



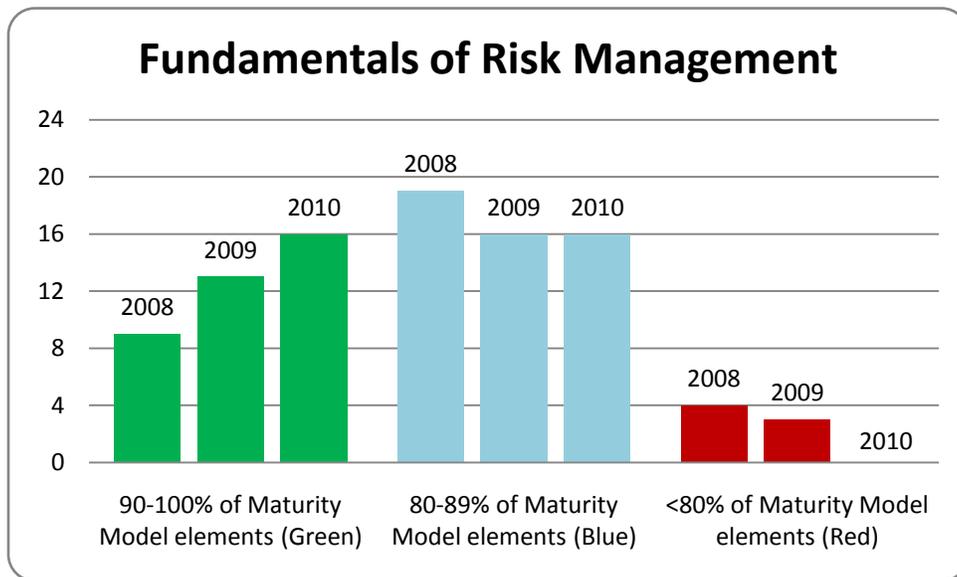
### ENTERPRISE RISK MANAGEMENT MATURITY REPORT - 2011

#### Are Enterprise Risk Management Maturity Model Scores Improving?

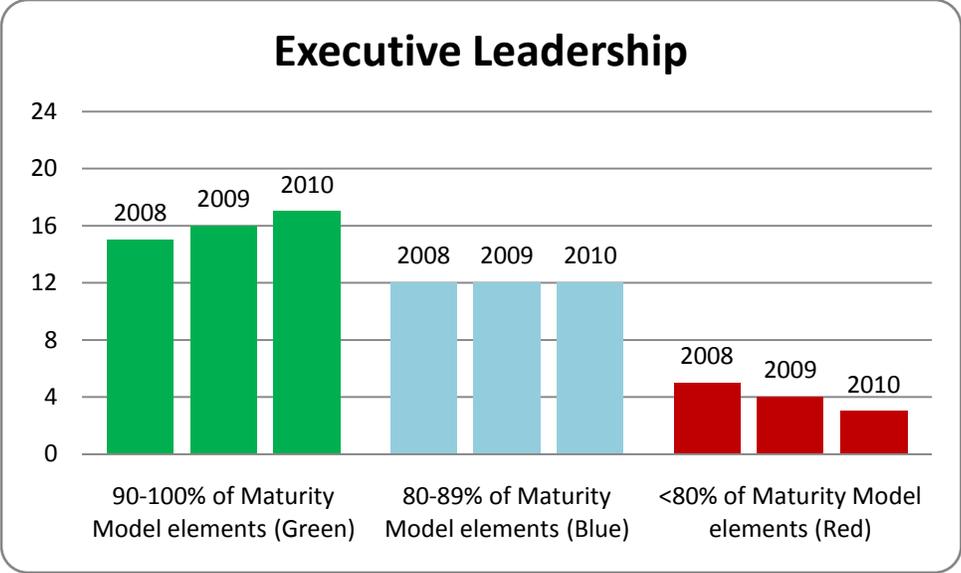
The Maturity Model tracks agencies' implementation of Enterprise Risk Management (ERM) in five necessary component areas:

