



Designing and Implementing Risk-Based Approvals

PWGSC
Acquisitions Branch
Strategic Policy Directorate
Procurement Solutions Modernization Project
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Public Works and
Government Services
Canada

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Services gouvernementaux
Canada

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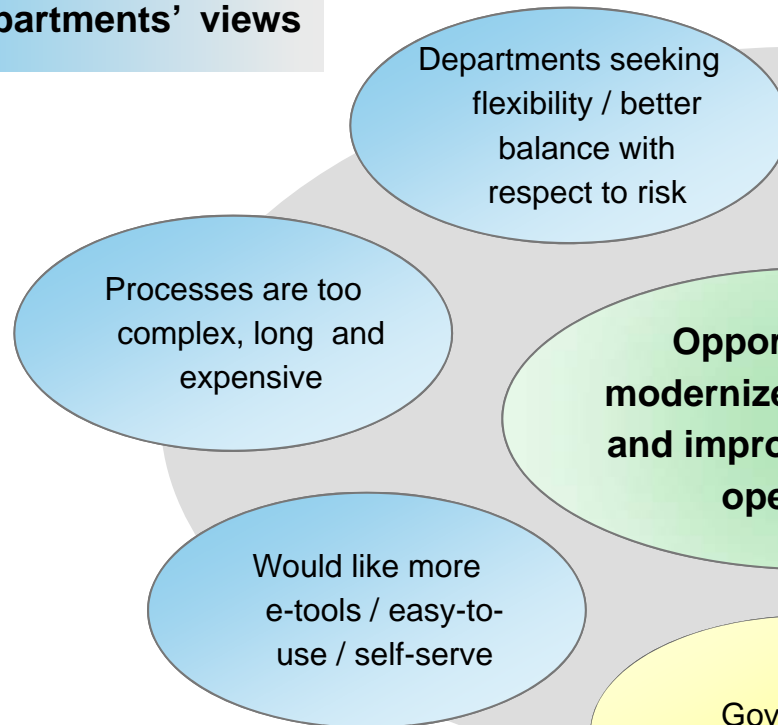
Outline

