

**Risk Assessment Criteria for Health Services Contracts  
Managed by Canadian Force Medical Group  
Prepared for Chief Review Services  
Department of National Defence  
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## **1.0 Purpose**

1.1 The Department of National Defence, Chief Review Services (CRS) is undertaking a risk assessment of CFMG health services contracts in order to target requirements for future audit work.

1.2 A two-phase process towards this end has been planned by CRS. The first phase is to develop the risk assessment criteria by which CFMG contracts would be assessed. The second phase would comprise the tasks required to assess these contracts and to determine the degree of risk of each contract, and then to recommend which contracts should be targeted for future audit work.

1.3 This report focuses on developing the risk assessment criteria only, which represents the first phase of this project.

## **2.0 Approach**

2.1 To develop relevant risk assessment criteria several sources were consulted and the following research steps were carried out.

2.2 **CFMG contract information**—Reviewed preliminary CFMG contract information, including types, descriptions, and scope of contracts.

2.3 **Guidelines/requirements of Central Agencies**—Reviewed guidelines/requirements related to Treasury Board Secretariat's Modern Comptrollership initiatives and Integrated Risk Management Framework, for a federal government risk-smart workforce and environment—particularly as these apply to responsible spending and contracting strategies, practices, and management in federal departments. Also reviewed Treasury Board Secretariat's contracting policy requirements and related Public Works and Government Services (PWGSC) practices and procedures for federal government contracting, including monitoring and reporting guidelines.

2.4 **Private sector practices**—The option of borrowing from private sector perspectives on Internal Audit and risk assessment/management is realistic for DND in developing risk criteria for CFMG. On this account, other criteria built into guidelines of the Institute of Internal Auditors (IIA – Quality Assurance Review Manual) and other certification-based quality assurance frameworks (such as ISO 9000:2000), and practices in the medical/health field, e.g., standards of the Canadian Council on Health Services Accreditation (CCHSA), were examined to inform the outcome of this project.

2.5 **Office of the Auditor General**—Documentation from the OAG on contracting for professional services and contracting performance assessments, including lists of criteria and results indicators, was examined.

2.6 **DND contracting policy**—Orders and directives for contracting procedures, contracting principles, delegation of authorities for financial administration for DND and the Canadian Forces were reviewed.

2.7 **Other jurisdictions**—Practices and procedures, and criteria, for risk assessment related to contracting in other jurisdictions were also examined to inform this work, with some emphasis on best practices discussed in High-Risk Series of the U.S. General Accounting Office (GAO), and U.S. Department of Defense (DoD) practices.

2.8 **Range of risk assessment criteria tailored to types and scope of contracts**—The presentation of results of the reviews described above is provided in the form of a risk-based matrix that incorporates a range of low, medium, and high-risk assessment criteria, as well as short, medium and long-term (life-cycle) risks associated with different categories/types of CFMG contracts.

2.9 **Report**—The report starts with the development of a framework that charts out the key questions and critical path for the risk assessment of CFMG contracts. This report on risk assessment criteria itemizes types of CFMG contracts, risks associated with these contracts at different levels (e.g., procurement process, scope and duration, management and administration, and post-contract completion), and related mitigating factors, monitoring, and documentation requirements.

### **3.0 Framework for Assessing Risks of CFMG Contracts**

3.1 To recognize the risks related to CFMG contracts, and to successfully identify relevant indicators and mitigating factors, it is important to understand the review context and the critical path for assessing relevant risks.

3.2 Exhibit 1 provides a framework and critical path for assessing risks of CFMG contracts and contracting practices. To begin with, the context needs to be established. This includes identifying strategic and operational issues like political, legal and financial circumstances, contracting policy principles and guidelines, results required based on accepted standards, and who or what will be impacted by the contracting arrangements.

