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Federal Enterprise Risk Management
2019 Survey Results

The 2019 Federal ERM Survey is Guidehouse's fifth annual survey performed in collaboration with the Association for Federal Enterprise Risk Management (AFERM). It is designed to provide Federal risk managers and leadership with perspective on the current state and trends of ERM in the U.S. Federal government.

AFERM
Association for Federal Enterprise Risk Management

guidehouse.com

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Executive Summary

For the fifth consecutive year, the Association for Federal Enterprise Risk Management (AFERM) and Guidehouse have collaborated to survey Federal government leaders and staff for their insights into the current state of Enterprise Risk Management (ERM) in their organizations. **ERM continues to exhibit performance levels that are still reflective of an emerging capability, although incremental positive trends are evident across most of the areas measured in the survey.**

This year's survey expanded on the number of demographic categories that were incorporated, to further identify those organizational characteristics that demonstrate the highest correlation to the establishment of robust and effective ERM programs in the Federal government. **Last year's survey highlighted two such characteristics: those organizations that had placed a Chief Risk Officer (CRO) in charge of their ERM program, and those organizations whose ERM program had been up and running for three or more years. While those attributes continued to be highly correlated to effective ERM capabilities in the Federal government,** the CRO feature was less prominent as a success factor compared to last year's survey.

This year, other organizational characteristics emerged as even stronger indicators of ERM effectiveness, according to our survey respondents. Specifically, **the highest correlations with ERM success is for those organizations that incorporate risk management into the performance plans of all members of the Senior Executive Service (or equivalent), and for those organizations in which the ERM program reports directly to the Agency Head or Deputy.**

Top 10 Additional Findings

The following is a summary of some of the additional key insights from this year's survey (in no particular order):

- With the highest affirmative response in the history of the survey (80%), "Cyber security/privacy" surges to the top of risk areas receiving the greatest management attention. It is also #1 in terms of greatest perceived current risk and perceived future risk for Federal agencies. "Operational/programmatic risk" and "Human Capital risk" round out the top three in each of these categories.

- A mismatch continues to exist in several risk areas in which management is employing significant resources despite low perception of actual current and future risk. Some of these prominent risk areas include Compliance Risk, Financial Risk, Fraud Risk, and Reporting Risk.

- With a 28% increase in positive response from last year, "More clear linkage, alignment, or integration of risk with strategy and performance" emerges as the most impactful improvement area for better positioning to respond to current and anticipated risks, surpassing "Tone-at-the-Top, Executive support," and "Culture change to accept risk as part of day-to-day business."

- Integration of ERM with other processes remains low, with mean scores below the midpoint response of 3.00 in all four integration areas accounted for in the survey, including (in order of degree of integration): Internal Control Programs, Strategic Planning, Execution Processes, and Budgetary Processes.

- The top three benefits emanating from Federal ERM programs remain the same: "Enhanced management decision-making," "Reduced duplication in risk assessment and/or compliance activities," and "Improved resource deployment."

- The top three barriers to establishing and maintaining an ERM program also remain the same, but each dropped in severity. These three barriers are: "Bridging silos across the organization," "Rigid culture resistance to change," and "Executive level buy-in and support."

- The cultural aspects of ERM remain below the midpoint response, on average, in most of the questions related to this important aspect of ERM capabilities. That said, a positive trend has been exhibited in each of the areas addressed over the past three years. Creating a positive culture of risk transparency is the strongest ERM cultural characteristic, as demonstrated by our respondents.

- OMB Circular A-123 represents the primary motivator for the establishment of Federal ERM programs for the third straight year, but compliance with the Circular is rated last out of the five options provided in terms of areas for focus over the next 12 months. "Training and Awareness" tops the list for focus areas for the third straight year.

- In a new question this year, nearly half of respondents rate their ERM program as performing at a Highly Effective or Very Highly Effective level in terms of designing, implementing, managing, and maturing their organization's ERM capability. Only 18% of those programs are deemed Slightly Effective or Not Effective.

- Federal organizations with risk appetite statements that are well-understood and integrated into strategy and decision-making continue to be rare (12%), although this percentage is up slightly from a year ago.

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Survey Approach, Demographics, and Report Format

This report provides the results of the fifth annual survey conducted by Guidehouse and AFERM on Enterprise Risk Management in the U.S. Federal government. While the vast majority of questions are repeated from last year's survey to enable the tracking of trends over time, several new questions were introduced this year, primarily to expand on the demographic categories that have since been correlated to the results of all other questions. The objective is to highlight those characteristics of Federal ERM programs that are more (or less) correlated to successful outcomes.

In terms of organizational representation, responses were received from a total of 35 Federal organizations, including all 15 Cabinet agencies. These figures represent the broadest reach in the five-year history of the Federal ERM Survey.

The report's bar charts include data from the 2018 and 2019 surveys, except in the case of the small number of new questions, or new answer choices for previous questions, for which only this year's results are provided. To simplify the presentation of the data in these bar charts, percentages have been rounded to the nearest full percent. As a result, the sum of the percentages that are displayed may not equal exactly 100%. The analysis provided associated with each question includes insights from the question as a whole, comparison to the previous year, and for relevant findings across the demographic areas accounted for in the survey.

For this year's report, the mean score for the 14 questions related to ERM integration, the performance evaluation of ERM programs, and ERM & culture—which are based on a five-point Likert scale—have been included next to the bar chart, along with the mean score for 2018, and the percentage difference between the results over the two years. In addition, **breakouts for the means in the primary demographic categories for each of these questions have been added in a new section that can be found on pages 28-30 of this report.**

The survey was administered between July 16 and August 13, 2019. Links to the online survey were sent to government members of AFERM and members of the Senior Executive Association, as well as to select leaders in the Federal ERM community who were not AFERM members at the time of the survey. The survey was only distributed to government personnel. While all respondents received the same set of initial questions, subsequent questions followed one of two prescribed paths based on whether the respondent's organization had already implemented an ERM program.

Given that a random sample was not used to select the survey population, this approach represents a nonprobability sample which may not be generalizable to the entire Federal population. However, the survey respondents did span the breadth of the Federal government and encompass a number of demographic categories.
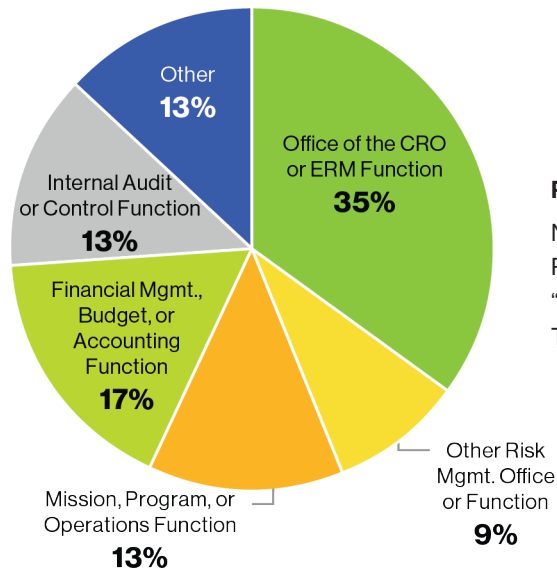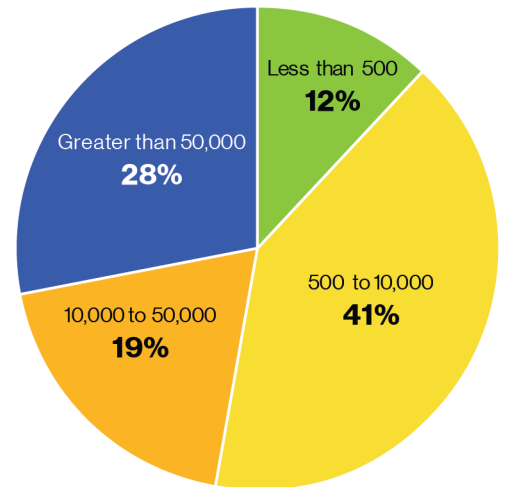
The 35 organizations from which responses were received include the following *(in alphabetical order)*:

- Architect of the Capitol
- Commodity Futures Trading Commission
- Consumer Financial Protection Bureau
- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Housing and Urban Development
- Department of Justice
- Department of Labor
- Department of State
- Department of the Interior
- Department of the Treasury
- Department of Transportation
- Department of Veterans Affairs
- Environmental Protection Agency
- Federal Deposit Insurance Corporation
- Federal Housing Agency
- Federal Reserve
- General Services Administration
- Millennium Challenge Corporation
- National Aeronautics and Space Administration
- National Archives and Records Administration
- National Credit Union Administration
- National Science Foundation
- Nuclear Regulatory Commission
- Office of Personnel Management
- Railroad Retirement Board
- Securities and Exchange Commission
- Small Business Administration
- U.S. Agency for Global Media
- U.S. Federal Courts

While personally identifiable information was not requested from survey respondents, some demographic information about their role and organization was captured. Responses to each question in the survey were analyzed against these demographic categories to identify any indications of differentiation in results based on these categorizations. Additional breakdowns are also provided based on other characteristics of ERM Programs identified in the next section of this report.

Size of your Organization, by number of employees.

To simplify the analysis associated with the size of organizations, the two smallest response categories are combined in the narrative portion of this document and referred to as **"smaller organizations"** (~53% of respondents, less than 10,000 employees) while the two largest response categories are combined and referred to as **"larger organizations"** (~47% of respondents, more than 10,000 employees).

Less than 500
12%

500 to 10,000
41%

10,000 to 50,000
19%

Greater than 50,000
28%

Other
13%

Internal Audit or Control Function
13%

Financial Mgmt., Budget, or Accounting Function
17%

Mission, Program, or Operations Function
13%

Other Risk Mgmt. Office or Function
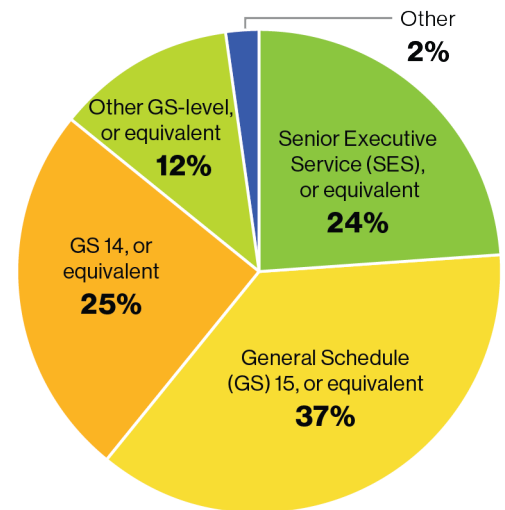**9%**

Office of the CRO or ERM Function
35%

Please provide your current functional alignment within your Organization.

Nearly half of this year's respondents currently work within their organization's Enterprise Risk Management function or some other Risk Management function (44%). Among the "Other" category, respondents indicate work in External Audit, Procurement, Information Technology, Human Resources, Security, Communications, and Strategic Planning.

What is your current level or grade?

This question was added this year to potentially identify trends across different grade levels in the Federal system, with a particular view on responses from members of the Senior Executive Service, or equivalent (also referred to in this report as **"SES" or "SES Cohort,"** representing 24% of respondents) and those in the General Schedule System, or equivalent (also referred to as **"Non-SES" or "Non-SES Cohort,"** representing 76% of respondents).

Other
2%

Other GS-level, or equivalent
12%

GS 14, or equivalent
25%

Senior Executive Service (SES), or equivalent
24%

General Schedule (GS) 15, or equivalent
37%

Survey Results

Characteristics of Federal ERM Programs
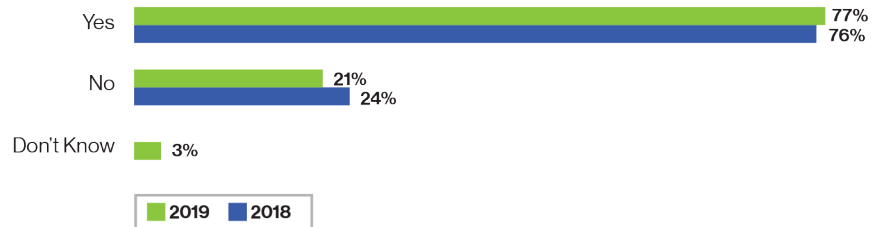
ERM Existence, Duration, and Budgets

In a number of areas, the FY19 survey identifies little difference from the FY18 results. For example, **roughly three-quarters of this year's respondents indicate working in an agency that has a formal ERM program**, virtually unchanged from a year ago. Among the demographic categories, larger Federal organizations are more likely to have an ERM program (84%) compared to smaller organizations (70%).

Q: Does your Organization have a formal Enterprise Risk Management program?

	2019	2018
Yes	77%	76%
No	21%	24%
Don't Know	3%	

After a surge in new Federal ERM programs in FY17, for the second year in a row very few new programs emerged in FY19, with **only 7% of respondents indicating the initiation of a new ERM program at their organization in the last 12 months.** Respondents indicate a notable jump in the 5-10 year category, now featuring 15% of respondents compared to only 2% the previous year.

More than a quarter of this year's respondents indicate they do not know the answer to this question, an answer choice that was not offered last year.

Note: The two shortest-duration response categories are combined in the narrative portion of this document and referred to as organizations with **"shorter-duration ERM programs"** (less than three years of an ERM program), while the three longest-duration response categories are combined and referred to as organizations with **"longer-duration ERM programs"** (more than three years of an ERM program).

Q: How long has your Organization practiced Enterprise Risk Management?

	2019	2018
1 year or less	7%	8%
1-3 years	26%	50%
3-5 years	22%	35%
5-10 years	15%	2%
10 years or more	4%	6%
Don't Know	27%	
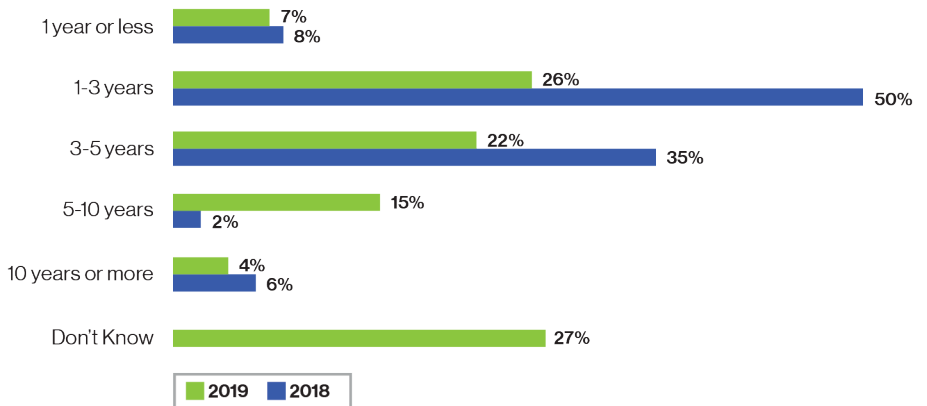
ERM programs continue to be small.
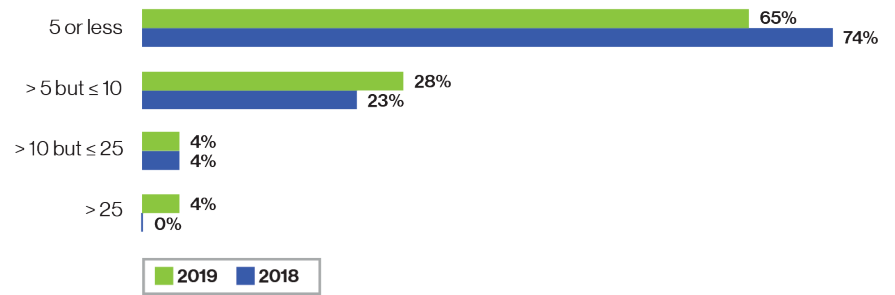Among our respondents, 65% indicate their organization's ERM workforce consists of five people or less (including contractors). That figure leaps to **93% for ERM functions with 10 people or less**. These responses are consistent across all demographic categories.
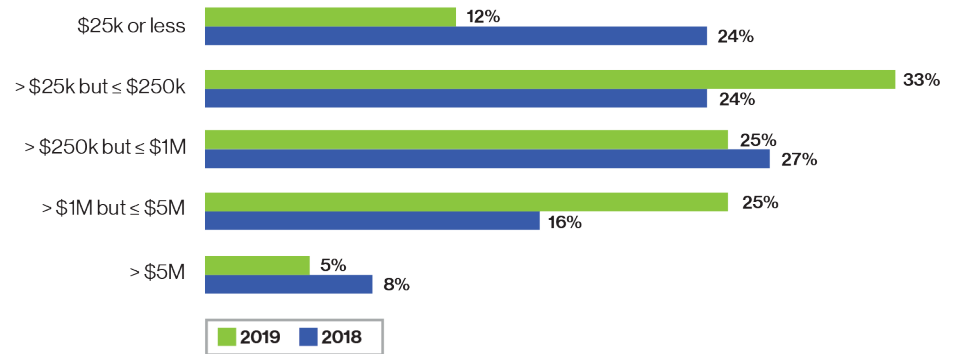
Q: How many full-time equivalents (including contractor support) are working in the Enterprise Risk Management function?

