

# ENTERPRISE RISK MANAGEMENT AT CALTRANS



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Planning Horizons  
June 25, 2014



# ERM

Office of Enterprise Risk Management

# Objectives for Today

- What is Enterprise Risk Management
- Enterprise Risk Management at Caltrans
- Caltrans Enterprise Risk Profile
- The Top 15 Risks
- Business Ethics
- What can the Office of Enterprise Risk Management do for you?





# RISK MANAGEMENT AT CALTRANS

*Making the connection*

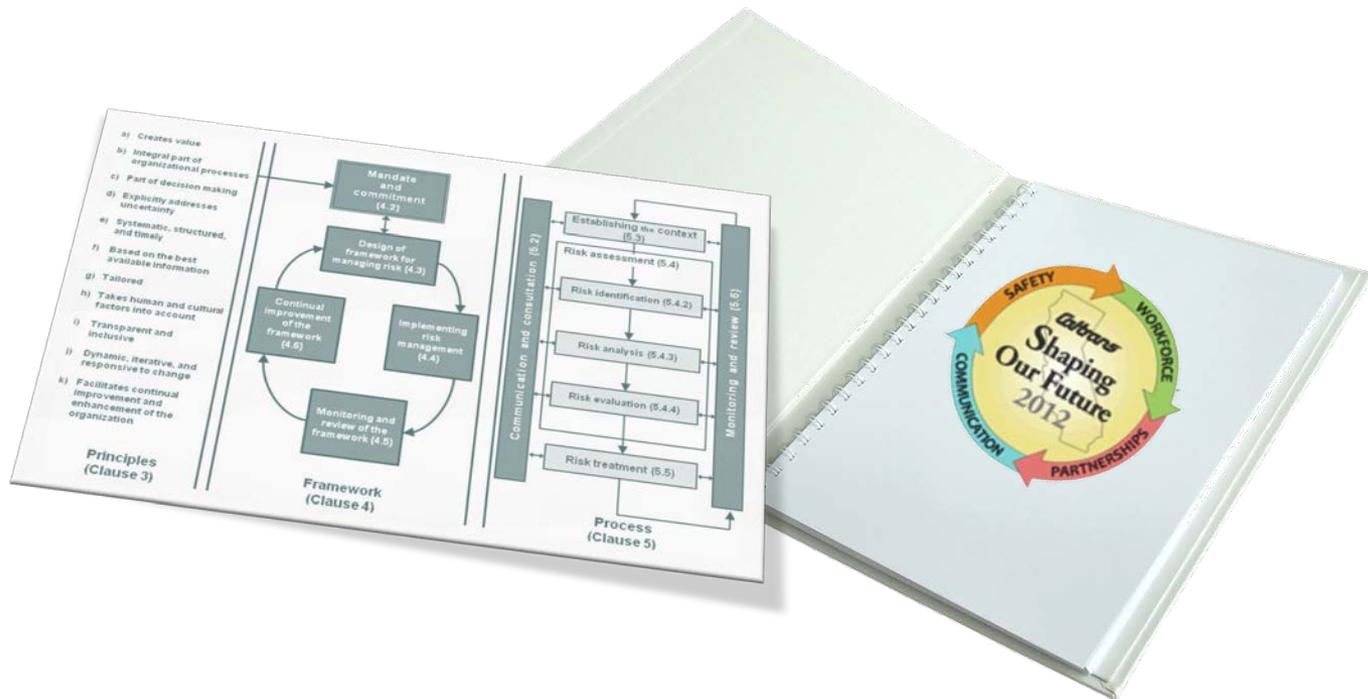


**ERM**

Office of Enterprise Risk Management

# Background

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

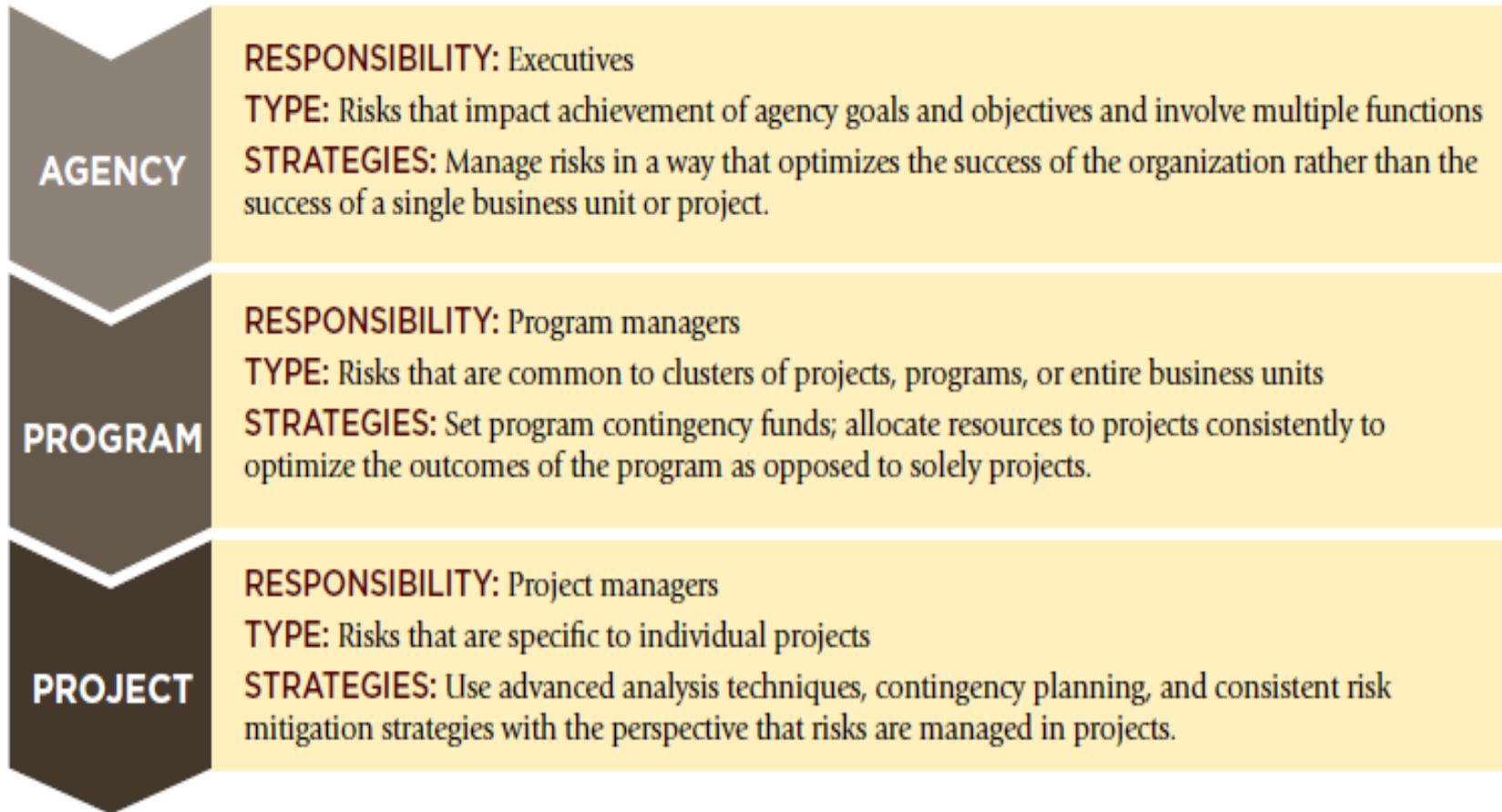


# Enterprise Risk Management Definition

- 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



# What is Enterprise Risk Management?



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

# ERM at Work in Caltrans Today

- Biennial risk assessments as required under the Financial Integrity and State Manager's Accountability Act (FISMA)
- Risk consultancy with internal clients

FINANCIAL INTEGRITY  
AND  
STATE MANAGER'S ACCOUNTABILITY (FISMA) REPORT

California State Transportation Agency  
California Department of Transportation  
Organization Code: 2660

## INTRODUCTION

In accordance with the Financial Integrity and State Manager's Accountability (FISMA) Act of 1983, the California Department of Transportation (Caltrans) submits this report on the review of its systems of internal control and monitoring processes for the biennial period ending December 31, 2013.



