A six-pack of major RFP problems

A Best Practices Training CD by Michael Asner

First Edition, 2005

Welcome!

Thank you!

Being precise is important…..

A six-pack of avoidable, seemingly difficult, major RFP problems

and their simple solutions


Old Style
BEER

A six-pack of RFP problems

1. **Budget**
2. **Risk**
3. **Expertise**
4. **Project Plan**
5. **Staffing**
6. **Past Performance**

Problem #1

Budget

Each proposal exceeds your budget!

What can you do before creating your RFP to avoid this problem?

- Do your homework to establish a realistic budget.
  - During marketing research talk to vendors; invite them in for presentations
  - Hire an expert to establish a budgetary range

What can you put in your RFP to avoid this problem?

- Publish the budget.
- Use appropriate language.
- Let the weights and scoring calculations reflect the budget.

Problem #2

Risk

Each proposal is really risky!

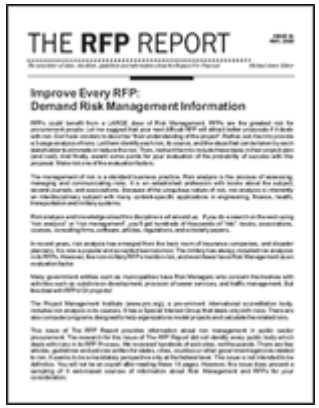
What can you put in your RFP to avoid this problem?

- Ask for a risk analysis.
- Make risk an evaluation factor.
- Risk analysis is a standard business discipline.
- How it works in an RFP.

From an RFP involving new technology . . .

Section 10 **Risk Analysis**

Identify the major risks associated with this project. For each risk, identify those activities which can be undertaken to reduce, mitigate or eliminate the risk. Identify the associated responsibilities. Ensure that these activities are reflected in your project and management plans.


THE RFP REPORT

Improve Every RFP:
Demand Risk Management Information

Issue 41:
Improve Every RFP: Demand Risk Management Information
(16 pages)

Go to: http://www.rfpmentor.com
Click on “RFP Report”

http://www.rfpmentor.com/cms_pdf/RFP41.pdf

Problem #3

Expertise

I don’t know what an “expert” looks like.
(Vague specifications)

What can you put in your RFP to avoid this problem?

- Establish minimum acceptable qualifications.
- Identify objective credentials.

Gartner

http://www.gartner.com

- Provides independent advise on information technology
- Most states and large cities subscribe to Gartner’s services.

Problem #4

Project Plan

It’s too general to determine if it will be successful.
(Vague Specifications)

What can you put in your RFP to avoid this problem?

- Insist on the supplier providing a detailed project plan:
  - all tasks (not more than 2 weeks long)
  - all deliverables
  - sample reports
  - job titles for the person doing each task
  - skills required for each task

Project Work Plan. The offeror's proposal must include a detailed work plan, including a proposed work plan for each phase. (from http://www.state.nm.us/spd/rfpdevel.html)

- 1. Task Level. The plan must include all activities necessary for a successful project down to the task level. No task can exceed more than eighty (80) hours in the work plan.
- 2. Identify All Resources. The plan must clearly identify all offeror (including subcontractors) and DFA/GSD resources required to successfully complete the project. The offeror must provide job descriptions and the number of personnel to be assigned to the equipment installation, testing and implementation of the project.
- 3. Gantt And Pert Charts. The plan must include Gantt and Pert charts that reflect the proposed schedule and all major milestones.
- 4. Electronic Format. Offerors must agree to provide the work plan in an electronic format using Microsoft Project management software. A statement to this effect is required.

What is the risk when the proposed project plan is not specific?

- Vendor is not competent
- Project will be late
- Project will be over budget
- Deliverables will not be acceptable

Problem #5

Staffing

I can’t tell if they are proposing qualified, experienced people.

We are concerned about George!

- Can he do the job?
- Will he show up?

What can you put in your RFP to avoid this problem?

- Insist that the suppliers provide:
  - Resumes of each person highlighting the skills identified with their tasks
  - Link each person with the specific tasks, responsibilities and deliverables
  - The amount of time each person will spend on each task.
  - Contractual guarantees that the named people will show up when the project begins.

Will George show up?

