Contract Management

By Chad Gonzales:

- Cooperative Portfolio Manager, RFxPremier

Introduction

Chad Gonzales is a Cooperative Portfolio Manager with NASPO assigned to the RFxPremier cooperative. Prior to joining NASPO, He spent the last 9 years in various roles in procurement at Utah Transit Authority, most recently as a procurement & contracts specialist. He has procured contracts for commodities in marketing, IT, Human Resources, Facilities, and finance. Chad obtained his degree in Communications at Utah Valley University. He spent time in various supply chain / warehousing jobs that slowly evolved over the years to procurement centered work.

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Goals

- **<u>Foster an interactive Discussion:</u>** Share insights and experiences from your institution.

- **<u>Peer Learning:</u>** Leverage the collective knowledge in the room to learn from each others contract management practices.

- **<u>Shift Perspectives:</u>** Consider alternative approaches to contract management by the end of the session.

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Agenda

- What is Contract Management?
- Contract Management vs Contract Administration
- When does Contract Management start?
- Contract Terms in Contract Management
- Contract Management Approaches
- Contract Lifecycle: Best Practices Post Signature

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What is Contract Management

- **Contract Management** includes the entire contracting process, from the pre-solicitation activities through contract closeout

- **Contract Administration** is a piece of contract management which includes all post-award administration activities through contract closeout, such as:
  - Contract Monitoring
  - Managing changes
  - Maintaining Documents
  - Addressing Claims and Disputes
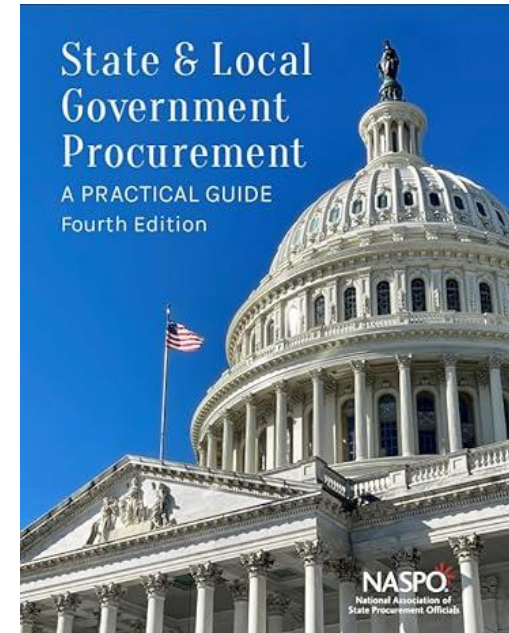
Scenario: The Change Order that slipped through

Contract Details:

- **University Name**: Crestfield University

- **Contractor**: Dynamic Office Solutions (DOS)

- **Contract Description**: The contract is for the supply, installation, and maintenance of classroom smartboards across all Crestfield University campuses. The contract includes a five-year agreement valued at $2.5 million, with an annual maintenance component valued at $250,000.

- **Contract Manager**: Sarah Lin, Procurement Department, Crestfield University

- **Contract Administrator**: Jack Thompson, Facilities and IT Department, Crestfield University

- **Contractor Representative**: David Ellis, Dynamic Office Solutions (DOS)

The Situation: The Change Order That Slipped Through

The Situation: Three years into the contract, Crestfield University has had a positive working relationship with Dynamic Office Solutions. DOS has consistently met its service-level agreements, and the smartboard installation process has been running smoothly. Jack Thompson, the Contract Administrator, works directly with David Ellis from DOS to oversee day-to-day operations and ensure maintenance requests are handled quickly.

Recently, David approached Jack with what he described as a "small adjustment" to the terms of the service. Dynamic Office Solutions had upgraded their maintenance tracking software, and David suggested a change to the reporting system that would reduce the frequency of maintenance updates from weekly to monthly. He reassured Jack that this would streamline communication and improve efficiency, reducing administrative burden on both sides.

Without consulting Sarah Lin, the Contract Manager, Jack agreed to this change verbally, as it seemed minor and in the spirit of efficiency. Jack believed this would help both the university and DOS, and no formal change order was drafted or approved through procurement.

The Consequence: Two months later, Crestfield University began experiencing intermittent issues with several smartboards. Due to the reduction in reporting frequency, these issues were not flagged until the monthly reports were received, causing delays in both identifying and addressing the problems. Faculty and students raised complaints, and several classrooms were rendered unusable for extended periods.