# CALTRANS ENTERPRISE RISK PROFILE

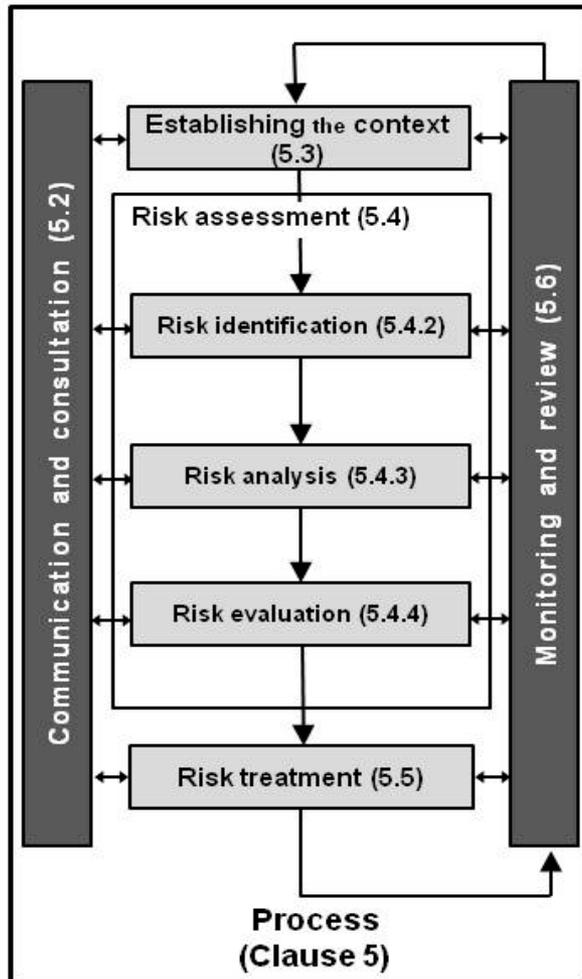


# What is the Caltrans Enterprise Risk Profile?

Caltrans 2013 Enterprise Risk Profile

# What is the 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

# 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

# Developing the Caltrans Enterprise Risk Profile

- 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

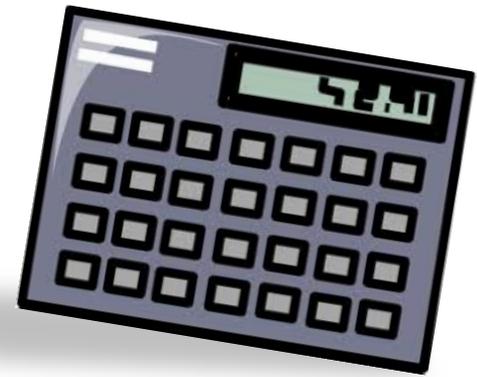


# RISK FINDINGS

*The top 15 categories*



# Findings



## 2013 Risk Assessment

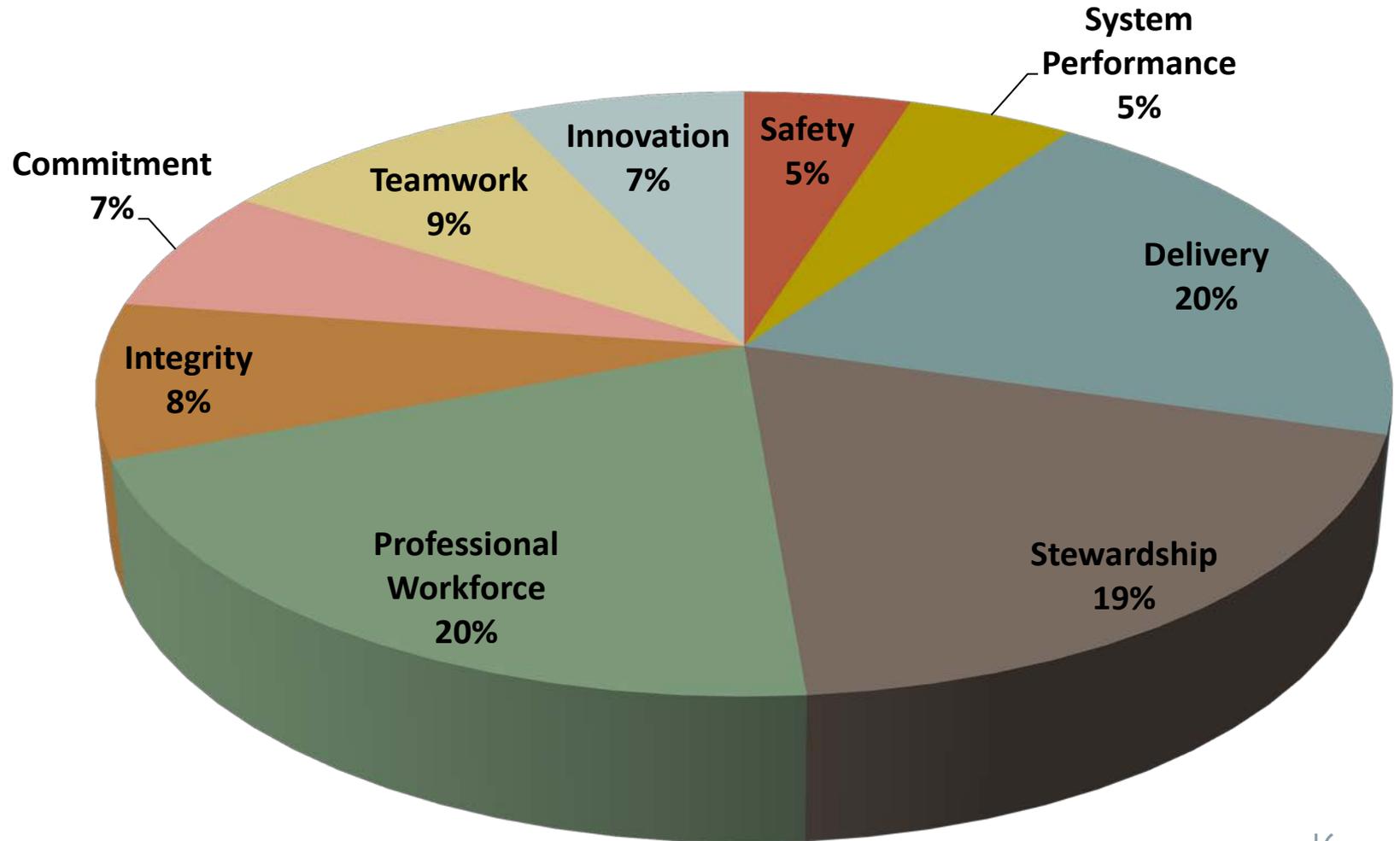
- Number of Threats Identified 672
- Number of Opportunities Identified 327
- Total Number of Risks Identified 999

\*Numbers are subject to change based on final Risk Identification Worksheets

# Risks Identified by Districts and Programs

District/Program	# Threats	# Opportunities	Total
District 1	27	9	36
District 2	37	13	50
District 3	12	6	18
District 4	28	18	46
District 5	18	16	34
District 6	16	26	42
District 7	31	10	41
District 8	33	11	44
District 9	35	14	49
District 10	10	33	43
District 11	61	12	73
District 12	53	34	87
Administration	19	24	43
Audits and Investigations	17	0	17
External Affairs	2	20	22
Finance	24	27	51
IT	16	19	35
Legal	18	10	28
Maintenance & Ops	94	0	94
OBEO	14	9	23
Planning & Modal	20	16	36
Project Delivery	87	0	87
<b>TOTALS</b>	<b>672</b>	<b>327</b>	<b>999</b>

