



Washington State
DEPARTMENT OF
ENTERPRISE SERVICES

2024 Procurement Risk Assessment Implementation Project Plan

Department of Enterprise Services | Contracts & Procurement Division

Enterprise Procurement Risk Assessment Team

Business Drivers and Considerations

Business challenge

The Department of Enterprise Services (DES) has the statutory duty to delegate goods and services procurement authority to agencies. Delegation of authority must be based on a procurement risk assessment (PRA) process developed by the department and specify restrictions as to dollar amount or specific types of goods and services that an agency may procure. After ten years of delegation practice using a risk assessment model, stakeholders and department staff agree that the process for conducting the procurement risk assessment using the DES PRA Tool (Tool) needs to improve: it is too cumbersome and time-consuming.

Background

The 2016 PRA cycle began in November 2015 and was completed in 2018. The next cycle began in 2019 but analysis of agency risk assessments was postponed due to other competing priorities, such as response to COVID-19 procurement needs and drafting the new Supplier Diversity Policy and Handbook. Due to the postponement, the 2019 data was out of date and no longer relevant to assessing current procurement risk. Therefore, the DES Director decided to suspend the 2019 PRA.

The 2019 process/tool had 48 open-ended questions which focus on the following procurement risk areas: procurement needs, procurement staff, socio-economic criteria, procurement policy compliance, spend, procurement process, contract management, and external audit. Agencies were asked to provide narrative answers.

In order to improve the current process, DES conducted a policy workshop on April 4, 2024 to obtain feedback on the next version of the PRA process and tools. The new PRA process is more

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clearly defined so that agencies will better understand the purpose of the process, tools, and how agency information will be used as DES conducts the assessments.

Goals

The goals for the next iteration of the risk assessment are focused on adding value:

- 1) External risk assessment process improvement (i.e. from the customer's perspective);
- 2) Internal risk assessment process improvement (i.e. enhanced efficiencies);
- 3) More clearly define and communicate how the risk assessment is administered so that agencies will better understand the process and how DES will use the information we collect;
- 4) Better meet agency business needs, while balancing procurement risk, resulting in a reduced amount of additional delegation of authority requests; and
- 5) Improve customer satisfaction with the process.

Business objective

1. Properly assess agency strengths and weaknesses as they relate to procurement activities.
2. Capitalize on 10 years of procurement risk assessment experience and data collection.
3. Determine appropriate delegation authority for each agency.
4. Greater focus on supplier diversity and environmental purchasing policies compliance.
5. Provide meaningful oversight.

How to achieve objective:

Improve the risk assessment process.

1. Use past procurement risk assessment submittals and current data streams.
2. Use the risk assessment process, determine what level of risk can be tolerated at what levels of delegated authority.
3. Use the risk assessment process, WEBS, and Agency Contract Reports to collect data that will inform agency's compliance.
4. Use the risk assessment process, tailor oversight to help agencies where needed.

Expected benefits:

1. DES will have a reliable method with which to determine delegated authority and oversight measures which will right-size delegations.
2. Agencies will have a positive experience, where value is added, as the new process will minimize duplicative work on behalf of agency and DES.
3. Identify trends and gaps that may highlight risk areas of focus each cycle.

4. Allows agencies to conduct their own procurements where able and provides expert assistance as needed and appropriate.
5. Reduce the amount of additional delegation of authority requests.
6. Assess agencies progress in implementing the supplier diversity and environmental purchasing policies by benchmarking agency compliance with the policies.
7. Oversight will focus on higher risk agencies and to help agencies reduce risk, eliminate weaknesses, and utilize expertise to achieve improvements.

Approach

In order to achieve these goals, the following approach received DES Management support on March 15, 2024.

Initial research based on DES lessons learned over the past PRA cycles, as well as feedback received from stakeholders during the April 4, 2024 Workshop, were used to edit the process and tools.

The DES Enterprise Procurement Policy Team (DES/EPP) proposed elimination of the current PRA and Checklist Tools. In its place DES/EPP will use a new process centered around conducting contract audits and hand off implementation of the process to the new Enterprise Procurement Risk Assessment Team (EPRA). The contract audits will allow DES/EPRA to assess agency compliance with procurement laws and policies in practice.

