

# Operational Risk



**Michelle Tucker**

**California DOT  
Experience**



# RISKY BUSINESS AT CALTRA

Michelle Tucker  
Chief Risk Officer  
California Department of  
Transportation  
August 25, 2015



**ER**

Office of Enterprise Risk Management



# AGENDA

- Re-cap of Caltrans Enterprise Risk Management Process
- 2013 Top Risks from the Caltrans Enterprise Risk Profile
- Strategic Risks
- Operational Risks



# **ENTERPRISE RISK MANAGEMENT AT CALTRANS**

# Caltrans at a Glance

- Approximately 20,000 employees
- FY 2013/14 Expenditures: \$12.773 billion
- Divided into twelve geographic regions
- 50,539 lane miles on the State Highway System



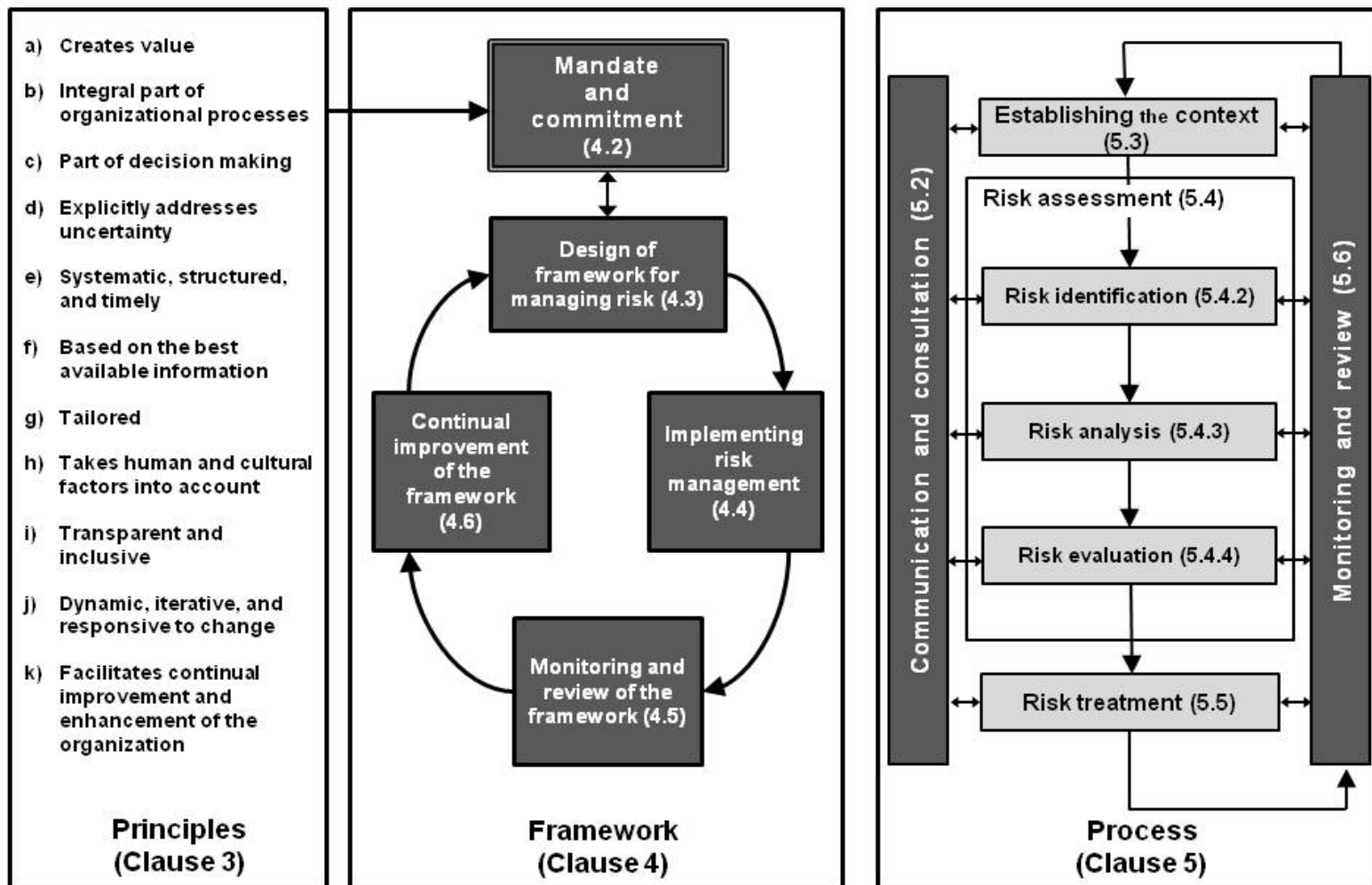
# Background

- The Office of Enterprise Risk Management was established by the Executive Board in February of 2013





# Key Principles for Enterprise Risk Management



# Enterprise Risk Management Definition

- Enterprise Risk Management is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio







