SECTION 270—PERFORMANCE AND STRATEGIC REVIEWS

Summary of Changes

Updates review practices that agencies are expected to use to assess progress on goals and objectives and to guide performance improvement.

Addresses GPRA Modernization Act requirement 1116(f) for a report on goals and objectives established in the agency Annual Performance Plans.

Describes risk management and its relationship to strategic reviews.

270.1 To which agencies does this section apply?

All agencies are required to conduct frequent data-driven performance reviews and strategic reviews, which are addressed in this section. All agencies must follow the public reporting guidelines defined in section 210 for strategic plans, Annual Performance Plans and Annual Performance Reports which will include a progress update by strategic objective. All agencies should implement the enterprise risk management guidance as appropriate for the agency mission and in accordance with agency-specific programs.

However, only the large agencies that are required to publish Agency Priority Goals on Performance.gov must conduct strategic reviews to meet the specific standards included in this section, which include submitting the Summary of Findings to OMB for consultation on the strategic review in May.

270.2 What is the purpose of this section?

This section provides agency guidance on:

- **Frequent Data-Driven Reviews** (270.3–270.7)**:** At least quarterly, agency leaders should run data-driven performance reviews on their organization's priorities to drive progress toward achieving their goals. COOs must run at least quarterly, data-driven reviews on each of the Agency Priority Goals with agency goal leaders or their designees. Many agencies opt to run these reviews on a more frequent cycle, every six weeks or every month, on every Agency Priority Goal or with every bureau/component. Data-driven reviews can be used to drive progress on specific mission delivery or management issues.

- **Strategic Reviews** (270.8–270.23): Annually, agency leaders should review progress on each of the agency's strategic objectives established by the agency Strategic Plans and updated annually in the Annual Performance Plan. These reviews should inform strategic decision-making, budget formulation, and near-term agency actions, as well as preparation of the Annual Performance Plan and Annual Performance Report.

- **Enterprise Risk Management** (270.24-270.29): Agencies should assess and manage risk as a part of strategic and data-driven reviews in support of the broader organizational risk management framework, as appropriate for their missions, and in accordance with agency-specific programs.

In addition to these reviews, OMB, with the support of the Performance Improvement Council (PIC), will conduct quarterly reviews on the Cross-Agency Priority Goals (CAP Goals) as required by the GPRA Modernization Act. OMB and the PIC will work directly with agencies as appropriate regarding these reviews. (See section 220).

PERFORMANCE REVIEWS

270.3 What is the purpose of frequent data-driven performance reviews?

Conducting routine, data-driven performance reviews led by agency leaders on a limited set of the agency's performance improvement priorities is a management practice proven to produce better results. Regular reviews provide a mechanism for agency leaders to review the organization's performance and bring together the people, resources, and analysis needed to drive progress on agency priorities, both mission-focused and management goals. Frequent data-driven performance reviews should reinforce the agency's priorities and establish an agency culture of continuous learning and improvement, sending a signal throughout the organization that agency leaders are focused on effective and efficient implementation to improve the delivery of results. Frequent reviews provide a mechanism for agency leaders to keep an agency focused on an identified set of priorities, diagnose problems, and opportunities through an analysis of disaggregated data, learn from past experience, and decide next steps to increase performance and productivity.

By engaging in data-driven reviews, agencies will be able to identify, plan, and potentially improve existing human capital practices to support mission goals and strategic objectives, in particular. Agencies are strongly encouraged to plan for and invest in the capital resources needed to conduct useful data-driven reviews. Specifically, agencies should, as a part of a continuous feedback and process improvement effort, use the results from the Human Capital Evaluation Framework, to identify areas where improvements to human capital policies and programs are needed to ensure program success.

270.4 What frequent data-driven performance reviews are required?

The 24 agencies required to publish Agency Priority Goals on Performance.gov are required by the GPRA Modernization Act to conduct performance reviews on their APGs at least once a quarter. While quarterly priority progress reviews must cover APGs, agencies may expand the reviews to include other goals, priorities, and management areas.

Agencies not required to publish APGs on Performance.gov should establish routine data-driven performance reviews consistent with this guidance, but are not required to submit quarterly performance updates to OMB at this time.

270.5 How should frequent data-driven performance reviews be conducted?

Agencies are encouraged to experiment and leverage the experience of others in refining their performance review process. The PIC has established a community of practice to support cross-agency learning on data-driven reviews. Agencies that have not been engaged to date are encouraged to participate.

