

Risk Assessment Pilot

Project Plan



STATE OF WASHINGTON

Risk Assessment Pilot

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Business Drivers and Considerations

Business challenge Starting January 1, 2013, the Department of Enterprise Services (DES) shall make available goods and services to support state agencies. The director of DES shall have the authority to delegate to agencies authorization to purchase goods and services. Delegation of authority must be based on a risk assessment process developed by the department and specify restrictions as to dollar amount or specific types of goods and services that an agency may procure.

Opportunity Consolidating all procurement oversight under the authority of one agency provides the opportunity to create streamlined and more effective oversight of these activities. Having one set of rules for all procurement activities will make it easier to know and understand the requirements and prohibitions related to state procurement. Requiring a statewide standard of training for public procurement professionals will ensure more universal application of the rules and better protection of the state's interest. Finally, removing all the outdated and stringent requirements for procurement activities and replacing them with more flexible requirements that focus agencies on competition and transparency, will allow for greater efficiencies in the procurement arena.

Procurement reform provides DES with an opportunity to tailor delegated authority to the needs and abilities of the agencies. One size no longer fits all; instead the strengths and weaknesses of an agency will dictate how much authority and what type of oversight will be designed for agency procurement activities.

The current budget environment significantly increases the need to explore every opportunity to ensure that procurements are competitive. Market competition driven by transparent procurement practices will result in agencies obtaining the best value for state expenditures. Application of Lean business practices by well trained procurement staff will improve the efficiency of state procurement practices. Increased ability to engage in cooperative purchasing provides an avenue for reduced time to market and more competitive pricing.

Approach The DES Strategic Clarity sets out the agency's mission, values and goals. It guides the approach to this project. With a vision to enable government to best serve the people of Washington, we will take a customer-focused approach to finding the appropriate risk based assessment tools, the delegated levels associated with risk assessment findings, and the most efficient and effective oversight based on the risk assessments findings. In order to create meaningful risk assessment tools, DES is partnering with a group of agencies. Through honest and collaborative communications, participants will create a tool that will fairly assess the existing risks pertinent to the agencies' procurement staffing, training, systems, and processes and develop fair and appropriate oversight measures.

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Business Objectives

Business Objective	How to achieve objective	Expected benefits
Properly assess agency strengths and weaknesses as it relates to procurement activities and develop a risk level for each agency.	Create a prototype risk assessment tool that properly measures agency risk and capabilities to mitigate procurement risks.	EES will have a reliable tool upon which to determine delegated authority and oversight measures. Agencies will have a reliable tool for assessment of strengths and weaknesses.
	Apply the risk assessment tool in the pilot agencies	
Determine appropriate delegation level for each agency	Using the risk assessment tool, determine what level of risk can be tolerated at what levels of delegated authority.	Allows agencies to conduct their own procurements where able and provides expert assistance as needed and appropriate.
Provide meaningful oversight	Using the risk assessment tool, tailor oversight to help agencies where needed.	Oversight will become a tool to help agencies reduce risk, eliminate weaknesses and utilize expertise to achieve improvements.

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Scope

What is in scope:

1. Defining risks associated with public procurement in the State of Washington.
2. Determining appropriate actions for mitigating risks.
3. Identifying organizational capabilities for mitigating risks.
4. Determining quantifiable measures of risk management capabilities.
5. Identifying best practices to share among agencies/higher ed.
6. Building a “parking lot” of future tasks.
7. Determining methods and strategies for DES oversight relevant to levels of risk.
8. Developing and deploying a communication plan.

What is not in scope:

1. Assessing the validity of agency procurements
2. Assessing the validity of agency budget and financial processes
3. Developing common terminology and definitions.
4. Training / certification curriculum development.

Related Projects and Activities:

1. Requests for additional delegated authority
2. Delegation of authority activities with small and micro agencies
3. Development of procurement and contract training
4. Procurement reform efforts in other states and local governments

Project Authorization

1. Executive Sponsor

Joyce Turner, Director, Department of Enterprise Services

2. Project Sponsor

Roselyn Marcus, Assistant Director, Contracts and Legal Services, Department of Enterprise Services

Stakeholders

Key Stakeholders

- The Department of Enterprise Services
- Executives of agencies and educational institutions
- Purchasing staff and managers in state government agencies and educational institutions
- State executive and financial managers
- Washington State Legislature
- Office of the Attorney General
- State Auditor's Office
- OMWBE
- OFM-OCIO
- Tribes and Tribal Associates
- Labor Unions
- Local government entities

Communities of Interest

- Business community
- State employees
- Grant Programs
- Departments of Commerce, Revenue, and Labor and Industries.

Who is impacted by this project?

- Vendors
- Tax payers
- Agency Staff:
 - Customers/Programs
 - Procurement
 - Purchasers
 - Manager
 - P-Card holders

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Project Organization Structure

Participating agencies fall within four categories, small agency, medium agency, large agency and institutions of higher education. The participating agencies are:

Large Sized Agencies

- Department of Social and Health Services
- Department of Transportation
- Department of Enterprise Services
- Department of Labor and Industries

Medium Sized Agencies

- Department of Health
- Department of Early Learning
- Health Care Authority

Small Sized Agencies

- State Investment Board
- State Parks and Recreation Commission
- State Board for Community and Technical Colleges
- Office of Minority and Women’s Business Enterprises

Institutions of Higher Education

- University of Washington
- Evergreen State College
- Olympic Community College

Participants will break into smaller groups during the pilot project. Each group will, at times, have different assignments to help move the pilot forward. In order for representation from each category to be included in each group, three groups have been formed. Below are the groupings of the pilot agencies for breakout activities.

