has reached a maturity level of "Optimized" (Level 5) has increased to 5% (from 0% in 2021). Simultaneously, the percentage of respondents that described their program's maturity as "Initial" (Level 1) fell to 5% this year (from 8% in 2021). The mean score across all respondents reflects these changes, **increasing from 2.96 last year to 3.06 this year, showcasing the highest mean in the last four years.**

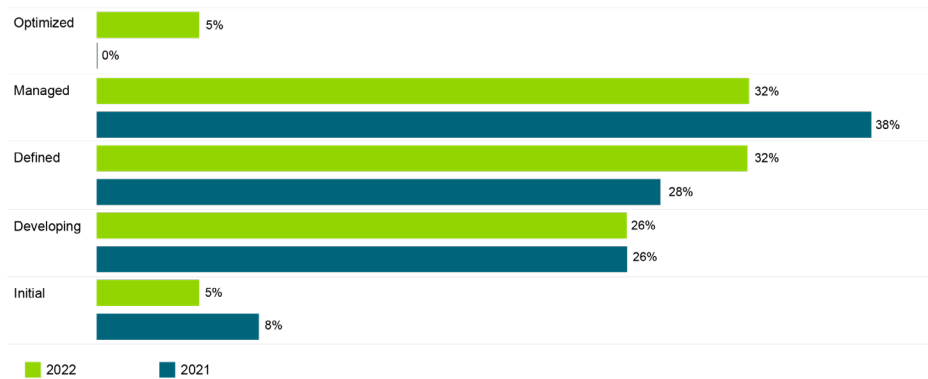
As in prior years, **age of program remains closely aligned with capability maturity** – 46% of respondents from organizations with longer-duration ERM programs (greater than 3 years) report having reached a maturity level of "Managed" or "Optimized" while none of respondents with shorter-duration ERM programs (less than 3 years) report having reached this same maturity level.

To a lesser degree, having an ERM program led by a CRO is also associated with higher maturity levels. 45% of respondents with CRO-led ERM programs report reaching a maturity level of "Managed" or "Optimized," compared to only 29% of respondents with non-CRO led ERM programs.

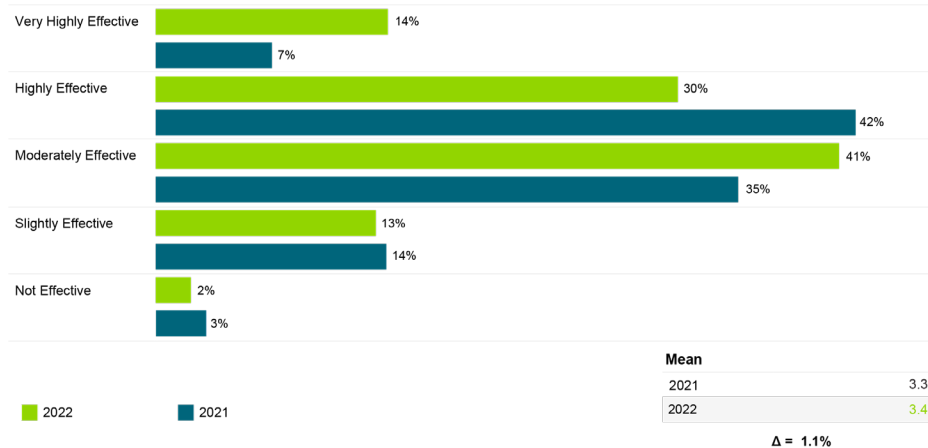
**This year, 44% of respondents (down from 49% last year) rated their ERM programs as either "very highly effective" or "highly effective" in designing and implementing the organization's ERM capability,** compared to 15% that are rated as either "slightly effective" or "not effective." The mean result for this question is 3.40. Responses were similar across demographic categories, with little variation across mean outcomes. One notable variation is between longer-duration programs (mean = 3.59) vs. shorter-duration programs (mean = 2.57).

| Noteworthy Breakout Categories |                 |
|--------------------------------|-----------------|
| SES Plan = All                 | Longer Duration |

**Q: Which of the following terms best characterizes the maturity level of your organization's ERM program?**



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

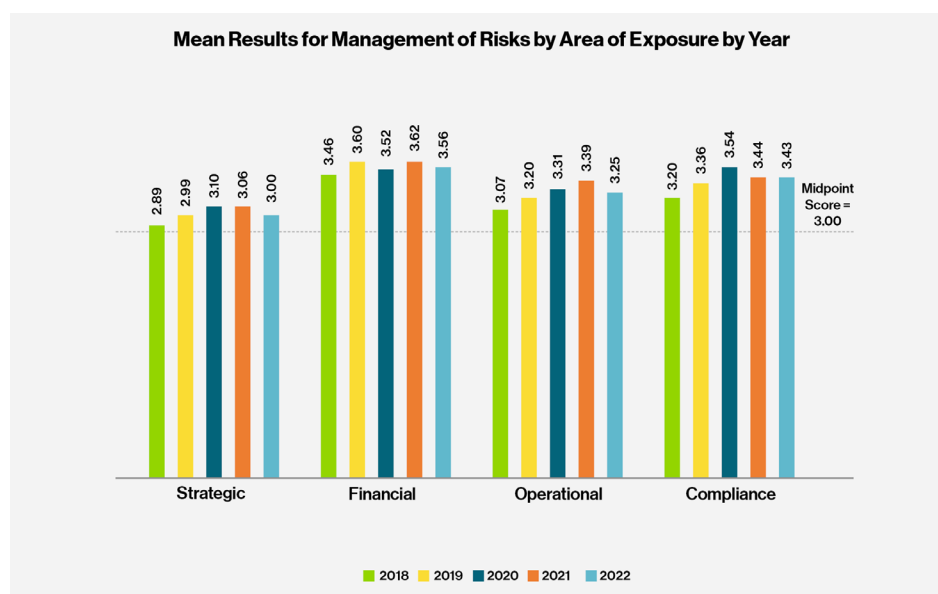


While there were slight decreases in organizational ability to manage areas of risk exposure this year, the means all remain above the mid-point of 3.00 (adequately). The rank order of organizational ability to manage the different areas of risk remains the same as last year:

1. Financial Risk (mean = 3.56)
2. Compliance Risk (mean = 3.43)
3. Operational Risk (mean = 3.25)
4. Strategic Risk (mean = 3.00)

This year's results continue the downward trends in performance that began last year and mark the first time since 2018 that performance decreased for all four areas of risk exposure.

