

CREATING A CLEAR 20/20 ERM VISION TO TAKE ON TOMORROW'S RISKS



AFERM
Association for Federal
Enterprise Risk Management

**13TH ANNUAL
ERM SUMMIT**



Trivia Question

**This ‘Material Girl’ was
‘Borderline’ when she ‘Live to
Tell’ to ‘Express Yourself’ and
‘Take a Bow’ ‘Like a Prayer.’ Who
is she?**

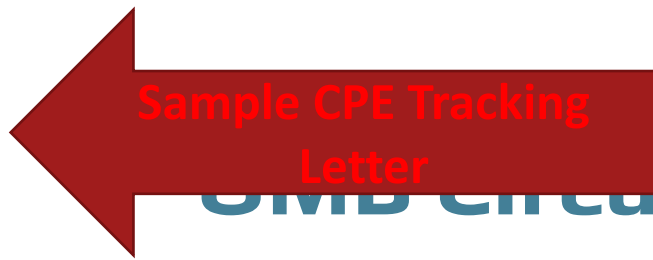


Answer: Madonna



Meredith Stein

Chair, 2020 ERM Summit Planning Committee



OMB Circular A-123 History

- 1981 – OMB First Issued Circular No. A-123, Internal Control Systems
-
- 1982 – OMB Issued Internal Control Guidelines and the Federal Managers Financial Integrity Act was enacted
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- 1995–OMB updated A-123, Management Accountability and Control to reflect CRA, CFO Act, IG Act
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- 2004 – OMB updated A-123, Management’s Responsibility for Internal Control and added Appendix A, Internal Control Over Financial Reporting

SAMPLE SLIDE

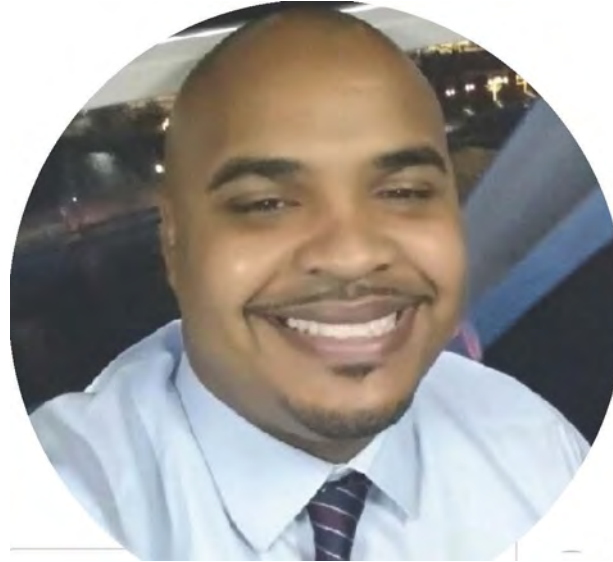




Ken Fletcher

AFERM President

Moment of Remembrance



Marcus Howard

1978 - 2020

AFERM Member, Colleague, Friend and Supporter

Director of ERM and Internal Control

U.S. Agency for International Development





National Board of Directors Ratification Vote for President Elect

Daniella Datskovska

Director, Guidehouse (PMP, CISA, RIMS CRMP-Fed, CFE)



Enterprise Risk Management: Articulating the Value Proposition

Speaker: Merline Barrington, New York/New Jersey Port Authority

Moderator: Bobbi-Jo Pankaj, Grant Thornton



Polling Question

Polling Question #1

Where on the maturity model/how mature is your ERM program?
(Multiple Choice)

- a) Not Mature At All: Ad hoc Level
- b) Making Progress: Initial Level
- c) Moving Towards Maturity: Repeatable Level
- d) Somewhat Mature: Managed Level
- e) Very Mature: Leadership Level



Polling Question

Polling Question #2

Do you use a tool (Commercial off the shelf (COTS) or in-house) to help you collect, assess and report on risks as part of your ERM program?
(Multiple Choice)

- a) Yes, we use a COTS tool
- b) Yes, we use an in-house built tool
- c) Yes, we use an enhanced version of excel as our tool
- d) No, we do not use a tool



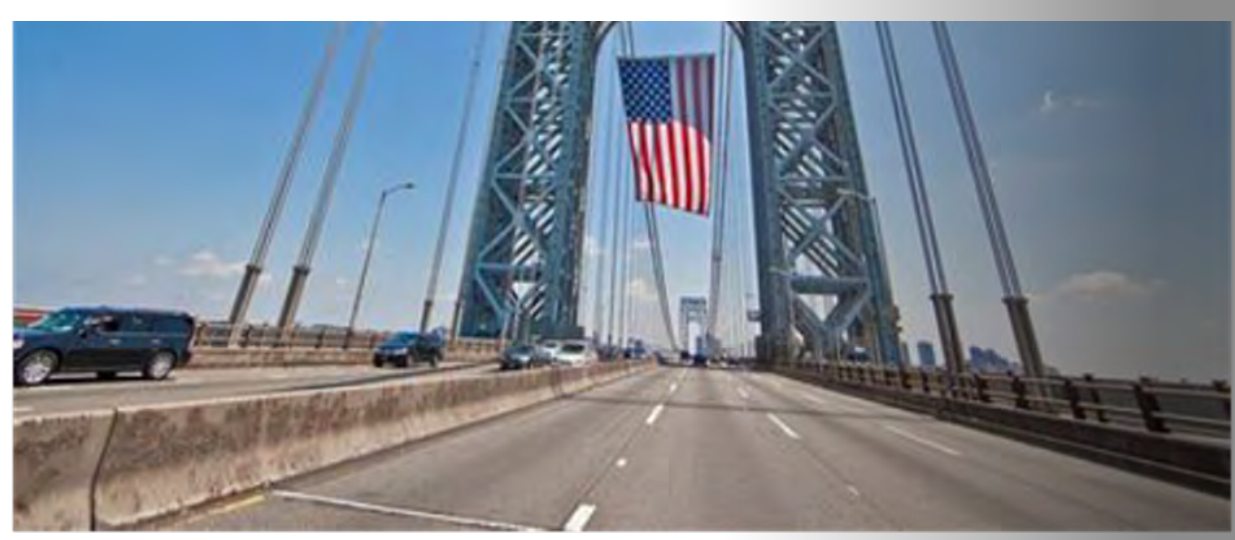
Polling Question

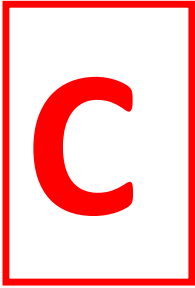
Polling Question #3

What types of transportation infrastructure does the Port Authority of New York and New Jersey operate and maintain? (Multiple Choice)

