

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROL

1. REASON FOR ISSUE: To establish National Cemetery Administration (NCA) policy and responsibilities for the administration of Enterprise Risk Management (ERM) and internal control (IC) capability.

2. SUMMARY OF CONTENTS: This new directive establishes NCA policy and responsibilities for the administration of ERM and IC requirements.

3. RESPONSIBLE OFFICE: NCA Improvement and Compliance Service (ICS), 810 Vermont Avenue, NW, Washington, D.C. 20420, is responsible for the material contained in this directive. Questions may be referred to the Director, ICS.

4. RELATED PUBLICATIONS:

- a. NCA Directive 0330 Organizational Assessment and Improvement (OAI) (September 2021).
- b. OAI Guide Vol 1 Cemetery Director.
- c. OAI Guide Vol 2 Managers (non-cemetery).
- d. VA Directive 0054 Management's Responsibility for Enterprise Risk Management and Internal Control (April 8, 2014).
- e. VA Financial Policy Volume I – Chapter V Management's Responsibility for Internal Controls (February 2019).

5. RESCISSIONS: None.

6. RECERTIFICATION: This directive is scheduled for recertification not later than the last day of September 2028.

/s/
Matthew T. Quinn
Under Secretary for Memorial Affairs

Distribution: Electronic

ENTERPRISE RISK MANAGEMENT AND INTERNAL CONTROL

1. PURPOSE/AUTHORITY

a. This directive establishes policy and responsibilities for Enterprise Risk Management (ERM) and Internal Control (IC) to identify and assess risks that may impede NCA's objectives, and to implement internal controls to manage those risks as an integral part of planning, budgeting, financial, contracting and operational processes. ERM includes management of the NCA's Enterprise Risk Register and Risk Profile, which support NCA's Annual Statement of Assurance.

b. ERM and IC supplement NCA's Organizational Assessment and Improvement (OAI) program, and Internal Controls Assessment Tool (ICAT) procedures are contained in the OAI Guides, Volume 1 for cemetery directors and Volume 2 for managers (non-cemetery).

2. BACKGROUND:

a. Department of Veterans Affairs (VA) management is responsible for establishing and maintaining effective IC and financial management systems that meet the objectives of the Federal Managers Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular A-123 to ensure effective and efficient operations, compliance with applicable laws and regulations and reliable financial reporting. In accordance with FMFIA and OMB Circular A-123, VA must submit an annual Statement of Assurance to Congress attesting to the effectiveness of IC. VA accomplishes this in part by requiring its reporting entities to complete an annual assessment of the effectiveness of internal controls using the Internal Controls Assessment Tool (ICAT). Annual completion of ICATs is an element of the OAI program.

b. To comply with VA internal control requirements, NCA conducts an annual process to assess risks and internal controls at each assessable component level, which then rolls up to an assessment at the administration level. This process results in an administration wide NCA Risk Profile documenting top risks and an NCA Final Statement of Assurance attesting to whether effective controls to accomplish management objectives are in place.

3. POLICY: It is NCA policy to maintain effective risk management and adequate internal controls to ensure that programs operate effectively, and resources are used efficiently to achieve desired objectives. Management at all levels must ensure programs and services meet their objectives, and that internal control is an integral part of planning, budgeting, management and accounting. NCA will ensure effective coordination and alignment between the ERM Program, which identifies, assess, and controls risks that may impede NCA objectives, and the OAI Program, which assesses performance/organizational health and the effectiveness of internal controls. It is NCA policy that risks identified and assessed in the ERM Program are addressed with effective internal controls in the OAI program. It is NCA policy to document and

communicate NCA's top risks in the NCA Risk Register and Risk Profile, and if not effectively controlled – in the NCA Annual Statement of Assurance.