5 or less	2019: 65% / 2018: 74%
> 5 but ≤ 10	2019: 28% / 2018: 23%
> 10 but ≤ 25	2019: 4% / 2018: 4%
> 25	2019: 4% / 2018: 0%

Legend: ■ 2019 ■ 2018

Budgets for Federal ERM programs also remain small, with 45% of respondents reporting that their organization spends $250K or less on its ERM program. Comparable to last year, 70% of respondents indicate that their organization spends less than $1M on its ERM program. Smaller organizations spend less on ERM than larger organizations, with 78% indicating annual ERM budgets of under $1M compared to 60% for larger organizations. Nearly all (96%) of organizations with shorter-duration ERM programs spend less than $1M on their program, compared to 50% of organizations with longer-duration ERM programs.

Q: What is the total annual budget for Enterprise Risk Management activities across your Organization?

$25k or less	2019: 12% / 2018: 24%
> $25k but ≤ $250k	2019: 33% / 2018: 24%
> $250k but ≤ $1M	2019: 25% / 2018: 27%
> $1M but ≤ $5M	2019: 25% / 2018: 16%
> $5M	2019: 5% / 2018: 8%

Legend: ■ 2019 ■ 2018

Consistent with last year, **a majority of survey respondents (61%) indicate flat budgets** for ERM over the past 12 months. 35% of organizations experienced an increase in spending, and only 5% experienced a reduction. Larger organizations were more likely to have had an increase in ERM spending (47%) compared to smaller organizations (24%).

Q: In the last 12 months, the budget for overall Enterprise Risk Management activities has done which of the following at your Organization?

Increased	2019: 35% / 2018: 18%
Decreased	2019: 5% / 2018: 18%
Stayed the Same	2019: 61% / 2018: 64%

Legend: ■ 2019 ■ 2018
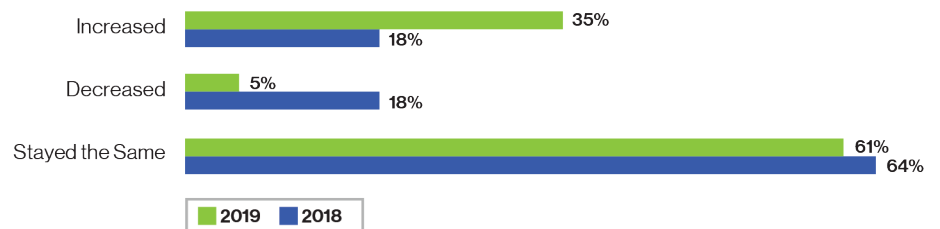
Governance, Program Scope, and Technology

ERM Executive Councils are in widespread use in Federal organizations that have established ERM programs (86%), but the **focus of these co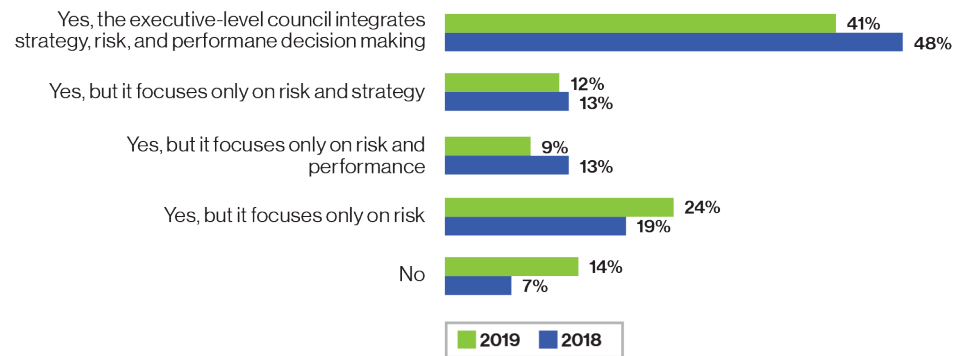uncils varies widely.** Just over 40% of these councils integrate risk with strategy and performance for enhanced decision-making, slightly lower than last year. This **number increases to 61% for organizations that include risk management in all SES Performance Plans,** compared to 28% for all other organizations. Similarly, these kinds of all-inclusive executive councils exist for **51% of organizations where the ERM program lead reports to the Agency Head or Deputy**, compared to 29% for all other organizations.
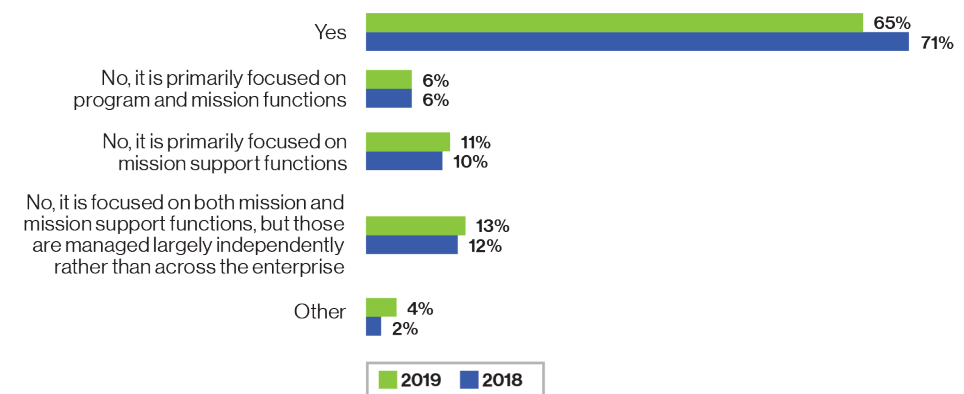
Just under one-quarter of these councils focus exclusively on risks, with no concrete emphasis on strategy and performance, slightly higher than last year. Organizations with shorter-duration ERM programs are less likely to have an executive ERM council, with 28% indicating that one does not currently exist, compared to only 2% for organizations with longer-duration ERM programs.

For the third consecutive year, **a strong majority of respondents indicate that their organization's ERM program encompasses a holistic view** of mission and mission support functions. This response is consistent across all demographic categories, with the highest percentage stemming from those organizations **where risk management is included in all SES Performance Plans (88% of such organizations** indicate such a holistic program, compared to 61% of all other organizations). Similarly, **75% of organizations where the ERM program lead reports to the Agency Head or Deputy** indicate a comprehensive ERM program as described in this question, compared to 54% for all other organizations.

Q: Do you have an executive-level council that reports and monitors risk as it relates to strategy and performance?

	2019	2018
Yes, the executive-level council integrates strategy, risk, and performane decision making	41%	48%
Yes, but it focuses only on risk and strategy	12%	13%
Yes, but it focuses only on risk and performance	9%	13%
Yes, but it focuses only on risk	24%	19%
No	14%	7%

Q: Is the focus of your Organization's ERM program comprehensive, encompassing a holistic view of mission and mission support functions?

	2019	2018
Yes	65%	71%
No, it is primarily focused on program and mission functions	6%	6%
No, it is primarily focused on mission support functions	11%	10%
No, it is focused on both mission and mission support functions, but those are managed largely independently rather than across the enterprise	13%	12%
Other	4%	2%

For the second straight year, our respondents indicate **43% of Federal organizations have a Chief Risk Officer (CRO)** as the leader of their ERM program. The percentage of organizations for which the Chief Financial Officer (CFO) is the ERM leader fell by more than 50% from a year ago, to 12%. The second most common response was for "Other Management Level" at 38%. Some of these "Other" responses include: Director of Strategy, Director of Policy, Chief Management Officer, Director Strategic Planning and Performance, Chief Performance Officer, Director Quality Assurance, and Director of Risk.

More than half of our overall respondents indicate that the head of their organization's ERM program reports either to the Agency Head or Deputy to the Agency Head (53%). This kind of reporting relationship exists with greater frequency for:
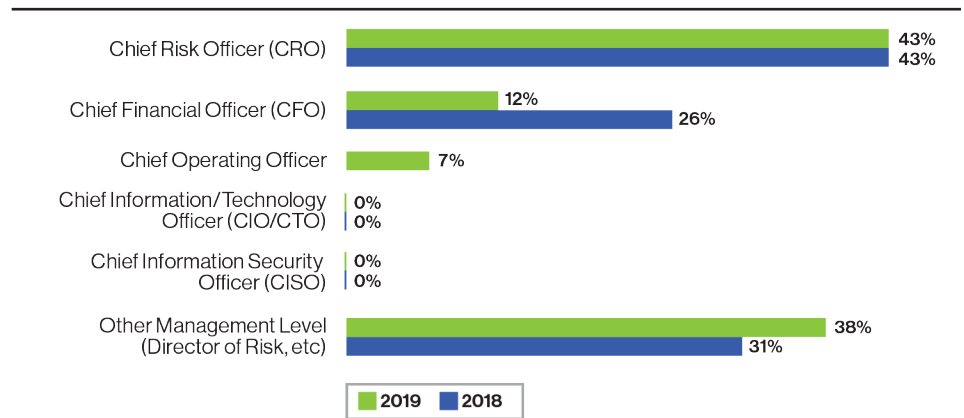
- Organizations that include risk management in all SES Performance Plans (72%), compared to 44% for all other organizations
- Organizations with ERM programs run by a CRO (61%), compared to 48% for programs not run by a CRO
- Organizations with longer-duration ERM programs (62%), compared to 45% for organizations with shorter-duration ERM programs

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

	2019	2018
Chief Risk Officer (CRO)	43%	43%
Chief Financial Officer (CFO)	12%	26%
Chief Operating Officer	7%	
Chief Information/Technology Officer (CIO/CTO)	0%	0%
Chief Information Security Officer (CISO)	0%	0%
Other Management Level (Director of Risk, etc)	38%	31%

Q: To whom does the leader of your organization's ERM program report?

- Agency or Component Head **30%**
- Deputy to the Agency Head **23%**
- Chief Operating Officer **11%**
- Chief Financial Officer **17%**
- Other **18%**

This organizational characteristic is highly correlated to effective ERM programs, as seen throughout this report.
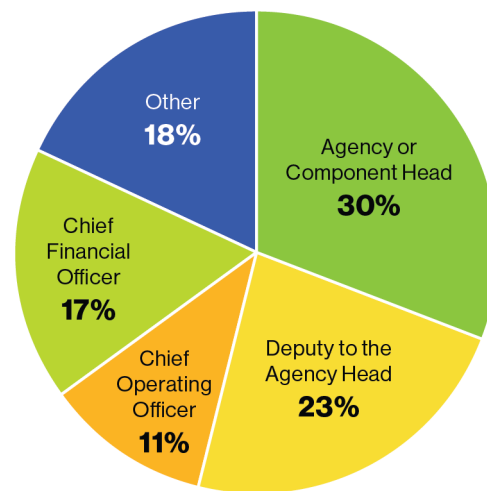
Many ERM program leaders also have other duties. **Only 30% spend 76% or more of their time focusing on the ERM program.** On the other end of the spectrum, **40% spend less than 25% of their time focusing on the ERM program.**

This dynamic even affects programs run by CROs. According to our respondents, 45% of CROs spend 76% or more of their time on the ERM program. For program leads with titles other than CRO, only 12% spend 76% or more of their time on the ERM program, while 60% spend *less* than 25% of their time dedicated to the ERM program.
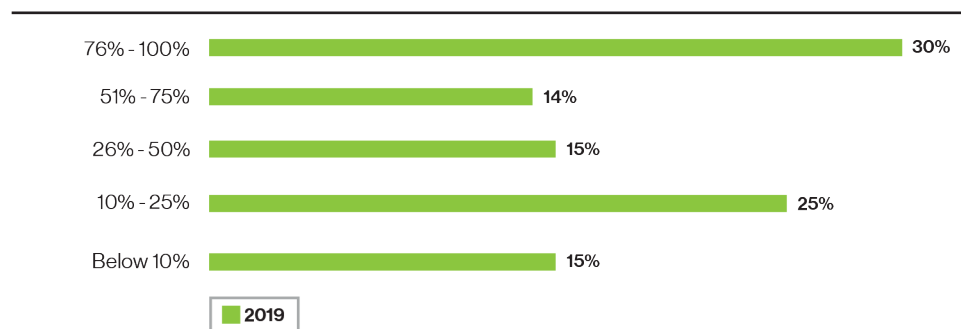
Q: What percent of the ERM program leader's time is allocated to the ERM program?

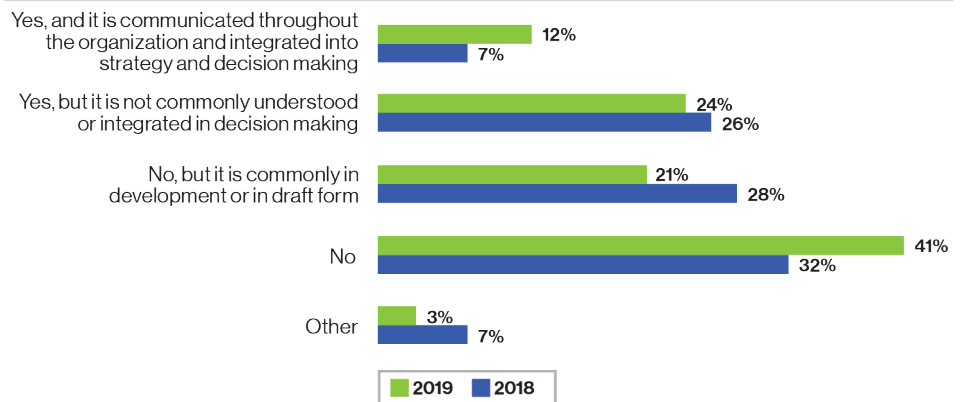|	2019
76% - 100%	30%
51% - 75%	14%
26% - 50%	15%
10% - 25%	25%
Below 10%	15%

Organizations with risk appetite statements that are communicated throughout the enterprise and integrated into strategy and decision-making rose into double digits for the first time since the question has been asked, yet still comprise **only 12% of respondents.** More than **60% of organizations continue to report the lack of a risk appetite statement, although a third of these indicate they have one in development.** Even organizations with ERM programs led by a CRO only report the existence of a well-communicated and integrated risk appetite statement 22% of the time. That figure is more than double the 9% for organizations with non-CRO-led programs. Similarly, organizations with longer-duration ERM programs indicate this level of adoption of risk appetite statements 20% of the time, compared to 9% with shorter-duration ERM programs.
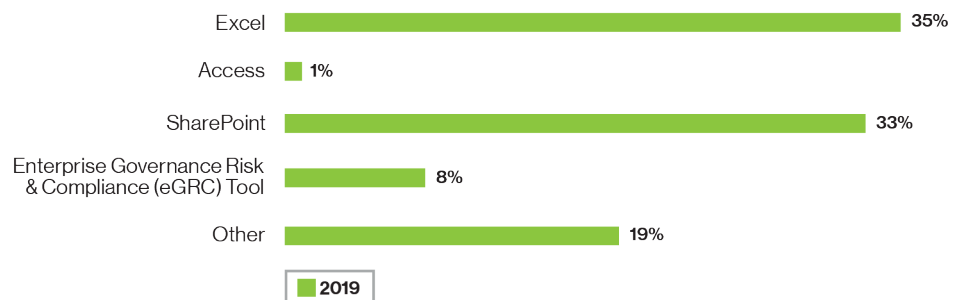
In this new question this year, our respondents indicate that **Excel** (35%) and **SharePoint** (33%) are the most common technology enablers used by Federal ERM programs to track enterprise data. **Just under 8% of respondents indicate adoption of an enterprise Governance, Risk, and Compliance (eGRC) tool.** The one demographic category of note is that organizations with **shorter-duration ERM programs, which are more likely to rely on Excel than any other tool** (45%), as compared to those with longer-duration ERM programs (30%).

