Enterprise Risk Management in the Public Sector

2015 Survey Results

The 2015 survey is our inaugural survey performed in collaboration with the Association for Federal Enterprise Risk Management (AFERM). It is designed to provide Public Sector risk managers and leadership with perspective on ERM trends in the Government.

AFERM
Association for Federal Enterprise Risk Management

pwc

Welcome

Welcome to our inaugural survey on Enterprise Risk Management (ERM) in the Public Sector, a collaborative effort between the Association for Federal Enterprise Risk Management (AFERM) and PwC. In undertaking this survey, AFERM and PwC surveyed the public sector risk management community to collect information on the current state of ERM in the government, and present the data and insight within this report. As the recent and pending revisions to Office of Management and Budget (OMB) Circulars A-11, A-123, and other Federal guidance continue to evolve the Federal risk and compliance landscape, an expectation exists for agencies to assess and manage their risks in new and more rigorous ways. In addition, Government leaders are aligning their organizational structures to proactively identify and mitigate risks at the portfolio level. Several Federal Agencies are modifying their internal governance and control environments, and implementing ERM as a new practice. As ERM continues to grow in prominence in the public sector, we recognize the need to understand current risk management capabilities in government and engage Federal leaders to identify trends, concerns, benefits, and strategies to enhance risk management. We intend that our survey will be an ongoing, annual effort to gather and provide information to the public sector risk management community and government leaders.

Scope

This inaugural survey includes input from government officials working in risk and compliance leadership and support roles at nearly 30 Federal Departments, Agencies or Organizations. The survey consisted of a series of online and in-person interviews to establish a deeper understanding of public sector perspectives on risk management. While we feel that the participants provide a representative sample of Federal risk leaders, it is important to note that this sample may not represent government risk authorities as a whole. This report compiles the results of the survey and interviews to provide you with keen insight into the current state of risk management practices, and opportunities for future improvement. As this effort matures each year, we intend to expand our scope to include a broader list of agencies and participants, and further promote the identification of emerging trends.

Results

Federal risk leaders indicate that effective risk management is a necessity and that ERM is widely recognized as a growing best practice in the Federal government. Leaders across the government anticipate that the amount of resources deployed in support of ERM will increase in both the near-term and the foreseeable future. Importantly, we also identify that the successful implementation and maturation of an ERM program in the Federal space requires the staunch support and commitment of agency leadership. A common practice of successful ERM programs is that they are championed by executive leadership and often a risk-focused officer within the organization; this enables risk innovators to break down organizational silos and encourages thoughtful risk analysis in major decision-making processes. You will find additional insights and leading practices in the pages to follow.

Tom Stanton
President
Association for Federal
Enterprise Risk Management

Brian Wodarski
Principal
Public Sector Risk Consulting Leader

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Executive Summary

Executives across the Federal government and at quasi-governmental organizations recognize the need for proactive risk management, including supporting tools, and best practices. AFERM defines ERM as a discipline that addresses the full spectrum of an organization's risks, including challenges and opportunities, and integrates them into an enterprise-wide, strategically-aligned portfolio view. ERM contributes to improved decision-making and supports the achievement of an organization's mission, goals, and objectives. Leaders remain vigilant in achieving strategic goals and implementing processes to proactively identify risks that could prevent or distract their organization from achieving mission objectives. While commercial enterprises leverage mature ERM programs resulting from decades of experience, the evidence shows that risk management is still an emerging practice across the public sector. Our survey respondents indicated (1) they believe that when ERM is properly implemented, organizations realize benefits and (2) that they expect the number of Federal agencies adopting ERM practices to continue to grow. Agencies that are not practicing ERM are beginning to consider opportunities to explore future implementations of ERM, yet they still communicate concerns about organizational barriers and resource limitations that will prevent the full implementation of robust ERM programs.Our report focuses on five key themes that represent the most significant findings from the survey results. Each of the five themes is supported by a combination of survey findings and pertinent quotes from leaders across the public sector.

Report Themes

1. ERM is a growing priority in the Government

The demand for ERM and relevant risk management capabilities continues to grow in the public sector. Our respondents indicate that many of their organizations are in the process of implementing risk management programs, and those without formalized processes are planning implementations in the near future. Those surveyed also indicate a strong demand for demonstrated organizational leadership and technology-based tools, as opposed to less formal functions. Respondents also communicate a wide range of actual and perceived benefits from ERM based on experience in their own agencies and interaction with others. However, many respondents share that additional work is needed to support full-scale implementation in order to take measured steps toward realizing the benefits of an effective ERM program.

"We needed 18 months internally to incubate our risk management process. We utilized existing Working Groups, and only needed to develop one new group. Currently, we are working towards operationalizing a process, not a one-time exercise."

Andy Zino,
Smithsonian

2. ERM enables Federal Agencies to better define and proactively respond to risks

Our survey shows that agencies that do not currently possess formal risk management structures find it difficult to understand, quantify, and communicate the benefits of effective risk management techniques, as they attempt to articulate the case for ERM implementation. The good news is that respondents with established risk management programs indicate that their organizations realize significant benefits, such as reduced duplicity of risk management and compliance efforts and existence of risk based indicators to support proactive mitigation planning.

3. Departments and agencies with ERM capabilities built dedicated programs and processes to effectively manage risk

Survey respondents report that Federal organizations with both a formal risk management structure and/or ERM program improve performance of their core capabilities and gain a deeper understanding of the compliance and mission risks facing their organizations. With a strong, well-defined structure, leaders are equipped to identify risks and adjust organizational priorities to enhance decision making efforts. Organizations that possess a formal risk management structure benefit from a portfolio view of risks and leverage the insight to help navigate the complexities of their mission.

4. Barriers continue to inhibit the implementation of ERM

Survey respondents indicate a combination of actual and perceived barriers that restrict their ability to implement ERM functions, mature their risk practices, and gain executive backing within their organizations. Some respondents state that it is difficult to build business cases to justify funding and implementing ERM programs within their organizations. Other respondents indicate that they lack the executive buy-in needed to achieve the benefits from their investment. While these barriers may exist, working to incorporate risk management methodologies into decision-making processes and piloting ERM programs are both foundational steps to building a cornerstone of support.

5. Evolution of Technology to support ERM

As risk management continues to evolve, Federal risk leaders can leverage commercial leading practices and advances in technology products in order to reduce the financial commitment and ongoing maintenance costs of their ERM and compliance programs. Many of the survey respondents currently utilize a variety of technologies to support their risk management programs, ranging from basic spreadsheets to custom databases to advanced Governance, Risk and Compliance (GRC) tools. Agencies that already leverage GRC tools report that the effectiveness of their ERM programs benefit from increased efficiency and transparency of risk based information.

Survey Results

> ## *Theme 1:*

ERM is a growing priority in the Government

In recent years, changes in the Federal landscape, from shrinking budgets to increased transparency, have resulted in a shift in focus toward more robust risk management processes and technologies. A growing number of Federal Departments and Agencies initiated the development of ERM programs to improve upon legacy risk management capabilities and to incorporate the consideration of risk into organizational activities. While our survey shows that a growing number of organizations are working to incorporate risk management practices into their daily operations, there are still many organizations that have not formally adopted risk management programs.