4. RESPONSIBILITIES

a. **Under Secretary for Memorial Affairs (USMA)** is responsible for:

- (1) Approving and signing annual Risk Profile.
- (2) Approving and signing annual Final Statement of Assurance.

b. **Principal Deputy Under Secretary for Memorial Affairs (PDUSMA)** is responsible for:

- (1) Approving annual Risk Profile for USMA consideration.
- (2) Approving annual Final Statement of Assurance for USMA consideration.
- (3) Approving annual Draft Statement of Assurance.
- (4) Approving subordinate NCA Senior Executive Service Statements of Assurance.

c. **Deputy Under Secretaries are responsible for:**

- (1) Ensuring the completion of annual OAI self-assessments of facilities under their jurisdiction, including national cemeteries, district offices, and central office components.
- (2) Ensuring the NCA ICAT, Enterprise Risk Register and Risk Profile are current, accurate and support NCA's Draft and Final Statements of Assurance.
- (3) Participation in risk oversight bodies to ensure objective assessments are aligned with NCA and VA organizational objectives and key projects.
- (4) Reviewing and approving the annual Draft and Final Statement of Assurance for their area of responsibility.
- (5) Reviewing and approving risks and internal controls in their areas of responsibility for PDUSMA consideration.

d. **Deputy Under Secretary for Finance and Planning is responsible for:**

- (1) Oversight of ERM and IC program.
- (2) Representing NCA as a member of the VA Enterprise Risk Sub-Council (ERSC).

(3) Approving and signing the Chief Financial Officers Statement of Assurance for Financial Operations.

(4) Approving Office of Business Oversight Risk Management Survey.

e. **Deputy Under Secretary for Management** is responsible for approving and signing the Head of Contracting Activity Statement of Assurance for Contracting Operations.

f. **Executive Directors** (central office) and the **Chief of Staff** are responsible for:

(1) Ensuring the completion of annual OAI self-assessments of facilities under their jurisdiction.

(2) Ensuring the NCA ICAT, Enterprise Risk Register and Risk Profile are current, accurate and support the Draft and Final Statements of Assurance.

(3) Participation in risk oversight bodies to ensure objective assessments are aligned with NCA and VA organizational objectives and key projects.

(4) Reviewing and approving the annual Draft and Final Statement of Assurance for their area of responsibility.

g. **District Executive Directors** are responsible for:

(1) Ensuring the completion of annual OAI self-assessments of facilities under their jurisdiction, including national cemeteries, district offices, and central office components.

(2) Ensuring the NCA ICAT, Enterprise Risk Register and Risk Profile are current, accurate and support NCA's Draft and Final Statements of Assurance.

(3) Reviewing and approving the annual Draft and Final Statement of Assurance for their area of responsibility.

(4) Identifying, assessing, and managing risks aligned with organizational objectives and key areas of concern (i.e., Government Accountability Office (GAO) recommendations, Office of Inspector General (OIG) recommendations and findings from internal and external reviews).

(5) Determining and approving the assessable unit level for cemetery complexes within their jurisdiction (i.e., whether one or multiple assessments are required).

(6) Implementing and testing internal controls associated with risk response strategies for their areas of responsibility.

(7) Communicating relevant risks throughout their areas of responsibility.

h. **Improvement and Compliance Service (ICS) Director and Branch Chiefs** are responsible for:

- (1) Managing and administering ERM and IC.
- (2) Reviewing ICATs and sharing findings with the cemetery's leadership and NCA senior leaders.
- (3) Providing guidance and assistance to program offices and cemeteries with risk assessments, determining the risk appetite and tolerance statement.
- (4) Maintaining NCA's Enterprise Risk Register, Risk Profile and Summary Log of Internal Control deficiencies.
- (5) Managing the compilation of NCA's ICAT submission to VA's Office of Management.
- (6) Representing NCA as a member of the VA Enterprise Risk Sub-Council (ERSC).
- (7) Serving as back-up to the DUS Finance and Planning/CFO to the ERSC.
- (8) Preparing materials for risk, internal control, and Statement of Assurance briefings, discussions, and assessments by oversight groups.

i. **Financial Systems Oversight and Transformation Director** is responsible for preparing the Office of Business Oversight Risk Management Survey for approval of Deputy Under Secretary for Finance and Planning.

j. **Finance Service Director** is responsible for preparing the Chief Financial Officer (CFO) Statement of Assurance for approval of Deputy Under Secretary for Finance and Planning.

k. **Assessable Unit Managers** (including service directors, cemetery directors, and other managers as identified by senior leaders) are responsible for:

- (1) Ensuring risk is considered as part of their operational processes.
- (2) Completing annual OAI Self-Assessments.
- (3) Developing action plans to address deficiencies identified during self-assessments and third-party reviews.

