

October 2021

ERM Times Newsletter



In this Issue

Message from the CIGIE ERM Working Group Co-Chairs	1
OMB A-123 Turns Five	2-3
Key Takeaways from the CIGIE ERM Quarterly Meeting on September 2021	4
Executive Order—Diversity, Equity, and Inclusion	5
Managing the Next Crisis	6
ERM in the News	7
Training & Development Opportunities	8

The latest news and trends in enterprise risk management (ERM) from the Council of the Inspectors General on Integrity and Efficiency’s (CIGIE) Enterprise Risk Management Working Group (ERMWG).

Updates on CIGIE ERM Initiatives

It is the start of a new fiscal year and it is clear that it will be another busy year for our Inspector General community. It is also clear that the environment in which we operate will continue to introduce volatility, uncertainty, complexity and ambiguity (VUCA) both in our professional and personal lives. Notwithstanding the current VUCA environment, our community of risk professionals continue to work tirelessly to integrate risk management into the culture of our organizations. Many of us are doing this while also wrestling with a surge in mission requirements, return to the office plans, enforcement of mandatory vaccinations, and workspace considerations and decisions.

From an oversight perspective, we have witnessed firsthand how the Covid-19 Pandemic has forced us to find innovative ways to conduct work remotely, without sacrificing efficiency and effectiveness. As we go into year three of the pandemic, we are seeking new methods to conduct our work and make decisions with greater understanding and agility to effectively deal with VUCA. Organizations are discussing risk and available data to drive effective decision making as it relates to oversight, processes, resources and technology. In addition, diversity, inclusion, and employee morale and welfare have been top priorities for many of our organizations.

Despite the VUCA environment in which we operate, we have continued to press forward with our ERM endeavors. The CIGIE ERM Working Group has made significant strides over the last four years towards expanding knowledge, sharing information, becoming valued partners with Departments, and building our ERM programs across the OIG community to address the risk and opportunities that exists. Specifically, in FY 2021 the CIGIE ERM Working Group focused on sharing valuable information about artificial intelligence, strategic foresight and futures, diversity inclusion initiatives, and best practices to modernizing our performance and risk management systems. We also focused on giving our community access to thought provoking presentations from experts at OMB, the PRAC and industry leaders on topics related to key federal initiatives, as well as quarterly global emerging risk trends.

We hope that the efforts of our CIGIE ERM Working Group have been valuable to you. If there is information you need or would like our group to focus on a particular topic as we navigate through VUCA times, please do not hesitate to let us know.

Sincerely,

Jessica Southwell
Co-Chair, ERMWG - DOL OIG

Temika Edwards
Co-Chair, ERMWG - HUD OIG

About ERMWG

CIGIE’s ERMWG contributes to the promotion and implementation of ERM principles in accordance with OMB Circular A-123 within the offices of the Inspectors General (OIG) community. [For the latest, visit the ERMWG page on the CIGIE website.](#)



Federal Enterprise Risk Management Turns Five

On July 16, 2016, the U.S. Office of Management and Budget (OMB) issued a revision to Circular A-123 setting forth expectations for federal agencies to implement and practice Enterprise Risk Management (ERM). The requirements were intentionally flexible, providing substantial leeway in how agencies chose to go about setting up their ERM program. That approach by design was to help get ERM off the ground in a manner that could be tailored to the structure, culture, and needs of each agency, and to avoid the enactment of ERM purely as a compliance exercise.

In the half-decade since the Circular update was issued, several agencies have established effective and integrated ERM programs that are helping them better manage risks and improve decision-making. Those agencies should be acknowledged for the work they have done to establish governance, develop risk identification and assessment processes, prepare risk profiles, and improve their overall risk readiness and response. However, progress across government has been very uneven and, in some cases, ERM programs that had gotten off to a good start, faded after leadership and organizational changes occurred.

The COVID-19 pandemic and other risks we currently face in government demonstrate the critical need to have sound risk management practices in place. Doing so can help ensure that we are thinking through the range of risks to agency mission, taking the steps necessary to prioritize those risks, and then acting to reduce the likelihood and impact should they occur. But as those in the risk business know, it does little good to put in place programs that identify risks only to find there is limited support or resources to then do something about them.

We face a challenge at the five-year mark for federal ERM: if agencies are putting forth the effort to identify the most significant risks to agency mission, but then nobody is asking them about what those risks are, or engaging in a dialogue about what is needed to manage those risks to an acceptable level, which could entail additional resources, policy changes, new legislative authorities, etc., then the energy and discipline around ERM is at risk of fading. Acting on risks isn't something agencies alone can accomplish.

They need help from a variety of stakeholders, including OMB, the administration, and congress. This isn't a new challenge. The Government Accountability Office (GAO) for decades has published its High Risk List every two years – calling attention to some of the most intractable risks facing government – cybersecurity, human capital management, defense financial management, tax enforcement, the nation's transportation system, food safety, improper payments, etc.