Strengthening Risk Management

Although many organizations currently practice some form of risk management, this year's survey indicates that ERM remains a relatively new capability: 44% of respondents still do not have a formal ERM program. However, among that minority group, 80% plan to develop an ERM capability in the near future—more specifically, almost all plan to implement within 5 years. Of those organizations that already practice ERM, 80% of respondents indicate their programs are five or fewer years old.

"ERM will absolutely help us achieve our mission. We are currently in an immature state, and we know that building ERM into the budget process to support remediation will be huge. We plan to implement green book requirements early, and then to build out our ERM framework."

Bill Leibach,
U.S. House of Representatives

Organizations that do not have formal ERM programs identify and manage risks on an ad-hoc basis, and often in isolated, uncoordinated processes throughout the organization. While these informal practices sustain some level of risk awareness, a substantial opportunity remains for departments and agencies to implement proactive enterprise-wide risk management and oversight systems to promote mission effectiveness.

Enhancing the Perception of ERM

As many organizations are aware, risk can take on many forms. Organizations continue to evaluate their needs for effective risk management and the integration of ERM into their business processes. Although the results are mixed, only 26% of respondents perceive that their organization scores "well" or "very well" in terms of understanding effective management of a risk as a value-add or organizational advantage, a near majority (48%), deem that their organizations "acceptably" understand risk management as a value-add activity. The remainder (26%) possess a less enthusiastic appraisal of risk management's value. Clearly, an opportunity exists to enhance the perception of ERM among the latter two groups.

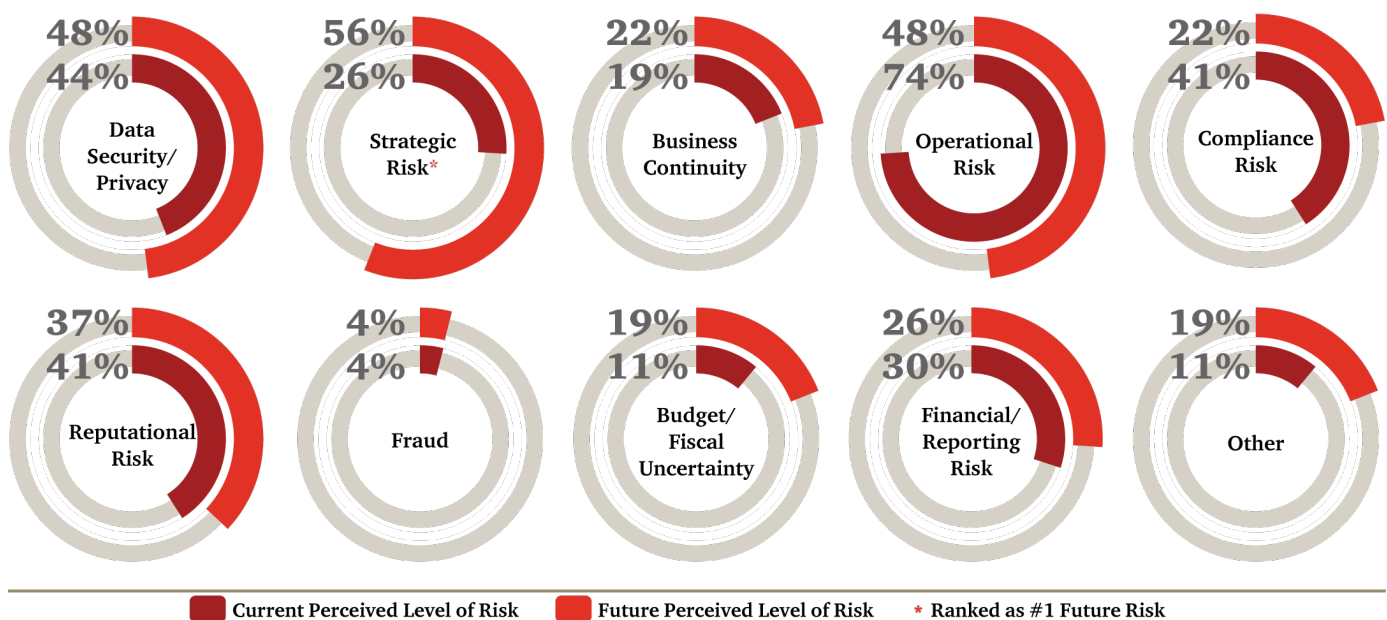PwC   *Enterprise Risk Management in the Public Sector*

In addition, the survey respondents identify the following as the top five perceived future risks to their department or agency:

- Strategic Risk (56%)
- Operational Risk (48%)
- Data Security / Privacy (48%)
- Reputational Risk (37%)
- Financial / Reporting Risk (26%)

The survey indicates that 77% of respondents perceive their organizations are managing all organizational risk exposure areas at least "acceptably" (to include the top five risks listed above). The remaining 23% perceive their organizations are performing "poorly" or "very poorly." Despite mixed survey results, it is important to note that there is considerable room for enhancing the perception of risk management as organizations establish formal risk structures, become more aware of the benefits, and understand how incorporating leading practices enhances performance.

Interestingly, survey respondents do not indicate strategic risk in their top five current risk priorities, yet this category is presented as the greatest perceived future risk: 56% of survey respondents forecast strategic risk among their top three future areas of concern and report that strategic risk is managed the least at their department or agency. While the numbers illuminate that leaders are cognizant of this looming exposure, 42% of respondents indicate that their organizations have not yet integrated ERM with their strategic planning processes. This is a significant gap that will need to be closed in order to effectively manage this risk, and promote the value of ERM programs.

Figure 1: Identified gaps between current and future perceived risks

| 48% 44% Data Security/ Privacy | 56% 26% Strategic Risk* | 22% 19% Business Continuity | 48% 74% Operational Risk | 22% 41% Compliance Risk |
| 37% 41% Reputational Risk | 4% 4% Fraud | 19% 11% Budget/ Fiscal Uncertainty | 26% 30% Financial/ Reporting Risk | 19% 11% Other |

◼ Current Perceived Level of Risk ◼ Future Perceived Level of Risk * Ranked as #1 Future Risk
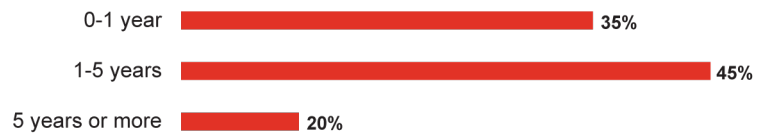
Supporting Survey Questions Theme 1:

ERM is a growing priority in the Government

**Q:** Does your Department or Agency have a formal Enterprise Risk Management program?

Yes	56%
No	44%

Q: How long has your Department or Agency practiced enterprise risk management?

|	
0-1 year	35%
1-5 years	45%
5 years or more	20%

Q: If not currently practicing Enterprise Risk Management, does your Department or Agency plan to develop an ERM capability in the future?

Yes	80%
No	20%

Q: In what time frame does your Department or Agency plan to establish an ERM program?

