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Requested date: October 2021

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Source of document: FOIA Request
National Credit Union Administration
Attn: Office of General Counsel
1775 Duke St.
Alexandria, VA 22314
Email: FOIA@ncua.gov

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National Credit Union Administration

Office of General Counsel

November 2, 2021

SENT BY E-MAIL

RE: #21-FOI-00113

This responds to your recent Freedom of Information Act request to the National Credit Union Administration, assigned #21-FOI-00113. You requested a copy of the most recent Enterprise Risk Review at NCUA.

The request is granted in part. Attached are 18 pages of NCUA Enterprise Risk Review records. Withheld records are exempt from release under one or more of the FOIA exemptions at 5 U.S.C. § 552(b)(5), (7)(E), and (8). Exemption 5 protects interagency or intra-agency memoranda or letters which would not be available by law to a party other than an agency in litigation with the agency. Exemption 7(E) protects law enforcement information that would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions if such disclosure could reasonably be expected to risk circumvention of the law. Exemption 8 protects matters that are contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

For further assistance or to discuss your request, you may contact me, as well as our FOIA Public Liaison, by e-mail to FOIA@ncua.gov or office phone, 703.518.6540. You also have the option to contact the Office of Government Information Services at the National Archives and Records Administration to inquire about FOIA mediation services. Contact information for OGIS: NARA is by e-mail to ogis@nara.gov or phone, 202.741.5770 or 1.877.684.6448.

If you are not satisfied with the response, you may file an administrative appeal. It must be in writing and submitted within 90 days from now. If you file an appeal, please send it by e-mail to FOIA@ncua.gov with "NCUA Office of General Counsel-FOIA APPEAL" in the subject line.

Sincerely,

REGINA METZ
Digitally signed
by REGINA METZ
Date: 2021.11.02
18:24:47 -04'00'

Regina Metz
Senior Attorney Advisor

GC/RM
21-FOI-00113



National Credit Union Administration
Office of the Chief Financial Officer

TO: NCUA Board

DATE: January 24, 2018

FROM: Chief Financial Officer

SUBJ: NCUA's 2018-2022 Strategic Plan
2018 Annual Performance Plan

ACTION REQUESTED: Board approval of the NCUA 2018-2022 Strategic Plan and the 2018 Annual Performance Plan

DATE ACTION REQUESTED: January 25, 2018

OTHER OFFICES CONSULTED: All Regional and Central Offices

VIEWS OF OTHER OFFICES CONSULTED: Concur

BUDGET IMPACT, IF ANY: None

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes

RESPONSIBLE STAFF MEMBERS: Deputy Chief Financial Officer Eugene Schied, Management Analyst Lindsey Coates, Management Analyst Melissa Lowden

SUMMARY: The NCUA Strategic Plan 2018-2022 summarizes our analysis of the internal and external environment impacting NCUA; evaluates our programs and risks; and provides goals and objectives for the next five years. The Strategic Plan integrates the agency's mission with clear goals and objectives. The NCUA proactively managing risks to enable effective and efficient mission attainment.

The Strategic Plan highlights the agency's three strategic goals and supporting strategic objectives, which reflect the desired outcome or impact of the strategic goals.

The three strategic goals in the NCUA Strategic Plan for 2018 to 2022 are to:

- Ensure a safe and sound credit union system
- Provide a regulatory framework that is transparent, efficient and improves consumer access
- Maximize organizational performance to enable mission success

Guided by the NCUA's strategic goals and objectives and leadership priorities, the NCUA's Enterprise Risk Management Council developed an enterprise-wide risk appetite statement in 2016. The risk appetite statement, in combination with the Strategic Plan provides additional

information for NCUA management and stakeholders on the agency's approach to achieving our goals and objectives.

In September 2017, the Board approved a 60 day public comment period for the proposed 2018–2022 Strategic Plan, and as part of the Plan the Board approved the NCUA's enterprise-wide risk appetite statement. Comments were due December 4, 2017; NCUA received five comment letters. The primary focus areas of the comments included:

1. Implementing a flexible exam schedule, including extended cycles and virtual examination procedures;
2. Increasing collaboration with other federal agencies and standard setting boards to ensure consistency and clarity across consumer protection regulations and guidance;
3. Carrying out NCUA's Regulatory Reform Agenda; and,
4. Reverting the normal operating level of the Share Insurance Fund back to 1.3%.