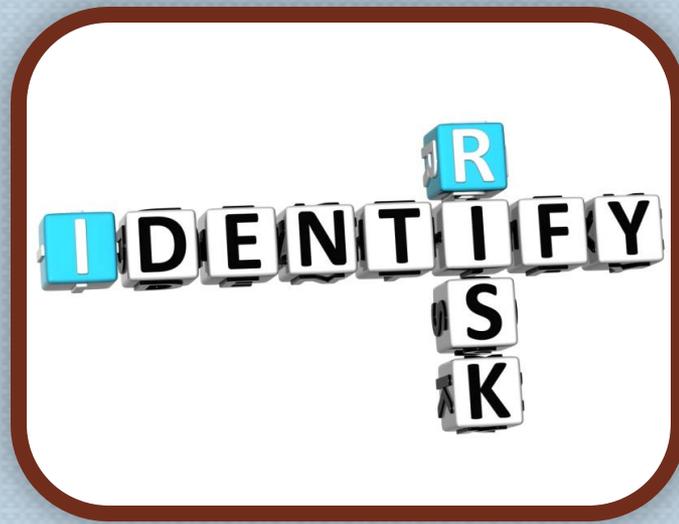
# Percentage of Risks that Impact our Objectives



# Findings

- OERM reviewed all identified risks
- Created broad risk categories based on greatest risks
- Placed identified risks into the categories



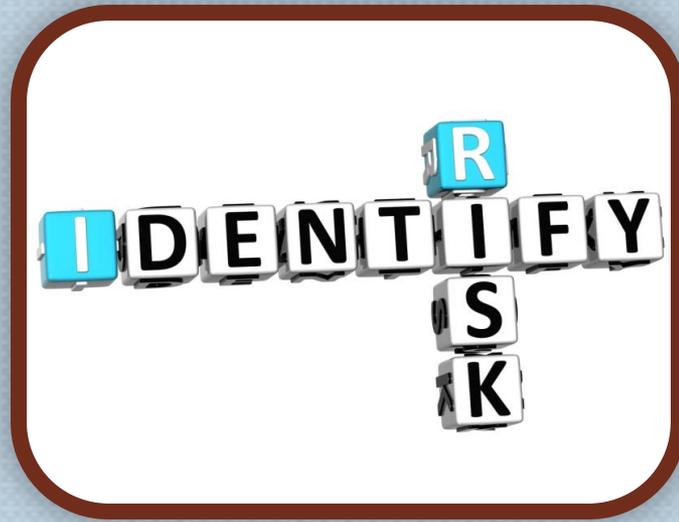


## #1 Develop Our Workforce

- Promulgate knowledge transfer
- Bolster recruitment and retention
- Implement workforce planning solutions

## #2 Develop Shelf Ready Projects and PIDS

- Take advantage of unexpected funding sources
- Challenge development of projects for specific funds only
- Lack of shelf ready projects

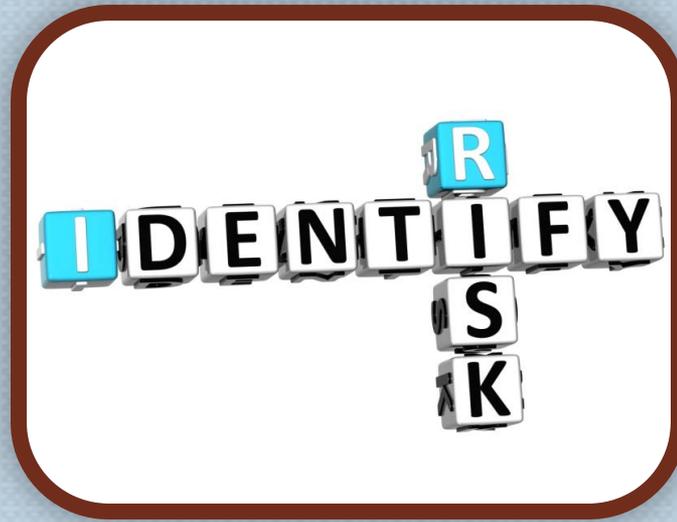


### #3 Enhance Communication to Improve Reputation

- Leverage social media
- Increase public engagement
- Promote good works through television, newspapers and public/legislative presentations

### #4 Engage and Support Employees

- Achieve pay parity
- Recognize valuable contributions
- Improve communication between supervisors and staff
- Revise IDP Process

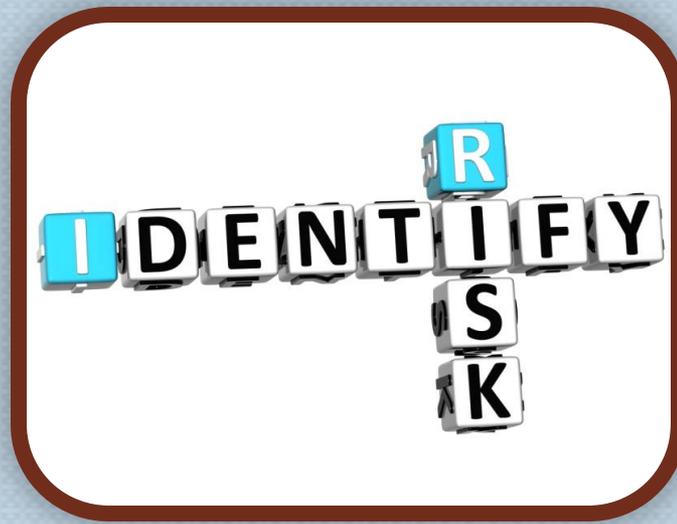


#### #5 Ethical Employees and Strong Discipline

- Accelerate timeframe and process for disciplining employees
- Increase supervisor confidence in discipline
- Promulgate ethical behavior and conduct

