Enterprise Risk Management: Front and Center in Government

Today’s Presenters:

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Welcome to the Webinar!

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- 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
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• Applied learning in participants’ own setting
• Go beyond academic learning to change themselves and their organization

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to equip and enable public leaders, and the people, organizations, and communities they serve to create positive alternatives to seemingly intractable problems, while mobilizing and sustaining energies for transformational change.
Enterprise Risk Management at the Transportation Security Administration

July 2016
Why Implement ERM at TSA?

• **Impetus Behind Risk Management at TSA**
  • Declining Resources with Increasing Demand
  • Adaptive and Evolving Terrorism Threat
  • Public Image / Agency Reputation

• **Risk Management for Security Operations**
  • TSA Pre✓® and Expedited Physical Screening
  • Enhance Value Provided via Mission
  • Delivering Most Effective Security in Most Efficient Way

• **Decision to Implement ERM Agency-Wide**
  • Build on the Success of Risk-Based Security
  • Expand to all Agency Operations

• **Guiding Principles of TSA’s ERM Implementation Approach**
  • Logical and Systematic Approach tailored to TSA
  • Focus on Culture Change – Build Organizational Capacity
  • Common Framework with Consistent Application
  • Establish the Value Proposition of ERM for the Agency
The ERM Value Proposition for TSA

Enterprise Risk Management at TSA ….

- complements current risk programs and capabilities
- improves decision making and governance
- helps the agency remain agile and adaptive while promoting transparency
- allows for all decisions and planning to be influenced and understood by corresponding risks provides an objective basis for resource allocation decisions within budget limits
- reduces inefficiencies and uncertainties
- strengthens overall organizational performance
- aligns activities across TSA to achieve strategic outcomes
- reinforces TSA’s risk culture

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TSA’s ERM Program

TSA’s ERM program provides a simple, practical framework for managing risks that impact an agency’s ability to achieve its mission

- ERM is a full-spectrum approach to risk management that includes identifying, assessing, measuring, monitoring, and responding to risks using a common framework.

- When properly executed, ERM activities are aligned with strategic objectives and support managing programs and operations within the limits of predefined risk appetites.

- ERM addresses all major risk types including compliance, financial, hazard, operational, and mission risks across all functions with strategic risks being elevated to TSA’s Executive Risk Steering Committee.

Enterprise Risk Management in practice is really Enterprise Management
TSA’s ERM Governance Structure

How the ERM Program functions at TSA

The ERM Team, under the CRO, acts as a liaison between the Program Offices and ERSC and is the central coordinating office for the ERM program. The Team promotes a risk-aware culture through ERM activities which identify, measure, prioritize, report, and manage enterprise-wide risks.

Roles

- **ERSC**
  - Provides clear accountability and ownership of risks
  - Provides a unified approach to risk management across the enterprise

- **ERM Team**
  - Retains ownership of risks and manages risks on a daily basis

- **Program Offices**
  - Provides a unified approach to risk management across the enterprise

Benefits

- Helps TSA operate efficiently and effectively as stewards of taxpayer dollars and public trust
- Provides an improved risk posture with better line-of-sight for potential risks
- Improves understanding of relationships between risks

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ERM Program Operations

ERM Framework
1. Establish the Context
2. Identify Risks
3. Analyze Risks
4. Evaluate Risks
5. Respond to Risks
6. Monitor & Review

ERM at TSA
Create & Track Milestones
Implement Risk Metrics & Indicators
Develop Policies and Procedures
Build Organizational Capacity
Establish Analytical Systems and Tools

Establish Integrated Framework

Established Categories
Mission Operations
Business Operations
Information
Governance
Risk
Fiscal / Policy
Trade Spaces
Operational Efficiency
Security Effectiveness
Industry Vitality
Passenger Satisfaction

Risk Taxonomy
ERM Maturity Model
Implementation Plan
Governance Structure
ERM Policy Manual

ERM Team Training
Community of Practice
ERM Liaison Training
ERM IPT Training
General ERM Training
Maturity Assessments
Risk Management Core Competency

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**TSA’s ERM Risk Taxonomy**

The ERM Risk taxonomy organizes risk into categories to promote consistent identification, assessment, measurement, and monitoring of risks across the organization.