Many of the comments received were read to be generally supportive of efforts and initiatives to which the NCUA has undertaken, and that are included in the Plan. Other comments were at a more detailed level of program implementation (rather than at the strategic level), were too specific for the strategic plan and can be considered in program implementation or addressed in the Annual Performance Plan.

The 2018 Annual Performance Plan provides specific direction and guidance to implement the strategic objectives outlined in the strategic plan. The Annual Performance Plan highlights performance goals, indicators, and targets to measure the agency's performance. The operational processes and strategies, the human capital, and the information technology necessary for implementation are addressed for each strategic objective.

RECOMMENDED ACTION:

1. The Board approve the final NCUA 2018-2022 Strategic Plan, which includes the agency's enterprise-wide risk appetite statement; and
2. The Board approve the final NCUA 2018 Annual Performance Plan.

ATTACHMENT:

- The final NCUA 2018-2022 Strategic Plan
- The final NCUA 2018 Annual Performance Plan

Enterprise Risk Management

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. To sustain success and continuity at the NCUA, an effective risk management approach requires a defined framework where specific risks, and broader organizational risks, are identified, measured and monitored by functional owners and consolidated by an independent risk management oversight function. Working collaboratively with functional owners, the risk management apparatus prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to increase the NCUA's success at achieving stated strategic goals. Effective internal controls, combined with robust measurement and communication are central to effective decision making and risk optimization within the NCUA.

The NCUA established its Enterprise Risk Management (ERM) function to:

- Integrate and improve decision-making to aid in achievement of the agency's mission and strategic goals by weighing each recommendation and decision against the risk appetite levels established in this statement,
- Communicate, through the risk appetite statement, the amount of risk the agency is willing to accept in pursuit of its strategic goals and objectives, and
- Consistently evaluate risks across the NCUA through an established ERM process of identifying, assessing, prioritizing, responding to and monitoring risks and opportunities.

The NCUA ERM Council provides oversight of the agency's ERM activities including risk management prioritization and integrated decision-making. As part of the ERM function, the Risk Appetite Statement articulates the amount of risk the agency is willing to accept in pursuit of its strategic goals and objectives. It serves as the foundation for ERM at the NCUA, defining leadership's overarching risk management philosophy.

Enterprise Risk Appetite Statement

The NCUA is vigilant and has an overall judicious risk appetite. The NCUA's primary goal is to ensure the safety and soundness of the credit union system and the agency recognizes it is not desirable or practical to avoid all risk. Acceptance of some risk is often necessary to foster innovation and agility. This risk appetite will guide the NCUA's actions to achieve its strategic objectives in support of providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

This enterprise risk appetite statement is part of the NCUA's overall management approach and is supported by detailed risk appetite statements. The agency's risk appetite will help align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives.

Risk Appetite in Practice

Risk is unavoidable and sometimes inherent in carrying out the agency's mandate. The NCUA is positioned to accept greater risks in some areas than in others; however, when consolidated, the risk appetite should be within the boundaries established for the entire agency. Cross-collaboration across programs and functions is a fundamental piece of ensuring the agency stays within its risk appetite boundaries. The NCUA will identify, assess, prioritize, respond to and monitor risks to an acceptable level.



Enterprise Risk Management

The NCUA uses an Enterprise Risk Management (ERM) program to evaluate various factors arising from its operations and activities (both internal to the agency and external in the industry) that can impact the agency's performance relative to its mission, vision, and performance outcomes. Agency priority risks include both internal considerations such as the agency's control framework, information security posture, and external factors such as credit union diversification risk. All of these risks can materially impact the agency's ability to achieve its mission.