Agencies can design the performance review process to fit the agency's mission, leadership preferences, organizational structure, and culture; however, the agency head and/or COO, with support of the PIO and his/her office, should:

- Review with the appropriate goal leader the progress achieved during the most recent quarter, overall trend data, and the likelihood of meeting the planned level of performance.

- Hold goal leaders accountable for knowing whether or not their performance indicators are trending in the right direction at a reasonable speed, and if they are not, for understanding why they are not and for having a plan to accelerate progress on the goal.

- Hold goal leaders accountable for knowing the quality of their data, for having a plan to improve it if necessary, and for filling critical evidence or other information gaps.

- Hold <mark>goal leaders accountable for identifying effective practices</mark> by searching the literature and engaging with their research or evaluation unit to identify practices that have evidence of effectiveness based on rigorous data, identifying and testing promising approaches, looking for benchmarks, and analyzing disaggregated data to find positive outliers across performance units.

- Hold goal leaders <mark>accountable for validating promising practices</mark> with replication demonstrations or other evidence-based methods.

- <mark>Review variations in performance trends across the organization</mark> and delivery partners, identify possible reasons for the variance, and understand whether the variance points to promising practices or problems needing greater attention.

- Include <mark>evaluation staff to share and review performance information</mark> and evaluation findings, to better understand performance issues that evaluation and research studies can help to address and develop a plan to answer those questions; and refine performance measures and indicators.

- Include, as appropriate, relevant personnel within and outside the agency who contribute to the accomplishment of each Agency Priority Goal (or other priority).

- Support the goal leaders in assuring other organizations and programs are contributing as expected to Agency Priority Goals (or other priorities).

- Identify <mark>Agency Priority Goals (or other priorities) at risk of not achieving the planned level of performance and work with</mark> goal leaders to identify strategies that support performance improvement.

- <mark>Encourage a meaningful dialogue</mark> around what works, what does not, and the best way to move forward on the organization's top priorities, using a variety of appropriate analytical and evaluation methods.

- Establish an <mark>environment that promotes learning</mark> and sharing openly about successes and challenges.

- Agree on <mark>follow-up actions</mark> at each meeting and track timely follow-through.

Generally, agencies should consider how best to maximize the time of senior leadership and staff by prioritizing mission and management issues for regular performance reviews and determining at what level of the organization various types of performance reviews should be conducted.

270.6 Can frequent, data-driven performance reviews be conducted through written documents?

No. <mark>Agency leaders should use performance reviews as an opportunity to engage those</mark> involved in all levels of program delivery. Significant experience at Federal agencies, states, localities, and other countries demonstrates that in-person engagement of senior leaders greatly accelerates learning and performance improvement. The personal engagement of agency leaders demonstrates commitment to improvement across the organization, ensures coordination across agency silos, and enables rapid-decision making.

In-person reviews may be conducted by gathering agency participants in one location or through teleconferencing. In very rare circumstances, written communications may replace an in-person review but should only be a stopgap means to assure frequent reviews in a process that otherwise primarily operates in-person.

270.7 What information from the frequent data-driven performance reviews must be made public?

In general, frequent data-driven performance reviews are considered internal agency deliberation, conducted in a way that supports candid and open dialogue between agency leaders and those responsible for program delivery at multiple levels of the organization. Agencies may determine that selected analyses from these reviews are meaningful to agency stakeholders, delivery partners and the public, and therefore could be shared more broadly, where appropriate, if useful.

All agencies that established Agency Priority Goals published on Performance.gov must provide a summary of progress on each APG six weeks after the end of each quarter for the most recent completed quarter. These summaries should describe progress on the Priority Goal during the most recent quarter, problems encountered and plans for improvement in the next quarter and when final will be published on Performance.gov. See sections 210 for content that will be published on Performance.gov and 200 for the timeline.

STRATEGIC REVIEWS

270.8 What reviews are required on an annual basis for agency strategic objectives?

The GPRA Modernization Act 2010 Section 1116(f) requires a review of the performance goals and objectives of each Federal agency to be conducted on an annual basis. Using the agency Strategic Plan, agency leaders assess progress on mission, management, and crosscutting strategic objectives. The assessment considers performance goals and other indicators the agency tracks for each strategic objective, as well as challenges, risks, external factors, and other events that may have affected the outcomes. OMB works with agencies to determine which strategic objectives require focused improvement relative to other strategic objectives.

