



- I presented to you last year on why we - the board of directors of AASHTO - should focus more attention on enterprise risk management.
- You asked me to do more work with the membership and report back this year.
- We've made great progress and I will share with you our achievements and what we now see in front of us.

# What is ERM and Why Should You Care?



## What is Enterprise Risk Management (ERM)?

- A structured, consistent, repeatable and continuous process for identifying, aggregating, measuring and reporting risk across our DOTs.
- It is NOT an exercise to eliminate all risks.
- ERM is an enabler - mitigates uncertainty to objectives

## Why Should You Care?

It's a part of our work every day!

- High risk crash locations
- Focus on high-risk structures
- Firewalls on our IT networks
- A key aspect of MAP-21



2015 AASHTO Annual Meeting

2

- Risk management is the cultures, processes and structures that are directed towards the effective management of potential opportunities and threats.
- It is NOT about eliminating all risks!
- Risk is a part of every DOT's activities
  - Safety risks
  - Asset risks
  - Extreme weather risks
  - Data security risks
- MAP-21 requires the development of a risk-based transportation asset management plan. We all have define and include risk management in these plans.
  - FHWA has taken a risk-based approach to stewardship and oversight
- As the diagram on the right shows, risk management is core to our strategic objectives and programs in our agencies.



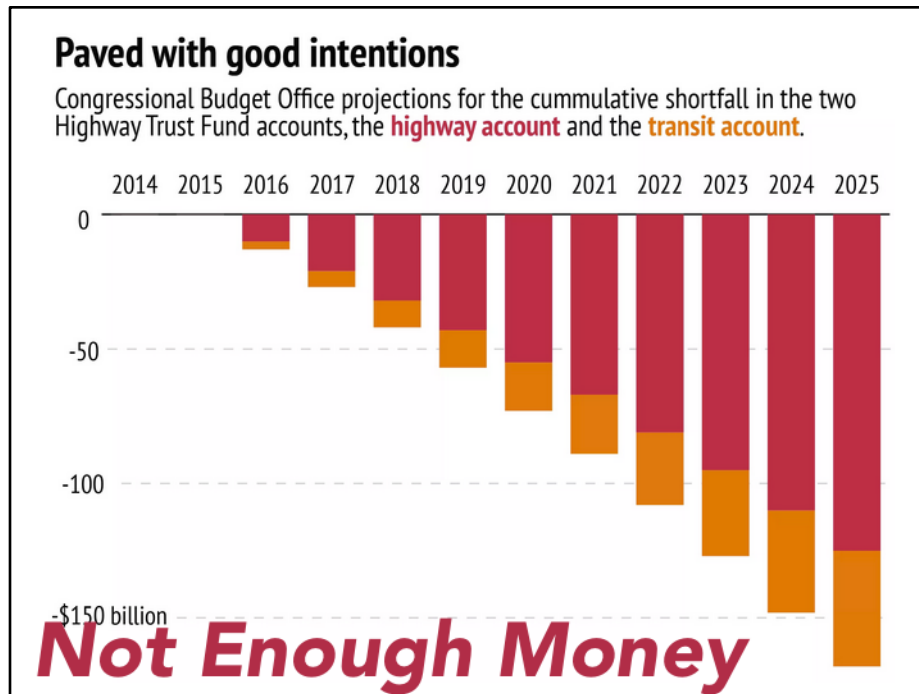
- Do you wake up at night thinking about the risks of deteriorating structures?



- How many of you have trains carrying thousands of gallons of fuel going through your state?
- Charlie and Tim in Minnesota worry about this....
- Do you worry about an incident like the one in Quebec (Lac-Mégantic) in 2013 when a freight train carrying crude oil rolled down a hill and derailed in the downtown.



- Many of us have motor vehicle registration and licensing under us.
- Data breaches are serious risks that are becoming greater threats to our customers.



- The risk of not having enough money to delivery a safe transportation system for our travelers is becoming a reality that most of us need to address.