As revealed by the previous question, this query is essentially moot, since **nearly 94% of respondents indicate that their organization is not utilizing an eGRC tool.** While past surveys have all indicated low adoption of eGRC tools, this year's survey results represent the strongest indication to date along these lines.
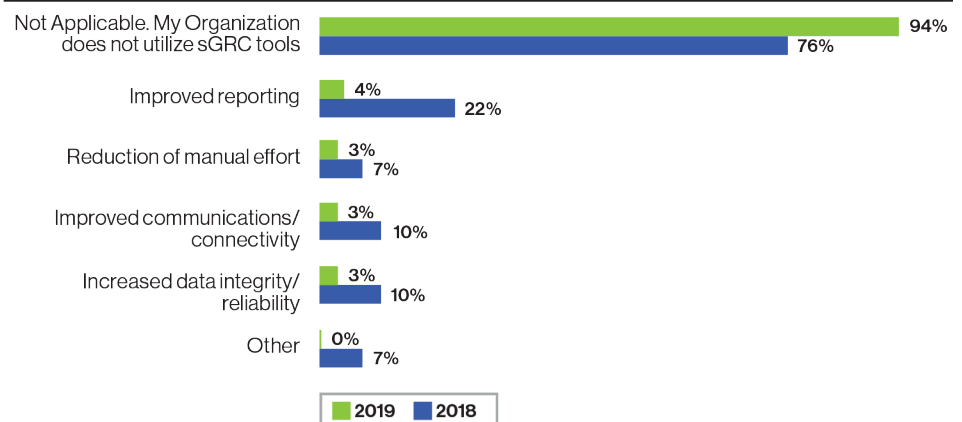
Q: Does your Organization have a defined risk appetite statement?

	2019	2018
Yes, and it is communicated throughout the organization and integrated into strategy and decision making	12%	7%
Yes, but it is not commonly understood or integrated in decision making	24%	26%
No, but it is commonly in development or in draft form	21%	28%
No	41%	32%
Other	3%	7%

Q: What is the primary technology enabler used by your ERM program to track enterprise risk data?

	2019
Excel	35%
Access	1%
SharePoint	33%
Enterprise Governance Risk & Compliance (eGRC) Tool	8%
Other	19%

Q: If your organization uses enterprise Governance, Risk, and Compliance (eGRC) tools, what benefits or returns has your Organization realized? Please select all that apply.

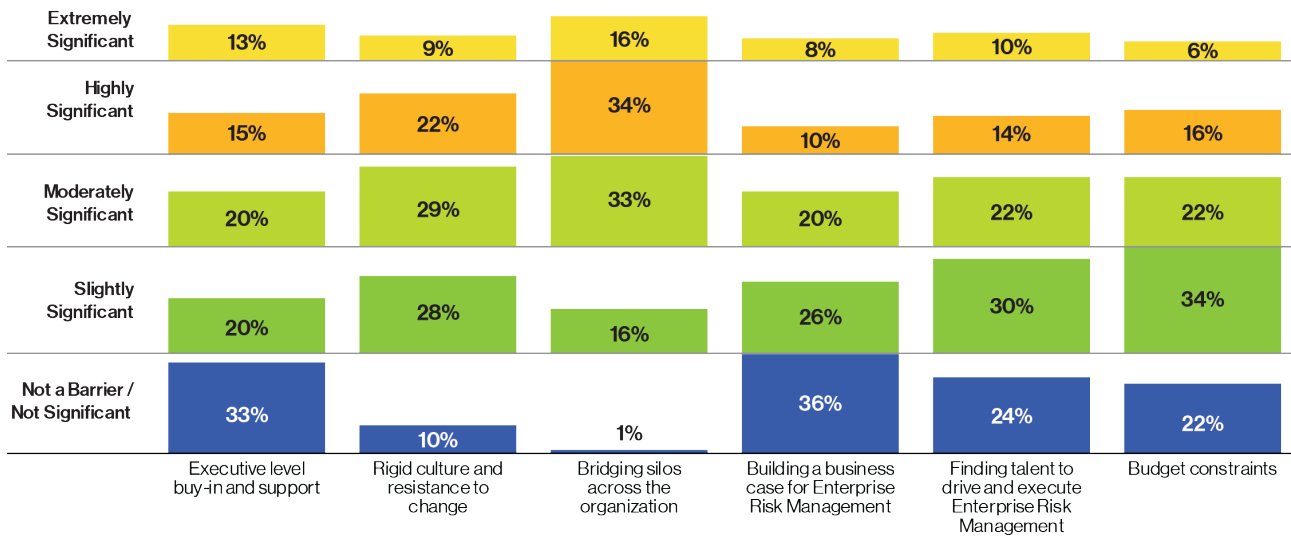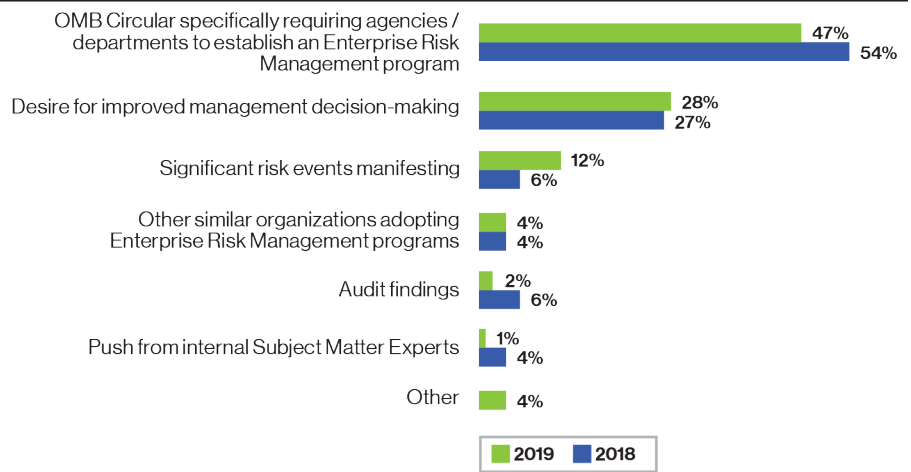|	2019	2018
Not Applicable. My Organization does not utilize sGRC tools	94%	76%
Improved reporting	4%	22%
Reduction of manual effort	3%	7%
Improved communications/connectivity	3%	10%
Increased data integrity/reliability	3%	10%
Other	0%	7%

Motivations and Barriers

OMB Circular A-123 remains the top motivator for the establishment of Federal ERM programs, with just under half of respondents (47%) selecting that option. This is down slightly from last year, but remains solidly at the top of the list for the third consecutive year. **"Desire for improved management decision-making," with 28% of respondents, remains a strong second** for the third consecutive year. The only demographic in which OMB Circular A-123 is not the top motivator consists of those organizations that have had their ERM program for more than five years. For such organizations, "Desire for improved management decision-

Q: Which of the following represents the primary motivator for the establishment of the Enterprise Risk Management program at your Organization?

Motivator	2019	2018
OMB Circular specifically requiring agencies / departments to establish an Enterprise Risk Management program	47%	54%
Desire for improved management decision-making	28%	27%
Significant risk events manifesting	12%	6%
Other similar organizations adopting Enterprise Risk Management programs	4%	4%
Audit findings	2%	6%
Push from internal Subject Matter Experts	1%	4%
Other	4%	

Legend: 2019, 2018

making" is the top motivator. For organizations with shorter-duration ERM programs, 73% indicate OMB A-123 as the top motivator for the establishment of their program. For organizations with CRO-led ERM programs, OMB Circular A-123 (36%) just edges out "Desire for improved management decision-making" (33%) as the top motivator. Half (50%) of respondents associated with organizations with non-CRO-led ERM programs indicate OMB Circular A-123 is the top motivator in their organization.

	Executive level buy-in and support	Rigid culture and resistance to change	Bridging silos across the organization	Building a business case for Enterprise Risk Management	Finding talent to drive and execute Enterprise Risk Management	Budget constraints
Extremely Significant	13%	9%	16%	8%	10%	6%
Highly Significant	15%	22%	34%	10%	14%	16%
Moderately Significant	20%	29%	33%	20%	22%	22%
Slightly Significant	20%	28%	16%	26%	30%	34%
Not a Barrier / Not Significant	33%	10%	1%	36%	24%	22%

The rank order of barriers confronting Federal organizations over their ERM programs remains the same as last year, but the *significance* **of those barriers has** *decreased* **across the board.** "Bridging silos across the organization" remains the top barrier, followed by "Rigid culture and resistance to change," "Executive-level buy-in and support," and "Finding talent to drive and execute Enterprise Risk Management." **Each of these barriers experienced a drop in severity** as measured by combined responses for "Highly Significant" and "Extremely Significant," as follows: "Bridging silos" from 60% to 50%; "Rigid culture and resistance to change" from 38% to 31%; "Executive-level buy-in and support" from 38% to 28%; and "Finding talent to drive and execute Enterprise Risk Management" from 33% to 24%.

- Organizations with non-CRO-led ERM programs are four times more likely to have "Bridging silos" as a barrier (64% indicate either "Highly" or "Extremely Significant") compared to those with CRO-led programs (16%).

- Organizations with risk management included in all SES Performance Plans encounter the "Bridging silos" barrier only 14% of the time, compared to 36% for all other organizations. These organizations also encounter "Rigid culture resistance to change" as a barrier only in 11% of cases, compared to 36% for all other organizations.

- Having the ERM program report to the Agency Head or Deputy appears to have little influence on "Bridging silos" (a barrier for 43% of these organizations, compared to 47% for all others), but this reporting relationship does have an impact on gaining "Executive-level buy-in," which is a barrier for only 16% of such organizations compared to 28% of others.

Integrated Capabilities

On page 15 of this report, in which "More clear linkage, alignment, or integration of risk with strategy and performance" is identified as the most impactful improvement ERM programs can make going forward, it is thus not surprising that **the degree to which organizations have integrated these processes to date remains relatively low. In each of the following integration-related questions, the mean response is below the midpoint on the scale** (i.e., under 3.00 on a five-point scale), with the amount of integration falling along the lines of the following rank order:
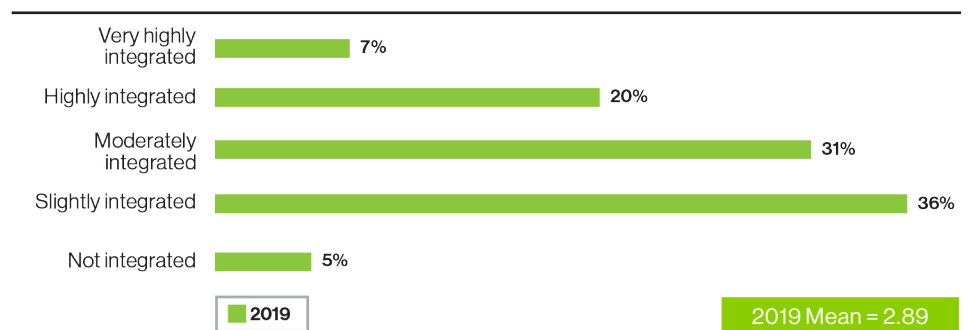
1. Integration with the Management Internal Control Program (new question this year)
2. Integration with Strategic Planning
3. Integration with Performance Management and Execution Oversight
4. Integration with Budgetary Processes

Breakout categories in which the **mean response is at least 15% greater than its counterpart are highlighted** *in the tables inserted below the text, as appropriate, in this section. Detailed data for the primary breakout categories in this section can be found on page 28.*
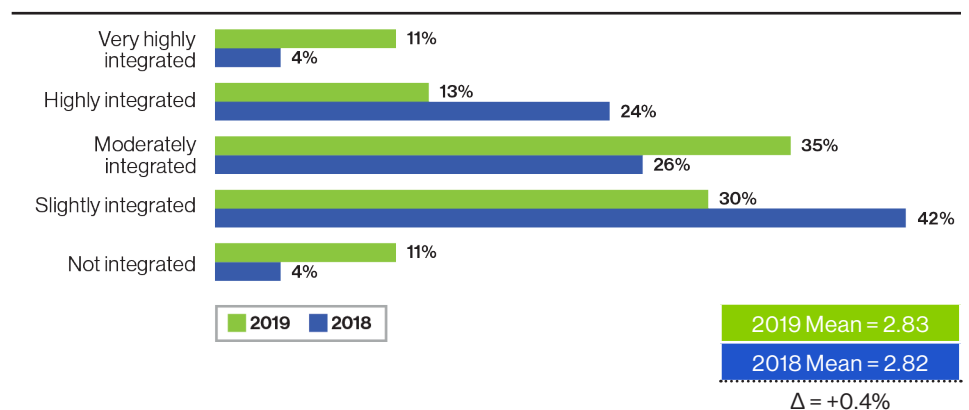
In terms of our four categories of ERM integration, the **highest marks go to the linkage to Management Internal Control programs, yet still with a mean (2.89) below the midpoint answer choice (3.00).** For organizations where the ERM program reports to the CFO, the mean response is 2.88, which still lags behind those organizations where the ERM program reports to either the Agency Head or Deputy (mean = 3.00). The only other noteworthy demographic category is for organizations in which **all SES are accountable for risk management in their performance plans. These organizations have a mean result that is 23% greater than all other organizations (3.33 to 2.70).**

Nearly identical to last year, the mean result for the integration of ERM with strategic planning is 2.83 (2.82 last year). **The best-performing category is for organizations where risk management is incorporated into the performance plans for all members of the SES.** These organizations represent the only demographic category in which the mean result is above the midpoint response of 3.00, outpacing all other organizations by 32.8% (with a mean of 3.53, compared to 2.66 for all other organizations).

Q: To what extent has your Organization integrated your Enterprise Risk Management program with your Management Internal Control program?

Very highly integrated	7%
Highly integrated	20%
Moderately integrated	31%
Slightly integrated	36%
Not integrated	5%

■ 2019   2019 Mean = 2.89

Q: To what extent has your Organization integrated Enterprise Risk Management into strategic planning?

	2019	2018
Very highly integrated	11%	4%
Highly integrated	13%	24%
Moderately integrated	35%	26%
Slightly integrated	30%	42%
Not integrated	11%	4%

■ 2019 ■ 2018

2019 Mean = 2.83
2018 Mean = 2.82
Δ = +0.4%

With a **slight drop-off from last year**, the mean result for the integration of ERM with performance management and execution oversight is 2.57 (2.64 last year). Only 18% of respondents indicate that their organization is "Very highly" or "Highly" integrated with execution processes, compared to the 51% that indicate only "Slightly integrated" or "Not integrated." The only demographic category for which the mean result of this question is greater than the midpoint response is for organizations where **all SES Performance Plans incorporate requirements for risk management. The mean response for these organizations is 3.33**, compared to 2.36 for all other organizations (a difference of 41%).