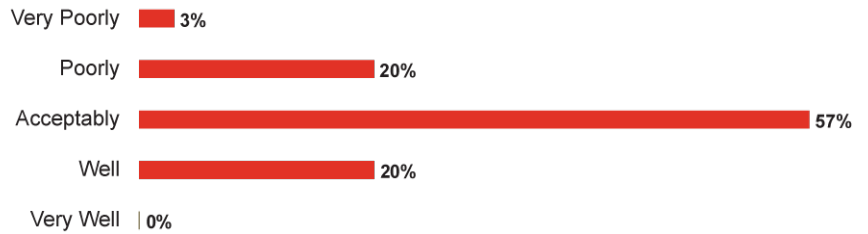|	
0-1 year	42%
2-5 years	50%
6-10 years	0%
11 years or more	0%
Don't know	8%
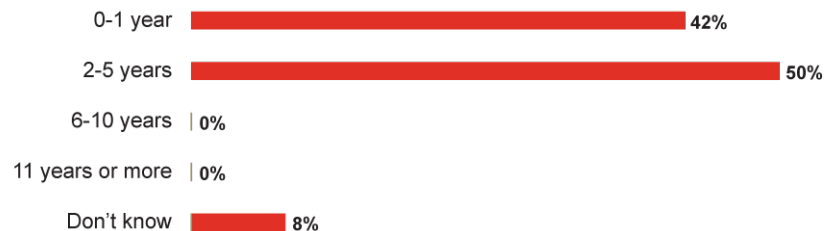
Q: In the last 12 months, the budget for overall enterprise risk management activities has done which of the following at your Department or Agency?
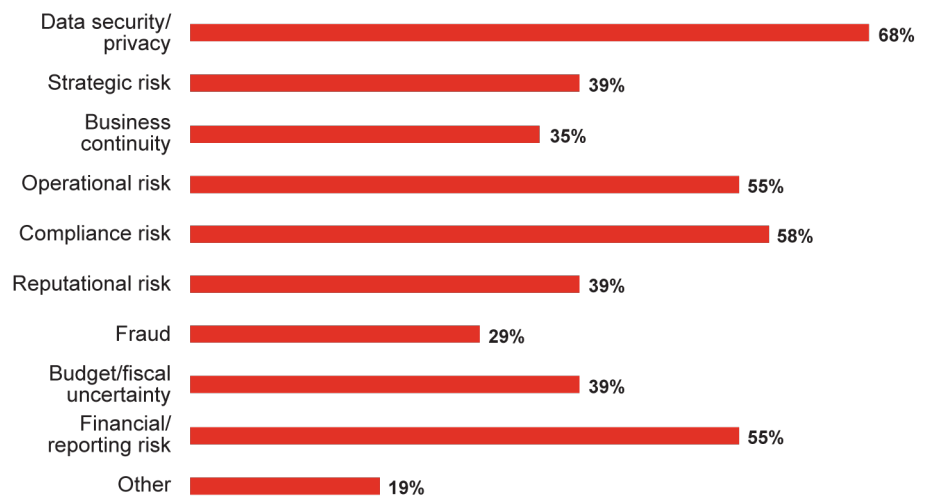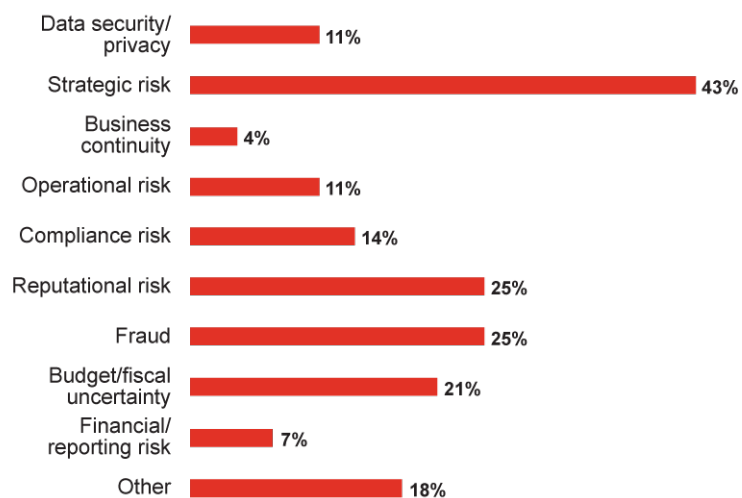
Increased	47%
Decreased	12%
Stayed the Same	35%
Don't Know	6%
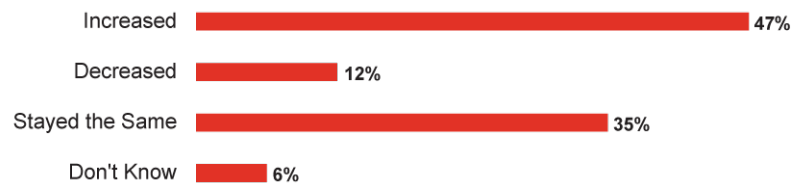
Q: How do you rate how well your Department or Agency manages all areas of organizational risk exposure (strategic, financial, operational, compliance, reputational, etc.)?

Very Poorly	3%
Poorly	20%
Acceptably	57%
Well	20%
Very Well	0%

Q: What risks are focused on and managed the MOST at your Department or Agency?

Data security/privacy	68%
Strategic risk	39%
Business continuity	35%
Operational risk	55%
Compliance risk	58%
Reputational risk	39%
Fraud	29%
Budget/fiscal uncertainty	39%
Financial/reporting risk	55%
Other	19%

Q: What risks are focused on and managed the LEAST at your Department or Agency?

Data security/privacy	11%
Strategic risk	43%
Business continuity	4%
Operational risk	11%
Compliance risk	14%
Reputational risk	25%
Fraud	25%
Budget/fiscal uncertainty	21%
Financial/reporting risk	7%
Other	18%

Q: Please select the top three areas in terms of CURRENT perceived level of risk to your organization.

Data security/privacy	44%
Strategic risk	26%
Business continuity	19%
Operational risk	74%
Compliance risk	41%
Reputational risk	41%
Fraud	4%
Budget/fiscal uncertainty	11%
Financial/reporting risk	30%
Other	11%

Q: Please select the top three areas in terms of FUTURE perceived level of risk to your organization.

Data security/privacy	48%
Strategic risk	56%
Business continuity	22%
Operational risk	48%
Compliance risk	22%
Reputational risk	37%
Fraud	4%
Budget/fiscal uncertainty	19%
Financial/reporting risk	26%
Other	19%

Q: To what extent has your Department or Agency integrated ERM into strategic planning?

Highly integrated	8%
Somewhat integrated	50%
Not integrated	42%

> *Theme 2:*

ERM enables Federal Agencies to better define and proactively respond to risks

The perceived value of ERM programs continues to evolve as more organizations commit to implementing formalized ERM programs and current risk management programs mature. While some Federal organizations continue to struggle to define and identify their risks, industry leaders are maturing their risk management programs within their organizations. By doing so, these organizations build the capacity to quickly identify emerging risks to their enterprise and, in some cases, develop robust mitigation strategies. A common theme among the survey participants is a desire to improve organizational risk management processes to better identify and manage risks.