1. Context
2. Approach and Design Concept
3. Pilot Results and Findings
4. Results
5. Next Steps
6. Test Drive

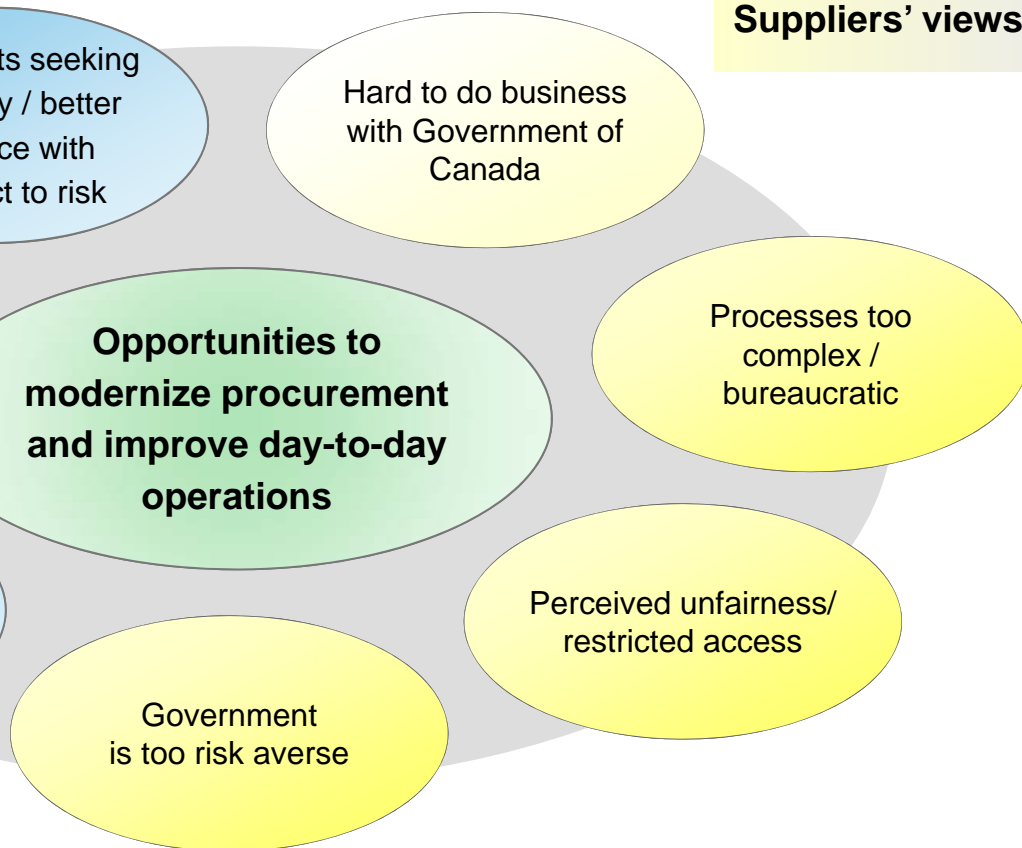


Context - We Heard from Client Departments and Suppliers

Departments' views



Suppliers' views



Opportunities to modernize procurement and improve day-to-day operations



Context - Overview of Project

- Documented and analyzed current procurement business processes.
- Validated clients' and suppliers' concerns.
- Consulted with procurement professionals.
- New processes were developed focusing on complexity and risk management.
- Senior management approved new approach.
- Piloted new processes December 2010 to September 2011.
- Fully implemented new processes October 4th, 2011.



Context - Situational Overview



- Detailed process maps included some quantitative baselines
- National delivery network of approximately 900 procurement officers in over 20 locations across Canada, Germany and Washington D.C.
- Approx. 60,000 annual procurements totalling approximately \$19B.
- Other efforts on TB submission risk assessment

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Approach – What have we changed?

- 1) Introduced Procurement Streams: Basic, Standard, Complex.
- 2) Re-focused oversight to appropriate risk and complexity levels.
- 3) Risks are identified early in the procurement lifecycle and formally documented.
- 4) Procurement officers have been provided with necessary tools and training so that risks can be better managed.
- 5) Optimized procurement officers' delegation of authorities for basic and standard procurements.

