



16.0 QABA Policy and Procedure: Monitoring Performance of Outsourced Work

The purpose of this policy and procedure is to provide the QABA with guidelines and a process to monitor performance of outsourced work and mitigate the risks associated with contracting out services by developing an effective contract monitoring system.

The components of an effective contract monitoring system are detailed below.

Training in Contract Monitoring

Training in contract monitoring increases the likelihood that individuals will monitor contracts reliably by giving them the appropriate background knowledge related to contracts.

Contingency Plans

Agencies without contingency plans risk interruption of services when vendors default on their obligations and may pay additional costs for taking back services.

Communicating Clear Expectations to Vendors

Creating a detailed Statement of Work, having performance measures in the contract, and holding a post-award meeting with the vendor contribute to the vendor's understanding of what is required under the contract. By clearly stating contract requirements and performance goals, the agency reduces the potential for poor performance. A post-award meeting allows staff that may not have been involved with the procurement process to answer questions that the vendor might have and clarify technical aspects of the contract.

Contract Administration Plan

A contract administration plan is a cursory view of planned and completed activities and can be utilized throughout the contract period as a status report. It should detail the methods that the agency will use to monitor the vendor and the individuals or offices that will be responsible for the monitoring.

Organized Contract Files

Files should be organized so that someone could reconstruct and understand the history of the contract in the absence of the contract administrator. Contract files should hold all the information necessary to know what was expected and received under the contract.

Payments Linked to Satisfactory Performance

For contracts that involve monthly or quarterly payments, agencies should require a vendor to submit programmatic reports in advance of or concurrent with its invoices. The programmatic reports should be directly related to the terms of the contract.

Regular Programmatic Reports from Vendor

The contract should require the vendor to provide specific programmatic information on a scheduled basis to determine if performance measures are being met. Programmatic reports should require information related to the performance measures (outputs and outcomes) in the contract, as well as any other deliverables.



On-Site Monitoring

Agency officials should conduct random inspections of vendor records and the delivery of services to ensure all terms of the contract are being fulfilled. On-site monitoring visits are most effective when based on a specific methodology or a checklist of review tasks. On-site monitoring visits may not be necessary for all contracts.

Use of Incentives and Consequences for Poor Performance

Performance reinforcements, such as incentives and consequences for poor performance, are helpful in obtaining optimal performance from the vendor. Financial incentives can be one of the most effective methods of inducing a vendor to perform a desired service, while consequences for poor performance written into a contract provide agencies with the ability to take disciplinary action against a vendor that fails to comply with contract terms. DOAS officials noted that agencies should establish reasonable damages based on reasonable standards. If either is unreasonable, it is likely to limit competition and lead to vendors charging higher amounts to cover the greater risk.

Access to Records/Right to Audit Clauses

Agencies have a responsibility to verify the information that the vendor reports to them and to ensure that funds are expended properly. The contract must include an agreement that the agency has access to and can audit those records.

Measuring Customer Satisfaction

Utilizing methods to measure customer satisfaction helps to improve vendor performance because the feedback can be used to notify the vendor when specified aspects of the contract are not being met. In addition, agency officials can use the information as a source of past performance information for subsequent contract awards.

Dispute Resolution Procedures

The agency should have procedures in place for the monitoring officials to notify the agency's procurement office if a dispute arises. Agency officials should provide notification of problems and a timetable for resolution to the vendor in written form. If problems are not resolved, the agency should notify the DOAS State Purchasing Office and consider taking actions to compel the vendor to adequately comply with contract terms (i.e., financial consequences, contract cancellation).

Closeout Procedures

Formal, written closeout procedures are recommended at the completion stage of the contract so that important elements are not overlooked. The use of a checklist of closeout procedures helps to assure that all actions have been completed. Post-Contract Review At the end of a contract period, agencies should evaluate the vendor's performance and their own method of monitoring the vendor. Agencies should consider conducting a programmatic review and a financial audit.