- Fundamentals of Risk Management – basic risk management functions within the agency
- Executive Leadership – how ERM information is provided to agency leadership
- Integrating ERM – how ERM is disseminated throughout the agency
- Applying ERM – how the agency uses ERM to analyze and manage its risk exposure
- ERM Embedded – how the agency uses ERM in their strategic operations

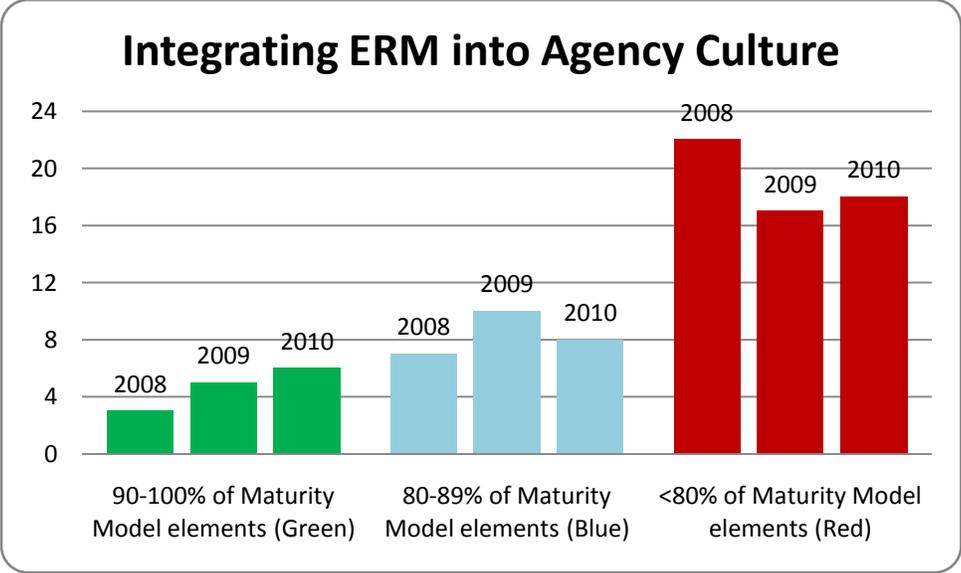
Overall, since 2008 the 32 large agencies that complete the Maturity Model have improved in all components except for Integrating ERM into Agency Culture, as shown in the following charts.



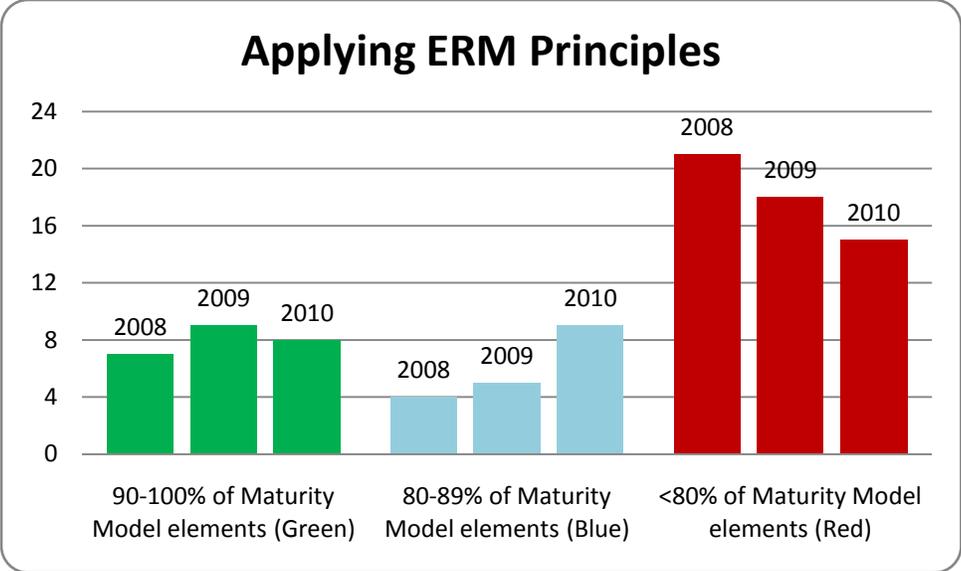
As anticipated, all 32 agencies have now achieved more than 80% of the Fundamentals of Risk Management elements. The number of agencies completing 90% or more of the elements steadily increases every year.



