



California DEPARTMENT OF TECHNOLOGY

Contract and Vendor Management

Presented to Project Academy
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Agenda

- Take Away
- Contract Parts 'n Pieces
- Procurement Phase
- Components of a Strong Contract
- Attributes of a Contract Manager
- Contract Manager's Role
- Contract Amendments
- Contract Closeout
- What Is the Answer?

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Introductions

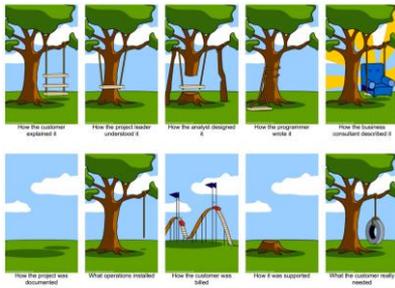
- **Mary Winkley**
 - Department of Food and Agriculture, Agency Information Officer
 - State Department Project Director
 - Vendor
 - Legislative Staff
- **Marnell Voss**
 - Department of Technology, Statewide Technology Procurement Division Director
 - Vendor

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Take Away

- Purpose is to ensure alignment of expectations between State and Vendor throughout the project
- It begins with communication during the procurement
- Your mantra should be:
 - Align expectations between State and Vendor

Lack of Clear Communication



Procurement/Contract Parts 'n Pieces

- Std 213 – Becomes 1st page of contract
 - Include Order of Precedence
- Statement of Work – unique to project
- State's Terms and Conditions (GSPD-401IT)
- Special Terms and Conditions
 - Project, Personnel, Software, Hardware
- Request for Proposals
- Vendor's proposal



Procurement Phase

■ Partnership

- State and vendor each have responsibilities
- Both parties' responsibilities should be described in procurement and contract documents
 - State: identify skill set and availability of SMEs
 - Number of days State will consume reviewing deliverables
 - Who is updating Project Schedule and how other parties provide their information
- Include glossary in procurement documents

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Procurement Phase

■ Expect best performance but plan if worst happens

- Describe process, roles and responsibilities, criteria, and timeframes for State *and* vendor's role:
 - Deliverable Acceptance
 - Deliverable Rejection
 - Dispute Resolution (besides Provision 44)
 - Corrective Action Plan
 - Cure Notice

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Procurement Phase

■ Both parties need to be realistic

- State cannot have scope, schedule, and budget all be number one
- Vendors should identify unrealistic expectations and speak frankly about them
- Reality check - market research, bidders' questions, number of interested bidders
- State's proposed procurement schedule
 - Include Departments of Technology and Finance as well as legislative approvals
- Bidder's proposed project schedule
 - Based on 100% State SME availability

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Procurement Phase

- Do not ask for unnecessary items
 - Vendor timesheets if deliverables-based
 - Deliverables you will not use or that will not be basis of decisions
 - Report of activity after the fact with no lessons learned
 - Unlimited number of review cycles
 - Accept or reject within a few cycles
 - If not, indicator communication not working
 - Any terms State does not intend to enforce
 - Cost is passed on to State by Bidder

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Procurement Phase

- Know Department's priorities during bidder discussions and be flexible
 - Project: scope, schedule, budget, quality
 - Letter of credit versus performance bond
 - Liquidated Damages
 - Service Level Agreements
 - Time to review deliverables
 - Schedule to complete work

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Procurement Phase

- Understand your approach to the work
 - Solution or staff augmentation?
 - Vendor deploying COTS or doing development?
 - Refinement throughout the project lifecycle
 - Deliverables can change scope (e.g., by narrowing it through requirements definition)
 - Accepted deliverables bring solution into crisper focus than procurement document

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Procurement Phase

- Establish rules of engagement during project
 - Who vendor gets answers from – State needs to clearly articulate who makes the decisions so vendor knows there are clear roles and responsibilities. Without it, increases risk and therefore cost.
 - Include escalation criteria, timeframe, roles and responsibilities, and process once project is initiated.

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Procurement Phase

- Describe for vendor *and* state – for all responsibilities, including those that are not deliverables (e.g., replacement of key personnel)
 - Who is responsible
 - What they are doing
 - Process to follow
 - Criteria to evaluate
 - Timeframe for activities

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Sample Description

- Vendor will submit final deliverable to the State Project Manager in electronic form. State will review against approved DED and provide acceptance or rejection within ten (10) state business days. If acceptable, State will sign and issue DAD to vendor. If unacceptable, State will reject in writing and identify DED criteria that were not met and submit to vendor.

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Procurement Phase

- Requirements Definition
 - One of the weakest aspects of most procurements and projects
 - Ensure technical requirements developed per industry (e.g., IEEE) standards
 - Include all types of requirements: system, project management, application, network
 - Independent Verification and Validation (IV&V) vendor engaged at requirements definition when RFP being prepared will increase success

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Procurement Phase

- Milestones and payments should represent project progress, not process execution
 - Software in production environment, not writing test scripts
- Understand and acknowledge project risks so vendor and State are both aware and can mitigate early on. Reduces risk and yields more realistic schedule.