This section includes guidance to agencies on the conduct of reviews of strategic objectives. All agencies will maintain the information normally reported in Annual Performance Reports on performance goals met or not met which provides Congress and the public information required by 1116(f). In FY 2014, OMB began tracking the strategic objectives identified as required by sections 1116(g-i) of the GPRA Modernization Act, and will work closely with agencies to ensure appropriate information is included in the FY 2017 President's Budget, Performance.gov, Annual Performance Plans and Annual Performance Reports.

While agencies began implementation at the strategic objective level in FY 2014, it should be recognized that this policy may in some cases represent a significant change to agency operations, and that not all components of the strategic review will be operationalized in the initial year. Each agency must maintain a maturity model for future improvements to the strategic reviews to ensure continued improvements are made over time. .

270.9 What is the purpose of the strategic review?

The strategic review should serve as an annual assessment of progress being made to improve program outcomes, assess whether the agency is using the best measures to identify progress on program outcomes, and look at opportunities for productivity gains using a variety of analytical, research, and evaluation methods to support the assessment. The results of these reviews should inform many of the decision-making processes at the agency, as well as decision-making by the agency's stakeholders. The reviews should:

- **Inform long-term strategy:** Inform long-term strategic decision-making by agency leadership and key stakeholders, including OMB and Congress; and inform the development of the Strategic Plan at the beginning of each new Administration.

- **Inform annual planning and budget formulation:** Inform development of the Annual Performance Plan, inform budget formulation within the agency and provide strategic context for Congress to consider the agency budget request.

- **Facilitate identification and adoption of opportunities for improvement, including risk management:** Use analyses and evaluation to identify areas where agencies are making progress, facilitate learning and the identification of best practices, and identify the areas where agencies face challenges in achieving strategic objectives that require additional leadership attention or a reassessment of the agency strategy.

- **Identify areas where additional evaluation, other studies or analyses of performance data are needed to determine effectiveness or set priorities:** Inform agencies where to focus limited resources available for program evaluations and other studies, and encourage an evidence structure which will inform strategic decisions facing the agency.

- **Identify where additional skills or other capacity are needed:** Inform agencies where skill or capacity gaps exist that impede progress on agency goals. Capacity gaps can be related to human resources, organizational processes, or evidence-building infrastructure like high-quality data validation systems for high-value administrative data. The agency should incorporate strategic objectives in individuals' performance planning and appraisal processes and rewarding contributions to the advancement of strategy, where appropriate.

- **Improve decision-making response time:** The annual review facilitates strategic changes due to emerging trends, events, and external factors in a timely manner.

- **Strengthen collaboration on crosscutting issues:** Support agencies in identifying and addressing crosscutting challenges or fragmentation.

- **Improve transparency:** Provide information to the public on progress toward achieving the agency's mission.

270.10 How should progress on each strategic objective be assessed?

Agencies should develop a process fitting for the nature of the programs and activities that the agency operates, which considers multiple perspectives and sources of evidence to understand the progress made on each strategic objective. Progress toward achieving individual quantitative performance goals related to the strategic objective is one important consideration, but alone is not representative of the scope, complexity, or external factors that can influence program results and outcomes toward which Federal agencies are working. When reviewing progress on each strategic objective, agencies should at a minimum, consider:

- if desired changes have occurred in the ultimate outcomes the agency seeks to improve and whether these outcomes are directly measureable or must be assessed through proxies or other means of evaluation;

- progress made by the agency toward the performance goals established in the most recent Annual Performance Plan that relate to the strategic objective, including both outcome indicators and output indicators;

- evaluations, research studies, data and policy analysis or other assessments relevant to the strategic objective or the related programs;

- external factors affecting the strategic objective, including existing and likely changes in the operating environment, the size of program demand, or challenges faced during program execution;

- benchmarking information from others trying to accomplish the same or similar objectives or using the same or similar key process;

- lessons learned from past efforts to continuously improve service delivery and resolve management challenges, especially in coordinating across organization components and with delivery partners;

- effectiveness of coordination and collaboration across organizational boundaries and with delivery partners including management milestones met;

- identification, assessment and prioritization of probable risks that may impact program delivery or outcomes significantly in the coming year or two;

- effectiveness of scaling efforts; and

- budgetary, regulatory or legislative constraints that may have an impact on progress.