#### #6 Financial Risks from External Mandates

- Zero based budgeting
- Buy America
- Fully expend federal funds
- Adequate funding for mandates

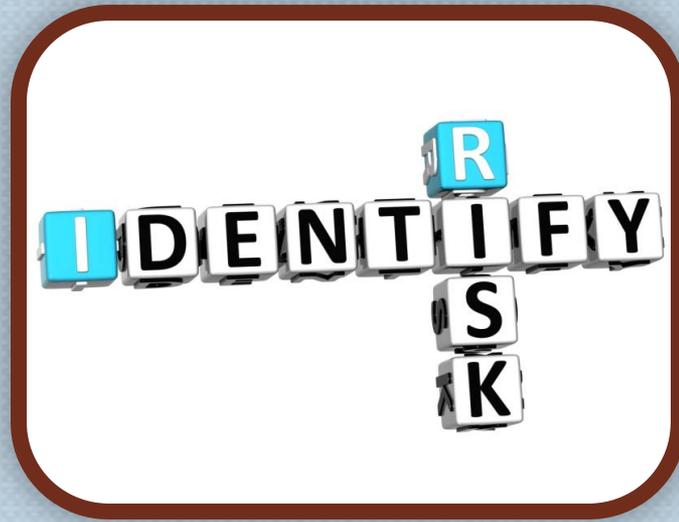


## #7 Flexibility in Environmental Stewardship

- Responsibly streamline the environmental process
- Meet environmental commitments

## #8 Foster Partnerships

- Productive local partnerships
- Enhance trust with external partners
- Become the consultant of choice

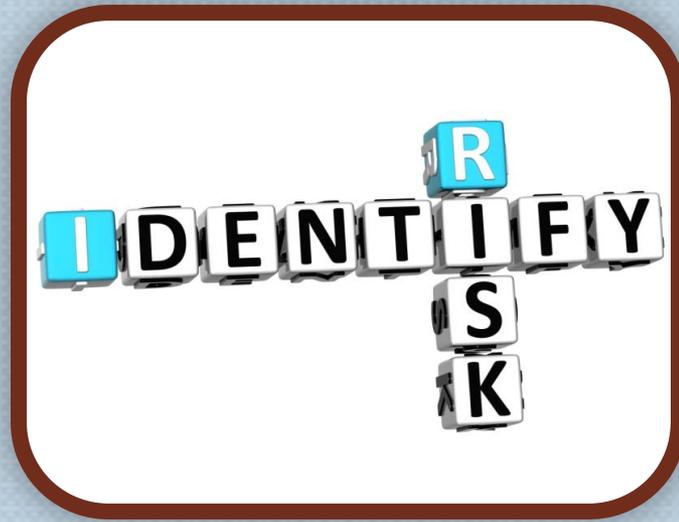


## #9 Increase Equipment and Vehicle Availability

- Low vehicle inventory
- Inadequate vehicle data tracking
- Prolonged periods of maintenance and service
- Bulk Fuel & Voyager Cards

## #10 Innovative Information Technology

- Availability of current IT tools
- Data classification
- Embrace free web-based technology
- Tablets for field work

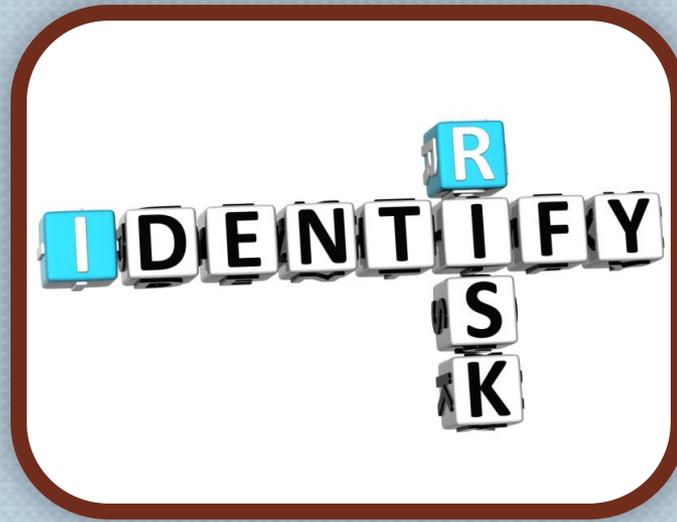


## #11 Reinvent Caltrans Culture

- Geographically and culturally isolated units
- Balance political pressures
- Regionalization
- Improve the divide between HQ and Districts

