

Launching an ERM



Michelle Tucker

**California DOT
Experience**



CALTRANS EXPERIENCE IN LAUNCHING ERM

Michelle Tucker
Chief Risk Officer
California Department of
Transportation
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ER

Office of Enterprise Risk Management





*“Would you please elaborate on
‘Then something bad
happened’?”*

Why Enterprise Risk Management

- Employee Conduct
- Legislative Interest in Enterprise Risk Management and Ethics at Caltrans
- Industry Trends
- Surveys
- Program Review
- MAP-21





**SOUNDS LIKE A LOT OF
BUSINESS SPEAK**

Let's Tell the Story

- Industry Trends
- Enterprise Risk Management in the Business World
- Risk Management at Caltrans Prior to 2013

Why the Industry Change

- Sarbanes Oxley Act of 2002
- Federal Sentencing Standards, revised in 2004
- COSO's 2004 *“Enterprise Risk Management – Integrated Framework”*
- 2009 **ISO 31000**, a family of standards relating to risk management

What is Enterprise Risk Management

- Enterprise risk management looks at the whole agency
- Also known as “agency” or “corporate” risk management
- Identifies risk from various sources and how they relate; assess overall enterprise-wide risk
- Should be embedded in company culture

Enterprise Risk Management

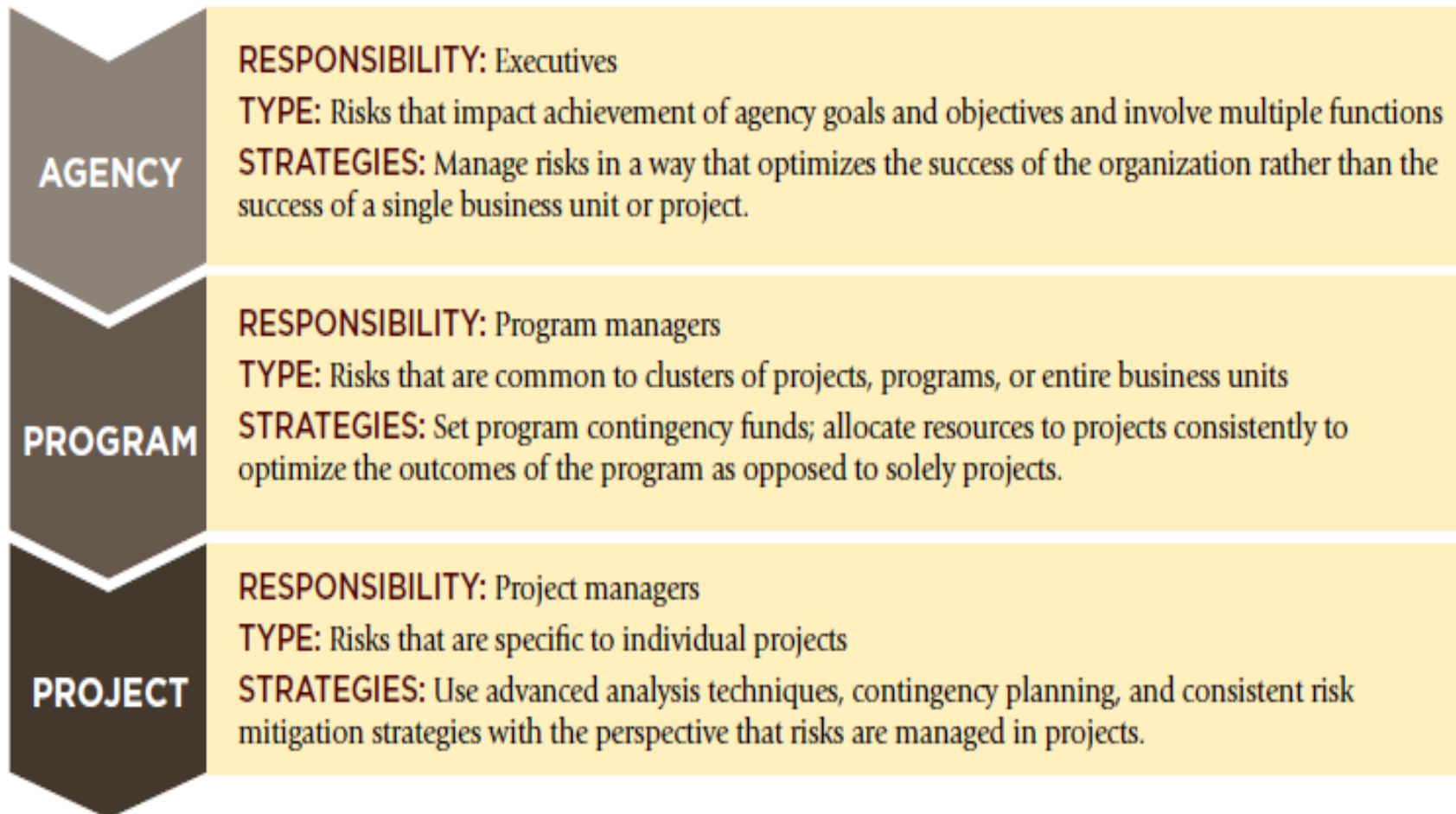
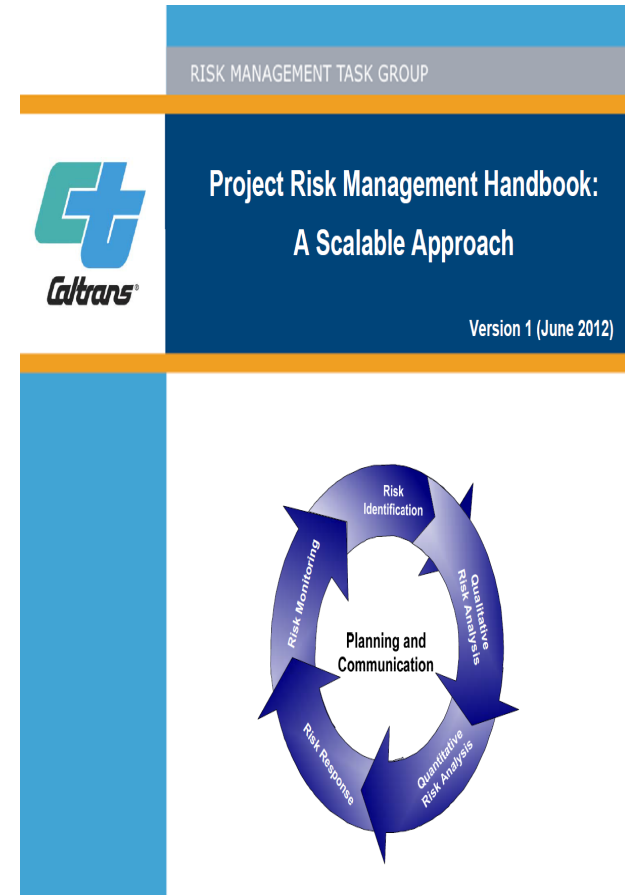


Figure 3. Levels of enterprise risk management (agency, program, and project).

