

## **Purchasing Accountability and Risk Analysis Procedure Risk Assessment Matrix (RAM) – Appendix A**

a. As a state agency, MSU is required to develop and comply with a purchasing accountability and risk analysis procedure that provides for:

(1) assessing the risk of fraud, abuse, or waste in the contractor selection process, contract provisions, and payment and reimbursement rates and methods for the different types of goods and services for which MSU contracts;

(2) identifying contracts that require enhanced contract monitoring or the immediate attention of contract management staff; and

(3) establishing clear levels of purchasing accountability and staff responsibilities related to purchasing.

b. Performing risk assessments helps to determine the level of oversight and participation MSU will need. A *Risk Assessment Matrix* (RAM) - see Appendix A - is used to determine the risk level of the contract (i.e., the potential for loss, harm, or damage that may occur due to errors or problems associated with a vendor's performance). This assessment is completed to anticipate risks, mitigate or manage risks, and avoid or transfer risk in order to protect MSU. Based upon the classification of risk (as high or extremely high as opposed to low or moderate), the contract will require enhanced levels of contract or performance monitoring (see subsection G.4.a and b, *infra*).

c. Performing a risk assessment is an ongoing process throughout the life of the contract. The risk assessment matrix should be used prior to: (1) awarding contracts from RFP proposals; (2) entering into new contracts with vendors; and (3) renewing existing contracts. For ongoing contracts, the risk assessment matrix should be completed at least annually and when risk conditions undergo a substantial change (e.g., vendor's management or ownership changes). It is also important to note that the risk assessment is a dynamic process that should be updated regularly to reflect the results of monitoring visits, reviews of payment vouchers, desk reviews, etc. For example, if a contractor has fallen significantly behind schedule in delivering services to the targeted population, the risk assessment should be updated to indicate the elevated risk and this impacts how the contract is monitored in the future. Likewise, if a contractor is well ahead of schedule in delivering services to the targeted population, the risk assessment should be updated to indicate the lower level of risk.

d. The risk factors in MSU's risk assessment matrix are:

(1) Total Cost

(2) Type of Contract Purchase;

(3) Payment Type/Structure;

(4) Essential MSU Function;

(5) Percentage of Services Performed by Subcontractors;

(6) Stability & Experience of Contractor Key Management;

(7) Compliance History;

(8) Past Programmatic Performance;

(9) Audit Results;

(10) Number of Years in Business;

(11) Performance Measures;

(12) Deliverables; and

(13) Financial Reports Required

Additional risk factors can be added and considered as appropriate.

Each contractor is rated (scored) on the risk elements using the range of Low: 1, Medium: 2, High: 3, or Extremely High: 4; the scores are added up with ranges for the overall risk scores being:

Low Risk procurement: 0-13

Medium Risk procurement: 14-26

High Risk procurement: 27-39

Extremely High Risk: 40-52

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e. No objective or mathematical formula can be used to completely assess the risk imposed by a particular contract; risk is determined subjectively. For contract monitoring procedures, including contracts requiring enhanced contract or performance monitoring or the immediate attention of contract management staff, see section G.4, *infra*.

f. In addition to using the risk assessment matrix, contract liaisons should keep a log for all major contracts and major purchase orders. This log should identify all risks to their contracts, the mitigation plan or strategy for addressing the risk and the outcome.

g. Under Texas Government Code §2261.253 and other provisions of Senate Bill 20 and General Appropriations Act Art. IX, Rider 7.12 adopted in 2015 by the 84th Legislature, Regular Session, MSU's Director of Purchasing/Contract Management is required to notify the University's Board of Regents of any serious issues or risks on certain contracts (see subsection F.2.c.(2), *infra*).

Appendix A

**Risk Assessment Matrix (RAM)**

Table 1: Evaluation Criteria

<b>Factor</b>	<b>Low 1</b>	<b>Medium 2</b>	<b>High 3</b>	<b>Extremely High 4</b>
Total Cost	<\$25k	>= \$25k but <\$100k	>= \$100k but <\$1 million	>\$1 million
Type of Contract Purchase	Interagency, MOU or Interlocal	Contract less than 25k	Consulting, Emergency, Sole Source, Proprietary, or Construction > \$25k	Major information technology purchase
Payment Type/Structure	Fixed price or contingency	Rate or Fee for Services	Cost Reimbursement >= \$100k but <\$1 million	Cost Reimbursement
Essential MSU Function	Contract services are not essential to MSU's mission	Contract services are moderately essential to MSU's mission	Contract services are essential to MSU's mission >= \$100k but <\$1 million	Contract services are essential to MSU's mission
Percentage of Services Performed by Subcontractors	No Subcontractor involvement	Subcontractors account for less than 50% of contract work performed	Subcontractors account for 50% to 75% of contract work performed	Subcontractors account for more than 75% of contract
Stability & Experience of Vendor's Key Management	No recent change and significant experience	No recent change, but not significant experience; or recent change but significant experience	Recent change and not significant experience	Recent change and less than 1 year of experience
Compliance History	No issues of non-compliance	Moderate instances of non-compliance	Substantial finding of non-compliance	Substantial finding of non-compliance –
Past Programmatic Performance	Met or exceeded all output and outcome measures	Met 90% or more but less than 100% of output and outcome measures	Met 75% or more but less than 90% of output and outcome measures	Met less than 75% of output and outcome
Audit Results	No audit required or no issues or findings in audit(s)	Moderate issues or findings in audit(s)	Substantial issues or findings in audit(s)	Substantial issues or findings in audit(s)
Number of Years Vendor in Business	More than 5 years	3 to 5 years	1 to 3 years	Less than 1 year
Performance Measures	Contract contains multiple defined and measurable performance	Contract contains at least one clearly defined or measurable performance measure	No performance measures included in contract >= \$100k but <\$1 million	No performance measures included in
Deliverables	Contract contains multiple deliverables that are clearly defined	Contract contains at least one clearly defined deliverable	No deliverables included in contract	No deliverables included in contract
Financial Reports Required	>= \$500k but <\$1 million – substantial financial reports required	>= \$1 million but <\$1 million – substantial financial reports required	>= \$1 million - minimal financial reports required	>= \$1 million - no financial reports

Table 1A:

Evaluation Table (Use the criteria in Table 1 to determine the score for each factor and total up the scores.)

