



The 3rd Annual Federal Asset Management Policy Forum & Expo

Work Group: **Risk and Review**

Host: **Fox Blocks**

Work Group: **Risk and Review**

Host: **Fox Blocks**

WG Core Members

1. ALN Facilitator: Rob Leibrandt, Camcode
2. Sponsor: Mike Kennaw, Fox Blocks
3. Marlene Millemaci, Deloitte
4. Marsha Campbell, Deloitte
5. Jack Kelly, OMB (ret.)
6. Richard Culbertson, ALN, Director of Governance

Work Group: **Risk and Review**

Host: **Fox Blocks**

Asset Management Landscape

Strategy & Planning

- Asset Management Policy
- Demand Analysis
- Strategic Planning
- Asset Management Plan

Decision Making

- Capital Investment Decision Making
- Operations & Maintenance Decision Making
- Lifecycle Value Realisation
- Resourcing Strategy
- Shutdown/Outage Strategy

Risk & Review

- Risk Management
- Contingency Planning
- Sustainable Development
- Management of Change
- Asset Health Monitoring
- AM System Monitoring
- Management Review
- Asset Costing & Valuation
- Stakeholder Engagement

Information

- Information Strategy
- Information Standards
- Information Systems
- Information Management

Review

- Management
- Contingency Planning
- Sustainable Development
- Management of Change
- Health Monitoring
- System Monitoring
- Management Review
- Costing & Valuation
- Stakeholder Engagement

Risk & Review

- Risk Management
- Contingency Planning
- Sustainable Development
- Management of Change
- Asset Health Monitoring
- AM System Monitoring
- Management Review
- Asset Costing and Valuation
- Stakeholder Engagement



Expected Outcome of the Management of Assets

A key concept in ISO 55000 is **Cost, Risk and Performance**

ISO 55000 states that:

“Effective control and governance of assets by organisations is essential to realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance”.

Best Practices in Risk Management

A Function Coming of Age

Source: The Economist

In the past three years, what have been the most important internal drivers to strengthen risk management in your organisation?

Select up to three responses.
(% respondents)



Source: Economist Intelligence Unit survey, February 2007.

In the past three years, what have been the most important external drivers to strengthen risk management in your organisation?

Select up to three responses.
(% respondents)



Source: Economist Intelligence Unit survey, February 2007.

What do you see as the greatest barriers to the effective management of risk in your organisation?

Select up to three responses.
(% respondents)



Source: Economist Intelligence Unit survey, February 2007.

Work Group: Risk and Review

Host: Fox Blocks

Asset Risk Management

- Asset Risk management is not standalone. Awareness must permeate the organization
- Establish of a centralized office is often necessary, but deferring to a “Chief Risk Officer” can:
 - reduce sense of ownership
 - Other risks particularly financial and program risk often overshadow asset risk
- Asset risks come in many flavors impacting output, infrastructure and personnel
- External drivers can change and monitoring the regulatory risk is constant
- Cultural awareness throughout the organization is key to success
- Must avoid the perception that Risk Management is a current “Fad”

Example Risk: Lack of Available and Reliable Asset Data

- Asset data quality is typically poor
 - Are Property Records valued in your organization?
 - Operators/maintainers don't "see" the value
 - Manual data capture and data entry are error-prone
- Business analytics on poor quality data is at best suspect
- Some businesses use knowledge experts to augment, factor or "fudge" the data
- Implementation of decisions made on suspect analytics MAY provide value

GAO Federal Real Property Management - Risk Overview

Presented by: Keith Cunningham, GAO

Work Group: **Risk and Review**

Host: **Fox Blocks**



Key Existing Statutes, Regulations, and Standards

- OMB Circular A-119 – Use Voluntary Consensus Standards
- OMB Circular A-123 – Management's Responsibility for Enterprise Risk Management and Internal Control
- OMB Circular A-11 – Preparation, Submission and Execution of the Budget
- GPRAMA – Performance Management
- GAO Greenbook
- ISO 55000- Asset Management System
- ISO 33001 – Risk Management

Work Group: **Risk and Review**

Host: **Fox Blocks**

Driving Enterprise Improvements

GPRAMA

- To change behaviors in the executive branch by creating a more explicit fact-based decision-making framework to implement programs and be more results-oriented.
- To strengthen requirements for agency strategic planning.
- To revise agency annual performance planning and reporting requirements.
- To require a link between the performance goals in the annual plan with goals in their strategic plans. The plans also must describe the strategies and resources agencies will use.
- To assure timely, actionable performance information is available to decision-makers at all levels of the organization.
- To set near-term and long-term goals
- To conduct frequent data-driven reviews that guide decisions and actions to improve performance outcomes, manage risk, and reduce costs.

