U.S. Department of Housing and Urban Development (HUD)

Front-End Risk Assessment (FERA) Policy
(2010 NEW Handbook, Change 1)
September 12, 2022

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1. **Purpose:**

   The purpose of this document is to establish guidance for initiating and conducting a Front-End Risk Assessment (FERA). This policy outlines the process and designates roles and responsibilities for carrying out the defined activities.

   1.1. The FERA is a risk management function intended to facilitate the identification and management of risks associated with launching a new HUD program or substantially revising a current program. The information required for assessment and evaluation aligns to the Enterprise Risk Management (ERM) framework and will provide program management, risk officers, and program owners with the structure to assess and report on identified risks, and plans to address and monitor those risks.

   1.2. The objective for conducting a FERA is to help provide management with the information to drive business decisions around risk and detect conditions that may adversely affect the achievement of strategic, operational, compliance, reporting, and fraud program objectives. The FERA will further aid HUD in identifying and responding to potential risks for fraud, waste, abuse, and mismanagement.

   1.3. The FERA attachments which include risk assessment templates and risk indicators are tools for assessing internal and external risks to the programs which are a critical component of the FERA process. The risk assessments conducted for FERA will consider both the risk to HUD operations as well as the risk associated with third parties (e.g. grantees, mortgagees, etc.) implementing HUD programs that may impact the achievement of the program's objectives and operations such as HUD's monitoring activities.

2. **Scope:**

   2.1. Applicability

   A FERA must be conducted if the program under consideration meets any of the following criteria:

   2.1.1.   New program that once fully implemented, has annual funding greater than or equal to the FERA materiality threshold calculated by the Office of the Chief Financial Officer (OCFO)[1].

   2.1.2.   An existing program satisfying the conditions below to be considered "substantially revised"

       2.1.2.1.   An increase or decrease in annual funding greater than or equal to the materiality threshold and

       2.1.2.2.   At least a five percent change in the affected budget line item

   2.1.3.   New or existing program that does not meet the criteria in 2.1.1 or 2.1.2 and deemed as posing a significant risk for fraud, waste, abuse or mismanagement by the Chief Risk Officer (CRO).

   2.1.4.   New or existing program that does not meet the criteria in 2.1.1 or 2.1.2 and determined to exhibit an enterprise-wide or cross-program impact by the CRO.

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[1] OCFO may use HUD's audit materiality threshold to inform this criteria, which was set at $82M for FY19.

2.2. Exceptions

2.2.1.   The policies and procedures described in this chapter are to be followed for new or substantially revised programs that meet the relevant criteria for undergoing a FERA. They are not applicable to systems development or the design and implementation of information systems, (which should follow the Federal Financial Management Improvement Act (FFMIA) of 1996; Appendix D of OMB Circular A-123; Department of Commerce NIST guidance; HUD's System Development Life Cycle Methodology and related requirements).

2.2.2.   For Program Offices receiving other funding, such as supplemental funding, the FERA attachment requirement timeline will begin once the Notices of Funding Availability or the Allocation Announcement Notice is made public.

3. Background:

Relevant Authorities include:

3.1. OMB Circular A-123[2], the GAO Green Book[3], Payment Integrity Information Act of 2019 (PIIA)[4], the Fraud Reduction and Data Analytics Act of 2015[5], and the GAO Fraud Risk Framework[6].

3.2. Relevant Appropriations, statutes or regulations providing authorities for the program

4. Effective Date of This Policy: September 12, 2022

5. Responsibilities:

5.1. Office of the Chief Financial Officer

OCFO retains primary ownership of this policy, and is responsible for coordinating the commencement of the process, reviewing the FERA submissions, maintaining timely and effective communications with stakeholders, and monitoring the FERA's progress for significant delays.

5.1.1.   OCFO Budget Division

This party is responsible for monitoring the budget and appropriations to flag new or substantially revised programs that may require a FERA per the criteria in Sections 2.1.1 and 2.2.2.

5.1.2.   Chief Risk Officer

The CRO, as designated by HUD and located with the Office of the Chief Financial Officer, is responsible for overseeing the FERA process with OCFO, acting as a liaison between the OCFO and program leadership, reviewing and making recommendations for approval of the FERA, and escalating significant matters to the Chair of the Risk Management Council (RMC).

