U.S. Office of Personnel Management

RISK APPETITE STATEMENT

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U.S. Office of Personnel Management
Risk Appetite Statement

Version	Date	Revision
1.0	March 2017	Initial release
2.0	November 2021	RMC review
3.0	December 2024	RMC review
4.0	November 2025	RMC review
5.0	January 2026	RMC Approved

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Purpose

The purpose of OPM's Risk Appetite Statement is to provide broad-based guidance on the level and type of risk the agency is willing to accept—based on an evaluation of opportunities and threats—to achieve the agency's mission and objectives. The agency will conduct its decision making and operations in accordance with this Risk Appetite Statement as it pursues its strategic goals and objectives. The Risk Appetite Statement is a critical component of OPM's overall effort to maintain an effective enterprise risk management (ERM) program. The agency's Risk Management Council (RMC) reviews and updates this document periodically, as needed.

Background

Risk appetite refers to the amount and type of risk that an organization is willing to take to achieve its objectives. It reflects the organization's strategic intent and its willingness to pursue potential gains at the risk of incurring losses or facing challenges. An appropriate risk appetite should be established and communicated by the agency's most senior level leaders to serve as the guidepost to drive risk-informed decision making on developing strategy and objectives, allocating resources, and managing performance outcomes. Without defining risk appetite, OPM may take more or less risk than may be appropriate to achieve its objectives.

Risk Appetite Scale

Using a common scale across the agency helps to ensure that employees and management are using the same terms to define and communicate risk appetite and can clearly articulate how much risk management is willing to take to achieve a specific goal. The RMC used the scale below to develop OPM's Risk Appetite Statement.

Low risk appetite

- Cautious approach and intentionally conservative.
- Limited tolerance for uncertain outcomes relative to achievement of OPM's mission, vision, or strategic objectives.
- Will accept risk only if achieving an outcome is especially important to OPM's mission, goals, or strategic objectives and there is limited possibility of failure to achieve desired outcomes.

Moderate risk appetite

- Measured and deliberative approach.
- A degree of tolerance for uncertain outcomes relative to achievement of OPM's mission, goals, or strategic objectives.
- Will accept selected risks but must be soundly justified.

High risk appetite

- Flexible approach with higher potential for benefits but also higher possibility of failure.
- Willing to tolerate some uncertainty where a new approach has the potential to substantially advance achievement of OPM's mission, goals, or strategic objectives.

- Willing to take risks when possible downsides are understood and outweighed by potential benefits.

Risk Categories

OMB Circular Nos. A-11 and A-123 incorporate the International Organization for Standardization (ISO) definition of "risk" which is "the effect of uncertainty on objectives." ISO 31000:2018. A robust risk management program presents important opportunities that enhance the likelihood of an agency achieving its objectives, by first determining its risk tolerance to possible negative outcomes.

OPM has identified seven categories of risk that will be managed as it pursues its strategic goals and objectives. OPM recognizes that many of these risk categories are interrelated and must be considered together when making decisions to accept certain risks. In all cases, the acceptance of risk is subject to ensuring that potential impacts are fully understood before decisions are made, and that reasonable efforts to respond to risk are established.

For each risk category, OPM has identified associated activities that it carries out and defined its appetite for risks that could impact these activities. Breaking down risk appetite to activities can promote risk ownership, support stakeholder engagement, and lead to developing risk tolerances.

Strategic

Definition: Events or circumstances that could potentially improve or compromise OPM's mission, goals, objectives, or the execution of a chosen strategy.
Overall risk tolerance: Moderate – High

OPM has a **Low** risk appetite for

- N/A

OPM has a **Moderate** risk appetite for

- Ensuring sound organizational governance
- Establishing and executing the agency's strategic direction

OPM has a **High** risk appetite for

- Implementing initiatives that facilitate innovation and growth in alignment with OPM's mission
- Fostering a culture that rewards creativity, measured risk-taking, and innovation

