Project Delivery Directive

TITLE: Project Risk Management

To: *Project Delivery Employees*

Number: PD-09
References: Project Risk Management Manual: A Scalable Approach

Effective Date: July 1, 2012

Supersedes: Richard D. Land Memo May 2, 2007, Carlton L. Haack Memo April 7, 2004, J. Mike Leonardo March 30, 2004 Memo *Implementation of Project Risk Management in Project Delivery*

Review by: July 1, 2015

DIRECTIVE

Risk management shall be applied to all capital and major maintenance projects for which the Department has delivery responsibility. The minimum risk management requirements based solely on the total project cost are:

Estimated Cost (Capital and Support)	Risk Management Requirements
Minor A, Minor B and other projects less than $1 million	Risk register encouraged
<$5 million	Risk register
$5 million to $100 million	Risk register with qualitative analysis
>$100 million	Risk register with quantitative analysis

However, the project's overall complexity should determine the Risk Management Requirements for that project. Project-specific changes to the above minimums must be approved by the District Deputy Director for Program/Project Management. The risk register shall be maintained throughout the project's lifecycle. Each functional unit shall include the project risk management requirements into their guidance and manuals by July 1, 2013.

BACKGROUND

Every project has risks, regardless of project size or complexity. Risks have negative or positive effects on at least one project objective (cost, time, scope, and quality). Unfortunately, known risks are often not communicated to the next phase of project delivery. Project Risk Management (PRM) minimizes surprises that impede successful project delivery through effective communication of risks throughout the delivery process.

Project delivery success can be increased by establishing and maintaining a risk register over the project lifecycle. The risk register accountability checkpoints communicate project risks and responses forward through the project delivery phases such that risks are known, understood and managed.

The *Project Risk Management Handbook: A Scalable Approach* is the new user guide for implementing PRM: http://onramp/riskmanagement. It is a "how to" guide for all project team members to use across all phases of project delivery. In addition to the new handbook, risk management training and subject matter experts are available to assist project teams in successfully implementing project risk management.

DEFINITIONS

Project Risk Management (PRM) is a process for planning for, identifying, analyzing, communicating, managing and responding to project risks through all phases of project delivery.

Scalable Approach to project risk management provides the level of effort that is appropriate to a particular project depending on its size and complexity.

Risk is an uncertain event or condition that, if it occurs, has a negative (threat) or positive (opportunity) effect on at least one project objective.

Project Objectives are the agreed-upon delivery targets such as cost, time, scope and quality.

Risk Register is a document (typically a spreadsheet) that contains a list of identified risks, the results of a qualitative risk analysis and/or a quantitative risk analysis, the risk owners and an agreed-upon risk response strategy.

Qualitative Risk Analysis is the process of prioritizing risks.

Quantitative Risk Analysis is the process of numerically (costs or time) analyzing the effect of identified risks that have been prioritized by the Qualitative Risk Analysis process on overall project objectives.

Risk Response is the actions to be taken to enhance opportunities and/or reduce threats to the achievement of project objectives.

Accountability Check-Points are critical points during the project development phases where a formal sign-off (as described under *Responsibilities*) occurs. Sign-off signifies that there is an understanding and acceptance of the risks moving forward through the project

Project Lifecycle includes all of the phases of project delivery from project initiation to project close-out.

RESPONSIBILITIES

Chief Engineer:

- Issues Project Risk Management (PRM) policy.

Chief, Division of Project Management:

- Leads, champions, sponsors and implements PRM by developing and maintaining, policies, guidance (including the *Project Risk Management Handbook: A Scalable Approach*), procedures, practices, training and expertise.
- Provides Headquarters risk management coordination.
- Supports the District Risk Management Coordinators.
- Ensures consistent application of risk management practices.
- Facilitates procurement of risk management specialists as needed.

Chief, Divisions of Construction, Design, Engineering Services (DES), Environmental Analysis, Right of Way and Land Surveys, and Planning:

- Ensure that PRM requirements are inserted into their guidance and manuals.
- Work together to ensure that risks are communicated and signed-off across the entire project lifecycle.

District Directors:

- Ensure that PRM is followed.
- Appoint District Risk Management Coordinator.

Deputy District Directors and DES Deputy Division Chief Program/Project Management (Single Focal Points):

- Ensure PRM has the resources required to achieve the desired results.
- Ensure Project Managers comply with PRM.
- Ensure risks are communicated at the check points.
- Sign-off at accountability check points, accepting the disposition of risks.
- Approve exceptions to project risk management requirements.

Deputy District Directors, Project Delivery and Engineering Services Deputy Division Chiefs:

- Work together to ensure risks are being communicated and signed-off across the entire project lifecycle.
- Ensure functional units communicate and update their risks at the communication and accountability check points.
- Sign-off at communication and accountability check points, accepting the disposition of the risks.

Functional Managers:

- Review all risks designated "high risk."

Project Managers:

- With input from the Project Development Team (PDT), determine the project's risk register requirements based on project estimate and complexity.
- Promote and direct risk management for the project.
- Request project-specific changes to minimum risk management requirements.
- Populate and maintain the project risk register with risks developed by functional units and the PDT.
- Ensure proactive response to all risks and opportunities that will impact the successful delivery of the project.
- Produce risk management reports for sponsors.
- Inform Department management about risk management results, major issues and concerns.
- Schedule and conducts project risk meetings.
- Monitor and update risks.
- Ensure quality of the risk data in the risk register.
- Track and monitor the effectiveness of risk response actions.
- Elevate issues to district management for resolution as necessary.
- Take lead role in obtaining signoffs at accountability check points.

District Risk Management Coordinators:

- Assist Project Managers implementing PRM requirements.
- Provide expertise, direction and assistance.
- Obtain expert services as needed.
- Liaison with Headquarters risk management.

Project Risk Managers:

- Promote and direct risk management for the project.
- Schedule and conduct project risk meetings.
- Perform risk monitoring and updating.
- Ensure quality of the risk data in the Risk Register.
- Document risk response actions.
- Track and monitor the effectiveness of risk response actions.
- Report to the Project Manager on all matters related to risk management.

Project Risk Managers, continued:

- Accumulate the lessons learned in the area of risk management.
- Produce risk management reports for PM.
- Populate the project risk register with risks developed by functional areas.

Project Delivery Team Members and Task Managers:

- Identify and assess risks and determine the risk owners.
- Develop responses to risks.
- Document risk response actions and report to Project Managers for inclusion in risk management updates.
- Communicate new risks to Project Managers.
- Retire risks.

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June 1, 2012
Date Signed