The CRO is also responsible for determining whether a new or existing program that does not meet the financial criteria in Sections 2.1.1 or 2.1.2 has a cross-program or enterprise-wide impact or poses a significant risk for fraud, waste, abuse or

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[2] https://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-17.pdf
[3] http://www.gao.gov/assets/670/665712.pdf
[4] https://www.congress.gov/bill/116th-congress/senate-bill/375/text
[5] https://congress.gov/114/plaws/publ186/PLAW-114publ186.pdf
[6] https://www.gao.gov/assets/680/671664.pdf

mismanagement[7]. Additionally, they have the authority to adjust the FERA eligibility criteria in Section 2 and may reassess the criteria for alignment with management's risk appetite and tolerance, such as when changes are made to the OCFO audit materiality threshold.

5.2. Responsible Program Office

The Responsible Program Office is responsible for completing the relevant FERA attachments, executing FERA tasks within the established proposed timeline in Exhibit A, and maintaining timely and effective communications with OCFO. Responsible Program Offices should begin to evaluate the need for a FERA when they initiate or anticipate regulatory or budget action for new or substantially revised program activity.

5.2.1. General Deputy Assistant Secretary (GDAS)

The GDAS[8] is responsible for reviewing and approving the program office's FERA prior to proceeding with the approval process to help demonstrate that the assessment, particularly the development of risk statements and mitigation plans, involve the appropriate leadership stakeholders and sought their input and support.

5.2.2. Program Office Risk Officer

The Risk Officer or designated representative of the Responsible Program Office[8] is responsible for the monitoring and reporting of identified risks to management. Additionally, the FERA risk information must be integrated into the Responsible Program Office risk processes and be used to inform subsequent risk profile submissions as part the enterprise risk management processes.

5.2.3. Funds Control Officer

The funds control officer is responsible for assisting the Program Office Risk Officer in identifying new programs that will receive greater than or equal to the materiality threshold in annual funding as well as determining if an existing program satisfies the conditions for "substantially revised." The funds control officer will also assist the GDAS and Program Office Risk Officer in ensuring that FERAs meet the requirements stipulated in this handbook and comply with all deadlines prescribed by the OCFO.

5.3. Chair of the Risk Management Council (RMC)

If the CRO determines additional consultation is needed, the RMC Chair[9] should review the FERA package, provide guidance and make management decisions, as necessary. The RMC Chair must be kept informed of the status of outstanding FERAs, including any challenges and/or delays in the process.

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[7] The CRO may consult other HUD stakeholders, including but not limited to the Risk Management Council (RMC) and the HUD improper payments project lead, in determining the programs that qualify for a FERA per the criteria in sections 2.1.3 and 2.1.4 of this policy.

[8] These roles will be further defined as management finalizes roles and responsibilities around risk management.

[9] Acceptable levels of risk will be further defined and revised as management finalizes decisions around risk appetite and tolerance.

6. Policy

The purpose of this section is to describe the processes by which programs are identified as requiring a FERA and the process for completing a FERA. It should be noted that there are three channels through which a program may be identified as subject to a FERA: Program Office Eligibility Certification, OCFO Eligibility Check – New or Revised Programs, and CRO Eligibility Certification – Enterprise-wide and/or Cross-Cutting Impact. Programs initiate the FERA process for their required programs through step 6.1, Program Office Eligibility Certification. Sections 6.2 and 6.3 below provides the CRO with the universe of programs meeting the eligibility criteria for validation and method for assessing additional programs that may require a FERA to be completed based on criteria in 2.1.3. These activities may occur concurrently.

6.1. Program Office Eligibility Certification

6.1.1.   Once there is a high probability of funding approval, but no later than appropriation, Program Offices should document, in Attachment A, a list of programs or funds that meet the criteria in Section 2 requiring a FERA to be performed. The Program Office should submit the completed Attachment A to OCFO. For Program Offices receiving other funding the timeline requirements for Attachment A may be executed in accordance with 2.2.2 of this Policy.

6.2. OCFO Eligibility Check– New or Revised Programs

6.2.1.   Once funding is approved, the OCFO Budget Division will monitor HUD financial data to flag new programs that will receive greater than or equal to the materiality threshold in annual funding. The budget and appropriations are further analyzed to determine if an existing program satisfies the conditions for "substantially revised."