Upon learning of the issues, Sarah Lin realized the problem stemmed from the unapproved change in reporting frequency. The original contract specified weekly maintenance reports to catch and resolve issues promptly. By bypassing the formal change order process, Sarah had been left out of the loop, and the university now faced significant downtime, reputational risk, and potential financial penalties due to service disruptions.

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Breakout Discussion Prompts

1. What were the responsibilities of Jack, the Contract Administrator, when approached with a "minor" change by the contractor? What steps should he have taken?

2. How Could Sarah, the Contract Manager, have been involved to prevent the issue? What formal processes at your entity would have been followed for the change order?

3. What are the potential long-term implications of informal contract change, even if they appear minor?

4. How should Crestfield University respond now to mitigate further demand and ensure compliance with the contract moving forward?

5. What improvements to contract management and communication processes can be made to avoid similar situations in the future?

The Change that Strengthen the Process

The Situation: Three years into the contract, Crestfield University's relationship with Dynamic Office Solutions (DOS) has been highly successful, with all installation and maintenance milestones met on time. Jack Thompson, the Contract Administrator, oversees the day-to-day interactions with DOS, ensuring smartboard maintenance and installations go smoothly.

Recently, David Ellis from DOS approached Jack with a proposed adjustment to the service reporting system. DOS had upgraded their maintenance tracking software and suggested reducing the frequency of maintenance reports from weekly to monthly. David explained that the new system allowed for better tracking and analysis of maintenance trends, but Jack had concerns about how it might impact service response times and the university's ability to monitor equipment issues effectively.

Rather than making a quick decision, Jack informed David that any changes to the contract's terms—even if minor—must go through the formal change order process. Jack immediately notified Sarah Lin, the Contract Manager, of the proposed change and scheduled a meeting to review the request in detail with both procurement and the contractor.

The Positive Outcome: In the meeting, Sarah recognized the potential benefits of the proposed reporting adjustment but emphasized the importance of maintaining strong oversight and accountability in the maintenance schedule. She worked with Jack and David to conduct a risk assessment of the change, evaluating how the shift to monthly reports might impact response times and service quality.

As a result, a compromise was reached. The weekly reports would continue, but the new software system would allow for an additional layer of monthly analysis to identify broader maintenance trends. This hybrid approach improved both day-to-day issue tracking and long-term planning without sacrificing service quality.

Sarah formally documented the change through a proper change order, ensuring all terms were clearly outlined and approved by both Crestfield University and DOS. This allowed for full transparency and accountability, with the contract modification incorporated into the master agreement. The change order included a clause allowing the university to revert to weekly-only reporting if issues arose during the first three months of implementation.

The Result: By following the formal change order process, Sarah, Jack, and David ensured that the contract remained compliant while still adapting to the contractor's improved technology. The university was able to maintain its high standards for service response times while also gaining a more strategic understanding of long-term maintenance trends through the additional monthly analysis.

Faculty and students continued to benefit from fully operational smartboards without disruptions, and the positive working relationship between Crestfield University and Dynamic Office Solutions was strengthened. Additionally, Sarah's diligence in managing the change order process set a strong precedent for how future changes would be handled, ensuring that procurement, facilities, and contractors remained aligned.
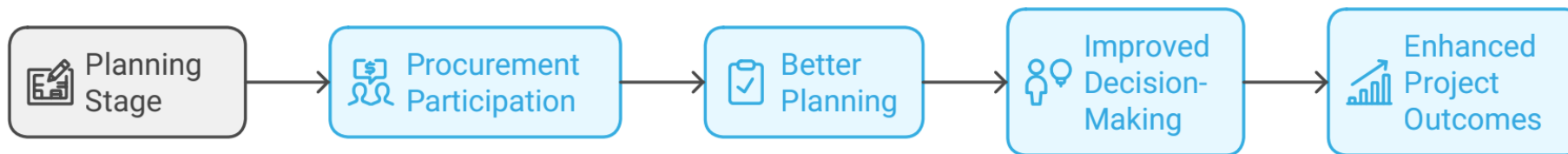

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When Does Contract Management Start?

How to approach contract management?

Proactive
Involve early in planning stage.

Reactive
Get involved later, after planning.

Contract Management begins at the planning stage.

"I have a seat at the table now and I'm ready to work" – Justice Ketanji Brown Jackson

Planning Stage → Procurement Participation → Better Planning → Improved Decision-Making → Enhanced Project Outcomes

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When Does Contract Management Start?