270.11 What methodology should agencies use to conduct strategic reviews?

Agencies are strongly encouraged to leverage existing decision-making processes to conduct the strategic review. The strategic reviews, in most cases, should be integrated into existing agency management processes, such as the budget development process, in order to raise key decisions, issues and analysis to agency leadership. The agency should use a tailored approach that is appropriate for the nature of the agency's programs, operations and strategic objectives and evidence available. The agency PIO should work with the COO, component heads, and program managers to establish a process for the annual review on strategic objectives, considering the agency's existing, effective management systems.

In many cases analysis on individual strategic objectives should be conducted at the objective lead level with support from bureaus or programs, and with guidance from the agency PIO. For credit programs, the analysis should align with program review requirements in OMB Circular A-129. The PIO's office will then conduct the analysis across strategic objectives. The COO should then review the decisions, agree to changes in strategy, and prioritize proposals for consideration during the budget and performance plan development. To the extent possible, the PIO should leverage and strengthen bureau-level data-driven review processes when developing the strategic reviews. To support the identification, assessment and prioritization of probable risks that may impact program delivery or outcomes and are likely to impact the strategic objectives, agencies are encouraged to leverage any existing Enterprise Risk Management efforts when conducting strategic reviews.

The approach for conducting the strategic review should be refined each year based on the prior year's review process considering the timing, roles, responsibilities, sources of evidence as well as how the agency identifies areas for focused improvement or areas of noteworthy progress. The agency's approach to the strategic reviews should maintain a maturity model for future improvements to the strategic reviews, recognizing that not all components of the strategic review process may be operationalized in the initial years.

OMB will continue to work closely with agencies to refine review methodologies and maturity models, and will provide additional guidance through interagency working group sessions and direct engagement with major agencies.

270.12 What period of performance will be assessed?

Strategic reviews permit agencies to annually assess progress using the most recent evidence available at the time of the assessment. While this year's final assessment will be updated with the results of fiscal year 2015 performance goals and indicators, the initial baseline assessment should use the most recent sources of quantitative and qualitative evidence available, and therefore, will likely not include results of FY 2015 performance goals and indicators until closer to the publication of the Annual Performance Report. Agencies are encouraged to use historical trend data, evaluations, research studies or other policy and risk analyses. When identifying the objectives facing challenges, agencies should also consider future opportunities and risks that are likely to impact the strategic objective in the coming year or two along with the existing agency capacity to mitigate those risks.

270.13 How should agencies categorize progress on each strategic objective?

The relative assessment of progress for an agency's strategic objectives requires analysis across multiple perspectives and sources of evidence, both qualitative and quantitative, and as such agency leaders must use their judgment when determining relative levels of progress and appropriate follow-up action for long-term strategic objectives. This is appropriate and necessary given the complexity of analyzing the performance of Federal programs toward the agency's goals. For the agency's management purposes, agency leaders should develop an appropriate assessment methodology which enables a practical determination if any changes are needed to the strategies being used to achieve the objectives, agency operations or program structure, or resource allocations, including program elimination. At a minimum, these assessments should identify relative levels of performance across the agency's portfolio of all strategic objectives including where the agency made noteworthy progress or where the agency should pursue focused improvement. There are a variety of different scenarios that may make such identification appropriate for a strategic objective relative to the other objectives at the agency. Such scenarios may include:

Areas Demonstrating Noteworthy Progress

- As a result of actions being taken, the intended results or improvements in ultimate outcomes have largely been realized and represent a significant improvement in national welfare.

- New innovations in strategy, program design, or operations have led to notable improvements in outcomes and/or cost reductions and promise greater impact in the future.

- Existing strategies and/or operations have proven more effective than projected and have led to notable improvements in outcomes and/or cost reductions and promise greater impact in the future.

- External factors beyond the scope of agency efforts have led to a significant decrease in the magnitude of the problem being addressed, representing a significant improvement in national welfare.

Focus Areas for Improvement

- Challenges during program execution have resulted in too little impact on program outcomes.

- The ultimate problem the strategic objective seeks to address is growing more quickly than current actions to address it or the actions are not of sufficient magnitude to have a significant impact.

- The current strategies are not having the intended impact on outcomes.

- Actions taken are effective, but costs are currently exceeding benefits.