6.2.2.   If OCFO Budget determines that a new or existing program is eligible for a FERA, they should document this information in Attachment A and email it to the CRO.

6.2.3.   In addition, OCFO Budget should send a list of all other appropriations that did not meet the above thresholds to the CRO for them to determine if these programs should be subject to a FERA due to an enterprise-wide or cross-program impact or a significant risk for fraud, waste, or abuse.

6.3. CRO Eligibility Certification – Additional Criteria

6.3.1.   The CRO may deem a FERA required for a new or existing program below the materiality threshold, if it's determined to be an enterprise-wide or cross-program or poses a significant risk for fraud, waste, abuse, or mismanagement per the criteria in Sections 2.1.3 and 2.1.14. If it is determined that a FERA should be performed, the CRO will document this information in Attachment A and notify the program office responsible for completion of the FERA.

6.4. OCFO Eligibility Validation

6.4.1.   After the Program Office, OCFO Budget Division and the CRO complete Attachment A, the information is validated by CRO, with optional review by the CFO under the CFO's discretion, who compiles the comprehensive list of FERAs to be completed. OCFO will manage and monitor this list for updates and completion throughout the year.

6.5. Completing Front-End Risk Identification

6.5.1.   Once OCFO identifies the Responsible Program Office(s) required to complete a FERA, they will contact the corresponding offices via email to supply the first set of Attachments and provide instructions for completing the FERA.

6.5.1.1.   Only one program office will be responsible for the completion of the FERA. This should be the program office that has primary ownership and administration of the program.

6.5.1.2.   The Responsible Program Office should confer with other impacted offices, if applicable, throughout the execution of the process.

6.5.2.   The Responsible Program Office should complete FERA Attachments B, C, and Part I of Attachment D within 14 business days of receiving the materials from OCFO.

6.5.2.1.   **Attachment B, Program Description Form**, provides a summary overview of the program and captures key programmatic, operations, and operations-support data for each program.

6.5.2.2.   **Attachment C, Risk Indicators and Ranking Guide**, defines risk factors that align to the Enterprise Risk taxonomy categories (strategic, operational, compliance, reporting, and fraud) and provides programs with a guide for identifying and prioritizing risk areas for the program. The ranking guidance is established to help illustrate the tolerance of what constitutes high, medium, and low risk for each risk factor. This ranking will inform the development of the risk register statements, risk scoring, and decisions on mitigating risks[9]. Risk factor rankings should consider risk from the perspective of both HUD and third parties (such as grantees) that may result in negative impacts to HUD, where applicable. Offices have the flexibility to include information on one or both (i.e. in the aggregate) of these perspectives depending on the program type, roles and responsibilities, high-risk areas, and potential impact to HUD requirements.

During the FERA process, the following risk factors are included for assessment:

1.   Nature of Program
2.   Organizational Structure
3.   Goals and Objectives
4.   Internal Controls
5.   Funding
6.   Time and Schedule
7.   Audit Findings
8.   Quality Requirements
9.   Technology
10.   Labor
11.   Training
12.   Political Visibility and External Stakeholder Involvement
13.   Political Visibility and Internal Stakeholder Involvement
14.   Stakeholder Dependencies
15.   Regulatory Involvement
16.   Legislative Risk

17. Site Characteristics
18. Project Implementation Safety
19. Magnitude and Complexity of Contamination
20. Extraordinary Events and Transactions
21. Fraud Risk Management Considerations

Any risk identified as a result of reviewing these risk factors should be assessed and classified in accordance with both departmental and program enterprise risk assessment procedures. Risk factors identified as high or medium in Attachment C should be further analyzed to inform the potential risk statements for reporting in Attachment D. Risk factors rated medium or high are not required to be converted into risk statements on a one-to-one basis as multiple risk factors may contribute to a single risk. The decision to report risk statements in Attachment D resides at the discretion of the program office and should reflect the top risks that threaten their ability to achieve program objectives.

6.5.2.3. **Attachment D, the Risk Register**, is composed of two Parts: I and II. Part I provides a standard structure for reporting risk information and facilitates risk identification and assessment.

Attachment D should be used to capture the relevant information associated with the top risks reported, such as the associated impact statement, mapping to the related HUD strategic goals and objectives, and appropriate Enterprise Risk taxonomy.