The NCUA's ERM Council provides oversight of the agency's enterprise risk management activities. Through the ERM program, established in 2015, the agency is identifying, analyzing, and managing risks that could affect the achievement of its strategic objectives. In 2020, the NCUA utilized ERM principles to respond to the operational challenges and opportunities created by the COVID-19 pandemic. In 2021, the NCUA plans to continue its efforts to mature its ERM program, analyze high-priority enterprise risks using its assessment framework, and refresh its inventory of enterprise risks.

Overall, the NCUA's ERM program promotes effective awareness and management of risks, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency. This holistic evaluation of how the agency pursues its goals and objectives is guided by the agency's appetite for risk and considers resource availability or limitations. The NCUA believes that for many strategic decisions about its programs, ERM offers a better framework for evaluating both the quantitative and qualitative aspects of enterprise-level decisions than the types of cost-benefit analyses used for regulatory development. In addition, the agency's risk appetite helps the NCUA's employees align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives.

The NCUA adopted its enterprise risk appetite statement in the *2018 – 2022 Strategic Plan*, which is:

The NCUA is vigilant and has an overall judicious risk appetite. The NCUA's primary goal is to ensure the safety and soundness of the credit union system and the agency recognizes it is not desirable or practical to avoid all risk. Acceptance of some risk is often necessary to foster innovation and agility. This risk appetite will guide the NCUA's actions to achieve its strategic objectives in support of providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

This enterprise risk appetite statement is part of the NCUA's overall management approach and is supported by detailed appetite statements for individual risk areas.

In practice, this means that the NCUA recognizes that risk is unavoidable and sometimes inherent in carrying out the agency's mandate. The NCUA is positioned to accept greater risks in some areas than in others; however, when consolidated, the risk appetite establishes boundaries for the entire agency and all of its programs. Collaboration across programs and functions is a fundamental part of ensuring the agency stays within its risk appetite boundaries, and the NCUA will identify, assess, prioritize, respond to, and monitor risks to an acceptable level. This budget proposal for 2021 – 2022 incorporates several programmatic



investments that resulted from the NCUA's enterprise risk management reviews, such as acquiring data loss prevention and other network security tools, strengthening analytical focus on emerging financial risks within the credit union system, and assessing process and technology improvements that could improve the NCUA's financial management and reporting functions.

Forecast and Enterprise Challenges

Economic Outlook

The economic environment is a key determinant of credit union performance. After several years of solid growth, the economy entered a recession at the start of 2020. The significant pull-back in spending that occurred as a result of COVID-19 and government efforts to slow its spread (including business closures and stay-at-home orders) led to an unprecedented drop in real gross domestic product (GDP) and a sharp increase in the unemployment rate from a five-decade low of 3.5 percent in February 2020, to a post-war high of 14.7 percent in April 2020. The Federal Government responded quickly, establishing loan programs for affected businesses and providing financial relief to households as well as enhanced benefit payments to unemployed workers. Federal Reserve policymakers cut short-term interest rates, increased the Federal Reserve's asset holdings, and established a number of lending programs to support financial conditions and the flow of credit to households, businesses, and state and local governments. Interest rates across the maturity spectrum fell to historically low levels.

Despite the severity of the downturn, credit unions in the aggregate turned in a relatively solid performance in the first half of 2020. Federally-insured credit unions added 4.0 million members over the year, boosting credit union membership to 122.3 million in the second quarter of 2020. Credit union assets rose by 15.1 percent to \$1.75 trillion. Total loans outstanding at federally insured credit unions increased 6.6 percent to \$1.14 trillion, and the system-wide delinquency rate declined 5 basis points to 58 basis points. Credit union shares and deposits increased by 16.5 percent over the year to \$1.49 trillion in the second quarter of 2020, reflecting the boost to income from CARES Act payments to individuals and the sharp, economy-wide increase in personal saving.

The credit union system's net worth increased by 6.8 percent over the year to \$182.9 billion in the second quarter of 2020. The jump in assets led to a drop in the credit union system's composite net worth ratio to 10.46 percent but the credit union system remained well-capitalized. The overall liquidity position of credit unions improved. Cash and short-term investments as a percentage of assets rose from 13 percent in the second quarter of 2019 to 18 percent in the second quarter of 2020, reflecting a 55 percent increase in cash and short-term investments.

