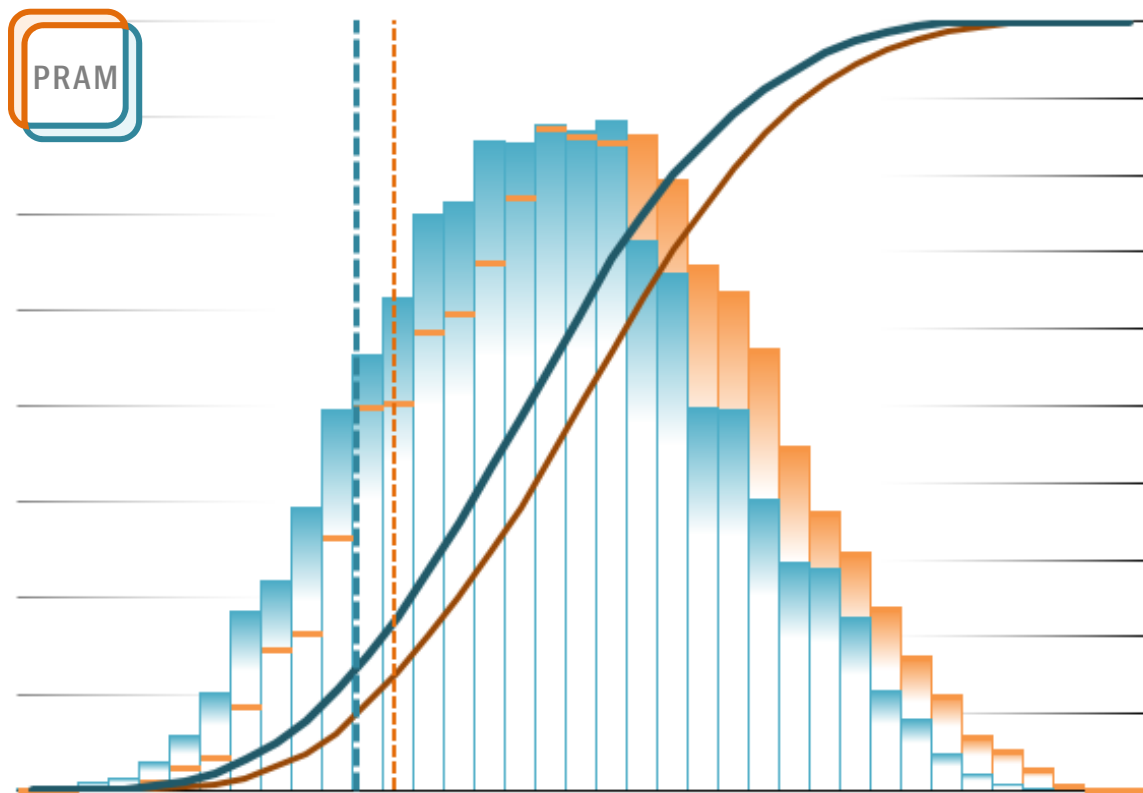




Project Risk Analysis Model

User's Guide



Terms

Base Cost Estimate	The reviewed or validated project cost estimate used in quantitative risk analysis. It represents the expected cost if the project materializes as planned, including PE, RW, and CN costs. It is unbiased and neutral (neither optimistic nor conservative).
Base Variability	The ordinary quantity and price variations about the estimated base. It is captured as a modest symmetric range about the estimated value, of the form: base value $\pm x\%$ — typically from $\pm 5\%$ to $\pm 15\%$ depending on level of project development and complexity of the project.
Estimate	A quantitative assessment of the likely amount or outcome. Refers to project costs, and durations – typically preceded by a modifier (i.e. preliminary, conceptual, order-of-magnitude, etc.). An indication of accuracy (e.g. $\pm x$ percent). An estimate has two components: the base cost estimate component and the risk/uncertainty component. An estimate is best expressed as a range, not a single number.
Impact	A consequence of a risk occurring in terms of cost (\$) or months (mo); expressed as a range defined by three values: minimum, maximum, and “most-likely”. A threat impact adds cost or delay; an opportunity impact adds value or reduces cost.
Mitigation	Action taken to reduce the impact or likelihood of an undesirable risk event or events.
Opportunity	An event risk that has the potential to positively impact project objectives.
Probability	An estimated likelihood that a particular risk event will occur. Often expressed on a scale of 0 to 10 or 0 to 100 percent. Estimates of probability are often subjective, as the combination of tasks, people and circumstance varies among projects.
Qualitative assessment	An assessment of risk relating to the qualities and subjective elements of the risk — those that cannot be quantified accurately. Qualitative techniques include the identification of risk, recording risk details and relationships, categorization and prioritization of risk relative to each other.
Quantitative Analysis	Modeling of numerical outcomes by combining actual or estimated values with an assumed or known relationship between values, using arithmetic or statistical techniques, to determine a range of likely outcomes of a variable or to understand how variance in one or more values is likely to affect others.
Risk	Effect of uncertainty on objectives.
Risk Events	Uncertain events that affect the project resulting in impacts to cost, schedule, safety, performance or other characteristic but do not include the minor variance inherent in Base Costs.
Risk Register	The risk register serves as a repository for identified project risks. The risk register includes detailed information about the risk and is a “living” document that evolves as the project evolves.
Risk Response	The process of developing response actions to identified risk events that enhance opportunities and reduce threats to project objectives.
Threat	An event risk that has the potential to negatively impact project objectives.
Uncertainty	The lack of knowledge of the outcome for a particular element or value.
YOE	Year Of Expenditure. The estimated year that money will be spent to complete project work elements. Base costs reported to program management shall be in current-year dollars (the un-inflated estimate).

Additional terms for Risk Management may be found in the
[WSDOT Glossary for Cost Risk Estimating Management](#)

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Project Risk Analysis Model (PRAM)

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Project Risk Analysis Model: Overview

A Risk model simulates events that may occur in the real world. For project risk analysis, attention is focused on events that can affect project objectives such as cost and schedule.

The Project Risk Analysis Model (PRAM) uses Monte Carlo simulation to generate cost and schedule probability distributions from user input cost, schedule, risk and uncertainty information. It produces quantitative risk analysis outputs that provide actionable information to project managers and teams.

The model runs thousands of simulations or "project realizations" that virtually execute the project under the influence of all input uncertainties and risks. For each realization some risks occur, some do not; some impacts are high and others are low. The output provides an estimated range of project cost and schedule outcomes. Few realizations reach the extreme limits of the distribution, most aggregate toward the middle.

Up to 24 individual risks may be entered into the model. The outputs present statistical summaries, graphically as a distribution histogram, a cumulative distribution function S-curve, and as a percentile table. The model reports cost distribution forecasts for Preliminary Engineering (PE), Right of Way (RW), and Construction (CN) as well as total project cost. Results are provided in Current Year (CY) dollars and as inflated to Year of Expenditure (YOE) dollars. There are two schedule distribution forecasts, contract advertisement date and end of construction date. There are also tornado diagrams, sorting risks by expected value (EV), by cost and schedule impact.

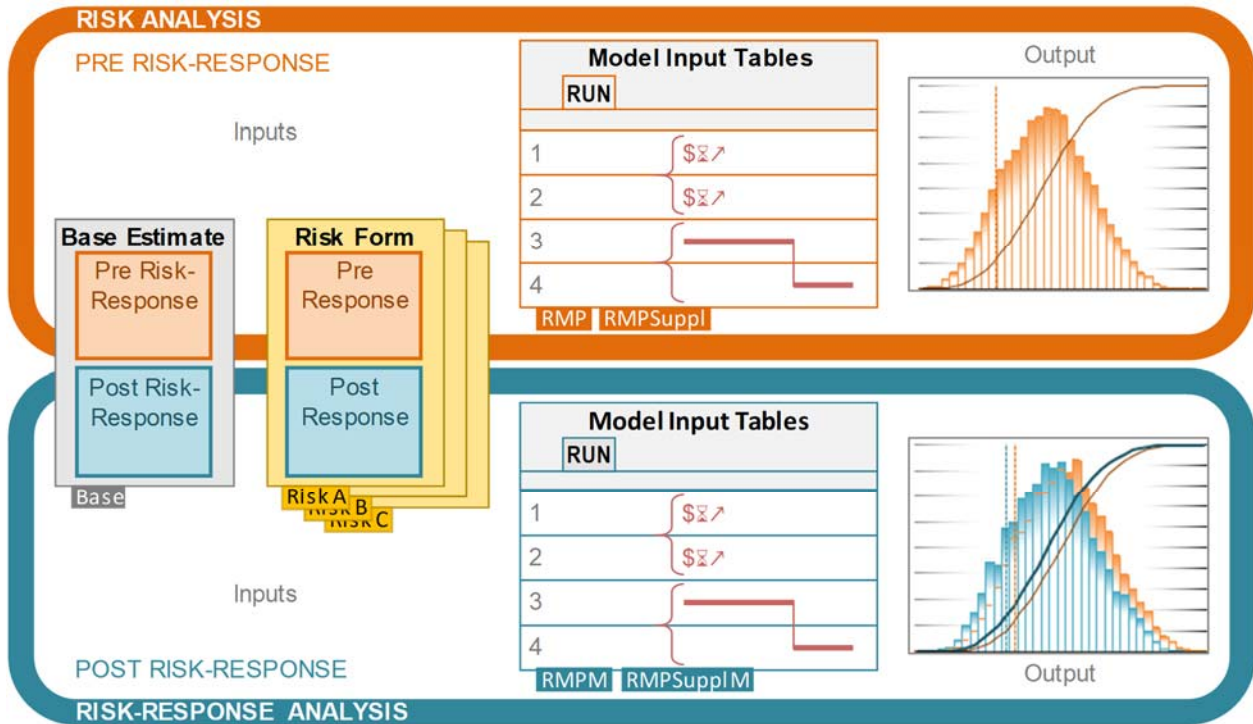
The model accommodates two analyses. The first is for analyzing project estimate exposure to risks as initially identified and assessed, and the second is for analyzing the response to those risks. Comparing the pre-mitigated and post mitigated results offers users a quantified measure of the value added by proactive project risk management. The Base Estimate and Risk input forms serve both analyses. Color-coding is used throughout the model to promote instant recognition of which analysis inputs or results are which:

ORANGE = Risk Analysis (pre risk-response: pre-mitigated risk analysis)

BLUE = Risk-Response Analysis (post risk-response: post mitigated risk analysis)

Two-in-One

The following illustration shows the two analyses available in the model, how they are color-coded, and how single input sheets are used for each:



Basic Parts

PREREQUISITES



Foundation of any useful analysis



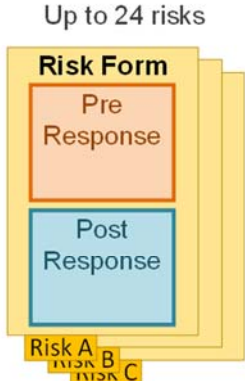
Most of this effort, all but entering information, may be done before engaging the tool.

INPUTS



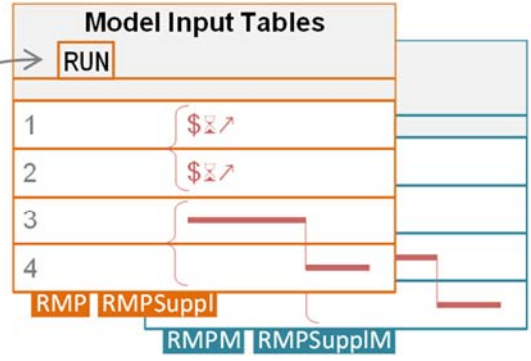
entered in this sheet

Each sheet handles both pre and post risk-response inputs



entered in these sheets

Used to apply any inter-risk conditionality.



A synopsis of base and risk inputs.



OUTPUTS



A summary of risks by relative magnitude.
An aid for optimizing the risk-response effort.

Pre risk-response results shown

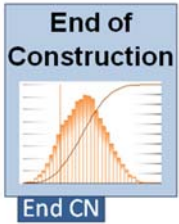
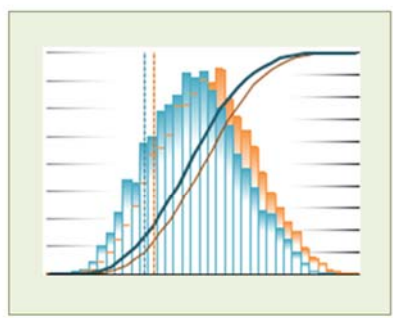


Preliminary Engineering
Right of Way
Construction
Total



Cost and date distributions of 10,000 virtual, risk exposed project executions.

Post risk-response results are added to the same reports



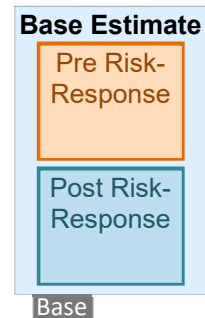
Workbook Sheets

The PRAM workbook contains sheets for data input and for output reports of simulation results. These sheets serve to record the Risk Analysis — pre risk-response — and the Risk-Response Analysis entries and results. The respective zones are clearly labeled and color-coded.

Inputs

BASE Estimate (Sheet: Base)

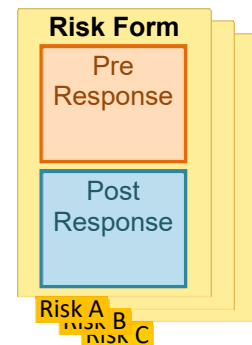
Users enter the expected cost as if the project goes as planned. The BASE Cost is an unbiased neutral estimate of cost and schedule; care should be taken that information entered is neither conservative nor optimistic. The BASE estimate captures the total estimated project costs including, preliminary engineering, right-of-way, construction, Mobilization, Construction Engineering, Tax, Change Order Contingency, and below the line items (700/800 items). (WSDOT standard construction contingency amount is based upon historical usage). The upper portion is for the initial Project Risk Analysis. The lower portion accounts for any base estimate adjustments due to risk response strategies — the Risk Response Analysis.



Values are entered in Current Year (CY) dollars.

RISK (Sheets: identifications vary)

The simulation handles up to 24 discrete risks. Each Risk sheet records an identified risk associated with the project under study: the phase it affects, its details, probability and quantified consequences. The upper portion of the form is about the risk as it is first identified, with no regard to doing anything about it, i.e., before any response strategy — pre risk-response values, or pre-mitigated risk. The lower portion details the proposed response strategy with any expected change to likelihood or impact due to implementing the strategy — the post risk-response values, or Post-mitigated Risk.



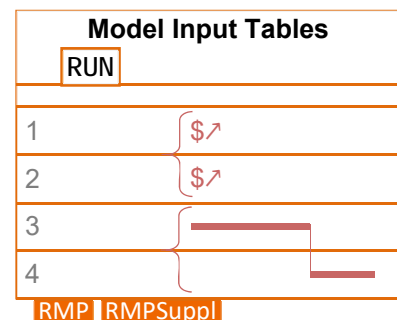
Project risks can pose a **Threat** of negative impacts to project objectives, or present an **Opportunity** that has a positive impact.

Model Input Tables: Inter-Risk Conditionality / Model Input Synopsis

RMP (Risks ordered 1 – 12) & RMPSuppl (Risks ordered 13 – 24)

Data entered in the individual forms for Risk Analysis (pre risk-response) appear in these tables. The first twelve risks (1 – 12), in the same order as workbook sheet tabs, are in one, the second twelve (13 – 24), are in the other. At the top of each table is a summary of (pre risk-response) Base Estimate inputs.

This is where to Indicate conditionality between risks, to model basic correlations, dependencies, and duration links. See later section for more details.



The model-engine uses the inputs from these sheets. Review the inputs before running.