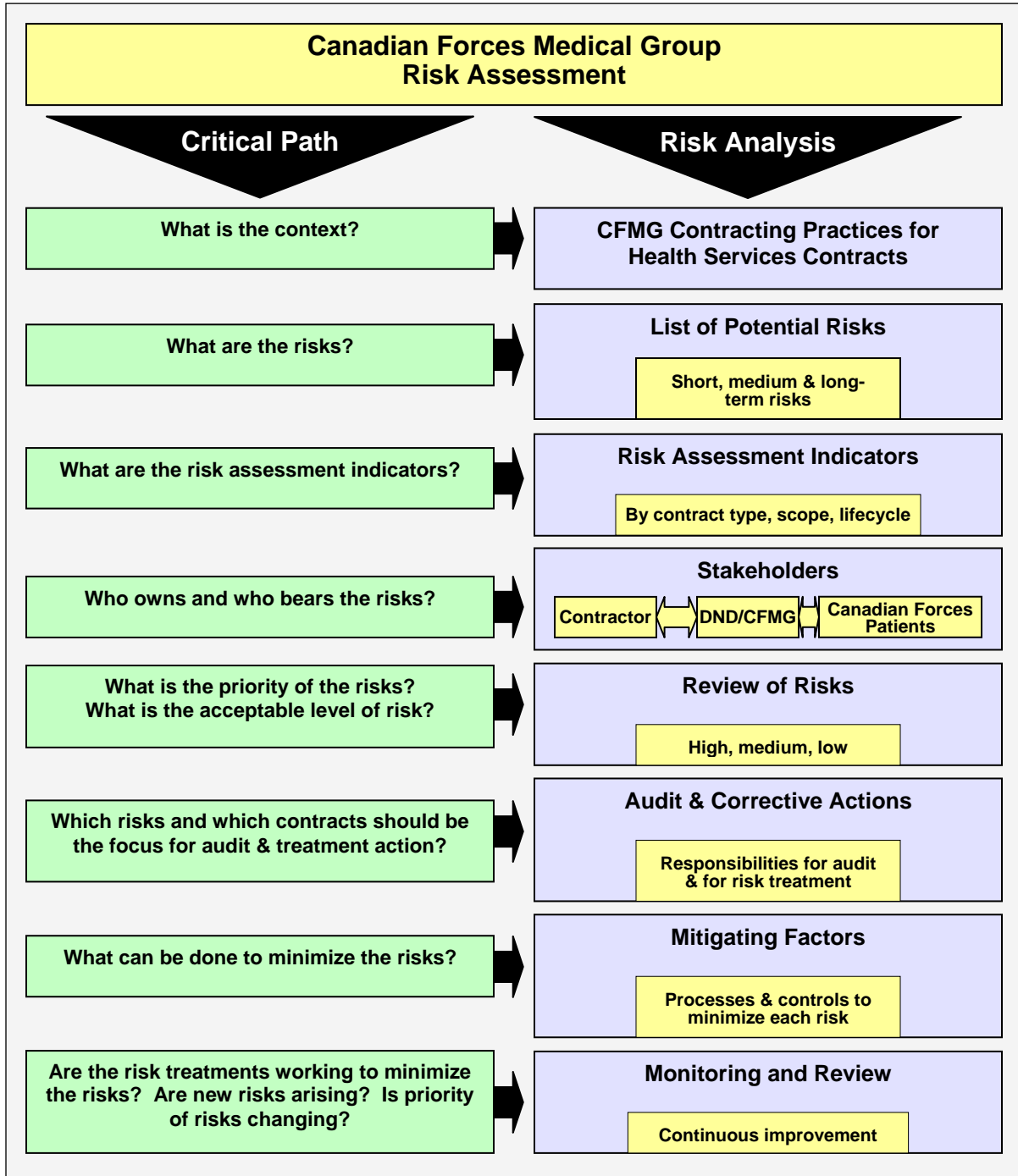
3.3 A list of related potential risks, and sources of risks, needs to be drawn up. How these risks are distributed, i.e., who “owns” and who bears these risks, is then determined.

3.4 Having established the context and identified the risks, it is then possible to develop appropriate risk assessment indicators, which is the focus of the first phase of this project. To ensure relevance of these indicators it is necessary to consider and determine who owns and bears the risks, the different types of contracts and the respective levels of risk, the likelihood of the risks occurring, the consequences of the risks occurring, and what controls are in place to detect and prevent potential risks.

3.5 The process of evaluating the relevant risks includes identifying the degree of risk involved (high, medium and low), and the acceptable level of risk given the presence of mitigating factors.

3.6 Finally, risks could change and the prioritization of risks could also change, depending on the effectiveness of corrective actions and risk management procedures in place. Through risk monitoring and review a continuous improvement process is established to address risks and treat their impacts.