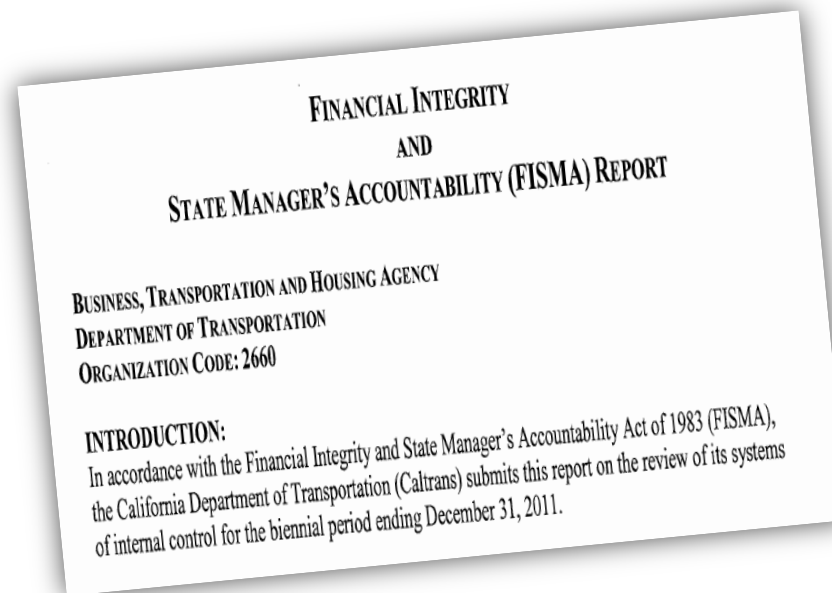
Risk Management at Caltrans

- Caltrans has nationally renowned Project Risk Management practices
 - New Deputy Directive
 - New guidebook, with risk register required and increased approvals
 - District and HQ partnerships



Risk Management at Caltrans

- Biennial risk and control assessments
 - Risk assessments with executive and senior management
 - Look for common areas of risk to develop strategy and prioritize response





LAUNCHING ERM AT CALTRANS

It Takes a Village

- Enterprise Risk Management Requires Strong Executive Support
