

*“A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty.”*

*Sir Winston Churchill (1874-1965)*

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# People risk

## Training and professionalism affect procurement outcomes

by Irene Gessler

the vice-president of the Materiel Management Institute, whose members are generally federal government purchasers.

According to Swift, there are four main types of risks associated with government procurement: operational, financial, legal and ethical.

Operational risks are the most common. They result in failed procurements where in the government wasn't able to deliver. "They are procurements gone wrong," Swift says.

Cost overruns, not getting good value and wasted public resources exemplify financial risks.

Then, there are the legal risks to the government of being sued by one or more of the bidders and losing the lawsuit. Fortunately, Swift says, this type of situation happens infrequently but, when it does, the consequences to government can be huge in terms of delays and additional costs.

Finally, there are the ethical risks – improper conduct or conduct not in accordance with accepted rules and regulations. While ethical risks also happen infrequently, a specific example of an ethical risk would be a situation in which a public official obtains a benefit from a bidder.

Each of these types of risks is related – and, Swift asserts, all four are related to a loss of confidence by the public with the government.

One person who agrees with Swift's assessment of the risks associated with government procurements is the director of Materiel Management and Contracts for the Department of Canadian Heritage. Bob Myers' risk list – which approximates Swift's – consists of what he describes as "people" risks, money risks and operational risks.

While people risks include, among other things, conflicts of interest, fraud and em-

ployer/employee relationships, money risks often include the ability, or not, to obtain "value for money," law suits and exceeding one's delegated authority.

When large dollar value contracts are not closely managed, procurement practitioners can wind up paying for shoddy work, making overpayments or paying interest charges, Myers says.

Although these risks are and have been ever-present, a sampling of recent news stories alleging government corruption might cause one to conclude that public officials are falling prey to these risks more now than ever before. Myers doesn't buy it.

"Canadians are more aware today," he says. "Through such mechanisms as Access to Information, the government has become completely transparent. This allows parliamentarians, the media and the public the opportunity to ask the right questions and to obtain the details of why decisions were taken and the impact they subsequently had on the public purse."

"Recent modern comptrollership initiatives have enhanced management practices. We are noticing procurement and contract management being included and evaluated in executives' performance agreements, making them more accountable for their actions," he says.

Myers suggests that, with adequate training, the availability of better management information and some forward thinking, all types of risks are being significantly reduced.

"We struggle all day long to be fair. Our work is in the public view, thereby, making us extremely vulnerable, so it's crucial that we be extra clean," he says.

The increasing hype over government contracting this past year has made managers realize the magnitude of the inherent risks. Consequently, decision makers and

procurement practitioners are more cautious in the procurement choices they make today, Myers says.

While Myers and Swift provide neat summaries of the main risks associated with government purchasing, George Butts, acting director general of Policy, Risk, Integrity and Strategic Management in the Acquisitions Branch of the Department of Public Works and Government Services Canada (PWGSC), provides more food for thought on the subject. Butts has been with the department for 20 years on the procurement side. It was only last year that he moved into the policy side.

The department, which handles 40,000 new contracts annually for goods and services, is client and commodity focused, according to Butts. "We rely on having a good understanding of what we are buying," he says.