- **Market Research and other Pre-solicitation Groundwork**
 - Use of an RFI
  - Research what experience other public entities have with procuring this commodity or service
  - Cost Savings
  - Internal data review for agency buying patterns

- **Establishing the Business Case**
  - Why begin the project now?
  - What is the impact of not carrying out this project?
  - What business problem does this solve?
  - What is the financial impact?

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When Does Contract Management Start?

- The Procurement, Specifications, And Scope Of Work
  - Procurement type
    - RFP
    - RFB or IFB
    - RFQ
  - Types of specifications
    - Design
    - Brand-name
    - Brand-name-or-equal
    - Qualified product lists (QPL)
    - Performance specs
  - Scope Work
    - Appropriate level of specificity
    - Measurement of performance
    - Establishment of general legal standard with which the contractor should comply

Procurement Methods

RFB or IFB

RFP

RFQ

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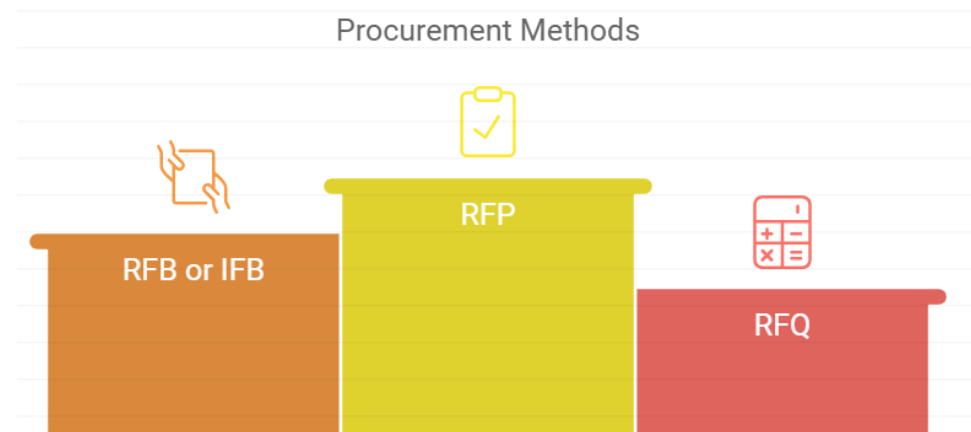
Contract Terms in Contract Management

- A procurement official should be well versed in all contract terms that pertain to procurement.
  - Public Procurement offices maintain a set of standard contract terms routinely used in solicitations and PO's
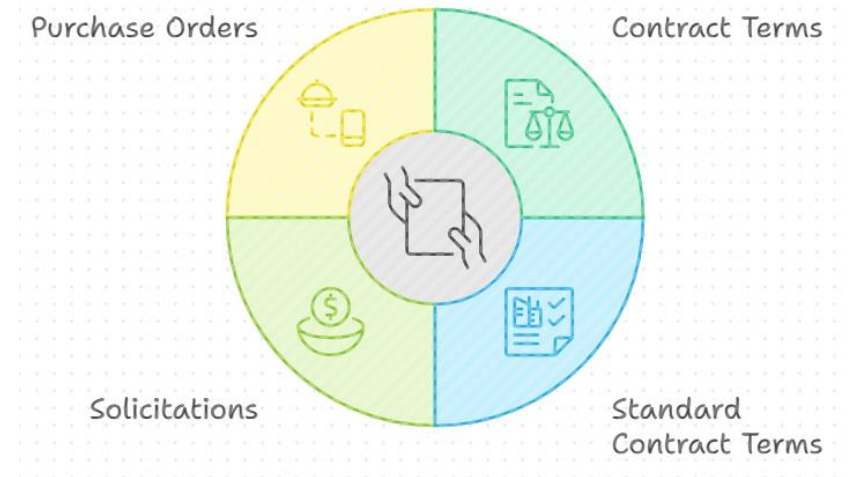
Establish Effective Contract Terms

Define Supplier and Entity Responsibilities

Determine Payment Structure

Allocate Performance Risks

Purchase Orders

Contract Terms

Solicitations

Standard Contract Terms

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Contract Management Approaches