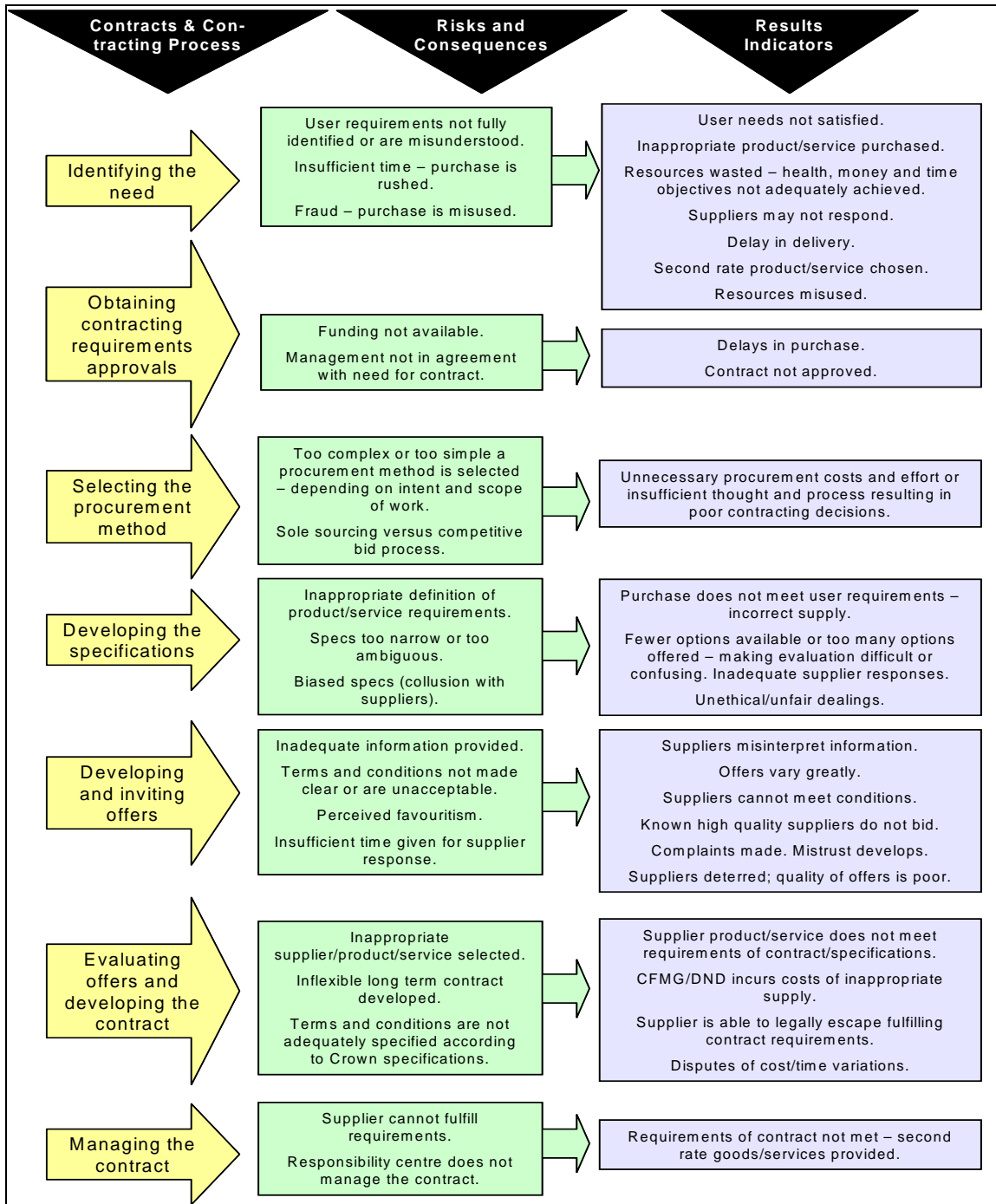
**Exhibit 1: Framework for Assessing Risks – CFMG Contracts**



## 4.0 Potential Risks

4.1 Potential risks associated with CFMG contracts and contracting processes are listed in Exhibit 2. The presentation in Exhibit 2 is only a generic depiction of *potential* risks. It is not an indication at this point that these risks are real. To assess whether these risks are real, a review and consultation process with responsibility centres for CFMG contracts, and with suppliers, is required.

**Exhibit 2: Potential Risks – CFMG Contracts**



4.2 The risks highlighted in Exhibit 2, if deemed real, could lead to serious potential consequences for DND and for the CFMG. Plausible examples of these consequences are as follows:

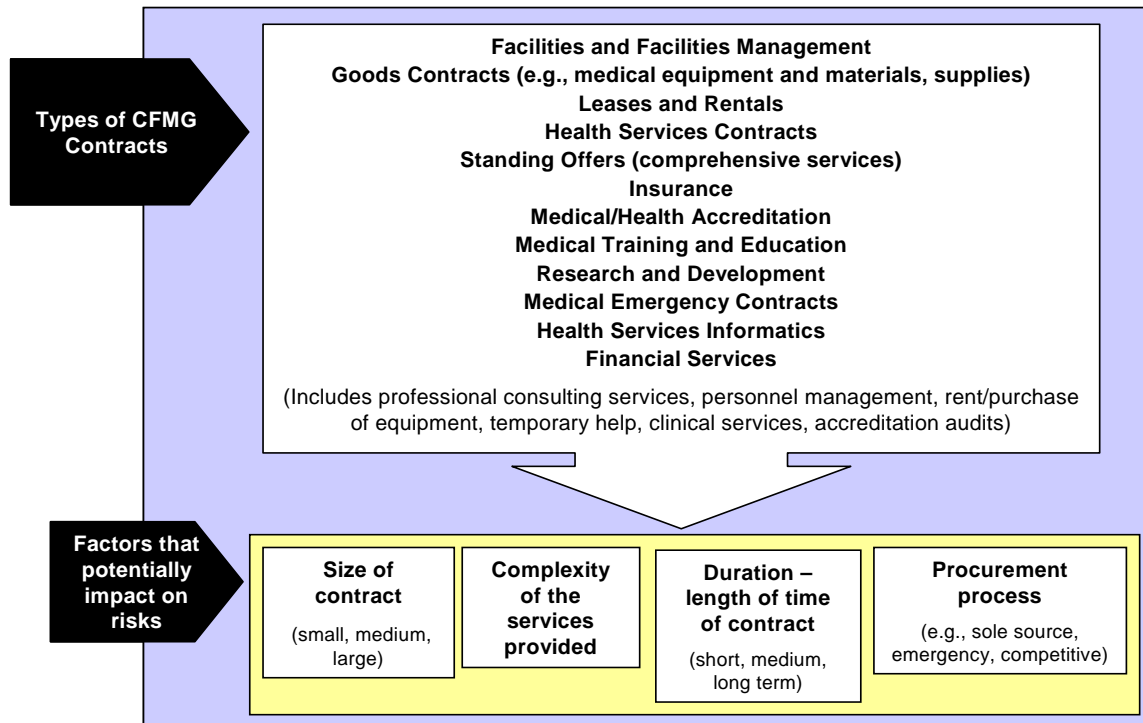
- delivering ineffective or less than standard health services to Canadian Forces;
- inefficiency or incompetence leading to costly overruns and escalating downstream costs;
- political fallout from fraud, waste and abuse; and
- legal liabilities associated with health repercussions of Canadian Forces.