By late spring, economic conditions had started to improve. Employment began to rise again in May and by September the unemployment rate had fallen to 7.9 percent. A consensus of forecasters¹⁵ expects the

¹⁵ Estimates and projections in this paragraph are based on forecasts submitted on October 5 and 6, 2020 and published in Blue Chip Economic Indicators, October 10, 2020.

efficiencies through new and improved examination procedures.

Ensuring Sound Corporate Governance

Sound corporate governance requires integrity in financial management and appropriate stewardship of the fees paid by the credit union system to finance the NCUA's operations. It also implements efficient and effective business processes to accomplish the agency's mission and to achieve its strategic goals. The NCUA works to maximize its resources by continually improving its operations and strengthening its internal controls.

On April 22, 2020, the NCUA created the new Office of Ethics Counsel. The new office will include a Chief Ethics Counsel who will serve as the agency's most senior ethics official and will report directly to the NCUA Board. The Office of Ethics Counsel will certify the agency's compliance with relevant federal ethics laws and regulations, promote accountability and ethical conduct, and help ensure the success of the NCUA's ethics programs.

A foundation of sound corporate governance is the awareness of risks and the appropriate planning and investment to address those challenges or opportunities. The NCUA employs an enterprise risk management (ERM) program to inform executive leadership of various factors that can affect the

agency's performance relative to its mission, vision, and performance outcomes. The NCUA's ERM Council provides oversight of the agency's enterprise risk management activities. Overall, the NCUA's ERM program promotes awareness of risk, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

The NCUA's budget formulation starts with reviewing the agency's goals and objectives outlined in the strategic plan with the actions planned to address risks identified through the ERM program. The strategic plan is a framework that sets the agency's direction and guides resource requests. The ERM process helps senior executives identify priority investments necessary to ensure strategic goals and objectives are met. Budget submissions from individual offices are structured to align resources and the workforce to the agency's priorities and initiatives. In 2020, the budget included investments to strengthen agency process management and internal controls, improve tools and facilities for the NCUA staff, and acquire technological enhancements, including new systems to improve operational effectiveness and efficiency.

Given the agency's unique financing authorities, the NCUA Board considers both the resources required for the agency to achieve its goals and the

Targets and Historical Data

The NCUA provides five years of historical trend data for each performance measure when available. Several performance goal indicators in this report are new for 2020 and therefore, historical data is not available. Prior-year results for these new indicators are marked as “--” in the performance results indicator and target tables. Baseline data collected in 2020 will be used to formulate performance goal targets for future years.

As part of the agency’s collaborative performance planning process, the Office of the Chief Financial Officer works closely with the agency’s Chief Economist and subject matter experts across the agency to consider external factors and risks to the credit union system when developing meaningful, challenging, and realistic targets. In the case of select performance measures, NCUA’s Rules and Regulations, formal instructions, or policy statements guide our target selection.

Measure Quality

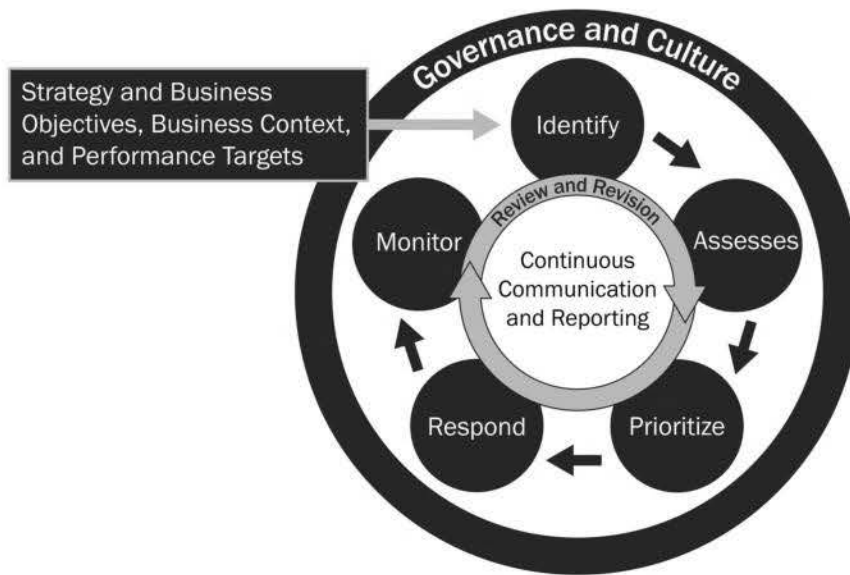
The NCUA has not developed outcome performance goals in all cases, and in certain instances uses input and output measures that support outcomes, lead to outcomes, or provide valuable indicators of how the agency is progressing toward achieving its strategic goals and objectives.