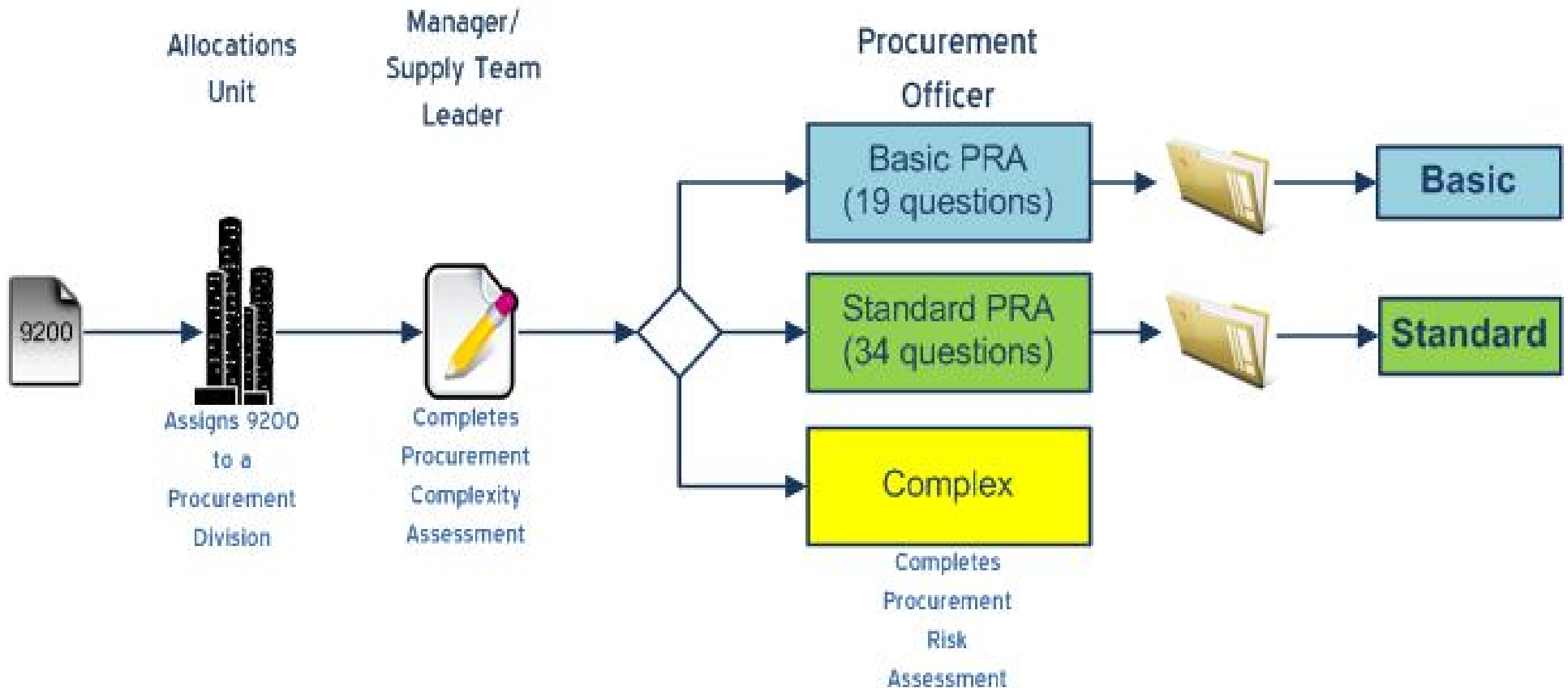


Design Concept - Major changes and new steps

1. Requirement Allocation
2. Assessment of Complexity of the Requirement
3. Assessment of the level of Risk



Design Concept - New Processes



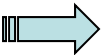
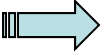

1. Requirement Allocation

- Clients submit their completed PWGSC-9200 to PWGSC.
- Allocation Units verify and confirm completeness of the requisition using the new [Requisition Checklist](#) (PWGSC 195).
- If incomplete, Allocations will request client to provide missing mandatory information before allocating.
- All requisitions are acknowledged as per Acquisitions Program Policy (PN-99 available at [BuyandSell.gc.ca](#)).



Service Standards – Acknowledgement of Requisition

PN-99 introduced service level standards requiring PWGSC to acknowledge receipt of client requisitions at specific times within the allocations process:

- For Electronically received requisitions (**Via Email**)  **acknowledged in 1 business day**
- For Hard Copy (**Fax / Mail**):  **acknowledged in 2 business days**
- Name of Procurement Officer and key contact information (Name, Phone Number, and email)  **acknowledged within 5 business days of allocation of requisition**

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Design Concept – Structure of Risk-Based Approach

RISK LEVEL	High					
	Medium-High					
	Medium					
	Medium-Low					
	Low					
		Low	Medium-Low	Medium	Medium-High	High
COMPLEXITY						

2. *Assessment of Complexity*

The **Manager** will:

- Verify file has been assigned to the correct section.
- Assess complexity of a requirement and determine the appropriate stream – **Basic**, **Standard**, or **Complex** .

The **Contracting Officer** will:

- Verify the complexity of the requirement.
- If necessary, discuss chosen complexity with manager/supply team leader if it needs to be changed.

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Design Concept – Complexity

Step 1 – Identify and define complexity levels

Step 2 – Identify the key factors and logical sequence of questions to clearly delineate between levels

- Started with the simplest, defining what it is and what it is not



Basic Procurement

Basic Procurement has the characteristics of clarity and completeness. The requirement is known and identifiable, and evaluation methods are simple. The methods for soliciting bids and contracting are pre-determined and set out. There is little need for analysis or speculation. There is an absence of change with the procurement process and control is inside domain of authority. There may be tools and instruments available that support the character of Routine and require little or no procurement knowledge/experience. There is usually a low level of risk.

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Standard Procurement

Standard Procurement has the characteristics of judgment, review, and assessment. The procurement is based on the process of finding a solution to a requirement using existing technology and knowledge. Evaluation methods have to be defined, and may use pre-established strategies. The procurement process is established and understood though it can be complicated (many details or factors). Procurement knowledge and expertise are required. Control is within the department's domain of authority. Contract administration is predictable and established. There may be a medium level of risk.

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Complex Procurement

Complex procurement has the characteristics of dealing with the unknown and requires creativity and ongoing development. It is based on achieving a goal/target and driven by managing change/phases. Pre-established methods of supply may have to be modified and procurement strategies and evaluation methodologies may have to be researched or developed. The procurement may involve partnerships with clients, multiple stakeholders, and control may be shared. Contract administration is detailed and extensive and may be unpredictable. There may be a high level of risk (public sensitivity, product, impacts).

The process for complex procurement is currently being reviewed.

The current approval process and oversight remains in effect.