**Q:** How well does your organization manage all areas of risk exposure?



**Respondents indicate a significant improvement from a year ago when it comes to managing risk as an interrelated risk portfolio rather than individual silos, with double the respondents selecting “very well” compared to 2021** (12% in 2022 vs. 6% in 2021). The mean response to this question increased by about 8%, from 2.85 in 2021 to 3.08 in 2022.

Several demographic categories performed better than others managing risks across silos. The mean response for longer-duration ERM programs (mean = 3.42) was about 63% higher than that of shorter-duration ERM programs (2.09). Likewise, respondents from organizations with ERM programs (mean = 3.20) outperformed those from organizations without ERM programs (2.27) by about 41%.

#### Noteworthy Breakout Categories

|                 |                |
|-----------------|----------------|
| ERM = Yes       | SES Plan = All |
| Longer Duration |                |

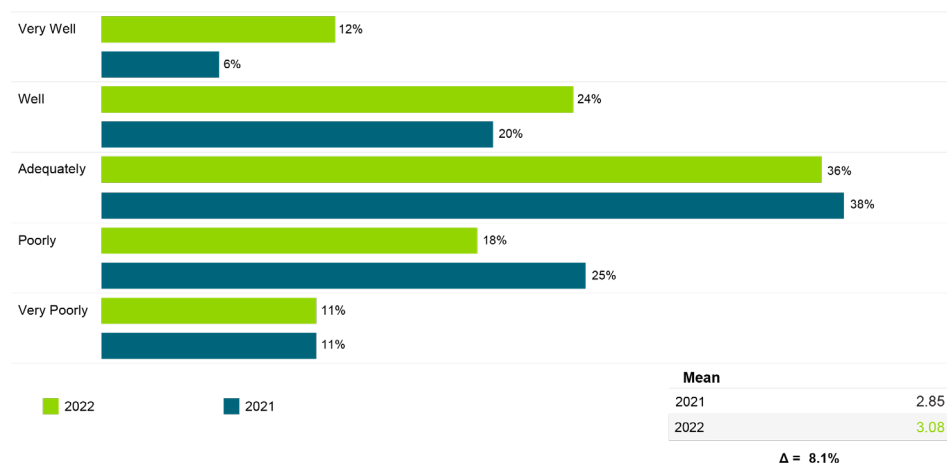
The percentage of respondents that characterized their ability to evaluate their risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders as “very well” increased from 8% last year to 11% this year. The mean response to this question increased from 2.84 to 3.13 this year, returning to midpoint score to above 3.00 (adequately), similar to 2020.

Among the groups that performed best at evaluating the risk portfolio in context are organizations with formal ERM programs and organizations with longer-duration ERM programs. Respondents from organizations with formal ERM programs had a mean of 3.26 for this question, which is about 43% higher than the mean for respondents without a formal ERM program. Among respondents with formal ERM programs, those with longer-duration ones had a mean score of 3.43, which is about 45% greater than the mean score for respondents with shorter-duration ERM programs (2.36).

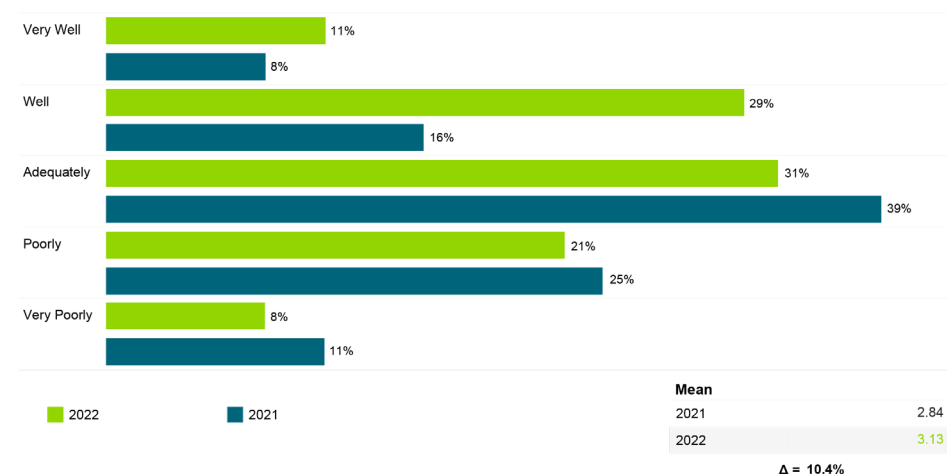
#### Noteworthy Breakout Categories

|                 |                |
|-----------------|----------------|
| ERM = Yes       | SES Plan = All |
| Longer Duration |                |

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



**Q: How well does your organization evaluate the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?**





**The percentage of respondents that indicated their organization performs “very well” at providing a structured process for the management of all risks reached an all-time high this year, of 15%.**

The mean result of 3.27, representing an increase over last year’s mean score of 3.01.

Respondents with a formal ERM program and those that have a longer-duration ERM program were both more likely to claim greater performance in this area. Respondents with formal ERM programs had a mean of 3.41, a 44% increase from the mean of 2.36 for respondents without formal ERM programs. Respondents with longer-duration ERM programs have a mean of 3.62, which is 53% greater than the mean response of 2.36 for shorter-duration ERM programs.