DES/EPRA proposes the following initial one-year cycle of this new contract audit process:

Phase 1 (Implementation Phase):

Approximate timing: through August 2024.

The DES/EPRA Team will resource the team appropriately to ensure successful implementation. Once finalized and resourced, the DES/EPRA Team will conduct outreach to internal and external stakeholders regarding the new process and will provide to all agencies:

- A communication regarding the new PRA process.
- The new Contract Audit Rubric template.

Phase 2 (12-month process made up of four 3-month sprints):

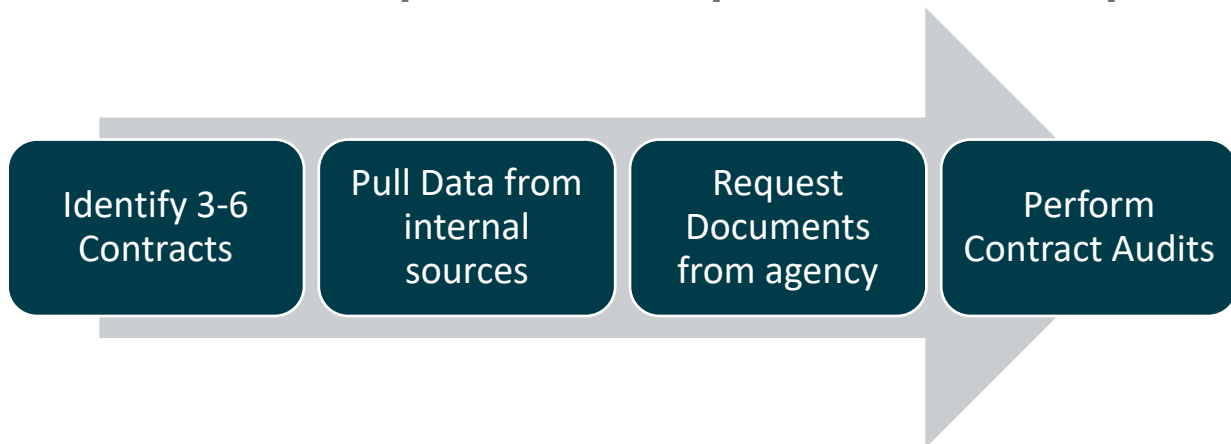


Figure 1. Phase 2 DES contract audit preparation process.

Approximate timing: October 2024 through September 2025.

Using the Agency Contract Report, the DES/EPRA Team will select 3-6 contracts per agency. The selection will focus on:

- Agency contracts that should have applied supplier diversity and environmental policies.
- Topics where the agency demonstrated, based on past practices/State Auditor’s Office (SAO) findings/etc., a substantial lack of compliance with procurement laws and policies.
- High profile procurements (high dollar value, visibility, regulatory environment, type of commodity/service, complex procurements, etc.), and/or
- Solicitations that have been protested.

The DES/EPRA Team will pull the following data for the contracts selected for audit:

- WEBS records for solicitation and contract documents
- WEBS small and veteran-owned business supplier data
- Agency Procurement Training Report
- Past agency audits containing procurement audit findings

The DES/EPRA Team will issue a request to the agency for the following data for each audit:

- Bid tabulations, if not available in WEBS
- Contract award documentation
- Agency website postings for evidence of compliance with sole source and supplier diversity requirements, etc.
- Applicable agency internal procedures for outreach plans, use of statewide contracts, and contract management processes related to supplier diversity
- Other, as needed

The DES/EPRA Team will perform contract audits:

- **Enterprise procurement policy compliance:** Although the 2024 assessment will have an emphasis on supplier diversity and environmental policy compliance, DES will also review compliance with the other enterprise procurement policies and related laws.
- **Substantial compliance:** The assessment will include a compliance threshold for each policy. The level of compliance will inform the delegated authority action -- remain unchanged, increase, or decrease, which can be customized for each policy as it pertains to the mission and goals of an agency.
- **Review compliance with all policies using the contract audit rubric.** The rubric contains sections for each policy along with relevant requirements for that policy.