<b>Project Name:</b>		
<b>Factor</b>	<b>Comments</b>	<b>Score</b>
Total Cost		
Type of Contract Purchase		
Payment Type/Structure		
Essential MSU Function		
Percentage of Services Performed by Subcontractors		
Stability & Experience of Vendor's Key Management		
Compliance History		
Past Programmatic Performance		
Audit Results		
Number of Years in Business		
Performance Measures		
Deliverables		
Financial Reports Required		
Other		
<b>TOTAL</b>		

Table 2: Risk Assessment Matrix (Use the scores provided in Table 1A to determine the level of risk.)

<b>Risk Level</b>	<b>Point Range</b>	<b>Description</b>	
Extremely High Risk	E	40-52	Projects include unexpected levels of risk, including critical issues that are likely to occur if the contract is not properly managed. Contract management staff must consider possible contract risks, document and include them in the contract management plan and determine how risk will be monitored.
High Risk	H	27-39	Projects contain potentially serious risks that may occur. The contract management plan must include language that ensures proactive strategies to reduce risk and the method of monitoring the risk.
Medium Risk	M	14-26	Projects contain some level of risk that may occur. Contract management staff should consider if a contract management plan is required. If a contract management plan is not required, the purchaser will identify and document with an explanation of how risks will be managed. This information will be maintained with other contract documentation.
Low Risk	L	0-13	Projects contain minimal risks and are unlikely to occur. Contract management staff can proceed with contracting as planned.

<b>Summary of Risk Management:</b>
<b>Risk Mitigation Plan:</b>

\_\_\_\_\_  
Contract Liaison/Monitor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Department Head

\_\_\_\_\_  
Date

**Monitoring and Performance Checklist  
For Contracts Requiring Enhanced Contract or Performance Monitoring  
And/or the Immediate Attention of Contract Management Staff**

Contract/Purpose: \_\_\_\_\_

MSU Office of Origin: \_\_\_\_\_ Department Head: \_\_\_\_\_

Contractor: \_\_\_\_\_ Contractor Rep: \_\_\_\_\_

**Contracts Requiring Enhanced Contract or Performance Monitoring**

1. Goods and services conform to the contract requirements.  
*Comments:*
  
2. Conducting any necessary site visits and/or contractor meetings.  
*Comments:*
  
3. Documenting required contractor visits, tests, and significant events.  
*Comments:*
  
4. Reviewing required reports submitted by the contractor demonstrating compliance.  
*Comments:*
  
5. Resolving any disputes in a timely manner.  
*Comments:*
  
6. Verifying receipt of contract deliverables in accordance with the contract terms and maintaining detailed supporting documentation.  
*Comments:*
  
7. Reviewing contractor's invoices and reconciling and verifying payments with the contract terms and maintaining proper documentation.  
*Comments:*
  
8. Reviewing compliance with applicable laws, regulations, and policies and procedures and consulting with the applicable University department if there are any concerns.  
*Comments:*
  
9. Prior to the closeout of the contract, completing and submitting to the Purchasing/Contract Management Office the *Vendor/Contractor Performance Report*.  
*Comments:*
  
10. Other - including but not limited to documenting and immediately reporting to MSU's Director of Purchasing/Contract Management any serious issue or risk that is identified.  
*Comments:*

\_\_\_\_\_  
Contract Liaison/Monitor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Department Head

\_\_\_\_\_  
Date

**Contracts for Goods or Services with Value Exceeding \$1 Million**

1. Compliance with financial provisions and delivery schedules under the contract.  
*Comments:*
2. Corrective action plans required under the contract and the status of any corrective action plan.  
*Comments:*
3. Any liquidated damages assessed or collected under the contract.  
*Comments:*
4. Verify the accuracy of any information reported under subsections 1, 2, and 3 above that is based on information provided by a contractor.  
*Comments:*
5. Verify the delivery of goods and services scheduled for delivery under the contract.  
*Comments:*
6. Other - including but not limited to documenting any serious issue or risk that is identified and immediately submitting such information to the MSU President and Board of Regents.  
*Comments:*

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Contract Management Coordinator                      Date

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Purchasing/Contract Management Director      Date

**Contracts for Goods or Services with Value Exceeding \$5 Million**

1. Verify in writing that the solicitation and purchasing methods and contractor selection process comply with state law and MSU policy.  
*Comments:*
2. Submit to the President of MSU and the MSU Board of Regents information on any potential issue that may arise in the solicitation, purchasing, or contractor selection process.  
*Comments:*
3. Other - including but not limited to documenting any serious issue or risk that is identified and submitting such information to the President of MSU and the MSU Board of Regents.  
*Comments:*

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Contract Management Coordinator                      Date

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Purchasing/Contract Management Director      Date