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Components of a Strong Contract

- Statement of Work (SOW)
 - Each responsibility clearly defines:
 - Who is
 - Doing what
 - By when
 - Using what process
 - Being evaluated by what criteria
 - Identifies deliverable dependencies
 - Includes deliverable acceptance and rejection process

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Components of a Strong Contract

■ Statement of Work

- Can supersede aspects of State's terms and conditions (401IT) if section in 401IT starts with, "Unless otherwise specified in Statement of Work..."
- Unique terms and conditions
 - Tools for the State (e.g., liquidated damages) – do not give them up without evaluating implications
 - Ensure not too onerous on vendor without significant State benefit
 - Make sure your Department will enforce

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Components of a Strong Contract

- Clear exit criteria for each project stage
- Off-ramp should it not work out
- Expectation that likely to amend as team gains greater knowledge (not a bad thing!)
- Pays vendor greater percentage for re-useable deliverables (software) than planning documents (Design Document)

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Attributes of a Contract Manager

- Detail oriented
- Understands and comfortable with metrics
- Comfortable speaking up to those above him/her in chain of command
- Pro-active
- Alert to risks
- 411 before 9-1-1
- Understands it is not personal

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Contract Manager's Role

- Know your contract
 - If scope reduced during procurement and team still wants it – remind them of decision
 - Understand how deliverables can impact contract. Design document can bring scope into clearer focus.
 - Vendor using a tool state needs to buy & be trained on (e.g., HP Quality Center, RTM, JIRA)?
- Be a broken record to your team about what the contract requires
- Understand business need for deliverable
- Manage deliverable evaluation process

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Contract Manager's Role

- Ensure processes are defined, documented, understood, and followed by State and vendor
- Understand terms
 - Hold back versus withhold
 - Performance Bond versus Letter of Credit
 - Liquidated damages – not punitive

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Contract Manager's Role

- Use tools to manage information
 - Deliverables (both payable and non-payable)
 - Due dates (DEDs, status reports, deliverables)
 - Expected payments
 - Expected hold back
 - Actual payments made
 - Quality Metrics (number of days late, number of review cycles, number of times late)
- Greatest indicator of future performance is past performance – review metrics

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Contract Manager's Role

- Ensure appropriate payment at appropriate time
 - Not before deliverable accepted by the State
 - Not six months after deliverable accepted by the State
 - Do not gift public funds

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Contract Manager's Role

- Seek out contract weaknesses
- Be prepared (draft issues and recommendations) to offer suggestions to strengthen contract so that when (not if) amendment is needed you are ready
- Know difference between contract and project
- Your systems integration vendor is not responsible for a successful project – the State is!

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Contract Manager's Role

- Know your strengths and weaknesses
- Keep your tools current
- Know that you support a large team: state and vendor but you work for the State
- Engage your Project Manager
- Own your responsibilities

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Contract Amendments

- Expect amendment – no, plan for it!
- Not a bad thing
- Use as opportunity to shore up weakness
- Know what motivates your vendor. It is not always more money!
 - Successful = more California business
 - Succeed in California = more national business
 - Other California projects the vendor has
 - End of fiscal quarter or year

Contract Amendments

- Engage your General Counsel to guide you, but do not bring to early meetings with vendor. It sets an adversarial tone.
- Understand what the vendor wants/needs.
- Understand what vendor is willing to negotiate.
- Know what State is willing to negotiate
 - Service Levels
 - State review cycle time
 - Elimination of deliverable

Contract Amendments

- Engage your procurement staff early
- Engage Department of Technology early
- Do not poison the water during the amendment process
- If performance issue, assess vendor-state relationship first
 - Want to continue with vendor?
 - Amend, not terminate, to end project
- You have many stakeholders to keep informed.



Contract Closeout

- Ensure all deliverables accepted
- Ensure State has access to all deliverables and electronic project library when vendor gone
- Ensure all documentation (system, training, etc.) has been updated
- Acquire source code in machine-readable format with machine-readable executable code

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Contract Closeout

- Ensure training provided on most recent software version for those maintaining it
- Ensure knowledge transfer provided
- Ensure licenses (including third-party) are in State's name

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What's the Answer?

- Why do we get detailed in procurement and contract documents?

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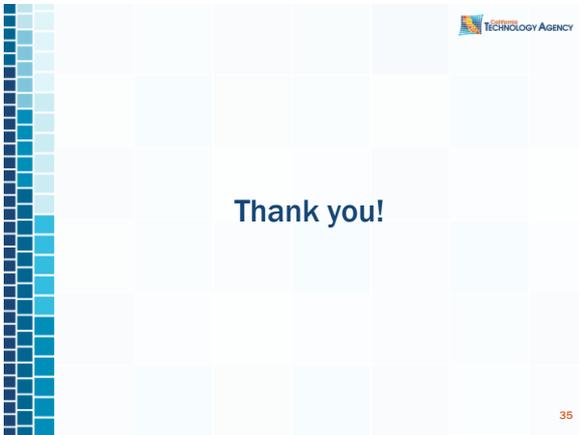
Evaluation Form

5 is highest score
1 is lowest
Comments are helpful

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Thank you!

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