C-4 What is Risk?

Whether using Tradeoff or LPTA, the focus should always be on identifying the key discriminators based upon market research and the assessment of risk. Risk, as it pertains to source selection, is the potential for unsuccessful contract performance. Increased risk comes with numerous possible complicating factors including:

Disruption of Schedule	**Funding/Budget Availability**
Increased Cost or Degradation of Performance	**Contract Type – Pricing Arrangement**
Need for Increased Government Oversight	**Dependencies on Other Projects/Systems**
The Likelihood of Unsuccessful Contract Performance	**Possible Effect on Other Simultaneous Projects**
Technical Feasibility	**Operational Risk**

While it is impossible to eliminate all risk, the objective is to reduce or mitigate risks by selecting the best value offeror through a sound source selection evaluation process.

The Government's risk is increased where the criteria (standards) are set too low. The source selection team must work together to ensure the PWS/SOW/SOO/ Specification is complete and reflects the government's needs at the ***right*** quality level.

Identifying key discriminators that are linked to the critical requirements where key risks lie is one of the most important steps in the process of determining the right process to achieve best value.

Key Risk Areas = Discriminators = Possible Evaluation Criteria
Crystal Clear, Non-Debatable Evaluation Criteria
+ Evaluation on Basis of Technical Acceptability
+ Objective Standard of Proof for Each Criteria
= Candidate for LPTA Source Selection Process

If the evaluation criteria cannot be objectively defined strictly on the basis of acceptable/unacceptable, and a clear ***"standard of proof"*** be determined for each, the procurement is not a candidate for the LPTA process.

NOTE: If some, but not all, evaluation criteria fit the LPTA requirements a ***combination approach*** may be a consideration.

Caution – If the customer/requiring activity is concerned about improving performance, LPTA is not an appropriate source selection approach.

Parent topic: Appendix C Lowest Priced Technically Acceptable Source Selection Process