There are potentially other risks that could be identified, but only through a closer examination of CFMG contract information, and consultations with responsibility centres.

## 5.0 Types of Contracts

5.1 The types of contracts that CFMG undertakes are listed in Exhibit 3. This generic listing of types of contracts is based on a review of preliminary information provided by Chief of Review Services, including dollar values, scope, descriptions, and type of CFMG contracts and contract activities involved.

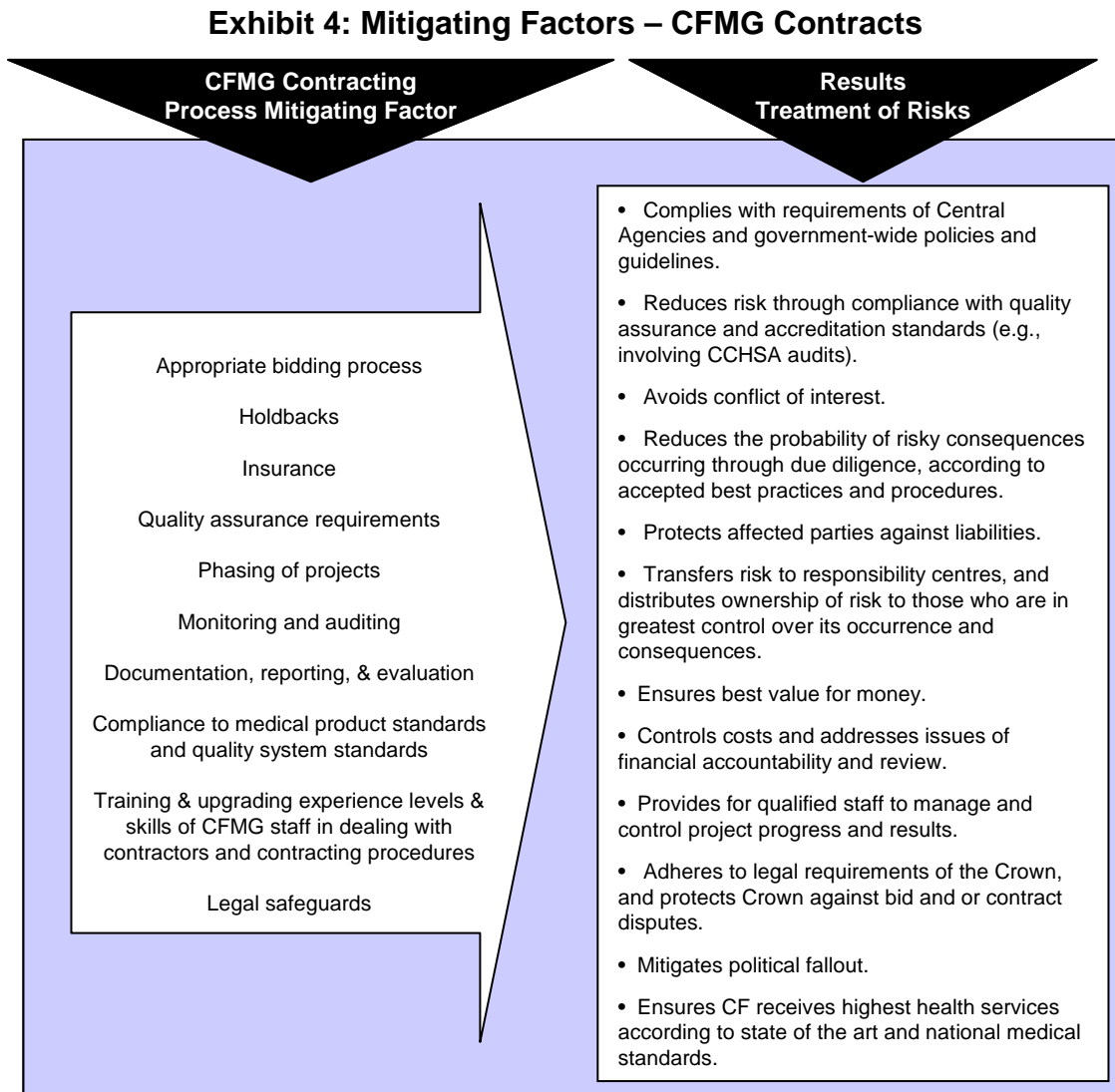
**Exhibit 3: Types of Contracts – CFMG Contracts**