#### Noteworthy Breakout Categories

|                 |                |
|-----------------|----------------|
| ERM = Yes       | SES Plan = All |
| Longer Duration |                |

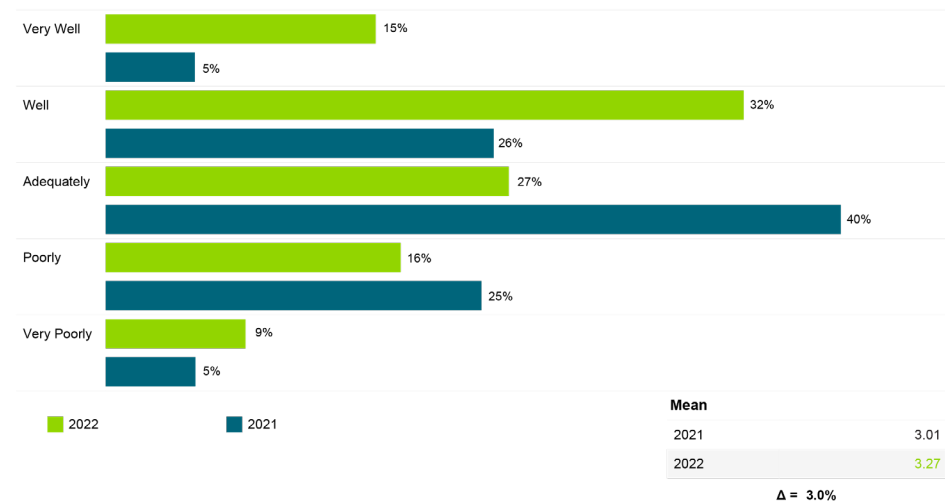
Federal organizations continue to demonstrate significant change from a year ago in terms of their ability to view effective risk management as a value add / organizational advantage. The mean response to this question increased from 3.10 a year ago to 3.20 this year. Additionally, it is worth noting that the percentage of respondents who rate how their organizations view effective risk management as “very well” or “well” as an organizational advantage rose from 33% cumulatively in 2021 to 40% cumulatively in 2022.

Having a formal ERM program and having a longer-duration ERM program are both associated with greater performance in this area. Respondents with formal ERM programs had a mean score of 3.32, a 40% increase from the mean of 2.36 for respondents without formal ERM programs. Respondents with longer-duration ERM programs have a mean of 3.43, which is 27% greater than the mean response of 2.70 for shorter-duration ERM programs.

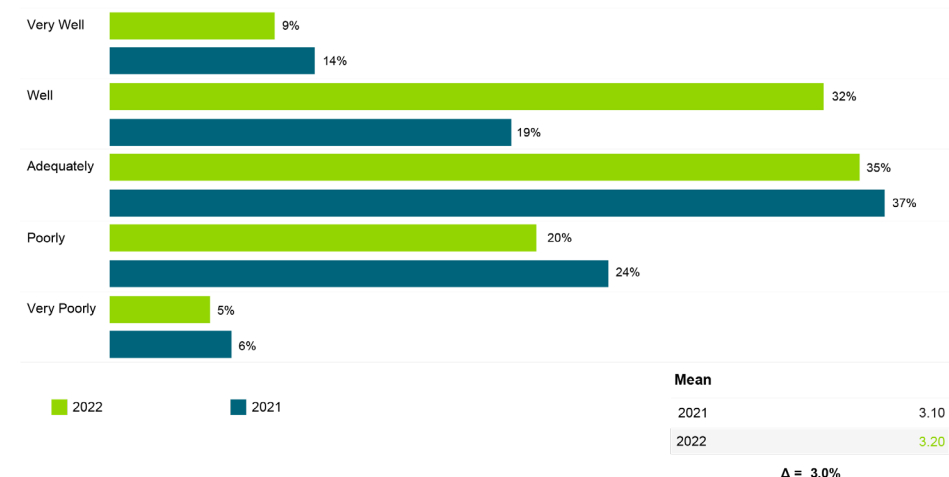
#### Noteworthy Breakout Categories

|           |                 |
|-----------|-----------------|
| ERM = Yes | Longer Duration |
|-----------|-----------------|

**Q: How do you rate how well does your organization provide a structured process for the management of all risks?**



**Q: How well does your organization view the effective management of risk as a value add / organizational advantage?**

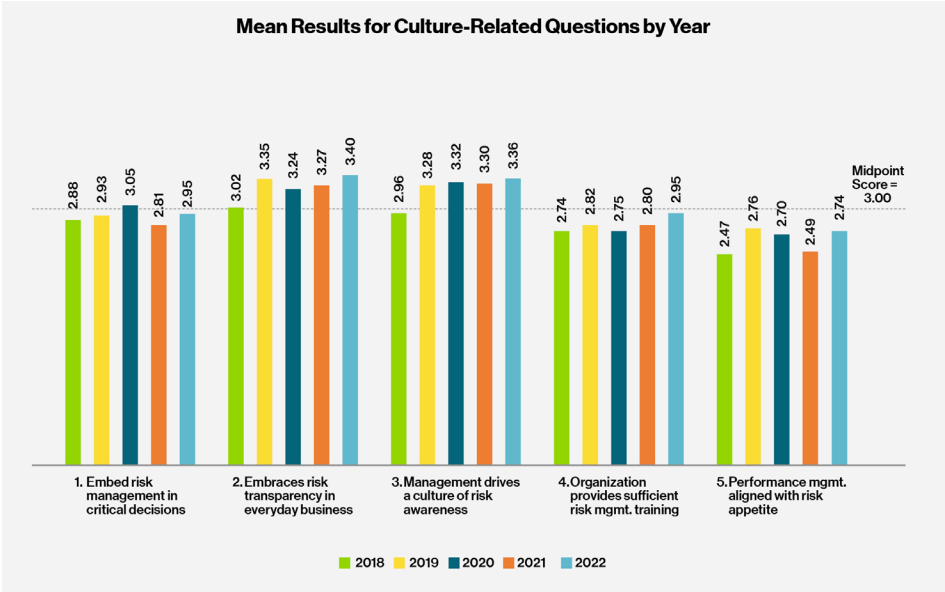


ERM & Culture

As noted in a prior survey question, “rigid culture and resistance to change” was cited less frequently this year as a barrier to executing and maintaining ERM programs. Despite falling to historic lows in the rankings of barriers, survey results continue to demonstrate ERM and culture-related challenges remain prominent for Federal organizations. As noted in the Characteristics of Federal ERM Programs section of this survey, culture and leadership-related challenges are the most prominent barriers facing organizations attempting to establish and maintain a formal ERM program (with “bridging silos across organizations” and “executive level buy-in and support” as the top two barriers selected by respondents). In addition, in the Focus & Priorities section, four out of the five most impactful improvements organizations could make to better position themselves for current and anticipated risks were culture-related.