What often happens:

- He’s their best project manager.
- He’s named on 3 proposals.
- He might not be available.
- So, they’ll put in another person if they win.

Will George show up?

A revised game plan

- The RFP emphasizes the importance of the Project Manager.
- If a vendor proposes one PM, they must deliver (or forfeit a bid bond)
- If a vendor proposes several, you assess the least qualified

Problem #6

Past Performance

I don’t know if this supplier has ever successfully completed similar work before.

Definition

Past Performance Information (PPI) is *relevant* data regarding a contractor's actions under previously awarded contracts.

It includes the contractor's record of

1. conforming to specifications and standards of good workmanship;
2. containing and forecasting costs on any previously performed cost reimbursable contracts;
3. administrative aspects of performance;
4. history for reasonable and cooperative behavior, and
5. commitment to customer satisfaction and business-like concern for interests of the customer.

Source: Navy's Turbo Streamline web site which deals with RFPs and acquisition reform

http://www.ar.navy.mil/aosfiles/tools/turbo/topics/bb.cfm

Why is past performance so valuable?

"Past performance is the best indicator of future performance . . ."

" A tiger does not change its stripes (usually)."

John Adler, past president of NASPO
State Procurement Administrator, AZ

Office of Contracting and Procurement
Government of the District of Columbia

http://www.ocp.dc.gov

Contractor Performance Evaluation Form
(Supplies and Services)

- Quality
- Cost Control
- Timeliness
- Management/Business Relations

Contractor Performance Evaluation Form (Supplies and Services)

Quality

1. Adherence to the specific contract requirements or Scope of Work

2. Quality of delivered item of final work product or service

3. Technical performance and approach to the contract

4. Accuracy, timeliness and completeness of documentation

What can you put in your RFP to avoid this problem?

- Insist that each supplier provide you with the following:
  - Information about similar projects in similar environments performed by the proposed people using the proposed technologies.
  - Information about their performance on these projects in terms of time, budget, and provision of deliverables.
  - References for each project.

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Thank you.

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THE **RFP** REPORT

ISSUE 41
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The newsletter of ideas, checklists, guidelines and information about the Request For Proposal *Michael Asner, Editor*

Improve Every RFP: Demand Risk Management Information

RFPs could benefit from a LARGE dose of Risk Management. RFPs are the greatest risk for procurement people. Let me suggest that your next difficult RFP will attract better proposals if it deals with risk. Don't ask vendors to describe “their understanding of the project”. Rather, ask them to provide a 3-page analysis of risks. Let them identify each risk, its source, and the steps that can be taken by each stakeholder to eliminate or reduce the risk. Then, instruct them to include these tasks in their project plan (and cost). And finally, award some points for your evaluation of the probability of success with this proposal. Make risk one of the evaluation factors.

The management of risk is a standard business practice. Risk analysis is the process of assessing, managing and communicating risks. It is an established profession with books about the subject, several journals, and associations. Because of the ubiquitous nature of risk, risk analysis is inherently an interdisciplinary subject with many content-specific applications in engineering, finance, health, transportation and military systems.

Risk analysis and knowledge about this discipline is all around us. If you do a search on the web using “risk analysis” or “risk management”, you'll get hundreds of thousands of “hits”: books, associations, courses, consulting firms, software, articles, regulations, and scholarly papers..

In recent years, risk analysis has emerged from the back room of insurance companies, and disaster planners. It is now a popular and accepted business tool. The military has always included risk analyses in its RFPs. However, few non-military RFPs mention risk, and even fewer have Risk Management as an evaluation factor.

Many government entities such as municipalities have Risk Managers who concern themselves with activities such as subdivision development, provision of sewer services, and traffic management. But few deal with RFPs! Or projects!

The Project Management Institute (www.pmi.org), a pre-eminent international accreditation body, includes risk analysis in its courses. It has a Special Interest Group that deals only with risks. There are also computer programs designed to help organizations model projects and calculate the related risks.

This issue of The RFP Report provides information about risk management in public sector procurement. The research for this Issue of *The RFP Report* did not identify every public body which deals with risks in its RFP Process. We reviewed hundreds of web sites, not thousands. There are few articles, guidelines and policies written for states, cities, counties or other government agencies related to risk. It seems to be a mandatory perspective only at the federal level. This issue is not intended to be definitive. You will not be an expert after reading these 16 pages. However, this issue does present a sampling of 9 web-based sources of information about Risk Management and RFPs for your consideration.