## 6.0 Mitigating Factors

6.1 Mitigating factors are those factors that provide a basis for treatment of risks. They represent the processes/controls to minimize each risk. They also provide an indication of the process for managing risks and help identify the range of options for treating each risk. Responsibility for risk treatment should be given to those who have most control over the process and the results from the process. For example, by requesting an acceptable level of quality assurance, CFMG can ensure that the supplier is accepting the appropriate responsibilities associated with the contracting arrangement.

6.2 Mitigating factors identified for CFMG contracts and contracting process include those shown in Exhibit 4. By ensuring that the actions on the left-hand side of the diagram are in place, the results and treatment of risks shown on the right-hand side are likely to ensue.



## 7.0 First Order Screening Risk Assessment Criteria

7.1 Over 400 CFMG contracts were identified by CRS that are deemed “active” or “inactive” of which a selection are potential audit candidates. However, it is difficult to apply a comprehensive risk assessment process and analysis (based on current risk assessment practices and methods) of all these contracts without a large commitment of resources by CRS and DND. It is imperative, therefore, to devise a first order screening process, that is based on a checklist of credible risk assessment criteria, and that allows for the identification and selection of a representative sample of contracts that are of a high risk nature as candidates for auditing.

7.2 This first order screening process, however, does not guarantee that all potentially high risk projects are assessed, or that projects identified as potentially high risk have not already incorporated treatment initiatives that mitigate the defined risks. To corroborate whether the latter treatment of risk has occurred, or not, a consultation process with CFMG responsibility centres is required, over and above any of the results of a paper exercise involving the application of risk assessment criteria to CFMG contracts. This consultation process should focus on identifying any mitigating factors that are in place, or not, for the sample of contracts identified as high risk candidates for audit.

7.3 It is also important to understand that the first order screening of contracts does not eliminate the possibility of risk emanating from a whole group of contracts together, e.g., by specific types such as “professional services” or “supplies”. What is meant by this is that if CFMG is not appropriately managing a specific group of contracts in a way that treats the risks according to standard guidelines (see references in Section 2.0 and Section 10.0), the whole group of contracts and the CFMG contracting practices in general become an issue, in addition to the risks posed by any one specific contract or other.

7.4 The assessment of risk can be done at different levels of rigour, in terms of levels of compliance with standard risk assessment best practices (see various references in Section 2.0 and Section 10.0). Exhibit 5 provides a checklist of risk indicators for a first order screening, to select a sample of contracts that potentially pose a high risk for the Department and for CFMG. A more rigorous approach is presented in Section 8.0 of this report, which provides a basis for a more comprehensive audit and risk assessment of selected contracts, during the second phase of this project.

7.5 The specific risk being assessed in this first order screening is the “value for money” issue. For CFMG purposes this means there is a focus on whether the Crown is obtaining the best available health services for our Canadian Forces, that is of a quality that at least meets Canadian standards, and that is provided at an appropriate market cost, on time, and compliant with contracting agreements and guidelines of the federal government and the Department of National Defence. A number of other risks potentially cascade from this issue, including political fall-out, escalating costs, legal liabilities, and a real possibility of less than standard services delivered to our Canadian troops.

## Exhibit 5: First Order Screening Risk Assessment Criteria

RISK CRITERIA	FIRST ORDER RISK ASSESSMENT		
	Sub-Criteria	Risk Factor Weighting	Sample Selection Risk Level
Contract Status	Inactive > 3years	1	Low
	Inactive 1-3 years	2	Medium/Low
	Inactive < 1 year	3	Medium
	Active – closing	4	Medium/High
	Active – ongoing	5	High
Costing	\$25K or Less	1	Low
	\$26K to \$100K	2	Medium/Low
	\$101K to \$200K	3	Medium
	\$201K to \$500K	4	Medium/High
	Over \$500K	5	High
Selection Process	Competitive bid selection process, fully compliant with DND, TBS requirements	1	Low
	Emergency and sole-source selection, fully compliant with DND, TBS requirements	2	Medium/Low
	Competitive bid selection process, but with some ambiguity regarding compliance to requirements	3	Medium
	Emergency or sole-source selection process, with some ambiguity regarding compliance to requirements	4	Medium/High
	Formal bid selection process by-passed, sole-source process selected, with significant doubt/ambiguity regarding compliance	5	High
Contract Type	Standing offer call-up (with previous high performance of consultants)	1	Low
	One-time project award (with previous high performance of consultants)	2	Medium/Low
	Standing offer call-up (new consultants – unknown record of performance)	3	Medium
	One-time project award (new consultants – unknown record of performance)	4	Medium/High
	Project award (with previous low or negative performance of consultants)	5	High
Oversight & Process	PWGSC or DC Pol (with experienced CFMG contract management)	1	Low
	CFMG (with experienced CFMG contract management)	2	Medium/Low
	PWGSC (with inexperienced CFMG contract management)	3	Medium
	DC Pol (with inexperienced CFMG contract management)	4	Medium/High
	CFMG (with inexperienced CFMG contract management)	5	High
Budget Targets	Budget on target	1	Low
	Marginally overspent with appropriate rationale provided	2	Medium/Low
	Significantly overspent with appropriate rationale provided	3	Medium
	Marginally overspent with doubtful rationale	4	Medium/High
	Significantly overspent with doubtful rationale	5	High
Duration	Short term (less than three months)	1	Low
	Short term (three to six months)	2	Medium/Low
	Medium term (six to 12 months)	3	Medium
	Long term (one to two years)	4	Medium/High
	Long term (more than two years)	5	High