Many of these risks have been on the list as long as it has been in existence. The approach to addressing and managing these risks, though, has largely been left up to each agency – there hasn't been much of an administration-led or driven priority focus on these – and even the extent to which Congress expects to see agencies addressing High Risks in budget submissions or strategic plans, for example, is spotty at best.

Perhaps because the High Risk List represents GAO's view of critical risks, and not necessarily the administration's or agency views of top risks, that has hindered action. To get greater traction and ownership of risk across the federal government, it may be necessary for each Administration to produce its own High Risk List, using the risk profiles that each agency is supposed to be producing per Circular A-123.

While I suspect the top risks on both GAO's list and the administration's list might be similar, having an administration-developed and owned list could help avoid the "not invented here" syndrome that might be a factor that has limited action on these risks. But creating yet another list of risks won't add value if we just end up with another list and no action – that gives you Enterprise *LIST* Management, it doesn't give you Enterprise *RISK* Management. Plus, OMB did try once in the distant past to create and use its own list of top government risks, without much success.

To get past risk list admiration, agency leadership, along with OMB, the administration, and Congress, need to be *using* the information that is compiled to inform budget and strategy decisions. To make that happen, however, in an environment with so many

Federal Enterprise Risk Management Turns Five

competing priorities, we need someone who can commit the time and energy necessary to champion the cause, serve as point person, and take the lead in a formal capacity to promote the adoption and effective practice of ERM across government. To that end, I think the appointment of a federal Chief Risk Officer (CRO) could help.

A federal CRO could raise the profile of federal ERM efforts, help marshal and drive some of the needed enhancements, help facilitate cross-agency collaboration on shared risks, and help strengthen the expectations and requirements over time in terms of what agencies need to be doing around ERM; not the HOW of ERM, but definitely the WHAT – for example, by articulating a set of minimum standards that should be met by each agency.

The idea of naming a federal CRO, of course, may be met with resistance in some areas. It would shine the spotlight on federal ERM and increase expectations and accountability that could be unwelcome by those agencies that haven't made as much progress in implementing Circular A-123 requirements as was intended, or by those who are fearful of what could result from a more transparent sharing of risks. It also won't help if we draw more oversight attention to risks but don't do anything to provide agencies with the support or resources they need to do something about them.

One way to help allay those fears would be to place the federal CRO in OMB – and in conjunction with the naming of a federal CRO – OMB should also strengthen Circular A-11 and other guidance to more fully integrate ERM into planning, budgeting, performance and investment activities. Additionally, every budget examiner in OMB should know what ERM is and should be asking for risk profiles from the agencies they have in their portfolio. Congress should then – in their annual budget hearings and reviews – start asking about those risk profiles and looking at how budget requests align with and are aimed at addressing the most critical agency risks.

We need to realize we are all in this together – if the energy grid goes down, if the water or food supply is tainted, if the tax system fails, etc. – there are consequences for everyone. If we can learn any lesson from COVID, it's that we need to do more to improve our risk readiness – and not just to better identify risks, but to also better

equip government to manage, prepare for, and build the level of resiliency and robustness of our risk response strategies.

Through the 2016 update to A-123, and the early efforts of many federal agencies and risk practitioners, the foundation for meeting this goal has been laid. But building ERM to the next level in the federal government requires a more concerted and collective effort, with more definitive guidance and requirements, and with a designated point person. Naming a federal CRO and equipping her or him with an appropriate and sufficient set of authorities, responsibilities, and resources to lead the way, could help ERM grow and mature so that, on this day in 2026, we're able to join in celebrating ERM's tenth birthday!



By: Thomas Brandt
Chief Risk Officer, IRS

Read the original article [here](#).

Key Takeaways Quarterly Meeting September 2021

Understand Climate Risk In our last quarterly meeting, we heard from OMB the importance to consider, not only the financial risks associated with climate change, but the impact it has on achieving our strategic mission in our Agencies when developing the risk profiles.