Enterprise Risk Management

Through the NCUA’s enterprise risk management program, the agency proactively manages risks to achieving its mission, as well as attempts to maximize opportunities across the agency. Enterprise risk management looks at the full spectrum of the risks related to achieving the NCUA’s strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

The NCUA is subject to a variety of risks relating to its objectives, strategies, operations, reputation, and environment. To sustain operational success and business continuity at the NCUA, an effective risk management approach requires a defined framework where specific risks and broader organizational risks are identified, measured, and monitored by functional owners and consolidated by an independent risk management oversight function. This approach is shown in the diagram on the following page. Working collaboratively with functional owners, the NCUA’s risk management process prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to increase the NCUA’s success at achieving stated strategic goals.

The NCUA’s risk management framework provides a continuous approach to manage risks to strategy



and business objectives and improve business outcomes. The NCUA has conducted several risk response assessments for priority areas, including credit union business diversification, credit union cybersecurity, agency controls, and information security. These

assessments help inform the agency’s activities, operations, and planning and budget processes. Looking forward, the NCUA plans to review and refresh, as necessary, its risk management philosophy and inventory of enterprise risks as part of developing a new strategic plan.

The NCUA’s ERM Council provides oversight of the agency’s enterprise risk management activities. The agency’s ERM program promotes awareness of risk, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

Cross-Agency Collaboration

The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through several councils such as the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and

the Financial and Banking Information Infrastructure Committee. These councils and committees and their many associated task forces and working groups contribute to the success of the NCUA’s mission.

Performance Indicators	2015	2016	2017	2018	2019	2020 Target	2020 Result	Status
3.3.3 Promote sound financial management and stewardship principles								
Receive an unmodified opinion on the NCUA financial statement audit of all four funds.	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	✓
Award at least 70 percent of total eligible contract dollars as competitive actions.	-	-	-	79%	91%	70%	88%	✓

Discussion:

Performance Goals 3.3.1 and 3.3.2 – The NCUA did not develop initial risk response plans for 75 percent of the NCUA’s tier 1 enterprise risks nor did it mature its ERM program in 2020. The NCUA did not progress its risk response plans for tier 1 enterprise risks in 2020 or reassess and reprioritize the agency’s risk inventory. As part of the agency’s response to the COVID-19 pandemic, the NCUA’s senior managers prioritized operational reforms and analytical work, delaying efforts and progress on the ERM program in 2020. The NCUA aims to mature its ERM program in 2021 by reassessing its inventory of enterprise risks and conducting additional risk reviews.

Performance Goal 3.3.1 – The agency did not complete at least 90 percent of corrective actions on OIG and Government Accountability Office (GAO) audit recommendations due in 2020 within established timeframes. The agency strives to implement the recommendations resulting from OIG and GAO audits within the established timeframes and made great progress toward this goal. The agency completed 72 percent of audit recommendations in 2020, compared to 83 percent of recommendations in 2019. The agency is committed to continuous improvement, leading to self-identification of additional actions the agency can take to further address the audit recommendations. Recommendations remain open until all actions are completed to the satisfaction of the OIG and GAO.

Performance Goal 3.3.1 – In 2020, the NCUA did not improve the NCUA leadership’s assessment of the adequacy of the agency’s internal controls environment. An index of questions from the agency’s annual entity level controls survey are used to measure this indicator. The weighted average of 3.77 in 2020 was slightly lower than the 2019 result of 3.93.



