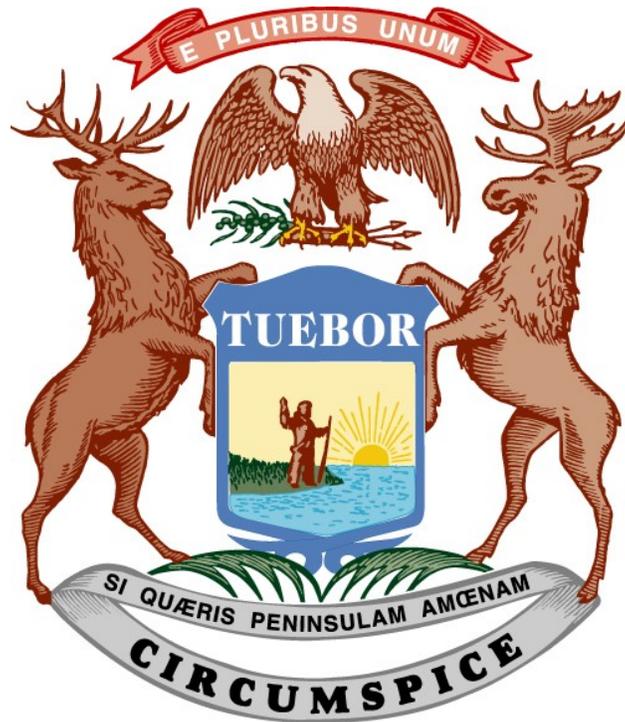


2010 NASPO Cronin Awards for Procurement Excellence

*State of Michigan Purchasing Operations
Contract Management Toolkit*

*Submitted by the State of Michigan
Department of Technology, Management & Budget
June 7, 2010*





2010 NASPO Cronin Award Nomination
June 7, 2010

The State of Michigan Purchasing Operations *Contract Management Toolkit*

Executive Summary

In the worst of times, unique solutions take root. In Michigan, eight consecutive years of budgetary struggles have sparked innovative solutions that maximize the benefits of collaboration and enterprise processes. Within its scope of public procurement where over \$5 billion in contracts are awarded annually, Michigan looked internally for such a solution to effectively tighten internal management practices, mitigate risks, and deliver actual and soft costs savings within its portfolio of contracts. The solution was the enterprise implementation of its Purchasing Operations Contract Management Toolkit in 2010.

Every year, the potential cost to the State of Michigan of multi-year contracts runs in the hundreds of millions of dollars. Case by case, each contract carries with it significant risks affecting the performance and potential cost of a contract after it is awarded and signed during the contract administration phase. Although most buyers are familiar with the pre-award process, such as document development, evaluation, negotiation, and award, an experienced and professional buyer is alert to the significant risks that may be associated with post-award issues. These potential risks may not be overly obvious, but could be devastating if not properly monitored.

In 2010, the Michigan Department of Technology, Management & Budget (DTMB) Purchasing Operations launched its universally adaptable Contract Management Toolkit which requires every solicitation project be analyzed through a risk-based filtering process. This process allows each phase of the solicitation to be properly reviewed before moving on to the next step. Potential risks can be identified and mitigation, containment and contingency strategies can be developed and incorporated into the documentation and solicitation process.

The Contract Management Toolkit offers purchasing staffs at DTMB and State agencies a comprehensive process which:

- Combines a sizeable group of frequently-used contract documents into one user-friendly package
- May be easily replicated by other governmental contracting entities to help support a better-prepared contract management system
- Improves service to State agencies by helping control and manage project outcomes while providing support and education throughout
- Helps avoid a list of potentially costly problems that can occur in the absence of sound contract management

A good contract management process is critical to saving millions of dollars in actual and soft costs in a state's portfolio of contacts, which can represent billions of dollars in commitments. DTMB Purchasing Operations' efforts to institutionalize and refine the processes behind the Contract Management Toolkit are continuing into 2010.

NASPO Cronin Award Nominee

Contract Management Toolkit

Award Criteria: Innovation

The Contract Management Toolkit is a set of documents which drives consistency across the purchasing process, ensures risk mitigation early in the development of procurement, requires post-contract monitoring, and results in lessons learned for the improvement of upcoming projects.

Unique in the comprehensiveness of its approach, the Contract Management Toolkit contains commonly-used contract management documents and organizes them into an easily accessible package. Use of the Contract Management Toolkit spans the boundaries of sixteen individual state agencies and has resulted in a redesigned and more efficient contract administration business unit.