Perceived Benefits of ERM

To gain a general sense of why organizations plan to increase the implementation of ERM programs, it helps to understand the benefits of a developed program. When asked to identify the benefits since establishing an ERM program, 41% of respondents cite enhanced management decision making, and 35% experience reduced duplicity in risk assessments and compliance activities. One respondent anticipates that ERM "would provide a strategic level of oversight for decision-making that does not exist today." The survey results demonstrate that incorporating a risk perspective into strategic organizational planning is a valuable benefit of an ERM program, largely due to elevating risk concerns early in the planning process. Also noted are that additional benefits are realized as ERM programs evolve as organizations mature, develop new processes, establish leadership roles, and define functional responsibilities.

"[My organization is] better at implementing major programs because of ERM. The questions that leadership asks [are more insightful] and the expectations of senior management are higher now. They are better able to deal with the complexity [of our initiatives]."

Executive,
Federal Agency

Enhancing Mission Support and Organizational Objectives

The vast majority of respondents (82%) believe the implementation of an ERM program enhances their organization's ability to meet mission goals and objectives. While the majority of respondents indicate that an ERM program delivers departments and agencies value, many note ERM is in its infancy within Federal organizations and they expect to realize future benefits such as preventing a significant negative event from occurring, and being able to proactively respond to major issues in a more timely manner. One specific benefit of an ERM program noted by respondents is the integration of risk considerations into decision-making processes—an organizational practice infrequently applied within the Federal sector. In fact, only 8% of survey participants believe their organization has achieved a high level of integration of risk factors into the strategic planning functions.
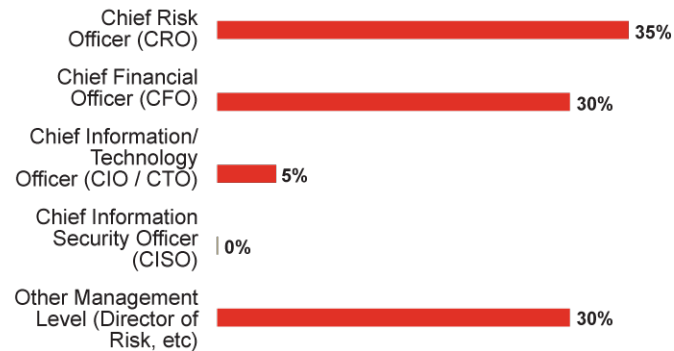
82%

The vast majority of respondents (82%) believe the implementation of an ERM program enhances their organization's ability to meet mission goals and objectives.

Respondents consistently state that once organizations implement an ERM program, they will be better suited to manage and respond in a coordinated approach that aligns the organizational risk appetite with actions of the organization. Organizational stakeholders conceptually recognize the benefits an ERM program provides, yet the majority of their departments and agencies struggle to identify and tailor their risk needs to best support achievement of their agency goals and objectives.
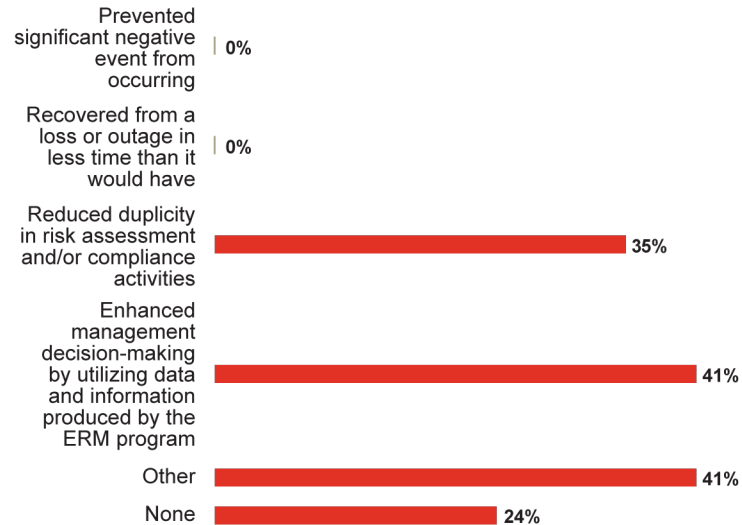
Supporting Survey Questions Theme 2:

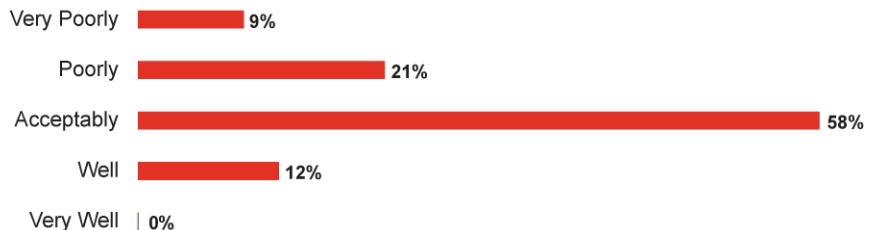## ERM enables Federal Agencies to better define and proactively respond to risks

Q: Which of the following titles best describes the person responsible for your Department or Agency's Enterprise Risk Management program?

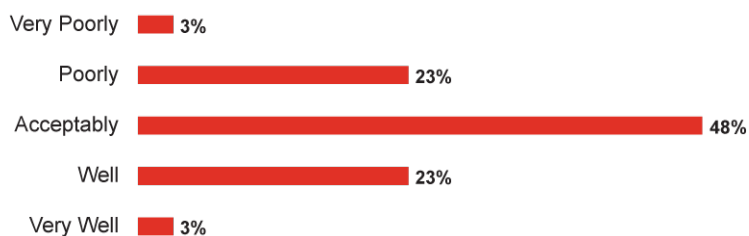|	
Chief Risk Officer (CRO)	35%
Chief Financial Officer (CFO)	30%
Chief Information/ Technology Officer (CIO / CTO)	5%
Chief Information Security Officer (CISO)	0%
Other Management Level (Director of Risk, etc)	30%

Q: Since developing an Enterprise Risk Management program, has your Department or Agency realized the following benefits from the ERM program? (may select more than one)

Prevented significant negative event from occurring	0%
Recovered from a loss or outage in less time than it would have	0%
Reduced duplicity in risk assessment and/or compliance activities	35%
Enhanced management decision-making by utilizing data and information produced by the ERM program	41%
Other	41%
None	24%

Q: How do you rate how well your Department or Agency evaluates the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?

Very Poorly	9%
Poorly	21%
Acceptably	58%
Well	12%
Very Well	0%

Q: How do you rate how well your Department or Agency views the effective management of risk as a value add / organizational advantage?

Very Poorly	3%
Poorly	23%
Acceptably	48%
Well	23%
Very Well	3%

Theme 3:

Departments and agencies with ERM capabilities built dedicated programs and processes to effectively manage risk

Our survey shows that the majority of organizations plan to establish an ERM program within the next five years. Many respondents agree that along with the implementation of an ERM program, it is essential to establish an organizational structure to incentivize the effective management and reporting of risk. By having a structure with leadership roles and operational responsibilities in place, departments and agencies are more capable of proactively managing risks and are able to make risk based decisions to mitigate their organizational exposure.