- Significant risks exist which may impact program delivery or outcomes;

For the Summary of Findings submission to OMB every spring, agencies should conduct a relative assessment and identify 10% to 20% of strategic objectives in to each of these two categories. This will ensure OMB and each agency are able to discuss relative performance across the organization's mission and prioritize analysis and decision-making as well as enable OMB to meet the requirements of Section 1116(f) of the GPRA Modernization Act. Agencies with fewer than 10 strategic objectives should identify at least one strategic objective in each category unless receiving approval from OMB to do otherwise. Categorization of the remaining strategic objectives is not required, as achieving government-wide consistency on finer gradations of progress would require significant investment and would not be cost-effective at the government-wide level.

Initial identification of 10% to 20% of strategic objectives in each of these two categories for deliberation with OMB does not mean that this same number of objectives will ultimately be selected for identification in each of these categories on Performance.gov. Further, categorization of the relative progress made by agencies on strategic objectives should not be misconstrued to be a relative assessment of the objectives' importance or value over other mission objectives.

270.14 What will agencies do to improve progress on strategic objectives?

After reviewing each strategic objective, agencies must determine what actions should be taken to maintain or improve progress on the strategic objectives and must incorporate those decisions and implementation activities into the next Annual Performance Plan or other operating plans. In addition, the agency should consider what administrative actions, budget, legislative, or policy proposals must be included in President's Budget or the agency's Congressional Budget Justification for congressional consideration.

270.15 What is OMB's role in the strategic review?

OMB will play three primary roles related to the strategic reviews. OMB will:

- Work with agencies to maintain an appropriate review methodology and offer suggestions to potentially improve the agency's review process over time. OMB works with agencies to develop the strategic review approach over time to better evaluate progress on mission outcomes using the strategic objectives established with the Strategic Plan. This will broaden the implementation of Section 1116(f) to focus primarily on the relative assessment of agency strategic objectives, while also continuing normal reporting on performance goals and indicators.

- Review the agency's Summary of Findings and supporting information for each strategic objective resulting from the agency's strategic review to focus on the systematic identification of the need for strategy revisions and risk mitigation. OMB will discuss with the agency what budget, administrative or legislative proposals resulting from the assessment may be appropriate to drive further progress. OMB will also assess if the agency provided reasonably sufficient evidence to support the assessment. Where sufficient evidence is not available, OMB will work with the agency to determine if building capacity for gathering evidence would be cost-effective.

- Review the agency's progress update prior to publication of results in the Annual Performance Report, as well as plans communicated in Congressional Justifications, and Annual Performance Plans to ensure assessments and improvement actions align with Administration policy and President's Budget.

270.16 What information will be submitted to OMB?

Agencies will provide OMB a Summary of Findings for each strategic objective by May 15, 2015. This submission will foster dialogue between OMB and agencies, and across agencies as needed, in the spring

for agency consideration during budget formulation. The Summary of Findings will provide a preliminary overview of relative progress and learning from the agency's strategic review. For each strategic objective, the agency will present key analysis, conclusions, risks, and proposals under consideration. The agency will also identify areas of relative progress and challenges for each strategic objective.

OMB's primary focus will be on the learning that has occurred to date, identifying outstanding key analytical questions that may need to be addressed, and discussing priorities for the submission of budget, administrative or legislative proposals as related to formulation of the President's Budget. This dialogue will be at a strategic level, and is designed to inform, not replace, the agency's budget submission to OMB. The format for the Summary of Findings should be tailored to the agency, and should be discussed with OMB, as needed. The Summary of Findings will not be published; however, the discussions between OMB and the agency on the Summary of Findings will inform decisions resulting from the strategic review and will inform the required content to be published in the Congressional Justifications, Annual Performance Plan and Annual Performance Report with the FY 17 Budget.

270.17 What information will be published from the strategic reviews?

Agencies are required to publish a brief, narrative progress update in the Annual Performance Report for each strategic objective and will also include this progress update on Performance.gov. The Annual Performance Plan should address plans to improve performance, noting key actions which will be taken over the course of the next year, as well as the longer-term plan for performance improvement, if appropriate. See section 210 for content that should be included in the Annual Performance Plan and Annual Performance Report on strategic objectives.