**Culture Trends:** Responses to the culture-related questions this year **show modest improvements from the prior year**. All of the mean scores of all relevant questions in this section increased this year, though by no more than 10%.

The organizational characteristics that are more highly correlated with better adoption of the cultural tenets of ERM are: organizations with formal ERM programs, organizations with longer-duration ERM programs, and organizations that include ERM or risk management in the performance plans for all Senior Executives.

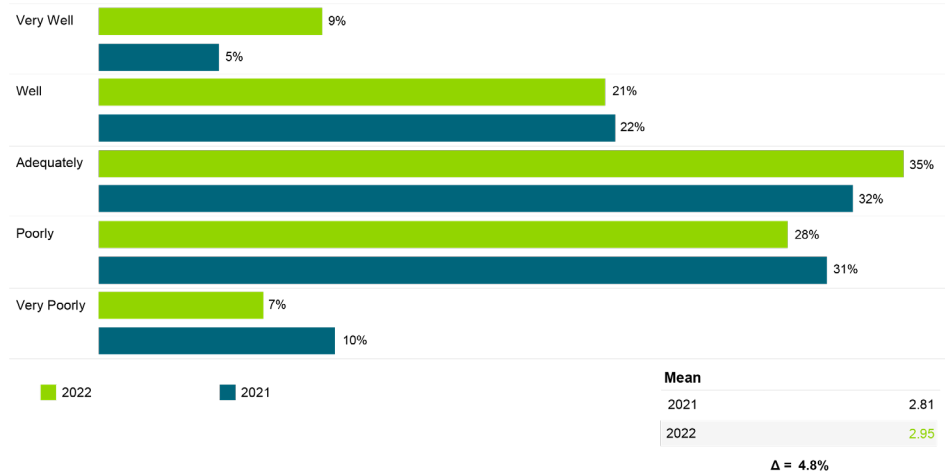


More respondents this year (30%) compared to a year ago (27%) characterize how their organizations seek to embed risk management as a component in all critical decisions as “well” or “very well.” Similarly, the mean result for this cultural attribute increased slightly to 2.95 this year from 2.81 a year ago (up about 5%).

Noteworthy Breakout Categories

ERM = YesLonger Duration

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



**More than half of this year's respondents (56%) either "agree" or "strongly agree" that their organizations embrace risk transparency and promote openness when discussing risk-related issues.**

With a small (nearly 4%) increase in results compared to last year, embracing the cultural aspects of risk transparency is the highest-rated culture-related question in our survey this year (mean = 3.40 this year compared to 3.27 a year ago).

#### Noteworthy Breakout Categories

SES Plan = All

Longer Duration

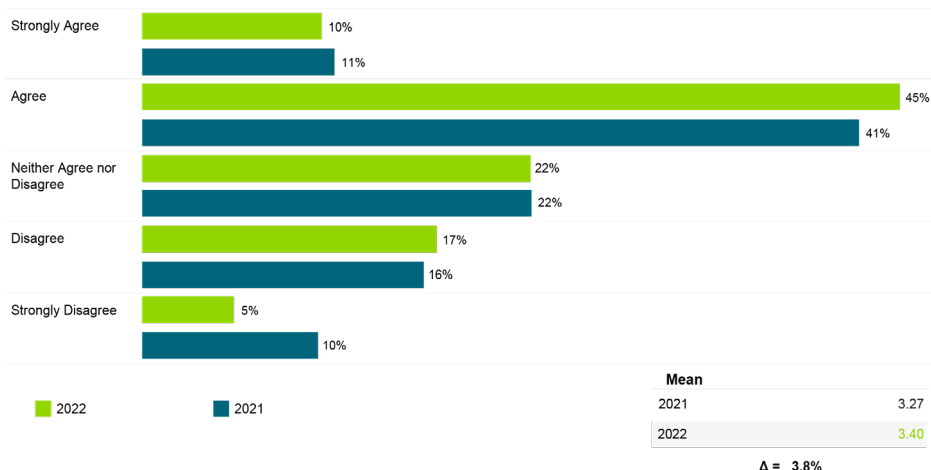
**This question regarding leadership's role in establishing a culture that is open to transparent risk aware behavior, has a slightly higher average response than last year,** with a mean result of 3.36 (up from 3.30 in 2021). This is reflective of 56% of respondents indicating they "strongly agree" or "agree" (up from 51% in 2021) with the existence of this trait in their organization, compared to only 25% who "disagree" or "strongly disagree." As the second highest-rated culture-related question in our survey this year, the only demographic category means that failed to breach the midpoint response are organizations having no ERM program and organizations with shorter-duration ERM programs.