## #12 Strategic Cell Phone Deployment

- Insufficient Availability
- Delays in Response Time
- Compromised Safety

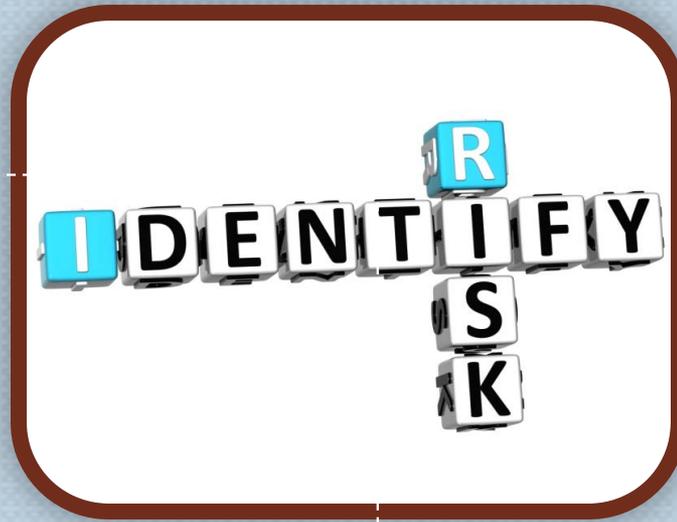


### #13 Streamline the Project Delivery Process

- Temper expectation for delivery
- Deliver within the scope, cost and schedule
- Engage internal partners early on

### #14 Strengthen Contract and Procurement Processes

- Monitor contract performance
- Refine CalCard use
- Use purchase orders
- Implement contract manager training

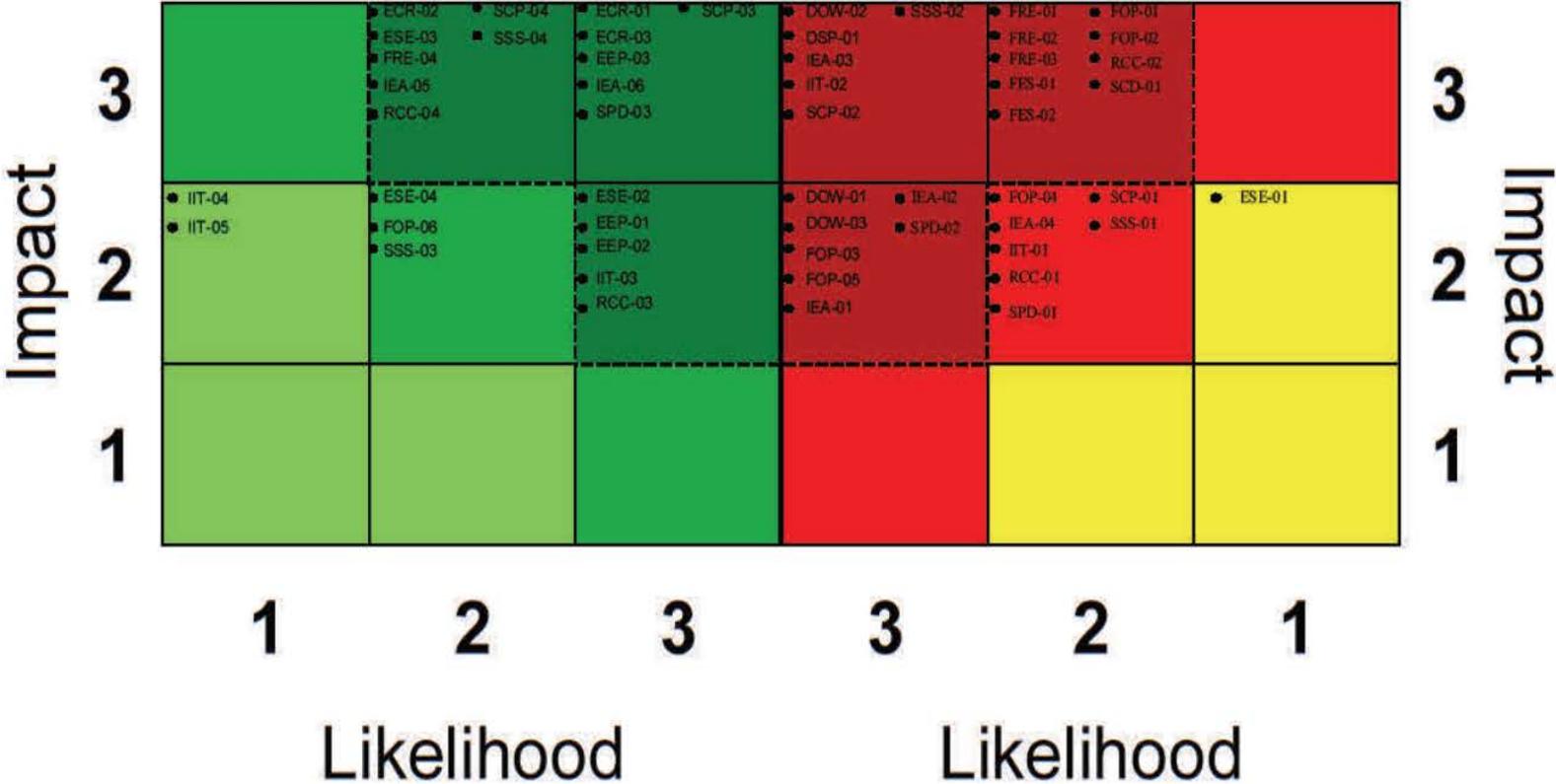


## #15 Support Skilled and Ethical Supervisors

- Enforce policies and document standards of operation
- Increase supervisor accountability
- Provide regular refresher training