Performance Goal 3.2.4

Gain efficiencies through quality processes, systems, and project management

Indicators

1. Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent.
2. Maintain a low-risk designation for the NCUA's annual National Archives and Records Administration Records Management Self-Assessment in 2021.

Strategic Objective 3.3

Ensure Sound Corporate Governance

As part of the rapidly changing financial services industry, the NCUA seeks continuous improvements to strengthen its fundamental business processes and procedures. Sound corporate governance and practices at the agency ensure:

- The soundness of its four permanent funds;
- The responsible management of its investments, liquidity, liquidated and acquired assets, and other financial resources;
- The prudent execution of its role as a fiduciary; and
- The agency's compliance with financial management laws, policies, and standards.

The Office of the Chief Financial Officer (OCFO) is responsible for a wide range of agency financial management, risk identification, and accountability processes, including:

- Budget formulation and management
- Day-to-day financial management and accounting functions
- NCUA strategic planning and development of the annual performance plan
- Administration of the agency's Enterprise Risk Management (ERM) function
- Facilities management
- Acquisitions and procurement
- Administration of credit union operating fees and Share Insurance Fund capitalization deposits and operations



OCFO operations are critical to ensuring NCUA employees have the resources needed to perform their jobs. OCFO also provides various analyses and scheduled presentations to the NCUA Board and executive leadership team so they can make informed decisions, achieve the agency’s mission objectives, and ensure the NCUA operates efficiently and effectively.

Annually, the NCUA assesses the effectiveness of its internal controls, noting areas of specific improvement since the previous study and areas that require future focus to preclude negative results. Although the internal control assessment is an OCFO responsibility, the office partners with managers across the agency to improve the quality of controls and encourages risk self-identification and resolution when improvement opportunities are identified.

More generally, the NCUA employs an ERM program to inform executive leadership of various factors – both internal to the agency and external in the industry – that can affect the agency’s performance relative to its mission, vision, and performance outcomes. The NCUA’s ERM Council provides oversight of the agency’s ERM activities.

Overall, the NCUA’s ERM program promotes awareness of risk, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

To ensure sound corporate governance, the NCUA will implement the following strategies and initiatives:

- Provide financial management expertise and support to external and internal customers
- Implement sound business processes that promote efficiency in operations, and support accountability and decision making
- Continue to strengthen the agency’s financial reporting processes to promote efficiency and continuous improvement while improving internal controls
- Assess the agency’s accounting and financial management systems for operational efficiency and cost-effectiveness, evaluating alternative approaches for the potential to deliver better value to financial operations
- Revisit the NCUA ERM program by refreshing the agency’s inventory of enterprise-level risks
- Continue to bolster the security of information technology systems by establishing plans of action and milestones and ensuring remediation activities occur as planned.



- Leverage tools, processes and resources for increasing opportunities to minority- and women-owned businesses in the NCUA competitive procurement process
- Improve the public presentation of budget and performance information to stakeholders

Performance Goal 3.3.1

Foster an effective risk-management and internal-control environment

Indicators

1. Complete at least 90 percent of the Office of Inspector General recommendations due in 2021 within the established timeframes.
2. Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.

Performance Goal 3.3.2

Align NCUA's resources to focus on executing and supporting the core mission

Indicator

1. Revise and refresh the NCUA inventory of top tier enterprise risks.

Performance Goal 3.3.3

Promote sound financial management and stewardship principles

Indicators

1. Receive an unmodified opinion on the NCUA financial statement audit of all four funds.
2. Award at least 70 percent of total eligible contract dollars as competitive actions.
3. Establish an award program to recognize employee proposals that result in reductions to agency costs.



internal validation edits to ensure the accuracy of data contained therein. These application edits include checks for reasonableness, consistency, and accuracy. Crosschecks between other internal automated systems also provide assurances of data accuracy and consistency.

In 2021, the NCUA plans to provide for continued improvements to its data management systems including further development and standardization of business intelligence tools and continued development of its enterprise data management program. Through these efforts, agency analysis and reporting will be strengthened.