- With the support of the Caltrans Executive Board, the Office of Enterprise Risk Man



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Creating a New Culture



Ad Hoc

- Heroic adventurers sailing into uncharted and incomprehensible territories.
- Did we consult the best oracles?
- Continually reacting in a panic to lives uncertainties.



Managed

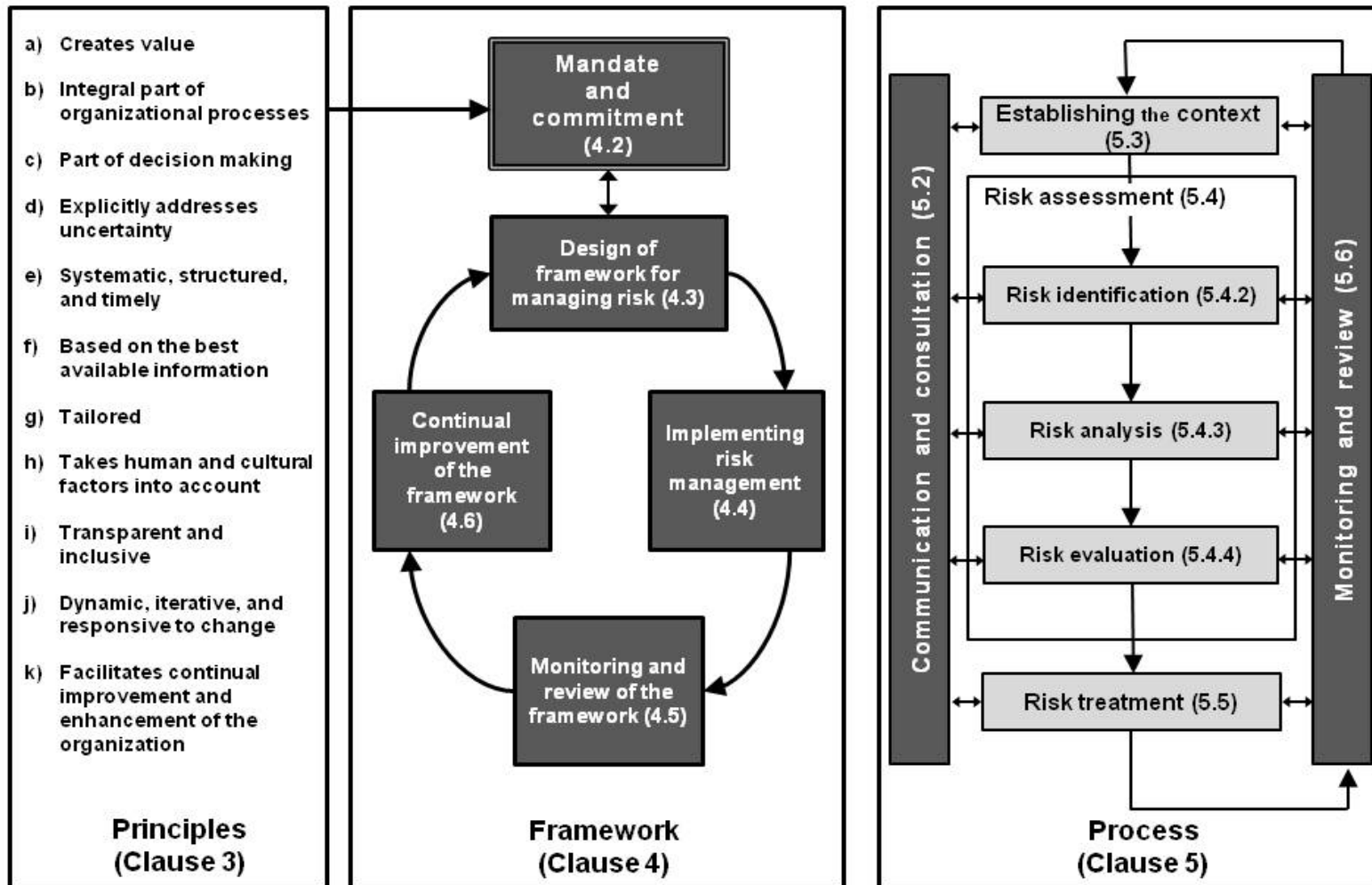
- Has the cargo been insured against loss?
- Have we charted the best course to avoid known hazards
- Do we have plans for what we might encounter?