## Exhibit 5 (Continued): First Order Screening Risk Assessment Criteria

RISK CRITERIA	FIRST ORDER RISK ASSESSMENT		
	Sub-Criteria	Risk Factor Weighting	Sample Selection Risk Level
Contract Agreement	Contract agreement requires audit and/or evaluation as appropriate (done) OR Contract agreement does not specify audit and/or evaluation because scope of contract does not require either	1	Low
	Contract agreement requires audit and/or evaluation as appropriate (not done but scheduled/pending)	2	Medium/Low
	Contract agreement does not specify audit and/or evaluation (but audit and/or evaluation has been done)	3	Medium
	Contract agreement does not specify audit and/or evaluation (but audit and/or evaluation is scheduled)	4	Medium/High
	Contract agreement does not specify audit and/or evaluation (and none is scheduled though required according to guidelines)	5	High
Contract Amendment	Contract not amended, and is on budget and on time	1	Low
	Contract amended, with small changes and appropriate rationale provided for amendments	2	Medium/Low
	Contract amended, with significant changes and appropriate rationale provided for amendments	3	Medium
	Contract amended, with small changes but no appropriate rationale provided	4	Medium/High
	Contract amended, with significant changes but no appropriate rationale provided	5	High
Commodity Categories	R&D/Training and Education/Insurance/Accreditation	1	Low
	Facilities/Leases & Rentals/Temporary Help	2	Medium/Low
	Financial Services/Health Services Informatics	3	Medium
	Medical Equipment & Materials, Supplies	4	Medium/High
	Health Services & Emergencies (includes professional & consulting services)	5	High
Project Management	Good project management controls are in place (e.g., schedule of deliverables & related payments, phasing), and no related issues are outstanding	1	Low
	Project management controls are in place (e.g., schedule of deliverables & related payments, phasing), and though some related issues are outstanding they are being adequately addressed	2	Medium/Low
	Although project management controls are in place, they have not been adequately met, but have been enforced by project authority/responsibility centre	3	Medium
	Although project management controls are in place, they have not been adequately met, nor have they been enforced by project authority/responsibility centre	4	Medium/High
	No or inadequate project management controls are in place	5	High
Quality Assurance	Quality is assured by specification & compliance with accreditation & service standards (where required)	1	Low
	Quality is assured by appropriate project management process in place & past performance of supplier	2	Medium/Low
	Quality is assured by appropriate qualifications & experience of supplier	3	Medium
	Quality assurance not guaranteed – e.g., because compliance with accreditation & service standards (where required) not specified, and/or project management competencies or supplier qualifications are unclear	4	Medium/High
	Quality assurance not guaranteed – e.g., because compliance with accreditation & service standards NOT met (where required), and/or project management competencies or supplier qualifications are below expectations	5	High
RISK AGGREGATE FOR FIRST ORDER SCREENING	Total weight – NO FOLLOW-UP NEEDED	1 to 12	Low
	Total weight – NO FOLLOW-UP NEEDED, BUT RISK FACTORS TO BE MONITORED	13 to 24	Medium/Low
	Total weight – POTENTIAL FOLLOW-UP, IF RISK FACTORS CHANGE	25 to 36	Medium
	Total weight – FOLLOW UP NEEDED, TO BE SCHEDULED BUT NOT URGENT	37 to 48	Medium/High
	Total weight for contract – FOLLOW-UP NEEDED, URGENT	49 to 60	High

## 8.0 Risk Assessment Indicators and Review Matrix (Worksheet)

8.1 Risk assessment indicators play an important role in establishing measures of the expected or potential risks. Exhibit 6 on the following pages (pages 11 to 14) provides a more comprehensive approach to risk assessment that could be applied to a representative sample of CFMG contracts, once these have been identified through the first order screening process described in Section 7.0 above.