- a) Rail and Ports
- b) Airports and Rail
- c) Tunnels, Bridges, Terminals, Rail, Ports and Ferries
- d) World Trade Center (WTC)
- e) All of the above

The Port Authority of New York and New Jersey





ERM at the Port Authority

Audit Committee of the Board of Commissioners	Appointed by NY-NJ Governors
ERM Steering Committee	10 Chiefs/ Officers
ERM Central Team	4 FTE
All Departments	120+ Individual Participants

Goal of ERM

- **Enhance Overall Business Performance**
 - Integrate risk information into decision-making & execution



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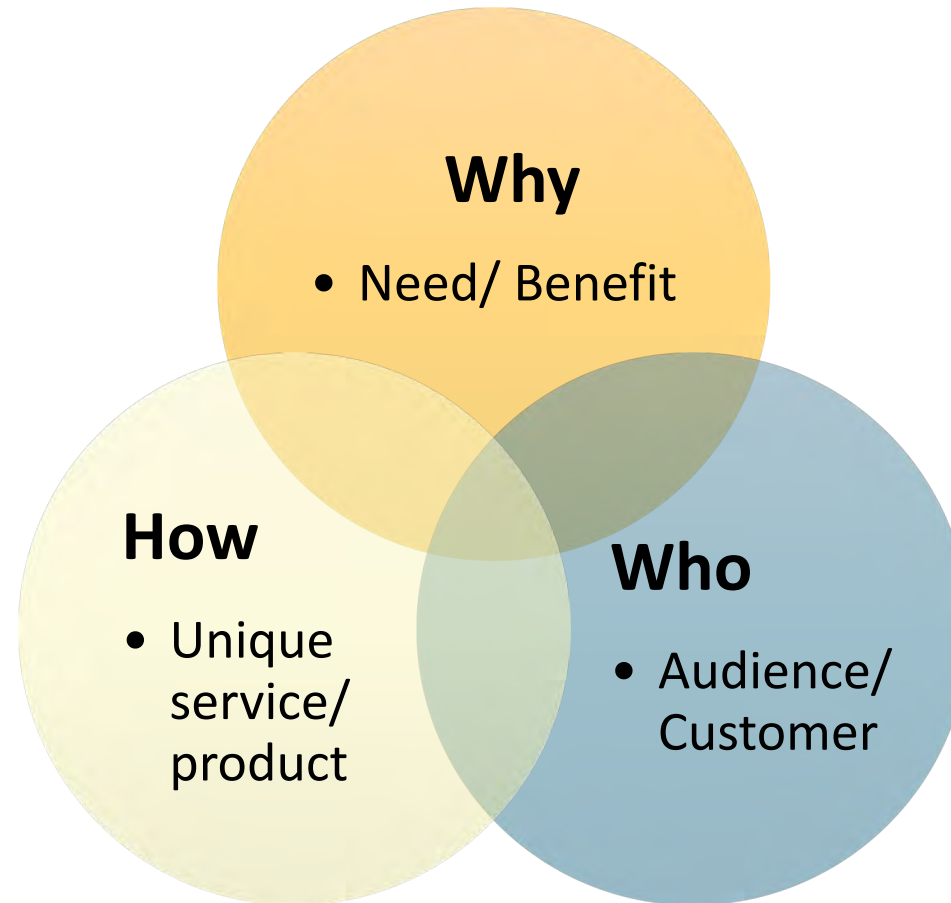
ERM Value Proposition

ERM advances a **proactive, interrelated portfolio view of significant risks to Port Authority objectives and strategy for decision-making and resource allocation**

Value Proposition Framework

Value generating tools and techniques

- Top down/ Bottom up Approach
- Root Cause/ Risk Library
- Risk Prioritization





Technique: ERM Approach



Technique: Bottom Up



Getting to the “Vital Few”

- Drives risk management across the enterprise
- Incorporates front-line experts to advance process
- Leverage existing processes
 - Business Planning
 - Business Performance metrics
 - Project Management
 - Budget Process

Tool: Strategy & Business Objectives Sets Risk Scope

Our Mission is to keep the region moving

Standards

- Integrity
- Diversity & Inclusion
- Global Best Practices
- 21st Century Technology
- Collaboration
- Speed



Strategic Priorities

- Safety & Security
- Capital Plan
- Customer Experience
- Operational Excellence
- Sustainability
- Employer of Choice