Creating a New Culture

**Everyone does some form
of risk management –
from the boardroom to
the mailroom**

**Creating a formal Process
ISO 3100**

Choosing the Caltrans ERM Process



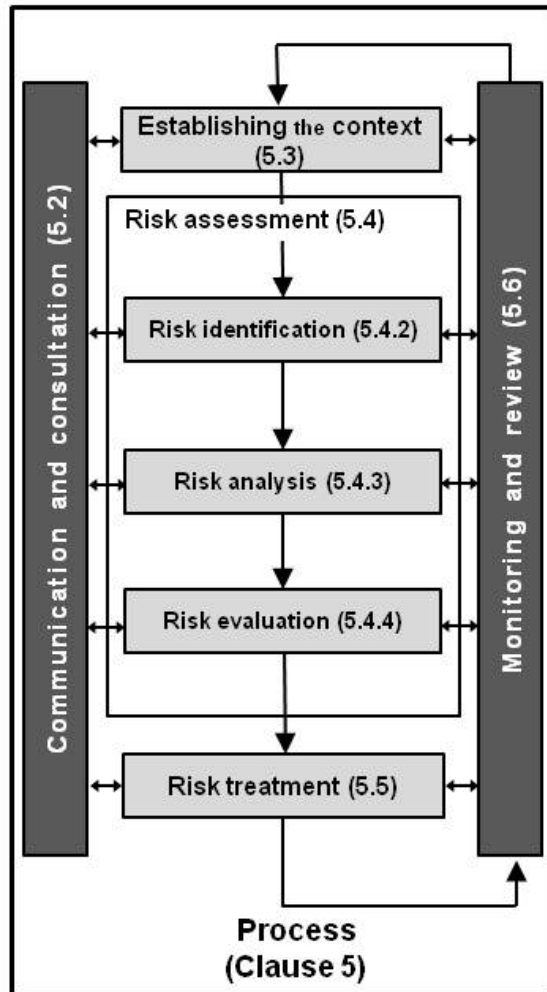
The Caltrans Enterprise Risk Profile

Caltrans 2013 Enterprise Risk Profile




Caltrans Enterprise Risk Profile

ISO 31000 Risk Process



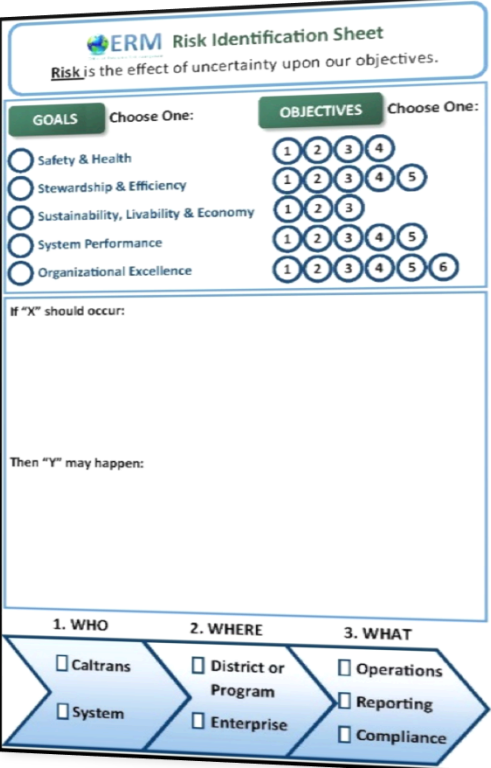
- Caltrans used the Risk Management Standards from the International Standards Organization (ISO 31000) to develop our risk assessment process
- The Enterprise Risk Profile is a tool used by Caltrans to record, track, and address enterprise level threats and opportunities



FUTURE OF ENTERPRISE RISK MANAGEMENT

Future of ERM at Caltrans: Risk Identification Sheets

- Aligns risks with 2015-2020 Strategic Plan objectives
- Captures who the risk impacts, where the risk occurs, and what category the risk falls into.
- Codes risks relating to transportation system for the Office of Asset Management



ERM Risk Identification Sheet
Risk is the effect of uncertainty upon our objectives.

GOALS Choose One:

- Safety & Health
- Stewardship & Efficiency
- Sustainability, Livability & Economy
- System Performance
- Organizational Excellence

OBJECTIVES Choose One:

| | | | | | |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | | |
| 1 | 2 | 3 | 4 | 5 | |
| 1 | 2 | 3 | | | |
| 1 | 2 | 3 | 4 | 5 | |
| 1 | 2 | 3 | 4 | 5 | 6 |

If "X" should occur:

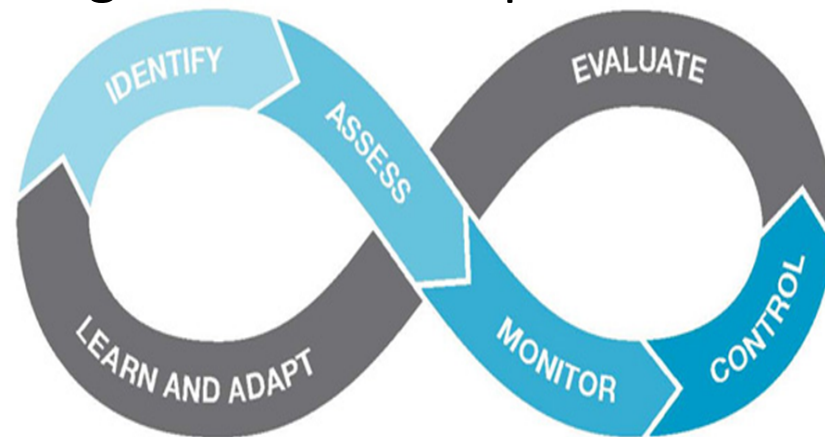
Then "Y" may happen:

1. WHO **2. WHERE** **3. WHAT**

| | | |
|-----------------------------------|--|-------------------------------------|
| <input type="checkbox"/> Caltrans | <input type="checkbox"/> District or Program | <input type="checkbox"/> Operations |
| <input type="checkbox"/> System | <input type="checkbox"/> Enterprise | <input type="checkbox"/> Reporting |
| | | <input type="checkbox"/> Compliance |

Future of ERM at Caltrans: Likelihood and Impact Scoring

- Likelihood and impact scoring has been expanded from a 1:3 to a 1:5 scale
- A consequence table is being provided to facilitate consistent and transferable ratings across the department.