RMPM (Risks ordered 1 – 12) & **RMPSupplM** (Risks ordered 12 – 24)
 Data entered in the individual forms for Risk-Response Analysis appear in these tables. The first twelve risks (1 – 12), in the same order as workbook sheet tabs, are in one, and the second twelve (13 – 24), are in the other. At the top of each table is a summary of (post risk-response) Base Estimate inputs.

Revise or indicate conditionality between risks accordingly, to reflect the effects of response strategies (more detail provided later in this guide).

Review the model inputs here before running.

Model Input Tables	
RUN	
1	} \$ ↗
2	
3	} ———— } ————
4	
RMPM RMPSupplM	

Outputs

Expected Value (sheet: EV)

Graphs on this sheet sort entered risks by Expected Value (EV) as an aid for optimizing the risk-response effort. Typically, risks at the top warrant the most attention, with a diminishing rate of return on effort as we descend on the diagram. Limited risk management resources should be applied proportional to a risks likelihood and impact. To that end, expected value combines factors to one convenient, probability-weighted number. When using, however, be aware that this calculation could de-emphasize a high impact risk that has low probability. Project Managers are advised to look for these events (known as “Black Swans”), and give them due attention.



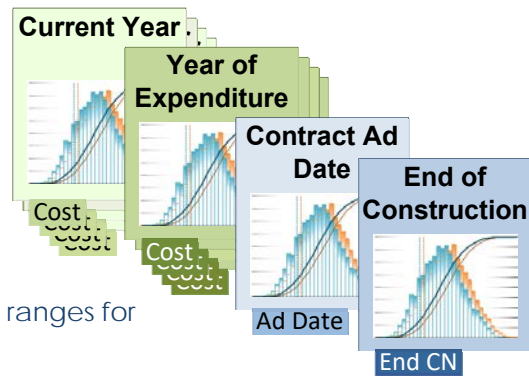
The expected value of individual random variables is the probability-weighted average of input values.

$$Expected\ Value = Probability \times \left(\frac{min + 4(\text{most likely}) + max}{6} \right)$$

There are four diagrams in the sheet. The top two show pre risk-response ranking, one for cost and another for schedule. The bottom two are for after risk-response adjustments. The simulation need not run before viewing the Expected Value summary. This diagram is available as soon as all risks have been entered/quantified. “Click” the launch button on the sheet after risk entry; “click” to update after any risk entry revision. Do the same after recording risk-response values to note any changes in standing.

Outputs: Analysis Results

Risk model forecast results are presented in 8 sheets for cost, and 2 for schedule. There are reports for Preliminary Engineering, Right-of-Way, and Construction cost, as well as total project cost. Costs are provided in Current Year (CY) dollars, for reporting to Program Management, and in Year-of-Expenditure (YOE) dollars. Schedule reports give date ranges for contract advertisement and end of construction.

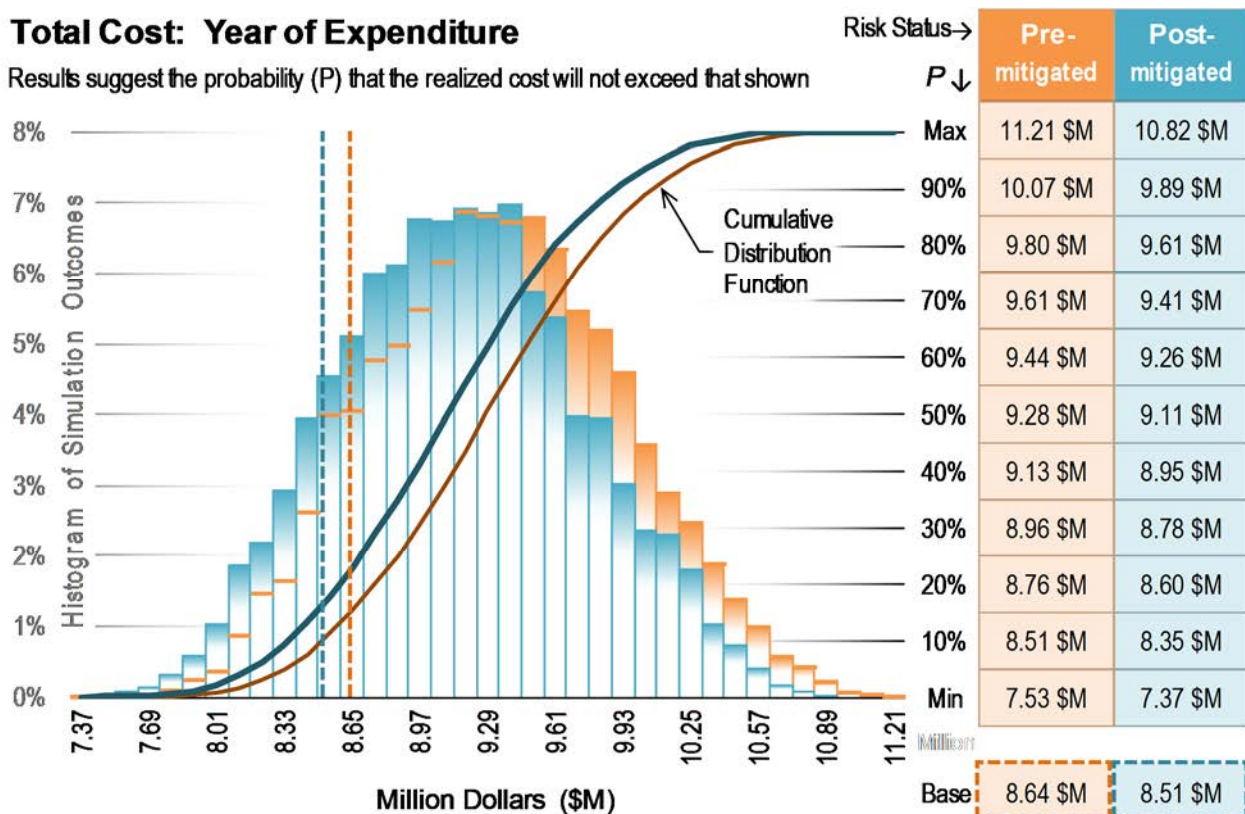


Result Sheets		
Cost		
Project Phase	Current Year (CY) dollars	Year-of-Expenditure (YOE) dollars
Preliminary Engineering	PE-Cost (CY)	PE-Cost (YOE)
Right of Way	ROW-Cost (CY)	ROW-Cost (YOE)
Construction	CN-Cost (CY)	CN-Cost (YOE)
Total	Total-Cost (CY)	Total-Cost (YOE)
Schedule		
Contract Advertisement	Ad Date	
End of Construction	End CN	

Below is an example Result Sheet:

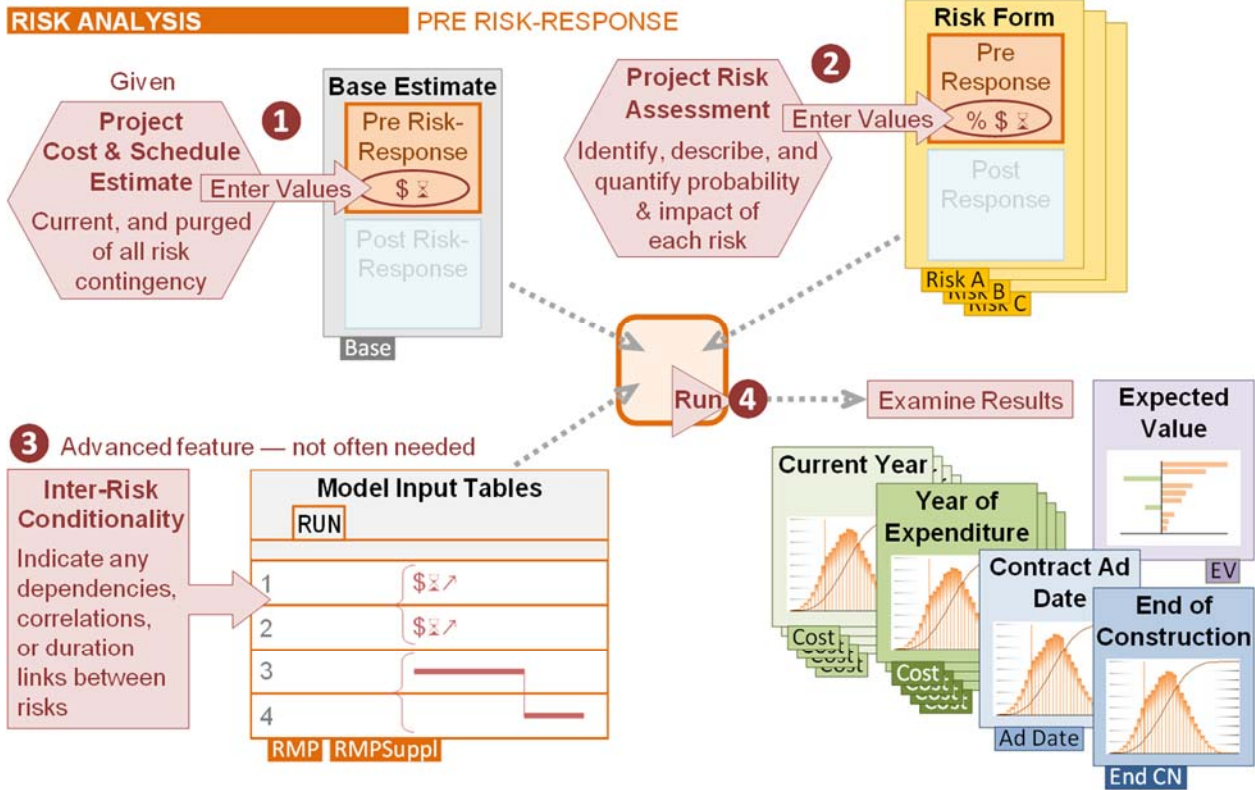
Total Cost: Year of Expenditure

Results suggest the probability (P) that the realized cost will not exceed that shown

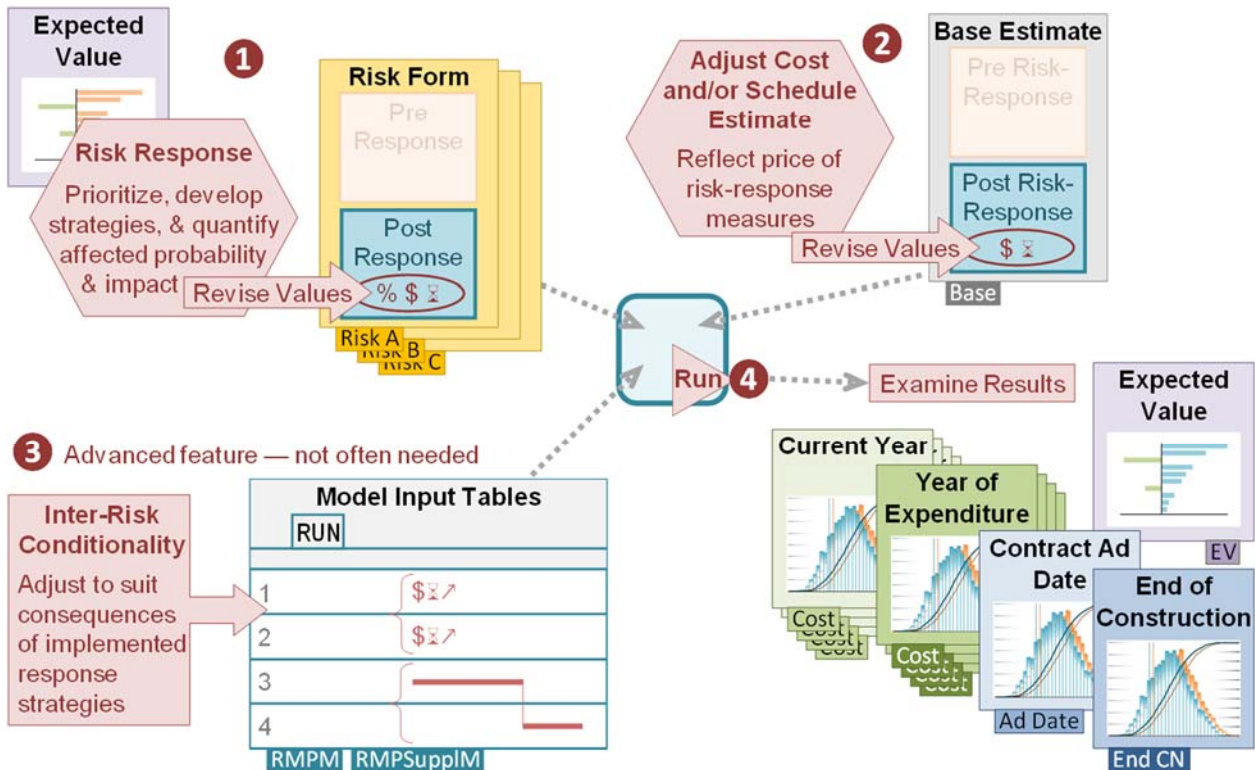


See: [Viewing the Results](#)

Using the PRAM: Basic Steps



RISK-RESPONSE ANALYSIS



Before Using

The correct application of the Project Risk Analysis Model assumes familiarity with basic risk management theory and technique. Please review WSDOT's Project Risk Management Guide before using the model:

<http://www.wsdot.wa.gov/publications/fulltext/cevp/ProjectRiskManagement.pdf>

Get the Workbook

The Project Risk Analysis Model workbook is available online here:

<http://www.wsdot.wa.gov/publications/fulltext/CEVP/PRAM.xlsm>

Open the Workbook / Table of Contents / Navigation

The Project Risk Analysis Model workbook should open at the Table of Contents (TOC) sheet.

Table of Contents

Inputs

Base Estimate Risk Template

Risks Ordered 1 – 12 Risks Ordered 13 – 24

This area is empty when a new workbook is first opened.

As Risk Sheets are added, they are listed here with tab-links.

