



## **Contract Administration - Monitoring and Reporting**

### **Monitoring Contractor Performance**

Monitoring the performance of the contractor ensures that the contractor is performing all duties in accordance with the contract and for the agency to be aware of and address any developing problems or issues. In some cases, the contract administrator must also monitor state performance in meeting the state's functions within the contractual relationship.

Contract monitoring may be viewed as:

- A preventive function.
- An opportunity to determine the contractor's need for technical assistance.
- A valuable source of information concerning the effectiveness and quality of services being provided.

Consider the following questions when determining what to monitor:

- How will the agency know it is receiving what it paid for?
- How will the agency know that the contractor is complying with the terms of the contract?
- How will the agency know the contract is complete and determine closure?

Review the statement of work and other contract terms, including contractor compliance requirements. All of these requirements are deliverables that the contractor agreed to when the contract was executed or the purchase order was issued. Design the monitoring program to focus on items that are most important. Generally, this means to focus the monitoring on the outcomes that result from the contract. For example:

- Did eligible taxpayers receive the right amount of the right services for which they are eligible?
- Was the cost of services appropriate and allowable?
- Did the contractor waste money or not protect the assets purchased with tax dollars?
- Did the contractor inaccurately report their progress? or
- Did the contractor make corrections to goods and/or services identified as not meeting requirements?

Consider how the contract payment methodology effects what needs to be monitored. The contact manager should ensure that the monitoring is best suited to the contract type.

Agencies should establish clear expectations so individuals responsible for contract monitoring and the contractors all understand what will be monitored and the criteria used to evaluate contractor performance. Additionally, the contract manager and contractor should understand the type of monitoring being applied, whether it will comprise site visits, desk reviews and expenditure reviews. Desk and expenditure reviews are the most common.

**Desk reviews** comprise agency reviews of reports submitted by the contractor to the agency. These reports:

- Compare the actual performance against the contract requirements.
- Compare actual expenditures to the approved budget.
- Compare the current period to prior periods looking for any unexplained trends.

- Compare what the current contractor is doing in comparison with other contractors performing similar work.
- Compare the relationships between key components of the report such as cost per unit of service, change in variable costs, and reported salaries match staffing plan.
- Compare the report with what is known about the contractor's operating environment.

**Expenditure document review** examines contractor invoices and expenditure draw requests to determine if the rates and services are the same as allowed by the contract. Determine if the supporting documents such as cost reports, third party receipts for expenses, detailed client information, etc. adequately support the request for payment. If the contractor consistently provides incorrect invoices and/or the supporting document is insufficient to support the request, then additional monitoring such as an on-site visit may be necessary.

**Use monitoring review results** to:

- Ensure corrective actions have been taken;
- Identify common problem areas that might require training; and
- Improve future contracts.

Agencies should design a system that includes criteria for monitoring (what good or acceptable performance looks like) and defined follow up actions (to bring the contractor back into compliance with the contract requirements). Monitoring results should also be used to improve the contract requirements for future contracts.

## **Reporting**

Reporting includes a contract administrator reporting to executive management, the contractor reporting to the contract administrator, and the state agency. At a minimum, the contractor should provide a regular, formal status report.

**Status reports** describe the progress of the work. The content of the status report should be consistent with and track the organizational structure of the statement of work, i.e. phases, segments, deliverables and products. It should describe what work is complete and what work is pending, and that status should be contrasted against the contract schedule. Only work that has been verified as completed or accepted should be categorized as complete.

Any unresolved issues that the agency is contractually obligated to resolve should be included in the status report and a resolution requested. If the scope of work has changed during the contract (by written contract amendment), the status reports should track the original contract schedule, not a revised contract schedule, unless the amendments provides for a revised contract schedule. ***If status is tracked against a revised schedule, there is a risk that the schedule will continually change and the status report will be rendered meaningless.***