Business Objectives = Measurable Steps Taken to Achieve Strategic Priorities

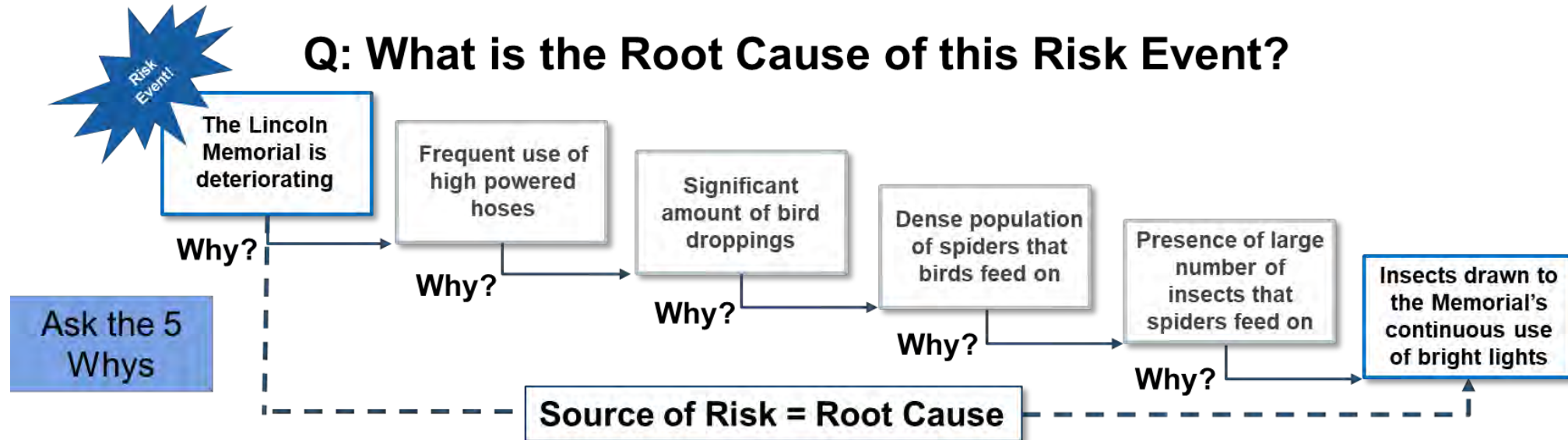
- Informed by Mission and Priorities

Tool: Root Cause

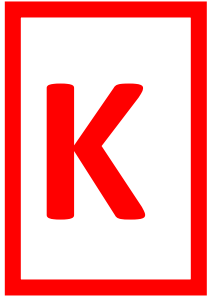
Risk vs. Sources of Risk

At PANYNJ, we use risk synonymously with sources of risk

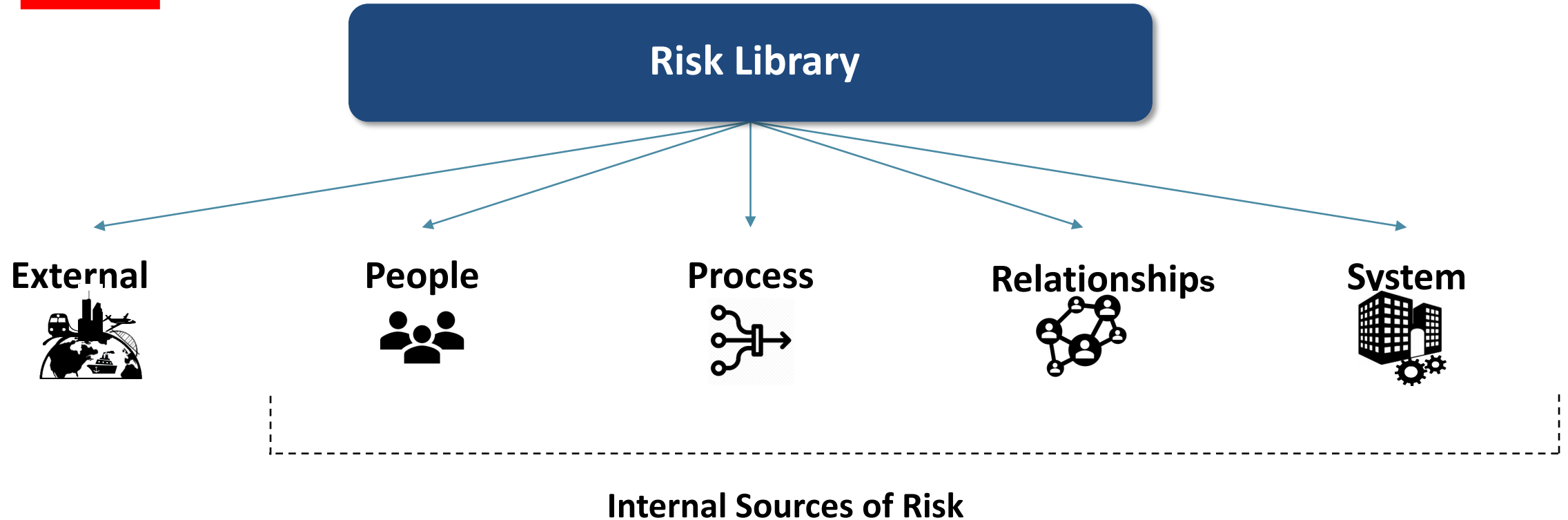
Q: What is the Root Cause of this Risk Event?



- Specific information about conditions creating the risk
- Creates basis for control activities aimed at preventing future events



Tool: Common Language for Sources of Risk



Tool: Assess to Prioritize Risk



Assess Risks

Assess the **root cause of risk**

Inherent Risk Score

Impact x Likelihood



Assess Controls

Calculate effectiveness of Controls
at **reducing risk**

Residual Risk Score

Inherent Risk Score - Controls

COVID19: Sustaining the Value Proposition

“In a time of great uncertainty, decisions are being taken today by governments and businesses that will determine how these risks or opportunities emerge and play out....with changing industry structures and changing competitive positions, how do we not only survive, but also find the silver linings?” *World Economic Forum, May 2020*

- Reevaluate value proposition
 - How has the need of the audience/customer changed?
 - How does the benefit and or how it is delivered need to adapt?

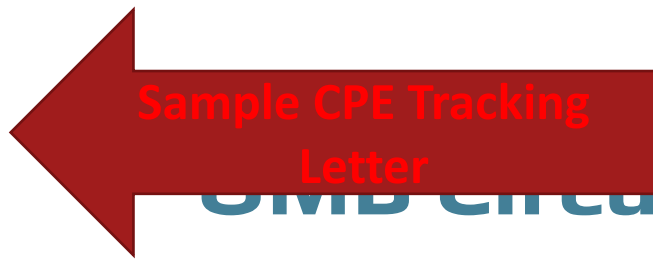


Questions?



Morning Break

15 Minutes



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SAMPLE SLIDE



Microsoft Journey with ERM

**Speaker: Tom
Easthope, Microsoft**

**Moderator: Kate
Sylvis, Guidehouse**



Hello AFERM!