3. Assessment of Risk

- Each stream (Basic, Standard, or Complex) has its own Procurement Risk Assessment (PRA).
- Performed by Contracting Officer.
- Assessment (PRA) completed once procurement strategy is developed and just prior to obtaining approval.



Design Concept – Risk

Step 1 – Identify key risk factors

Step 2 – Identify the criteria that constitute L,M & H risk

Step 3 – Define the overall scoring approach that suits the situation



Procurement Risk Assessment Tool

Scoring scale for each question

Low Risk = 1 point

Medium Risk = 2 to 3 points

High Risk = 4 to 5 points



Procurement Risk Assessment - Results

- Once completed, the Procurement Risk Assessment will calculate the level of risk and the required approval level for the individual requirement.
- The PRA triggers provide recommendations or instructions relating to the identified risks.

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Risk Assessment Details

Procurement Resource identifies the Risk Assessment tool based on the Level of Complexity

Procurement Resource completes the complexity level-specific risk assessment by scoring each factor

The tool analyzes the risk level scored for each factor versus the position in the delegation chart at that risk and complexity Level. This ensures that the right skill set will deal with the right complexity and risk level on a factor basis.

The tool analyzes the aggregate risk level based on the total score of each factor assessed

The overall risk delegation is based on the higher of the Factor risk level and the Aggregate risk level

Standard Complexity (positions based on Delegation Chart and vary based on the level of complexity)

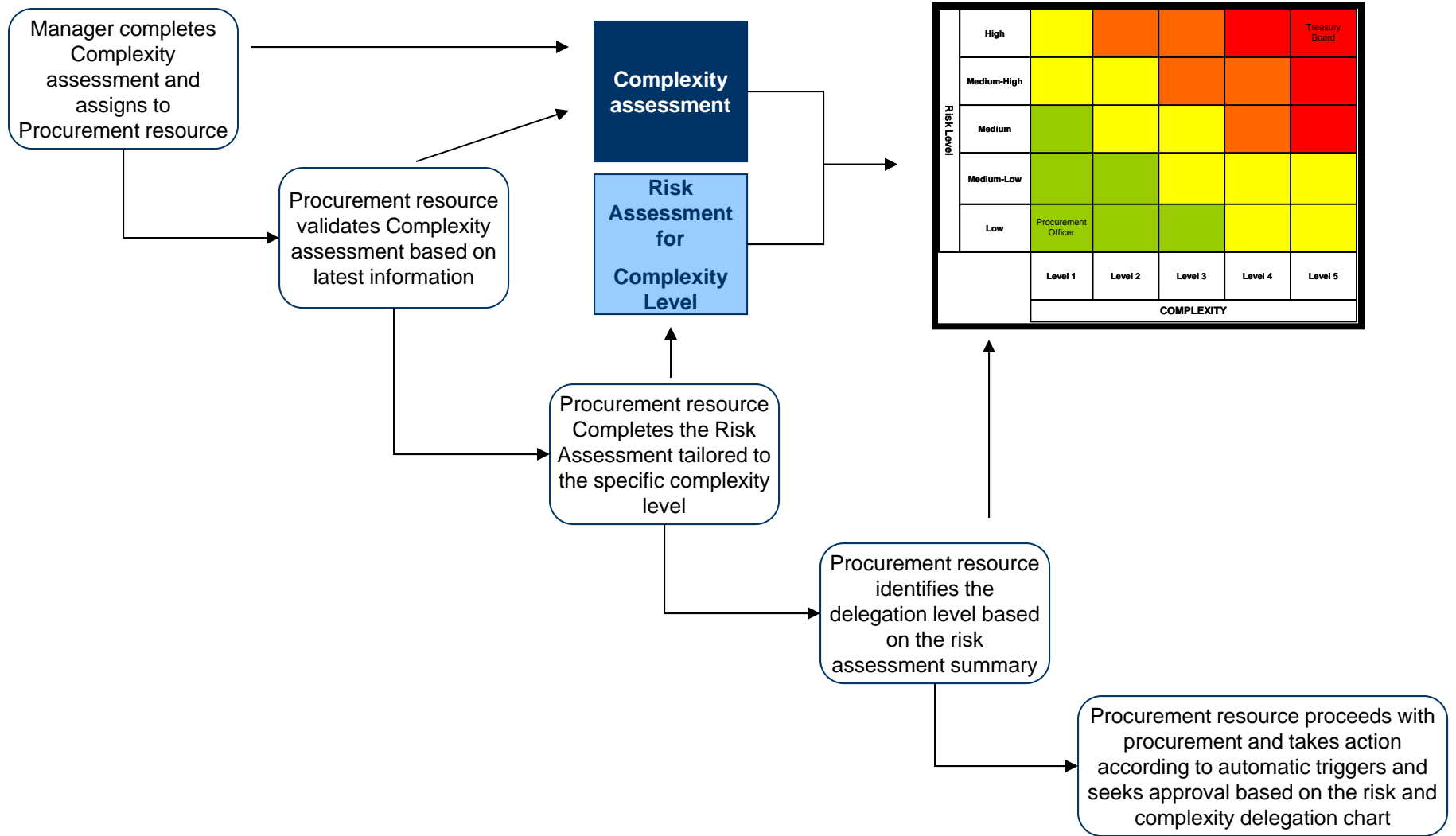
#	Score	Risk Level Low Risk Tolerance <i>Supply Officer</i>	Risk Level Low-Med Risk Tolerance <i>Supply Specialist</i>	Risk Level Med Risk Tolerance <i>Supply Team Leader</i>	Risk Level Med-High Risk Tolerance <i>Manager</i>	Risk Level High Risk Tolerance <i>Director</i>	Derived Factor Delegation Risk Level
1	2	1	2	4	4	5	Low-Med
2	4	1	2	4	4	5	Med
3	5	1	2	2	2	5	High
4	1	1	2	4	4	5	Low
5	2	1	1	2	2	5	Med
Overall Risk Level for Delegation (highest number identified)							High