8.2 In the review of each selected contract against the risk assessment indicators on the left-hand side of Exhibit 6, the reviewer would need to provide a discrepancy ranking from 1 to 5. A discrepancy can be defined as the seriousness of noncompliance, or not meeting requirements, determined by the risk indicators. Discrepancies could lead to any of the risk events listed on the right-hand side of Exhibit 2. A discrepancy rating of 1 is a very low level of severity, 2 is low, 3 is medium, 4 is high, and 5 is a very high level of severity based on noncompliance with the risk assessment indicator. A “not applicable” assessment is also appropriate, if the risk assessment indicator is not particularly relevant to a specific contract, or contract type.

8.3 The risk review matrix in Exhibit 8 (page 15) provides a convenient worksheet by which each CFMG contract can be assessed, against typical requirements needed to determine whether risk is acceptable or not, and whether a high, medium or low risk rating is warranted. This in turn provides a decision format for CRS to determine whether a CFMG contract requires an audit, and what the associated urgency for such an audit may be.

## 9.0 Conclusion

9.1 Good quality information about the contracts and the contracting process of CFMG is needed to reliably identify the *real* risks associated with CFMG contracts, and to apply the risk assessment criteria and review matrix in a relevant and practical way – i.e., to determine which contracts need to be audited as a step towards treatment of the high risk contracts.

9.2 While the risk assessment criteria and the risk review matrix developed in this report provide a good basis to proceed with the review of risks associated with CFMG contracts, without the appropriate documentation and a transparent consultation process involving responsibility centres of CFMG contracts, the criteria and review matrix by themselves will not address the risks.

9.3 The first order screening approach presented in Section 7.0 of this report is intended to identify a selection of potentially high risk contracts of CFMG for a more comprehensive assessment and treatment, but this process by itself does not mitigate the potential of risks and negative consequences emanating from other contracts – nor does it address the possibility that the high risk contracts identified already have mechanisms in place for treatment of the risks (see Section 6.0 of this report).

## Exhibit 6: Risk Assessment Indicators by Type of CFMG Contract

RISK ASSESSMENT INDICATORS <sup>1</sup>	TYPE OF CONTRACT										
	Facilities & facilities management	Goods contracts	Leases & rentals	Health services contracts	Standing offers	Medical/health accreditation	Medical training & education	R&D	Medical emergency contracts	Health services informatics	Financial services
Contracting needs clearly identified.	Overall discrepancy ranking <sup>2</sup> [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Contracting requirements approved by required authorities.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Procurement activities comply with departmental & government policies.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Goods and/or service specs. clearly defined & understood.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Terms & conditions of contract clear & acceptable to supplier & client.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Legal advice sought & acted upon in contracting process, where necessary.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Costing appropriate to tasks.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]

<sup>1</sup> Risk assessment indicators listed in this table are based on the review of various sources and references identified in Sections 2.0 and 10.0 of this report. These include requirements of Canadian federal government Central Agencies, and other best practices and guidelines provided by other private and public jurisdictions. Other indicators may be identified, but those listed are most pertinent to the types of contracts engaged in by CFMG.

<sup>2</sup> A discrepancy can be defined as the severity of an outcome based on noncompliance, or not meeting requirements, determined by the risk indicators. Discrepancies could lead to any of the risk events listed on the right-hand side of Exhibit 2. A discrepancy rating of 1 is a very low level of severity. On the other end of the scale, a discrepancy rating of 5 is a very high level of severity. A "not applicable" assessment is also appropriate, if the risk assessment indicator is not particularly relevant to a specific contract, or contract type.

## Exhibit 6 (Continued): Risk Assessment Indicators by Type of CFMG Contract

RISK ASSESSMENT INDICATORS <sup>3</sup>	TYPE OF CONTRACT										
	Facilities & facilities management	Goods contracts	Leases & rentals	Health services contracts	Standing offers	Medical/health accreditation	Medical training & education	R&D	Medical emergency contracts	Health services informatics	Financial services
Competence & qualification of responsibility centre staff is adequate for managing the contract.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Complies with DND contracting procedures and guidelines.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Complies with CCHSA health services accreditation requirements.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Adheres to TBS contracting policy.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Adheres to PWGSC contracting procedures.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Past performance information on supplier reviewed & acceptable.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Adequate project control systems in place, by supplier & CFMG.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Audit and evaluation requirements included in contract.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]

<sup>3</sup> Risk assessment indicators listed in this table are based on the review of various sources and references identified in Sections 2.0 and 10.0 of this report. These include requirements of Canadian federal government Central Agencies, and other best practices and guidelines provided by other private and public jurisdictions. Other indicators may be identified, but those listed are most pertinent to the types of contracts engaged in by CFMG.

