Interview with Nancy Potok, COO at the Census Bureau

Nancy Potok, PhD has been Deputy Director and Chief Operating Officer of the Census Bureau since August 2012. Before that she served as Deputy Undersecretary for Economic Affairs at the Department of Commerce where she was part of a small group that decided to implement risk management at the department and at Census in particular.

<u>Q: As COO how do you regard the value of risk management for the Census Bureau?</u>

Risk management is a critically important activity. From my vantage point as COO of a billion dollar organization with 17,000 employees who are involved in diverse activities across the country, it is impossible to know the important risks to our mission simply by relying on people deciding to tell me. In government in particular, it's very difficult for people to bring you bad news. They don't want to tell you when things are going wrong for fear of being blamed and punished. They try to fix things themselves, even when they need help. As a consequence, the higher up you get in the organization, the later you find out about the serious challenges. Of course, the later you find out about challenges, the harder they are to address.

What I wanted to create is a climate where people feel comfortable coming forward with things they need help with at a stage when it's still relatively easy to help them, as opposed to dealing with a full blown crisis much later down the line. When you have an organized risk management system in an organization, then managing risk becomes a way of doing business as opposed to a fearful activity where people are reluctant to ask for help because they don't want blame and bad repercussions. Now risk management becomes just "how we manage." It becomes our standard operating procedure, and people can see role models such that when they identify risks early, they get the help they need mitigating risk. That's the kind of behavior we want to reinforce.

<u>Q: Was risk management established on your watch or had it been there when you came in?</u>

During the decade leading up to the 2010 Decennial Census, the Census Bureau experienced some catastrophic failures in procuring key automated systems. This resulted in major design changes at the last minute that were difficult to execute and quite costly. During this period, oversight bodies such as the GAO had urged the Census Bureau to put in place best practices for risk management. The Census Bureau then began to look at a more standardized generally accepted approach to risk management, but quite honestly I think that it was more of a paper exercise. People were managing risk as they always had, but began filling out templates and reports with heat maps and so forth. However, I didn't have the impression that people were really managing to the risk reports at all. It was more of a compliance gesture to oversight than a real management tool. The cultural change needed to adopt risk management as a regular practice had not occurred.

Back in 2009, when I joined the Commerce Department, the Deputy Secretary of Commerce, Dennis Hightower, had a corporate background and was very interested in Enterprise Risk Management. Fortuitously, before I joined Commerce, I was running a consulting company that had assisted organizations with implementing risk management. So I volunteered to work on a team the Deputy Secretary chartered to help him, as the COO, better understand the major departmental risks, such as NOAA satellites and the Decennial Census, and help the bureaus in Commerce think more consistently about risks.

As part of this effort, we made recommendations on how we could make sure that Commerce had a good risk review process. Risk review had fallen almost entirely into the realm of IT and acquisition reviews, because many of the risks involved major IT systems. But many risks went beyond IT, such as workforce planning. In addition, we recognized that risk management should be owned by all the senior leadership and not just the CIO. So our small group looked at the existing Commerce-wide risk management structure and suggested substantial changes. And eventually, a risk management person was brought in and a risk management office was set up to help the bureaus implement risk management throughout their own organizations.

My job at Commerce involved some oversight of the Census Bureau. I worked with the Director [of the Census Bureau] to establish an Office of Risk Management and Program Evaluation that reported to the Census Bureau’s Deputy Director and COO and had high visibility. Of course, when I came to Census that area became my responsibility. We’ve continued to develop and mature how we do ERM here at Census.

Some activities we've undertaken include setting up a risk management governance structure and putting the tools in place that help people assess and manage risk. In addition, we put in place a portfolio management system for all our projects. What we are implementing is a completely integrated program and project management system that rolls into the risk management system. We started by having the risk management office work with each program area to put a project portfolio together and start identifying everything that they were working on. Then we put the information into a portfolio management system that rolled up and integrated with all of our management systems. At the appropriate levels of the organization, we are looking at our investments, prioritizing them, and making sure that what people are working on is aligned with our strategic plan. That portfolio management system goes hand-in-hand with risk management, because we want to manage the risk of the projects we've decided are appropriate to put into the portfolio. Now part of the management process involves identifying and talking about risk.

Within the governance structure we identified what level of the organization is appropriate to deal with different kinds of risks. Because we're a large bureaucratic organization, you don't want to leave this to everyone's individual judgment, so we laid that out in order for everybody to see and understand it. We have an Operating Committee consisting of the COO and leaders of each business line, the CIO and the CFO. We meet once a week and are the top executive leadership of the Bureau. The Operating Committee is the group that looks at the significant enterprise risks.

At specified times we conduct regular risk reviews but if something is identified as a big risk, we can look at it at any time. We've put the governance structure in place so that our approach is not haphazard, and we've also put a common set of tools out there so everyone is doing this the same way, and it's easier to roll our risks up to different levels of the organization.

The risk management office serves as the staff of the Operating Committee, coordinating the risk reviews. They don't manage the risk, because every program office is responsible for managing its own risks, but they are the people who keep the process going for the Operating Committee and provide on-going assistance to the program areas.

<u>Q: Thank you very much for sharing your insights…</u>