

# Managing/Monitoring the Contract

## State Agency Staff Qualifications

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Contract managers are responsible for managing personal service contracts from the beginning to the end of the contract cycle. The individuals or combination of individuals managing these contracts should have the combined knowledge, skills, and abilities to effectively carry out the responsibilities. They can be program managers, executive managers, contract specialists, or any other individual(s) designated by the agency.

The contract manager named in the contract provides the principal contract management and monitoring function. This individual is the primary contact point for communications between the agency and the contractor.

## Responsibilities of the Contract Manager

Responsibilities of the contract manager include:

- Understanding the contract, including the specific contract obligations and performance indicators by which performance will be monitored.
- Assessing the risks related to the project before contracting for services to determine the extent of monitoring appropriate to the contract.
- Ensuring the contractor has a clear understanding of how the contract will be managed and monitored.
- Providing the contractor with guidance and technical assistance, as needed, to promote effective contract performance.
- Identifying the extent and source of other public funding, if any, the contractor is using to fund services provided under the contract.
- Monitoring the contractor's activities through a variety of means to ensure quality service delivery.
- Ensure funding is used only for authorized purposes.
- Resolving issues or problems that arise during the contract.
- Identifying and reducing fiscal or program risks, thus protecting public funds.
- Measuring and tracking agency satisfaction with contractor performance.
- Reviewing invoices and verifying that delivery of services is rendered.
- Notifying management and the Office of the Attorney General if serious problems arise.
- Complying with federal and state rules and regulations pertaining to contract management.
- Collaborating with other state agencies using the same contractor to ensure there is no overlap in services being provided or invoiced for.

- Sharing contractor performance information with other state agencies.
- Documenting the contract completely to validate that effective contract management has occurred.

## **Monitoring Contract Performance**

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Contract monitoring may be viewed as:

- A preventative 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.

To effectively manage the contract, the contract manager should establish controls and monitor performance to ensure all work is completed within the requirements of the contract. Hours used against the plan and progress toward completion of the deliverables must be monitored. To get good results from a contractor, precise performance objectives should be established and documented in the contract. The contractor needs to know exactly what is expected and when it is expected.

Contract monitoring is often initiated by a "start-up" or initial meeting either on a formal or informal basis, between the contract manager and other agency staff and contractor representatives. From that point, the contract manager can exercise control through a series of progress reports or meetings. Checkpoints may reasonably be set up at least on a weekly basis at the start of the project and, after the first weeks, perhaps on a monthly basis, depending upon contract duration and complexity. Ensuring results and cost control within the project schedule are chief objectives of contract monitoring.

The contract manager needs to review the contractor's progress reports to determine if the amount of work accomplished and/or hours spent are in line with the contract schedule. Problem areas are to be acted upon promptly and corrective action taken, as applicable. Progress reports assist the contract manager in maintaining control of the project by being able to oversee the work and its progress.

Another aspect of contract monitoring is the control of tasks or deliverables and due dates. The contractor has a right to expect timely responses to requests for information, which, if not provided, may result in unnecessary confusion and project delays. The contract manager is responsible to assure this does not occur. A simple tracking log may be all that is required to maintain a current status of activity and commitments.

When monitoring, contract managers may become aware of areas where the contract could be written more clearly. Changes to the original contract may be necessary to clarify contractor expectations. These contract amendments should be in writing.

Program monitoring deals more specifically with compliance of contract program requirements. If outcomes or goals are identified in contracts, they should be monitored as part of the process.

By assuming a dynamic role in contract administration, the contract manager is more likely to discover and resolve problems in the early stages of the contract and avoid “crisis management” later. If there is a lack of quality or performance at any milestone point, this needs to be communicated to the contractor without delay and the appropriate changes or corrections made.

Documentation of monitoring activities should be maintained by the contract manager and is especially important where there are concerns about the contractor’s performance.