#### Noteworthy Breakout Categories

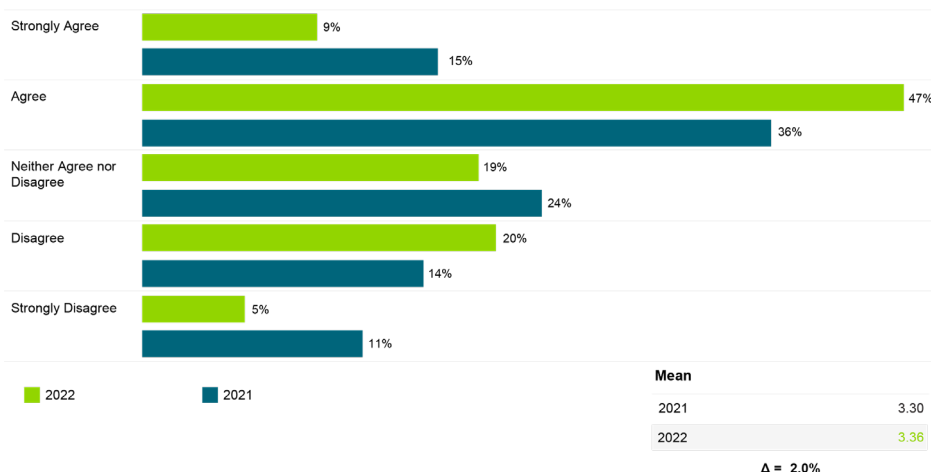
SES Plan = All

Longer Duration

**Q: My organization embraces the cultural aspects of risk transparency and promotes an environment where managers and staff are open to discussing risks as a part of everyday business.**



**Q: In my organization, management drives a culture of risk awareness and openness through the tone at the top, which encourages employees to identify, report, and escalate potential risks.**



Although improvement can be seen since 2021, respondents continue to cite insufficient ERM training to date, with 35% of respondents indicating this year they “disagree” or “strongly disagree” with the statement that their organization provides sufficient risk management training for staff, compared to 31% who “agree” or “strongly agree” with the statement. The overall mean response is 2.95 for 2022, up from 2.80 in 2021.

#### Noteworthy Breakout Categories

|                 |                |
|-----------------|----------------|
| ERM = Yes       | SES Plan = All |
| Longer Duration |                |

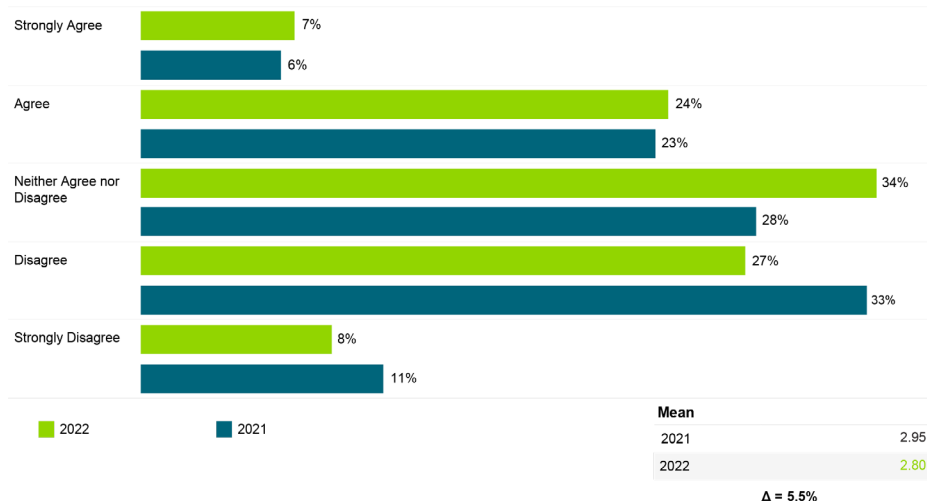
This year, the percentage of respondents reporting their organizations incorporate a specific evaluation of ERM or risk management-related activities in the performance plans of all its senior leaders nearly tripled, from 10% in 2021 to 27% in 2022. That figure rises slightly to 58% when considering at least some of the organization’s SES (or equivalent). Respondents from organizations with CRO-led ERM programs were slightly more likely to indicate their organization includes risk management-related activities in at least some of their SES performance plans (62% of CRO-led ERM programs vs. 53% of others).

This year, only 26% of respondents indicate that they “strongly agree” or “agree” that alignment between their performance management system and risk appetite exists in their organization, compared to 41% which indicate that they “disagree” or “strongly disagree.” The mean result for this question increased 10% from 2.49 in 2021 to 2.74 in 2022; however, the mean response to this question remains the lowest in this section on ERM & Culture. The only demographic categories in which the mean breaches the midpoint response are organizations in which the ERM program leader reports to the agency head and organizations in which ERM is included in all SES plans.

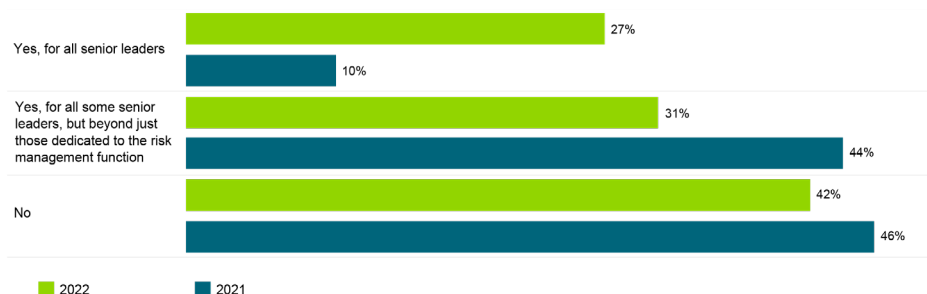
#### Noteworthy Breakout Categories

|           |                |
|-----------|----------------|
| ERM = Yes | SES Plan = All |
|-----------|----------------|

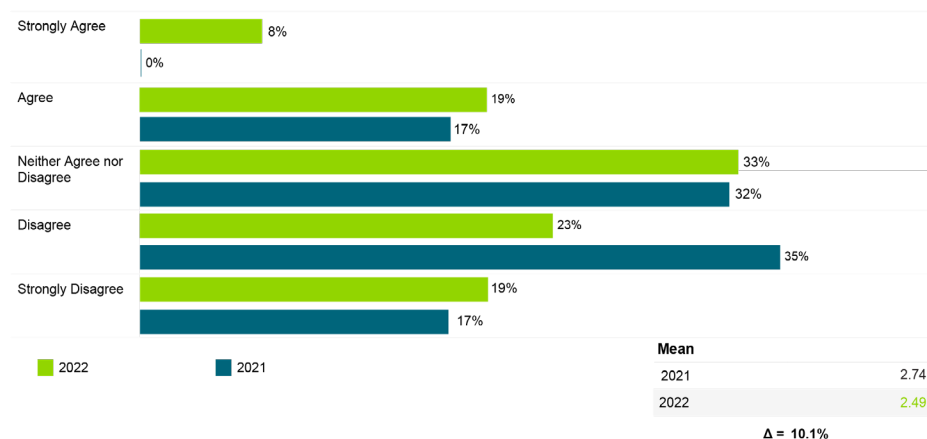
**Q:** My organization provides sufficient risk management training for staff to carry out their risk management responsibilities effectively and efficiently.