Risks Ordered 1 – 12

1	R/W Impacts (condemnation)	ROW 50.10
2	Environmental permitting issues	ENV 30.10
3	R/W Acquisition	ROW 60.10
4	Material Source	PSP900.10
5	Drainage	CNS 70.10
6	Over Excavation	STG 20.10
7	Foundation Type	STG 10.10
8	County Standards	PSP 20.10
9	Landscaping Issues	DES 30.10
10	Conflict with Cable Co.	UTL 10.10
11	RR ROW Entry Permits	RR 30.10
12	ADA Policy Changes	MGT 40.10

Risks Ordered 13 – 24

13	Foundation Type	CTR 10.10
14	Open on Time	ERO 20.10
15	Discovery of Midden	ENV 40.10
16	Conflict with nearby County Pro	DES 40.10
17	Utility Pole Depth	UTL 20.10
18	RR Work Window	RR 20.10

After risks are added

Risk Tables

Risks Ordered 1 – 12 Risks Ordered 13 – 24

Pre-Response

Post-Response

Outputs

Expected Value

Cost \$

Current Year		Year of Expenditure
PE-Cost (CY)	Preliminary Engineering	PE-Cost (YOE)
ROW-Cost (CY)	Right of Way	ROW-Cost (YOE)
CN-Cost (CY)	Construction	CN-Cost (YOE)
Total-Cost (CY)	Total	Total-Cost (YOE)

Dates ⌵

Contract Advertisement

End of Construction

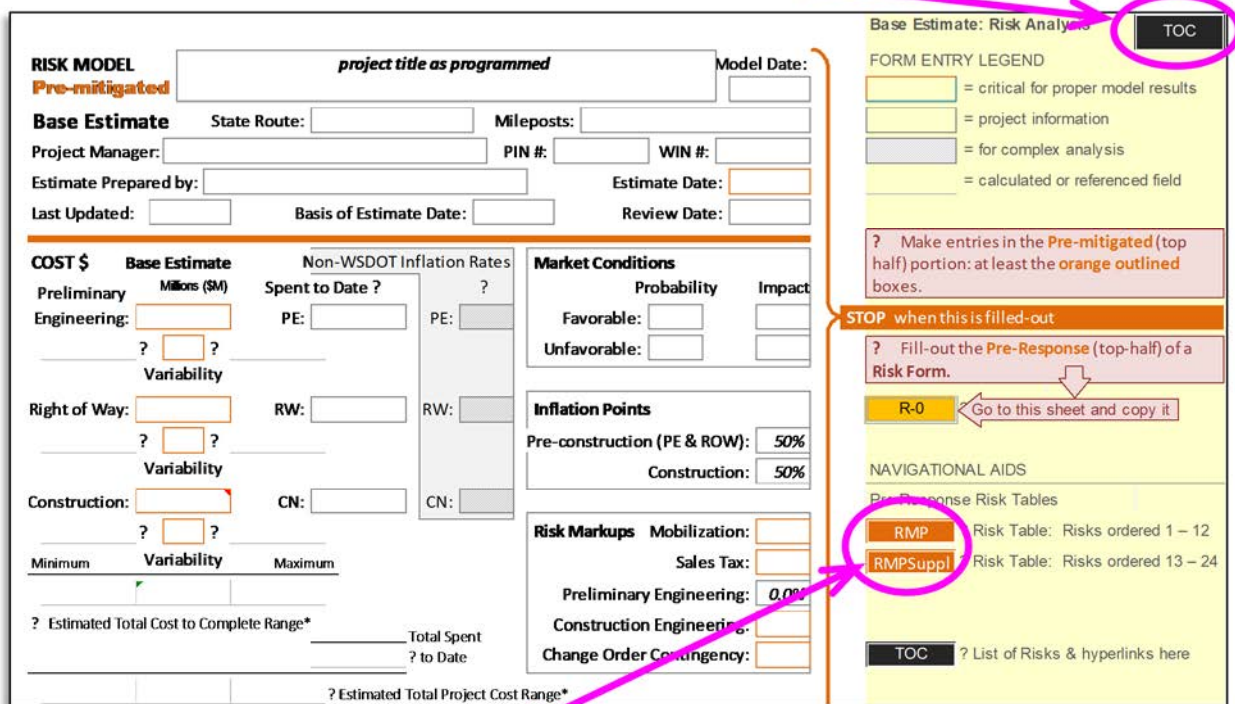
Appendix

Risk Breakdown Structure User's Guide

Notice the variously colored rectangles that look like the sheet tabs; these are links to respective sheets in this workbook. The user may navigate to sheets in the usual way by selecting tabs at the bottom of the workbook, or go to any sheet in the workbook from the TOC by clicking on these tab-links.



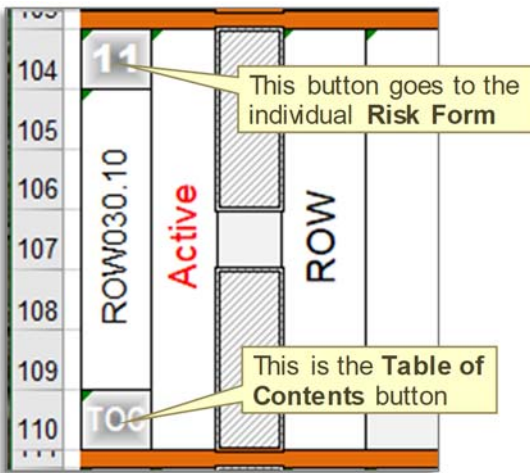
Each destination sheet has at least one TOC tab-link to return the user to the Table of Contents.



Most sheets have tab-links to provide a direct route to other sheets, as well.

The exception is when in one of the Model Input Tables:

Model Input Tables	Risks Ordered 1 – 12	Risks Ordered 13 – 24
Pre-Response	RMP	RMPSuppl
Post-Response	RMPM	RMPSupplM



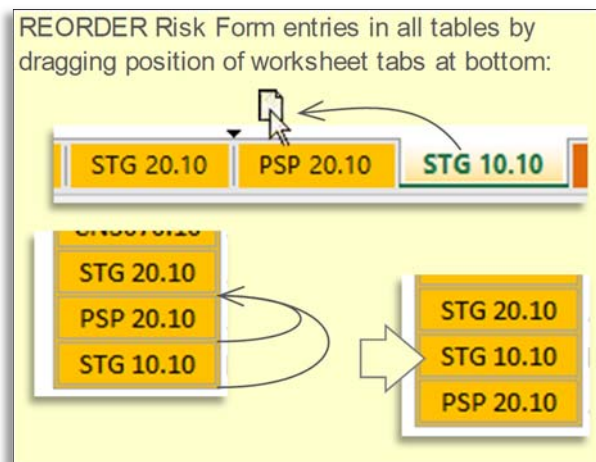
From the Model Input Tables, along the left edge of the table, notice that for each risk entry there are two tab-links. The upper one goes to the risk sheet, the lower one goes to the Table of Contents.

All of these navigational shortcuts have some advantage over the traditional sheet selection-by-bottom-tab. There are over 40 sheets to negotiate in a model fully loaded with project risk sheets (up to 24 risks). Getting from one sheet to another can be difficult when limited to scrolling and selecting from a wide array of bottom sheet tabs.

Reordering Risk Sheets

Risks may be entered in any order, but later it may be desired or necessary to change the sequence as they list in the Table of Contents and/or in the Model Input Tables. For purposes of modeling inter-risk conditionality (see later section) the sequence of risk entries is crucial; but even for purely esthetic reasons, reordering risks is a simple matter of dragging their respective tabs (at bottom) to the required sequence.

Be careful when reordering tabs in a workbook that already has inputs for inter-risk conditionality.



The user may reorder risk sheets by dragging their respective sheet tabs, but conditionality indicators will not automatically update to suit a new order. Any that were set before a reordering should be checked afterwards to ensure risks are still connected as intended.

Entering Data

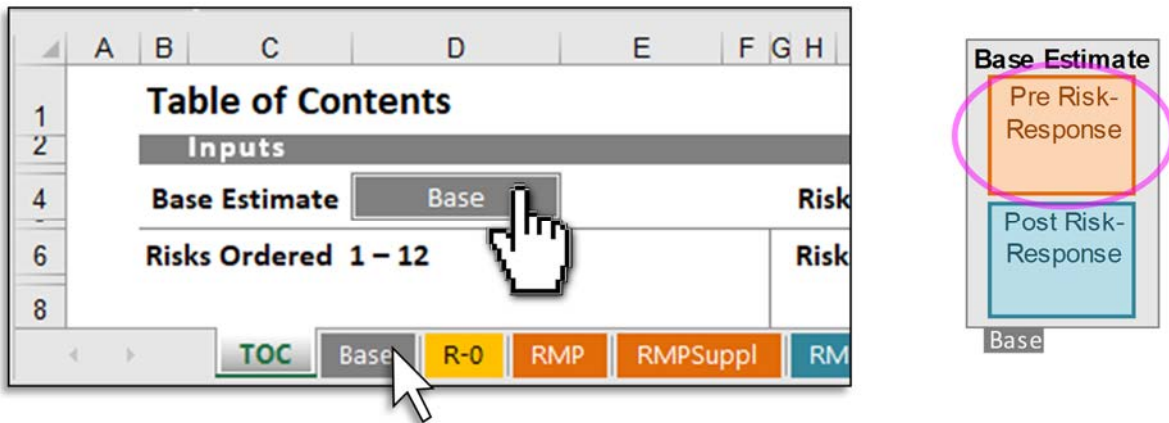
There are two parts to each input worksheet. The first records the values required for a Risk Analysis (pre risk-response) simulation. The second is for Risk-Response Analysis, to model the effect of response strategies. Combining these in one workbook allows for ready comparison and quantification of the value added by active risk management.

Data may be entered live during a workshop, before, or sometime after active or collaborative risk assessment. It may be copied-in from a list, from separate sheets, imported, or received from remote collaborators, etc. Risk response strategizing may lag the risk analysis, or it may take place on the heels of initial risk elicitation and assessment. Data for each analysis, pre or post response, does not need to be entered in a particular sequence, but care must be taken to assure that it is complete for an analysis, and that it is entered in the right section.

For the purpose of orderly presentation in this guide, we will assume a workflow where Risk Analysis data is entered first, then we will return to make Risk Response Analysis entries. This guide follows the diagram **Using the PRAM: Basic Steps**.

Base Estimate

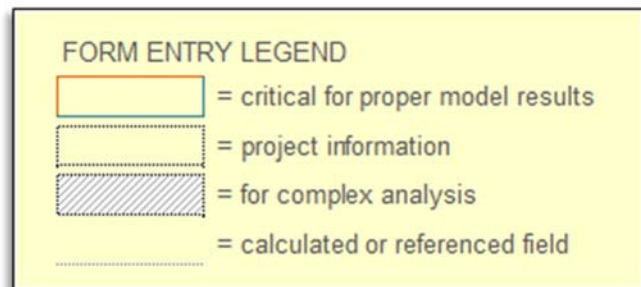
Go to the Base sheet.



Enter data in the fields of the upper portion of the sheet, for Risk Analysis (with Pre-mitigated Risks). The orange outlined boxes are critical for the model to calculate results. Leave blank when there is no associated value.

Do not enter zero "0" in the entry fields.

Important, but less critical for modeling, are the lighter-outlined boxes. Hatched fields are for a more complex analysis — see the section, Non-WSDOT Inflation Rates, for more information. Underlined fields are calculated values or information referenced from elsewhere and are auto-filled.



Make cost entries in million dollar units, and durations in months.

NOTE: Values are displayed in "Millions of dollars" (\$M) and "Months" (mo). Less than a million dollars or less than a month is entered as a decimal. Examples:

<i>\$200,000 enter as <u>.2</u> it is displayed as <u>0.20 \$M</u></i>	<i>1 week enter as <u>.25</u> it is displayed as <u>0.3 mo</u></i>
<i>\$2,689,123 enter as <u>2.69</u> it is displayed as <u>2.69 \$M</u></i>	<i>3 months and three weeks enter as <u>3.75</u> displayed as <u>3.8 mo</u></i>
<i>\$23,000 enter as <u>.023</u> it is displayed as <u>0.02 \$M</u></i>	<i>one and a half years enter as <u>18</u> it is displayed as <u>18.0 mo</u></i>

Project information is at the top.

RISK MODEL Pre-mitigated	<i>project title as programmed</i>		Model Date:	<input type="text"/>	
Base Estimate	State Route:	<input type="text"/>	Mileposts:	<input type="text"/>	
Project Manager:	<input type="text"/>	PIN #:	<input type="text"/>	WIN #:	<input type="text"/>
Estimate Prepared by:	<input type="text"/>			Estimate Date:	<input type="text"/>
Last Updated:	<input type="text"/>	Basis of Estimate Date:	<input type="text"/>	Review Date:	<input type="text"/>

Critical fields include:

- Project Title: Enter the complete project title as programmed.
- Estimate Date: Enter the date of the current project estimate. This is the critical base date entry for modeled contract advertisement and end of construction forecasts.

Less critical:

- Model Date: A project may be analyzed several times over the course of its development. Enter the date of this model to place it in history with others.
- State Route: Enter the route identifier(s) if they are not already in the project title.
- Mileposts: Enter the project milepost limits if they are not already in the project title.
- Project Manager: Enter the name of the project manager.
- PIN #: Enter the Program Item Number.
- WIN #: Enter the Work Item Number.
- Estimate Prepared by: Enter the name of the person who prepared the estimate.
- Last Updated: Enter the date that the estimate was last updated.
- Basis of Estimate Date: Enter the date of the Basis of Estimate form.
- Review Date: Enter the date that the estimate was last reviewed.

The next section is for Base Estimate Cost values:

COST \$	Base Estimate	Non-WSDOT Inflation Rates		Market Conditions	
	Millions (\$M)	Spent to Date ↓		Probability	Impact
Preliminary Engineering:	<input type="text"/>	PE: <input type="text"/>	PE: <input type="text"/>	Favorable: <input type="text"/>	<input type="text"/>
	← <input type="text"/> →			Unfavorable: <input type="text"/>	<input type="text"/>
	Variability				
Right of Way:	<input type="text"/>	RW: <input type="text"/>	RW: <input type="text"/>	Inflation Points	
	← <input type="text"/> →			Pre-construction (PE & ROW):	<input type="text" value="50%"/>
	Variability			Construction:	<input type="text" value="50%"/>
Construction:	<input type="text"/>	CN: <input type="text"/>	CN: <input type="text"/>	Risk Markups	
	← <input type="text"/> →			Mobilization:	<input type="text"/>
	Minimum Variability Maximum			Sales Tax:	<input type="text"/>
				Preliminary Engineering:	<input type="text" value="0.0%"/>
				Construction Engineering:	<input type="text"/>
				Change Order Contingency:	<input type="text"/>
↗ Estimated Total Cost to Complete Range*		Total Spent			
		← to Date			
		← Estimated Total Project Cost Range*			

*Extremes — not including risk impacts, market conditions, nor inflation.

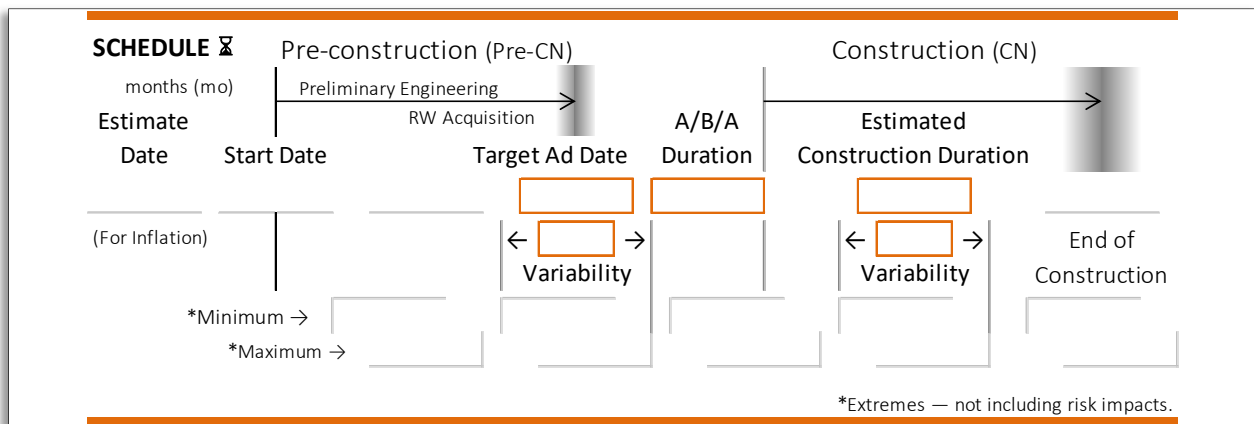
- **Base Estimate:** Enter base cost for each project phase: Preliminary Engineering (PE), Right of Way (RW), and Construction (CN). Do not include ANY misc. allowances in these. The construction figure should already reflect the cost of all Bid Items, Mobilization, Sales Tax, Change Order Contingency, Construction Engineering, 700 & 800 Level Items, etc. — the Total Cost to Complete minus RW & PE costs.

Cost and Schedule Variability: Below each project phase cost and schedule estimate is an input for inherent variability — not caused by risk events. Base variability captures a modest symmetric range (of the form: base value ± x%) about the estimated value, typically from 5% to 15% depending on level of project development and complexity. Cost variability represents quantity and price variations about the estimated base.