Creating Organizational Structure
Organizational structure and resource alignment is the cornerstone of an effective ERM program. Though ERM programs exist in a variety of contexts and organizational structures, one common theme (83% of respondents) is that programs have dedicated central resources: 41% have a centralized leadership structure with dedicated, centralized, risk-focused resources, and another 42% have central resources supplemented by remote resources embedded in the business lines. However, despite the prevalence of dedicated, central resources, only 36% of organizations have identified an official (or CRO) who is responsible for monitoring risks to mission-essential functions and activities.
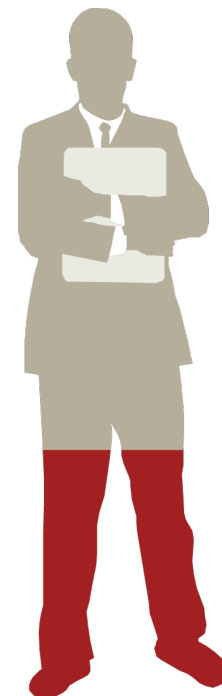
Survey respondents are generally satisfied with their organization's efforts to embed risk management as a component in critical decisions; 77% report to be at least "acceptably" satisfied. However, some respondents report dissatisfaction regarding their organization's ability to recognize relationships between individual risks across the organization, thereby understating the potential impact of a given risk. Well-designed and managed ERM programs and accountability structures enable leaders to identify these relationships that may create intolerable pools of risk.

With a focus on effective risk management decisions, a growing number of organizations are adopting risk structures and frameworks to provide senior leadership with the resources to make informed decisions for their organizations. Respondents note that by establishing an ERM structure, organizational stakeholders possess the ability to improve upon core competencies, proactively identify risk concerns, and identify measures to mitigate risks.

Leveraging Industry Standards
Across the government, organizations are leveraging industry standards to manage their risk management programs: 60% of all respondents state they utilize the COSO and/or ISO 31000 frameworks to implement ERM methodologies. Respondents note that leveraging an established industry framework assists with defending the legitimacy and structure of their ERM function. It was also noted that these industry frameworks help to provide a common vocabulary for risk that can be used across their organization.

> *"We are in the infancy stages of implementing our ERM program. There is significant support for this initiative from some, but not all, of the key stakeholders. Once fully implemented, we anticipate a better understanding of our operations with a focus on risk management."*
>
> Salim Mawani,
> Smithsonian

> *"Once all the supporting components of a risk management program are in place, (e.g., reporting tool, policies and procedures, governance, etc.), then I can focus more on actually managing risks."*
>
> Executive,
> Federal Agency

Only **36%** indicate their Department or Agency has an official who is responsible for identifying risks to its mission essential functions and activities.
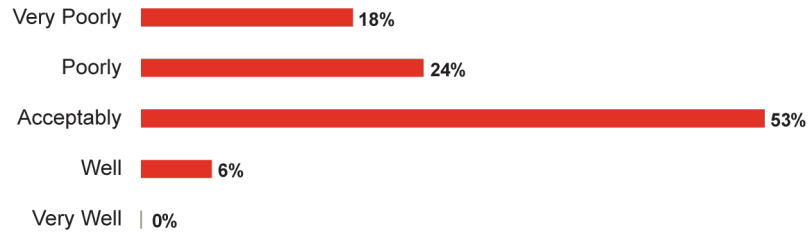
36%

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Supporting Survey Questions Theme 3:

Departments and agencies with ERM capabilities built dedicated programs and processes to effectively manage risk

Q: How do you rate how well your Department or Agency prioritizes and manages those exposures as an interrelated risk portfolio rather than as individual "silos"?
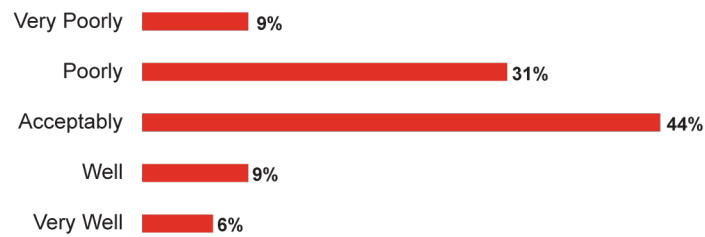
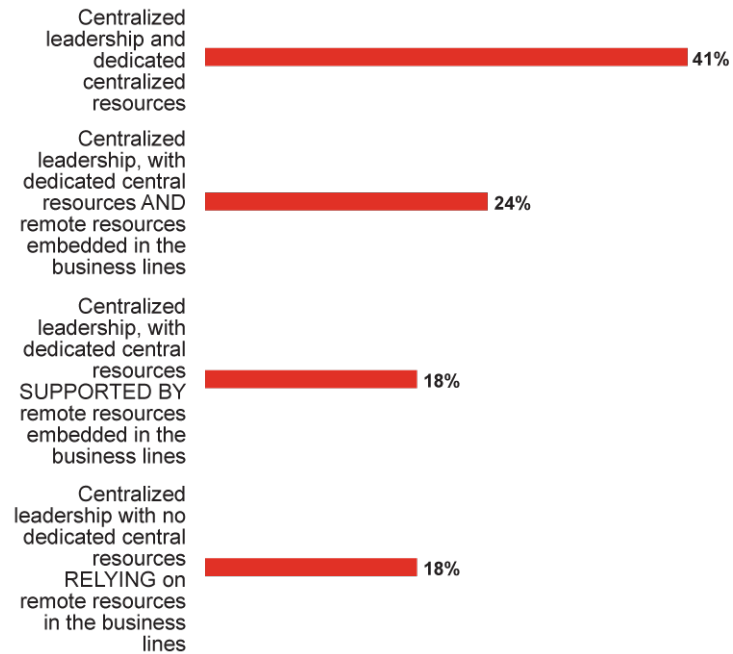|	
Very Poorly	18%
Poorly	24%
Acceptably	53%
Well	6%
Very Well	0%

Q: How do you rate how well your Department or Agency recognizes relationships between individual risks across the organization that may create a combined exposure that differs from the sum of the individual risks?
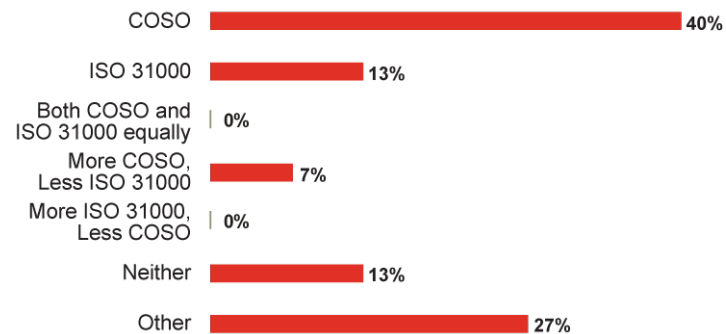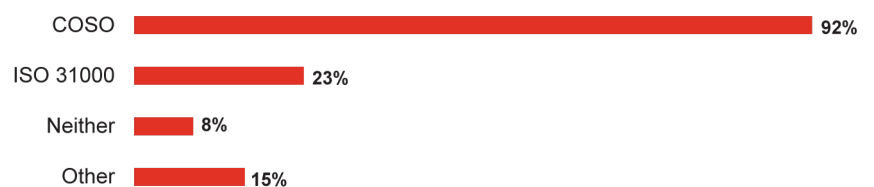
Very Poorly	9%
Poorly	31%
Acceptably	44%
Well	9%
Very Well	6%

Q: Which of the following best describes the enterprise risk management structure in your Department or Agency?

