

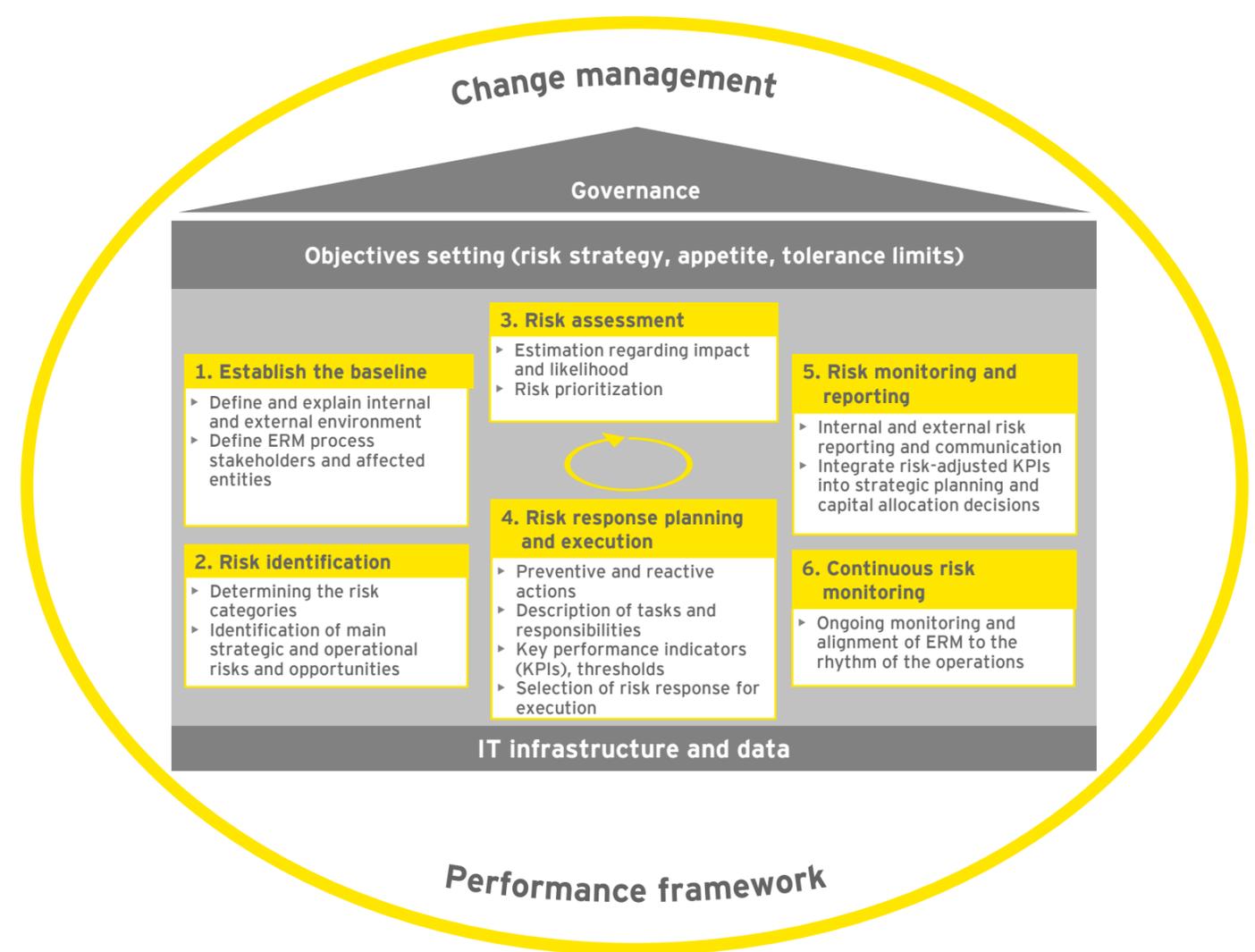
What has changed in OMB Circular A-123?

- ▶ Office of Management and Budget (OMB) Circular A-123 revisions focus federal managers' attention on having an **appropriate Enterprise Risk Management (ERM) framework, processes and systems** needed to identify and address risks.
- ▶ The revised Circular emphasizes the importance of **coordinating ERM activities with the strategic planning and review process** established by the Government Performance and Results Modernization Act, performance management and internal control processes required by the Federal Managers' Financial Integrity Act and the Government Accountability Office's Green Book.
- ▶ The Circular sets expectations for **agency management to engage in the ERM process** and form an **integrated governance structure** to address the risks that arise in an increasingly complex environment of uncertain budgets, expanded mandates and increased transparency requirements.
- ▶ **Annual agency risk profile** must be developed and coordinated with the annual strategic objective review process (by June 2, 2017, and annually by June 3).