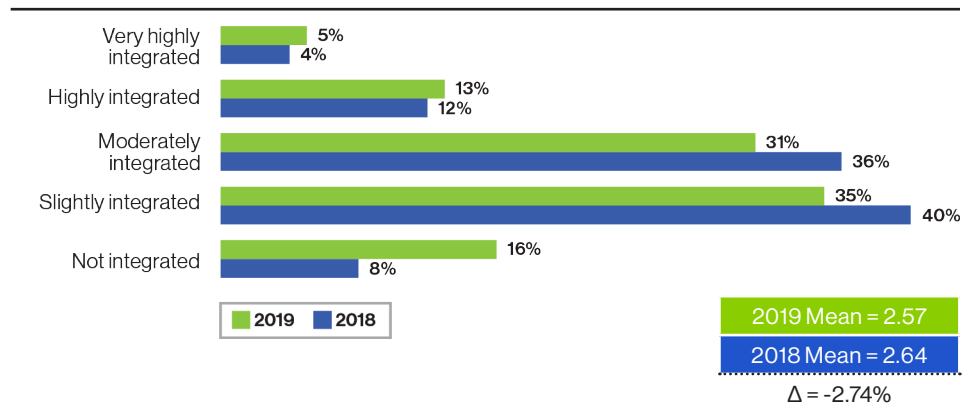| Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Report to Head/Deputy	

With a **slight uptick this year,** the mean result for the integration of ERM with budgetary processes is 2.45 (2.38 last year), **still the lowest among the integration categories** in this year's survey. Only 13% of respondents indicate that their organization is "Very highly" or "Highly" integrated with budgetary processes, compared to 55% which indicate "Slightly integrated" or "Not integrated." Similar to the previous question, the only demographic category for which the mean result of this question is greater than the midpoint response is for organizations where **all SES Performance Plans incorporate requirements for risk management. The mean response for these organizations is 3.33,** compared to 2.14 for all other organizations (a difference of 56%).
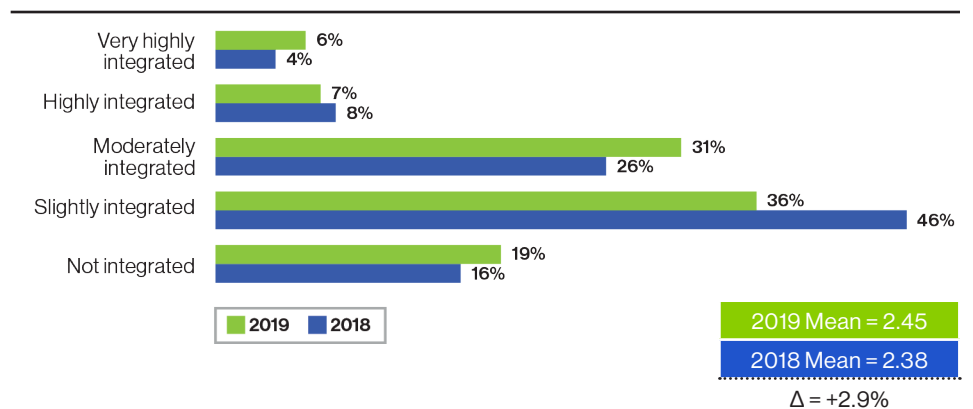
Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Report to Head/Deputy	

Q: To what extent has your Organization integrated Enterprise Risk Management into execution processes (e.g., performance management and execution oversight)?

	2019	2018
Very highly integrated	5%	4%
Highly integrated	13%	12%
Moderately integrated	31%	36%
Slightly integrated	35%	40%
Not integrated	16%	8%

2019 Mean = 2.57
2018 Mean = 2.64
Δ = -2.74%

Q: To what extent has your Organization integrated Enterprise Risk Management into budgetary processes?

	2019	2018
Very highly integrated	6%	4%
Highly integrated	7%	8%
Moderately integrated	31%	26%
Slightly integrated	36%	46%
Not integrated	19%	16%

2019 Mean = 2.45
2018 Mean = 2.38
Δ = +2.9%

Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 28.

Industry Frameworks and Certification Programs

The **COSO ERM Framework continues to outpace other international frameworks** in terms of recognition by the Federal ERM community with 82% recognition by respondents, compared to 71% for ISO 31000. That 11% gap is, however, the smallest in the history of the survey, down from an approximately 20% gap in each of the last three surveys.
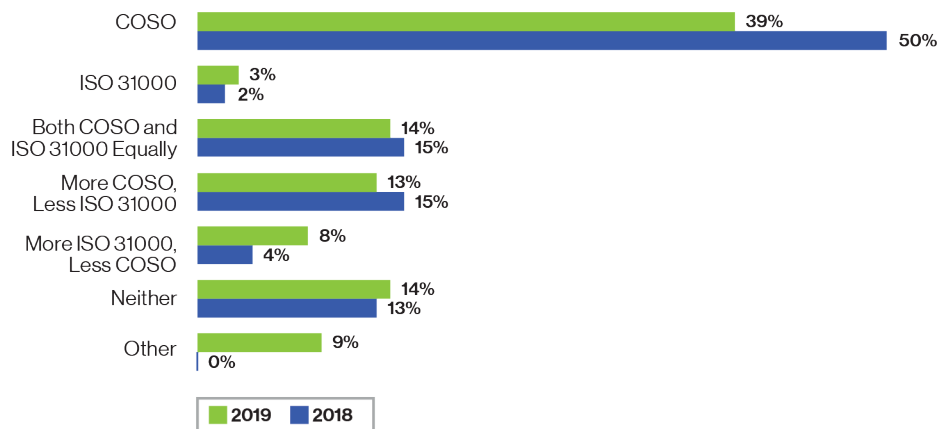
In terms of actual utilization, **the COSO ERM Framework continues to lead in adoption across Federal ERM**, with 39% of respondents indicating COSO as their organization's predominant framework, increasing to 52% of responses if "More COSO, Less ISO 31000" is also included. **ISO 31000 is identified by just 3% of respondents** as the predominant framework in use by their organization. That figure increases to 11% if the response "More ISO 31000, Less COSO" is included.

Now in its second year of existence, the **RIMS-CRMP-FED certification continues to lead the Federal ERM community in terms of awareness and importance**, followed closely by the **RIMS-CRMP** certification. RIMS-CRMP-FED is categorized as "Very Important" or "Moderately Important" by 64% of respondents, while the RIMS-CRMP is categorized as such by 58% of respondents. With a **significant uptick from last year, the AGA-CGFM certification** hit the 50% mark of respondents for the combined categories of "Very Important" and "Moderately Important." These three were the top selections across all demographic categories.
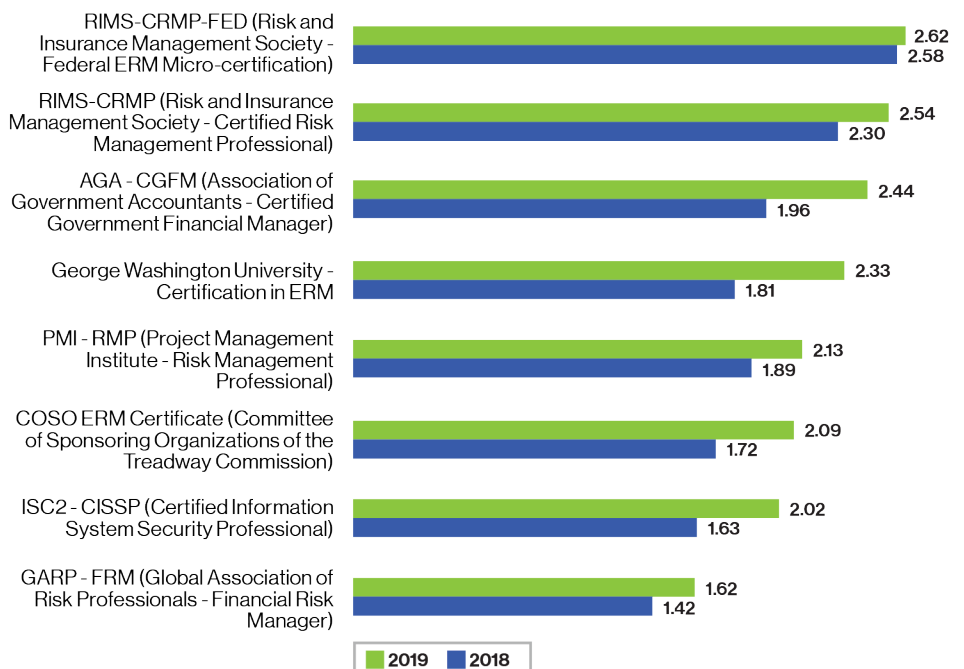
Q: Which industry standard for Enterprise Risk Management are you aware of? Please select all that apply.

	2019	2018
COSO	82%	87%
ISO 31000	71%	68%
Neither	8%	9%
Other	11%	6%
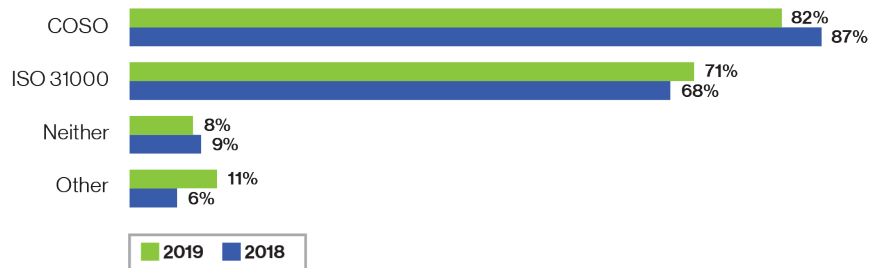
Q: Which industry standard for Enterprise Risk Management does your organization predominately follow?

	2019	2018
COSO	39%	50%
ISO 31000	3%	2%
Both COSO and ISO 31000 Equally	14%	15%
More COSO, Less ISO 31000	13%	15%
More ISO 31000, Less COSO	8%	4%
Neither	14%	13%
Other	9%	0%

Q: What risk management or ERM certifications are you aware of and how important is it to you that you, your staff, or supporting contractors hold each certification? *(Results are displayed based on the mean response on a four-point scale: (1) Not Aware of this Certifcation; (2) Not Important, Useful, or Desirable; (3) Moderately Important, Useful, or Desirable; (4) Very Important, Useful, or Desirable.)*
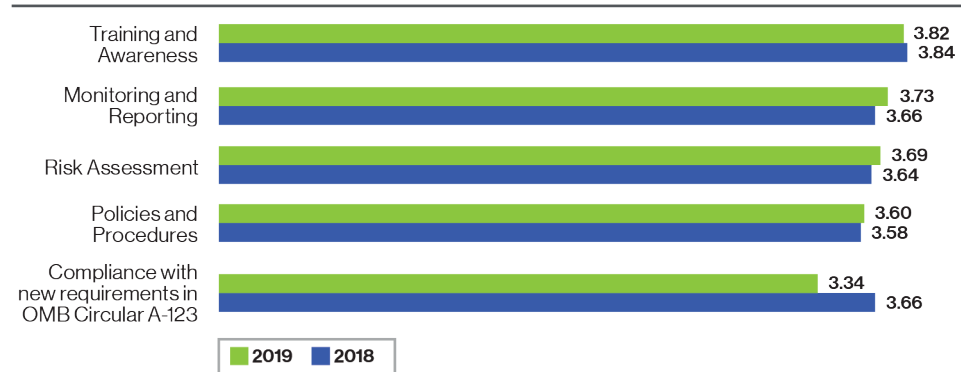
	2019	2018
RIMS-CRMP-FED (Risk and Insurance Management Society - Federal ERM Micro-certification)	2.62	2.58
RIMS-CRMP (Risk and Insurance Management Society - Certified Risk Management Professional)	2.54	2.30
AGA - CGFM (Association of Government Accountants - Certified Government Financial Manager)	2.44	1.96
George Washington University - Certification in ERM	2.33	1.81
PMI - RMP (Project Management Institute - Risk Management Professional)	2.13	1.89
COSO ERM Certificate (Committee of Sponsoring Organizations of the Treadway Commission)	2.09	1.72
ISC2 - CISSP (Certified Information System Security Professional)	2.02	1.63
GARP - FRM (Global Association of Risk Professionals - Financial Risk Manager)	1.62	1.42

Focus & Priorities

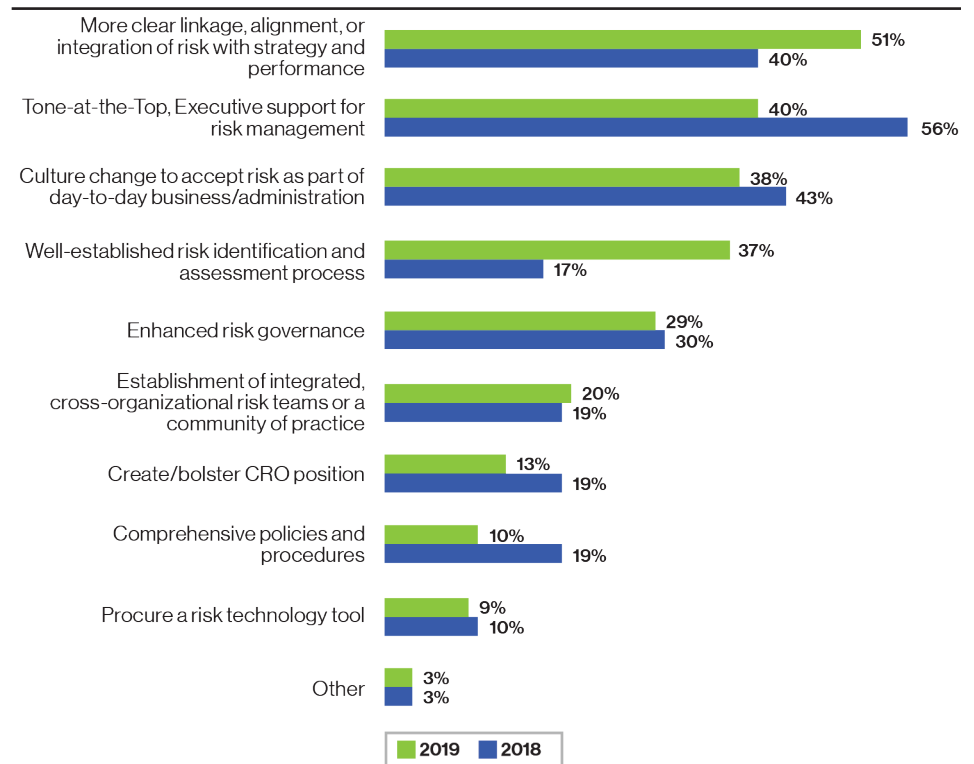## Focus and Improvement Opportunities for ERM Programs for the Next Year

"Training and Awareness" tops the list for the third straight year in terms of areas of ERM program focus over the next 12 months. In fact, it was **#1 in every demographic category.** "Monitoring and Reporting" is the second area of upcoming focus for the second year in a row, followed by an uptick for "Risk Assessment" which jumped up one spot from a year ago to #3. Despite continuing to serve as the top motivator for establishing a Federal ERM program this year (see earlier question on page 11), "Compliance with new requirements in OMB Circular A-123" fell to the last spot (#5) in this year's survey in terms of upcoming areas of focus for Federal ERM programs. This selection was last in all demographic categories this year.

This year's survey identified some noteworthy changes from previous years in terms of the most impactful improvements organizations could make to better position themselves to respond to risks. **"More clear linkage, alignment, or integration of risk with strategy and performance" jumped to the top spot on the list, with just over half of respondents (51%) making that selection. This was the top choice of respondents across *all* demographic categories.** From a percentage standpoint, the highest selection of this improvement area is for the organizations with more mature ERM programs (with 76% rated as "Managed" or "Optimized"), longer-duration ERM programs (70%), and for respondents who are members of the SES (67%). "Tone-at-the-Top, Executive support for risk management," selected by 40% of respondents, dropped to the #2 position this year, followed by "Culture change to accept risk as part of day-to-day business/administration" (38%), and "Well-established risk identification and assessment process," which jumped from eighth position last year to the #4 spot, at 37%.