## Exhibit 6 (Continued): Risk Assessment Indicators by Type of CFMG Contract

RISK ASSESSMENT INDICATORS <sup>4</sup>	TYPE OF CONTRACT										
	Facilities & facilities management	Goods contracts	Leases & rentals	Health services contracts	Standing offers	Medical/health accreditation	Medical training & education	R&D	Medical emergency contracts	Health services informatics	Financial services
Producibility – delivery capabilities of supplier known and/or proven.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Timing – adequate schedule in place with margins and achievable plans to minimize unknowns.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Documentation on contract progress and results complies with government reporting standards for accountability.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Supplier provided appropriate evidence of licenses, registration & certification that would apply to the contracted service.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
CFMG maintains standardized computer database on all contracts to issue periodic summaries and statistics on contracts.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]

<sup>4</sup> Risk assessment indicators listed in this table are based on the review of various sources and references identified in Sections 2.0 and 10.0 of this report. These include requirements of Canadian federal government Central Agencies, and other best practices and guidelines provided by other private and public jurisdictions. Other indicators may be identified, but those listed are most pertinent to the types of contracts engaged in by CFMG.

## Exhibit 6 (Continued): Risk Assessment Indicators by Type of CFMG Contract

RISK ASSESSMENT INDICATORS <sup>5</sup>	TYPE OF CONTRACT										
	Facilities & facilities management	Goods contracts	Leases & rentals	Health services contracts	Standing offers	Medical/health accreditation	Medical training & education	R&D	Medical emergency contracts	Health services informatics	Financial services
Documentation on type of procurement (sole source, emergency, or competitive) includes solicitation document with a description of services, schedule, request for supplier qualifications, fee proposal, and due dates.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Evaluation criteria specified in RFP and followed by evaluators. Numerical weights used for ranking, and reference checks done in accordance with the RFP requirements.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Performance measures have been specified in the contract, and have been measured and evaluated against the requirements.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]
Contract monitoring takes place by individual(s) with the necessary expertise.	Overall discrepancy ranking [ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]

<sup>5</sup> Risk assessment indicators listed in this table are based on the review of various sources and references identified in Sections 2.0 and 10.0 of this report. These include requirements of Canadian federal government Central Agencies, and other best practices and guidelines provided by other private and public jurisdictions. Other indicators may be identified, but those listed are most pertinent to the types of contracts engaged in by CFMG.

## Exhibit 7: Risk Review Matrix (Worksheet) – CFMG Contracts

CONTRACTS (Examples)	(A) Identify Type of CFMG Contract	(B) Identify Relevant Risk Assessment Indicators Shown in Exhibit 5	(C) Assess Contract Compliance and Related Requirements Based on Indicators  (Use consequence scale of 1 to 5) <sup>6</sup>	(D) Assess Compliance and Related Requirements Based on Consultations with Responsibility Centres  (Use risk rating scale of 1 to 5) <sup>7</sup>	(E) Assess Probability of Occurrence of a Risk Event – such as those listed in Exhibit 2  (Use probability scale of 1 to 5) <sup>8</sup>	(F) Determine Level of Risk (High, Medium, Low) <sup>9</sup>	(G) Determine Urgency of Audit and Treatment Action <sup>10</sup>
Contract # 1 (e.g., hospital services)	[ Type of contract ]	[ List most relevant indicators ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[C x D x E]	[ Level of urgency ]
Contract # 2 (e.g., supplies such as drugs, apparel, medical, optical)	[ Type of contract ]	[ List most relevant indicators ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[C x D x E]	[ Level of urgency ]
Contract # 3 (e.g., temporary help, translation services)	[ Type of contract ]	[ List most relevant indicators ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[C x D x E]	[ Level of urgency ]
Contract # 4 (other examples, ...)	[ Type of contract ]	[ List most relevant indicators ]	[ 1 to 5 ]	[ 1 to 5 ]	[ 1 to 5 ]	[C x D x E]	[ Level of urgency ]

<sup>6</sup> A consequence can be defined as the severity of an outcome based on noncompliance, or not meeting requirements, determined by the risk indicators. For example, consequences can be any of the risk events listed on the right-hand side of Exhibit 2. A consequence rating of 1 is a very low level of severity. On the other end of the scale, a consequence rating of 5 is a very high level of severity.

<sup>7</sup> It is important to combine risk indicator feedback with a consultation process with the appropriate responsibility centre, to provide a reality check, and an update on circumstances surrounding specific contracts under review. A risk rating of 1 is a very low level of risk. On the other end of the scale, a risk rating of 5 is a very high level of risk.

<sup>8</sup> Probability of occurrence of a risk event can be defined as the likelihood of a specific outcome happening. The likelihood of something happening is influenced by the extent of exposure to that situation. A probability of 1 is low very unlikely, 2 is low unlikely, 3 is medium, 4 is high likely, and 5 is high very likely.

<sup>9</sup> Overall risk is defined by the result of the assessment in columns (C), (D) and (E), respectively, by multiplying (C) times (D) times (E). A result of 101 to 125 is very high risk, a result of 76 to 100 is high risk, a result of 51 to 75 is medium risk, a result of 26 to 50 is low risk, and a result of 1 to 25 is very low risk.

<sup>10</sup> The urgency for an audit and/or treatment actions to mitigate risk is determined by (F), and by a management sense of priorities and the need to ensure that the cost and complexity of developing and implementing the risk treatment plan is commensurate with the risk exposure.

## 10. References

10.1 References consulted to prepare this report are as follows:

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