- Spent to Date Project dollars already spent may be accounted for in this column.
- Non-WSDOT Inflation Rates By default, the model refers to an internal inflation rate table developed by a third party. The user may opt-out of the table by entering an inflation rate that better suits conditions.
- **Market Conditions:** Enter percentages that reflect characteristics or trends in the market. Cost and availability of labor and materials, or the number of contractors available to bid the work, will all effect the market conditions.
Values reflect the opinion of the project team, an assessment of the bidding environment.
Enter a Probability for Favorable: (likelihood of better than planned) and Unfavorable: (likelihood of worse than planned). Enter a percentage of construction cost representing the Impact of how much better, or worse the project cost might be due to market conditions, primarily the bidding environment.

- **Inflation Points:** 50% by default; this directs the model to inflate costs to the midpoint of each phase duration, i.e. 0.5. Inflation point fields are provided for Pre-Construction (Preliminary Engineering and Right of Way acquisition) and Construction activities. Please contact the Strategic Analysis and Estimating office (SAEO) for assistance.
- **Risk Markups:** These are applied to the risk cost impact result per simulation. Values are typically the same as those used in calculating the construction base cost estimate. Enter Project Markup percentages for:
 - Mobilization
 - Local Sales Tax Rate
 - Construction Engineering
 - Preliminary Engineering — this is a calculated field, assuming the user expects the same ratio as entered for estimated PE/CN for any simulated total risk cost impact (users may override if desired).
 - Change Order Contingency

The next section is for Base Schedule values:



- Target AD Date, Enter the planned Advertisement Date of the project.
- Ad/Bid/Award (A/B/A) Duration, Enter how many months from the AD date until it is awarded.
- Estimated Construction Duration, Enter how many months the project will be in Construction.

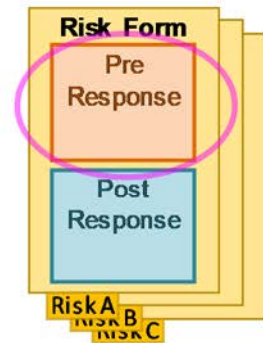
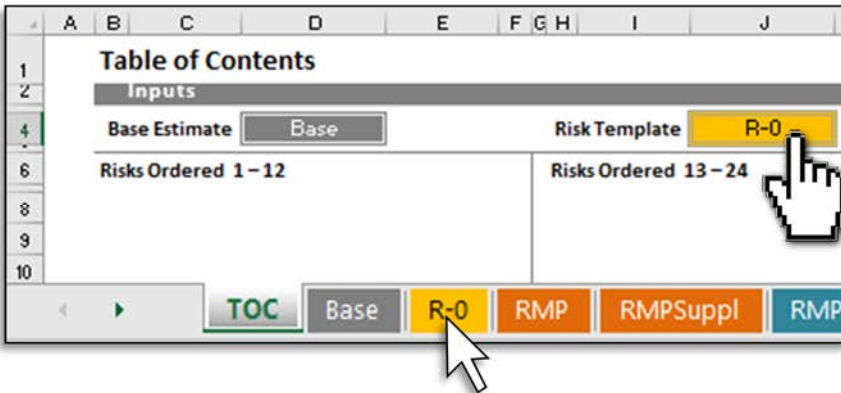
Risks: Qualitative Translations — informational (no entries required, advanced feature)

This section shows and controls how the model translates risk probability and impact (quantitative) values into qualitative terms relative to base estimate entries. This governs the Heat Map display in each risks Qualitative Rendition section. In reverse, it serves as an aid in quantifying risk probability and impact when starting from qualifying terms like “High”, “Very Low”, etc.

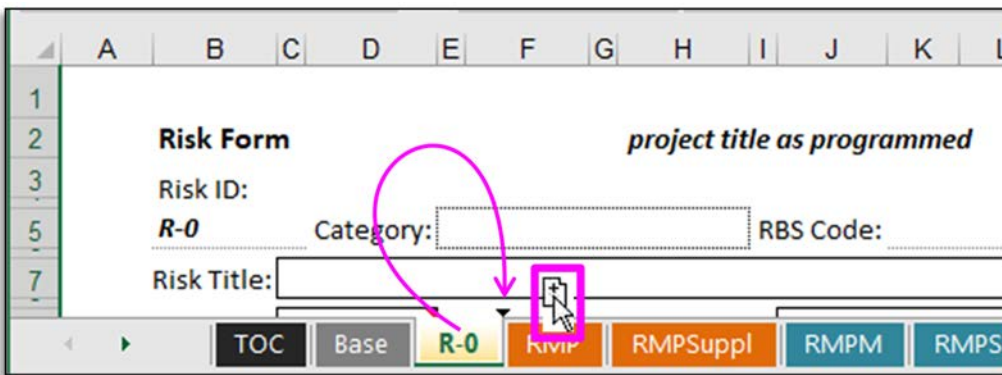
RISKS	Qualitative Translations						
	Probability ↓	Impact →	PE \$	RW \$	CN \$		
		Base \$ →				Pre-CN ⌘ CN ⌘	
Very High	≥ 80%	> 10.0%				> 30%	Very High
High	≥ 60%	> 5.0%				> 20%	High

Risk sheets

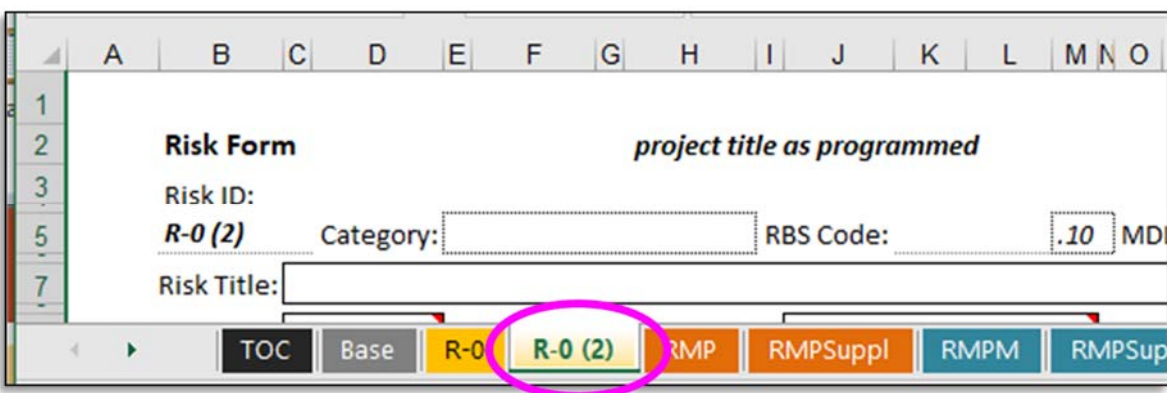
Go to the Risk Form template sheet.



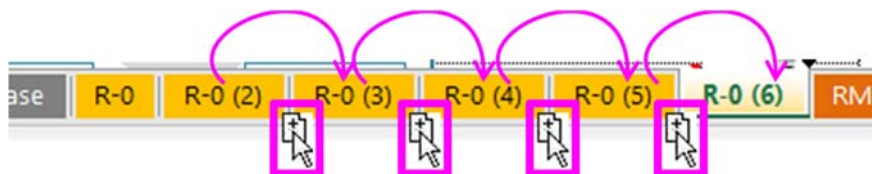
Make a Form for your risk by copying the template "R-0".



This can be done several ways, but the easiest is to hold down the Ctrl key and drag the "R-0" tab. This will result in a new tab named "R-0 (2)", which you will rename a little later.



You may repeat this as many times as you have known risks already identified.



When adding more risks later, after previous forms have been filled-out, always start by making a copy of a blank template "R-0". This prevents unintentionally using values from a pre-existing (copied) risk form.

Now go back to tab "R-0 (2)". Enter risk analysis (pre risk-response) values in the upper portion of the Risk Form. Notice that critical entries for simulation are in solid, black or orange outlined boxes. Important, but less critical for modeling, are the lighter-outlined boxes. Hatched fields are for a more complex analysis — see the section on Conditionality for more information. Underlined fields are calculated values or information referenced from elsewhere and are auto-filled.

FORM ENTRY LEGEND

	= critical for proper model results
	= risk information
	= for complex analysis
	= calculated or referenced field

The top portion is for risk identification information and is common to both pre and post mitigated risk analyses.

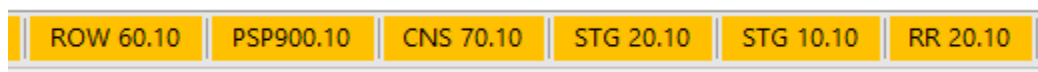
Risk Form	Example Project	Date: <input style="width: 80px;" type="text"/>
Risk ID:	<u>R-0 (2)</u>	Category: <input style="width: 150px;" type="text"/>
	RBS Code: <input style="width: 80px;" type="text" value=".10"/>	MDL Code: <input style="width: 100px;" type="text"/>
Risk Title:	<input style="width: 100%; height: 20px;" type="text"/>	
Status:	<input style="width: 80px;" type="text"/>	Phase that it Impacts: <input style="width: 150px;" type="text"/>
		Critical Path? <input type="checkbox" value="Yes"/>
Detailed Description of Risk Event:	<small>(SMART—Specific, Measurable, Attributable, Relevant, Timebound)</small>	
	<input style="width: 100%; height: 40px;" type="text"/>	
Trigger:	<input style="width: 100%; height: 20px;" type="text"/>	

The title of the project is automatically copied from the Base Estimate form.

Date: Enter date the risk was identified and assessed.

Risk ID: (auto-filled) copies what you enter as the tab name. Recommendation — use a Risk Breakdown Structure (RBS) code as a Risk ID / tab name. Build one by first selecting a general Category, then pick a specific from the drop-down in the upper-right form-corner. The result will appear in the RBS Code field. Change the decimal place if the ID is the same as a previously entered risk. Enter this unique ID as the tab-name for this sheet/risk. (See later section for more details about RBS).

Risk ID examples:



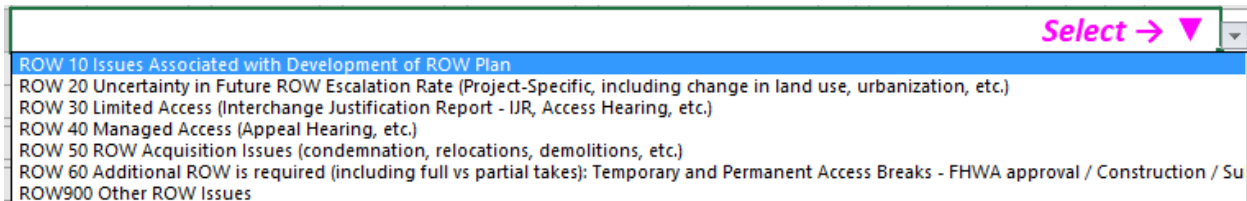
Category: (drop-down) Select from among the following:

Environmental / Hydraulics
Right-of-Way
Partnerships / Stakeholders
Construction

Structures / Geotech
Utilities
Management / Funding
Enterprise Risk

Design / PS&E
Railroad
Contracting / Procurement

After choosing a category, specify by selecting a subcategory from the drop-down in the upper-right corner of the sheet. Example (Right-of-Way):



The image shows a screenshot of a software interface. At the top right, there is a dropdown menu with a pink arrow and the text "Select →". Below the menu, a list of subcategories is displayed, with the first item highlighted in blue. The subcategories are: ROW 10 Issues Associated with Development of ROW Plan, ROW 20 Uncertainty in Future ROW Escalation Rate (Project-Specific, including change in land use, urbanization, etc.), ROW 30 Limited Access (Interchange Justification Report - IJR, Access Hearing, etc.), ROW 40 Managed Access (Appeal Hearing, etc.), ROW 50 ROW Acquisition Issues (condemnation, relocations, demolitions, etc.), ROW 60 Additional ROW is required (including full vs partial takes): Temporary and Permanent Access Breaks - FHWA approval / Construction / Su, and ROW900 Other ROW Issues.

RBS Code: (auto-filled) See Risk ID: above. This is auto-filled, but it may be over-written.

MDL Code: (optional) is the Master Deliverable List ID.

Risk Title: Summary Description. Enter a concise descriptive title for the risk.

Status: (drop-down) marks a change of the risks potential in relation to project progress. Select:

Active – The risk is included in the simulation; it should get a response; it should be monitored and controlled.

Dormant – Low priority risk; is excluded from the simulation; could become active in the future if conditions change.

Retired – The risk is excluded from the simulation; it is no longer relevant; it poses no real threat (or opportunity) to the project.

Phase that it Impacts: (drop-down) select the phase which the risk is likely to affect:

Pre-construction
ROW
Construction

Critical Path? (drop-down) The default is "Yes". Select Yes or No to indicate whether or not this risk affects an activity that has impact on the critical path of the project schedule.

Detailed Description of Risk Event: Concisely describe the risk with enough detail so that its nature is clear to later readers. Description of risks are: Specific, Measurable, Attributable, Relevant, and Time-bound (SMART). The note fields at the bottom half of the worksheet can be used for additional details.

Trigger: Enter a brief description of any event that must occur to initiate the risk's potential.

The next section is for entering data for the initial risk analysis:

Pre-Response		Quantitative Assessment		Qualitative Rendition		Heat Map	
Nature:	<input type="text"/>	Probability:	<input type="text"/>	Probability:	No Risk		
COST \$	Millions (\$M)	SCHEDULE ⌘	months (mo)	Impact Relative to:			
Minimum:	<input type="text"/>	Minimum:	<input type="text"/>				
Most Likely:	<input type="text"/>	Most Likely:	<input type="text"/>				
Maximum:	<input type="text"/>	Maximum:	<input type="text"/>				
Expected Value ↓		Expected Value ↓		COST \$:	<input type="text"/>		
				SCHEDULE ⌘:	<input type="text"/>		
Conditionality:				Occurrence does not depend on other risks. Duration is not linked to another risk.			
\$↔⌘ Impact Correlation: <input type="text"/>				No impact severity correlation w/ a previous risk impact.			

Pre-Response: Quantitative Assessment

Nature: (drop-down) select whether the risk poses a:

Threat – If the risk occurs, it will negatively affect project objectives.

Opportunity – If the risk occurs, it will positively affect project objectives.

Probability: Quantify the likelihood of the risk occurring. Enter a percentage %. Of course, 100% means the risk should be part of the Base Estimate, 50% is a coin toss — it could go either way, and 0% means there is no risk at all. The following guide offers qualitative renderings of probability ranges:

0%—Very Low—20%—Low—40%—Moderate—60%—High—80%—Very High—100%

Make the following entries for Cost and Schedule in million dollar units, or in months, respectively.

NOTE: Values are displayed in “Millions of dollars” (\$M) and “Months” (mo). Less than a million dollars or less than a month is entered as a decimal. Examples:

<i>\$200,000 enter as <u>.2</u> it is displayed as <u>0.20 \$M</u></i>	<i>1 week enter as <u>.25</u> it is displayed as <u>0.3 mo</u></i>
<i>\$2,689,123 enter as <u>2.69</u> it is displayed as <u>2.69 \$M</u></i>	<i>3 months and three weeks enter as <u>3.75</u> displayed as <u>3.8 mo</u></i>
<i>\$23,000 enter as <u>.023</u> it is displayed as <u>0.02 \$M</u></i>	<i>one and a half years enter as <u>18</u> it is displayed as <u>18.0 mo</u></i>

COST \$ — Expected impact range if risk occurs, in millions of dollars (\$M). If the risk presents only a schedule impact, leave these blank.

Minimum: Quantify and enter the value of the least cost impact.

Most Likely: Quantify and enter the value of the most likely cost impact.