Centralized leadership and dedicated centralized resources	41%
Centralized leadership, with dedicated central resources AND remote resources embedded in the business lines	24%
Centralized leadership, with dedicated central resources SUPPORTED BY remote resources embedded in the business lines	18%
Centralized leadership with no dedicated central resources RELYING on remote resources in the business lines	18%

Q: Which industry standard for risk management does your Department or Agency predominately follow?

COSO	40%
ISO 31000	13%
Both COSO and ISO 31000 equally	0%
More COSO, Less ISO 31000	7%
More ISO 31000, Less COSO	0%
Neither	13%
Other	27%

Q: Which industry standard for risk management are you aware of?

COSO	92%
ISO 31000	23%
Neither	8%
Other	15%

> ## *Theme 4:*

Barriers continue to inhibit the implementation of ERM

This year's survey provides insight into the barriers many organizations face, which may hinder or prevent the successful implementation of ERM programs. Understanding ERM barriers across the public sector allows risk leaders to tailor their messaging and strategic planning processes to take these issues head on—working with organizational leaders to establish appropriate risk management structures, processes, and resources.

In light of the findings from the survey, organizations consider the following four key barriers to be a particular hindrance to their department or agency establishing a formal ERM program.

Bridging Organization Silos
A majority (57%) of the respondents indicate the largest barrier to their organization's establishment of a formal ERM program is siloed data, decision-making, and risk management. It is important to note that many organizations currently use separate processes that enable risk management from various functional perspectives. While this provides some benefits, effective ERM requires collaboration and communication across the organization. Looking forward, 23% of respondents also report that these silos will be a continuing inhibitor to their organization's establishment of an effective ERM program.

Obtaining Executive-Level Support
The survey finds that 23% of respondents consider the lack of executive-level buy-in and support a major inhibitor to their department or agency's establishment of an ERM program. As with any major initiative, leadership buy-in is an essential component to driving successful change. Effective ERM implementation is enabled through executive-level buy-in that promotes investment in tools and talent, and fosters integration with business processes and strategic decision making.

Overcoming the Lack of a Federal Requirement
Respondents note that organizations that have made the appropriate investments are beginning to realize the benefits of successful ERM programs, yet there is still more work to be done. Several respondents noted that the lack of a Federal requirement for ERM continues to hamper their ability to get appropriate funding and buy-in within their organization. Perhaps only by mandate will departments and agencies possess the political capital and resources to procure, implement, and maintain a formal ERM program. Understanding the current fiscal climate, 50% of respondents agree that there would need to be an OMB circular or other mandate in order to influence their senior leadership to adopt an ERM program.

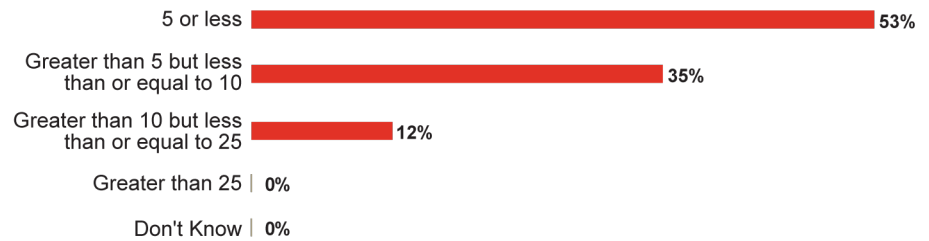#### *Building a Business Case for ERM*
Finally, it is noteworthy that 14% of respondents identify the lack of a business case as a barrier to their department or agency establishing an ERM program. Building a strong business case and obtaining executive-level buy-in support are often complementary, and organizations must consider the wide range of benefits of ERM in relation to the investment. One respondent noted that this could be due to the fact that organizations continue to struggle with the concept of measuring deterrence, or the prevention of negative events. While some of this can be attributed to the relative immaturity of ERM programs in the public sector, 0% of respondents noted a case where ERM contributed to the prevention of a significant negative event from occurring, or when ERM enabled a recovery from a loss or outage in a more timely manner. Until these high-visibility, catastrophic events are experienced, ERM may struggle to gain legitimacy across all Federal organizations. In fact, 42% of respondents indicate that a significant risk event, data breach, or crisis would strongly influence leadership to adopt formal ERM within their organization.
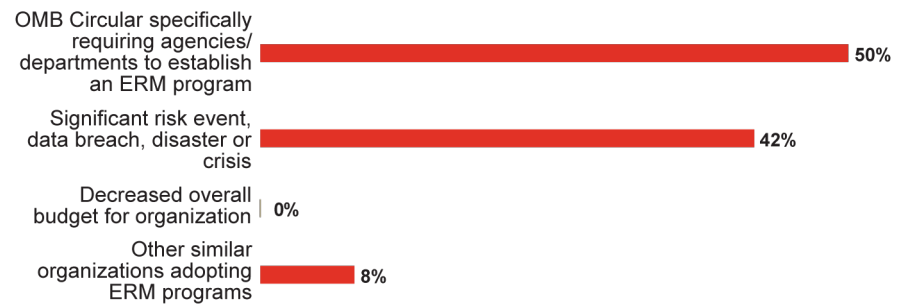
"OMB needs to drive any enterprise-wide ERM effort. [ERM] would essentially be another unfunded mandate (like the implementation of Appendix A), but the agencies will not act unless compelled to do so."

Project Manager,
Federal Government

"To gain senior leaders' support for the development of an ERM program, we need to provide them a few examples from the many risk management success stories; demonstrating the ERM value proposition, as it relates to time and cost associated with implementing ERM."