Q: To what extent does your Enterprise Risk Management program plan to focus on each of the following over the next 12 months? *(Results are depicted showing the average score for each of the five choices listed from the following scale: (1) Decrease significantly; (2) Decrease somewhat; (3) No change; (4) Increase somewhat; and (5) Increase significantly. The higher average scores reflect greater focus in the next 12 months.)*

	2019	2018
Training and Awareness	3.82	3.84
Monitoring and Reporting	3.73	3.66
Risk Assessment	3.69	3.64
Policies and Procedures	3.60	3.58
Compliance with new requirements in OMB Circular A-123	3.34	3.66

Q: Please select the most impactful improvements that your Organization could make to be better positioned to respond to CURRENT and ANTICIPATED risks? Please select up to three.

	2019	2018
More clear linkage, alignment, or integration of risk with strategy and performance	51%	40%
Tone-at-the-Top, Executive support for risk management	40%	56%
Culture change to accept risk as part of day-to-day business/administration	38%	43%
Well-established risk identification and assessment process	37%	17%
Enhanced risk governance	29%	30%
Establishment of integrated, cross-organizational risk teams or a community of practice	20%	19%
Create/bolster CRO position	13%	19%
Comprehensive policies and procedures	10%	19%
Procure a risk technology tool	9%	10%
Other	3%	3%

The rank order of the responses is similar for most of the demographic groups as for respondents as a whole. One exception may be noted in the area of "Tone-at-the-Top, Executive support for risk management," which ranks as only the fifth most significant impactful improvement to be made by the SES Cohort (25%), compared to #2 on the rank order of non-SES respondents (49% from that cohort). This topic also ranks 6th in priority for organizations that incorporate risk management into all SES Performance Plans (11%), compared to #2 for all other organizations (44%).

Enterprise Risks

In this section, the focus and priorities for enterprise risks are explored from three perspectives:
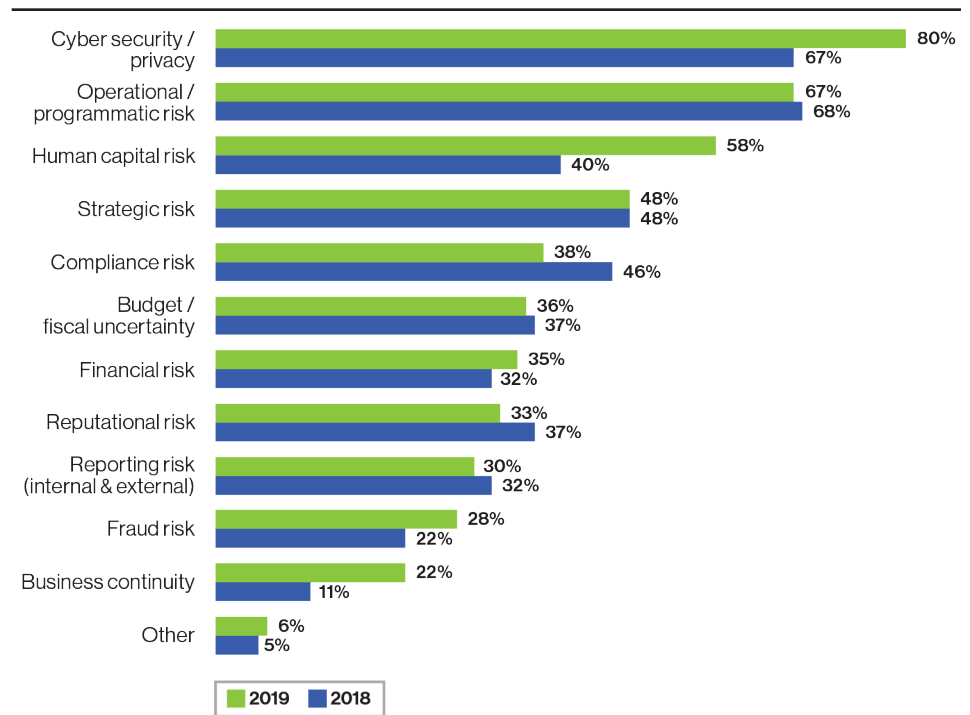
1. Management's current focus on risks

2. Perception of risks *currently* believed to have the greatest impact on the achievement of strategic objectives, regardless of management's focus

3. Perception of risks *anticipated* to have the greatest impact on the achievement of strategic objectives over the next 3-5 years, again regardless of management's focus

For each of the questions in this section, there was very little variability in the different demographic categories. The percentages fluctuated in some cases, but **the rank order of the risks was nearly identical across all demographic groups.**

Management's Current Focus on Risks

"Cyber security/privacy" surged to the top of the list this year as the risk capturing management's greatest allocation of resources. **This is the first time in the five years of the survey in which an individual risk was selected by 80% of respondents**. "Operational/programmatic risk" (67%) dropped one spot to #2 in this year's ranking, followed by "Human Capital risk" (58%, compared to 40% in last year's survey)—which moved up two spots to #3— and "Strategic risk" (48%), which is ranked fourth. The rank order is consistent across each of our demographic categories.

Q: Which types of risk does your management focus resources on the MOST? Please select all that apply.

Risk	2019	2018
Cyber security / privacy	80%	67%
Operational / programmatic risk	67%	68%
Human capital risk	58%	40%
Strategic risk	48%	48%
Compliance risk	38%	46%
Budget / fiscal uncertainty	36%	37%
Financial risk	35%	32%
Reputational risk	33%	37%
Reporting risk (internal & external)	30%	32%
Fraud risk	28%	22%
Business continuity	22%	11%
Other	6%	5%

Perception of Risks *Currently* Believed to Have the Greatest Impact on Strategic Objectives

In terms of currently perceived organizational risks, independent of management focus, **the rank order of responses is nearly identical to last year**, with "Cyber security/privacy" at the top (63%), followed by "Human Capital risk" (47%), "Operational/programmatic risk" (41%), and "Strategic risk" (24%), which just edged out "Budget/fiscal uncertainty" (23%). The rank order is also consistent across each of our demographic categories.

Q: Regardless of management focus, which types of risk are CURRENTLY perceived as the highest to your organization's ability to meet the mission or strategic objectives? Please select up to three.

Risk	2019	2018
Cyber security / privacy	63%	56%
Human capital risk	47%	46%
Operational / programmatic risk	41%	43%
Strategic risk	24%	24%
Budget / fiscal uncertainty	23%	29%
Reputational risk	20%	22%
Compliance risk	11%	8%
Financial risk	8%	5%
Business continuity	7%	5%
Fraud risk	6%	2%
Reporting risk (internal & external)	2%	5%
Other	4%	11%

■ 2019　■ 2018
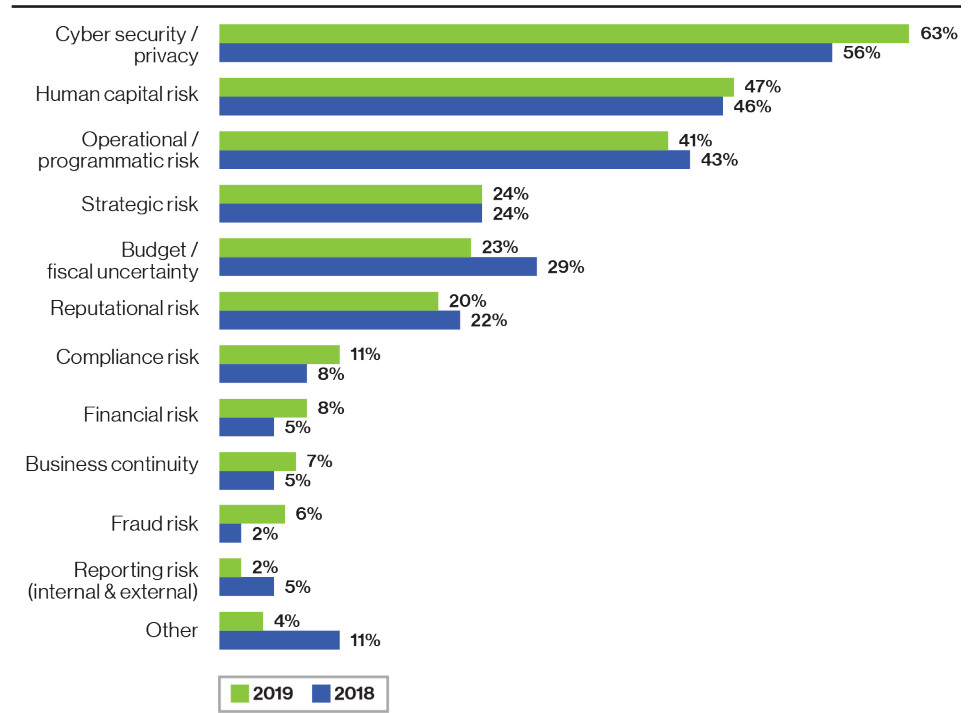
Perception of Risks *Anticipated* to Have the Greatest Impact on Strategic Objectives over the Next 3-5 Years

In terms of the anticipation for organizational risks in the next 3-5 years, independent of management focus, **the rank order of responses is nearly identical to last year,** with "Cyber security/privacy" at the top (57%), followed by "Human capital risk" (50%), "Operational/programmatic risk" (38%), and "Strategic risk" (37%). The rank order is also consistent across each of our demographic categories, with one exception. For the SES Cohort, "Strategic risk" is second only to "Cyber security/privacy" in terms of highest impacting risk in the next 3-5 years (as selected by 46% of respondents), whereas the Non-SES Cohort places "Strategic risk" in fourth position (as selected by 37% of respondents).

Q: Regardless of management focus, which types of risk do you ANTICIPATE to have the highest impact in the next 3-5 years on your organization's ability to meet the mission or strategic objectives? Please select up to three.

Risk	2019	2018
Cyber security / privacy	57%	60%
Human capital risk	50%	51%
Operational / programmatic risk	38%	37%
Strategic risk	37%	30%
Budget / fiscal uncertainty	28%	25%
Reputational risk	14%	24%
Compliance risk	9%	6%
Business continuity	8%	13%
Fraud risk	7%	3%
Financial risk	3%	5%
Reporting risk (internal & external)	3%	5%
Other	5%	5%

■ 2019　■ 2018
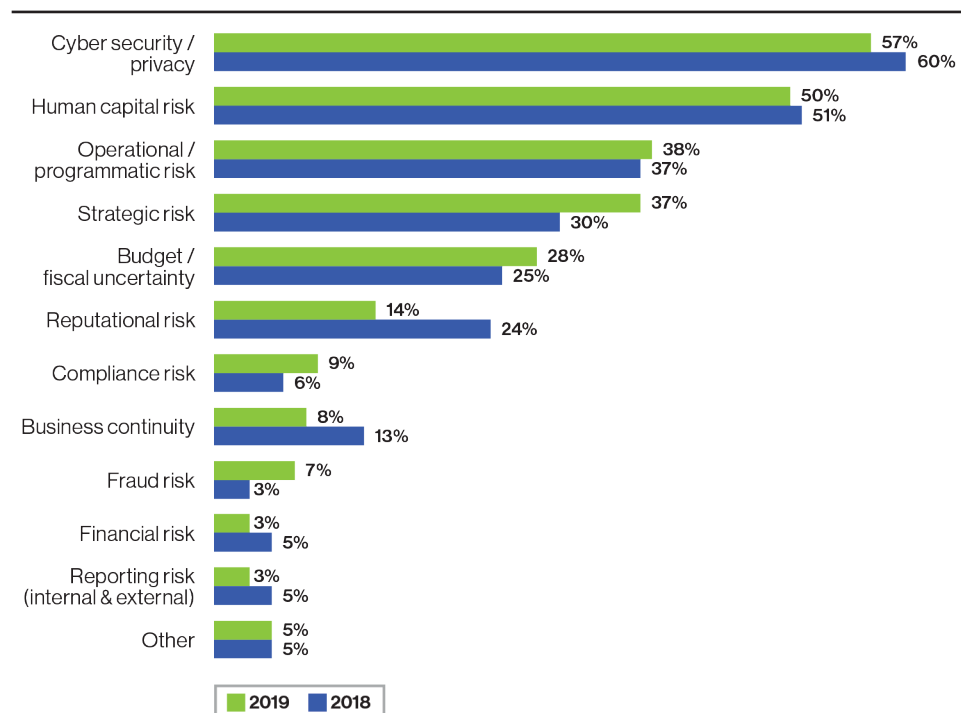
Comparison: Current Management Focus vs. Perception of Current and Future Risks
Summary: Top 5 by Category

The following tables summarize the top five results for each of the previous three questions.

Management's Current Focus on Risks	Perception of Risks *Currently* Believed to have the Greatest Impact on Strategic Objectives	Perception of Risks *Anticipated* to have the Greatest Impact on Strategic Objectives over the Next 3-5 Years
1. Cyber Security/Privacy (80%)	1. Cyber Security/Privacy (63%)	1. Cyber Security/Privacy (57%)
2. Operational/Programmatic Risk (67%)	2. Human Capital Risk (47%)	2. Human Capital Risk (50%)
3. Human Capital Risk (58%)	3. Operational/Programmatic Risk (41%)	3. Operational/Programmatic Risk (38%)
4. Strategic Risk (48%)	4. Strategic Risk (24%)	4. Strategic Risk (37%)
5. Compliance Risk (38%)	5. Budget/Fiscal Uncertainty (23%)	5. Compliance Risk (28%)

As can be seen in the "Top 5" listings above, there is high correlation across these categories for several risk types, such as "Cyber Security/Privacy" which is at the top of all three categories, indicating proper alignment between the perceived severity of the risk with the amount of management attention. "Human Capital Risk," "Operational/Programmatic Risk," and "Strategic Risk" also fill the next three slots across all three questions in this section.

However, as can be seen on the following page, **some risk types are currently receiving significantly more attention from management compared to the perception of the current or perceived future risk.** These include the areas of "Compliance Risk," "Financial Risk," "Fraud Risk", and "Reporting Risk." For example:

- 38% of respondents identify "Compliance Risk" as receiving the most management attention, while only 11% of respondents perceive it as one of their organization's most significant risks, and only 9% perceive it as one of their most anticipated future risks.
- 28% of respondents identify "Fraud Risk" as receiving the most management attention, while only 6% perceive it as one of their organization's most significant current risks, and only 7% perceive it as one of their most anticipated future risks.
- 30% of respondents identify "Reporting Risk" as receiving the most management attention, while only 2% perceive it as one of their organization's most significant current risks, and only 3% perceive it as one of their most anticipated future risks.

These findings indicate a potential opportunity for organizations to reallocate resources that are currently being expended in these areas to focus on higher priorities and risks, given the low sense of actual current or future risks.

Comparison: Current Management Focus vs. Perception of Current and Future Risks

(Note: Risks are arranged in alphabetical order.)