Public vs Private

Microsoft's ERM
Journey

Key Areas of Focus

Looking Forward



Public vs Private Sector



Public Sector

Executive Branch Influence

Delivering Services at Scale

Appointee Integration

Technology Pioneers

Propensity for shorter term focus

Ecosystem Complexity

Impact of People

Role of Technology



Private Sector

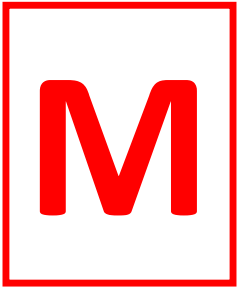
Wall Street Influence

Global Scale and Supply Chain

Executive Vision

Efficiency and Innovation





Microsoft's ERM Journey



Early



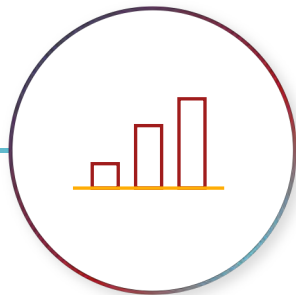
Developing



Evolving



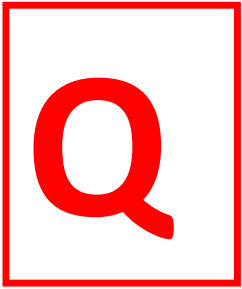
Microsoft's ERM Journey



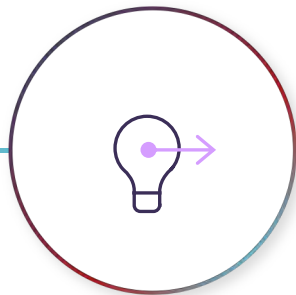
Early

- Risk Committee
- Long Reports
- Cultural Challenges





Microsoft's ERM Journey



Developing

- Operational Risk Integration
- Introduction of GRC
- Centralization
- Alignment to Strategy



Microsoft's ERM Journey



Evolving

- Importance of Compliance
- Accountability
- Harnessing Data



B

Key Focus Areas

- Threats to *“Microsoft Runs on Trust”*...
- Dynamically changing strategic risks
- Digital transformation and enabling growth
- The growing commitment to social responsibility



Looking Forward

- Better integration
- Help senior leaders and board
- Enable organizational agility
- Data as an asset





Thank You for Participating!

Questions?



Results of The Annual ERM Survey

Kate Sylvis presented by
Guidehouse

Federal Enterprise Risk Management

2020 Survey Results

The 2020 Federal ERM Survey is Guidehouse's sixth 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.





Agenda

- 01** | Survey Approach
- 02** | Responding Organizations
- 03** | Primary Demographic Breakdowns
- 04** | Additional Top Findings
- 05** | Presentation + Data Tables
- 06** | Contact Information

Survey Approach

- The 6th annual survey was conducted by Guidehouse and AFERM on Enterprise Risk Management in the U.S. Federal government.
- A vast majority of questions are repeated from last year's survey to enable the tracking of trends over time.
- Administered between May 11th and May 20th to government members of AFERM, members of the Senior Executive Association (SEA), and the Association of Government Accountants (AGA). **The survey was only distributed to government personnel.**
- **Largest number of responses, across the broadest organizational base, in the six-year history of the survey.** Responses were received from a total of **37 Federal organizations**, including **all 15 Cabinet agencies**. In many of these cases, additional variety was represented across multiple components or bureaus of these broad departments or agencies.

Responding Organizations

Department-Level

Architect of the Capitol
Consumer Financial Protection Bureau
Corporation for National and Community Service
Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of Justice
Department of Labor
Department of State
Department of the Interior
Department of the Treasury
Department of Transportation
Department of Veterans Affairs
Environmental Protection Agency

Federal Deposit Insurance Corporation
Federal Reserve
Federal Retirement Thrift Investment Board
General Services Administration
International Development Finance Corporation
National Aeronautics and Space Administration
National Archives and Records Administration
National Credit Union Administration
Nuclear Regulatory Commission
Office of Personnel Management
Pension Benefit Guaranty Corporation
Pretrial Services Corporation for the District of Columbia
Railroad Retirement Board
Securities and Exchange Commission
Small Business Administration
Social Security Administration
U.S. Agency for International Development
U.S. Federal Courts