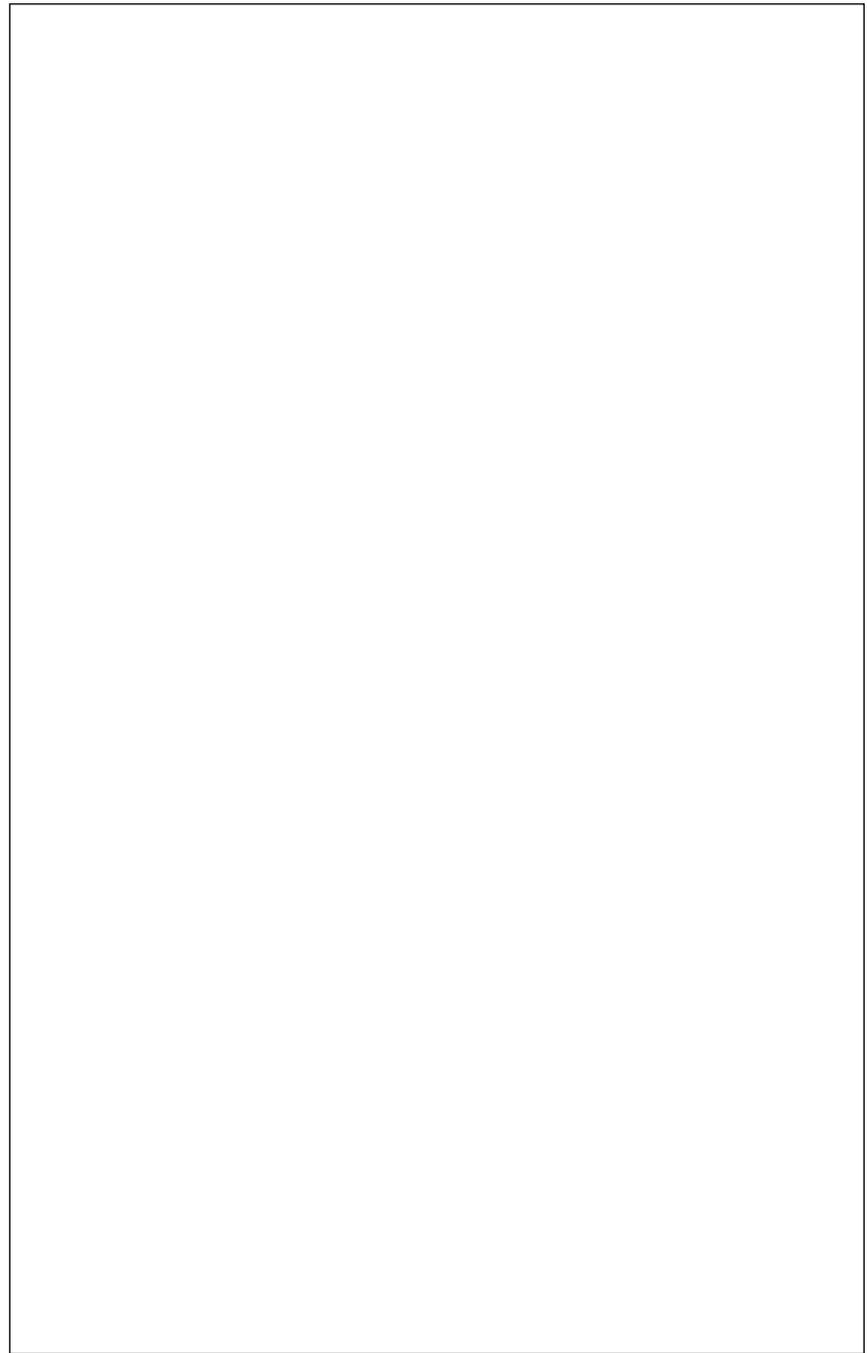
One of his main concerns is what he describes as the "capability issue" – or, in other words, the ability of staff to do their jobs well. Many staff are recruited from business and engineering degree programs at universities across Canada.

The prevailing personnel philosophy at PWGSC is the antithesis of the "sink or swim" school of thought. New staff are never plunged into water over their heads, but are allowed to get their feet wet gradually until they are able to swim comfortably and confidently.

New staff begin by working on standard or routine files, Butts says. As they progress, they are given more complex files to handle. Thus, he says, by bringing people up to the required level of competence before moving them on to more complex tasks risk is minimized.

One task that can be very complex is the writing of RFPs. Because they are invitations to private firms to submit bids for the provision of goods or services to the government, RFPs must be very clearly written to avoid any possible confusion on the part of prospective bidders. For big projects, they must also be very detailed and often include diagrams, maps or other supporting materials.

"The entire area of risk management is something we do address," Butts affirms. Where risk is significant, he says, the department uses a whole series of risk management techniques, particularly where large contracts are involved.



These techniques include doing a risk assessment of costs as a contract progresses. For more complex contracts, they might also include holding bidders' conferences and doing site visits to ensure a complete understanding of the requirement as well as the adequacy and security of suppliers' facilities.

Above all, Butts says, it is important that government purchasing agents obtain value for their money.

When purchasing goods for the Department of National Defence, for example,

where the safety of Canadian troops is a factor, it is particularly important that the goods purchased be of high quality, he adds. "We are ever cognizant of the fact that what we're spending is taxpayers' money." *mm*

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