



University of Maryland University College

***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



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## Risk management

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



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## 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)



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## 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.



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## 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



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## 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



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## 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



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## 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”.