Honorable Robert M. Speer,
Assistant Secretary of the Army,
Financial Management and
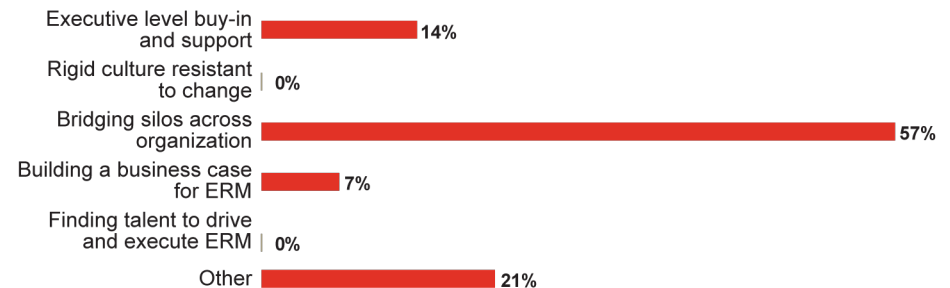Comptroller (ASA (FM&C))

Barriers continue to inhibit the implementation of ERM

Q: How many full time equivalents (including contractor support) are working in the enterprise risk management function?
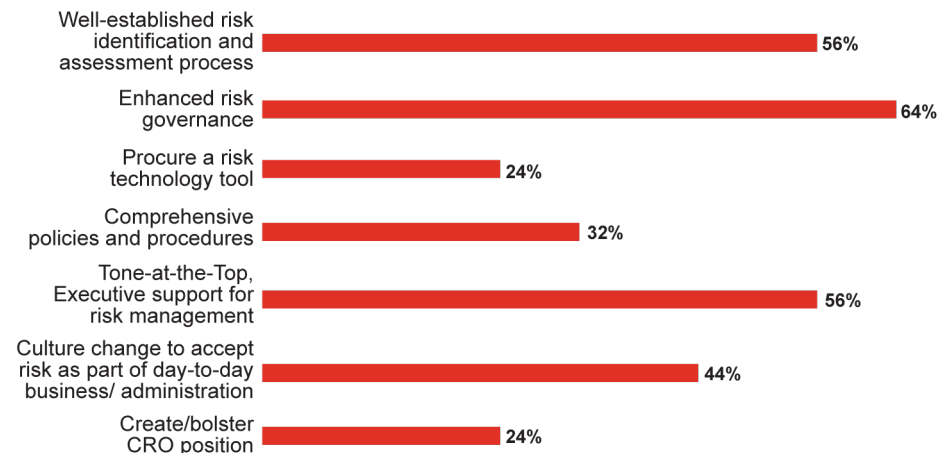
5 or less	**53%**
Greater than 5 but less than or equal to 10	**35%**
Greater than 10 but less than or equal to 25	**12%**
Greater than 25	**0%**
Don't Know	**0%**

Q: Which of the following would strongly influence senior leadership at your Department or Agency to adopt a formal ERM program?

OMB Circular specifically requiring agencies/ departments to establish an ERM program	**50%**
Significant risk event, data breach, disaster or crisis	**42%**
Decreased overall budget for organization	**0%**
Other similar organizations adopting ERM programs	**8%**

Q: What has been the biggest barrier to your Department or Agency establishing a formal ERM program?

Executive level buy-in and support	**14%**
Rigid culture resistant to change	**0%**
Bridging silos across organization	**57%**
Building a business case for ERM	**7%**
Finding talent to drive and execute ERM	**0%**
Other	**21%**

Q: Please select the top three improvements your Department or Agency could make to address CURRENT and FUTURE risks?

Well-established risk identification and assessment process	**56%**
Enhanced risk governance	**64%**
Procure a risk technology tool	**24%**
Comprehensive policies and procedures	**32%**
Tone-at-the-Top, Executive support for risk management	**56%**
Culture change to accept risk as part of day-to-day business/ administration	**44%**
Create/bolster CRO position	**24%**

Theme 5:

Evolution of Technology to support ERM

Organizations are currently leveraging a wide array of tools and technologies to support their risk management programs ranging from basic spreadsheets to custom databases to advanced Governance, Risk and Compliance (GRC) tools. Many respondents note that GRC technology will assist in making their risk management responsibilities easier by providing complete and timely data to support complex decision making, and to help them manage organizational risks. Although leveraging GRC technology to automate manual processes and reporting is not a new concept, acquisition of GRC technology to support ERM or other risk and compliance programs continues to lag, with many organizations relying on basic technology such as Excel, SharePoint, Access, and other Microsoft Office-based software programs.

As private sector organizations discovered in the recent history of their risk and compliance management programs, agencies are finding they exhaust the functionality of these more manual solutions. As ERM programs gain wider acceptance, they need more robust technology solutions that offer flexible workflow, survey, analytics and reporting capabilities across the enterprise.

Automating Risk Management
Agencies leverage GRC technologies to advance the effectiveness of their ERM programs and increase engagement across the enterprise. The capabilities and benefits of automating processes and reporting with GRC technology directly support risk and compliance management activities in which agencies intend to advance efforts in the coming year, including conducting assessments, monitoring and reporting, testing, reviewing, and auditing. Many respondents indicate they look to using an enterprise GRC technology solution in effort to integrate disparate stakeholders and inform leaders on the agency's risk performance.

Achieving Organizational Benefits
Survey participants with an established GRC technology-enabled ERM program indicate realization of a number of benefits. Perhaps the greatest benefit is improved reporting to support risk management programs (50% of respondents). Other notable GRC technology benefits include reduction of manual efforts (38%) and improved communications and connectivity (25%). Agencies that leverage GRC technology to automate their risk management processes and reporting also cite enhanced data integrity and reliability, and greater oversight capability. These benefits result from effective risk management—incorporating a framework to elevate risk considerations, review vulnerabilities, and establish mitigation efforts in the strategic planning process.

Leveraging GRC Technology
Twenty-eight percent (28%) of respondents indicate their agencies are leveraging GRC technology to automate their risk management processes and reporting. However, the majority of agencies have not yet invested in GRC technology and rely on a combination of Microsoft Office products and manual processes for risk assessments, data compilation, analysis, monitoring, and reporting. While technology can help accelerate risk management and decision making, long-term sustainment of these programs is largely dependent on executive management support and formal organizational risk processes.

> *"We plan to utilize a SharePoint solution in the near-term, although we would eventually like to consider a Governance Risk and Compliance, commercial-off-the-shelf type tool in the longer term."*
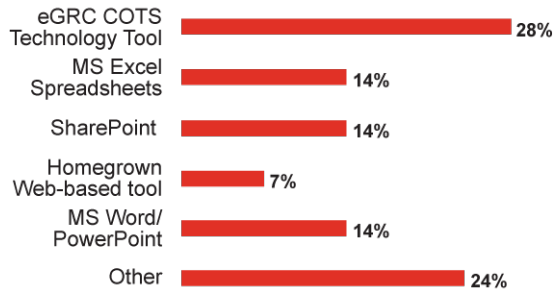>
> ERM Officer,
> National Institute of
> Standards & Technology

> *"Data intelligence would provide the needed information to prioritize, standardize, monitor, and become resilient to events."*
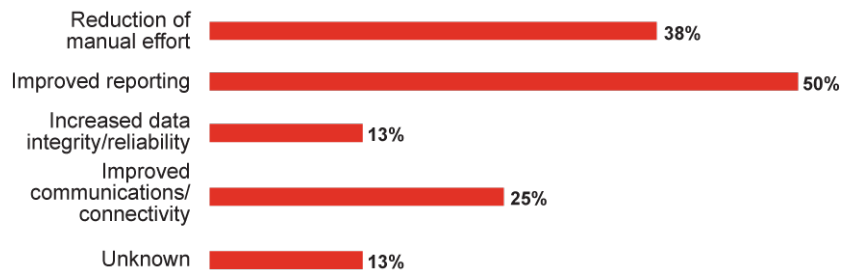>
> Executive,
> Federal Agency

Supporting Survey Questions Theme 5:
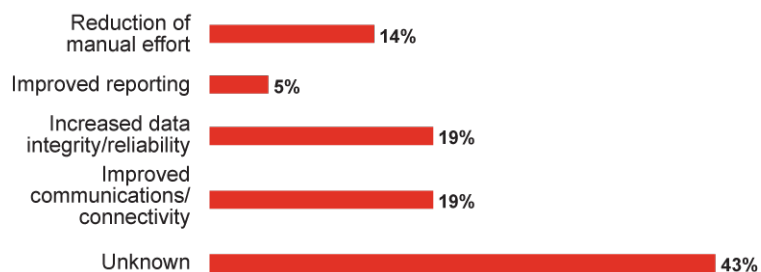
Evolution of Technology to support ERM

Q: Which of the following best describes the technology used to capture / assess / report risk information at your Department or Agency?