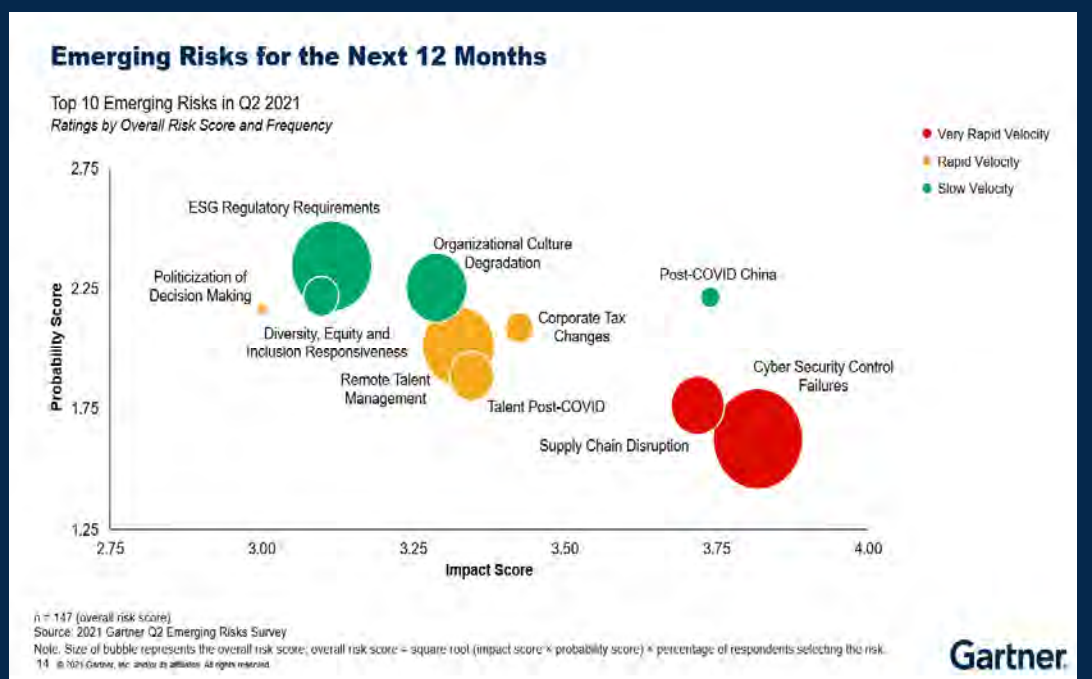
Alice Hill, former special assistant to President Obama, said the federal government can support state, local and tribal leaders as they make decisions when it comes to preparing for climate impacts. Hill called on federal government officials to consider climate risk in the decision-making process in order to develop resilience to climate change. Federal leaders could also offer programs that help local officials deal with impacts of climate change and provide incentives to “help people move away from risk instead of toward risk.” The GAO High Risk List 2021 also identifies “Limiting the Federal Government’s Fiscal Exposure by Better Managing Climate Change” risk.

Read the original article here: [Alice Hill: Federal Government Could Help State, Local Officials Understand Climate Risk \(executivegov.com\)](https://www.executivegov.com/article/alice-hill-federal-government-could-help-state-local-officials-understand-climate-risk)

Emerging Risks Q2 2021

Top 4 Risks:

1. Cyber Security Control Failures,
2. ESG Regulatory Requirements,
3. Remote Talent Management, and
4. Organizational Culture Degradation



You can find the presentation provided by Gartner in our OMB Max Page: [CIGIE Enterprise Risk Management Working Group - Inspectors General \(IG\) Community - MAX Federal Community](#)

Executive Order on Diversity, Equity, Inclusion, and Accessibility in the Federal Government

Executive Order (EO) 14035

Diversity, Equity, Inclusion, and Accessibility (DEIA) in the Federal Workforce

As the Nation's largest employer, the Federal Government must be a model for DEIA, where all employees are treated with dignity and respect. We are at our best when drawing upon all parts of society, and our greatest accomplishments are achieved when diverse perspectives are brought to bear to overcome our greatest challenges.

EO Major Milestones:



100 Days
Agencies Submit
DEIA Self-
Assessments



150 Days
Issue the DEIA
Governmentwide
Strategic Plan



270 Days
Collect Agency
DEIA Strategic
Plans



Annually
Agencies Submit
Progress Report

OPM's responsibilities within the Order:

Government-wide DEIA Initiative. Reestablish a coordinated Government-wide initiative to promote diversity and inclusion in the Federal workforce and expand its scope to include equity and accessibility. Provide agencies with information, resources, and a methodology to assess the current state of DEIA in their workforce. Issue a government-wide DEIA Strategic Plan, including a framework to address workplace harassment and a data-driven approach to increase transparency and accountability. Establish a reporting system for agencies to submit plans. Provide technical assistance and guidance on the execution of the EO and the items below.

- Data Collection
- Promoting Paid Internships
- Partnerships & Equitable Recruitment
- Professional Development & Advancement/Training & Learning
- Advancing Equity for Employees with Disabilities
- Advancing Equity for LGBTQ + Employees
- Pay Equity
- Expanding Employment Opportunities for Formerly Incarcerated Individuals

Read full Executive Order on Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce [here](#).

Managing The Next Crisis: Twelve Principles for Dealing with Viral Uncertainty

The experiences of the last 18 months have pointed to the importance of well-managed actions at the local, national, and cross-border levels. Many of these steps address issues that are now well-documented, including medical support for testing, contact tracing, and vaccine management; supply chain challenges around vaccine production and distribution; impacts on local job markets; and the importance of addressing equity in delivering needed social services.