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RFP's and the law of contracts

The process of issuing an RFP and receiving proposals does, by design or inadvertently, establish contractual rights and obligations. Each RFP and the associated process should be reviewed by your lawyer or legal department prior to issuing the RFP. The examples and sample RFP's used throughout this text have been used in many different jurisdictions in the past. The author makes no claim about the appropriateness, correctness, or legal consequences of these examples or sample RFPs. Competent legal advice should be obtained to review your Request For Proposal and the associated process.

Source #1:
Australian Capital Territory (ACT)

http://www.basis.act.gov.au/STA/manactp.nsf/ACT+Purchasing+Guidelines?openVIEW

Of those sites reviewed, this was the best. It provided the most comprehensive treatment of RISK in the context of the RFP/Procurement Process. Their approach in terms of policy and practice is the best model we found in our investigations.

This territory has published a great set of Purchasing Guidelines:

1. Purchasing Process
2. Evaluation
3. Risk Management
4. Contract Management
5. Disposals

Topic 3 - Risk Management - has 3 guidelines of interest:

1. Risk Management in the Purchasing Process
2. High Risk Procurement
3. Quality Assurance in Purchasing Goods and Services - Information for Purchasing Officers

Risk Management is mandated by policy:

> A risk management process should be applied to all purchases.
>
> The extent of the process could range from:
>
> *minimal* - that is, trained and experienced staff applying standard procurement processes, which may include the use of inspection, normal commercial warranties or previous supplier satisfactory performance, for low risk procurement;
>
> *to*
>
> *significant* - high level of planning, analysis and documentation resulting in a detailed, documented risk management plan for high value, complex or high risk procurement
>
> The costs incurred in identifying and managing risk should be commensurate with the identified level of risk to the Territory.

In the rest of this article, we will describe the major features of each of these 3 guidelines.

Source 1 - Document 1

Risk Management in the Purchasing Process

Table of Contents

This 26-page guideline contains a brief introduction to risk management from a procurement perspective. It's a great tutorial on the topic. It then provides answers to three fundamental questions:

What is risk management?

The culture, processes, and structures that are directed towards the effective management of potential opportunities and adverse effects.

Why does it matter?

Risk management:

- improves the basis for making decisions to meet operational requirements and program objectives;
- helps to identify risks in the procurement process and ways to treat the risks effectively;
- contributes to satisfying needs and achieving value for money in buying goods and services; and
- reduces the cost of procurement to acceptable levels.

A sensible approach to risk in procurement will lead to better planning and outcomes for sellers as well as buyers.

Who is responsible for managing risk?

The person given the task of procuring goods or services is responsible for taking into account all risks at each stage of the procurement process.

The procurement process is no different to any other process; the risk that things may go wrong is significantly increased if the people involved are untrained, unskilled or lack experience. Managers must ensure that procurement is carried out using appropriately skilled staff.

It is a sound risk reduction strategy for agencies to employ the services of specialist service providers to assist in the delivery of complex procurements such as those involving tenders. Available service providers include the ACT Government Solicitors Office, ACT Contracts and Purchasing (or specialist procurement unit within Government agencies) and other private industry suppliers such as solicitors or procurement specialists.

Australian Capital Territory (continued)

This guideline leads you through the steps in Risk Management Planning, and the role of Quality Assurance as a risk-management tool. As an example of the info in this guideline, here is what they say about Risk Analysis:

1.3.4 Analyse the Risks

What is the likelihood of the risk event occurring? What are the consequences of the risks occurring? What controls are in place to prevent or detect potential risks?

For each identified risk, determine its consequences and probability. Identify any existing controls used to manage risk and evaluate the risks in the context of these existing controls.

The consequences of the identified risks in purchasing affect:

Cost	Almost any occurrence has a cost implication. Consider the consequences associated with lost time and productivity due to product failure, late delivery, health and safety problems, industrial volatility, the degree of competition in the market place, litigation due to contractual failure and cost increases.
Time	Consider the consequences associated with late delivery, poor response to service calls or delays due to natural events like rain.
Quality	Consider the consequences of the product/service not conforming to specifications or not meeting user requirements due to poor specifications or poor evaluation.
Purchasing Method	Consider the consequences associated with buyer behaviour and purchasing processes. Inefficient purchasing processes, mismanagement, fraud, ineffective contract development and management, or poorly trained buyers are factors affecting the level of risk associated with a purchase.