Technology	Percentage
eGRC COTS Technology Tool	28%
MS Excel Spreadsheets	14%
SharePoint	14%
Homegrown Web-based tool	7%
MS Word/ PowerPoint	14%
Other	24%

Q: What benefits or returns has your Department or Agency realized from its eGRC tools? (as many as apply)

Benefit	Percentage
Reduction of manual effort	38%
Improved reporting	50%
Increased data integrity/reliability	13%
Improved communications/ connectivity	25%
Unknown	13%

Q: What benefits or returns do you anticipate your Department or Agency might realize from implementing eGRC tools?

Benefit	Percentage
Reduction of manual effort	14%
Improved reporting	5%
Increased data integrity/reliability	19%
Improved communications/ connectivity	19%
Unknown	43%

About Us

AFERM

AFERM is a community of practice dedicated to the advancement of Enterprise Risk Management (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.

PwC

PwC helps organizations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting www.pwc.com.

> ### *Award-Winning Excellence*
> In 2014, PwC's Public Sector became the first large professional services firm ever to receive the nation's highest Presidential honor for quality - the Malcolm Baldrige National Quality Award. The Baldrige Award was established by Congress to recognize organizations for performance excellence through innovation, improvement and visionary leadership. Winning the award demonstrates PwC Public Sector's unparalleled commitment to quality and continuous improvement, which is embedded in everything we do and has enabled us to provide exemplary service to our Government clients.
>
> **Malcolm Baldrige**
> National Quality Award
> **2014 Award Recipient**

Thanks

This survey report is the product of a collaborative effort between the AFERM and PwC. We extend our gratitude to the respondents, both online survey and our personal interviews. Our analysis and reporting would not be possible without your time and candid input.

If you have any questions about the results presented in this report, please do not hesitate to contact us using the information below.

Contributors

AFERM
www.AFERM.org

Jay Ahuja
Jay.Ahuja@tsp.gov

Todd Grams
tgrams@deloitte.com

Sallyanne Harper
Sallyanne.harper@aocsolutions.com

Allen Runnels
allenrunnels@gmail.com

Tom Stanton
tstan77346@gmail.com

Doug Webster
Businessdr@aol.com

PwC
www.pwc.com

Jerrod Baldwin
jerrod.baldwin@us.pwc.com

Marc Brickhouse
marc.brickhouse@us.pwc.com

Philip Dittmer
philip.s.dittmer@us.pwc.com

Jeffrey Poczatek
jeffrey.m.poczatek@us.pwc.com

Shelly Turner
shelly.l.turner@us.pwc.com

Bryon Vincent
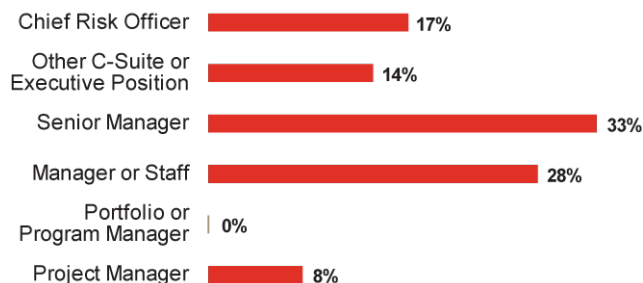bryon.a.vincent@us.pwc.com

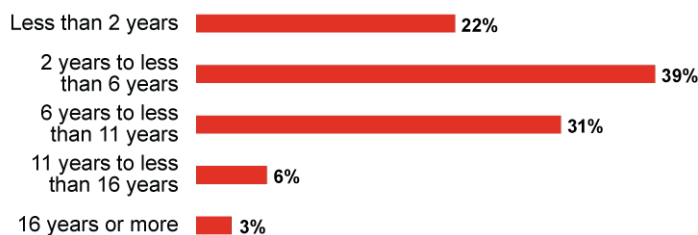Creative:

Angela D'Agostino

Christina Vanecek

Survey Demographics

Q: What is your role? Please select the most relevant role to you based on the options provided below.
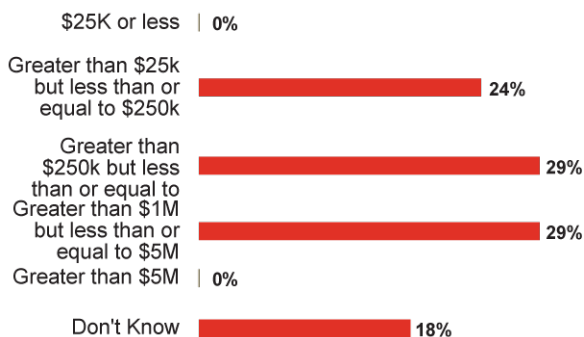
Role	Percentage
Chief Risk Officer	17%
Other C-Suite or Executive Position	14%
Senior Manager	33%
Manager or Staff	28%
Portfolio or Program Manager	0%
Project Manager	8%

Q: How many years have you served in this role?

Years	Percentage
Less than 2 years	22%
2 years to less than 6 years	39%
6 years to less than 11 years	31%
11 years to less than 16 years	6%
16 years or more	3%

Q: Please indicate the size of your Department or Agency, by number of employees.

Size	Percentage
Less than 500	17%
501 to less than 10,000	28%
10,000 or more	56%
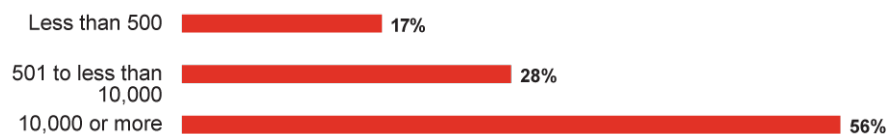
Q: What is the total annual budget for enterprise risk management activities across your Department or Agency?

Budget	Percentage
$25K or less	0%
Greater than $25k but less than or equal to $250k	24%
Greater than $250k but less than or equal to	29%
Greater than $1M but less than or equal to $5M	29%
Greater than $5M	0%
Don't Know	18%

Contacts

For more information, please contact:

Tom Stanton

President
Association for Federal Enterprise
Risk Management

tstan77346@gmail.com
(202) 965-2200

David M. Fisher

Managing Director
Public Sector Risk Consulting Leader

fisher.m.david@us.pwc.com
(703) 610-7505

www.pwc.com/publicsector