Example:

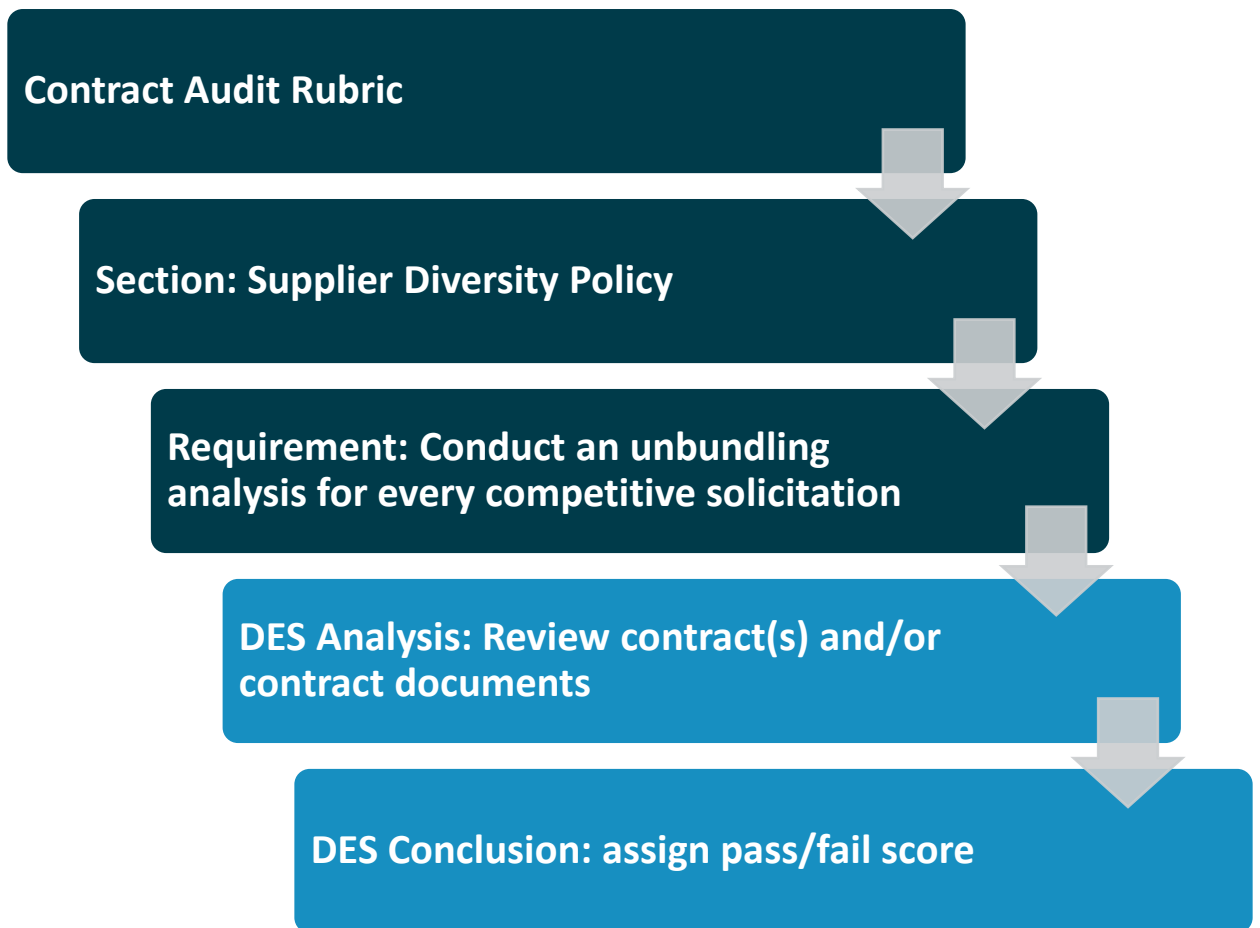


Figure 2. Example contract audit process.

