CONTRACTUAL RISK SOURCES

Poorly written specifications (SOW)
Project management
Credit risk
Insurance requirement/Bond issues
Subcontractors and suppliers
Force Majeure
Poorly written contract
Public buy in
Unrealistic time lines
Change orders
Contingencies
Poor contract administration
New/unknown supplier
Legal considerations
Lack of adequate training/knowledge
Consultants
Poor performing suppliers
Inadequate minimal quals.
Lack of policies and procedures in place
Funding
Unforeseen challenges
Use of incorrect contract type
Staff turnover
Reports
Scope creep
Lack of checks and balances
Supplier influence
Book door selling
Restrictive specifications
RISK MITIGATION PLANNING

Identify the:
- Risk
- Responsibility
- Stakeholders/early involvement
- Financial impact
- Timelines

Communicate with stakeholders & suppliers
Inspection and monitoring
Determine who will respond
Rank the reasons of risk – transfer and mitigate
Bonding
Contingencies
Checklists, policies procedures, surveys
Reporting
Historical data
Early procurement involvement
Assigning the correct skilled persons
Using a risk assessment consultant
Recovery options and plans
Standardization of equipment
Public buy-in
Dependencies
Identifying government regulations
Identify contract dispute mechanisms
RISK MITIGATION TOOLS

Communication
Progress Meetings
Supplier report cards
Transition meetings
Pre-work/Construction meetings
Performance Logs
Contract closeout procedures
Supplier background checks
Established hours of workplace access
References
Use of a project manager
Staff training
Legal department
Pre-bid conference
Good specifications
Coordinating committees
Amendments/addendums
Assessing Risk Probabilities

Stakeholders
Reg. environment
Environmental concerns
Technology/security
Depth or strength of supplier
Time sensitivity
Resources – staff
Availability of raw materials
Use of subcontractors
Public concern
Supply/demand
Internal/external expertise
Forecasting
Change orders historical trends
Feedback on similar projects
Budget overruns
Health, safety and welfare impact
Market conditions
Delivery schedules
Weather/natural disaster – environmental
Life cycle
Performance – ref checks; good standing
Risk associated with scope of work
$ value
Nature of the service
Liability risk
Available solutions
Risk evaluation criteria
Outsource vs. in-house
Back-up contract
Warranties
Non-exclusive contracts
Termination for default
Escrow agreements
Incentives
Indemnification
Risk Surveillance

Monitoring - Watching for Danger

Stay in contact with project manager
Project meetings – scheduled milestones
Quarterly or semiannual meetings for long term contracts
Performance evaluations
Site observations
Factory surveillance
Ongoing contract review
Monitor change orders
Inspections
Current bond/insurance certificates
Pre-construction meetings
Bid evaluation meetings
Cost monitoring
Contract timelines
Release of liens
Monitor compliance
Monitor financial health (D&B)
Annual financial statements
Maintaining current licenses
Monitoring debarment lists
Conduct drug checks
Using checklists
Supplier management
Progress payments
Receiving’s
Quality control
Ongoing training
Use of a contract risk manager
Agency report card
Documenting lessons learned
Providing adequate resources
Adequate project schedule
Staff buy-in
Risk Management Ethics

Ethics Issues - in contract but not enforced
Social
Lack of knowledge
Ethics training for staff
Ethical procedures in place
Fairness Commissioner (independent)
Ethics Statutes / Ordinances / Policies
Reporting Hotline
Holding contractors to same standards