

Chapter 11

Contract Administration

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Chapter 11

Contract Administration

Overview

Introduction Contract administration concentrates on the relationship between the department and the supplier from contract award to contract closeout ensuring the supplier delivers the product and/or service in conformance with the purchase document requirements. The contract administrator must completely understand all aspects of the purchase document. This chapter describes the DGS/PD requirements and recommended practices associated with contract administration activities.

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Topic 1 - Contract Administration Principles

11.1.0 What's in a name? Personnel assigned to perform supplier performance and contract administration activities are often referred to as a “contract manager” or “contract administrator”. This chapter will refer to the person assigned to perform all contract administrative functions as a contract administrator.

11.1.1 Buyers remain involved Although contract administration assignments may be determined by departmental policies and procedures or the magnitude of the contract, it is critical that the buyer remains involved in the post award contract activities, including acting as the department’s contract manager or as a liaison between the contracting parties and DGS/PP as warranted.

11.1.2 Expectations of the contract administrator Regardless of the title used, the person assigned contract administration functions must be made aware of the expectations and requirements of the position. A contract administrator must:

- Have sufficient knowledge of contracting principles as it relates to their responsibilities in administering the contract.
- Communicate with both the buyer and supplier on contractual issues.
- Maintain records or logs to turn over to the procurement office at the completion of the contract.

11.1.3 Establish the fundamentals Once a purchase document has been executed, the contract administration responsibilities should be reviewed with the person assigned to the role. Any additional contract administration activities specific to the transaction should also be reviewed.

11.1.4 Communication is key A key factor in successful contract administration is communication. It is essential for contract administrators to understand the provisions of the purchase document, have the ability to communicate contract obligations to all parties involved, and maintain control over the contract performance.

11.1.5 Post-award orientations Buyers, prior to turning over contract administration functions, determine whether or not a post-award orientation with assigned contract administrators, project managers, and suppliers is warranted to achieve a clear and mutual understanding of all contract requirements and to identify and resolve potential problems prior to any contract performance.

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Topic 1 - Contract Administration Principles, Continued

11.1.6 Post award orientation activities

Post-award orientations should include the following activities:

- Providing a complete copy of the authorized purchase document with all attachments to the involved parties.
 - Identifying the key department and supplier personnel contacts and their responsibilities and authority.
 - Reviewing any internal policies and procedures with all parties.
 - Reviewing any contract reporting requirements with the contract administrator and/or the supplier.
 - Reviewing the contract payment process, including review time and processing time requirements to avoid payment penalties.
 - Reviewing any acceptance criteria and review process as required by the contract.
 - Reviewing the process for requesting an amendment.
 - Reviewing the communication process for resolving disputes or any other contract issue.
 - Reviewing documentation requirements for the purchase document audit files and retention.
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11.1.7 Consider departments' processes

In addition to information contained in the PAM, departments are encouraged to develop contract administration policies and procedures that are unique to their department's business needs or processes.

Topic 2 – The Do’s and Don’ts of Contract Administration

11.2.0 Contract administration do’s

Effective contract administration activities include:

- Notifying the contractor to begin work.
- Monitoring contract activities for compliance with:
 - Work progress to ensure services are performed according to the quality, quantity, objectives, timeframes and manner specified within the contract.
 - SB and DVBE contractors and/or subcontractors to ensure attainment of approved contract participation goals.
 - Review progress reports, status reports, and timesheets as required.
- Approving the final product/services by submitting a written document accepting the deliverables.
- Providing any documentation to the department’s procurement office when contract administrator activities are not assigned to the buyer.
- Monitoring expenditures, ensuring funding availability when contract extends over multiple years.
- Verifying accuracy of invoices and approving invoices for payment.
- Requesting amendments and/or contract renewals in a timely fashion as determined by departmental policies and complexity of the request (often three – six months in advance).
- Verifying all work is completed and accepted by the department prior to the contract expiration date.
- Performing contract close out activities:
 - Completing Contractor Evaluation Report (STD. 4) for consulting services or in accordance with department policies and procedures.
 - Notifying responsible parties when funds can be disencumbered.
- Reporting any contract disputes immediately to the department procurement office.
- Keeping an accurate auditable paper trail of contract administration.

