

CONTRACT ADMINISTRATION: The Good, the Bad, the Ugly. Reel 'em in!



Contract Administration Definition

- * Following the award of a contract, the management actions that must be taken to assure full compliance with all of the terms and conditions contained within the contract document, including price. Action steps that assure that the contractor is in full compliance with the entire contract.
- * Contract administration activities include payment, monitoring of progress, inspection and acceptance, quality assurance, monitoring and surveillance, modifications, negotiations, contract closeout, and other activities.

Focus

FOCUS

The focus of contract administration is to obtain the supplies and services outlined in the contract, of the best quality, within a specific time frame and, most importantly, within budget. As such, contract administration serves as the primary part of the procurement process that assures that the contract is successfully executed.

Level

LEVEL

The level of contract administration required depends on the various factors associated with contracts. These include the nature of the work, complexity of the contract and the experience level of the personnel involved in the contract.

Award

AWARD

Once the contract is awarded, the process of contract administration is initiated with an orientation, a kick-off meeting, a conference, a welcome letter or some form of official communication. This is to ensure both parties have a clear understanding of the contract requirements.

Objectives of Contract Administration

- * Satisfy the entity's requirements
- * Ensure on-time delivery
- * Protect the entity's financial interest

Characteristics of a Good Contract Administrator

- * **KEEP PROCUREMENT IN THE LOOP**
- * Impartial and objective
- * Know the contract inside and out inclusive of responsibilities, deliverables, milestones, payment schedules
- * Gives clear and convincing direction
- * Shows respect and builds trust in the relationship
- * Timely decisions

Characteristics of a Good Contract Administrator

- * Effectively communicates orally and in writing
- * Analytical v. Emotional
- * Minimizes changes/modifications
- * Proactive communicator – keeps lines of communications open throughout contract completion
- * Document, document, document

Communication

- * **Ongoing Communication is imperative for success.**

Emails, Meetings, Written correspondence, Telephone

All communications should be concise, without tone, and accurate. The contract administrator is the voice most heard by the contractor/consultant.

All communication should be professional, positive and neutral.

AVOID YOU!

Contractor Types

- * There are three types of contractors typically managed by the contract administrator, each requiring a differing level of management.

- * NEW

- * INCUMBENT

- * OUTSOURCED

New Contractors

- * Kickoff meetings to set expectations and review statement of work (SOW) for clear understanding
- * Request ongoing dialogue – good or bad - **feedback is important** to keep open the line of communication
- * Typically requires closer monitoring
- * Up front monitoring will serve as a pay back over time

Incumbent Contractors

- * Typically less monitoring
- * Contract administration is less intensive
- * Past performance is proven to show a better understanding of statement of work/scope of services, however, changes in staff may require additional communication
- * Be aware of having a “too relaxed” approach, this may lead to misuse, fraud or abuse – Don't get too comfortable with INCUMBENTS!

Outsourced Contractors

- * KICKOFF MEETING A MUST!
- * Requires more management – much more complex relationship
- * Politically sensitive – ensure the scope of services is clear and concise, set clear expectations
- * Monitor performance through reporting and assure transparency in documentation
- * Requires more involvement with procurement staff typically – be aware of requirements and don't wait too long to involve all parties to assure compliance

VENDOR COMPLIANCE

- * DOCUMENT PERFORMANCE
- * Get procurement involved as soon as a problem occurs
- * Ensure timely inspections/check ins
- * **It is often that a contractor is not even aware of a perceived issue because it has clearly not been brought to their attention. Your procurement professional uses methods to assure that a contractor is aware of non-compliance and your contractual terms should clearly state the method by which a contractor will be notified of deficiencies or be found in default.**

Compliance/Performance

- * Provide clear and concise direction to the contractor when delays/deficiencies occur using facts supported by the SOW/Contract.
- * Allow ample time for contractors to respond and resolve issues. Getting rid of a “perceived” troublesome contractor may be more costly to all parties, rather than attempting to provide direction to get the project back on track. **AVOID OPINIONS – STICK TO THE FACTS!**
- * Assure the contract has requirements in place to protect the entity – Performance Bonds, Liquidated Damages

Painting Contract Scenario Handout



MAKE IT WORTH THE TIME YOU SPENT PUTTING IT ALL TOGETHER

- * The best investment you can make in your contract is assuring that all parties are clear on the content! You have spent many hours soliciting the goods/services so don't let a failure to communicate the content, expectations, deliverables and outcome to both the administrator and contactor be your downfall.



AUDIT AND COMPLIANCE




Periodic internal audit of the procurement process examines receipts, transactions and internal controls.

- * Check for approvals – who is authorized to make purchases?
- * Checklist to determine method of procurement, vendor selection, references, quality, price and assessing delivery capability/schedule. Process should include assuring only approved vendors are being used.
- * At the end user level is where contract administration resides unless the purchasing department has positions that are considered “contract administrators”. Most state procurement departments do not have CA’s funded by their department and contracts are assigned to the appropriate contract administrator in the using department.