This guideline contains several very useful checklists, which can be easily edited and adopted for use in many other jurisdictions.

Attachment A is a 3-page Risk Management Checklist. It identifies potential risks in 6 different categories: specifying the requirement, requesting the offer, evaluating offers, developing the contact, award of contract and contract management.

Attachment B is a Draft Table of Contents for a Risk Management Plan.

RISK MANAGEMENT PLAN

Procurement Description
Scope, issues and objectives
Criteria and critical success factors
Key elements of the procurement
Risk Analysis
List of risks
Table of impacts, likelihoods and risk factors
An evaluation of the risks, including an allocation of priorities to each risk
Priority list of major, moderate and minor risks
Risk Management
Summary of Risk Action Plans for major risks
Summary of management actions for moderate risks

Schedule of minor risks
Identification of residual risks (the remaining level of risk after risk treatment measures have been taken) which are not commercially insured but which are the responsibility of a government Agency to absorb
Implementation and Monitoring
The risk management organisation
Functions and responsibilities
Reporting
Review and evaluation plan
Attachments
Detailed Risk Action plans for major risks

Appendix D provides examples for 10 different types of risks. For example, for personnel -contractors, consultants and own staff - it lists the following risks:

Inadequately trained, availability of trained staff
Poor performance
Not trustworthy
Not physically capable
Holidays, sicknesses, strikes
Known offenders for some activity eg:

- Molesters
- Petty thieving
- Aggressive behaviour
- Sexual/Racial
- Religious etc

Source 1 - Document #2

High Risk Procurement

Their 4-page guideline for high risk procurements describes the assessment process:

2.1 Identification of High Risk Procurements

To assist in identifying high risk procurements, each project should be assessed in terms of the following indicative criteria:

- high value goods and services involving complex technology and requiring specialist knowledge;
- goods and services that are unique and either require specialist knowledge, or they are characterised by innovation or design complexity;
- major, complex contracts for new or upgraded services or support functions;
- outsourced services especially key support functions, program related functions, and high cost or long term contracts (eg hospital cleaning);
- goods requiring controlled storage, handling or delivery conditions;
- procurements where there is a potential high risk in terms of safety, such as risks of accidents and injury to either employees or the public; and
- procurements where risk is a feature either because of political sensitivity, potential impacts on existing community services, or risk of fraud.

Certain classes of procurement are acknowledged as inherently high risk. A higher standard of competency is required to undertake high risk procurements, because additional knowledge and skills are the best protection against failure.

Australian Capital Territory (continued)

This guideline deals specifically with information technology:

2.3 Information Technology

It is recognised throughout other Australian jurisdictions that IT procurements are inherently risky. Accordingly, it is expected that the Board will give particular focus to these procurements.

Procurement risk in IT acquisition arises from several sources:

- Commonly the procurement of new technology is high cost;
- IT systems commonly shape core business, or provide essential support to core business;
- The rapid evolution of technology tends to negate the value of the supplier's past performance records, when used to confirm supplier capability;

This guideline requires senior approval for high risk procurement:

2.6 Approval of High Risk Procurements

On procurements identified as high risk, the level of APU accreditation required for approvals is one level above that required for low risk projects. As an example, whereas a low risk procurement valued at $100,000 is approved by an APU Level 1, a high risk procurement of the same value ($100,000) requires approval by an APU Level 2.

The ACT accreditation system requires APUs to approve a Procurement Methodology Plan for procurements above $200,000. This Plan should include a copy of the Risk Management Plan for the procurement.

Source 1 - Document #3

Guidelines for Purchasing Officers in the Application of Quality Assurance in Purchasing Goods and Services

CONTENTS

The document links Quality Assurance and Risk Management

Managing the risk associated with the purchase of goods and services is part of the purchasing process. Risk management is a tool that can help us make better purchasing decisions.

The use of QA as part of the risk management process will assist agencies to deliver their core business services when purchasing goods or services which are high risk, ie critical or of a complex nature.