Primary Demographic Breakdowns

Formal ERM Program



Leader of the ERM Program



Size of Organization



ERM Lead Reports To



Duration of ERM Program



ERM Lead Time Spent on ERM



Size of ERM Budget



ERM in SES Performance Plans



Primary Demographic Breakdowns

Correlation with Success

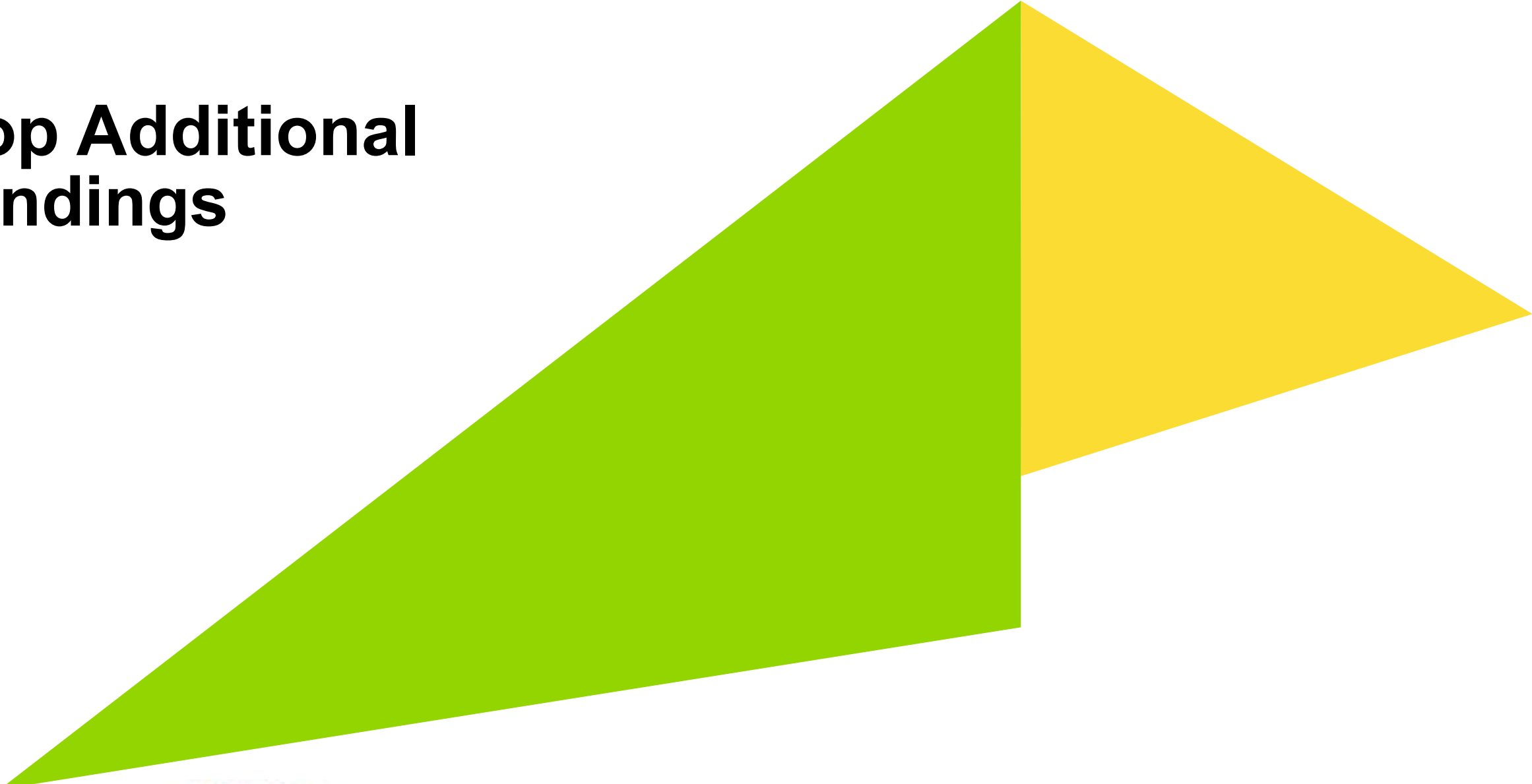
Demographic categories with highest mean scores and most positive responses:

- Organizations that incorporate risk management into the performance plans of all members of the Senior Executive Service (or equivalent)
- Organizations with ERM programs that have been running for three or more years

Additional demographic categories with higher correlation for ERM effectiveness:

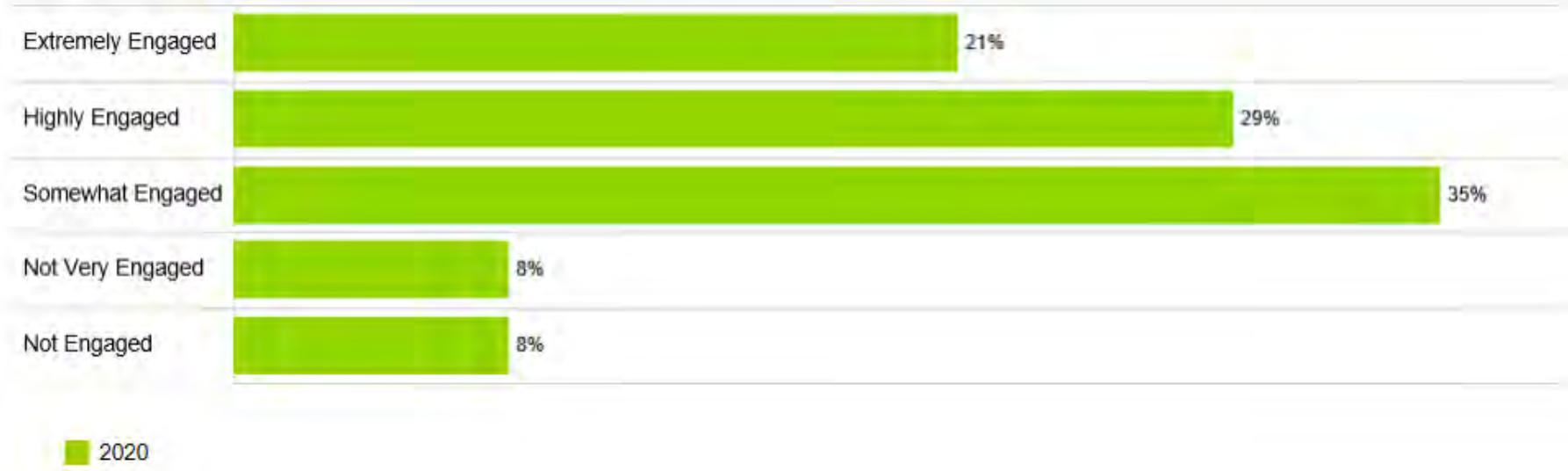
- Organizations in which the ERM program reports directly to the Agency Head or Deputy
- Organizations with a Chief Risk Officer (CRO) in charge of their ERM program

Top Additional Findings



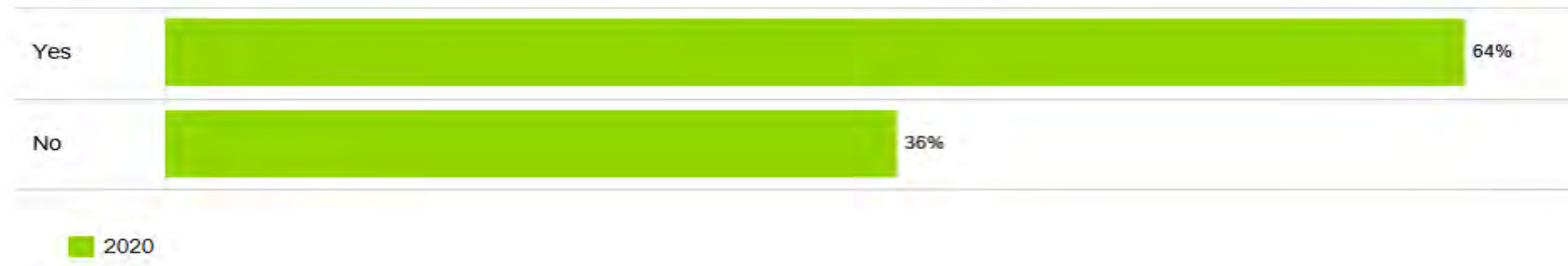
Response to COVID-19

How engaged has your organization's ERM program been in your organization's response to the current pandemic?



