

**ARE YOU MANAGING YOUR PROCUREMENT RISKS?**  
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Most procurement professionals are so busy carrying out their day-to-day tasks that the thought of managing procurement risks seldom comes to mind. An important goal for management of an organization is to maintain an environment free of procurement risks, but the responsibility of identifying and mitigating those risks *begins* with each and every person who is involved with their procurement activities. Management, whether stated in internal policy or not, depends on their procurement professionals to recognize areas of highest risk and to seek actions to reduce them, or to eliminate them entirely. Procurement performance can not, and will not, improve significantly within an organization unless each person reviews the negative or positive consequences that their procurement activities will have on the agency and/or to the state.

What is a *procurement risk*? Risks can be described as having a positive or a negative impact on an organization, but this article is addressing the negative influence risks can produce from certain procurement activities. One dictionary defines “risk” as “the chance of something going wrong”. Procurement professionals can analyze their procurement risks best by evaluating their work and asking the question, “Could something go wrong as a result of how I execute this activity?”

To describe one example of a procurement risk, the following activity demonstrates how a risk factor can produce negative impact:

- Activity: Failure to include a Statewide Contract discount into PeopleSoft on a purchase order
- Assessment:
  1. The immediate impact would be the agency paid a higher price for the goods ordered.
  2. If this practice is exercised agency-wide, the agency would not be utilizing the best negotiated discounts and prices and suffer significant losses.
  3. State Purchasing would not be as effective in future contracting for lower prices if agencies neglect to take the discount and pay higher prices than what has been negotiated. In other words, the state could eventually pay higher prices on future statewide contracts.

Mismanagement of funds through poor execution is an ideal situation that needs to be viewed as an opportunity for any individual or agency to make operational improvements. Procurement risks not only affect the agency, but, in most cases, can have an enterprise-wide impact to the state. By carefully reviewing the negative impact resulting from day-to-day activities, many errors can be corrected or eliminated. Remedial steps, when applied to an individual, can also

prevent future errors from occurring. Assessing performance throughout the agency provides proactive oversight, but not all agencies have sufficient resources to allow this level of review. Self-assessment of daily work by procurement professionals is the simplest step an agency can apply towards identifying risks. In most circumstances, the agency makes better use of state funds and/or resources when the negative impact of procurement work is analyzed at the individual level.

Sometimes a review of one's own procurement activities can be the most difficult to achieve due to increased responsibilities and workloads. As procurement processes become more specialized, how can one be sure they are identifying the most significant risks and the implications caused from them? Some risk threats include forgone savings, losses, misuse of funds/fraud, potential lawsuit, lack of controls, lack of documentation, etc. Several important questions can be asked when seeking proper guidance for identifying and mitigating procurement risks:

- Have I been properly trained to carry out the procurement tasks assigned to me?
- Do I have an adequate understanding of Agency and State guidelines to execute my responsibilities?
- Do I receive pertinent updates to guidelines in order to properly execute my responsibilities?
- Are there tools I can use to better execute my work? Have I received training to properly use them?
- Are there tools I can use to analyze my work?

An agency may ask:

- Are internal reviews conducted for assurance that all procurement activities have proper oversight?
- Do all procurements make the best use of state funds?
- Is appropriate internal training provided to all procurement staff?
- Are effective controls in place to communicate procurement information to all pertinent staff?

Managing procurement risks begins and ends with adequate training. Proper training can be related to bookends that support everything else needed for well-executed procurements. Training courses are presented by State Purchasing Professional Development to instruct the proper use of efficient tools, offer up-to-date process instruction, and provide guidance for developing internal controls. The topic of managing risks is discussed at an individual and agency level in two new courses: "How to Conduct a Self-Audit (Compliance)" and "How to Conduct a Self-Audit (P-Card)".

If you or your agency has not visited the State Purchasing website recently to view the buffet of training courses offered by Professional Development to improve procurement performance, then this could be a giant step towards improving procurement operations at your organization. Improved procurement performance moves an organization up the ladder towards greater operational results and away from procurement risks.

Visit the SPD Training Website at [www.statepurchasing.doas.georgia.gov](http://www.statepurchasing.doas.georgia.gov)