Risk statements in Attachment D must be scored for probability and impact for both inherent and residual risk. These scores are then multiplied together to arrive at an overall risk rating of high, medium, or low per risk statement. The following fields are to be completed for Part I:

- Risk ID
- Level I Risk Category
- Level II Risk Sub-Category
- Level III Risk Name
- Level IV Risk Description
- Risk Impact
- Impacted Programs
- Date Risk Identified
- Primary Program
- Associated HUD Strategic Goal
- Associated HUD Strategic Objective
- Business Process Documented (Y/N)
- Impact (1-5)
- Probability (1-5)
- Risk Score (1-25)
- Risk Ranking

Attachment D includes the following definitions and guidance as the programs complete the risk register:

- Risk Register Field Definitions
- Risk Taxonomy Definitions
- Risk Scoring Definitions

6.5.3.   While assessing the risk factors in Attachment C and populating the risk information and statements in Part I of Attachment D, the program office must consider the primary objectives of the program, mission critical functions, and key requirements for implementing the program. Further, the program may consider including current cross-cutting risks or risks historically present in other similar-type programs that could potentially surface as the program under review is implemented and administered.

6.5.3.1.   Note: The program office should not complete Part II of Attachment D until receiving notification from OCFO to proceed.

6.5.4.   The purpose of a risk assessment is to identify, analyze, and respond to the various risks that impact an entity. According to article 7.04 of GAO's Green Book, a successful risk assessment evaluates interactions with internal and external parties, as well as significant changes in the organization's internal and external environment.

6.5.4.1.   Internal change is comprised of events affecting the organization's programs or Operations, oversight structure, personnel, and technological infrastructure.

6.5.4.2.   Changes to external conditions include those affecting the governmental, economic, technological, legal, regulatory and physical climate.

HUD Program Offices should consider the following set of examples for these risk factors, which are listed in the table below and mapped back to the FERA Attachment C Risk Indicators.

Type of Change	Green Book Description	Mapping to Attachment C
Internal	Complex nature of the entity's program	[1] – Nature of Operations
Internal	Organizational structure	[2] – Organizational Structure
Internal	Use of new technology in operational processes	[9] – Technology
External	New or amended laws, regulations, or professional standards	[20] – Extraordinary Events and Transactions
External	Economic Instability	[20] – Extraordinary Events and Transactions
External	Potential natural disasters	[20] – Extraordinary Events and Transactions

6.5.5.   The GAO Fraud Risk Framework outlines nine additional risk factors for improper payments to consider while identifying and assessing program risks. These fraud risk factors include the complexity of the program or activity; the location where payments or payment-eligibility decisions are made; recent major changes in program funding, authorities, practices, or procedures; significant deficiencies in the audit reports of the agency; the level, expertise, and the quality of training for the workforce, etc. The evaluation of these criteria in Attachment C align with the methodology used when conducting Improper Payments Elimination and Recovery Improvement (IPERIA) risk assessments for individual HUD programs.

6.6. Initial Submission to OCFO

6.6.1.   After finishing Attachments B, C, and the first half of D, the Responsible Program Office should submit the package of documents to OCFO for review. OCFO will review the document submission and provide any comments or questions in writing prior to scheduling the guided conversation with the Responsible Program Office.

6.6.2.   OCFO will conduct a guided conversation, which should focus on the completion and adequacy of responses in Attachments B, C, and Part I of Attachment D, while highlighting any gaps they may recognize from experience with completing and overseeing other risk management and internal control activities. OCFO will introduce the topic of mitigation strategies, and as a follow up to the meeting, notify the Responsible Program Office via email to complete the remaining half (Part II) of Attachment D. Formal response to the comments should be addressed and incorporated into the updates of the documentation in the next submission to OCFO.

6.7. Identifying Mitigating Actions

6.7.1.   After the conversation with OCFO, the Responsible Program Office revises the responses to Attachments B, C, and Part I of Attachment D based on any comments and feedback received, and proceeds with documenting the mitigation strategies and risk response in Part II of Attachment D within 21 business days of receiving the email notification from OCFO.

6.7.2.   **Part II of Attachment D** promotes monitoring by documenting risk responses and strategies for alleviating the high-scoring risks. The Responsible Program Offices must consider both departmental and program management's appetite for risk when deciding how to address pre-implementation risks for the programs undergoing a FERA.