Total Score = 14

Risk Level Low Risk Tolerance <i>Supply Officer</i>	Risk Level Low-Med Risk Tolerance <i>Supply Specialist</i>	Risk Level Med Risk Tolerance <i>Supply Team Leader</i>	Risk Level Med-High Risk Tolerance <i>Manager</i>	Risk Level High Risk Tolerance <i>Director</i>
5 to 9	10 to 13	14 to 18	18 to 22	23 +

Aggregate Risk Level = Medium

Risk Management and Delegation Process Overview



Design Concept – Overlay Skill and Oversight Levels

Risk Level	High	Manager	Director			Treasury Board
	Medium-High	Supply Team Leader	Manager			
	Medium	Supply Specialist	Supply Team Leader			
	Medium-Low	Supply Officer	Supply Specialist			
	Low	Intern Officer / Sr. Purchasing Assistant / Procurement Assistant	Supply Officer	To be defined in the future		
<p>* Subject to TB, Schedule 3: Common Service Acquisition Authorities and Minister approval</p>		Basic	Standard	Complex	Complex 2	Complex 3
		COMPLEXITY				

What are the benefits of these changes?

- 1) Rules and procedures aligned with complexity and risk.
- 2) Intelligent analysis of risks.
- 3) Increased predictability.
- 4) Greater support to Client's needs.
- 5) Establishment of more robust Service Level Standards (SLS).
- 6) Knowledge Transfer.
- 7) Approval authority based on complexity and risk, not on dollars alone.
- 8) Enables training.



Process Changes Directly Affecting the Client

- Requisition Checklist (PWGSC 195).
- Requisitions must be received at specific points within PWGSC.
- Requisitions will not be forwarded to responsible Division within PWGSC until all mandatory information is received by Allocation Units.
- Clients no longer required to review entire solicitation document.

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How does this improve the procurement process?

- Focuses oversight to where it is needed the most.
- Identifies risks associated with a requirement so that PWGSC can work with the client to mitigate those risks before they become an issue.
- Approval authority required is now based on the risk associated with a requirement, not on dollars alone.
- Increases delegated authority for contract entry and associated amendments which can lead to faster throughput times.

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Pilot Monitoring Activities

Activity

1. Review of Complexity and Risk Assessments
2. On-line Participant Surveys
3. File Reviews
4. Monitoring of “Modernizing together” Mailbox

Area of Analysis

1. Risk profiles of Basic and Standard procurements
2. Participant feedback and suggestions for improvement
3. Verify correct application of new processes
4. Is it working? Are people using the mailbox?