Data provided by the NCUA during the financial statement audits provides another level of assurance. The NCUA Board deems the data as current, reliable and accurate to support the NCUA's performance results and the annual plans.

Enterprise Risk Management

Through the NCUA's ERM program, the agency is proactively managing risks to achieving its mission, as well as maximizing opportunities across the agency. ERM looks at the full spectrum of the agency's risks related to achieving our strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. To sustain success and continuity at the NCUA, an effective risk management approach requires a defined framework where specific risks and broader organizational risks are identified, measured, and monitored by functional owners and consolidated by an independent risk-management oversight function. Working collaboratively with functional owners, the risk-management apparatus prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to increase the NCUA's success at achieving stated strategic goals. Effective internal controls, combined with robust measurement and communication, are central to effective decision-making and risk optimization within the NCUA.

The NCUA's risk-management framework helps leadership identify and evaluate specific risks, and to prioritize and mitigate risks on a continuous basis. The ERM program requires close collaboration across all agency functions and is intended to improve mission delivery.

The NCUA's ERM Council provides oversight of the agency's ERM activities.

In 2021, the NCUA plans to refresh its inventory of enterprise risks, which were last developed in 2017. This effort will enable the agency to consider not only changes in



the economy and the financial outlook of the credit union system since that time, but will also help inform the agency's future strategic planning efforts.

Hyperlinks

[2018–2022 Strategic Plan](#)

[2018-2022 Diversity and Inclusion Strategic Plan](#)

[NCUA Regulations](#)

[NCUA Budget Documents](#)

[Enterprise Solution Modernization Program](#)

[Cybersecurity Resources](#)

[Consumer Compliance Regulatory Resources](#)

[Examination Flexibility Initiative](#)

[Annual Voluntary Credit Union Diversity Self-Assessment](#)



NATIONAL CREDIT UNION ADMINISTRATION ENTERPRISE RISK MANAGEMENT (ERM) COUNCIL CHARTER

1. PURPOSE

The purpose of this Enterprise Risk Management (ERM) Council, hereafter referred to as the Council, is to provide oversight of the National Credit Union Administration's (NCUA) ERM framework and risk function. ERM is the process of planning, organizing, leading, and controlling the activities of an agency to manage the associated risks and opportunities, and provide reasonable assurance that the agency's objectives will be achieved. The NCUA ERM framework includes strategies, policies, procedures, processes, and systems established by management to identify, assess, prioritize, monitor and manage the major risks facing the agency. This Council will focus on both internal and external risks facing the NCUA. The Council will also assess risks to the credit union industry as appropriate.

This charter sets forth the background, mission, objectives and scope, responsibilities, membership, and methods of operation for the ERM Council.

2. BACKGROUND

ERM seeks to integrate risk management across the organization by creating a holistic view of the NCUA's risk exposure across programs and functional areas and documenting organizational risk response strategies and actions. ERM encourages an organization to take a broad look at all risks, understand the interrelationship among them, define an acceptable level of risk, and continuously monitor functional areas to ensure that risks are managed appropriately. ERM does not aspire to eliminate or enforce risk limits, but to puts risks into context and manage them as appropriate.

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. To sustain success and continuity at the NCUA, an effective risk management approach requires a defined framework where risks are identified, assessed, prioritized, responded to and monitored and opportunities are realized where appropriate. Risks must be measured and monitored by functional owners and consolidated by an independent risk management oversight function. Working collaboratively with functional owners, the risk management apparatus prioritizes and optimizes risk management and mitigation on a consistent and continuous basis to optimize the NCUA's success at achieving stated strategic goals.

Effective internal controls, combined with robust measurement, and communication are central to effective decision making and risk optimization within the NCUA.

3. MISSION, OBJECTIVES, AND SCOPE

The Council's mission is to optimize risk management prioritization and mitigation decisions to minimize the risk that events adversely impact the successful achievement of the NCUA's



strategic goals and objectives. Further, the Council seeks to establish a risk aware culture and appropriate risk management throughout the NCUA by clarifying roles and responsibilities and elevating the importance of proper risk management as a function of all roles within the NCUA.