The following diagram provides a guide for assessing the level of risk for each purchase.

The majority of ACT Government purchases of goods and services are low risk. Therefore, a benchmark of $50,000 was adopted under which QA requirements should not normally be specified. However, the risk of each purchase should be assessed as some low value purchases can be potentially high risk.

Source #2
State of Tennessee - Information Technology Statewide Standards

http://www.state.tn.us/finance/oir/qa/stds/projmgmt/proc.htm

Section 1.1.6 of the planning phase of the Tennessee IT Methodology is to Create/Revise Risk Approach. They've developed two great, easy-to-use tools. The first is a worksheet for assessing risk; the second, an on-line Risk Assessment which calculates the risk rating based on input from the users.

Source #2 - Document 1
Risk Assessment Worksheet

Risk Factor	High Risk	Normal Risk	High	Normal	N/A
Mainline impact	Major impact on the organization's main business and objective goals	Minor impact on the organization's main business and objective goals			
Commitment by Management	Senior management not actively involved	Management committed to project			
Project Length	Over 1 year	1 year or less			
Project Team Size	Over 10 people	10 people or less			
Project Team Experience	Project team staffed with inexperienced personnel or does not have appropriate functional and/or technical skills	Project team staffed with experienced personnel with appropriate functional and technical skills			
Percentage of time key project members dedicate to the project	Less than 50%	More than 50%			
Project Manager Experience	No prior experience in this type project	Experience in this type project			
Number of outside agencies or organizations to coordinate	2 or more	less than 2			

State of Tennessee (continued)

User Participation	Minimal user participation	User personnel actively participating in project			
User Support	Users/sponsors are not committed to project	Strong user sponsorship			
User Impact	Significant impact on user daily operations	Minimal impact on user daily operations			
Cost Benefit Analysis	Approximations used are not based on proven practice standards (estimating guidelines)	Costs from quotes and proven practice standards (estimating guidelines)			
Existence of Clear Business Plan	No	Yes, and used for project planning			
Scheduled Completion	Inflexible completion dates (absolute deadline) with little delay tolerance because other development depends on completion	Completion dates are set but no other development depends on completion			
Hardware/Software	Vendor or specific equipment or software does not have proven record or performance	Vendor or specific equipment or software has proven record or performance			
System Complexity	Pioneering, new hardware/software, extensive software modifications	No significant unique or new considerations, minor software modifications			
Project Size	More than 1000 workdays	Less than 1000 workdays			
Quality of Data to Convert	Complex database conversion requirements or questionable data integrity	Data conversion is straightforward			

Risk Assessment Worksheet Procedures

Place an "X" in the High column if the High Risk definition best describes the risk factor.

Place an "X" in the Normal column if the Normal Risk definition best describes the risk factor. Place an "X" in the N/A column if the risk factor is not applicable to this project.

1. Identify Risk Factors. Several risk factors have been listed on the Risk Assessment Worksheet. Other factors that are unique to the project can be added to the list on the Risk Assessment Worksheet.
2. Classify each risk factor as High risk, Normal risk, or Not Applicable.
3. Document each high risk factor, including a description of how the high risk factor will be mitigated.
4. Rate the entire project. If any factor is classified high risk, the entire project is rated High Risk.
5. Revisit the project proposal description and re-word anything affected by the high risk factors.
6. Put the project number on the top of each page.
7. Include the Risk Assessment with the project proposal, in the cost benefit section, on a separate worksheet.

Source #2 - Document 2
On-Line Risk Assessment

This is a great start on making risk analysis friendly. The user simply highlights the closest or “best” answer to a series of questions. When this is done, you simply click on “Calculate Risk” and the program determines a score from 0 (no risk) to 100% (disaster) for a number of factors.

For example, item 1 is -

1. “The scope is:”,

The user selects one of 4 answers:

- Don’t know
- Larger than it should be
- Appropriate for this project
- Too small to solve the problem.

Item 24 deals with past performance:

24. Past IT projects for this organization have a history of:

- Don’t know.
- Being cancelled or put on hold indefinitely.
- Succeeding as planned.
- Going over budget.
- Going past target completion date.
- Using more resources than planned.

