Risk Assessment Process Instructions

Gather your key managers and subject matter experts (SMEs) to discuss new enterprise risks. With them, create basic risk statements around the critical threats and opportunities you see facing Caltrans. These should primarily focus on changes to internal and external factors since 2015.

Using the instructions and form provided below, for each of the new risks you have identified, supply the nine key pieces of information about each proposed risk. This information will be brought before the entire Executive Board for discussion and approval, and you may be called on to explain or defend additions to the Enterprise Risk Register. In order to qualify as an **enterprise risk**, it must meet one or more of the following qualifications:

- Has the potential to have a high impact on the Department's mission, vision, or goals.
- Is systemic and requires a statewide coordination of treatment response.
- Be proven untreatable by existing program or district management policies and resources.

In the near future, **we will be creating response plans and monitoring progress for every risk in the Register**. Because of that, to be on our Enterprise Risk Register a risk should also:

- Be a true risk with uncertainty built into it and potential solutions, not simply an issue, problem, or irritation.
- Have a Caltrans-centric scope—something that Caltrans can address or respond to, not requiring substantive change by the legislature, unions, state civil service limitations, etc.

If you have any questions about the instructions, or want DOIRSM to be in the room to facilitate this discussion, contact Nate Lyday via email at Nathaniel.lyday@dot.ca.gov or phone at (916) 654-7040.

The information will be used to update the Enterprise Risk Register, may influence our biennial State Leadership and Accountability Act (SLAA) report, and will inform our Strategic Management Plan review this summer.

Glossary

Analysis: studying a risks potential root causes and assessing—through use of a scale—the likelihood, impact, and velocity of the risk

Controls: the processes, procedures, tools, laws, policies, rules, equipment, positions, etc. that are already used to control risk, ensure compliance, and help operations run more smoothly

District/Program Risks: a risk that can primarily be addressed in the scope of one District or Program

Enterprise Risks: a risk that meets one or more of the following qualifications:
- Has the potential to have a high impact on the Department's mission, vision, or goals.
- Is systemic and requires a statewide coordination of treatment response.
- Be proven untreatable by existing program or district management policies and resources.

Identification: identifying a risk by precisely stating the potential cause and effect as specifically as possible

Impact: the effect, outcome, or consequence of a risk event if it did occur

Likelihood: the probability, possibility, or potential that a given risk event could happen

Opportunity: a risk that has potentially positive outcomes

Prioritization: determining which risks to focus resources toward in order to influence or adjust the likelihood, impact, or velocity

Response: an action intended to influence a risks likelihood, impact, or velocity

Risk: the effect of uncertainty on objectives

Risk Management: the strategic use of culture, capabilities, and practices by which organizations manage risk as they create and preserve value

Threat: a risk that has potentially negative outcomes

Velocity: the speed at which a risk event—if it did happen—would occur, or the speed at which decisions about the risk would need to be made to influence its occurrence

Instructions for Defining Proposed Risks

1. Risk Statement
The risk statement should fit the above mentioned definition of an enterprise risk and should be one succinct sentence, clear, and phrased similar to "If [event] happens, then [result] may occur." It is worth the effort to be specific, to question whether the statement addresses a symptom or a root cause, and to re-write it based on group discussion.

2. Opportunity/Threat Identification
An opportunity is a risk with potential positive results; one that could help us better achieve our intended outcomes. A threat is a risk with potential negative results; one that could hinder our pursuit of our mission. Double check each proposed risk statement to see that it clearly matches how you've identified it here. If a situation has both threats and opportunities (as is common), feel free to write multiple statements.

3.-5. Likelihood, Impact, and Velocity [5-point scale]
- The **likelihood** score relates to how likely, probable, or possible an event is while in its current state without removing or adding any controls or making any other kind of response.
- The **impact** score measures the severity of the outcome, consequence, or result that would occur from said event, whether positive or negative.
- The **velocity** score measures how soon the event in question may occur, including measuring how rapidly decisions regarding this risk ought to be made.

Each of these scores is measured on a simple 5-point scale, with one referring to the least and five referring to the most likely/impactful/rapidly approaching. DOIRSM has included guidance tables that may help while assigning scores.

6. Area of Impact
Simply identify whether the risk *primarily* relates to <u>Caltrans as an organization</u>, to the physical <u>transportation system</u> itself, or to <u>the State</u> of California as a whole.

7. Current Controls
Internal controls are processes, procedures, tools, laws, policies, rules, equipment, positions, etc. that are already used to control risk, ensure compliance, and help operations run more smoothly.
In short, they are actions taken to help make the right things happen and the wrong from happening. Please provide a **short description** of the controls, **who is responsible** for them, and **how often** and **where** they influence the risk, as applicable.

8. Response/Mitigation Ideas and Sources
Potential ideas about what could be done to pursue, share, or enhance opportunities; avoid, transfer, or mitigate threats; or whether the best response is to monitor the risk until it changes enough that another response is more appropriate. These general categories of response should spur conversation, but we need more specific ideas and people/resources that we can help investigate the suggested responses.

9. Risk Owner
This is the name of the individual contact person responsible for addressing the identified risk. This is the responsible party.

Risk Data Points

1. Risk Statement:

_____
_____
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_____

Circle whichever applies:

2. Opportunity/Threat Identification: Opportunity   Threat

3. Likelihood: *Low*   1   2   3   4   5   *High*

4. Impact: *Low*   1   2   3   4   5   *High*

5. Velocity: *Low*   1   2   3   4   5   *High*

6. Area of Impact: Caltrans as an organization   The Transportation System   The State of CA

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7. Current Controls:

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8. Mitigation/Response Ideas and Sources:

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9. Risk Owner:
Name - _____   Program/District - _____