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Risk Management

1. Purpose and Scope

Purpose

This procedure defines InSCO's Risk Management process and application.

Scope

This procedure is used to evaluate new activities that might impact our ability to meet customer requirements. The vast majority of the orders we process are common and routine. We rarely, if ever, encounter product requirements that would present unusual or unknown risks. Should such risks the processes for assessment are displayed below.

We have determined that interruptions to cash flow represent the largest commonly encountered risks. This procedure is used to assess customer contracts of one year or longer and valued at over \$100,000, and for capital expenditures of \$50,000 or more.

2. Definitions

Process Manager: Manager or supervisor responsible for overseeing the various steps required to route product to the next stage.

Process Team: Comprised of employees within a department responsible for carrying out the various steps in product realization. Those processes that span departments will require employees from those departments to be involved.

Program: Major long-term customer or supplier contracts or significant capital expenditures.

Project: A unique endeavor to produce a set of deliverables within a clearly specified time, cost and quality constraints.

Risk: A measure of the inability to achieve overall program objectives within defined cost, schedule and technical constraints.

Risk Management: The processes concerned with identifying, analyzing and responding to project risk.

Risk Identification: Determining which risks are likely to affect the project and documenting the characteristics of each.

Risk Analysis: The process of evaluating risk and risk interactions to assess the range of possible project outcomes.

Risk Mitigation: Reducing the likelihood of the risk or consequence to acceptable levels.

3. Responsibilities

Managers and supervisors

Executive management assesses large financial risks

4. Procedures

Define and Plan the Risk Management Approach

- Identify the process manager
- Identify the program team
- The Process manager documents the Risk Management Approach in the Risk Management Plan (RMP)

Identify Risks

- Document the risk identification approach in the RMP. Risks can be identified using:
 - a) Product Plans
 - b) Program Requirements
 - c) Customer Concerns and Issues
 - d) Test, Logistics and Support Data
 - e) Vendor Assessments
 - f) Risk Checklists (Form# QF-83)
 - g) Technical Performance Measures
 - h) Flow charts
- Document the risks in a Risk List (Form#QF-83). Include:
 - a) The risk identification number
 - b) The risk name
 - c) A risk statement that includes the root cause, possible outcomes, impact and consequence of the risk.

- d) Risk owner responsible for mitigation plan

Assess and Prioritize the Risks

- Rank the identified risk items according to degree of risk (extreme, high, moderate, low) or quantitatively in accordance with program needs. The Risk Matrix may optionally be used (Form#QF-84).
- Prioritize the risks by risk level. Develop and implement risk handling approaches
- Risk mitigation plans can be implemented when some aspect of the risk is controllable by the program.
- Risk owners document a Risk Mitigation plan, including:
 - a) Task IDs, Task names
 - b) Start and finish dates
 - c) Cost of task (when known)
 - d) Contribution of the task towards mitigating the risk
 - e) Criteria for success of the risk mitigation plan
- For high risks that have no cost-effective mitigation possibilities, the risk owner documents a contingency plan.

Include:

- a) Contingency preparation tasks
- b) Contingency tasks
- c) Decision criteria for implementing the contingency tasks
- The mitigation and contingency plans are submitted to the process manager for approval.

Financial risks:

Large financial risks are assessed using Excel spreadsheet Form# QF-43 for large orders or Excel spreadsheet Form# QF-44 for fixed asset assessment,

Track and Report

- Reassessments and risk closures are done in accordance with the Risk Management Plan.

Tracking includes:

- a) Identifying new risks
- b) Reassessing each risk on a periodic basis
- c) Closing risks
- d) Adjusting mitigation plans or developing new mitigation plans
- e) Adjusting schedules and budgets.

- The process manager is responsible for approving all changes.

5. References

QF-84 Risk Matrix

6. Records

Form QF-43 Risk Assessment Worksheet - Sales Quote

Form QF-44 Risk Assessment Worksheet - Fixed Assets

Form QF-83 Risk List

7. Policy References

QPM-301

8. Revision Notes

- Rev B reduces the order value that triggers the requirement to use this procedure from \$250,000 to \$100,000 for quotes and from \$100,000 to \$50,000 for capital equipment.
- Added Form QF-43 Risk Assessment Worksheet - Sales Quote and Form QF-44 Risk Assessment Worksheet - Fixed Assets.
- Added financial risks to the section dealing with assessment and analysis of risks.