Best Practices in Contract Administration

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Agenda

➢ Contract Administration – what/why

➢ Major focus areas in Contract Administration

➢ Factors that influences Contract Administration

➢ Key Contract Elements to Monitor in Contract Administration

➢ Weaknesses in Contract Administration

➢ Suggested Process & Best practices

Contract Administration?

- ➢ The process that begins from when the contract is awarded to when the work is completed and accepted or the contract terminated; payment has been made; and disputes have been completely resolved ("Cradle to Grave") &

- ➢ Is a primary part of the procurement process that assures the project owner gets a quality product for what it has bargained &

- ➢ Assures that users are satisfied with the final product.

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Few Key Definitions

Best Practices

Techniques to help detect and avoid problems in the acquisition, management, and administration of contracts – (essentially, gained from "practical experience").

Partnering

Technique to prevent disputes from occurring – (all parties involved develop a "plan for success")

Definitions Contd.

Who is the Project Owner's Technical Representative? Definition?

– Liaison between the project owner and the private contractor, who is responsible for monitoring the contractor's progress in fulfilling the technical requirements specified in the contract, and ensures that all required documentation and data are submitted in accordance with the procurement deliverable schedule. In simple term, he/she is the "eyes and ears" of the project owner.

Contract Administration - Purpose

➢ Administer a contract which defines the need,

➢ Develop a means and method to meet the need,

➢ Ensure all the legal requirements are met,

➢ Assessing any and all risks,

➢ Allocating necessary resources to ensure that project is built in very close conformance to all contract provisions,

Purpose Contd.

➢ Monitoring the actual contract and progress,

➢ Comparing measured performance to established standards,

➢ Open communication throughout the process,

➢ Receive product and/or service that meet all requirements, and

➢ Documentation of all final results.

Contract Administration – Focus

➢ Obtaining quality supplies and services that meet or exceed contract specifications,

➢ Schedule – complete project on time,

➢ Budget – complete project within budget, and

➢ Closeout – must be problem free.

Contract Administration - Influences

The following factors influence Contract Administration:

➢ Nature of the work,

➢ Type of contract, and

➢ Experience and commitment of the personnel involved.

Contract Administration - Monitoring

➢ Develop a master schedule and a work breakdown structure that incorporates every important date or milestone in the contract.

➢ List contract deliverables and their evaluation criteria in detail, with checklists for the people who perform the tasks.

➢ Set a schedule and reminders for required reports, including the format and delivery method.

Monitoring Contd.

➢ For each party involved in the contract, document change orders and contract modifications that require rescheduling of any deliverables.

➢ Ensure that expenses charged to the contract are allowable, allocable and reasonable.

➢ Give room for competing priorities.

Contract Administration - Weaknesses

➢ Allocation of more time to awarding contracts rather than administering existing contracts.

➢ Unclear roles and responsibilities of the Project Manager (PM) and his/her team.

➢ Excessive backlog in contract closeout and incurred costs audits.

Weaknesses Contd.

➢ Improperly trained officials performing contract oversight.

➢ Unclear statements of work that hinder contractor performance, and

➢ Inadequate guidance on voucher processing and contract closeout.

Suggested Process

➢ Begin with post award orientation – either by conference, letter or some other form of communication;

➢ Establish good communication process – helps both parties (project owner and contractor) to achieve a clear and mutual understanding of the contract requirements; & the contractor to understand the roles and responsibilities of the PM who will administer the contract, and reduces future problems;

Suggested Process Contd.

➤ Pre-construction meeting with applicable program and contracting officials prior to the post award orientation conference so that there is a clear understanding of their specific responsibilities and restrictions in administering the contract;

➤ Discuss authority of the project owner's personnel who will administer the contract, quality control and testing, the specific contract deliverable requirements, special contract provisions, etc.;

Suggested Process Contd.

➢ Ensure there is an alternative dispute resolution technique in place – known as "partnering" to help avoid future contract administration problems;

➢ To ensure that the end users are satisfied with the product or service being obtained under the contract, obtain input directly from the customers through the use of customer satisfaction surveys.

Best Practices – Project Manager

➢ Training on PM's duties;

➢ Relationship between the project owner and the PM;

➢ Clarify the roles and responsibilities of the PM;

➢ Limitations of authority;

➢ Observation and Monitoring of contracts;

➢ Incentives;

Best Practices – Voucher Processing

➢ Clear roles and responsibilities of procurement, program, and finance officials with regard to review and approval of contractor invoices and vouchers.

➢ Consistent review and approval of vouchers for cost reimbursement contracts prior to payment by sponsoring officials.

➢ Sufficient guidance to Owner's Technical Representatives on how to conduct voucher reviews

Voucher Processing Contd.

➢ Assess reasonableness of direct costs when approving vouchers under cost-reimbursement contracts.

➢ Verify that approved indirect cost rates are being used.

➢ Sufficient policies and procedures on voucher submission and approval.

Voucher Processing Contd.

➢ Sufficient information on the voucher for thorough review of claimed costs to determine if they are allowable, allocable, and reasonable.

➢ Avoid delays in processing vouchers.

➢ Sufficient documentation, record keeping, and tracking of invoices and vouchers.

Best Practices – Contract Closeout

- ➢ Management attention to contract closeout.

- ➢ Ensure efficient Management Information Systems to monitor the contract closeout process.

- ➢ Ensure efficient coordination between contracting activity, inspectors general, and audit Agency.

- ➢ Control backlog of unscheduled audits.

Contract Closeout Contd.

➢ Ensure compliance with Federal Acquisition Regulation provision for the Indirect Cost Rate Proposals submitted by contractors. - **(delays the audit process)**

➢ Avoiding Disputes in Contract Closeout – use "Partnering" from the start of project.

➢ Closeout documentation.

Web Resources

Contract Administration Core Curriculum provides overview of Federal-aid administration requirements

http://www.fhwa.dot.gov/programadmin/contracts/coretoc.cfm

FHWA regulations addressing construction-related requirements

http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&sid=9278b79aa6b692bc0e795fdc362b9eaf&tpl=/ecfrbrowse/Title23/23cfr635_main_02.tpl

Questions?