# Recent History



## NCHRP report on ERM completed in 2011

The US & DOT's are lagging - more than 60% of state DOT's did not have a formal ERM program; 40% never or rarely applied enterprise risk strategies

Most U.S. agencies that practice risk management apply it to construction projects but not to broader programs or to their enterprises as a whole.

## International Scan in 2011 led to initial set of activities

### Communication and Marketing

- Many TRB presentations
- Published paper
- CEO Roundtable at 2012 AASHTO Annual Meeting
  - Summary report
- NHI webinar (available online)
- NCHRP executive summary report, full report, bookmark, brochures

### Research

- NCHRP Project 20-24 (74) Exec Strategies for RM
- NCHRP Project 8-36, Task 121 Successful ERM Implementation in State DOTs
- FHWA RM & AM series of five reports

### Training

- NHI ERM course

### Governance

- Discussion on creation of AASHTO task force
- Discussion on TRB section creation

2015 AASHTO Annual Meeting

7

A lot has happened since we started our ERM journey in 2011 with the completion of an NCHRP report and an international scan.

I reported on these last year.

## This Year's Progress



- Completed NCHRP 08-93 - Managing Risk Across the Enterprise: A Guidebook for State Departments of Transportation
- Conducted ERM workshop for state DOT executive leadership (August 2015 in Minneapolis)
  - 26 state DOT executives
  - 20 states represented
- Initiated effort to develop a roadmap for state DOTs to launch and improve ERM programs

Risk Matrix with Impact and Likelihood Definitions

	Risk	Likelihood				
		Very Low	Low	Medium	High	Very High
Impact	Catastrophic	Low	Medium	High	Very High	Very High
	Major	Low	Medium	High	Very High	Very High
	Medium	Low	Medium	High	Very High	Very High
	Minor	Low	Medium	High	Very High	Very High
	Minimal	Low	Medium	High	Very High	Very High

2015 AASHTO Annual Meeting

8

- We've accomplished a lot in the past year!
- We completed an ERM guidebook that will be a major resource for better implementing ERM
  - It will be available early next year.
- We also conducted an important workshop for state DOT executives that was held last month in Minneapolis.
  - We had 26 state DOT executives present and 20 states represented.
  - It was a wonderful gathering where the more experienced states like Washington, Minnesota, and California shared their lessons learned
- We also started a project to produce a roadmap that a state DOT can use to launch and improve ERM programs.
  - This will include many "how to's" and links to examples.



## Recommendations: Short Term



- AASHTO webinar sharing workshop content (Fall 2015)
- ERM Guidebook publication (Spring 2016)
- ERM governance @ AASHTO (Spring 2016)
  - Include in Committee on Committee Review (CCR)
- Establish ERM Community of Practice (Fall 2015)
  - Subcommittee on Asset Management (for now)

2015 AASHTO Annual Meeting

9

- We have a clear agenda in front of us!
- In the short term we are going to conduct a webinar for all of our membership to share what we gained at the ERM workshop last month.
- We will be working on getting the ERM Guidebook published expeditiously as an AASHTO publication.
- We also hope to have ERM included in the results of the CCR initiative.
- We will also create an ERM community of practice, housed under the Subcommittee on Asset Management for now until the CCR results are known.

## Recommendations: Medium Term




- Add ERM to AASHTO's new CEO training (after 2016 election cycle)
- Develop one-stop portal for ERM resources that state DOTs can access
- Improve training resources
  - NHI RM course
  - New trainings
- Integrate the concept of risk management into all AASHTO committees

2015 AASHTO Annual Meeting

10


- In the 2016 and 2017 timeframe we hope to add ERM into AASHTO's new CEO training.
- There is great interest in our community to create a one-stop portal for ERM resources where we can share available guidance and cases.
- There is a need to get better training to our staff on ERM and how to apply it to the work we do in our DOTs
  - We will encourage our FHWA partners to update the current NHI course on risk management
  - We will also consider new types of trainings that can benefit our agencies
- As AASHTO, we have the opportunity to increase knowledge and understanding of ERM by getting all of our committees to consider its application to their scopes.
  - Let's work together in the coming year to make this a reality!



# Questions

2015 AASHTO Annual Meeting

11



Please let me know if you have any questions or comments.