Maximum: Quantify and enter the value of the greatest cost impact.

SCHEDULE ⌘ — Expected impact range if risk occurs, in months (mo). If the risk presents only a cost impact, leave these blank.

Minimum: Quantify and enter the value of the least schedule impact.

Most Likely: Quantify and enter the value of the most likely schedule impact.

Maximum: Quantify and enter the value of the greatest schedule impact.

Pre-Response: Qualitative Rendering

This section plots a qualitative depiction of probability and impact in an intuitive and familiar visual.

Impact Relative to: (auto-filled & drop-down) by default this plots the risk impacts relative to the phase selected in Phase that it impacts entry (above). The user may select "Project" from the drop-down to scale this risk's potential to the entire project instead of just a phase. The selection has no effect on the simulation.

\$↔% Impact Correlation: (drop-down) selection is for a more complex analysis; informs the simulation of correlation between the risk's cost impact and its schedule impact. See the later section on Conditionality for more information.

Supplemental Risk Information: (This box is located lower down on the form). Enter further notes or clarifications about the risk, its trigger(s), etc.

STOP!

In practice, the user may continue to the Post-Response half of the Risk Form if data is available, but for orderly presentation in this guide, we will assume a project execution modelling workflow that focuses on a complete project risk analysis first, followed by a complete risk response analysis. This guide follows the diagram **Using the PRAM: Basic Steps**.

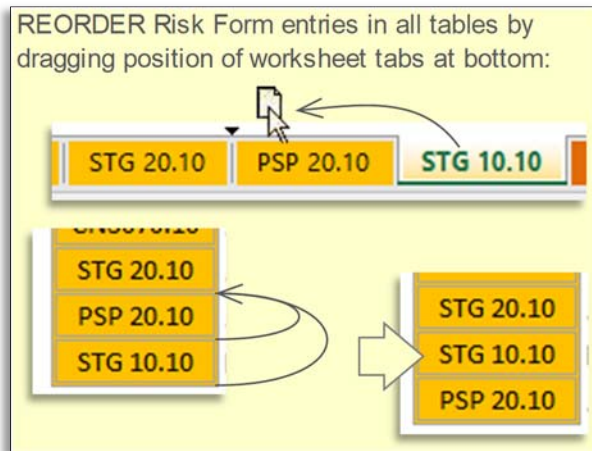
Enter the Next Risk

Go to the next blank Risk Form, or make another copy of the Risk Form template sheet, "**R-0**". Follow the same data entry instructions as above. Do this for each identified/assessed risk (up to 24). After all risks have been entered to the extent required for risk analysis, go to the following step.

Model Input Tables

Go to the **RMP** and **RMPSuppl** sheets - this is where the model retrieves data, and from where the simulation is launched. All of the values necessary for modeling project execution are gathered from the various input forms and presented here in tables. This layout lends easy scanning for input errors, and it is recommended to do so before running the model. Base Estimate inputs are at the top of each sheet. The sheet titled **RMP** holds risks 1 – 12, and the sheet titled **RMPSuppl** holds risks 13 – 24. (If there are less than 13 risks, then only the RMP sheet is used.)

Model Input Tables	
RUN	
1	\$↗
2	\$↗
3	—
4	—
RMP RMPSuppl	



If for some reason the order of risks as they appear here, and in the table of contents, is not as desired, it may easily be changed.

Conditionality (between risks)

Although not crucial to generating meaningful results in many cases, at this point the user may consider setting risk conditionality. See the later section on this topic for more details. The risks need to be in a particular order to suit conditionality.

The user may reorder risk sheets by dragging their respective sheet tabs, but conditionality indicators will not automatically update to suit a new order. Any that were set before a reordering should be checked afterwards to ensure risks are still connected as intended.

Run the Project Risk Analysis Model

After setting conditionality and checking the entries, find the **Run Model** button near the top of the RMP sheet, "click" the button. Expect that the program will calculate for a minute or two.

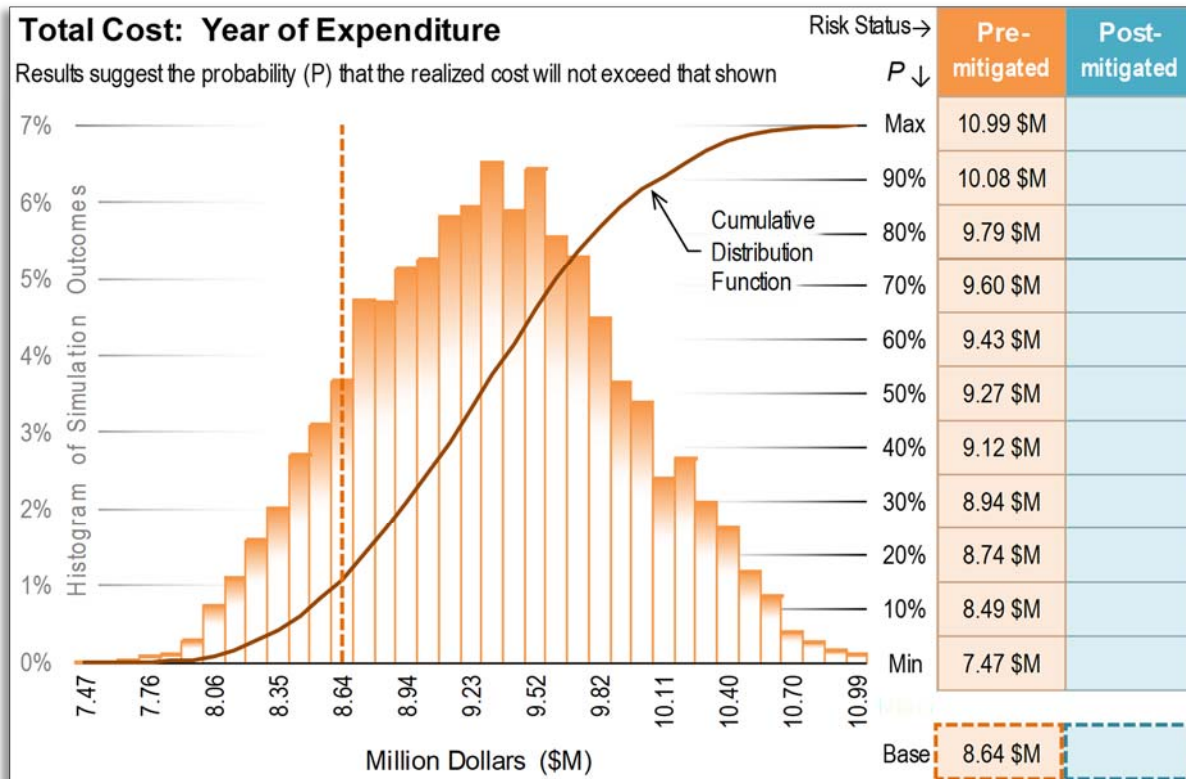
Project Title		Example Project			Value						
Estimate Date	04/28/16	<div style="border: 2px solid orange; padding: 10px; text-align: center;"> <p>Click this button to Run Model Do not stop it while running!</p> </div>		Contract Advertisement (Ad) Date →	02-15						
Project PIN #	0			Construction (CN) Duration →	7.0						
Last Review Date	01-00-00			Preliminary Engineering (PE) Cost →	0.85						
Project Manager	0			Right-of-Way (RW) Cost →	1.05						
Base Form	← Make Revisions Here			Construction (CN) Cost →	6.65						
Risk Identification					Quantitative						
Risk ID	Status	Dependency	Project Phase	Risk Nature: Threat or Opportunity	Detailed Description of Risk	Risk Trigger	Duration Link	Probability	Correlation	Duration	Impact
1				Threat							
050.10	Active		RW	R/W Impacts	Significant impacts to properties on the west side of Railroad . Northwest		Probability ↓	75%		\$ Min	\$ Max

After running, the view should orient on a basic output presentation at the top-right of the sheet:

Pre-mitigated Risk ↓ Results ↓	Confidence Level		Total Cost		Schedule Dates		Stat
			Total-Cost (CY)	Total-Cost (YOE)	Ad Date	End CN	
	10%	Chance	8.19 \$M	8.51 \$M	Nov-2017	Oct-2018	
20%	that	8.42 \$M	8.76 \$M	Dec-2017	Nov-2018		
30%	it	8.62 \$M	8.96 \$M	Jan-2018	Dec-2018		
40%	will	8.78 \$M	9.13 \$M	Feb-2018	Jan-2019		
50%	not	8.93 \$M	9.28 \$M	Feb-2018	Jan-2019		
60%	exceed	9.08 \$M	9.44 \$M	Mar-2018	Feb-2019		
70%	→	9.24 \$M	9.61 \$M	Mar-2018	Feb-2019		
80%		9.42 \$M	9.80 \$M	Apr-2018	Mar-2019		
90%		9.68 \$M	10.07 \$M	May-2018	Apr-2019		

"Clicking" one of the green or blue tab-links near the top takes you to the respective output sheet:

Example pre risk-response (pre-mitigated) results graph and table:



Viewing the Results

The model simulates 10,000 project realizations, under the influence of entered risks, with resulting phase costs and dates. It renders these results into frequency distribution histograms of cost and date ranges. It does this by collecting resultant values into uniform bins (incremental ranges), then graphing them as columns, each with a height relative to the number of total outcomes that fall within the bin bounds. Bin maximums, in dollars or dates, mark the horizontal axis.

A typical graph looks like a mound, implying that the actual, real-life outcome will itself be somewhere near the middle of the mass. The report tempers this notion by listing outcome-pool percentile values, suggesting a confidence level that the actual value will not exceed that shown.

The results are also depicted with a Cumulative Distribution Function S-curve, which is the running total number (y) of outcomes with values at or below each upper bin limit (x). This shape provides insight into the aggregate project estimate simulated outcome.

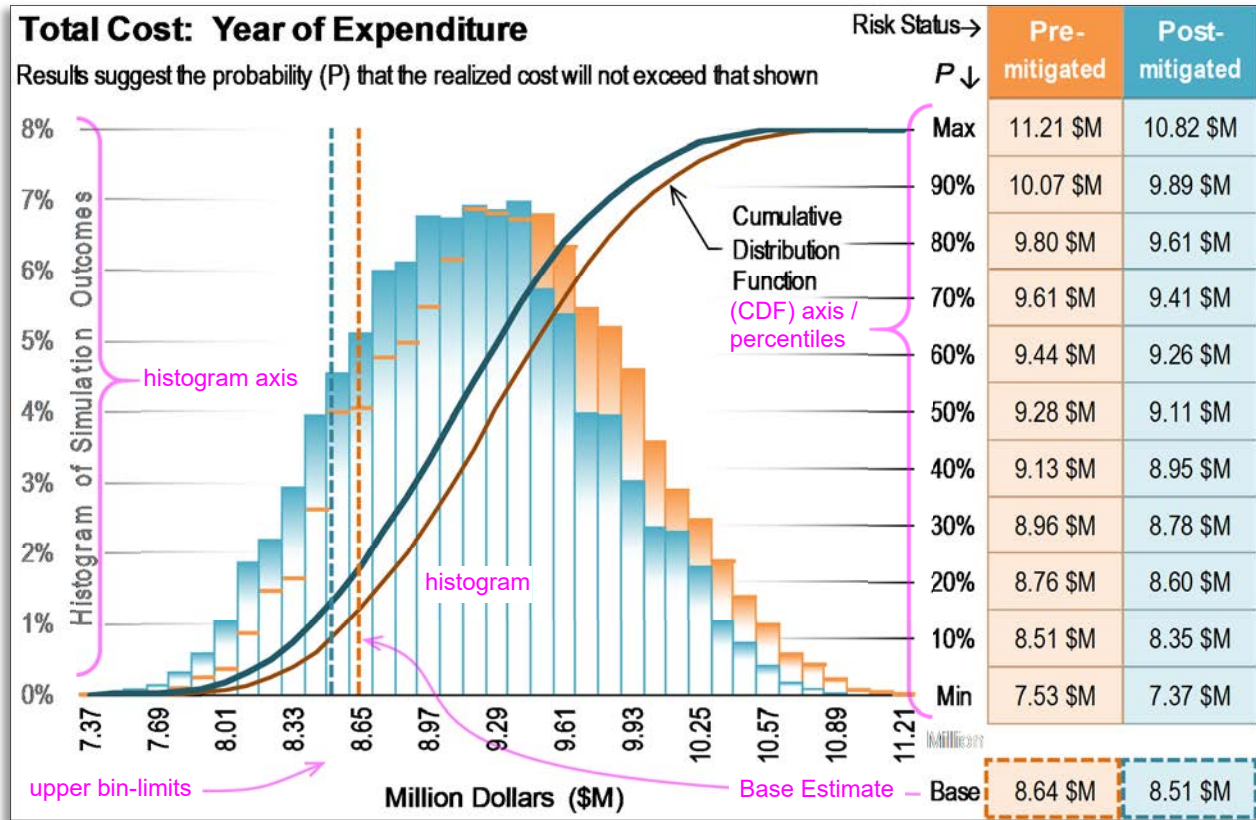
For reference, the original base estimate appears as a vertical, dashed line.

After running the risk-response analysis — the second part of this comprehensive risk management process — using the initial risk analysis result as a backdrop, the tool displays pre and post results in the same report. This facilitates ease of comparison, the difference being the value of active risk management. Color-coding allows instant recognition of pre-response and post-response results:

ORANGE = Risk Analysis (pre risk-response) results

BLUE = Risk-Response Analysis (risk management) results

The following example shows results of pre and post risk response analysis:



Notes

Tabular minimum and maximum values are not the limits of what is possible, but are the range of this particular model run. The program replicates risk by generating random numbers. It does this fresh each run, so no two outcome sets will be the same; but the governing input bounds are the same, so the outputs will be similar. A subsequent run will likely show slightly different values.

It is expected that the graph of the risk analysis results alone will look somewhat different after the risk-response analysis run. Besides the obvious addition of another histogram and S-curve, the bin limits will adjust to cover the whole outcome spectrum of both runs, likewise the y-axis/% labels. This is because the report uses the same number of bins to cover a different range. This graphical artifact makes no difference to the validity of the statistics presented in either set.

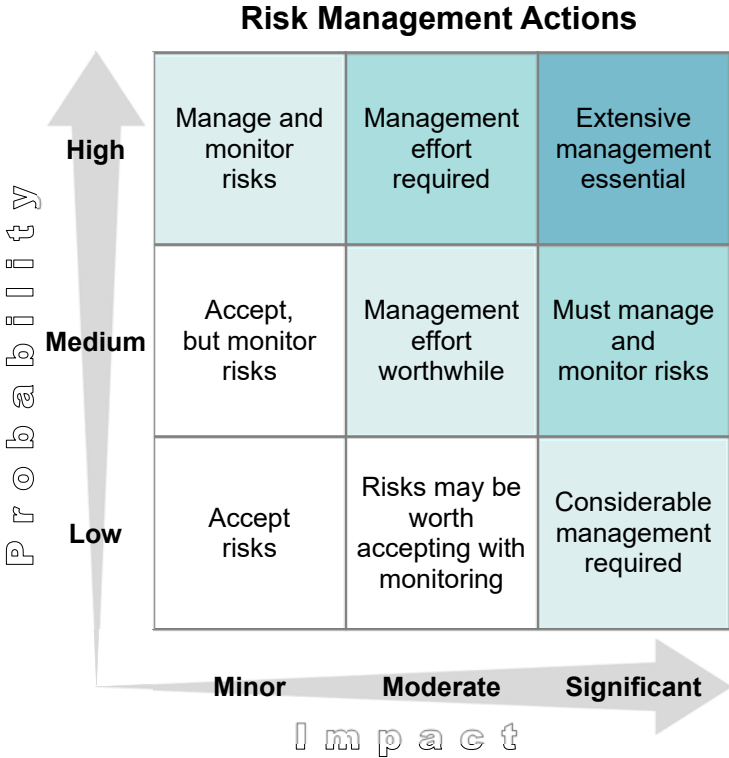
The risk-response result plots on top of the risk analysis. In many response scenarios, the base estimate does not change. In that case the base estimate appears as only a dashed, blue, vertical line (the orange is underneath it at the same value).