Pilot - Objectives and Measures

Use of the new procurement processes for Level 1 (basic) and Level 2 (standard)	Faster, more efficient procurement processes. Improved effectiveness of the procurement function	Use of new processes by 100% of pilot areas. Satisfaction with new processes. Throughput time for procurements	75% have indicated satisfaction and 90% are comfortable with risk assessment and resulting delegation
Classification of procurements into Level 1 (basic) and Level 2 (standard) using the new risk & complexity assessment tool	Standard classification of procurements; Optimized PG community expertise	Procurements correctly classified. Uptake of new tools	Of files reviewed, only 2 have not been classified correctly. With exception of issues with delegation in regions, take-up appears to have been 100%
Use of new tools and documents	Common data gathered; improved reporting. Strengthen accountability and transparency. Increased stakeholder autonomy	Procurements captured in standard format. Quality of documentation improves with the use of the standard tools Reduction in level of communications to clarify initial requisition with clients	Of files reviewed, all demonstrated the use of standard formats in solicitation/contractual documents. Still some documentation missing from files acknowledging requisition receipt.
Governance of the new process management	Ensure consistent change management and governance Accountability is managed	Changes tracked through the existing AB governance process	Issues surrounding delegation in region experienced



On-line Participant Survey - Highlights

Total Pilot Participants who responded: 85 out 191

75%

Found the Complexity and Risk Assessments easy to follow and criteria were clear and easy to apply to a procurement.

72%

Found the Risk Assessment helped in developing their CPAA.

90%

Were comfortable with the level of authority determined by the Risk Assessment.

89%

Found the information they were looking for on the shared drive or GCPedia

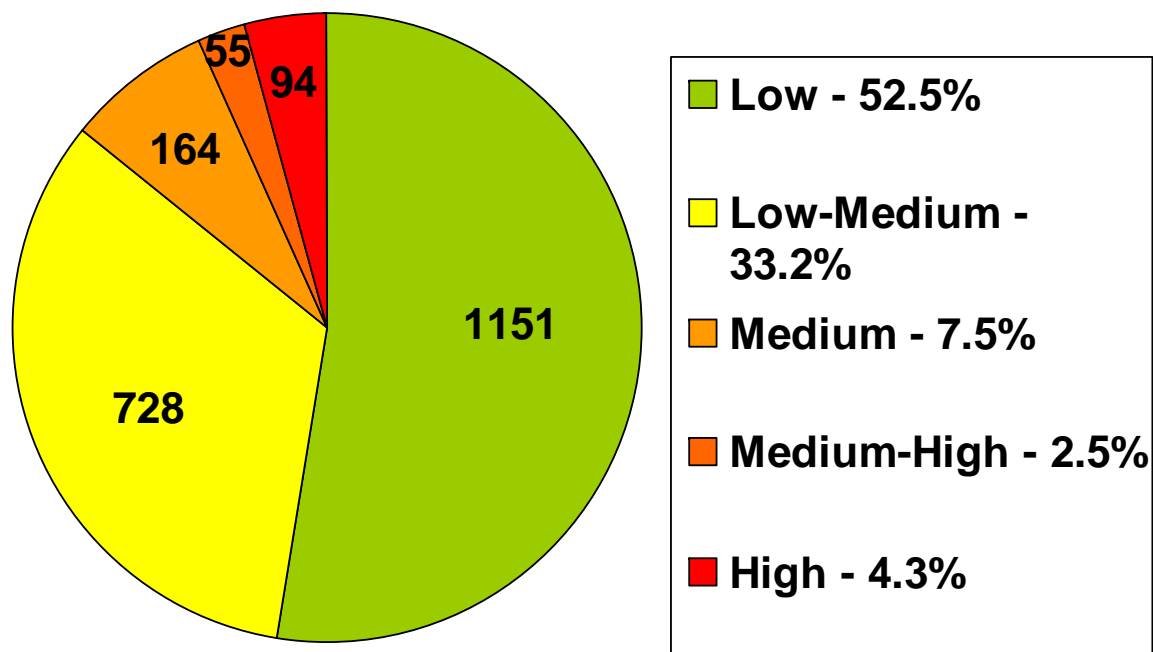
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Statistics – Basic (PSM Pilot)