Group 1	Group 2	Group 3
Department of Social and Health Services	Department of Transportation	Department of Enterprise Services
Department of Health	Department of Early Learning	Health Care Authority
State Investment Board	State Board for Community and Technical Colleges	State Parks and Recreation Commission
University of Washington	Evergreen State College	Olympic Community College
	Office of Minority and Women’s Business Enterprises	Department of Labor and Industries

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Risk Defined

Risk is defined as the potential that:

- A chosen action or activity will lead to loss, or cause damage, injury, or delay; or
- An event will occur that will have a negative impact on a desired outcome.

For government procurement, this is especially important because when an agency suffers a financial loss or loss of resources or time, the public loses trust in government. We all lose. It's important that we identify and carefully manage risk in procurement and contracting in order to make sure that public resources are used in the most efficient and effective manner possible and gain and maintain public trust and support.

Risk falls within two general types:

- Inherent risk, which results from the very nature of the service's objective and scope; and
- Acquired risk, which results from selected approaches, methods, techniques and relative skill set of those delivering the service.

For procurement activities, these risks fall within four categories:

- Program risks;
- Contractual risks;
- Enterprise and system risks; and
- Political and public opinion risks.

Risk Factor Analysis

The Risk Factor analysis will identify the category and types of risks or areas of consideration that an agency must be aware of when determining whether an agency has the capabilities, skills and resources to properly and effectively conduct procurement and contracting activities. The analysis will include identification of the areas of concern, the mitigation strategies to reduce or limit risk in these areas and a method to assess and track the agency's success in conducting activities within the areas of concern or being able to mitigate the risks.

Approach

The pilot agencies will come together, approximately twice a month for the first four months to:

1. Develop the pilot charter and determine how the pilot will operate
2. Determine the success criteria for the pilot
3. Finalize the risk matrix and factors to be assessed
4. Conduct the assessments and reach agreement with each agency on their risk assessment
5. Develop delegation based on the risk assessment
6. Develop a regulatory framework based on the risk assessment
7. Develop and deploy a communication plan

After the initial work is completed, the pilot agencies will meet once a month to discuss the progress of the pilot. At the end of the year, the DES and the participants will issue a report on the pilot, including an

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assessment of recommended changes. A risk assessment tool roll out schedule for all of state government will be developed.

Cost Estimates

The main costs of this pilot are the staff hours expended in meetings and preparation for meetings.

Schedule Estimate

This is an estimated schedule overview. The final work breakdown structure and project schedule will be developed by the pilot agencies.

November 2012	Recruit pilot agencies
November 2012 – January 2013	Scope the pilot, draft a project charter, and finalize the risk matrix/risk factors and develop parameters for delegation and oversight as related to the assessed level of risk
January 2013 - February 2013	Conduct the assessments and reach agreement on agency risk level, delegation and oversight
March 2013	DES provides update to agency and higher education executives
March 2013	DES & pilot agencies start operating with their delegation and oversight authorities
March 2013 - September 2013	Monthly meetings between DES and pilot agencies to assess the pilot.
October 2013	DES & pilot agencies review project success factors and challenges and make recommended changes.
November 2013	DES provides update to agency and higher education executives
December 2013	Prepare and issue final report on pilot and the policy on the risk assessment, delegation and oversight. Provide a schedule for rolling this out to all state agencies.

Initial Assumptions and Constraints

Assumptions

1. Change to a risk-based analysis for delegation of procurement and contracting authority is a welcome reflection of the real-world conduct of state agencies and higher education.
2. Pilot agencies have support from their executive management for having delegation of authority and the design of oversight resulting from a risk based assessment.

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3. State agencies and higher education *want* to do the right thing for the citizens of this state and obtain the best possible value for expenditures made, whether for goods or services. Staff will do the right thing if they know the rules
4. The risk assessment tool will be flexible to accommodate the varying sizes, levels of operational sophistication, enabling legislation, funding sources and missions of a broad spectrum of government bodies. A one-size won't fit all.
5. DES will coordinate with all identified stakeholders, such as OFM, AGO, SAO, other oversight agencies and the business community.

Constraints

1. Fear of change. Implementation of new procurement and contracting practices will signify a significant change in long-established approaches. In each agency, those "used to doing things a certain way" will need to overcome initial resistance to these changes. Tools necessary for the successful transition to the new protocols, such as risk assessment, must be clearly understood and their value explainable.
2. Chapter 39.26 RCW. The law has specific limitations on what can and cannot be done.
3. Lack of common procurement terminology and definitions.
4. How other statutes might affect Chapter 39.26, or conversely, be affected by it. It will take time to sort out how the new legislation and new regulations, policies and processes implementing it will mesh with other statutes as those might pertain to a particular agency's procurement and contracting authority or to statutes with a regulatory impact on such activities, *e.g.* Chapter 42.56 RCW, the Public Records Act.
5. Lack of time and dedicated resources, including resources within the agencies, resources with Enterprise Services and lack of system resources.
6. Accessibility of awarded and contracts and vendors.

Performance Measures

1. Pilot complete according to schedule.
2. Pilot produces tools that are useful, effective, and provide desired results.
3. Positive feedback from participating agencies.
4. Positive responses and support from stakeholders – buy-in achieved.
5. Plan developed that clearly identifies the road ahead for implementation.

Plan developed that clearly identifies the road ahead for implementation.

Contact

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