Every communication with a contractor is an opportunity to monitor activity. Adequate documentation is essential for effective contract monitoring. Contract files should include copies of letters, meeting notes, and documentation of phone conversations as evidence that conscientious monitoring has occurred during the period of the contract.

Fiscal monitoring includes a review of the contractor’s invoices and supporting documentation. Before authorizing payment, contract managers should ensure the contractor has adequately demonstrated the satisfactory delivery of services as agreed to in the contract. Contract managers should verify the accuracy of the contractor's invoices and documentation, whether billings are consistent with contract requirements, and whether total payments are within the limits set by the contract.

The method of contractor compensation selected may have an impact on the level and type of monitoring activities required to ensure that the state received the services contracted for, and, where specified, the funds are used as intended. Contracts with a cost reimbursement method of compensation, contracts that deliver multiple similar services or contracts that use multiple funding sources (particularly those supported with federal funds) may require a higher level of monitoring than contracts using other methods of compensation. It will be necessary to monitor the costs that are reimbursed by the state agency. A higher level of monitoring may involve more testing, such as additional review of contractor reports and documentation, status meetings, or a combination of these methods.

Appropriate fiscal monitoring procedures should be determined as needed. Decisions regarding the scope and methods may take into account requirements established by the funding source, risk assessment results, and other relevant factors. For additional information on fiscal monitoring, consult with your agency accounting or auditing staff.

## Monitoring Plan

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One means of defining the specific monitoring methods appropriate to the particular service and the monitoring activities to be completed for an individual contractor is a monitoring plan. The plan can identify the tools to measure and assess contract performance and compliance, and the process for collecting information. Monitoring plans can also be used to decide which contracts to monitor, based on risk, and can also enable an agency to assess the contract management resources necessary to ensure adequate oversight. The level of monitoring should be commensurate with the importance or sensitivity of the service. Further, the plan can identify how monitoring activities might be coordinated between multiple state agencies providing funding to the same contractor. Ideally, the monitoring plan will be prepared concurrent with the contract to ensure consistency and that contract requirements support the planned monitoring activities.

Not every contract will require the same level of monitoring. Contractors deemed high risk will require more monitoring than those deemed low risk. When assessing risks to determine the level of monitoring, the identified risks should be linked to the monitoring plan. [Risk Assessment Checklists](#).

Where monitoring results demonstrate consistent satisfactory performance, the frequency and extent of monitoring may be adjusted accordingly. This can save the state money, reduce oversight burdens on the contractor, and recognize the contractor's good performance.

## Reviewing Invoices for Payment

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Contract payment is the process by which the contractor submits invoices for reimbursement of service and receives payment. The contract manager, who is responsible for evaluating performance of the contract, must carefully review the contractor's requests for payment to verify the accuracy of all charges. The contract manager should determine if the number of hours and costs are consistent with the services or deliverables received. The contract manager must also verify that rates for the contractor or subcontractor(s) are as stated in the contract. All documentation submitted must be verified to assure that all charges for the services are justified.

Travel expenses must also be verified to be consistent with contract terms. Most state contracts require reimbursement at current state travel regulation rates. The reasonableness of personal vehicle mileage should be checked if allowable under the contract terms. Other types of expenses charged should be verified to determine if they are allowable under the contract and, if so, whether they are appropriate.

The contract manager must be conscientious to prevent overpayment to the contractor. Contract overpayment is any payment in excess of the amount agreed upon for work

performed or in violation of the terms of the contract. The contract manager must verify receipt of services in accordance with the contract prior to authorizing payment of invoices. If the services received are not acceptable or not in accordance with the contract terms, the contract manager should authorize payment only for those services received that are in accordance with the contract terms and conditions. The contract manager may withhold payment for all other charges until the contract terms and conditions have been met.

If the cost charges are acceptable, the contract manager signs the invoice as "approved for payment" and forwards it to the agency accounting or fiscal office for payment.