PROGRAM INTEGRITY AND ENTERPRISE RISKS

ISSUE SUMMARY:

Program Integrity and Enterprise Risk Management (ERM) are complementary processes required by OMB Circulars A-11 and A-123. The EPA's senior managers identify and assess program risks, establish internal controls as required by the Federal Managers Financial Integrity Act (FMFIA), and attest to the soundness of internal controls for their respective organization. Each year, the EPA senior leaders select top enterprise-level risks, for which mitigation action plans are developed.

In line with maturing the EPA's risk management program, and similar to other federal agencies' governance structure for risk management, the OCFO has established an interim Chief Risk Officer to lead risk management initiatives, improve operational and administrative processes to ensure compliance, and leverage data to guide strategic decision-making.

UPCOMING MILESTONES:

- **December/January 2025:** Issue FY 2025 Guidance for Enterprise Risk Management, Program Integrity, Strategic Reviews, and Internal Controls.
- **Spring 2025:** Semi-Annual Risk Assessments due to the OCFO.
- **Summer 2025:** Senior Leader Council Planning Meeting and Budget Forum – discussion of FY 2025 significant risks and risk ranking, which will help inform the FY 2027 budget proposal and updated strategic plan.
- **Fall 2025:** End of Year Risk Assessments due to OCFO, and Final Agency Assurance packages and letters due and final assessment provided to the Deputy Administrator. Administrator signs the Agency Assurance Letter.
- **Fall 2025:** CFO shares Enterprise Risk Profile with senior leadership, announcing the selection of the FY 2026 enterprise risks with the lead and supporting programs.

BACKGROUND:

Program Integrity

Program Integrity includes program-level risk management, internal controls, fraud risk management, audit management and payment integrity. To comply with requirements in the Federal Managers' Financial Integrity Act, the OCFO provides instructions and tools to senior managers through its annual guidance for preparing the Assistant Administrator and Regional Administrator annual assurance letters. Senior managers are responsible for identifying and assessing program risks, establishing internal controls, and attesting to the soundness of internal controls for their respective organization. The OCFO facilitates

the review of the AA and RA assurance letter. During the review, the OCFO verifies compliance with agency guidance, notes the status and progress in addressing current weaknesses, and identifies emerging and cross-cutting commonalities that require senior management attention.

The OCFO also conducts reviews of cross-agency processes (i.e., travel, payroll, media programs, etc.) to evaluate the effectiveness of internal controls and identify deficiencies that impact the agency overall. The information in the AA and RA assurance letters and the results of the reviews are reported to senior management and assists in the development of the Administrator's statement of assurance on the overall effectiveness of the Agency's internal controls. This information is also used to identify which cross-cutting areas or functions program offices will be required to evaluate and report on in the future.

ENTERPRISE RISK MANAGEMENT (ERM)

OMB defines ERM as an agencywide approach to addressing the full spectrum of the organization's significant risks by considering the combined array of risks as an interrelated portfolio, rather than addressing risks only within silos. EPA initiated ERM as an integral part of Agency strategic reviews in 2016 and aligned it with the internal control program in 2017, following issuance of the A-123 revision and updates to A-11 on strategic reviews. The OCFO established a systematic risk assessment process to assess progress and challenges to achieving the strategic objectives in EPA's strategic plan. The OCFO relies on results of internal control reviews, including program risk assessments, among other evidence and data to inform senior leaders' assessment of risks impeding achievement of the strategic objectives. The OCFO analyzes results of the strategic objective risk assessments to identify significant risks across the agency, which informs senior leader risk ranking and identification of enterprise risks for EPA's enterprise risk profile. Senior leaders are then responsible for identifying actions to mitigate the enterprise risks and providing quarterly progress reports to the OCFO. Senior leaders discuss progress on mitigating enterprise risks as part of the Deputy Administrator's Quarterly Performance Reviews.

ADVANCEMENTS IN PROGRAM INTEGRITY AND ERM

The OCFO is deploying a Governance, Risk, and Compliance (GRC) tool, to integrate programmatic, operational, and financial risk assessment across all the Agency's programs into a comprehensive risk register. The tool will also allow for significant analytical capabilities to understand the connection points between risks, internal controls, and audits, enabling senior leaders to have a comprehensive view of the major vulnerabilities and mitigation efforts associated with the agency.

KEY EXTERNAL STAKEHOLDERS:

x Congress ☐ Industry   ☐ States   ☐ Tribes   ☐ Media   ☐ Other Federal Agency
☐ NGO   ☐ Local Government   ☐ Other (name of stakeholder) _____
The program-specific priorities and performance metrics contained in the NPGs inform EPA-state and EPA-tribal grant work planning.

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MOVING FORWARD:

As the EPA continues to manage unprecedented levels of funding through the Bipartisan Infrastructure Law and the Inflation Reduction Act, the agency will continue to lead EPA's risk management initiatives. The agency's Chief Risk Officer and the OCFO's audit and risk management teams will work, in collaboration with the Office of the Inspector General, GAO, and other oversight bodies, to improve operational and administrative processes to ensure compliance, and leverage data to guide strategic decision-making.

LEAD OFFICE/REGION: OCFO   OTHER KEY OFFICES/REGIONS: OCFO