Budget/Fiscal Uncertainty
- 36%
- 23%
- 28%

Business Continuity
- 22%
- 7%
- 8%

Compliance Risk
- 38%
- 11%
- 9%

Cyber Security/Privacy
- 80%
- 63%
- 57%

Financial Risk
- 35%
- 8%
- 3%

Fraud Risk
- 28%
- 6%
- 7%

Human Capital Risk
- 58%
- 47%
- 50%

Operational / Programmatic Risk
- 67%
- 41%
- 38%

Reporting Risk
- 30%
- 2%
- 3%

Reputational Risk
- 33%
- 20%
- 14%

Strategic Risk
- 48%
- 24%
- 37%

Legend: Current Focus | Current Perception | Anticipated
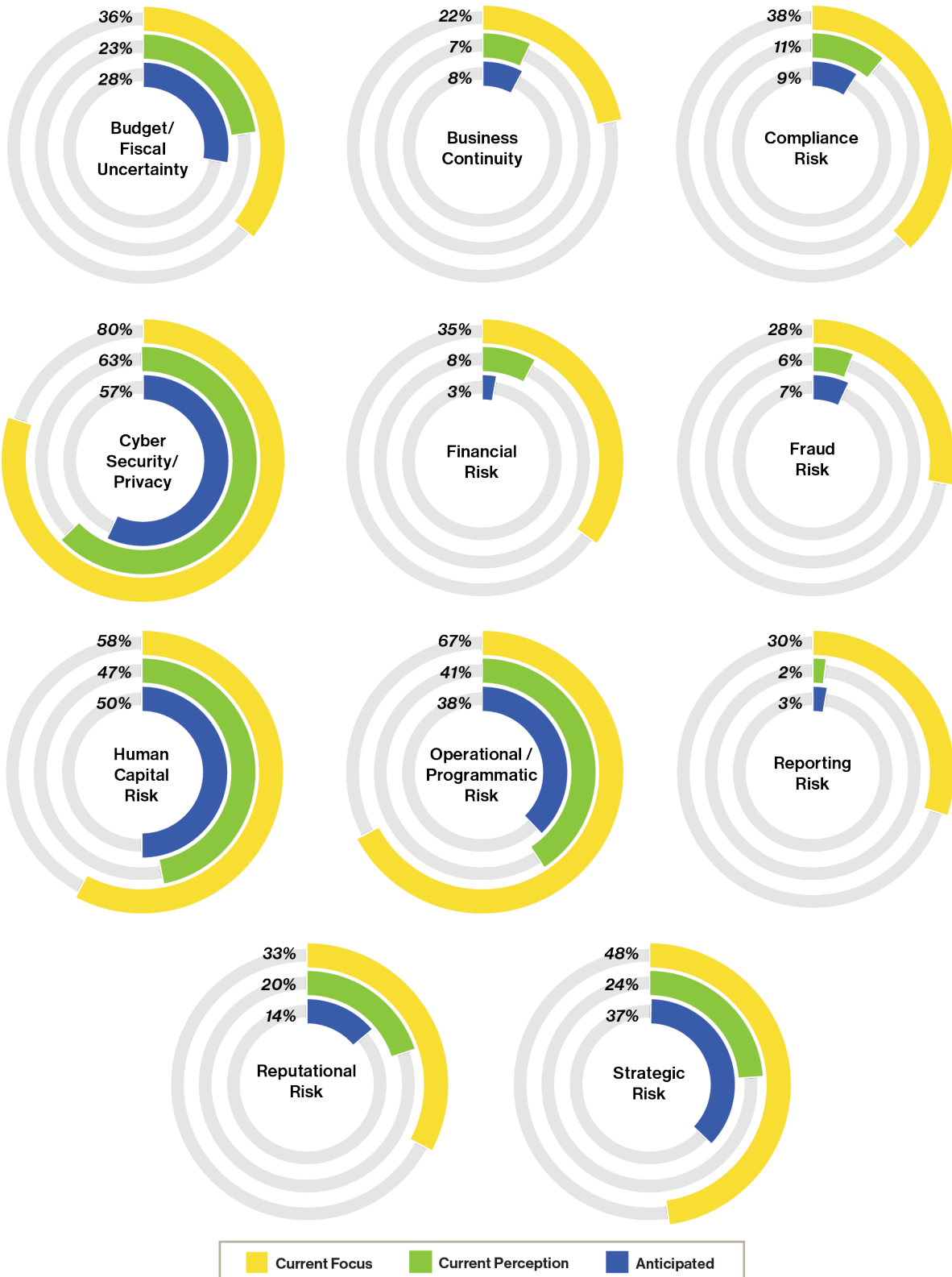
Execution & Performance

ERM Benefits

"Enhanced management decision-making by utilizing data and information produced by the Enterprise Risk Management program" remains the most common benefit realized by organizations since introducing their ERM program, as it has been for all five years of the survey. However, **the prominence of this benefit declined this year**, dropping from 61% in each of the prior two years to 51% this year. **"Reduced duplication in risk assessment and/or compliance activities" moves up to the #2 spot** in this year's survey of benefits, as selected by 36% of respondents, a 50% increase over last year's response. "Improved resource deployment," experienced by 24% of organizations, falls to the #3 spot, down slightly from a year ago. "Prevented significant negative event from occurring" increases slightly, to 13% of organizations. Organizations are receiving benefits from their ERM programs, as evidenced by the fact that **only 4% of respondents selected "None" in terms of benefits received,** the lowest figure in the history of the survey.

There is significant differentiation in the area of organizational benefit across some of our demographic categories. The most noteworthy of these differences can be found in the three benefit areas depicted in the tables to the right.

There was little differentiation across the demographic categories in the benefit area of "Reduced duplication in risk assessment …" Organizations that include risk management in all SES Performance Plans indicate experiencing "Enhanced management decision making …" in **75%** of cases, compared to 50% for all other organizations, but this was the only benefit area in which this category demonstrates a noteworthy distinction when compared to other organizations.

Q: Since developing an Enterprise Risk Management program, which of the following benefits has your Organization realized? Please select all that apply.
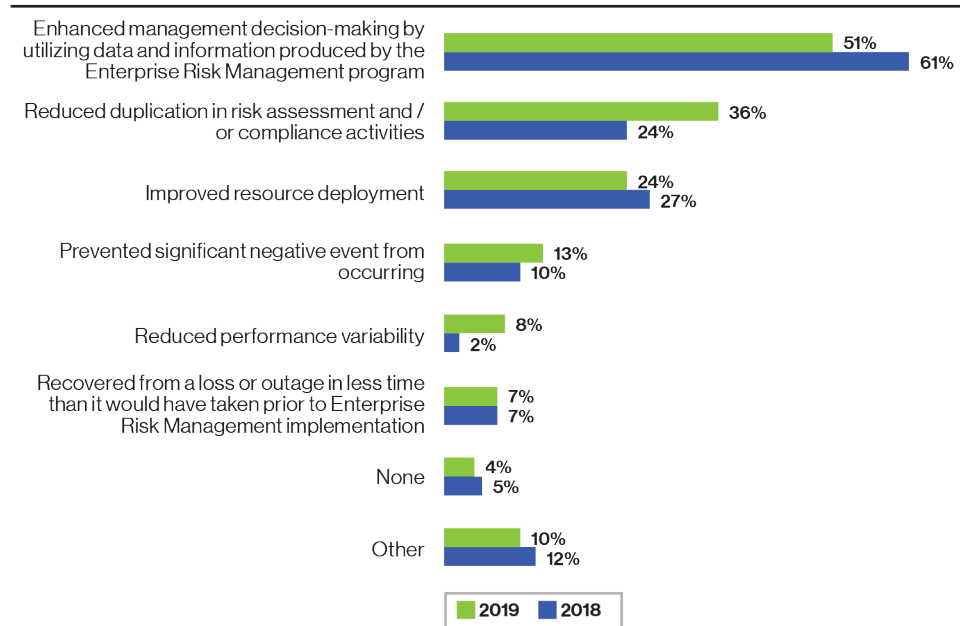
Enhanced Management Decision Making			
Category	%	Category	%
CRO-Led	74%	Non-CRO-Led	32%
Longer Duration	67%	Shorter Duration	38%
Report to Head/Deputy	63%	Report to Other	37%

Improved Resource Deployment			
Category	%	Category	%
CRO-Led	41%	Non-CRO-Led	10%
Longer Duration	39%	Shorter Duration	8%
Report to Head/Deputy	33%	Report to Other	12%

Prevented Significant Negative Event from Occuring			
Category	%	Category	%
CRO-Led	23%	Non-CRO-Led	6%
Longer Duration	20%	Shorter Duration	8%
Report to Head/Deputy	21%	Report to Other	5%

Performance Evaluation of ERM Capabilities

Respondents identify **improvements in *each* of the performance-related questions in this section when compared to the previous year,** with the **biggest improvement coming from the management of risks as an interrelated portfolio rather than within individual silos.** As can be seen in the breakout tables on page 29, organizations across the primary demographic categories (organizations where risk management is accounted for in all SES Performance Plans, where the ERM program is led by a CRO, where the ERM program reports to the Agency Head or Deputy, and where the ERM lead spends more than 50% of his/her time on ERM, as well as those organizations with longer-duration ERM programs) are performing, on average, above the midpoint response, often more than 20% higher than organizations that do not represent these categories. **Across the board, the best results are for organizations that incorporate risk management into all SES Performance Plans and by those organizations where ERM reports to the Agency Head or Deputy.**

*Breakout categories in which the **mean response is at least 15% greater than its counterpart are highlighted** in the tables inserted below the text, as appropriate, in this section. Detailed data for the primary breakout categories in this section can be found on page 29.*

Slightly more than a quarter of respondents (28%) indicate their organization has achieved ERM Program maturity of "Optimized" or "Managed" (nearly all of these = "Managed"). Organizations with the following characteristics indicate greater propensity for having already achieved this level of program maturity:

- All SES Performance Plans include risk management (50%), compared to 19% for all other organizations
- Longer-duration ERM programs (49%), compared to 5% of organizations with shorter-duration ERM programs
- CRO-led ERM programs (49%), compared to 12% for programs not led by a CRO

Nearly half of ERM programs (48%) are rated as either "Very Highly Effective" or "Highly Effective" in designing and implementing the organization's ERM capability, compared to only 18% that are rated as either "Slightly Effective" or "Not Effective." Members of the SES responded by rating only 36% of ERM programs in the "Very Highly" or "Highly Effective" categories, compared to 52% of non-SES members. Respondents who work in risk management functions provide a mean response on ERM program effectiveness in these areas that is only slightly higher than those who work in other business functions (3.43 to 3.28). Responses to this question are **diverse in all five primary breakout categories**, with a greater than 20% variance in mean outcomes for categories listed in the table to the right compared to their counterpart categories.

Q: Which of the following terms best characterizes the maturity level of your organization's ERM program?
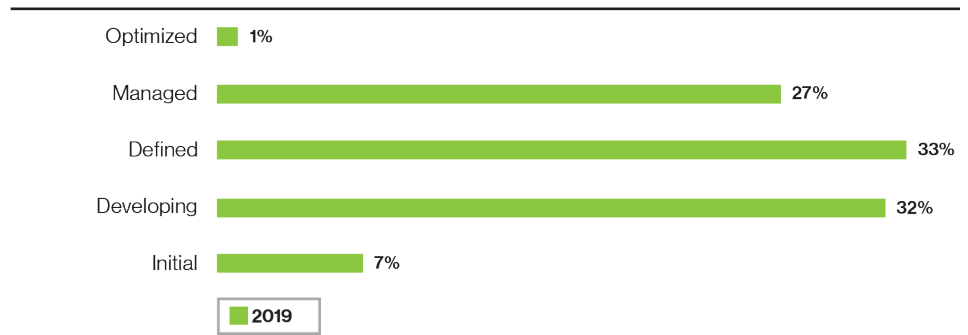
Optimized	1%
Managed	27%
Defined	33%
Developing	32%
Initial	7%

2019

Q: How would you rate the effectiveness of your organization's ERM program in designing, implementing, managing, and maturing the organization's ERM capability?

Very highly effective	11%
Highly effective	37%
Moderately effective	34%
Slightly effective	12%
Not effective	6%

2019   2019 Mean = 3.36
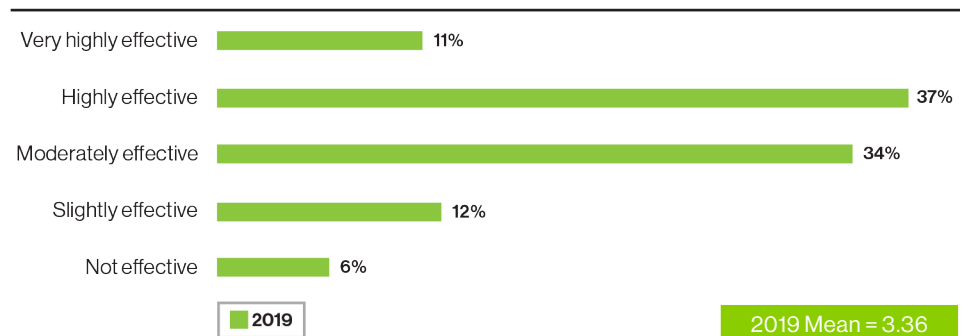
Noteworthy Breakout Categories*		
Lead > 50% on ERM	Longer Duration	SES Plans = All
CRO-Led	Report to Head/Deputy	

Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 29.

For the third straight year, survey respondents indicate the **same rank order** in terms of the ability of Federal organizations to manage different kinds of risk. That order remains:

1. Financial Risk
2. Compliance Risk
3. Operational Risk
4. Strategic Risk

**All four risk areas note an increase in the mean score over last year.**

Despite "Bridging silos across the organization" remaining the top barrier for Federal ERM programs (see earlier question on page 11), respondents indicate a **significant uptick in performance** when it comes to managing risk as an interrelated risk portfolio rather than within individual silos. The mean response to this question **jumped more than 18% from a year ago**, from 2.75 to 3.25.

Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All
Lead > 50% on ERM	Report to Head/Deputy

Federal organizations demonstrated **slight improvement** from a year ago in terms of their ability to evaluate their risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders. The mean response to this question increased by a little more than 6% from a year ago, from 2.84 to 3.02.

Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All
CRO-Led	Report to Head/Deputy
Longer Duration	

Q: How well does your Organization manage all areas of risk exposure?
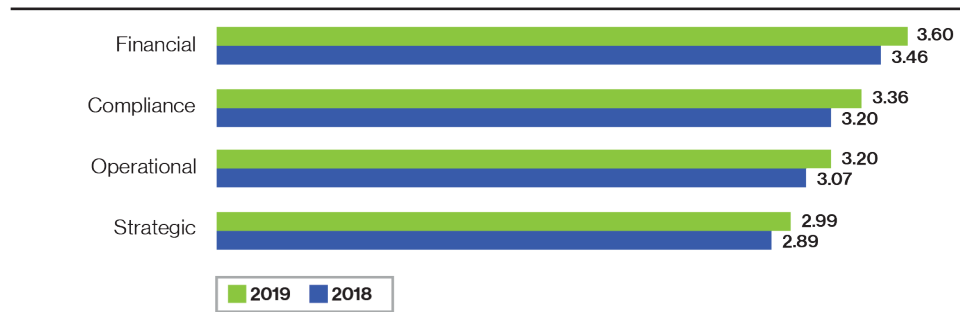
	2019	2018
Financial	3.60	3.46
Compliance	3.36	3.20
Operational	3.20	3.07
Strategic	2.99	2.89

Q: How well does your Organization prioritize and manage risk across the organizational structure as an interrelated risk portfolio rather than within individual silos?

	2019	2018
Very Well	11%	3%
Well	22%	20%
Adequately	50%	30%
Poorly	14%	42%
Very Poorly	3%	5%

2019 Mean = 3.25
2018 Mean = 2.75
Δ = +18.2%

Q: How well does your Organization evaluate the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?