6.7.3.   Documentation of the mitigation strategies accomplishes and addresses the following activities and decision points:

6.7.3.1.   Defines strategies for responding to residual risk. Each risk must have a risk response defined by one or a combination of the following responses per Green Book Principle 7.08: to accept, avoid, reduce, and/or share the risk. Based on the response, an associated mitigation strategy must be defined[10].

6.7.3.2.   Program offices should work across stakeholders to develop mitigation strategies for the proposed management process(es) and design internal controls that will be implemented and/or updated to address the risk for the program that will be

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[10] Acceptable levels of risk will be further defined and revised in enabling the design of appropriate internal controls as management finalizes decisions around risk appetite and tolerance.

revised or newly implemented per Green Book Principle 7.09. Program Offices may have different definitions of risk tolerances which should inform the specific actions to be taken to address the risk.

6.7.3.3. Program offices should assign ownership for mitigation activities and identify offices other than the risk owner that are responsible for a portion of the risk response.

6.7.4. For all medium and high risks, the Responsible Program Office should document short-term, mid-term and long-term risk response milestones in Attachment E. Attachment E calls for the reporting of critical path milestones to promote the implementation of mitigation plans to demonstrate progress and provide transparency for risk monitoring.

6.7.5. After finalizing any edits, the Program Office should submit the package of all FERA Attachments (B, C, D, E) to the program's GDAS, or equivalent level of management, for review and approval.

6.8. Program Office Review and Approval for Submission

6.8.1. The Program GDAS is required to review the final package of documents, provide feedback, and make their recommendation for approval. If the GDAS does not approve the FERA, the Responsible Program Office should make updates to the documents based on the comments received from GDAS. If the GDAS approves the package, he or she signs Attachment F and submits the FERA back to OCFO. A copy of the completed FERA should also be provided to any other contributing office(s).

6.8.2. OCFO should review the FERA submission, and make their recommendation for approval. If OCFO does not approve, they should contact the Program Office to deliver formal comments, and the Program Office should make edits as needed, resubmitting the FERA through the Program GDAS upon completion, with a copy to any other contributing office(s).

6.9. Risk Management Governance Review and Approval

6.9.1. Once OCFO approves of the submission, they sign Attachment F and send the package to the CRO, who reviews the FERA and makes a recommendation for approval. If the CRO approves of the package, the CRO signs Attachment F and contacts the Responsible Program Office by email, notifying them of the FERA completion. The CRO also instructs the Program Office to retain a copy of the FERA, and incorporate the results into their risk profile as applicable and subsequent risk monitoring processes. A copy of the approved FERA should be and disseminated to other impacted offices.

6.9.2. If the CRO does not approve of the FERA, the CRO schedules a meeting with OCFO and the Program GDAS to communicate their formal comments, either verbal or written. The Responsible Program Office should revise the FERA based on the feedback received and resubmit the package once all comments are addressed.

6.9.2.1. Once the revised FERA package is approved by the Program GDAS, OCFO and the CRO, the approval and notification procedures described in Section 6.9.1 will be followed.

6.9.3.   If the CRO determines that escalation to leadership is needed, the FERA package is submitted to the RMC Chair for consultation. If the RMC Chair approves of the package, they should sign Attachment F and notify the CRO of their approval.

   6.9.3.1.   Once the CRO receives approval from the RMC Chair, the approval and notification procedures described in Section 6.9.1 will be followed.

6.9.4.   If the RMC Chair reviews the FERA and does not approve, the CRO is notified to meet with OCFO and the Program GDAS to discuss suggested revisions. The Program Office must conduct follow-up actions as needed to address the comments received from the RMC Chair.

   6.9.4.1.   Once the FERA is updated and approval by the GDAS, OCFO, CRO, and RMC Chair is documented in Attachment F, the CRO will follow the approval and notification procedures described in Section 6.9.1.

6.10. FERA Timeline and Oversight

OCFO is responsible for monitoring the process for significant delays and challenges. At any point in the process, if the FERA presents a risk of deviating from the timeline presented in Exhibit 8.1, OCFO should escalate the matter to the CRO, who may elect to elevate significant matters to the RMC Chair.