My favourite is item 15, dealing with stakeholders:

15. Team members and end users:

- don't know
- are excited about this project
- dread this project or can't wait till it's over
- have little patience left with this project
- have no conflicts and are working well together
- have conflicts that are hurting the project
- have conflicts but are working through them

Source #3
Federal Aviation Administration
National Airspace System Documentation

http://nasdocs.faa.gov/nasipubs.htm

This federal agency has published a tutorial providing the novice with an introduction to Risk Management. In fact, it's a three-volume set. The first volume provides the overview. While it is, in places, not designed for the small project, small system, or small RFP, it does contain some excellent material.

ACQUISITION AND PROGRAM RISK MANAGEMENT GUIDANCE
Volume 1

Chapter 8 deals with RFPs. In fact it provides sample RFP statements which can be easily adapted for use in less complex RFPs. Section 8.1 contains these sample statements and is reproduced below.

8.1 GOVERNMENT RESPONSIBILITIES

In preparing a Request for Proposal (RFP) it is essential that the procuring agency squarely face the fact that risk management is part of the acquisition strategy. A formal plan of risk evaluation and reduction should be established by the government very early in each acquisition program. This plan should be tailored to consider the contractor and government risks. The assessment and analysis of each significant element of program risk should be continued throughout the acquisition cycle. The acquisition strategy should lower the risks to reasonably acceptable levels. The Procuring agency should include in the RFP requirements for the offerors to describe their approach to identifying and managing the risk inherent in the program. These would most probably include areas such as reliability, maintainability, producibility, quality, design, manufacturing, technology, and research along with many others too numerous to mention. In addition, the RFP should include data items such as a Risk Management Plan and a Risk Assessment Report in order to insure that the contractor will seriously plan for risk management and is continuously assessing risk.

8.1.1 Sample RFP statements

Some sample statements, that when tailored appropriately, could be used in an RFP include the following:

8.1.1.1 Executive Summary

"The executive summary shall include a proposal overview which will address expected performance and any other salient proposal characteristics, and briefly summarize them. As a minimum, risk issues of reliability, maintainability, producib ility, design, supportability, work to be accomplished, trade-offs, cost, schedules, and other special considerations will be addressed."

8.1.1.2 Engineering/Design

"The offeror shall describe the engineering/technical tasks to be accomplished during the D/V program which contribute to risk reduction and definition of the substantiated system/subsystem concept. The discussion shall contain the following item:

A discussion of major technical risk items associated with the offeror's proposed system concept, including payoffs which will potentially result from the proposed approach, as well as problem areas. The approach to determining the technical risks involved in your program and your approach to reducing such risks to acceptable levels shall be identified. The discussion shall present the criteria to be used to evaluate critical decision points and information requirements, and the process to be used to develop, evaluate, and implement fallback positions as required."

8.1.1.3 Reliability and Maintainability (R & M)

"Describe your approach to determining the technical risk involved in your R & M program and your approach to reducing such risks to acceptable levels. This discussion shall present the criteria you plan to use in determining the criticality of technologies, the techniques used to evaluate critical decision points and information requirements, and the process used to develop, evaluate, and implement fallback positions as required."

8.1.1.4 Producibility

"Describe the approach to determining the technical risk involved with the design producibility engineering program and the approach to reducing such risks to acceptable levels. This discussion shall present the criteria you plan to use in determining the criticality of technologies, the techniques used to evaluate critical decision points and information requirements, and the process used to develop, evaluate, and implement fallback positions as required."

8.1.1.5 Quality in Design

"Identify quality in design risks and factor these risks into design trade studies."

8.1.1.6 Manufacturing Research/Technology

"Provide an assessment of the likelihood that the system design concept can be produced using existing manufacturing technology while simultaneously meeting quality, rate, and cost requirements. Include in your analysis and evaluation of the producibility of the design concept: requirements for critical process capabilities and special tooling development, tests and demonstrations required for new materials, alternate design approaches, anticipated manufacturing risk, potential cost and schedule impacts, and industrial base and surge capabilities (where appropriate)."

8.1.1.7 Project Control System

"The offeror shall describe the approach system and methodology for risk management. This discussion will include how information from functional areas shall be integrated into the risk management process."

8.1.1.8 Manufacturing Planning

"Describe the initial manufacturing planning accomplishment in the following areas: production risk, risk resolution, and identification of fallback positions, resource requirements, critical materials and processes, long lead requirements, management systems, organization and staffing, and schedule."

8.1.1.9 Quality Assurance

"Describe any QA risks you foresee for this program and actions planned to reduce the risks."

8.1.1.10 Security

"Operational Risks"

A) Level/Amount of Classified: Identify the levels of classification which will be processed as well as the estimated hours per month and percent of total material processed for each category.

B) Sensitivity/Perishability: Identify any significant factors concerning the sensitivity and/or perishability of the classified data.

C) Frequency of Processing: Identify the classified processing schedule which will be used; e.g., scheduled, irregular, sporadic, random. Assess the probability of the exact hours of classified use being pinpointed by unauthorized personnel. Describe any facts of circumstances that would make such determinations difficult."

"Technical Risks"

A) Physical Control Space (PCS): Identify the radius in meters of the physical control space available around the systems/equipment/facility. Describe the barriers, doors, fences, walls, etc., that define the PCS. Describe the control exercised over the PCS during duty and non-duty hours. Describe other factors which contribute to control, such as visitor procedures, escort requirements, searches of personnel and/or vehicles, etc. (PCS is the area within which only personnel with Government security clearances are allowed unescorted access.)

B) PCS Breaches: Identify the type and location relative to the system of any unfiltered telephone or communications lines, ungrounded or unfiltered power lines, conduits, heating and air conditioning ducts, water pipes, etc., that transgress the established PCS.

C) Building Construction: Describe the building in which the system is housed, e.g., concrete block walls, aluminum doors, no windows.

D) RED/BLACK Installation: Identify whether classified processors were installed in accordance with RED/BLACK criteria (i.e., installed in accordance with NACSIM 5203).

E) Shielded Enclosure: Identify whether classified processors are operated within an RF shielded enclosure."

8.1.1.11 Evaluation Summary

"The overall evaluation of each proposal may include on-site inspections and results of pre-award surveys to provide information to the Source Selection Authority regarding offerors current and future capability to perform all aspects of this program. Risk assessment associated with the major areas of the program will be accomplished. In assessing risk, an independent judgment of the probability of success, the impact of failure, and the alternatives available to meet the requirements will be considered."

Other Sources

Here are some thumbnail sketches of other sources of information about RFPs and Risk Management. Each provides lots of value.

Source #4 - Defense System Management College
Program Risk Management Teaching Note

http://www.nwc.navy.mil/electives_list/EL547/Week2/PM%202%20TN%202.htm

This is a 17-page tutorial about risk management. It begins with a definition of risk management:

> Risk management is concerned with the identification of uncertainties that threaten cost, schedule, and performance objectives, and the development and implementation of actions to best deal with those uncertainties within established limits. Its primary focus is:
>
> - ☐ To identify and manage risk so that program objectives can best be achieved, and
> - ☐ To support development of an acquisition strategy to meet the user's needs while balancing cost, schedule, performance, and risk.

It defines the roles of both government and contractors:

> Industry inputs should be invited during the initial identification of risks and development of the initial risk management process and plan. The draft Request for Proposal (RFP) released for industry comment prior to milestone I, is one of the best tools to help in this effort. If the draft RFP identifies specific risk areas within technical, schedule, and cost, the contractors can write better proposals to address that risk. Since the contractors are the ones best qualified to identify and evaluate the risks associated with a program, they should be intimately involved in risk management once they are selected. If they assist with development of the risk management strategy, not only should the risk abatement plans be more feasible, the contractor should also be better motivated to manage them.

This note provides an excellent overview of the Risk Management Process.

Source #5 - Project Management Institute (PMI)

http://www.pmi.org

Established in 1969, PMI has 95000 members worldwide. In provides leadership in developing standards. Their premier document, A Guide to the Project Body of Knowledge (PMBOK® Guide) has a chapter dealing with risk.

They also have a Specific Interest Group within PMI dealing only with Risk Management. (www.risksig.com). Visit this site for articles and resources.