Financial

Definition: Events or circumstances caused by economic conditions, statutes and regulations, resource utilization, or expenditures that could potentially improve or compromise OPM's ability to meet its objectives.
Overall risk tolerance: Moderate

OPM has a **Low** risk appetite for

- Enabling fraud or waste of agency financial resources or improper or fraudulent payments
- Failure to maintain robust internal controls

OPM has a **Moderate** risk appetite for

- N/A

OPM has a **High** risk appetite for

- Investing in projects, technologies, and personnel that enhance the agency's ability to meet its mission-related goals and improve operational efficiency

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Operational

Definition: Events or circumstances that arise from people, processes, or policies that could potentially improve or compromise OPM's ability to meet its objectives.

Overall risk tolerance: Moderate

OPM has a **Low** risk appetite for

- Compromising the accuracy, reliability and timeliness of financial reporting
- Policies, procedures, and practices that fail to minimize fraud
- Compromising the safety and security of OPM employees and facilities
- Compromising the agency's ability to maintain continuity of operations

OPM has a **Moderate** risk appetite for

- N/A

OPM has a **High** risk appetite for

- Providing and supporting sufficient capacity, productivity, hiring, and retention of high performing employees
- Establishing and using effective and efficient program and project management
- Initiatives that reduce waste, bloat and inefficiency

Technology

Definition: Events or circumstances that could potentially improve or compromise the processing, security, stability, capacity, performance, or resilience of information technology.

Overall risk tolerance: Moderate

OPM has a **Low** risk appetite for

- Compromising the security and stability of critical information technology that support the agency's core operations
- Technology systems, data, and business practices that fail to align with organizational objectives

OPM has a **Moderate** risk appetite for

- N/A

OPM has a **High** risk appetite for

- Exploring innovative solutions and adopting new technologies that better support the agency's ability to change and meet user needs and/or enhance the operational efficiency of the agency

Privacy & Data Management

Definition: Events or circumstances associated with the collection, storage, maintenance, and use and protection of data and personally identifiable information.

Overall risk tolerance: Low-Moderate

OPM has a **Low** risk appetite for

- Compromising the accuracy of records or failing to meet statutory requirements for records management
- Compromising the confidentiality or security of PII by inadequate safeguards to protect against unauthorized use, disclosure, or breach
- Complying with law and policy governing OPM's data and records

OPM has a **Moderate** risk appetite for

- Enabling technologies that can improve the agency's ability to store and report on data that can enhance its operational efficiency or customer service objectives in a cost effective manner

OPM has a **High** risk appetite for

- N/A

Legal/Compliance

Definition: Events or circumstances that could potentially improve or compromise compliance with law, regulation, Executive Order, or other source of legal requirement.

Overall risk tolerance: Moderate

OPM has a **Low** risk appetite for

- Failing to comply with relevant laws, regulations, directives, policies, EOs and interagency agreements
- Legal/compliance strategic decisions that could harm the government financially or reputationally

OPM has a **Moderate** risk appetite for

- Proactive compliance activities that take into account in agency resources, operational readiness, and cost

OPM has a **High** risk appetite for

- Litigation in support of the core objectives of the agency and the government
- Evaluating and adjusting legal and compliance policies and procedures to promote and support OPM's operational objectives while maintaining the appropriate risk tolerance

Reputational

Definition: Events or circumstances that could potentially improve or compromise OPM's standing or credibility.

Overall risk tolerance: Moderate

OPM has a **Low** risk appetite for

- Tolerating employee conduct that fails to align with OPM's vision, mission, and values
- Allowing data breaches, privacy breaches, unauthorized disclosures, or other conduct that would compromise private information
- Any activity that would cause stakeholders to lose confidence in OPM's ability to robustly carry out its mission, goals, or strategic objectives.

OPM has a **Moderate** risk appetite for

- N/A

OPM has a **High** risk appetite for

- Taking a leadership role in human capital and other related issues that support the agency's objectives
- Rethinking and reimagining established ways of thinking and processes when necessary to advance effective and efficient human capital management