6.11. Program Risk Monitoring and Linkage to Risk Management Processes (e.g. ERM)

6.11.1.   Risks identified through the FERA as pre-implementation risks must be incorporated into the program office's risk management processes. Specifically, formally documented risks and mitigation plans submitted in the FERA should be tracked as part of the office's risk register and risk monitoring procedures. Requirements include:

   6.11.1.1.   Risks and internal controls identified in the FERA process should be considered inputs into the program's annual risk assessment processes supporting HUD's Statement of Assurance, as applicable.

   6.11.1.2.   Revisions to mitigation plans and milestones should be documented.

   6.11.1.3.   Any potential changes in risk severity or mitigation activities that impact the risk score are escalated through the proper risk management governance channels.

   6.11.1.4.   As the program is implemented, risks should be monitored and archived as appropriate if the risks have been resolved prior to or during implementation.

6.11.2.   Cross-cutting risks for the program identified through FERA should be coordinated across all stakeholders with ownership. Periodic reviews of those risks should be conducted and the risk registers for the program office(s) should be updated as appropriate.

6.11.3.   When developing the enterprise risk profile for submission to the CRO, program offices should consider their risks as part of the population of risks that may need to be escalated to the enterprise profile and/or through risk governance processes depending on the likelihood and severity. Program Offices may have their own tailored escalation protocols that should be followed to determine if risks should be included in the program office enterprise risk profile submission.

7. **Attachments**

    7.1. **Attachment A – FERA Commencement Form (Word document – see below)**

        Purpose: Documents list of appropriations deemed as eligible for a FERA.

        Description: Collects information for appropriations that satisfy the criteria requiring a FERA, such as program name, current year appropriation amount, status (i.e. new or existing program), and the eligibility type (e.g. meets the materiality threshold or qualifies as substantially revised).

    7.2. **Attachment B – Program Description Form (Word document – see below)**

        Purpose: Provides summary of the program and key data over risk areas.

        Description: Format of this section developed as fillable form structure to facilitate additional analysis and allow for potential data analytics capabilities.

    7.3. **Attachment C – Risk Indicator Workbook and Ranking Guide (Excel – separate file)**

        Purpose: Defines risk factors to provide programs a guide for ranking risk areas which align to Enterprise Risk taxonomy categories.

        Description: This attachment instructs the user to rank a series of risk factors, considering potential strategic, operational, compliance, reporting, and fraud risks. Includes ranking definitions for what constitutes high, medium, and low classifications for each risk category to aid in risk prioritization.

    7.4. **Attachment D – Risk Register (i.e. Risk Statements and Mitigation Strategies) (Excel – separate file)**

        Purpose: Part I provides standard structure for reporting risk information and facilitate risk assessment; Part II promotes monitoring in categories that align to ERM processes.

        Description: The risk register template provides sample risk statements and prompts the preparer to identify risks and strategies for mitigating the highest scoring risks. The information gathered here will help the process to better align with federal and HUD risk requirements and feed into risk reporting and monitoring processes of the ERM program.

    7.5. **Attachment E – Milestones and Activities for Mitigation Strategies (Excel – separate file)**

        Purpose: Outlines critical path milestones for mitigation plans; provides transparency for risk monitoring and completion of actions.

        Description: For mitigation plans with scheduled completion dates reaching into the extended future, this documents solicits shorter-term objectives and milestones to promote and measure the control's implementation process.

    7.6. **Attachment F – FERA Reviews and Approvals (Word document – see below)**

        Purpose: Records reviews and approvals of FERA submissions by the identified stakeholders with approving authority

        Description: The Program Office Preparer, Program GDAS, OCFO, CRO, and RMC Chair (if applicable) document their review and approval of the FERA package by signing this form and providing contact information.