	2019	2018
Very Well	10%	3%
Well	18%	19%
Adequately	41%	42%
Poorly	28%	32%
Very Poorly	4%	3%

2019 Mean = 3.02
2018 Mean = 2.84
Δ = +6.3%
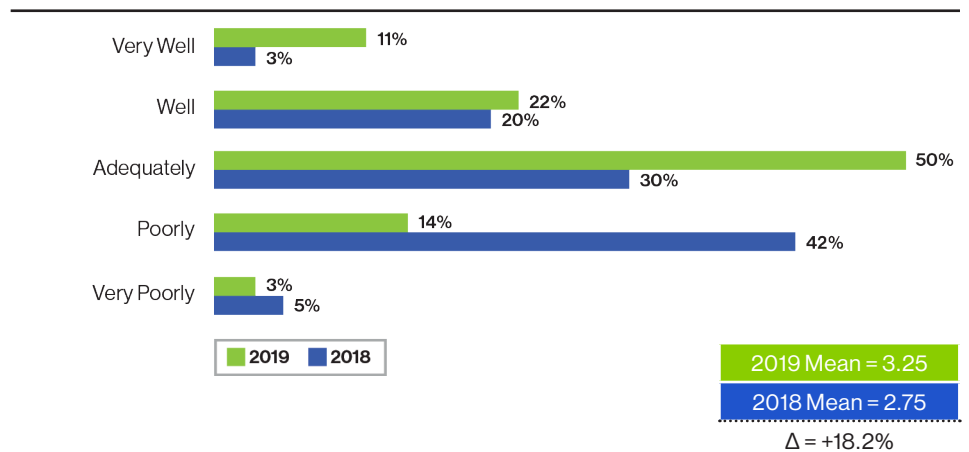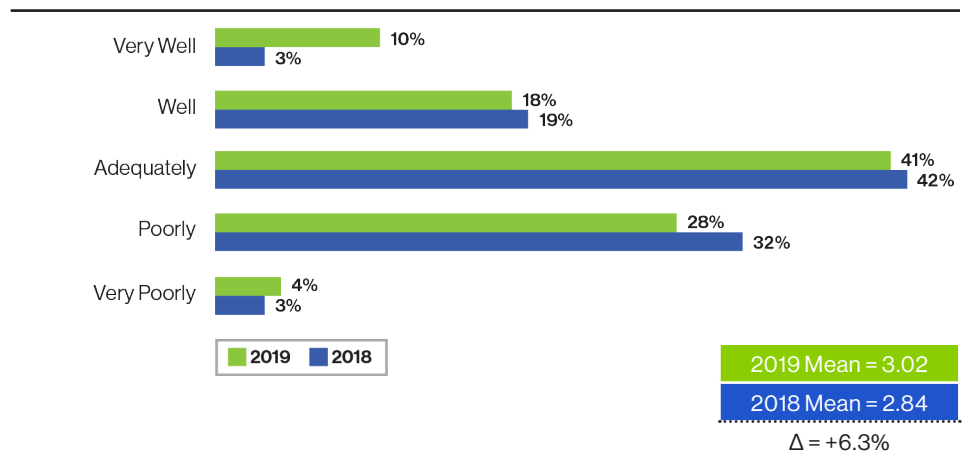
Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 29.
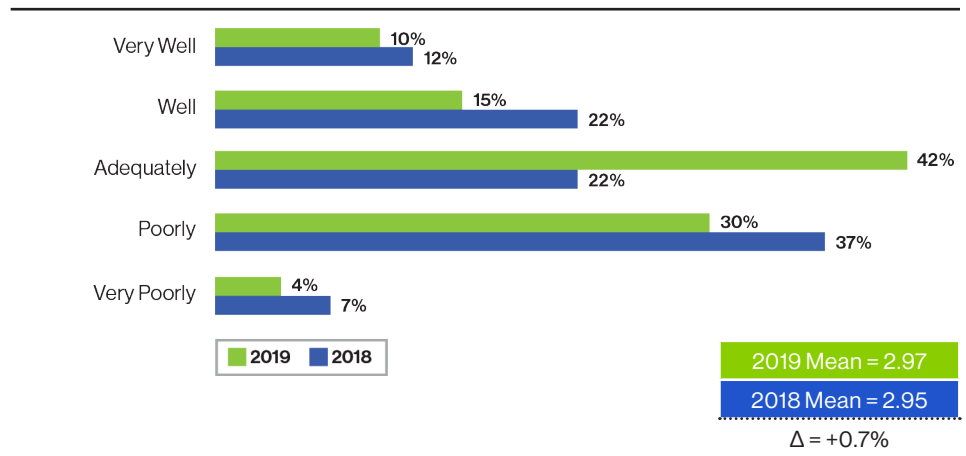
Performance in the area of organizations providing a structured process for the management of all risks **remains flat for the third consecutive year,** just short of the midpoint response. After recording a mean score of 2.95 last year, this year's respondents provide a result of 2.97. The midpoint response ("Adequately") nearly doubled from last year's results, pulling approximately 10% each from the two highest-rated categories and the two lowest-rated categories.

Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All
Longer Duration	CRO-Led

Q: How do you rate how well your Organization provides a structured process for the management of all risks?

Category	2019	2018
Very Well	10%	12%
Well	15%	22%
Adequately	42%	22%
Poorly	30%	37%
Very Poorly	4%	7%

2019 Mean = 2.97
2018 Mean = 2.95
Δ = +0.7%

Federal organizations demonstrated **slight improvement** from a year ago in terms of their ability to view the effective management of risk as a value add/ organizational advantage. The mean response to this question increased by a little more than 7% from a year ago, from 2.98 to 3.20.

Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Report to Head/Deputy	

Q: How do you rate how well your Organization views the effective management of risk as a value add / organizational advantage?
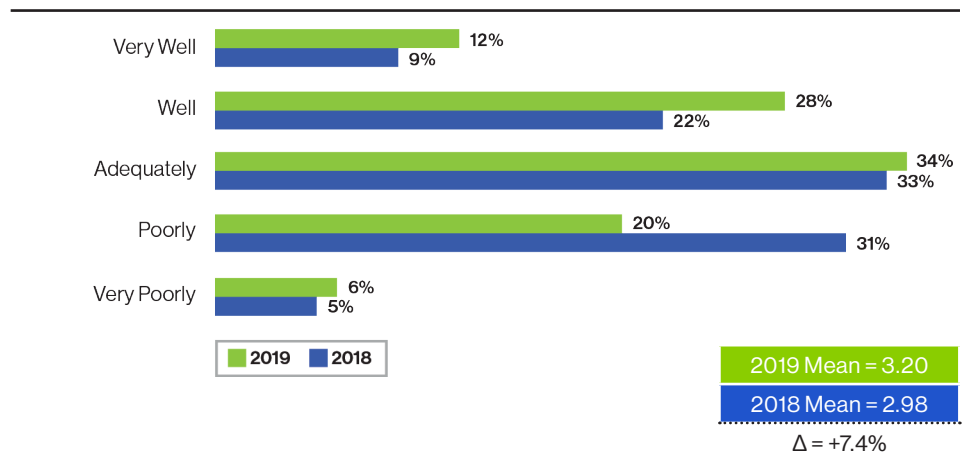
Category	2019	2018
Very Well	12%	9%
Well	28%	22%
Adequately	34%	33%
Poorly	20%	31%
Very Poorly	6%	5%

2019 Mean = 3.20
2018 Mean = 2.98
Δ = +7.4%

* Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 29.

ERM & Culture

Earlier questions and analysis related to ERM & Culture highlighted some of the challenges confronting Federal organizations. To summarize, the survey portrays **culture- and leadership-related challenges as being the most prominent barriers** facing organizations attempting to establish and maintain a formal ERM program (with "Bridging silos across organizations," "Rigid culture resistant to change," and "Executive-level buy-in and support," as the top three items selected).

In addition, the survey identifies the **culture–related** "Tone-at-the-Top, Executive support for risk management" and "Culture change to accept risk as part of day-to-day business/administration" as the second and third **impactful improvements** organizations could make to better position themselves for current and anticipated risks (following "More clear linkage, alignment, or integrated of risk with strategy and performance").

Cultural Trends = Positive

As can be seen in the chart to the right, this year's survey continues to depict **an upward trend in risk management-related cultural capabilities** being established and embraced across the Federal government. Even for those questions where the mean result is below the midpoint response of 3.00, the trend is moving in a positive direction.

Mean Survey Results

	2017	2018	2019
1. Embed risk management in critical decisions	2.63	2.88	2.93
2. Embraces risk transparency in everyday business	2.54	3.02	3.35
3. Management drives a culture of risk awareness	2.93	2.96	3.28
4. Organization provides sufficient risk mgmt. training	2.52	2.74	2.82
5. Performance mgmt. aligned w/risk appetite	2.37	2.47	2.76

1. How do you rate how well your Organization seeks to embed risk management as a component in all critical decisions throughout the organization?

2. My organization embraces the cultural aspects of risk transparency and promotes an environment where managers and staff are open to discussing risks as a part of everyday business.

3. In my organization, management drives a culture of risk awareness and openness through the tone at the top, which encourages employees to identify, report, and escalate potential risks.

4. My organization provides sufficient risk management training for staff to effectively and efficiently carry out their risk management responsibilities.

5. My organization's performance management system is designed in alignment with my organization's risk appetite, and encourages an appropriate level of risk-taking in the pursuit of strategic objectives while maintaining accountability.
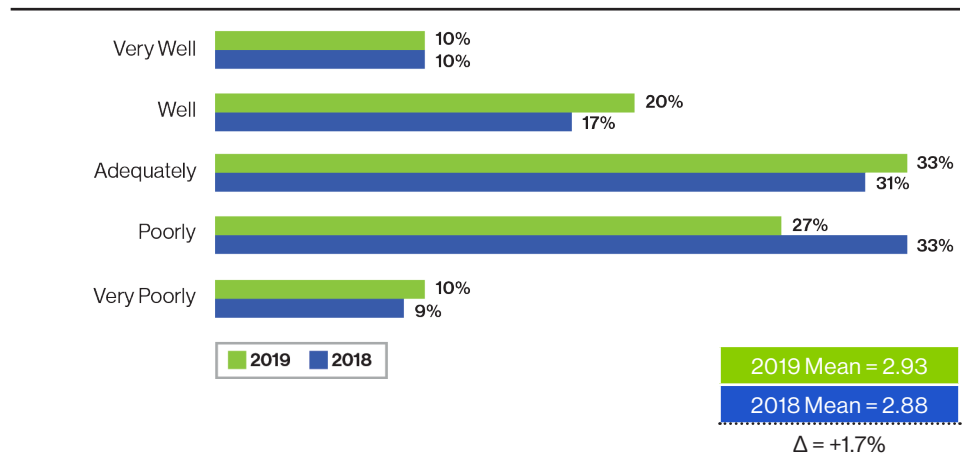
This response regarding the embedding of risk management in all critical decisions closely approximates a **bell curve,** with the mean result, at 2.93, falling just slightly below the midpoint response. The result is marginally higher than last year's, and is consistent across nearly all demographic categories.

Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Report to Head/Deputy	

Q: How do you rate how well your organization seeks to embed risk management as a component in all critical decisions throughout the organization?

Very Well — 2019: 10%, 2018: 10%
Well — 2019: 20%, 2018: 17%
Adequately — 2019: 33%, 2018: 31%
Poorly — 2019: 27%, 2018: 33%
Very Poorly — 2019: 10%, 2018: 9%

2019 Mean = 2.93
2018 Mean = 2.88
Δ = +1.7%

Among all of the culture-related questions in the survey, risk transparency is the best-performing topic according to our respondents, with a mean result of 3.35. It also has the highest response in this section for **"Strongly Agree" and "Agree," at 53%,** compared to only 21% who "Disagree" or "Strongly Disagree."

Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Longer Duration	

Q: My organization embraces the cultural aspects of risk transparency and promotes an environment where managers and staff are open to discussing risks as a part of everyday business.

Strongly Agree — 2019: 8%, 2018: 7%
Agree — 2019: 45%, 2018: 37%
Neither Agree nor Disagree — 2019: 27%, 2018: 19%
Disagree — 2019: 16%, 2018: 25%
Strongly Disagree — 2019: 5%, 2018: 12%

2019 Mean = 3.35
2018 Mean = 3.02
Δ = +10.9%
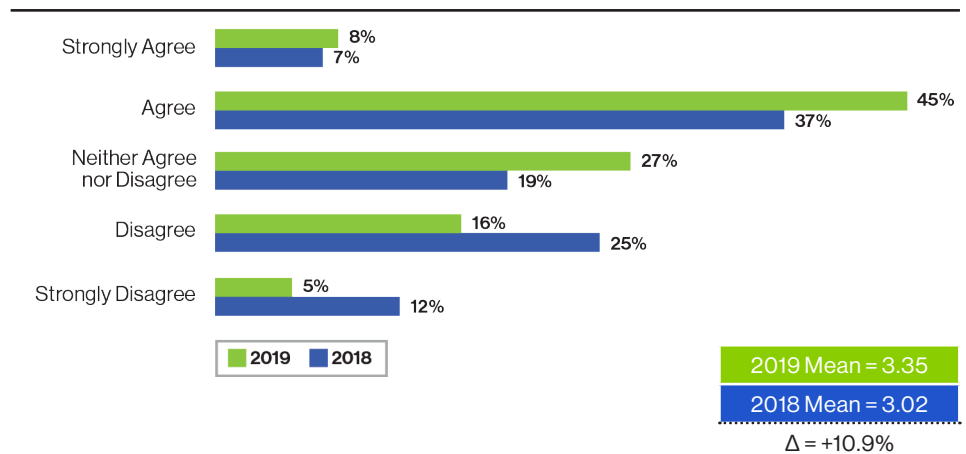
Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 30.

Reflecting leadership's role in establishing a culture that is open to transparent, risk-aware behavior, respondents report a similarly positive response to this question, with a mean result of 3.28. This is reflective of **50% of respondents indicating that they "Strongly Agree" or "Agree"** with the existence of this trait in their organization, compared to only 22% who "Disagree" or "Strongly Disagree." Interestingly, **non-SES respondents have a more favorable impression of their leadership's performance in this area than the Senior Executives themselves.** Respondents from the non-SES Cohort provide a mean response of 2.90 to this question, compared to 2.70 for the SES Cohort.

Noteworthy Breakout Categories*	
SES Perf. Plans = All	ERM = Yes
Report to Head/Deputy	

Q: In my organization, management drives a culture of risk awareness and openness through the tone at the top, which encourages employees to identify, report, and escalate potential risks.

2019 Mean = 3.28
2018 Mean = 2.96
Δ = +10.8%

Despite being listed as the top area of focus in each of the last three Federal ERM surveys, **respondents continue to identify insufficient amounts of ERM training to date.** 44% of respondents indicate this year that they "Disagree" or "Strongly Disagree" with the statement that their organization provides sufficient risk management training for staff, compared to 32% who "Agree" or "Strongly Agree" with the statement. The mean response of 2.82 is up over last year, but by just 3%.

Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All
Longer Duration	Report to Head/Deputy

Q: My organization provides sufficient risk management training for staff to effectively and efficiently carry out their risk management responsibilities.

2019 Mean = 2.82
2018 Mean = 2.74
Δ = +2.9%
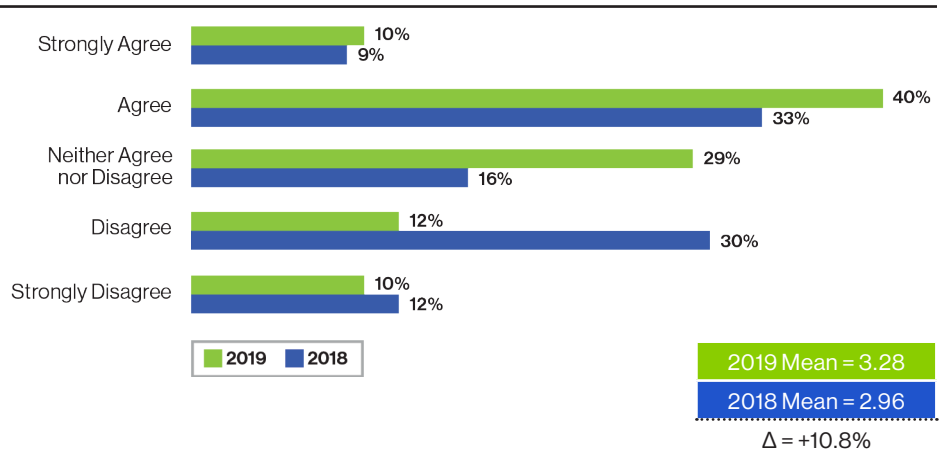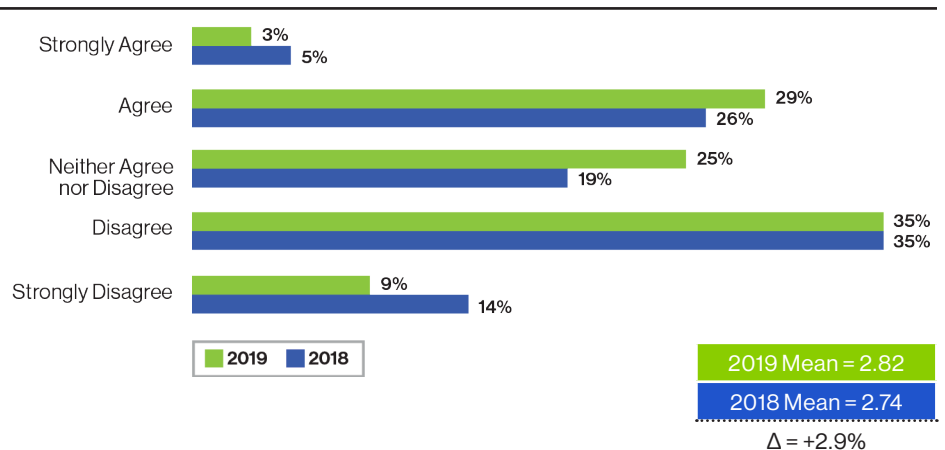
* Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 30.