Risk Response

Risk response is where the true value of project risk management is realized. The Expected Value (EV) diagram sheet suggests how to prioritize and allocate risk management effort and resources.

Right-sizing the Risk Response

Response to a risk should be proportional to its likelihood and consequence.



While much of the brainstorming and ideas about how to respond to a risk naturally flow on the heels of identifying the risk in the first place, this guide assumes a workflow where risk response is deferred to a discrete phase. This activity is dedicated to risk response strategizing, and the orderly recording of the decisions, plans, and actions intended to counter the risks, either to lessen detrimental effects and likelihood of threats, or by taking advantage of opportunities.

Risk Response Strategies	
Threat Responses	Opportunity Responses
<p>Avoid – actions to eliminate the risk and protect project objectives from risk impact.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Change scope • Change requirements • Revise resources allocations such as cost or time. 	<p>Exploit – response actions taken to ensure the benefits of the opportunity are realized.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Change timing of ad or construction • Modify work restrictions • Employ expertise that can make sure the opportunity is realized
<p>Mitigate – reduce probability of occurrence or intensity of the impact. Mitigation is risk and project specific.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Look at work activities and schedule • Change requirements • Additional investigation 	<p>Enhance – actions take to enhance an opportunity; actions that can increase probability or beneficial impacts.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Look at work activities and schedule • Change requirements • Add features to trigger opportunity
<p>Transfer – transfer activity to other responsible parties best able to address the risk and associated work.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Contract work • Assign to other stakeholders • Insurance 	<p>Share – opportunity risks may be shared with parties positioned to help secure the benefits of the opportunity risk.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Share ownership and allocate benefits among parties best able to make sure the opportunity is realized.
<p>Acceptance of the risk</p> <p>All projects live with some level of risk and uncertainty. In many cases, even for identified risk events, the decision is made to accept the risk. The planned project is not changed due to the possibility of the risk occurring, nor is any response strategy adopted other than agreeing to address the risk if it occurs. Project managers should always monitor risks and project health during execution. If a risk appears imminent, communicate with leadership.</p>	

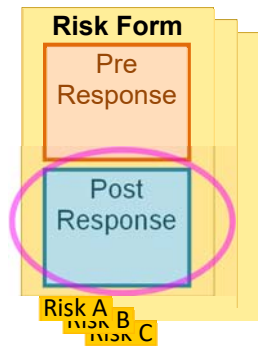
Just as in quantifying risk analysis, the model needs numerical values to input, so the response activity includes quantifying changes resulting from response actions. The post risk-response probability and impacts are entered in the model, and after running, will quantify the value of the risk (management) response itself.

Risk-Response Analysis Inputs

Risk Forms

Use the same Risk Forms used for input to the risk analysis, to input for analyzing risk-response.

Return to the risk sheets and go down to the **Post-Response** section. Make entries in fields as performed previously for the risk analysis.



Response Strategy: <input type="text"/>		Risk Owner: <input type="text"/>						
Response Description: <input type="text"/>								
Post-Response Quantitative Assessment		Qualitative Rendition						
Nature: <input type="text"/>	Probability: <input type="text"/>	Probability: No Risk	<table border="1"> <tr><td>VH</td></tr> <tr><td>H</td></tr> <tr><td>M</td></tr> <tr><td>L</td></tr> <tr><td>VL</td></tr> </table>	VH	H	M	L	VL
VH								
H								
M								
L								
VL								
COST \$ Millions (\$M)	SCHEDULE ☒ months (mo)	Impact Relative to: <input type="text"/>						
Minimum: <input type="text"/>	Minimum: <input type="text"/>	COST \$: <input type="text"/>						
Most Likely: <input type="text"/>	Most Likely: <input type="text"/>	SCHEDULE ☒: <input type="text"/>						
Maximum: <input type="text"/>	Maximum: <input type="text"/>							
Expected Value ↓ <input type="text"/>	Expected Value ↓ <input type="text"/>		<table border="1"> <tr><td>VL</td><td>L</td><td>M</td><td>H</td><td>VH</td></tr> </table>	VL	L	M	H	VH
VL	L	M	H	VH				
Conditionality:								
\$↔☒ Impact Correlation: <input type="text"/>		Occurrence does not depend on other risks.						
No impact severity correlation w/ a previous risk impact.		Duration is not linked to another risk.						
R	Reasons: (Include advantages & disadvantages)	Action by date: <input type="text"/>						
<input type="text"/>								

Risk Response: (drop-down) select from the following:

If a Threat:

- Avoid
- Transfer
- Mitigate
- Accept

If an Opportunity:

- Exploit
- Share
- Enhance
- Accept

Selecting "Accept" automatically populates the quantitative assessment fields with the values from the above, pre-response section.

Risk Owner: Enter the name of the person responsible for managing this risk.

Response Description: Enter a concise description of the response and reason for the strategy.

“Action by” date: Enter the date that the management action should be engaged.

Post-Response: Quantitative Assessment

Nature: (drop-down) this is usually the same as above — Threat or Opportunity.

Probability: Adjust the probability according to the response strategy. Passive acceptance should not lead to changing probability, but if circumstances have changed outside of any active strategy, consider running the initial risk analysis with the latest probability.

COST \$ — Adjust the expected Minimum, Most likely, and Maximum cost impact values according to the proposed response strategy.

SCHEDULE x — Adjust the expected Minimum, Most likely, and Maximum schedule impact values according to the proposed response strategy.

Post-Response: Qualitative Rendition: This provides a qualitative, visual interpretation of risk probability and impact. The user may compare this heat map with the one above to observe difference in symbol placement proportional with anticipated post-response probability and impact quantifications.

Impact Relative to: (auto-filled & drop-down) by default this follows the Phase that it impacts: entry (above) and governs the Quantitative Rendition Heat Map to graph impacts relative to the phase. One may select “Project” from the drop-down to scale this risk’s potential to the entire project instead of just the phase. The selection has no effect on the simulation.

\$↔x Impact Correlation: (drop-down) selection is for a more complex analysis; informs the simulation of correlation between the cost impact and the schedule impact of the risk. See the later section on Conditionality for more information. Revise this entry if affected by the response strategy.

Response Action(s) to be taken: Detail the action you will undertake in response to the identified risk.

Action by date: Enter the date by which response action(s) need to be taken.

Supplemental Risk Information:

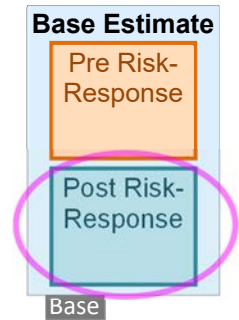
Response Details: Enter further notes or clarifications about the risk response strategy, basic outline of the practical steps involved with monitoring and controlling the risk, etc.

Risk Monitoring and Control: As project execution progresses, journal the actions taken, status, and review comments regarding this risk. Date and stack entries on top of one another to retain history.

Next review date: Enter the date when the risk is due for review as part of risk monitoring and control.

Base Estimate sheet

The same worksheet used to input for project risk analysis also handles inputs for risk-response — on the second part or page. After carefully developing a response strategy for all risks as warranted, and quantifying the expected probabilities and impacts, one may find that some of the responses, however beneficial in the long run, come at a price up-front. The total of all these (per project phase) should be added to the estimate. There may also be instances where brainstorming about risks and risk-response has led to some impromptu Value Engineering (VE) — or VE may be integrated and result in quantified costs or savings to the project. The second base estimate is to account for any changes to the first. This is an appropriate backdrop for the second simulation, which actually analyzes the value of the risk-response (and VE) itself and reflects updates to the estimate.



There might not be any changes, and the worksheet automatically populates the Post-mitigated Base Estimate with the values entered from the initial estimate. These may be over-written; doing so automatically highlights the changes for ease of comparing the two estimates.

RISK MODEL		Example Project		Model Date:	
Post-mitigated					
Base Estimate		State Route: 124	Mileposts:		
Project Manager:		PIN #:		WIN #:	
Estimate Prepared by:		Estimate Date: 04-28-16			
Last Updated:		Basis of Estimate Date:		Review Date:	
COST \$		Base Estimate		Non-WSDOT Inflation Rates	
Preliminary Millions (\$M)		Spent to Date ↓		↓	
Engineering: 0.79 \$M		PE:		PE: 0.0%	
0.71 \$M ← 10% → 0.87 \$M					
Variability					
Right of Way: 1.05 \$M		RW:		RW: 0.0%	
0.95 \$M ← 10% → 1.16 \$M					
Variability					
Construction: 6.54 \$M		CN:		CN: 0.0%	
5.89 \$M ← 10% → 7.19 \$M					
Variability					
Minimum		Maximum			
7.54 \$M		8.38 \$M		9.22 \$M	
↗ Estimated Total Cost to Complete Range*		Total Spent		← to Date	
7.54 \$M		8.38 \$M		9.22 \$M ← Estimated Total Project Cost Range*	
*Extremes—does not including risk impacts, market conditions, nor inflation					
SCHEDULE		Pre-construction (Pre-CN)		Construction (CN)	
months (mo)		Preliminary Engineering		Estimated	
Estimate		RW Acquisition		A/B/A	

RMPM and RMPSupplM sheets


At this point, go to the post risk-response Model Input Tables and adjust any inter-risk conditionality that may have changed due to response strategies involving one or more of the associated risks.

It is also possible that response strategies now anticipate a significant conditionality between risks. Read the Conditionality section, later in this guide, before making these settings.

Model Input Tables	
RUN	
1	\$ ↗
2	\$ ↗
3	
4	
RMPM RMPSupplM	

Running the Risk Response Model

After adjusting conditionality and checking the Base and Risk entries, find the **Run Model** button near the top of the RMPM sheet, "click" the button. Expect that the program will calculate for a minute or two.

Project Title		Example Project				Val		
Estimate Date	04-28-16	<div style="border: 2px solid magenta; border-radius: 50%; padding: 10px; text-align: center;"> <p>Click this button to Run Model Do not stop it while running!</p>  </div>			Contract Advertisement (Ad) Date →	02-15		
Project PIN #	0				Construction (CN) Duration →	7.0		
Last Review Date	1/0/1900				Preliminary Engineering (PE) Cost →	0.75		
Project Manager	0				Right-of-Way (RW) Cost →	1.05		
Base Form	← Make Revisions Here				Construction (CN) Cost →	6.54		
Risk Identification						Quantitative		
Risk ID	Status	Dependency	Project Phase	Risk Nature:	Detailed Description of Risk	Risk Trigger	Duration Link	Probability
				Threat or Opportunity				\$ ↔ Σ
				Risk Title				Correlation
								Im
1				Threat			Probability ↓	\$ Min
							75%	\$ Max

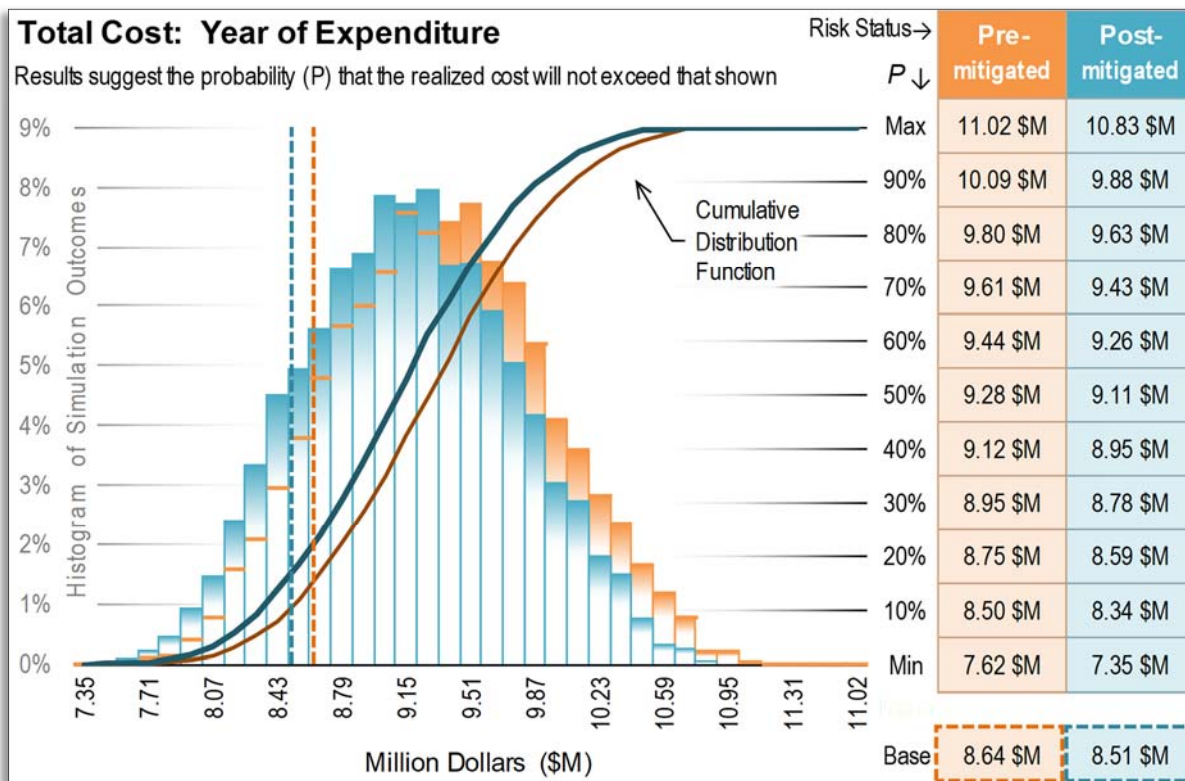
After running, the view orients on a basic output presentation at the top-right of the sheet:

Post-mitigated Risk Results ↓	Confidence Level		Total Cost		Schedule Dates	
			Total-Cost (CY)	Total-Cost (NPE)	Ad Date	End CN
	10%	Chance	8.04 \$M	8.34 \$M	Nov-2017	Sep-2018
	20%	that	8.27 \$M	8.59 \$M	Dec-2017	Oct-2018
	30%	it	8.46 \$M	8.78 \$M	Jan-2018	Nov-2018
	40%		8.61 \$M	8.95 \$M	Feb-2018	Dec-2018
	50%	will	8.76 \$M	9.11 \$M	Feb-2018	Dec-2018
	60%	not	8.90 \$M	9.26 \$M	Mar-2018	Jan-2019
	70%	exceed	9.07 \$M	9.43 \$M	Mar-2018	Jan-2019
	80%	→	9.25 \$M	9.63 \$M	Apr-2018	Feb-2019
	90%		9.50 \$M	9.88 \$M	May-2018	Mar-2019

Risk Response Plan Monitor and Control

“Clicking” the green or blue “buttons” near the top, will take you to the respective output sheet:

Example:



Appendix: Risk Breakdown Structure (RBS)

The Risk Breakdown Structure (RBS) provides a consistent approach for organizing risks.