**Q:** Do the performance plans of senior leaders (SES or equivalent) at your organization include specific expectations to support or undertake ERM or risk management related activities that are then used for evaluative purposes?



**Q:** My organization’s performance management system is designed in alignment with my organization’s risk appetite, and encourages an appropriate level of risk-taking in the pursuit of strategic objectives while maintaining accountability.



# Emerging Risks in the Federal ERM Community

This year, several new questions were added to the survey to dig deeper into the areas of emerging risk for the Federal ERM community. These questions replaced the COVID-19-related questions that were asked in last year's survey.

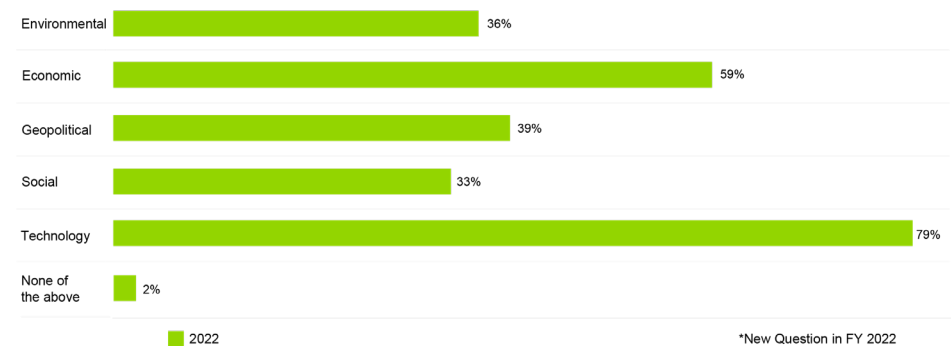
**Nearly 4 out of 5 respondents (79%) believe technology risks will generate significant uncertainty to their agency within the next three years.** This was the most frequently selected risk category, followed by the economic risk category (59%). These risk categories were the top two most-frequently selected emerging risks across nearly all demographic categories.

However, the percentage of respondents that selected these top risk categories varies – respondents from small agencies were much more likely to select the technology risk category as a source of significant risks (87% vs. 68% of respondents from large agencies), as were respondents with newer ERM programs (100% vs. 73% of respondents with longer-duration ERM programs).

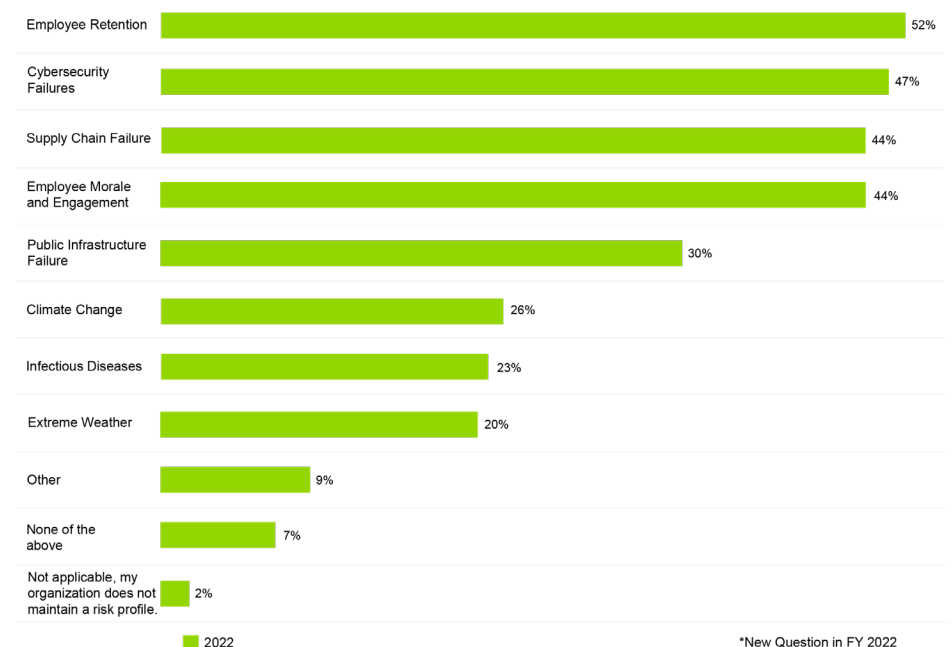
**Many respondents indicate workforce-related risks should be added to their organization's risk profile, citing retention (52% of respondents) and employee morale and engagement (44% of respondents).** Other top selections include cybersecurity failures (47%), supply chain failures (44%), and public infrastructure failure (30%). These top five risk types remain the most frequently cited emerging risks across nearly all demographic categories.

Some respondents who selected the "other" response indicated that many or all of the emerging risks were already incorporated into their profile. Others cited inflation, safety of facilities/personnel, and reputational risks such as extreme politicization and misinformation/disinformation.

**Q: Select the risk categories that you believe will generate significant risks to your agency within the next three years (select all that apply).**



**Q: Which, if any, of the emerging risks below do you believe should be added to your organization's risk profile (select all that apply).**



# Mean Breakouts

## Select Survey Results by Demographic Categories

This year's survey included a total of 14 questions that requested responses consistent with a five-point Likert Scale, ranging either from "Strongly Agree" to "Strongly Disagree" or "Very Well" to "Very Poorly." These questions fell into three broad categories:

- ERM Integration with Other Organizational Processes
- Performance Evaluation of ERM Capabilities
- ERM & Culture

### Legend

- Mean results greater than 3.20
- Mean results between 2.80 and 3.20
- Mean results less than 2.80
- % Delta greater than 25%
- % Delta between 10% and 25%
- % Delta less than 10%

The questions enable the calculation of mean results at both the overall question level as well as for each demographic category. The tables on the following three pages provide those means as calculated for the six most prominent demographic categories employed in this year's survey. The integration questions were not posed to respondents from organizations without an ERM program.

