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Chairman Robert B. Hirth, Jr
COSO Board of Directors
ERM Exposure Draft Comments

Re: COSO Enterprise Risk Management – Aligning Risk with Strategy and Performance

Chairman Hirth,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to COSO *Enterprise Risk Management – Aligning Risk with Strategy and Performance exposure draft*. ALGA represents more than 340 audit organizations and over 2,200 members. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the proposed Framework in its entirety. Overall, we feel that the Framework is useful and applicable. In addition, we offer the following comments which we believe will improve the definition of enterprise risk management and provide clarification on risk profiles and portfolio views. Each comment is identified by the number of the online survey question to which it relates.

#17 – As auditors, we felt that the Framework was detailed enough to provide criteria to help guide communication with management about risk.

#18 - The Association of Local Governments Auditors (ALGA) is a professional organization committed to supporting and improving local government auditing. As such, we provided a comment only for the government entity and left the remaining as neutral.

#19 - The definition of enterprise risk management can be improved upon to lessen confusion and improve readability. This is especially the case if an individual is relatively new to enterprise risk management. A definition should be self-explanatory to individuals at all levels of proficiency.

We offer the following suggestion as an alternative definition: Enterprise risk management (ERM) is a process of integrating the identification and management of risk associated with the organizations' strategy and business objectives in order to create, preserve, and realize value for its stakeholders.

#23 **Risk Governance and Culture** - We appreciate that the Framework addresses culture. This is an important topic to our members.

Risk in Execution - To help further expand on different risk assessment approaches, consider adding “observations” to the list on page 69 paragraph 260.

#26 Risk Profiles - The figures and narrative used to help drive the discussion of risk profiles and portfolio views can be elaborated upon in order to be more utilizable by the government sector. Conceptually, the figures tend to be confusing when trying to take the concepts provided and apply it to an organization where not all the risks are quantifiable and/or it would seem unreasonable to consolidate all risks across an entire government entity. For example, the risk appetite for a parks and recreation department might be more aggressive than a property tax appraisal department within the same government.

The Framework provides concepts for these scenarios as discussed above, such as the Framework states that there are techniques such as regression modeling and other means of statistical analysis that can be applied to quantitative information, but doesn't elaborate as to where to find additional information to be able to apply these concepts. Another area that could be elaborated upon is the example on page 115 on developing a risk profile for a university that would like to introduce a new curriculum. This example does not take the reader through the entire process. This leaves the reader with a lack of direction as to how to fully apply the concepts provided in the Framework.

#28 Overall, we feel that the proposed Enterprise Risk Management Framework is useful and applicable.

Respectfully submitted,

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Chair, Professional Issues Committee

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