Tips for Successful Contract Administration

- * Develop and implement a project management process to ensure delivery and flawless execution
- * Comply with contract terms and conditions
- * Maintain effective communications
- * Manage contract changes with a proactive change management process
- * Resolve disputes promptly

Tips Continued

- * Use negotiation or arbitration, NOT LITIGATION, to resolve disputes
- * Conduct kick-off or pre-performance meetings
- * Measure  Monitor  and track performance 
- * Manage the invoice and payment process
- * Report on progress internally and externally

Tips Continued

- * Follow up on corrective actions
- * Determine who can negotiate contract changes
- * Provide copies of contracts to all parties (contractor, contract administrator, using department, risk management, accounting, consultant)
- * Understand the effects of change on cost, schedule and quality

Tips Continued

- * DOCUMENT ALL COMMUNICATION
- * Prepare internal and external meeting minutes with confirmation of receipt and understanding
- * Prepare contract closeout
- * Ensure completion of work
- * Document lessons learned and share with your team
 - * **DOCUMENT, DOCUMENT, DOCUMENT!**



- * Einstein is reported to have said: “Insanity is doing the same thing over and over and expecting different results.” People ignore lessons learned because their project may be slightly different, but projects are very similar in many aspects.

Sample Policy

Department: Purchasing
Subject: Contract Administration

Policy Number:
Supersedes:
Date Issued:

I. INTRODUCTION

This policy sets forth guidelines for the administration of contracts to ensure that vendors' and using departments'/schools' performance is in accordance with the terms and conditions of contracts. County policies and procedures require goods and services to be furnished, received, invoiced and paid in accordance with the contract.

II. DEFINITIONS

Contract Administration – the management of all actions that must be taken to ensure compliance with the terms of the contract after the award of the contract.

III. PROCEDURES

A. Using Departments/Schools

1. After award of a contract, using departments/schools are responsible for contract administration to ensure that the vendor fulfills the obligations of the contract.
2. Using departments/schools must ensure that procedures exist to ensure effective contract administration, e.g., inspection and acceptance/rejection of goods or services, scheduling and monitoring of project progress, approval of invoices, and requests for modifications and change orders.
3. Report specific instances to the Purchasing Department, as they occur, of a vendor's failure to perform through the use of an Incident Report/Report of Performance form. Incident reports are necessary in order for the Purchasing Department to develop vendor history, evaluate performance, and when required, to take appropriate and timely action.
4. For requirements contracts, which specifically contain renewal clauses, using departments/schools will be required to complete a Contract Renewal Notice providing information and authorizing the Purchasing Department to negotiate renewal of the contract.

B. Purchasing Department

1. Assist using departments/schools, as required, with contract administration to ensure that the vendor fulfills the obligations of the contract.
2. Provide using departments/schools with contract documents outlining terms and conditions of the contract, e.g., pricing, delivery or performance schedule, commodity or service type.
3. In exceptional or extenuating circumstances, approve/negotiate an extension of an existing contract. The County may extend a contract up to, but not to exceed, 180 days following the last term of renewal.
4. Respond to using departments/schools reports of complaints and/or discrepancies on vendor performance. Issue written notification to a vendor placing them on notice that they have failed to meet the contract requirements, provide the vendor a period of time to correct the deficiency, and place the vendor on notice as to the consequences for failure to take the required corrective actions.

Sample Incident Report Form

INCIDENT REPORT/REPORT OF PERFORMANCE

Upon receiving a good or service that is not in compliance with the contract or purchase order, please complete this form and forward to the Purchasing Department.

Information Only

Purchasing Action Needed

VENDOR NAME:

COMMODITY/SERVICE:

CONTRACT/P.O. NUMBER:

REPORT DATE:

NAME OF INDIVIDUAL FILING REPORT:

TITLE/DEPARTMENT:

TELEPHONE:

Check the category(s) for which this report is submitted:

Poor Quality Goods

Frequent Backorders

Poor Workmanship

Substituted Goods

Slow Call Backs

Late Response to Service Call

Goods Not Identified

No Call Backs

No Response to Service Call

Shipment of Used Goods

Freight Charged

Dangerous Work Habits

Incorrect Delivery

Invoices Incorrect

Unauthorized Work

Late Delivery

Rudeness of Vendor

Other

Please elaborate as to how the goods or services are unacceptable:

Purchasing Investigations, Follow-up and results:

Purchasing Staff assigned to investigate: _____

Has complaint been resolved? Yes No

Date of Purchasing Action:



DON'T LET YOUR CONTRACT FAIL, REEL 'EM IN AND CATCH IT BEFORE IT'S TOO LATE!

**QUESTIONS
COMMENTS
DISCUSSION**