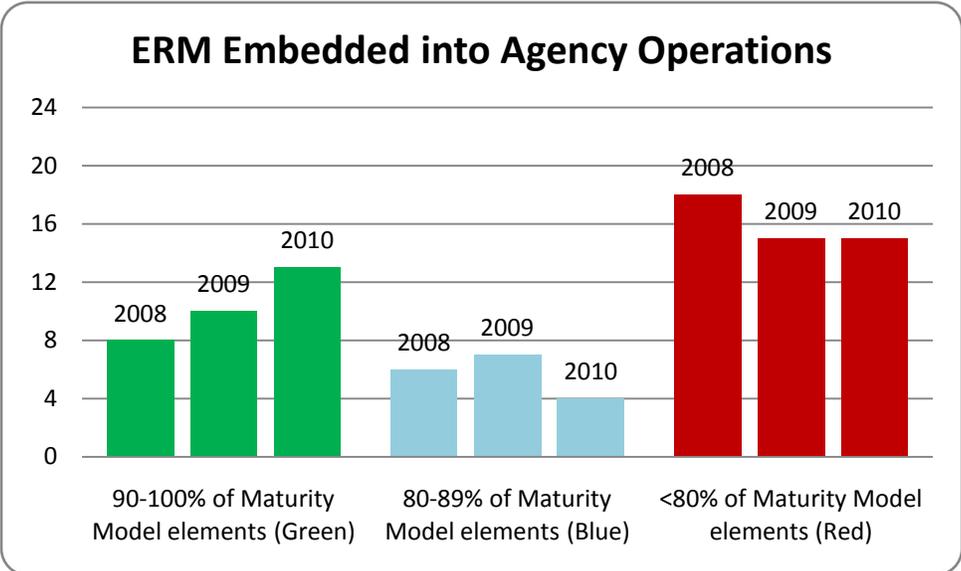
In the area of Executive Leadership, the number of agencies that have completed at least 90% of the elements has steadily increased. Only three agencies have met less than 80% of the elements and this group has steadily decreased.



Agencies have faced some challenges when seeking to enhance the Integration of ERM into Agency Culture. Although the number of agencies with 90% or more of the elements has steadily increased, this group is a minority of the 32 agencies. The Loss Prevention Team (LPT) will focus on assisting agencies to improve their scores in this area during FY 2012.



In the area of Applying ERM Principles, the number of agencies that have completed at least 80% of the elements has steadily increased. However, because nearly half of the agencies have completed less than 80% of the elements, the LPT will also focus on assisting agencies in this area.



With regard to Embedding ERM in to Agency Operations, the number of agencies that have at least 90% of the elements completed has steadily increased. However, there has been no increase in nearly half of the agencies in this category (those completing less than 80% of the elements). The LPT will also focus on assisting agencies in this area.

## **Why do agencies complete the ERM Maturity Model?**

Although the design can vary, maturity models are routinely used as a scoring tool in ERM programs. Maturity models allow an organization to set an initial baseline for their risk management programs, and then are used to measure their progress towards an integrated ERM system. All maturity models acknowledge that it requires several years of commitment and practice to achieve and master the higher levels of maturity.

Washington's Enterprise Risk Management Maturity Model (ERMMM) was first developed in 2006. The ERMMM was revised in 2008 by a team of agency risk managers to reflect agencies' increased experience with ERM implementation.

Each fall, agencies reassess their Enterprise Risk Management programs using the Maturity Model. The Model is an important tool for documenting risk management accomplishments, reviewing ERM progress and activities, and pinpointing areas that might need attention. It measures the progress of ERM implementation in five separate categories:

- Fundamentals of Risk Management
- Executive Leadership
- Integrating ERM into Agency Culture
- Applying ERM Principles
- ERM Embedded into Agency Strategic Business Operations

Scores in each of these categories are added together to form a rating on a scale from 1 (i.e. beginning) to 6 (advanced). As of October 2009, all agencies had achieved Maturity Model scores of level 5 or 6.