The package consists of the following individual tools:

- Toolkit Checklist
A simple template to ensure all required or optional steps in the contracting process are followed.
- Instruction Sheet
Brief synopsis of the tools as well as guidelines on when and how to use each document.
- Project Assessment Report (PAR)
Rates up to thirteen critical project factors. The PAR score determines where a project falls within four risk categories: Low (1), Moderate (2), Important (3), or High (4). It is used to determine which other tools must be used and whether an agency can handle the bidding process (though final review will remain with DTMB).
- PAL Project Request Form
Form to request permission to allow an agency buyer to handle purchases that exceed delegated authority levels.
- Project Plan
Checklist of required activities based on the risk of the project. The higher the risk, the more monitoring, detail, and approval steps are required.
- Risk Mitigation Worksheet
Assists the project team to implement mitigation, containment, and contingency strategies of higher risk contracts.
- Personal Information Redaction Form
Form which ensures that agency personnel have removed personal information as defined by Michigan law from bid documents.

- Joint Evaluation Committee (JEC) Package
A Joint Evaluation Committee is required for all projects with a risk of Important (3) or High (4). This allows the JEC to effectively perform its review and due diligence during the critical evaluation and recommendation phase.
- Bid Closeout Documents
Includes Debrief Meeting Record Form and RFP Closeout Report.
- Kick-Off Meeting Tool
Provides guidance on conducting an effective meeting before the initiation of a contract.
- Contract Compliance Report
Supports the Contract Compliance Inspector in monitoring critical deliverables at regular intervals of the contract.
- Contract Closeout Report
Provides an important checklist of steps to help close out a contract instead of letting it lapse, including reviewing lessons learned.

For illustrative purposes, two of the key documents in the Toolkit – the Toolkit Checklist and Contract Compliance Report – are attached.

Award Criteria: Transferability

The Contract Management Toolkit may be easily tailored for use by other states, local units of government, and colleges and universities. Michigan is proud to share its Contract Management Toolkit and is confident similar adaptation can help others achieve a sound and better-prepared contract management process.

Award Criteria: Service Improvement

Utilization of the Contract Management Toolkit ensures that strategic contract milestones are monitored. It assures that contract deliverables meet the requirements of a well-executed contract with respect to timeliness, payments, and quality. The Contract Management Toolkit offers users a robust process to help control and manage contract outcomes. End-using agencies play a critical role in the completion of many toolkit documents and are thereby heavily invested over the course of the project.

The DTMB Purchasing Operations Knowledge Management Team conducts regular training classes on contract management that instruct both DTMB and Agency personnel who are involved in purchasing, payables, and contract administration activities on the use of the Toolkit and its importance for good contract management. After the contract negotiation phase has concluded, the Contract Administration Unit serves as the central hub for collecting documents, problem resolution, processing change notices and other services to assist state agencies.

Award Criteria: Cost Reduction

Significant, unforeseen problems and rapidly expanding costs can occur if a reliable contract management plan is not established after an award is made. A list of potentially costly problems that can cripple or sink a contract in the absence of a sound contract management process includes (but is not limited to):

- Insufficient contract terms to compel compliance and protect the State
- Delays (Contractor or State)
- Conflicts between parties
- Delivery, performance, and quality issues
- Scope creep and cost overruns
- Unexpected change orders
- Invoicing and payment issues
- Litigation

The key component in mitigating these risks rests with the manner in which public procurement operates, specifically the detailed, upfront processes that define the terms and conditions and the work statement. Ignoring important details in these crucial documents can cause a contract to unravel.

To ignore or underestimate contract administration risks can prove costly. Overlooking quality issues, schedule issues, performance issues, and payment issues could eventually lead to a rapidly escalating situation that could sink a contract and a long-term relationship with a vendor. Monitoring and acting upon these issues, through the use of the Contract Management Toolkit, can prevent small problems from flaring up into large crises. Soft costs such as relationship problems, schedule slippage, invoicing problems, and administration costs can be significantly reduced or eliminated with proper contract management.

Only through this knowledge management process will projects be better equipped to avoid hidden dangers unique to each contract in the future. This concluding step of the process allows the DTMB buyer to 'raise' and illuminate each contract's challenges, allowing subsequent contract administration teams to spot, recognize, and avoid the same risks.

Toolkit Component — “Checklist”

Department of Technology, Management & Budget Purchasing Operations

Contract Management Toolkit Checklist

- | | |
|---|--|
| <input type="checkbox"/> Yes, | Project Assessment Report (Provided by end-user with PRF) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No-N/A, | PAL Project Request Form (Provided by end-user with PRF) |
| <input type="checkbox"/> Yes, | Project Plan (Completed by buyer) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No-N/A, | Risk Mitigation Worksheet (Completed by buyer) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No-N/A, | Personal Information Redaction Form
(Sent by Buyer, signed by end-user before publishing RFP) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No-N/A, | Joint Evaluation Committee Package (Sent by buyer) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> N/A, | JEC Exceptions Form |
| <input type="checkbox"/> Yes, | JEC Invitation Memorandum (including) |
| | <input type="checkbox"/> Confidentiality Statement |
| | <input type="checkbox"/> JEC Member Code of Conduct |
| | <input type="checkbox"/> Project Specific Documents |
| <input type="checkbox"/> Yes, | JEC Project Memorandum (including) |
| | <input type="checkbox"/> Conflict of Interest & Disclosure Form |
| | <input type="checkbox"/> JEC Evaluation Process Guidance |
| | <input type="checkbox"/> Project Specific Documents |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No- N/A, | Debrief Meeting Record (Completed by buyer) |
| <input type="checkbox"/> Yes, | RFP Closeout Report (Completed by buyer) |
| <input type="checkbox"/> Yes, <input type="checkbox"/> No- N/A, | Kick-Off Meeting Record (Completed by buyer) |
| <input type="checkbox"/> Yes, | Contract Compliance Report
(Completed by Contract Compliance Inspector) |
| <input type="checkbox"/> Yes, | Contract Closeout Report
(Completed by Contract Compliance Inspector) |