Demonstrating readiness in three initial steps

- Step 1: **Evaluate current state to understand existing level** of ERM maturity and to identify existing leading practices and "centers of excellence" to be leveraged to design or enhance your ERM program. This will enable the definition of an appropriate ERM framework that fits your mission, culture and desired level of ERM maturity.
- Step 2: **Design/enhance an integrated ERM governance** that recognizes ERM and internal control as complementary pillars in the ERM framework. ERM and internal control functions should operate in concert to support mission achievement and positive performance outcomes.
- Step 3: **Define risk appetite and tolerance objectives and develop a risk profile** that is measurable and aligned to the tolerance objectives. Engage management from all mission and mission support functions when conducting enterprise risk assessment in order to define the agency risk profile. The assessment should be an ongoing and iterative process.

EY ERM Method



A continuous integrated approach that embeds change management and a solid understanding of the agency's strategic and performance objectives is essential to effectively address new OMB A-123 requirements.



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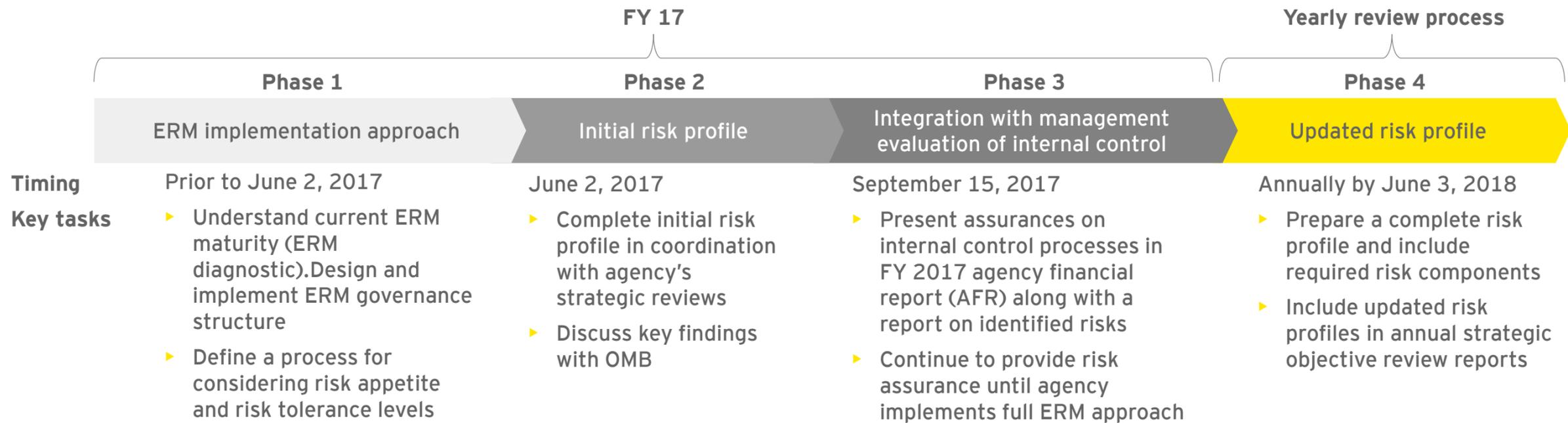
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Illustrative road map to A-123 readiness: ERM development process

Engage in an integrated, phased approach, recognizing that not all components of an ERM process will be fully operational in initial years



Tangible outcomes maturing an ERM program

First 90 days	Three-to-six months	Beyond six months
<ul style="list-style-type: none"> Completed ERM maturity assessment Identified existing leading practices and "centers of excellence" Documented ERM success factors that are aligned with agency strategic objectives and reporting requirements Validated risk appetite and tolerance limits Agreed on governance considerations related to alignment of ERM, internal control and strategic planning cycle Defined change management strategy 	<ul style="list-style-type: none"> Defined governance structure, roles and responsibilities Aligned initial risk management process with strategic planning, performance objectives, budgeting cycles and internal control processes Completed enterprise risk assessments Completed enterprise risk profile, with visibility into top risks and other findings 	<ul style="list-style-type: none"> Increased ERM maturity and assurance processes and procedures Completed enterprise risk profile Established risk mitigation planning for top risks Established risk accountability metrics and measures Integrated risk-adjusted performance indicators and strategic planning and capital allocation decisions