Prior to publication in the FY 2015 Annual Performance Report, agencies will provide in draft, as a part of the budget submission in September 2015, a progress update for every strategic objective resulting from the agency's strategic review. The progress update narrative must include the following for every strategic objective:

- A brief summary of what progress was made
- A brief explanation of the achievements made or challenges (e.g. strategy, external factors, human capital or other management) that have impeded progress on the strategic objective

To keep the progress update short, the agency should use hyperlinks, citations or footnotes to supporting evidence or external links if available, such as published analyses, evaluations, research studies, historical trends on performance goals and other indicators, milestones, external factors, or other independent assessments that support the summary or are relevant to problems or opportunities discussed.

Based on the agency's relative assessment, a subset of the strategic objectives should be identified as either making "noteworthy progress" or requiring "focused improvement". The first sentence of the progress update for these strategic objectives must include one of the following two phrases:

- "The [agency name], in consultation with the Office of Management and Budget, has determined that performance toward this objective is making noteworthy progress"
- "The [agency name], in consultation with the Office of Management and Budget, has highlighted this objective as a focus area for improvement."

Among next steps, the agency must ensure the FY 2017 Annual Performance Plan includes at a minimum:

- the agency's summary of plans to improve or maintain performance
- key milestones planned for the next year with completion dates
- if applicable, the agency's effort to close evidence gaps where information is not sufficient (including proposed research questions or proposed evaluations, as appropriate)

270.18 Because of their outcome-oriented nature, strategic objectives may be affected by factors beyond the agency's control. What are agencies held accountable for?

Agency leaders at all levels of the organization are accountable for choosing strategic objectives wisely and for monitoring agency performance on those outcome-oriented objectives. Wise selection of strategic objectives reflects a careful analysis of the characteristics of the problems and opportunities an agency seeks to influence to advance its mission, factors affecting those outcomes, and agency capacity and priorities. OMB expects agencies to make progress on most strategic objectives, to understand the impact of external factors, and delivery-partner collaboration, and to have reasonable improvement plans to support the more challenging objectives. Agencies are accountable for constantly striving to achieve meaningful progress and finding lower-cost ways to achieve positive results.

270.19 What actions will be taken by the agency and OMB if a particular performance goal was not met? What actions will be taken by the agency and OMB if a particular strategic objective requires focused improvement?

Sections 1116(g-i) of the GPRA Modernization Act establish a framework for the Executive Branch to engage Congress on objectives that are not meeting a planned level of performance. OMB will work closely with agencies to ensure appropriate follow up actions are included in the Annual Performance Plan and as part of the President's Budget if applicable. This may include major reforms, legislative proposals, and program reductions, eliminations or investments depending on the nature of the challenge and the needed improvement actions.

When strategic objectives have been determined by the agency and OMB as requiring focused improvement for multiple, consecutive fiscal years, the agency and OMB are required by law to take progressive actions each year. The Annual Performance Plans and Congressional Justifications will incorporate improvement actions determined by the agency in consultation with OMB, by publishing changes to strategies, progress updates and next steps for each strategic objective in the Annual Performance Plan and Report as directed in A-11 Section 210. Because many of the actions required by the GPRA Modernization Act are appropriate actions to take for all strategic objectives, OMB will continue to consider proposing recommendations to Congress even on those strategic objectives that are making progress, but where such actions could improve Federal performance.

270.20 What if there is not enough information to determine how the agency is progressing on a particular objective, or if the evidence available is inconsistent, making it difficult to draw a conclusion about progress?

Due to the complex nature of the outcomes government is working to impact and the agency's capacity to impact those outcomes, in certain cases an agency may not have enough consistent evidence to characterize progress or data may be lagging. If the lack of or inconsistent evidence makes it impossible to summarize progress on a particular strategic objective, the agency should explain the status of the objective as best possible in the progress update while noting the relative strength of the evidence in either direction.

In considering the potential risks or impacts of inconsistent or unavailable information, the agency should determine, in consultation with OMB, the appropriate next steps for cost-effective investments in evaluation, research studies, data collection, or administrative potential actions that could mitigate potential risks and/or close the information gaps. Objectives where inconsistent or unavailable information poses a relatively high risk and high impact to an outcome should be considered for addition to the agency's objectives facing challenges.

270.21 When must information be provided to OMB?

Agencies began the second strategic review in early 2015, and provided OMB a Summary of Findings in May 2015. The next, third, strategic review will begin at agencies in early calendar year 2016 to prepare to submit a Summary of Findings to OMB in May 2016. As agencies and OMB deliberate budget formulation and gather year-end (FY 2015) results of performance goals and indicators, the agency will refine the progress update for publication in the FY '15 Annual Performance Report as well as improvement plans for the FY '17 Annual Performance Plan.