Once all contract audits are complete, a pass/fail compliance score is calculated for each policy. See Table 1 below for the compliance thresholds set for each policy.

Table 1. Substantial Compliance Threshold for each DES Enterprise Procurement Policy.

Enterprise Procurement Policy	Substantial Compliance Threshold
<u>DES-280-00 - Purchasing Preference for Products and Product Packaging That Do Not Contain Polychlorinated Biphenyls (PCBs)</u>	50%
<u>DES-090-09 - Purchases of Washington Grown Food</u>	75%
<u>DES-090-00 – Delegation of Authority</u>	100%
<u>DES-140-00 – Sole Source Contracts</u>	100%
<u>DES-EO 18-03</u>	75%
<u>DES-125-03 – Direct Buy Procurements/Purchases</u>	75%
<u>DES-265-00 - Electronic Products Purchasing Preference</u>	50%
<u>DES-255-00 - Recycled Content Purchasing Preference</u>	50%
<u>DES-70.95M.060-00 – Non-Mercury-Added Products Purchasing Preference</u>	50%
<u>DES-310-00 - Purchasing Preference for Products That Do Not Contain Hydrofluorocarbons (HFCs)</u>	50%
<u>DES-190-00 - Using Goods and Services Procurement Bonds</u>	75%
<u>DES-130-00 – Emergency Procurements/Purchases</u>	75%
<u>DES-170-00 – Complaints and Protests</u>	100%
<u>DES-210-01 – Agency Contract Reporting</u>	100%
<u>DES-POL-090-06 Supplier Diversity</u>	50%
<u>DES-POL-DES-080-02 Contract Management</u>	50%
<u>DES-070-00 Convenience Contracts</u> (June 6, 2024)	50%

The DES/EPRA Team will:

- Assess compliance with all enterprise procurement policies using contract audits and high-level review matrix.
- Assign “pass/fail” for meeting the defined thresholds for each policy.
- The number of “pass/fail” will identify the delegated authority analysis results.

Table 2. Delegated Authority Analysis.

Number of Policies in Compliance	Percent of Policies in Compliance	DES Analysis	Risk Rating	Delegated Authority Change
All 16	100%	Model Agency	Low	Consider increase, if requested
14-15	81-94%	Indicate areas for improvement	Medium Low	Consider increase, if requested
11-13	63-81%	Indicate areas for improvement	Medium High	No change
8-10	44-63%	Indicate areas for improvement	High	No change or decrease delegated authority
7 or less	0-44%	Require quarterly meetings	High - Suspended	Decrease or suspend delegated authority

DES may consider reducing an agency’s delegated authority when it has a high-risk rating due to substantial non-compliance with procurement policies.

Exceptions to the scoring matrix:

The following are the other factors that reviewers may consider in determining whether to increase the risk rating for an agency.

- (1) The actual or potential harm or impact that resulted or may result from the noncompliance.
- (2) The frequency of incidents and/or duration of the noncompliance.
- (3) Whether there is a pattern or prior history of noncompliance.
- (4) Whether staff took appropriate corrective action or remedial measures, such as establishing training and implementing programs to prevent recurrence.
- (5) Whether the agency had effective standards of conduct and internal control systems in place at the time the noncompliance occurred.
- (6) Other factors appropriate to the circumstances of the noncompliance.
- (7) Compliance with requirements set in previous delegation of authority letters.

DES/EPRA will calculate scores using the Table 2:

- Document findings using the Contract Audit Rubric.
- The level of compliance will inform the delegated authority action.

DES/EPRA will prepare and provide delegation authority letters to include:

- For agencies with a Low or Medium Low risk rating, a decision on their request for an increase in their delegation of authority.
- A summary of the agency’s procurement risk assessment analysis.

- Conditions as a result of the contract audits. The DES/EPRA Team will refer to the conditions in the next round of PRA to assess agency’s compliance with conditions.

Phase 3 (follow-up):

Approximate timing: ongoing, beginning April 2025.

The DES/EPRA Team will meet with designated agencies (those with conditions, high risk rating, etc.) each quarter.