The following table provides the long description of each demographic category, aligned to the shorthand notation used in the subsequent data tables.

| Shorthand Notation | Full Description                             | Shorthand Notation | Full Description                               |
|--------------------|--|--------------------|--|
| ERM = Yes          | Organization has an ERM Program              | ERM = No           | Organization does not have an ERM Program      |
| CRO-Led            | ERM Program is led by a Chief Risk Officer   | Non-CRO-Led        | ERM Program is not led by a Chief Risk Officer |
| Report to Head     | ERM Lead reports to Agency Head              | Report to Other    | ERM Lead reports to someone else               |
| Lead > 50% on ERM  | Lead spends more than 50% of time on ERM     | Lead < 50% on ERM  | Lead spends less than 50% of time on ERM       |
| SES Plans = All    | ERM is included in all SES Performance Plans | SES Plans = Some/Ø | ERM in some/none SES Performance Plans         |
| Longer Duration    | ERM Program has existed for 3 or more years  | Shorter Duration   | ERM Program has existed for less than 3 years  |

### ERM Integration with Other Organizational Processes

To what extent has your organization integrated your Enterprise Risk Management program with your Management Internal Control program?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| CRO-Led           | 3.32 | Non-CRO-Led        | 3.15 | 5.3%  |
| Report to Head    | 3.19 | Report to Other    | 3.25 | -1.8% |
| Lead > 50% on ERM | 3.58 | Lead < 50% on ERM  | 3.00 | 19.4% |
| SES Plans = All   | 3.92 | SES Plans = Some/Ø | 3.13 | 25.3% |
| Longer Duration   | 3.40 | Shorter Duration   | 2.42 | 40.8% |

To what extent has your organization integrated Enterprise Risk Management into strategic planning?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| CRO-Led           | 2.97 | Non-CRO-Led        | 2.93 | 1.7%  |
| Report to Head    | 3.12 | Report to Other    | 2.87 | 8.7%  |
| Lead > 50% on ERM | 3.23 | Lead < 50% on ERM  | 2.77 | 16.6% |
| SES Plans = All   | 4.00 | SES Plans = Some/Ø | 2.80 | 42.9% |
| Longer Duration   | 3.11 | Shorter Duration   | 2.42 | 28.8% |

To what extent has your organization integrated ERM into budgetary processes?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| CRO-Led           | 2.68 | Non-CRO-Led        | 2.63 | 2.3%  |
| Report to Head    | 2.54 | Report to Other    | 2.71 | -6.4% |
| Lead > 50% on ERM | 3.26 | Lead < 50% on ERM  | 2.26 | 44.5% |
| SES Plans = All   | 3.58 | SES Plans = Some/Ø | 2.50 | 43.3% |
| Longer Duration   | 2.79 | Shorter Duration   | 2.00 | 39.5% |

To what extent has your organization integrated ERM into execution processes (e.g., performance management and execution oversight)?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| CRO-Led           | 2.58 | Non-CRO-Led        | 2.73 | -5.4% |
| Report to Head    | 2.73 | Report to Other    | 2.62 | 4.4%  |
| Lead > 50% on ERM | 3.06 | Lead < 50% on ERM  | 2.38 | 28.6% |
| SES Plans = All   | 3.75 | SES Plans = Some/Ø | 2.53 | 48.5% |
| Longer Duration   | 2.82 | Shorter Duration   | 2.00 | 41.1% |



## Performance Evaluation of ERM Capabilities

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

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| CRO-Led           | 3.45 | Non-CRO-Led        | 3.36 | 2.9%  |
| Report to Head    | 3.50 | Report to Other    | 3.36 | 4.3%  |
| Lead > 50% on ERM | 3.67 | Lead < 50% on ERM  | 3.22 | 14.0% |
| SES Plans = All   | 4.00 | SES Plans = Some/Ø | 3.19 | 25.5% |
| Longer Duration   | 3.59 | Shorter Duration   | 2.57 | 39.5% |

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

| Category          | Mean | Category           | Mean | Delta  |
|-------------------|------|--------------------|------|--------|
| ERM = Yes         | 3.20 | ERM = No           | 2.27 | 40.9%  |
| CRO-Led           | 3.23 | Non-CRO-Led        | 2.98 | 8.3%   |
| Report to Head    | 2.96 | Report to Other    | 3.32 | -10.9% |
| Lead > 50% on ERM | 3.41 | Lead < 50% on ERM  | 3.07 | 11.3%  |
| SES Plans = All   | 3.75 | SES Plans = Some/Ø | 3.21 | 17.0%  |
| Longer Duration   | 3.42 | Shorter Duration   | 2.09 | 63.4%  |

How well does your organization evaluate the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.26 | ERM = No           | 2.27 | 43.3% |
| CRO-Led           | 3.34 | Non-CRO-Led        | 2.98 | 12.2% |
| Report to Head    | 3.13 | Report to Other    | 3.32 | -5.9% |
| Lead > 50% on ERM | 3.48 | Lead < 50% on ERM  | 3.11 | 11.9% |
| SES Plans = All   | 3.92 | SES Plans = Some/Ø | 3.21 | 22.2% |
| Longer Duration   | 3.43 | Shorter Duration   | 2.36 | 45.3% |

How well does your organization provide a structured process for the management of all risks?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.41 | ERM = No           | 2.36 | 44.1% |
| CRO-Led           | 3.46 | Non-CRO-Led        | 3.14 | 10.1% |
| Report to Head    | 3.38 | Report to Other    | 3.42 | -1.3% |
| Lead > 50% on ERM | 3.69 | Lead < 50% on ERM  | 3.22 | 14.5% |
| SES Plans = All   | 4.08 | SES Plans = Some/Ø | 3.44 | 18.8% |
| Longer Duration   | 3.62 | Shorter Duration   | 2.36 | 53.0% |