Dec. 15th to Sept. 9th –

2193 Risk Assessments were performed. Breakdown of Risk as follows:



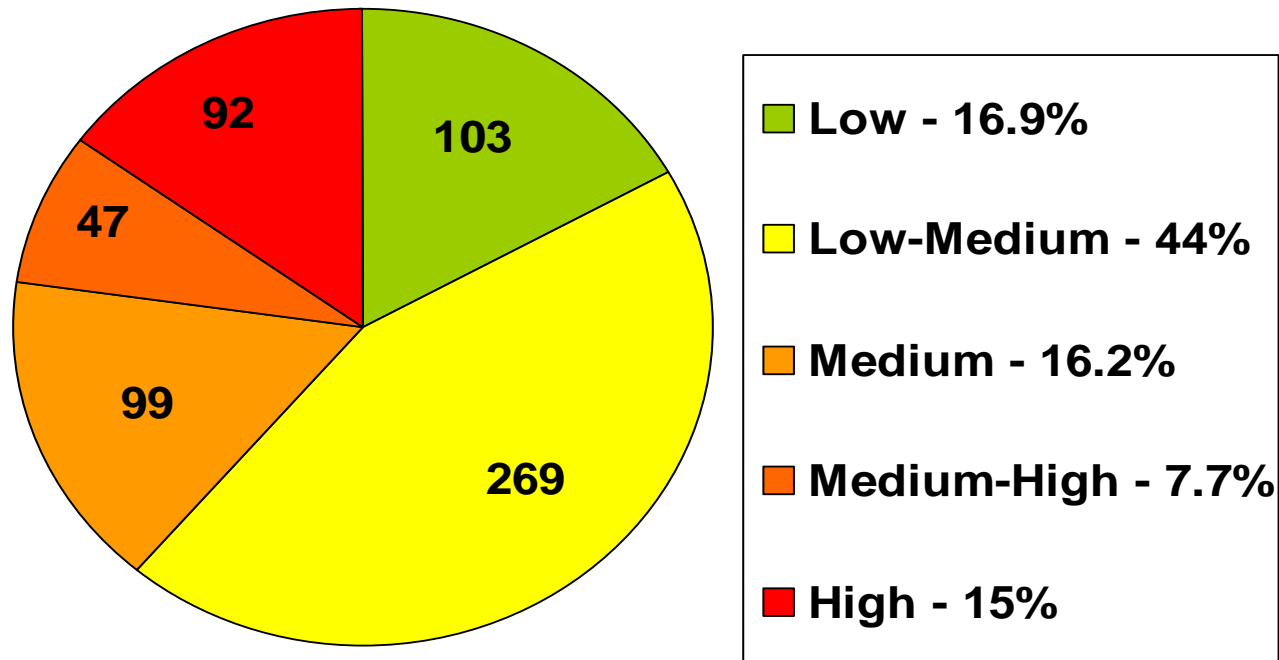
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Statistics – Standard (PSM Pilot)

Dec. 15th to Sept. 9th –

611 Risk assessments were performed. Breakdown of Risk as follows:



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'High' Risks Identified from Risk Assessment

