

# Standards: Managing a Contract

STN-U5348.05B

**Effective:** June 30, 2020

## Authority

POL-U5348.05 Authorizing Agreements and Contracts

## See Also

STN-U5348.05A Standards for Ratifying an Agreement as a Formal Contract

## Compliance Owner

Compliance Owner: Chief Procurement Officer  
Responsible Office: Contract Administration

## Purpose of Standards

Contract management is one of the highest audit risk areas of procurement. You can have a perfectly written contract, but without proper management, the risk of project failure increases. These standards are meant to help contract owners manage and mitigate risk and responsibly protect Western's resources.

## Contract Owner Responsibilities for Managing a Contract

It is recognized that contracts can range from simple to complex and may not require all of the responsibilities listed below. However, each contract owner must review the list below and appropriately determine which do apply. These responsibilities are to be initiated only AFTER a contract has received signature authority through Contract Administration (CA).

### The Contract Owner's responsibilities for managing a contract include:

- Serving as the primary point of contact for University communications with the contractor regarding all matters pertaining to the contract, after execution.
- Monitoring the contractor's performance to ensure goods and services procured conform to the contract requirements (see "Monitoring" on page 2),
- Making initial attempts directly with vendor to address contract performance issues,
- Maintaining documentation of contract performance and corrective action requests
- Consult and collaborate with CA on corrective action measures,
- Notifying CA when:
  - Problems with contract performance if vendor is non-responsive to corrective action requests or if corrections are insufficient, or

- There are legal or breach of contract concerns,
- Verifying accuracy of invoices and authorizing payments consistent with the contract terms,
- Managing the contract budget to ensure sufficient funds are available throughout the term of the contract,
- Managing any University/state property used in contract performance (e.g. computers, office space),
- Approving and documenting changes to the contract through the amendment process authorized by the terms of the contract and University policy,
- Confirming all products and/or services have been delivered prior to the expiration of the contract, and
- In collaboration with CA, ensuring any required contract closeout processes are completed.

**Contract owners are not authorized to:**

- Allow the contractor to commence work before the contract is fully executed or amendments have been appropriately approved,
- Change the scope or extend the term of the contract without complying with the formal amendment process prescribed by the contract and University policy,
- Authorize the contractor to perform work that is not specifically described in and funded by the express terms of the contract, or
- Allow the contractor to recover costs incurred prior to the effective date of the contract or recover costs above the budget limit set by the contract.

**Key Characteristics of Quality Contract Management**

Good contract management requires being:

- Proactive – by actively managing and monitoring your contract, you can address issues before they become a problem.
- Collaborative – good communication and working collaboratively with your contractor as well as other members of your team, CA, and stakeholders.
- Focused on risk – measure and mitigate.

**University Contract Owner vs Contractor**

As the contract owner, you don't supervise the vendor. For example, you would not tell the vendor when and how long to take lunch breaks. While a contract may use, state issued supplies, such as an

office desk and computer, these things would be specified and agreed upon in the contract. The contractor does the work based on their expertise without instruction by the University.

## Monitoring

Contract owners are to monitor the performance of a contract. Monitoring helps ensure that the contractor is performing all contract obligations and the University is aware of any developing issues.

## Types of Monitoring

### Invoice reviews (most common type of monitoring)

- Compare billings and invoices with contract terms to ensure costs are accurately being charged consistent with contract and within the compensation limits agreed upon.

### Periodic contractor reporting

- These should be considered as requirements in the contract for the contractor to provide.
- Example reports include:
  - *Progress reports*: describe what has been accomplished over time.
  - *Status reports*: describe achievements, issues resolved, current standing; what is left to be completed or left to be resolved.
  - *Activity reports*: these are more detailed than progress reports; they listing activities needed, for example, for payment after completing a certain number of transactions.
  - *Financial reports*: such as financial statements and timesheets that substantiates the contractor's financial resources and ability to perform.

### On-site reviews and observations (if appropriate for higher dollar, high risk projects)

- A site checklist should be developed that outlines the contract compliance requirements.
- A site monitoring report should be sent to the contractor and others who may benefit from it.

### Other communications with contractor

- Meetings and other contact with the contractor to review progress and mitigate problems.

## Documentation of Monitoring Activities

Contract owners are to document monitoring activities when applicable. This is important especially if future litigation occurs due to contractor's poor performance. Examples of documentation include:

- Submitted progress reports
- Copies of letters and emails
- Notes from meetings and on-site reviews

- Records of key phone conversations

Documentation is to be retained for the duration required by the University's retention schedule.

### **Follow up on Monitoring Findings**

The Contract Owner must periodically follow up on the results of monitoring efforts to:

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

### **Contract Close-out Activities**

Contract Administration will ensure:

- Contracts are fully executed and all supporting paperwork is received to close out contract file,
- Payments have been managed by Department in line with contract requirements,
- Contract Owner is communicated to that the Contract is terminating,
- If applicable, Contractor will be communicated to that Contract is terminating,
- Contract records have the correct Archive date and Archival Authority assigned,
- Vendor Scorecard Opportunities are communicated to Contract Owner

### **Contract Administration Office Responsibilities**

- To ensure contract terminations are carried out following the requirements stipulated in Contract's on termination language.
- To ensure if early termination "with-cause" that the appropriate notices and communications are transmitted to Vendor.
- To manage files and supporting documentation making sure the official agreement and attachments have correct Archive dates.
- To ensure all notes and actions associated with closeout are documented in the Contract Record.
- To run archival report quarterly and reach out to respective departments to inform them of destruction dates for their contracts and whether they wish to proceed or not.
- Collaborate, when necessary and upon request, with Contract Owners during the term of the agreement to assist with contract performance concerns, issues possibly resulting in breach of contract, and payment problems.