



## Office of Inspector General

Board of Governors of the Federal Reserve System  
Bureau of Consumer Financial Protection

Executive Summary, 2021-IT-B-011, September 15, 2021

# The Board's Implementation of Enterprise Risk Management Continues to Evolve and Can Be Enhanced

## Findings

Overall, we found that the Board of Governors of the Federal Reserve System continues to take steps to develop and implement an enterprise risk management (ERM) program. Specifically, the Board is performing several foundational ERM activities within the Office of the Chief Operating Officer (OCOO) with the goal of establishing core ERM capabilities before agencywide rollout. For instance, the agency's ERM team is collaborating with each of the divisions operating under the OCOO to perform risk assessments, identify the risk universe, and develop a risk profile. Further, the agency has established an interim risk committee to serve as a temporary forum for enterprise risk discussions.

We identified opportunities to enhance the agency's planning, governance, and implementation of its ERM program and processes. With respect to planning, the Board could benefit from an assessment of the risk management practices and risk culture currently in place across the agency. Further, the establishment of an effective governance structure should help ensure that risk management roles and responsibilities are carried out effectively. Lastly, an early-stage ERM framework would assist in obtaining the executive-level support and division-level buy-in needed to effectively implement ERM agencywide.

Our report also includes two matters for management's consideration: one regarding the definition of requirements for a Boardwide governance, risk, and compliance tool and one regarding the use of a federal best practice, where appropriate, to strengthen the agency's ERM program.

## Recommendations

This report includes three recommendations and two matters for management's consideration related to the foundational aspects of the Board's ERM program. In its response to our draft report, the Board concurs with our recommendations and outlines actions that have been or will be taken to address them. We will follow up to ensure that the recommendations are fully addressed.

## Purpose

Our evaluation objective was to assess the effectiveness of the Board's ongoing efforts to plan, develop, and integrate ERM processes across the agency. Specifically, this evaluation focused on (1) the establishment of supporting ERM governance and operational structures and (2) steps taken to cultivate a risk culture that aligns the risk management program with the Board's mission, vision, strategy, and values.

## Background

As the central bank of the United States, the mission of the Board is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems. To carry out its mission effectively, the Board must implement processes to identify, assess, respond, and report on internal and external risks. To better manage the full spectrum of internal and external risks, federal agencies, including the Board, are increasingly implementing ERM. ERM refers to an agencywide approach to addressing the full spectrum of an organization's significant risks by considering them as an interrelated portfolio rather than within silos.