8. Exhibits
8.1. FERA Timeline

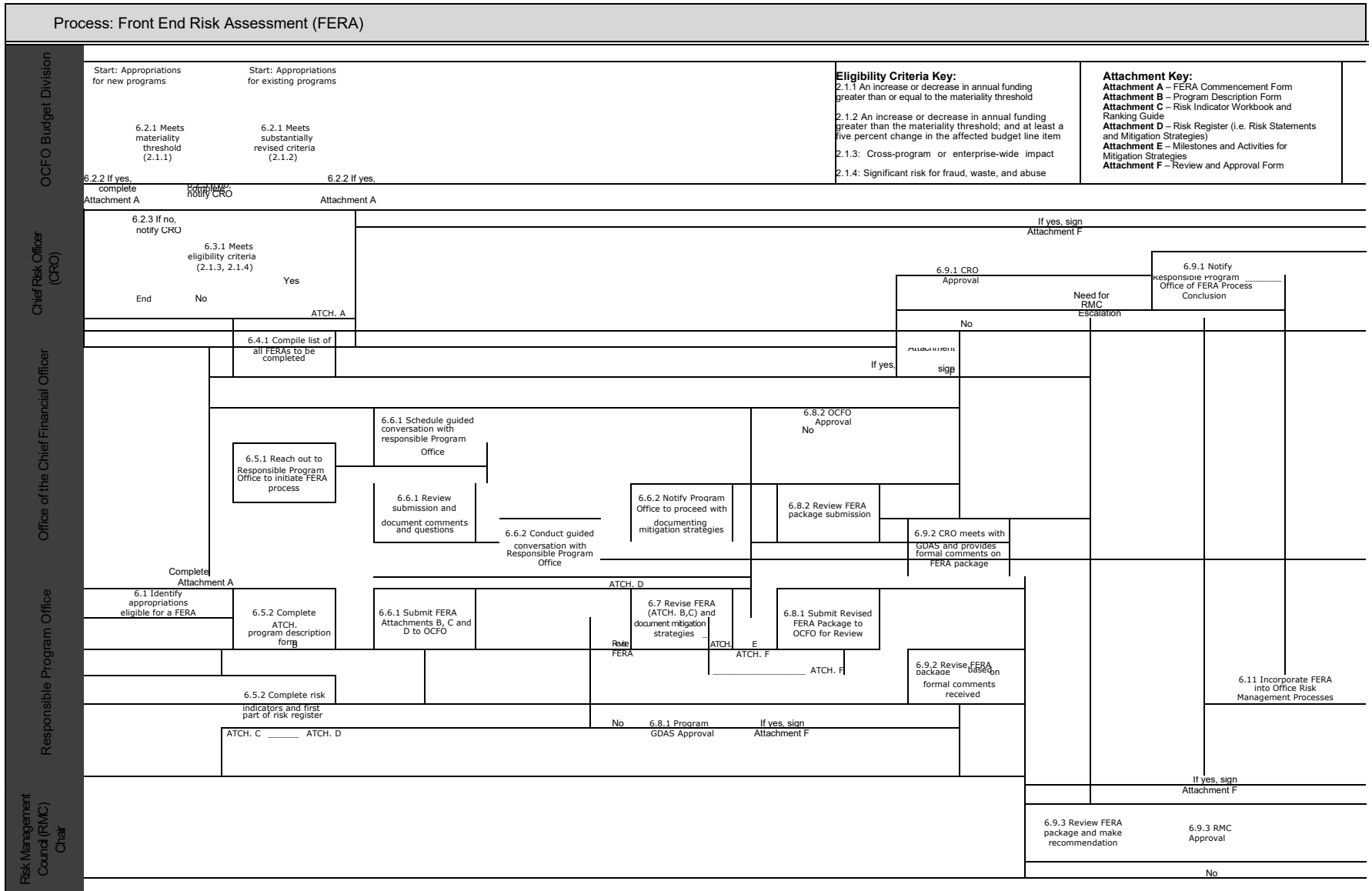| Front End Risk Assessment Timetable				
Policy Section	Action	Activity	Timeline (in business days)	Total Duration per Action (in business days)
6.1	Program Office Eligibility Certification*	Send list programs in need of a FERA to OCFO	Within seven days of funding approval	7
6.2	OCFO Eligibility Check – New or Revised Programs*	Meets materiality threshold	Within seven days of funding approval	7
		Satisfies Substantially Revised Criteria		
6.3	CRO Eligibility Certification – Additional Criteria*	Send List of Appropriations not meeting the above FERA threshold to the CRO	Within one day of determining initial FERA eligibility	4
		CRO determination of other programs subject to a FERA	Within three days of receiving the list of appropriations from CFO	
6.4	OCFO Eligibility Validation	Validate the list of Eligible FERAs from Program Office with the data received from OCFO Budget and the CRO	Within four days of receiving data from Program Office, CFO Budget, and the CRO	4
6.5	Completing Front-End Risk Identification	Program Office Completes and Submits Attachments A, B, and first half of C	Within 14 days of receiving FERA materials	14
		Provide the completed FERA package to all contributing offices	Upon submitting the completed FERA documents to OCFO	