The Council is responsible for providing oversight of the NCUA's ERM activities and advising the Executive Director on the effectiveness of the ERM framework to meet the NCUA's mission, goals, and requirements as set forth by applicable laws and regulations. The Council is responsible for promoting sound internal control systems as a primary means to identify, analyze, and respond to risks related to achieving those objectives.

The Council consists of the NCUA senior management who will oversee execution of the ERM framework in accordance with relevant guidance within their respective areas. Through this, the Council will facilitate and oversee the identification, assessment, prioritization, monitoring, and management of existing risks and mitigate potential future risks. The scope of the Council's oversight responsibilities will focus on key risks, including:

- Human Capital
- Financial Management
- Governance and Strategic
- External
- Technology and Information Management
- Legal and Regulatory
- Safety and Security Management
- Supervision

NCUA management is responsible for establishing processes to identify and manage risks on an ongoing basis. The Council will collaborate with NCUA management to assign and monitor corrective action plans identified by internal and external assessments, reviews, audits, and evaluations. The Council enables executive level monitoring of the review process and actions taken to mitigate risks identified.

4. RESPONSIBILITIES

The primary responsibility of the Council is to provide direct oversight of ERM and the risk function, independently assess enterprise risks, and ensure sound policies, procedures, and practices are in place for the enterprise-wide management of the NCUA's enterprise-level risks. All NCUA management maintains responsibility to satisfactorily mitigate material business risks. The following are general responsibilities of the Council:

- i. Act as an advocate for risk conversations and promote a risk-aware culture at NCUA.
- ii. Define, establish, and support a continuous ERM framework (including policies, procedures, and practices) that facilitates the identification, assessment, prioritization, response to and monitoring of risk at the enterprise level.



- iii. Establish the risk appetite for each category of risk within the context of the NCUA Board's risk management philosophy.
- iv. Consider any changes to the business context that may impact the NCUA's strategy or risk appetite and its link to new, emerging, or manifesting risks.
- v. Establish and maintain a risk profile for all enterprise-level risks identified by the NCUA including consistent methods to prioritize, respond to and monitor enterprise-level risks.
- vi. Ensure actions taken to address risks and pursue opportunities align with the agency's strategy and risk appetite, optimize the agency's decision-making and performance, and consider resource availability or limitations.
- vii. Review and discuss with the NCUA Board and Executive Director on an ongoing basis and Inspector General when warranted any significant risks or exposures, and the agency's management of risks, culture, and performance.

5. COUNCIL COMPOSITION & MEMBERSHIP

The Council shall be comprised of senior leadership across the NCUA, including:

- The Deputy Executive Director, who serves as the Committee Chair
- Chief Financial Officer
- Chief Information Officer
- Chief Economist
- Director, Office of Examination and Insurance
- Director, Office of Continuity and Security Management
- Director, Office of Business Innovation, and
- Not less than two additional senior leaders to rotate at the Chair's discretion, of which:
 - Not less than one shall be selected from among Regional Directors, and Director, Office of National Examinations and Supervision, and
 - Not less than one shall be selected from among Central Office Directors not otherwise specified in this section

The Council will consult with other NCUA offices in an advisory and subject matter expert capacity on an as-needed basis.

6. COUNCIL OPERATIONS

Meeting intervals are at the discretion of the Chair, but are to occur at least quarterly. The Office of the Chief Financial Officer will manage and be administratively responsible for Council meetings. Minutes and recommendations will be documented for all meetings. Minutes shall be distributed no more than seven (7) days after each meeting. The Office of the Chief Financial Officer shall be responsible for the retention of documentation of the assessment process,



procedures, and annual results for a period of no less than three (3) years to ensure availability for authoritative external review.

The Council may use NCUA staff and outside experts to provide advice as necessary subject to all applicable contracting and procurement guidelines and protocol.

7. CHARTER APPROVAL

The Executive Director will approve this Charter and any subsequent revisions. This charter is effective April 11, 2019.

Mark Treichel, Executive Director

1-10-20

Date