Phase 4 (Check, Act, Plan):

The DES/EPRA Team will identify gaps and lessons learned, based on the PRA cycle and deploy strategies/training/etc. to mitigate any gaps.

- **Check:** Review internal process and customer satisfaction survey data, analyze the results, and identify lessons learned.
- **Act:** Take action based on lessons learned and implement process improvements.
- **Plan:** Develop the next iteration. The 2024 assessment will set a baseline for agencies’ overall procurement compliance, identifying risk areas that may need follow-up, and will test the process of contract auditing for successful outcomes.

Schedules

Table 4. Schedule for process and tool development.

Task	Start Date	Completion Date
Draft Proposal for Next PRA Iteration	6/15/2023	7/15/2023
Draft new process and tools	7/16/2023	9/30/2023
Project Sponsor - Management Review	10/1/2023	10/31/2023
Revise draft new process and tools	11/1/2023	11/30/2023
Create Communication Plan	11/13/2023	11/30/2023

Project Sponsor - Management Review	12/1/2023	12/15/2023
Revise draft new process and tools	12/15/2023	12/16/2023
DES Director Debrief	12/16/2023	3/18/2024
Provide new process and tool documents to agencies for their review	4/4/2024	4/18/2024
Conduct workshop	4/4/2024	4/4/2024
Receive written feedback from Agencies	4/4/2024	4/18/2024
Complete feedback analysis	4/18/2024	5/2/2024
Redraft process and tools, based on stakeholder feedback	5/2/2024	5/16/2024
Management Review	5/16/2024	5/23/2024

Table 5. Tentative schedule for implementation.

Task	Start Date	Completion Date
Staff appropriately	February 2024	8/31/2024
Share approved PRA Process and Contract Audit Rubric with Agencies	July 2024	7/31/2024
PRA Phase 1	February 2024	7/31/2024
PRA Phase 2	10/1/2024	12/31/2025
Sprint 1	10/1/2024	12/31/2024
Sprint 2	1/1/2025	3/31/2025

Sprint 3	4/1/2025	6/30/2025
Sprint 4	7/1/2025	9/30/2025
PRA Phase 3	April 2025	Ongoing
PRA Phase 4	10/1/2025	4/1/2026

2024 Iteration Scope

What is in scope:

1. Procurement of goods and services, governed by RCW 39.26.
2. Previous agency risk assessments, for historical compliance and context. For example, conditions imposed by the previous delegated authority letter
3. Contract audits performed by DES, with a heavy focus on Supplier Diversity and Environmental Policies but will also assess high level compliance with all other enterprise procurement policies. DES reserves the right to modify the agency score based on other in-scope information discovered through the risk assessment process.
4. State Auditor's Office Reports
5. Reports from WEBS, Training, and Agency Contract Report.
6. Statutory requirements within RCW 39.26.

What is not in scope:

1. Assessment of the agency's budget and financial processes
2. Institutions of higher education
3. Judicial branch agencies
4. OMWBE Reporting/Compliance Requirements

Related projects and activities:

1. Requests for additional delegated authority
2. Drafting procurement-related policies
3. Procurement training modules
4. OMWBE's Annual Collection of Inclusion Plans
5. OneWashington Procure to Pay project
6. Protests

Project authorization

Executive sponsor:

Rebecca Linville, Assistant Director

Contracts & Procurement, Department of Enterprise Services

Key Stakeholders

- Procurement personnel in the 105 agencies that have previously completed the PRA.
- All other procurement personnel that rely on RCW 39.26 and DES procurement policies, procedures, and guidance.
- State executive and financial managers
- Washington State Legislature
- Vendor community

Performance Measures

1. Stakeholder responses to post-risk assessment survey.
2. Agency compliance with overall enterprise procurement policies.
3. Reduction in additional delegation of authority requests.
4. Reduction in agency risk profiles.

Related links

- [RCW 39.26.080\(1\)](#)
- [RCW 39.26.090\(5\)](#)

Related policies

[Delegation of Authority - DES-090-00](#)

Contact us

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