Spectrum of Contract Management Approaches

|	Low Intensity	Medium Intensity	High Intensity
Contracts and vendors that may be a good fit for this approach:	• Low-risk, small-dollar amount contracts with minimal complexity • End years of a contract where the vendor(s) and project activities have been well-established • Contracts for the delivery or provision of goods or products, with minimal services being provided	• Higher dollar-amount contracts with little complexity • More complex internal professional service contracts • Resident-facing contracts with minimal complexity • Low-risk, small-dollar amount contracts where vendors require additional capacity-building	• Highly complex contracts • Contracts closely tied to government's strategic priorities • Any social service contract, or critical resident-facing contract • Contracts where vendors require additional support to be successful
Your focus for this category might be:	• Kickoff meeting to establish roles and responsibilities • Quarterly check-ins with vendors	• Strong kickoff and early investment in relationships • Regular meetings to discuss performance and course correct • Identification of 2–3 key performance indicators (KPIs) to track progress	• Monthly meetings to review a defined set of KPIs and troubleshoot performance issues • Disaggregating data to understand if equitable service delivery is occurring • Detailed contract management plan created

Hoggnagle, E & Patterson, H (2022). *Orienting Towards Outcomes: Results-Driven Approaches to Contract Management*

Pareto Principle – 80% of outcomes come from 20% of causes

Procurement – 80% of entity spend comes from 20% of suppliers/contracts

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Contract Lifecycle: Best Practices Post Signature

- **Kick-Off Conference**
  - User agencies
  - suppliers
- **Know The Contract**
  - Terms, deliverables, roles
- **Develop a contract administration team**
  - Contract Administrator
  - Project Manager
  - SME's
- **Maintain a Contract File**
- **Keep Up Contract Momentum**
  - QBR's, Annual Reviews
  - GEMBA with End users

Contract Initiation

Kick-Off Conference

Understand Contract Terms

Form Contract Team

Maintain Contract File

Keep Up Contract Momentum

Effective Contract Management
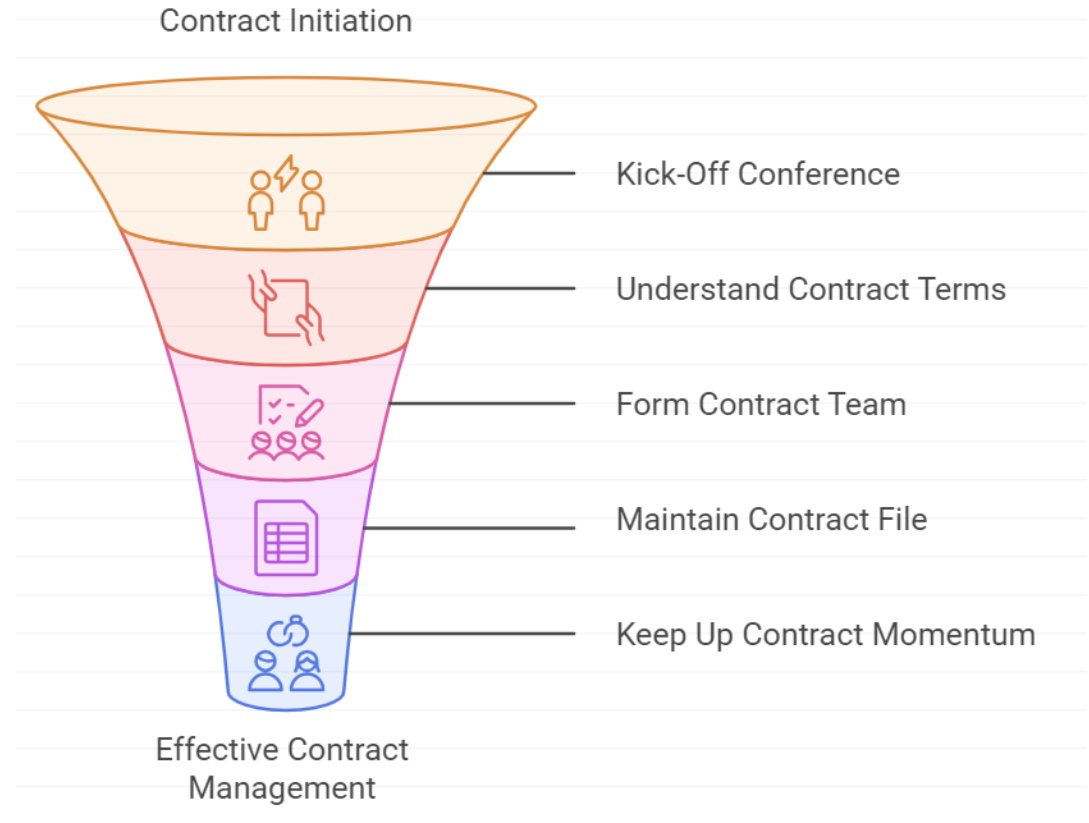
Thank You

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