How well does your organization view the effective management of risk as a value add / organizational advantage?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.32 | ERM = No           | 2.36 | 40.6% |
| CRO-Led           | 3.34 | Non-CRO-Led        | 3.09 | 8.4%  |
| Report to Head    | 3.43 | Report to Other    | 3.27 | -1.4% |
| Lead > 50% on ERM | 3.34 | Lead < 50% on ERM  | 3.31 | 6.3%  |
| SES Plans = All   | 3.75 | SES Plans = Some/Ø | 3.36 | 20.2% |
| Longer Duration   | 3.43 | Shorter Duration   | 2.70 | 24.8% |

## ERM & Culture

How well does your organization seek to embed risk management as a component in all critical decisions throughout the organization?

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.03 | ERM = No           | 2.40 | 26.2% |
| CRO-Led           | 3.00 | Non-CRO-Led        | 2.91 | 3.0%  |
| Report to Head    | 3.00 | Report to Other    | 3.04 | -1.4% |
| Lead > 50% on ERM | 3.14 | Lead < 50% on ERM  | 2.95 | 6.3%  |
| SES Plans = All   | 3.67 | SES Plans = Some/Ø | 3.05 | 20.2% |
| Longer Duration   | 3.12 | Shorter Duration   | 2.50 | 24.8% |

My organization embraces the cultural aspects of risk transparency and promotes an environment where managers and staff are open to discussing risks as a part of everyday business.

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.54 | ERM = No           | 2.50 | 41.6% |
| CRO-Led           | 3.63 | Non-CRO-Led        | 3.24 | 12.2% |
| Report to Head    | 3.42 | Report to Other    | 3.60 | -5.1% |
| Lead > 50% on ERM | 3.76 | Lead < 50% on ERM  | 3.40 | 10.5% |
| SES Plans = All   | 4.00 | SES Plans = Some/Ø | 3.67 | 9.1%  |
| Longer Duration   | 3.72 | Shorter Duration   | 2.64 | 41.0% |

In my organization, management drives a culture of risk awareness and openness through the tone at the top, which encourages employees to identify, report, and escalate potential risks.

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.49 | ERM = No           | 2.58 | 35.2% |
| CRO-Led           | 3.49 | Non-CRO-Led        | 3.28 | 6.3%  |
| Report to Head    | 3.29 | Report to Other    | 3.59 | -8.4% |
| Lead > 50% on ERM | 3.66 | Lead < 50% on ERM  | 3.39 | 7.9%  |
| SES Plans = All   | 4.00 | SES Plans = Some/Ø | 3.51 | 13.9% |
| Longer Duration   | 3.64 | Shorter Duration   | 2.55 | 43.2% |

My organization provides sufficient risk management training for staff to effectively and efficiently carry out their risk management responsibilities.

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 3.03 | ERM = No           | 2.50 | 21.1% |
| CRO-Led           | 3.03 | Non-CRO-Led        | 2.90 | 4.4%  |
| Report to Head    | 2.96 | Report to Other    | 3.06 | -3.3% |
| Lead > 50% on ERM | 3.23 | Lead < 50% on ERM  | 2.89 | 12.0% |
| SES Plans = All   | 3.58 | SES Plans = Some/Ø | 3.05 | 17.4% |
| Longer Duration   | 3.14 | Shorter Duration   | 2.64 | 18.9% |

My organization's performance management system is designed in alignment with my organization's risk appetite and encourages an appropriate level of risk-taking in the pursuit of strategic objectives while maintaining accountability.

| Category          | Mean | Category           | Mean | Delta |
|-------------------|------|--------------------|------|-------|
| ERM = Yes         | 2.84 | ERM = No           | 2.09 | 35.9% |
| CRO-Led           | 2.83 | Non-CRO-Led        | 2.67 | 6.1%  |
| Report to Head    | 3.08 | Report to Other    | 2.70 | 13.9% |
| Lead > 50% on ERM | 2.93 | Lead < 50% on ERM  | 2.77 | 5.9%  |
| SES Plans = All   | 3.50 | SES Plans = Some/Ø | 2.79 | 25.2% |
| Longer Duration   | 2.87 | Shorter Duration   | 2.50 | 14.9% |

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# Acknowledgments and Contact Information

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

## Primary Contributors

### Guidehouse

[www.guidehouse.com](http://www.guidehouse.com)

#### Kate Sylvis

[ksylvis@guidehouse.com](mailto:ksylvis@guidehouse.com)

#### Alex McElroy

[amcelroy@guidehouse.com](mailto:amcelroy@guidehouse.com)

#### Anita Warner

[awarner@guidehouse.com](mailto:awarner@guidehouse.com)

### AFERM

[www.AFERM.org](http://www.AFERM.org)

#### Daniella Datskovska

[president@aferm.org](mailto:president@aferm.org)

#### Nicole Puri

#### Marianne Roth

### *Additional Writers*

#### Jean Nkamdon

#### Meron Alefnew

### *Additional Reviewers*

#### David Fisher

#### Thomas Holland

#### Ryan Curran

#### Stacey Floam

### *Developers*

#### Vasu Talluri

#### Anoop Sudhakaran

#### Ambily Raveendran

#### Shabaresh Unnikrishnan

#### Kartheek Pichani

#### Vishnu Vijayakumar

### *Marketing*

#### Ellie Stutts

#### Erin Connealy

### *Creative*

#### Amy Zeinoun

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### AFERM

AFERM is the only professional association solely dedicated to the advancement of ERM in the Federal government through thought leadership, education and collaboration. AFERM provides programs and education about benefits, tools and leading practices of Federal ERM and collaborates with other organizations and stakeholders to encourage the establishment of ERM in Federal departments and agencies. For more information about AFERM, please visit [AFERM.org](http://AFERM.org).



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