Basic

1. Limitation of Liability
2. Value of the Requirement
3. Vendor Availability

Standard

1. Value of the Requirement
2. Intellectual Property
3. Performance Guarantees

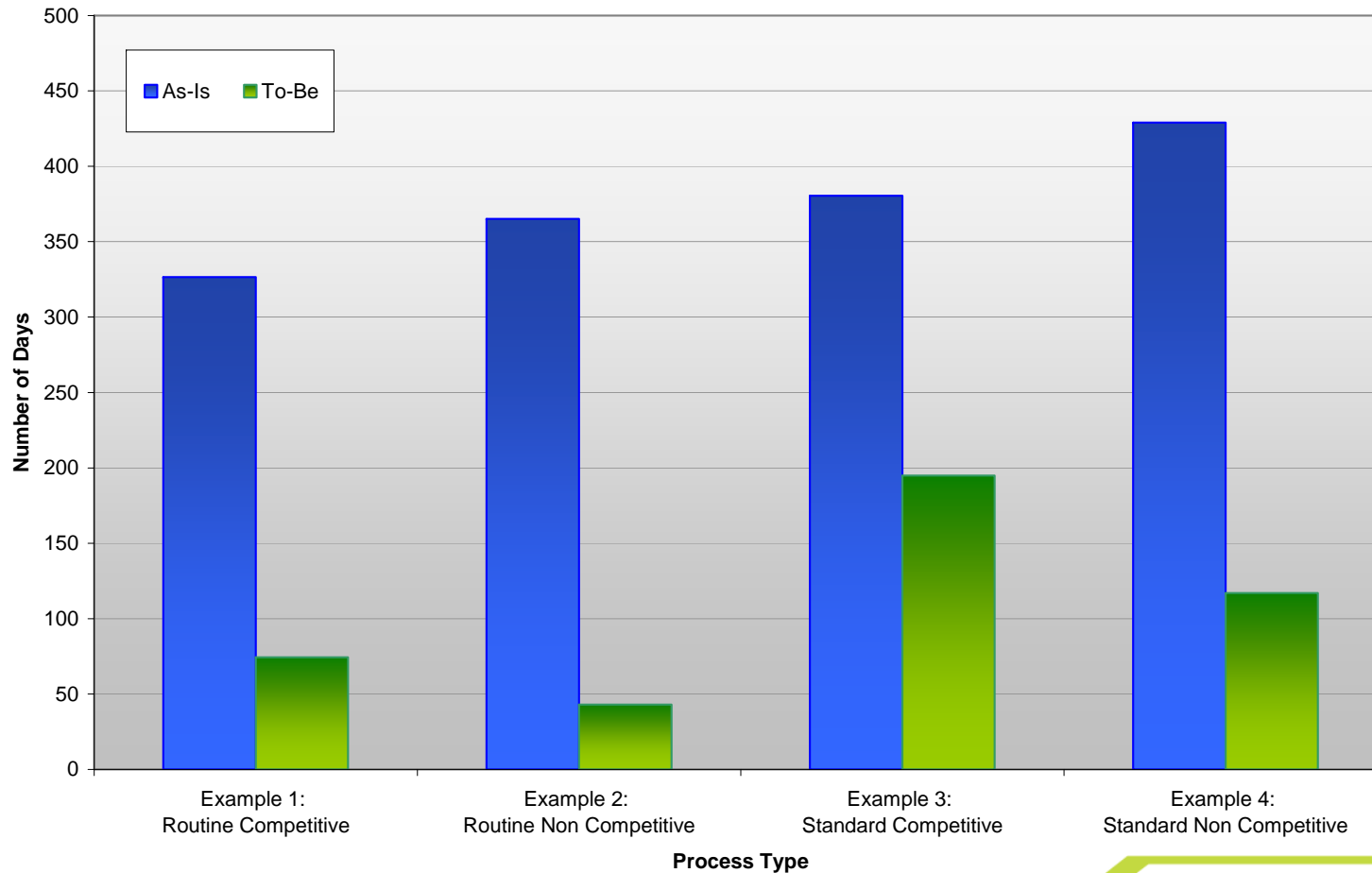
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Anticipated Savings in Processing Time From Requisition Receipt to Contract Award

Throughput Time Comparison – Current and New Approach



Next Steps?

- Governance framework
- Monitoring framework
- Complex (within Departmental authority)



Reference

You can find more information at GCPEDIA at

http://www.gcpedia.gc.ca/wiki/Improving_Processes





Annex A

On-Line Procurement Risk Assessment

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The wordmark for Canada, with a small Canadian flag icon above the 'a'.

Screen Shot of On-Line Procurement Risk Assessment

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language:

Procurement Risk Assessment - Standard

There are 34 Questions in this Assessment.

This Risk Assessment is based on Annex 6.4.2. Any restrictions imposed on individual incumbents' delegation must be taken into account when obtaining approval.

Please answer the questions below:

Requisition Number: (?)

GSIN:

Region/Division: (?)

Version:

Buyer First Name:

Buyer Last Name:

Date Modified: 2011-10-07 [Top of Page](#) [Important Notices](#)



Sample of Factors Appearing in On-Line Procurement Risk Assessment

3) Duration of contract (including options): What is the estimated duration of the requirement?

Low Risk = 1	Medium Risk = 2-3	High Risk = 4-5
Requirement has a duration of 3 years or less	Score 2: >3 ≤4 years Score 3: >4 ≤5 years	Score 4: >5 ≤10 years Score 5: >10 years

1 2 3 4 5

4) Other Advance Approvals (not including options): Does the requirement contain a request for advance approvals (e.g. pre-approved amendments, pre-approved amounts for unscheduled work, design changes, etc.)?

Low Risk = 1	Medium Risk = 2-3	High Risk = 4-5
No advance approvals	Score 2: Advance approvals for anticipated additional work Score 3: Advance approvals for unscheduled work, design changes or work arisings	Score 4: Non-standard advance approvals and conditions

1 2 3 4 5

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