Toolkit Component — “Contract Compliance Report”

Department of Technology Management & Budget
Purchasing Operations
CONTRACT COMPLIANCE REPORT

Section 1. Contract Information

Contract Number	Agency
Vendor/Contractor Name	Date of completion
Type of Purchase: <input type="checkbox"/> Commodity <input type="checkbox"/> Service <input type="checkbox"/> IT <input type="checkbox"/> Other	Contract Expiration Date
Brief Description of Purchase	
Name of Contract Administrator or DTMB Buyer	Name of Project Manager
Name of Contract Compliance Inspector	Name of Agency Buyer

Section 2. Reason for Review

Scheduled Monthly	<input type="checkbox"/>
Scheduled Quarterly	<input type="checkbox"/>
Scheduled Semi-Annual	<input type="checkbox"/>
Scheduled Annual	<input type="checkbox"/>
Contract Closeout	<input type="checkbox"/>
Other:	<input type="checkbox"/>

Section 3. Contract Scorecard on Deliverable and Milestones

KEY DELIVERABLES PER THE CONTRACT	COMPLIANCE TO CONTRACT STANDARD
Quality of deliverables	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Timeliness of deliverables (on schedule)	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Accuracy of deliverables (right quantities and locations)	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Knowledge of Vendor support staff	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Timeliness and accuracy of invoices	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Helpfulness, promptness and courtesy of Customer Service	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Cost control of project by contractor	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
Timeliness of required reports	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A
	<input type="checkbox"/> Exceeded <input type="checkbox"/> Met <input type="checkbox"/> Below <input type="checkbox"/> N/A

Toolkit Component — “Contract Compliance Report” Pages 2 and 3

Section 4. Issues Log (Complete for any 'below' rating in Section 3 above)

DELIVERABLE / ISSUE (Below Rating in Section 3)	VENDOR PERFORMANCE RECORDED IN MAIN	PERFORMANCE ID (S260 SCREEN)	STATUS	DISCUSSED WITH VENDOR
1.	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Open <input type="checkbox"/> Closed	<input type="checkbox"/> Yes <input type="checkbox"/> No
2.	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Open <input type="checkbox"/> Closed	<input type="checkbox"/> Yes <input type="checkbox"/> No
3.	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Open <input type="checkbox"/> Closed	<input type="checkbox"/> Yes <input type="checkbox"/> No
4.	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Open <input type="checkbox"/> Closed	<input type="checkbox"/> Yes <input type="checkbox"/> No
5.	<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Open <input type="checkbox"/> Closed	<input type="checkbox"/> Yes <input type="checkbox"/> No

Section 5. Contract Spend History Summary

DATE	CURRENT CONTRACT SPEND	REMAINING CONTRACT VALUE	REMAINING BALANCE SUFFICIENT
			<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Submitting Change Notice
			<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Submitting Change Notice
			<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Submitting Change Notice

Section 6. Change Notices

If in the last year of the contract, do you anticipate the need to exercise any available option years?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Please describe specifics:
If in the last option year do you anticipate any extensions or changes to this contract will be required?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Please describe specifics:

Section 7. Comments

Use this section to provide feedback regarding the current contract or suggestions for improving future similar contracts related to: a) recommended process improvements; b) potential cost reduction; c) improving the quality of goods or services received; and d) what the vendor could do different.

Section 8. Signatures and approvals

Contract Compliance Inspector (print name)	Contract Compliance Inspector (signature & date)
Project Manager (print name)	Project Manager (signature & date)
To be completed by the Project Manager or Contract Compliance Inspector and sent to the Department of Technology, Management & Budget (DTMB) Contract Administrator (Buyer) and Agency Purchasing Office (Buyer) for review	

DTMB PURCHASING OPERATIONS INTERNAL USE ONLY:

Contract Administrator Comments: Discussed report with CCI Discussed report with Vendor MIDeal Funds Paid Insurance Certificate Current	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Action Comment, <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Action Comment, <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Action <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Action
DTMB Contract Administrator (print name)	DTMB Contract Administrator (signature & date)