



## Using ERM to inform OMB's Strategic Review process

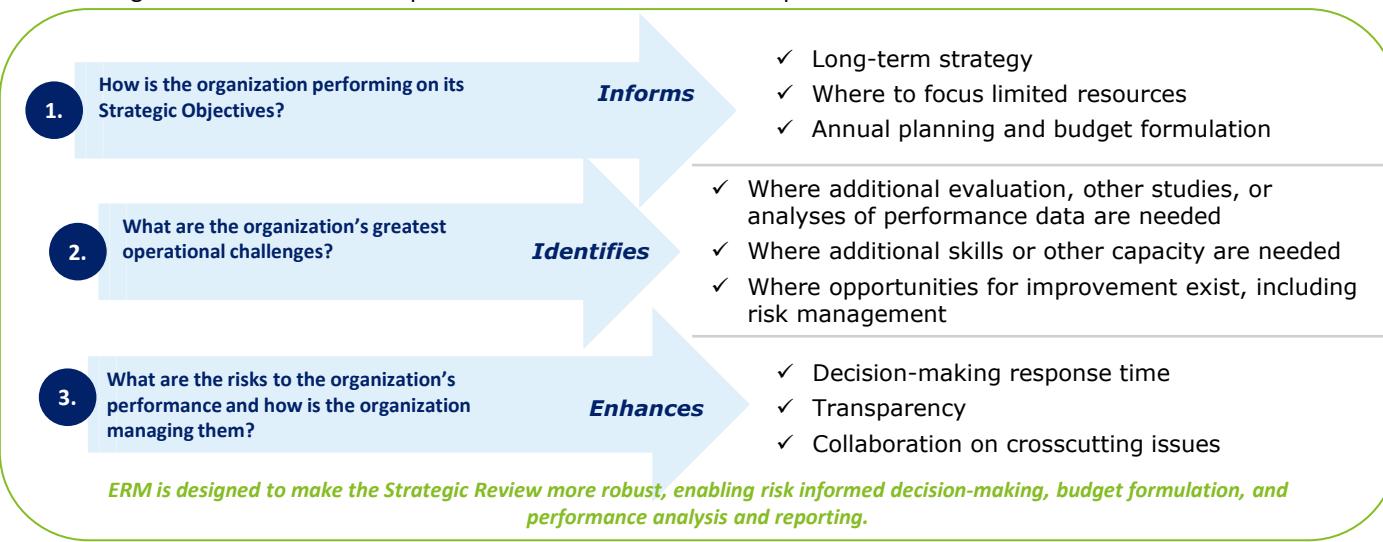
### What is the Strategic Review, when does it occur, and what should it include?

The annual Strategic Review assesses departments and agencies' progress in meeting the mission, management, and crosscutting strategic objectives contained in their strategic plans. It informs strategic decision-making, budget formulation, near-term actions, and annual performance reporting. Section 270 of the Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, provides guidance on Performance Reviews, Strategic Reviews, and Enterprise Risk Management (ERM) and requires covered organizations to conduct strategic reviews annually. The ERM guidance in Circular A-11 is expanded on in OMB Circular A-123, *Management's Responsibility for ERM and Internal Control*. The table below shows which types of organizations are covered by OMB's guidance.

Organization Type	Required to meet OMB Requirements stated in...	
	OMB Circular A-11 for Strategic Reviews	OMB Circular A-123 for an ERM Risk Profile
<b>Departments:</b> Cabinet-level organizations with direct-reporting agency components	✓	✓
<b>Agencies:</b> Organizations directly reporting to departments	All agencies are required to complete reviews	Agencies should implement ERM as a leading practice and follow department guidance
<b>Independent agencies:</b> Organizations that do not report to a department. The heads of these organizations may serve on the Chief Financial Officer (CFO) Council or have the status of cabinet-rank	All agencies are required to complete reviews	Independent agencies should follow departmental guidance

As part of the Strategic Review, covered organizations should consider performance goals and other indicators for each strategic objective, as well as challenges, risks, external factors, and other events that affected progress in meeting their objectives.

Covered organizations can be better positioned to answer these three questions:



### How to integrate ERM into the Strategic Review process

All departments and agencies are required to undergo a Strategic Review process, but departments have flexibility on defining how to provide ERM implementation guidance to their agencies. Departments should work with their agencies to share risk information to inform the Strategic Review process. This supports the department in meeting the requirements for incorporating its risk profile into the Strategic Review as described in Section II, C of OMB Circular A-123, *Management's Responsibility for ERM and Internal Control*.

#### Department level

- Establish ERM points of contact within each agency, bureau, or component
- Develop processes to collect and consider agency risk profiles
- Use the consolidated risk profile to inform the Strategic Review process

#### Agency level

- Establish processes to collect and consider program-level risk information
- Develop a risk profile and share it with the department, as required
- Use the risk profile to inform agency leadership in making risk-based decisions

#### Independent agencies

- Are required to participate in annual Strategic Reviews
- Implement ERM as a leading practice

# Using ERM to inform OMB's Strategic Review process

## How to use ERM to identify and manage risks to an organization's performance



### Engage the right stakeholders at the right time

Effectively integrating ERM into core, on-going business processes requires engaging critical stakeholders and obtaining their support.

#### How can ERM programs engage the right stakeholders at the right time?

What	Why
<ul style="list-style-type: none"><li>Develop a strategy to gain executive-level support and support from other key stakeholders</li></ul>	Executive-level sponsors and stakeholders should help communicate the importance of ERM and how it can be used as a tool to help improve organization-wide decision making in areas including strategic planning, budgeting, and performance
<ul style="list-style-type: none"><li>Be proactive in sharing information with department, agency, and program offices</li><li>Encourage colleagues to attend events to learn more about OMB Circular A-123's requirements</li></ul>	Increase knowledge and understanding of ERM throughout the organization and share key takeaways and materials



### Incorporate the Risk Profile

Effective ERM implementation involves breaking down silos and increasing transparency.

#### How can ERM programs incorporate the risk profile into the Strategic Review process?

What	Why
<ul style="list-style-type: none"><li>Identify a Performance Improvement Officer (PIO, or office responsible for strategic plan development and Strategic Reviews)</li><li>Talk to the PIO about the risk profile and how to share the risk profile to inform the PIO's processes</li></ul>	Obtain the PIO's perspectives on how can ERM can add value to the Strategic Review by discussing the goals and objectives of ERM implementation and the level of ERM maturity
<ul style="list-style-type: none"><li>Develop a collaborative plan for the ERM program and PIO to share information designed for organization's operating environment</li></ul>	Enable the development of a more robust ERM program and risk profile which can, in turn, add more value when considered as a data source to inform the Strategic Review



### Define the missed opportunities of not addressing the Risk Profile

Without using the risk profile to inform the Strategic Review process, department or agency leadership could potentially fail to understand risks that can only be effectively addressed through an organization-wide action plan.

#### How can ERM programs define the opportunities missed by not addressing the risk profile?

What	Why
<ul style="list-style-type: none"><li>Show department or agency leadership the impact of using the risk profile's data and findings to make decisions</li><li>Communicate how the organization could be affected if the risks contained in the risk profile are not systematically addressed</li></ul>	The risk profile assists leadership in making risk-informed decisions that address issues affecting the organization as a whole. By not considering the risk profile in decision-making, organizations could focus on single, small issues that only affect aspects of their operations and programs. Failing to address systematic issues and risks could potentially prevent organizations from meeting their goals

To find out more about strategic reviews and ERM, contact:

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