**Taxonomy key:**
- **Tier 1** (Risk Area)
- **Tier 2** (Risk Category)

**Mission Operations**
- Intelligence
- Operations
- External Environment
- Reputation

**Business Operations**
- Procurement & Contract Mgmt.
- Financial Management
- Human Resources & Employee Relations
- Reputation

**Governance**
- Regulatory & Compliance
- Strategy & Planning
- External Engagement
- Intergovernmental Relations
- External Risk
- Reputation

**Information**
- Technology
- Management
- Sharing
- Analysis
- Architecture
- Reputation
This **Enterprise Risk Management** process provides a logical and systematic method for establishing the context for risks, as well as identifying, analyzing, evaluating, responding to, monitoring, and communicating them in a way that will allow TSA to make decisions and respond timely to risks and opportunities as they arise.
Maturing ERM at TSA

TSA developed an Enterprise Risk Management (ERM) capability to embed robust and consistent risk management practices within the Program Offices in a way that facilitates risk-informed decision making throughout the organization.

To assess the maturity of TSA ERM program, OCRO:

1. Obtained an understanding of TSA’s risk management practices across the organization and determined how TSA aligned to a Capability Maturity Model (CMM)
2. Developed a CMM based on industry best practices and tailored it to TSA’s unique environment
3. Constructed a model that details activities and milestones across four different dimensions of risk: governance, process, people, and technology.

Each level on the CMM is characterized by key milestones as entities first expand the comprehensiveness of their risk management efforts, then deepen their understanding of risk interactions, and finally incorporate risk into strategic decision-making.
TSAs goal: to achieve level 3 maturity by the end of 2016

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<tr>
<th>Initial/Ad Hoc</th>
<th>Fragmented</th>
<th>Comprehensive</th>
<th>Integrated</th>
<th>Strategic</th>
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<tr>
<td>Risk management activities are ad hoc</td>
<td>Risk management functions independently within business units</td>
<td>Risk management is enterprise-wide and encompasses all risk types including strategic and operational</td>
<td>Risks are treated as a portfolio at the enterprise level and are correlated and aggregated across risk types and business units</td>
<td>Incorporated into capital allocation, product development, etc.</td>
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<td>No overarching risk management philosophy or objectives are defined</td>
<td>Risk types managed are limited to hazard, financial, and compliance</td>
<td>Common standards, tools and techniques implemented</td>
<td>Early warning risk indicators</td>
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<td>Risk appetite and risk tolerance set for all risk types and strategic risks</td>
<td>Linkage to performance measurement/incentives</td>
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Plan to Achieve ERM Maturity Level 3

1. Establish ERM infrastructure and capabilities
   - Approve ERM policy and define ERM organizational structure and manual
   - Establish risk appetite statements and develop risk tolerance thresholds in line with risk appetite
   - Define enterprise risk assessment criteria
   - Develop risk reporting process and templates
   - Amend performance measures to embed risk management responsibilities and goals
   - Define high-level requirements for ERM information system
   - Completed in FY14

2. Implement ERM process
   - Perform enterprise risk identification through multi-disciplinary stakeholder working groups
   - Assess enterprise risks using qualitative methods
   - Prioritize risks, assign risk owners, and develop response plans aligned to TSA risk tolerance thresholds
   - Finalize requirements for ERM IT support system
   - Develop Key Risk Indicators (KRIs)
   - Develop and disseminate risk culture survey. Develop action plans based on results
   - Develop and implement risk management training
   - Completed in 2014 - 2015

3. Operate and sustain ERM capabilities
   - Implement risk response plans and track progress against risk objectives for Programs
   - Perform dynamic, automated monitoring of KRIs to assess potential for risk events in line with established risk tolerance thresholds
   - Perform on-going risk reporting to inform decision making at enterprise level
   - Continue to build organizational capacity
   - Implement and assess effectiveness of ERM/risk management training
   - On-going 2014 - 2016
Key Challenges and Lessons Learned

Lessons Learned
• Process must be flexible to permit broad use across different offices
• Aggregating risk input at too high a level loses much of the original meaning and makes analysis and mitigation more difficult
• Changing the Organizational Culture takes time and dedication
  • Risk management is still “bolt-on” vice “built-in”
  • Organizational buy-in is difficult if the ERM value proposition not clear

Key Challenges
• Linking risk to budgeting process and resource allocation decisions
• Considering risks in aggregate vice individually
• Defining risk thresholds in operationally relevant terms
Questions?

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**PREPARING YOURSELF AND YOUR PEOPLE**

**What Does it Take?**

- **5-day program**
  - Foundations of ERM
  - Tools and Techniques
  - Leading Change
  - Application Scenario

- **Classroom format**

- **10 CEUs**

- **Certification Exam**

- **Tuition:** $6450 per person

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The world is a risky place, and organizations are faced with the challenge of achieving their missions in a complex, uncertain, “always on” environment. **Enterprise Risk Management (ERM)** helps organizations understand and manage the full spectrum of risks they confront. To implement such a framework, organizations need persons who can help build a successful ERM Program in their agency. **Become one of those people through the GW ERM Certificate Program!**

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