Approximately one-fourth of Federal organizations incorporate a specific evaluation of ERM or risk management-related activities in the performance plans of their senior leaders, and **that figure rises to 60% when also considering at least some of the organization's SES (or equivalent).** Perception may be a factor in this response. For example, these figures inch higher for respondents who are themselves from the SES, with 70% indicating that at least some of their fellow SES are being held accountable for ERM or other risk-management related activities. Only 46% of Non-SES respondents report this to be the case about their Senior Executive cohort.

Organizations that include risk management-related activities in at least some of their SES performance plans are also more common among those with ERM programs run by a CRO (69%, compared to 53% for all other organizations), those where the ERM program lead reports to the Agency Head or Deputy (59%, compared to 30% for all other organizations), and those with longer-duration ERM programs (68%, compared to 50% for those with shorter-duration ERM programs).

Given the aforementioned low adoption rate of well-communicated and integrated risk appetite statements, it is not surprising that the proportion of organizations **having a performance-management system that is aligned with the organization's risk appetite is low.** Only 20% of respondents indicate that they "Strongly Agree" or "Agree" that such alignment exists in their organization. The mean response to this question remains, at 2.76, the lowest in this section on ERM & Culture. This figure does nonetheless represent a 12% improvement over last year. The only demographic category in which the mean breaches the midpoint response comprises those organizations in which risk management-related activities are included in all SES performance plans (mean = 3.27; 26% higher than all other organizations).

Noteworthy Breakout Categories*	
ERM = Yes	SES Perf. Plans = All

Q: Do the performance plans of senior leaders (SES or equivalent) at your organization include specific expectations to support or undertake ERM or risk management related activities that are then used for evaluative purposes?
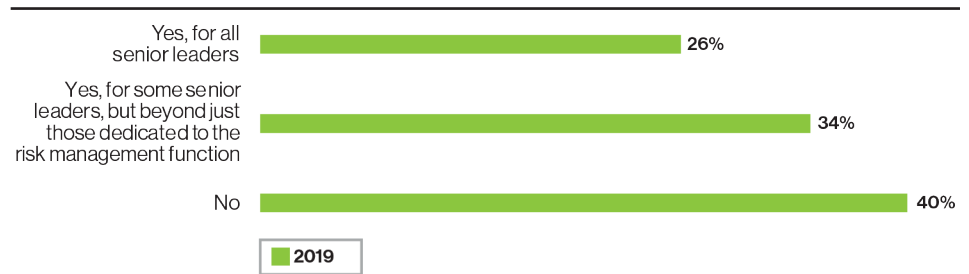
> Those organizations that include risk management in all of their SES performance plans demonstrate some of the best results across the full spectrum of questions covered in this year's survey.

Q: My organization's performance management system is designed in alignment with my organization's risk appetite, and encourages an appropriate level of risk-taking in the pursuit of strategic objectives while maintaining accountability.

2019 Mean = 2.76
2018 Mean = 2.47
Δ = +11.7%
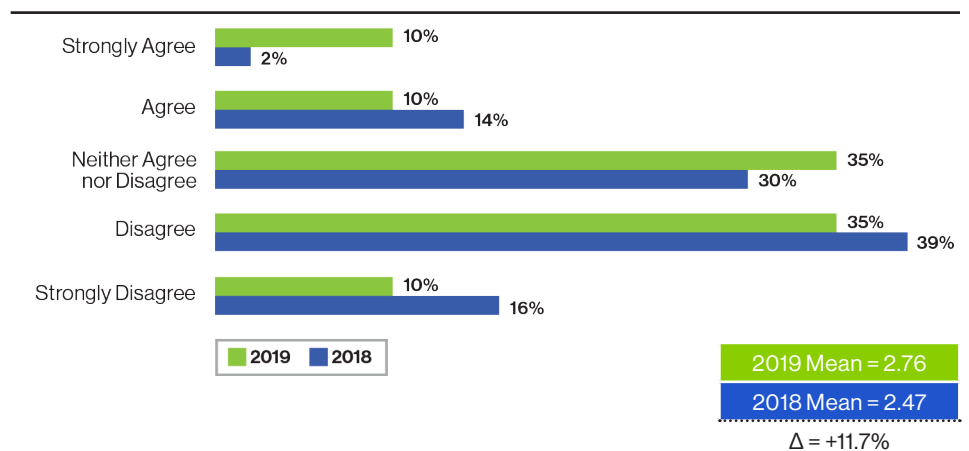
Indicates breakout categories with mean results >15% better than counterparts. More breakout details can be found on page 30.

Select Survey Results by Demographic Categories

Legend

🟩	Mean results greater than 3.20
🟨	Mean results between 2.80 and 3.20
🟥	Mean results less than 2.80
⬜	% Delta greater than 25%
⬜	% Delta between 10% and 25%
⬛	% Delta less than 10%

This year's survey included a total of 14 questions that requested responses consistent with a five-point Likert Scale, ranging either from "Strongly Agree" to "Strongly Disagree" or "Very Well" to "Very Poorly." These questions fell into three broad categories:

- ERM Integration with Other Organizational Processes
- Performance Evaluation of ERM Capabilities
- ERM & Culture

The questions enable the calculation of mean results at both the overall question level as well as for each demographic category. The tables on the following three pages provide those means as calculated for the six most prominent demographic categories employed in this year's survey. The integration questions were not posed to respondents from organizations without an ERM program.

The following table provides the long description of each demographic category, aligned to the shorthand notation used in the subsequent data tables.

Shorthand Notation	Full Description	Shorthand Notation	Full Description
ERM = Yes	Organization has an ERM Program	ERM = No	Organization does not have an ERM Program
CRO-Led	ERM Program is led by a Chief Risk Officer	Non-CRO-Led	ERM Program is not led by a Chief Risk Officer
Report to Head/Dep	ERM Lead reports to Agency Head or Deputy	Report to Other	ERM Lead reports to someone else
Lead > 50% on ERM	Lead spends more than 50% of time on ERM	Lead < 50% on ERM	Lead spends less than 50% of time on ERM
SES Plans = All	ERM is included in all SES Performance Plans	SES Plans = Some/ø	ERM in some/none, SES Performance Plans
Longer Duration	ERM Program has existed for 3 or more years	Shorter Duration	ERM Program has existed for less than 3 years

ERM Integration with Other Organizational Processes

To what extent has your Organization integrated your Enterprise Risk Management program with your Management Internal Control program?

Category	Mean	Category	Mean	Delta
CRO-Led	2.84	Non-CRO-Led	2.93	-3.3%
Report to Head/Dep	3.00	Report to Other	2.76	8.6%
Lead > 50% on ERM	2.94	Lead < 50% on ERM	2.85	3.3%
SES Plans = All	3.33	SES Plans = Some/ø	2.70	23.5%
Longer Duration	2.89	Shorter Duration	2.82	10.4%

To what extent has your Organization integrated Enterprise Risk Management into strategic planning?

Category	Mean	Category	Mean	Delta
CRO-Led	2.86	Non-CRO-Led	2.80	2.2%
Report to Head/Dep	2.98	Report to Other	2.66	12.0%
Lead > 50% on ERM	3.00	Lead < 50% on ERM	2.70	11.0%
SES Plans = All	3.53	SES Plans = Some/ø	2.66	32.8%
Longer Duration	2.87	Shorter Duration	2.88	-0.4%

To what extent has your Organization integrated Enterprise Risk Management into budgetary processes?

Category	Mean	Category	Mean	Delta
CRO-Led	2.41	Non-CRO-Led	2.48	-2.9%
Report to Head/Dep	2.80	Report to Other	2.03	38.2%
Lead > 50% on ERM	2.53	Lead < 50% on ERM	2.38	6.1%
SES Plans = All	3.33	SES Plans = Some/ø	2.14	55.8%
Longer Duration	2.76	Shorter Duration	2.06	34.0%

To what extent has your Organization integrated Enterprise Risk Management into execution processes (e.g., performance management and execution oversight)?

Category	Mean	Category	Mean	Delta
CRO-Led	2.73	Non-CRO-Led	2.43	12.1%
Report to Head/Dep	2.84	Report to Other	2.24	27.2%
Lead > 50% on ERM	2.75	Lead < 50% on ERM	2.43	2.8%
SES Plans = All	3.33	SES Plans = Some/ø	2.36	41.2%
Longer Duration	2.70	Shorter Duration	2.44	34.1%

Performance Evaluation of ERM Capabilities

How would you rate the effectiveness of your organization's ERM program in designing, implementing, managing, and maturing the organization's ERM capability?

Category	Mean	Category	Mean	Delta
CRO-Led	3.70	Non-CRO-Led	3.08	20.1%
Report to Head/Dep	3.67	Report to Other	3.00	22.2%
Lead > 50% on ERM	3.75	Lead < 50% on ERM	3.04	23.4%
SES Plans = All	3.83	SES Plans = Some/ø	3.19	20.1%
Longer Duration	3.72	Shorter Duration	3.08	20.7%

How well does your Organization prioritize and manage risk across the organizational structure as an interrelated risk portfolio rather than within individual silos?

Category	Mean	Category	Mean	Delta
ERM = Yes	3.05	ERM = No	2.23	36.9%
CRO-Led	3.25	Non-CRO-Led	2.89	12.5%
Report to Head/Dep	3.32	Report to Other	2.72	22.1%
Lead > 50% on ERM	3.31	Lead < 50% on ERM	2.84	16.5%
SES Plans = All	3.67	SES Plans = Some/ø	2.67	37.5%
Longer Duration	3.20	Shorter Duration	2.91	10.2%

How well does your Organization evaluate the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders?

Category	Mean	Category	Mean	Delta
ERM = Yes	3.19	ERM = No	2.38	33.9%
CRO-Led	3.31	Non-CRO-Led	2.86	15.5%
Report to Head/Dep	3.45	Report to Other	2.86	20.7%
Lead > 50% on ERM	3.31	Lead < 50% on ERM	3.09	7.3%
SES Plans = All	3.60	SES Plans = Some/ø	2.89	24.8%
Longer Duration	3.41	Shorter Duration	2.97	14.8%

How well does your Organization provide a structured process for the management of all risks?

Category	Mean	Category	Mean	Delta
ERM = Yes	3.18	ERM = No	2.19	44.9%
CRO-Led	3.37	Non-CRO-Led	2.76	22.3%
Report to Head/Dep	3.35	Report to Other	2.97	12.6%
Lead > 50% on ERM	3.41	Lead < 50% on ERM	3.00	13.7%
SES Plans = All	3.80	SES Plans = Some/ø	2.88	31.7%
Longer Duration	3.50	Shorter Duration	2.85	22.9%

How well does your Organization view the effective management of risk as a value add / organizational advantage?

Category	Mean	Category	Mean	Delta
ERM = Yes	3.33	ERM = Yes	2.70	23.1%
CRO-Led	3.42	Non-CRO-Led	3.08	11.0%
Report to Head/Dep	3.66	Report to Other	2.92	25.5%
Lead > 50% on ERM	3.47	Lead < 50% on ERM	3.22	7.9%
SES Plans = All	3.73	SES Plans = Some/ø	2.96	26.1%
Longer Duration	3.49	Shorter Duration	3.19	9.5%

ERM & Culture

How well does your Organization seek to embed risk management as a component in all critical decisions throughout the organization?

Category	Mean	Category	Mean	Delta
ERM = Yes	3.09	ERM = No	2.30	34.2%
CRO-Led	3.14	Non-CRO-Led	2.81	11.6%
Report to Head/Dep	3.43	Report to Other	2.67	28.7%
Lead > 50% on ERM	3.26	Lead < 50% on ERM	2.96	10.2%
SES Plans = All	3.73	SES Plans = Some/ø	2.73	36.7%
Longer Duration	3.02	Shorter Duration	2.91	3.9%

My organization embraces the cultural aspects of risk transparency and promotes an environment where managers and staff are open to discussing risks as a part of everyday business.

Category	Mean	Category	Mean	Delta
ERM = Yes	3.53	ERM = No	2.67	32.2%
CRO-Led	3.64	Non-CRO-Led	3.18	14.3%
Report to Head/Dep	3.77	Report to Other	3.33	13.1%
Lead > 50% on ERM	3.63	Lead < 50% on ERM	3.45	6.5%
SES Plans = All	3.80	SES Plans = Some/ø	3.15	20.5%
Longer Duration	3.73	Shorter Duration	3.24	15.1%

In my organization, management drives a culture of risk awareness and openness through the tone at the top, which encourages employees to identify, report, and escalate potential risks.

Category	Mean	Category	Mean	Delta
ERM = Yes	3.45	ERM = No	2.12	31.7%
CRO-Led	3.47	Non-CRO-Led	3.17	9.6%
Report to Head/Dep	3.67	Report to Other	3.19	15.2%
Lead > 50% on ERM	3.57	Lead < 50% on ERM	3.36	6.4%
SES Plans = All	3.73	SES Plans = Some/ø	3.04	22.9%
Longer Duration	3.64	Shorter Duration	3.18	14.3%

My organization provides sufficient risk management training for staff to effectively and efficiently carry out their risk management responsibilities.

Category	Mean	Category	Mean	Delta
ERM = Yes	3.01	ERM = No	2.10	43.8%
CRO-Led	3.03	Non-CRO-Led	2.71	11.8%
Report to Head/Dep	3.21	Report to Other	2.78	15.3%
Lead > 50% on ERM	3.03	Lead < 50% on ERM	3.00	1.0%
SES Plans = All	3.53	SES Plans = Some/ø	2.60	36.1%
Longer Duration	3.33	Shorter Duration	2.67	25.0%

My organization's performance management system is designed in alignment with my organization's risk appetite, and encourages an appropriate level of risk-taking in the pursuit of strategic objectives while maintaining accountability.

Category	Mean	Category	Mean	Delta
ERM = Yes	2.74	ERM = Yes	2.19	25.1%
CRO-Led	2.83	Non-CRO-Led	2.66	6.4%
Report to Head/Dep	2.88	Report to Other	2.57	12.3%
Lead > 50% on ERM	2.77	Lead < 50% on ERM	2.71	2.2%
SES Plans = All	3.27	SES Plans = Some/ø	2.59	26.0%
Longer Duration	2.76	Shorter Duration	2.79	-1.1%

Acknowledgments and Contact Information

This survey report is the product of a collaborative effort between Guidehouse and AFERM. We extend our gratitude to the individuals from the Federal ERM community who responded to our online survey. Our analysis and reporting would not be possible without your time and candid input.

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About Us

Guidehouse

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AFERM

AFERM is the only professional association solely 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. For more information about AFERM, please visit **AFERM.org.**

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Malcolm Baldrige
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