Response to COVID-19

Has your agency's ERM Program defined any changes in plans to implement going forward as a result of the current pandemic?

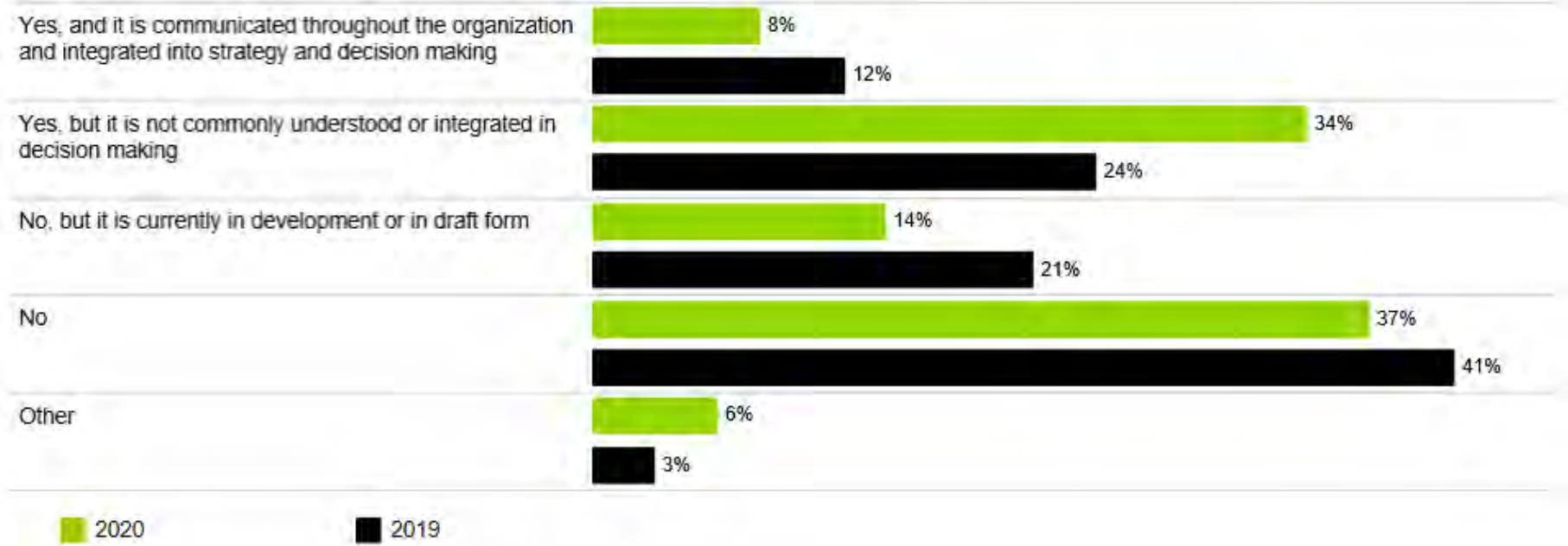


These responses are grouped into the following categories:

- Focus on business continuity and contingency plans
- Identifying COVID-19 risks and updating risk description and risk scoring
- Changes to the risk assessment process
- Increased focus on risk responses
- Focus on black swan/disaster risks
- Focus on resilience

Risk Appetite

Does your organization have a defined risk appetite statement?



Degree of Integration

Integration of ERM with organizational processes increased this year:

ERM integration with...	Mean
Management Internal Control Program	3.20
Strategic Planning	3.00
Performance Management and Execution Oversight	2.88
Budgetary Processes	2.63

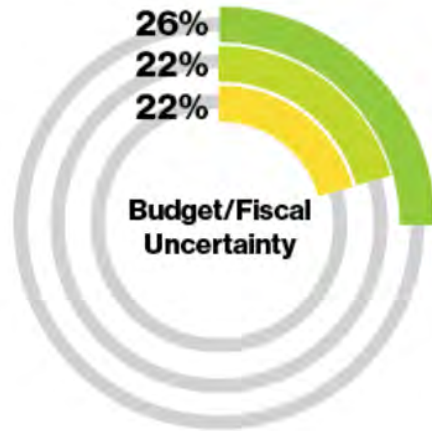
Risk Focus + Perceptions

Current and Anticipated

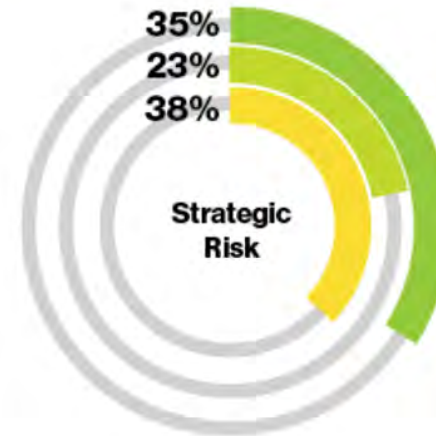
Integration of ERM with organizational processes increased this year:

Management's Current Focus on Risks	Perception of Risks Currently Believed to have the Greatest Impact on Strategic Objectives	Perception of Risks Anticipated to have the Greatest Impact on Strategic Objectives over the Next 3-5 years
1. Cybersecurity/Privacy (73%)	1. Cybersecurity/Privacy (60%)	1. Cybersecurity/Privacy (57%)
2. Operational/ Programmatic Risk (72%)	2. Human Capital Risk (46%)	2. Human Capital Risk (52%)
3. Compliance Risk (44%)	3. Operational/Programmatic Risk (40%)	3. Operational/Programmatic Risk (42%)
4. Human Capital Risk (43%)	4. Reputational Risk (25%)	4. Strategic Risk (38%)
5. Financial Risk (38%)	5. Strategic Risk (23%)	5. Business Continuity Risk (23%)