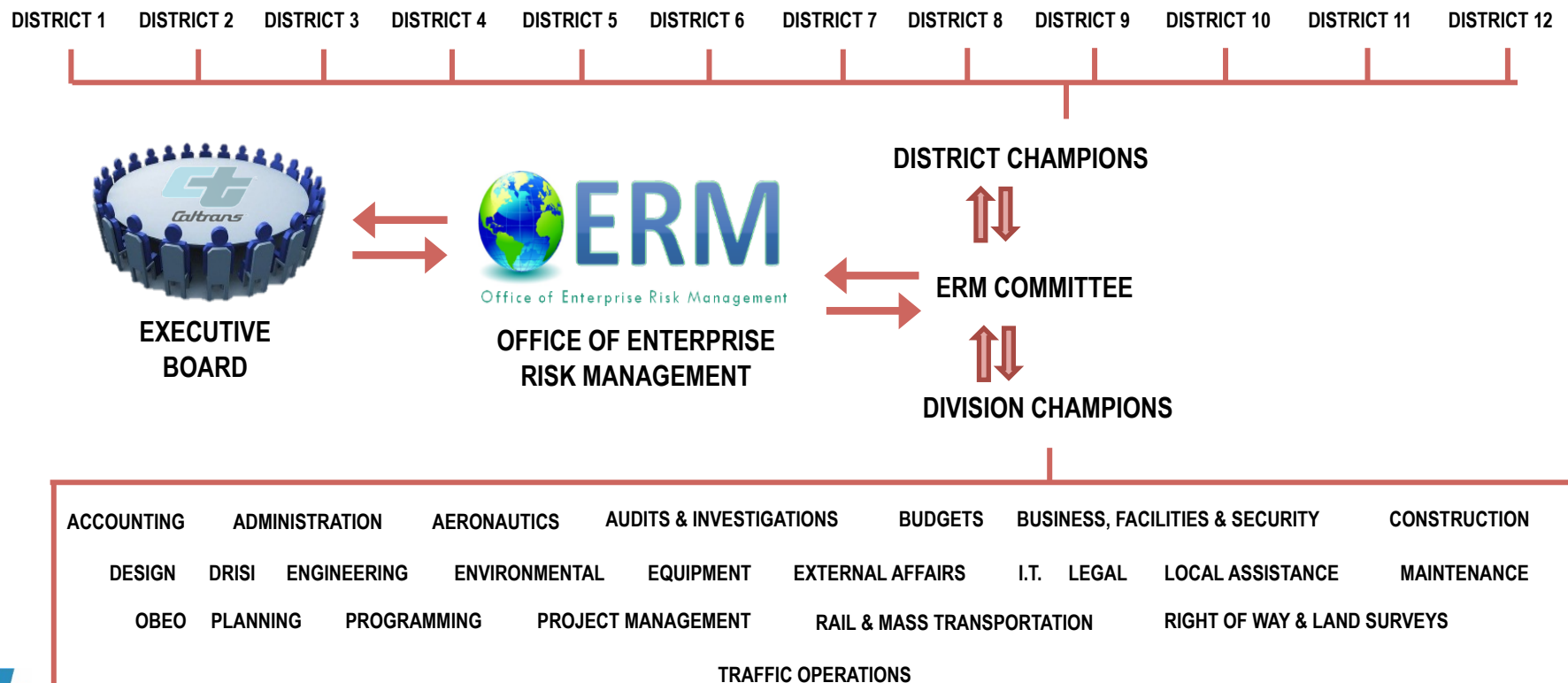
Future of ERM at Caltrans: Enterprise Risk Management Training Program

- A draft **ERM Champion Training** has been developed
 - ERM Champions are the stewards of the ERM process for their districts or programs, and act as liaisons for OERM
 - This training will be a more comprehensive course in risk management principles and practices
- An **ERM Training Development Advisory Team** meeting for all employee training is scheduled for late August
- **Target deployment for ERM Training** is the end of calendar year



Future of ERM at Caltrans: Reporting Risks to Executive Board

- Every District and Program has a voice in the Enterprise Risk Management Process



Thank You