Timeline (See section 200 for specific dates)

Date	Activity
September 2015	Agencies submit a draft FY 2016 Annual Performance Plan with budget materials and a draft progress update for each strategic objective
Nov 2015	OMB provides comments to agencies during passback
January 2016	Agencies submit revised FY 2017 Annual Performance Plan and FY 2014 Annual Performance Report for final OMB clearance
February 2016	Agencies publish FY 2017 Annual Performance Plan including improvement actions
	Agencies publish FY 2015 Annual Performance Report containing progress updates for each objective
	Agencies consult OMB on revising or improving the agency strategic review approach as needed
Feb-May 2016	Agency begins the second, internal review on each strategic objective
May 2016	Agencies provide OMB a Summary of Findings for each strategic objective
June 2016	OMB provides initial feedback on Summary of Findings
September 2016	Agencies submit a draft FY 2018 Annual Performance Plan with budget materials and a draft progress update for each strategic objective
Nov 2016	OMB provides comments to agencies during passback
January 2017	Agencies submit revised FY 2018 Annual Performance Plan and FY 2016 Annual Performance Report for final OMB clearance
February 2017	Agencies publish FY 2018 Annual Performance Plan including improvement actions
	Agencies publish FY 2018 Annual Performance Report containing progress updates for each objective

270.22 In what kind of circumstances can agencies change a strategic objective in between the strategic plan updates every four years?

Agencies may modify strategic objectives annually during the development of the agency Annual Performance Plan, however should not make significant changes to the objectives unless emerging trends, budget, implementation learning or external factors require a change. Some examples of reasons to change a strategic objective may be, but are not limited to:

 • Significant budget or other resource reduction
 • Significant program, legislative or policy change
 • Unexpected external factors that require significant response or change in priorities by the agency

270.23 How will agency and OMB track progress on a strategic objective that was changed in between strategic plan updates every four years?

If a strategic objective is dropped, added or modified significantly in between the four year updates to the strategic plan, the agency must notify and obtain concurrence from OMB to make the change by submitting a justification to performance@omb.eop.gov. In addition, the agency will summarize the modifications to objectives in the Annual Performance Plan, similarly to how changes in performance goals are published, with a brief explanation for the change (See section 210).

ENTERPRISE RISK MANGEMENT

270.24 What is Enterprise Risk Management (ERM)?

Risk is the effect of uncertainty on objectives. Risk management is coordinated activity to direct and control challenges or threats to achieving an organization's goals and objectives. Enterprise risk management (ERM) is an effective agency-wide approach to addressing the full spectrum of the organization's significant risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that, provides better insight about how to most effectively prioritize and manage risks to mission delivery. While agencies cannot mitigate all risks related to achieving strategic objectives and performance goals, they should identify, measure, and assess challenges related to mission delivery, to the extent possible. [1]

Effective risk management:
- creates and protects value;
- is an integral part of all organizational processes;
- is part of decision-making;
- explicitly addresses uncertainty;
- is systematic, structured, and timely;
- is based on the best available information;
- is tailored and responsive to the evolving risk profile of the agency;
- takes human and cultural factors into account;
- is transparent and inclusive;
- is dynamic, iterative, and responsive to change;
- facilitates continual improvement of the organization.

270.25 How is ERM relevant to strategic reviews?

Agencies are expected to manage risks and challenges related to delivering the organization's mission. ERM is a strategic discipline that can help agencies to properly identify and manage risks to performance, especially those risks related to achieving strategic objectives. An organizational view of risk positions the agency to quickly gauge which risks are directly aligned to achieving strategic objectives, and which have the highest probability of impacting mission. When significant, prioritized risks are vetted and escalated appropriately, challenges and opportunities can be routinely analyzed and incorporated into performance plans. When well executed, ERM improves agency capacity to prioritize efforts, optimize resources, and assess changes in the environment. Instituting ERM can help agency leaders make risk-aware decisions that impact prioritization, performance and resource allocation.

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[1] These terms have been defined in various non-government sources, such as but not limited to International Organization for Standardization 31000; NCHRP 08-93 "Managing Risk Across the Enterprise"; and A Guide to Project Management Body of Knowledge, Fifth Edition.

