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Secretary of Transportation

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Date

## Enterprise Risk Management

### I. Introduction

#### A. Policy

The Washington State Department of Transportation (WSDOT) proactively identifies, assesses, and responds to threats and/or opportunities that may affect the delivery of WSDOT's strategic and performance-based objectives and their intended outcomes.

The WSDOT's Transportation Safety and Systems Analysis (TSSA) Division is authorized to lead and administer the WSDOT Enterprise Risk Management (ERM) program.

#### B. Supersession

This Secretary's Executive Order supersedes and replaces the prior version with the same title, dated June 17, 2022. All references to the superseded E 1038.08 now reference E 1038.09.

#### C. What Has Changed

This revision makes the following changes, though the direction to employees remains the same:

- In Section II, it makes a minor change to clarify the existing language.
- In Subsection III.B, it replaces the Office of Human Resources and Safety name with the current Office of Human Resources, Safety, and Employee Experience name. It also makes minor changes to clarify the existing language.
- In Section V, it makes minor edits to existing references.

### II. Secretary's Executive Order

ERM enables management to identify, prioritize, and manage uncertainty related to achieving WSDOT's strategic objectives. The five main areas of risk are:

- **Risk Accounting and Substantiation** – assets, organization and program risks, and risk treatment plans.
- **Risk Governance and Review** – designated risk owners, risk managers, and risk management teams; quality risk management plans and risk reviews.
- **Control** – internal audit and internal control.
- **Loss Prevention** – legal risks and third-party claims.
- **Delivery** – project risks, program risks, and asset risks.

ERM contributes to better understanding and achievement of WSDOT's organizational, program operations, and asset-related goals. It also provides an effective decision-making process and bridges gaps between functional silos within the agency.

ERM sustains risk awareness through training and information sharing and provides guidance to all WSDOT programs and employees. All WSDOT employees have a role in identifying and managing risk, and some individuals are risk managers or risk owners charged with overseeing and implementing risk treatment strategies.

The ERM decision-making processes weigh values, objectives, risk basis, risk source, risk impact, risk treatment, resources, and risks/opportunities associated with the delivery of the selected treatment strategy. The ERM program assesses risks in a comprehensive manner and makes risk treatment recommendations that provide the greatest benefit at the lowest cost.

The ERM program identifies opportunities that minimize the frequency and severity of threats and capitalize on opportunities to achieve better outcomes. The ERM Risk Register includes risks identified at the project, program, network, and enterprise levels and provides critical information that decision makers use during the budget development process. Minimizing the likelihood and the severity of impacts can protect the department from negative outcomes, liabilities, and loss.

### **III. Information to Carry Out This Secretary's Executive Order**

#### **A. Executive Roles and Responsibilities**

The Executive Leadership Team is responsible for establishing and implementing policy and procedures as outlined in this Secretary's Executive Order. The Executive Leadership Team shall:

- Provide support to all risk management-focused areas and engage the WSDOT risk managers in reporting regularly to the highest level in the agency.
- Allocate resources, to the greatest extent feasible, to high-risk activities with the goal of preventing or mitigating threats or enhancing opportunities.
- Within available resources, prioritize training to the ongoing professional development of the department's risk managers.
- Regularly review the department's risk policies.
- Support ERM program improvements and allow all areas of risk management to have a chance of regularly reporting to the Executive Leadership Team.
- Consider the WSDOT ERM Risk Register in developing and prioritizing WSDOT budget requests.

#### **B. Administration**

The TSSA Division will administer and coordinate all enterprise risk assessments, as well as the related risk response planning and management activities.

WSDOT organizations and asset stewards support the ERM program by coordinating and consulting with TSSA in developing and administering ongoing risk management and development of risk treatment strategies. WSDOT's goal with the ERM program is to identify and treat risks that affect the ability to deliver the agency's strategic goals and objectives.

TSSA supports Enterprise Risk Management by facilitating cross-functional enterprise risk discussion, review, and risk assessment. TSSA is responsible for the following:

- **Risk Assessments:** Conduct periodic risk assessments for all executives, organizations, programs, operations, and projects as warranted. This includes accounting for the inventory of all risk management plans, and new and updated risk assessments.
- **ERM Review:** Generate the WSDOT ERM review by an agencywide elicitation with information pertaining to actions. Update, analyze, and evaluate the organizational, program operations, and asset class risk assessments, and the annual enterprise risk assessment reported to the Governor.
- **Enterprise Risk Management Policy:** Develop and administer the agencywide enterprise risk program in accordance with this policy and the WSDOT [Enterprise Risk Management Manual](#) M 72-01.
- **Risk Management Workshops:** Provide training to risk owners, risk managers, and risk management teams that creates awareness of best quality risk management practices.
- **Risk Governance:** Administer the development, commencement, monitoring, and control plans, as well as enterprise risk management planning. Define roles and responsibilities of risk owners, risk managers, and risk management teams. Establish the designation of risk managers who continually coordinate with designated risk owners to review risks, present new risks, and update existing risks to determine if any changes are to be made. Assist with the assignment of identified risks and actively monitor progress on risk management strategies and risk response plans, which are reported to the Executive Leadership Team.
- **Enterprise Risk Management Business Planning:** Develop and administer ERM systems to actively substantiate, investigate, report, track, and manage risks at all levels of the agency. Align ERM, organization, and program business plans with the WSDOT Strategic Plan. Review and present recommended modifications to risks.
- **Risk Management Performance and Maturity:** Administer the review of risk management performance and maturity.
- **Liaise with the Office of Risk Management within the Department of Enterprise Services:** Work with the Office of Risk Management within the Department of Enterprise Services regarding the requirements for executing statewide policy, regulation, and law that pertain to state agency enterprise risk management.

WSDOT Internal Audit and Internal Control include risk management in their activities and coordinate with the ERM team in order to maintain consistency in the process of risk assessment. The activities of the Internal Audit and Internal Control offices in the field of risk management should focus on control and follow their internal processes.

WSDOT Business Support Services engages risk management with respect to legal liability, loss prevention, third-party claims, and legal compliance.

The WSDOT Office of Human Resources, Safety, and Employee Experience administers the employee wellness, workplace safety, worker's compensation, and emergency response and disaster recovery activities.

The WSDOT Office of Emergency Management (OEM), a section of the WSDOT Maintenance Operations Division, develops plans and prepares for emergencies, educates employees about emergency preparedness, coordinates emergency response and recovery activities, and collects and provides emergency information. The OEM also operates and maintains the Headquarters Emergency Operations Center (EOC).

The WSDOT Capital Program Development and Management (CPDM) Division develops and administers the WSDOT Risk-Based Asset Management Program and Asset Risk Management in accordance with [Secretary's Executive Order E 1098](#) *Statewide Transportation Asset Management* and the WSDOT [Enterprise Risk Management Manual](#) M 72-01.

The WSDOT Development Division incorporates enterprise risk management planning in developing WSDOT Transportation Project Risk Management Plans.

The WSDOT Transportation Operations Division addresses emerging systems performance issues and makes operational decisions that support traffic systems management and operations and reduce crash potential for all modes of transportation.

#### **IV. Contact for More Information**

For questions or concerns about this Secretary's Executive Order, contact the TSSA Division by phone at 360-704-6363.

#### **V. References**

- Revised Code of Washington [\(RCW\) 43.19.760](#) *Risk management—Principles*
- [RCW 43.19.763](#) *Risk management—Definitions*
- [RCW 43.19.781](#) *Risk management—Safety and loss control program*
- [Governor's Executive Order 16-06](#) *State Agency Enterprise Risk Management*
- Department of Enterprise Services [Risk Management webpage](#)
- Office of Financial Management [State Administrative and Accounting Manual \(SAAM\), Section 20.22](#), "Risk Assessment"
- Office of the Washington State Auditor [BARS GAAP Manual](#) (Budgeting, Accounting and Reporting System Generally Accepted Accounting Principles Manual; within Section 3, "Accounting," see Section 3.2, "Assets," Section 3.3, "Capital Assets," and Section 3.4.9, "Liabilities: Risk Management Principles")
- [Secretary's Executive Order E 1053](#) *Project Risk Management and Risk-Based Estimating*
- [Secretary's Executive Order E 1098](#) *Statewide Transportation Asset Management*
- [Enterprise Risk Management Manual](#) M 72-01
- [Project Risk Management Guide](#)

#### **VI. Review and Update Requirements**

When changes are necessary to update this document, inform the Director of TSSA. The Director of TSSA reviews this document periodically and proposes updates for leadership review and approval by the Secretary of Transportation.

## **Americans with Disabilities Act (ADA) Information**

This material can be made available in an alternate format by emailing the Office of Equity and Civil Rights at [wslotada@wsdot.wa.gov](mailto:wslotada@wsdot.wa.gov) or by calling toll free, 855-362-4ADA(4232). Persons who are deaf or hard of hearing may make a request by calling the Washington State Relay at 711.