# Caltrans 2013 Enterprise Risk Register Heat Map

Heat Map  
Enterprise Risk Register



# The Caltrans Enterprise Risk Register

## Threat Risks

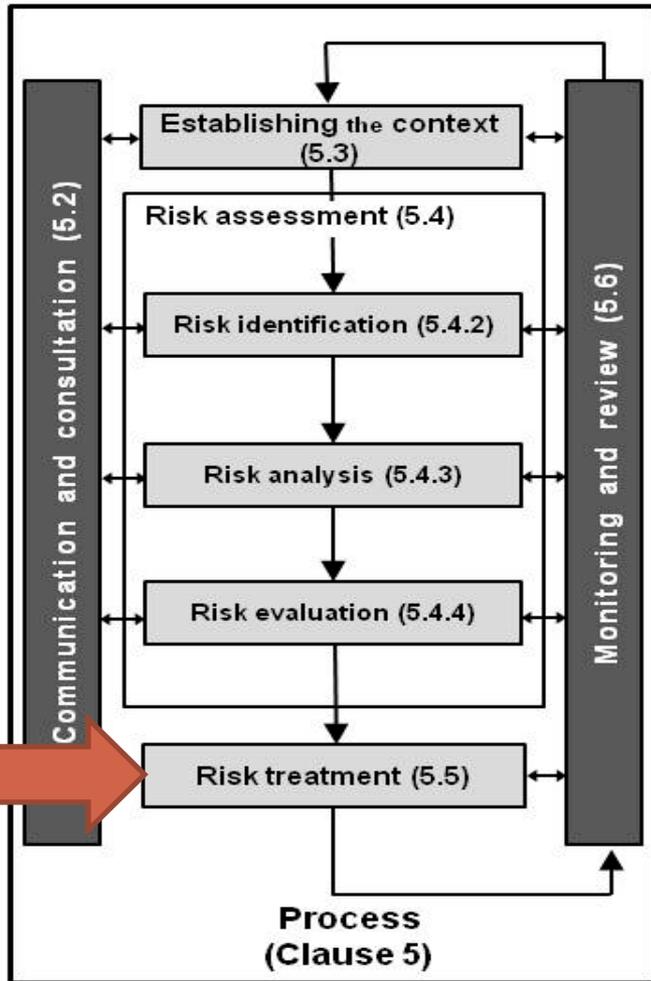
Risk Level	Reference No.	Risk Category	Likelihood	Impact	Page
Very High	DOW-01	Develop Our Workforce	3	2	13
	DOW-02	Develop Our Workforce	3	3	13
	DOW-03	Develop Our Workforce	3	2	13
	DSP-01	Develop Shelf Ready Projects	3	3	15
	FRE-01	Financial Risks from External Mandates	2	3	23
	FRE-02	Financial Risks from External Mandates	2	3	23
	FRE-03	Financial Risks from External Mandates	2	3	23
	FES-01	Flexibility in Environmental Stewardship	2	3	25
	FES-02	Flexibility in Environmental Stewardship	2	3	25
	FOP-01	Foster Partnerships	2	3	27
	FOP-02	Foster Partnerships	2	3	27
	FOP-03	Foster Partnerships	3	2	27
	FOP-05	Foster Partnerships	3	2	27
	IEA-01	Increase Equipment and Vehicle Availability	3	2	29
	IEA-02	Increase Equipment and Vehicle Availability	3	2	29
	IEA-03	Increase Equipment and Vehicle Availability	3	3	29
	IIT-02	Innovative Information Technology	3	3	31
	RCC-02	Reinvent Caltrans Culture	2	3	33
	SCD-01	Strategic Cell Phone Deployment	2	3	35
	High	SCP-02	Strengthen Contract and Procurement Process	3	3
SPD-02		Streamline the Project Delivery Process	3	2	37
SSS-02		Support Skilled and Ethical Supervisors	3	3	41
FOP-04		Foster Partnerships	2	2	27
IEA-04		Increase Equipment and Vehicle Availability	2	2	29
IIT-01		Innovative Information Technology	2	2	31
RCC-01		Reinvent Caltrans Culture	2	2	33
SPD-01		Streamline the Project Delivery Process	2	2	37
SCP-01		Strengthen Contract and Procurement Process	2	2	39
SSS-01		Support Skilled and Ethical Supervisors	2	2	41
Low	ESE-01	Engage and Support Employees	1	2	17

## Opportunity Risks

Risk Level	Reference No.	Risk Category	Likelihood	Impact	Page
Very High	ECR-01	Enhance Communication to Improve Reputation	3	3	19
	ECR-02	Enhance Communication to Improve Reputation	2	3	19
	ECR-03	Enhance Communication to Improve Reputation	3	3	19
	ESE-02	Engage and Support Employees	3	2	17
	ESE-03	Engage and Support Employees	2	3	17
	EEP-01	Ethical Employees and Performance Management	3	2	21
	EEP-02	Ethical Employees and Performance Management	3	2	21
	EEP-03	Ethical Employees and Performance Management	3	3	21
	FRE-04	Financial Risks from External Mandates	2	3	23
	IEA-05	Increase Equipment and Vehicle Availability	2	3	29
	IEA-06	Increase Equipment and Vehicle Availability	3	3	29
	IIT-03	Innovative Information Technology	3	2	31
	RCC-03	Reinvent Caltrans Culture	3	2	33
	RCC-04	Reinvent Caltrans Culture	2	3	33
	SPD-03	Streamline the Project Delivery Process	3	3	37
High	SCP-03	Strengthen Contract and Procurement Process	3	3	39
	SCP-04	Strengthen Contract and Procurement Process	2	3	39
	SSS-04	Support Skilled and Ethical Supervisors	2	3	41
	ESE-04	Engage and Support Employees	2	2	17
	FOP-06	Foster Partnerships	2	2	27
Low	SSS-03	Support Skilled and Ethical Supervisors	2	2	41
	IIT-04	Innovative Information Technology	1	2	31
	IIT-05	Innovative Information Technology	1	2	31