270.26 What are the key roles of risk managers at an agency?

Enterprise risk managers, who may be referred to as the Chief Risk Officer (CRO) in some agencies, champion agency-wide efforts to manage risk within the agency and advise senior leaders on the strategically-aligned portfolio view of risks at the agency. The responsibilities of managing risk, however, are shared throughout the agency from the highest levels of executive leadership to the service delivery staff executing Federal programs.

While agencies are not required to have a CRO or enterprise risk management function, they are expected to manage risks to mission, goals, and objectives of the agency. Where applicable, a CRO or other person designated with these responsibilities may serve as a strategic advisor to the COO and other staff on the integration of risk management practices into day-to-day business operations and decision-making. An effective enterprise risk manager does the following:

o Develops, manages, coordinates, and oversees a comprehensive system for proactively identifying, prioritizing, monitoring, and communicating an organization's enterprise-wide risks. Such risks include relevant strategic, operational, financial, and programmatic barriers as well as reputational risks that could interfere with an organization's defined strategic objectives or performance goals.

o Oversees the development and use of a robust set of risk management indicators that are representative of organizational operations and prioritized risks.

o Establishes and provides oversight of policies that enable consistent use of enterprise risk management principles and supports an integrated view of risk across the organization.

o Ensures the incorporation and dissemination of enterprise-wide risk management protocols and best practices appropriate for the whole organization to reduce duplication of effort and improve agency performance.

o Establishes the procedures for determining the amount of risk an agency will accept or mitigate, including the manner in which these elements of the decision-making process are documented.

o Creates and maintains institutional capacity and accountability for risk management through the exchange of information, knowledge, education and training staff.

270.27 What other guidance does OMB provide agencies regarding risk management concepts discussed in this Circular?

OMB provides agencies with guidance related to risk management in some specialized areas.

• Memorandum-07-24 *Updated Principles for Risk Analysis*
Agency activities designed to reduce risks are influenced by numerous factors, including Congressional priorities, information on the degree of risk faced by different populations, entities, or individuals, resources available, and the ease of implementing chosen priorities. Recognizing the diversity of documents that stem from risk analysis techniques, this memo reinforces generally-accepted principles for risk analysis related to environmental, health, and safety risks.

• OMB Circular A-129, *Policies for Federal Credit Programs and Non-Tax Receivables*
Federal credit programs are intended to accomplish a variety of social and economic goals. To support agencies' efforts to effectively and efficiently manage programs, the Circular includes guidance for objectives that agencies should achieve with respect to risk management, data reporting, and use of evidence to improve programs through regular program reviews. It also

established the Federal Credit Policy Council, an interagency collaborative forum for identifying and implementing best practices.

- OMB Circular No. A-123 *Management's Responsibility for Internal Control*
  This guidance defines management's responsibility for internal control and risk management in Federal agencies and outlines requirements for conducting management's assessment of internal control over operations, financial reporting and compliance objectives.

270.28 What is the difference between internal control (per OMB Circular A-123) and Enterprise Risk Management?

Enterprise Risk Management is not the same as internal control. OMB Circular A-123 focuses on the management of internal controls to support reasonable assurance that management has met three objectives of internal controls:[2]

- Operations - Effectiveness and efficiency of operations
- Reporting - Reliability of reporting for internal and external use
- Compliance - Compliance with applicable laws and regulations.

Enterprise Risk Management (ERM) is a strategic business discipline that addresses a full spectrum of an organization's risk, beyond internal controls. This encompasses all areas of organizational exposure to risk (financial, operational, reporting, compliance, governance, strategic, reputational, etc.). The ERM discipline is carried out by following a process that prioritizes and manages risk exposure as an interrelated risk portfolio (e.g.; information technology, human capital, privacy, grants, facilities) rather than as individual silos (e.g.; financial risk and reporting). In other words, ERM pulls all the risks together from various parts of the organization to ensure that a portfolio view of risk is available at the highest levels of leadership to help inform decision-making.

Both ERM and internal control activities provide risk management support to an agency in different but complementary ways. ERM does not exclude internal control activities nor is ERM the absence of internal control. ERM embraces the disciplined foundation of A-123 policy on internal control, which includes structure and staff awareness of good controls, procedures, accountability and program management. Because ERM draws on an interrelated risk portfolio, it is important to understand the controls related to key organizational risks and how these controls can be used to mitigate or reduce the level of exposure to risk.

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[2] For more on internal controls, reference GAO http://www.gao.gov/greenbook/overview. Internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved.