



## 2014 Forum Goldmine Session Contract Risk Management

### 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



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### **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



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Contract Risk  
Management**

**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



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### 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



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### **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



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### **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