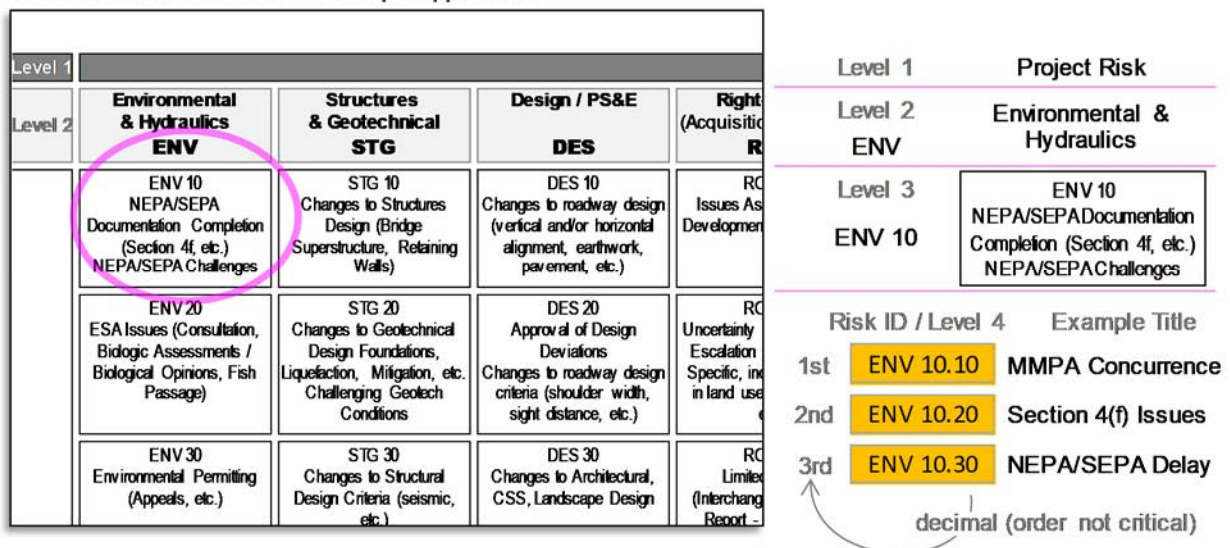
The RBS is a list of common transportation project risks organized in a hierarchical matrix, by category and subcategory. Besides promoting a consistent risk identification system, it can serve as a prompt for risk elicitation.

The RBS provides several functions and benefits to the project team and to management, including:

- 1) Consistency with taxonomy (wording)
- 2) Organizes risk events into common categories
- 3) Helps identify trends with respect to common usage of risk event categories and event types, along with their probability and impact values
- 4) Helps to identify common risk events among projects that the Region and Headquarters offices should be aware of due to their potential cumulative effects; e.g. negotiating agreements with agencies or other municipalities
- 5) Provides a basis to work from for risk assessment and risk elicitors during workshops
- 6) Provides a basis for development of independent risk surveys for those unable to attend a workshop

For more information regarding the RBS, see the [Project Risk Management Guide](#), Chapter 7 for additional details.

Risk Breakdown Structure — Example application



RISK BREAKDOWN STRUCTURE

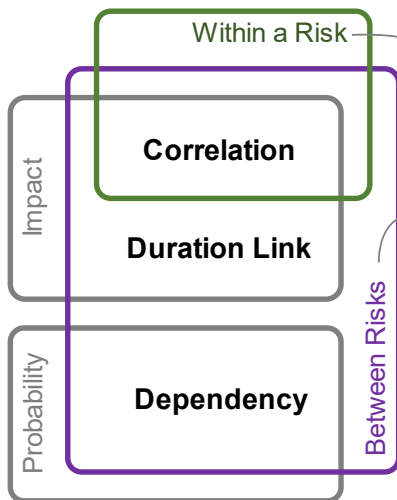
Major Project Risks											
Level 1	Environmental & Hydraulics ENV	Structures & Geotechnical STG	Design / PS&E DES	Right-of-Way (Acquisition & Access) ROW	Utilities UTL	Railroad RR	Partnerships & Stakeholders PSP	Management / Funding MGT	Contracting & Procurement CTR	Construction CNS	Enterprise Risk ERO
Level 2	ENV 10 NEPA/SEPA Documentation Completion (Section 4f, etc.) NEPA/SEPA Challenges	STG 10 Changes to Structures Design (Bridge Superstructure, Retaining Walls) STG 20 Changes to Geotechnical Design Foundations, Liquefaction, Mitigation, etc. Challenging Geotech Conditions	DES 10 Changes to roadway design (vertical and/or horizontal alignment, earthwork, pavement, etc.) DES 20 Approval of Design Deviations Changes to roadway design criteria (shoulder width, sight distance, etc.) DES 30 Changes to Architectural CSS, Landscape Design	ROW 10 Issues Associated with Development of ROW Plan Specific, including change in land use, urbanization, etc.) ROW 20 Uncertainty in Future ROW Escalation Rate (Project Specific, including change in land use, urbanization, etc.) ROW 30 Limited Access (Interchange, Justification Report - JUR, Access Hearing, etc.)	UTL 10 Utility Design Coordination and Agreements UTL 20 Utility relocations and conflicts	RR 10 Railroad Design Coordination and Agreements RR 20 Railroad Coordination during construction (flagging, work restrictions, work windows, etc.) RR 30 Contractor Right of Entry Requirements	PSP 10 Tribal Issues PSP 20 Public Involvement Issues Other Interagency Agreements (Sound Transit, USFS, cities, counties, etc.) PSP 30 Additional Scope in Response to Third Party Concerns (atwork, shared use pathways, intersection improvements, etc.)	MGT 10 Change in Project Managers and/or other key Leadership MGT 20 Delayed Decision Making MGT 30 Availability of Funding / Cash Flow Restrictions MGT 40 Political/Policy Changes MGT 50 State Workforce Limitations	CTR 10 Change in Project Delivery Method CTR 20 Issues Related to Contract Language (Contract Packaging, Warranties, Liquidated Damages, DBE, Insurance/Bonding, etc.) CTR 30 Delays in A-Bid-Award Process (Awards, Protests, etc.) CTR 40 Market Conditions (non-competitive bidding environment) Lack of Qualified Bidders CTR 50 Delays in Procurement of Specialty Materials or Equipment and associated cost premiums CTR 60 Contractor Non-Performance	CNS 10 Traffic Control and Staging Issues (MOTWZIC) CNS 20 Construction Permitting Issues (work restrictions, etc.) CNS 30 Work Windows (Weather, Fish, etc.) CNS 40 Construction Schedule Uncertainty (general, including timing of award) CNS 50 Maine/Over-Water Construction Issues CNS 70 Earthwork Issues (re-use, haul, disposal, etc.) CNS 80 Coordination with Adjacent Projects During Construction CNS 90 Contractor Access/Staging Coordination and Constructability Issues CNS 100 Construction Accidents	ERO 10 Safety ERO 20 Trust ERO 30 Credibility ERO 40 Reputation ERO 900 Other ERO Issues
Level 3	ENV 20 ESA Issues (Consultation, Biologic Assessments / Biological Opinions, Fish Passage) ENV 30 Environmental Permitting (Appeals, etc.) ENV 40 Archaeological/Cultural Discoveries, historic property impacts & mitigation (Section 106) ENV 50 Hazardous Materials Groundwater and Soil Contamination (PE, RW, CN) ENV 60 Wetlands / Stream / Habitat Mitigation ENV 70 Stormwater, Changes to Flow Control or Runoff Treatment / Hydraulic Requirements ENV 80 Environmental Impacts during Construction (water quality, TESC etc.) ENV 90 Permanent Noise Mitigation	STG 30 Changes to Structural Design Criteria (seismic, etc.)	DES 40 Projects by other agencies affected by or affecting this project (design coordination) DES 50 Changes to Design of Permanent Traffic Items (TSS, Illumination, Intersection, etc.) DES 60 Design / PS&E Reviews Additional Scope Driven by Internal Considerations (Maintenance, Traffic Projections, Telling, extend project termini, change to purpose and need, etc.)	ROW 40 Managed Access (Appeal Hearing, etc.) ROW 50 ROW Acquisition Issues (contamination, relocations, denials, etc.) ROW 60 Additional ROW is required (including full vs partial takes): Temporary and Permanent Access Breaks - FHWA approval Construction/Subterranean Easements	Other UTL Issues	Other RR Issues	Other PSP Issues	Other MGT Issues	Other CTR Issues	Other CNS Issues (unanticipated change orders, claims, etc.)	Other ERO Issues

Appendix: Conditionality

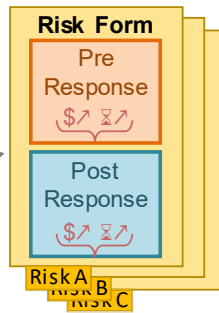
Refining the base estimate and identifying significant risks are most essential to project risk analysis, but a thorough assessment gives some attention to interactions between risks. To a degree, this model can accommodate some common risk relationships. The “Conditionality” risk relationships described here are limited to the model’s capability. Further study of this subject equips one for more comprehensive risk assessment. Awareness of conditionality informs and forewarns the project team, allowing more pro-active, response options. The types of conditionality covered here are Correlation, Dependency, and Duration Link.

Conditionality

As handled by the model:
Types by risk component and extent.

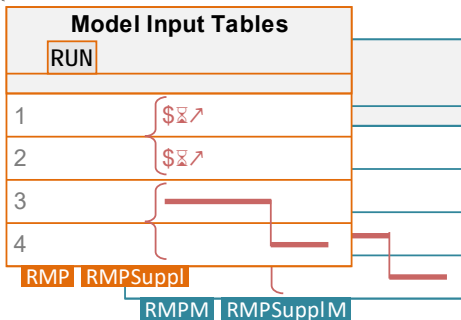


Where to enter it in the tool



Correlation between cost \$ and schedule Σ impact within a risk event is recorded in the Risk Form. (This is the only conditionality that is captured in the Risk Form).

Conditionality between risks: Correlation, Duration Link, and Dependency are entered in the Risk Tables.



Where to enter inter-risk conditionality:

Project Title		Example Project		Value	Variability	Risk Markups		Ad-Bid-Award Process		Market Conditions				
Estimate Date	04/28/16	<div style="border: 2px solid orange; padding: 5px; text-align: center;"> Click this button to Run Model Do not stop it while running! </div>		Contract Advertisement (Ad) Date →	02-15-17	10%	Mob →	6.0%	Duration →	3 Mo	Favorable	30%	10	
Project PIN #				Construction (CN) Duration →	7.0 Mo	10%	Tax →	8.1%	Non-VSDOT rates →			Unfavorable	20%	10
Last Review Date				Preliminary Engineering (PE) Cost →	0.81 \$M	10%	CE →	12.0%	PE →			Inflation Points		
Project Manager				Right-of-Way (RW) Cost →	1.05 \$M	10%	PE →	12.2%	RW →			Pre-construction (PE & ROW)	50	
Base Form	← Make Revisions Here			Construction (CN) Cost →	6.65 \$M	10%	O.C. →	4.0%	CN →			Construction	50	
Risk Identification				Quantitative Assessment				Qualitative Rendition						
Risk ID	Status	Risk Nature: Threat or Opportunity	Detailed Description of Risk	Risk Trigger	Duration Link	Probability	Impact: Cost \$	Expected Impact (PERT)	Probability	Impact	Heat Map Probability of Occurrence x Expected Impact		Response	
1	Active	Threat	Significant impacts to properties on the west side of Railroad. Northwest quadrant - property would be split in half by the Montgomery Road realignment.	condemnation	Positive correlation	75%	\$ Minimum 0.01 \$M \$ Maximum 0.40 \$M \$ Most Likely 0.28 \$M	0.19 \$M	High Probability	Moderate \$ Impact			Acceptance	
2	Active	Threat	South is with driveway proposed right-of-way; new SR 129 may not be in purchase of entire parcel for R/W.	functional sign	0	75%	\$ Minimum 0.05 \$M \$ Maximum 0.30 \$M \$ Most Likely 0.25 \$M	0.17 \$M	High Probability	Moderate \$ Impact			Acceptance	
3	Active	Threat	Material source for Embankment to be placed on US Army Corps of Engineers property needs to be identified during design.	Material approval by USACE	0	90%	\$ Minimum 0.01 \$M \$ Maximum 0.05 \$M \$ Most Likely 0.03 \$M	0.03 \$M	Very High Probability	Very Low \$ Impact			Acceptance	
4	Active	Threat					\$ Minimum 0.00 \$M							

Correlation

Describes an expected parity or disparity of impact severity. Positive Correlation marks the expectation that if a certain risk occurs and its impact is high (↗), then the impact of a certain other risk, if it occurs, will tend toward the high end of its input range (↗); similarly if it strikes low (↘), the other will tend low (↘). Negative Correlation marks the expectation that if a certain risk occurs and its impact is high (↗), then the impact of a certain other risk, if it occurs, will tend toward the low end of its input range (↘); if it hits low (↘), the other will tend high (↗).

Shorthand:

Positive Correlation: ↗↗ or ↘↘

Negative Correlation: ↗↘ or ↘↗

Examples

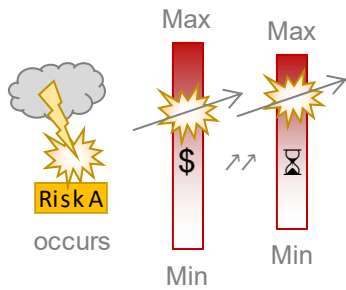
- 1) Zebra herds crossing a river in Africa. High water means crocodiles are less visible and more mobile. The expectation is that when crossing, if the water is high, death by predation is high — positive correlation. This expectation is reasonable even if there happen to be no

crocodiles at the crossing that year, or they are already full — no actual crocodile strikes. If the crossing meets shallow water, the expectation is fewer zebras lost.

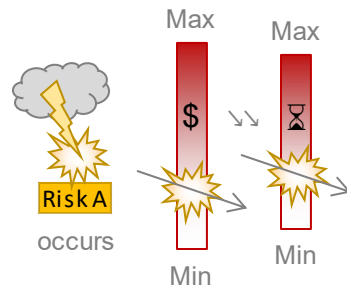
- 2) The higher the Nile floods, the more arable land is available for cultivation — positive correlation.
- 3) As prices go up, consumption goes down — negative correlation.
- 4) More excavation may be required at this end of the project, but if the material is suitable, it means less importation for the fill at the other end — negative correlation.

Correlation between Cost and Schedule Impacts (within a single risk)

Risk A with Positive Cost and Schedule Impact Correlation: \$↗↗ or \$↘↘

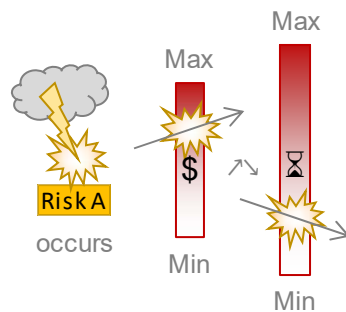


When Cost \$ Impact is high,
Schedule ⌚ Impact is high

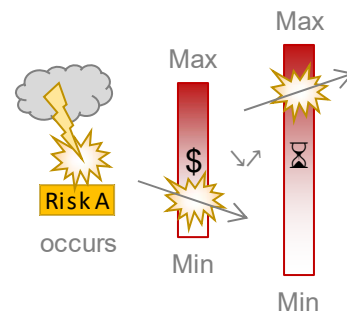


When Cost \$ Impact is low,
Schedule ⌚ Impact is low

Risks A with Negative Cost and Schedule Impact Correlation: \$↗↘ or \$↘↗



When Cost \$ Impact is high,
Schedule ⌚ Impact is low



When Cost \$ Impact is low,
Schedule ⌚ Impact is high

Correlation within a single risk, between cost impact (\$) and schedule impact (Σ) — Positive: \$↗Σ↗ or \$↘Σ↘, or Negative: \$↗Σ↘ or \$↘Σ↗ — is noted on the individual risk sheet.