6.6	Initial Submission to OCFO	OCFO Review	Within four days of receiving the initial submission	5
		Facilitated Discussion	Should occur approximately within five days of receiving the initial submission	
		Notify Program Office to proceed	Within one day of the facilitated discussion	
6.7	Identifying Mitigating Actions	Complete 2nd part of Attachment C and Attachment D (if applicable)	Within 21 days of receiving notification to proceed	21
6.8	Program Office Review and Approval for Submission	GDAS review and approval and additional Program Office revisions (if applicable)	Within seven days of completing mitigation actions and receiving revisions from GDAS	11
		OCFO review and approval	Within four days of receiving approved FERA from GDAS	
		Provide a completed Attachment Packet to all contributing offices	Upon completion of the review and approval of FERA	
6.9	Risk Management Governance Review and Approval	CRO review and approval	Within four days of receiving approved FERA from OCFO	29
		Program Office revisions and additional GDAS approval (if applicable)	Within seven days of receiving initial feedback from OCFO/CRO	
		RMC Chair review and approval	Within seven days of receiving documentation from the CRO	

		Program office revisions, additional GDAS, OCFO, and CRO Re-approval (if applicable)	Within 11 days of receiving feedback from the RMC Chair	
		Provide a completed FERA to all impacted offices.	Upon final approval	

8.2. FERA Process Flow

Process: Front End Risk Assessment (FERA)

Eligibility Criteria Key:
2.1.1 An increase or decrease in annual funding greater than or equal to the materiality threshold

2.1.2 An increase or decrease in annual funding greater than the materiality threshold; and at least a five percent change in the affected budget line item

2.1.3: Cross-program or enterprise-wide impact

2.1.4: Significant risk for fraud, waste, and abuse

Attachment Key:
Attachment A – FERA Commencement Form
Attachment B – Program Description Form
Attachment C – Risk Indicator Workbook and Ranking Guide
Attachment D – Risk Register (i.e. Risk Statements and Mitigation Strategies)
Attachment E – Milestones and Activities for Mitigation Strategies
Attachment F – Review and Approval Form

8.3. Glossary

8.3.1. Cross-Program Impact

Affects HUD across more than one program.

8.3.2. Enterprise-Wide Impact

Affects HUD at the agency-wide, enterprise level across the programs and offices.

8.3.3. Enterprise Risk Management

An effective agency-wide approach to addressing the full spectrum of the organization's significant risks by considering the combined array 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 improved insight about how to more effectively prioritize and manage risks to mission delivery.[11]

8.3.4. Enterprise Risk Profile

A prioritized inventory of an organization's most significant risks.

8.3.5. FERA Materiality Threshold

The dollar amount which triggers a FERA should the annual funding for a program meet or exceed it. The FERA materiality threshold is established by the OCFO.

8.3.6. Program Office Risk Profile

A prioritized inventory of a program office's most significant risks

8.3.7. Risk

The effect of uncertainty on achievement of objectives. An effect is a deviation from the desired outcome – which may present positive or negative results.[12]

8.3.8. Risk Indicators

Factors which may relate to a specific risk and demonstrate a change in the likelihood or impact of the risk event occurring.

8.3.9. Risk Statement

A declaration of risk that may relate to one (or more) risk indicators. May be written using the following sentence structure: "If <event> happens, then <effect>."

8.3.10. Risk Appetite

The articulation of the amount of risk (on a broad/macro level) an organization is willing to accept in pursuit of strategic objectives and value to the enterprise.

8.3.11. Risk Tolerance

The acceptable level of variance in performance relative to the achievement of objectives.

8.3.12. Risk Mitigation

Strategy for managing risk that seeks to lower or reduce the significance and/or likelihood of a given risk.

8.3.13. Inherent Risk

The exposure arising from a specific risk before any action has been taken to manage it beyond normal operations. Inherent risk is often referred to as "the risk of doing business".

8.3.14. Residual Risk

The amount of risk left over after action has been taken to manage it, (such as establishing internal controls).

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[11] OMB A-123, p.9
[12] https://cfo.gov/wp-content/uploads/2016/07/FINAL-ERM-Playbook.pdf