Source #6 - Dept. of Defense
Defense Acquisition University
Project Risk Management Plan

http://deskbook.dau.mil/software/gen/impl-plan.html

Other Sources (continued)

The Defense Acquisition University has developed a toolkit for Enterprise Integration which includes a chapter dealing with risk, Chapter 9 - Assess Project Risk. This chapter contains a 32-page risk management plan and template. While the template may be too detailed and too intensive for smaller projects, it is a good model of the tasks associated with managing risks. Here is the table of contents:

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Source #7 - Boeing
RFP Model

http://www.boeing.com/defense-space/ic/fcs/bia/sdd_rfp_desc.html

Boeing has published a sample RFP for selecting subcontractors under he Future Combat Systems program. Section 2.1.3 contains their suggested risk rating scale:

In conjunction with assessing proposal merit is the assessment of proposal risk, i.e., each element and subfactor within the Technical/Management Evaluation Factor will be assessed for proposal risk as well as for merit. The proposal risk assessment will be accomplished by an adjectival rating scale supported by a strengths and weaknesses narrative analysis. A sample proposal risk rating scale is shown below.

ADJECTIVAL	DESCRIPTION
Low Risk	Any proposal weaknesses have little potential to cause disruption of schedule, increase cost, or degradation of performance. Normal subcontractor effort and normal Boeing monitoring will probably minimize any difficulties.
Moderate Risk	Approach has weaknesses that can potentially cause disruption of schedule, increase cost, or degradation of performance. However, special subcontractor emphasis and close Boeing monitoring will probably minimize difficulties.
High Risk	Approach has weaknesses that have the potential to cause serious disruption of schedule, increase in cost, or degradation of performance even with special subcontractor emphasis and close Boeing monitoring.

Boeing also suggests a rating scale for past performance:

3.1.1 Past Performance Risk Rating Scale

The assessment of performance risk will be accomplished by a color or adjectival scoring system supported by a strengths and weaknesses narrative analysis. A sample performance risk rating scale is shown below:

ADJECTIVAL	COLOR	DESCRIPTION
Low Risk	Dark Blue	Based on RFP-respondent's past performance record, essentially no doubt exists that the respondent will successfully perform the required effort.
Moderate Risk	Green	Based on RFP-respondent's past performance record, some doubt exists that the respondent will successfully perform the required effort
High Risk	Red	Based on RFP-respondent's past performance record, extreme doubt exists that the respondent will successfully perform the required effort
Unknown Risk	White	No relevant performance record is identifiable upon which to base a meaningful performance risk prediction. A search was unable to identify any relevant past performance information for the RFP-respondent or key team members/subcontractors or their key personnel. This is neither a negative or positive assessment.

Source #8
Air Force Federal Acquisition Regulations

http://farsite.hill.af.mil/VFAFFAR1.HTM

These Regulations are a great source of ideas and best practices. Here is what FAR says about risk ratings:

> (B) Proposal risk assessment focuses on the weaknesses associated with an offeror's proposed approach. Assessment of proposal risk is done at the subfactor (or element, if used) level, and includes potential for disruption of schedule, increased cost, degradation of performance, and the need for increased Government oversight as well as the likelihood of unsuccessful contract performance. For any weakness identified, the evaluation shall address the offeror's proposal for mitigating those weaknesses and why that approach is or is not manageable. Note that if a combination of significant weaknesses leads to unacceptably high proposal risk, this is a deficiency in the proposal. Proposal risk shall be evaluated using the following ratings:
>
> **TABLE 5315-4- PROPOSAL RISK RATINGS**

Rating	Definition
High	Likely to cause significant disruption of schedule, increased cost or degradation of performance. Risk may be unacceptable even with special contractor emphasis and close Government monitoring.
Moderate	Can potentially cause some disruption of schedule, increased cost, or degradation of performance. Special contractor emphasis and close Government monitoring will probably be able to overcome difficulties.
Low	Has little potential to cause disruption of schedule, increased cost or degradation of performance. Normal contractor effort and normal Government monitoring will probably be able to overcome difficulties.

Source #9 - Government of Nova Scotia - Health Infrastructure Atlantic Project Risk Management Plan

http://www.gov.ns.ca/heal/hia/project/Risk%20Management.pdf

This 7-page plan is easy-to-understand and illustrative of the inherent value in Risk Management. It's worth reviewing!

Have you used Risk Management in an RFP?
We'd Like to hear about it. Send us a copy.
asner@compuserve.com