The Mandate for Public Sector Enterprise Risk Management

Welcome!

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Natalie Houghtby-Haddon, PhD

The Mandate for Enterprise Risk Management in the Public Sector
GEORGE WASHINGTON UNIVERSITY

- Chartered in 1821 by Congress on behalf of George Washington
- 270,000 alumni worldwide
- Top provider of Peace Corps volunteers
- 31% enter government, education or non-profit
- 10 alumni in 114th U.S. Congress
- 60 Fulbright scholars on faculty
- 5 Supreme Court Justices served as GW Law faculty
Center for Excellence in Public Leadership

• Educational programs grounded in OPM ECQs
• Leadership development for Federal, state and local government since 1997
• Created as a public/private partnership to respond to complex issues
• Mission to develop public leaders who make a positive difference
• Applied learning in their own setting
• Beyond academic learning to change themselves and their organization
**Today’s Speakers**

**J. Christopher Mihm**  
Managing Director, Strategic Issues  
U.S. Government Accountability Office

**Dr. Karen Hardy**  
Deputy Director, Risk Management  
U.S. Department of Commerce

**Dr. Douglas Webster**, DBA, CGFM, PMP, CGEIT  
Director, Country Risk Management, U.S. Agency for International Development, and Program Faculty, GWU Center for Excellence in Public Leadership

**Natalie Houghtby-Haddon**  
Associate Director, The George Washington University  
Center for Excellence in Public Leadership
Wicked Issues, Governance, and Risk Management

J. Christopher Mihm
Managing Director, Strategic Issues
U.S. Government Accountability Office

30 June 2015
Framework for public sector strategic risk management

- Results-Oriented Management
- Risk Assessment
- Alternatives Evaluation
- Management Selection
- Implementation and Monitoring
What Does 21st Century Governance Look Like?

• The types of issues that government confronts are growing more complex and boundary-less (wicked issues).

• The approaches (policy tools) that government uses to address these issues are wide ranging and increasingly indirect (hollow government).

• Citizen confidence in government is at historic lows in many places and citizens are rightly demanding increased transparency and opportunities for active engagement.

• All of this must take place in an environment where agencies are stressed to develop and maintain the basic capacities they need in an era of fiscal constraints.

• A bottom line: new ways of thinking, new management approaches, and new personnel capabilities are essential to better serve our citizens in the 21st century.
A Simplified Logic Model

inputs
- Staff
- Funds
- Facilities

outputs
- Products
- Services delivered
- Clients served
- (Activities)

outcomes
- Results
- Impact on citizen well-being
A Results Map

Outcomes and Results

Program

Program

Program

Program
Transform organizational cultures

Current State
- Output-oriented
- Stovepipes
- Hierarchical
- Inwardly focused
- Micro-managing
- Reactive behavior
- Avoiding technology
- Hoarding knowledge
- Avoiding risk
- Protecting turf

High Performing Orgs.
- Results-Oriented
- Matrixes
- Flatter and more horizontal
- Externally focused
- Employee empowerment
- Proactive approaches
- Leveraging technology
- Sharing knowledge
- Managing risk
- Forming partnerships

9 Key Practices
- Leadership
- Integrated mission and goals
- Clear principles and priorities
- Goals and timeline
- Implementation team
- Line of sight
- Communication strategy
- Employee involvement
- World-class organization

Source: GAO Analysis.
Governance Implications for Enterprise Risk Management

• Focus broadly on the results that the government seeks to achieve rather than on the operations of any single program or agency. This entails adopting an enterprise or whole of government orientation (or even whole of society), and looking at policy coherence.

• Assess systemic risk management in addition to the operational and program risk confronting any single program or even agency.

• Evaluate collaborative mechanisms and network management across levels of government, sectors, and with the public.

• Examine government capacity in new and different ways. Specifically, assess the capabilities the Center of Government needs.

• Review strategies for civic engagement, open government, and transparency.
Thank You!
Creating ERM Success

Dr. Karen Hardy, Deputy Director Risk Management
U.S. Department of Commerce
June 2015
Traditional vs. Enterprise Risk Management

**Historical View**

- Hazard Risk Management
  - Insurable financial risks
- Focus on preservation of tangible assets
- Silo Approach
  - Each department/function manages its risks independently
- Risk management – separate function
- Risks are threats – Focused on avoidance of negative events

**Today**

- Enterprise Risk Management
  - Operational, strategic, financial reputation and insurable risks
- Recognition of the value of tangible and intangible assets
- Holistic approach
  - Coordinated at the highest level within the organization
- Risk management is a corporate wide daily concern and is embedded in the operations
- Risks can be threats and opportunities

Evolution of Risk Management requires an evolved set of skills.....

Source: edibebailey.com
Enterprise Risk Management

- Enterprise risk management (ERM) is an agency-wide approach to evaluating, prioritizing, and managing risks that could impact mission delivery.

- ERM addresses the full spectrum of the organization’s risks by understanding the combined impact of risks in an interrelated portfolio rather than addressing risk in silos.

- Done well, ERM serves as a strategic tool, supporting prioritization and optimization of resources in meeting policy goals, and proactive responses to changes in the environment.