Alignment of Focus + Perceptions

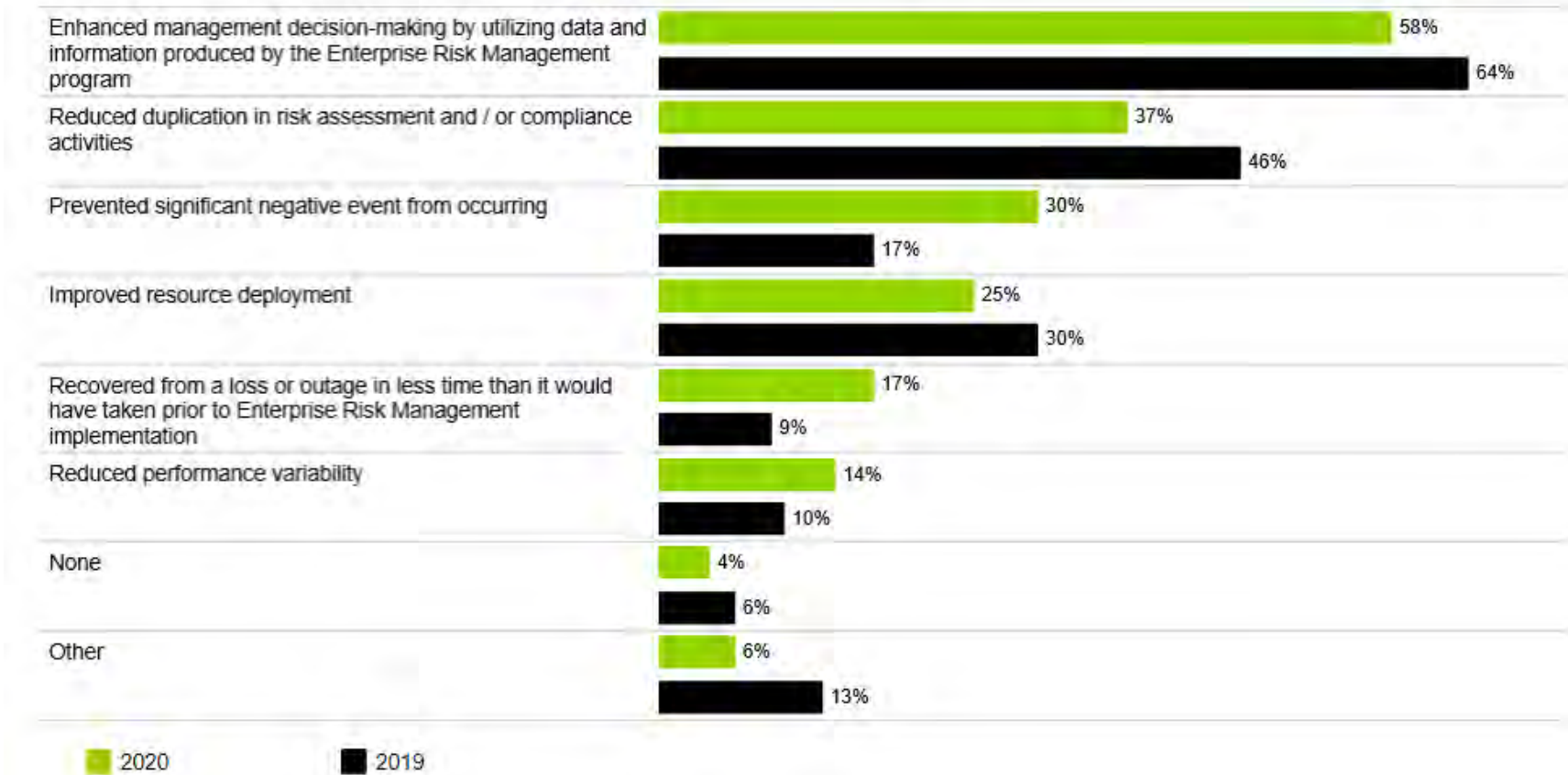


Alignment of Focus + Perceptions



Benefits from ERM Programs

Since developing an Enterprise Risk Management program, which of the following benefits has your Organization realized? Please select all that apply.



Areas for Impactful Improvements + Barriers

Top 3 impactful improvements to better position for effective risk management:

1. More clear linkage, alignment, or integration of risk with strategy and performance (cited by 48% of respondents)
2. Culture change to accept risk management as part of day-to-day business (47%)
3. Tone-at-the-top, Executive support for risk management (42%)

