

Office of Enterprise Risk Management (OERM) Report

FRTIB Board Meeting August 21, 2014

Agenda

OERM's Functional Statement

Categorization of Risks & Lines of Defense

Our Approach to Manage Risks

Our Path Forward

OERM's Functional Statement

To enhance enterprise governance by embedding risk management into key Agency operations and strategic decision making.

Categorization of Risks

Preventable Risks	Strategy Risks	External Risks
Risks arising from within the Agency that generate no strategic benefits	Risks taken for superior strategic outcomes	External, uncontrollable risks
RISK MITIGATION OBJECTIVE		
Avoid or eliminate occurrence cost- effectively	Reduce likelihood of failure and related impact cost-effectively	Reduce impact cost-effectively should risk event occur
CONTROL MODEL		
Integrated culture-and-compliance model: Develop mission statement; values and belief systems; rules and boundary systems; standard operating procedures; internal controls and internal audit	 Internal discussions about risks to strategic objectives/opportunities using tools such as: Maps of likelihood and impact of identified risks Key risk indicator (KRI) scorecards Resource allocation to mitigate critical risk events 	Envisioning risks that may occur.
ROLE OF RISK MANAGEMENT STAFF FUNCTION		
Coordinates, evaluates and oversees operational risks and related controls	 Runs risk workshop and risk review meetings Helps develop portfolio of risk initiatives and their funding Acts as devil's advocates 	 Runs stress-testing, scenario-planning and war-gaming exercises with management team Acts as devil's advocates
RELATIONSHIP OF THE RISK MANAGEMENT FUNCTION TO BUSINESS UNITS		
Acts as independent advisors	Acts as independent facilitators, independent experts, or embedded experts	Complements strategy team or serves as independent facilitators of "envisioning" exercises

Risk Management "Lines of Defense"



1st Line of Defense

2nd Line of Defense

3rd Line of Defense

Management

- Primary accountability for identifying, measuring, managing and mitigating risks.
- Promote strong risk and control culture.
- Implement governance and oversight mechanisms across the enterprise including supply chain stakeholders.
- Implement repeatable processes based on approved policies and procedures

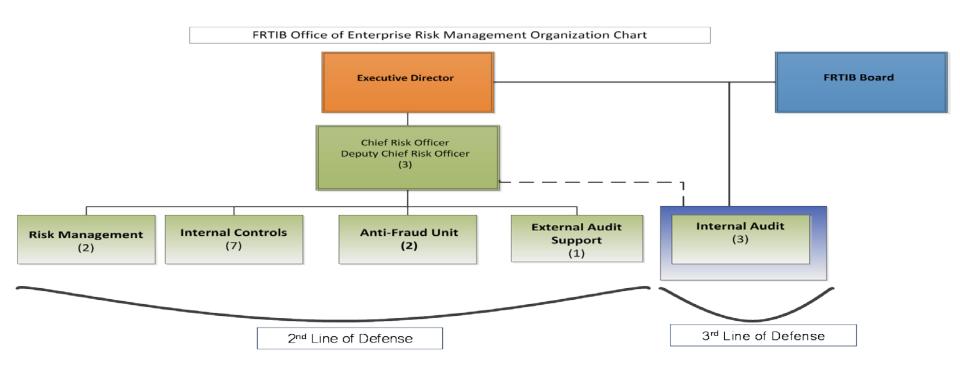
Risk and Control Functions

- Act as independent set of eyes and trusted advisor to help management operate more effectively as a 1st line of defense.
- Ensure policies and procedures are current and reflect current processes and controls.

Internal Audits

- Impartially and systematically review and test the effectiveness of the control environment (first and second lines of defense).
- Recommend improvements in control weaknesses.
- Accountable to both the Executive Director and FRTIB's Board.

Organization Structure to Manage Risks



Note: Includes 2 new positions in the FY2015 budget.

Managing Strategic Risks

Past

- 1. No processing center redundancy
- 2. Call Center not geographically dispersed
- 3. Dependent on one provider for tools
- 4. Older technology

Current Situation

- Call center redundancy but not geographically dispersed
- 2. Management of multiple contractors
- 3. Technology refresh

Strategy Risks going forward

- 1. New vendors
- 2. New locations
- 3. New technology platform

Rewards

- Enhanced Participant Experience collaborative conversations
- 2. Modern tools that supplement conversations with Participants
- 3. Call center and processing center redundancy

Managing External Risks



Cybersecurity

Competitive Risks

Natural & Economic Disasters

Approaches to address:

- Scenario Planning
- War Gaming
- Stress Tests

Planned Activities for Next Year