A full spectrum of risk

Interdependencies
## Enterprise Risk Management (ERM)

Source: AGA PDT

### Where We Are Now:
Risk Management and Internal Control by Silo

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<tr>
<th>Improper Payments</th>
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<th>Spending Reports</th>
<th>OIG Major Management Challenges</th>
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<td>USASpending.gov DATA Act Reporting Required by Other Special Legislation</td>
<td>Risk Mitigation Corrective Action Plans</td>
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<td>Charge Card Management Appendix B Requirements</td>
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Where We Need to Be: Enterprise-Wide Risk Management and Internal Control

Enterprise Risk Management

Unified Governance

Strategic Planning and Coordination

Risk Assessment, Management, and Internal Controls

Management Oversight and Assessment

Annual Assessment and Assurance

Operations

Program Objectives

Outcomes and Performance Metrics

Reporting

Financial Statements and Spending Reports

Compliance

IT Security

Other Laws and Regulations

Independent Oversight and Audit Assurance

Source: AGA PDT
OMB Circular A-11 Part 6
Overview of Risk Management Sections in 270

- **270.24** What is Enterprise Risk Management (ERM)?
- **270.25** What are the key roles of risk managers at an agency?
- **270.25** Why is ERM a best practice and how is it relevant to strategic reviews?
- **270.26** What other guidance does OMB provide agencies regarding risk management concepts discussed in this Circular?
  - Memorandum-07-24 Updated Principles for Risk Analysis
  - OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables
  - OMB Circular No. A-123 Management’s Responsibility for Internal Control
- **270.27** What is the difference between internal control and risk?
- **270.28** What is the difference between OMB Circular A-123 and Enterprise Risk Management?
What are the biggest challenges to ERM at your agency?
Best and Promising Practices of ERM

1. The CRO or equivalent role should be an objective role.
2. Make better use of data analytics.
3. Quantify the impact of past risk events.
4. Establish a culture of risk reward.
5. Senior management buy-in is essential.
6. ERM and A-123 should co-exist but not as stand-alone activities.
7. Establish/leverage a formal governing body.
10. Implement a Risk Management Framework and phased ERM Implementation approach.
THANK YOU!!!

Dr. Karen Hardy, Deputy Director Risk Management
U.S. Department of Commerce
June 2015
Center for Excellence in Public Leadership

THE GEORGE WASHINGTON UNIVERSITY

Dr. Douglas Webster

George Washington University ERM Certificate Program
Student Profile

- Government risk practitioners, senior and mid-level managers, consultants, and auditors
- Private sector contractors
- Those involved with some aspect of ERM
- Individuals looking to broaden their approach or expand their skills in ERM
- Agency teams
INDIVIDUAL LEARNING OBJECTIVES

- Link risk management efforts to critical risks that can impact the strategies and strategic goals of the agency
- Integrate ERM process within existing operations
- Create a risk aware culture
- Collect, synthesize and analyze risk to determine a response
- Institutionalize an ERM system that will have measurable results
- Apply and integrate the concepts, methods, and techniques of ERM into their daily business practices and processes
CURRICULUM

Credits
• 4 courses of 3-days each; non-credit, accruing 12 CEUs
• Courses offered 2x per year at GWU satellite campus

Four Courses
• Management Foundation of ERM
• ERM Tools and Techniques
• Organizational Change Management
• ERM Capstone Course
Other ERM programs typically:

• Are not focused on the specific needs of the public sector
• Are not focused on ERM, but are simply a collection of various traditional risk management topics, or
• Have only a small portion of instruction specifically on ERM

This program was designed to specifically focus on teaching the principles, practices, & challenges of ERM

• Each course focused on an aspect of ERM
• Course build to a final capstone course
ERM 1

Management Foundations for ERM

- Foundations of ERM
- Relationship to strategic planning, performance management, cost management, and organizational change management.

Four Modules

- Role of Values Based Management
- Principles of Risk Management
- Organizational Change Management
- Enterprise Risk Management, and its contribution to effective public sector management
ERM II

Guide to Implementing ERM in Government
• Methodology of ERM
• Tools, techniques and processes for ERM.

Course Objectives
• Methodology to apply during ERM implementation
• Tools and techniques used in ERM
• Applying an ERM framework
• Embedding ERM into agency’s processes
Organizational Change Management for ERM

- Change management role in ERM
- Methodologies and behavioral changes required

Course Objectives

- Assessment for change management
- Principles of organizational change management
- Unique challenges of public sector change management
- Apply Prosci® ADKAR® model for implementing change
ERM IV

ERM Capstone Course
- Integrated ERM knowledge
- Applying the full spectrum of knowledge learned

Course Objectives
- Analysis of case studies
- Principles of organizational change management
- Apply learned concepts, methods, practices and techniques.
- Demonstrate competency in ERM through application in agency setting
SENIOR FELLOWS

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U.S. Agency for International Development

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LEARN MORE ABOUT THE ERM PROGRAM:

• Information Session: Public Sector Enterprise Risk Management
  Tue, Jul 14, 2015 1:00 PM EDT
  https://goto.webcasts.com/starthere.jsp?ei=1069501&sti=7311

UPCOMING WEBINARS – 1 HOUR, 1 CPE:

• Navigating Cloud Contracting: Who Owns the Data?
  Thu, Jul 9, 2015 2:00 PM EDT
  https://goto.webcasts.com/starthere.jsp?ei=1068510&sti=7311

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