



University of Maryland University College

A large, semi-transparent globe is positioned in the background, showing the continents of North and South America. The globe is centered behind the main title text.

# ***Business Decisions for Contracting***

## ***Lesson 4***

### ***Risk Management***

# Lesson 4: Risk Management

## Terminal Learning Objective

- Given a complex requirement, identify the techniques used for minimizing risk



# Lesson 4: Risk Management

## Enabling Learning Objectives

- Identify program cost, schedule, and performance risk events
- Describe how effective risk management can lead to successful contract completion
- Discuss key procedures of each step in the risk management process



# Lesson 4: Risk Management

## Topics Covered:

- Introduction
- Risk management
- Risk management process



# Lesson 4 Key Terms

- **Risk Management** – This involves identifying the potential for liability for improper or unfair contracting practices.
- **Risk Management Process** – A 5-step process used to identify and reduce risks in government contracting.



# Lesson 4: Risk Management

## Introduction

- Several parts of the FAR to include FAR Part 42 *Contract Administration and Audit Services* may provide guidance for reducing risk in government contracts.
- Risk is a vague term that can create liability on the part of the government for any improper or unfair contracting practices.
- Risk management seeks to identify, characterize, and assess threats





# Lesson 4: Risk Management

## Risk management

- The Government should avoid potential risk events by clearly identifying requirements using documents such as a Statement Of Work (SOW).



# Lesson 4: Risk Management

## Risk management

SOW helps to reduce risk by clarifying the following:

- Work activities or scope of work to be performed
- Deliverables and timelines
- Detailed requirements (i.e. special skills/ training requirements or supervisory considerations)
- Standard government regulatory terms and conditions (may contain contract incentives)





# Lesson 4: Risk Management

## Risk management

*Request For Proposal (RFP)* is a request from the government to potential suppliers that allows for structure to the procurement decision and can identify risk early in the procurement process.



# Lesson 4: Risk Management

## Risk management

RFP reduces risk in the following ways:

- Standardizes the way in which suppliers are informed that an organization is looking to procure goods or services
- Ensures a structured evaluation and selection procedure, so that an organizations can demonstrate impartiality
- Precisely identifies a requirement to a potential supplier
- Alerts suppliers that the selection process is competitive (basis for market research)
- Allows for wide distribution and responses
- Ensures suppliers respond factually to the identified requirements



# Lesson 4: Risk Management

## Risk management process

A 5 step process used to access the following:

1. Identify threats
2. Assess vulnerability
3. Determine risk (i.e. the likelihood/ consequences of attacks on assets)
4. Identify ways to reduce risks
5. Examine solutions based on strategy



# Lesson 4: Risk Management

## Lesson Summary

- The goal of risk management in government contracting is to ensure fair practices and maintain integrity of tax-payers dollars during the procurement and contracting process
- SOWs and RFP are ways to mitigate risk by allowing for communication or requirements and ability between the government and potential suppliers.
- Risk Management Process is a way to effectively determine and evaluate risk



# Lesson 4: Risk Management

## Application Exercise #4

|                  |   |
|------------------|---|
| Activity Title   | Application Exercise #4: Risk Management  |
| Activity Type    | flow mapping  |
| Format           | individual  |
| Activity Time    | 10–15 minutes   |
| Materials Needed | none  |
| Activity Process | Write out the risk management process using flow mapping and then post your process flow in the <b>Conference Area</b> of the course. |



# Exam #1

Complete Exam #1 under “Tools” and “Quizzes”.