5. REFERENCES:

- a. OAI Guide Vol 1, Cemetery Director (For internal VA employee use only).
- b. OAI Guide Vol 2, Managers (non-cemetery) (For internal VA employee use only).

c. VA Directive 0054 Management's Responsibility for Enterprise Risk Management and Internal Control (April 8, 2014).

d. VA Financial Policy, Volume 1, chapter 5, Management's Responsibility for Internal Controls (February 27, 2019) <https://www.va.gov/finance/docs/VA-FinancialPolicyVolumelChapter05.pdf>.

e. GAO-14-704G Standards for Internal Control in the Federal Government (Green Book) <https://www.gao.gov/greenbook/overview>.

f. GAO-15-593SP A Framework for Managing Fraud Risks in Federal Programs (July 2015) <https://www.gao.gov/products/GAO-15-593SP>.

g. Annual Assessment for Entity Reporting Completion. NOTE: This guidebook is updated by VA's Office of Business Oversight and may change annually.

h. OMB Circular No. A-123 Management's Responsibility for Enterprise Risk Management and Internal Control (July 15, 2016) https://www.whitehouse.gov/wp-content/uploads/legacy_drupal_files/omb/memoranda/2016/m-16-17.pdf

i. OMB Circular No. A-11 Preparation, Submission, and Execution of the Budget (December 18, 2019) <https://www.whitehouse.gov/wp-content/uploads/2018/06/a11.pdf> <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2016/m-16-17.pdf>.

j. OMB A-123 Playbook: Enterprise Risk Management for the U.S. Federal Government. <https://www.cfo.gov/wp-content/uploads/2016/07/FINAL-ERM-Playbook.pdf>.

6. DEFINITIONS: The definitions below relate to terms used in this directive. For a complete list of Risk Management and Internal Control definitions, please refer to OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, dated July 15, 2016.

a. Enterprise Risk Register – A central repository of information and associated data elements related to all identified risks in a single organization, program or project.

b. Internal Controls (IC) – 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. (GAO Green Book).

c. Internal Controls Assessment Tool (ICAT) – ICAT is the Administration's assessment of the effectiveness of its system of internal controls against the Standard for Internal Control in the Federal Government (GAO Green Book). NCA has three interrelated ICATs.

(1) Cemetery ICAT (Excel spreadsheet) is completed annually by Cemetery Directors as part of the OAI self-assessment process. The outputs of the Cemetery ICAT support and inform the NCA ICAT.

(2) Manager (non-cemetery) ICAT (Excel spreadsheet) is completed annually by Service Directors and District Directors as part of the OAI self-assessment process. The outputs of the Manager (non-cemetery) ICAT support and inform the NCA ICAT.

(3) NCA ICAT (Word document) is completed annually by a working group of Central Office Service Directors and Subject Matter Experts as part of the Statement of Assurance process.

d. Organizational Assessment and Improvement (OAI) – NCA’s review program that integrates the Baldrige Performance Excellence Framework, Cemetery Operational Standards and Measures, Performance Scorecards, Internal Controls, Risks and Improvement Projects.

e. Risk Profile – An analysis of the risks an agency faces in achieving its strategic objectives, and options for addressing significant risks. The risk profile assists in facilitating a determination around the aggregate level and types of risk that the agency and its management are willing to assume to achieve strategic objectives. The Risk Profile differs from an Enterprise Risk Register in that it is a prioritized inventory of the most significant risks identified and assessed through the risk assessment process versus a complete inventory of risks. The Risk Profile is a subset of the Enterprise Risk Register.

f. Risk Response Strategy – The process of developing strategic options and determining actions to enhance opportunities and reduce threats to the organization’s objectives.

g. Risk Tolerance – The acceptable level of variation in performance relative to the achievement of objectives.

h. Statement of Assurance – Represents the Senior Leadership’s informed judgment as to the overall adequacy and effectiveness of internal control within their respective sections.

(1) Draft Statement of Assurance – mid-year assurance that must be supported by the Draft NCA ICAT.

(2) Final Statement of Assurance – end-of-year assurance that must be supported by the Final NCA ICAT.