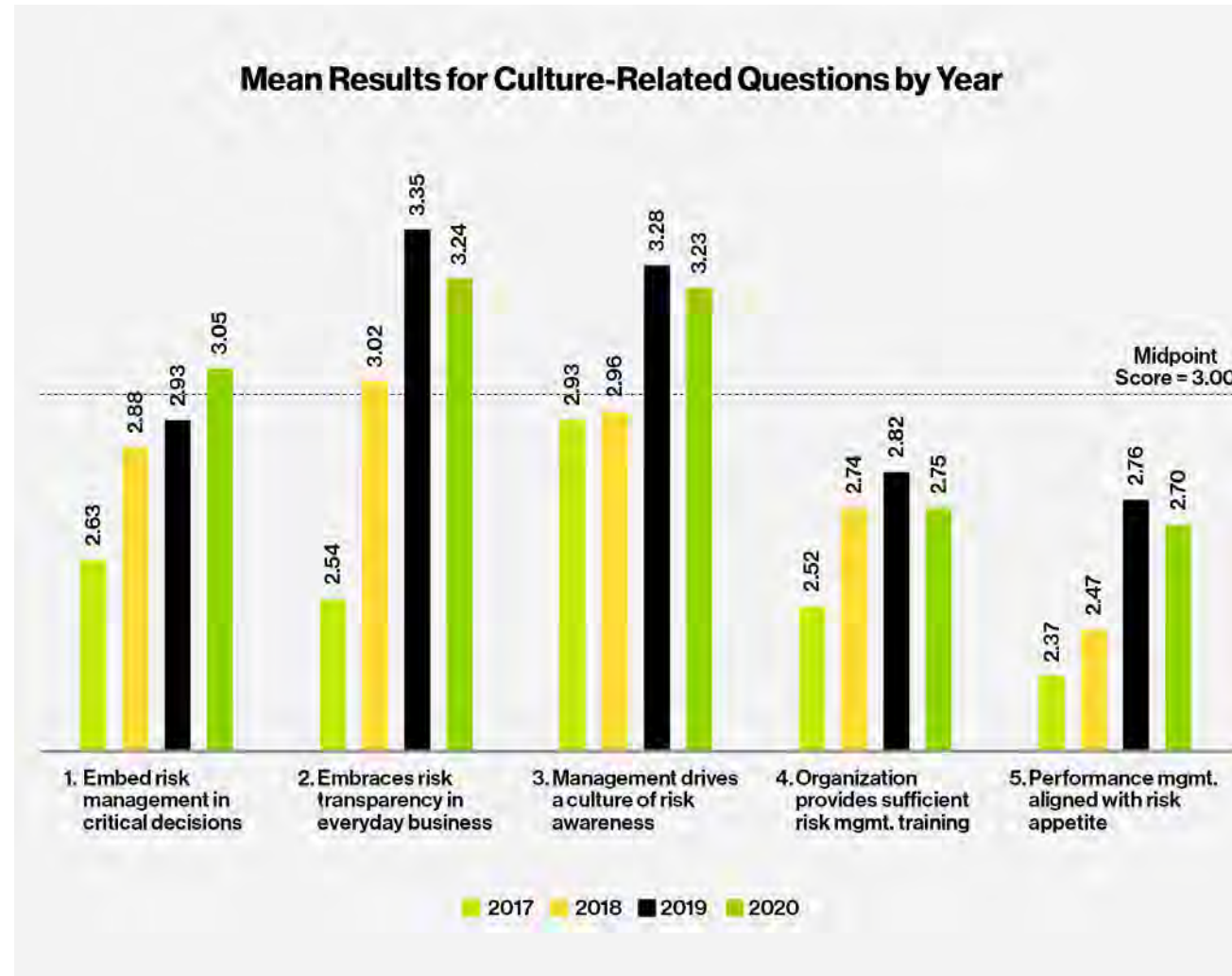
Top three barriers to establishing a formal ERM program:

1. Bridging silos across the organization
2. Rigid culture and resistance to change
3. Executive-level buy-in and support

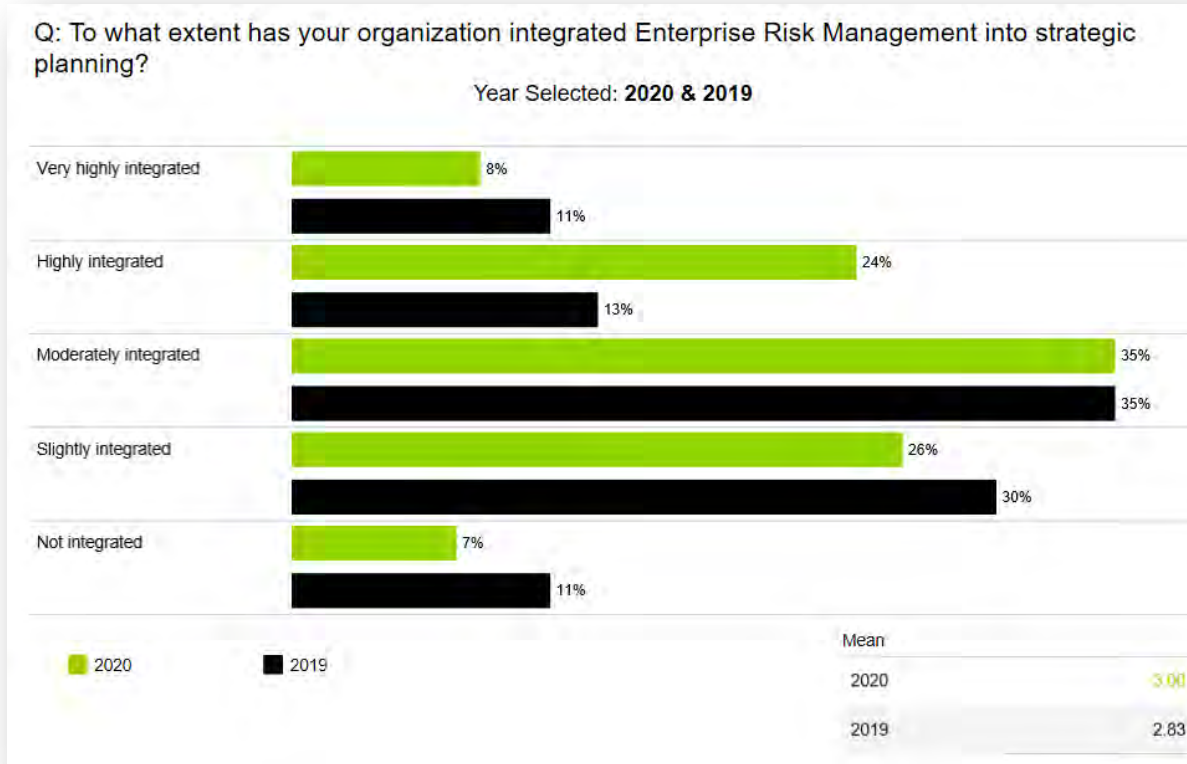
(Remains unchanged from a year ago, although the prominence of each barrier has decreased)

ERM and Culture

Still on the Lower Side, But Stabilizing



Presentation + Data Tables



Noteworthy Breakout Categories

SES Plan = All Longer Duration

Category	Mean	Category	Mean	Delta
CRO-Led	3.03	Non-CRO-Led	2.98	1.6%
Report to Head	3.21	Report to Other	2.96	8.7%
Lead > 50% on ERM	3.11	Lead < 50% on ERM	2.92	6.7%
SES Plans = All	4.00	SES Plans = Some/Ø	2.94	36.0%
Longer Duration	3.28	Shorter Duration	2.67	22.9%

Contact Information

For more information, please contact:

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Association for Federal

Enterprise Risk Management

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Awards Ceremony

Afternoon Breakout Sessions

- Close GoToWebinar completely
- Go to agenda and click on breakout session of your choice