# **2013 ENTERPRISE RISK PROFILE**

## **TOP 15 RISKS**

# The Caltrans Enterprise Risk Profile

Caltrans 2013 Enterprise Risk Profile



# Developing the Caltrans Enterprise Risk Profile

- OERM met with each Caltrans Program and District separately
- Risk assessment meetings allowed attendees to openly identify risks that have uncertainty upon our objectives; objectives were defined as the Caltrans goals and values
- Used a combination of brainstorming and expert interviews to identify risks
- Risks were evaluated as both threats and opportunities



# Results from OERM's First Enterprise Risk Assessment

- Approximately 1000 risks identified
- OERM evaluated all risks based on the frequency of finding, controls, likelihood, and impact
- Using a modified affinity analysis technique, OERM identified 15 top categories of risk for Caltrans
- The top 15 risk categories were presented to the Caltrans Executive Board in October 2013
- The Top 15 risk categories provided the foundation for the FISMA and the Caltrans Enterprise Risk Profile

# The Top 15 Risk Categories

*The Top 15 Categories of Risk to Caltrans' Objectives in 2013:*

- Develop Our Workforce
- Develop Shelf Ready Projects & Project Initia Documents
- Enhance Communication to Improve Reputa
- Engage and Support Employees
- Ethical Employees & Strong Performance Ma
- Financial Risks from External Mandates
- Flexibility in Environmental Stewardship



# The Top 15 Risk Categories

## *The Top 15 Categories of Risk to Caltrans' Objectives in 2013:*

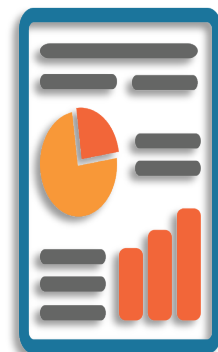
- Foster Partnerships
- Increase Equipment & Vehicle Availability
- Innovative Information Technology
- Reinvent Caltrans Culture
- Strategic Cell Phone Deployment
- Streamline the Delivery Process
- Strengthen Contract & Procurement Process
- Support Skilled & Ethical Supervisors





# Results of the Last Risk Assessment

- Enterprise Risk Profile
  - Planned treatment complete for 30 of 52 identified risks by direct action or establishing of performance measures in the 2015-2020 Strategic Management Plan
- Audits and Investigations
  - Audit plan developed to evaluate controls associated with risk identified in the department's discipline process and financial systems, and PID process

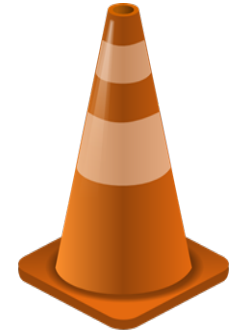




# **STRATEGIC RISKS**



- **Mission:** Provide a safe, sustainable, integrated, and efficient transportation system to enhance California's economy and livability.
- **Vision:** A performance-driven, transparent, and accountable organization that values its people, resources and partners, and meets new challenges through leadership, innovation, and teamwork.
- **Goals:**
  - Safety & Health
  - Stewardship & Efficiency
  - Sustainability, Livability, & Economy
  - System Performance
  - Organizational Excellence



# Strategic Enterprise Risk Management: Organizational Excellence Goal

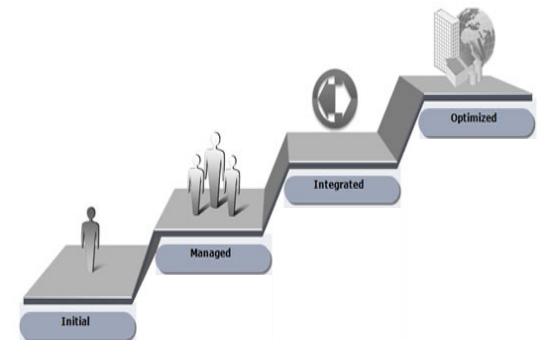
## *Organizational Excellence*

Be a national leader in delivering quality service through excellent employee performance, public communication, and accountability.

*Objective:* Cultivate an environment that encourages proper identification, management, and communication of risk across all levels of the organization and makes intelligent decisions based on that analysis.

# Accountability and Performance Management: Strategic Plan Targets

- **Risk management maturity model**
  - Provides a clear framework for process-implementation assessment based on industry-standard best practices, focusing on long-term conscientious risk treatment
  - Target to move to “managed” or “leadership” in designated areas by 2020
- **Employee survey**
  - Increase positive response rate to risk questions by 5% annually





# Exercise 4: Active Management of Risks to High Priority Objectives

Shobna Varma





# Strategic Enterprise Risk Management: Internal Engagement

- Office of Strategic Management and strategic goal teams
- Incorporation of risk into performance objectives
- MAP-21 Risk Based Asset Management Plan



# **OPERATIONAL RISKS**

# Examples of Implemented Controls for Previously Identified Risks

- Deployment of a statewide GPS fleet management system
- Implementation of mandatory contract manager training
- Roll out of an Ethics Helpline
- Strengthening of centralized workforce planning activities

# Examples of an Implemented Control



- Caltrans New Brine Removing Solution is Cheaper and More Efficient
- ✓ Emerging Technology
- ✓ Safety, Transportation System, and Funding Risks
- ✓ Linked to CT Goals of Safety, Stewardship, and Mobility
- ✓ Positive Result of Risk!

# Thank You