Work Group: **Risk and Review**

Host: **Fox Blocks**

Other Enterprise Partner Policies

A-123 –Update *Moving risk management from a financial management focus to the enterprise and mission*

Some Key Desired Outcomes

- To modernize existing efforts by requiring agencies to implement an **Enterprise Risk Management (ERM)** capability coordinated with the strategic planning and strategic review process established by GPRAMA, and the internal control processes required by **FMFIA** and Government Accountability Office (GAO)'s **Green Book**.
- To **integrate governance structure** to improve mission delivery, reduce costs, and focus corrective actions towards key risks.
- To **engage leadership** from the agency Chief Operating Officer and Performance Improvement Officer, and **close collaboration across all agency mission and mission-support functions**.
- To institutionalize risk management and change culture to understand everyone is responsible for measuring and managing risks to the mission

Roadblocks to Enterprise Outcomes

Siloed Policies

Other Policies tend to focus on single asset types or system elements-

- Clinger Cohen (Information Technology Management)
- Federal Information Technology Acquisition Reform Act (FITARA)
- Federal Financial Accounting Standards (SFFAS) 10, *Accounting for Internal Use Software*.
- M-16-12 - Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing
- Digital Accountability and Transparency Act of 2014 (DATA Act)
- Federal Funding Accountability and Transparency Act (FFATA)
- DOT Map-21 (Moving Ahead for Progress in the 21st Century Act)

Roadmap for Improved Asset Risk Management

- Adopt the basic principles of Strategic Asset Management Plan (SAMP) per ISO 55000 across the Federal Government
- Integrate the principles of SAMP in the A-123 Enterprise Risk Management view
- Establish metrics for “scorecarding” agency adoption of the aforementioned risk management principles
- Annually report Asset Risk Management Planning and Implementation progress by Agency

Demonstrable Balance

Cost, Risk and Performance

- Expression of Risk - Organizational risk management approach incorporates the agreed/acceptable residual risk based upon stakeholder agreed decision making criteria.
- Expression of Performance - quantitative measures against an agreed time frame over which the relevant risks have been identified and mitigated
- Expression of Cost - in dollar terms, but may include other measures; reflects the aggregation of the risk mitigation measures, the direct enabling costs, may also include the opportunity costs associated with any asset or system down time.



Goal: Effective Management of Asset Risk Through Enterprise Risk Management

The blending of Risk with Internal Controls should consider:

- Integration of financial strategies with all asset types investment plans and strategic mission objectives
- Incorporation of ISO 55000 Asset Management System standards as the framework for asset management optimization and a performance measure to hold up for GPRAMA performance requirements
- Use of strategically aligned processes and purpose built technologies
- Partnership -finance and business units build asset investment plans that balance performance, profitability, and risk tolerance to maximize the value of the asset base in order to meet Mission objectives

Importance of ERM to Outcomes

Underlying principles of ERM:

- Every entity exists to realize value for its stakeholders.
- Value is created, preserved, or eroded by management decisions in all activities, from setting strategy to operating the enterprise day-to-day.

ERM supports value creation by enabling management to:

- Deal effectively with potential future events that create uncertainty.
- Respond in a manner that reduces the likelihood of downside outcomes and increases the upside.

Effective Blending of Risk and Internal Controls

ERM implementation will cover essential A-123 outcome objectives

Strategic

Operational

Reporting

Compliance

Risk considerations force a Portfolio view

- Integration of frameworks e.g. ISO 55000 Strategic Asset Management Plan provides total portfolio management and its construct can provide substantial GPRAMA performance measures
- Recognition of portfolio and beyond on interrelationship of risks

Control Activities

- Expands elements of internal controls under a risk control framework
- Setting of objectives are “prerequisite” for internal controls
 - Forms a basis for determining how risks should be managed and assessed
- Policies and procedures ensure that risk responses and other entity directives are carried out.
- Includes application and general information technology controls

Work Group: **Risk and Review**

Host: **Fox Blocks**

Case Study

- Fox Blocks case studies will focus on increasing the resiliency of facility assets and using information asset management processes to assure the of value improved resiliency.

Discussion



Work Group: **Risk and Review**

Host: **Fox Blocks**