Objectives

• Learn best practices with regard to contract administration and management;
• Identify the various phases of contract administration;
• Gain practical experience in how to organize the contract administration function and how to address specific questions of monitoring contract performance.
Contract Management & Administration

Definitions

• *Contract Management*: All activity that occurs in the contracting process. Monitoring & supervision is crucial.

• *Contract contents* – all pertinent deliverables, timing, deadlines, results-oriented reporting & expected outcomes, with measurable indicators.

• *Contract Administration*: The management of all actions, after the award of a contract, that must be taken to assure compliance with contract.

• *Contract execution* – procurement is complete only when contracted product of satisfactory quality is delivered at appointed time.
Documents Constituting a Contract

The following documents shall constitute the contract and each shall be read and construed as an integral part of the contract.

- Contract Agreement
- SCC
- GCC
- Technical requirements (including schedule of requirements and technical specifications)
- The supplier’s bid and original price schedules
- The purchaser’s notification of award
- Supplier progress reports, financial documents such as invoices and payment records
- Results of any contract related inspections
- Any other document specified in the SD
Contract Manager

- Legal Requirement
- The focal point for all communications on contractual issues
- Should know who does what, when, where, and why, and how is documented by team
- Should ensure that everything contractually required is done by appropriate members of the team
Key Elements in Contract Management & Control

- Contract Administration Plan
- Control over correspondence/communication
- Risk Management
- Pre-performance Conference
- Monitoring and Ensuring Progress
- Change Management
- Dispute/Conflict Resolution
- Inspection/Acceptance
- Contract Closeout
Creating the Contract Administration Plan

• All project work should be based on the Contract. Therefore, a key aspect of project planning involves identifying the specific actions required by the Contract.

• The Contract Manager and Project Manager must completely read and understand the contract documents.
Developing a Contract Administration Plan

• Contract Managers should start by reviewing the contract file for:
  • Primary requirements
  • Critical clauses
• The formality of the plan depends on the contract complexity
  • Simple as determining milestone dates
  • Commercial-type contracts
Developing a Contract Administration Plan

• List terms & conditions
  • identify supplier actions
  • identify customer actions
• Identify contract milestones
• Identify reports & due dates
• Identify customer interfaces
• Coordinate with Program Manager (PM) for internal effort:
  • assign responsibilities
  • develop a contract schedule
Risk Management and Mitigation

- Realize the steps of the risk management process
- Understand the elements that constitute risk in projects
- Identify typical risk categories and types of risk in each category
- Prioritize risk for probability and consequences of risk
- Evaluate the use of risk mitigation strategies
Effective Risk Management

ASSESS

IDENTIFY UNCERTAINITIES

MEASURE & CONTROL

PLAN FOR EMERGENCIES

ANALYSE RISKS

PRIORITIZE RISKS

CONTROLLER

MITIGATE RISKS
Typical Risk Categories

What constitutes risk in implementing contracts?

• Financial Risks
• Scope and Schedule Risks
• Project Organization Risks
• Terms and Conditions Risks
• Human Behavior Risks
Five Stages of Contract Management

• Monitoring & Control of performance
• Change Management
• Dispute Resolution
• Financial Management & Payment
• Contract Administration
Monitoring & Control of Contract Performance

• Understand what successful monitoring requires
• Know the different objectives of the customer vs. the supplier in controlling quality and performance
• Understand the use of project management measurement tools and third party performance assessments
• Anticipate cost and schedule variances
• Determine appropriate actions to correct performance variances and fulfill customer expectations
Monitoring And Ensuring Progress

- Successful Progress Monitoring Requires:
  - Careful Planning
  - Keen observation during performance
  - Adequate Data Collection and reporting systems
  - Analysis of events and results as they emerge
    - Comparing them with planned status and projecting revised expectations while maintaining a record of baseline plan
Monitoring & Control of Contract Performance

Key Indicators

Consulting Services
- Timely delivery of key outputs
- Responsiveness to reasonable requests
- The quality of services provided

Goods
- The timeliness of delivery
- Quantity delivered
- Compliance with specifications

Works
- Timeliness of each stage of the works
- Compliance with the bill of works
- The quality of the works
Monitoring & Control of Contract Performance

Tips

- indicate actual delivery date of goods/works/services (or agreed milestones)
- written reminders to contractors/consultants where there is a default (including penalties)
- file response from contractors/consultants
- record agreed changes in delivery dates & penalties exacted

Inspection

As necessary, especially for works, it is necessary to ensure that **qualified independent oversight** is provided to ensure that works are **constructed according to industry standards**
Contract Management Acceptance

**Service**
written confirmation that the required services have been delivered on time & of an acceptable quality

**Goods**
completion of the Receipt and Inspection Report (RIR). It may be necessary for the supply of goods to ensure that suitably qualified staff or consultants are involved in the RIR

**Works**
engineer’s report that timely construction of acceptable standard has been completed
Change Management

• Includes avoiding unnecessary changes as well as incorporating necessary changes into contract

• It is important to ensure necessary prior approval is obtained including a no objection from Attorney General if the change amounts to an amendment to the contract
Dispute and Conflict Resolution

- Litigation
- Arbitration- binding or non binding- private judge
- Mediation- neutral party
- Negotiation- dispute review board
- Internal step negotiations
Contract Management Remedies

**Termination**
- seek legal advice
- determine if liquidated damages should apply in accordance with contract

**Dispute resolution**
- negotiation
- arbitration
Financial Management and Payments

• Major concern of contractor is delay in payment

• Payments need to be made in line with the contract terms

• Advance, progress, final payments

• Delayed payments negatively affect the cost of future contracts – where delayed payments are a regular feature, suppliers & contractors build in margins to cover anticipated delays in payment or refuse to tender
Performance Securities

• Where required these should be provided by the supplier/contractor in a timely manner.
• These should be returned within 30 days of final acceptance (contract completion as per contract terms), including any warranty or maintenance period.
Contract Completion

• Contract Close-out means that all contractual obligations have been discharged by both the Supplier and the Customer.

• This includes all commercial, technical and administrative obligations contained in the contract and requires formal resolution of all changes and claims.
Contract Completion

Procurement Staff with necessary technical support should verify:

- All products/services have been provided
- Documentation in the contract file shows receipt & formal acceptance of all contract terms
- There are no claims or investigations pending
- All actions regarding contract amendments have been attended to
- All sub-contracting issues have been attended to
- Warranty matters are resolved and defect period elapsed
- Any necessary audit has been satisfactorily finalised
- The final invoice has been submitted & paid
Document Lessons Learned

• Valuable in improving future contract arrangements
  • What worked, what did not work etc.
• Assist newly assigned contract managers in understanding significant issues in past contracts
• Proof for any future claims
End of Session