EFCOG Best Practice #131

Best Practice Title: "***Institutional Risk Management Committee"*** as a vital part of a maturing the Contractor Assurance Process

Facility: Brookhaven National Laboratory (BNL) managed by Brookhaven Science Associates for the Department of Energy

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Brief Description of Best Practice:

The Institutional Risk Management Committee (IRMC) was commissioned by the Laboratory Director to perform institutional performance and risk management monitoring and make recommendations and where appropriate, decisions on management actions and initiatives.

The IRMC assesses institutional risk in an integrated way through a high-level, broadly constituted, cross-functional group that is familiar with the overall "institutional environment" and the issues and challenges associated with execution of all of the Lab's activities. Such a group brings a diversity of knowledge, experience, and perspective to bear on the analysis of performance and the identification of the associated vulnerabilities and risks to the institution.

The IRMC meets weekly, and meeting agendas are structured around the Laboratory's Assurance Cycle. There are periodic reports on activities across the risk spectrum, e.g. Major Project Status, Strategic Hire Status, Status of Active Litigation, Status of Operational Events, Key Performance Indicators, to name a few. Frequently, current issues are raised and discussed in terms of potential risk and appropriate response.

The IRMC is tasked to identify, assess, and develop mitigation strategies for emerging institutional-level risks. Risks at the directorate level are expected to be identified and managed by the affected Associate Laboratory Director (ALD), and brought to the IRMC when the ALD believes that others may share the issues or the risk has the potential to impact the Laboratory. The risks to be considered and acted upon by the IRMC are broadly defined in the following categories:

i. **Strategy Risk** – risk to achieving strategic goals and objectives
ii. **Reputation Risk** – risk of damage to the Laboratory's reputation in any of the three "simultaneous excellence" areas
iii. **Operational Risk** – risk of a significant incident that seriously impacts people, property, or national security
iv. **Financial Risk** – risk of significant loss, fraud, waste or abuse event, or the risk of loss of certification of a key business system
v. **Tactical Risk** – risk of failure to meet an Annual Laboratory Plan objective or DOE PEMP objective

Information is delivered to the IRMC through reports and presentations that include:

i. **Situational Analysis** (external factors, DOE plans and emerging policies, federal and DOE budget, political developments, etc.).
ii. **Management System Assessment** Status of each management system group.
iii. **Performance Analyses** based on analysis of Key Performance indicators, events and issues management trending and causal analyses, input from DOE surveillances, work observation results, and other inputs.
iv. **Corrective Action Management** including proposed corrective actions and corrective action plans required to make necessary improvement.
v. **Special Reports** on programs of institutional interest.
vi. **DOE Feedback Report/Annual Appraisal** [Presented by the Site Office]
vii. **Significant IA/IO Audit/Review findings**
viii. **Financial Status** based on Laboratory financial performance and forecasts
ix. **Major Project Progress**
x. **Corporate Parent Governance Risk Committee Reports and the S&T Steering Committee Report findings** would typically be presented at the meeting following the Board meeting.
xi. **Reports of the activities of the National laboratory Director's Council** and its affiliated working groups (CROs, COOs, CIOs, GCs).
xii. **Reports to the BSA Board Risk Committees** – The IRMC members who serve as the BNL liaison to the BSA board risk committees will share their report to their committee and their committee's report to the Board, with all IRMC members.

Why the best practice was used:

Assurance systems are designed to ensure mission objectives are met; workers, the public, and the environment are protected; and operational, facility, and business systems are effectively run and contract requirements are met.

Advances in the last several years in planning and evaluating performance against plans have significantly improved management at a high level, but have not typically provided a forum and process for monitoring performance at a high level of granularity that ensures institutional risks are identified early, and effectively mitigated before negatively impacting the Laboratory.

To derive the full benefit from various information analysis and delivery processes, Brookhaven National Laboratory identified a need to define and establish a senior management forum to receive the information, analyze and discuss it, and make recommendations and, where appropriate, decisions, on management actions and initiatives.

What are the benefits of the best practice:

Through the IRMC Laboratory leadership is informed about the status and potential impact of strategic risks in a more structured and systematic manner than existed prior to the advent of the IRMC. Risks have been identified and acted upon that would likely

not have been as readily recognized without the IRMC. The frequent (weekly) discussion around a structured agenda has enabled the top executives of the institution to regularly focus on issues affecting the institution as a whole, and discuss and develop responses that reflect and serve the institution.

What problems/issues were associated with the best practice:

There was more coordination and preparatory work needed for the first several months of IRMC meetings. This is probably hard to avoid as any new group and process takes extra effort at start up.

How the success of the Best Practice was measured:

Success has been measured based upon ongoing feedback from the IRMC members and the managers/leaders that have engaged in the IRMC process. As needed the IRMC discusses their operation and makes adjustments.

In addition, after the initial 6 month deployment of the process, Laboratory leadership commissioned an independent assessment to determine whether this model was serving the intended purpose, as well as to identify gaps in implementation, issues, and opportunities for improvement. The independent assessment concluded that the IRMC is organized to provide the functionality desired by Laboratory leadership (i.e., identification, evaluation, and management of strategic risks). The value and benefit of the IRMC are clear to all personnel interviewed; support is consistent. It is believed that the general objectives established for the IRMC are being achieved – with the understanding that full realization will come as the function matures.

Description of process experience using the Best Practice:

After a year of operation, improvements are being considered by the Laboratory Director's Office that will among other items: (1) bring more effectiveness and discipline to operation of IRMC meetings, (2) establish an approach to manage Risk Registry content and (3) assure that decision authorities and overall responsibilities of the IRMC are clearly integrated with those of the other laboratory councils.