In this report, authors Barrett, Greene, and Kettl—renowned experts on governance at all levels—step back to understand how governments have operated in developing strategies and programs to address these global, societal challenges. Based on extensive research and interviews, the authors develop twelve principles, each accompanied by a recommended set of actions, for government to follow in addressing future crises. Importantly, these principles and actions can enable government officials to help their constituencies advance through the current stages of COVID response and recovery, and to emerge stronger and more resilient.

The principles and associated actions identified in the report address three critical imperatives for managing through the pandemic and preparing for the future:

- Building partnerships with key organizations in the public, private, and nonprofit sectors.
- Managing networks needed to drive such partnerships to overcome challenges, through improving operations and service delivery.
- Steering outcomes across networks that lead to well-understood and measurable improvements in the health and well-being of the public.

This report builds on recent work from our Center to help governments address and move forward in the face of the COVID pandemic, including COVID-19 and its Impact: Seven Essays on reframing Government Management and Operations; a series of blogs from both Don Kettl; and a series of blogs with IBM expert perspectives around how governments can leverage resiliency to emerge stronger.

To read full article from IBM Business of Government: access [here](#).



ERM in the News

Links are being provided as a convenience and for informational purposes only. They do not constitute an endorsement or an approval of any of the products, services or opinions of the corporation or organization or individual. ERMWG bears no responsibility for the accuracy, legality or content of the external site or for that of subsequent links. Contact the external site for answers to questions regarding its content.

Update to the Fraud Risk Management Guide Coming Soon!

The 2016 Fraud Risk Management Guide is being updated. The update to the guidance will primarily focus on the use of data analytics to assess fraud risk. Specifically, a section will be added under each of the 5 principles on how to incorporate the use of data analytics to meet the principle of performing a fraud risk assessment. It will also include updated information on fraud prevention and detection and new information on the relation of internal control and enterprise risk management with fraud risk management. Lastly, it will note the need to continuously evaluate emerging risks like cyber fraud, cryptocurrency, and ransomware. The framework is expected to be published the first quarter of 2022.

To listen to the podcast, access [AFERM Risk Chats](#).



Want to learn more about Integrated Risk Management (IRM)?

According to Simon Reba and Dan Featherly, IRM modernizes ERM by integrating quantifiable data into the risk management process. IRM uses this data to drive strategic decision-making from leadership.

To listen to the podcast, access [AFERM Risk Chats](#).

RISK chats

Training & Development Opportunities



<p>OCTOBER 2021</p>	<p>October 26-27 2021: 2021 AFERM Summit Training</p>	<p>https://www.aferm.org/events/2021-summit/</p>
<p>NOVEMBER 2021</p>	<p>November 11-12, 2021: RIMS ERM Conference November 29, 2021: GW: Certificate Program in ERM for Government</p>	<p>https://www.rims.org/events/erm/erm-conference-2021 https://www.aferm.org/events/gw-erm-certificate-program-5-day-2/</p>
<p>DECEMBER 2021</p>	<p>December 7-8, 2021: SIMERGY: Dec. 2021 ERM Boot Camp Online Event December 15, 2021: Performance Management</p>	<p>https://www.aferm.org/events/simergy-dec-2021-erm-boot-camp-online-event/ https://www.agacgfm.org/Webinars/2021-2022-Webinars/Performance-Management.aspx</p>



Upcoming ERMWG Meetings

Wednesday, December
8, 2021

Contact

oig.erm@oig.dol.gov to be added to ERMWG meeting invitations **or you may contact Jessica Southwell or Temika Edwards directly.**

SAVE THE DATE — Next CIGIE ERM Quarterly Meeting will be on December 8, 2021.



If you have recommendations or ideas for future ERM newsletters, feel free to reach out to: Jessica Rivera at jessica.rivera@usdoj.gov.

Available now on the [CIGIE ERM Working Group webpage](#), under ERM Resources.

ERMWG Chair/Co-Chair

Jessica Southwell, DOL OIG
Temika Edwards, HUD OIG

ERMWG Support

Jessica Rivera, DOJ OIG

Submissions to ERM Times

Submit articles or other content to ERM Times at oig.erm@oig.dol.gov.

Contact ERMWG

For further information on the CIGIE ERM Working Group, contact oig.erm@oig.dol.gov or Jessica Southwell southwell.jessica@oig.dol.gov or Temika Edwards at tedwards@hudoig.gov

ERMWG Sub-Groups

Implementing an ERM Risk Assessment Approach for Audit Planning Purposes

Co-Chairs:

Shellie Purnell-Brown, FEC OIG
Jonelle Pianta, HUD OIG

Auditing ERM Implementation at Component Agencies

Chair: Rebecca Sharek, SEC OIG

ERM at Small OIGs