# Next Steps: Risk Treatment

## ISO 31000 Risk Process



- Start the Risk Treatment Process
- Assign Risk Owners



# Next Steps: Risk Treatment

- *Risk Treatment Options:*

## Mitigate

- Remove the risk source
- Change the likelihood and consequences
- Modify controls

## Accept

- Accept risk as is

## Enhance

- Take or increase risk in order to pursue an opportunity

## Avoidance

- Withdraw in order to not be exposed to a particular risk

# Caltrans Enterprise Risk Register

- Available electronically on our internal website at <http://admin.dot.ca.gov/oerm/>
- Bound copies can be requested from our Office

Contact Information:  
Administration  
Office of Enterprise Risk  
Management  
1120 N Street, MS-89  
Sacramento, CA 95814

## **ENTERPRISE RISK MANAGEMENT HIGHLIGHTS**

→ Decision Document

→ Organizational Chart

**\*\* NEW \*\***

→ Caltrans 2013 Enterprise  
Risk Profile





*“The reputation of a  
thousand years is  
determined by the  
conduct of one hour.”  
– Japanese proverb*

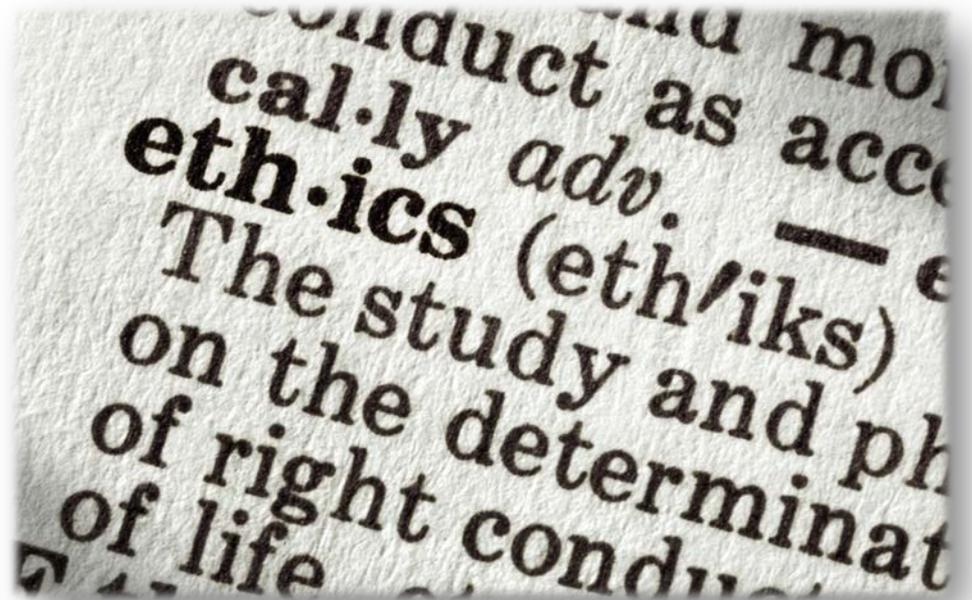
# **CALTRANS ETHICS & VALUES**



# WHAT IS ETHICS?

The embodiment of those values that the person or organization feels are important..., and spell our proper conduct and appropriate action.

- *Merriam Webster*







## **Drivers Leading to Creating the Caltrans Ethics Function:**

- **Good for Business/Employees**
- **Risk Management/Liability**
- **Public Image/Trust/Reputation**



## Good for Business

Organizations that are perceived as “ethical” are better able to attract and retain business, and attract and retain good employees.



# Good for Employees

- Improves morale
- Teamwork, creativity and collaboration flourish
- Misconduct is reduced



# Risk Management and Ethics

Organizations that take steps towards building a strong “ethical” culture and invest in a solid ethics program see a substantial payoff.

# Risk Management and Ethics

- Reporting increases
- Workplace pressure is reduced
- Misconduct is reduced
- Retaliation is reduced

# Public Image

**“What you do speaks so loudly that I cannot hear what you say.”**

**-Ralph Waldo Emerson**





**WHAT CAN OERM  
DO FOR YOU?**



# OERM Services

- Bi-Annual Caltrans Enterprise Risk Profile which is part of the Financial Integrity and State Managers Accountability (FISMA) Report
- Ad hoc professional services for risk assessment/management and decision support
- Ethics Helpline
- Ethics Training
- Conflict of Interest (Form 700)
- Workforce Planning
- Responsible for Motivation Handbook and Knowledge Transfer Guidebook



# Questions



# Thank You