11.2.1 Contract administration don’ts

Contract administrators are not authorized to:

- Instruct the contractor to start work before the contract is fully executed.
 - Change the scope of the contract without doing so through the formal purchase document amendment process.
 - Direct the contractor to perform work that is not specifically described in and funded by the contract.
 - Extend the time period of the contract without execution of an approved amendment.
 - Allow the contractor to incur any additional costs over the limit set by the contract.
 - Sign a contract as the department’s authorized signator unless authorized in writing.
 - Sign any contractor’s contract form.
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Topic 3 - Ethical Decision Making and Contract Administration

11.3.0 Work behaviors and awareness

Staff, other than buyers, that perform contract administration functions, not only need to understand how to administer a contract but are also expected to adhere to and conduct business by maintaining the same ethical standards as if they were a buyer.

11.3.1 Review contract principles

Buyers that are turning over the contract administration functions to a person unfamiliar with the procurement world should review with that person the principles of conduct governing the acquisition process and its impact to the role of the contract administrator.

Contract administrators must:

- Conduct themselves in a professional manner, refraining from mixing outside friendships with business.
 - Accurately account for expenditures and property received.
 - Be aware that perceptions can override reality.
 - Involve the department's procurement and legal resources when questions arise regarding acceptable or unacceptable behavior when dealing with suppliers.
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11.3.2 Ethics review

Buyers and contract administrators are advised to review their department's statement of incompatible activities, SAM section 3504 on ethics and prohibited practices, and refer to [Chapter 2](#) – Procurement Planning, Section A, Topic 2 of this manual.

Additional information on ethics may also be found at www.fppc.ca.gov.

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Topic 4 – Record Retention and Contract Administration

11.4.0 Good record keeping

Departments are responsible for maintaining records in sufficient detail to allow anyone to review documentation and understand how the procurement was requested, conducted, awarded and administered.

Buyers shall provide contract administrators with the necessary instructions to maintain good record keeping activities and ensure the records are turned over to the procurement office at the completion of the contract term. The records maintained by the contract administrator are incorporated into the procurement file and retained for compliance and/or auditing purposes.

11.4.1 Setting up a contract file

Contract administration responsibilities may also include establishing the department's procurement file dependent upon the department policies and procedures as to who performs the contract administration duties.

Consequently, contract administrators should organize documentation according to department procurement processes in addition to DGS/PD recommendations.

DGS/PD recommends creating files by:

- Developing a user-friendly filing system. File by purchase document number or supplier name.
- Establishing a separate hard copy file for each purchase document administered.
- Developing a log sheet for a diary of activities. This may include dates and times of discussion and subject matter discussed.
- Developing spreadsheets for tracking expenditures, invoices and/or timekeeping for the life of the transaction.
- Creating file dividers for:
 - Original purchase document and all amendments
 - Work Authorizations
 - Deliverables
 - Correspondence – acceptance letters, termination notices, etc.
 - Invoices

Note: The above information is specific to post award contract administration. Department purchasing authority transaction files will include all of the above as well as file documentation as referenced in [Chapters 4, 5](#) and [6](#) dependent upon the specific purchasing category.

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Topic 4 – Record Retention and Contract Administration, Continued

11.4.2 Record retention requirement Departments are reminded of the examination and audit requirements as described in GC section 8546.7 and identified in the General Provisions (both non-IT goods and IT goods and services) language requiring transaction documentation to be retained for three (3) years after payment of the last invoice unless a longer period is required in the contract.

11.4.3 Recommended IT and administrative retention periods CalRIM provides recommended retention periods for IT and administrative records that are common to most departments.
Refer to www.pd.dgs.ca.gov/calrim for additional information regarding retention periods