Risk Form **Example Project** **Date:**

Risk ID:

Category: RBS Code: MDL Code:

Risk Title:

Status: Phase that it Impacts: Critical Path?

Detailed Description of Risk Event: (SMART—Specific, Measurable, Attributable, Relevant, Timebound)

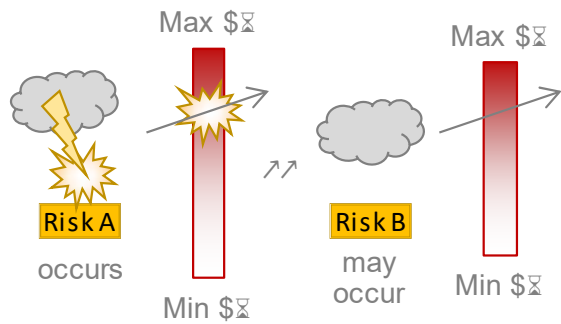
Trigger:

Pre-Response	Quantitative Assessment	Qualitative Rendition	Heat Map																		
Nature: <input type="text"/>	Probability: <input type="text"/>	Probability: <input type="text" value="No Risk"/>	<table border="1" style="border-collapse: collapse; text-align: center;"> <tr><td style="border: none;">↑</td><td style="border: none;">Probability</td><td style="border: none;">↑</td></tr> <tr><td style="border: none;">VH</td><td style="border: none;">H</td><td style="border: none;">M</td></tr> <tr><td style="border: none;">L</td><td style="border: none;">VL</td><td style="border: none;">L</td></tr> <tr><td style="border: none;">VL</td><td style="border: none;">L</td><td style="border: none;">M</td></tr> <tr><td style="border: none;">H</td><td style="border: none;">H</td><td style="border: none;">VH</td></tr> <tr><td style="border: none;">→</td><td style="border: none;">Impact</td><td style="border: none;">→</td></tr> </table>	↑	Probability	↑	VH	H	M	L	VL	L	VL	L	M	H	H	VH	→	Impact	→
↑	Probability	↑																			
VH	H	M																			
L	VL	L																			
VL	L	M																			
H	H	VH																			
→	Impact	→																			
COST \$ Millions (\$M)	SCHEDULE Σ months (mo)	Impact Relative to: <input type="text"/>																			
Minimum: <input type="text"/>	Minimum: <input type="text"/>	COST \$: <input type="text"/>																			
Most Likely: <input type="text"/>	Most Likely: <input type="text"/>	SCHEDULE Σ: <input type="text"/>																			
Maximum: <input type="text"/>	Maximum: <input type="text"/>																				
Expected Value ↓	Expected Value ↓																				
Conditionality:		Occurrence does not depend on other risks.																			
\$↔Σ Impact Correlation: <input type="text" value=""/> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-top: 2px;"> Positive correlation Negative correlation </div>		Duration is not linked to another risk.																			

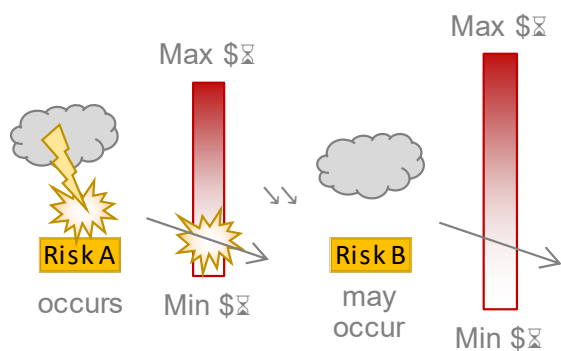
The default value is <blank> (no, unknown, or uncertain correlation). The dropdown selections affirm correlation while telling which type.

Correlation between Risk Impacts (between risks)

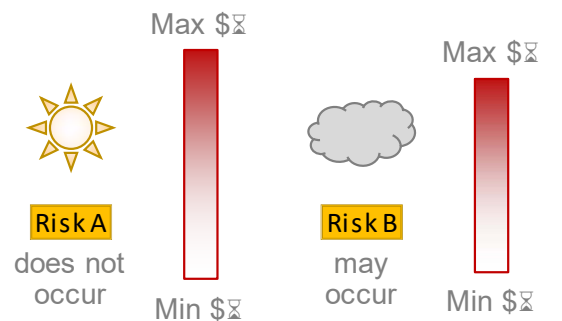
Risks A and B with Positive Impact Correlation: $\$x \nearrow \$x \nearrow$ or $\$x \searrow \$x \searrow$



If Risk B occurs, the impact will be high

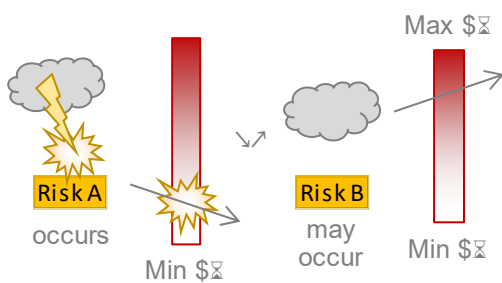


If Risk B occurs, the impact will be low

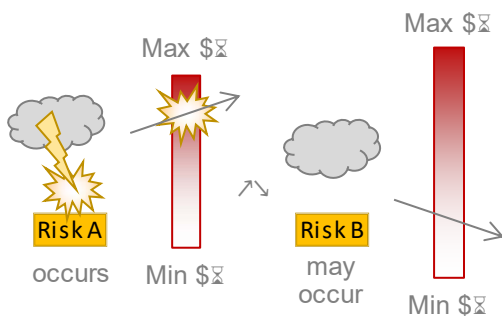


If Risk B occurs, the impact is free-range

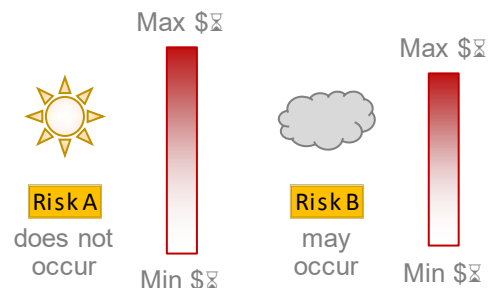
Risks A and B with Negative Impact Correlation: $\$x \nearrow \$x \searrow$ or $\$x \searrow \$x \nearrow$



If Risk B occurs, the impact will be high



If Risk B occurs, the impact will be low



If Risk B occurs, the impact is free-range

Impact correlations between risks are set in the Model Input Tables:

Project Title		Example Project					
Estimate Date	04/28/16	Click this button to Run Model Do not stop it while running!	Contract Advertisement (Ad) Date		Construction (CN) Duration		
Project PIN #	0		Preliminary Engineering (PE) Cost		Right-of-Way (RW) Cost		
Last Review Date	01-00-00		Construction (CN) Cost				
Project Manager	0						
Base Form	← Make Revisions Here						
Risk Identification							
Risk ID	Status	Dependency	Project Phase	Risk Nature: Threat or Opportunity	Detailed Description of Risk	Risk Trigger	Duration Link ↓ Probability
				Risk Title			
1	Active		ROW	Threat	RW Impacts (condemnation) Significant impacts to properties on the west side of Railroad. Northwest quadrant - property would be split in half by the Montgomery Road realignment.	condemn	Probability ↓
ROW050.10							0
TOC							Duration Link ↓ Correlation
2	Active		ROW	Threat	RW Acquisition Southwest Quadrant - ; Modular home is within the proposed right-of-way; new driveway up to new SR 129 may not be possible resulting in purchase of entire parcel for RW.	function of design	Probability ↓
ROW060.10							2
TOC							Duration Link ↓ Correlation
3				Threat			Probability ↓
							90%

Note: The program assumes the **correlation between risks is driven by the preceding risk of a sequence on the list**: #1 governs #2, #17 governs #18, etc. — risks must be ordered accordingly.

Note: the first batch of 12 risks cannot be connected to the second batch, 13 – 24, so #12 cannot govern #13.

The user may reorder risk sheets by dragging their respective sheet tabs, but conditionality indicators will not automatically update to suit a new order. Any that were set before a reordering should be checked afterwards to ensure risks are still connected as intended.

The initial risk randomly selects an impact severity within its input range — if it randomly occurs. If the initial risk does not occur, then the following risk is free to impact randomly over the full range of its input bounds — if it strikes.

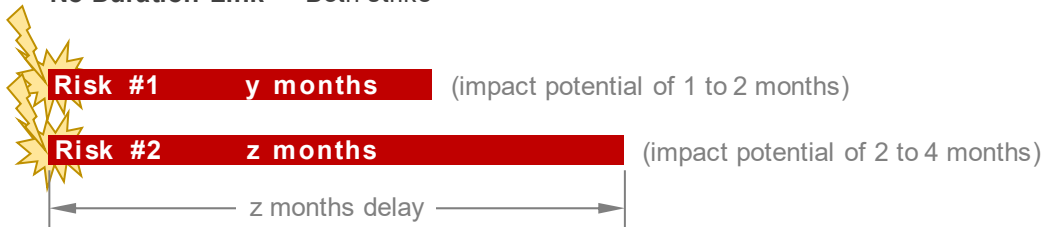
Duration Link

This simply means that if both risks occur the program adds both their duration impacts against the schedule base estimate (in “series”). This again is about impact or consequence, not about probability of occurrence.

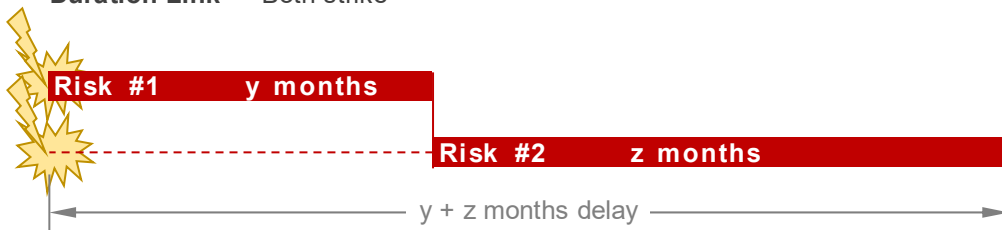
Illustration

y and z depict randomly generated durations, selected within entered (quantified) impact bounds (minimum, maximum, and most-likely).

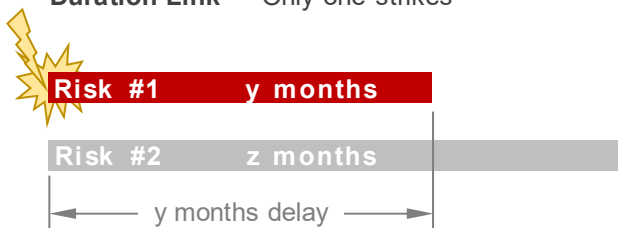
No Duration Link — Both strike



Duration Link — Both strike



Duration Link — Only one strikes



Duration Link is set in the Model Input Tables:

Project Title		Example Project			Value	Variability	Risk Mark		
Estimate Date	04/28/16	Click this button to Run Model Do not stop it while running!	Contract Advertisement (Ad) Date →	02-15-17	10%	Mob →			
Project PIN #			Construction (CN) Duration →	7.0 Mo	10%	Tax →			
Last Review Date	04/28/16		Preliminary Engineering (PE) Cost →	0.81 \$M	10%	CE →			
Project Manager			Right-of-Way (RW) Cost →	1.05 \$M	10%	PE →			
Base Form	← Make Revisions Here		Construction (CN) Cost →	6.65 \$M	10%	C.O.C →			
Risk Identification				Quantitative Assessment			Expected Impact (PERT)		
Risk ID	Status	Project Phase	Risk Nature: Threat or Opportunity	Detailed Description of Risk	Risk Trigger	Duration Link		Probability	Impact: Cost \$
			Risk Title				\$ ↔ \$	Duration Connection	
							Correlation	Impact: Schedule \$	
1	Active	ROW	Threat	R/W Impacts (condemnation)		0	75%	\$ Minimum 0.01\$M \$ Maximum 0.40\$M 0.28\$M 6.0Mo \$ Maximum 18.0Mo \$ Most Likely 12.0Mo	0.19\$M 9.0Mo
2	Active	ROW	Threat	R/W Acquisition	Southwest Quadrant -- Modular home is within the proposed right-of-way; new driveway up to new SR 129 may not be possible resulting in purchase of entire parcel for R/W.	0	75%	\$ Minimum 0.05\$M \$ Maximum 0.30\$M 18.0Mo \$ Most Likely 12.0Mo	0.17\$M 9.0Mo
3	Active	Pre-construction	Threat	Material Source	Material source for Embankment to be placed on US Army Corps of Engineers property needs to be identified during design.	0	90%	\$ Minimum 0.01\$M \$ Maximum 0.05\$M 0.03\$M 2.0Mo \$ Maximum 12.0Mo \$ Most Likely 9.0Mo	0.03\$M 7.5Mo
4			Threat					\$ Minimum 0.00\$M	

The default value is "0" (no, or unknown Duration Link). The dropdown selection of "1" affirms a link with the risk just below on the list. Indicator fields confirm the link.

The model is limited to pairs of sequential risks, as listed in the Model Input Tables. One signifies duration link from a "Master Duration Risk" on the list to the next down on the list. Link #1 and #2 from #1, #17 and #18 from #17, etc. — **risks must be ordered accordingly**. Caution: the first batch of 12 risks cannot be connected to the second batch, 13 – 24, so #12 cannot link #13.

The user may reorder risk sheets by dragging their respective sheet tabs, but conditionality indicators will not automatically update to suit a new order. Any that were set before a reordering should be checked afterwards to ensure risks are still connected as intended.

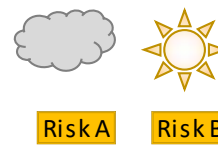
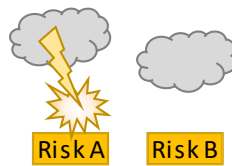
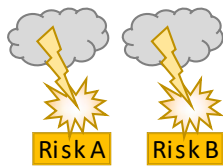
Dependency

Unlike the previous two conditionality types dealing with risk impacts, this one is a probability relationship. The model's default, also known as "mutually inclusive", allows all risks to occur or not, as random numbers dictate; however, the simulation may be sensitized for two other scenarios. One where a risk can only happen if some other does, and a lopsided "mutually exclusive", where a risk cannot happen if some other does.

The model default value, <blank>, is that each risk probability is independent. The dropdown selections affirm dependency while telling which type:

DEP-INCL = (Dependent-Inclusive) Yes, this risk is dependent on the preceding risk and may only occur if the preceding risk does occur.

Risk B can strike only if Risk A strikes.



Risk B might not strike.

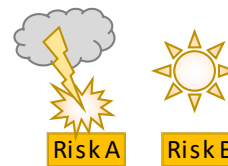
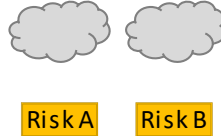
Risk B will not strike.

Example

Best route of excavation is near abandoned, buried vessels; contents vary from benign to toxic. Puncturing a vessel full of potable water is its own unfavorable impact, let alone having to deal with toxic waste; but if no tanks or lines are discovered, the hazmat suits can be stowed.

DEP-EXCL = (Dependent-Exclusive) Yes, this risk is dependent on the preceding risk and may only occur if the preceding risk does not occur.

Risk B can strike only if Risk A does not strike.



Risk B might not strike.

Risk B will not strike.

Example

We will need increased capacity for de-watering if it rains heavy, but we will need water tanks and sprayers for dust control if it does not rain at all.

Example

An almost empty canteen while on expedition may mean perishing of dehydration, but one could resort to local sources. The more one drinks from these however, the greater the chance of contracting some other malady. Welcome to the jungle!

